

Accounts Announcement

1 January – 31 December 2008

The year in brief

- The banking business achieved good results, but the life insurance business suffered from write-downs in the investment portfolio.
- Operating profit was EUR 6.6 million (66.3).
- Net interest income increased by 13.6% to EUR 101.0 million (88.9).
- Liquidity and capital adequacy remains good, and the credit rating is unchanged.
- Market shares increased in all segments; deposits increased by 11%.
- New Group structure and merger with Aktia Non-Life Insurance.
- Negative trends in the financial markets have led to a generally deteriorated economic cycle.
- Stable operating profitability in banking business for 2009

The CEO's comments:

The past year has been a turbulent one. The country's economic outlook went from cautious optimism to deep pessimism. The global share market also reacted strongly to the worsened outlook. Generally speaking, the financial market had a very bad year.

The Aktia Group had much to be pleased about in 2008, even though we too encountered adversity. The banking business achieved healthy results, thanks to improved net interest income, and market shares grew in all the product ranges which are important to us. Our service offering has improved and been diversified as a result of factors such as the merger with Aktia Non-Life Insurance. We have also become better at selling our services and products. Our expanded range provides us with an excellent opportunity to initiate a dialogue with our customers and to offer long-term customer relationships encompassing savings, insurance and housing.

Despite the fact that the life insurance company began the year with an investment portfolio featuring a relatively cautious share allocation, the outcome was dramatically negative and a major disappointment. During the final quarter of the year, Aktia changed its accounting principles. Many of the share portfolio's losses were therefore booked via the Group's operating result. This has resulted in a significant reduction in the Group's operating profit and our ability to pay as high as dividend as in previous years.

The beginning of 2009 has featured continued pessimism and cautiousness on the part of both individuals and companies. This may lead to increased loan losses within the banking system. Aktia's lending is largely household-related, and will therefore probably spare us from excessive loan losses even in a weaker financial situation.

The merger with Aktia Non-Life Insurance gives the Group more than 70,000 new shareholders, and we look forward to offering both our new owners and our customers the full range of Aktia's financial services.

Jussi Laitinen, CEO of the Aktia Group.

Key figures at the end of each reporting period

	Year 2008	Year 2007
Earnings per share, EUR	0.09	0.87
Equity per share, EUR	4.85	5.39
Return on equity (ROE), %	1.8	17.9
Cost-to-income ratio (banking business)	0.65	0.67
Life insurance business cost ratio, %	99.0	110.0
Mutual fund capital, EUR million	1,512	2,013
Borrowing from the public, EUR million	3,098	2,801
Lending to the public, EUR million	5,426	4,574
Risk-weighted commitments, EUR million	3,313	2,875
Capital adequacy ratio, % (banking business)	13.7	15.4
Tier 1 capital ratio, % (banking business)	9.3	10.9
Solvency ratio, % (life insurance business)	8.5	18.1
Capital adequacy ratio, % (conglomerate)	135.2	138.6
Life insurance business:		
- investments at fair value, EUR million	804.6	965.6
- provisions for interest-linked policies, EUR million	627.6	654.3
- provisions for unit-linked policies, EUR million	149.6	200.5
Earnings per share excl. negative goodwill recorded as income, EUR	0.09	0.67
Return on equity (ROE), excl. negative goodwill recorded as goodwill, %	1.8	13.8
Earnings per share excluding negative goodwill recorded as income and including the fund at fair value, EUR	-0.22	0.39
Average number of shares, million *)	60.2	59.8
Number of shares at end of period, million	60.2	60.2
Personnel (FTEs), average number	1,009	940

*) Number of shares adjusted for share issue

Profit

The Group's operating profit for 2008 was EUR 6.6 million (66.3). The banking business achieved satisfactory results, but the life insurance business suffered from write-downs in the investment portfolio.

Operating profit for Retail Banking fell slightly as a result of reduced margins during the first six months and increased costs in relation to new branch offices and investments in an extended service portfolio. Corporate Banking & Treasury achieved improved operating profit through growth in the credit stock and also by exploiting the good liquidity position. Asset management suffered as a result of the situation in the investment market and returned a reduced operating profit, despite improving its market share. The contribution of the life insurance sector to the Group's operating profit was reduced by developments in the investment portfolio. The operating result from associated companies of EUR 0.2 million (0.2) was at the same level as 2007.

Profit for the fiscal period was EUR 5.8 million (52.8).

Income

The Group's total income fell by 27.1% to EUR 202.9 million (278.5). The biggest individual change in income compared with 2007 was investment income from Life Insurance, which was negative due to capital losses and write-downs.

Net interest income increased to EUR 101.0 million (88.9). The derivatives used by Aktia to limit its interest rate risk had an impact on net interest income of EUR -8.3 million (-4.1) during the period.

Net commission income totalled EUR 41.0 million (47.3). Commission income from funds, asset management and brokerage fell in a challenging environment and totalled EUR 22.9 million (30.0). Card and payment services commissions rose to EUR 11.0 million (10.6). Income from real estate brokerage commissions dropped to EUR 7.1 million (7.4). Within commission costs, commissions to savings banks and local co-operative banks for mortgages increased to EUR 3.2 million (2.1) with the increased credit stock.

The life insurance business' income totalled EUR 41.9 million (134.9). Insurance premium income was EUR 91.0 million (99.8). Net income from investments for interest-linked policies decreased to EUR -49.1 million (35.1).

Other operating income totalled EUR 19.0 million (7.3). The majority of the EUR 11.7 million improvement is attributable to capital gains from divestments of the Bank's real estate holdings during the period.

Expenditure

The Group's total expenditure fell by 7.4% to EUR 196.6 million (212.2).

This total expenditure includes claims paid and change in provisions. The biggest change in total expenditure is due to a change in provisions.

Operating expenses for the year were EUR 120.9 million (110.4), representing an increase of 9.5%. The effect of the negative goodwill recorded has been excluded. Expense ratio for life insurance improved to 99.0% (110.0) due to rationalization measures taken during the year.

Staff costs totalled EUR 60.6 million (57.3). Other administration costs amounted to EUR 38.4 million (35.5). The EUR 3.0 million increase in costs is primarily attributable to the cost items of marketing, communications and IT.

Total depreciation and write-downs on tangible and intangible assets increased to EUR 5.7 million (5.1). Of these, depreciation of customer-related intangible assets totalled EUR 1.3 million (1.3) for the period. These related to the acquisition of Aktia Life Insurance.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total increased by 20.0% from 2007 and amounted to EUR 9,540 million (7,953 at 31 December 2007) at the end of the period. The increase in the balance sheet total is primarily due to a growth in the credit stock and an increase in those assets available for sale acting as the bank's liquidity reserve. Borrowing has increased, both from the public and from savings banks and local co-operative banks.

The Group's total lending to the public amounted to EUR 5,426 million at the end of the period (4,574 at 31 December 2007), representing an increase of EUR 852 million (+18.6%). Private households share of the total credit stock amounts to EUR 4,343 million or 80%. 86.5% of loans to private households are secured by housing collateral (in accordance with Basel 2). The Group's lending, excluding mortgage loans sold and capitalized by savings banks and local co-operative banks increased by 15.4%.

Housing loan stock amounted to EUR 4,036 million (3,476 at 31 December 2007), of which mortgages granted by Aktia Real Estate Mortgage Bank plc represented EUR 1,968 million (1,573 at 31 December 2007), which is an increase of 16.1% from 2007. Of the EUR 458 million increase in mortgage loans, EUR 262 million came from loans sold by savings banks and local co-operative banks. Lending to companies grew in line with the corporate customer strategy to EUR 804 million (558 at 31 December 2007). During the latter half of the year, growth has been actively reduced.

Interest-bearing assets available for sale increased to EUR 2,809 million (2,072 at 31 December 2007). These assets mainly consist of the banking business' liquidity reserve and can be used as security for transactions involving binding repurchase terms, known as repo agreements. Aktia has not made use of any of the relaxations in the IFRS rules in the valuation of assets.

Deposits from the public and public sector entities increased by 10.6% from 2007 to a total of EUR 3,098 million. This growth in deposits strengthened Aktia's liquidity in a volatile market.

Outstanding Aktia certificates of deposit amounted to EUR

262 million at the end of the period, which represents a decrease of EUR 118 million during the period. Aktia also issued new debentures and index-linked loans with a total value of EUR 80 million.

Life insurance provisions fell to EUR 777 million (855 at 31 December 2007).

Off-balance sheet commitments decreased by EUR 101 million from the year-end and amounted to EUR 529 million (630 at 31 December 2007). The decrease is mainly due to that credit equivalents for derivatives are not included in off-balance sheet commitments as of 31 December 2008 as their market value is entered in the balance.

The Group's equity amounted to EUR 317 million at the end of the financial period (339 at 31 December 2007). The fund at fair value amounted to EUR -36 million compared to EUR -18 million at 31 December 2007.

Capital adequacy was strengthened by EUR 45 million when Aktia Bank issued a perpetual loan (Upper Tier-2) in November. In addition, Aktia renegotiated the terms and conditions of the shareholder agreement of Aktia Real Estate Mortgage Bank so that the minority interest's share of the Mortgage Bank's equity could also be counted as Group equity in accordance with IFRS rules.

Capital adequacy and solvency

The banking group's capital adequacy amounted to 13.7% compared with 15.4% at the year-end.

The Tier 1 capital ratio was 9.3% (10.9% at 31 December 2007). Despite the effects of the ongoing financial crisis, the new Group structure and the growth of the credit stock over the course of the year, capital adequacy is good, exceeding the capital adequacy target and the requirements of the authorities.

The solvency of the life insurance company was 8.5% (18.1%). The risk level of the investment portfolio has been reduced through substantial reallocations. Aktia is prepared to increase the equity of Aktia Life Insurance by up to EUR 20 million if necessary.

Capital adequacy for the financial and insurance conglomerate amounted to 135.2% (138.6%). The statutory minimum stipulated in the act governing financial and insurance conglomerates is 100%.

Rating

Aktia Bank plc's credit rating by the international credit rating agency Moody's Investors Service was at the best classification, P-1, for short-term borrowing. The credit ratings for long-term borrowing and financial strength were the same, at A1 and C respectively, both of which Aktia Savings Bank plc had before the restructuring.

The subsidiary Aktia Real Estate Mortgage Bank Plc has issued long-term covered bonds with the highest credit rating of Aaa from Moody's Investors Service.

Valuation of financial assets

Value changes reported via the fair value fund

Negative value changes in interest-bearing securities where the issuer has not noted an inability to pay and negative value changes in shares and participations which are not deemed to be long-term or significant are reported in the fund at fair value, which for the Group, taking cash flow hedging into consideration, amounted to EUR -36 million after deferred tax, compared with EUR -18 million at 31 December 2007.

EUR 44 million of the negative development in the fund per 31 December 2008 is attributable to interest-bearing securities and the change in value is mainly due to continued poor liquidity and investors' demands for high returns as a result of the general uncertainty in the money market. The negative value changes in interest-bearing securities are off-set during the maturity of the debt instrument if it is held to maturity, assuming that the issuer does not become unable to pay.

Specification of the fund at fair value

EUR million	31.12.2008	31.12.2007	Change 1-12/2008
Shares and participations			
Banking business	-1.5	5.7	-7.2
Insurance business	-2.9	3.3	-6.2
Direct interest-bearing securities			
Banking business	-26.2	-17.4	-8.8
Insurance business	-18.2	-8.7	-9.5
Cash flow hedging	12.4	-0.9	13.3
Fund at fair value, total	-36.4	-18.0	-18.4

Value changes reported via income statement

Write-downs stood at EUR -39.2 million and are a result of significant or long-term negative value changes in shares and share funds and in interest-bearing securities where the issuer has noted an inability to pay. The limit for significant falls varies between 25% and 45%, depending on the volatility of the shares, while a long-term fall is noted if the share price remains continuously below the acquisition value for 18 months. As at 31 December 2008, write-downs were recorded against the value of investments in shares and participations as above totalling EUR -30.4 million, of which EUR -29.4 million is attributable to the life insurance company's investments. The write-down amount in the life insurance company is significant, despite a conservative investment policy, portfolio diversification and active hedging. The share weighting was reduced significantly during the autumn, standing at approximately EUR 40 million at year-end.

Write-downs of interest-bearing securities totalled EUR -8.8 million, of which EUR -5.4 million is attributable to claims on, and agreements with, the bankrupt Lehman Brothers.

Write-downs of financial assets

EUR million	1-12 2008
Interest-bearing securities	
Banking business	3.6
Life insurance business	5.1
Shares and participations	
Banking business	1.0
Life insurance business	29.4
Total	39.2

Write-downs of loan and guarantee claims

Write-downs based on individual examination of loan and guarantee claims amounted to EUR -1.2 million (-0.8). Reversals of losses from previous years came to EUR 0.5 million (0.6) so that the cost effect on the profit for the period was -0.7 (-0.2). In addition to individual write-downs, group write-downs were made where there were objective reasons to believe there was uncertainty in relation to the repayment of claims in underlying credit portfolios. In connection with the specification of principles for group write-downs to apply in future only to households and small companies, individual write-downs totalling EUR -4.1 million were carried out against six large corporate exposures. Group write-downs for households and small companies at 31 December 2008 stood at EUR 7.4 million, and are based on anticipated losses in relation to the market situation.

Segment overview

During 2008, Aktia reported for five segments. The main business operations are divided into four segments: Retail Banking, Corporate Banking & Treasury, Asset Management and Life Insurance. The segment Miscellaneous includes the Group administration of Aktia plc, certain administrative functions for Aktia Bank plc, the Group's real estate holdings and return on equity.

Retail Banking

Operating profit for Retail Banking was EUR 13.6 million (23.0).

Operating income totalled EUR 97.1 million (95.1). The continued reduction in lending margins has resulted in net interest income remaining at the same level as last year despite an increase in volume and growth in deposits. Retail Banking's net interest income is reference rate neutral, i.e. an increase in interest rate levels does not affect the net interest income. Fixed rate deposits are credited with an internal rate of 3.5%. Aktia's

market share in home loans was 4.2% and the market share for borrowing was 2.9%. Commission income fell by 1.7%. Retail Banking has acquired some 21,000 new customers during the year.

Operating expenses rose to EUR 82.8 million (71.9). The investment in the branch office network and real estate agency operations, focusing particularly on new areas, has contributed towards an increase in operating expenses. A large part of the costs for investments in the branch office network was not recorded until 2008. The continued development of the business operations through investments in IT also contributed towards increased costs.

The mortgage brokerage business achieved total growth of 28.3% from the beginning of the year. Excluding mortgage loans brokered by other savings banks and local co-operative banks, Aktia increased lending to households by 10.0% during the period to EUR 3,353 million (3,048 at 31 December 2007). Mortgage loans brokered by Aktia's branch offices rose to EUR 1,069 million (873 at 31 December 2007).

The outflow from share funds and mixed funds during the period was compensated for by an increase in alternative forms of saving, such as time deposits and life insurance policies. Total savings by households was EUR 2,907 million (3,152 at 31 December 2007), of which household deposits were EUR 2,359 million (2,156 at 31 December 2007) and savings by households in mutual funds stood at EUR 548 million (997 at 31 December 2007).

The turnover of the real estate agency business dropped by 4.5% to EUR 7.1 million. The operations did not reach last year's profitability level.

During the year the number of Internet banking agreements increased by 11.9% to 107,135.

Corporate Banking & Treasury

Operating profit for Corporate Banking & Treasury amounted to EUR 17.6 million (11.3). Corporate Banking & Treasury showed an increase in profit compared with the previous year.

Operating income totalled EUR 29.6 million (23.2). Operating expense increased by EUR 0.2 million to EUR 12.1 million (11.9).

Corporate Banking's proportion of earnings from general customers who use a wide range of services has increased significantly. Aktia Corporate Finance has grown by serving Aktia's and the savings banks' and local co-operative banks' customers.

Throughout 2008, a more restrictive credit policy has applied to Corporate Banking in consideration of the situation in the financial market.

ACH Finland Abp was founded and the company applied for concession in 2008. The company, which was founded in cooperation with the local banks and other partners, has the goal of ensuring competitive clearing and settlement services for payment traffic within the SEPA region. Aktia's shares amount to 25.8% of the ownership and Aktia has made an agreement on providing services for ACH Finland. ACH Finland will begin operations on 1 March 2009.

Treasury was able to improve net interest income despite the

profit for the period being negatively affected by costs from hedging the bank's interest rate risk to the amount of EUR -8.3 million (-4.1). A good liquidity position enabled refinancing to take place on favourable terms. In a challenging market, the liquidity reserve showed a return before changes in value and write-downs of 4.7%, or 4.1% taking changes in value and write-downs into account. The average size of the liquidity reserve was EUR 2.0 billion, with a market value at 31 December 2008 of EUR 2.3 billion.

Aktia Real Estate Mortgage Bank plc showed continued growth. The total credit stock was EUR 2,072 million, an increase of 28.3% from 2007. The savings banks and local co-operative banks represented EUR 1,003 million of the mortgages brokered. Of the EUR 458 million growth in credit stock, 42.8% was brokered by Aktia.

In August, Aktia Real Estate Mortgage Bank plc issued a covered bond worth EUR 250 million with housing loans as collateral. The loan has a floating interest rate and a two year maturity.

Asset Management

Operating profit for Aktia's asset management business fell to EUR 3.2 million (6.7). The market was extremely tough, particularly during the autumn. Aktia coped relatively well in this tough market, and succeeded in strengthening its market position. The competitiveness of the asset management segment was boosted, particularly in terms of institutional investors, when Aktia acquired Kaupthing's Finnish asset management business in December. This acquisition strengthens Aktia's service portfolio, representing expertise which has been very much appreciated by institutional investors in Finland. The acquired unit having 16 employees was consolidated into the Aktia Group with effect from 1 December 2008 and is now operating under the name Aktia Invest.

Operating income, i.e. income after reversals to the Group's other units and business partners, was EUR 12.5 million (16.2). The business environment was very challenging for the whole of the period. Operating expenses fell by EUR 0.3 million to EUR 9.3 million, of which staff costs constituted EUR 4.8 million.

The volume of funds managed and brokered by Aktia was EUR 1,512 million (2,013 at 31 December 2007). Aktia's market share was 3.7% (3.0%) at the end of the period. The assets managed by Aktia, consisting of Asset Management and Aktia Invest (acquisition of Kaupthing), increased by 23.2% and totalled EUR 4,538 million (3,684 at 31 December 2007). Private Banking's customer assets totalled EUR 738 million (1,181 at 31 December 2007). The number of customers in Private Banking increased by approximately 16% over the course of the year.

Life Insurance

The contribution of the life insurance business to the Group's operating profit was EUR -47.7 million (5.3).

Despite the significant difference between the profit for the year and the profit for the previous year, the segment's operating profitability was at the same level as during the previous year. The segment's operating result for both years include substantial items complicating comparison. Such items include write-downs of the investment portfolio, sales profits from real estate holding divestments and changes in the discount rate for the interest-based provisions.

Premium income was EUR 91.0 million (99.8). Premium income rose for risk insurance, pension insurance and savings insurance. Premium income for investment insurance showed good volumes during the first six months, but sales slowed particularly for large one-off investments during the second half of the year as a result of the unfavourable market conditions. The company was able to increase its market share for unit-linked insurance policies to 4.3% (3.2%).

Insurance benefits totalled EUR 86.7 million (64.5). The increased payments of insurance benefits resulted primarily from an increase in policy surrenders and increased pension and life insurance payments. There was also an increase in sickness benefits. The loss ratio for risk insurance was unchanged at 81%.

Operating expenses totalled EUR 13.4 million (15.1). The life insurance segment succeeded in its efforts to improve its cost-effectiveness. The cost ratio came down by 11.0 percentage points to 99.0% (110.0%). The savings achieved by reorganising distribution and the conscious drive towards reduced administration costs are the main reasons for this improved efficiency. In order to improve operational efficiency, the company decided to withdraw from Joensuu, Jyväskylä and Pori, which are not part of the Aktia Group's strategic market. These offices were closed in December.

The year was dominated by a turbulent investment market. The return on the company's investments based on fair value was -9.5% (6.2%).

Provisions totalled EUR 777.2 million (854.8 at 31 December 2007), of which unit-linked insurance policies represented EUR 149.6 million (200.5 at 31 December 2007). Interest-based provisions totalled EUR 627.6 million (654.3). The discount rate for certain elements of these provisions was increased, resulting in an average discount rate for all interest-bearing provisions of 3.2%. This increase cut provisions by EUR 20.2 million. EUR 0.8 million of provisions for payments to customers in the future were dissolved, leaving EUR 3.7 million (4.5) at the end of the year.

The company's solvency stood at 8.5% at the year-end, compared with 18.1% the year before. As a result of the weakened solvency situation, the company's Board of Directors decided only to make payments to pension insurance customers for those policies with entitlement to additional benefits.

Miscellaneous

Operating profit for the segment Miscellaneous improved from EUR 10.4 million to EUR 20.3 million. The segment Miscellaneous includes the Group's real estate holdings. Investments in, or ownership of, real estate property is not part of Aktia's core business. In accordance with this strategy, most of the real

estate holdings have been sold and the remainder of the real estate holdings has been reclassified as fixed assets held for sales.

By means of its share transfer agreement, and in accordance with the May 2008 fund agreement, Aktia transferred its shareholding in relation to the real estate companies Mannerheimvägen 14, Silvertärnan and Mercator to Fastighetskapitalfonden Forum Fastighets Kb. The other shareholders in the Forum block also transferred their real estate holdings to the fund. The transfer was carried out on 1 October 2008. For Aktia, this means a capital gain amounting to more than EUR 6 million. Aktia disposed of its share in the fund in December.

Aktia Non-Life Insurance

The merger with Veritas Non-Life Insurance was completed in 1 January 2009 in accordance with the merger plan approved by the Extraordinary General Meeting in June 2008. From 1 January 2009 onwards, the merged non-life insurance business will be operated by the 100% Aktia plc-owned subsidiary Aktia Non-Life Insurance Ab.

Aktia Non-Life Insurance has been insuring private customers and companies since 1925, and currently has approximately 90,000 customers. The customer segment mainly consists of private households, entrepreneurs and small and medium-sized companies. Aktia Non-Life Insurance has its largest market share in bilingual coastal regions.

In 2008 and in previous years, Aktia Non-Life Insurance has prepared its financial statements in accordance with Finnish accounting principles (FAS). The effects of the company's transition to IFRS accounting principles and the IFRS opening balance as at 1 January 2009 will be notified during the first quarter.

The result for the financial year (FAS) for 2008 was negative, EUR -6.8 million (4.1), primarily as a result of investment value trends and significant write-downs on shares and other share-related instruments. Income from premiums in 2008 was EUR 63.6 million (62.6), while claims expenditure was EUR 50.8 million (45.5). The company's total cost ratio weakened from 98% to 111%, partly due to a change in the accounting principles in 2007. A comparable total cost percentage would be 102%. The risk coverage capacity fell from 136% to 105%. The balance sheet total for 2008 was EUR 146.1 million (149.8).

Segment changes from 1 January 2009

The segments will be divided up so that business areas with similar business operations will be included in the same segment. The current Retail Banking and Corporate Banking & Treasury segments will therefore be combined to form the Banking Business segment. From 1 January 2009 onwards, Aktia Non-Life Insurance is also part of the Group, and the new segment reporting will be published for the first time in the 1 January–31 March 2009 interim report.

The reporting segments from 1 January 2009 onwards are:

- 1 Banking Business
- 2 Asset Management
- 3 Life Insurance
- 4 Non-Life Insurance
- 5 Miscellaneous

Comparative figures for 2008 relating to the new segmentation will be published in advance of the 1 January–31 March 2009 interim report.

The Group's risk management

Risk items

The banking business includes Retail Banking (including financing company operations), Corporate Banking & Treasury and Asset Management. Life insurance operations are carried out by the Veritas Life Insurance Group (Aktia Life Insurance from 1 January 2009 onwards).

Lending-related risks within banking

There have been no significant changes to the composition of the credit portfolio during 2008. The share of household loans decreased slightly to 80.0% (82.7%) of the total credit stock. Housing loans accounted for 74.4% (76.0%) of the total credit stock. 86.5% of these loans have adequate security (according to Basel 2). Mortgage lending totalled EUR 2,072 million at the end of the year (1,614 at 31 December 2007), of which EUR 1,003 million was brokered by savings banks and local co-operative banks.

In line with the corporate customer strategy, the share of corporate financing increased to 14.4% (12.0%). Aktia does not intend to keep increasing the corporate financing share of lending. Lending to the public secured by collateral objects or unsecured within the framework of the financing companies Aktia Corporate Finance and Aktia Card & Finance totalled EUR 54.2 million, representing 1% of total lending.

The credit stock's sectoral distribution

EUR million	31.12.2008	31.12.2007	Change	%
Corporate	804	558	246	14.8 %
Housing associations	220	185	35	4.1 %
Public sector entities	12	10	2	0.2 %
Non-profit organisations	47	38	9	0.9 %
Households	4,343	3,782	561	80.0 %
Total	5,426	4,574	853	100.0 %

Loans with payments 1-30 days overdue rose during the year from 3.2% to 3.4% of the credit stock, including off-balance sheet bank guarantee commitments. Loans with payments 31-89 days overdue rose from 0.60% to 0.88%, totalling approximately EUR 48 million. Non-performing loans more than 90 days overdue, including those in for debt collection, totalled approximately EUR 26 million, corresponding to 0.48% (0.38% at 31 December 2007) of the entire credit stock plus bank guarantees.

Undischarged debts by time overdue

Days	31.12.2008 EUR million	% of stock	31.12.2007 EUR million	% of stock
1-30	186.6	3.44	145.5	3.18
31-89	47.8	0.88	27.6	0.60
90-	26.2	0.48	17.8	0.38

Financing and liquidity risks

Within the banking business, financing and liquidity risks are defined as the availability of refinancing plus the differences in maturity between assets and liabilities. The financing and liquidity risks are dealt with at legal company level, and there is no financing connection between the banking group and the life insurance company. The aim within the banking group is to cover one year's worth of refinancing needs with existing liquidity (liquid assets plus investments which fall due). Despite considerable uncertainty in the financial markets, the liquidity status is good and this aim was achieved.

Within the life insurance business, liquidity risks are defined as the availability of financing for paying out claims, savings sums and surrenders, and pensions. The need for liquidity is satisfied mainly through the inward flow of cash and a portfolio of investment certificates which has been adapted in line with varying needs, while any unforeseen significant need for liquidity is taken care of through the liquid portfolio of bonds and shares.

Counterparty risks

Within Group treasury's liquidity management operations

At the end of the year, the banking business' liquidity portfolio – which is managed by Group treasury – stood at EUR 2,290.4 million (1,656.0). Counterparty risks arising in relation to liquidity management operations and entry into derivative contracts are managed through the requirement for high-level external ratings (minimum A3 rating from Moody's or equivalent) and the conservative allocation and active selection of investment assets and by rules concerning the maximal exposure for each counterparty and asset category.

Of the financial assets available for sale, 49% (57% at 31 December 2007) were investments in covered bonds, 45% (38% at 31 December 2007) were investments in banks, 3% (0) were investments in state guaranteed covered bonds and around 3% (5% at 31 December 2007) were investments in public sector entities and companies. Of the financial assets, 0.9% did not meet the internal rating requirements, while six securities with a total market value of EUR 25 million were no longer eligible

for refinancing with the central bank.

Losses realised over the course of the year as a result of counter parties' reduced creditworthiness totalled EUR -3.6 million.

Rating distribution of banking business

	31.12.2008	31.12.2007
Aaa	49.4 %	50.5 %
Aa1-Aa3	42.3 %	42.6 %
A1-A3	4.9 %	4.9 %
Baa1-Baa3	0.9 %	0.7 %
Ba1-Ba3	0.0 %	0.0 %
B1-B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
No rating	2.5 %	1.4 %
Total	100.0 %	100.0 %

Counterparty risks in the life insurance business

The direct interest investments in the life insurance company's investments rose as a result of reallocation (mainly shares and real estate), totalling EUR 449 (352) million at the year-end. Counterparty risks arising in connection with the life insurance company's investments are managed by the requirement for at least "Investment grade" external rating (rating class Baa3 from Moody's or equivalent) and by rules concerning the maximal exposure for each counterparty and asset category.

Particularly during the latter part of the year, there was significant reallocation primarily from share investments to direct interest rate investments, mainly within the public sector. At the end of the year, 48% (18% at 31 December 2007) of these direct interest rate investments were claims on public sector entities, 20% (34% at 31 December 2007) were claims on companies and 32% (48% at 31 December 2007) were claims on banks and covered bonds.

1.0% of the direct interest rate investments did not meet the internal rating requirements at the year-end.

Losses realised over the course of the year as a result of counter parties' reduced creditworthiness totalled EUR -5.1 million.

Rating distribution for life insurance business

	31.12.2008	31.12.2007
Aaa	53.7 %	26.7 %
Aa1-Aa3	17.3 %	29.4 %
A1-A3	14.8 %	25.1 %
Baa1-Baa3	5.7 %	10.2 %
Ba1-Baa3	0.8 %	0.3 %
B1-B3	0.2 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
No rating	7.6 %	8.3 %
Total	100.0 %	100.0 %

The Group has a counterpart whose total exposure exceeds 10% of the financial conglomerate's equity calculated in compliance with the official directives.

Market risks

Both the financial assets within the banking business and the investment assets within the life insurance business are invested in securities with access to market prices on an active market, and are valued in accordance with official quoted prices. In accordance with the accounting principles for financial assets defined during the last quarter in relation to shares and share funds, significant or long-term negative differences between acquisition value and market value are reported under income, while price fluctuations are reported under the fair value reserve after the deduction of deferred tax.

Market value and structural interest rate risk within the banking business

Market value interest rate risk refers to changes in value as a result of interest rate fluctuations in financial assets available for sale. The net change in the fair value fund relating to market value interest rate risk posted during the period totalled EUR -8.8 million after the deduction of deferred tax. With an interest rate increase of one percentage point for financial assets available for sale, the net change of the fund at fair value at 31 December 2008 would be EUR -27.2 million (-23 at 31 December 2007) after the deduction of deferred tax.

Structural interest rate risk arises as a result of an imbalance between interest rate ties and the re-pricing of assets and liabilities, and affects net interest income. To reduce the volatility in the net interest income, structural interest rate risk is primarily contained through the use of hedging derivative instruments.

An upward parallel shift in the interest rate curve of one percentage point would reduce the net interest income of the banking business for the next 12 months by -5.4% (-4.3% at 31 December 2007), where the target for structural interest rate risk management is a maximum of -6%. For the next 12-24 months, the net interest income of the banking business would reduce by -6% (0.0% at 31 December 2007), where the target for structural interest rate risk management is a maximum of -8%.

A downward parallel shift in the interest rate curve of one percentage point would increase the net interest income of the banking business for the next 12 months by +6.3% (+4.4% at 31 December 2007), where the target for structural interest rate risk management is a maximum of -6%. For the next 12-24 months, the net interest income of the banking business would increase by +7.9% (-1.7% at 31 December 2007), where the target for structural interest rate risk management is a maximum of -8%.

Other market risks within the banking business and the parent company

No equity trading or investments in, or ownership of, real estate property is carried out in the banking business, including the parent company. The divestment of the real estate portfolio continued according to plan, with real estate holdings standing at EUR 4.6 million at year-end. The necessary or strategic investments in shares and funds of the business totalled around EUR 21.9 million. The net change in the fair value fund relat-

ing to other share investments and funds investments during the period totalled EUR -7.2 million after the deduction of deferred tax, while write-downs for long-term or significant falls in shares and participations totalled EUR -1 million.

Investment risks in the life insurance business

The policyholder bears the investment risk of 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 investment portfolio covering the technical provisions is measured on an ongoing basis at fair value. Temporary price fluctuations are reported under the fair value reserve, while significant or long-term value changes are reported under income. During the reporting period, write-downs affecting profit attributable to shares and participations totalling EUR -29.4 million were posted, while the net change in the fair value fund after acquisition eliminations posted during the period totalled EUR 6.2 million after the deduction of deferred tax.

The risks of the investment portfolio, such as credit risks, interest rate risks, currency risks, share risks and real estate risks, are measured and contained using a VaR (Value at Risk) model, assuming maximum loss for 12 months and applying a probability level of 97.5%.

Allocation of holdings in the life insurance company's investment portfolio

EUR million	31.12.2008	31.12.2008	31.12.2007
Shares	37.8	5.5 %	20.6 %
Bonds - total	480.6	69.4 %	51.4 %
Money market	85.3	12.3 %	9.0 %
Real estate	42.8	6.2 %	9.9 %
Other	46.1	6.6 %	9.2 %

Operational risks

Operational risks refer to loss risks arising as a result of unclear or incomplete instructions, activities carried out contrary to instructions, unreliable information, deficient systems or actions taken by staff members. If an operational risk is realised, this can result in direct or indirect financial losses or tarnish the corporate image to the extent that the bank's credibility in the market place suffers. No significant incidents were registered during the year.

Personnel

When converted into full-time employees, the number employed by the Group increased by 69 to 1,052 (983) at the end of the reporting period. The average number of full-time employees during the year was 1,009 (940).

Personnel fund and management's incentive programme for 2008

No profit-sharing will be realised for Aktia's personnel fund for 2008. The CEO and other members of the Group's Executive Committee are also members of the Group's personnel fund.

A bonus system has been created for the CEO and other members of the Group's Executive Committee, which is based partly on results and partly on the performance of the fund at fair value and which may provide a maximum annual bonus of three months' salary. Based on the income for the year, no bonuses will be paid to the Executive Committee.

In 2008, the Executive Committee is also included in a share-based incentive scheme that offers the members of the Executive Committee the opportunity to subscribe for a maximum of 24,980 shares. The outcome of these is dependent on separate targets whose performance conditions have been decided on by the Board of Directors. The share-based incentive scheme increased staff costs by EUR 0.1 million during the period.

New Group structure

The transfer of business that was approved by the AGM of Aktia Savings Bank plc on 5 June 2008 was implemented on 30 September 2008. The transfer involved transferring the banking business of Aktia Savings Bank plc to Aktia Bank plc, which was simultaneously converted into a public limited liability company.

Aktia Savings Bank plc, which owns 100 per cent of the shares in Aktia Bank plc, ceased to conduct banking operations and has continued as a parent company in the Aktia Group under the name Aktia plc.

The members of the Board of Directors for Aktia Bank plc are Kaj-Gustaf Bergh (Chairman), Dag Wallgren (Vice Chairman), Hans Franz, Lars-Olof Hammarén, Lars-Erik Kvist, Kjell Sundström, Marina Vahtola and Nina Wilkman, all of whom will also continue as the Board members of Aktia plc. Jussi Laitinen is the CEO of Aktia Bank plc and Jarl Sved will act as his deputy. Both will also continue to hold the same positions in Aktia plc.

Share capital and ownership

At the end of the reporting period, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 80,248,836, divided into 40,124,418 A shares and 20,050,850 R shares. The number of shareholders at the end of the financial period was 659.

The Annual General Meeting's decision on changes in Aktia Savings Bank plc's Articles of Association and the creation of a new share series, series R, were registered in the Trade Register on 7 April 2008. The issue of R shares was carried out as a payment-free issue aimed at the bank's shareholders at the time. The issue contained a maximum of 20,050,968 R shares so that one new R share was received for every two old shares (series

A). Every R share entitles the holder to 20 votes. The issue was carried out without increasing the bank's share capital.

At an Extraordinary General Meeting of 21 December 2006, the Board of Directors was authorised to issue a maximum of 1,000,000 shares. The Board used this authorisation to issue 39,021 shares in 2007 and 22,482 shares in 2008.

Aktia's Board of Directors decided on 30 April 2008, supported by the authorisations given by the bank's AGM on 21 December 2006 regarding the establishment of share-based incentives for the Group's key personnel, on a directed share issue to named persons in the bank's senior executive management. As a result of the issue, 22,482 new A shares were issued at a subscription price of EUR 8.67 per share. The shares were registered on 27 June 2008. The total number of A shares increased to 40,124,418 and the bank's share capital grew by EUR 44,964 to EUR 80,248,836.

Aktia Abp has learnt that the shareholders' agreement between savings bank foundations and other institutions with a combined holding of more than two thirds of Aktia plc's shares and votes has been re-worded so that the agreed pre-emptive rights are attributable solely to R shares and to subscription rights which bring entitlement to such shares.

Parties to the agreement:

Tammisaari Aktia Foundation
Pietarsaari District Aktia Foundation
Kokkola District Aktia Foundation
Kemiönsaari Aktia Foundation
Mustasaari Aktia Foundation
Keski-Uusimaa Aktia Foundation
Sulva-Sundom Aktia Foundation
Vallgrund Aktia Foundation
Vaasa Aktia Foundation
Porvoo Savings Bank Foundation
Bromarvi Savings Bank Foundation
Espoo-Kauniainen Savings Bank Foundation
Hanko Savings Bank Foundation
Helsinki Savings Bank Foundation
Inkoo Savings Bank Foundation
Karkaa-Pohja Savings Bank Foundation
Kirkkonummi Savings Bank Foundation
Maalahti Aktia Savings Bank Foundation

Oravainen Savings Bank Foundation
Petolahti Savings Bank Foundation
Pirttikylä Aktia Savings Bank Foundation
Sipoo Savings Bank Foundation
Siuntio Savings Bank Foundation
Tenhola Savings Bank Foundation
Vantaa Savings Bank Foundation
Turunmaa Savings Bank Foundation
Itä-Uusimaa Savings Bank Foundation
Livränteanstalten Hereditas
Svenska Litteratursällskapet i Finland rf
Åbo Akademi Foundation
Föreningen Konstsamfundet rf
Ab Kelonia Oy
Svenska folkskolans vänner rf
Wintros Oy Ab
Samfundet Folkhälsan i svenska Finland rf
Kolster Oy Ab

Details of this agreement have been previously published, including on 19 December 1996 – see <http://www.aktia.com/fil/konsernitieto/corporategovernance-osakassopimus.shtm>

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

At its meeting held on 8 December 2008, the Board of Supervisors of Aktia plc re-elected the current Board in its entirety for 2009. In addition, Marcus H. Borgström was elected as a new Board member. Kaj-Gustaf Bergh will continue as Chairman and Dag Wallgren as Vice Chairman of the Board of Directors.

The composition of Aktia's Board of Directors for the term of office 1 January–31 December 2009 is:

Chairman Kaj-Gustaf Bergh, L.L.M. and M.Sc. (Econ)

Vice Chairman Dag Wallgren, M.Sc. (Econ)

Marcus H. Borgström, M.Sc. (Agriculture and Forestry), Honorary Councillor

Hans Frantz, M.Sc. (Pol)

Lars-Olof Hammarén, B.Sc. (Tech)

Lars-Erik Kvist, M.Sc. (Econ)

Kjell Sundström, M.Sc. (Econ)

Marina Vahtola, M.Sc. (Econ)

Nina Wilkman, LL.M, Attorney-at-Law

Aktia's Board of Directors appointed Jussi Laitinen, M.Sc. (Econ), as new Managing Director 13 January 2008. He acceded the position 4 April 2008 and Mikael Ingberg continued as Managing Director until then. Since 19 August 2008, Aktia's Deputy CEO Stefan Björkman has acted as CFO of the Aktia Group. He was also head of the Corporate Banking & Treasury segment up until 31 December 2008.

Important events after the reporting period

Veritas Mutual Non-Life Insurance Company has been merged with Aktia plc in accordance with the merger plan approved by both company's Annual General Meetings and registered in the Trade Register on 1 January 2009. At the same time, the name of the non-life insurance company was changed to Aktia Non-Life Insurance Ab. In connection with this, 6,800,000 new A shares in Aktia plc were registered, and the company's share capital was thus increased by EUR 13,600,000. The total number of A shares in Aktia plc therefore rose to 46,924,418, increasing the company's total share capital to EUR 93,848,836. The final number of shares issued as compensation for the merger may be less as a result of uncertain shareholding in Veritas Mutual Non-Life Insurance Company.

In accordance with the merger plan, the new shares issued as compensation for the merger will be registered to the shareholders' book-entry accounts as soon as practically possible and probably during the first quarter of 2009.

Aktia Non-Life Insurance's Managing Director Anders Nordman was appointed as a member of Aktia plc's Executive Committee on 1 January 2009 with responsibility for Aktia Bank's Corporate Banking and Aktia Non-Life Insurance. Aktia Non-Life Insurance Ab owned a total of 536,287 shares in Aktia at the time of the merger. Thus the Group has a 0.9% ownership of own shares at present.

Aktia Bank plc intends to sell its entire shareholding in Aktia Life Insurance to the Group parent company Aktia plc during the first quarter of 2009.

The real estate agencies and insurance distribution have started cost-saving programs.

Outlook and the risks that may affect it

The Group's operating profitability during 2009 is expected to remain at a stable level, unless the risk of loan losses and risks in connection with individual investments are increased.

A sustained good credit rating and the strengthened capital base are expected to enable moderate growth and refinancing even in the current market situation. Decisions may be considered on any use of state refinancing guarantees on commercial grounds.

The importance of cost effectiveness will further increase in the current economic and competitive situation.

An escalation of the financial unrest could lead to permanent drops of value in individual investments that are currently deemed to be of good quality. This would have a negative effect on the Group's result. In addition, a requirement for higher returns among investors may lead to a general price decrease in financial assets, which would have a negative effect on Aktia's capital adequacy.

The merger with Aktia Non-Life Insurance does not cause substantial non-recurring items with an effect on the financial result.

The Board's dividend proposal

Distributable equity in the parent company, Aktia plc, stands at EUR 136,964,210.98, of which profit for the reporting period is EUR 22,600,427.21. The total number of dividend-entitled shares is 66,975,268, also including the new shares issued as compensation for the merger with non-life insurance.

The Board of Directors proposes to the Annual General Meeting of the shareholders of Aktia plc that EUR 0.15 per share be distributed to shareholders, or a total of EUR 10,046,290.20. The record date for the dividends will be 2 April, and the dividends are proposed to be paid out on 9 April 2008.

Key figures at the end of each reporting period

	1-12 2008	1-9 2008	1-6 2008	1-3 2008	1-12 2007
Earnings/share, EUR	0.09	0.47	0.37	0.17	0.87
Equity per share, EUR	4.85	4.28	4.55	5.26	5.39
Return on equity (ROE), %	1.8	12.5	14.6	12.7	17.9
Cost-to-income ratio (banking business)	0.65	0.66	0.69	0.70	0.67
Life insurance business cost ratio, %	99.0	99.1	104.1	97.7	110.0
Mutual fund capital, EUR million	1,512	1,709	1,858	1,884	2,013
Borrowing from the public, EUR million	3,098	3,072	3,069	2,908	2,801
Lending to the public, EUR million	5,426	5,287	5,082	4,797	4,574
Risk-weighted commitments, EUR million	3,313	3,247	3,229	3,052	2,875
Capital adequacy ratio, % (banking business)	13.7	12.0	12.8	14.2	15.4
Tier 1 capital ratio, % (banking business)	9.3	9.9	10.1	10.5	10.9
Solvency ratio, % (life insurance business)	8.5	8.4	12.5	14.6	18.1
Capital adequacy ratio, % (conglomerate)	135.2	113.8	115.1	129.3	138.6
Life insurance business:					
- investments at fair value, EUR million	804.6	879.0	921.8	941.3	965.6
- provisions for interest-linked policies, EUR million	627.6	654.9	655.8	653.2	654.3
- provisions for unit-linked policies, EUR million	149.6	171.9	191.7	189.2	200.5
Earnings per share excl. negative goodwill recorded as income, EUR	0.09	0.47	0.37	0.17	0.67
Return on equity (ROE), excl. negative goodwill recorded as goodwill, %	1.8	12.5	14.6	12.7	13.8
Earnings per share excluding negative goodwill recorded as income and including the fund at fair value, EUR	-0.22	-0.79	-0.54	-0.14	0.39
Average number of shares, million *)	60.2	60.2	60.2	60.2	59.8
Number of shares at end of period, million	60.2	60.2	60.2	60.2	60.2
Personnel (FTEs), average number	1,009	993	972	956	940

*) Number of shares adjusted for share issue

Basis of calculation for key figures

Profit/share, EUR

$\frac{\text{Profit for the year after taxes attributable to the shareholders of Aktia plc}}{\text{Average number of shares over the period (adjusted for share issue)}}$

Equity per share, EUR

$\frac{\text{Equity attributable to the shareholders of Aktia plc}}{\text{Number of shares at the end of the period}}$

Return on equity (ROE), %

$\frac{\text{Profit for the period – taxes (on annual basis)}}{\text{Average equity}} \times 100$

Cost/income ratio, C/I figure (banking business)

$\frac{\text{Total operating expenses}}{\text{Total operating income}}$

Life insurance group's expense ratio, %

$\frac{(\text{Operating costs} + \text{cost of claims paid})}{\text{Total expense loadings}} \times 100$

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 business)

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 business)

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

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

Tier 1 capital ratio % (banking business)

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

Solvency ratio, % (life insurance business)

$\frac{\text{Solvency capital}}{\text{Technical provision – 75% of provisions for unit-linked insurance}} \times 100$

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

Capital adequacy ratio, % (financial conglomerate)

$\frac{\text{The total capital base of the conglomerate (equity including sector-specific assets and deductions)}}{\text{Minimum requirement for the conglomerate's own assets (credit institution + insurance business)}} \times 100$

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

Group's financial statements

Consolidated income statement

EUR million	1-12 2008	1-12 2007	Change %
Net interest income	101.0	88.9	13.6
Dividends	1.4	1.5	-9.5
Commission income	50.8	57.2	-11.1
Commission expenses	-9.8	-9.8	-0.6
Net commission income	41.0	47.3	-13.3
Insurance premium income	91.0	99.8	-8.8
Net income from investment, interest-linked policies	-49.1	35.1	-239.8
Income from life insurance business	41.9	134.9	-68.9
Net income from financial transactions	-3.4	2.3	-248.8
Net income from investment properties	6.0	0.5	N/A
Other operating income	15.0	3.1	387.8
Total operating income	202.9	278.5	-27.1
Insurance claims paid	-86.7	-64.5	34.5
Change in provision, interest-linked policies	26.7	-20.2	-232.6
Change in provision, unit-linked policies	-15.7	-29.2	-46.3
Claims paid and net change in provision for insurance business	-75.7	-113.9	-33.5
Staff costs	-60.6	-57.3	5.7
Other administrative expenses	-38.4	-35.5	8.2
Negative goodwill recorded as income	-	12.1	N/A
Depreciation of tangible and intangible assets	-5.7	-5.1	10.9
Other operating expenses	-16.2	-12.5	29.9
Total operating expenses	-196.6	-212.2	-7.4
Reversed impairments on tangible and intangible assets	0.7	-	N/A
Write-downs of credits and other commitments	-0.7	-0.2	224.5
Share of profit from associated companies	0.2	0.2	17.7
Operating profit	6.6	66.3	-90.0
Taxes	-0.8	-13.4	-94.0
Profit for the period	5.8	52.8	-89.0
Attributable to:			
Shareholders in Aktia plc	5.2	52.0	-90.0
Minority interest	0.6	0.9	-30.2
Total	5.8	52.8	-89.0
Earnings per share, EUR	0.09	0.87	-89.7
Diluted earnings per share, EUR	0.09	0.87	-89.7

Consolidated balance sheet

EUR million	31.12.2008	31.12.2007	Change %
Assets			
Cash and balances with central banks	506.3	235.3	115.2
Financial assets valued through income statement	19.5	-	
Interest-bearing securities	2,808.5	2,072.2	35.5
Shares and participations	228.9	406.5	-43.7
Financial assets available for sale	3,037.3	2,478.7	22.5
Lending to credit institutions	100.5	183.3	-45.1
Lending to the public and public sector entities	5,425.7	4,573.7	18.6
Loans and other receivables	5,526.2	4,757.0	16.2
Financial assets held until maturity	35.9	45.8	-21.7
Derivative instruments	137.0	35.6	284.4
Investments for unit-linked provisions	148.1	203.1	-27.1
Intangible assets	10.4	7.4	40.1
Tangible assets	9.8	111.2	-91.2
Investments in associated undertakings	4.5	3.6	26.5
Total accrued income and advance payments	79.1	52.2	51.6
Other assets	7.2	13.2	-45.7
Total other assets	86.3	65.4	31.9
Income tax receivables	2.4	3.7	-36.1
Deferred tax receivables	15.6	5.9	166.3
Tax receivables	18.0	9.6	87.5
Financial assets classified as held for sale	0.8	-	
Total assets	9,540.1	7,952.8	20.0
Liabilities			
Financial liabilities valued at fair value through income statement	4.6	-	
Liabilities to credit institutions	1,916.9	928.6	106.4
Liabilities to the public and public sector entities	3,098.3	2,801.4	10.6
Deposits	5,015.3	3,730.0	34.5
Debt securities issued	2,118.7	1,980.5	7.0
Subordinated liabilities	246.9	190.6	29.5
Other liabilities to credit institutes	502.1	429.1	17.0
Other liabilities to the public and public sector entities	262.8	140.7	86.8
Other financial liabilities	3,130.5	2,740.9	14.2
Derivative instruments	84.7	35.2	140.8
Provisions for interest-related insurances	627.6	654.3	-4.1
Provisions for unit-linked insurances	149.6	200.5	-25.4
Provisions	0.9	0.3	261.7
Accrued expenses and income received in advance	81.2	67.2	20.8
Other liabilities	87.8	130.9	-32.9
Total other liabilities	169.0	198.1	-14.7
Income tax liability	3.0	8.6	-65.5
Deferred tax liabilities	38.0	45.9	-17.3
Tax liabilities	40.9	54.5	-24.9
Liabilities for assets classified as held for sale	0.2	-	
Total liabilities	9,223.3	7,613.8	21.1
Equity			
Restricted equity	54.3	72.2	-24.8
Unrestricted equity	237.5	252.3	-5.8
Shareholders' share of equity	291.8	324.5	-10.1
Minority interest's share of equity	25.0	14.5	-72.1
Equity	316.8	339.0	-6.6
Total liabilities and equity	9,540.1	7,952.8	20.0

Cash flow statement

EUR million	1-12 2008	1-12 2007
Cash flow from operating activities		
Operating profit	6.6	66.3
Adjustment items not included in cash flow for the period:	34.2	-6.3
Paid income taxes	-16.1	-20.1
Cash flow from operating activities before change in operating receivables and liabilities	24.7	40.0
Increase (-) or decrease (+) in receivables from operating activities	-1 331.0	-1 592.7
Increase (+) or decrease (-) in liabilities from operating activities	1 515.0	1 518.8
Total cash flow from operating activities	208.6	-33.9
Cash flow from investing activities		
Financial assets held until maturity	10.0	2.0
Investments in and proceeds from sale of group companies and associated undertakings	-28.2	-30.0
Investment in and disposal of tangible and intangible assets	41.9	-11.9
Real Estate Mortgage Bank's issue to minority	3.8	10.5
Total cash flow from investing activities	27.5	-29.4
Cash flow from financing activities		
Issued and repaid subordinated liabilities	55.3	-2.9
Increase of share capital	0.0	3.6
Increase of unrestricted equity reserve	0.1	12.3
Paid dividends	-20.1	-25.4
Total cash flow from financing activities	35.4	-12.4
Change in cash and cash equivalents	271.6	-75.7
Cash and cash equivalents at the beginning of the year	240.8	316.5
Cash and cash equivalents at the end of the year	512.4	240.8
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	10.0	10.9
Insurance operation's cash and bank	3.7	6.9
Bank of Finland current account	492.6	217.5
Repayable on demand claims on credit institutes	6.0	5.5
Total	512.4	240.8

Change in the Group's equity

EUR million	Share-capital	Legal reserve	Share premium account	Other restricted equity	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Minority interest's share of equity	Total equity
Equity at 1 January 2008	80.2	8.1	1.9	0.0	-18.0	0.0	45.3	207.0	324.5	14.5	339.0
Change in valuation of fair value for financial assets available for sale					-75.9				-77.3		-77.3
Change in valuation of fair value for cash flow hedging					17.6				18.3		18.3
Transferred to the income statement for financial assets available for sale					34.3				34.3		34.3
Transferred to the income statement for cash flow hedging					-0.4				-0.4		-0.4
Share of deferred taxes direct to equity					6.7				6.7		6.7
Share issue expenses											
Income and expenses recognised directly in equity					-18.4				-18.4		-18.4
Profit for the reporting period								5.2	5.2	0.6	5.8
Total income and expenses reported for the period					-18.4			5.2	-13.2	0.6	-12.6
Share issue	0.0						0.1		0.2		0.2
Dividends to shareholders								-20.1	-20.1		-20.1
Other change in equity				0.3		0.1		0.0	0.3	9.8	10.2
Equity at 31 December 2008	80.2	8.1	1.9	0.3	-36.4	0.1	45.4	192.1	291.8	25.0	316.8
Equity at 1 January 2007	70.6	8.1	1.9	0.0	-1.7	0.0	0.0	169.9	248.8	1.1	249.9
Change in valuation of fair value for financial assets available for sale					-21.4				-21.4		-21.4
Change in valuation of fair value for cash flow hedging					-0.1				-0.1		-0.1
Transferred to the income statement for financial assets available for sale					-0.9				-0.9		-0.9
Transferred to the income statement for cash flow hedging											
Share of deferred taxes direct to equity					6.1				6.1		6.1
Share issue expenses								-0.5	-0.5		-0.5
Income and expenses recognised directly in equity					-16.3			-0.5	-16.8		-16.8
Profit for the reporting period								52.0	52.0	0.9	52.8
Total income and expenses reported for the period					-16.3			-0.5	35.2	0.9	36.0
Share issue	9.6						45.8		55.4		55.4
Dividends to shareholders								-14.8	-14.8		-14.8
Other change in equity									0.0	12.5	12.5
Equity at 31 December 2007	80.2	8.1	1.9	0.0	-18.0	0.0	45.3	207.0	324.5	14.5	339.0

Quarterly trends

EUR million	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	26.7	25.2	25.3	23.9	23.8
Dividends	0.1	0.0	1.3	0.1	0.4
Net commission income	9.3	9.4	11.8	10.6	12.6
Income from the insurance business	-38.0	17.2	30.4	32.2	42.8
Net profit from financial transactions	-3.2	-3.0	1.7	1.2	-0.4
Net income from investment properties	3.1	1.3	0.4	1.3	0.1
Other operating income	8.0	3.0	2.1	1.8	1.0
Total operating income	5.9	53.1	72.9	71.0	80.3
Claims paid and change in provisions	-4.9	-19.2	-25.3	-26.2	-40.9
Staff costs	-15.2	-12.7	-16.7	-16.0	-15.7
Other administrative expenses	-10.1	-8.8	-10.2	-9.3	-10.2
Realised negative goodwill to income					-1.9
Depreciation of tangible and intangible assets	-1.3	-1.6	-1.5	-1.3	-1.2
Other operating expenses	-4.4	-3.6	-4.4	-3.7	-3.2
Total operating expenses	-35.9	-46.0	-58.2	-56.5	-73.2
Write-downs and reversed impairments on tangible and intangible assets	-0.3	0.3	0.8		
Write-downs of credits and other commitments	-0.4	-0.3	0.0	-0.0	-0.2
Share of profit from associated companies	0.0	0.3	0.1	-0.2	-0.3
Operating profit	-30.7	7.4	15.7	14.2	6.6

Segment-based reporting

Business areas

The Retail Banking segment includes Aktia 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. Asset Management includes Aktia Bank plc's private bank in Helsinki and the subsidiaries Aktia Fund Management Ltd and Aktia Asset Management Ab. Corporate Banking & Treasury includes Aktia 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, and the subsidiary Aktia Corporate Finance. Life Insurance includes the acquired Veritas Life Insurance Group. Miscellaneous includes Aktia plc's real estate business and certain administrative functions that are not allocated to the various business areas. This business area also includes Vasp-Invest Ab.

Allocation principles

Net interest income in the various segments, especially in retail banking, includes the margins on volumes of borrowing and lending. Reference interests for borrowing and lending and the interest rate risk that arises because of new pricing being out of step are transferred to Treasury in accordance with the 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, 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. Aktia is not allocating equity to the various business areas. Miscellaneous 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 elimination. The share of profits in associated undertakings and the minority interest's share are included in the elimination.

New segments as of 1 January 2009

The reported segments are:

1. Banking Business
2. Asset Management
3. Life Insurance
4. Non-Life Insurance
5. Miscellaneous

Comparative figures for 2008 concerning the new division into segments will be published before the interim report for 1 January – 31 March 2009.

Further information on Group's risk management

Derivatives and off-balance sheet commitments

Derivative instruments at 31 December 2008, EUR million			Group total
Derivative contracts valued through income statement	Total nominal amount	Assets, fair value	Liabilities, fair value
Interest rate-related *)	6,662.2	67.0	65.6
Currency-related	255.9	4.1	4.6
Equity-related **)	192.8	1.8	0.9
Other derivative instruments **)	8.6	0.6	0.6
Total	7,119.6	73.5	71.8

Derivative instruments for hedging

Interest rate-related	2,548.5	63.5	12.9
Total	2,548.5	63.5	12.9

All derivative instruments

Interest rate-related	9,210.7	130.5	78.5
Currency-related	255.9	4.1	4.6
Equity-related	192.8	1.8	0.9
Other derivative instruments	8.6	0.6	0.6
Total	9,668.1	137.0	84.7

*) Interest-linked derivative contracts include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 6,184.8 million.

***) All equity-related and other derivative instrument relate to the hedging of structured debt products.

Derivative instruments 31 December 2007, EUR million			Group total
Derivative contracts valued through income statement	Total nominal amount	Assets, fair value	Liabilities, fair value
Interest rate-related *)	6,212.5	19.4	17.9
Currency-related	136.8	0.2	0.3
Equity-related **)	163.7	7.7	7.7
Other derivative instruments	8.6	1.0	1.0
Total	6,521.5	28.4	26.9

Derivative instruments for hedging

Interest rate-related	3,316.0	7.3	8.3
Total	3,316.0	7.3	8.3

All derivative instruments

Interest rate-related	9,528.5	26.7	26.2
Currency-related	136.8	0.2	0.3
Equity-related	163.7	7.7	7.7
Other derivative instruments	8.6	1.0	1.0
Total	9,837.6	35.7	35.2

*) Interest-linked derivative contracts include interest rate hedging provided for local banks which after back-to-back hedging with third parties amounted to EUR 5,699.0 million.

***) All equity-related and other derivative instrument relate to the hedging of structured debt products.

Off balance-sheet commitments

EUR million	31.12.2008	Group 31.12.2007
Commitments provided to a third party on behalf of customers		
Guarantees	54.8	57.2
Other commitments provided a third party	7.5	27.1
Irrevocable commitments provided in favour of customers		
Unused credit arrangements	454.5	418.3
Other irrevocable commitments	121.1	127.1
Off balance-sheet commitments	528.8	629.6

Consolidated capital adequacy for banking business

Summary (EUR million)	31.12.2008	31.12.2007
Tier 1 capital	309.0	312.7
Tier 2 capital	143.4	130.5
Capital base	452.4	443.2
Risk-weighted amount for credit and counterparty risks	3,040.5	2,611.8
Risk-weighted amount for market risks 1)	-	-
Risk-weighted amount for operative risks 2)	272.7	263.4
Total risk-weighted commitments	3,313.2	2,875.2
Capital adequacy ratio, %	13.7	15.4
Tier 1 Capital ratio, %	9.3	10.9
Minimum capital requirement	265.1	230.0
Capital buffer (difference between capital base and minimum requirement)	187.3	213.2

1) No capital requirement due to minor trading book and when total of net currency positions are less than 2% of capital base.

2) The capital requirement of 15% is calculated using the definition of average gross income for the last three years (EUR 140 million) x the risk-weighted factor of 12.5.

Capital base

EUR million	31.12.2008	31.12.2007
Share capital	163.0	80.2
Funds	44.6	55.2
Minority share	24.9	14.5
Retained earnings	93.5	155.1
Profit for the reporting period	9.2	50.7
./. provisions for dividends to shareholders	-0.6	-20.1
Total	334.7	335.6
./. intangible assets	-8.6	-5.2
./. shares in insurance companies	-17.1	-17.7
Tier 1 capital	309.0	312.7
Fund at fair value	-47.5	-17.1
Other Tier 2 capital	45.0	-
Risk debentures	163.0	165.2
./. shares in insurance companies	-17.1	-17.7
Tier 2 capital	143.4	130.5
Total capital base	452.4	443.2

Risk-weighted commitments, credit and counterparty risks

EUR million	Balance sheet items	Off-balance sheet	Total	Risk-weighted commitments, Basel2	
				31.12.2008	31.12.2007
Risk weighting					
0 %	908,4	26,1	934,5	-	-
10 %	803,5	-	80,5	80,3	67,8
20 %	1 627,7	237,8	1 865,5	335,3	251,4
35 %	4 027,7	84,5	4 112,2	1 421,4	1 232,2
50 %	4,9	0,2	5,0	2,5	1,9
75 %	538,0	65,1	603,1	426,7	391,5
100 %	666,0	106,5	772,5	720,8	631,3
150 %	6,9	1,2	8,1	11,3	15,6
Total	8 583,0	521,4	9 104,4	2 998,4	2 591,6
Derivatives *)	-	197,0	197,0	42,1	20,2
Total	8 583,0	718,4	9 301,4	3 040,5	2 611,8

*) *)derivative agreements credit conversion factor

Risk-weighted amount for operative risks

Year	Risk-weighted amounts, Basel2				
	2006	2007	2008	31.12.2008	31.12.2007
Gross income	140,6	145,2	150,5		
- 3-year average			145,4		
Indicator 15%					
Capital requirement for operative risks				272,7	263,4

Conglomerate's capital adequacy

	31.12.2008	31.12.2007
Tier 1 capital for the Group	359,7	360,9
Sector-specific assets	161,4	149,4
Intangible assets and specific deductions	-101,9	-114,8
Other sector-specific, non-transferable assets	-	-14,5
Conglomerate's total capital base	419,2	380,9
Capital requirement for banking business	266,6	230,0
Capital requirements for insurance business	43,5	44,9
Minimum amount for capital base	310,1	274,9
Conglomerate's capital adequacy	109,1	106,0
Capital adequacy ratio, %	135,2	138,6

Helsinki, 12 February 2009

AKTIA PLC
Board of Directors