

Tapiola Bank Ltd

Annual Report and Financial Statements 2008

BALANCE BOOK, 31 DECEMBER 2008

Table of Contents

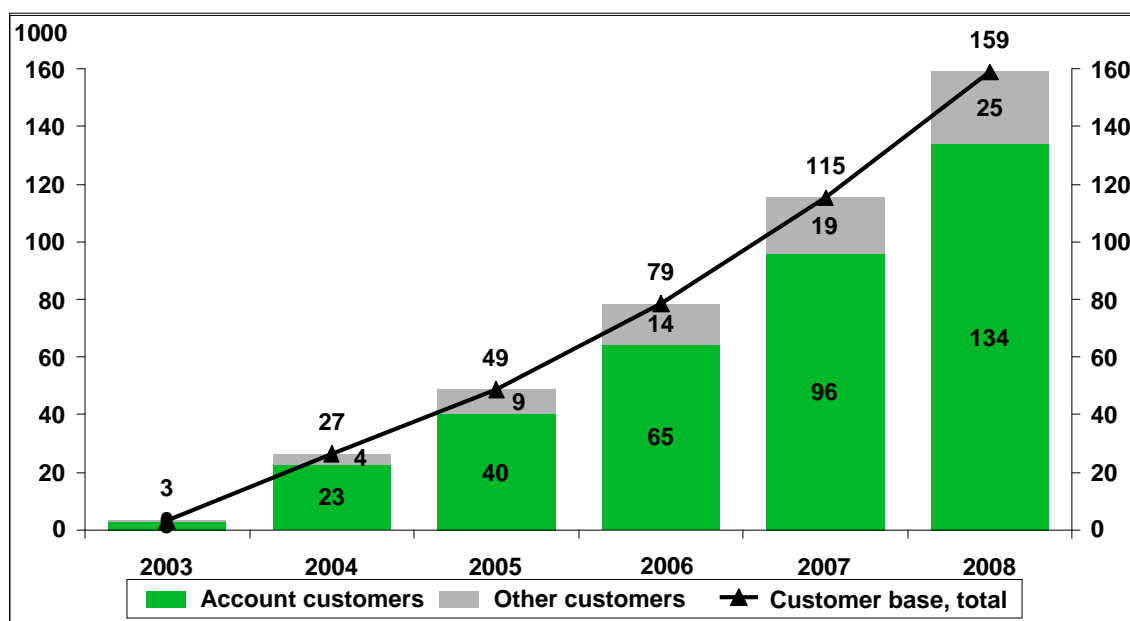
Report of the board of directors for 2008	3-23
Consolidated balance sheet and profit and loss account	24-26
The bank's balance sheet and profit and loss account	27-29
Consolidated cash flow statement	30
The bank's cash flow statement	31
Notes to the financial statements	32-43
Signatures to the annual report and financial statements	44
Auditor's notes	45
List of account books used in 2008	47

REPORT OF THE BOARD OF DIRECTORS FOR 2008

Customers

The number of Tapiola Bank's customers increased in the period under review by 44 thousand, reaching 159 thousand. The number of account customers increased by 38 thousand, to 134 thousand. The customer base has been growing strongly ever since the bank was established in 2004. The bank was founded to supplement the financial services of the Group by offering banking services to private persons. Now nearly five years old, the bank exceeded its targets also in 2008. The development of the customer base has also been affected by a competitor's IT problems and poor quality of service.

Customer base



Tapiola Group's customer benefits:

A little over two years ago, Tapiola Group launched a project to further improve the service provided to private customers. This project was completed in 2008. The purpose of the project was to enable Tapiola to offer and sell comprehensive services to existing customers more effectively. As a result of this work, for example, customer benefits, the grouping of Tapiola's services, payments, online services, customer printouts, and customer communications were significantly improved.

Tapiola Group's new Omaetu benefit programme for private customers was phased in from the start of November 2007. The programme is the best and most affordable option for loyal customers, with the highest benefit level bringing a 17 per cent discount on insurance premiums. Under the programme, Tapiola's private customers receive benefits for non-life insurance premiums, savings insurance management fees, annual fees for bank cards, monthly charges for online services, and fund subscription fees. The change in the benefit programme affects nearly one million Finns, and the benefit programme covers both old and new customers. The customer's benefits increase with the degree of concentration of financial affairs in Tapiola. In particular, the benefit programme rewards those customers who use several services provided by Tapiola. Private customers of Tapiola Group received the new benefits automatically

in 2008. The benefits are applied as of the main due date (month) of the new insurance period. With regard to new insurance contracts, the benefits have been applied immediately.

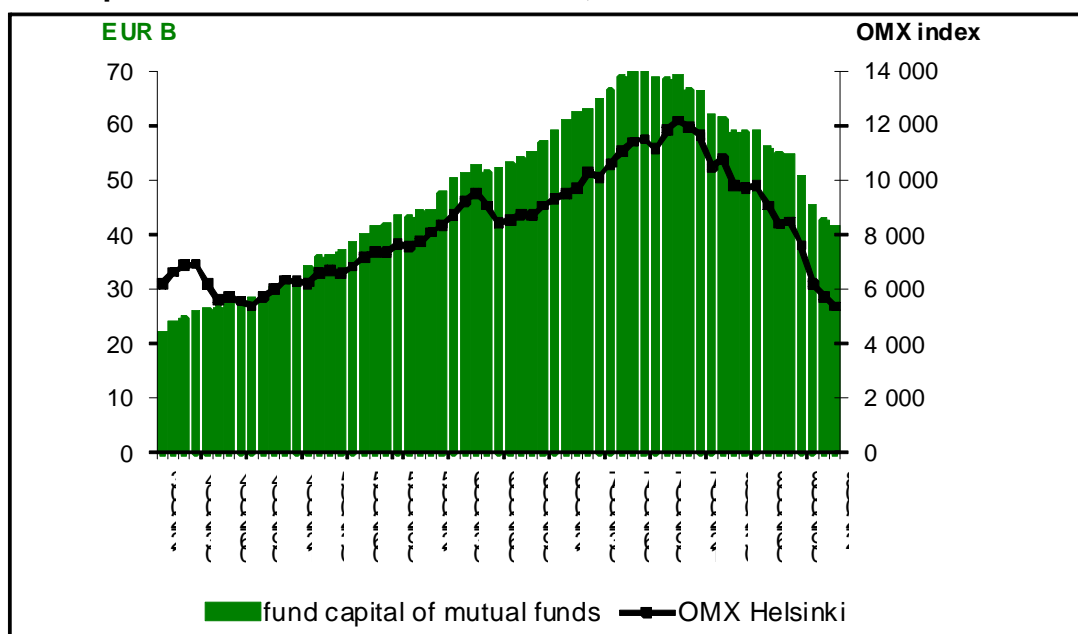
The surplus from Tapiola Group's operations is used to benefit owner-customers through customer bonuses and reductions in premiums. The service benefits for owner-customers include a free-of-charge coverage review and Emergency Service. Some of the profit is used to strengthen the company's solvency, thereby looking out for the customers' interests also in the future. The overall value of the benefits given to Tapiola General Group's owner-customers amounted to EUR 81.0 million (EUR 83.0 million in 2007), including customer bonuses, loyalty discounts, service benefits, and discounts based on co-operation agreements. The figure includes benefits granted through Tapiola Bank, the value of which increased to EUR 9.7 million. The bank's benefits were granted as loyalty benefits by eliminating the fee charged for using the online bank and as interest levels on current accounts that were higher than market rates.

The market situation in general

Market rates kept rising throughout the first half of the year. The 12-month Euribor interest rate reached 5.5 per cent in October. Then, the decisions made by the central banks concerning interest rates and crediting in order to revive the economy led to a steep decline in market interest rates. At the end of the year, the 12-month Euribor interest rate was down to 3.05 per cent, and the downward trend has continued in 2009.

The uncertainty originally caused by the subprime mortgage crisis in the US continues in the money markets. Because of the credit crisis, several foreign banks have had to rely on the emergency funding provided by central banks. Healthy parts of the crisis banks' businesses have been sold to stronger actors. The uncertainty has led to an almost complete standstill in the inter-bank money markets. The Bank of Finland has attempted to stabilise the situation with funding and sureties provided at exceptionally low rates. The instability has increased the popularity of bank deposits as compared to security-based forms of investment.

Development of the securities markets, 2004–2008



The instability in the money markets has also had an impact on the development of securities and mutual funds. The decline in stock values that started in October 2007 has continued. The OMX Helsinki index, which describes the development of Finnish securities, halved in the course of the financial year, and fund capital levels have fallen by some EUR 24.7 billion in the same period.

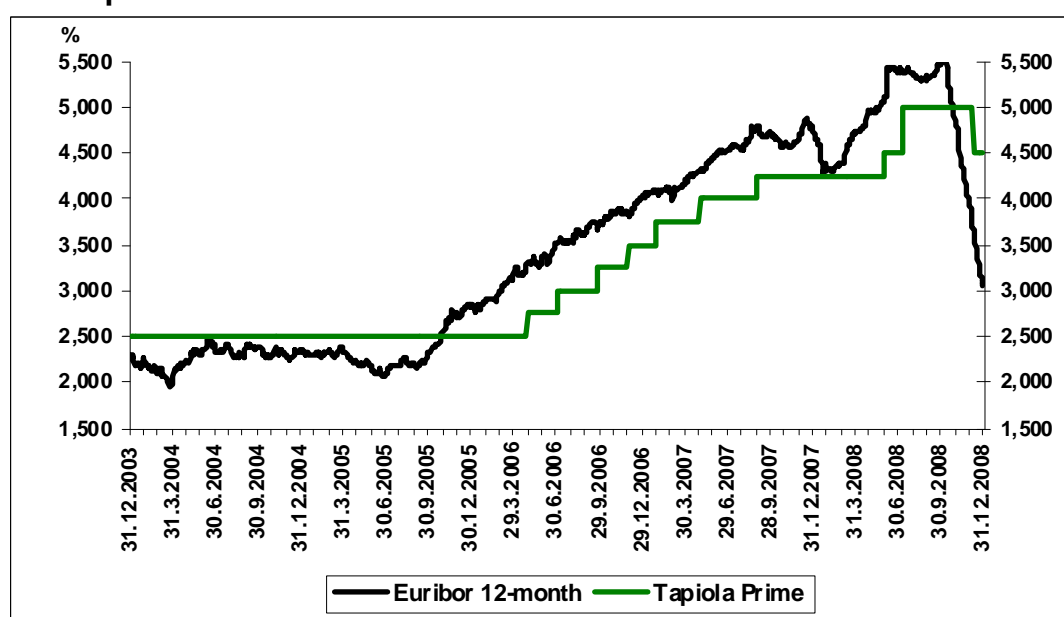
Because of the market situation, the fund capital in Finnish mutual funds decreased from EUR 66 billion to EUR 41.3 billion in 2008. Of the decrease in fund capital, EUR 11.4 billion was due to negative net subscriptions and the remainder, EUR 13.3 billion, caused by decline in value of the investments. The number of fund unit holders declined by more than 205 thousand in 2008.

Tapiola Prime

The Tapiola Bank Prime interest rate is tied to the interest level of the money markets in accordance with the following formula: $(0.25 \times \text{Euribor 360 three-month} + 0.75 \times \text{Euribor 360 12-month}) \pm 0.75\%$. Hence, the prime interest rate follows the longer-term changes and the formula provides for more stable development of the deposits and credits tied to the prime interest rate than of those tied to Euribor rates. Decisions concerning the prime interest rate are made at bank level by the Balance Sheet Management Committee, and the decisions are communicated at least two weeks before they take effect.

The Tapiola Prime rate was changed three times in 2008. At the start of the year, the interest rate was 4.25 per cent; at the end of the year, it was 4.5 per cent. Market interest rates declined exceptionally rapidly during the last quarter of the year. Therefore, also banks' prime interest rates have declined, and this has continued in 2009.

Development of market interest rates in 2004–2008



Group structure

Tapiola Bank Ltd is part of Tapiola Group. Other companies in the Group are Tapiola General Mutual Insurance Company (Tapiola General), Tapiola Mutual Pension Insurance Company (Tapiola Pension), Tapiola Mutual Life Assurance Company (Tapiola Life), Tapiola Corporate Life Insurance Ltd (Tapiola Corporate Life), Tapiola Asset Management Ltd, Tapiola Real Estate Ltd, and Tapiola Data Ltd..

Tapiola Bank Ltd is a subsidiary of Tapiola General. The bank offers private persons the banking services they need. The range of services has been extended and will continue to be enhanced with selected services also for other customer groups.

Tapiola Bank Group includes the bank's subsidiary, Tapiola Asset Management Ltd. In addition, the bank is a shareholder in Ab Compass Card Oy Ltd, founded in 2006.

Neither the bank nor the bank group possesses any treasury shares.

Tapiola Group, excluding Tapiola Pension, forms a financial and insurance conglomerate prescribed by law (Act on the Supervision of Financial and Insurance Conglomerates 699/2004).

Business operations of Tapiola Bank Group

Tapiola Bank Group offers its customers Tapiola Group's comprehensive service network and a telephone service specialising in banking and investment services. Our 24-hour Internet services are available for addressing account, loan, fund, and insurance issues, including equities service. Also available to our customers are the appropriate Tapiola payment and ATM cards and the mobile service.

The Bank Group offers versatile asset management and mutual fund services through Tapiola Asset Management. The company's aim is to increase awareness, availability, the product selection, and ease of use related to investment products with overall affordability (as determined by profit, risk, and costs).

The business strategy is to invest in further development of the Group's Internet services and high-quality personal customer service. The recruitment of personnel has continued both at the bank's service centre and in the regional organisation. In addition to recruitment, continued extra effort has been devoted to training.

Bank clerks, financial experts, investment managers, and treasury managers offer personal banking and investment guidance in 40 offices, which are part of the regional organisation of Tapiola Group. With the exception of granting of credit, the Bank Group buys the regional organisation's customer service from Tapiola Life. The terms of the operations are recorded in the service agreement, according to which banking services are handled under the control of the bank in accordance with processes and instructions prepared by the bank. Applying the same principles, the telephone service has been outsourced to Tapiola Life for uniformity with the telephone service of Tapiola Group.

Tapiola Bank is the main payment service bank for the Group. The bank provides, e.g., a portal service and company research services to the other companies in the Group, as well as the sales and back office services for corporate products for both Tapiola Pension and Tapiola General. Tapiola Bank also serves as the custodian for the mutual funds managed by Tapiola Asset Management.

The essential IT services are provided for the bank by Tapiola Data Ltd, using systems and production acquired from Crosskey Banking Solutions Ab Ltd.

The bank is a member of Luottokunta, the Deposit Guarantee Fund, the Federation of Finnish Financial Services, and the Investors' Compensation Fund. Luottokunta provides Visa card and credit services. The Deposit Guarantee Fund now protects the customers' deposits up to EUR 50,000 and the Investors' Compensation Fund provides protection for investors.

The service function

The service function handles service and product development related to establishment of customer relationships and to account products, co-operation on currency exchange, equities service, and equity-linked bonds, as well as sale of the bank's products and services through the regional organisation.

The bank's customers are mainly private customers. The account services include Tapiola accounts with or without credit, savings accounts, and fixed-term yield accounts with various deposit terms. Ensuring smooth and safe use of e-services has been an important factor in the development of account products. The turmoil in the financial markets created good opportunities for strong growth of the deposit base. In the course of 2008, the bank's deposits increased by EUR 350.0 million to EUR 1,190.0 million. In the autumn, the deposit guarantee for customers was increased from EUR 25,000 to EUR 50,000 by a joint EU decision.

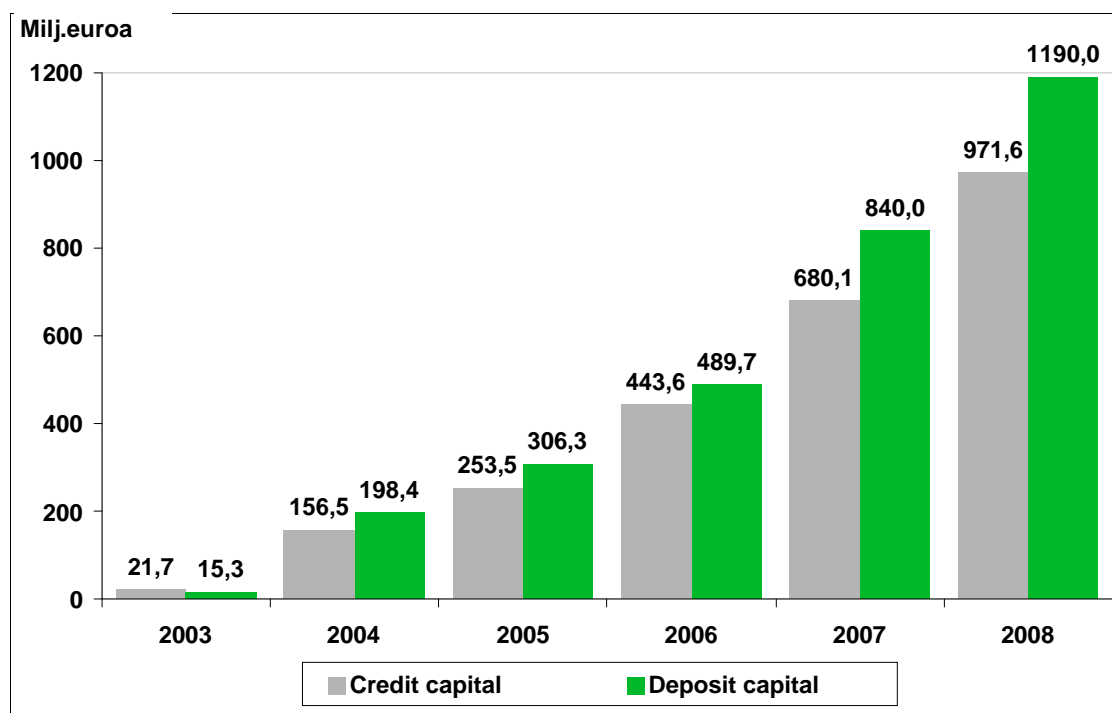
Tapiola Group's new customer benefit programme, Omaetu, also had an effect on the bank. All of the banking customers covered by the Omaetu programme enjoy the bank's new customer benefits. Tapiola's new office concept, T-Moment, was launched in Kamppi, Helsinki, in 2008. T-Moment is a point at which the customer can get information on the bank's product packages and listen to experts at various customer and training events.

In addition, the bank has offered its customers an opportunity to subscribe in its offices for equity-linked bonds issued and arranged by Ålandsbanken Abp. In 2008, these included Top Women and Dollarivoittajat ('Dollar Winners') bond loans that have been very popular among our customers. In the autumn, the InflaatioExtra ('InflationExtra') and Suomi Laatuystiöt ('Finnish Quality Companies') index

loans arranged by eQ Bank Ltd were issued. InflaatioEkstra was withdrawn from the market because of weakened demand.

By the end of the period under review, nearly 1,700 customers had started using the equities service offered by the bank and produced by eQ Pankki Ltd. In currency exchange, the bank works in co-operation with the Forex offices.

Deposits and credits capital



Lending

The bank's lending activity has continued to develop favourably. This has been aided by the favourable market trend that still prevailed in the early part of the year, as well as by the growth of the bank's operations. The bank's receivables from the public and from public corporations in 2008 totalled EUR 973.1 million. Advance preparations for the worsening of the general economic climate were made by lowering the value of the above-mentioned lending base by a total of EUR 1.5 million, to EUR 971.6 million. There were more than 28,000 credits drawn. Credits were granted for various purposes, the most significant being housing loans. The targets set have been exceeded, and it can be stated that the bank has responded well to the financing requirements of its customers.

The customers also have the option of taking out loans with fixed interest rates and thus avoiding the effects of the instability in the money markets. The number of loans with fixed interest rates rose during the period under review by EUR 32.5 million to EUR 76.4 million.

The emphasis in customer selection has continued to be on offering loyalty benefits to customers concentrating their business with Tapiola, as well as on solid risk management. In accordance with the Tapiola values, the bank aims to be a reliable long-term partner for its customers. Working in partnership with each customer, the bank clerks construct the credit and service package that best suits that particular customer. Our operations proceed from the principle that the customer can always rely on Tapiola providing a solution that caters well for his or her life situation and needs. This is also in accordance with the social responsibility policy of Tapiola Group.

Corporate services

Tapiola Bank has also launched banking services for its first corporate customers. The bank offered basic overdraft facility, surety, and euro-based payment services. In addition, the bank deals in financing by order of Tapiola General and Tapiola Pension, with these companies' assets and at their risk. The bank also offers Handelsbanken Rahoitus Oyj's leasing and hire purchase services to customers. Further, Tapiola Asset Management provides versatile solutions for both short- and long-term investment.

Together, these form a comprehensive service package for a corporation. The benefits of corporate banking facilities have been directed to entrepreneurs and corporate customers concentrating their customer activities with Tapiola Group, and the service portfolio is for the time being focused on a selected group of customers. The operating model for the service is the focus of planning measures.

Production and payment transfers

In 2008, the Single European Payments Area (SEPA) was established and the Target 2 system was introduced, under which European clearing and settlement has been brought into use in inter-bank payment transfers. In addition, the bank is involved in a joint project of Finnish and Nordic banks, the Seebach project, to guarantee the current standard of Finnish payment transfers also with SEPA. The projects and alteration work required by the single payments area will continue for several years.

Tapiola's Internet bank is a key customer service channel. Monthly visitor numbers increased during the 2008 financial year by 49 per cent. The usability of the Internet bank was good throughout the year. Online payments made with Tapiola's personal user IDs and the increased popularity of electronic invoicing contributed to the growth of payment transactions. The safety of the online bank was further improved with a new login procedure.

In 2008, the bank's card selection included a bank card intended for domestic use, as well as SEPA-compatible Visa credit and debit cards. Visa credit cards are granted by Luottokunta. The bank's card base increased by 37 per cent, which is in line with the general growth of the bank's customer numbers.

The development of the card business was slowed by delays in a project aimed at launching MasterCard services undertaken by the bank's associated undertaking, Ab Compass Card Oy.

Business operations of Tapiola Asset Management

The fund capital in the mutual funds managed by Tapiola Asset Management Company decreased from EUR 1,435.8 million to EUR 1,026.0 million in 2008. Because of the drop, clearly smaller than that in the fund management sector in general, and sales that succeeded well, particularly in the latter part of the year, the company's market share increased by 0.3 percentage points, to 2.5 per cent. The company rose from ninth position to become the seventh largest fund management company in Finland. Despite the difficult market situation, Tapiola's mutual funds gained nearly five thousand new unit holders. At the turn of the year, the number of unit holders exceeded 34 thousand. Many customers have diversified also their mutual fund investments and are unit holders in more than one mutual fund. The number of Tapiola Asset Management customers grew by over two thousand, to more than 19 thousand by the end of the year.

Two new mutual funds were introduced in 2008. Tapiola Kassakorko began operations on 1 April 2008 and Tapiola East Europe on 10 October 2008. Now, the Tapiola mutual fund family consists of a total of 25 mutual funds, ranging from fixed-income to balanced and equity funds to suit customers' various types of investment plans.

A new portfolio management system, SimCorp Dimension, was brought into use in asset management, covering back office, risk management, and portfolio management operations, as well as calculation of net asset values of fund units. Furthermore, the joint development project with Crosskey Banking Solutions Ab Ltd, aimed at reforms in the fund unit register, distribution channel sales system, and online services, will continue in 2009.

Despite the challenging investment year, the number of customers of Tapiola Asset Management's discretionary and consultative asset management continued to increase. The growth was particularly strong for asset management insurance customers.

The investments in the customer portfolios managed via asset management were very successful as compared with the benchmark indices, but the steep decline of the equity markets pushed the changes in value of the portfolios into the negative. The strong underweighting of shares helped to reduce the losses.

Managed assets

The customer funds managed by the Bank Group totalled EUR 6,069.0 million (EUR 6,404.5 million) at the end of the financial year. Of this amount, the Bank Group's deposit base was EUR 1,189.5 million

(EUR 839.2 million) and customer funds managed by Asset Management Ltd EUR 4,879.5 million (EUR 5,565.3 million). Of these, the fund capital in the equity, fixed-income, and balanced funds managed by Tapiola Asset Management Company totalled EUR 1,026.0 million (EUR 1,435.8 million) at the end of the period under review.

In 2007, we also began to offer consultative asset management, and this function had assets of about EUR 76.2 million (EUR 65.2 million) at the end of 2008.

Formation of the result

Interest margin The bank's interest income for the financial year was EUR 55,540 thousand (EUR 30,367 thousand), and interest expenses came to EUR 43,539 thousand (EUR 22,253 thousand). The bank's interest margin for the financial year, calculated as the difference between interest income and interest expenses, was EUR 12,001 thousand (EUR 8,114 thousand). Hence, the interest margin grew by 48 per cent in 2008. The positive development is partly based on growth in customer numbers and on subsequent growth in deposits and lending.

Interest At the end of the period under review, the average interest rate on credits was 4.93 per cent (4.75 per cent). The corresponding average interest rate for deposits was 3.85 per cent (3.80 per cent). The spread between the interest on loans granted and deposits received narrowed because of the large number of fixed-term accounts. Acquisition of fixed-term accounts consisted of customers' funds being transferred from mutual fund investments to bank deposits in line with the markets.

Other income The bank's commission income continued to grow strongly and amounted to EUR 10,636 thousand (EUR 6,668 thousand). Thus, the income grew by nearly 60 per cent. The greatest growth was seen in income from provision of payment services.

Dividend income of EUR 720 thousand (EUR 1,008 thousand) was recorded.

Other business income grew with the growth in operations and use of services, and it totalled EUR 6,542 thousand (EUR 4,863 thousand).

Administrative expenses

The bank's administrative expenses came to EUR 24,158 thousand (EUR 20,028 thousand). Administrative expenses grew by 21 per cent (21 per cent). The biggest expense items were IT expenses, office expenses, and personnel expenses. The growth in expenses results from investments made in resources in accordance with the strategy. As the business operations have expanded and efficiency has improved, the growth in expenses has slowed, to be significantly less than that of the interest margin and other income.

Other expenses

The bank's other business expenses amounted to EUR 1,336 thousand (EUR 985 thousand). Expenses grew by 36 per cent (52 per cent). The biggest expense item, which showed a significant increase, was the Deposit Guarantee Fund payment, EUR 524 thousand (EUR 301 thousand). The payment has been used to strengthen the fund's capital in line with the bank's growth and the international situation in the sector.

Depreciation, value adjustments, and credit losses

The bank's depreciation was EUR 55 thousand (EUR 47 thousand). Value adjustment losses of EUR 1,095 thousand (EUR 301 thousand) were recorded from credits. The bank did not incur final recorded credit losses; credit value adjustments are used to create preparedness for future credit losses.

Result

The bank's operating profit came to EUR 481 thousand (loss of EUR 1,698 thousand). The Bank Group's loss for the financial year was EUR -1,436 thousand (EUR -4,844 thousand). In accordance with the long-term forecast, the bank's result showed a profit. The Group's result is burdened by depreciation on goodwill, by investments in information systems aimed at improving service, and by the impact of mutual fund markets on management fee income.

Balance sheet

The bank's balance sheet total came to EUR 1,312.6 million (EUR 924.6 million). Hence, the growth of the balance sheet was 42 per cent, exceeding the growth target. The consolidated balance sheet total was EUR 1,307.8 million (EUR 923.8 million).

Capital and reserves

Tapiola Bank has put in place capital and refinancing buffers, as it estimates that the prevailing instability in the money markets will continue at least for 2009. In the course of the 2008 financial year, the bank's equity was increased by a total of €30.0 million. The bank's equity capital was EUR 31.4 million (EUR 22.4 million) and the premium fund EUR 48.1 million (EUR 48.1 million). At the end of the financial year, invested distributable reserves totalled EUR 7.0 million and the current value reserve EUR 0.1 million.

In addition, the bank had secondary equity in the amount of EUR 20.0 million (EUR 20.0 million) at the end of the period under review.

The division of the bank's share capital is as follows:

	Number of shares	Share of stock and votes, %
Tapiola General Mutual Insurance Company	35,280	73.0
Tapiola Mutual Life Assurance Company	7,145	14.8
Tapiola Corporate Life Insurance Company	2,348	4.9
Tapiola Mutual Pension Insurance Company	3,535	7.3
Total	48,308	100.0

At the end of the financial year, the Group's capital and reserves totalled EUR 64.8 million (EUR 35.7 million), and the bank's capital and reserves came to EUR 70.5 million (EUR 38.4 million). In previous financial years, capital was used for the banking project and, when operations had begun, to cover the initial losses.

Correspondingly, capital has been increased in line with the requirements of the growth in the business operations.

in €1,000	Group 31.12.2008	Group 31.12.2007	Bank 31.12.2008	Bank 31.12.2007
Equity capital	31,400	22,430	31,400	22,430
Premium fund	48,100	48,100	48,100	48,100
Other restricted reserves	693	131	672	121
Unrestricted reserves	28,042	7,010	28,042	7,010
Profit (loss) brought forward	-41,980	-37,136	-39,265	-37,162
Profit (loss) for the financial year	-1,436	-4,844	1,597	-2,103
Total capital and reserves	64,818	35,691	70,545	38,396
Secondary equity	20,000	19,995	20,000	19,995
Total	84,818	55,686	90,545	58,391

Information on material events in and following the financial year

The launch of the sale of MasterCard cards produced by Ab Compass Card Oy Ltd has been postponed. The postponement is due to a delay in a system delivery.

In line with the solvency strategy and as a measure required by the changed market situation, the bank acquired primary equity in the amount of EUR 30 million during the 2008 financial year. The extra capital was acquired to create preparedness for business risks in line with growth, as well as for the possibly long-lasting economic recession.

It was decided to lower the Tapiola Prime interest rate twice in the early part of 2009. Following these decisions, the interest rate is 2.95% as of 27 January 2009.

Forecast concerning development

It is expected that the measures taken by the central banks in support of the money markets will lower the interest rates further. Housing trade has slowed, and prices of old residential properties have started to decline. The demand for new housing loans is slowing down. Tapiola Bank is preparing for this by investing in new customer acquisition. The bank's credit portfolio is expected to continue to grow, although the sector's growth prospects in general are relatively weak. As regards fund-raising, the bank's position has been ensured with sufficient financial buffers, also against the instability in the international money markets continuing.

The result for 2009 is expected to show a profit. The amount of profit will be modest, in line with the state of the macro economy and operating conditions in the banking sector.

Risk management

Tapiola Group's general risk management principles

Tapiola Bank's risk management is determined by risk management concepts, the purpose of risk management, the bank's strategic intent, and the level of willingness to take risks, all as defined by Tapiola Group, as well as on official regulations, taking into account the special requirements of banking. The aim is to promote the continuity of customers' financial security and support reaching of the Group's operational and financial targets. Good solvency is emphasised in the risk management.

Risk management refers to active and proactive operations aimed at identifying, assessing, limiting, utilising, and monitoring business risks and new opportunities arising from changing external and internal conditions or Tapiola's strategic intent.

Willingness to take risks is based on the following principles shared throughout Tapiola Group:

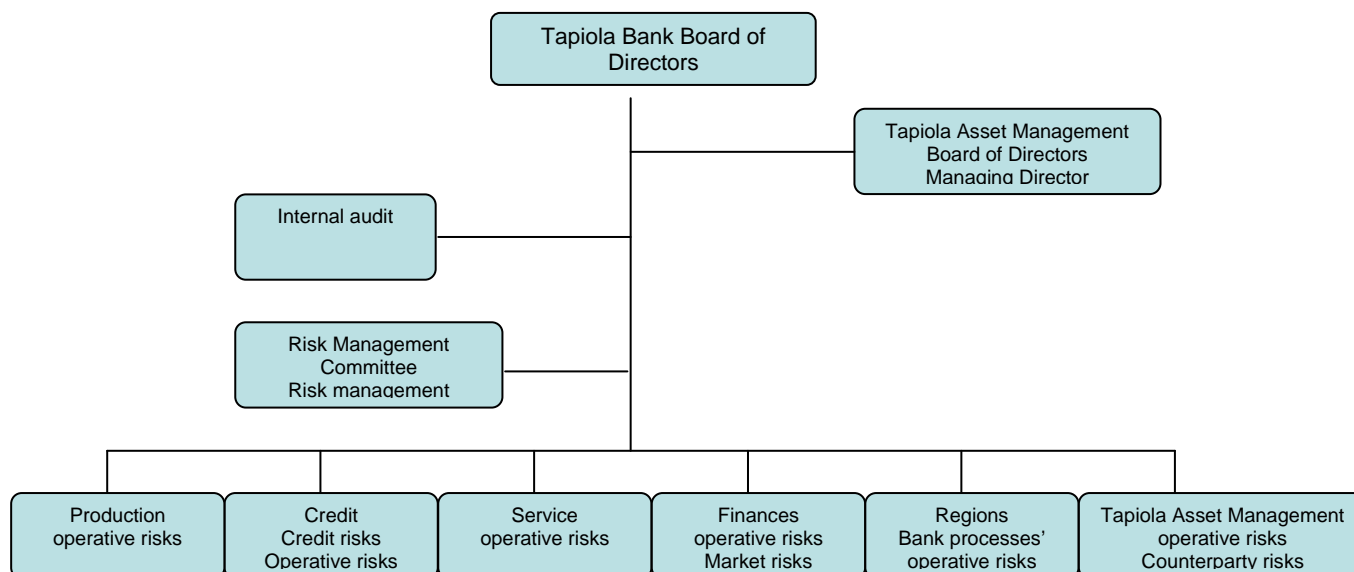
- Risk-taking supports the financial and operational realisation of the strategy and operational plans.
- Risks do not threaten the operations of an individual company, function, or group, or economic stability.
- Tapiola Group companies and functions remain within the risk limits specified for them.
- The effects of risks on all parts of the organisation can be identified.
- Risk linkages between various parts of the Tapiola organisation are clear.

In accordance with the principles of corporate responsibility, Tapiola Bank manages its risks and communicates them and their management in such a way that customers and other stakeholders can rely on Tapiola Bank as their partner.

Tapiola Bank risk management

The Bank Group's risk management is developed and monitored by the risk management committee. The internal audit of Tapiola Group has involved inspections of selected aspects of risk management in accordance with the instructions issued by the bank's board of directors.

Risk management organisation



The bank has a confirmed risk management strategy and an annual risk management plan. The risk management instructions, approved by the Board of Directors, have been included in the bank's operating instructions.

The bank's board of directors reviews the risk situation monthly. Comprehensive evaluation of risk management is carried out once a year.

The bank has a low risk-taking profile. Risk-taking is avoided in crediting and in the capital market. While the banking business is still in its initial stages, the most significant operational risks relate to the faultless and safe functioning of information systems and the outsourced services.

Risks related to information systems are managed via security instructions, contingency plans, and backup computer arrangements. The security instructions focus, in particular, on banking operations on the Internet.

Expertise has been emphasised in recruitment, so employees have experience in banking. Also, the bank's internal training has been extensive.

Credit risks Granting of credit has been centralised in the bank's service centre. The granting process, therefore, is based on criteria and practices applied uniformly throughout the bank. Credit-granting authorisations limit the crediting of individual customers and customer groups. Also, risk limits have been decided upon for credit loss and non-performing receivables.

Credit risk classes and error registration have been in use since the beginning of operations. The risk class is taken into account in credit pricing.

Risk classification has been performed on the basis of credit ability and economic buffers. Both classification criteria use a five-class evaluation scale (class averages from low to high risk: 1 to 5). The combination of these two classification criteria results in a matrix of 25 credit risk classes. The credit risk indices are the products of the risk class values. Risk indices have been combined in the monitoring.

The table below shows the distribution of the credit portfolio into three risk classes:

Risk level	31.12.2008		31.12.2007		31.12.2006	
	M EUR	Share, %	M EUR	Share, %	M EUR	Share, %
Lower than normal	188.8	19.4	125.7	18.5	82.7	18.6
Normal	614.9	63.2	447.3	65.8	296.1	66.7
Higher than normal	169.4	17.4	107.0	15.7	64.9	14.6
Total	973.0	100.0	680.0	100.0	443.7	100.0

The distribution of the credit portfolio is monitored also according to the following criteria:

- customer profile
- distance of the bank's branch office from the object for which credit is granted
- the city's per-capita tax income

If necessary, separate stress tests are carried out for debtor groups showing deviations.

The bank does not engage in currency business or invest in real estate. Furthermore, the bank does not have securities classed as dealing in securities or derivatives contracts.

Market risks and risk limits

The bank's liquidity is monitored continuously. The planning of liquidity is based on the management of the effects of two unfavourable scenarios with an adequate liquidity reserve. The bank's board of directors decides on the minimum volume of the liquidity reserve.

The financing risk is assessed monthly by dividing the bank's balance for deposits and credits into eight maturity classes. The bank's board of directors has decided on the maximum amount of underfunding to be allowed for the various maturity classes. At the end of the financial year, there was a funding surplus in all maturity classes.

In order to guarantee solvency and financing, the bank has arranged for comprehensive security for central bank financing and agreed on internal crediting within the Group. During the 2008 financial year, the Group's internal financing was paid off, and these financial instruments were not in use at the end of 2008.

The interest risk of the bank's balance sheet is examined monthly by testing the effect of three different changes in interest rate on the balance sheet return with the current value method. The bank's board of directors has decided on the maximum amount of loss that a change in interest rates is allowed to cause. In the most unfavourable scenario, the interest risk at the end of the financial year amounted to 4.3 per cent, or EUR 1.7 million, of the bank's primary equity.

Operative risks

Operative risks are mapped by function and in the regional organisation. Using the Group's standard method, the mapping is done as part of annual planning and whenever the risk situation changes significantly. Risks are assessed, and their management developed, from several perspectives. The method consists of analysing the probability of the risks being realised and the possible implications of this, as well as presenting the measures necessary for reduction in the risks and presenting the responsible parties. A risk management plan is drawn up for each significant risk and independent project. Reports are drawn up on significant risks that have arisen, aimed at learning and improved risk management.

The mappings are combined into a summary from which the default value of the loss from operational risks is calculated according to a particular method. The bank's board of directors has decided on an upper limit for the default value of loss. The mapping was updated during the period under review.

Strategic risks

Significant risks related to the operating environment and strategy are identified and the significance of potential occurrence of the risks is assessed carefully during the strategy process. Review in accordance with the strategic risk management method was carried out during the period under review. This standard risk management process is similar to that used for operational risk management, described above.

Contingency planning

The bank's contingency plans have been developed by function, and they were updated in the course of the financial year.

Internal audit and supervision

The internal audit and supervision principles, approved by the Board of Directors, are recorded in the bank's guidelines. In addition, the bank's board of directors approves the operating plan of the internal audit unit annually. The bank acquires the internal auditing services from the Group's internal audit unit, independent of the bank's organisation.

Internal auditing is planned and carried out by function. The members of the management group for each function are responsible for the audit.

Compliance

The compliance function, independent of business operations, is responsible for ensuring that the bank obeys the law, official regulations, and internal instructions. In addition, supervisors are responsible for internal control as regards their subordinates, also including ensuring that the operations comply with regulations. The compliance officer prepares an annual report to the Board of Directors on the activities of the compliance function and the observations made by it. The compliance risks are assessed annually as part of the bank's legal risks.

Responsibility for the legal and compliance function of the bank's subsidiary, Tapiola Asset Management Ltd, was transferred to the bank in July 2008. During the period under review, changes were caused to the bank's operations and instructions by, amongst other factors, the new Anti-Money-Laundering Act and the identification and prevention of flows of terrorist-related money. The act came into force very quickly after it was ratified, which made compliance with its provisions extremely challenging.

Bank safety

In accordance with the plan, a refresher course on bank safety has been organised for service centre personnel by function, in the form of an online course.

Tapiola Asset Management risk management

The above-mentioned principles of Tapiola Group and the bank have been followed in the subsidiary's risk management. The methods of risk mapping, reporting, assessment of the need for capital, and contingency planning are consistent within the Bank Group.

Changes in the Group's structure during the financial year

There were no changes in the Group's structure during the 2008 financial year.

Proposal for measures concerning profit

The Board of Directors proposes that the profit for the financial year, EUR 1,597,268.91, be transferred to the profit and loss account and a dividend not be paid.

Non-economic factors

The bank's management

The Annual General Meeting for the bank was held on 24 April 2008. The statutory issues were discussed at the meeting. An extraordinary shareholders' meeting was held on 12 September 2008, at which it was decided to increase the bank's equity capital from EUR 22,430,200 to EUR 25,420,200. Another extraordinary shareholders' meeting was held on 4 December 2008, where it was decided to increase the bank's equity capital from EUR 25,420,200 to EUR 31,400,200.

PricewaterhouseCoopers Ltd, an Authorised Public Accounting firm, was the company's regular auditor. The auditors with the main responsibility, appointed by PricewaterhouseCoopers Ltd, were Juha Tuomala, APA, and Hannu Pellinen, APA. Deputy auditors were Sari Airola, APA, and Riitta Hallio, APA.

Board members of Tapiola Bank Ltd:

As chairman, Jari Saine, Master of Arts, an actuary approved by the Ministry of Social Affairs and Health (b. 1951)

As deputy chairman, Tapiola Group director (for services for banking, savings, and investment customers) Jari Eklund, Master of Business Administration (b. 1963), Investment Director of Tapiola Group

Jaakko Gummerus, Master of Laws (b. 1950), Director of Tapiola Group, legal services

Matti Inha, Master of Laws (b. 1949), managing director of the Mortgage Society of Finland

Tom Liljeström, Master of Science, Master of Business Administration (b. 1959),

Managing Director of Tapiola Asset Management Ltd

The Board of Directors of Tapiola Bank met 14 times during the 2008 financial year. The Board of Directors has monitored the implementation of the bank's annual plan, budget, and scorecard and addressed issues related to credit-granting policy, risk management policy, and safety principles on a regular basis. The bank's instructions have been supplemented by changes and additions approved by the Board of Directors.

The Board of Directors has discussed and approved the revisions made to the business strategy. The Board has approved the bank's operating plan, risk management plan, investment plan, and other plans for 2009 in accordance with the rules of procedure.

The Board of Directors has made its decisions to ensure the bank's solvency in the manner required by the market situation.

The members of the Management Group:

Managing Director Harri Lauslahti, Master of Business Administration (b. 1961)

Deputy Managing Director and acting Managing Director and Service Director Marja Pajulahti, Master of Laws (b.1966)

Finance Director and director responsible for risk management Heikki Honkanen, Master of Economics, MBA (b. 1950)

Director in charge of credit management and corporate services Tapani Nyrhi, Master of Laws, MBA (b.1962)

Production Director Matti Toivonen, Bachelor of Economic Sciences (b. 1950)

Matti Noranta, Master of Political Science, who is director of the bank's establishment project, and who had been Deputy Managing Director and acting Managing Director since the start of banking operations, retired with effect from 1 June 2008. Marja Pajulahti Master of Laws, was elected as his successor as Deputy Managing Director and acting Managing Director. Antti Kalliokoski, Master of Science, (b. 1969) was appointed Service Director responsible for the bank's payment transfer operations, to serve from 1 January 2009.

The bank's Managing Director and the Management Group prepare and implement the bank's strategy and operating plan. The Management Group met 45 times in the course of the financial year.

Balance Sheet Management Committee (ALCO)

The Balance Sheet Management Committee monitors the development of the money markets and its impact on the structural risk included in the balance sheet. Within the framework of the bank's annual plan, this committee makes decisions on forms of fund-raising and investment, as well as on margin targets. The committee makes the decisions concerning the level of the Tapiola Prime interest rate. The members of the committee are the Managing Director (as chairman), Finance Director (secretary), and Payment Director. The Interest and Cash Management Committee, working under the guidance of the Balance Sheet Management Committee, decides on the directive level of the interest rates applied weekly in the business operations.

Personnel organisation, Group

The bank's personnel organisation has been developed to respond to the expansion of services in accordance with the strategy. The organisation has been arranged by function, with a bank jurisprudence and compliance function, service function (private customers and investments), credit function (private customers and crediting), payment transfer function (centralised payment traffic and corporate payment

transactions), production function (production, treasury, Internet banking, and cards), and finance function (financial management, risk management, and bank safety).

The bank had, on average, 105 (84) employees, two of whom were fixed-term and three permanent part-time employees. At the end of the year, the bank had 109 (90) employees.

The Group had 153 (129) employees on average during the financial year and 159 (137) employees at the end of the year.

Other banking service personnel

In the organisation of the regional service provided by the Group, there were 93 (80) bank clerks and treasury managers as well as 19 (16) investment managers at the end of the year. Additionally, there were 17 (16) bank clerks or investment advisers in the Group's centralised telephone service. In the regional organisation, there were 28 (29) local managers; Group services had a sales director and four experts.

Insider register

Tapiola Bank has an insider register in accordance with the Securities Markets Act. The bank complies with the Group's insider guidelines for investment activities.

Compensation schemes

The salaries of the bank's professional and managerial employees are based on the HAY classification system and scales, which, in turn, are based on the benchmarking information from the financing industry. A merit pay scheme is a key element of the bank's compensation schemes. It covers the whole organisation and forms part of the management system. The amount of merit pay granted to professional employees may not exceed seven per cent of the annual payroll. In practice, the amounts paid have averaged five per cent. Objectives are determined on the basis of the bank's and the Group's strategy, and they can be either team-specific or personal. The achievement of objectives is estimated in performance review discussions.

Managers' performance-related pay is based on the reaching of annual targets. In 2008, the salaries and perquisites of the managing director totalled EUR 306 thousand (EUR 241 thousand), of which merit pay accounted for EUR 102 thousand (EUR 46 thousand). The management's merit pay is based, on the one hand, on meeting of company-specific annual objectives and, on the other hand, on the achievement of personal objectives (to a maximum of 50 per cent). The retirement age for the managing director is 63 years. The compensation agreed on for premature termination of the employment relationship is a sum corresponding to 12 months' salary.

Personnel fund

The bank is a member of Tapiola Group's personnel fund. On the basis of the results, annual payments are made into the fund. The amount of payment is affected, for example, by the financial performance of Tapiola Group companies and any increase in market shares.

Social responsibility

The bank sits on Tapiola Group's Social Responsibility Committee and is involved in preparation of the Social Responsibility Report published by the Group.

Solvency

Solvency management

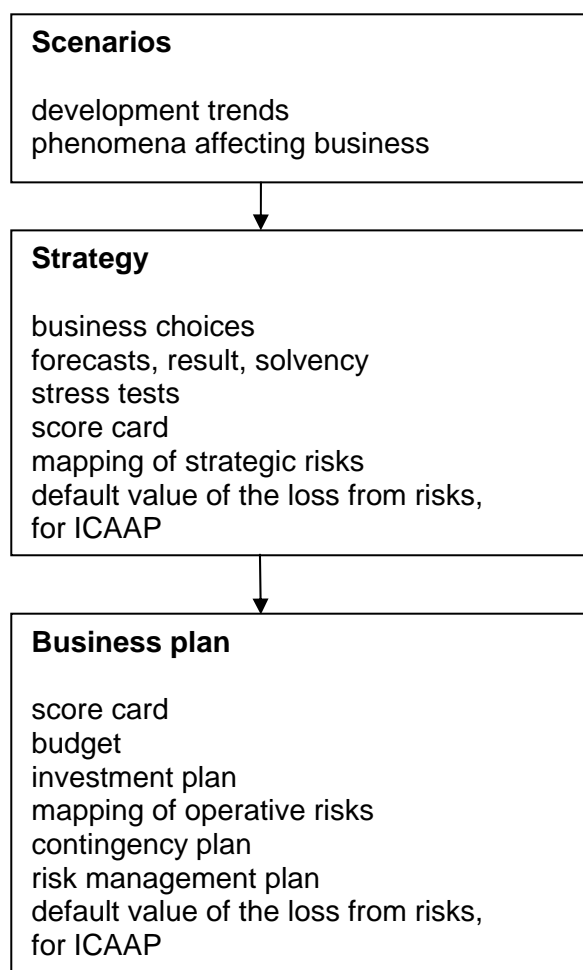
The solvency management process in accordance with the Financial Supervision Authority's standard 4.2 (ICAAP) is applied in the Tapiola Bank Group in parent company Tapiola Bank Ltd, in its subsidiary Tapiola Asset Management Ltd, and in the Bank Group.

The maintenance of solvency that covers the bank's operational risks is monitored with a standard method in accordance with Basel II and with an ICAAP process approved by the Board of Directors. Solvency planning is based on long-term forecasts and stress tests.

Integration of the solvency management process into decision-making and management systems

The bank's strategic planning follows the Group's planning rhythm. The strategic plan and target-setting are done for a minimum period of five years. The plan is updated annually in May. The annual business plan is prepared in September, and the plans are given approval at the meeting of the Board of Directors in December. ICAAP is updated in accordance with the Board's rules of procedure at the level of the bank's and subsidiaries' boards of directors as updating of instructions in the annual planning process.

Main phases of the planning process:



Strategic planning is based on scenarios. Possible scenarios for the strategy period and their impact on the bank's business are analysed. Business plans and risk assessments are prepared on the basis of the analyses. These risk assessments determine the ICAAP capital adequacy requirement. The strategy includes the capital programme required by solvency for the forecasting period. The timing and forms of the capital programme are specified in greater detail in the annual plan.

The Board of Directors monitors the development of solvency via monthly assessment. The Management Group prepares proposals to the Board of Directors on possible measures required by ICAAP work.

Internal auditing monitors the quality of the ICAAP procedure by carrying out assessments.

Structure of the solvency management process

The following essential risks for the business operations have been included in ICAAP:

- credit risks
- operative risks, risk mapping
- operative risks, descriptions of operations
- market risks
- residual risks
- strategic risks
- industry-specific risks
- cyclical risks (incl. consolidation risk)
- new business

The amount of capital required by the risks is measured by indicators defined for the process. The Board of Directors has decided separately on risk limits for the management of liquidity risk and maturity risk, as specified in the risk management plan.

Solvency ratio

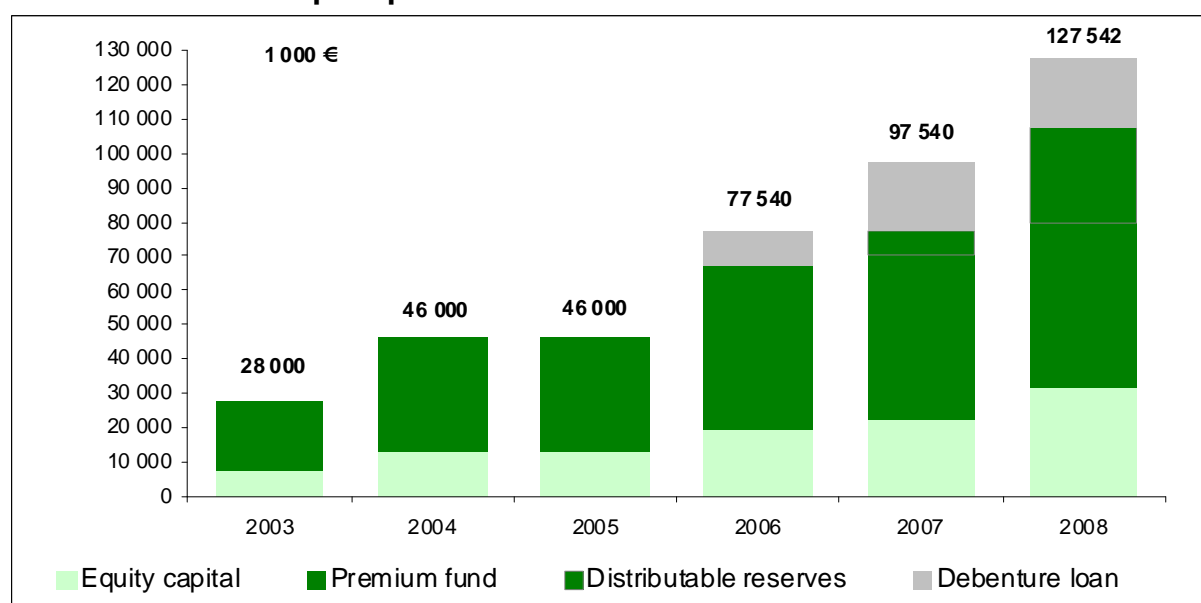
At the end of the financial year, the Bank Group's solvency ratio as calculated in accordance with the Act on Credit Institutions was 16.8 per cent (12.0 per cent). The bank's solvency ratio at the end of the period under review was 18.7 per cent (17.3 per cent).

Tapiola Bank and the Group have no subordinated loans included in primary own funds, no unrealised profits included in primary own funds, nor items included in own funds to cover the market risk.

During the financial year, the bank's solvency was supported through the acquisition of EUR 30.0 million of primary equity. According to the bank's solvency strategy, the minimum solvency level is 10 per cent. The minimum legal requirement is eight per cent.

Tapiola Bank's capital programme

Realisation of the capital plan for 2003–2008



Tapiola Bank Group

SOLVENCY CALCULATION

	Group 31.12.2008 in €1,000	Group 31.12.2007 in €1,000
Own funds	80,200	39,371
Primary own funds		
Capital and reserves	107,542	77,540
Funds	-43,417	-41,849
Deduction from primary own funds	-4,366	-9,145
Total	59,759	26,546
Secondary own funds		
Higher secondary own funds	693	
Lower secondary own funds	20,000	13,273
Total	20,693	13,273
Deduction from primary and secondary own funds	-252	-448
Primary own funds for solvency calculation, total	59,633	26,322
Secondary own funds for solvency calculation, total	20,567	13,049
Minimum requirement of own funds	38,240	26,263
Requirement of own funds for credit and counterparty risks (standard method)		
Receivables from credit institutions and investment firms	4,013	3,064
Receivables from corporate entities	847	215
Retail portfolio	4,875	1,169
Mortgages	24,307	19,614
Receivables due	166	67
Mutual fund investments	971	
Other items	509	385
Total	35,688	24,514
	2,552	1,748
Requirement of own funds for operative risks (basic method)		
Surplus/deficit of own funds	41,960	13,108
Solvency ratio (%)	16.8	12.0

Tapiola Bank Ltd

SOLVENCY CALCULATION

	Parent company 31.12.2008 in €1,000	Parent company 31.12.2007 in €1,000
Own funds	89,709	56,914
Primary own funds		
Capital and reserves	107,542	77,540
Funds	-37,668	-39,144
Deduction from primary own funds	-157	
Total	69,717	38,396
Secondary own funds		
Higher secondary own funds	672	
Lower secondary own funds	20,000	19,198
Total	20,672	19,198
Deduction from primary and secondary own funds	-680	-680
Primary own funds for solvency calculation, total	69,377	38,056
Secondary own funds for solvency calculation, total	20,332	18,858
Minimum requirement of own funds	38,423	26,379
Requirement of own funds for credit and counterparty risks (standard method)		
Receivables from credit institutions and investment firms	3,918	2,995
Receivables from corporate entities	847	215
Retail portfolio	4,875	1,169
Mortgages	24,308	19,614
Receivables due	166	67
Mutual fund investments	971	
Other items	1,668	1,509
Total	36,753	25,569
	1,670	810
Requirement of own funds for operative risks (basic method)		
Surplus/deficit of own funds	51,286	30,535
Solvency ratio (%)	18.7	17.3

Key figures describing financial development

Tapiola Bank Group

	Group	Group	Group	Group
KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Receivables from credit institutions, € million	265.8	188.0	65.1	53.8
Receivables from the public and public corporations, € million	971.6	679.6	443.6	253.5
Liabilities to credit institutions, € million	0.2	0.1	-	-
Liabilities to the public and public corporations, € million	1,189.5	839.2	489.0	306.2
Capital and reserves and minority interest, € million	64.8	35.7	30.4	18.5
Balance sheet total, € million	1,307.8	923.8	547.3	332.0
Contingent liabilities, € million	36.0	24.5	17.3	10.6
Interest margin, € million	12.1	8.3	4.7	2.6
Turnover, € million	85.8	57.1	28.3	15.4
Operating profit (loss), € million	-1.4	-4.7	-7.9	-7.2
of turnover, %	-1.7	-8.2	-28.1	-46.7
Return on equity (ROE), %	-2.9	-14.7	-34.3	-34.2
Return on assets (ROA), %	-0.1	-0.7	-1.9	-2.5
Equity ratio, %	5.0	3.9	5.6	5.6
Cost/return ratio	1.0	1.2	1.5	1.8
	Group	Group	Group	Group
SOLVENCY in accordance with Basel II	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Primary own funds, total, € million	59.6	26.3		
Secondary own funds, total, € million	20.6	13.0		
Minimum requirement for own funds, € million	38.2	26.3		
Solvency ratio, %	16.8	12.0		
SOLVENCY in accordance with Basel I				
Primary own funds, € million			22.2	15.6
Secondary own funds, € million			10.0	-
Risk-adjusted receivables, € million			258.6	147.3
Solvency ratio, %			12.4	10.6

Tapiola Bank Ltd

KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT	Parent company 31.12.2008	Parent company 31.12.2007	Parent company 31.12.2006	Parent company 31.12.2005	Parent company 31.12.2004
Receivables from credit institutions, € million	265.7	187.1	61.5	52.0	50.0
Receivables from the public and public corporations, € million	971.6	679.6	443.6	253.5	156.5
Liabilities to credit institutions, EUR m	0.2	0.1	-	-	-
Liabilities to the public and public corporations, € million	1,190.0	840.0	489.6	306.3	198.4
Capital and reserves, € million	70.5	38.4	30.4	16.8	25.3
Balance sheet total, € million	1,312.6	924.6	546.3	329.6	228.0
Contingent liabilities, € million	36.0	24.5	17.3	10.6	7.3
Interest margin, € million	12.0	8.1	4.5	2.5	1.4
Turnover, € million	73.4	42.9	19.5	9.5	4.2
Operating profit (loss), € million	1.6	-2.1	-7.9	-8.5	-10.8
of turnover, %	2.2	-4.9	-40.5	-90.4	-253.7
Return on equity (ROE), %	2.9	-6.1	-33.6	-40.6	-49.7
Return on assets (ROA), %	0.1	-0.3	-1.8	-3.1	-8.2
Equity ratio, %	5.4	4.2	5.6	5.1	11.1
Cost/return ratio	0.9	1.1	1.8	2.8	6.2
	Parent company 31.12.2008	Parent company 31.12.2007	Parent company 31.12.2006	Parent company 31.12.2005	Parent company 31.12.2004
SOLVENCY in accordance with Basel II					
Primary own funds, total, € m	69.4	38.1			
Secondary own funds, total, € million	20.3	18.9			
Minimum requirement for own funds, € million	38.4	26.4			
Solvency ratio, %	18.7	17.3			
SOLVENCY in accordance with Basel I					
Primary own funds, € million			30.3	16.7	25.2
Secondary own funds, € million			10.0	-	-
Risk-adjusted receivables, € million			271.5	150.0	93.6
Solvency ratio, %			14.9	11.1	26.9

Formulae

Return on equity (ROE), percentage	= 100 x	$\frac{\text{Operating profit/loss less income taxes}}{\text{Capital and reserves and minority interest + accumulated appropriations less deferred tax liabilities (average of figures for start and end of year)}}$
Return on assets (ROA), percentage	= 100 x	$\frac{\text{Operating profit/loss less income taxes}}{\text{Balance sheet total average (average of figures for start and end of year)}}$
Equity ratio, percentage	= 100 x	$\frac{\text{Capital and reserves and minority interest + accumulated appropriations less deferred tax liabilities}}{\text{Balance sheet total}}$
Cost/return ratio	=	$\frac{\text{Administrative expenses + depreciation and value adjustments on tangible and intangible assets + other business expenses}}{\text{Interest margin + return on equity investments + net commission income + net return on security trading and currency operations + net return on saleable financial assets + net result for hedging calculation + net income from investment property + other business income + share in results of associated undertakings (net)}}$
Turnover	=	Combined sum of interest yield, leasing income, return on equity investments, commission income, net return on security trading and currency operations, net return on saleable financial assets, net return on hedging calculation, net income from investment property, and other business income

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Tapiola Bank Group

BALANCE SHEET

	31.12.2008	31.12.2007	(Appendix
ASSETS	in €1,000	in €1,000	number(s))
Cash assets	0	10,813	(16)
Certificates of claim entitling to central bank financing			
Government obligations	41,461	27,477	
Certificates of claim entitling to central bank financing	41,461	27,477	(3, 13, 14, 16, 29)
Receivables from credit institutions			
Payable on demand	24,801	77,285	
Other	240,976	110,700	
Receivables from credit institutions	265,777	187,985	(1, 13, 14, 16)
Receivables from the public and public corporations			
Payable on demand	932	571	
Other	970,645	679,057	
Receivables from the public and public corporations	971,577	679,628	(2, 13, 14, 16)
Certificates of claim			
From others	5,840	3,474	
Certificates of claim	5,840	3,474	(3, 13, 14, 16)
Shares and holdings	12,310	171	(4, 15, 16)
Shares and holdings in participating interests	252	448	(4, 16)
Intangible assets			
Consolidated goodwill	4,096	5,980	
Other long-term expenditure	270	3,165	
Intangible assets	4,366	9,145	(5, 6)
Tangible assets			
other tangible assets	104	61	
Tangible assets	104	61	(6)
Other assets	1,008	1,322	(7)
Prepayments and accrued income	5,073	3,259	(8)
TOTAL ASSETS	1,307,768	923,783	

	31.12.2008	31.12.2007	
	in €1,000	in €1,000	(Appendix number(s))
CAPITAL AND RESERVES AND LIABILITIES			
LIABILITIES			
Liabilities to credit institutions			
To credit institutions			
Payable on demand	194	103	
To credit institutions	194	103	
Liabilities to credit institutions	194	103	(13, 14, 16, 29)
Liabilities to the public and public corporations			
Deposits			
Payable on demand	566,285	342,093	
Other	623,175	497,102	
Deposits	1,189,460	839,195	
Liabilities to the public and public corporations	1,189,460	839,195	(13, 14, 16)
Other liabilities			
Other liabilities	24,422	22,787	
Other liabilities	24,422	22,787	(10)
Accruals and deferred income	8,874	6,012	(11)
Liabilities that have lower priority than other liabilities			
Other	20,000	19,995	
Liabilities that have lower priority than other liabilities	20,000	19,995	(12, 13, 16)
LIABILITIES, TOTAL	1,242,950	888,092	
CAPITAL AND RESERVES AND MINORITY INTEREST			
Equity capital	31,400	22,430	(17, 18, 19)
Premium fund	48,100	48,100	(17)
Other restricted reserves			
Current value reserve			
From valuation at current value	693	131	
Current value reserve	693	131	
Other restricted reserves	693	131	(17)
Unrestricted reserves			
Invested distributable reserves	28,042	7,010	
Unrestricted reserves	28,042	7,010	(17)
Profit (loss) brought forward	-41,980	-37,136	(17)
Profit (loss) for the financial year	-1,436	-4,844	(17)
CAPITAL AND RESERVES AND MINORITY INTEREST, TOTAL	64,818	35,691	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,307,768	923,783	
OFF-BALANCE-SHEET COMMITMENTS			
Commitments given in favour of third parties on behalf of the customer			
Sureties and pledges	5,381	167	
Commitments given in favour of third parties on behalf of the customer	5,381	167	
Irrevocable commitments given in favour of the customer			
Other	30,646	24,285	
Irrevocable commitments given in favour of the customer	30,646	24,285	
OFF-BALANCE-SHEET COMMITMENTS, TOTAL	36,027	24,452	(29, 31)

Tapiola Bank Group

INCOME STATEMENT

	1.1–31.12.2008	1.1–31.12.2007	(Appendix
	in €1,000	in €1,000	number(s))
Interest income	55,578	30,540	(20)
Interest expenses	-43,520	-22,216	(20)
INTEREST MARGIN	12,057	8,324	
Return on equity investments	7	7	(21)
Commission income	23,469	21,390	(22)
Commission expenses	-5,085	-7,049	(22)
Net income from saleable financial assets	283	122	(23)
Other business income	6,485	5,070	(24)
Administrative expenses			
Personnel expenses			
Salaries and remuneration	-7,718	-7,434	
Other personnel expenses			
Pension expenses	-1,543	-1,299	
Other personnel expenses	-413	-391	
Other personnel expenses	-1,955	-1,690	
Personnel expenses	-9,673	-9,124	
Other administrative expenses	-23,772	-19,464	
Administrative expenses	-33,445	-28,588	
Depreciation and value adjustments for consolidated goodwill	-1,883	-1,883	(6)
Depreciation and value adjustments			
from tangible and intangible assets	-102	-62	(6, 26)
Other business expenses	-1,934	-1,505	(25)
Value adjustment loss on credits and other commitments	-1,095	-301	(2, 27)
Share in profit/loss of associated undertakings	-196	-232	
OPERATING PROFIT (LOSS)	-1,441	-4,707	(28)
Income taxes	5	-137	
Profit (loss) from ordinary activities after taxes	-1,436	-4,844	
Profit (loss) from ordinary activities			
after minority interest	-1,436	-4,844	
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-1,436	-4,844	

THE BANK'S BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Tapiola Bank Ltd

BALANCE SHEET

	31.12.2008	31.12.2007	
ASSETS	in €1,000	in €1,000	(Appendix number(s))
Cash assets	0	10,813	(16)
Certificates of claim entitling to central bank financing			
Government obligations	41,461	27,477	
Certificates of claim entitling to central bank financing	41,461	27,477	(3, 13, 14, 16, 29)
Receivables from credit institutions			
Payable on demand	24,736	77,104	
Other	240,976	110,000	
Receivables from credit institutions	265,713	187,104	(1, 13, 14, 16)
Receivables from the public and public corporations			
Payable on demand	932	571	
Other	970,645	679,057	
Receivables from the public and public corporations	971,577	679,628	(2, 13, 14, 16)
Shares and holdings	12,139		(4, 15, 16)
Shares and holdings in participating interests	680	680	(4, 16)
Shares and holdings in the Group			
companies	15,819	15,819	(4, 16)
Intangible assets	157		
Tangible assets			(5, 6)
other tangible assets	47	16	
Tangible assets	47	16	(6)
Other assets	342	413	(7)
Prepayments and accrued income	4,645	2,655	(8)
TOTAL ASSETS	1,312,579	924,605	

	31.12.2008 in €1,000	31.12.2007 in €1,000	(Appendix number(s))
CAPITAL AND RESERVES AND LIABILITIES			
LIABILITIES			
Liabilities to credit institutions			
To credit institutions			
Payable on demand	194	103	
To credit institutions	194	103	
Liabilities to credit institutions	194	103	(13, 14, 16, 29)
Liabilities to the public and public corporations			
Deposits			
Payable on demand	566,838	342,880	
Other	623,175	497,102	
Deposits	1,190,014	839,982	
Liabilities to the public and public corporations	1,190,014	839,982	(13, 14, 16)
Other liabilities			
Other liabilities	24,093	21,836	
Other liabilities	24,093	21,836	(10)
Accruals and deferred income	7,733	4,293	(11)
Liabilities that have lower priority than other liabilities			
Other	20,000	19,995	
Liabilities that have lower priority than other liabilities	20,000	19,995	(12, 13, 16)
LIABILITIES, TOTAL	1,242,033	886,209	
CAPITAL AND RESERVES			
Equity capital	31,400	22,430	(17, 18, 19)
Premium fund	48,100	48,100	(17)
Other restricted reserves			
Current value reserve			
From valuation at current value	672	121	
Current value reserve	672	121	
Other restricted reserves	672	121	(17)
Unrestricted reserves			
Invested distributable reserves	28,042	7,010	
Unrestricted reserves	28,042	7,010	(17)
Profit (loss) brought forward	-39,265	-37,162	(17)
Profit (loss) for the financial year	1,597	-2,103	(17)
TOTAL CAPITAL AND RESERVES	70,545	38,396	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,312,579	924,605	
OFF-BALANCE-SHEET COMMITMENTS			
Commitments given in favour of third parties on behalf of the customer			
Sureties and pledges	5,381	167	
Commitments given in favour of third parties on behalf of the customer	5,381	167	
Irrevocable commitments given in favour of the customer			
Other	30,646	24,285	
Irrevocable commitments given in favour of the customer	30,646	24,285	
OFF-BALANCE-SHEET COMMITMENTS, TOTAL	36,027	24,452	(29, 31)

Tapiola Bank Ltd

INCOME STATEMENT

	1.1–31.12.2008	1.1–31.12.2007	(Appendix
	in €1,000	in €1,000	number(s))
Interest income	55,540	30,367	(20)
Interest expenses	-43,539	-22,253	(20)
INTEREST MARGIN	12,001	8,114	
Return on equity investments			
From companies in the same group	720	1,008	
Return on equity investments	720	1,008	(21)
Commission income	10,636	6,668	(22)
Commission expenses	-1,658	-1,395	(22)
Net income from saleable financial assets	1		(23)
Other business income	6,542	4,863	(24)
Administrative expenses			
Personnel expenses			
Salaries and remuneration	-4,679	-3,781	
Other personnel expenses			
Pension expenses	-966	-610	
Other personnel expenses	-246	-210	
Other personnel expenses	-1,213	-820	
Personnel expenses	-5,891	-4,601	
Other administrative expenses	-18,267	-15,427	
Administrative expenses	-24,158	-20,028	
Depreciation and value adjustments			
from tangible and intangible assets	-55	-47	(6, 26)
Other business expenses	-1,336	-985	(25)
Value adjustment loss on credits and other commitments	-1,095	-301	(2, 27)
OPERATING PROFIT (LOSS)	1,597	-2,103	(28)
Profit (loss) from ordinary activities, after taxes	1,597	-2,103	
PROFIT (LOSS) FOR THE FINANCIAL YEAR	1,597	-2,103	

CONSOLIDATED CASH FLOW STATEMENT

Tapiola Bank Group

INDIRECT CASH FLOW STATEMENT	2008	2007
	in €1,000	in €1,000
Cash flow from operations:		
Operating profit (loss)	-1,441	-4,707
Adjustments		
Depreciation and value adjustments	1,986	1,945
Unrealised changes in values	-13	-144
Other non-cash income and expenses	-	-
Value adjustment loss on credits and other receivables	1,095	301
Other adjustments	190	225
Adjusted operating profit or loss	1,817	-2,380
Change in the assets and liabilities of the business		
Certificates of claim (over three months)	-16,896	-9,539
Receivables from the public and public corporations	-293,008	-236,346
Shares and holdings	-12,001	-
Other prepayments, assets, and accrued income	-1,881	-1,526
Liabilities to credit institutions	90	103
Liabilities to the public and public corporations	350,265	350,188
Other liabilities, accruals, and deferred income	4,497	10,920
Direct taxes paid	349	-300
Cash flow from operations (A)	33,232	111,120
Cash flow from investments:		
Investments in tangible and intangible assets	2,751	-2,856
Investments in shares and holdings	4	7
Investments in shares in participating interests	-	-
Investments in shares in Group companies	-	-
Capital gains tax	-	-
Cash flow from investments (B)	2,755	-2,849
Cash flow from financing activities:		
Increase in capital and reserves (share issue)	30,001	10,000
Sale of treasury shares	-	-
Long-term loans raised and repayments	-	10,000
Dividends paid	-	-
Cash flow from financing activities (C)	30,001	20,000
Change in cash and cash equivalents (A+B+C), increase (+) / reduction (-)	65,988	128,271
Cash and cash equivalents at the beginning of the year	202,262	73,991
Cash and cash equivalents at the end of the year	268,251	202,262

THE BANK'S CASH FLOW STATEMENT

Tapiola Bank Ltd

INDIRECT CASH FLOW STATEMENT	2008	2007
	in €1,000	in €1,000
Cash flow from operations:		
Operating profit (loss)	1,597	-2,103
Adjustments		
Depreciation and value adjustments	55	47
Unrealised changes in values	-13	-144
Other non-cash income and expenses	-	-
Value adjustment loss on credits and other receivables	1,095	301
Other adjustments	-720	-1,008
Adjusted operating profit or loss	2,015	-2,907
Change in the assets and liabilities of the business		
Certificates of claim (for over three months)	-13,551	-9,539
Receivables from the public and public corporations	-293,008	-236,346
Shares and holdings	-12,001	-
Other prepayments, assets, and accrued income	-1,954	-1,531
Liabilities to credit institutions	90	103
Liabilities to the public and public corporations	350,031	350,353
Other liabilities, accruals, and deferred income	5,697	9,871
Direct taxes paid	-	-
Cash flow from operations (A)	37,319	110,005
Cash flow from investments:		
Investments in tangible and intangible assets	-242	-
Investments in shares and holdings	-3	-
Investments in shares in participating interests	-	-
Investments in shares in Group companies	720	1,008
Capital gains tax	-	-
Cash flow from investments (B)	475	1,008
Cash flow from financing activities:		
Increase in capital and reserves (share issue)	30,001	10,000
Sale of treasury shares	-	-
Long-term loans raised and repayments	-	10,000
Dividends paid	-	-
Cash flow from financing activities (C)	30,001	20,000
Change in cash and cash equivalents (A+B+C), increase (+) / reduction (-)	67,795	131,013
Cash and cash equivalents at the beginning of the year	197,917	66,904
Cash and cash equivalents at the end of the year	265,713	197,917

NOTES TO THE FINANCIAL STATEMENTS

General accounting principles

The financial statements and annual report have been prepared in accordance with the FAS accounting standards, the Act on Credit Institutions, the Decree of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms, the Financial Supervision Authority's standard 3.1 concerning financial statements of credit institutions and investment firms (issued on the basis of the relevant legislation), and the related reporting standard RA 3.1. As regards the change contained in Appendix 1 to the standard concerning entry of minimum reserve deposits under the balance sheet item 'Receivables from credit institutions' instead of the item 'Cash assets', the grouping has not been changed as regards the comparison year.

The content of the notes adheres to the Financial Supervision Authority's standard 3.1 ('Financial statements and annual report'). The notes for items for which there is nothing to report have been omitted. The notes with respect to which the information of the Group and the parent company do not differ are presented in the same appendix.

Summary of significant accounting principles

Group combination principles

As strategic investments the bank owns Tapiola Asset Management Ltd, which provides asset management and mutual fund investments services, and it has a holding in Ab Compass Card Oy Ltd, a company that develops card services.

The consolidated financial statements are prepared by parent company Tapiola Bank Ltd and its subsidiary Tapiola Asset Management Ltd, as well as associated undertaking Ab Compass Card Oy Ltd. The financial statements of the subsidiaries (at the time of acquisition, separate companies Tapiola Fund Management Ltd and Tapiola Asset Management Ltd) are combined as of the acquisition date, using the acquisition cost method. The proportion of the acquisition cost that is over or under the capital and reserves on the acquisition date is presented in the balance sheet as consolidated goodwill or Group reserve insofar as it has not been entered as an increase or decrease of asset or liability items. The consolidated goodwill will be amortised according to plan over five years. In the preparation of the consolidated financial statements, any intra-Group business transactions, margins, distribution of profits, and receivables and liabilities are eliminated. Minority interest apparent in 2005 has been separated from the profit and the capital and reserves and is shown as a separate item in the profit and loss account and the capital and reserves in the balance sheet. Associated undertaking Ab Compass Card Oy Ltd has been consolidated in the consolidated statements according to the equity method.

Financial instruments and their classification and valuation principles

Financial instruments are classified as financial assets (or liabilities) kept for business purposes, investments kept until their due date, loans and other receivables, or saleable financial assets (or liabilities). The amount paid for a receivable on the acquisition date is recorded as the acquisition cost.

The certificates of claim classed as investments kept until due date are valued at the allocated acquisition cost.

Investments classified as saleable financial assets are valued at the current value with the current value reserve under capital and reserves in the balance sheet as the counter-item for a change in the market value.

Loans and other receivables are valued at the allocated acquisition cost. In valuation of the financial assets under the 'Loans and other receivables' group, nominal value taking into account value

adjustments has been used as book value and current value in accordance with the Financial Supervision Authority's standard 3.1.

Value adjustments of financial assets, such as loans and other receivables, are estimated at the closing of the accounts both through estimation of the need for value adjustments caused by significant violation of contract terms and through group-specific objective evidence. Value adjustment losses are entered in the income statement and recorded off the balance sheet. After recording of value adjustment losses, the interest income from those financial assets is recorded, using the interest rate that has been applied for discounting corresponding cash flows in the evaluation of the contract's value adjustment losses. Cancellations of value adjustment losses are entered in the income statement.

The financial liability items that have not been classified separately under items kept for business purposes are valued at nominal value. Neither the Group nor the parent company has financial assets or liabilities kept for business purposes.

Reporting day practice

Purchases and sales of financial assets that are subjected to the reporting activity monitored by an authority are recorded under the usual reporting day as acquisition cost for the trading day.

Shares and holdings in Group companies and participating interests

Subsidiaries' shares and the associated undertaking have been recorded in the parent company's balance sheet at their acquisition value. The effects of the value adjustment account are taken into account in the book values.

Tangible and intangible assets

Tangible and intangible assets are recorded in the balance sheet at acquisition cost and are recorded as expenses under planned depreciation over their expected useful lives. Costs resulting from renovations of a rented flat have been recorded under intangible assets, and machinery and equipment have been recorded under tangible assets. Amortisation plans:

Intangible assets	Five years, straight-line depreciation
Machinery and equipment	Reducing balance method, 25%
Consolidated goodwill	Five years, straight-line depreciation

Recording principles for interest income and expenses

Interest income from the balance sheet items 'Cash assets', 'Receivables from credit institutions', and 'Receivables from the public and public corporations' are recorded under interest income. Certificates of claim belonging to the items 'Certificates of claim entitling to central bank financing' or 'Certificates of claim' are recorded in accordance with the financial instrument's classification either under interest income or under net return on saleable financial assets, and income from a change in market value is recorded under current value reserve for the duration of the investment.

Return on equity investments

Dividend income, profit shares, and related income received from shares and fund units are recorded under the item 'Return on equity investments'. Dividend income is recorded when a right to dividend has arisen – based on a decision of the general meeting, for example.

Commission income and expenses

When a service or a separate operation has been performed, the commissions are recorded under commission income. The amount of commission income is the current value of the remuneration received.

Various service charges and fees and commission expenses paid to third parties are recorded under commission expenses deducted from the income received from customers as service or handling fees.

Income taxes

Deferred tax assets have not been recorded in the balance sheet. Confirmed losses have been presented in the notes related to balance sheet items. The deferred tax liabilities of the current value reserve have not been presented if the amount of the tax receivables of the confirmed losses is greater than the deferred tax liabilities.

Solvency

From the beginning of 2007, solvency has been calculated according to the norms of the Basel II reform.

As information required by the Basel II reform's pillar 3, the following matters are presented:

From the perspective of management of the bank's solvency, there are no tangible or legal obstacles that would impede rapid transfer of funds between the parent company and the bank.

Receivables are considered due when they have not been paid by the due date.

Value adjustment of receivables in the financial statements is defined by receivable and by balance sheet item in accordance with the assessment process defined within the risk management function.

In the main, the bank has served private customers. The liabilities of corporate customers were not significant in 2008. In the risk-weighting of liabilities, classifications of credit-rating institutions have not been applied.

In the netting of balance sheet items and off-balance-sheet items, the impact of deposit security in reducing capital adequacy requirements has been utilised.

The principles of security valuation and security management have been described in the format determined by the Board of Directors in the bank's risk management manual. The guidelines comply with banking regulations. The main form of security is a flat or other property for residential use.

The capital required by credit counterparty risk is determined in the ICAAP calculations in accordance with credit risk classes. The Board of Directors has decided on the credit-granting authorisations and credit limits. The Board of Directors has also decided on the counterparty limits for intra-bank payment traffic and crediting.

The prudence of collateral is based on sufficient valuation margins used in the determination of the collateral value for a credit decision. The capital required by credit risks is determined on the basis of the credits' risk content.

The bank has no investments from which capital gains are expected.

Until 2006, the solvency ratio was calculated in accordance with the Act on Credit Institutions and the Financial Supervision Authority's regulation 106.6.

Off-balance-sheet commitments

'Irrevocable commitments given in favour of the customer' and 'Commitments given in favour of third parties on behalf of the customer' are treated as off-balance-sheet commitments. They are recorded at the maximum amount that may have to be paid in consequence of them.

Notes concerning balance sheet items

1. RECEIVABLES FROM CREDIT INSTITUTIONS, Group

in €1,000	Payable on demand	Other than those payable on demand	2008, total	Payable on demand	Other than those payable on demand	2007, total
From the central bank	-----	20,976	20,976	-----	-	-
From Finnish credit institutions	24,801	220,000	244,801	77,285	110,700	187,985
Receivables from credit institutions, total	24,801	240,976	265,777	77,285	110,700	187,985

1. RECEIVABLES FROM CREDIT INSTITUTIONS, parent company

in €1,000	Payable on demand	Other than those payable on demand	2008, total	Payable on demand	Other than those payable on demand	2007, total
From the central bank	-----	20,976	20,976	-----	-	-
From Finnish credit institutions	24,736	220,000	244,736	77,104	110,000	187,104
Receivables from credit institutions, total	24,736	240,976	265,713	77,104	110,000	187,104

2. RECEIVABLES FROM THE PUBLIC AND PUBLIC CORPORATIONS

	Group	Group	Parent company	Parent company
in €1,000	2008	2007	2008	2007
Corporate customers and housing associations	2,326	63	2,326	63
Households	968,147	679,385	968,147	679,386
Non-profit-making corporations	35	-	35	-
Foreign countries	1,070	180	1,070	180
Receivables from the public and public corporations, total	971,577	679,628	971,577	679,628
Value adjustment losses at the beginning of the year	398	96	398	96
Receivable-specific value adjustment losses recorded during the financial year	282	315	282	315
Receivable-specific cancellations of value adjustment losses recorded during the financial year	-398	-13	-398	-13
Group-specific value adjustment losses recorded during the financial year	1,175	-	1,175	-
Value adjustment losses at the end of the year included in the balance sheet item	1,457	398	1,457	398

3. CERTIFICATES OF CLAIM

in €1,000	Group	Group	Parent company	Parent company
	2008	2007	2008	2007
Issued by public corporations, entitling to central bank financing				
Government-issued bonds kept until due date, publicly listed	22,756	19,483	22,756	19,483
Saleable, publicly listed government-issued bonds	18,706	7,993	18,706	7,993
Total	41,461	27,477	41,461	27,477
Issued by parties other than public corporations				
Saleable, publicly listed commercial papers issued by banks for which interest income has not been accrued	5,840	3,474	-	-
Total	5,840	3,474	-	-

4. SHARES AND HOLDINGS, Group	Publicly listed		Other	Total	of which in credit institutions
in €1,000					
Shares and holdings					
Saleable	12,136		174	12,310	-
Shares and holdings in Group companies	-		-	-	-
Shares and holdings in participating interests	-		252	252	-
Total	12,136		425	12,561	-
- of which at acquisition cost	-		174	174	-
4. SHARES AND HOLDINGS, parent company	Publicly listed		Other	Total	of which in credit institutions
in €1,000					
Shares and holdings					
Saleable	12,136		3	12,139	-
Shares and holdings in Group companies	-		15,819	15,819	-
Shares and holdings in participating interests	-		680	680	-
Total	12,136		16,502	28,638	-
- of which at acquisition cost	-		16,502	16,502	-
5. INTANGIBLE ASSETS	Group	Group	Parent company	Parent company	
in €1,000	2008	2007	2008	2007	
IT expenses	-	3,165	-	-	
Goodwill	4,096	5,980	-	-	
Other intangible assets	270	-	157	-	
Total	4,366	9,145	157	-	
6. CHANGES IN TANGIBLE AND INTANGIBLE ASSETS DURING THE FINANCIAL YEAR	Group	Group	Parent company	Parent company	
in €1,000	2008	2007	2008	2007	
INTANGIBLE ASSETS					
Acquisition cost on 1 Jan.	12,810	9,981	206	206	
Increase	500	2,829	196	-	
Decrease	-3,328	-	-	-	
Transfers between items	-227	-	-206	-	
Acquisition cost on 31 Dec.	9,754	12,810	196	206	
Accumulated depreciation and value adjustments on 1 Jan.	-3,665	-1,740	-206	-165	
Accumulated depreciation related to deductions and transfers	227	-	206	-	
Depreciation for the financial year	-1,951	-1,925	-39	-41	
Accumulated depreciation and value adjustments on 31 Dec.	-5,389	-3,665	-39	-206	
Book value on 31 Dec.	4,366	9,145	157	0	
Book value on 1 Jan.	9,145	8,241	0	1	
TANGIBLE ASSETS					
other tangible assets					
Acquisition cost on 1 Jan.	146	118	67	67	
Increase	112	28	69	-	
Decrease	-35	-	-23	-	
Transfers between items	-8	-	-	-	
Acquisition cost on 31 Dec.	215	146	113	67	
Accumulated depreciation and value adjustments on 1 Jan.	-85	-64	-51	-45	
Accumulated depreciation related to deductions and transfers	8	-	-	-	
Depreciation for the financial year	-35	-21	-16	-5	
Accumulated depreciation and value adjustments on 31 Dec.	-112	-85	-67	-51	
Book value on 31 Dec.	104	61	47	16	
Book value on 1 Jan.	61	54	16	22	
7. OTHER ASSETS	Group	Group	Parent company	Parent company	
in €1,000	2008	2007	2008	2007	
Receivables on payment intermediation	0	1	0	1	
Other debtors	1,008	1,321	341	413	
Total	1,008	1,322	342	414	

8. PREPAYMENTS AND ACCRUED INCOME	Group	Group	Parent company	Parent company
in €1,000	2008	2007	2008	2007
Interest receivable	4,645	2,655	4,645	2,655
Other prepayments and accrued income	429	604	-	-
Total	5,073	3,259	4,645	2,655
9. DEFERRED TAX LIABILITIES AND TAX ASSETS	Group	Group	Parent company	Parent company
in €1,000	2008	2007	2008	2007
Deferred taxes have not been recorded in the balance sheet.				
Confirmed loss from previous years	38,916	35,424	38,916	35,424
Deferred taxes calculated from the current value reserve	-180	-34	-175	-31
10. OTHER LIABILITIES	Group	Group	Parent company	Parent company
in €1,000	2008	2007	2008	2007
Liabilities on payment intermediation	17,535	18,799	17,535	18,799
Other	6,887	3,988	6,558	3,037
Total	24,422	22,787	24,093	21,836
11. ACCRUALS AND DEFERRED INCOME	Group	Group	Parent company	Parent company
in €1,000	2008	2007	2008	2007
Interest payable	6,545	3,261	6,545	3,261
Other accruals and deferred income	2,308	2,751	1,168	1,032
Prepayments received	21	0	21	0
Total	8,874	6,012	7,733	4,293

12. LIABILITIES THAT HAVE LOWER PRIORITY THAN OTHER LIABILITIES	Group	Parent company
in €1,000	2008	2008
	book value	book value
Tapiola Bank Ltd debenture loan 1/2006, nominal value EUR 10,000,000. Loan period: 30 June 2006 to 30 June 2016, right to premature repayment after five years, interest: 12-month Euribor rate + 0.25 percentage units p.a. until 30 June 2011 and 12-month Euribor rate + 1.00 percentage units p.a. thereafter	10,000	10,000
Tapiola Bank Ltd debenture loan 1/2007, nominal value: EUR 10,000,000. Loan period: 21 May 2007 to 21 May 2017, right to premature repayment after five years, interest: three-month Euribor rate + 0.45 percentage units p.a. until 21 May 2012 and three-month Euribor rate + 1.95 percentage units p.a. thereafter.	10,000	10,000

In the solvency calculation, all loans have been grouped under Tier II.

13. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES, Group						2008
in €1,000	under 3 months	3 to 12 months	1 to 5 years	5 to 10 years	over 10 years	total
Certificates of claim entitling to central bank financing	-	7,265	34,197	-	-	41,461
Receivables from credit institutions	265,777	-	-	-	-	265,777
Receivables from the public and public corporations	9,918	5,820	57,377	119,691	778,772	971,578
Certificates of claim	2,488	3,353	-	-	-	5,840
Liabilities to credit institutions	194	-	-	-	-	194
Liabilities to the public and public corporations	881,161	264,524	42,289	1,486	-	1,189,460
Liabilities that have lower priority than other liabilities	-	-	-	20,000	-	20,000
13. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES, parent company						2008
in €1,000	under 3 months	3 to 12 months	1 to 5 years	5 to 10 years	over 10 years	total
Certificates of claim entitling to central bank financing	-	7,265	34,197	-	-	41,461
Receivables from credit institutions	265,713	-	-	-	-	265,713
Receivables from the public and public corporations	9,918	5,820	57,377	119,691	778,772	971,578
Certificates of claim	-	-	-	-	-	-
Liabilities to credit institutions	194	-	-	-	-	194
Liabilities to the public and public corporations	881,715	264,524	42,289	1,486	-	1,190,014
Liabilities that have lower priority than other liabilities	-	-	-	20,000	-	20,000

14. **ITEMISATION OF BALANCE SHEET ITEMS AS FINNISH AND FOREIGN-CURRENCY ITEMS AND ITEMS FROM THE SAME GROUP**

Balance sheet item, Finnish currency in €1,000	Group		Group		Parent company	Parent company
	2008	From the same group	2007	From the same group	2008	2007
Receivables from credit institutions	265,777	554	187,985	787	265,713	187,104
Receivables from the public and public corporations	971,577	-	679,628	-	971,577	679,628
Certificates of claim	47,301	-	30,951	-	41,461	27,477
Other assets, incl. cash assets	23,113	-	25,219	-	33,827	30,396
Total assets	1,307,768	554	923,783	787	1,312,579	924,605
Liabilities to credit institutions	194	-	103	-	194	103
Liabilities to the public and public corporations	1,189,460	554	839,195	787	1,190,014	839,982
Other liabilities	53,296	-	48,794	-	51,826	46,124
Liabilities, total	1,242,950	554	888,092	787	1,242,033	886,209

15. **FINANCIAL ASSETS VALUED AT ACQUISITION COST RATHER THAN AT CURRENT VALUE**

Financial assets classified as saleable financial assets under the balance sheet item 'Shares and holdings' are in the main valued at the current value, with the exception of shares and holdings that are not significant, which are valued at acquisition cost. Specifications are contained in note 4 to the balance sheet.

16. **CURRENT VALUES AND BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES, Group**

in €1,000	2008	2008	2007	2007
	Book value	Current value	Book value	Current value
Financial assets				
cash assets	-	-	10,813	10,813
Receivables from credit institutions	265,777	265,777	187,985	187,985
Receivables from the public and public corporations	971,577	971,577	679,628	679,628
Certificates of claim	47,301	48,021	30,951	30,945
Shares and holdings	12,310	12,310	171	171
Shares and holdings in participating interests	252	252	448	448
Financial liabilities				
Liabilities to credit institutions	194	194	103	103
Liabilities to the public and public corporations	1,189,460	1,189,460	839,195	839,195
Other liabilities that have lower priority than other liabilities	20,000	20,000	19,995	19,995

16. **CURRENT VALUES AND BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES, parent company**

in €1,000	2008	2008	2007	2007
	Book value	Current value	Book value	Current value
Financial assets				
cash assets	-	-	10,813	10,813
Receivables from credit institutions	265,713	265,713	187,104	187,104
Receivables from the public and public corporations	971,577	971,577	679,628	679,628
Certificates of claim	41,461	42,181	27,477	27,471
Shares and holdings	12,139	12,139	-	-
Shares and holdings in participating interests	680	680	680	680
Shares and holdings in Group companies	15,819	15,819	15,819	15,819
Financial liabilities				
Liabilities to credit institutions	194	194	103	103
Liabilities to the public and public corporations	1,190,014	1,190,014	839,982	839,982
Other liabilities that have lower priority than other liabilities	20,000	20,000	19,995	19,995

17. CAPITAL AND RESERVES ITEMS, Group

	At the beginning of the year	+ Increase - Decrease	Transfers between items	At the end of the financial year
in €1,000				
Equity capital	22,430	8,970	-	31,400
Premium fund	48,100	-	-	48,100
Other restricted reserves	131	562	-	693
Current value reserve	131	562	-	693
From valuation at current value	131	562	-	693
Unrestricted reserves	7,010	21,031	-	28,042
Invested distributable reserves	7,010	21,031	-	28,042
Profit or loss brought forward	-41,980	-	-	-41,980
Profit or loss for the financial year	-	-1,436	-	-1,436
Total	35,691	29,127	0	64,818

17. CAPITAL AND RESERVES ITEMS, parent company

	At the beginning of the year	+ Increase - Decrease	Transfers between items	At the end of the financial year
in €1,000				
Equity capital	22,430	8,970	-	31,400
Premium fund	48,100	-	-	48,100
Other restricted reserves	121	551	-	672
Current value reserve	121	551	-	672
From valuation at current value	121	551	-	672
Unrestricted reserves	7,010	21,031	-	28,042
Invested distributable reserves	7,010	21,031	-	28,042
Profit or loss brought forward	-39,265	-	-	-39,265
Profit or loss for the financial year	-	1,597	-	1,597
Total	38,396	32,150		70,545

18. EQUITY CAPITAL, parent company

	2008	2007
Share capital, in €1,000	31,400	22,430
Share type code	-	-
Number of shares	48,308	34,508
Number of votes for a share	48,308	34,508
Limitations regarding the acquisition of shares	redemption clause in the Articles of Association	
Shareholders' priority for new shares when equity capital is increased	according to shares of ownership	
Right to dividend	equal for all shares	
Specification of shares in possession	the bank holds no treasury shares	

19. ISSUES OF SHARES, OPTION RIGHTS, AND ISSUES OF CONVERTIBLE BONDS RELATED TO SHARES

At extraordinary general meetings, it was decided on 12 September 2008 to increase the equity capital from EUR 22,430,200 to EUR 25,420,200 and on 4 December 2008 from EUR 25,420,000 to EUR 31,400,200.

No option rights were granted in 2008.

Notes concerning the profit and loss account

20. SPECIFICATION OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM

in €1,000	Group		Group		Parent company	Parent company
	2008	From the same group	2007	From the same group	2008	2007
Group						
Receivables from credit institutions	11,171	19	3,865	38	11,129	3,777
Receivables from the public and public corporations	43,129	4	25,745	-	43,134	25,745
Certificates of claim	1,277	-	930	-	1,277	845
Total	55,578	23	30,540	38	55,540	30,367
Interest expenses						
Liabilities to credit institutions	2	-	5	-	2	4
Liabilities to the public and public corporations	42,458	19	21,474	38	42,477	21,512
Liabilities that have lower priority than other liabilities	1,060	-	737	-	1,060	737
Other interest expenses	-	4	-	-	-	-
Total	43,520	23	22,216	38	43,539	22,253

21. INCOME FROM EQUITY INVESTMENTS

in €1,000	Group	Group	Parent company	Parent company
	2008	2007	2008	2007
Dividend income from equity investments				
From investments classified as saleable	7	7	-	-
From companies in the same group and participating interests	0	0	720	1,008

22. COMMISSION INCOME AND EXPENSES

in €1,000	Group	Group	Parent company	Parent company
	2008	2007	2008	2007
Commission income				
From credit-granting	944	699	944	699
From deposits	171	108	171	108
From payment transactions	1,300	866	1,311	878
From funds	7,998	10,093	-	-
From asset management	4,891	4,127	196	64
From trading in securities	165	590	165	590
From granting of sureties	44	1	44	1
From other operations	7,955	4,906	7,804	4,328
Total	23,469	21,390	10,636	6,668
Commission expenses				
From service charges paid	388	324	384	317
From other	4,697	6,725	1,274	1,078
Total	5,085	7,049	1,658	1,395

23. NET INCOME FROM SALEABLE FINANCIAL ASSETS

in €1,000	Group	Group	Parent company	Parent company
	2008	2007	2008	2007
Net income from saleable certificates of claim				
From transfers (profit/loss)	283	116	-	-
From transfers from current value reserves	-	6	-	-
Total	283	122	-	-
	2008	2007	2008	2007
Net income from saleable shares and holdings				
From transfers from current value reserves	-	-	1	-
Total	-	-	1	-

24. OTHER BUSINESS INCOME

in €1,000	Group	Group	Parent company	Parent company
	2008	2007	2008	2007
Other income	6,485	5,070	6,542	4,863
Total	6,485	5,070	6,542	4,863

25. OTHER BUSINESS EXPENSES	Group	Group	Parent company	Parent company
in €1,000	2008	2007	2008	2007
Rent expenses	844	622	507	430
Deposit Guarantee Fund payments	524	301	524	301
Other expenses	566	582	305	254
Total	1,934	1,505	1,336	985

26. DEPRECIATION AND VALUE ADJUSTMENTS FOR TANGIBLE AND INTANGIBLE ASSETS	Group	Group	Parent company	Parent company
in €1,000	2008	2007	2008	2007
Intangible assets				
Planned depreciation	67	41	39	41
Depreciation and value adjustments during the financial year	67	41	39	41

Tangible assets, other tangible assets

Planned depreciation	35	21	16	6
Depreciation and value adjustments during the financial year	35	21	16	6

27. VALUE ADJUSTMENT LOSSES FROM CREDITS, OTHER COMMITMENTS, AND OTHER FINANCIAL ASSETS, parent company	Contract-specific value adjustment losses, gross	Group-specific value adjustment losses, gross	Decrease	Recorded in the profit and loss statement
in €1,000				
Balance sheet item, year 2008				
Receivables from the public and public corporations	282	1,175	-398	1,059
Other	37	-	-	37
Value adjustment losses, total	319	1,175	-398	1,096

28. INFORMATION ON BUSINESS SECTORS AND GEOGRAPHICAL MARKET AREAS

Through the regional network of Tapiola Group, the business area of the Group's banking and asset management operations is all of Finland. The companies do not have operations outside Finland.

	2008	2008
Specification for the Group by business sector, uneliminated	Banking	Asset management
Total income for the financial year in €1,000	29,900	13,461
Operating profit (loss) in €1,000	1,597	-239
Balance sheet total in €1,000	1,312,579	7,894
Deposits / managed assets, in €1,000	1,190,014	4,879,544
Average number of personnel	105	48

Notes concerning security and financial commitments

29. GUARANTEES GIVEN, parent company	2008	2008	2008	2007	2007	2007
Balance sheet item in €1,000	Pledges	Mortgages	Other collateral	Pledges	Mortgages	Other collateral
Given for own credits						
Liabilities to credit institutions	-	-	27,000	-	-	26,500
Given for own liabilities, total	-	-	27,000	-	-	26,500
Given on behalf of others						
of which to members of management who are insiders	-	-	5,381	-	-	167

30. PENSION LIABILITIES	Group	Parent company
in €1,000	2008	2008
Personnel's statutory pension cover	arranged through insurance	arranged through insurance
Personnel's supplementary pension cover	arranged through insurance	arranged through insurance
Pension liabilities outside the accounts	93	93

31.	OFF-BALANCE-SHEET COMMITMENTS, parent company	2008		2007	
	in €1,000		on behalf of a company in the same business group	Commitments, total	on behalf of a company in the same business group
	Guarantees	5,381	-	167	-
	Unused credit facilities	30,646	-	24,285	-
	Total	36,026	-	24,452	-
32.	OTHER OFF-BALANCE-SHEET FACILITIES	Group	Group	Parent company	Parent company
	in €1,000	2008	2007	2008	2007
	Contractual liability related to fees, to a company in the Tapiola General Group				
	Within one year	1,627	1,045	1,254	1,045
	Within a period of over one year	5,975	4,179	4,483	4,179
	Within a period of over five years	3,435	1,373	1,822	1,373
	in €1,000	2008		2007	
	Joint liability related to collective registering for value added taxation (see Section 188 of the Value Added Tax Act), parent company	Commitments, total	on behalf of a company in the same business group	Commitments, total	on behalf of a company in the same business group
	Within one year	1,965	339	1,319	419

Notes concerning personnel and management

33.	NUMBER OF PERSONNEL average	Group	Group	Parent company	Parent company
		2008	2007	2008	2007
	Permanent full-time personnel	143	120	100	75
	Permanent part-time personnel	7	1	3	1
	Fixed-term personnel	3	8	2	8
	Total	153	129	105	84
34.	SALARIES AND REMUNERATION PAID TO THE MANAGEMENT	Group	Group	Parent company	Parent company
	in €1,000	2008	2007	2008	2007
	Salaries and remuneration				
	Ordinary and deputy Board members, managing director, and acting managing director	663	685	484	358
35.	CREDITS AND OFF-BALANCE-SHEET COMMITMENTS GRANTED TO THE MANAGEMENT	Group	Group	Parent company	Parent company
	in €1,000	2008	2007	2008	2007
	Credits granted				
	Ordinary and deputy Board members, managing director, and acting managing director	442	231	162	-
	increase	230	20	162	-
	decrease	-10	-8	-	-
	Guarantees and other off-balance-sheet commitments granted				
	Ordinary and deputy Board members, managing director, and acting managing director	-	0	-	-
	increase	-	-	-	-
	decrease	-	-9	-	-

36. PENSION COMMITMENTS OF THE MANAGEMENT

The management's statutory and supplementary pension cover have been arranged through insurance.

Notes concerning shareholdings

37. INSIDER LOANS, INVESTMENTS, SURETIES, AND SECURITIES

Transactions between an insider (under the IAS 24 definition) and the parent company are reported only if they are substantive and have not been executed under customary commercial terms. Credits and guarantees granted to natural persons who are insiders have been granted under customary terms and conditions. Credits, guarantees, and other off-balance-sheet commitments granted to the management are, however, presented in note 35. Tapiola Asset Management Ltd is a subsidiary wholly owned by Tapiola Bank Ltd, so business transactions between these companies are not presented here.

38. SHAREHOLDINGS

Shareholdings	Domicile	Share of ownership	Capital and reserves as of 31 Dec. 2008 in €1,000	Profit/loss for the financial year in €1,000
Tapiola Asset Management Ltd	Espoo	100.0%	6,423	-234
Ab Compass Card Oy Ltd	Mariehamn	34.0%	741	-578

Other notes

39. INFORMATION ON ASSET MANAGEMENT SERVICES

Tapiola Bank Ltd offers opportunities to subscribe for equity index loans arranged by partner organisations, and Tapiola Asset Management Ltd provides discretionary asset management and contract-based investment advice to its customers.

in €1,000	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Asset management services				
Customer assets	-	-	-	-
Assets in discretionary asset management	4,879,544	5,565,341	-	-
Assets in asset management on the basis of another contract	-	-	-	-

Notes concerning auditors' fees

40. AUDITOR'S FEES in €1,000	Group 2008	Group 2007	Parent company 2008	Parent company 2007
Auditing	86		47	
Assignments within the meaning of the provisions of the Auditing Act	80		1	
Other services	30		30	
Total	197	198	79	58

Business information concerning the Group's supervised company

41. INFORMATION ON THE PARENT COMPANY

The parent company in these consolidated financial statements, Tapiola Bank Ltd, belongs as a subsidiary to a business group the parent company of which is Tapiola General Mutual Insurance Company. The domicile of both is Espoo, Finland. The consolidated financial statements are available on the Internet at www.tapiola.fi.

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Espoo, 23 February 2009

Jari Saine
Chairman of the Board of Directors

Jari Eklund

Jaakko Gummerus

Matti Inha

Tom Liljeström

Harri Lauslahti
Managing Director

AUDITOR'S NOTES

A report has been issued today on the audit performed.

Espoo, 3 March 2009

PricewaterhouseCoopers Ltd
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

Hannu Pellinen
Authorised Public Accountant

List of account books used in 2008

The following account books were used in Tapiola Bank Ltd in 2008:

- Balance book, bound and numbered
- Balance sheet specifications
- General ledger, computer-generated list
- Journal, computer-generated list
- List of transactions, computer-generated list
- Account system including specification of accounts and registration instructions