Aktia Savings Bank plc

Financial Statement 31 December 2004

Aktia
Savings Bank

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The year's activities

Financial result

The Group's net operating profit rose to EUR 35.8 million, an increase of 5.6 million (+18.7%) on the previous year. Most of this improvement in financial performance is attributable to a lower level of costs.

Growth in volume continued. Both total saving and total lending grew faster than during the previous year.

Loan losses were again low. The sector-specific loan loss provisions were increased by EUR 2.0 million; otherwise no net loan losses were booked.

The share of profits from affiliates fell from EUR 1.0 to 0.2 million.

Profit for the year rose to EUR 22.2 million, an increase of EUR 1.7 million (+8.7%). The financial result was affected by a non-recurring tax expense. As a result of the IFRS regulations that will come into force in 2007, a deferred tax liability on a site revaluation undertaken at the beginning of the 1990s has been booked. On the other hand, previously booked deferred tax liabilities decreased when corporation tax in Finland was reduced from 29% to 26% starting from 2005. The net effect of these transactions entailed an extra tax expense of EUR 3.1 million. The Group's profitability improved, and the return on equity (ROE) rose to 11.2% (11.1%). Adjusted for the aforementioned non-recurring taxes, the return on equity rose to 12.6%.

Income

The Group's total income rose to EUR 115.5 million, an increase of 0.8%.

The low interest rates continued to have a considerable negative impact on the operating net income from financial operations. The customer margins continued to diminish for both loans and deposits. The Group's net income from financial operations therefore fell by 1.8% to EUR 72.6 million, despite an increase in lending and saving volumes. However, net income from financial operations improved during the second half of the year. Hedging operations improved the net income from financial operations by EUR 6.8 (5.9) million during the financial year.

Income from equity investments includes a dividend received on the shareholding in the Bank of Åland of EUR 1.4 million, while the previous year included a non-recurring extra dividend of EUR 0.5 million.

Commission income increased by EUR 2.7 million (+8.1%) to EUR 35.7 million. This improvement is primarily attributable to clearly increased mutual fund commissions and commissions from stock-exchange transactions and other brokering. Commission income from lending continued to grow, while payment transaction commission fell.

Net income from securities and currency dealing rose to EUR 3.7 million, an increase of EUR 1.7 million, which is mostly due to non-recurring items.

Other operating income amounted to EUR 5.9 million, a reduction of 2.1 million (-25.7%) on the previous year. The previous year included non-recurring items totalling EUR 1.7 million, while the remainder of the reduction was due to a lower level of rental income, as the Group has reduced its real estate holding.

Costs

The Group's total costs fell by EUR 5.2 million (-6.3%) to EUR 77.8 million.

Personnel costs increased marginally by 1.2% to EUR 36.4 million. The number of employees (converted into full-time employees) totalled 677 at the end of 2004, a reduction of 15 from December 2003.

Other administrative expenses continued to fall slightly (-1.8%) and amounted to EUR 22.1 million.

Planned depreciation decreased from EUR 8.4 million to EUR 7.0 million. This reduction was primarily due to a lower level of new investment. In addition, extra write-downs on property held as assets were undertaken to a total value of EUR 0.2 (0.9) million.

Other operating expenses fell by EUR 3.3 million (-21.3%) from the previous year, amounting to EUR 12.1 million. A large part of this reduction in expenses is attributable to project expenses in 2003.

Balance sheet and off-balance sheet commitments

On 31 December 2004, the Group's balance sheet total stood at EUR 4,076 (3,512) million. The increase is attributable to growth in lending and improved liquidity.

Off-balance sheet commitments totalled EUR 260 (246) million. The use of derivative contracts to hedge the Group's net income from financial operations from a drop in the market interest rate decreased slightly. The value of the underlying assets for all derivative contracts totalled EUR 2,146 (2,575) million, of which interest-, currency- and share-related derivative contracts for hedging purposes amounted to EUR 2,055 (2,529) million.

Capital adequacy

On 31 December 2004, the Group's capital base totalled EUR 293.1 million, of which EUR 195.4 million was Tier 1 equity. The Tier 1 equity includes the profit for the financial year and deductions for dividends according to the Board of Directors' proposal. During the year, the Group issued subordinated debt for EUR 77.2 million that is taken into account in the Tier 2 equity, which means that the total Tier 2 equity rose from EUR 77.0 million to EUR 97.7 million. The Group's risk-weighted commitments rose over the year by 11.2% to EUR 2,082 million. The capital adequacy ratio was 14.1%, the proportion of Tier 1 equity being 9.4%.

Personnel

When converted into full-time employees, the number of actual bank staff was reduced by 15 and stood at 677 (692) at the end of the financial year. The average number of staff during the year was 803 (838).

Financial result of the main subsidiaries

Aktia Fund Management Ltd
The total income of Aktia Fund Management Ltd increased from EUR 7.8 million to EUR 9.8 million (+26.6%). Commission expenditure incurred by the sales channels amounted to EUR 6.2 (4.8) million. Direct expenditure rose to EUR 2.6 million The operating profit increased by 8.4% to EUR 0.9 million.

Aktia Asset Management Oy Ab
Assets under management by Aktia Asset Management rose by 56.2% to EUR 1,187 million. Total income increased by 36.7% to EUR 2.1 (1.5) million. Commission income amounted to EUR 1.4 million, an increase of 25.7%. Expenses increased by 17.4% to EUR 1.0 million. The operating profit increased from EUR 0.7 million to EUR 1.1 million.

Aktia Real Estate Mortgage Bank Plc
Aktia Real Estate Mortgage Bank plc, which commenced its operations in 2001, specialises in financing housing investments. The Mortgage Bank's loan products are sold by Aktia Savings Bank plc and by the local cooperative banks, with whom a partnership was launched in 2004. Total income increased to EUR 3.2 (2.1) million, and total expenses rose from EUR 1.2 million to EUR 1.9 million. The profit before appropriations and tax rose from EUR 1.0 million to EUR 1.3 million. At the end of the year under review, the total claims on the public totalled EUR 430.2 million, an increase of EUR 190.6 million. The balance sheet total was EUR 450.8 million.

Aktia Life Assurance Ltd
Aktia acquired Aktia Life Assurance (previously Robur Life Assurance Finland Ltd.) on 1 January 2004. Aktia Life Assurance provides unit-linked savings life insurance and individual pension insurance. The company's customers, via their policies, can invest in Aktia Fund Management Ltd.'s funds as well as Robur Fonder AB's funds managed by Aktia. The premium income rose by 14.8% to EUR 8.3 (7.2) million, while operating expenses remained at the same level as the previous year, EUR 0.9 million. The actuarial loss reduced from EUR 0.2 million to EUR 0.1 million, while the profit before tax was EUR 0.0 (0.1) million. The company was sold on 1 January 2005 to Veritas Life Insurance Company.

Vasp-Invest Oy
The total income of Vasp-Invest Oy amounted to EUR 1.5 million, a slight reduction on the previous year. Expenses remained at the same level as one year earlier, i.e. EUR 1.1 million. The profit before tax was EUR 165.4 (171.4) thousand.

Balance sheet and financial structure

Assets

Claims on the public
The volume of business continued to grow. Demand for housing loans was especially high.

The Group's lending to the public totalled EUR 2,892 million at the end of the year. In 2004, the loan stock increased by EUR 297 million, which is an increase of 11.4%. Of the claims, 80.5% (EUR 2,328 million) consisted of loans extended to private individuals and households. The majority of the credit extended to households was in the form of housing loans. The housing loan portfolio grew during the year by EUR 250 million (+ 15.1%) to EUR 1,908 million, of which mortgages in Aktia Real Estate Mortgage Bank constituted EUR 430 million, in turn, an increase of 79.5%. Corporate financing totalled EUR 362 million, which accounted for the second largest part of lending. This share of the whole loan stock was 12.5%. The credit extended to housing associations totalled EUR 151 million, which represented 6% of the whole loan stock.

The structure of the loan stock was well diversified. 46.3 % of the whole loan stock consisted of credit to customer entities whose liabilities corresponded to less than EUR 100,000. The proportion of credit extended to customer entities with a liability of more than EUR 800,000 has continued to decline and only amounted to 10.7% of the whole loan stock.

Sound credit ratings are an important point of focus for the Group. The volume of non-performing loans, EUR 11.3 million, remained at a low level. Non-interest-bearing loans fell to EUR 0.2 million. The non-performing loans and the non-interest-bearing loans totalled EUR 11.5 million, which is a decrease of EUR 2.3 million from the previous year. The relative share of non-performing loans and non-interest-bearing loans of the whole loan stock, including guarantee commitments, thus fell from 0.5% to 0.4%. For 2004, the Group booked loan losses of EUR 1.2 million. Reversals of previously booked loan losses also amounted to EUR 1.2 million, and thus the total effect of the loan losses was 0. To protect against future losses, the Group increased its branch-specific credit loss provision by EUR 2.0 million to EUR 6.2 million.

Investments in interest-bearing securities
Investments in interest-bearing securities are made primarily to control asset and liability risks (financial and interest rate risks) and to ensure liquidity. Debt securities are divided into fixed and current assets according to intended use. In addition, current assets have been sub-divided into market book and other current assets available for sale.

The trading-book has only been used to support customer trading. The bank has received permission from the Financial Supervisory Authority to maintain a so-called "negligible trading-book". At the end of 2004, there were no securities counted as negligible trading-book included in the Group's balance sheet.

The portfolios booked as current assets available for sale are administered by Treasury within rules given by the Finance Committee, which is responsible for the bank's asset & liability management. Investment decisions are made with a view to ensuring liquidity, and therefore funds are invested only in debt securities with high liquidity. On 31 December 2004, the balance sheet value of the portfolios was EUR 567.2 million, with an average duration of 0.9 years. Compared with the previous year, other current assets have increased by EUR 126.8 million.

The Finance Committee also manages investments that are entered as fixed assets. At the end of 2004, the portfolio included government bonds issued by European governments that had a total balance sheet value of EUR 15.3 million and bonds from European banks with a very good rating, secured by the banks' granted mortgages, with a balance sheet value of EUR 107.9 million. The average maturity of the portfolios was 5.4 years. Valuation principles are discussed in more detail in Accounting policies.

Shareholdings
Shares included in the balance sheet consisted mainly of investments regarded as current assets. This category also includes the shares, corresponding to just under 9% of the capital and around 2.7% of the votes, which were acquired in the Bank of Åland plc in 2003, which showed a balance sheet value of EUR 18.6 million at the end of 2004.

Real estate
Investments in or ownership of real estate property is not part of Aktia's core business. In line with this strategy, a preliminary agreement was entered into at the start of 2005 regarding the sale of 50% of the shares of real estate company Mannerheimintie 14, provided that town planning amendments and building permits applied for are granted.

At the end of 2004, the amount of Group capital tied up in real estate property stood at EUR 95.8 (99.5) million, of which EUR 46.8 million was made up of real estate property not used by the bank itself. Real estate property accounted for 2.8% of the Group's balance sheet total. The average return on properties not used by the bank was 6.2%.

More details on property holdings, the going values of the property and the rates of return are provided in note 24.

Liabilities

Borrowing from the public
Deposits by the public increased by EUR 194 million and amounted to EUR 2,196 million at the end of the year. The deposits' share of the deposit stock increased clearly, while prime-rate borrowing fell.

At the end of 2004, prime rate accounts accounted for 17.1%, accounts with a fixed one-percent interest for 19.4%, and actual current accounts for 33% of the total deposit stock. Time deposits accounted for 26.1% of the deposits.

The deposit stock is still well diversified. Slightly less than 27.8% of the funds consisted of deposits that were in excess of EUR 150,000.

Funding from money and capital markets
The positive development of banking activities increased the bank's need to borrow from the capital market. As in the past, most of the borrowing still consisted of deposits by the public and money market investments by local banks in Aktia.

The Group markedly increased its long-term borrowing, and during the year issued new mortgage and senior bonds for EUR 291.6 million and new subordinated debts for EUR 77.2 million. The majority of the new bonds were issued by Aktia Real Estate Mortgage Bank plc on the Euromarket, secured by mortgages granted. The Mortgage Bank's issue totalled EUR 250 million with a term of 7 years. In this way, Aktia will safeguard its refinancing on competitive terms to the benefit of customers – see also "Other events" section.

Other bonds and capital notes, totalling approximately EUR 119 (43) million, were issued on the domestic market to both private individuals and institutional investors. The share of the foreign capital made up of loans and capital notes rose during the year from 3.1% to 11.5%. In addition, the bank issued certificates of deposit that stood at EUR 270.7 million at the end of the year, which represented 7.0% of the foreign capital.

Credit rating

The credit rating from Moody's Investors Service Ltd has increased awareness of Aktia on the international money market and generated new possibilities for more broad-based financing. Moody´s update of Aktia's rating in December 2004 involved no changes.

Aktia's rating

Long-term borrowing	A3 stable outlook
Short-term borrowing	P-2 stable outlook
Financial strength	C stable outlook

Risk management

The role of risk management is to identify the threats and possibilities that affect the implementation of the Aktia Group's strategic business objectives. The aim of risk management is to ensure a consistent financial performance in the long term and thereby inspire confidence in the bank by identifying, managing, measuring and controlling the risks of the activities.

Organisation of risk management

Aktia's Board of Directors defines the principles applied to risk-taking for the Group. In addition, the Board of Directors establishes an annual risk management strategy and risk policy, issues authorisations to the bank's executive management and supervises risk management.

The Group's processes are structured in such a way that preparation, decision-making, implementation and auditing are carried out independently of one another. Decisions are prepared and handled in the various business units where the decisions are made within the framework of established risk limits. Finance units, which are independent of the business units, are responsible for measuring and monitoring the risks.

Credit risk management

The objective of the credit risk management is to be able to foresee and forestall situations in which a customer or counter-party fails to satisfy his or her contractual obligations. Credit risk management aims to ensure that the negative effects of the credit risks on the result are kept at an acceptable level while optimising the relationship between risk and yield.

According to the credit policy adopted by Aktia's Board of Directors, the Group engages only in financing where risks can be limited and controlled. Most of the bank's loans consist of traditional loans to private individuals and small and medium-sized companies. Credit risk management is based on a well-defined credit decision process.

When formulating authority to extend credit and follow up on lending decisions, the total liabilities of the customer entity, the customer's credit rating and the related collateral risk are taken into consideration. According to the bank's instructions to its credit-granting units, the body granting credit must:

- Aim for diversification of the bank's loan stock in relation to liability, customer risk, collateral risk, customer segments and business sectors.
- Investigate the project to be financed in sufficient detail and normally refrain from financing customers whose main activities are conducted outside the operating area of the bank.
- Analyse the customer's ability to repay the debt when preparing the loan decision. Determine the ability of both private individuals and households to repay debts on the basis of current cash flow. With corporate customers, the rating is based on an analysis carried out by an external service provider and Aktia's in-house knowledge of the customer.
- Adopt a principle of cautious assessment to ensure that no unrestrained collateral risks arise. Collateral risk refers to maximum probable loss in case of default. This risk is defined based on a scrupulous assessment of the going value of the collateral provided by applying a sufficient safety margin to ensure that it covers any fluctuations in the market price.

The Treasury business' credit lines and limits are determined by the Credit Committee appointed by the executive management within the framework of limits granted by the Board of Directors. The Risk Control Unit, which reports to the Finance Committee appointed by the executive management, defines the derivative products' credit risk equivalent values and measures and controls the counter-party risks in the Treasury business.

As well as conventional credit risks, risk management includes limiting the clearing risk and evaluating country risks. In accordance with the instructions issued by the Board of Directors, the maximum risk is limited in relation to either Aktia's or the counter-party's shareholders' equity.

The Credit Control Unit, which is independent of the line organisation responsible for the bank's financial performance, oversees the decision-making and documentation process and supports the branch offices in the preparation and implementation of loan decisions. All credit decisions regarding customers with a liability of over EUR 2 million or a collateral risk of more than EUR 250,000 or corporate customers with a liability of more than EUR 4 million or a collateral risk of more than EUR 1 million will be reported to the bank's Board of Directors.

Aktia's Board of Directors and the Executive Comittee monitor the risk level in lending on a regular basis. The Risk Control Unit analyses the loan stock, changes in the loan stock and changes in payment behaviour on the market and strives to anticipate variations in the risk content of the bank's credit portfolio. Based on the anaysis, the bank makes branch-specific credit loss provisions when necessary to safeguard against any credit being defaulted on based on market changes. However, this analysis is based on probability assessments of future operating environments and other factors, which naturally involves a degree of uncertainty.

Management of financing and liquidity risks

Management of refinancing risks ensures that the Group can meet its financial obligations. Risk is managed by maintaining a diverse refinancing structure with diversified risks at competitive costs.

To raise funds for lending, Aktia refinances its operations through both deposits and investments by the public as well as by borrowing from the money and capital markets. As for market-related refinancing, a diverse range of sources of financing and an adequate spread on various markets should be maintained. Aktia Real Estate Mortgage Bank plc, which started operations in 2001, will facilitate the Group's borrowing requirement by issuing covered bonds secured by residential mortgage loans.

In managing the refinancing risks, Aktia not only takes into account its own lending activities but also its obligations with respect to savings and local cooperative banks, for which Aktia serves as the central financial institution. Aktia maintains a significant liquidity reserve that can be used to offset fluctuations in the liquidity position.

The Finance Committee is responsible for managing the refinancing risks. The Risk Control Unit, which continuously follows up on the financing risks and associated limits, reports to the Finance Committee. Practical measures to change the financing position in accordance with the instructions issued by the Finance Committee are taken by the Group Finance Unit. Similarly, the Group Finance Unit is responsible for maintaining the bank's day-to-day liquidity.

Management of market risk

Market risk refers to the impact caused by fluctuations in interest rates and share prices on the bank's financial performance. By managing the market risk, the bank seeks to ensure steady long-term development of net income from financial operations. Limits and principles for market risk management have been established by Aktia's Board of Directors. By doing so, the bank aims to control market risks in order to support its core business and customer service. Limits have been dimensioned to reflect the capital base of the Aktia Group.

Aktia's Executive Committee is responsible for managing the market risks with the authorisation of the Board of Directors. Responsibility for this activity rests with the Finance Committee subject to certain limits predetermined by the Board of Directors. The Risk Control Unit reports to the Finance Committee. The Finance Committee makes decisions on more detailed risk measurement and monitoring procedures, and submits proposals when necessary to the Executive Committee on changes in the limits within the framework established by the Board of Directors.

Interest rate risk

A structural interest rate risk refers to a risk in the development of net income from financial operations that is due to imbalances between the interest rate ties of the Group's assets and liabilities. The structural interest rate risk is managed by restructuring the balance sheet and related interest rate ties and derivative contracts. The effects of various interest rate scenarios on net income, taking into consideration changes to the balance sheet structure and account means, are calculated using a dynamic asset and liability management model. The structural interest rate risk is also measured with the help of various stress scenarios.

The limit for the structural interest rate risk has been set in proportion to the budgeted net income from financial operations. Practical measures to cover the structural interest rate risk and to change the financing position in accordance with the instructions issued by the Finance Committee and Executive Committee are taken by the Group Finance Unit.

Fluctuations in interest rates also affect the net income from securities trading when the market values of the certificates of claim change. Aktia measures and limits this risk by monitoring changes in the market value of certificates of claim booked under current assets so that the change corresponds to an interest rate increase of one percentage point. The bank applied for permission from the Financial Supervisory Authority to maintain a so-called “little consignment stock”, which means that trading of certificates of claim may total a maximum of EUR 15 million.

Exchange rate risk

An exchange rate risk refers to a negative change in value in the bank's currency positions caused by fluctuations in exchange rates. Aktia's currency dealings are based on customer requirements, for which reason most of this activity involves Nordic currencies and the US dollar. Exchange rate risks are primarily managed by means of matching. The Group Finance Unit is responsible for managing the bank's daily currency position within the framework of the authorisations given by the Finance Committee. Operations are governed by the limits set by the bank's Executive Committee. The risk limits have been determined in relation to the bank's capital base.

Equity risks

Share price risk refers to changes in value due to fluctuations in share prices. Active share investments are not currently part of Aktia's investment policies.

Management of real estate risks

Real estate risk refers to a risk that arises from a fall in the market value of the real estate stock, a change in return on invested capital or damage to property. Investments in or ownership of real estate property is not part of the Group's core business. To reduce real estate risks, Aktia has cut back on its direct real estate holdings and seeks to improve efficiency in the utilisation of such property and increase returns. More details on Aktia’s property holdings and rates of return are provided in note 24. As a rule, the properties are insured for full value.

Operational risks

In banking, operational risks refer to losses that arise as a result of unclear or incomplete instructions, activities carried out in violation of instructions, unreliable information, deficient systems or actions taken by staff members. The losses incurred due to the risks may be direct or indirect financial losses, or ones that tarnish the corporate image to the extent that the bank's credibility in the market place suffers. Operational risks can be roughly sub-divided into administrative risks, IT system risks, and legal risks.

The responsibility for managing the operational risks is borne by the business areas and the line organisation. Risk management includes continual development in the quality of the internal processes and internal control of the whole organisation. The management of each business area is responsible for ensuring that the processes and procedures are adapted to the goals established by the Executive Committee and that the instructions are sufficient. Special process descriptions are drawn up if necessary. Each unit manager is responsible for full compliance with the instructions. Internal Audit analyses the processes at regular intervals and evaluates the reliability of the units’ internal controls. Internal Audit reports directly to the Board of Directors.

Legal risk refers to risk of loss due to an invalid contract or incomplete documentation and risk of sanctions and loss of goodwill due to breach of the law or official regulations. Aktia seeks to manage the risk of poor agreement documentation by establishing contractual relationships relating to day-to-day activities that are based on standard terms worked out jointly by the banking industry. When finalising non-standardised agreements, branch offices and business units must consult the bank’s Legal Services. External experts are relied upon when necessary. The parent bank has special expert resources allocated to support the Group’s “compliance”, especially in provision of investment services.

In addition to the preventive work for avoidance of operational risks, the bank also seeks to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities, etc.

IFRS and new capital adequacy regulations (Basel II)

According to the European Union decree, listed companies in member countries must apply International Financial Reporting Standards (IFRS) from 2005 onward. Preparations are in progress within Aktia for transition to IFRS from 2007 onward.

Amended regulations governing the banks' accounting practice, such as the Credit Institutions Act, come into force on 1 January 2005. These regulations give the banks an opportunity to balance their books in accordance with the IFRS standards. However, the change in the Credit Institutions Act requires the bank to enter the financial assets at actual value in a way that satisfies the IFRS standards, although the bank does not apply the IFRS standards in other respects. During the transition period up to 2007, Aktia only intends to apply the IFRS standards to the extent required by the Credit Institutions Act. The principal change for Aktia from the 2005 financial year onward applies to the financial assets classified as available for sale, which must all be marked at market value. Unlike previously, unrealised profit should also be entered. Both unrealised profit and unrealised losses are entered not over the profit and loss account but directly against the fund at current value under equity capital.

The new capital adequacy regulations come into force from 1 January 2007. In the first phase, Aktia will apply the standard model for credit risks, which, bearing in mind the structure of the loan stock, will have a positive effect on the bank's capital adequacy. However, the bank intends to ensure readiness for applying a more advanced model in the future for evaluating credit risks. The primary purpose of a more advanced model is to improve the risk management system, which, in combination with the bank's low risk policy, is also expected to yield a lower capital adequacy requirement compared with the standard model.

The new capital adequacy regulations will also entail a capital requirement for operational risks. Initially, the basic model will be applied, with a slightly higher capital requirement as a result. However, the bank intends to ensure readiness for switching to the standard model in the future, which would reduce the capital requirement compared with the basic model.

Operations and major events in 2004

Branch office operations

Aktia continues to develop its branch network in order to better meet customers' requirements. The service outlet in Tammisaari moved to new purpose-built premises and now operates as a full-service branch office. The Helsinki Kannelmäki branch office moved to the Prisma shopping centre. Private banking services were expanded in Vaasa through a newly-established Aktia Private Banking branch. The branch has 7 employees and offers wealthy private customers top-quality asset management with related legal services. Aktia's branch network currently consists of 72 offices.

Aktia and the other local banks' joint cash dispensers merged with Automatia Oy's Otto. network, enabling the bank to offer its customers free withdrawals at all of the country's 1,700 (approx.) cash dispensers. Internet terminals have been installed at around 20 branches for customers who want to enter their payment transactions themselves.

At the end of March/beginning of April, a marketing event called 'Aktia days' was organised in cooperation with the bank's ownership foundations. The target group was both current and potential customers, and the overall theme was saving in all its different forms. Stundars open-air museum in Mustasaari was chosen as the Saver of the Year 2004 and received a grant from the savings bank foundations.

Products and services

Aktia continued sales of its Aktia Kombi deposits. Aktia Kombi is a two-year index-linked deposit account that allows substantial additional earnings. During the year, five Aktia Kombi offers were launched. A China index-linked loan was issued and was well received on the market. Aktia Fund Management Ltd launched a new special investment fund, Aktia Asset Allocation, the assets of which are invested in other funds in line with Aktia's overall market view.

At present Aktia Fund Management Ltd offers 31 funds, some of which are managed by Robur in Sweden. Aktia's funds have been among the best ranked throughout the year. At the end of 2004, Aktia's funds received an average rating of 4.2 out of 5 stars from the Morningstar rating agency, making it the 3rd best fund management company in Finland.

We were able to meet customer requirements for housing finance in the form of both mortgage loans, which are granted by Aktia's wholly-owned subsidiary Aktia Real Estate Mortgage Bank plc, and traditional bank loans. At the end of the year, the mortgage bank's total loan stock amounted to EUR 430 million, an increase of EUR 190 million. Aktia's customers have included loan insurance for approximately one third of all loans.

The bank's customers have been using the Internet bank for payment transactions and overall control of their finances at a rapidly increasing rate. Partially as a result of this, the technically obsolete telephone banking service was taken out of operation. Towards the end of the year, the Visa Electron chip card took over as the bank's primary ATM card with associated payment features.

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

- On 20 April, Aktia Savings Bank's annual general meeting of shareholders appointed Patrik Lerche M.Sc. (Econ), Clas Nyberg M.Sc. (Eng) and Carl Eric Ståhlberg M.Sc. (Econ) as new members of the Board of Supervisors. The aforementioned parties replaced honorary chairman Göran Collert, managing director Hans Olsson and district manager Heikki Tuominen.
- In November the Board of Supervisors appointed Kaj-Gustaf Bergh L.L.M. and M.Sc. (Econ), a former board member, as the new chairman of the Board for 2005 to succeed Stig Stendahl M.Sc. (Eng), who

resigned at the end of the year due to the age limit specified in the Articles of Association.

- Kenneth Kaarnimo M.Sc. (Econ), General Manager and member of the Executive Committee, resigned from Aktia on 1 April.

Other events

Aktia Real Estate Mortgage Bank, which is a wholly owned subsidiary of Aktia, established a covered bond programme of EUR 1 billion, and implemented its first issue of EUR 250 million. This structured covered bond was aimed at institutional investors in Europe, and the issue is fully secured by residential housing loans granted by the mortgage bank. Moody's rating agency gave the issue a high credit rating of Aa2. The issue was hugely oversubscribed and achieved good geographic distribution within Europe. The mortgage bank's issue was the first of its kind in Finland.

Towards the end of the year, Aktia entered into an agreement with Veritas whereby Aktia took over asset management operations from the Hiisi Group and Veritas funds were merged with Aktia's funds.

In December, the bank's largest shareholder Förenings-Sparbanken AB announced that it had reduced its shareholding to 19.85% through the sale of a substantial block of shares. At the same time Livränteanstalten Hereditas announced a corresponding acquisition, increasing Hereditas´ shareholding in Aktia to 5.11%. Consequently, the bank's largest shareholder is now the Helsinki Savings Bank Foundation with 20.51%.

Some of Aktia's convertible bonds from 1994 were utilised for conversion in December, thus increasing the number of shares in the bank by 40,000. This increase in share capital of EUR 80 000 was registered on 16 February 2005.

Security fund, guarantee fund and compensation fund

Savings Banks' Security Fund

Aktia and all of the other savings banks belong to the voluntary security fund for savings banks. The purpose of this fund is to ensure that savings banks can operate in a stable manner. Under the rules of the fund, savings banks are not mutually responsible for each other's debts or liabilities. The fund is free of debt and its assets at the end of the year stood at EUR 30.4 million.

Deposit Guarantee Fund

Membership of the Deposit Guarantee Fund, which was established in 1998 and safeguards deposits by private investors up to EUR 25,000, is obligatory for all banks. Aktia's total contribution to the fund was EUR 1.4 million in 2004. At the end of the year, the total assets of the fund stood at EUR 330.8 million.

Investors' Compensation Fund

Banks and brokerage firms are members of the Investors' Compensation Fund. The purpose of the fund is to safeguard the interests of small investors in the event that a bank or brokerage firm becomes insolvent. Individual investors may receive compensation up to EUR 20,000. By the end of the year, the total assets of the fund amounted to EUR 4.6 million.

Important events after the end of the financial year

Aktia sold all shares in its subsidiary Aktia Life Assurance Ltd to Veritas Life Insurance Company as of 1 January 2005. This transaction has a neutral effect on the Group's key figures.

On 18 January 2005, a letter of intent was signed, according to which Föreningen Konstsamfundet and Veritas Pension Insurance Company intend to purchase 50% of the shares of real estate company Mannerheimintie 14 from Aktia. The prerequisites being that town planning amendments and building permits applied for are granted. The intention is to incorporate part of the property into the Forum shopping centre. Aktia's activities in the property are continuing. Based on the letter of intent, the transaction, when implemented, will only have a marginally positive impact on the Group's key figures.

Aktia has entered into an agreement with the local co-operative banks for administrative support and management of the mutual funds POP Finland and POP Europa. Sales of these new funds are to be launched in early spring 2005.

During March 2005, a staff fund has been set up within the Aktia Group to administer and manage the profit premiums the bank can distribute to its staff for good financial performance according to the terms established annually by the Board of Directors.

Prospects for 2005

The Group's net income from financial operations is expected to be slightly better in 2005. Profitability is expected to remain at the same level as in 2004.

Consolidated profit and loss account 1 January - 31 December

(EUR 1,000)	Note	2004	2003
Interest income	(1)	120,601	123,015
Interest expenses	(1)	-48,030	-49,114
Net income from financial operations		**72,571**	**73,901**
Income from equity investments		1,870	949
Commission income		35,724	33,038
Commission expenses		-4,331	-3,409
Net income from securities transactions and foreign exchange dealing			
Net income from securities transactions	(3)	2,622	374
Net income from foreign exchange dealing		1,081	1,674
		3,703	2,048
Other operating income	(5)	5,939	7,996
Administrative expenses			
Staff costs			
Salaries and fees		-29,210	-29,328
Staff-related costs			
Pension costs		-5,577	-5,033
Other staff-related costs		-1,577	-1,584
		-36,364	-35,945
Other administrative expenses		-22,083	-22,481
		-58,447	-58,426
Depreciation and write-downs on tangible and intangible assets			
Planned depreciation		-7,030	-8,449
Write-downs		-282	-866
	(6)	-7,312	-9,315
Other operating expenses	(5)	-12,059	-15,315
Loan and guarantee losses	(7)	-1,970	-2,262
Write-downs on securities held as financial fixed assets		-	-
Profit or loss from companies accounted for using the equity method		151	991
Net operating profit		**35,839**	**30,196**
Extraordinary items		-	-
Profit before appropriations and taxes		**35,839**	**30,196**
Income taxes			
Taxes for the financial year and taxes brought forward		-6,291	-5,516
Changes in imputed tax claims		-7,146	-4,106
Minority interest		-163	-115
Profit for the financial year		**22,239**	**20,460**

Consolidated balance sheet 31 December

(EUR 1,000)	Note	2004	2003
Assets			
Liquid assets		249,825	209,349
Debt securities eligible for refinancing with central banks			
Other		628,792	457,187
	(13, 20, 42)	628,792	457,187
Claims on credit institutions			
Repayable on demand		3,880	3,819
Other		12,978	12,335
	(42)	16,859	16,154
Claims on the public and public sector entities	(15, 42)	2,891,994	2,594,996
Debt securities			
Public sector entities		100	-
Other		86,609	41,610
	(20,42)	86,709	41,610
Shares and participations	(21)	22,800	24,128
Shares and participations in associated companies		2,647	3,555
Shares and participations in Group undertakings	(21, 53)	5,179	-
Intangible assets			
Other long term expenditure	(23)	3,600	2,704
Tangible assets			
Real estate and shares and participations in real estate corporations	(24)	95,519	97,249
Other tangible assets		4,981	8,544
	(22)	100,501	105,794
Other assets	(26)	44,375	37,792
Accrued income and prepayments	(27)	22,927	18,661
Total assets		4,076,206	3,511,929

Consolidated balance sheet 31 December

(EUR 1,000)	Note	2004	2003
Liabilities			
Liabilities			
Liabilities to credit institutions and central banks			
Credit institutions			
Repayable on demand		134,162	136,682
Other		646,319	666,763
	(42)	780,481	803,444
Liabilities to the public and public sector entities			
Deposits			
Repayable on demand		1,608,992	1,602,745
Other		586,776	399,048
		2,195,768	2,001,793
Other liabilities		34,029	100,944
	(42)	2,229,797	2,102,737
Debt securities issued to the public			
Bonds		304,898	15,554
Other		270,719	176,771
	(30, 42)	575,617	192,325
Other liabilities	(31)	98,638	98,250
Accrued expenses and deferred income	(32)	21,173	18,882
Compulsory provisions			
Other compulsory provisions	(10, 33)	1,094	1,332
Subordinated liabilities	(34)	138,848	87,022
Deferred tax liabilities		22,711	15,564
Minority interest		638	517
Total liabilities		**3,868,996**	**3,320,074**
Equity capital			
Share capital		70,516	70,516
Share issue	(38)	80	-
Share premium account		1,893	1,805
Other restricted reserves			
Ordinary reserve		8,079	8,079
Capital loans		-	-
Profit brought forward		104,403	90,994
Profit for the financial year		22,239	20,460
Total equity capital	(35)	**207,210**	**191,855**
Total liabilities		4,076,206	3,511,929
Off-balance sheet commitments			
Guarantees		43,557	38,323
Other commitments given to a third party on behalf of a customer		23,736	20,968
Unused credit arrangements		160,381	168,798
Other irrevocable commitments		32,125	18,072
		259,799	246,161

Parent company profit and loss account 1 January - 31 December

(EUR 1,000)	Note	2004	2003
Interest income	(1)	113,777	121,825
Interest expenses	(1)	-43,733	-49,241
Net income from financial operations		**70,045**	**72,584**
Income from equity investments			
Group undertakings		231	196
Participating interests		1,638	355
Other undertakings		1,729	853
		3,598	1,405
Commission income		30,785	28,761
Commission expenses		-2,820	-2,471
Net income from securities transactions and foreign exchange dealing			
Net income from securities transactions	(3)	2,428	211
Net income from foreign exchange dealing		1,081	1,674
		3,509	1,885
Other operating income	(5)	5,015	6,833
Administrative expenses			
Staff costs			
Salaries and fees		-27,510	-27,913
Staff-related costs			
Pension costs		-5,257	-4,774
Other staff-related costs		-1,506	-1,525
		-34,273	-34,212
Other administrative expenses		-20,930	-21,236
		-55,203	-55,448
Depreceiation and write-downs on tangible and intangible assets			
Planned depreciation		-5,829	-7,150
Write-downs		-282	-866
	(6)	-6,111	-8,016
Other operating expenses	(5)	-13,159	-16,270
Loan and guarantee losses	(7)	-1,970	-2,262
Write-downs on securities held as fixed assets		-	-
Net operating profit		**33,690**	**27,002**
Extraordinary items		-	-
Profit before appropriations and taxes		**33,690**	**27,002**
Appropriations			
Change in general loss provision		-14,250	-13,210
Income taxes			
Taxes for the financial year and taxes brought forward		-6,113	-5,174
Changes in deferred tax liability		-	-
Profit for the financial year		**13,326**	**8,618**

Parent company balance sheet 31 December

(EUR 1,000)	Note	2004	2003
Assets			
Liquid assets		249,825	209,349
Debt securities eligible for refinancing with central banks	(13, 20, 42)	614,924	454,599
Claims on credit institutions			
Repayable on demand		3,402	2,811
Other		176,428	242,945
	(42)	179,831	245,756
Claims on the public and public sector entities	(15, 42)	2,486,081	2,381,497
Debt securities			
Public sector entities		100	-
Other		89,258	45,238
	(20, 42)	89,357	45,238
Shares and participations	(21)	21,659	22,424
Shares and participations in associated comapnies		1,893	1,893
Shares and participations in Group undertakings	(21, 53)	24,924	19,814
Intangible assets	(23)	2,291	2,702
Tangible assets			
Real estate and shares and participations in real estate corporations	(24)	66,996	67,358
Other tangible assets		4,525	7,979
	(22)	71,521	75,337
Other assets	(26)	44,326	37,264
Accrued income and prepayments	(27)	25,007	20,050
Total assets		3,811,638	3,515,922

Parent company balance sheet 31 December

(EUR 1,000)	Note	2004	2003
Liabilities			
Liabilities			
Liabilities to credit institutions and central banks			
Credit institutions			
Repayable on demand		142,778	145,709
Other		646,319	666,763
	(42)	789,097	812,471
Liabilities to the public and public sector entities			
Deposits			
Repayable on demand		1,611,904	1,606,092
Other		586,776	399,048
		2,198,680	2,005,139
Other liabilities		34,029	101,454
	(42)	2,232,710	2,106,593
Debt securities issued to the public			
Bonds		55,337	15,554
Other		270,719	176,771
	(30, 42)	326,056	192,325
Other liabilities	(31)	97,712	97,428
Accrued expenses and deferred income	(32)	19,138	17,781
Compulsory provisions			
Other compulsory provisions	(10, 33)	1,094	1,332
Subordinated liabilities	(34)	124,169	87,022
Total liabilities		**3,589,976**	**3,314,953**
Appropriations			
Loan loss provision		66,940	52,690
Equity capital			
Share capital		70,516	70,516
Share issue	(38)	80	-
Share premium account		1,893	1,805
Other restricted reserves			
Ordinary reserve		8,067	8,067
Capital loans		-	-
Profit brought forward		60,839	59,273
Profit for the financial year		13,326	8,618
Total equity capital	(35)	**154,722**	**148,279**
Total liabilities		3,811,638	3,515,922
Off-balance sheet commitments			
Guarantees		43,557	38,323
Other commitments given to a third party on behalf of a customer		23,736	20,968
Unused credit arrangements		169,709	181,644
Other irrevocable commitments		40,532	19,330
		277,534	260,265

Notes to the Financial Statement (EUR 1,000)

The parent company and Group have nothing to disclose for the following notes.
(The numbering complies with regulations 106.1 and 106.2 of the Financial Supervision Authority):

<u>Notes to the profit and loss account</u>
2 Net income from leasing
8 Items included in extraordinary income and expenses
11 Breakdown of combined items

<u>Notes to the balance sheet</u>
14 Breakdown of claims on central banks
17 Assets held as security for unpaid claims and assets acquired for the reorganisation of a client's business operations
19 Leasing assets
25 Own shares retained by the credit institution
28 Breakdown of combined asset items
36 Shares and participations of various types including own shares and participations
40 Capital investments
41 Breakdown of combined liabilities items

<u>Other notes to the accounts</u>
55 Unpaid membership fees for co-operative banks and co-operative credit institutions
56 Information concerning credit institutions that are part of the Group

<u>Notes to the profit and loss account</u>

1 Interest income and expenses broken down by balance sheet item 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Claims on credit institutions	4,937	4,780	9,118	8,867
Claims on the public and public sector entities	97,245	99,775	86,418	94,013
Debt securities	15,362	16,917	15,185	16,962
Other interest income	3,057	1,543	3,057	1,984
Total interest income	120,601	123,015	113,777	121,825
Liabilities to credit institutions and central banks	14,591	17,087	14,819	17,173
Liabilities to the public and public sector entities	21,785	25,335	21,812	25,376
Debt securities issued to the public	9,725	6,308	6,728	6,308
Subordinated liabilities	4,363	3,348	4,055	3,348
Capital loans	-	-	-	-
Other interest expenses	-2,434	-2,965	-3,681	-2,965
Total interest expenses	48,030	49,114	43,733	49,241

3 Breakdown of net income from securities transactions 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Net income from transactions in debt securities	23	270	-22	219
Net income from transactions in shares and participations	2,599	104	2,450	-8
Net income from other securities transactions	-	-	-	-
Total	2,622	374	2,428	211

4 Total value of securities held as current assets purchased or sold during the financial year

	Group		Parent company	
	2004		2004	
	Bought	**Sold**	**Bought**	**Sold**
Turnover of debt securities	6,494,190	1,138,568	6,482,273	1,137,630
Turnover of shares and participations	516	1,231	-	-
	2003		2003	
	Bought	**Sold**	**Bought**	**Sold**
Turnover of debt securities	13,643,410	1,565,645	13,641,426	1,565,645
Turnover of shares and participations	451	371	-	-

5 Other operating income and expenses 31 Dec

	Group		Parent company	
Operating income	**2004**	**2003**	**2004**	**2003**
Rental income from real estate and real estate corporations	4,422	4,968	3,732	4,095
Capital gains from the sale of real estate and shares and participations in real estate corporations	237	1,235	110	1,149
Other income	1,280	1,793	1,173	1,589
Total	5,939	7,996	5,015	6,833
Operating expenses				
Rental expenses	5,164	5,551	4,249	4,597
Expenses for real estate and real estate corporations	3,737	3,793	6,119	6,027
Capital losses from the sale of real estate and shares and participations in real estate corporations	94	200	-	105
Other expenses	3,064	5,771	2,791	5,541
Total	12,059	15,315	13,159	16,270

6 Scheduled depreciation and write-downs 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Scheduled depreciation	7,030	8,449	5,829	7,150
Write-downs	282	866	282	866
Total	7,312	9,315	6,111	8,016

7 Loan and guarantee losses and write-downs on securities held as financial fixed assets 31 Dec

	Group		Parent company	
Balance sheet item	**2004**	**2003**	**2004**	**2003**
Claims on the public and public sector entities	3,168	2,552	3,168	2,552
- recovered and reversed credit losses	-1,008	-295	-1,008	-295
Guarantees and other off-balance sheet items	4	12	4	12
- recovered guarantee losses	-195	-7	-195	-7
Other temporarily held assets	-	-	-	-
- deductions	-	-	-	-
Total	1,970	2,262	1,970	2,262
Loan and guarantee losses				
+ Actual loan losses during the financial year	2,645	2,622	2,645	2,622
- Actual loan losses during the financial year for which the specific loan loss provision has previously been made	-2,645	-2,622	-2,645	-2,622
- Recoveries in respect of actual loan losses during previous financial years	-1,203	-33	-1,203	-33
+ Specific loan loss provisions made during the financial year	1,189	1,254	1,189	1,254
+ Sector-specific loan loss provisions made during the financial year	1,990	1,310	1,990	1,310
- Specific loan loss provisions made earlier that were reversed during the financial year	-7	-269	-7	-269
Loan and guarantee losses entered in the Final Accounts	1,970	2,262	1,970	2,262

The principles for evaluating collateral security at the time when the loan losses were entered are explained in the Accounting policy section.

9 Breakdown of appropriations

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Change in loan loss provision	-	-	14,250	13,210

10 Changes in provisions included in income and expense items

For the parent company, new provisions have been entered at a value of EUR 1,000,000.00.

12 Income by operations or geographical market 31 December 2004

Field of activity	Group Finland	Group Luxembourg	Parent company
Banking	109,112	-	106,681
Mortgage bank activities	3,185	-	-
Common fund operations	9,816	336	-
Investment firm operations	2,071	-	-
Securities trading	77	-	2,428
Insurance	1,424	-	-
Real estate investment operations	8,102	-	3,842
Total	133,787	**336**	112,952

Net income from financial operations, dividend and commission income, net income from securities transactions and currency dealing and other operating income are included under income. No elimination has been made.

Personnel by operations	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Banking	742	776	742	776
Mortgage bank activities	6	4	-	-
Common fund operations	24	22	-	-
Investment firm operations	7	7	-	-
Securities trading	-	-	-	-
Insurance	4	-	-	-
Real estate investment operations	3	3	-	-
Total	786	812	742	776

Notes to the balance sheet

13 Breakdown of debt securities eligible for refinancing with central banks 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Treasury bills	-	-		
Government bonds	49,429	81,667	45,561	79,079
Bank of Finland's certificates of deposit	-	-	-	-
Banks' certificates of deposit	315,286	278,599	305,286	278,599
Other	264,077	96,920	264,077	96,920
Total	628,792	457,187	614,924	454,599

15 Claims on the public and public sector entities by sector and loan loss provisions in respect of the same at year-end

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Corporations	506,973	479,145	531,295	498,003
Financial and insurance institutions	358	1,327	358	1,327
Public sector entities	11,541	14,509	11,541	14,509
Non-profit institutions	39,447	37,723	39,447	37,723
Households	2,325,774	2,058,659	1,895,540	1,826,302
Foreign	7,901	3,633	7,901	3,633
Total	2,891,994	2,594,996	2,486,081	2,381,497
Specific loan loss provisions at the beginning of the financial year	38,544	38,872	38,544	38,872
New provisions made during the financial year (+)	1,189	1,254	1,189	1,254
New sector-specific provisions made during the financial year (+)	1,990	1,310	1,990	1,310
Provisions reversed during the financial year (-)	-1,140	-269	-1,140	-269
Actual loan losses during the financial year for which the credit institution has previously made specific loan loss provisions (-)	-2,645	-2,622	-2,645	-2,622
Specific loan loss provisions at the end of the financial year	37,938	38,544	37,938	38,544

16 Non-performing loans and other zero-interest receivables by sector 31 Dec

Group and parent company	2004 Non-performing loans	2004 Other zero-interest receivables	2003 Non-performing loans	2003 Other zero-interest receivables
Corporations	4,414	-	5,045	686
Financial and insurance institutions	-	-	-	-
Non-profit institutions	10	-	6	-
Households	6,825	240	7,530	367
Parent company, total	11,249	240	12,580	1,053
Households	28	-	118	-
Group, total	11,277	240	12,698	1,053

18 Breakdown of subordinated claims 31 Dec

	Group		Parent company	
	2004	2003	2004	2003
Claims on credit institutions	-	-	-	-
Claims on the public and public sector entities	-	-	-	-
Debt securities	-	-	3,750	5,057
Total	-	-	3,750	5,057

20 Debt securities and debt securities eligible for refinancing with central banks by type of asset 31 Dec

	Group		Parent company	
Debt securities	**2004**	**2003**	**2004**	**2003**
Current assets	567,231	440,377	552,264	437,106
Publicly quoted	567,132	440,377	552,164	437,106
Other	100	-	100	-
Fixed assets	148,270	58,419	152,017	62,731
Publicly quoted	148,270	58,419	148,268	57,674
Other	-	-	3,750	5,057
Total	715,501	498,797	704,281	499,837

Principles for itemising and valuating assets by type are presented in the Accounting policy section.

Difference between market value of debt security and its lower book value 31 Dec

	Group		Parent company	
Current assets	**2004**	**2003**	**2004**	**2003**
Debt securities	1,023	504	856	344

Difference between nominal value and book value of debt securities still intended to be held as fixed assets and other debt securities 31 Dec

Group and parent company	2004 Difference between the nominal value and its lower book value	2004 Difference between the book valueand its lower nominal value	2003 Difference between the nominal value and its lower book value	2003 Difference between the book value and its lower nominal value
Debt securities held as fixed assets	25	55	26	45
Claims on credit institutions and central banks	-	-	-	-

Breakdown of debt securities and debt securities eligible for refinancing with central banks 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Treasury bills	-	-	-	-
Local authority paper	-	-	-	-
Commercial paper	35,605	33,529	35,605	33,529
Certificates of deposit	330,068	281,751	330,068	281,752
Convertible bonds	-	-	-	-
Other bonds	349,728	183,516	334,758	179,499
Other	100	-	3,849	5,057
Total	715,501	498,796	704,281	499,837

21 Shares and participations by type of asset 31 Dec

Shares and participations	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Current assets	20,744	2,711	19,603	1,007
Publicly quoted	19,731	1,704	18,590	-
Other	1,013	1,007	1,013	1,007
Fixed assets	2,056	21,417	2,056	21,417
Publicly quoted	-	-	-	-
Other	2,056	21,417	2,056	21,417
Total	22,800	24,128	21,659	22,424

Difference between market value and lower book value of shares and participations 31 Dec

Shares and participations	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Current assets	426	272	-	-
Fixed assets	-	-	-	-

No borrowed securities exist.

Participating interests in credit institutions and other undertakings 31 Dec

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Shares and holdings in associated companies				
In credit institutions	-	-	-	-
In other companies	2,647	3,555	1,893	1,893
Shares and participations in group undertakings				
In credit institutions	-	-	16,050	15,050
In other companies	5,179	-	8,874	4,764
Total	7,826	3,555	26,817	21,706

22 Increase and decrease in shares held as financial fixed assets and tangible assets 31 Dec

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Shares and participations apart from those in real estate corporations				
Purchase prise at the beginning of the financial year	24,971	4,455	43,123	23,339
+ increases during the financial year	6,538	20,565	6,469	19,832
- decreases during the financial year	-2,501	-48	-1,593	-48
+/- transfers between items	-19,126	-	-19,126	-
- planned depreciation during the financial year	-	-	-	-
+/- write-downs and reversing items for write-downs during the financial year	-	-	-	-
+ accumulated depreciation and write-downs in respect of decreases and reversals at the beginning of the financial year	-	-	-	-
- accumulated depreciation at the beginning of the financial year	-	-	-	-
- accumulated write-downs at the beginning of the financial year	-	-	-	-
+ accumulated revaluations at the beginning of the financial year	-	-	-	-
+/- revaluations and reversing items for revaluations for the financial year	-	-	-	-
Book value 31 Dec	9,882	24,971	28,873	43,123

Land areas, buildings and shares and participations in real estate corporations	**Group** 2004	2003	**Parent company** 2004	2003
Purchase prise at the beginning of the financial year	92,764	108,516	54,088	69,406
+ increases during the financial year	18	333	-	269
- decreases during the financial year	-407	-8,186	-54	-7,689
+/- transfers between items	-	-	-	-
- planned depreciation during the financial year	-1,139	-1,138	-107	-105
+/- write-downs and reversing items for write-downs during the financial year	-201	7,032	-201	7,032
+ accumulated write-downs in respect of decreases and reversals at the beginning of the financial year	-	-7,898	-	-7,898
- accumulated depreciation at the beginning of the financial year	-11,286	-10,148	-2,502	-2,396
- accumulated write-downs at the beginning of the financial year	-10,567	-17,600	-10,567	-17,600
+ accumulated revaluations at the beginning of the financial year	26,339	28,809	26,339	28,809
+/- revaluations and reversing items for revaluations for the financial year		-2,470	0,00	-2,470
Book value 31 Dec	95,519	97,250	66,996	67,358

Machinery, equipment and other tangible assets	**Group** 2004	2003	**Parent company** 2004	2003
Purchase prise at the beginning of the financial year	42,183	41,950	40,267	39,865
+ increases during the financial year	930	1,068	875	1,024
- decreases during the financial year	-189	-836	-189	-622
+/- transfers between items	-	-	-	-
- planned depreciation during the financial year	-4,434	-5,498	-4,271	-5,261
+/- write-downs and reversing items for write-down for the financial year	-	-	-	-
+ accumulated depreciation and write-downs of decreases and reversals at the beginning of the financial year	130	788	130	574
- accumulated depreciation at the beginning of the financial year	-33,638	-28,929	-32,288	-27,601
- accumulated write-downs at the beginning of the financial year	-	-	-	-
+ accumulated revaluations at the beginning of the financial year	-	-	-	-
+/- revaluations and reversing items for revaluations for financial year	-	-	-	-
Book value 31 Dec	4,981	8,544	4,525	7,979

23 Breakdown of intangible assets 31 Dec

	Group 2004	2003	**Parent company** 2004	2003
Costs of establishment	-	-	-	-
Goodwill	-	-	-	-
Other long-term expenditure	3,600	2,704	2,291	2,702
Total	3,600	2,704	2,291	2,702

24 Breakdown of real estate assets 31 Dec 2004

Group	**Book value 2004**	**Capital invested 2004**
Land and water areas and buildings		
In own use	34,249	34,249
Other	34,043	34,043
	68,292	68,292
Shares and participations in real estate corporations		
In own use	14,663	14,687
Other	12,565	12,803
	27,228	27,491
Total	95,519	95,783

Capital invested is the purchase price less depreciation entered plus the share in the debts of the real estate corporation based on the number of shares owned therein and/or the share of the debts based on the percentage of shares owned therein.

Real estate holdings and shares and participations in real estate corporations in other than own use

	Building area, m^2	Capital invested	Net return, %	Vacancy rate, %
Dwellings and residential real estate	4,046	1,874	8.4	13.7
Business and office real estate	24,727	42,476	5.9	18.9
Industrial real estate	2,524	287	11.9	0.0
Land, water and forest areas		876	-0.1	0.0
Other domestic real estate	777	1,332	16.1	36.8
Total real estate holdings	32,074	46,847	6.2	17.2

The percentage return is the annual net income relative to invested capital. Net income refers to rental income less normal maintenance costs excluding depreciation. The vacancy rate is the ratio of unused floor area to the total rentable area, expressed as a percentage. Premises not in one's own use refers to property in which, or in part of which, the bank has no operations.

Real estate holdings and shares and participations in real estate corporations not in one's own use

Net income, in percent	Negative	0-3%	3-5%	5-7%	< 7%	Total
Capital invested	1,766	1,952	1,335	35,122	6,672	46,847

Current value of property holdings not in one's own use

	Current value	Return requirement (%)	Return (%)	Capital invested
Dwellings and residential real estate	810	9.5	13.0	388
Business and office real estate	39,523	6.3	4.1	36,422
Other domestic real estate	2,034	7.1	12.9	1,046
Bank, total	42,367	6.4	4.4	37,856
Vasp-Invest Ab	9,718	8.9	6.6	8,991
Group	52,084	6.8	6.2	46,847

The bank's and Vasp-Invest Oy's real estate and real estate shares not held in the company's custody have been valued independently by a third party assessor during the summer of 2003. The required return at that time varied between 5.0% and 12.5%, depending on the geographical area and market.

26 Breakdown of other assets 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Cash items in the process of collection	34,651	32,174	34,603	32,124
Guarantee claims	587	1,411	587	1,411
Derivative contracts	6,804	2,471	6,804	2,471
Other	2,332	1,736	2,332	1,258
Total	44,375	37,792	44,326	37,264

27 Breakdown of accrued income and advance payments 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Interest income	18,010	15,594	21,140	17,282
Other accrued income	4,917	3,068	3,867	2,767
Advance payments	-	-	-	-
Total	22,927	18,661	25,007	20,050

29 Difference between nominal value and lower book value of liabilities 31 Dec

Group and parent company	2004		2003	
	Difference between the nominal value and its lower book value	Difference between the book value and its lower nominal value	Difference between the nominal value and its lower book value	Difference between the book value and its lower nominal value
Liabilities to credit institutions and central banks	-	-	-	-
Liabilities to the public and public sector entities	-	-	-	-
Debt securities issued to the public	1,121	-	923	-
Subordinated liabilities	-	-	-	-

30 Debt securities issued to the public by type of asset 31 Dec

	Group		Parent company	
Liabilities	**2004**	**2003**	**2004**	**2003**
Certificates of deposit	270,719	176,771	270,719	176,771
Bonds	304,898	15,554	55,337	15,554
Total	575,617	192,325	326,056	192,325

31 Breakdown of other liabilities 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Cash items in the process of collection	88,139	94,961	87,456	94,365
Derivative contracts	8,261	2,466	8,263	2,466
Other	2,238	824	1,993	597
Total	98,638	98,250	97,712	97,428

32 Breakdown of accrued expenses and prepaid income 31 Dec

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Interest	7,986	4,907	7,360	4,791
Other accrued expenses	13,187	13,975	11,778	12,990
Prepaid income	-	-	-	-
Total	21,173	18,882	19,138	17,781

33 Breakdown of material items entered under compulsory provisions

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Personnel costs	1,094	1,332	1,094	1,332
Other operating expenses	-	-	-	-
Total	1,094	1,332	1,094	1,332

34 The Group's and parent company's subordinated liabilities 31 Dec 2004

The parent company's subordinated liabilities with a book value of more than 10% of the total subordinated liabilities	Currency	Liability in EUR	Interest rate	Maturity	Instalment
Aktia Savings Bank plc's debenture 3/2003	EUR	13,217	3.00	04 Aug 2008	20% annually
Aktia Savings Bank plc's debenture 4/2003	EUR	16,000	3.00	10 Nov 2008	20% annually
Aktia Savings Bank plc's debenture 3/2004	EUR	14,054	3.00	30 Aug 2009	20% annually
Subordinated liabilities other than those mentioned above		-			
Total liabilities		80,899			-
Total		124,169			-
Aktia Real Estate Mortgage Bank plc's debenture 2004	EUR	14,679	3.00	29 Mar 2009	20% annually
Group, total		138,848			
				Perpetuals	
				-	

Terms and conditions of early redemption:
Aktia or its group may not redeem debentures before the end of the loan period without the permission of the Finnish Financial Supervision. Creditors are not entitled to demand repayment.

Rules concerning priority of liability and any conversion to shares:
On dissolution of the bank, the liability has the same right of priority as the bank's other debenture loans but are subordinate to the bank's other undertakings.

35 Increases and decreases in equity capital during 2004

Group	At the beginning of the financial year	Increase	Decrease	At the end of the financial year	
Equity capital					
Share capital	70,516	-		70,516	
Share issue	-	80	-	80	1)
Share premium account	1,805	88	-	1,893	1)
Ordinary reserve	8,079	-	-	8,079	
Profit/loss brought forward	90,994	20,460	7,052	104,403	2)
Profit or loss for financial year	20,460	22,239	20,460	22,239	
Total equity capital	191,855	42,867	27,512	207,210	

Parent company	At the beginning of the financial year	Increase	Decrease	At the end of the financial year	
Equity capital					
Share capital	70,516	-	-	70,516	
Share issue	-	80	-	80	1)
Share premium account	1,805	88	-	1,893	1)
Ordinary reserve	8,067	-	-	8,067	
Profit/loss brought forward	59,273	8,618	7,052	60,839	2)
Profit or loss for financial year	8,618	13,326	8,618	13,326	
Total equity capital	148,279	22,112	15,669	154,722	

1) The conversion of the debenture that matured on 21 Dec 2004 increased share capital.
2) The decrease is due to the payment of EUR 0.20 dividend per share in accordance with the resolution of the General Annual Meeting of shareholders with the total dividends amounting to EUR 7,051,610.00

37 Calculation of distributable equity 31 Dec

	Group		Parent company	
	2004	2003	2004	2003
Profit/loss brought forward	104,403	90,994	60,839	59,273
Profit or loss for financial year	22,239	20,460	13,326	8,618
Non-distributable items				
Portion of accumulated depreciation difference and reserves included in the equity capital	-51,210	-38,106	-	-
Total	75,431	73,348	74,165	67,891

38 Details on issuing of shares, stock options and convertible bonds

Aktia Savings Bank plc's convertible debentures from 1994 for FIM 20,000,000.00, i.e., EUR 3,363,758.53 with a maturity of 21 Dec 2004

The conversion of the debenture increased share capital by a total of 40,000 shares out of a possible 40,000. The increase in share capital of EUR 80,000.00 was registered on 16 February 2005.

39 Shareholders 31 Dec 2004

15 largest shareholders by voting rights	**Number of shares**	**Percentage of shares and voting rights (%)**
Sparbanksstiftelsen i Helsingfors	7,229,700	20.5
FöreningsSparbanken AB (publ)	7,000,000	19.8
Sparbanksstiftelsen i Esbo-Grankulla	2,174,843	6.2
Livränteanstalten Hereditas	1,800,000	5.1
Sparbanksstiftelsen i Vanda	1,498,800	4.2
Sparbanksstiftelsen i Borgå	1,203,700	3.4
Veritas Group	**1,070,500**	**3.0**
Life Insurance Company Veritas	395,000	1.1
Mutual Accident Insurance Company Veritas	340,500	1.0
Pension Insurance Company Veritas	335,000	0.9
Vaasan Säästöpankkisäätiö	926,215	2.6
Sparbanksstiftelsen i Kyrkslätt	814,790	2.3
Sparbanksstiftelsen i Karis-Pojo	719,858	2.0
Svenska Litteratursällskapet i Finland rf	600,000	1.7
Ab Kelonia Oy	577,600	1.6
Sparbanksstiftelsen i Ingå	575,463	1.6
Säästöpankkisäätiö Siuntio	422,740	1.2
Sparbanksstiftelsen i Sibbo	422,067	1.2

	Number of owners		Number of shares	
Shareholders by sector	**Qty**	**%**	**Qty**	**%**
Corporations	24	4.1	3,459,335	9.8
Financial and insurance institutions	42	7.2	3,424,610	9.7
Public sector entities	1	0.2	50,000	0.1
Non-profit institutions	48	8.3	20,852,756	59.1
Private individuals and households	464	80.0	471,349	1.3
Foreign shareholders	1	0.2	7,000,000	19.8
Total	580	100.0	35,258,050	99.9
Share issue			40,000	0.1
Total	580	100.0	35,298,050	100.0
entered in nominee register	1		5,250	

Breakdown of stock	Number of owners		Number of shares	
Number of shares	**Qty**	**%**	**Qty**	**%**
1–100	197	34.0	11,755	0.0
101–1,000	208	35.9	106,728	0.3
1,001–10,000	85	14.7	283,333	0.8
10,001–100,000	49	8.4	2,029,156	5.7
100,001–	41	7.1	32,827,078	93.0
Total	580	100.0	35,258,050	99.9
Share issue			40,000	0.1
Total			35,298,050	100

42 Breakdown by maturity of assets and liabilities by balance sheet item 31 Dec 2004

Group

Assets	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Debt securities eligible for refinancing with central banks	255,502	160,710	124,589	87,991	628,792
Claims on credit institutions	16,859	-	-	-	16,859
Claims on the public and public sector entities					
Repayable on demand	-	-	-	-	-
Other	139,268	239,766	927,095	1,585,864	2,891,994
Debt securities	41,718	35,867	4,126	4,998	86,709
Total	453,346	436,344	1,055,809	1,678,853	3,624,353
Liabilities					
Liabilities to credit institutions and central banks	706,542	73,938	-	-	780,481
Liabilities to the public and public sector entities	1,940,281	251,017	27,025	11,474	2,229,797
Debt securities issued to the public	197,054	73,665	29,937	274,961	575,617
Total	2,843,877	398,620	56,962	286,435	3,585,895

Parent company

Assets	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Debt securities eligible for refinancing with central banks	255,502	154,713	116,718	87,991	614,924
Claims on credit institutions	69,381	110,450	-	-	179,831
Claims on the public and public sector entities					
Repayable on demand	-	-	-	-	-
Other	133,583	222,401	847,526	1,282,570	2,486,081
Debt securities	41,718	35,867	6,774	4,998	89,357
Total	500,184	523,432	971,018	1,375,559	3,370,192
Liabilities					
Liabilities to credit institutions and central banks	715,159	73,938	-	-	789,097
Liabilities to the public and public sector entities	1,943,193	251,017	27,025	11,474	2,232,710
Debt securities issued to the public	197,054	73,665	29,937	25,400	326,056
Total	2,855,406	398,620	56,962	36,874	3,347,863

Deposits other than time deposits are entered as maturity of less than 3 months.

43 Assets and liabilities denominated in euros and foreign currency 31 Dec

	Group 2004		Parent company 2004	
	Euro	Foreign currency	Euro	Foreign currency
Debt securities eligible for refinancing with central banks	628,792	-	614,924	-
Claims on credit institutions	13,495	3,363	176,467	3,363
Claims on the public and public sector entities	2,880,729	11,265	2,474,816	11,265
Debt securities	86,709	-	89,357	-
Other assets	198,100	3,928	187,693	3,928
Total	3,807,825	18,556	3,543,257	18,556
Liabilities to credit institutions and central banks	778,606	1,874	787,223	1,874
Liabilities to the public and public sector entities	2,209,622	20,175	2,212,535	20,175
Debt securities issued to the public	575,617	-	326,056	-
Subordinated liabilities	138,848	-	124,169	-
Other liabilities	143,598	17	117,927	17
Total	3,846,292	22,066	3,567,910	22,066

	Group 2003		Parent company 2003	
	Euro	Foreign currency	Euro	Foreign currency
Debt securities eligible for refinancing with central banks	457,187	-	454,599	-
Claims on credit institutions	11,891	4,263	241,493	4,263
Claims on the public and public sector entities	2,589,895	5,100	2,376,396	5,100
Debt securities	41,610	-	45,238	-
Other assets	187,098	5,535	173,949	5,535
Total	3,287,682	14,899	3,291,675	14,899
Liabilities to credit institutions and central banks	797,366	6,078	806,393	6,078
Liabilities to the public and public sector entities	2,087,006	15,731	2,090,863	15,731
Debt securities issued to the public	192,325	-	192,325	-
Subordinated liabilities	87,022	-	87,022	-
Other liabilities	134,014	15	116,526	15
Total	3,297,734	21,824	3,293,130	21,824

Notes to the accounts concerning income taxation

44 Income taxes, imputed tax claims and liabilities 31 Dec

	Group		Parent company	
	2004	2003	2004	2003
Income taxes arising from actual business operations	6,291	5,516	6,113	5,174
Imputed tax claims in the Group that have not been entered in the accounts due to periodization differences	2,924	4,441	4,536	4,441
Imputed tax claims for revaluation	-	-	6,330	-

The imputed tax liabilities caused by revaluation and appropriations in the consolidated final accounts have been entered in the balance sheet. See the additional Group note 11.
Imputed tax liabilities have been computed according to a tax rate of 26% for 2004 and of 29% for 2003.

Notes to the accounts concerning collateral, contingent liabilities and derivative contracts

45 Assets pledged as collateral 31 Dec

Nominal value of collateral given by the credit institution under an item other than liabilities on one's own behalf

Group	2004	2003
Debt securities held as current assets	69,500	77,500
Debt securities held as fixed assets	15,000	31,758
Total	84,500	109,258

46 Pension liabilities

Statutory employment pensions and Group supplementary pensions are covered through insurance

47 Leasing commitments

	Group	Parent company
The nominal sum of the rents to be paid during 2005	626	622
The total nominal sum of the rents to be paid during the following years	1,633	1,622

48 Breakdown of off-balance sheet commitments 31 Dec

	Group		Parent company	
	2004	2003	2004	2003
Guarantees	43,557	38,323	43,557	38,323
Other commitments given to a third party on behalf of a customer	23,736	20,968	23,736	20,968
Unused credit arrangements	160,381	168,798	169,709	181,644
On behalf of a subsidiary	-	-	15,000	15,000
On behalf of an associated undertaking	-	500	-	500
Other irrevocable commitments	32,125	18,072	40,532	19,330
On behalf of a subsidiary	-	-	8,407	1,258
Total	259,799	246,161	277,534	260,265

49 Derivative contracts

Value of underlying assets

	Group 2004		Parent company 2004	
	For hedging purposes	Other	For hedging purposes	Other
Interest rate derivatives	**1,909,440**	**6,600**	**2,261,090**	**6,600**
Futures	50,000	-	80,000	-
Options	1,404,600	4,600	1,404,600	4,600
Purchased	704,600	-	704,600	-
Written	700,000	4,600	700,000	4,600
Interest rate swap contracts	454,840	2,000	776,490	2,000
Currency derivatives	**59,653**	-	**59,653**	-
Futures	59,653	-	59,653	-
Share derivatives	**85,315**	**85,315**	**85,315**	**85,315**
Forward rate agreements	-	-	-	-
Options	85,315	85,315	85,315	85,315
Purchased	85,315	-	85,315	0
Written	-	85,315	-	85,315

Credit equivalent

Interest rate derivative contracts	18,979	-	27,333	-
Currency derivative contracts	-531	-	-531	-
Share derivative contracts	11,249	-	11,249	-
Total derivatives	**29,696**	-	**38,050**	-

	Group 2003		Parent company 2003	
	For hedging purposes	Other	For hedging purposes	Other
Interest rate derivatives	**2,444,680**	**-**	**2,516,030**	**-**
Futures	300,000	-	310,000	-
Options	1,740,000	-	1,740,000	-
Purchased	870,000	-	870,000	-
Written	870,000	-	870,000	-
Interest rate swap contracts	404,680	-	466,030	-
Currency derivatives	**35,870**	**-**	**35,870**	**-**
Futures	35,870	-	35,870	-
Share derivatives	**48,642**	**45,345**	**48,642**	**45,345**
Forward rate agreements	3,296	-	3,296	0
Options	45,345	45,345	45,345	45,345
Purchased	45,345	-	45,345	0
Written	-	45,345	-	45,345

Credit equivalent

Interest rate derivative contracts	13,467	-	14,726	-
Currency derivative contracts	-645	-	-645	-
Share derivative contracts	5,250	-	5,250	-
Total derivatives	**18,072**	-	**19,330**	-

50 Total amount of sales receivable arising from sale of assets on behalf of customers and total amount of accounts payable arising from purchase of assets on behalf of customers 31 Dec

	Group		Parent company	
	2004	2003	2004	2003
	20	5	20	5

51 Other commitments or contingent liabilities

Aktia has promised a two capital investment funds a loan of EUR 3,000,000.00.
As of 31 Dec 2004, EUR 1,340,134.84 had been withdrawn. The amount withdrawn has been included in note 21.

Notes to the accounts concerning the staff and members of governing and supervisory bodies

52

	Group		Parent company	
Average number of staff	**2004**	**2003**	**2004**	**2003**
Full-time	670	727	635	687
Part-time	133	111	125	119
Total	803	838	760	806

Salaries and fees paid to members of governing and supervisory bodies and alternate members including pension commitments arising or made in respect of the same 31 Dec

	Group		Parent company	
	2004	2003	2004	2003
Salaries and fees paid to members of the Board of Supervisors	186	165	186	165
Salaries and fees paid to members of the Board of Directors and the managing director and his deputy managing directors	1,662	1,121	1,117	580
Total	1,848	1,286	1,303	745

The said individuals were paid emoluments of EUR 110,640 tied to the company's financial performance totalling EUR 239,020.00.

Aktia Savings Bank plc has taken out supplementary pension insurance during the year as follows:

Managing director and deputy managing directors	200 (thousands of EUR)
Board members	30 (thousands of EUR)
Members of the Board of Supervisors	38 (thousands of EUR)

Credits and guarantees extended to members of the governing and supervisory bodies of the Group 31 Dec 2004

	Group	Parent company
Members of the Board of Supervisors and their alternates	1,234	1,234
Members of the Board of Directors and their alternates, managing director and his deputy managing directors	560	358
Auditors and firms of auditors	-	-
Total	1,794	1,592

As a rule, the interest rates for the loans are tied to publicly quoted reference rates or the Aktia Prime rate and exceed, except for a few loans of earlier origin, both the base rate and the interest used as a limit for taxable income. Repayments on the loans are made regularly in accordance with the agreed repayment plans, and the loans are extended subject to the same terms and conditions as loans granted to other private individuals.

Shares and participations held by elected officials, managing director and deputy managing directors 31 Dec 2004
Members of the Board of Supervisors, Board of Directors, the managing director and his deputy managing directors hold a total of 60,150 shares, which is equivalent to 0.17%.

Holdings in other undertakings

53 Shares and participations held as financial fixed assets 31 Dec 2004

Undertakings included in consolidated accounts (ownership over 50%)	**Domicile**	**Percentage of all shares**	**Book value**
Financing			
Aktia Real Estate Mortgage Bank Plc	Helsinki	100	16,050
Hsp-Rahoitus Oy (dormant)	Helsinki	100	589
Insurance			
Aktia Life Assurance	Helsinki	100	5,283
Common fund operations			
Aktia Fund Management Ltd	Helsinki	99	2,502
Aktia Fund Management S A	Luxembourg	100	111
Investment firm operations			
Aktia Asset Management Oy Ab	Helsinki	83	279
Securities trading			
Aktia Securities Ltd (dissolved on 30 Aug 2004)	Helsinki	100	0
Real estate investment operations			
Kiint. Oy Mannerheimintie 14	Helsinki	100	20,603
Robur Invest Ab (dormant)	Helsinki	100	8
Vasp Invest Oy	Helsinki	75	101
Total			45,527

Undertakings not included in consolidated accounts (ownership over 50%)
8 real estate companies with a combined book value of EUR 7,238,979.18 as of 31 Dec 2004.

Shares in associated undertakings (ownership 20–50%)	**Domicile**	**Percentage of all shares**	**Book value**
Data processing			
Oy Samlink Ab	Espoo	28	2,647
Real estate investment operations			
Real estate corporations, total no. 11			8,119
Total			10,765

Other shares and participations held as fixed assets	**Domicile**	**Percentage of all shares**	**Book value**
Credit institutions			
Luottokunta	Helsinki	3	168
Insurance companies			
Veritas Mutual Accident Insurance Company	Helsinki	0	500
Other companies, total no. 19			1,388
Total			2,056

Other notes to the accounts

54 Asset management services offered to the public

The parent company offers private individuals and institutions discretionary asset management services. Customer funds are not re-lent to other customers. Aktia Asset Management Oy Ab offers institutions discretionary asset management services.

Notes concerning the preparation of consolidated accounts

The principles applied to the preparation of consolidated accounts are explained in the section on accounting policy.

Changes to the Group structure during 2004:
1 Jan 2004 all of the shares in Robur Life Assurance Finland Ltd were acquired. The company's name was changed to Aktia Life Assurance Ltd starting on 30 March 2004.
30 August 2004 Aktia Securities Ltd was dissolved.
The bank's dividend income from inter-group companies is comparable to that earned in 2004 and 2003.

No subsidiaries were founded or merged during 2004.

Notes concerning subsidiaries or group undertakings

1 For consolidated subsidiaries, please see note 53 on the parent company.

2 No unconsolidated subsidiaries exist other than real estate corporations.

**3 For consolidated associated undertakings, see note 53 on the parent company.
The method of consolidation is explained in the Accounting policy section.**

4 No unconsolidated associated undertakings exist.

5 No subsidiaries consolidated in accordance with Chapter 6, section 9 of the Accounting Act, exist.

6 No associated undertakings to be consolidated in accordance with Chapter 6, section 15 of the Accounting Act, exist.

7 The accounts of Group undertakings cover the same financial year as those of the parent company.

8 No essential items of information have been omitted concerning consolidated companies or other group undertakings (which are not credit institutions, financial institutions or service undertakings) which might be necessary for estimating their value in relation to one another.

Other notes concerning the Group

9, 10 There is neither Group goodwill nor Group reserve.

11 Imputed tax liabilities

	Group	
	2004	**2003**
Credit loss provisions in the parent company and Aktia Real Estate Mortgage Bank	17,986	15,556
Depreciation differences in the subsidiaries	7	9
The entered imputed tax liability caused by revaluation and periodization differences	4,718	-
	22,711	15,564

12 Group goodwill and Group reserve arising from associated undertakings

A Group goodwill of EUR 263,443.00 was generated in 2001 and will be depreciated over 5 years.

13 No joint venture companies to be consolidated in accordance with Chapter 6, section 15 of the Accounting Act, exist.

Accounting policies

The bank's financial statement and the Group's financial statement have been drawn up in compliance with the provisions of the Accounting Act and Credit Institutions Act, the decisions of the Ministry of Finance on financial statements and consolidated financial statements for credit institutions and securities companies (21.12.2000/1259) as well as regulations 106.1, 106.2 and 106.3 issued by the Financial Supervision Authority.

Scope of consolidated accounts

The financial statements have been drawn up in compliance with the regulations issued by the Financial Supervision Authority (20/420/98, 21/420/98 and 6/410/2000). The consolidated accounts include the annual financial statements of the parent company and its directly or indirectly owned subsidiaries and affiliates (Financial Supervision Authority's regulation 106.2).

In accordance with the said regulations, the subsidiaries, affiliates and joint ventures whose balance sheet total accounts for less than 1% of the balance sheet total of the parent bank and or less than EUR 10 million have been excluded from the consolidated statement, but only if the combined balance sheet total of the said companies falls short of 5% of the consolidated balance sheet total. The exclusion of these companies does not have an essential effect on the result of the Group or its financial position.

The following changes to the group structure have taken place during the financial year. On 1 January 2004, all shares in Robur Life Assurance Finland Ltd. were acquired, and on 30 March 2004, the name was changed to Aktia Life Assurance. Aktia Life Assurance's results have been consolidated into the final accounts according to the equity method.

More detailed information on consolidated and non-consolidated subsidiaries and affiliates is provided in note 53 "Holdings in other undertakings".

Comparability of the profit and loss account and the balance sheet

No changes have taken place in the Group structure that would essentially affect the comparability of the consolidated final statements for 2002 with those drawn up for the preceding financial year.

Consolidation

Where the financial statements of the subsidiaries are included in the consolidated financial statements, the accounting principles of the parent company have been applied. For subsidiaries (ownership over 50%), the financial statements have been consolidated line by line in accordance with the past-equity method. Affiliates (ownership 20–50%) have been consolidated according to the equity method.

Internal income and expenses within the Group as well as internal receivables and payables, including distribution of profit, have been eliminated. The optional reserves for the group companies are divided in the consolidated balance sheet into equity and imputed tax liability as well as the change in them in the consolidated profit and loss statement on the change of the imputed tax liability and the result for the financial year. The minority's share of the result of the subsidiaries and the net capital are entered separately as their own items in the Group's profit and loss account and balance sheet.

The Group's mutual shareholdings have been eliminated using the past-equity method. The Group goodwill arising from the elimination of the internal holdings has been aimed at buildings and is eliminated in accordance with the depreciation plan for the buildings.

Items denominated in foreign currencies

Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into Euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The difference in exchange rates has been entered in the profit and loss account as net earnings from currency dealing.

Current and fixed assets

Certificates of claim, shares and holdings have been divided into current and fixed assets. In addition, current assets have been sub-divided into consignment stock and other current assets. Fixed and current assets are both listed as balance sheet items under "Certificates of claim that warrant central bank financing" and under "Certificates of claim". Such certificates of claim that the European Central Bank accepts as collateral for warrant central bank financing have been entered as certificates of claim that warrant central bank financing.

The trading-book includes certificates of claim and other publicly quoted Finnish and foreign securities that the bank actively trades in and that have been acquired for the short term with the intent to earn revenue. They have been entered in the financial statements at their probable assignment price on the day the accounts were closed. The acquisition price for the different types of certificates of claim that are included in the consignment stock is calculated using the FIFO method.

Certificates of claim, shares and holdings that are not included in the consignment stock have been entered as other current assets. They have been entered at acquisition cost or at their probable lower assignment price. The acquisition costs for the certificates of claim that are included in other current assets according to their type are calculated using the FIFO method.

For publicly quoted securities, the final trading price of the year has been used as the probable assignment price. For securities that are not publicly quoted, the book value or a lower estimated assignment price has been used as the probable assignment price; for debt securities, the present net value of the principal and interest stream arising from the debt instrument and discounted at the market interest rate has been used.

The profit and loss from assignment for the securities were included as current assets as well as the differences in valuation of the consignment stock and also the valuation loss that have been entered as current assets have been entered as net income from securities trading. The difference between the acquisition price and the nominal value has been allocated as interest income or the loss of it.

Fixed assets include certificates of claim to be retained until maturity, shares and holdings in subsidiaries and affiliates as well as other shares and holdings that the Group holds to satisfy its need for services.

Securities held as fixed assets have been valued at their acquisition price. If the probable assignment price for said securities is permanently lower than the acquisition price at the end of the financial year, the difference has been entered as expenses. The difference between the acquisition price and the nominal value has been allocated as interest income or the loss of it.

Claims and liabilities

Claims and liabilities have been included in the balance sheet at their acquisition price. The difference between the acquisition price and the nominal value of the claims and liabilities has been allocated as interest income or as interest expenses for the term. If the probable value of the claim is lower than its book value, the claim is entered in the balance sheet according to its probable value.

Tangible and intangible assets

The Group's real estate property, shares and stakes in real estate corporations have been divided into property actually used by the Group and other holdings. If only part of the premises is used by the Group, the division has been made according to the square metres reserved for their respective purposes. The real estate property was re-evaluated by external property valuators to reflect the current value using the cash flow method. The valuation of the premises used by the bank is based on the rental income that could be earned at market rates. The book value of the real estate property and participations in real estate corporations was not revalued. If the probable assignment value of the property or stakes is essentially or permanently lower than the acquisition price, the difference is entered as expenses in the profit and loss account.

Certain property holdings and stakes in real estate corporations have been revaluated in previous years based on the calculations of experts. These revaluations have been approved by the Financial Supervision Authority. If the value of the depreciated holding has been reduced to below the accepted value of the holding or a part of it has been transferred or destroyed, the revaluation is decreased in the same fashion. Depreciations are not performed for revaluations. Real estate is included in the balance sheet at its acquisition price less planned depreciation. Shares and holdings in real estate corporations have been included at their acquisition price. The valuation principles for real estate as well as shares and holdings in real estate corporations are disclosed under note 24.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. The expenses incurred during the complete renovation of owner-occupied flats are entered under tangible assets. Planned depreciation is charged in accordance with the depreciation plan based on the economic life of the assets with due regard to the general instructions issued by the Accounting Board. Major investments and inventories are depreciated over a maximum of 5 years. Investments in computer systems are depreciated over a period of 3 years and renovations to branch offices over 5 years. The acquisition price for personal workstations and peripherals, whose economic life is less than 3 years, is written off directly. Buildings are linearly depreciated over 40 years.

Loan and guarantee losses

Losses from claims and guarantee obligations that have been established as final and probable write-downs and sales losses that were previously considered received through customer financing have been entered as loan and guarantee losses.

When loan and guarantee losses are booked, the real security for the loans is valued at the probable assignment price either at the time when the bank estimated that full repayment of the loan is unlikely or at a lower assignment price determined later on when non-performing loans are reviewed for collection. Real security that is received through long-term leases is valued according to the return requirement that has been set to secure the present value of the outstanding receivable.

Provisions against loan losses for credits with personal guarantees have had the expected amount to be recovered upon realisation of the guarantee deducted.

Specific loan loss provisions have also been entered as loan losses according to claims, which can be deemed probable but that cannot yet be assigned to individual claims in accordance with regulation 106.3 issued by the Financial Supervision Authority. Claim-specific provisions will be allocated to individual claims as soon as sufficient information is available.

The funds that had been entered as losses in previous years, the indemnity that has been paid out, and the profits from assignment that had been considered as losses entered in previous years have been marked collected as deductions for loan and guarantee losses.

Non-performing loans

The principal of the entire claim is entered as non-performing when no interest payment, repayment on the capital or partial repayment is made over a period of 90 days. Claims on companies adjudicated in bankruptcy are booked as non-performing on the day the company is declared bankrupt. A bank guarantee is entered as non-performing when the bank effects payment based on such a guarantee. The periodised interest income has been cancelled once the claim has been declared non-performing.

Taxes

The income taxes in the financial statement of the bank and its individual group companies has been calculated according to taxable income and entered as such.

The optional reserves for the group companies are divided in the consolidated balance sheet into equity and imputed tax liability as well as the change in them in the consolidated profit and loss statement on the change of the imputed tax liability and the result for the financial year.

Note 44 and group note 11 include a specific analysis of the income tax for the parent company as well as the deferred tax liability and claims for both the parent company and the Group.

Derivative contracts

Income or expenses arising from interest-rate swaps or interest rate option agreements that were made in order to secure financial claims are entered under interest income. Income or expenses arising from interest-rate swaps or interest rate option agreements that were made in order to secure financial claims are entered under interest expenses.

Value changes in the hedging derivative contracts have been processed in the profit and loss account in the same way as value changes in balance sheet items that ought to be protected.

Income, expenses and value changes arising from contracts included in the consignment stock and made for purposes other than serving as security for a claim or liability are entered under in the financial statement under net income from securities dealing.

Income and expenses items arising from currency-related derivative contracts are entered in the profit and loss account under net income from currency dealing, except for the difference between spot and forward rates that are entered under interest income or interest expenses.

Five year review of the Group 31 December

(EUR 1,000)	2000	2001	2002	2003	2004
Turnover	196,506	202,841	184,888	167,046	167,836
Net income from financial operations	74,491	77,208	75,238	73,901	72,571
as percentage of turnover	37.9	38.1	40.7	44.2	43.2
Other income	51,457	37,321	37,202	40,622	42,905
Expenses and depreciation	-84,007	-82,214	-90,126	-83,056	77,818
Income before loan losses	41,940	32,315	22,314	31,467	37,657
Loan losses	180	-214	-,2,971	-2,262	-1,970
Net operating profit	42,262	32,081	19,702	30,196	35,839
as percentage of turnover	21.5	15.8	10.7	18.1	21.4
Net operating profit before appropriations	42,262	32,081	19,702	30,196	35,839
as percentage of turnover	21.5	15.8	10.7	18.1	21.4
Profit for the financial year	32,879	22,027	12,579	20,460	22,239
Earnings/share	0.93	0.63	0.36	0.58	0.63
excl. non-recurring taxes [1)]					0.72
Equity/share	4.37	4.85	5.03	5.44	5.87
Dividend/share (EUR)	0.17	0.17	0.17	0.20	0.25
Dividend/result (%)	18.0	27.2	47.7	34.5	39.7
Number of shares at end of financial year	35,258,050	35,258,050	35,258,050	35,258,050	35,298,050
Average number of shares during the period	35,258,050	35,258,050	35,258,050	35,258,050	35,278,050
Balance sheet total	2 982 750	3 331 854	3 513 759	3 511 929	4 076 206
Total return on assets ROA (%)	1.2	0.7	0.4	0.6	0.6
Equity capital	154,048	170,803	177,389	191,855	207,209
Return on equity ROE (%)	23.1	13.5	7.2	11.1	11.2
excl. non-recurring taxes [1)]					12.6
Equity ratio (%)	5.3	4.9	5.1	5.5	5.1
Capital adequacy ratio (%)	13.0	12.5	13.1	13.9	14.1
Tier 1 equity ratio (%)	10.0	10.2	9.0	9.7	9.4
Cost to income ratio	0.67	0.73	0.81	0.73	0.69
Borrowing from the public	1,769,221	1,857,539	1,926,286	2,001,793	2,195,768
Lending to the public	1,898,500	2,138,157	2,412,025	2,594,996	2,891,994

[1)] Year 2004 includes a non-recurring item relating to change to deferred tax liability

Group capital adequacy

Risk-weighted commitments
(EUR million)

	Assets		Off-balance sheet items		Risk-weighted commitments	
Risk weighing	**31.12.2004**	**31.12.2003**	**31.12.2004**	**31.12.2003**	**31.12.2004**	**31.12.2003**
0 %	510.7	491.3	104.3	99.9	0.0	0.0
10 %	177.5	-	-	-	17.8	0.0
20 %	508.4	442.1	7.2	3.1	102.7	88.7
50 %	1,970.6	1,713.3	20.2	20.6	991.5	863.0
100 %	905.4	862.6	95.7	91.1	963.7	917.1
Derivatives	-	-	1,356.4	1,659.2	6.8	4.5
Market risk	-	-	-	-	-	-
Total	4,072.7	3,509.3	1,583.8	1,873.8	2,082.4	1,873.4

Group capital base

(EUR million)	**31.12.2004**	**31.12.2003**
Tier 1 capital		
Share capital	70.6	70.5
Ordinary reserve	8.1	8.1
Share premium account	1.9	1.8
Retained earnings account	104.4	91.0
Profit for the reporting period	22.2	20.5
Minority interest	0.6	0.5
Intangible assets	-3.6	-2.7
Dividend provision	-8.8	-7.1
Total	195.4	182.6
Tier 2 capital		
Capital notes	97.7	77.0
Total	97.7	77.0
Net capital required to cover market risks	0.0	0.0
Total capital base	293.1	259.6
Capital adequacy, %	**14.1**	**13.9**
Tier 1 equity ratio, %	**9.4**	**9.7**

Basis of calculation for key figures

Turnover
Total interest income from financial operations, income from equity investments, commission income, net income from securities trading and currency dealing and other operating income

Earnings/share
Net operating profit plus/minus the minority interest in the result for the financial year minus taxes divided by the average number of shares during the year

Equity/share
Equity and voluntary reserves minus the minority interest divided by the number of shares at the end of the period

Dividend/share
Dividend proposed by the Board to shareholder per share

Dividend/result
Dividend proposed by the Board to the shareholders times the number of entitled shares i relation to the result for the period

Total return on assets (ROA)
Net operating profit in relation to the average balance sheet total

Return on equity (ROE)
Net operating profit minus taxes in relation to average equity, the minority interest and the voluntary reserves at the opening and closing balance sheet for the period

Equity ratio
Equity capital, minority interest and voluntary reserves in relation to the balance sheet total at the end of the period

Risk-weighted commitments
Assets in the balance sheet and off-balance sheet commitments valuated and risk-weighted in accordance with regulation 106.7 by the Financial Supervision Authority

Capital adequacy
Capital base, i.e. Tier 1 and Tier 2 capital, in relation to risk-weighted commitments

Tier 1 capital ratio
Tier 1 capital in relation to risk-weighted commitments

Cost to income ratio
Commission costs, administrative costs, depreciations and other operating expenses in relation to the sum of the total net income from financial operations, the income from equity investments, commission income, net income from securities trading and currency dealing and other income

Proposal for distribution of profit

The equity available for distribution for the parent company is EUR 74,165,485.21 and for the Group EUR 75,431,381.50. The number of dividend-entitled shares is 35,298,050.

The Board of Directors proposes to the annual general meeting of the shareholders of Aktia Savings Bank plc that EUR 0.25 per share be distributed to shareholders, or a total of EUR 8,824,512.50.

Helsinki, 7 March 2005

Board of Directors of Aktia Savings Bank plc

Kaj-Gustaf Bergh
Chairman

Lasse Koivu
Vice Chairman

Robert Charpentier

Hans Frantz

Lars-Erik Kvist

Carola Teir-Lehtinen

Dag Wallgren

Mikael Ingberg
Managing Director

Auditor's Report

To the shareholders of Aktia Savings Bank p.l.c

We have audited the accounting, the financial statements and the corporate governance of Aktia Savings Bank p.l.c. for the financial year ended December 31, 2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the members of the Board of Directors, the Managing Director and his substitute have legally complied with the rules of the Companies Act, the Savings Bank Act and Credit Institutions Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board, members of the Board of Directors, the Managing Director and his substitute can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 10 March 2005

OY JOE SUNDHOLM & CO AB
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

Statement by the Board of Supervisors

The Board of Supervisors has compiled the final accounts, the consolidated accounts and the audit report for 2004 and recommends that the final accounts and consolidated accounts be accepted.

(Approved at the meeting of the Board of Supervisors on 15 March 2005)

Board of Supervisors as of 20 April 2004

Henry Wiklund, Chairman (current term expires 2006), Managing Director, M.Sc.(Econ.), Honorary Councillor
Bo Göran Eriksson, Vice Chairman (2005), Senior Director, L.L.M.
Bo Forslund, Vice Chairman (2006), 1st Vice Chairman of Board of FöreningsSparbanken AB
Henrik Sundbäck, Vice Chairman (2006), Consultant, M.Sc.(Agr. & Forestry)
Lorenz Uthardt, Vice Chairman (2005), Agrologist, Honorary Councillor
Bo-Gustav Wilson, Vice Chairman (2007), Auditing Director, M.Sc.(Econ.)
Harriet Ahlnäs (2006), Principal, M.Sc.(Eng.)
Sten Eklundh (2007), M.Sc.(Econ.)
Kurt Forsman (2005), M.Sc.(Agr. & Forestry)
Christina Gestrin (2005), Member of Parliament, M.Sc.(Agr. & Forestry)
Christoffer Grönholm (2006), Cabinet Secretary, Dr.Pol.Sc.
Torbjörn Jakas (2007), Managing Director, B.Sc.(Econ.)
Kari Kyttälä (2006), L.L.M.
Patrik Lerche (2005), Managing Director, M.Sc.(Econ.)
Per Lindgård (2006), Teacher
Kristina Lyytikäinen (2005), Private Entrepeneur, B.A.(Soc.Sc.)
Håkan Mattlin (2005), Administrative Director, Lic.Pol.Sc., Honorary Councillor
Clas Nyberg (2007), M.Sc.(Eng.)
Margareta Pietikäinen (2007), M.A.
Jorma J Pitkämäki (2005), Director
Henrik Rehnberg (2006), Farmer, Engineer
Gunvor Sarelin-Sjöblom (2007), M.A.
Peter Simberg (2005), Agrologist
Carl Eric Stålberg (2007), Chairman of the Board of FöreningsSparbanken AB, M.Sc.(Econ.)
Maj-Britt Vääriskoski (2007), Financial Manager
Lars Wallin (2007), Office Manager
Boris Westerlund (2005), M.Sc.(Econ.)
Carl Johan Westman (2006), Professor, Dr.Agr. & Forestry
Leo Wistbacka (2006), M.A.
Ann-Marie Åberg (2007), Physiotherapist

General information on the corporate governance of Aktia Savings Bank plc

The following pages provide further information on the Group's administrative bodies and affairs with reference to management, independence and transparency in its operations (Corporate Governance). The members of the Board of Supervisors and Board of Directors of the bank, as well as the bank's managing director and other members of the Executive Committee, are presented on pages 23–25 of the bank's annual report "Aktia in 2004".

Aktia Savings Bank plc has announced its intention to list the company's shares on the stock exchange and has undertaken to follow the stock exchange's rules on publication of information. The bank complies with the recommendation regarding the publication of information as per the recommendation regarding the administration and control systems of listed companies, which has been issued by HEX Integrated Markets Oyj, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (TT).

Regulatory framework

Aktia Savings Bank plc is governed in compliance with the Credit Institutions Act and the Act on Commercial Banks and Other Credit Institutions Organised as Limited Companies. The subsidiaries are managed in accordance with applicable legislation, such as the Mortgage Bank Act, the Mutual Funds Act and the Securities Companies Act. The regulations on corporate administration, which can be found on Aktia's web site at www.aktia.com, are also included in the bank's Articles of Association and the rules of procedure adopted by the Board of Supervisors and Board of Directors that define the areas of responsibility of the individual administrative bodies in more detail.

Annual General Meeting of Shareholders

Ordinary Annual General Meetings are held annually before the end of May on a date set by the Board of Directors.

Ordinary Annual General Meetings deal with:

- the final accounts for the previous financial year
- payment of dividends
- discharge from liability for the members of the highest administrative bodies
- fees for the Board of Supervisors and the auditors
- election of members of the Board of Supervisors
- election of auditor(s)

The meeting may also deal with other matters mentioned in the summons.

The summons to the Annual General Meeting is communicated to shareholders through an announcement in one or more of Finland's generally circulated daily newspapers as specified by the Board of Directors. The summons must include details on the matters to be discussed at the meeting.

In order to be able to participate in an Annual General Meeting, a shareholder must notify the bank of his or her participation by the specific date stated in the summons. This date may be a maximum of ten days prior to the Annual General Meeting.

Extraordinary general meetings are held under the conditions mentioned in the Articles of Association.

The bank's press release from the most recent Annual General Meeting can be found on Aktia's web site at www.aktia.com.

The Board of Supervisors

The duties of the Board of Supervisors

The Board of Supervisors is responsible for the administration of the bank and reports on the bank's final accounts and audit report at the bank's ordinary Annual General Meeting of Shareholders. The Board of Supervisors makes decisions on matters that are related to the significant restriction or expansion of activities. The Board of Supervisors also appoints the Board of Directors of the bank and can advise the Board of Directors in matters that are of special importance or fundamentally vital. The Board of Supervisors also appoints the bank's Managing Director.

During 2004, the Board of Supervisors met four times, its presiding officers four times and its Controlling Committee once.

Appointment of the Board of Supervisors and fees

The Board of Supervisors, which consists of no more than thirty members, is appointed by the bank's ordinary Annual General Meeting of Shareholders for a term of office of three years. No person who turns 65 before the beginning of the term can be elected to serve on the Board. Within the Board of Supervisors, there are presiding officers and a Controlling Committee. The remuneration payable to the members of the Board of Supervisors is determined by the Annual General Meeting of Shareholders. The fees established by the 2004 Annual General Meeting consist of an annual fee and an attendance fee. The fees vary in scale for the chairman, deputy chairman and members. Details on the remuneration paid can be found in note 52 in the Group's official final accounts.

Board of Directors

The duties of the Board of Directors

The Board of Directors is responsible for the management of the bank in accordance with the provisions of the applicable laws, the Articles of Association and the instructions issued by the Board of Supervisors. Apart from assignments given by the Board of Directors to its members in individual cases, board members do not have individual duties related to the governance of the bank.

The Board held 12 meetings in 2004 and the average attendance was 85%.

The rules of procedure for the Board of Directors

The rules of procedure established by the Board of Supervisors of the bank contain more detailed rules on the Board's general duties, meeting procedures, meeting minutes, ordinary meeting business, preparation and reporting of the matters dealt with at Board meetings and on reports from the Executive Committee to the Board of Directors and from the Board of Directors to the Board of Supervisors.

Appointment of the Board and fees

The members of the Board of Directors are appointed by the Board of Supervisors of the bank for one calendar year at a time. No person who turns 65 before the beginning of the term can be elected to serve on the Board. In 2004, the Board of Directors comprised 7 members. Apart from **Stig Stendahl**, who was not eligible due to the age limit specified in the Articles of Association, all board members have been re-elected for the term of office covering the calendar year 2005. The Board's fees are determined by the bank's Board of Supervisors. For 2004, fees amounting to EUR 29,219.92 were paid for serving as chairman of the Board of Directors, and, for serving as a board member, a sum varying between EUR 15,679.96 and EUR 16,219.96 was paid owing to varied levels of attendance fees for the different members. The Board's fees have been paid in cash. Board members **Robert Charpentier** and **Lars-Erik Kvist** have not collected fees for their board commissions.

The board members do not participate in share-based incentive schemes.

The independence of board members

As per the Board's evaluation, all board members, as referred to in HEX, the Central Chamber of Commerce and TT's Corporate Governance recommendation, are independent in relation to the bank. Apart from Robert Charpentier and Lars-Erik Kvist, who are both employed by FöreningsSparbanken AB (publ.), there are no dependent relationships with important shareholders.

Managing Director

The Managing Director shall see to the day-to-day management of the bank in accordance with the instructions issued by the Board of Supervisors and the Board of Directors. The Managing Director is appointed by the Board of Supervisors of the bank, the presiding officers of which establish the salary, pension benefits, notice terms and other terms of employment for the Managing Director. During 2004, the Managing Director received a cash salary worth a total of EUR 235,185. In addition, benefits in kind worth EUR 91,848.57 were received.

The period of notice specified in the Managing Director's employment contract is 18 months on the part of the bank and 6 months on the part of the Managing Director.

The retirement age for the Managing Director is 60 years. On reaching retirement age, the Managing Director receives a pension of 60% of the pensionable salary.

Executive Committee

The Executive Committee is involved in making decisions on the bank's current business operations in accordance with the corporate governance instructions for the Group's business operations issued by the Board of Directors of the bank. Certain matters related to lending and the handling of the Group's financing, liquidation and market risks as well as administration of office activities are dealt with by committees appointed by the Executive Committee from within its ranks. The members of the Group's Executive Committee, with the Managing Director as chairman, are appointed by the Board of Directors of the bank. The fringe benefits for members of the Group's Executive Committee are established by the Board of Directors of the bank. The salaries of the members of the Board of Supervisors are paid in cash.

The Executive Committee convened thirty-five times in 2004.

For 2005, a bonus system has been created which, depending on the bank's operating profit, may provide the Managing Director and the other members of the Group's Executive Committee with a bonus of up to three monthly salary payments.

Assurance of the suitability, competence and integrity of the decision-makers

The suitability and competence of the members of the Board of Directors of the bank, the Managing Director and the Managing Director's replacement are verified in accordance with the instructions of the Financial Supervisory Authority, both before appointment and on a regular basis thereafter. The procedure, which includes the assurance of the suitability and reliability of the individuals involved and a number of investigations carried out by the bank, is designed to ensure that the members of the bank's highest decision-making bodies continually satisfy the most rigorous requirements for integrity and impeccable management of their own personal financial affairs.

As per the bank's Articles of Association, the members of the Board of Directors are required to inform the Board of Supervisors of their involvement in the administration of any other companies. The Managing Director may join the administrative bodies of other companies only once he or she has received express permission to do so. The most important positions of the members of the Board of Directors and

Board of Supervisors in other organisations and foundations are listed on pages 24–25 in the bank's annual report "Aktia in 2004".
Credit applications by members of the Board of Directors, the Managing Director and members of the Board of Supervisors are always processed by the Board of Directors, irrespective of the amounts involved. Details on the loans granted can be found in note 52 in the Group's official final accounts.

The bank's rules of procedure include provisions on recusation that are more comprehensive than the regulations found in the legislation. The provisions on recusation forbid the processing of matters related to the subject himself and his or her close relatives or an organisation or foundation in which the subject wields influence.

Insider administration

In addition to the obligatory regulation of insider issues in credit institutions, Aktia Savings Bank plc applies insider rules corresponding to the model rules of the Finnish Association of Securities Dealers.

According to the bank's insider rules, information on a person is entered in the bank's insider register as required by the Securities Market Act and the Financial Supervision Authority. The members of the Board of Directors, the Managing Director and the Executive Committee are entered in the bank's insider register, meaning that their holdings of shares in listed companies is public information. Public disclosure is a way of ensuring that no abuse of market information can take place. Furthermore, the right of people recorded in the bank's insider register to themselves trade in securities is limited, for instance, in such a way that purchase and sale transactions (or sale and purchase transactions) involving the same securities may not take place with less than a month's interval.

Audits

Every year, the ordinary Annual General Meeting appoints one or two auditors for the bank. The auditor must be authorised by the Central Chamber of Commerce.

Over the last few years, the Annual General Meeting has elected to appoint one auditor only, which has been the Joe Sundholm & Co Ab association of auditors, a subsidiary of PricewaterhouseCoopers Oy and which is authorised by the Central Chamber of Commerce. **Jan Holmberg**, also authorised by the Central Chamber of Commerce, has operated as the auditor-in-charge. Apart from a bank giro account, neither the association of auditors nor the auditor-in-charge has any customer relationship with the bank.

In 2004, a total of EUR 126,446.02 was paid out to the auditors for auditing of the accounts of companies in the Group. This sum includes fees for the audit of the mutual funds and PricewaterhouseCoopers' fee for auditing the bank's subsidiary in Luxembourg. For services other than audits, companies in the Group paid fees to PricewaterhouseCoopers totalling EUR 38,436.10.

Internal audits

The internal audit at the bank has been set up as an independent unit, which is administratively subordinate to the bank's Managing Director. The bank's Board of Directors makes decisions on employment and dismissal of the manager of the bank's internal audit, whose terms of employment are approved by the chairman of the Board of Directors. Every year, the board establishes an activity plan for the internal audit.

The internal audit regularly reports its observations to the Board of Directors, the Board of Supervisors' Controlling Committee, the external auditors and the Financial Supervisory Authority.

The internal audit also examines the activities of the subsidiaries and reports to the boards of each subsidiary.

Risk management

Information on the bank's risk management can be found above on pages 6–8.

Share capital and ownership

Information on share capital and ownership can be found on page 22 of the bank's annual report "Aktia in 2004".

Shareholders' agreement

Aktia Savings Bank plc has used the following stock exchange releases, which can be found on Aktia's web page at www.aktia.com, to report on shareholders' agreements that the company is aware of.

25 Oct 2000	Helsinki and Espoo savings bank foundations become part of the Helsinki Savings Bank Foundation and the Espoo-Kauniainen Savings Bank Foundation (8 KB PDF)
25 Mar 1999	Agreement between shareholders comes to an end (7 KB PDF)
11 Feb 1997	Aktia issues debenture loan and bonds (6 KB PDF)
19 Dec 1996	Agreement between owners of Aktia (5 KB PDF)

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