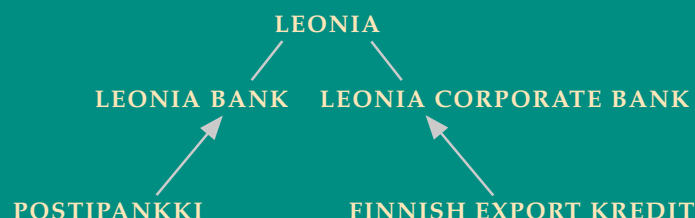


*Change is sweeping through banking and finance: competition is hardening, product ranges are expanding and diversifying, markets are internationalising, and the euro is supplanting national currencies. Structural change continues. Leonia has been created because we see opportunities in change. Leonia symbolises openness, nearness and profitability. In this publication, we tell about these and many more things that are important to us. **ANNUAL REPORT 1998***





Postipankki and Finnish Export Credit were merged in December 1997 under the ownership of a holding company founded with the working name PV Group plc. The Leonia Group acquired its new name on 23 April 1998.

This Annual Report contains the annual accounts of Leonia plc, Leonia Bank plc and Leonia Corporate Bank plc.

The Board of Directors' report of Leonia plc includes sections of text separated by sub-headings referring to Leonia Bank and Leonia Corporate Bank, which correspond in substance to the statutory reports of these companies. They also include sections referring to operating environment, risk management, preparations for the euro and preparedness for the year 2000. The reports are not appended to this annual report as separate documents.

The Board of Management of Leonia Bank has signed the Board of Management report, which was countersigned by the Supervisory Board on 16 February 1999. The Board of Directors of Leonia Corporate Bank also signed the Board of Directors' report on 16 February 1999. The reports are included in the annual accounts of these companies, which have been audited and will be presented to their Annual General Meetings and forwarded to the Trade Register.

INTERIM REPORTS

Leonia Group publishes its Annual Report in Finnish, Swedish and English. Copies may be ordered by email from the address viestinta@leonia.fi, by post from Leonia plc / Corporate Communications, Eteläesplanadi 8, 00007 Helsinki, by telephone from +358 (0)204 25 2623, or by fax from +358 (0)204 25 2608.

The Leonia Group will publish three interim reports in 1999, with the reports for January– March, January–June and January–September appearing on 12 May, 12 August and 11 November respectively.

Information on the results of Leonia Bank and Leonia Corporate Bank will be included in the aforementioned interim reports of Leonia Group. In addition, each of the former will publish one interim report in 1999, for the January–June period, simultaneously with the Group report on 12 August 1999.

The Annual General Meetings of Leonia plc, Leonia Bank plc and Leonia Corporate Bank plc will be held on 10 March 1999.

A NEW BANK – NEW FORMS OF SERVICE

Leonia is an independent, financially sound Finnish banking and finance group providing a full range of services. Besides our network of branches covering the whole of Finland, our customers are served by highly efficient telephone and on-line banking services, comprehensive payment services and flexible international contacts.

LEONIA – A RELIABLE PARTNER

Leonia is a reliable banking and finance expert, which is constantly improving its operating procedures and services, and developing its products and staff. We aim for our customers to see Leonia as a friendly, active, modern partner.

CONTENTS

<i>Leonia highlights in 1998</i>	2
REVIEW BY THE PRESIDENT	4
LEONIA BANK	6
<i>Retail network</i>	8
<i>Retail banking products</i>	9
<i>Investment management services</i>	10
<i>Treasury and trading</i>	11
<i>Companies and institutions</i>	12
LEONIA CORPORATE BANK	14
FIVE-YEAR SUMMARIES	18
ANNUAL ACCOUNTS	
<i>Board of Directors' report of Leonia plc</i>	20
<i>Accounts of Leonia plc</i>	33
<i>Proposal for the distribution of profits,</i> <i>and the Auditors' report</i>	37
<i>Accounts of Leonia Bank plc</i>	38
<i>Proposal for the distribution of profits</i> <i>Statement of the Supervisory Board,</i> <i>and the Auditors' report</i>	44
<i>Accounts of Leonia Corporate Bank plc</i>	45
<i>Proposal for the distribution of profits,</i> <i>and the Auditors' report</i>	48
<i>Notes to the accounts</i>	49
ADMINISTRATION AND ORGANIZATION, 1 MARCH, 1999	
<i>Board of Directors and Auditors of Leonia plc</i>	72
<i>Supervisory Board, Board of Management and</i> <i>Auditors of Leonia Bank plc</i>	72
<i>Board of Directors and Auditors of</i> <i>Leonia Corporate Bank plc</i>	73
<i>Leonia in Finland</i>	75
<i>Leonia abroad</i>	76

**CONVERSION RATE BETWEEN THE EURO AND
THE MARKKA EUR 1 = FIM 5.94573**

LEONIA HIGHLIGHTS IN 1998

	1998		1997		
		FIM	EUR	FIM	EUR
Operating profit (millions)		1 151	194	948	159
Income to cost ratio	1.41			1.33	
Total assets at 31 Dec. (millions)		148 071	24 904	178 237	29 977
Capital and reserves at 31 Dec.(millions)		9 177	1 544	8 881	1 494
Return on equity (ROE), %	11.5			10.3	
Capital adequacy ratio, %	13.9			13.3	
Staff numbers at 31 Dec.	4 700			5 237	

A NEW BANK IS BORN

In December 1997, Postipankki, established in 1886, and Finnish Export Credit, established in 1956, were merged under full Finnish state ownership to become the PV Group plc. The new Group has a greater ability to bear risk, a more solid capital base and capital ratio, and altogether better pre-requisites to improve services and prune overlapping functions.

A NEW NAME IS INTRODUCED

In April 1998, the new financial group was given a new name: Leonia. Postipankki became Leonia Bank, while Finnish Export Credit became Leonia Corporate Bank. The names of most subsidiaries were also changed to incorporate the name Leonia. At the same time, a new group logo was adopted.

IMPROVED PROFIT

Leonía's profit for each quarter of 1998 was an improvement on the previous year. Whole year operating profits rose to FIM 1,151 million from the 1997 figure of FIM 948 million.

INCREASE IN MARKET SHARES

Leonía Bank's market share of home loans increased during 1998 by half a percentage point to 16%. Leonía Bank increased its market share of corporate loans by one percentage point to over 19%. The number of Leonia's fund investment customers nearly quadrupled.

SOUND CAPITAL RATIO

Leonia is one of the most financially sound banks in the Nordic countries. The Group's capital ratio, i.e. the ratio of total capital to risk-weighted assets is 13.9%.

GREATER OPERATIONAL EFFICIENCY

Leonia's business operations were combined and overlapping functions pruned. Payment services were concentrated in Helsinki and the foreign branch network was made more efficient. Support functions were out-sourced.

SERVICES IMPROVED

Leonia's telephone bank became the first in the Nordic countries to begin personal service on Sundays. Its automatic service operates round the clock. Internet services were diversified and cash withdrawal facilities for Leonia customers at shop checkouts were increased. Private banking units were established in the larger Finnish cities.

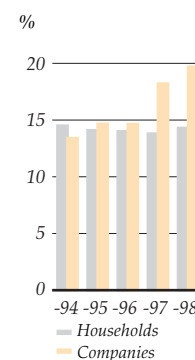
NEW PRODUCTS

The new Leonia account gives loyal customers excellent terms: the highest rate of tax-exempt interest and advantageous charges. Other new products launched include the new Compass investment service, new forms of home finance and new funds for the euro environment and the technology sector, for example. Savings and pension insurances were renewed.

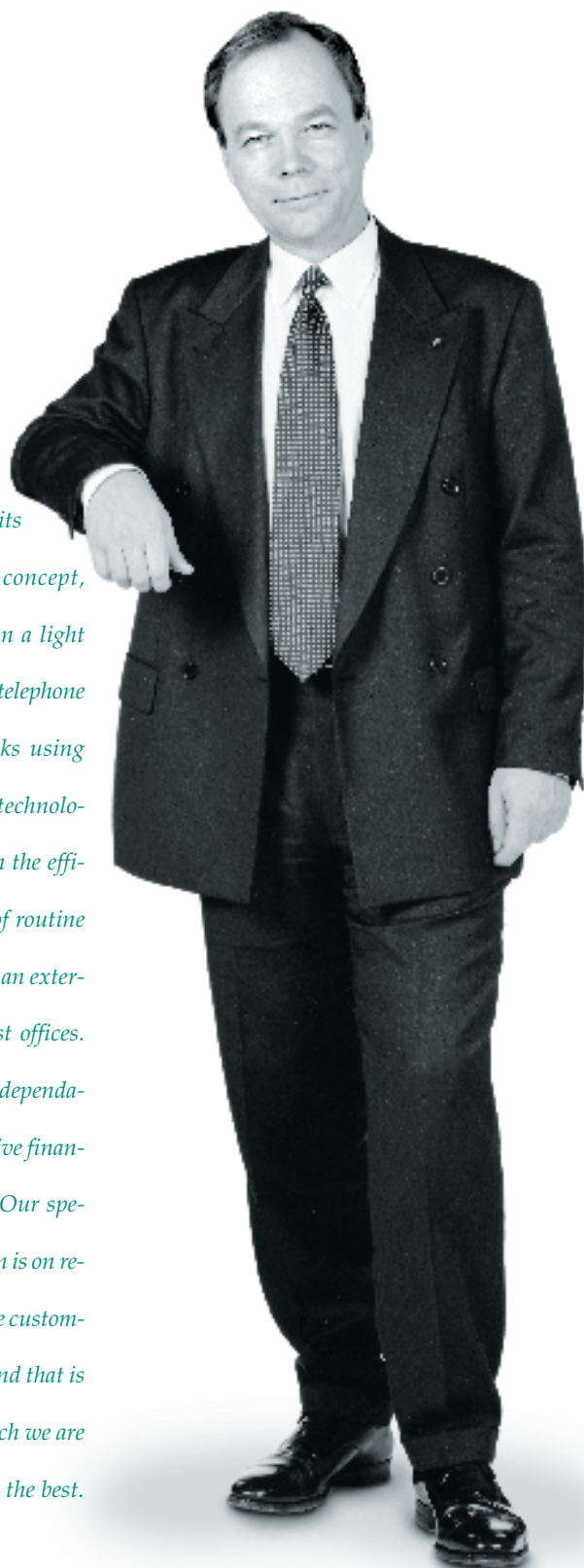
A SMOOTH CHANGEOVER TO THE EURO

At the New Year, Leonia's systems and services were changed over to the euro, according to plan. Euro versions of account, payment, credit and investment products were developed. Leonia Corporate Bank took the lead in arranging the first euro-denominated syndicated loan for a Finnish borrower.

Leonia's market share of the outstanding loans of Finnish banks at 31 December



Leonia's forte is its flexible service concept, which is based on a light branch network, telephone and on-line banks using most advanced technology, together with the efficient provision of routine services through an external network, post offices. We are a solid, dependable and competitive financial institution. Our special concentration is on retail and corporate customers in Finland, and that is the sector in which we are determined to be the best.



REVIEW BY THE PRESIDENT

For Leonia, 1998 – our first year – was in many respects one of intense activity. As the new Group had only been formed at the end of 1997, a great deal of our attention in the early part of the year was devoted to reorganising functions, eliminating overlaps and refining a new strategy and corporate image. Even so, we were able to improve our results considerably and gain both new customers and market share in the retail and corporate sectors.

Our strategy is clear. We shall concentrate on supplying banking and financial services to Finnish retail and corporate customers.

Leonia has several fundamental strengths. They include a light network of our own branches, in addition to which our operating methods and IT systems support the use of external service networks.

It is obvious that the future will see a growing trend towards routine banking services being channelled to customers by means other than the bank's own branch network. That will leave our branches free to focus more on advisory functions and other more demanding forms of customer service. With this in mind, we are increasing the number of customer service and sales staff and reducing the number of employees in administration and support functions.

One of Leonia's strong areas of growth is investment management services. Our efforts in this area brought an excellent result in 1998. The number of fund investors quadrupled and the assets under management grew by more than 50 per cent.

We also increased our market share in basic banking products: payments, deposits and

LEONIA 1998

	Operating profit (millions)		Total assets (millions) at 31 December		Staff numbers at 31 December
	FIM	EUR	FIM	EUR	
Leonia Bank	775	130	110 256	18 544	4 457
Leonia Corporate Bank	370	62	40 774	6 858	78
Leonia Group	1 151	194	148 071	24 904	4 700

home loans. Volume growth helped us maintain our net income from financial operations at a constant level, even though falling interest rates and tough price competition narrowed interest margins.

Income from fees and commissions grew, due to several factors that included brisk growth in our investment management business. Also credit losses remained very low. All-in-all, Leonia's operating profit improved by over one fifth to nearly 1.2 billion markkas (almost 200 million euros).

The Group's balance sheet is healthy. Problem loans represent less than half a percent of the total, and the bank's exposures in Asia, Latin America and the regions of the former Soviet Union are small. Real estate assets represent only about two per cent of the balance sheet total, and their book value is lower than their market value.

Competition will continue to grow in financial services. This will require banks to choose between growth and specialisation. Both routes can lead to a cost-effective structure. Leonia has opted to make Finnish customers its special focus and is continuing to develop into a leaner, more cost-effective operation.

Banks have enjoyed quite a propitious operating environment for the past few years. Although growth expectations have been revised downwards, I believe that the current year will still be a good one in terms of economic activity in Finland. The cost savings measures already implemented by Leonia will have more effect in the current year than last year, and will offset the income losses caused by low interest rates and tough price competition. The bank is continuing its determined drive to make its operational methods more efficient and cut costs.

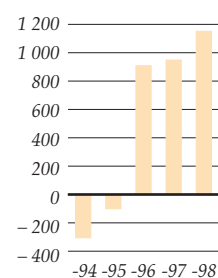
We have every reason to be satisfied with 1998 and look to 1999 with confidence. Many thanks are due to our staff, who have worked under challenging conditions, and to our old and new customers who have shown faith in us.

March 1999



Harri Hollmén

Operating Profit/ Loss
FIM million



1994-1997 Postipankki and
Finnish Export Credit

Our results improved appreciably. Our competitiveness was strengthened, our market share grew - in the financing of both households and businesses. This has been achieved through the expertise and motivation of the staff, supported by new, customer-oriented products. Like the bank's new name and image, these have been well-received. We will continue to improve our services, because our aim is to be the best bank for our customers.



The President of Leonia Bank is Pentti Hakkarainen (front right). Executive Vice President Maarit Näkyö is responsible for Leonia Bank's investment management services, Executive Vice President Ilkka Hallavo (rear left) for corporate banking, Executive Vice President Jussi Osola for treasury and trading, Executive Vice President Jukka Rähkä for retail network customers and Executive Vice President Matti Inha for retail banking products.

LEONIA BANK

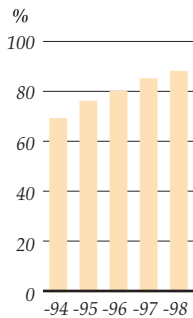
Measured by assets, Leonia Bank and its subsidiaries form Finland's second-largest commercial banking group. It provides retail and corporate customers with comprehensive banking services. Leonia Bank has its own nation-wide network of branches and advanced telephone and on-line banking services. The Bank has nearly one million retail customers, who use Leonia as their primary bank. In addition, the Bank has about 200,000 corporate customers.

In 1998, the operating profit of Leonia Bank was a satisfactory FIM 775 million, a 16% improvement on the previous year. Basic profitability improved due to the growth in customer business, and costs were kept under control.

Leonía Bank intends to reinforce its position in retail and corporate banking services, particularly in the main population centres. Simultaneously, the Bank will develop its telephone and on-line banking services, thus ensuring the availability of basic banking services to all customers, at all times and places. Leonia Bank will continue to ensure customer satisfaction and its profitability, through customer-oriented and competitive products and excellent service.

RETAIL NETWORK

Proportion of self service transactions in Leonia Bank's total retail network transactions



Leonia Bank's retail network comprises 63 branches, a telephone bank, an Internet on-line bank, and the cash dispensers and automatic teller machines (ATMs) available to Leonia's customers. In addition, 477 post offices also provide the banking services of Leonia Bank. Leonia's diverse service channels give its customers freedom of choice.

Great changes in customer behaviour in recent years have significantly affected the branches. The increased use of ATMs, bank cards, the telephone bank and on-line bank has rapidly decreased the number of transactions in branches. This trend is continuing. Branches are increasingly being used for more demanding banking services.

The branches still have a very strong position in housing finance. 1998 saw an increase of 70% over the previous year in the number of home loans, which resulted in an appreciable increase in Leonia Bank's market share.

TELEPHONE AND ON-LINE BANKING EXPAND

The telephone and on-line banks are the most rapidly growing parts of Leonia Bank's service network. Last year, Leonia's telephone bank handled 1.5 million personal customer calls. About 200,000 customers have the bank keys required for customer identification in the telephone and on-line banks. More than three million calls, and more than one million bills, were handled through the automatic service. Information, in the form of GSM text messages, on bal-

ances and transactions, and Visa credit card information browsing were among the new services added to the automatic telephone service.

There was a large increase in the number of agreements made in the telephone bank, with, for example, mutual fund agreements worth more than FIM 500 million being made.

At the beginning of 1999, Leonia Bank introduced a new Internet-based on-line bank. In 1998, about three million banking transactions took place through Rahalinja, Leonia's terminal bank.

At the start of 1999, there were also 1,941 'Otto.' cash dispensers, 304 Leonia ATMs and almost 700 Cooperative Bank ATMs available to Leonia's customers. In addition, Leonia's customers can use their bank cards to make cash withdrawals at the checkouts of nearly two hundred shops.

In 1999, Leonia Bank intends to further increase its customer business and strengthen its market position.

High technology telephone bank

Technologically, Leonia's telephone bank system is among the most highly developed in the Nordic countries. It identifies the customer, recognises whether loan, investment or payment services are required, then automatically routes the call directly to a suitable bank expert. Right now, the telephone bank has a staff of more than 200.

At the start of 1999, the telephone bank became the first Nordic bank to offer personal banking services on Sundays, too.

In the Internet on-line bank, customers can leave a contact request, stating what the matter concerns and their preferred time for contact.



RETAIL BANKING PRODUCTS

Leonia Bank's retail banking products function is responsible for developing customer-friendly, competitive products and services, devising service solutions that take advantage of new technology, and creating functional and effective product processes. All loans, accounts and payment services have been adapted for the euro. The new combined markka-euro bank statement has rapidly become popular.

1998 saw a 3% increase in the deposits of Leonia Bank's retail customers. The greatest growth occurred in tax-exempt, two-year deposits.

SECURE BANKING

Leonia's on-line banking system was renewed in 1998. The customer identification method was made more secure and Visa-bank card transaction browsing was added. The on-line billing system, developed with the Helsinki Telephone Corporation, is the first form of billing to operate entirely through the Internet.

The main aim in developing Leonia's bank cards is to offer comprehensiveness and security of use. A smart card version of the Visa-bank card was introduced in 1998, and customers can now set a daily limit to withdrawals from cash dispensers. It is also possible to download cash onto a smart card from the Internet.

In another development, Leonia launched a combined card with the Stockmann department store. This is simultaneously a Leonia bank card, an 'electronic purse' and a Stockmann loyal customer card. It can also be used for cash withdrawals from Stockmann's checkouts.

In 1998, Leonia Card Ltd. issued 340,000

credit cards. Most were cards issued to private individuals.

NEW KINDS OF HOME FINANCE

Leonia aims to be a strong home loan bank, offering its customers comprehensive new home finance alternatives. During spring 1998, Leonia introduced fixed-rate home loans, alongside the prime and floating-rate helibor loans.

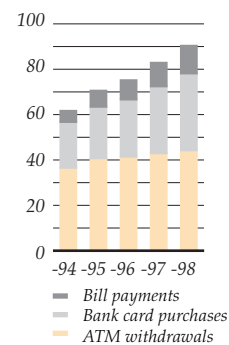
Together with Skanska Construction, the bank developed a new form of home finance. 'Entré-home' is aimed particularly at first-homebuyers in new housing areas, and is a good alternative to renting or 'right-of-residence' dwelling. The product has been well-received.

In early 1999, the Sato Group launched its own new housing product, known as 'Kolkyt Nyt'. Leonia is responsible for its financing, and offers home loans to future buyers.

In 1999, the main challenge for Leonia's retail banking products will be competitiveness in a rapidly changing environment.

Leonia is involved in real estate agency through the PSW Realty World franchising chain including 59 independent entrepreneurs.

Use of Leonia Bank's ATM and bank cards million



All-in-one account

Leonia Bank renewed its range of accounts at the end of 1998. In the future, the only current account available will be the new Leonia account – a truly innovative product in Finnish banking. Customers will not actually need other accounts, as the Leonia account is suitable for both savings and payments.

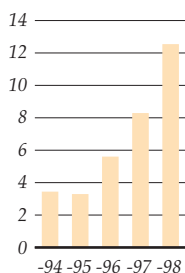
The Bank's privilege and loyal customer relationships are closely connected to the Leonia account, which will become more economical the more each customer concentrates his or her transactions in Leonia. The account does not have a fixed rate of interest. Instead, both interest and service charges are determined by the amount of banking services used by the customer. Privilege customers can receive the maximum tax-exempt interest of 2% on their Leonia accounts.

Leonia Bank believes its privilege and loyal customer systems will attract many new customers.

INVESTMENT MANAGEMENT SERVICES

Leonia Bank's investment management services include corporate and institutional asset management, private banking services, mutual funds and insurance. The investment management function is responsible for producing innovative and cost-effective investment products and tailor-made investment management services for customers of the Leonia Group.

Assets under management
by Leonia Bank
at 31 December
FIM billion



Leonia Bank's investment management services made good progress in 1998. Personal investment management services were expanded by establishing private banking units in Helsinki, Turku, Tampere, Kuopio, Oulu and Vantaa. In early 1999, another seven units were opened in different parts of Finland.

MUTUAL FUND CUSTOMERS NEARLY QUADRUPLED

Leonia Bank's mutual fund range was expanded with the addition of international combination funds and global technology funds.

During 1998, the total assets in the mutual funds nearly doubled and the number of unitholders nearly quadrupled, resulting in a substantial increase in Leonia Bank's market share. By the end of the year, Leonia Bank's market share of equity funds investing in Finland had doubled to 18%, the largest in Finland.

SUBSTANTIAL INCREASE IN ASSETS UNDER MANAGEMENT

During 1998, Leonia Bank further strengthened its position as a portfolio manager for companies and institutions. The total amount of assets under discretionary management grew by more than 50% to FIM 12.5 billion. The investments of both the client portfolios and the mutual funds succeeded extremely well.

The Leonia Life Insurance Company Ltd., which commenced operations in 1995, launched renewed unit-linked savings and pensions insurance products in the autumn of 1998. During October-December, unit-linked insurance accounted for about 20% of premium income. Rising equity prices and falling interest rates were behind the investment success. At the end of the year, the company had more than 50,000 customers.

Investment management aims at strong growth in personal customer investment management in 1999, and consolidation of the strong position already achieved among corporate and institutional customers.

Leonia Compass – steers investment in the right direction

In October 1998, Leonia Bank launched its new Compass investment management service for investors and savers. The individual needs and aims of investors are taken into account. The service is clearly more comprehensive than previous investment advisory services in the branches.

A basic strategy, adapted to each investor's aims and requirements, is proposed to users of the Compass service. The five basic Compass strategies differ in terms of expected returns and risk profile, and form the basis for creating a Compass investment plan for each customer.

Compass covers all investment alternatives; i.e. it can be used to invest in insurance, funds, equities, bonds and deposits. Regular contacts form an essential part of the Compass service. The investor receives a report on his or her investments at regular intervals, and the investment plan is re-evaluated when there are changes in the market or in the customer's financial status.



TREASURY AND TRADING

Leonia Bank's treasury and trading function operates on the capital, money and foreign exchange markets, with responsibility for managing the market risks of the Leonia Group, as well as for selling competitive products, risk management services and processing services to corporate and institutional customers. It is also responsible for the Group's liquidity, funding and investment bank services.

Trading on the foreign exchange markets went well in 1998. Interest rate instruments succeeded better than in the previous year, despite the economic crises in Asia and Russia that disturbed international fixed income markets.

INCREASE IN CUSTOMER BUSINESS

Despite the market stabilisation brought by the euro, Leonia increased its customer trading. For example, in 1998 the Bank's market share of issues of commercial paper and local government paper averaged 40% and up to 50% respectively. In customer trading on the money markets, Leonia Bank is in a strong position.

In anticipation of an expected networking of stock exchanges in the euro area, Leonia increased its brokerage of stock exchange products and formed new services more suitable for customer trading.

Leonia Bank was an advisor in the restructuring of several companies. The bank also acted as an originator or adviser in four share issues and sales, and as an adviser in two issues of bonds with warrants and convertible bonds.

FULLY PREPARED FOR THE EURO

Preparations for the introduction of the single European currency, the euro, demanded a considerable work input from the treasury in 1998. Various euro-projects accounted for more than 3,000 person-workdays, with full readiness for the new business environment being achieved on schedule.

Management of the risks and funding of the Leonia Group's banking book was made more effective by concentrating investment management in the treasury function. The Bank's trading on its own book was transferred from the foreign branches to Helsinki.

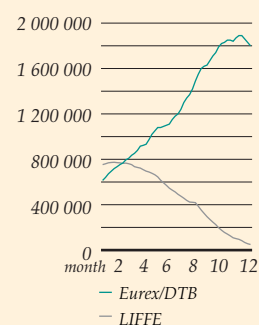
At the end of 1998, Leonia Bank applied for membership of the Frankfurt Stock Exchange. The Bank intends to further expand and diversify its brokerage of bonds and shares.



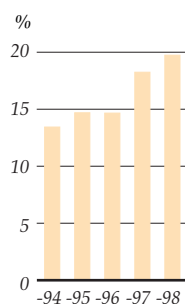
Leonia in the German derivatives exchange

In January 1998, Leonia Bank became the first Nordic financial institution to become a member of the German derivatives exchange, Eurex (Deutsche Terminbörse until 1998). This allows Leonia's customers to manage their risks effectively with euro-denominated derivatives. Derivatives brokerage increased considerably during the year, bringing Leonia many new customers.

The trading volume of 10 year bond futures issued by the German government in Eurex and LIFFE in 1998 units



Leonia Bank's market share of corporate FIM and foreign currency loans at 31 December



COMPANIES AND INSTITUTIONS

The customers of Leonia Bank's corporate banking function are companies, municipalities and other public sector entities as well as non-profit institutions. Corporate banking is also responsible for the Leonia Group's payment, financing and account products, and finance company services.

Customers are served by Leonia Bank's corporate branch network, with 55 service points throughout Finland. Each corporate customer has its own customer responsibility officer, who specializes in the customer's financial requirements.

STRONG GROWTH

The positive development of the Finnish economy created excellent opportunities for growth in Leonia Bank's corporate finance. Profitability was good while credit losses remained minimal. At the end of 1998, Leonia Bank's market share of markka and foreign currency-denominated loans to corporate customers was over 19%, i.e. one percentage point greater than a year earlier. Lending to small and medium-sized businesses increased by about 30% and the number of customers also increased.

Preparations for an increase in demand were made by increasing the numbers of customer responsibility officers and service staff and by diversifying expertise. At the end of the year, there were 276 customer responsibility officers working in corporate services.

Leonia Finance Ltd. reinforced its position, particularly in the financing of information technology and vehicles. Leonia MB Group Oy, which offers capital investment and other special finance services, strengthened Leonia's invest-

ment resources by establishing the largest mezzanine fund in the Nordic countries. Lending by Leonia Municipality Bank plc remained practically unaltered.

Preparations were made for the introduction of the euro at the start of 1999. These included the successful creation of a euro product range, with all the necessary alterations to information systems, and the training of both staff and customers. Comprehensive and modern euro-denominated banking services are now available to Leonia's customers, who can change over to the use of the euro in their own time and according to their wishes.

LEONIA – THE PRIMARY BANK FOR AN INCREASING NUMBER OF COMPANIES

Leonia Bank is aiming at rapid growth in corporate finance. Leonia is already in a strong position as a financier of large and medium-sized companies. Now the bank is increasing its market share among small companies too.

For several years already, customer satisfaction surveys of corporate customers have given Leonia's customer responsibility officers very high grades for their professional skills and initiative. Leonia aims to handle a greater share of the financing and banking of its customer companies, i.e. to become the primary bank for an increasing number of companies.

Electronic payments take over

1998 saw a 4% growth in payment transactions handled by Leonia, bringing the total to 355 million. There were 1.4 million foreign payment transactions.

Retail customers' transactions grew by 4%. The greatest increase was in the use of home banking services, self-service telephones and bank cards. Correspondingly, there was a rapid decrease in payments and withdrawals made in branches. The number of transactions made by businesses increased by 7%. The number of payment orders made using paper forms dropped by a quarter.

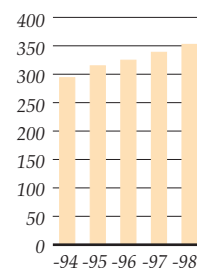
The demand for payment services was focused mostly on electronic services. Electronic

account transfers accounted for 95% of the payments of companies and institutions, and electronic transfers handled nearly 100% of periodic payments. Two-thirds of the account transfers made by personal customers were electronic payments.

Electronic contact agreements between customers and the bank increased by more than 50%. At the end of 1998, there were nearly 30,000 line transfer customers and about 110,000 on-line bank customers.

The number of bank and combination cards increased by more than 10% to over 430,000 cards. By the end of the year, there were nearly 200,000 cards incorporating chips.

Payment transactions handled by Leonia 1994–1998 million



Leonia Bank joins the Connector club

Leonia Bank became the first Finnish bank to join the international Connector cash management network, with member banks from 15 countries. Besides the euro countries, there are also Connector banks in the United Kingdom, Sweden, Switzerland and the USA.

Through Connector, Leonia can offer comprehensive account and payment services for the cash management of even the most demanding large corporations. The network makes it easier to concentrate cash management in Leonia Bank, from where customers can get all the Connector banks' account terms and prices for payment services. The banks in the cooperation network are experienced in payments. Data travels safely between the banks via the SWIFT (Society for Worldwide Interbank Financial Telecommunication) payment transmission network. Corporate groups operating in the euro area are seeking to save costs by concentrating cash flows - and this is where Connector provides a ready-to-use tool.

In 1998, Leonia Corporate Bank was the leading Finnish financial institution in export and project financing and in short and long-term debt issues. Leonia Corporate Bank aims to perform each customer commission with such a degree of excellence that the customer will be convinced of the superiority of Leonia's expertise and customer service.



From left: Orvo Siimestö, President of Leonia Corporate Bank, Matti Copeland, Executive Vice President, Customer Relations, and Matti Virtanen, Executive Vice President, Products.

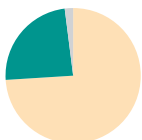
LEONIA CORPORATE BANK

Leonia Corporate Bank provides financing services to large, international Finnish corporations and their customers. Leonia Corporate Bank sells financing and investment solutions developed from the customer's own business needs.

Leonia Corporate Bank's core products are export and project financing, short-term trade finance, bond issues, structured financing and cash management. It tailors these core products into customer-specific applications, with the objective of achieving a leading position in supplying financial and banking services to large Finnish corporations.

Leonia Corporate Bank's results for 1998 were satisfactory. The company's operating profit increased by one-third to FIM 370 million, having been FIM 280 million the previous year. The balance sheet total was FIM 40.8 billion.

Leonía Corporate Bank's loan portfolio by customer sector at 31 December 1998
Total FIM 18.3 billion



Export and project financing 74%
Domestic financing 24%
Other 2%

Leonía Corporate Bank's long-term funding by currency at 31 December 1998
Total FIM 27.8 billion



USD 36% AUD 6%
JPY 16% DEM 6%
FIM 12% SEK 3%
GBP 8% Other 5%
ESP 8%

LEONIA CORPORATE BANK

Leonía Corporate Bank supplies tailor-made financing and investment services to large, international Finnish companies and their customers. Leonía's entire product range is available to customers, from conventional on-balance sheet financing and Leonía's solid payments expertise to a comprehensive range of money and capital market products, short-term trade finance, structured financing services and export and project financing.

In export and project finance, Leonía Corporate Bank continues the operations of Finnish Export Credit, which was recognized as Finland's leading supplier of export finance. As a part of Leonía, the company has gained improved resources and operating opportunities for export and project financing, to keep in step with the rapidly changing demands of the markets. Leonía Corporate Bank offers Finnish and Nordic corporations financing services for export trade, as well as for extensive infrastructure and industrial projects.

Leonía Corporate Bank's strengths are its sound creditworthiness and the resulting ability to handle customers' financing requirements at home and abroad. Each customer company of Leonía Corporate Bank is appointed its own customer responsibility officer.

CAPITAL ADEQUACY RATIO IS STRONG

Leonía Corporate Bank's capital adequacy ratio strengthened significantly during the year. It stood at 32.0% at the end of the year, having been 26.7% a year earlier.

Financing operations totalled FIM 18.3 billion at the end of 1998, having been FIM 21.5 billion at the end of 1997. During the year, customers drew new loans totalling FIM 3.7 billion. Financing granted to large corporations was also entered in the balance sheets of other Leonía Group companies.

Investment operations decreased to FIM 19.6 billion from the previous year's figure of

FIM 30.4 billion. The reduction was due to significant changes in the internal division of responsibilities within the Leonía Group during 1998. In the future, Leonía Corporate Bank's investment operations will mainly concentrate on maintaining liquidity.

A LEADING EXPORT AND PROJECT FINANCIER

Leonía Corporate Bank's expertise in export and project financing is based on an understanding of the customer's business, and a solid familiarity with the forest, telecommunications, energy and mining sectors in particular.

The success of export and project financing rests on extensive co-operation with other financiers, with whom Leonía Corporate Bank has been a trusted partner over many years. The co-operation network includes national guarantee institutions, international banks and multinational development banks in different parts of the world. In co-operation with its partners, Leonía Corporate Bank is able to offer total financing solutions, even for very large projects.

In 1998, new long-term loans and formal standby facilities were granted to Brazil, Chile, the Philippines, India, Italy, China, Korea, Croatia, Lithuania, Romania, Slovakia, Thailand, Turkey and Vietnam. New long-term export and project financing credits were drawn totalling FIM 2.4 billion.

A STRONG PERFORMER ON THE CAPITAL MARKETS

Leonia Corporate Bank was highly successful on the capital markets. The most significant commission in 1998 concerned Fennica 3, a securitisation of state-subsidised home loans. Leonia Corporate Bank acted as one of the two lead managers and as the domestic adviser. The price of the issue was determined by investor demand, using the so-called book-building procedure. Investor demand accumulated to a total of FIM 3.2 billion, with the arrangement finally totalling FIM 2.1 billion, of which the lead managers sold more than 70%.

Leonia Corporate Bank is a leading arranger and intermediary in Finnish commercial issues and bond and commercial paper programmes. In 1998, it had a dominant market share in all markka-denominated commercial bonds. The largest issue on the bond markets was a FIM 2 billion issue for Kemira, in which two series of bonds were launched. In addition, Leonia Corporate Bank arranged four other commercial issues aimed at institutional investors.

In the Baltic markets, Leonia, together with the Latvian Investment Bank, arranged a bond issue worth 15 million Latvian lats (FIM 134 million) for Svensk Exportkredit (SEK). The loan was the first by a foreign issuer on the Latvian domestic market. SEK gave Leonia the 'Best Arranger for a New Issue in the Emerging Markets in 1998' award.

In 1998, syndicated loans to the value of approximately FIM 14 billion were arranged for Finnish corporations. In about 50% of these, Leonia was the lead manager. The largest syndicated financing arrangement of 1998 was a stand-by credit limit of DEM 1 billion for Sonera, which Leonia Corporate Bank arranged together with Deutsche Bank.

A NEW FACTOR IN STRUCTURED FINANCING

Leonia Corporate Bank has established a new product function to cover the market demand for structured financing. The service provides pricing and structure proposals, for example, in the arranging of customer issues.

Financing solutions for telecommunications

Sonera utilises Leonia's comprehensive services. Leonia Corporate Bank participated in the financing of a GSM mobile telephone network in Turkey. The borrower is Türkcell İletişim Hizmetleri, of which Sonera plc is the one of the two main shareholders.

Türkcell has a 71% share in the Turkish mobile phone market. Its network covers about half of the Turkish population and geographically nearly all of Turkey's large cities along with the main tourist areas.

Leonia Corporate Bank also arranged two syndicated loans for Sonera during 1998. A loan of DEM 1 billion was arranged together with Deutsche Bank, and another loan of EUR 100 million was arranged by Leonia Corporate Bank alone.



FIVE-YEAR SUMMARY

<i>Leonia Group¹⁾, FIM million</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
Revenues	10 184	10 172	10 341	10 366	10 826
Net income from financial operations	2 567	2 581	2 310	2 605	3 101
as a percentage of revenues	25.2	25.455	22.3	25.1	28.6
Profit before provisions for bad and doubtful debts	1 182	925	1 294	543	941
as a percentage of revenues	11.6	9.1	12.5	5.2	8.7
Operating profit/loss	1 151	948	908	- 100	- 305
as a percentage of revenues	11.3	9.3	8.8	- 1.0	- 2.8
Profit/loss before appropriations and taxes	1 090	927	850	- 100	- 305
as a percentage of revenues	10.7	9.1	8.2	- 1.0	- 2.8
Operating profit/loss less taxes	1 006	830	823	- 193	- 330
as a percentage of revenues	9.9	8.2	8.0	- 1.9	- 3.0
Total income ²⁾	4 042	3 730	4 222	3 529	4 013
Total operating expenses ³⁾	2 860	2 805	2 929	2 986	3 060
Income to cost ratio	1.41	1.33	1.44	1.18	1.31
Balance sheet, total	148 071	178 237	163 223	153 153	158 656
Capital and reserves	9 177	8 881	8 602	7 917	8 182
Return on assets, % (ROA)	0.62	0.49	0.52	- 0.12	- 0.20
Return on equity, % (ROE) ⁴⁾	11.5	10.3	10.8	- 2.6	- 4.4
Equity/total assets, % ⁴⁾	6.2	4.6	4.8	4.7	4.6
Capital adequacy ratio, % ⁶⁾	13.9	13.3			
Provisions for bad and doubtful debts ⁵⁾	53	- 7	300	646	1 245
Off-balance sheet items	34 752	32 666	24 644	23 797	19 986
Staff numbers at year end	4 700	5 237	5 588	6 078	6 428

<i>Leonia Bank Group, FIM million</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
Revenues	7 610	7 328	8 069	7 938	8 217
Net income from financial operations	2 195	2 210	1 955	2 198	2 625
as a percentage of revenues	28.8	30.2	24.2	27.7	31.9
Profit before provisions for bad and doubtful debts	815	599	987	126	561
as a percentage of revenues	10.7	8.2	12.2	1.6	6.8
Operating profit/loss	775	668	602	- 502	- 685
as a percentage of revenues	10.2	9.1	7.5	- 6.3	- 8.3
Profit/loss before appropriations and taxes	714	647	544	- 502	- 685
as a percentage of revenues	9.4	8.8	6.7	- 6.3	- 8.3
Operating profit/loss less taxes	731	641	575	- 523	- 710
as a percentage of revenues	9.6	8.7	7.1	- 6.6	- 8.6
Total income ²⁾	3 583	3 283	3 812	3 021	3 552
Total operating expenses ³⁾	2 767	2 684	2 826	2 895	2 979
Income to cost ratio	1.29	1.22	1.35	1.04	1.19
Balance sheet, total	110 256	125 258	118 489	115 519	113 680
Capital and reserves	5 683	4 525	4 192	3 677	4 192
Return on assets, % (ROA)	0.62	0.53	0.49	- 0.46	- 0.61
Return on equity, % (ROE) ⁴⁾	17.4	17.4	17.7	- 16.6	- 19.7
Equity/total assets, % ⁴⁾	4.1	3.1	2.9	2.6	2.9
Capital adequacy ratio, % ⁶⁾	11.1	9.5	10.7	10.2	10.7
Provisions for bad and doubtful debts ⁵⁾	63	- 54	300	631	1 245
Off-balance sheet items	28 967	25 383	20 592	19 348	15 197
Staff numbers at year end	4 457	5 088	5 454	5 943	6 300

<i>Leonia Corporate Bank plc, FIM million</i>	1998	1997	1996	1995	1994
Revenues	2 647	2 850	2 272	2 428	2 609
Net income from financial operations	367	371	355	406	476
as a percentage of revenues	13.9	13.0	15.6	16.7	18.2
Profit before provisions forbad and doubtful debts	360	327	307	417	380
as a percentage of revenues	13.6	11.5	13.5	17.2	14.6
Operating profit/loss	370	280	307	402	380
as a percentage of revenues	14.0	9.8	13.5	16.5	14.6
Profit/loss before appropriations and taxes	370	280	307	402	380
as a percentage of revenues	14.0	9.8	13.5	16.5	14.6
Operating profit/loss less taxes	301	226	248	330	380
as a percentage of revenues	11.4	7.9	10.9	13.6	14.6
Total income ²⁾	474	448	410	508	461
Total operating expenses ³⁾	114	121	103	91	81
Income to cost ratio	4.17	3.70	3.98	5.58	5.70
Balance sheet, total	40 774	54 920	44 734	37 634	44 977
Capital and reserves	4 166	4 197	4 244	4 140	3 990
Return on assets, % (ROA)	0.56	0.38	0.53	0.72	0.79
Return on equity, % (ROE) ⁴⁾	6.0	4.3	5.0	7.2	9.9
Equity/total assets, % ⁴⁾	11.1	8.1	9.9	11.3	8.9
Capital adequacy ratio, % ⁶⁾	32.0	26.7	32.9	40.5	41.7
Provisions for bad and doubtful debts ⁵⁾	- 10	47	0	15	0
Off-balance sheet items	5 899	7 283	4 052	4 449	4 789
Staff numbers at year end	78	136	134	135	128

1) The financial information of the Leonia Group for the years 1994–1997 has been prepared by adding together the information of the Leonia Bank Group and Leonia Corporate Bank plc. The financial highlights have been calculated on the basis of these figures. The financial highlights have been calculated in accordance with the regulations of the Financial Supervision Authority. The figures in the profit and loss account for the year 1997 have been restated to conform with the reporting requirements of the Financial Supervision Authority for the year 1998. The figures for years prior to 1997 have not been restated to conform with the amended regulations.

2) Total income includes the income in the formula for the income to cost ratio.

3) Total operating expenses include the expenses in the formula for the income to cost ratio.

4) Preferred capital notes have not been included in capital and reserves.

5) Provisions for bad and doubtful debts comprise specific provisions for loans and advances and contingent liabilities and commitments, as well as releases of provisions and recoveries of amounts written off.

6) Credit Institutions Act 1994 (1607/93 Sect. 9:78 §), and amendments dated 1 August 1996 (570/96 Sect. 9:78 a-c §) and 1 January 1998 (1340/98 Sect. 9:78 a and c §).

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

The financial highlights are calculated as referred to in the regulations of the Financial Supervision Authority.

Revenues:	<i>interest income, net leasing income, dividend income, fees and commissions receivable, net income from transactions in securities and foreign exchange dealing and other operating income</i>	
	<i>net income from financial operations + dividend income + fees and commissions receivable + net income from transactions in securities and foreign exchange dealing + other operating income</i>	
Income to cost ratio:	<i>fees and commissions payable + administrative expenses + depreciation + other operating expenses</i>	
Return on equity, % (ROE):	$\frac{\text{operating profit/loss less taxes}}{\text{capital and reserves + minority interests + untaxed reserves and depreciation difference less deferred tax liability (average)}} \times 100$	
Return on assets, % (ROA):	$\frac{\text{operating profit/loss less taxes}}{\text{average balance sheet}} \times 100$	
Equity/total assets, %:	$\frac{\text{capital and reserves + minority interests + untaxed reserves and depreciation difference less deferred tax liability}}{\text{balance sheet, total}} \times 100$	

Preferred capital notes have not been included in capital and reserves in calculating the financial highlights.

LEONIA PLC BOARD OF DIRECTORS' REPORT

LEONIA GROUP

OPERATING ENVIRONMENT

Finland's GDP continued to grow briskly in the first half of the year and, despite the slowdown later, the average growth for the whole year was about 5%. The rise in consumer prices slowed towards the end of the year, mainly in response to falling import prices. At year-end consumer prices were only 0.9% higher than in December 1997, and the average year-on-year inflation was 1.4%. This was the fifth consecutive year of low inflation.

Economic growth was brisk and the demand for credit strong.

In May it became clear that Finland would be among the first countries to join the third stage of the EMU. The Bank of Finland's tender rate remained stable until 3 December when it declined to 3%, as in nearly all of the EMU countries. Bond yield differentials between Finland and Germany remained relatively small, even during the tumult in international financial markets in the autumn. The disturbances were reflected in Finnish equity markets in a similar way to other western countries.

In the latter half of the year, economic difficulties in Asia and Russia began to affect industrial output and orders in Finland, with growth in the final months being focused mainly on the electronics sector. Investments in machinery and equipment grew sluggishly, but corporate borrowing from banks increased. The financial position of companies continued to be quite strong. Building activity was lively in the first months of the year, and total building investments increased by nearly 10%.

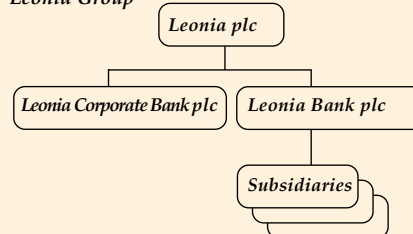
Private consumption grew strongly for the fourth consecutive year. Retail sales volumes increased by about 5%, supported by a rise in real disposable incomes, a gradual decline in the unemployment rate and the positive economic expectations of consumers. The number of employed persons grew by 2.5%, and the unemployment rate decreased on average to 11.4%. The confidence of consumers in the economy remained strong.

Housing markets were also lively, partly influenced by migration to the larger cities. The demand for home loans increased, apartment prices rose and the average size of home loans grew. On the other hand, the demand for consumer credits was slack.

The growth in the banks' outstanding loans accelerated near the end of the year. From December 1997 to December 1998, lending increased by nearly 12%. Deposits also increased, although households simultaneously became more interested in alternative investment instruments. Markka-denominated deposits were 4.6% higher in December than one year earlier. Tighter competition between the banks narrowed the margin between borrowing and lending.

LEONIA GROUP FORMATION, OWNERSHIP STRUCTURE AND PARENT COMPANY DUTIES

Leonia Group



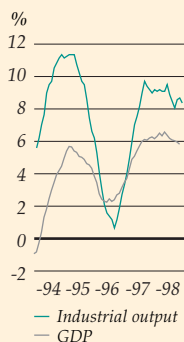
In December 1997, the Finnish government established a holding company under the name PV Group plc, to which it surrendered its shares in Postipankki and Finnish Export Credit under an ownership arrangement implemented on 18 December 1997, and subscribed for the entire share capital of PV Group.

The PV Group became Leonia, Postipankki became Leonia Bank and Finnish Export Credit became Leonia Corporate Bank.

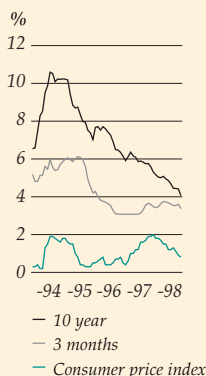
During 1998, the name of the parent company was changed to Leonia plc, the name of Postipankki to Leonia Bank plc and the name of Finnish Export Credit to Leonia Corporate Bank plc. The other companies included in the Group accounts are in the Leonia Bank Group, with Leonia Bank plc as the parent company.

The parent company, Leonia plc, is responsible for strategic leadership of the Group and for certain Group administrative functions that are handled centrally, such as risk control, information technology, group accounting, community relations, economic research and corporate communications.

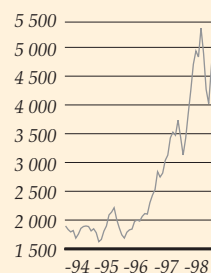
12 Month moving average of change in output



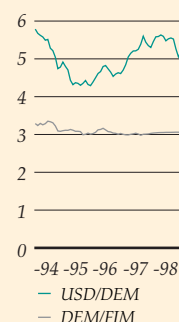
Interest rates and inflation



Monthly averages of HEX general index



Monthly averages of external value of FIM



GROUP RESULTS

Leonia Group's results for 1998 were better than forecast. The operating profit was FIM 1,151 million, which was FIM 203 million up on the previous year. The return on equity was 11.5%, compared with 10.3% in the previous year. Profitability also improved, measured by the income to cost ratio.

Leonia's profits were better than expected. Operating profit improved by a fifth, to FIM 1,151 million, due to increased income and reduced expenses.

Lower interest rates decreased the margin between interests receivable and payable, and net income from financial operations was also weakened by a contraction in money market items following the concentration of treasury operations. Due to growth in lending and deposits, however, the Group's net income from financial operations did not weaken during the year.

Fees and commissions receivable were increased by fees and commissions for account transactions and payments, and for the administration and collection of loans at the risk of Asset Management Company Arsenal Ltd.

The net income from securities transactions was FIM 122 million, resulting from income of

FIM 143 million from transactions in equities, offset by a net loss of FIM 21 million from transactions in debt securities. The latter also includes net income from interest rate derivatives including unrealised profits and losses arising from valuation. The interests on debt securities are included in net income from financial operations. In the previous year, securities transactions had shown a net loss of FIM 108 million.

The net income from foreign exchange dealing was FIM 101 million, as against FIM 109 million in the previous year.

Operating expenses and depreciation totalled FIM 2,725 million, compared with FIM 2,660 million in the previous year. The increase was brought about by one-time charges of FIM 70 million related to the restructuring of Leonia Bank's foreign branches.

Of administrative expenses, pension costs increased. This increase was necessitated by an amendment to the Pension Funds Act, valid from the beginning of the year, which required pension funds to strengthen their operating capital and solvency. Other administrative expenses were lowered by a previously agreed reduction in reimbursements to Finland Post. Information technology expenses grew because of extra resources required for systems development – in particular for

projects related to the euro and year 2000 compliance.

The net figure for provisions for bad and doubtful debts remained low, being only 0.06% of loans and advances and contingent liabilities. The new write-offs and provisions of FIM 163 million made during the financial year were offset by recoveries of FIM 109 million from previous write-offs. There was a net increase of FIM 30 million in provisions for exposures to Asia. As a result of new provisions of FIM 99 million made for bad and doubtful debts for corporate and institutional customers, and recoveries and releases of FIM 63 million, the net figure for provisions for bad and doubtful debts was FIM 36 million. Correspondingly, new such provisions for retail customers totalled FIM 64 million, offset by recoveries of FIM 46 million giving a net figure for provisions for bad and doubtful debts of FIM 17 million.

The Group's non-performing and other non-interest-earning loans and advances continued to decrease, totalling FIM 647 million at the end of the year. Of this amount, households accounted for FIM 279 million and corporate and institutional customers for FIM 368 million. One year earlier, non-performing loans and advances had totalled FIM 716 million, with households accounting for FIM 363 million and corporate and institutional customers for FIM 353 million.

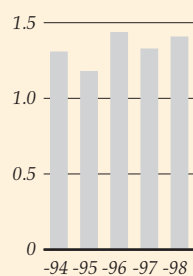
On 31 December 1998, non-performing and other non-interest-earning loans and advances amounted to 0.5% of all loans and advances and contingent liabilities.

Leonia Group

Profit before appropriations and taxes

FIM million	1998	1997	Change %
Net income from financial operations	2 567	2 581	- 1
Other income	1 340	1 005	33
Total operating income	3 907	3 586	9
Operating expenses	- 2 725	- 2 660	2
Profit before provisions			
for bad and doubtful debts	1 182	925	28
Provisions for bad and doubtful debts	- 53	7	
Income from companies accounted for by the equity method	23	15	
Operating profit	1 151	948	21
Extraordinary items	- 61	- 21	
Profit before appropriations and taxes	1 090	927	18

Leonia Group income to cost ratio



1994–1997 Postipankki and Finnish Export Credit

Leonia Group**Quarterly operating profit**

FIM million	Q4/98	Q3/98	Q2/98	Q1/98	Q4/97	Q3/97	Q2/97	Q1/97
Net income from financial operations	611	631	678	647	666	623	660	633
Net fees and commissions	232	199	222	190	205	180	196	183
Net income from transactions in securities and foreign exchange dealing	40	10	49	124	-23	10	7	9
Other operating income	75	78	67	54	72	46	67	53
Total operating income	958	918	1 016	1 014	920	858	930	877
Administrative expenses	-599	-533	-582	-542	-628	-505	-577	-535
Depreciation and write-downs of fixed assets	-56	-53	-93	-55	-62	-50	-51	-51
Other operating expenses	-71	-39	-47	-56	-19	-80	-53	-50
Total operating expenses	-726	-625	-721	-653	-709	-635	-681	-635
Profit before provisions for bad and doubtful debts	232	293	295	362	211	224	249	242
Provisions for bad and doubtful debts	-20	-10	-26	4	-47	-5	32	27
Income from companies accounted for by the equity method	12	-8	12	6	-3	0	-2	20
Operating profit	224	276	280	372	161	219	279	289

GROUP CAPITAL ADEQUACY

Leonia Group's capital adequacy ratio was 13.9% at the end of the year. The Tier 1 ratio of total capital to risk-weighted assets was 10.6%. At the end of 1997, the capital adequacy ratio had been 13.3%, while the Tier 1 ratio had been 9.4%.

At the end of the year, Leonia Group's Tier 1 capital stood at FIM 8,719 million and total capital at FIM 11,419 million. During the year, Tier 1 capital increased by FIM 80 million. The preferred capital notes included in Tier 1 capital decreased by FIM 640 million. In December 1998, Leonia Corporate Bank purchased from domestic investors preferred capital notes worth FIM 700 million that had been issued in December of the previous year by Leonia Bank plc. Of the preferred capital notes issued by Leonia Bank in March 1998, FIM 500 million were allocated to Leonia Corporate Bank and FIM 60 million to other investors. The amount of subordinated debentures included in Tier 2 capital was reduced by FIM 577 million. There was a reduction in total capital of FIM 791 million.

Leonia Group's risk-weighted assets were FIM 82.2 billion at the end of the year, having been FIM 91.8 billion at the end of the previous year.

Leonia's capital adequacy ratio was 13.9% at the end of the year, and the Tier 1 capital ratio 10.6%.

Leonia Group Capital Adequacy

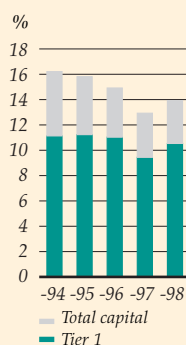
FIM million	At 31 December 1998	At 31 December 1997
TIER 1	8 719.1	8 639.5
Share capital	1 284.3	1 284.3
Share premium account	4 289.8	4 289.8
Preferred capital notes	60.0	700.0
Distributable capital	2 632.1	1 926.1
Minority interests	96.9	67.3
Untaxed reserves	681.2	681.2
Intangible assets	-325.3	-309.2
TIER 2	2 865.2	3 476.7
Subordinated liabilities	2 330.1	2 907.5
Other	535.1	569.2
Deductions from capital	165.2	60.7
TIER 3	0.0	154.5
Total capital	11 419.0	12 210.0
Risk-weighted assets		
(on-balance sheet and off-balance sheet)	82 202.8	91 838.2
Capital adequacy ratio, %		
- Total capital/risk-weighted assets	13.9%	13.3%
- Of which tier 1/risk-weighted assets	10.6%	9.4%

GROUP BALANCE SHEET

Leonia Group's total assets were FIM 148.1 billion at the end of the year. During the year they contracted by FIM 30.2 billion. This development resulted mainly from the reduction in money market items due to the concentration of the Group's funding and trading operations in Leonia Bank and the transfer of the Bank's treasury and administrative functions from the London and New York branches to the head office in Helsinki. The Group's loans and advances to credit institutions decreased by FIM 20.1 billion and debt securities by FIM 14.2 billion. The Group's liabilities to credit institutions decreased by FIM 13.7 billion and bond and note funding decreased by FIM 12.0 billion.

The domestic demand for credit continued strong. The Group's loans and advances to customers increased during the year by FIM 5.0 billion to reach FIM 76.0 billion. There was particularly strong growth in markka-denominated loans and advances to companies and institutions. The growth in loans to households also accelerated significantly.

Leonia's lendings increased substantially, despite the contraction in total assets that resulted from a reduction in money market items.

Leonia Group capital adequacy ratios at 31 December

1994-1997 Postipankki and Finnish Export Credit

Liabilities to customers totalled FIM 54.4 billion at the end of the year, a fall of more than one billion markkas compared with the end of the previous year. Customers' markka-denominated deposits in Leonia's accounts increased by about one billion markkas. Foreign exchange denominated deposits and other liabilities to customers diminished.

The book value of Group-owned properties totalled FIM 3.3 billion at the end of the year, corresponding to 2% of the balance sheet total. 40% of this property was occupied for the Group's own activities. The net income from properties occupied for other activities was 6.3% last year.

The net interest margin calculated for the year-on-year average of the interest-earning assets was 1.7% in 1998 and 1.6% in 1997. The widening of the margin was due mainly to a lower share of interest-bearing liabilities and higher cash flow from operations.

Lending and investments

FIM million	At 31 December 1998	Change 98/97	
			%
Loans and advances to credit institutions	14 422	- 20 059	- 58
Loans and advances to customers ¹⁾	76 031	5 010	7
Debt securities	41 473	- 14 163	- 25
Other assets and investments	16 146	- 954	- 6
Total assets	148 071	- 30 166	- 17

¹⁾ Loans and advances to customers, by customer sector

FIM million	At 31 December 1998	Change 98/97	
			%
Corporations	27 740	2 390	9
Financial and insurance institutions	1 177	882	299
Public sector entities	2 231	- 421	- 16
Non-profit institutions	3 365	519	18
Households	25 014	2 768	12
Foreign	16 503	- 1 128	- 6
Total	76 031	5 010	7

Funding

FIM million	At 31 December 1998	Change 98/97	
			%
Liabilities to credit institutions and central banks	14 398	- 13 651	- 49
Liabilities to customers	54 412	- 1 074	- 2
- Deposits ²⁾	49 930	- 164	0
Debt securities in issue and subordinated liabilities	62 258	- 12 037	- 16
Other liabilities	7 826	- 3 701	- 32
Capital and reserves	9 177	296	3
Total liabilities	148 071	- 30 166	- 17

²⁾ Deposits - by type

FIM million	At 31 December 1998	Change 98/97	
			%
Demand deposits	10 866	272	3
Savings accounts	10 937	- 1 081	- 9
Other deposits	13 551	1 949	17
Giro accounts	12 103	286	2
Foreign currency and foreign deposits	2 473	- 1 590	- 39
Total customer accounts	49 930	- 164	0
Other giro accounts	902	- 142	- 14

DERIVATIVE CONTRACTS AND OFF-BALANCE SHEET ITEMS

Derivative Contracts

The amount of the Group's derivative contracts, measured by the nominal value of the underlying instruments and the credit equivalent amount, decreased significantly during the year. This development was influenced by the restructuring of the Group's treasury operations, the transfer of derivatives trading to stock exchange based transactions and reduced hedging requirements, due to the euro, in the trading of both foreign exchange and interest rate contracts.

Based on the value of the underlying instruments, about a quarter of the Group's derivative contracts were treated as hedges. These contracts have been valued on an equivalent basis to the items being hedged. Other derivative contracts have been marked to market, and the resultant profits and losses are included monthly in net income from transactions in securities and foreign exchange dealing.

Calculated in accordance with the requirements of the Finnish capital adequacy standards, the credit equivalent amount of the derivative contracts at the end of the year was FIM 9.8 billion and the risk-weighted amount FIM 2.7 billion. A year earlier, the corresponding figures were FIM 15.2 billion and FIM 4.3 billion.

The Group's derivative contracts are specified in the Notes to the Accounts, no. 42.

Derivative contracts

FIM million	At 31 December 1998		At 31 December 1997	
	Values of underlying instruments		Values of underlying instruments	
	For hedging purposes	For other purposes ^{*)}	For hedging purposes	For other purposes ^{*)}
Interest rate contracts				
- Futures and forward rate agreements	1 070	70 334	-	408 276
- Options	-	4 235	-	34 334
- Interest rate swaps	24 752	100 805	41 199	148 379
Total	25 823	175 374	41 199	590 990
Exchange rate contracts				
- Futures and forward foreign exchange	377	82 950	3 088	152 372
- Options	-	2 363	-	8 790
- Interest rate and cross currency swaps	39 531	3 579	59 417	7 894
Total	39 908	88 891	62 505	169 056
Equity contracts	-	-	5	94
Total	65 731	264 265	103 709	760 140

^{*)} Valued at market value

	Credit equivalent amount of contracts	Risk-weighted amount of contracts	Credit equivalent amount of contracts	Risk-weighted amount of contracts
Interest rate contracts	2 523	645	5 008	1 440
Exchange rate contracts	7 227	2 049	10 210	2 865

Off-balance sheet items

FIM million	1998	1997
Guarantees and assets pledged as collateral security	11 606	9 521
Undrawn loans, overdraft facilities and commitments to lend	19 879	18 809
Other contingent liabilities and commitments	3 266	4 336
Total	34 752	32 666

The amount of derivative contracts was reduced. The credit equivalent amount of these contracts was FIM 9.8 billion at year-end.

RISK MANAGEMENT IN LEONIA GROUP

Objectives and organisation

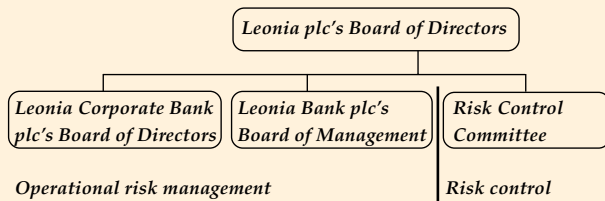
The risk management process in Leonia Group is divided into risk management and risk control independent of operative business lines. These roles are combined in the Board of Directors of Leonia plc, which decides on strategic matters such as the annual operating plans of the business operations and the Group's risk management policy. It decides on the allocation of capital to Leonia plc's subsidiaries and monitors the Group's capital adequacy, profitability and liquidity.

Risk management in Leonia is divided into operational risk management and independent risk control.

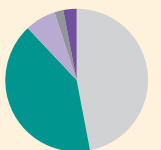
Risk management includes the identification and measurement of risks, and their active adjustment. It also involves the continuous development of operations and ensuring the functionality of processes. The Board of Management of Leonia Bank and the Board of Directors of Leonia Corporate Bank are responsible for risk management. They set the limits on business risks and ensure that accepted risk management policy is followed in business operations.

Risk control comprises the preparation of a risk management policy and the measurement and analysis of financial risks on a uniform basis, independent of business operations. A risk control committee under the Board of Directors of Leonia plc is responsible for risk control. This committee prepares a risk management policy and monitors the credit, market and operational risks arising from business. The chairman of the Board of Directors of Leonia plc acts as the chairman of the committee.

RISK MANAGEMENT ORGANISATION IN LEONIA GROUP

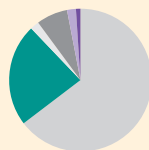


Leonía Group's exposures to corporate and institutional customers by creditworthiness category at 31 December 1998
FIM 138.3 billion



- Good 47%
- Satisfactory 41%
- Fair 7%
- Weak 2%
- Unrated 3%

Leonía Group's exposures to corporate and institutional customers by region at 31 December 1998
FIM 138.3 billion



- Finland 64%
- Other EU-countries 23%
- Other Western Europe 7%
- North America 2%
- Far East 2%
- Other countries 1%

Credit risks

Credit Risk Management Procedures

The credit policy of the Group is reviewed annually and is used to guide the targeting of the counterparty credit risk in both lending and treasury operations by country, by business sector and by creditworthiness category. It also determines the maximum amounts for large risk concentrations.

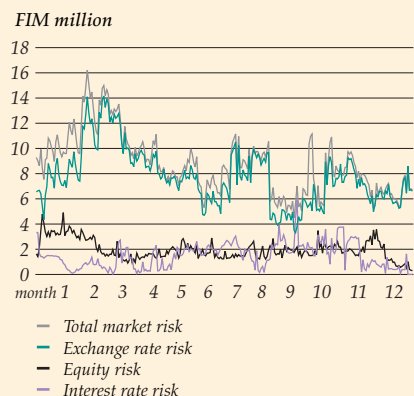
Guidelines for credit risk management are set at Group level. Business credit risks are managed by a system in which each customer is assigned a customer responsibility officer who is thoroughly familiar with the customer's business and monitors its development. The Group has an internal credit rating system, based on the financial status of the customer and the assessment of future development. The Group also uses the analyses of specific international rating agencies, and their classifications are converted to the Group's internal classification scale. Classification covers over 95% of the loans and other exposures to companies and institutions. The measurement of the total amount of credit risk is based on the credit grading. Credit decisions are based on the customer's creditworthiness. The uncertainty associated with assessment of credit risk is reduced by covenants or collateral.

In the case of retail customers, creditworthiness is assessed by relating the credit to the customer's income, living expenses and repayment obligations. In the case of lending without collateral, the creditworthiness of personal customers is assessed by credit scoring, which depicts the customer's credit repayment ability.

Credit risk monitoring is based on the continuous monitoring of customers' creditworthiness and of the value of collateral and covenants, as well as the monitoring of country, customer and product limits, and comprehensive reporting. In the case of customers who belong to the weaker creditworthiness categories, the customer responsibility officers prepare action plans to reduce credit risks.

The majority of Leonia's credit risks are concentrated on customers with good or satisfactory creditworthiness. Credit risks in crisis areas are small.

Leonía's market risks (VaR 1%) 1998



In addition to limits for individual countries and counter-parties, Leonia Corporate Bank has set limits for the creditworthiness structure of loan, investment and derivative portfolios and the total exposure portfolio. These limits are defined on the basis of internal credit rating as a percentage minimum for each portfolio. Total and portfolio limits are also set for the percentage share of exposures without a public credit rating.

Independent Measurement of Credit Risks

The bank has had an on-going risk control and business operations joint project to develop a Value-at-Risk (VaR) formula for corporate credit risks since the spring of 1997. This led to the development of a programme based on the Monte Carlo simulation, with the first preliminary risk figures being calculated in summer 1997. The credit risk figure measures the bank's potential credit losses at certain levels of confidence for the following year. The monitoring of risks based on the method was begun at the end of 1998.

Credit Risk Development

The termination of treasury operations in the London and New York branches in the summer of 1998 had the effect of reducing total exposures and particularly exposures to financial institution customers in the USA and Western Europe. In Finland, exposures to small and medium-sized companies grew strongly. Leonia was also a significant financier of corporate acquisitions. The exposure to large companies and foreign companies has fallen due to limited demand. The creditworthiness distribution in the exposure portfolio was in accordance with objectives.

The Group's exposures to areas affected by economic crisis are relatively small, when the amount of loans and advances guaranteed by external guarantors are deducted from the total exposure to each country. Exposures to Russia were FIM 197 million at the end of the year, of which a considerable part has been secured by collateral in western countries. The Asian share of the exposure at the end of the year was 1%, of which 42% consisted of loans to the largest Japanese banks. Loans to South Korea, Indonesia and Thailand totalled FIM 375 million at the end of 1998. Of these 52% was direct company risk, with the remainder being bank or country risk. Latin American exposures at the end of the year totalled FIM 106 million, of which Brazil's share was FIM 10 million. The Group has provisions of FIM 70 million for exposures to Asia, compared to a corresponding figure of FIM 40 million last year.

The number of problem customers did not increase during the financial year. No significant customers went bankrupt.

Funding and Interest Rate Risks in the Banking Book

The banking book is the balance sheet of Leonia Bank cleared of trading items. The banking book is managed essentially by managing the interest margin, which is affected by interest rate and funding risks, credit risks and, in addition, risks that are more difficult to model, such as the premature repayment of credits and the stability and price of account balances.

In order to assess the interest rate risk of the banking book, not only items with a known interest basis are modelled, but also certain traditionally stable items such as demand deposits. The interest rate sensitivity of the balance sheet is measured by assuming several alternative interest rate scenarios, to obtain the most comprehensive picture of the risk.

Correspondingly, the funding risk is assessed on the basis of future funding requirements, by taking into account the liquid assets in the balance sheet and predictions of the future development of business.

The maturity analysis of the Group balance sheet items is shown in note 36.

In Leonia Corporate Bank, the funding and market risks of the balance sheet are covered to the extent that this is practicable. The risks are by nature residual, requiring mainly the management of liquidity. For several years, the company has applied VaR risk assessment and supplementary indicators. The VaR method is also applied to assessing the development of the credit risk, particularly that relating to interest rate and foreign exchange derivative contracts.

Market Risks in Trading

In Leonia Bank, the daily operational management of market and liquidity risks is concentrated in the trading function, the business of which comprises both customer oriented activities and the Bank's proprietary trading in interest rate, foreign exchange and equity instruments. The risk taken in business operations must remain within the limits approved by the Board of Management.

Measurement of Market Risks

Market risk assessment based on the VaR procedure has been in use since 1 January 1995. The treasury's limits have been based on VaR-based risk figures (equity, exchange rate and interest rate risks) since 1 May 1996.

The VaR figures are calculated, with a confidence level of 99%, for overnight risks (holding period = 1 day), using models based on the Monte Carlo simulation. The calculation is performed daily by the risk control function. The volatility and correlation parameters required by the model are calculated daily on the basis of 60-banking-day historical market observations.

In addition to the VaR figures, risk monitoring performs daily stress test calculations. Stress test-based limits are also set for the most important risks.

Market Risk Development

In 1998, Leonia Bank's market risks were at a fairly low level historically. During 1998, the total overnight risk of the trading function varied between FIM 4 – 16 million. The interest rate risk clearly dominated in the total risk, with currency and equity risks being substantially lower.

The total market risk in Leonia's trading function varied between FIM 4–16 million.

ADMINISTRATION

The Constitutive Meeting on 11 December 1997 elected Eino Keinänen, Eva Liljebloom, Esko Mäkeläinen, Raimo Sailas, Anssi Soila, Ossi Virolainen and Matti Vuoria as members of the Board of Directors of Leonia plc. Harri Pynnä and Jarmo Väisänen were elected as deputy members.

The Annual General Meeting elected Eino Keinänen as Chairman of the Board of Directors. A meeting of the Board of Directors on 11 December 1997 elected Raimo Sailas and Matti Vuoria as Vice Chairmen of the Board and Harri Hollmén as Chief Executive of the company.

The Constitutive Meeting on 11 December 1997 elected Tilintarkastajien Oy – Ernst & Young, Authorised Public Accountants, as the auditors of Leonia plc, with Jorma Jäske APA as the responsible auditor, assisted by Kunto Pekkala APA and Pekka Luoma APA. Mikael Holmström APA was elected deputy auditor.

The term of office of the members of the Board of Directors and the auditors will end at the conclusion of the Annual General Meeting in 1999.

STAFF

In 1998, the staff of the Leonia Group averaged 5,027, which is 385 less than the previous year. At the end of the year, the Group staff numbered 4,700, i.e. 537 less than at the end of the previous year. Of these, 165 were employed in Leonia plc, 4,457 in the Leonia Bank Group, and 78 in Leonia Corporate Bank. At the end of the year, the Leonia Group had 4,482 permanent full-time employees and 218 part-time or temporary employees.

The administration of companies in the Group was combined and streamlined by trimming overlapping operations and out-sourcing services. Reductions in staff took place mainly in Leonia Bank's payments function and in central administration units.

The terms and conditions of the Group's employment contracts are based on the national collective incomes' policy agreement for 1998–1999.

Profit bonuses totalling FIM 17.9 million were transferred to the staff fund from the 1998 financial year. The regulations of the staff fund were altered with effect from 1 January 1999, to allow all companies in Leonia Group to join the staff fund. At the same time, the name of the fund was changed to the Staff Fund of Leonia Group. A profit bonus is paid to the staff fund, if the net profit of the Group exceeds an approved threshold income limit.

The basic and supplementary pensions of the staff of Leonia plc and Leonia Bank plc were arranged with the Postipankki Pensions Fund during 1998. The pensions of employees of other companies in the Group were taken care of through insurance.

Since the start of 1999, the basic and supplementary pensions of the employees of all companies in the Group have been arranged in a pensions fund whose name has been changed, along with changes in its rules, to Leonia Pension Fund. The arrangement is intended to ensure a uniform level of pensions security in the various companies in the Group.

Leonia's staff numbers were reduced by over 500 during the year.

PREPARATIONS FOR INTRODUCTION OF THE EURO

Leonia began to prepare for the EMU and the euro in 1996. Business and technical preparations took place in 1997 and 1998.

The project's first stage was completed on schedule at the end of 1998, and since the beginning of this year euro-denominated versions of all of Leonia's products have been available. The project's second stage, in which the full capacity for operating in euros will be ensured, will start in late 1999 and finish in March, 2001.

Leonia's guiding principle is to be flexible in transferring to the euro, while supporting its customers in their transfer to the euro, according to their own requirements and timetable.

PREPARATIONS FOR THE YEAR 2000

Leonia began preparations for the year 2000 in 1996. Leonia's Year 2000 project has been divided into the following sections: information technology, legal aspects, integrated systems, customer risk surveys, and information and stand-by plans. The project is progressing according to plan and resources for its implementation have been allocated. It is estimated that the whole project will cost FIM 59 million, completion being scheduled for June 1999, when Leonia will be fully prepared for the year 2000 in all product sectors.

PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Low interest rates and competition in the financial sector restrict possibilities for increasing income. However, expenses are estimated to decrease as a result of the Group's development programme. To improve profitability, particular attention will continue to be paid to cost effectiveness.

It is estimated that Leonia Group's profit in the current year will not differ substantially from the profit for 1998.

Since the beginning of 1999, all of Leonia's products have also been available in euros.

The profit for 1999 will not differ substantially from that of the previous year.

LEONIA BANK GROUP**RESULTS**

The profit of Leonia Bank Group developed favourably in 1998. The Group's operating profit was FIM 775 million, which is FIM 107 million up on the previous year.

The improved performance derived from income growth which, calculated in markkas, was triple the increase in operating expenses. Provisions for bad and doubtful debts increased, but remained at a low level.

The net income from financial operations in Leonia Bank Group was FIM 2,195 million. Due to growth in domestic lending, net income from financial operations remained at nearly the level of the previous year, despite the narrowing of interest margins due to lower interest rates and the considerable contraction in the money market items.

Margins in lending to customers shrank a little. Arising from the contribution to the deposit protection fund included in interest payable, the net interest income fell by FIM 53 million.

The net income from securities transactions was FIM 33 million. Income from transactions in equity shares was FIM 78 million, most of it being dealing profits. Trading in debt securities produced a net loss of FIM 46 million. This resulted from FIM 60 million in dealing profits and FIM 26 million in profits arising from mark-to-market valuation of debt securities, offset by losses from derivative contracts totalling FIM 132 million, of which one half were valuation losses. In accordance with the new accounting practice regulated by the Financial Supervision Authority, interests on interest rate contracts treated as hedges for trading debt securities and on contracts used in trading, which were earlier included in the net income from financial operations, are now included in the net income from transactions in debt securities. Interests on debt securities are entered in the net income from financial operations. In addition, in 1998 the accounting practice has been changed to allow the securities held for trading purposes to be valued at market value, and the resultant profits to be included in the profit and loss account. The comparative figure for the net income from transactions in securities in 1997 showed a loss of FIM 175 million. The net income from foreign exchange dealing was almost as big as in the previous year.

Fees and commissions receivable grew by FIM 66 million to reach FIM 973 million. Fees and commissions for account transactions and payments, for the administration and collection of loans at the risk of Asset Management Company Arsenal Ltd, and for asset management services increased. Fees and commissions for bank guarantees, securities brokerage and securities issues decreased. Fees and commissions payable decreased by FIM 7 million.

Other operating income grew by FIM 43 million to FIM 265 million. Most of this income consisted of property rentals which increased by FIM 15 million mainly due to higher utilisation of premises for lease. This item also includes income of FIM 31 million from the cancellation of a payment of stamp taxes related to bonds. This amount had previously been included in accrued expenses.

Operating expenses and depreciation increased altogether by FIM 91 million to FIM 2,638 million.

Expenses for 1998 included FIM 70 million in one-time charges related to the restructuring of Leonia Bank's foreign branches. The most significant increase in operating expenses was in information technology. FIM 30 million of the costs of transferring to the euro were covered by an earlier provision. Expenses were also incurred in building Leonia Bank's corporate image. Included in the Group's other administrative expenses were payments defined in a co-operation agreement with Finland Post for the use of their service network and amounting to FIM 473 million, a decrease of FIM 78 million on the previous year.

The Bank Group's profit before provisions for bad and doubtful debts improved by a good third, i.e. by FIM 216 million, and was FIM 815 million.

The Group's net figure for provisions for bad and doubtful debts was FIM 63 million. New write-offs and provisions of FIM 147 million were made, of which FIM 40 million constituted country-

specific provisions for exposures in Thailand and Pakistan. Recoveries from previous write-offs totalled FIM 84 million. In 1997, recoveries had been FIM 54 million greater than write-offs during the year.

Leonia Bank Group's non-performing and other non-interest-earning loans and advances decreased during the year by FIM 82 million, totalling FIM 567 million at the end of the year. FIM 118 million of this amount was in non-interest-earning loans and advances.

A liability deficit of FIM 61 million to the pension fund, originating from earlier years, was covered during the financial year. The item has been dealt with as an extraordinary expense. Consequently, the pension fund now has no uncovered pension liabilities.

Leonia Bank Group

Profit before appropriations and taxes

FIM million	1998	1997	Change%
Net income from financial operations	2 195	2 210	- 1
Other income	1 258	935	35
Total operating income	3 453	3 145	10
Operating expenses	- 2 638	- 2 546	4
Profit before provisions for bad and doubtful debts	815	599	36
Provisions for bad and doubtful debts	- 63	54	
Income from companies accounted for by the equity method	23	15	
Operating profit	775	668	16
Extraordinary items	- 61	- 21	
Profit before appropriations and taxes	714	647	10

Leonia Bank Group

Quarterly operating profit

FIM million	Q4/98	Q3/98	Q2/98	Q1/98	Q4/97	Q3/97	Q2/97	Q1/97
Net income from financial operations	515	549	579	552	564	537	563	546
Net Fees and Commissions	232	198	223	190	207	180	199	184
Net income from transactions in securities and foreign exchange dealing	45	- 1	43	46	- 20	- 4	- 10	- 31
Other operating income	89	81	60	52	71	46	61	52
Total operating income	881	826	906	840	822	759	813	752
Administrative expenses	- 602	- 516	- 551	- 518	- 594	- 489	- 557	- 515
Depreciation and write-downs of fixed assets	- 54	- 51	- 92	- 50	- 56	- 47	- 48	- 48
Other operating expenses	- 68	- 39	- 43	- 53	- 20	- 74	- 51	- 47
Total operating expenses	- 725	- 606	- 686	- 622	- 670	- 611	- 656	- 609
Profit before provisions for bad and doubtful debts	156	221	220	218	152	148	157	142
Provisions for bad and doubtful debts	- 30	- 10	- 26	4	- 7	- 5	32	34
Income from companies accounted for by the equity method	12	- 8	12	6	- 3	0	- 2	20
Operating profit	138	203	206	228	141	143	187	196

CAPITAL ADEQUACY

Leonia Bank Group's capital adequacy ratio was 11.1% at the end of the year, whereas at the end of 1997 it had been 9.5%. The Tier 1 ratio of total capital to risk-weighted assets was 7.9%, compared with 5.7% a year earlier.

At the end of the year, Leonia Bank's Tier 1 capital stood at FIM 5,458 million and its total capital at FIM 7,651 million. During the year, Tier 1 capital increased by FIM 1,230 million. FIM 661 million of the increase consisted of the net profit for the financial year. An addition of preferred capital notes increased Tier 1 capital by FIM 560 million. In March, the Bank issued preferred capital notes included in Tier 1 capital, of which Leonia Corporate Bank subscribed for FIM 500 million and other investors FIM 60 million.

Leonia Bank's risk-weighted assets were FIM 69.1 billion at the end of the year. During the year, they decreased by FIM 4.9 billion, despite a considerable increase in lending. The reduction was due to a significant decrease in the volume of investment operations. The risk-weighted amount of guarantees and other off-balance sheet items declined by FIM 1.2 billion.

The Bank's commitments are also backed by a state guarantee for up to half the combined amount of the Bank's Tier 1 and Tier 2 capital in the terms of the Credit Institutions Act. Should the Bank's total assets be insufficient to meet its commitments, the state will take responsibility for meeting them, up to the guaranteed amount (Posti-pankki Act, Section 7).

**Leonia Bank Group
Capital Adequacy**

FIM million	Group		Bank	
	At 31 December		At 31 December	
	1998	1997	1998	1997
TIER 1	5 457.9	4 228.2	5 078.9	3 898.3
Share capital	630.0	630.0	630.0	630.0
Reserves	1 710.3	1 710.3	1 646.8	1 646.8
Preferred capital notes	1 260.0	700.0	1 260.0	700.0
Distributable capital	1 661.3	1 000.5	1 537.4	900.3
Minority interests	96.9	67.3		
Untaxed reserves	421.3	421.3	238.8	238.8
Intangible assets	- 321.9	- 301.2	- 234.2	- 217.6
TIER 2	2 358.4	2 683.3	2 358.4	2 518.3
Subordinated liabilities	1 823.3	2 114.1	1 823.3	1 949.2
Other	535.1	569.2	535.1	569.2
Deductions from capital	165.2	60.7	164.6	59.2
TIER 3	0.0	154.5	0.0	154.5
Total capital	7 651.1	7 005.3	7 272.7	6 512.0
Risk-weighted assets (on-balance sheet and off-balance sheet)	69 121.1	74 057.7	66 305.9	71 326.4
Capital adequacy ratio,%				
- Total capital/ risk-weighted assets	11.1%	9.5%	11.0%	9.1%
- Of which Tier 1/risk- weighted assets	7.9%	5.7%	7.7%	5.5%

BALANCE SHEET

Leonia Bank Group's total assets contracted by FIM 15.0 billion, a reduction of 12%, to stand at FIM 110.3 billion at the end of the year. Loans and advances to customers rose by about 15%. On the other hand, market investments and funding from the money and capital markets decreased by over one third. This was mainly the result of relocating the treasury operations of the London and New York branches to Helsinki.

Lending and Investments

With strong credit demand continuing, Leonia Bank Group's loans and advances to customers rose during the year by FIM 7.9 billion. The Bank's loans to households grew by 12% to FIM 25.0 billion. New home loans increased by about 70% on the previous year. As a result, the total amount of home loans grew by FIM 2.6 billion during the year to reach FIM 18.0 billion.

Markka-denominated loans and advances to companies and institutions increased by one quarter and one fifth respectively. The Bank's foreign-exchange-denominated loans grew by more than a tenth. The Bank's investments in domestic bonds and notes increased substantially, totalling FIM 14.0 billion at the end of the year. At the same time investments in foreign bonds and notes fell, due principally to the restructuring of the Bank's foreign operations. In this connection, the Bank sold the New York branch's investment portfolio of collateralised mortgage obligations (CMOs) amounting to FIM 1.5 billion.

Funding

Liabilities to customers stood at FIM 54.4 billion at the end of the year, which was FIM 1.1 billion less than at the beginning of the year. Of these liabilities, total customer deposits in Leonia Bank's savings, current and deposit accounts increased by over a billion markkas, or 3%. Deposits grew substantially in investment accounts, but decreased in savings accounts. Deposits in bank giro accounts increased to some extent, compared with the end of the previous year - also when calculated by average daily balances for the whole year. Funds in foreign currency accounts decreased considerably during the year.

Leonia Bank Group's liabilities to credit institutions and central banks fell by FIM 13.5 billion, with a particularly steep decline in funding from foreign markets. Bond and note funding from the markets increased a little.

Leonia Bank plc's Debt Rating

	Short-term	Long-term
	Funding	Funding
Fitch IBCA	F1	A+
Moody's Investors Service	P-1	A1
Standard & Poor's	A-2	A-
Thomson BankWatch	TBW-1	A+

At the end of October, Standards & Poor's raised the Bank's long term debt rating from BBB+ to A-. The rating agency justified the change on the Bank's strong position in the domestic consumer and corporate customer markets and in payments, as well as its improved potential as a part of Leonia Group. In addition, the debt rating agency referred to the Bank's stronger capital structure and profitability and the improved quality of the loan portfolio.

ADMINISTRATION

The Act governing the Postipankki Oy was amended by an Act of 5 June 1998 to allow the business name of Postipankki to be defined in the Articles of Association. An extraordinary general meeting of Postipankki on 8 June 1998 decided that the business name of Postipankki plc would be recorded in the Articles of Association as Leonia Pankki Oyj in Finnish, Leonia Bank Abp in Swedish and Leonia Bank plc in English. The change in the Articles of Association was filed in the Trade Register on 9 June 1998.

The Annual General Meeting on 5 March 1998 re-elected Mari Kiviniemi, Antti Paasio and Anssi Rauramo, who had resigned by rotation, to the Supervisory Board of Leonia Bank for a term of 3 years. Ann-Sofi Hurme was elected for a term of three years, to replace Gustav Björkstrand, who resigned by rotation. Pekka Vennamo, having requested release from the duties of membership of the Supervisory Board, was replaced by Asko Saviaho for the remainder of his term, i.e. until the close of the Annual General Meeting in 2000.

On 1 April 1998, the Supervisory Board elected Anssi Rauramo as Chairman and Antti Paasio as Vice Chairman. The other members of the Supervisory Board were Tuulikki Kannisto, Jarmo Kilpelä, Raimo Liikkanen, Juhani Nyysönen, Maija Perho, Jarmo Rantanen, Pertti Valtonen and Jukka Wuolijoki.

Leonia plc's Chief Executive Harri Hollmén is acting as Chairman of the Board of Management of Leonia Bank while President Pentti Hakkarainen is acting as Vice Chairman. At a meeting on 25

February 1998, the Supervisory Board accepted the resignations of Peter Johansson and Eero Tuomainen from the Board of Management upon their transfer to the management of the Group's parent company on 1 March 1998, and appointed Ilkka Hallavo as Executive Vice President with effect from 1 June 1998, when Juhani Paloheimo retired. At the same meeting, Jukka Räihä was appointed a member of the Board of Management from 1 April 1998. At a meeting held on 12 August 1998, the Supervisory Board appointed Leonia Corporate Bank's President Orvo Siimestö as a member of the Board of Management. The other members of the Board of Management were Matti Inha, Maarit Näkyvä and Jussi Osola.

The Annual General Meeting elected Tilintarkastajien Oy – Ernst & Young, Authorised Public Accountants, as the auditors of Leonia Bank, with Jorma Jäske APA as the responsible auditor, assisted by Kunto Pekkala APA and Pekka Räisänen APA. Mikael Holmström APA was elected deputy auditor.

STAFF

The staff of the Leonia Bank Group averaged 4,825, which was 439 fewer than in the previous year. At the end of the year, the staff numbered 4,457, representing a reduction of 631 from the previous year. At the end of the year, there were 4,244 full-time permanent employees and 213 part-time or fixed-term employees.

The greatest reductions in staff occurred in the payments function and administration. Overlapping operations in Group companies were trimmed back and administrative services were out-sourced. There were also reductions in the staff working abroad.

PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Stiffening competition in the financial sector and generally lower levels of interest will act to reduce Leonia Bank's income. Recent years have seen provisions for bad and doubtful debts at an exceptionally low level. However, these are expected to increase to some extent, despite the good economic situation. The Bank aims to maintain income by increasing business, particularly in consumer and corporate services. The aim is also to preserve the profitability structure by making further improvements in cost effectiveness.

It is estimated that the Leonia Bank Group's profit in the current year will be at about the same level as in 1998.

LEONIA BANK'S OFFICES AND PRINCIPAL SUBSIDIARY UNDERTAKINGS

At the end of the year, Leonia bank had a network of 63 branches servicing retail customers, 22 branches servicing corporate customers and five units for private banking. The number of post offices providing banking services was 477.

The international network of the Bank comprised branches in London and New York and representative offices in Moscow, Tallinn, Tokyo and Stockholm. The Singapore Branch was closed in the summer of 1998.

Leonía Finance Ltd

Leonía Finance Ltd's operating profit was FIM 42 million in 1998, compared with FIM 31 million in the previous year. The company has been able to compensate the narrowing of financial margins with a significant increase in business, though profit has also been partly improved by one-off profits from sales of equities.

The company's total assets increased by 35% to FIM 3.3 billion. The large increase in loans reduced the capital adequacy ratio to 8.7%. The staff averaged 110 during the year.

Leonía Municipality Bank plc

At the end of the year, the operating profit of Leonía Municipality Bank plc remained at the level of the previous year, standing at FIM 16 million.

Total assets declined by 7% to FIM 2.3 billion at the end of the year. Leonía Municipality Bank's capital adequacy ratio was 14.9%. The staff averaged 8 persons.

Leonía Card Ltd

On 13 May 1998, the name of Suomen Tililuotto Oy was changed to Leonía Card Ltd. Leonía Card's outstanding loans have more than doubled from the previous year, mainly due to the merger of Suomen Tilirahoitus Oy with the company on 30 April 1998. Performance was good, with operating profit for the year totalling FIM 23 million.

Due to the merger, total assets more than doubled to FIM 317 million. At the end of the year, the company's capital adequacy ratio was 13.5%, with 42 staff on average.

Tietoleonia Oy

Tietoleonia Oy is an IT services company jointly owned by the Tieto Group and Leonía Bank, which provides IT operating and systems services for the Leonía Group.

The restructuring of Leonía Bank's data management resulted in 33 employees of the Bank being transferred to Tietoleonia at the beginning of July 1998.

The company's net sales were FIM 283 million and its operating profit FIM 20 million. The staff averaged 257.

Leonía MB Group Oy and MB Funds

The Leonía MB Group Oy (formerly MB Finance Group Oy) is a capital investor and special financier. Together with MB Equity Partners

Oy, it manages four capital funds, in which the investors include Finnish insurance and pension companies and Leonía Bank plc. The investment resources of Leonía MB Group Oy and MB Funds total about FIM 2.5 billion.

In 1998, the operating profit of Leonía MB Group Oy was FIM 29 million. The company's total assets at the end of the year were FIM 132 million and the capital adequacy ratio 40.1%. The staff averaged 8 during the financial year.

The operating profit of MB Funds totalled FIM 115 million, and total investments including all commitments FIM 379 million. During 1998, Leonía MB Group Oy and MB Funds withdrew from four investments, two of them due to the listing of A-Rakennusmies Oy and Tryckinvest i Norden AB on the Helsinki and Stockholm Stock Exchanges respectively. At the end of the year, MB Funds, together with the management of the company, purchased a majority shareholding in Engel-Yhtymä Oy.

The MB Mezzanine Fund II was established on 24 June 1998, jointly with Leonía Bank and other investors. The fund is the largest mezzanine fund in the Nordic countries, with capital of FIM 1 billion. Leonía MB Group's and Leonía Bank plc's combined share of the capital is FIM 600 million.

Leonía Life Insurance Company Ltd

The share capital of Leonía Life Insurance Company Ltd was raised during 1998, with the result that Leonía Bank owned 90% and Finland Post Ltd 10% on 31 December 1998.

The company's profit from the insurance business was FIM 8 million and its total assets FIM 1.5 billion. Income from premiums fell by 14% from the previous year to FIM 421 million. At the end of 1998, the premium reserve stood at FIM 1.3 billion.

The net yield from the company's investment operations grew by 57% to FIM 59 million. During the year, the company had an average staff of 16 employees.

PSW Realty World Ltd

PSW Realty World Ltd's operating profit was FIM 1.6 million and the total assets FIM 6 million. During the financial year, the company's average staff was 7.

At the end of the year, PSW Realty World's franchising chain comprised 52 enterprises, which carried on realty operations in 59 sales outlets.

Leonía Bank's Fund Management Companies

The Leonía Fund Management Company Ltd and the PSP Fund Management Company Ltd are Leonía Bank's subsidiaries, which manage investment funds. Finland Post Ltd owns a 1/3 minority in the Leonía Fund Management Company Ltd.

The companies manage a total of 11 funds and have a combined 8% market share of mutual funds registered in Finland. The total assets of the funds at the end of the year were FIM 2.4 billion, while the companies had more than 23,000 unit holders.

LEONIA CORPORATE BANK

RESULTS

Leonia Corporate Bank's operating profit was FIM 370 million, which was up FIM 90 million on the previous year. The most significant contributors to improved profit were the profit on the sale of equity shares and the positive change in provisions for bad and doubtful debts.

Net income from financial operations was almost at the level of 1997, although the balance sheet was considerably lightened by restructuring within the Group.

The net income from securities transactions was FIM 89 million, compared with FIM 67 million in the previous year. This was the result of a net income of FIM 65 million from equities trading and a net income of FIM 24 million from transactions in debt securities. The realised net income from securities transactions totalled FIM 69 million. Valuation gains from debt securities were FIM 54 million, resulting from a change in accounting practice at the beginning of the year, according to which the profits arising from valuation of the trading securities on a mark-to-market basis are included in the profit and loss account. Profits of FIM 71 million were gained from the sale of equity shares.

Leonia Corporate Bank plc

Profit before appropriations and taxes

FIM million	1998	1997	Change %
Net income from financial operations	367	371	- 1
Other income	101	70	45
Total operating income	469	440	6
Operating expenses	- 108	- 114	- 5
Profit before provisions for bad and doubtful debts	360	327	10
Provisions for bad and doubtful debts	10	- 47	
Operating profit	370	280	32
Profit before appropriations and taxes	370	280	32

Leonia Corporate Bank plc

Quarterly operating profit

FIM million	Q4/98	Q3/98	Q2/98	Q1/98	Q4/97	Q3/97	Q2/97	Q1/97
Net income from financial operations	93	88	94	93	101	86	97	86
Net fees and commissions	0	2	- 1	- 1	- 2	- 1	- 2	- 1
Net income from transactions in securities and foreign exchange dealing	- 7	6	11	80	- 3	14	17	39
Other operating income	2	1	7	2	1	1	6	1
Total operating income	87	96	110	175	98	100	117	126
Administrative expenses	- 27	- 23	- 17	- 21	- 29	- 18	- 21	- 21
Depreciation	- 2	- 2	- 1	- 5	- 6	- 3	- 3	- 3
Other operating expenses	- 3	- 2	- 3	- 2	- 3	- 3	- 1	- 3
Total operating expenses	- 32	- 27	- 20	- 29	- 38	- 24	- 25	- 26
Profit before provisions for bad and doubtful debts	55	69	90	146	59	75	92	100
Provisions for bad and doubtful debts	10	0	0	0	- 40	0	0	- 7
Operating profit	65	69	90	146	19	75	92	93

Operating expenses and depreciation totalled FIM 108 million, which was 5% lower than in the previous year.

Provisions for bad and doubtful debts gave an income of FIM 10 million, as FIM 25 million was released from provisions made in earlier years, while only FIM 15 million in new write-offs and provisions were made during the year. In the previous year, write-offs had been FIM 47 million.

The amount of non-performing and other non-interest-earning loans and advances was FIM 80 million at the end of the year.

CAPITAL ADEQUACY

Leonia Corporate Bank plc's capital adequacy ratio at the end of the year was 32.0%. The Tier 1 ratio of total capital to risk-weighted assets was 28.6%. At the end of 1997, the capital adequacy ratio had been 26.7% and the Tier 1 ratio 22.9%.

At the end of the year, Leonia Corporate Bank plc's Tier 1 capital totalled FIM 4,273 million and total capital FIM 4,780 million. Tier 1 capital increased during the year by FIM 44 million. Total capital decreased by FIM 157 million, due to Tier 2 capital being reduced by FIM 201 million.

Leonia Corporate Bank plc's risk-weighted assets totalled FIM 14.9 billion at the end of the year. The decrease compared with the previous year was FIM 3.5 billion, which resulted from a reduction of the balance sheet, largely in investments. Preferred capital notes issued by Leonia Bank plc are included in Leonia Corporate Bank plc's risk-weighted assets amount to FIM 1.2 billion.

Leonia Corporate Bank plc

Capital adequacy

FIM million	At 31 December 1998	At 31 December 1997
TIER 1	4 273.3	4 229.2
Share capital	639.3	639.3
Reserves	2 433.5	2 433.5
Distributable capital	863.3	904.6
Untaxed reserves	340.6	259.9
Intangible assets	- 3.3	- 8.0
TIER 2	506.8	707.9
Subordinated liabilities	506.8	707.9
Other	-	-
TIER 3	-	-
Total capital	4 780.1	4 937.1
Risk-weighted assets (on-balance sheet and off-balance sheet)	14 944.9	18 476.6
Capital adequacy ratio,%		
- Total capital/risk-weighted assets	32.0%	26.7%
- Of which tier 1/risk-weighted assets	28.6%	22.9%

BALANCE SHEET

Leonia Corporate bank's total assets at the end of the year were FIM 40.8 billion. The corresponding figure at the end of the previous year was FIM 54.9 billion. The balance sheet was reduced by the concentration of Group funding and trading operations in Leonia Bank and the consequent reduction in liquidity.

Debt securities fell by FIM 8.4 billion and stood at FIM 17.7 billion at the end of the year. Of this amount, markka-denominated debt securities eligible for refinancing with the Central bank and issued by the Finnish government, Bank of Finland and domestic banks, totalled FIM 2.3 billion at the end of the year.

Loans and advances to customers were FIM 17.3 billion, compared with FIM 20.2 billion one year earlier. Loans and advances to credit institutions contracted by FIM 2.6 billion to reach a level of FIM 2.8 billion.

The loans outstanding were FIM 18.3 billion, compared with FIM 21.5 billion one year earlier. The reduction in loan portfolio was due to a procedure adopted in the Leonia Group in 1998 to enter new loans principally in the balance sheet of Leonia Bank.

Bond and note funding was FIM 30.1 billion at the end of the year, compared with FIM 44.4 billion at the end of the previous year. Total short-term borrowings diminished from FIM 9.0 billion to FIM 5.1 billion. Long-term debts decreased by FIM 9.5 billion, standing at FIM 27.8 billion at year-end.

Leonia Corporate Bank plc's Debt Ratings at 15 February 1999

	<i>Short-term Funding</i>	<i>Long-term Funding</i>
Moody's Investors Service	P-1	A1
Standard & Poor's	A1+	AA-

The Moody's rating agency confirmed in May that Leonia Corporate Bank's long term debt rating would be re-classified as Aa3, instead of the previous Aa1, and on 15 February 1999, further from Aa3 to A1. Moody's justified the changes on the Leonia Corporate Bank's position as a part of Leonia Group, and on the fact that, in addition to the export credits secured by government, the company will also, according to the new strategy, record loans to large business customers, which tends to increase the company's risk profile.

In October Standard & Poor's changed its views within the rating given to Leonia Corporate Bank from stable to negative.

ADMINISTRATION

On 8 June 1998, the business name of Suomen Vientiluotto Oyj (Finnish Export Credit) was changed to Leonia Yrityspankki Oyj, finally becoming Leonia Corporate Bank plc on 29 December 1998.

Since 1 May 1998, Orvo Siimestö has been the company's President. Antti Lehtinen, who had held the post of President since 1983, resigned from these duties on 10 February 1998. During the interim period, from 10 February to 30 April 1998, the President was Tomi Dahlberg.

At the start of the financial year, the Board of Directors of the company comprised Harri Hollmén, Chairman; Markku Mäkinen, Vice Chairman; and Raine Vairimaa. At the Annual General Meetings on 24 February 1998 and on 12 August 1998, Orvo Siimestö and Pentti Hakkarainen respectively were elected as members. Markku Mäkinen and Raine Vairimaa resigned from the company's Board of Directors on 29 September 1998. An extraordinary general meeting of the company on 22 December 1998 elected Matti Virtanen and Matti Copeland as new members of the Board of Directors.

The Annual General Meeting held on 24 February 1998 elected Pekka Luoma APA and Erkkä Talvinko APA as auditors of the company, with Tilintarkastajien Oy – Ernst & Young, Authorised Public Accountants, as the deputy auditors, with Päivi Virtanen APA as the responsible auditor, assisted by Marja Tikka APA.

The terms of office of the members of the Board and of the auditors end at the conclusion of the 1999 Annual General Meeting.

STAFF

Leonia Corporate Bank had an average staff of 103 persons, which was 45 less than during the previous year. At the end of the year, the staff numbered 78, i.e., 58 less than a year ago. At the end of the year, there were 75 full-time, permanent employees and 3 part-time or fixed term employees.

FOREIGN OFFICES

At the end of the year, the company had a representative office in Singapore. An office that had operated in conjunction with the consulate general in Hong Kong was closed on 31 August 1998.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

Leonia Corporate Bank adopted the euro as a basic accounting currency on 1 January 1999. During the transition period, from 1 January 1999 to 31 December 2001, the financial accounts will be in both markkas and euros.

The Board of Directors of Leonia plc approved in February 1999 a proposal of Leonia Corporate Bank to change its operating principles. As of March, the company has had its own Credit Committee, and Asset & Liability Management Committee, which have begun to independently perform the duties that were previously handled by Asset & Liability Committees jointly set up by the company and Leonia Bank. In 1999, the majority of the loans granted by Leonia Corporate Bank will be written in the company's own balance sheet, in a change from the procedure followed in 1998.

PROSPECTS FOR THE CURRENT FINANCIAL YEAR

It is estimated that Leonia Corporate Bank's financial income and fees and commissions arising from operational activities will remain at the level already achieved. As no significant non-recurring realisation profits are to be expected during the financial year, the profit for 1999 will be weaker than in the previous year.

LEONIA PLC, CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.1. - 31.12.1998			1.1. - 31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
Interest receivable	1, 47		8 180	1 376		8 575	1 442
Interest payable	1, 47		<u>- 5 613</u>	- 944		<u>- 5 994</u>	- 1 008
Net income from financial operations			2 567	432		2 581	434
Dividend income	47		25	4		14	2
Fees and commissions receivable			978	165		909	153
Fees and commissions payable			- 135	- 23		- 145	- 24
Net income from transactions in securities and foreign exchange dealing							
from transactions in securities	3		122			- 108	
from foreign exchange dealing			<u>101</u>	222	37	<u>109</u>	2
Other operating income	4		249	42		225	38
Administrative expenses							
Staff costs	43						
Wages and salaries		864			860		
Social security costs							
Pension costs	40	127			98		
Other		<u>82</u>	1 074		<u>86</u>	1 044	
Other administrative expenses			<u>1 181</u>	- 2 255		<u>1 200</u>	- 2 244
Depreciation and write-down of tangible and intangible assets	5		- 257	- 43		- 214	- 36
Other operating expenses	4		- 214	- 36		- 202	- 34
Provisions for bad and doubtful debts	6		- 53	- 9		7	1
Income from companies accounted for by the equity method			<u>23</u>	4		<u>15</u>	3
Operating profit			1 151	194		948	159
Extraordinary items							
Extraordinary expenses	7		<u>- 61</u>	- 10		<u>- 21</u>	- 4
Profit before appropriations and taxes			1 090	183		927	156
Taxes							
Taxes for the financial year and previous years		97			70		
Change in deferred tax liability		<u>48</u>	- 145	- 24	<u>48</u>	- 118	- 20
Minority interests			<u>- 9</u>	- 2		<u>- 8</u>	- 1
Profit for the financial year			<u>936</u>	157		<u>801</u>	135

LEONIA PLC, CONSOLIDATED BALANCE SHEET

	Note	31.12.1998			31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
ASSETS							
Cash and balances at central banks			3 968	667		2 607	438
Treasury bills and other eligible bills	11, 18, 36, 37						
Treasury bills		248			2 638		
Other		<u>15 973</u>	16 221	2 728	<u>12 233</u>	14 871	2 501
Loans and advances to credit institutions	12, 16, 36, 37, 48						
Repayable on demand		145			135		
Other		<u>14 277</u>	14 422	2 426	<u>34 346</u>	34 481	5 799
Loans and advances to customers	13, 16, 36, 37, 48		76 031	12 788		71 021	11 945
Lease assets	17		1 832	308		1 451	244
Debt securities	16, 18, 36, 37, 48						
Issued by public bodies		5 720			7 951		
Other		<u>19 531</u>	25 252	4 247	<u>32 814</u>	40 765	6 856
Shares and participations	19		270	45		628	106
Shares and participations in associated undertakings	19, 44		57	10		56	9
Shares and participations in Group undertakings	19, 44		170	29		68	11
Intangible assets	21						
Goodwill		75			77		
Other intangible assets		<u>250</u>	325	55	<u>232</u>	309	52
Tangible assets	20, 22						
Property and shares in property companies		3 331			3 377		
Other tangible assets		<u>168</u>	3 499	588	<u>210</u>	3 587	603
Other assets	23, 48		1 466	247		2 399	404
Prepayments and accrued income	24, 48		<u>4 557</u>	767		<u>5 994</u>	1 008
			<u>148 071</u>	24 904		<u>178 237</u>	29 977

	<i>Note</i>	<i>31.12.1998</i>			<i>31.12.1997</i>		
		<i>Million</i>	<i>FIM</i>	<i>EUR</i>	<i>Million</i>	<i>FIM</i>	<i>EUR</i>
LIABILITIES							
Liabilities							
Liabilities to credit institutions							
and central banks	25, 36, 37, 48						
Central banks		19			2 867		
Credit institutions							
Repayable on demand		263			247		
Other		<u>14 115</u>	<u>14 379</u>	2 422	<u>24 935</u>	<u>25 182</u>	4 717
Liabilities to customers	36, 37, 48						
Deposits							
Repayable on demand		47 585			45 937		
Other		<u>2 344</u>	49 930		<u>4 156</u>	50 093	
Other liabilities			<u>4 483</u>	9 151		<u>5 393</u>	9 332
Debt securities in issue	25, 26, 36, 37, 48						
Bonds and notes		28 886			38 552		
Other		<u>29 573</u>	<u>58 459</u>	9 832	<u>31 089</u>	69 641	11 713
Other liabilities	27, 37, 48		<u>3 192</u>	537		5 286	889
Accruals and deferred income	28, 48		<u>4 310</u>	725		5 965	1 003
Provisions for liabilities and charges	29						
Other provisions for liabilities and charges			<u>5</u>	1		34	6
Subordinated liabilities	25, 30		<u>3 799</u>	639		4 653	783
Deferred tax liability			<u>222</u>	37		174	29
Minority interests			<u>97</u>	16		67	11
Capital and reserves							
Share capital	31, 33						
Share premium account	32	1 284			1 284		
Preferred capital notes	35, 48	4 290			4 290		
Profit brought forward		60			700		
Profit for the financial year		2 607			1 807		
		<u>936</u>	<u>9 177</u>	1 544	<u>801</u>	<u>8 881</u>	1 494
			<u>148 071</u>	24 904		<u>178 237</u>	29 977
OFF-BALANCE SHEET ITEMS							
Contingent liabilities							
Guarantees and assets pledged as collateral security		11 606			9 521		
Other		—	<u>11 606</u>	1 952	<u>620</u>	10 142	1 706
Commitments							
Sale and option to resell transactions		—			—		
Other		<u>23 145</u>	<u>23 145</u>	3 893	<u>22 524</u>	<u>22 524</u>	3 788
			<u>34 752</u>	5 845		<u>32 666</u>	5 494

LEONIA PLC, PROFIT AND LOSS ACCOUNT

	Note	Million	FIM	1.1. - 31.12.1998 EUR
Dividend income				
from Group undertakings			393	66
Other operating income	4		100	17
Administrative expenses				
Staff costs	43			
Wages and salaries		30		
Social security costs				
Pension costs	40	7		
Other		<u>3</u>	40	
Other administrative expenses			<u>52</u>	- 15
Other administrative expenses	4		<u>- 8</u>	- 1
Operating profit			394	66
Profit before appropriations and taxes			394	66
Taxes			<u>- 110</u>	- 19
Profit for the financial year			<u>283</u>	48

LEONIA PLC, BALANCE SHEET

	Note	Million	FIM	31.12.1998 EUR
ASSETS				
Loans and advances				
to credit institutions	12, 16, 36, 37, 48			
Repayable on demand			165	28
Shares and participations				
in Group undertakings	19, 44		8 305	1 397
Other assets	23, 48		12	2
Prepayments and accrued income	24, 48		<u>35</u>	6
			<u>8 517</u>	1 432
LIABILITIES				
Liabilities				
Other liabilities	27, 37, 48	6		
Accruals and deferred income	28, 48	<u>24</u>	29	5
Capital and reserves				
Share capital	32	1 284		
Share premium account		4 290		
Distributable reserves		2 630		
Profit for the financial year		<u>283</u>	<u>8 487</u>	1 427
			<u>8 517</u>	1 432
OFF-BALANCE SHEET ITEMS				
			-	-

LEONIA PLC BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING FOR THE DISTRIBUTION OF THE PROFITS OF THE PARENT COMPANY

According to the consolidated balance sheet, the Group's distributable capital totalled FIM 3,543,331,152.49 at 31 December 1998, of which FIM 770,970,212.40 consisted of items transferred from untaxed reserves to capital and reserves.

The distributable capital of the parent company was FIM 2,913,282,286.26, which comprised:

Profit for the financial year	FIM 283,282,286.26
Distributable reserves	<u>FIM 2,630,000,000.00</u>
Distributable capital at 31 Dec. 1998	FIM 2,913,282,286.26

We propose that dividends totalling FIM 230,000,000.00, i.e. 17.9 per cent, be distributed.

We propose that the remainder of the profits for the financial year be retained in distributable capital, making a total of FIM 2,683,282,286.26, including distributable reserves.

Helsinki, 16 February, 1999

Eino Keinänen

Raimo Sailas Matti Vuoria Eva Liljebloom

Esko Mäkeläinen Anssi Soila Ossi Virolainen

TO LEONIA PLC'S SHAREHOLDERS

We have audited Leonia plc's bookkeeping, annual accounts and administration for the financial year 1 January – 31 December, 1998. The annual accounts prepared by the Board of Directors and the President include a report on operations and the consolidated and parent company's profit and loss accounts, balance sheets and notes to the accounts. On the basis of our audit, we hereby issue a statement on the annual accounts and administration.

The audit was conducted in accordance with generally accepted auditing standards. The bookkeeping, and the accounting policies, content and presentation of the annual accounts, were thus examined to a sufficient extent to confirm that the accounts do not contain essential errors or shortcomings. In the audit of administration, the legality of the activities of the members of the Board of Directors and of the President was studied on the basis of the provisions of the Companies Act and the Act on Credit Institutions.

We state that the annual accounts have been drawn up in accordance with the Bookkeeping Act and other rules and regulations concerning the compilation of annual accounts. The annual accounts give a true and fair view of the results and financial position of the Group and the parent company in the manner referred to in the Bookkeeping Act. We have studied the interim reports published during the financial year. In our opinion, the interim reports were drawn up in accordance with the relevant provisions. The annual accounts and consolidated accounts can be approved, and discharge from liability can be granted to the members of the parent company's Board of Directors and the President for the financial year audited by us. The proposal by the Board of Directors regarding the disposition of the profit for the year, as outlined in the annual report, is in compliance with the Companies Act.

Helsinki, 25 February, 1999

Kunto Pekkala APA

Pekka Luoma APA

Tilintarkastajien Oy – Ernst & Young

Authorised Public Accountants

Jorma Jäske APA

LEONIA BANK PLC, CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.1. – 31.12.1998			1.1. – 31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
Interest receivable	1, 47		5 692	957		5 807	977
Interest payable	1, 47		<u>- 3 498</u>	- 588		<u>- 3 597</u>	- 605
Net income from financial operations			2 195	369		2 210	372
Dividend income	47		17	3		8	1
Fees and commissions receivable			973	164		907	153
Fees and commissions payable			- 130	- 22		- 137	- 23
Net income from transactions in securities and foreign exchange dealing							
from transactions in securities	3		33			- 175	
from foreign exchange dealing			<u>100</u>	133	22	<u>110</u>	- 65
Other operating income	4		265	45		222	37
Administrative expenses							
Staff costs	43						
Wages and salaries		801			826		
Social security costs							
Pension costs	40	115			91		
Other		<u>77</u>	993		<u>83</u>	999	
Other administrative expenses			<u>1 196</u>	- 2 188		<u>1 155</u>	- 2 155
Depreciation and write-down of tangible and intangible assets	5		- 247	- 42		- 200	- 34
Other operating expenses	4		- 203	- 34		- 192	- 32
Provisions for bad and doubtful debts	6		- 63	- 11		54	9
Income from companies accounted for by the equity method			<u>23</u>	4		<u>15</u>	3
Operating profit			775	130		668	112
Extraordinary items							
Extraordinary expenses	7		<u>- 61</u>	- 10		<u>- 21</u>	- 4
Profit before appropriations and taxes			714	120		647	109
Taxes							
Taxes for the financial year and previous years			27			17	
Change in deferred tax liability			<u>16</u>	- 44	- 7	<u>11</u>	- 28
Minority interests			<u>- 9</u>	- 2		<u>- 8</u>	- 1
Profit for the financial year			<u>661</u>	111		<u>612</u>	103

LEONIA BANK PLC, PROFIT AND LOSS ACCOUNT

	Note	1.1. - 31.12.1998			1.1. - 31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
Interest receivable	1, 47		5 535	931		5 620	945
Net income from leasing activities	2		1	0		1	0
Interest payable	1, 47		<u>- 3 462</u>	- 582		<u>- 3 511</u>	- 591
Net income from financial operations			2 075	349		2 109	355
Dividend income	47						
from Group undertakings			53			20	
from associated undertakings			16			3	
from other companies			<u>14</u>	83	14	<u>7</u>	30
Fees and commissions receivable			917	154		867	146
Fees and commissions payable			- 129	- 22		- 134	- 23
Net income from transactions in securities and foreign exchange dealing							
from transactions in securities	3		5			- 175	
from foreign exchange dealing			<u>100</u>	105	18	<u>112</u>	- 62
Other operating income	4		246	41		204	34
Administrative expenses							
Staff costs	43						
Wages and salaries		711				750	
Social security costs							
Pension costs	40	99				77	
Other		<u>69</u>	879			<u>77</u>	904
Reimbursements to post offices		473				551	
Other administrative expenses		<u>788</u>	- 2 140	- 360		<u>673</u>	- 2 128
Depreciation and write-down of tangible and intangible assets	5		- 207	- 35		- 165	- 28
Other operating expenses	4		- 193	- 32		- 183	- 31
Provisions for bad and doubtful debts	6		<u>- 55</u>	- 9		<u>55</u>	9
Operating profit			701	118		592	100
Extraordinary items							
Extraordinary expenses	7		<u>- 61</u>	- 10		<u>- 21</u>	- 4
Profit before appropriations and taxes			640	108		571	96
Appropriations	8		-			23	4
Taxes			<u>- 3</u>	- 1		<u>- 2</u>	0
Profit for the financial year			<u>637</u>	107		<u>592</u>	100

LEONIA BANK PLC, CONSOLIDATED BALANCE SHEET

	Note	31.12.1998			31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
ASSETS							
Cash and balances							
at central banks			3 968	667		2 607	438
Treasury bills and other							
eligible bills	11, 18, 36, 37						
Treasury bills			55			2 271	
Other			<u>13 872</u>	13 928		<u>10 509</u>	12 780
Loans and advances to							
credit institutions	12, 16, 36, 37, 48						
Repayable on demand			143			92	
Other			<u>12 885</u>	13 028		<u>29 253</u>	29 345
Loans and advances							
to customers	13, 16, 36, 37, 48			58 749		50 826	8 548
Lease assets	17			1 832		1 451	244
Debt securities	16, 18, 36, 37, 48						
Issued by public bodies			2 446			4 677	
Other			<u>8 789</u>	11 234		<u>13 705</u>	18 382
Shares and participations	19			255		424	71
Shares and participations in							
associated undertakings	19, 44			57		56	9
Shares and participations in							
Group undertakings	19, 44			170		68	11
Intangible assets	21						
Goodwill			75			77	
Other intangible assets			<u>247</u>	322		<u>224</u>	301
Tangible assets	20, 22						
Property and shares in							
property companies			3 203			3 251	
Other tangible assets			<u>161</u>	3 364		<u>199</u>	3 449
Other assets	23, 48			771		2 366	398
Prepayments and accrued income	24, 48			<u>2 577</u>		<u>3 202</u>	539
			<u>110 256</u>	18 544		<u>125 258</u>	21 067

	Note	31.12.1998			31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
LIABILITIES							
Liabilities							
Liabilities to credit institutions and central banks 25, 36, 37, 48							
Central banks		19			2 867		
Credit institutions							
Repayable on demand		429			248		
Other		<u>13 835</u>	<u>14 265</u>	14 284	2 402	<u>24 665</u>	<u>24 913</u>
27 780							4 672
Liabilities to customers 36, 37, 48							
Deposits							
Repayable on demand		47 588			45 937		
Other		<u>2 337</u>	49 925		<u>4 156</u>	50 093	
55 460				9 147	<u>5 366</u>		9 328
Other liabilities							
Debt securities in issue 25, 26, 36, 37, 48							
Bonds and notes		2 868			3 674		
Other		<u>25 681</u>	<u>28 548</u>	4 801	<u>23 168</u>	26 842	4 515
844				505		5 016	
Other liabilities 27, 37, 48							
Accruals and deferred income 28, 48							
			<u>1 488</u>	250		2 138	360
Provisions for liabilities and charges 29							
Other provisions for liabilities and charges							
			5	1		34	6
Subordinated liabilities 25, 30							
			<u>2 675</u>	450		3 322	559
Deferred tax liability							
			<u>90</u>	15		73	12
Minority interests							
			<u>97</u>	16		67	11
Capital and reserves 31, 33							
Share capital 32							
		630			630		
Undistributable reserves							
Reserves		1 710			1 710		
Preferred capital notes	35, 48	1 260			700		
Profit brought forward		1 422			873		
Profit for the financial year		<u>661</u>	<u>5 683</u>	956	<u>612</u>	<u>4 525</u>	761
			<u>110 256</u>	18 544		<u>125 258</u>	21 067
OFF-BALANCE SHEET ITEMS 41							
Contingent liabilities							
Guarantees and assets pledged as collateral security							
		10 842			8 898		
Other		—	<u>10 842</u>	1 823	<u>620</u>	9 519	1 601
Commitments							
Sale and option to resell transactions							
		—			—		
Other		<u>18 125</u>	<u>18 125</u>	3 048	<u>15 864</u>	<u>15 864</u>	2 668
			<u>28 967</u>	4 872		<u>25 383</u>	4 269

LEONIA BANK PLC, BALANCE SHEET

	Note	31.12.1998			31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
ASSETS							
Cash and balances at central banks			3 968	667		2 607	438
Treasury bills and other eligible bills	11, 18, 36, 37		13 873	2 333		12 739	2 143
Loans and advances to credit institutions	12, 16, 36, 37, 48						
Repayable on demand			133			80	
Other			<u>17 562</u>	17 694		<u>33 027</u>	33 107
Loans and advances to customers	13, 16, 36, 37, 48			54 779		47 123	7 925
Lease assets	17			–		7	1
Debt securities	16, 18, 36, 37, 48						
Issued by public bodies			2 444			4 674	
Other			<u>8 859</u>	11 303		<u>13 787</u>	18 462
Shares and participations	19			227		387	65
Shares and participations in associated undertakings	19, 44			46		50	8
Shares and participations in Group undertakings	19, 44			730		652	110
Intangible assets	21			234		218	37
Tangible assets	20, 22						
Property and shares in property companies			3 011			3 049	
Other tangible assets			<u>133</u>	3 143		<u>167</u>	3 216
Other assets	23, 48			734		2 341	394
Prepayments and accrued income	24, 48			<u>2 568</u>		<u>3 182</u>	535
			<u><u>109 299</u></u>	18 383		<u><u>124 089</u></u>	20 870

	Note	31.12.1998			31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
LIABILITIES							
Liabilities							
Liabilities to credit institutions and central banks 25, 36, 37, 48							
Central banks		19			2 867		
Credit institutions							
Repayable on demand		445			336		
Other		<u>13 850</u>	<u>14 295</u>	14 315	<u>24 627</u>	<u>24 963</u>	27 830
4 681							
Liabilities to customer 36, 37, 48							
Deposits							
Repayable on demand		47 604			45 965		
Other		<u>2 337</u>	49 941		<u>4 156</u>	50 121	
Other liabilities			<u>4 373</u>	54 314		<u>5 259</u>	55 381
9 314							
Debt securities in issue 25, 26, 36, 37, 48							
Bonds and notes			2 629			3 203	
Other			<u>25 692</u>	28 321		<u>23 140</u>	26 343
4 431							
Other liabilities	27, 37, 48			2 965		4 977	837
Accruals and deferred income	28, 48			1 396		2 048	344
Provisions for liabilities and charges 29							
Other provisions for liabilities and charges				-		30	5
Subordinated liabilities	25, 30			2 675		3 302	555
Accumulated appropriations							
Untaxed reserves				239		239	40
Capital and reserves 31, 33							
Share capital	32			630		630	
Undistributable reserves							
Reserves				1 647		1 647	
Preferred capital notes	35, 48			1 260		700	
Profit brought forward				900		371	
Profit for the financial year				<u>637</u>	<u>5 074</u>	<u>592</u>	<u>3 940</u>
663							
				<u>109 299</u>	18 383	<u>124 089</u>	20 870
OFF-BALANCE SHEET ITEMS 41							
Contingent liabilities							
Guarantees and assets pledged as collateral security							
				10 498		9 026	
Other				-	10 498	<u>620</u>	9 646
1 622							
Commitments							
Sale and option to resell transactions							
				-		-	
Other				<u>17 056</u>	<u>17 056</u>	<u>15 159</u>	<u>15 159</u>
2 550							
				<u>27 555</u>	4 634	<u>24 805</u>	4 172

LEONIA BANK PLC BOARD OF MANAGEMENT'S PROPOSAL TO THE ANNUAL GENERAL MEETING FOR THE DISTRIBUTION OF THE PROFITS OF THE PARENT COMPANY

According to the consolidated balance sheet, the Group's distributable capital totalled FIM 2,082,651,201.84, at 31 December 1998, of which FIM 430,410,212.40 consisted of items transferred from untaxed reserves to capital and reserves.

The parent company's distributable capital was FIM 1,537,411,159.72, which comprised:

Profit for the financial year	FIM 637,072,430.59
Profit brought forward	<u>FIM 900,338,729.13</u>
Distributable capital at 31 Dec. 1998	FIM 1,537,411,159.72

We propose that no dividend be distributed and that the profit for the financial year be retained in distributable capital.

Helsinki, 16 February, 1999

Harri Hollmén

Pentti Hakkarainen Ilkka Hallavo Matti Inha Jussi Osola

Maarit Näkyvä Jukka Räihä Orvo Siimestö

STATEMENT OF THE SUPERVISORY BOARD

The Supervisory Board of Leonia Bank plc has approved the annual accounts and Group accounts of Leonia Bank plc for 1998, and the proposal for the distribution of the profit for the financial year, and has certified the annual accounts for presentation to the Annual General Meeting.

Helsinki, 16 February, 1999

Antti Paasio	Ann-Sofi Hurme	Anssi Rauramo	Tuulikki Kannisto	Jarmo Kilpelä
Mari Kiviniemi	Raimo Liikkanen		Juhani Nyyssönen	Maija Perho
Jarmo Rantanen	Asko Saviaho		Pertti Valtonen	Jukka Wuolijoki

TO LEONIA BANK PLC'S SHAREHOLDERS

We have audited Leonia Bank plc's bookkeeping, annual accounts and administration for the financial year 1 January – 31 December, 1998. The annual accounts prepared by the Board of Management and the President and approved by the Supervisory Board include a report on operations and the consolidated and parent company's profit and loss accounts, balance sheets and notes to the accounts. On the basis of our audit, we hereby issue a statement on the annual accounts and the Bank's administration.

The audit was conducted in accordance with generally accepted auditing standards. The bookkeeping, and the accounting policies, content and presentation of the annual accounts, were thus examined to a sufficient extent to confirm that the accounts do not contain essential errors or shortcomings. In the audit of administration, the legality of the activities of the members of the Bank's Supervisory Board and Board of Management and of the President was studied on the basis of the provisions of the Companies Act, the Act on Postipankki Ltd and the Act on Credit Institutions.

We state that the annual accounts have been drawn up in accordance with the Bookkeeping Act and other rules and regulations concerning the compilation of annual accounts. The annual accounts give a true and fair view of the results and financial position of the Group and the parent company in the manner referred to in the Bookkeeping Act. We have studied the interim reports published during the financial year. In our opinion, the interim reports were drawn up in accordance with the relevant provisions. The annual accounts and consolidated accounts can be approved, and discharge from liability can be granted to the members of the Bank's Supervisory Board, the Chairman of the Board of Management, the President and Executive Vice President, plus other members of the Board of Management for the financial year audited by us. The proposal by the Board of Management regarding the disposition of the profit for the year, as outlined in the annual report, is in compliance with the Companies Act.

Helsinki, 25 February, 1999

Kunto Pekkala APA

Pekka Räisänen APA

Tilintarkastajien Oy – Ernst & Young

Authorised Public Accountants

Jorma Jäske APA

LEONIA CORPORATE BANK PLC, PROFIT AND LOSS ACCOUNT

	Note	1.1. - 31.12.1998			1.1. - 31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
Interest receivable	1		2 540	427		2 773	466
Interest payable	1		<u>- 2 173</u>	- 365		<u>- 2 402</u>	- 404
Net income from financial operations			367	62		371	62
Dividend income							
from other companies			8	1		5	1
Fees and commissions receivable			5	1		2	0
Fees and commissions payable			- 5	- 1		- 7	- 1
Net income from transactions in securities and foreign exchange dealing							
from transactions in securities	3		89			67	
from foreign exchange dealing			<u>0</u>	89	15	<u>0</u>	67
Other operating income	4		5	1		3	1
Administrative expenses							
Staff costs	43						
Wages and salaries		33			34		
Social security costs							
Pension costs	40	6			7		
Other		<u>3</u>	42		<u>3</u>	45	
Other administrative expenses			<u>46</u>	- 88		<u>45</u>	- 89
Depreciation and write-down of tangible and intangible assets	5		- 10	- 2		- 14	- 2
Other operating expenses	4		- 10	- 2		- 10	- 2
Provisions for bad and doubtful debts	6		<u>10</u>	2		<u>- 47</u>	- 8
Operating profit			370	62		280	47
Profit before appropriations and taxes			370	62		280	47
Appropriations	8		- 112	- 19		- 131	- 22
Taxes			<u>- 70</u>	- 12		<u>- 54</u>	- 9
Profit for the financial year			<u>189</u>	32		<u>95</u>	16

LEONIA CORPORATE BANK PLC, BALANCE SHEET

	Note	31.12.1998			31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
ASSETS							
Cash and balances							
at central banks			0		0		
Treasury bills and other							
eligible bills	11, 18, 36, 37		2 293	386	2 091	352	
Loans and advances							
to credit institutions	12, 16, 36, 37						
Repayable on demand		5			13		
Other		<u>2 815</u>	2 820	474	<u>5 356</u>	5 369	903
Loans and advances							
to customers	13, 16, 36, 37		17 288	2 908	20 195	3 397	
Debt securities	16, 18, 36, 37						
Issued by public bodies		3 275			4 277		
Other		<u>12 143</u>	15 418	2 593	<u>19 745</u>	24 022	4 040
Shares and participations	19		16	3	204	34	
Shares and participations							
in associated undertakings	19, 44		0	0	0	0	
Shares and participations							
in Group undertakings			–		0	0	
Intangible assets	21		3	1	8	1	
Tangible assetst	20, 22						
Property and shares in							
property companies		128			126		
Other tangible assets		<u>7</u>	135	23	<u>12</u>	138	23
Other assets	23		696	117	33	6	
Prepayments and accrued income	24		<u>2 106</u>	354	<u>2 860</u>	481	
			<u><u>40 774</u></u>	6 858	<u><u>54 920</u></u>	9 237	

	Note	31.12.1998			31.12.1997		
		Million	FIM	EUR	Million	FIM	EUR
LIABILITIES							
Liabilities							
Liabilities to credit institutions							
and central banks 25, 36, 37							
To credit institutions							
Repayable on demand							
Other							
		<u>1 703</u>	1 703	286	<u>532</u>	532	89
Liabilities to customers 36, 37							
Deposits							
Other							
		7			–		
Other liabilities							
		<u>24</u>	31	5	<u>26</u>	26	4
Debt securities in issue 25, 26, 36, 37							
Bonds and notes							
		26 225			35 712		
Other							
		<u>3 892</u>	30 116	5 065	<u>8 725</u>	44 438	7 474
Other liabilities 27, 37							
			225	38		139	23
Accruals and deferred income 28							
			2 936	494		3 895	655
Subordinated liabilities 25, 30							
			1 124	189		1 331	224
Accumulated appropriations							
Untaxed reserves							
			473	80		361	61
Capital and reserves 31, 33							
Share capital 32							
		639			639		
Undistributable reserves							
Reserves							
		2 434			2 434		
Distributable reserves							
Other reserves							
		904			1 029		
Profit brought forward							
		0			0		
Profit for the financial year							
		<u>189</u>	<u>4 166</u>	701	<u>95</u>	<u>4 197</u>	706
			<u>40 774</u>	6 858		<u>54 920</u>	9 237
OFF-BALANCE SHEET ITEMS 41							
Contingent liabilities							
Guarantees and assets pledged							
as collateral security							
			878	148		623	105
Commitments							
Other							
		<u>5 020</u>		844	<u>6 660</u>		1 120
			<u>5 899</u>	992		<u>7 283</u>	1 225

LEONIA CORPORATE BANK PLC BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING FOR THE DISTRIBUTION OF PROFITS

According to the balance sheet, the Company's distributable capital at 31 December 1998 totalled:	
profit brought forward	FIM 402,252.63
profit for the financial year	FIM 188,772,854.12
contingency fund	FIM 904,164,000.00
	<hr/>
	FIM 1,093,339,106.75

We propose the following distribution of profits:	
Dividends to be paid from profits	FIM 188,700,000.00
Dividends to be paid from the contingency fund	FIM 41,300,000.00
To be retained in the profit and loss account	FIM 475,106.75
To be retained in the contingency fund	FIM 862,864,000.00
	<hr/>
	FIM 1,093,339,106.75

We propose that dividends of FIM 230,000,000 be distributed.

Helsinki, 16 February, 1999

Harri Hollmén

Pentti Hakkarainen
Matti Virtanen

Orvo Siimestö
Matti Copeland

TO LEONIA CORPORATE BANK PLC'S SHAREHOLDERS

We have audited Leonia Corporate Bank plc's bookkeeping, annual accounts and administration for the financial year 1 January – 31 December, 1998. The annual accounts prepared by the Board of Directors and the President include a report on operations, the profit and loss accounts, balance sheet and notes to the accounts. On the basis of our audit, we hereby issue a statement on the annual accounts and administration.

The audit was conducted in accordance with generally accepted auditing standards. The bookkeeping, and the accounting policies, content and presentation of the annual accounts, were thus examined to a sufficient extent to confirm that the accounts do not contain essential errors or shortcomings. In the audit of administration, the legality of the activities of the members of the Board of Directors and of the President was studied on the basis of the provisions of the Companies Act and the Act on Credit Institutions.

We state that the annual accounts have been drawn up in accordance with the Bookkeeping Act and other rules and regulations concerning the compilation of annual accounts. The annual accounts give a true and fair view of the results and financial position of the company in the manner referred to in the Bookkeeping Act. We have studied the interim reports published during the financial year. In our opinion, the interim reports were drawn up in accordance with the relevant provisions. The annual accounts can be approved, and discharge from liability can be granted to the members of the Board of Directors and the President for the financial year audited by us. The proposal by the Board of Directors regarding the disposition of the profit for the year, as outlined in the annual report, is in compliance with the Companies Act.

Helsinki, 25 February, 1999

Pekka Luoma APA

Erkka Talvinko APA

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

The annual accounts and Group accounts of Finnish financial institutions are prepared in accordance with the provisions of Article 4 of the Act on Credit Institutions, the Decision of the Ministry of Finance concerning annual accounts and Group accounts of financial institutions and investment services companies (30 December 1997/1376), and the regulations of the Finnish Financial Supervision on annual accounts and Group accounts of financial institutions. The regulations of the Financial Supervision meet the requirements of the Fourth Council directive (78/660/EEC) and the Seventh Council directive (83/349/EEC), and the Council directive on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC). In addition, the provisions of the Accounting Act and Companies Act are followed, with the exceptions mentioned in the Act on Credit Institutions, 30:2 §.

The annual accounts and Group and sub-Group accounts of Leonia plc and its subsidiary undertakings, either directly or indirectly owned, have been drawn up according to the provisions mentioned above and the following accounting policies.

SCOPE OF CONSOLIDATION

The Group accounts include the accounts of Leonia plc and all its domestic and foreign subsidiary and associated undertakings, either directly or indirectly owned.

Companies of whose equity voting rights the Group holds more than 50 per cent, either directly or indirectly, have been treated as subsidiary undertakings. Companies of whose equity voting rights the Group owns 20-50 per cent are treated as associated undertakings.

Subsidiary and associated undertakings with a balance sheet total under FIM 60 million and no material effect on the financial position and distributable capital and reserves of the Group have been excluded from consolidation. In addition, two other subsidiary undertakings, which are property companies and have been acquired in settlement of problem loans, have, with the permission of the Financial Supervision Authority, been excluded from consolidation.

Details of the subsidiary and associated undertakings included in the Group accounts are given in Note 44.

BASIS OF CONSOLIDATION

The accounts of subsidiary undertakings which are credit and financial institutions and those of subsidiaries engaged in investment fund operations and activities ancillary to banking have been consolidated in full. All intra-group transactions including distribution of profits and debts and claims have been eliminated.

The accounts of Leonia Bank plc ja Leonia Corporate Bank plc have been consolidated by using the pooling method of accounting, in which the assets and liabilities, and income and expenditure of the companies have been brought into the Group accounts at book value. The intra-group holdings in the Leonia Bank Group have been eliminated, using the acquisition method of accounting, against the capital and reserves at the date of acquisition. The differences arising from elimination are entered under relevant balance sheet items or treated as goodwill, which is amortised on a straight-line basis over a period of 10 years.

In the consolidated balance sheet, the untaxed reserves in the accounts of the individual Group undertakings, including the depreciation in excess of or less than plan, have been divided and included in the capital and reserves and in deferred tax liability. In the consolidated profit and loss account, correspondingly, the changes in the untaxed reserves have been divided and included in the profit for the financial year and the change in the deferred tax liability. If a Group undertaking has recorded losses which can be used for balancing losses in taxation, the deferred tax liability has been calculated only to the extent that the untaxed reserves exceed the amount of the confirmed losses. In accordance with the Companies Act, the untaxed reserves and depreciation difference included in the capital and reserves cannot be taken into account in calculating the maximum amount of the distributable profit.

The minority interests in the capital and reserves and profits and losses of the subsidiary undertakings are disclosed separately in the consolidated balance sheet and profit and loss account, respectively.

The accounts of the other subsidiary and associated undertakings have been dealt with by using the equity method of accounting and the Group's share of the results of these companies is shown separately in the consolidated profit and loss account. When calculating the profit or loss of these companies, the change in the untaxed reserves and depreciation difference less the change in the deferred tax liability has been taken into account.

ITEMS IN FOREIGN CURRENCIES

The assets, liabilities and off-balance sheet items of the Group companies denominated in foreign currencies and the accounts of the foreign subsidiaries have been translated into Finnish markkas at the Bank of Finland's middle rate ruling on the balance sheet date. Assets and liabilities hedged by a currency swap are stated at the rate of the original currency. Exchange rate differences arising from valuation are included in Net income from foreign exchange dealing. Exchange rate differences arising from consolidation are included in Capital and reserves.

ASSETS AND LIABILITIES

Loans and advances, as well as liabilities, are stated in the balance sheet at the value paid or received on them at the time of acquisition, adjusted for the amortisation of premiums and discounts arising on acquisition. In the profit and loss account, the amortisation of premiums and discounts is accrued as interest receivable or interest payable over the life of the contract.

If the probable value of a loan or advance is estimated at lower than the book value, the loan or advance has been stated in the balance sheet at this estimated value.

The items Other assets and Prepayments and accrued income, and Other liabilities and Accruals and deferred income in the balance sheet have been stated at their nominal value.

Derivative contracts have been treated in the balance sheet as shown in Off-balance sheet items and derivative contracts.

LEASE ASSETS

Lease assets are stated in the balance sheet at cost less depreciation according to plan. The depreciation is stated at the amount of recovered capital from lease rentals.

In the consolidated profit and loss account, the lease rentals less depreciation according to plan is included in Interest receivable. The additional depreciation, which is actually write-downs of lease assets, is included in Provisions for bad and doubtful debts. Other income from and expenses on lease assets are included in the item corresponding to their nature.

In the profit and loss accounts of individual Group companies, Net income from leasing activities includes additional depreciation and profits and losses on disposal of lease assets, fees and commissions, as well as other income and expenses relating to leasing activities.

SECURITIES

Securities are classified as securities held for trading purposes and those held as financial fixed assets, the bases for classification being defined as is explained below.

The premiums and discounts arising on the acquisition of debt securities, if material, have been amortised or accreted over the life of the contract and included in Interest receivable. The cost of the security is adjusted to reflect the amortisation or accretion of the premiums and discounts.

Securities held for trading purposes

Securities held for trading purposes consist of treasury bills and other eligible bills, debt securities and equity shares which are included in the trading book, and of other securities held for trading.

Securities included in the trading book have been stated at market value, and other securities held for trading purposes at the lower of cost and market value.

The market value of listed securities is the last transaction price on the balance sheet date. The estimated market value of unlisted debt securities is the net present value of future cash flows discounted at the current market rate, while equity shares are stated at the lower of cost and market value. The unrealised profits and losses arising from valuation of the securities held for trading purposes are included in Net income from transactions in securities.

Securities held as financial fixed assets

Securities held as financial fixed assets consist of treasury bills and other eligible bills and debt securities acquired with the intention of holding them until maturity. In addition, shares and participations in companies needed in order to acquire services ancillary to banking, and in subsidiary and associated undertakings, are treated as securities held as financial fixed assets.

Securities held as financial fixed assets are stated at cost less any permanent diminution in value. The permanent diminution in value of these securities is shown separately in the profit and loss account under the heading Write-offs in respect of securities held as financial fixed assets. The item also includes the potential write-backs of these securities.

AGREEMENTS FOR SALE AND REPURCHASE OF SECURITIES, AND SECURITIES LENDING

Securities which are sold or purchased under commitments to resell or repurchase them, or lent securities, are included in the original balance sheet item irrespective of the contract.

The purchase price is treated as a loan and the selling price as a liability in the balance sheet item which is relevant to each counterparty. The difference between the resell price and the

purchase price of a purchased security is treated as interest receivable and accrued income over the life of the contract. Conversely, the difference between the repurchase price and the sale price is treated as interest payable and accruals over the life of the contract. Securities lending is not recorded in the balance sheet.

TANGIBLE AND INTANGIBLE ASSETS

The shares and participations in property companies are stated at cost, less any permanent diminution in value in the balance sheet.

Properties are stated at cost, less depreciation according to plan. The cost includes the direct expenses of purchase and improvements in properties.

Other tangible and intangible assets are stated at cost, less depreciation according to plan.

The depreciation plan is made on a uniform basis within the Group based on the estimated useful economic life of the items. Buildings and constructions are depreciated on a straight-line basis over a period of 20-40 years and equipment over 4-10 years. Intangible assets are depreciated over their estimated useful economic life.

If there have been permanent diminutions in the values of tangible and intangible assets on the balance sheet date, the amounts have been charged to the profit and loss account.

Valuation principles and methods relating to properties, and shares and participations in property companies

Properties, and shares and participations in property companies, are classified as those occupied for the Group's own activities and those for other activities. If only a part is occupied for the Group's own activities, the classification is made in relation to the square metres occupied.

The fair values of properties are reviewed quarterly. The assessment of the values of properties occupied for other than the Group's own activities is based on the net rental income received or that can potentially be received as well as the rates of interest applied in property markets. The values of properties occupied for the Group's own activities are assessed on the basis of rentals which can potentially be received, assuming that a property is used for similar purposes. In assessing the values of properties, location, use and particular characteristics, as well as potential increase in value, have been taken into account. In addition, statistical data and forecasts for the property markets have been used. The write-downs of values are based on the permanency and materiality of the diminution.

No revaluations have been made in the book values of the properties, and shares and participations in property companies.

PROVISIONS FOR LIABILITIES AND CHARGES, AND UNTAXED RESERVES

Provisions for liabilities and charges

Provisions for liabilities and charges stated in the balance sheet include future specifiable charges which are probable or likely to occur, but whose amount and date of occurrence are still unknown.

Provisions made for certain balance sheet items have been deducted from the item in question.

Untaxed reserves

Untaxed reserves are used in planning the accounts and taxation of companies. The amount of the untaxed reserves or changes in it do not reflect the risk in the Group. The reserves shown in the

accounts of the individual Group companies are presented without deducting the deferred tax liability arising from them. In the Group accounts the untaxed reserves have been treated as shown in Basis of consolidation.

PROVISIONS FOR BAD AND DOUBTFUL DEBTS

Provisions for bad and doubtful debts consist of specific provisions made for loans and advances to credit institutions and customers, and for contingent liabilities and commitments and amounts written off these items. The amount also includes the unrealised losses arising from valuation of the assets acquired in settlement of unpaid loans, and the losses on the sale of such assets. In addition, in the Group accounts, the additional depreciation on lease assets is included in Provisions for bad and doubtful debts.

A specific provision can be made against an individual loan or, with the permission of the Financial Supervision Authority, against a certain group of loans pooled by customers or by countries. A specific provision is made when it is considered that recovery is doubtful and the estimated sales value of the asset pledged as collateral security does not cover the principal of the loan. The loans classified as bad debts are written off when the authorities have confirmed the insolvency of a customer. In assessing the amount of a provision, the assets pledged as collateral have been valued at their fair values.

Recoveries of loans and advances and other items previously written off, releases of provisions, and profits on the sale of assets acquired in settlement of unpaid loans have been deducted from Provisions for bad and doubtful debts.

Under Finnish regulations, general provisions and allowances used to describe the accumulated balance sheet amount created by bad debt provisions and held against the value of loans and advances are not made.

NON-PERFORMING LOANS AND OTHER NON-INTEREST EARNING LENDINGS

Loans are regarded as non-performing if either the principal or the interest on a loan become overdue by 90 days. Loans to companies declared bankrupt are classified as non-performing on the date that the bankruptcy is declared. Bank guarantees are treated as non-performing when the bank has made a payment on the basis of a guarantee. Unpaid interest on loans recorded as non-performing is not accrued, except for loans to public sector customers or loans which are secured by a public body. In respect of leased assets, the cost less depreciation according to plan is recognised as non-performing when a rental becomes overdue by 90 days.

Other non-interest earning lendings comprise loans from which no income of any kind will be received, based on agreement with customers. Under Finnish regulations, such loans and advances are presented under the item non-performing loans.

OFF-BALANCE SHEET ITEMS AND DERIVATIVE CONTRACTS

Off-balance sheet items

Off-balance sheet items consist of contingent liabilities and commitments. Contingent liabilities comprise transactions in which companies have underwritten the obligations of third parties, including guarantees and assets pledged as collateral security.

Commitments consist of irrevocable commitments such as sale and option-to-resell transactions, underwriting commitments, undrawn formal standby facilities, credit lines and other commitments to lend.

Contingent liabilities are recorded to the extent that the obligation in respect of a guarantee or an asset pledged is met on the balance sheet date. The commitments are stated at the maximum amount that can be required to be paid on the basis of the commitment.

Derivative contracts

Most derivative contracts are made for trading purposes and marked to market. The resultant profits and losses are included in Net income from transactions in securities and foreign exchange dealing.

Derivative contracts which are accounted for as hedges are mainly used for specific hedging and treated in the accounts in accordance with the treatment of hedged contracts. Interest on interest rate contracts, hedging loans and advances, liabilities and debt securities held as financial fixed assets are included in Net income from financial operations. Profits and losses on derivative contracts that are used for hedging securities held for trading purposes are included in Net income from transactions in securities and foreign exchange dealing.

In Note 3, Net income from securities transactions, the item Net income from transactions in debt securities includes the profits and losses on interest rate contracts, while the profits and losses on equity contracts are included in Net income from transactions in equity shares. Profits and losses on exchange rate contracts are included in Net income from foreign exchange dealing.

Assets and liabilities arising from derivative contracts are presented in Other assets and Other liabilities in the balance sheet.

CHANGES IN ACCOUNTING REGULATIONS IN 1998

Debt securities which are eligible for refinancing with the Bank of Finland are presented as a separate item Treasury bills and other eligible bills in the balance sheet.

Securities including in the trading book are marked to market and the resultant profits and losses are included in Net income from transactions in securities.

Assets and liabilities arising from derivative contracts are presented in Other assets and Other liabilities in the balance sheet.

Interest on interest rate contracts, hedging loans and advances, liabilities and debt securities held as financial fixed assets are included in Net income from financial operations. Interest on interest rate contracts, hedging debt securities held for trading purposes and on those used in trading are included in Net income from transactions in securities.

Other staff-related costs (i.e. other than social security costs, either statutory or voluntary) have been transferred from staff costs to other administrative expenses.

Profits and losses on disposals of properties, and shares and participations in property companies occupied for the Group's own activities are included in Other operating income and Other operating expenses, respectively.

The figures for 1997 have been restated to reflect the structural changes required in the regulations of 1998.

OTHER NOTES TO THE ACCOUNTS

FIM million

1. Interest receivable and payable

	Leonía Group		Leonía Bank plc				Leonía Corporate Bank plc	
	1998	1997	Group		Bank		1998	1997
Interest receivable			1998	1997	1998	1997	1998	1997
Loans and advances to credit institutions	1 100	1 413	981	1 243	1 145	1 348	172	171
Loans and advances to customers	4 039	3 829	2 858	2 543	2 603	2 309	1 181	1 285
Debt securities	2 902	3 373	1 716	1 902	1 729	1 912	1 215	1 473
Net leasing income	80	68	80	68	–	–	–	–
Other interest receivable	59	– 109	58	51	58	51	– 28	– 157
Total	8 180	8 575	5 692	5 807	5 535	5 620	2 540	2 773
Interest payable								
Liabilities to credit institutions and central banks	1 039	1 434	1 042	1 414	1 041	1 411	46	21
Liabilities to customers	881	895	883	891	882	890	1	3
Debt securities in issue	3 444	3 368	1 260	1 002	1 226	925	2 199	2 368
Subordinated liabilities	297	267	224	182	223	178	73	85
Preferred capital notes	41	35	62	35	62	35	–	–
Other interest payable	– 90	– 5	27	73	27	73	– 146	– 75
Total	5 613	5 994	3 498	3 597	3 462	3 511	2 173	2 402

2. Net income from leasing activities

	Leonía Bank plc	
	1998	1997
Rental income	4	14
Depreciation according to plan	– 4	– 13
Other income	1	–
Total	1	1

3. Net income from transactions in securities

	Leonía Group		Leonía Bank plc				Leonía Corporate Bank plc	
	1998	1997	Group		Bank		1998	1997
Net income from transactions in debt securities	– 21	– 142	– 46	– 163	– 46	– 163	24	21
Net income from transactions in equity shares	143	34	78	– 12	50	– 12	65	46
Other	–	–	–	–	–	–	–	–
Total	122	– 108	33	– 175	5	– 175	89	67

4. Other operating income and expenses

	Leonía Group			Leonía Bank plc				Leonía Corporate Bank plc	
	Group	Bank	1998	Group		Bank		1998	1997
Other operating income									
Rental and dividend income from properties and property companies	163	145	–	161	143	162	146	4	3
Other income	86	80	100	104	80	83	58	0	0
Total	249	225	100	265	222	246	204	5	3
Other operating expenses									
Rental expenses	53	50	7	51	48	44	42	2	2
Expenses on properties and property companies	98	87	–	93	82	102	91	5	5
Other expenses	63	65	1	58	62	47	50	4	2
Total	214	202	8	203	192	193	183	10	10

5. Depreciation and write-down of tangible and intangible assets

	Leonía Group		Leonía Bank plc				Leonía Corporate Bank plc	
	1998	1997	Group		Bank		1998	1997
Depreciation according to plan								
on tangible assets	161	168	156	160	126	132	5	8
on intangible assets	96	45	91	39	81	34	5	6
Total	257	214	247	200	207	165	10	14

6. Provisions for bad and doubtful debts plus write-offs in respect of debt securities held as financial fixed assets

	Leonía Group				Leonía Corporate Bank plc			
	1998		1997		1998		1997	
	Gross Amount	Releases and recoveries	Gross amount	Releases and recoveries	Gross amount	Releases and recoveries	Gross amount	Releases and recoveries
Provisions for bad and doubtful debts								
Loans and advances to credit institutions	21	25	–	1	–	–	–	–
Loans and advances to customers	126	81	183	194	15	25	47	–
Lease assets	6	–	1	–	–	–	–	–
Guarantees and other contingent liabilities	8	3	19	6	–	–	–	–
Other	1	1	3	12	–	–	–	–
Total	163	109	207	214	15	25	47	–

	1998	1997	1998	1997
Provisions for bad and doubtful debts				
Total amount written off for the year ^{*)}	101	166	–	7
Specific provisions written off during the year	– 25	– 54	–	–
Recoveries of loans and guarantees written off in previous years	– 44	– 130	–	–
New specific provisions for the year	87	95	15	40
Releases of provisions for the year	– 65	– 84	– 25	–
Charge to profit and loss account	53	– 7	– 10	47

^{*)} The total amount written off loans and contingent liabilities includes amounts which have been written off directly without provisioning and those for which a specific provision had been made before writing off.

Provisions pooled by country group included in the specific provisions for the year	30	40	– 10	40
-------------------------------------------------------------------------------------	----	----	------	----

Securities held as financial fixed assets

Write-offs	–	–	–	–
Write-backs	–	–	–	–

	Leonía Bank plc				Leonía Bank plc			
	Group		Bank		Group		Bank	
	1998		1997		1998		1997	
	Gross Amount	Releases and recoveries	Gross amount	Releases and recoveries	Gross amount	Releases and recoveries	Gross amount	Releases and recoveries
Provisions for bad and doubtful debts								
Loans and advances to credit institutions	6	0	–	1	6	0	–	1
Loans and advances to customers	126	81	136	194	120	76	132	190
Lease assets	6	–	1	–	–	–	–	–
Guarantees and other contingent liabilities	8	3	19	6	8	3	19	6
Other	1	1	3	12	1	1	3	12
Total	148	84	160	214	134	79	154	209

	<i>Group</i>		<i>Leonia Bank plc</i>	
	1998	1997	1998	1997
Provisions for bad and doubtful debts				
Total amount written off for the year ¹⁾	101	159	89	155
Specific provisions written off during the year	- 25	- 54	- 22	- 53
Recoveries of loans and guarantees written off in previous years	- 44	- 130	- 41	- 127
New specific provisions for the year	72	55	67	52
Releases of provisions for the year	- 40	- 84	- 38	- 82
Charge to profit and loss account	63	- 54	55	- 55

¹⁾ The total amount written off loans and contingent liabilities includes amounts which have been written off directly without provisioning and those for which a specific provision had been made before writing off.

Provisions pooled by country group included in the provisions for the year ¹⁾	40	-	40	-
Securities held as financial fixed assets				
Write-offs	-	-	-	-
Write-backs	-	-	-	-

¹⁾ Leonia Bank plc made a provision of FIM 40 million for loans in Thailand and Pakistan. The provision is netted off against the balance sheet item it relates to.

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>		<i>Leonia Corporate Bank plc</i>	
	1998	1997	1998	1997	1998	1997
Coverage of pension commitments	61	21	61	21	61	21

	<i>Leonia plc</i>		<i>Leonia Bank plc</i>		<i>Leonia Corporate Bank Oyj</i>	
	1998	1997	1998	1997	1998	1997
Change in depreciation difference	-	-	-	-	-	-
Change in fund for general banking risk	-	-	-	-	-	-
Change in other untaxed reserves	-	-	-	- 23	112	131
Total	-	-	-	- 23	112	131

9. Change in provisions for liabilities and charges

The costs of transferring to the euro, included in other administrative expenses of Leonia Bank plc for 1998, were covered by an earlier provision of FIM 30 million.

10. Segmental information

	<i>Leonia Group</i>				<i>Leonia Corporate bank plc</i>			
	Income	1998 Staff numbers average	Income	1997 Staff numbers average	Income	1998 Staff numbers average	Income	1997 Staff numbers average
By class of business								
Banking	3 919	4 471	3 596	4 987	474	103	448	148
Credit card services	63	45	59	39	-	-	-	-
Finance company operations	92	110	74	110	-	-	-	-
Financing and investment	57	8	34	15	-	-	-	-
Mutual fund services	29	12	22	8	-	-	-	-
Other activities	807	381	271	253	-	-	-	-
Total	4 968	5 027	4 057	5 412	474	103	448	148
By geographical segment								
Finland	4 893	4 961	3 968	5 305	474	103	448	148
United Kingdom	36	30	28	42	-	-	-	-
United States	36	31	56	42	-	-	-	-
Singapore	2	5	4	23	-	-	-	-
Luxemburg	1	-	1	-	-	-	-	-
Total	4 968	5 027	4 057	5 412	474	103	448	148

Parent company: Other activities/Finland 493 99

	<i>Leonia Bank plc</i>							
	<i>Group</i>				<i>Bank</i>			
	<i>1998</i>		<i>1997</i>		<i>1998</i>		<i>1997</i>	
	Income	Staff numbers average	Income	Staff numbers average	Income	Staff numbers average	Income	Staff numbers average
By class of business								
Banking	3 445	4 368	3 148	4 839	3 427	4 361	3 148	4 839
Credit card services	63	45	59	39	–	–	–	–
Finance company operations	92	110	74	110	–	–	–	–
Financing and investment	57	8	34	15	–	–	–	–
Mutual fund services	29	12	22	8	–	–	–	–
Other activities	314	282	271	253	–	–	–	–
Total	4 000	4 825	3 609	5 264	3 427	4 361	3 148	4 839
By geographical segment								
Finland	3 926	4 759	3 520	5 157	3 353	4 295	3 060	4 732
United Kingdom	36	30	28	42	36	30	28	42
United States	36	31	56	42	36	31	56	42
Singapore	2	5	4	23	2	5	4	23
Luxemburg	1	–	1	–	–	–	–	–
Total	4 000	4 825	3 609	5 264	3 427	4 361	3 148	4 839

Income includes net income from financial operations, dividend income, fees and commissions receivable, net income from transactions in securities and foreign exchange dealing and other operating income. Intra-group items have not been eliminated.

11. Treasury bills and other eligible bills

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>		<i>Leonia Corporate Bank plc</i>			
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>		
At end of year								
Treasury bills	248	2 638	55	2 271	55	2 243	193	366
Government bonds	11 140	7 858	11 073	7 426	11 054	7 416	67	432
Certificates of Deposit issued by the Bank of Finland	–	100	–	–	–	–	–	100
Certificates of Deposit issued by other banks	4 318	3 130	2 285	2 329	2 250	2 329	2 033	801
Other	514	1 145	514	754	514	751	–	391
Total	16 221	14 871	13 928	12 780	13 873	12 739	2 293	2 091

12. Loans and advances to central banks included in Loans and advances to credit institutions

	<i>Leonia Group</i>			<i>Leonia Bank plc</i>		<i>Leonia Corporate Bank plc</i>			
	<i>Group 1998</i>	<i>Parent company 1997</i>	<i>Group 1998</i>	<i>Group 1997</i>	<i>Bank 1998</i>	<i>Bank 1997</i>	<i>1998 1997</i>		
At end of year									
Loans and advances to credit institutions	14 422	34 481	165	13 028	29 345	17 694	33 107	2 820	5 369
of which to central banks	0	2 800	–	0	2 800	0	2 800	–	–

13. Loans and advances to customers by category of borrower and specific provisions for bad and doubtful debts

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>		<i>Bank</i>		<i>Leonia Corporate Bank plc</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
Loans and advances to customers								
Corporations	27 740	25 350	22 901	18 227	20 806	16 673	4 840	7 123
Financial and insurance institutions	1 177	295	519	295	741	295	664	–
Public sector entities	2 231	2 652	1 828	2 137	841	1 049	403	515
Non-profit institutions	3 365	2 846	3 365	2 846	2 894	2 342	–	–
Households	25 014	22 246	25 014	22 236	24 450	21 741	–	10
Foreign	16 503	17 631	5 122	5 084	5 046	5 023	11 381	12 547
Total ⁾	76 031	71 021	58 749	50 826	54 779	47 123	17 288	20 195

⁾ net amount

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
	1998	1997	<i>Group</i>		<i>Bank</i>		1998	1997
Specific provisions for bad and doubtful debts								
Provisions at beginning of year	397	435	342	420	331	415	55	15
+ New provisions for year	46	92	31	52	27	49	15	40
- Releases of provisions	- 63	- 84	- 38	- 84	- 36	- 82	- 25	-
- Provisions written off	- 23	- 51	- 23	- 51	- 21	- 50	-	-
Provisions at end of year	357	391	312	336	302	331	45	55

14. Non-performing loans and other non-interest earning lendings

<i>At end of year</i>	<i>Leonia Group</i>			<i>Leonia Corporate bank plc</i>				
	1998		1997	1998		1997		1998
	Non-performing loans	Other non-interest earning lendings	Total	Total	Non-performing loans	Other non-interest earning lendings	Total	Total
Corporations	108	90	198	239	-	-	-	-
Financial and insurance institutions	0	0	0	0	-	-	-	-
Public sector entities	0	6	6	0	-	-	-	-
Non-profit institutions	13	3	16	24	-	-	-	-
Households	267	11	279	363	-	-	-	-
Foreign	121	28	148	90	59	21	80	67
Total	509	139	647	716	59	21	80	67

<i>At end of year</i>	<i>Leonia Bank plc Group</i>			<i>Leonia Bank plc Bank</i>				
	1998		1997	1998		1997		1998
	Non-performing loans	Other non-interest earning lendings	Total	Total	Non-performing loans	Other non-interest earning lendings	Total	Total
Corporations	108	90	198	239	106	90	196	236
Financial and insurance institutions	0	0	0	0	0	0	0	0
Public sector entities	0	6	6	0	0	6	6	0
Non-profit institutions	13	3	16	24	13	3	16	24
Households ¹⁾	267	11	279	363	261	10	271	353
Foreign	61	7	68	23	61	1	63	17
Total ²⁾	449	118	567	649	442	111	553	630

²⁾ In addition loans at risk of Asset Management Company Arsenal Ltd 589 2 591 979
(Non-performing and other non-interest earning loans in the Bank's balance sheet transferred from Savings Bank of Finland – SBF Ltd, whose credit loss risk and financial costs are borne by Asset Management Company Arsenal.)

¹⁾ Leonia Bank plc's non-performing loans to households include loans which are subject to debt restructuring programmes, in which customers follow confirmed repayment schedules. (Under Finnish regulations, loans which are subject to debt restructuring programmes, in which customers follow confirmed schedules, should not be classified as non-performing loans).

15. Assets acquired in settlement of unpaid loans and those acquired in connection with the reorganisation of a customer's business operations

<i>At end of year</i>	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
	1998	1997	<i>Group</i>		<i>Bank</i>		1998	1997
Book value of assets which had been pledged as collateral security and acquired by the Bank in settlement of unpaid loans								
Properties and shares and participations in property companies	31	93	31	93	31	93	-	-
Other shares and participations	5	5	5	5	5	5	-	-
Other assets	-	-	-	-	-	-	-	-
Total	36	98	36	98	36	98	-	-
Assets acquired in connection with the reorganisation of a customer's business operations	-	5	-	5	-	5	-	-

16. Subordinated assets

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
			<i>Group</i>		<i>Bank</i>			
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
<i>At end of year</i>								
Loans and advances to credit institutions	–	–	–	–	–	7	–	–
Loans and advances to customers	286	310	286	310	33	29	–	–
Debt securities	812	318	739	245	719	225	1 268	73
Other assets	2	–	2	–	–	–	–	–
Total	1 100	628	1 027	555	753	261	1 268	73
Amounts include								
due from Group undertakings	–	–	–	–	7	7	1 195	–
due from associated undertakings	–	–	–	–	–	–	–	–

17. Lease assets

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
			<i>Group</i>		<i>Bank</i>			
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
<i>At end of year</i>								
Prepayments	63	21	63	21	–	–	–	–
Equipment	1 504	1 226	1 504	1 226	–	7	–	–
Properties and buildings	256	191	256	191	–	–	–	–
Other assets	10	13	10	13	–	–	–	–
Total	1 832	1 451	1 832	1 451	–	7	–	–

18. Debt securities

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
			<i>Group</i>		<i>Bank</i>			
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
<i>At end of year</i>								
Book value								
Debt securities	25 252	40 765	11 234	18 382	11 303	18 462	15 418	24 022
Treasury bills and other eligible bills	16 221	14 871	13 928	12 780	13 873	12 739	2 293	2 091
Total	41 473	55 635	25 162	31 162	25 176	31 200	17 711	26 113
For trading purposes								
Listed	7 185	10 436	4 534	8 098	4 534	8 098	2 651	3 150
Unlisted	6 027	8 848	6 230	8 848	6 295	8 922	–	–
Total	13 212	19 284	10 764	16 946	10 829	17 020	2 651	3 150
Held as financial fixed assets								
Listed	26 181	31 757	13 513	13 531	13 491	13 584	12 668	19 053
Unlisted	2 080	4 594	886	685	856	597	2 392	3 910
Total	28 261	36 351	14 398	14 216	14 347	14 180	15 060	22 963
For trading purposes								
Difference between the market value and the lower book value of the securities	–	122	–	122	–	110	–	–
Held as financial fixed assets								
Unamortised premiums	960	704	948	641	946	640	11	63

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
	<i>1998</i>	<i>1997</i>	<i>Group</i>		<i>Bank</i>		<i>1998</i>	<i>1997</i>
			<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>		
Held as financial fixed assets								
Unamortised discounts	45	151	7	19	7	18	44	132
Debt securities and treasury bills and other eligible bills								
Treasury bills	574	3 073	55	2 500	55	2 471	519	573
Local authority paper	124	–	47	–	47	–	76	–
Commercial paper	544	2 274	79	845	79	845	465	1 429
Certificates of deposit	5 892	6 773	2 361	3 444	2 326	3 443	3 531	4 134
Convertible bonds	11	12	11	12	1	12	–	–
Other bonds and notes	33 813	42 752	22 094	23 610	22 152	23 677	13 120	19 976
Other	514	751	514	751	514	751	–	–
Total	41 473	55 635	25 162	31 162	25 176	31 200	17 711	26 113
19. Shares and participations								
<i>At end of year</i>	<i>1998</i>	<i>1997</i>	<i>Group</i>		<i>Bank</i>		<i>Leonia Corporate Bank plc</i>	
Book value of the shares and participations,			<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
Total	270	628	255	424	227	387	16	204
For trading purposes								
Listed	214	113	214	113	188	112	–	–
Unlisted	15	468	10	275	9	239	5	193
Total	229	581	224	388	197	351	5	193
Held as financial fixed assets								
Listed	0	–	0	–	–	–	0	0
Unlisted	41	47	31	36	31	36	10	10
Total	41	47	31	36	31	36	10	11
Listed securities								
Difference between the market value and the lower book value of the securities								
Held for trading purposes	166	120	166	120	126	109	–	–
Held as financial fixed assets	0	–	0	–	–	–	–	–
Shares and participations in associated undertakings								
Credit institutions	–	–	–	–	–	–	–	–
Other	57	56	57	56	46	50	0	0
Total	57	56	57	56	46	50	0	0
Shares and participations in Group undertakings								
Credit institutions	–	–	–	–	372	370	–	–
Other	170	68	170	68	358	282	–	0
Total	170	68	170	68	730	652	–	0
Lent equity shares	–	–	–	–	–	–	–	–
Borrowed equity shares	–	–	–	–	–	–	–	–

20. Movements in shares and participations held as financial fixed assets and in tangible assets

	<i>Leonia Group</i>			<i>Leonia Corporate Bank plc</i>		
	Shares and participations	Land and buildings, shares and participations in property companies	Equipment and other tangible assets	Shares and participations	Land and buildings, shares and participations in property companies	Equipment and other tangible assets
Cost at beginning of year	200	4 136	517	11	145	42
Acquisitions during the year	160	61	60	0	3	1
Disposals during the year	- 87	- 33	- 26	0	0	- 1
Transfers between asset items	-	-	-	-	-	-
Depreciation according to plan for the year	-	- 82	- 76	-	- 1	- 4
Write-downs/write-backs for the year	-	-	-	-	-	-
Accumulated depreciation and write-downs concerning disposals and transfers at beginning of year	-	-	0	-	-	-
Accumulated depreciation at beginning of year	-	- 650	- 307	-	- 18	- 31
Accumulated write-downs at beginning of year	- 5	- 101	-	-	-	-
Revaluations and reversals for the year	-	-	-	-	-	-
Book value at end of year	268	3 331	168	10	128	7

	<i>Leonia Bank plc</i>			<i>Bank</i>		
	Shares and participations	Land and buildings, shares and participations in property companies	Equipment and other tangible assets	Shares and participations	Land and buildings, shares and participations in property companies	Equipment and other tangible assets
Cost at beginning of year	189	3 992	475	743	3 781	431
Acquisitions during the year	160	58	59	152	56	54
Disposals during the year	- 86	- 33	- 26	- 84	- 33	- 24
Transfers between asset items	-	-	-	-	-	-
Depreciation according to plan for the year	-	- 81	- 72	-	- 60	- 64
Write-downs/write-backs for the year	-	-	-	-	-	-
Accumulated depreciation and write-downs concerning disposals and transfers at beginning of year	-	-	0	-	-	-
Accumulated depreciation at beginning of year	-	- 632	- 276	-	- 632	- 264
Accumulated write-downs at beginning of year	- 5	- 101	-	- 5	- 101	-
Revaluations and reversals for the year	-	-	-	-	-	-
Book value at end of year	258	3 203	161	806	3 011	133

21. Intangible assets

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>		<i>Leonia Corporate Bank plc</i>	
	1998	1997	1998	1997	1998	1997
At end of year						
Goodwill	75	77	75	77	-	-
Other intangible assets	250	232	247	224	234	218
Total	325	309	322	301	234	218

22. Properties and shares in property companies at 31 December 1998

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>		<i>Bank</i>		<i>Leonia Corporate Bank plc</i>	
	Book value	Capital employed	Book value	Capital employed	Book value	Capital employed	Book value	Capital employed
Land and buildings								
Occupied for own activities	1 156	1 156	1 103	1 103	991	991	53	53
Other	1 546	1 546	1 546	1 546	787	787	-	-
Total	2 703	2 703	2 650	2 650	1 778	1 778	53	53

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
	Book value	Capital employed	Group Book value	Group Capital employed	Bank Book value	Bank Capital employed	Book value	Capital employed
Shares and participations in property companies								
Occupied for own activities	189	198	186	195	262	320	3	3
Other	439	544	367	471	971	1 245	71	73
Total	628	742	553	666	1 232	1 565	75	76

Properties and shares in property companies occupied for other than own activities

	<i>Leonia Group</i>				<i>Leonia Bank Group</i>			
	Area m ²	Capital employed	Net income %	Surplus property %	Area m ²	Capital employed	Net income %	Surplus property %
By activity								
Housing	600	6	5.0	0.0	600	6	5.0	0.0
Business and office property	275 012	1 981	6.5	9.4	272 039	1 908	6.7	9.1
Industrial property	10 604	7	2.0	70.8	10 604	7	2.0	70.8
Water areas and agricultural and forest land		25	0.0	100.0		25	0.0	100.0
Buildings under construction	1 490	36	4.0	0.0	1 490	36	4.0	0.0
Other domestic property	524	19	0.0	0.0	524	19	0.0	0.0
Foreign property	967	17	4.0	0.0	967	17	4.0	0.0
Total	289 195	2 090	6.3	11.5	286 222	2 017	6.5	11.3
Property held under finance leases	35 740	161	4.1	0.0	35 740	161	4.1	0.0
Total	324 935	2 252	6.1	10.3	321 962	2 179	6.3	10.0

Capital employed in properties occupied for other than own activities – by net income%

<i>Leonia Group</i>		<i>Leonia Bank Group</i>	
Net Income%	Capital employed	Net Income%	Capital employed
Negative	91	Negative	91
0 – 3	426	0 – 3	353
3 – 5	445	3 – 5	445
5 – 7	854	5 – 7	854
over 7	436	over 7	436
Total	2 252	Total	2 179

The capital employed is the cost less depreciation or a diminution in value added by the Group's share of liabilities relating to the shares held in property companies and/or the share of the debts of these companies. The percentage of the surplus property is the ratio of unoccupied properties to all properties which can be leased out. Unoccupied properties are properties which can be leased out, but which yield no rental income based on a lease on the balance sheet date. The net income has been calculated by deducting the property costs of the leased and unleased properties, calculated as a share of total property costs, from the rental income.

23. Other assets

	<i>Leonia Group</i>			<i>Leonia Bank plc</i>			<i>Leonia Corporate Bank plc</i>		
	Group	Parent company	Group	Group	Bank	Group	Bank	Group	Bank
At end of year	1998	1997	1998	1998	1997	1998	1997	1998	1997
Cash items in the course of collection from other banks	29	20	–	29	20	29	20	–	–
Guarantee claims	68	138	–	68	138	68	138	–	–
Derivative contracts	959	677	–	264	644	263	645	696	33
Other	409	1 564	12	410	1 564	374	1 538	–	–
Total	1 466	2 399	12	771	2 366	734	2 341	696	33

24. Prepayments and accrued income

	<i>Leonia Group</i>			<i>Leonia Bank plc</i>			<i>Leonia Corporate Bank plc</i>		
	Group	Parent company	Group	Group	Bank	Group	Bank	Group	Bank
At end of year	1998	1997	1998	1998	1997	1998	1997	1998	1997
Accrued interest	3 993	5 129	–	2 000	2 351	2 001	2 342	2 097	2 847
Other	565	865	35	577	852	567	840	9	13
Total	4 557	5 994	35	2 577	3 202	2 568	3 182	2 106	2 860

25. Unamortised discounts and premiums on liabilities

	Leonía Group		Leonía Bank plc				Leonía	
	1998	1997	Group		Bank		Corporate Bank plc	
At end of year	1998	1997	1998	1997	1998	1997	1998	1997
Discounts								
Liabilities to credit institutions and central banks	–	–	–	–	–	–	–	–
Debt securities in issue	919	1 553	15	172	15	172	903	1 382
Subordinated liabilities	–	–	–	–	–	–	–	–
Total	919	1 553	15	172	15	172	903	1 382
Premiums								
Liabilities to credit institutions and central banks	–	–	–	–	–	–	–	–
Debt securities in issue	135	276	1	1	1	1	134	275
Subordinated liabilities	–	–	–	–	–	–	–	–
Total	135	276	1	1	1	1	134	275

26. Debt securities in issue

	Leonía Group		Leonía Bank plc				Leonía	
	1998	1997	Group		Bank		Corporate Bank plc	
Book value at end of year	1998	1997	1998	1997	1998	1997	1998	1997
Certificates of deposit	29 573	31 089	25 681	23 168	25 692	23 140	3 892	8 725
Bonds and notes	28 886	38 552	2 868	3 674	2 629	3 203	26 225	35 712
Total	58 459	69 641	28 548	26 842	28 321	26 343	30 116	44 438

27. Other liabilities

	Leonía Group			Leonía Bank plc				Leonía	
	1998	1997	Parent company	Group		Bank		Corporate Bank plc	
At end of year	1998	1997	1998	1998	1997	1998	1997	1998	1997
Cash items in course of transmission to other banks	1 439	1 778	–	1 439	1 778	1 439	1 778	–	–
Derivative contracts	520	437	–	302	436	302	436	217	2
Other	1 233	3 071	6	1 260	2 803	1 223	2 764	8	137
Total	3 192	5 286	6	3 002	5 016	2 965	4 977	225	139

28. Accruals and deferred income

	Leonía Group			Leonía Bank plc				Leonía	
	1998	1997	Parent Company	Group		Bank		Corporate Bank plc	
At end of year	1998	1997	1998	1998	1997	1998	1997	1998	1997
Deferred interest	3 637	4 701	–	824	901	815	880	2 918	3 868
Other	673	1 263	24	664	1 236	581	1 168	18	27
Total	4 310	5 965	24	1 488	2 138	1 396	2 048	2 936	3 895

29. Provisions for liabilities and charges

	Leonía Group		Leonía Bank plc				Leonía	
	1998	1997	Group		Bank		Corporate Bank plc	
At end of year	1998	1997	1998	1997	1998	1997	1998	1997
Provisions for costs arising from transfer to single currency	–	30	–	30	–	30	–	–
Other	5	4	5	4	–	–	–	–
Total	5	34	5	34	–	30	–	–

30. Subordinated liabilities

	Leonía Group		Leonía Bank plc				Leonía	
	1998	1997	Group		Bank		Corporate Bank plc	
At end of year	1998	1997	1998	1997	1998	1997	1998	1997
Subordinated liabilities with a book value more than 10% of the total amount of such liabilities	2 074	2 190	1 443	1 509	1 443	1 509	631	680
Other subordinated liabilities	1 725	2 463	1 232	1 813	1 232	1 793	493	651
Total	3 799	4 653	2 675	3 322	2 675	3 302	1 124	1 331
of which amount of perpetuals	535	569	535	569	535	569	–	–
Due to Group undertakings	7	7	7	7	–	–	–	–
Due to associated undertakings	–	–	–	–	–	–	–	–

**Liabilities with a book value more than 10%,
comprised:**

		Amount in FIM million		Currency	Interest %	Due date
		1998	1997			
Leonia Corporate Bank plc	1	510	542	USD	5.13	7.10.2002
Leonia Corporate Bank plc	2	121	138	FIM	5.00	1.4.2005
Leonia Bank plc	3	400	400	FIM	8.50	29.3.2008
Leonia Bank plc	4	508	540	USD	6.16	23.6.2007
Leonia Bank plc	5	535	569	USD	6.58	Perpetual
Total		2 074	2 190			

1 Repayable on any interest payment date.

2 Repayable on any interest payment date.

3 Repayable on any interest payment date after year 2002.

4 Repayable on any interest payment date after 23 June 2002.

5 Repayable on any interest payment date.

31. Movements in capital and reserves

Leonia Group	Share capital	Share premium account	Other undistributable reserves	Preferred capital notes	Distributable reserves	Profit brought forward	Total
Book value at 31 December 1997	1 284	4 290	–	700	–	2 607	8 881
Increases ¹⁾				60			60
Decreases ¹⁾			– 700				– 700
Profit for the financial year						936	936
Book value at 31 December 1998	1 284	4 290	–	60	–	3 543	9 177

¹⁾ Details of the preferred capital notes are given in Note 35.

Leonia plc	Share capital	Share premium account	Other undistributable reserves	Preferred capital notes	Distributable reserves	Profit brought forward	Total
Book value at 31 December 1997	1 284	4 290	–	–	2 630	–	8 204
Profit for the financial year						283	283
Book value at 31 December 1998	1 284	4 290	–	–	2 630	283	8 487

When founded, the initial share capital of Leonia plc was FIM 15 million. The increase in the share capital to FIM 1,284 million was registered on 30 December 1997. The premium in excess of the nominal value of the shares, FIM 6,920 million, was included in the share premium account in undistributable capital.

In increasing the share capital, the extraordinary general meeting decided to establish a contingency fund and transfer FIM 2,630 million from the share premium account to this fund. The fund is included in distributable capital. The registration authorities permitted the reduction in the amount of the share premium account on 11 June 1998.

Leonia Bank Group	Share capital	Share premium account	Other undistributable reserves	Preferred capital notes	Distributable reserves	Profit brought forward	Total
Book value at 31 December 1997	630	–	1 710	700	–	1 485	4 525
Dividends						– 63	– 63
Increases				560			560
Profit for the financial year						661	661
Book value at 31 December 1998	630	–	1 710	1 260	–	2 083	5 683

Leonia Bank plc	Share capital	Share premium account	Other undistributable reserves	Preferred capital notes	Distributable reserves	Profit brought forward	Total
Book value at 31 December 1997	630	–	1 647	700	–	963	3 940
Dividends						– 63	– 63
Increases				560			560
Profit for the financial year						637	637
Book value at 31 December 1998	630	–	1 647	1 260	–	1 537	5 074

Leonia Corporate Bank	Share capital	Share premium account	Other undistributable reserves	Preferred capital notes	Distributable reserves	Profit brought forward	Total
Book value at 31 December 1997	639	–	2 434	–	1 029	95	4 197
Dividends					– 125	– 95	– 220
Profit for the financial year						189	189
Book value at 31 December 1998	639	–	2 434	–	904	189	4 166

32. Share capital and restrictions on shareholding

Leonia plc

The share capital of Leonia plc amounts to FIM 1,284,270,000, comprising 1,284,270 shares of FIM 1,000 each. Each share has one vote. According to the Act on the State's shareholder rights, section 5, a disposal of shares or a shareholding arrangement which will result in the State losing the majority or the qualified majority of the voting rights can be implemented, provided that the parliament permits the arrangement (19 April 1991/740).

Leonia Bank plc

The share capital of Leonia Bank plc is FIM 630,000,000, comprising 63,000,000 shares of FIM 10 each. Each share has one vote. The Postipankki Act, section 3, provides that the State, or a company which the State controls by virtue of a direct ownership of shares, shall own and control an amount of shares which equals at least 51 per cent of all the shares and voting rights in the Bank (5 December 1997/1071).

Leonia Corporate Bank plc

The share capital of Leonia Corporate Bank plc is FIM 639,270,000, comprising 5,903 shares of FIM 100,000 each. Leonia Corporate Bank has previously redeemed 4,897 of its own shares, each having a nominal value of FIM 10,000. The redemption was registered on 31 December 1993. The redeemed shares have been cancelled.

33. Items not available for distribution in the distributable capital and reserves

	Leonia Group		Leonia Bank plc		Bank		Leonia Corporate Bank plc	
	1998	1997	1998	1997	1998	1997	1998	1997
At end of year								
Capitalised formation expenses	-	-	-	-	-	-	-	-
Amount of untaxed reserves transferred to capital and reserves	771	681	430	421	-	-	-	-
Total	771	681	430	421	-	-	-	-

34. Shareholder analysis

At 31 December 1998, the Finnish government owned all the share capital of Leonia plc. Leonia plc owned all the shares of Leonia Corporate Bank plc and Leonia Bank plc.

35. Preferred capital notes at 31 December 1998

	Leonia Group		Leonia Bank plc		Leonia Corporate Bank plc	
	Group	Parent company	Group	Bank		
Markka-denominated loans	60	-	1 260	1 260	-	

In December 1997, Leonia Bank plc issued preferred capital notes totalling FIM 700 million. The notes bear interest at a rate of 5.96% fixed for 5 years, and thereafter at the Helibor 3-month rate plus 225 basis points. The fixed interest rate will be paid annually in arrears, the first time being in December 1998 and the last time in December 2002. The floating interest rate will be paid quarterly in arrears, the first time being in March 2003.

In March 1998, Leonia Bank plc issued preferred capital notes totalling FIM 560 million. The notes bear interest at the Helibor 12-month rate plus 100 basis points for 5 years, and thereafter the Helibor 12-month rate plus 225 basis points. The interest will be paid annually in arrears, the first time being in March 1999.

Both of the loans are undated. They are repayable, with the consent of the Finnish Financial Supervision Authority, 5 years after the date of issue. The preferred capital notes are included in the Tier 1 capital of the Bank. The interest on the loans can be paid only from the distributable capital. Leonia Corporate Bank plc subscribed for FIM 500 million worth of the notes that were issued in March 1998. In addition, in December 1998 Leonia Corporate Bank plc purchased the preferred capital notes issued by Leonia Bank in December 1997, totalling FIM 700 million, from domestic investors. In calculating Leonia Corporate Bank plc's capital adequacy ratio, these loans have been weighted at 100% risk.

36. Maturity analysis of assets and liabilities, by remaining maturity

	Leonia Group		Leonia Bank plc		Bank		Leonia Corporate Bank plc	
	1998	1997	1998	1997	1998	1997	1998	1997
At end of year								
Assets								
Less than 3 months	31 059	42 522	21 208	32 608	21 370	33 660	10 273	10 950
Treasury bills and other eligible bills	2 726	2 487	798	2 287	822	2 266	1 929	199
Loans and advances to credit institutions	12 348	22 451	10 722	19 886	11 417	21 587	1 845	2 798
Loans and advances to institutions								
repayable on demand	-	-	-	-	-	-	-	-
other	11 417	11 198	8 774	8 996	8 216	8 367	2 643	2 202
Debt securities	4 568	6 386	914	1 440	914	1 439	3 857	5 751

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
	1998	1997	<i>Group</i>		<i>Bank</i>		1998	1997
			1998	1997	1998	1997		
<i>3 – 12 months</i>	19 982	32 608	14 587	21 823	16 200	21 881	6 598	11 621
Treasury bills and other eligible bills	2 083	4 523	1 786	3 064	1 998	3 057	297	1 459
Loans and advances to credit institutions	451	9 465	1 427	8 622	3 613	9 234	224	843
Loans and advances to customers	10 474	10 250	7 985	6 268	7 154	5 648	2 489	3 982
Debt securities	6 974	8 370	3 390	3 868	3 435	3 943	3 588	5 338
<i>1 – 5 years</i>	52 366	62 472	34 552	36 457	33 585	35 714	19 008	26 015
Treasury bills and other eligible bills	4 249	5 121	4 220	4 930	5 062	4 918	29	190
Loans and advances to credit institutions	2 473	2 189	1 854	742	1 854	1 529	620	1 448
Loans and advances to customers	34 814	32 307	24 018	20 492	22 180	18 965	10 796	11 815
Debt securities	10 830	22 855	4 461	10 292	4 489	10 303	7 564	12 562
<i>over 5 years</i>	28 518	23 535	26 592	20 445	26 494	20 175	1 940	3 091
Treasury bills and other eligible bills	5 464	2 740	5 426	2 498	5 990	2 498	38	242
Loans and advances to credit institutions	773	376	654	95	810	757	131	281
Loans and advances to customers	19 402	17 265	18 042	15 070	17 229	14 143	1 361	2 196
Debt securities	2 880	3 154	2 470	2 782	2 465	2 777	410	372
Liabilities								
<i>Less than 3 months</i>	80 644	92 275	74 175	87 545	74 142	87 466	7 051	5 796
Liabilities to credit institutions and central banks	12 588	21 934	12 462	21 928	12 492	21 978	503	269
Liabilities to customers	43 518	53 940	43 513	53 940	43 473	53 896	7	0
Debt securities in issue	24 538	16 401	18 200	11 678	18 177	11 591	6 541	5 527
<i>3 – 12 months</i>	18 373	28 736	13 698	19 129	13 646	19 015	5 878	10 442
Liabilities to credit institutions and central banks	1 636	5 379	1 636	5 379	1 636	5 379	1 200	–
Liabilities to customers	3 782	1 192	3 780	1 189	3 775	1 188	2	3
Debt securities in issue	12 955	22 165	8 283	12 561	8 235	12 448	4 675	10 439
<i>1 – 5 years</i>	23 822	26 792	9 092	3 186	8 931	2 879	14 730	23 606
Liabilities to credit institutions and central banks	90	729	90	466	90	466	–	263
Liabilities to customers	6 981	212	6 974	203	6 968	171	7	9
Debt securities in issue	16 751	25 851	2 029	2 517	1 873	2 242	14 722	23 334
<i>over 5 years</i>	4 430	5 373	251	221	230	194	4 192	5 152
Liabilities to credit institutions and central banks	84	7	97	7	97	7	–	–
Liabilities to customers	131	142	118	127	97	126	13	15
Debt securities in issue	4 215	5 224	37	86	37	61	4 178	5 138

37. Assets and liabilities denominated in foreign currency

<i>At end of year</i>	<i>Leonia Group</i>				<i>Leonia Corporate Bank plc</i>			
	1998		1997		1998		1997	
	FIM	In foreign currency	FIM	In foreign currency	FIM	In foreign currency	FIM	In foreign currency
Assets								
Treasury bills and other eligible bills	16 221	–	14 871	–	2 293	–	2 091	–
Loans and advances to credit institutions	4 847	9 574	6 824	27 657	115	2 704	836	4 533
Loans and advances to customers	51 343	24 688	44 855	26 166	4 081	13 208	4 463	15 732
Debt securities	6 917	18 335	8 330	32 435	2 556	12 862	1 447	22 575
Other assets	12 743	3 403	12 225	4 876	991	1 964	689	2 554
Total	92 070	56 000	87 104	91 133	10 037	30 737	9 526	45 393
Parent company: Other assets / FIM	8 517							
Liabilities								
Liabilities to credit institutions and central banks	1 886	12 512	3 611	24 438	1 200	503	–	532
Liabilities to customers	52 004	2 408	51 385	4 101	24	7	26	–
Debt securities in issue	28 756	29 703	24 468	45 173	2 592	27 524	3 164	41 274
Subordinated liabilities	1 014	2 785	1 212	3 441	614	510	789	542
Other liabilities	3 784	3 723	5 679	5 606	296	2 865	350	3 684
Total	87 444	51 130	86 356	82 759	4 726	31 409	4 330	46 031
Parent company: Other liabilities / FIM	29							

	<i>Leonia Bank plc</i>							
	<i>Group</i>				<i>Bank</i>			
	<i>1998</i>		<i>1997</i>		<i>1998</i>		<i>1997</i>	
	FIM	In foreign currency	FIM	In foreign currency	FIM	In foreign currency	FIM	In foreign currency
Assets								
Treasury bills and other eligible bills	13 928	–	12 780	–	13 873	–	12 739	–
Loans and advances to credit institutions	6 041	6 988	6 220	23 125	10 702	6 992	9 983	23 125
Loans and advances to customers	47 262	11 487	40 392	10 434	43 368	11 411	36 766	10 357
Debt securities	5 761	5 473	6 883	11 499	5 829	5 473	6 962	11 499
Other assets	11 871	1 446	11 536	2 390	10 206	1 444	10 272	2 387
Total	84 862	25 394	77 810	47 448	83 979	25 320	76 721	47 368
Liabilities								
Liabilities to credit institutions and central banks	2 154	12 127	3 874	23 906	2 188	12 127	3 924	23 906
Liabilities to customers	51 983	2 401	51 359	4 101	51 913	2 401	51 280	4 101
Debt securities in issue	26 373	2 179	21 304	5 538	26 142	2 179	20 804	5 538
Subordinated liabilities	400	2 275	423	2 899	400	2 275	403	2 899
Other liabilities	3 630	865	5 390	1 798	3 497	865	5 256	1 798
Total	84 540	19 846	82 350	38 242	84 140	19 846	81 668	38 242

38. *Deferred tax assets excluded from balance sheet and income taxes*

	<i>Leonia Group</i>			<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>	
	<i>Group</i>		<i>Parent company</i>	<i>Group</i>		<i>Bank</i>		<i>Corporate Bank plc</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
<i>At end of year</i>									
Deferred tax assets	146	399	–	133	384	176	376	13	15
Income taxes									
On ordinary activities	145	118	110	44	28	3	2	70	54
On extraordinary items	–	–	–	–	–	–	–	–	–
Total	145	118	110	44	28	3	2	70	54

39. *Assets pledged as collateral security and secured liabilities as well as other assets pledged on behalf of Leonia plc and Group undertakings*

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>				<i>Leonia Corporate Bank plc</i>		
	<i>Group</i>		<i>Group</i>		<i>Bank</i>		<i>Corporate Bank plc</i>		
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	
<i>At end of year</i>									
Assets pledged as collateral security									
Pledges	11 293	54	11 293	54	10 897	–	–	–	
Fixed charges	70	–	70	–	–	–	–	–	
Other	–	40	–	40	–	–	–	–	
Total	11 363	94	11 363	94	10 897	–	–	–	
Assets pledged as collateral security on behalf of Group undertakings	–	–	–	–	–	–	–	–	
Secured liabilities and commitments									
Liabilities to credit institutions and central banks	–	38	–	38	–	–	–	–	
Debt securities in issue	367	21	367	21	–	–	–	–	
On behalf of third parties	28	34	28	34	–	–	–	–	
Other commitments									
Intra-day overdraft limit of the Bank of Finland's settlement account	8 800	–	8 800	–	8 800	–	–	–	
Other	1 057	–	1 057	–	1 057	–	–	–	
Assets sold under agreements to repurchase									
Debt securities	1 194	4 330	1 194	4 330	1 194	4 330	–	–	

40. Pension commitments

At 31 December 1998, the statutory basic and supplementary pensions of the staff of Leonia plc and Leonia Bank plc were arranged in the Leonia Pension Fund (known as the Postipankki Pension Fund until 31 December 1998). The basic and supplementary pensions of the staffs of Leonia Corporate Bank plc and of the other Group undertakings were taken care of through insurance.

The Leonia Pension Fund's pension liabilities of FIM 1,959 million are fully covered. In 1998, employers' contributions to the Pension Fund totalled FIM 95.9 million, Leonia plc's share being FIM 3.7 million and Leonia Bank plc's share FIM 92.2 million.

Leonia Bank's direct pension liabilities stood at FIM 0.6 million.

From the beginning of 1999, the pensions of the staffs of Leonia Corporate Bank plc and of other majority-owned Group undertakings have been arranged in the Leonia Pension Fund.

41. Off-balance sheet items

	Leonía Group		Leonía Bank plc		Leonía Corporate Bank plc		Leonía	
	1998	1997	1998	1997	1998	1997	1998	1997
At end of year								
Guarantees and assets pledged as collateral security on behalf of								
Group undertakings	11 606	9 521	10 842	8 898	10 498	9 026	878	623
associated undertakings	224	166	224	166	157	166	–	–
Sale and option to resell transactions	–	–	–	–	–	–	–	–
Undrawn loans, overdraft facilities and commitments to lend								
to Group undertakings	19 879	18 809	14 859	12 149	13 275	11 027	5 020	6 660
to associated undertakings	–	–	–	–	798	671	–	–
Underwriting commitments								
to Group undertakings	–	3 533	–	3 533	–	3 533	–	–
to associated undertakings	–	–	–	–	–	–	–	–
Other commitments of which to or on behalf of								
Group undertakings	3 266	803	3 266	803	3 781	1 219	–	–
associated undertakings	–	–	–	–	515	418	–	–
Total	34 752	32 666	28 967	25 383	27 555	24 805	5 899	7 283
of which to or on behalf of								
Group undertakings	224	166	224	166	1 470	1 254	–	–
associated undertakings	–	–	–	–	–	–	–	–

42. Derivative contracts

At end of year	Leonía Group				Leonía Corporate Bank plc			
	1998		1997		1998		1997	
	For hedging purposes	For other purposes ¹⁾	For hedging purposes	For other purposes ¹⁾	For hedging purposes	For other purposes ¹⁾	For hedging purposes	For other purposes ¹⁾
Interest rate contracts								
Futures and forward rate agreements	1 070	70 334	–	408 276	1 070	627	–	9 453
Options								
Purchased	–	1 526	–	10 421	–	–	–	–
Written	–	2 709	–	23 913	–	–	–	–
Interest rate swaps	24 752	100 805	41 199	148 379	18 493	–	25 367	800
Total	25 823	175 374	41 199	590 990	19 563	627	25 367	10 253
Exchange rate contracts								
Futures and forward foreign exchange	377	82 950	3 088	152 372	2 305	–	4 111	–
Options								
Purchased	–	928	–	4 194	–	–	–	–
Written	–	1 435	–	4 596	–	–	–	–
Interest rate and cross currency swaps	39 531	3 579	59 417	7 894	36 099	285	53 497	189
Total	39 908	88 891	62 505	169 056	38 404	285	57 608	189
Equity contracts								
Futures and forwards	–	–	5	24	–	–	–	24
Options								
Purchased	–	–	–	70	–	–	–	–
Total	–	–	5	94	–	–	–	24

¹⁾ Valued at market value

	<i>Leonia Group</i>				<i>Leonia Corporate Bank</i>			
	<i>1998</i>		<i>1997</i>		<i>1998</i>		<i>1997</i>	
	Credit equivalent amount of contracts	Risk weighted amount of contracts	Credit equivalent amount of contracts	Risk weighted amount of contracts	Credit equivalent amount of contracts	Risk weighted amount of contracts	Credit equivalent amount of contracts	Risk weighted amount of contracts
Interest rate contracts	2 523	645	5 008	1 440	700	186	742	211
Exchange rate contracts	7 227	2 049	10 210	2 865	3 498	991	4 218	1 182

	<i>Leonia Bank plc</i>							
	<i>Group</i>		<i>Bank</i>					
	<i>1998</i>		<i>1997</i>					
	Values of underlying instruments		Values of underlying instruments		Values of underlying instruments		Values of underlying instruments	
	For hedging purposes	For other purposes ¹⁾	For hedging purposes	For other purposes ¹⁾	For hedging purposes	For other purposes ¹⁾	For hedging purposes	For other purposes ¹⁾
<i>Interest rate contracts</i>								
Futures and forward rate agreements	–	69 707	–	398 824	–	69 775	–	398 824
Options								
Purchased	–	1 526	–	10 421	–	1 526	–	10 421
Written	–	2 709	–	23 913	–	2 709	–	23 913
Interest rate swaps	7 719	100 805	15 832	148 979	7 719	100 805	15 832	149 174
Total	7 719	174 747	15 832	582 137	7 719	174 816	15 832	582 332
<i>Exchange rate contracts</i>								
Futures and forward foreign exchange	–	84 864	–	152 372	–	84 864	–	152 372
Options								
Purchased	–	928	–	4 194	–	928	–	4 194
Written	–	1 435	–	4 596	–	1 435	–	4 596
Interest rate and cross currency swaps	3 432	3 294	5 920	7 705	3 432	3 404	5 920	7 725
Total	3 432	90 521	5 920	168 867	3 432	90 631	5 920	168 888
<i>Equity contracts</i>								
Futures and forwards	–	–	5	–	–	–	5	–
Options								
Purchased	–	–	–	70	–	–	–	70
Total	–	–	5	70	–	–	5	70

¹⁾ Valued at market value

	Credit equivalent amount of contracts	Risk weighted amount of contracts	Credit equivalent amount of contracts	Risk weighted amount of contracts	Credit equivalent amount of contracts	Risk weighted amount of contracts	Credit equivalent amount of contracts	Risk weighted amount of contracts
Interest rate contracts	1 873	469	4 369	1 238	1 874	469	4 371	1 238
Exchange rate contracts	3 777	1 072	6 056	1 715	3 778	1 072	6 063	1 717

43. Information on staff and on members of administrative and supervisory bodies

Staff numbers

	<i>Leonia Group</i>				<i>Leonia Corporate Bank plc</i>			
	<i>Group</i>		<i>Parent company</i>		<i>1998</i>		<i>1997</i>	
	Average for the year	Change for the year	Average for the year	Change for the year	Average for the year	Change for the year	Average for the year	Change for the year
Full-time staff	4 887	– 344	98	98	103	– 28	131	3
Part-time staff	140	– 41	1	1	–	– 17	17	3
Total	5 027	– 385	99	99	103	– 45	148	6
	<i>Leonia Bank plc</i>							
	<i>Group</i>		<i>Bank</i>					
	Average for the year	Change for the year	Average for the year	Change for the year	Average for the year	Change for the year	Average for the year	Change for the year
Full-time staff	4 686	– 414	5 100	– 502	4 237	– 446	4 683	– 516
Part-time staff	139	– 25	164	– 11	124	– 32	156	– 8
Total	4 825	– 439	5 264	– 513	4 361	– 478	4 839	– 524

Staff numbers by class of business and geographical segment are shown under Note 10.

Emoluments of members of administrative and supervisory bodies

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>		<i>Leonia</i>
	<i>Group</i>	<i>Parent company</i>	<i>Group</i>	<i>Bank</i>	<i>Corporate Bank plc</i>
	<i>1998</i>	<i>1998</i>	<i>1998</i>	<i>1998</i>	<i>1998</i>
Fees and salaries, pensions and other social security costs					
Members and deputy members of the Supervisory Board	0	–	0	0	–
Members and deputy members of the Board of Directors/Management and Presidents and Executive Vice Presidents	21	5	12	8	4
Total	21	5	12	8	4
– of which performance-related bonuses	–	–	–	–	–

The President and CEO of Leonia plc, the President and members of the Board of Management of Leonia Bank plc and the President of Leonia Corporate Bank plc come within the scope of the Leonia Pension Fund. In addition, their pensions have been supplemented with pension insurance, the liabilities arising from which total FIM 15.8 million.

Loans and advances to and guarantees on behalf of members of administrative and supervisory bodies at 31 December, 1998

	<i>Leonia Group</i>		<i>Leonia Bank plc</i>		<i>Leonia</i>
	<i>Group</i>	<i>Parent company</i>	<i>Group</i>	<i>Bank</i>	<i>Corporate Bank plc</i>
Loans and advances					
Members and deputy members of the Supervisory board	3	–	3	3	–
Members and deputy members of the Board of Directors/Management and Presidents and Executive Vice Presidents	14	–	13	1	1
Auditors	–	–	–	–	–
Total	16	–	16	4	1
Guarantees	–	–	–	–	–

The interest on loans granted to the members of administrative and supervisory bodies is at least as high as on the staff loans referred to in the Income and Capital Tax Act, section 67, so that the interest benefit will not be liable for taxation. In addition, the other loan conditions correspond to those confirmed for the staff of the Group.

44. Shares and participations held as financial fixed assets

Company, registered office, nature of business

	Reference	Percentage of equity capital held	Book value of shares total
At 31 December 1998		%	FIM million
Subsidiary undertakings of Leonia plc, directly owned			
Leonia Corporate Bank plc, Helsinki, banking	1	100	4 502
Leonia Bank plc, Helsinki, banking	1	100	3 803
Subsidiary undertakings of Leonia Corporate Bank plc			
Kiinteistö Oy Teohypo Oy, Helsinki, property company	3	100	71
Subsidiary undertakings of Leonia Bank plc			
AJM Industry Ltd, Inchon, South Korea, manufacture of plastic products	3	80	4
Asunto Oy Nokian Viholankenttä, Nokia, property company	3	100	0
Asunto Oy Nokian Viholanniitty, Nokia, property company	3	100	0
Capsella Invest Oy, Helsinki, property management	1	100	1
Helsingin Yrittäjätalo Oy, Helsinki, property company	4	54	39

	Reference	Percentage of equity capital held %	Book value of shares total FIM million
Kiinteistö Oy Hervannan Tieteenkatu 1, Tampere, property company	1	100	67
Kiinteistö Oy Kaivokatu 6, Helsinki, property company	1	100	191
Kiinteistö Oy Kaivokatu 8, Helsinki, property company	1	82	252
Kiinteistö Oy Keskuskatu 6, Helsinki, property company	1	100	166
Kiinteistö Oy Salon Örninkatu 15, Salo, property company	1	100	69
Kiinteistö Oy Taalintehtaankatu, Turku, property company	1	100	0
Leonia Life Insurance Company Oy, Helsinki, insurance	2	90	157
Leonia Card Ltd, Helsinki, credit card services	1	100	132
Leonia Municipality Bank plc, Helsinki, municipality financing	1	100	40
Leonia MB Group Oy, Helsinki, finance and investment	1	100	50
Leonia Finance Ltd, Helsinki, finance	1	100	150
Leonia Fund Management Company Ltd, Helsinki, mutual fund	1	67	8
MB Equity Partners Oy, Helsinki, mutual fund management	1	40	0
MB Mezzanine Fund Ky, Helsinki, mezzanine financing	1	100	145
MB Mezzanine Fund II Ky, Helsinki, mezzanine financing	1	60	41
Nokian Hotelli kiinteistö Oy, Nokia, property management	4	100	9
Nokian Kylpylähotelli Oy, Nokia, accommodation	3	100	5
Oulunkylän Toimistokeskus Oy, Helsinki, property company	1	100	4
Postipankki Capital Fund Management Company S.A., Luxemburg, mutual fund	1	70	0
Postipankki U.S. Inc., Delaware, other financing	1	100	0
PSP-Fund Management Company Ltd, Helsinki, mutual fund	1	100	10
PSP (U.K.) Leasing Ltd, Lontoo, finance	1	100	0
PSP (U.K.) Nominees Ltd, Lontoo, other financing	1	100	0
PSW Realty World Ltd, Helsinki, estate agency	2	100	2
Tietoleonia Oy, Espoo, IT services	1	40	1

Associated undertakings of Leonia Corporate Bank plc

Asunto Oy Mäntypaadentie 15, Helsinki, property company	3	25	3
WD Power Management Oy, finance and investment	3	22	0

Associated undertakings of Leonia Bank plc

Automatia Pankkiautomaatit oy, Helsinki, electronic banking services	2	33	30
Keravan Kauppakeskus Oy, Kerava, property company	2	22	20
MB Equity Fund Ky, Helsinki, investment	2	21	4
Toimiraha Oy, Helsinki, electronic banking services	2	33	13

- 1 Consolidated in full
2 Accounted for by the equity method
3 Excluded from consolidation, total assets under FIM 60 million
4 Excluded from consolidation, with the permission of the Financial Supervision Authority

Other shares and participations held as financial fixed assets

	Percentage of equity capital held %	Book value of shares total FIM million	Capital and reserves shown in the most recent annual accounts ¹⁾ FIM million	Profit/loss shown in the most recent annual accounts ¹⁾ FIM million
Shares held by Leonia Corporate Bank plc				
Teollisen Yhteistyön Rahasto Oy, Helsinki, venture capital company	3	10	334	9
Other companies, numbered 9		1		
Shares held by Leonia Bank plc				
Eurocard Oy, Helsinki, credit card services	10	4	46	9
HEX Oy, Helsinki, securities and derivatives exchange, clearing house	7	13	178	0
Itä-Pasilan Pysäköinti Oy, Helsinki, parking facility	3	2	18	1
Luottokunta Osuuskunta, Helsinki, credit card services	9	4	378	69
Other companies, numbered 70		11		

¹⁾ The information is based mainly on the annual accounts for 1997

Subsidiary undertakings excluded from consolidation

The companies had been excluded from consolidation with the permission of the Financial Supervision Authority.

	Helsingin Yrittäjätalo Oy	Nokian Hotelli- Kiinteistö
Profit and loss account		
Revenues	4	14
Variable expenses	–	–
Fixed expenses	2	0
Depreciation	3	0
Financial income and expenses	0	–4
Profit/loss for the financial year	–1	9
Balance sheet		
Fixed assets	74	120
Stocks and financial assets	0	4
Capital and reserves	73	51
Liabilities	1	74

Excluding these companies from consolidation has no material effect on the result and financial position of the Leonia Group. The shares in these companies have been acquired to safeguard claims. The book value of the shares is equal to their probable sale value.

Other subsidiaries excluded from consolidation with a balance sheet total less than FIM 60 million

	<i>Leonia Group</i>		<i>Leonia Bank Group</i>	
	Number of companies	Balance sheet total	Number of companies	Balance sheet total
Housing and property companies	58	651	57	625
Other companies	4	13	4	13

45. Asset management services supplied by Leonia Bank plc

Asset management services supplied by Leonia Bank plc:

- Asset management services based on an agreement between the customer and the Bank, comprising planning, investments and reporting on investment activities
- Mutual fund services
- Securities custody services

The Bank had no customer funds intermediated as credits to other customers at end of year.

46. Information on Group undertakings

Leonia Bank plc and Leonia Corporate Bank plc are a part of the Leonia Group, whose parent company is Leonia plc. The registered office of the companies is in Helsinki. Other subsidiary undertakings are included in the Leonia Bank sub-Group, whose parent company is Leonia Bank plc.

The Group Accounts of Leonia plc and Leonia Bank plc and the accounts of Leonia Corporate Bank plc are available on request from the Group head office at Eteläesplanadi 8, 00007 Helsinki, Fax +358 2042 52 608.

47. Interest receivable and dividend income from and interest payable to Group undertakings during the year

	<i>Leonia plc</i>		<i>Leonia Bank plc</i>	
	1998	1998	1997	1997
Interest receivable	–	195	129	
Dividend income	393	52	20	
Interest payable	–	–58	–1	
Total	393	188	147	

The figures exclude income from and expenses to subsidiary undertakings which are not fully consolidated. Leonia Bank plc's interest receivable and payable also include interest receivable from and interest payable to Leonia plc and Leonia Corporate Bank plc.

48. Loans and advances and liabilities to Group undertakings at end of year

At end of year	Leonia plc		Leonia Bank plc	
	1998	1997	1998	1997
Assets				
Loans and advances to credit institutions and central banks	165		5 876	3 775
Loans and advances to customers			228	224
Debt securities			321	125
Other assets	10		1	1
Prepayments and accrued income	36		110	41
Total	211		6 537	4 166
Liabilities				
Liabilities to credit institutions and central banks			420	88
Liabilities to customers			39	28
Debt securities in issue			11	2
Other liabilities	3		53	14
Accruals and deferred income	19		68	4
Preferred capital notes			1 200	–
Total	22		1 791	135

49. Formation of the Leonia Group

In December 1997, the Finnish government set up a holding company, as referred to in the Credit Institutions Act, Article 4, named PV Group plc. Through an ownership arrangement on 18 December 1997, the government disposed of the shares of Postipankki and Finnish Export Credit to the PV Group and subscribed for all of the share capital of the PV Group.

The PV Group recorded no business in 1997 and its first accounting period ended on 31 December 1998. In 1998, the name of the parent company was changed to Leonia plc, the name of Postipankki plc to Leonia Bank plc and the name of Finnish Export Credit plc to Leonia Corporate Bank plc.

The accounts of Leonia Bank plc and Leonia Corporate Bank plc have been included in the Leonia Group accounts by using the pooling method of accounting. In accordance with this method, the accounts of the combined companies have been recognised in the Group accounts in the year of combination and in the years prior to that year, as if the companies had been combined already from the beginning of the first period of comparison. The capital and reserves of the companies are brought forward at book value and no goodwill arises.

The key figures for 1997, the year prior to combination

	Postipankki Group	Finnish Export Credit	PV Group
Net income from financial operations	2 210	371	2 581
Other income	1 072	77	1 149
Operating expenses	– 2 684	– 121	– 2 805
Provisions for bad and doubtful debts	54	– 47	7
Income from the companies accounted for by the equity method	15		15
Operating profit	668	280	948
Capital and reserves at 31 December 1997 ¹⁾	4 525	4 457	8 881
Total assets at 31 December 1997	125 258	54 920	178 237

¹⁾ Incl. untaxed reserves less deferred tax liability

50. Subsidiary and associated undertakings

Subsidiary and associated undertakings included in the Group accounts, the methods of accounting and detailed information on ownership are given in Note 44.

Subsidiary undertakings excluded from consolidation are shown in Note 44.

51. Changes in Group structure

Suomen Tilirahoitus Oy was merged with Suomen Tililuotto Oy on 30 April 1998, and the company was renamed Leonia Card Ltd.

Leonia MB Group set up a mezzanine finance company, MB Mezzanine Fund II Ky, on 10 June 1998. The Group's holding in the company is 60 per cent and the value of the investments on 31 December 1998 were FIM 41.1 million.

The MB Mezzanine Ky mezzanine finance company was closed to new investments. The total amount of investments at the closing date was FIM 145.5 million.

The share capital of MB Equity Partners Oy was increased to FIM 500 000, based on a decision made on 30 December 1998. The stake of the Group in the company remained unchanged (40 per cent).

The share capital of Leonia Life Insurance Company Ltd was increased, based on a decision made on 26 January and 30 December 1998, by a total of FIM 100 million. As a result of the increase, the share capital of the company amounts to FIM 170 million and Leonia Bank plc's holding in the company has increased to 90 per cent.

ADMINISTRATION AND ORGANISATION, 1 MARCH 1999

LEONIA PLC

Board of Directors *)

Eino Keinänen, 59
Chairman of the Board, Leonia plc

Raimo Sailas, 53
Permanent Secretary,
Ministry of Finance
Vice Chairman of the Board

Matti Vuoria, 47
Chairman of the Board, Fortum
Corporation,
Vice Chairman of the Board

Eva Liljebloom, 41
Professor,
Swedish School of Economics and
Business Administration

Esko Mäkeläinen, 52
Senior Executive Vice President,
Stora Enso Oyj

Anssi Soila, 49

Ossi Virolainen, 54
Deputy Chief Executive,
Outokumpu Oyj

Deputy members:

Harri Pynnä, 42
Corporate Executive Vice President,
Legal Affairs,
Fortum Corporation

Jarmo Väisänen, 47
Financial Councillor
Ministry of Finance

*) *The term of office of all members of the Board of Leonia plc terminates at the end of the Annual General Meeting held in 1999.*

LEONIA BANK PLC

Supervisory Board

Anssi Rauramo, 46
Chairman, 2001 *)

Antti Paasio, 50
Vice Chairman, 2001 *)

Ann-Sofi Hurme, 46
Member, 2001 *)

Tuulikki Kannisto, 58
Member, 1999 *)

Jarmo Kilpelä, 42
Member, 1999 *)

Mari Kiviniemi, 30
Member, 2001 *)

Raimo Liikkanen, 56
Member, 2000 *)

Juhani Nyyssönen, 49
Staff representative, 2000 *)

Maija Perho, 50
Member, 1999 *)

Jarmo Rantanen, 51
Staff representative, 1999 *)

Asko Saviaho, 57
Member, 2000 *)

Pertti Valtonen, 50
Member, 2000 *)

Jukka Wuolijoki, 54
Member, 2000 *)

*) *Year when term of office ends. The term of office of each member lasts until the end of the third annual general meeting following election.*

LEONIA CORPORATE BANK PLC

Board of Management

Harri Hollmén, 49
President and CEO, Leonia plc
Chairman of the Board

Pentti Hakkarainen, 40
President
Vice Chairman of the Board

Ilkka Hallavo, 43
Executive Vice President

Matti Inha, 49
Executive Vice President

Jarmo Lankinen, 47
Executive Vice President

Maarit Näkyvä, 45
Executive Vice President

Jussi Osola, 50
Executive Vice President

Jukka Räihä, 51
Executive Vice President

Orvo Siimestö, 55
Executive Vice President
President of Leonia Corporate Bank plc

Auditors

Tilintarkastajien Oy – Ernst & Young
Authorised Public Accountants

Responsible auditor:
Jorma Jäske
APA

Kunto Pekkala
APA

Pekka Räisänen
APA

Deputy auditor:
Mikael Holmström
APA

Board of Directors *)

Harri Hollmén, 49
President and CEO, Leonia plc
Chairman of the Board

Pentti Hakkarainen, 40
President, Leonia Bank plc
Vice Chairman of the Board

Orvo Siimestö, 55
President
Member of the Board

Matti Copeland, 37
Executive Vice President
Member of the Board

Matti Virtanen, 50
Executive Vice President
Member of the Board

**) The term of office of all members of the Board of Leonia Corporate Bank terminates at the end of the Annual General Meeting held in 1999.*

Auditors

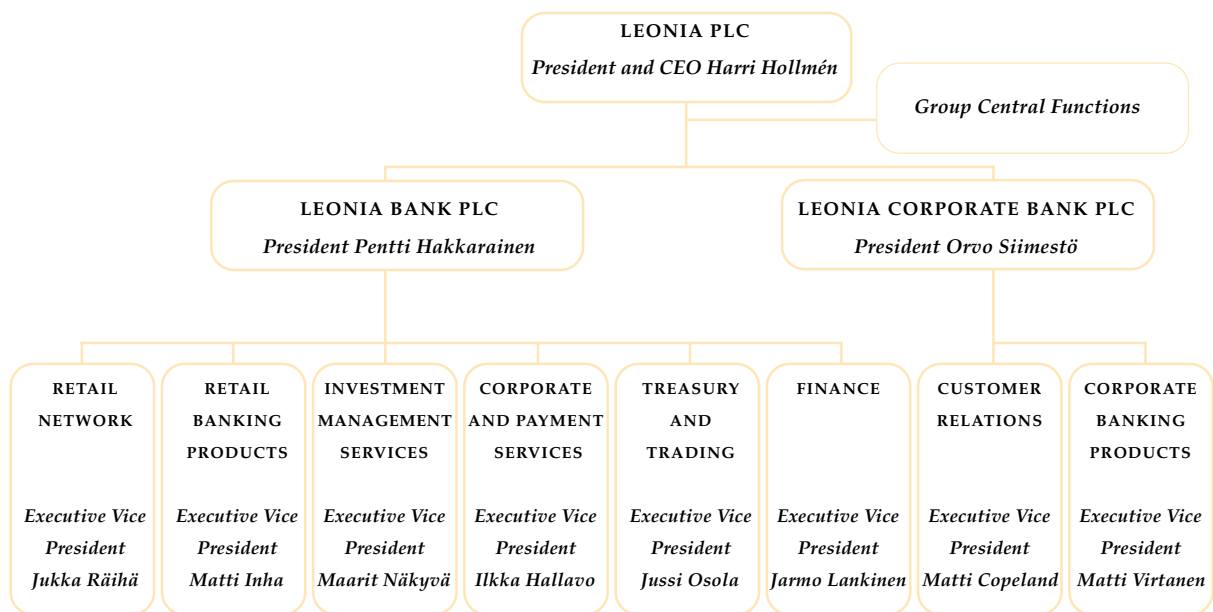
Pekka Luoma
APA

Erkka Talvinko
APA

Deputy auditors:
Tilintarkastajien Oy – Ernst & Young
Authorised Public Accounts

Marja Tikka
APA

ORGANIZATION OF LEONIA GROUP, 1 MARCH 1999



Group Central Functions

Group Planning, Finance and Risk Control

Peter Johansson

Economic Research, Pension Schemes and Community Relations

Eero Tuomainen

Corporate Communications

Matti Saarinen

Internal Auditing

Pertti Öman

LEONIA IN FINLAND

www.leonia.fi

LEONIA PLC

Address: Eteläesplanadi 8
FIN-00007 HELSINKI
Tel: +358 204 2511
Fax: +358 204 25 2608

LEONIA BANK PLC

Address: Unioninkatu 22
FIN-00007 HELSINKI
Tel: +358 204 2511
Fax: +358 204 25 2608

LEONIA CORPORATE BANK PLC

Address: Eteläesplanadi 8
FIN-00007 HELSINKI
Tel: +358 204 2511
Fax: +358 204 25 2608

TELEPHONE BANK

+358 200 2590

RETAIL BRANCHES

Southern Finland

Espoo-Espoon keskus
Espoo-Tapiola
Helsinki-Hakaniemi
Helsinki-Itäkeskus
Helsinki-Kaivokatu
Helsinki-Kamppi
Helsinki-Malmi
Helsinki-Pasila
Helsinki-Pitäjänmäki
Helsinki-Roobertinkatu
Helsinki-Töölö
Helsinki-Unioninkatu
Vantaa-Martinlaakso
Vantaa-Myyrämäki
Vantaa-Tikkurila
Hyvinkää
Järvenpää
Karkkila
Kerava
Lahti
Lohja
Raisio
Salo
Turku
Turku-Eerikinkatu
Turku-Portsa

Eastern Finland

Hamina
Iisalmi
Imatra

Joensuu
Kotka
Kouvola
Kuopio
Lappeenranta
Mikkeli
Pieksämäki
Savonlinna
Varkaus

Western Finland

Hämeenlinna
Jyväskylä
Kankaanpää
Kokkola
Mänttä
Pori
Rauma
Seinäjoki
Tampere
Tampere-Hervanta
Tampere-Kauppakatu
Tampere-Koskikeskus
Vaasa
Valkeakoski
Äänekoski

Northern Finland

Kajaani
Kemi
Kemijärvi
Kuusamo
Oulu
Raahe
Rovaniemi
Sotkamo
Tornio
Ylivieska

CORPORATE BRANCHES

Espoo
Helsinki-Keskusta
Itä-Helsinki
Länsi-Helsinki
Pohjois-Helsinki
Vantaa
Etelä-Savo, Mikkeli
Kaakkois-Suomi, Kouvola
Kanta-Häme, Hämeenlinna
Keski-Suomi, Jyväskylä
Keski-Uusimaa, Järvenpää
Lahti
Lappi, Rovaniemi
Lounais-Suomi, Turku
Länsi-Uusimaa, Lohja
Oulu

Pirkanmaa, Tampere
Pohjanmaa, Vaasa
Pohjois-Karjala, Joensuu
Pohjois-Savo, Kuopio
Satakunta, Pori
Seinäjoki

PRIVATE BANKING UNITS

Espoo
Helsinki
Joensuu
Jyväskylä
Kotka
Kuopio
Mikkeli
Oulu
Rovaniemi
Salo
Tampere
Turku
Vantaa

LEONIA BANK PLC'S SUBSIDIARIES

Leonía Card Ltd

Address: Jääkärintäkatu 4,
FIN-00150 HELSINKI
Tel: +358 9 618 700
Fax: +358 9 618 70411
Kimmo Autio, Managing Director

Leonía Finance Ltd

Address: Jääkärintäkatu 4,
FIN-00150 HELSINKI
Tel: +358 9 17 311
Fax: +358 9 656 489
Pasi Väre, Managing Director

Leonía Fund Management Company Ltd

Address: Eteläesplanadi 8,
FIN-00007 HELSINKI
Tel: +358 204 2511
Fax: +358 9 622 1158
Susanna Miekko-oja, Managing Director

Leonía Life Insurance Company Ltd

Address: Fabianinkatu 8,
FIN-00007 HELSINKI
Tel: +358 204 25 6099
Fax: +358 204 25 6299
Arto Jurttila, Managing Director

Leonía MB Group Oy

Address: Fabianinkatu 23,
FIN-00130 HELSINKI
Tel: +358 9 131 011
Fax: +358 9 1310 1310
Juhani Suomela, Managing Director

LEONIA INTERNATIONALLY

Leonia Municipality Bank plc

Address: Fabianinkatu 23,
FIN-00007 HELSINKI
Tel: +358 204 2511
Fax: +358 204 25 5272
Pertti Mattila, Managing Director

Postipankki Capital Fund Management Company S.A.

Address: Eteläesplanadi 8,
FIN-00007 HELSINKI
Tel: +358 204 2511
Fax: +358 9 622 1158

PSP Fund Management Company Ltd

Address: Eteläesplanadi 8,
FIN-00007 HELSINKI
Tel: +358 204 2511
Fax: +358 9 622 1158
Susanna Miekko-oja, Managing Director

PSW Realty World Ltd

Address: Annankatu 25,
FIN-00100 HELSINKI
Tel: +358 9 6122 150
Fax: +358 9 6122 1530
Paavo Aunola, Managing Director

Tietoleonia Oy

Address: Tuomarilantie 19,
FIN-02760 ESPOO
Tel: +358 9 859 500
Fax: +358 9 85950 211
Anja Ahola, Managing Director

BRANCHES

Leonia Bank plc, London Branch

Address: 10/12 Little Trinity Lane,
London EC4V 2DH,
UNITED KINGDOM
Tel: +44 171 489 0303
Fax: +44 171 489 1142
Lauri Piekkari, General Manager

Leonia Bank plc, New York Branch

Address: 153 East 53rd Street,
New York, NY 10022,
USA
Tel: +1 212 758 8181
Fax: +1 212 758 0011
Matti Vainionpää, General Manager

REPRESENTATIVE OFFICES

Leonia Bank plc

Moscow Representative Office

Visiting address:
Molochnij pereulok 9/14,
Str. 3, 119034 Moscow,
RUSSIA
Tel: +7 095 201 3714
Fax: +7 095 230 2048
Irene Matinpalo, Chief Representative
Postal address:
Leonia Bank plc,
Moscow Representative Office
P.O.Box 310
FIN-53501 LAPPEENRANTA
FINLAND

Leonia Bank plc

Stockholm Representative Office

Address: Grev Turegatan 13 B,
S-11446 STOCKHOLM
SWEDEN
Tel: +46 8 678 2000
Fax: +46 8 678 2001
Henrik Lagerstedt, Chief Representative

Leonia Bank plc

Tallinn Representative Office

Address: Liivalaia 14, 7th floor,
EE-10118 TALLINN
ESTONIA
Tel: +372 6 461 090
Fax: +372 6 461 093
Sirkka Tuononen, Chief Representative

Leonia Bank plc

Tokyo Representative Office

Address: 2.F. Kitanomaru Residence, 3-9,
Kudan-kita 2-chome,
Chiyoda-ku, Tokyo 102-0073
JAPAN
Tel: +813 3262 9541
Fax: +813 3262 9561
Hideki Maruyama, Chief Representative

Leonia Corporate Bank plc

Singapore Representative Office

Address: 16 Raffles Quay,
#42-01 Hong Leong Building,
SINGAPORE 048581
Tel: +65 227 8626
Fax: +65 227 0802
Kai Heinonen, Chief Representative

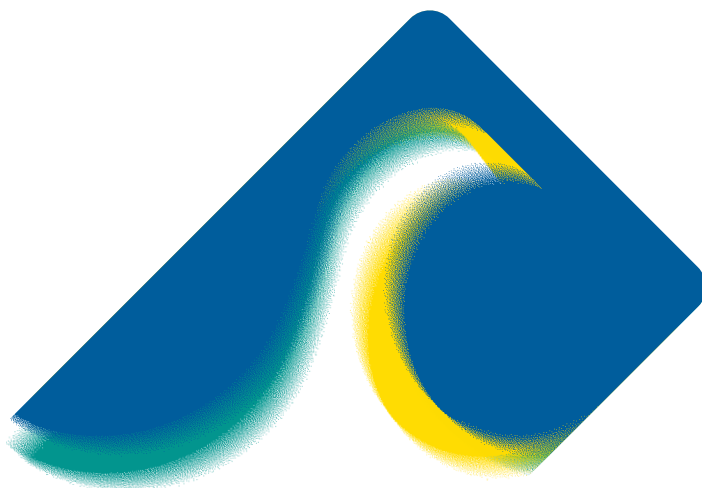
LEONIA STANDS FOR STRENGTH AND FLEXIBILITY

The new bank received its new name 'Leonia' in April 1998. The name was selected from 1,600 proposals, after research had eliminated most of the rest. The name Leonia signals strength and flexibility. Leonia is also linked to the bank's Finnish origin and previous symbols. Linguistically, the root of the new name, Leo or Leon, means a lion. Leonia could also be a woman's name.

Along with the new name, Leonia also introduced a new logo. Its shape symbolizes the money of the future - a bank card or smart card. The soft interior of the logo communicates human values and closeness to people. In the logo's colours, blue stands for reliability, clarity and calmness. Blue also refers to traditions and Finnishness. Green gives the logo youth, freshness and a new start, while yellow refers to warmth, light and courage, as well as to Europe.

The name and logo were designed by the Viherjuuri Group, in co-operation with Leonia Group's own design team.

The logo was the work of the graphic designer Ilmo Valtonen.



LEONIA



LEONIA

www.leonia.fi