



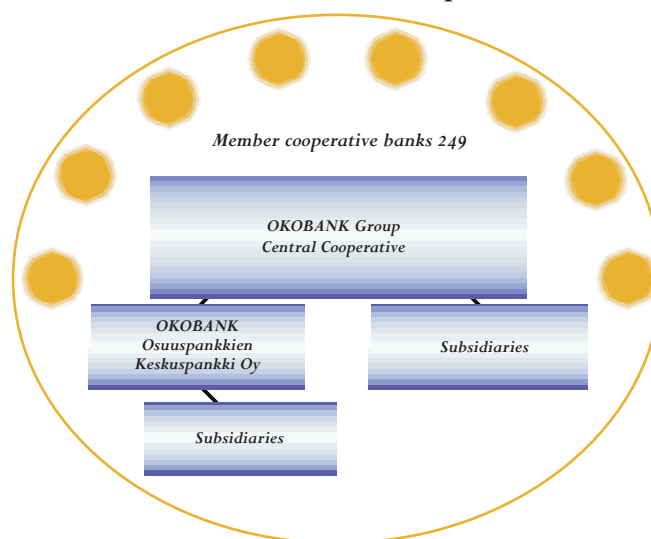
1997

OKOBANK  
*Osuuspankkien Keskuspankki Oy*



# Contents

## OKOBANK Group



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<b>OKOBANK Consolidated key figures</b>	<b>1997</b>	<b>1996</b>
Total assets, FIM billion	53.1	57.3
Net operating profit, FIM million	283	230
Loan losses and write-downs, FIM million	76	259
Non-performing and zero-interest claims, FIM million	189	403
Capital adequacy ratio, %	19.5	18.6
Income/expenses ratio	1.29	1.43
Return on equity (ROE), %	7.0	6.6
Earnings per share (EPS), FIM	9.25	8.79
Equity per share, FIM	137.84	130.16
Dividend ratio, %	45.3	19.1
Effective dividend yield, % (OKOBANK Series A)	5.2	3.2
Price/earning ratio (P/E)	9.3	7.2

<b>OKOBANK Group key figures</b>	<b>1997</b>	<b>1996</b>
Total assets, FIM billion	135.7	141.5
Net operating profit, FIM million	1 181	705
Loan losses and write-downs, FIM million	1 418	1 795
Non-performing and zero-interest claims, FIM million	2.6	4.0
Capital adequacy ratio, %	11.6	11.3
Income/expenses ratio	1.68	1.64

The Annual General Meeting of OKOBANK will be held on April 1, 1998.

The dividend proposed by the Executive Board is 9 per cent (FIM 4.50) on Series A shares and 8 per cent (FIM 4) on Series K shares.

The Interim Report of OKOBANK for January-March 1998 will be made public on May 12, 1998.

## 1997 in brief

- January 1** Antti Tanskanen took over as CEO of the OKOBANK Group and chairman of the Executive Board of OKOBANK Osuuspankkien Keskuspankki Oy. Reijo Karhinen, managing director of the Central Association of the Finnish Cooperative Banks (the present OKOBANK Group Central Cooperative), took up his duties as the chief executive's deputy. Pentti Hakkarainen assumed his duties as managing director of OKOBANK.
- February 11** Closing of the books: the OKOBANK Consolidated's net operating profit for 1996 was FIM 230 million.
- May 13** Interim Report: the OKOBANK Consolidated's net operating profit for the January-March period was FIM 101 million.
- May 23** The OKOBANK Group Central Cooperative, which was formed from the Central Association of the Finnish Cooperative Banks, was entered in the Trade Register. The Central Cooperative is the statutory central institution of the amalgamation of cooperative banks as specified in the Cooperative Bank Act.
- May 27** The Executive Board's proposal on amendment of the Articles of Association in the manner required by the new form of joint operations of the OKOBANK Group was approved by the Annual General Meeting of OKOBANK.
- June 3** The Supervisory Boards of the Central Cooperative and OKOBANK approved a plan for the division of labour and organisation of functions between the Central Cooperative and OKOBANK. Seppo Penttinen was re-elected chairman of the Supervisory Board of OKOBANK. Timo Ritakallio and Heikki Vitie were appointed members of the Executive Board of OKOBANK, effective July 1, 1997.
- June 18** OKOBANK became a subsidiary of the OKOBANK Group Central Cooperative when the Central Cooperative purchased from the cooperative banks an amount of OKOBANK's Series K shares which raised the number of votes conferred by the shares owned by the Central Cooperative to 53.3 per cent.
- July 1** The OKOBANK Group began the new form of joint operations.
- August 19** Interim Report: OKOBANK Consolidated's net operating profit for the January-June period was FIM 174 million.
- September 9** OKOBANK issued a USD 135 million perpetual loan as part of the OKOBANK Group's capital funding programme.
- September 11** An extraordinary meeting of the shareholders of Aurum Life Assurance Company, an OKOBANK subsidiary, decided to increase its share capital by directing a share issue at the OKOBANK Group Central Cooperative and its member cooperative banks.
- November 13** Interim Report: OKOBANK Consolidated's net operating profit for the January-September period was FIM 208 million.
- December 4** The increase in Aurum's share capital from FIM 90 million to FIM 181.5 million was entered in the Trade Register. OKOBANK's holding in Aurum fell to 49.6 per cent.
- December 11** Pentti Hakkarainen resigned as managing director of OKOBANK.
- December 15** The Supervisory Board appointed Executive Board member Mikael Silvennoinen as OKOBANK's new managing director.
- December 19** OKOBANK decided to sell to the Central Cooperative its 70 per cent holding in FD Finanssidata Oy as well as its wholly owned OP-Rahastoyhtiö Oy and 9.6 per cent of its shares in OP-Kotipankki Oy. In addition, it was decided that the production of payment services for the Group's member banks and their customers as well as the agrifinancing service function would be sold to the Central Cooperative.
- December 22** OKOBANK redeemed from the Government FIM 816 million of the member cooperative banks' capital certificates.
- December 30** OKOBANK redeemed from the Government Security Fund FIM 453 million of the member cooperative banks' capital certificates.

## Chairman's review

*The past year, 1997, was in two ways especially significant for OKOBANK and the entire OKOBANK Group: our bank group brought to completion its structural overhaul, which has been long in preparation, and it achieved the best result in its history. The events of the year under review strengthened the OKOBANK Group as a provider of reliable and dynamic banking services.*

### *A year of structural arrangements and rising earnings*

The national economy and the financial industry developed in the same direction in 1997. The positive trend in the economy contributed to making possible a substantial improvement in banks' earnings. The banking industry has clearly left behind it the exceptionally difficult times it went through in the past decade. Apart from the improved profitability the year in banking was characterised by major realignments, which concerned all three of the big bank groups. The most important thing from the standpoint of the OKOBANK Group was the strengthening of our own structures without compromising on a form of ownership based on membership.

In the international economy, the year unfolded fairly peacefully up to the autumn. The currency and stock exchange disturbances that began in Asia caused violent market fluctuations everywhere, but they did not have an essential impact on the economic trend in the EU and in the United States. Economic growth in Finland was stable and broad-based as the domestic market began to catch up with the success which the export industry is enjoying. The trend in our interest rates moved in the wake of Germany's without serious disturbances, and the pressure which the Finnish markka came under in January did not jeopardise the steady trend.

Efforts to meet the convergence criteria for the third stage of EMU continued in most of the EU countries. The stability of the EU money market is strengthened by the fact that the objectives connected with curbing the public sector deficit are generally recognised to be correct. Last year the economic policy measures, particularly budgetary cuts, nevertheless also slowed down economic growth in the EU countries. The growth in production was not fast enough to send unemployment heading downward. In the light of this factor and slowing inflation together with a growing current account surplus, it is evident that there is both room for and a need to pursue an economic policy that supports growth.

### *The OKOBANK Group posts a record result*

The OKOBANK Group improved its result for the fourth year running. The OKOBANK Group generated higher net operating profit than ever before. This helped to strengthen the Group's capital adequacy and thereby enabled it to repay most of the capital investments made by the Government and the Government Security Fund. The Group will pay the remainder during the current year, as it has already announced.

The improved earnings were based to a large extent on the same factors as in recent years: the amount of loan losses decreased and staff costs diminished. This trend will strengthen the Group's result in the current year, too. As competition becomes ever keener, it is of primary importance that the OKOBANK Group attends to the healthy development of income. Active product development and channelling resources into sales must be used to expand the income base because in open competition, achieving a substantial increase in the interest rate margin is not a realistic alternative.

The OKOBANK Group's new form of joint operations began at the start of July. Slightly less than a tenth of our former group did not come round to accept the will of the large majority. This meant a setback for Finnish cooperative bank operations as a whole, but it does not dim the outlook of the nationwide OKOBANK Group for the years ahead.

Our strengths are our broad base of more than two million Finnish customers and our banking expertise that has been honed to a level of high quality over the years. This covers both services based on personal contact and the making available of information technology to customers. The application of the latest information technology solutions to daily banking services is becoming more important by the day, and it is precisely in this area that the OKOBANK Group has in recent years repeatedly been in the vanguard of development, also receiving international recognition.



Antti Tanskanen

### ***A marked increase in OKOBANK Consolidated's net operating profit***

OKOBANK Consolidated's net operating profit grew to FIM 283 million, from the previous year's FIM 230 million. Both the parent bank OKOBANK and all the main subsidiaries posted a profit. OKOBANK Consolidated's result was improved especially by the substantial decrease in loan and guarantee losses as well as write-downs. Non-performing and zero-interest claims fell a great deal further during the report year and amounted to FIM 189 million at the close of the year. OKOBANK Consolidated's capital adequacy ratio remained at a high level and was 19.5 per cent. The capital adequacy ratio of the parent bank, OKOBANK, was 23.5 per cent.

OKOBANK, which is a commercial bank that is listed on the stock exchange, operates actively in the capital, money and foreign currency markets, in investment banking and in corporate finance. Of its subsidiaries, Okopankki Oy concentrates on retail banking in the Greater Helsinki area, OKO Mortgage Bank Ltd on corporate and municipal financing, OP-Finance Ltd on finance company operations and Opstock Ltd on securities brokerage and asset management.

The first year of operations of Okopankki, which began operations in the retail banking market of the Greater Helsinki area in the autumn 1996, was successful and the bank succeeded in profitably strengthening its market position.

OKOBANK's other main subsidiaries also performed well in their business operations during the year under review.

OKOBANK also acts as the central bank of the OKOBANK Group. For the Group's member banks, it provides central bank services that are competitive both in terms of quality and costs.

In 1994 the OKOBANK Group began preparation for the third stage of EMU and the introduction of the euro, and during the report year the pace of these activities quickened.

We are carrying out the necessary changes with the smallest possible costs and in a co-ordinated manner, and we will be ready to do business and to cope with the technical aspects of the changeover in good time before the third stage begins. A central part of the strengthening of our competitive position revolves around furnishing our customers with adequate and knowledgeable information about the changes which the introduction of the euro will require.

By dint of high-quality customer service, efficient operations and expert risk management, we shall continue to perform well as a bank group comprised of OKOBANK and the independent cooperative banks – a bank group that remains Finnish-owned. Satisfying the international service needs of our customers who operate in Finland does not call for ownership arrangements, but instead we are able to see to our customers' basic needs competitively by means of our overseas network of banking relationships and our international partners.

OKOBANK Consolidated and the entire OKOBANK Group are in a good position to continue their positive earnings trend in 1998, providing that unforeseeable negative changes do not take place in the operating environment.

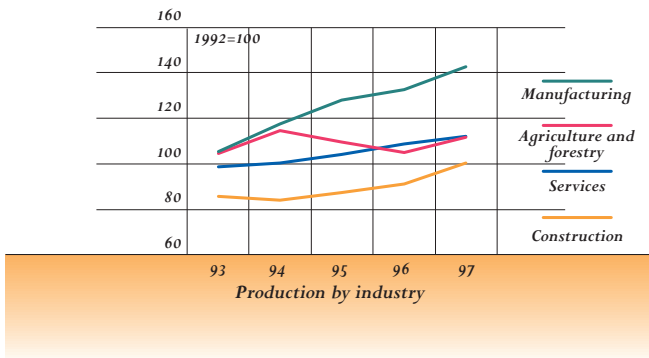
OKOBANK seeks to carry out an active dividend policy by paying shareholders a competitive dividend, taking into account OKOBANK Consolidated's earnings trend.

I wish to thank all our customers and shareholders for the confidence they have shown in us during 1997. I also thank our entire personnel as well as those who have worked in positions of administration and corporate governance for their fine contribution during a very demanding but interesting year.

Helsinki February 12, 1998

Antti Tanskanen

# Operating environment

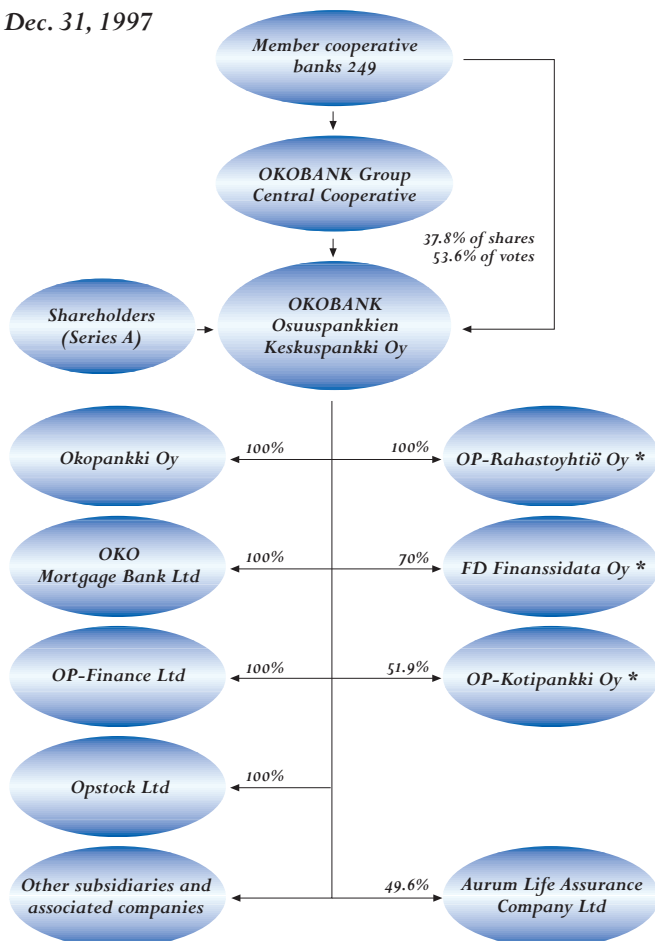


1997 was the fourth year in a row of relatively fast growth for the Finnish economy. Total output grew by almost 6 per cent – considerably faster than in most of the other EU countries. Output increased in all the main industries, and fastest of all in the construction field.

The expectations of Finland's membership of EMU narrowed the spread in long interest rates compared with Germany. At its widest, the interest rate spread was of the order of half a percentage point. The spread between short interest rates compared with Germany was very small all year long. At its lowest, the three-month Helibor was 0.2 percentage point below the corresponding German rate. During the year the external value of the Finnish markka drew closer to the ERM average exchange rate that had been set in the autumn of the previous year.

# The structure of OKOBANK Consolidated

Dec. 31, 1997



\* The company is not OKOBANK's subsidiary as from the beginning of 1998.

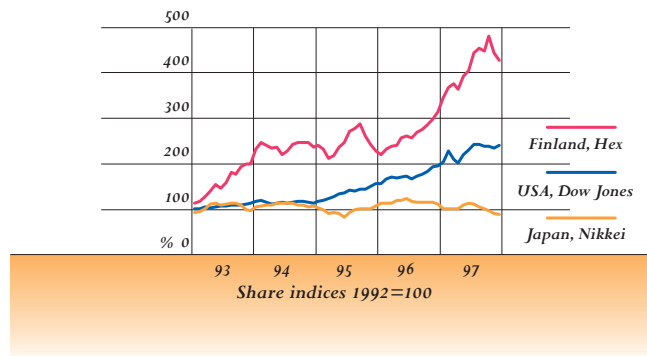
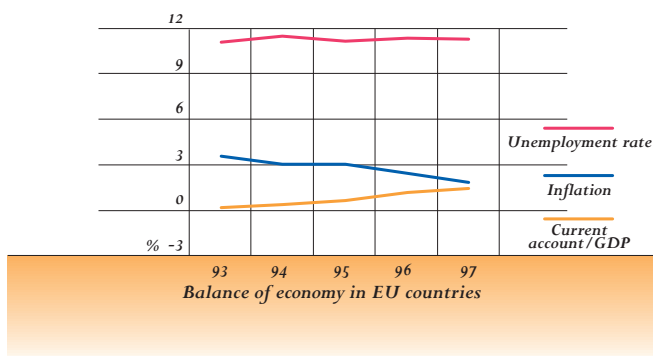
## The parent bank, OKOBANK

Founded in 1902, the parent bank OKOBANK is a commercial bank that is engaged in independent business activities and acts as the central financial institution of the OKOBANK Group.

OKOBANK's Series A shares have been quoted on the Helsinki Exchanges since 1989.

OKOBANK is a member of the UNICO Banking Group, whose cooperative member banks operate in ten European countries.

OKOBANK's share capital, shareholders and shareholdings are itemised in notes 31 and 33 to the annual accounts.



The striving to meet the EMU criteria was reflected in the EU countries' domestic demand, and the average unemployment rate remained quite high for the fifth successive year. The tightening of fiscal policy also kept the rise in prices in check and increased the current account surplus.

The prolonged bull market on the stock exchange came to a halt towards the end of the year, at least temporarily, when the economic problems of the countries of Asia impacted the equities markets in both the United States and Europe. Thanks to the favourable share price trend in the first part of the year, the prices of Finnish listed shares were nevertheless more than 30 per cent higher at the turn of the year than they were a year earlier.

## Subsidiaries

**Okopankki Oy** is a commercial bank which began operations in September 1996 and is engaged in retail banking in the Greater Helsinki area.

**OKO Mortgage Bank Ltd** is the OKOBANK Group's mortgage credit bank, which is specialised in long-term housing, municipal and real-estate financing. OKO Mortgage Bank Ltd began operations in 1917.

In 1997 OKO Mortgage Bank Ltd registered the name OKO-Investointiluottopankki Oy as its new business name. The name change is not reflected in the registered name in English.

**OP-Finance Ltd** is a finance company, which began operations in 1975 and produces financing services based on security- and receivable-backed collateral.

**Opstock Ltd** is an investment service company whose operations began in 1990. Opstock is engaged in securities brokerage, asset management and investment research. In its operations, Opstock Ltd uses the auxiliary business names Opstock Asset Management and Opstock Securities.

**OP-Kotipankki Oy** began operations in 1989. OP-Kotipankki operates as the OKOBANK Group's telebank. OKOBANK

owned 51.9 per cent and Okopankki 5.8 per cent of OP-Kotipankki at the end of 1997, which means that OKOBANK Consolidated's holding in it totalled 57.7 per cent.

At the beginning of 1998, OKOBANK sold 9.6 per cent of the company's shares to the OKOBANK Group Central Cooperative. Following the deal, OP-Kotipankki became an associated company of OKOBANK.

**OP-Rahastoyhtiö Oy's** operations began in 1987. OP-Rahastoyhtiö manages the OKOBANK Group's nationwide mutual funds. OKOBANK owned OP-Rahastoyhtiö in its entirety in 1997.

At the beginning of 1998, the company's share capital was sold to the OKOBANK Group Central Cooperative.

**FD Finanssidata Oy (FD)** is responsible for the OKOBANK Group's centralised services connected with data processing, information networks, printouts and application development. FD began its operations in 1992.

OKOBANK owned 70 per cent of FD Finanssidata Oy in 1997. At the beginning of 1998, OKOBANK sold its holding to the OKOBANK Group Central Cooperative.

The other subsidiaries and associated companies are listed in note 36 to the annual accounts.

# Customers

## *Corporate banking*

According to the division of labour for corporate financing within the OKOBANK Group, the member cooperative banks and Okopankki, which operates in the Greater Helsinki area, offer financing services primarily for small and medium-sized companies in their own area.

OKOBANK and its subsidiaries concentrate mainly on producing financing, money market and currency exchange services for nationwide large and medium-sized companies as well as municipal sector bodies. In addition, OKOBANK offers its corporate customers security-based financing arrangements.

## *Retail banking*

Okopankki offers its customers in the Greater Helsinki area all the basic banking products of the OKOBANK Group.

More than 60 per cent of Okopankki's clientele consists of wage and salary earning households. During the year the number of customers grew by a good 2 per cent, to nearly 230 000. Changes did not take place in the customer structure.

Okopankki's Trade Union Bank engages in co-operation with all the nationwide trade unions and their regional organisations within the framework of the OKOBANK Group's co-operation agreements.

The subsidiaries and associated companies Opstock, OP-Rahastoyhtiö and Aurum, which are specialised in asset management and producing investment services, offer their services to retail customers via the service network of the OKOBANK Group.

The telebank OP-Kotipankki's range of services includes investment services and unsecured credit card lending. OP-Kotipankki serves retail customers both directly and via the OKOBANK Group's service network.

## *The member banks*

OKOBANK's tasks as the central financial institution of the OKOBANK Group are to provide financing and liquidity services to the member banks. OKOBANK handles the OKOBANK Group's account relationships with the Bank of Finland and ultimately sees to it that the member banks have sufficient financing and liquidity.

OKOBANK furthermore offers the member banks services connected with the money, foreign exchange and securities markets. It also handles the OKOBANK Group's domestic and international bank and investor relations as well as foreign funding. Support and advisory services for the management of the member banks' market risks are also a part of OKOBANK's central bank tasks.

Up to the autumn 1998, central bank services will be offered not only to the member banks of the OKOBANK Group but also to the cooperative banks that do not belong to the Group.



## Services offered to customers

### **Branches and the service network**

OKOBANK's head office is located in Helsinki. In addition, OKOBANK has a branch office in Stockholm, and representative offices in Moscow, New York, St Petersburg and Tallinn. It has been decided to close the London representative office in April 1998.

At the end of the year, Okopankki had a total of 19 offices in Helsinki, Espoo and Vantaa, five service outlets in shopping centres as well as a telebank. All these offices offer retail customers personal service. Five of the offices furthermore offer corporate services. The telebank and terminal services as well as 70 payment ATMs round out the service network.

OP-Finance Ltd offers its services in co-operation with dealers and the member banks of the OKOBANK Group as well as via its own sales network. OP-Finance Ltd has its own offices in Helsinki, Kuopio, Lahti, Oulu, Tampere and Turku. It also takes in financing applications via the Internet.

The branch offices and service outlets of the member banks of the OKOBANK Group offer products and services produced by OKOBANK Consolidated's companies. The member banks comprise a nationwide service network that occupies a crucially important position as a sales channel that supplements OKOBANK Consolidated's own branches.

### **Financing and payment services**

OKOBANK Consolidated has a loan portfolio of FIM 18.9 billion, of which companies and public sector entities account for 61 per cent and households for 26 per cent.

Companies and public sector bodies have a share of more than 80 per cent of the loan portfolio of the parent bank, OKOBANK.

For Okopankki, however, credits to households accounted for 77 per cent of the loan portfolio, whereas the share of loans to companies and public sector bodies was slightly less than a quarter.

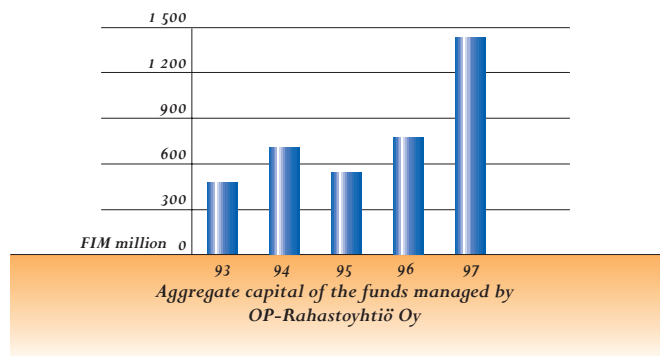
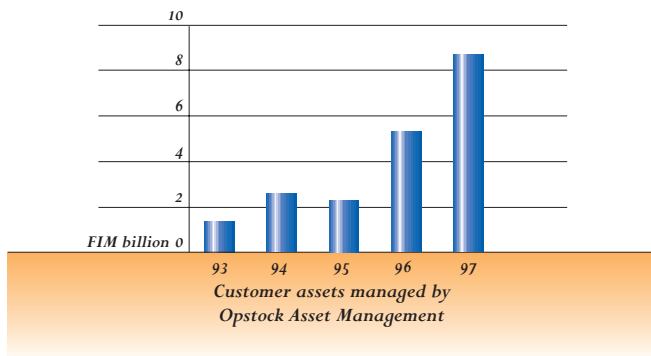
Lending by OKO Mortgage Bank Ltd tended towards the financing of state-subsidised construction of rental housing. In terms of total assets, OKO Mortgage Bank Ltd had a more than 20 per cent market share in the mortgage credit bank market.

OP-Finance Ltd offers corporate customers hire purchase, leasing and factoring services, to which collection and subledger management services can also be added. OP-Finance Ltd concentrates on financing vehicle purchases, transport equipment, work machines and other industrial machinery and equipment. OP-Finance Ltd has a market share of about 20 per cent of finance companies' credit portfolio in basic products.

OKOBANK Consolidated offers its customers versatile domestic and international payment services. The volume of transactions within domestic payment services grew by 13 per cent from the previous year.

### **Money market and foreign exchange services**

OKOBANK's Treasury and Capital Markets operates on the domestic money market as a market maker for certificates of deposit, treasury bills and Government benchmark bonds as well as the main interest rate derivatives. In 1997 OKOBANK's market share in Government benchmark bond trading was over 6 per cent.



In customer trading OKOBANK's turnover in certificates of deposit and commercial paper as well as treasury bills exceeded FIM 340 billion, which meant an average market share of about 17 per cent.

OKOBANK also deals in the most important foreign currencies and currency derivatives. Turnover within OKOBANK's foreign exchange dealing grew by about 5 per cent in 1997.

The development of customer operations was a central objective for Treasury and Capital Markets. Foreign currency options were added to the range of products. Risk management was developed further. During the year the analysis of markets was also a major development focus.

### ***Issuance and corporate arrangements***

OKOBANK's Corporate Finance unit works together with Opstock in arranging equity and bond financing and in carrying out corporate arrangements. On the busy share issue market in 1997, a large number of new companies gained listings on the stock exchange. About FIM 600 million of capital was obtained for clients through sales of shares. The capital raised through issues of bonds and notes by the OKOBANK Group, the Government and corporations amounted to about FIM 3 billion.

### ***Asset management and investment services***

Opstock Ltd acts as a broker for domestic and foreign shares, bonds and notes, mutual fund shares and derivative instruments and it offers asset management services to institutional investors, companies and private individuals. In addition, Opstock engages in wide-ranging investment research.

During 1997, Opstock Securities acted as a broker in share trades totalling FIM 12.6 billion, which corresponded to a more than 3 per cent market share of the total turnover on

the Helsinki Exchanges. Opstock had a 12 per cent market share of turnover on the OTC and Brokers' Lists and an 8 per cent share in trading in index-linked forward agreements.

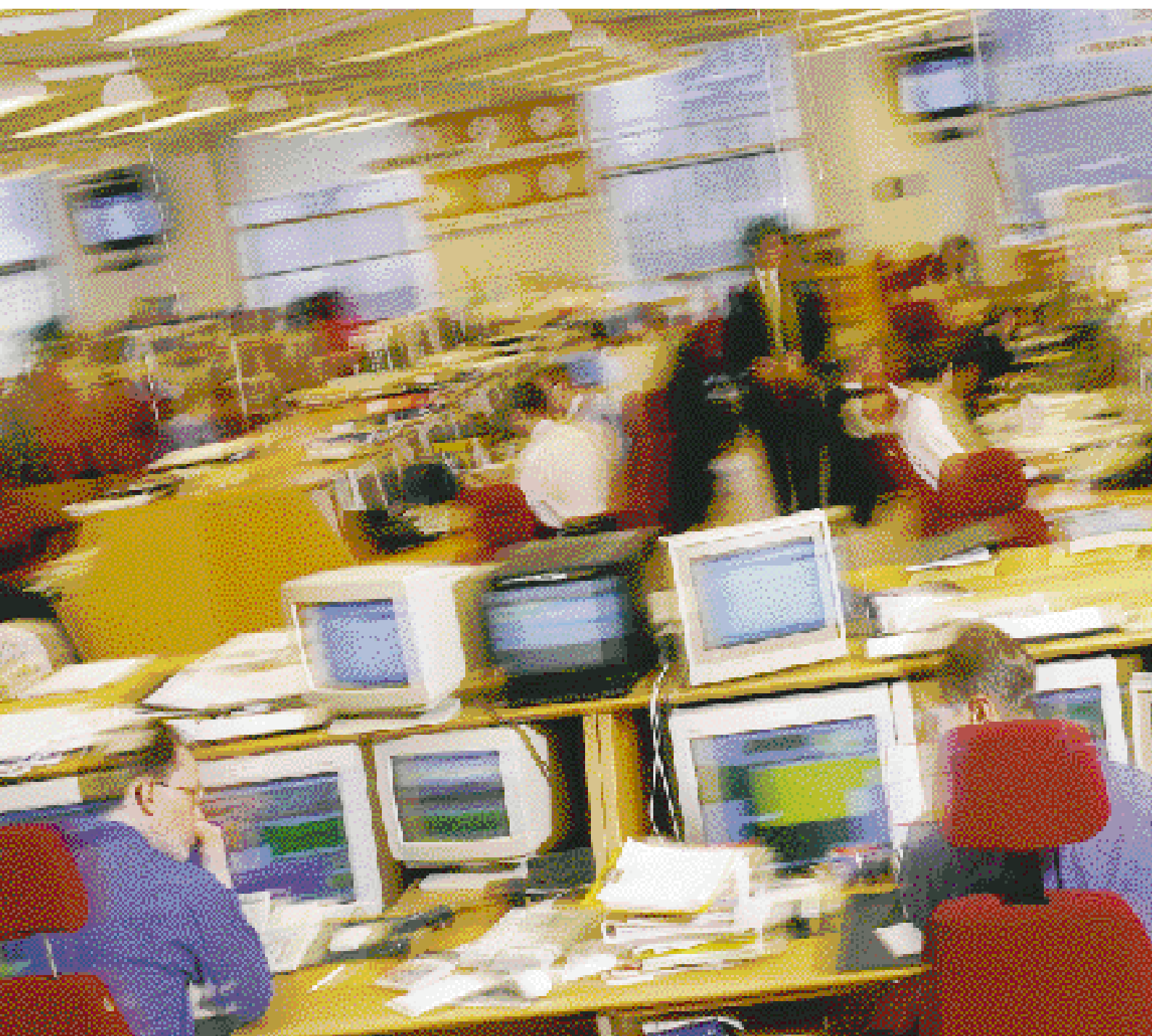
The amount of client funds under management by Opstock Asset Management grew to FIM 8.7 billion, from FIM 5 billion.

The domestic mutual funds managed by OP-Rahastoyhtiö are OP-Delta, OP-Forest, OP-Yield, OP-Interest and OP-Markka. In addition, it manages the international mutual funds named Opstock Global Balanced and Opstock Global Equity, which were established in the spring 1997. OP-Rahastoyhtiö began managing the OP-Pirkka fund as from the beginning of 1998.

OP-Rahastoyhtiö's market share of the capital managed by mutual funds registered in Finland grew by about one percentage point during the year under review and was slightly less than 8 per cent at the end of the year.

The publicly quoted bonds and notes issued by OKO Mortgage Bank Ltd supplement the range of investment products that are offered to retail customers.

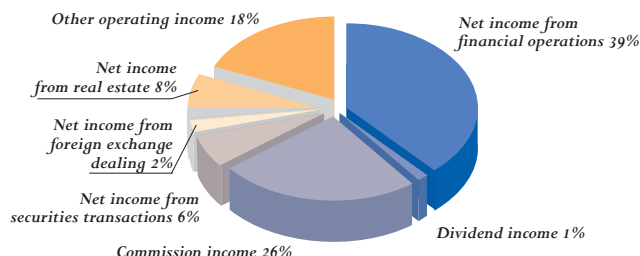




# Report of the Executive Board



*Managing Director  
Mikael Silvennoinen*



*OKOBANK Consolidated's income*

## OKOBANK Consolidated's operations and result

OKOBANK Consolidated's net operating profit for 1997 was FIM 283 million, up FIM 53 million on the previous year. The improvement was due to the substantial reduction in loan and guarantee losses and in write-downs. OKOBANK Consolidated's return on equity (ROE) rose to 7 per cent, from the previous year's 6.6 per cent.

### *Result and balance sheet trend*

The figures in the profit and loss account are not fully comparable with those of the previous year because the result for 1996 includes Okopankki's financial information for only part of the year. Okopankki began operations on September 16, 1996.

<i>FIM million</i>	<i>1997</i>	<i>1996</i>	<i>Change, %</i>
<i>Total income</i>	<i>1 559</i>	<i>1 605</i>	<i>- 3</i>
<i>Total expenses</i>	<i>1 204</i>	<i>1 123</i>	<i>7</i>
<i>Profit before loan losses</i>	<i>355</i>	<i>482</i>	<i>- 26</i>
<i>Loan losses and write-downs</i>	<i>76</i>	<i>259</i>	<i>-71</i>
<i>Share of profit/loss of companies included in the consolidated accounts using the equity method</i>	<i>4</i>	<i>7</i>	<i>- 38</i>
<i>Net operating profit</i>	<i>283</i>	<i>230</i>	<i>23</i>

OKOBANK Consolidated's net income from financial operations grew by FIM 108 million to FIM 598 million. The growth was attributable in particular to the net income from financial operations that came from the loans and deposits that were bought from Suur-Helsingin Osuuspankki (SHOP) and transferred to Okopankki. The reduction in non-performing and zero-interest claims also improved net income from financial operations.

Commission and fee income declined by FIM 9 million. Commission income from securities transactions was down FIM

61 million, to FIM 114 million. In 1996 these fees and commissions were exceptionally large due to non-recurring items. Commission income from guarantees also fell. Other commission income, however, exceeded the previous year's level.

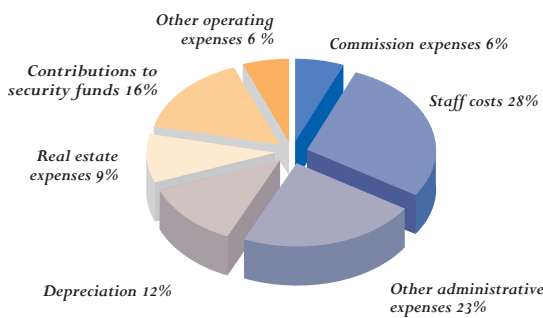
Net income from securities transactions was FIM 100 million, or FIM 165 million less than in the previous year. In 1996 the net income figure included significant non-recurring items.

The subitems "Debt securities" and "Other" under net income from securities transactions are not comparable with the corresponding items a year earlier. This is due to the redefinition of the position structure of derivative contracts and the change in their accounting treatment, which are explained in the section Accounting policies. These changes do not have a material impact on the total amount of net income from securities transactions. Net income from foreign exchange dealing amounted to FIM 36 million, or FIM 13 million more than a year ago.

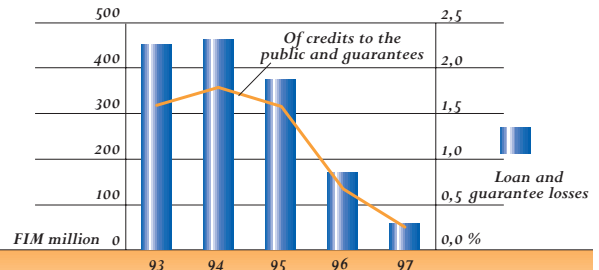
Other operating income was at the same level as in 1996. Gains on the sale of real-estate and real-estate holdings totalled FIM 27 million. In the previous year, FIM 4 million of gains on the sale of assets was booked. Other operating income included in the item nevertheless diminished.

The growth in staff costs, other administrative expenses and other operating expenses was due to the business activities of Okopankki, which began operations in the autumn 1996. OKOBANK Consolidated's costs net of the change in the Group structure were smaller than a year earlier. The average number of personnel grew by 68 from the previous year and totalled 1 368 people. Other operating expenses include FIM 192 million of contributions to the OKOBANK Group Security Fund. In 1996, these payments amounted to FIM 202 million.

Net loan and guarantee losses were FIM 59 million, or FIM 112 million less than a year earlier. The total amount of loan and guarantee losses was 0.25 per cent of credits to the



OKOBANK Consolidated's expenses



OKOBANK Consolidated's loan and guarantee losses

public and guarantees. The previous year's corresponding ratio was 0.67 per cent. Write-downs were booked in a net amount of FIM 17 million, or FIM 71 million less than in 1996. Loan and guarantee losses are itemised in notes 4 and 24 to the annual accounts.

OKOBANK Consolidated's voluntary provisions were increased by a net amount of FIM 44 million. The increase in provisions in the profit and loss account has been divided between the change in provisions and the change in imputed deferred tax liabilities. After taxes and minority interest, OKOBANK Consolidated's profit for the financial year was FIM 175 million.

OKOBANK Consolidated's total assets at the end of the year stood at FIM 53.1 billion. The balance sheet contracted by FIM 4.2 billion, or 7 per cent.

Claims on credit institutions fell by FIM 2.6 billion. Primarily short-term deposits and investments that were placed with foreign credit institutions declined by FIM 2.9 billion, to FIM 6.7 billion. OKOBANK's claims on member banks and other cooperative banks grew by FIM 0.4 billion and were FIM 5.3 billion at the end of the year. The increase was due to the nearly FIM 1.3 billion of the member cooperative banks' capital certificates that were redeemed from the state and the Government Security Fund in December. The amount of actual credits that were granted to the cooperative banks declined by more than FIM 0.8 billion.

Claims on the public and public sector entities were at the same level as at the end of the previous year. Markka-denominated credits increased by FIM 0.6 billion, to FIM 16.9 billion, but foreign currency-denominated credits declined. Major changes did not occur in the breakdown of the credit portfolio by customer group.

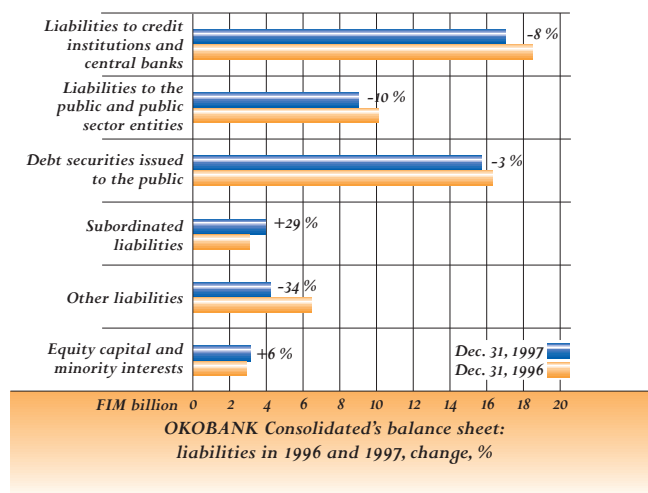
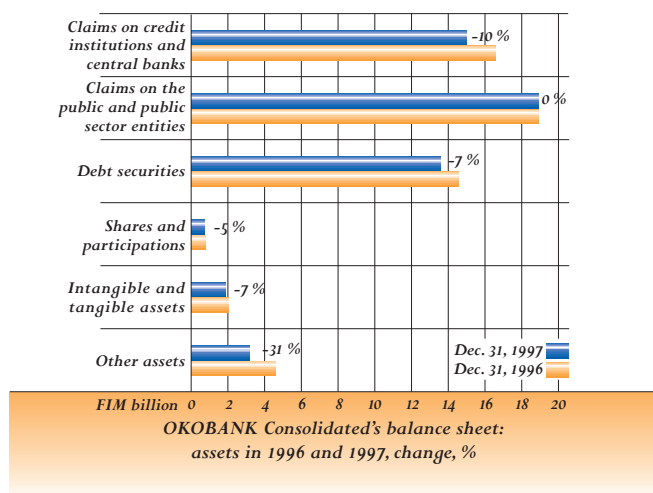
The amount of debt securities fell by a billion. The amount of certificates of deposit grew by FIM 1.6 billion, to FIM 7 billion. The amount of bonds and notes and other debt

securities, however, contracted. The book value of shares not held as financial fixed assets was FIM 212 million, or FIM 38 million less than a year earlier. At the end of the year the market value of these shares was FIM 47 million greater than their book value. A year earlier the difference between the market value and the book value was FIM 45 million.

The book value of real-estate holdings fell by FIM 165 million, to FIM 1.6 billion. About FIM 700 million of this figure consisted of OKOBANK Consolidated's properties and real-estate shares that were in use by its own companies. The net yield on invested capital from leasable properties not in own use was about 4.7 per cent. The net yield in 1996 was about 4.8 per cent. A factor contributing to this slight fall was that the greater part of the Arkadiankatu head office premises was leased to outside tenants. The vacancy rate at the end of the year was about 12 per cent, or 5 percentage points smaller than a year earlier.

OKOBANK Consolidated's non-performing claims declined by FIM 146 million, to FIM 150 million. In addition, OKOBANK Consolidated had FIM 40 million of zero-interest claims. The total amount of non-performing and zero-interest claims was 0.8 per cent of credits to the public and guarantees. At the end of 1996, the corresponding figure was 1.6 per cent. On the basis of a regulation of the Financial Supervision, receivables from companies that have not been consolidated are not included in zero-interest claims. At the end of 1997 the amount of these claims was FIM 96 million and at the end of the previous year it was FIM 45 million. The breakdown by sectors of non-performing and zero-interest claims is given in note 6.

Debts to domestic credit institutions amounted to FIM 15.2 billion. The deposits and investments of member banks and other cooperative banks with OKOBANK grew by FIM 1.7 billion, to FIM 14.9 billion. Funding from foreign credit



institutions grew by FIM 0.2 billion, to FIM 1.8 billion. Deposits by the public fell by 0.3 billion and were FIM 8.4 billion.

The amount of debt securities issued to the public declined by FIM 0.5 billion. The amount of certificates of deposit grew by FIM 3 billion, to FIM 12.1 billion. Domestic and foreign bonds as well as other notes, however, declined significantly in amount. Subordinated debt grew by FIM 0.9 billion. A substantial part of it was due to the USD 135 million perpetual bond which OKOBANK issued in September. The bond issue is part of the OKOBANK Group's funding programme and in calculating the capital adequacy ratio, it is counted in upper own Tier II funds.

OKOBANK Consolidated's equity capital at the end of the year stood at slightly over FIM 3 billion. The total amount of non-restricted equity, FIM 574 million, includes a non-distributable share of FIM 191 million that was transferred to the equity capital account from voluntary provisions and the depreciation difference.

The amount of guarantees and other off-balance sheet commitments was FIM 9.3 billion, or FIM 2.6 billion smaller than at the end of the previous year. At the end of the year, guarantees totalled FIM 4.4 billion, or FIM 2.1 billion less than a year earlier. The change was mainly due to the reduction in guarantees connected with the member banks' funding. The value of the underlying instruments of derivative contracts grew by FIM 89.5 billion, to FIM 405.5 billion. Forward rate agreements increased by FIM 66.5 billion and currency forward contracts by FIM 24.3 billion.

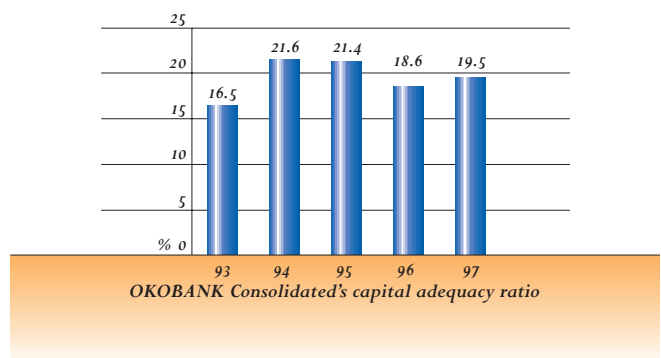
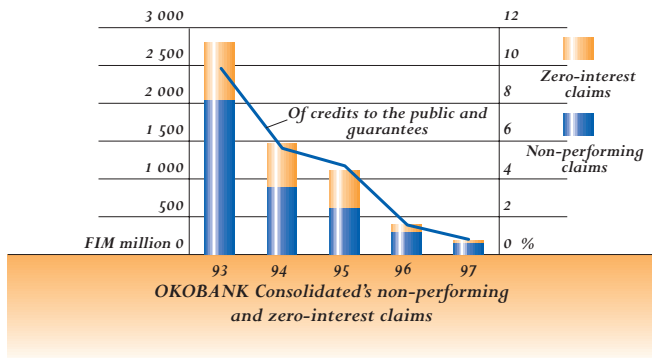
OKOBANK Consolidated's capital adequacy was 19.5 per cent, an improvement of 0.9 percentage point on the previous year. Tier I own funds were 10.1 per cent of the aggregate amount of risk-weighted claims and commitments. The capital adequacy ratio was improved by the growth in Tier I own funds.

FIM million	Dec. 31, 1997	Dec. 31, 1996
<b>Own funds</b>		
Tier I	2 734	2 630
Tier II	2 734	2 630
Deductions	-269	-266
Tier III	49	66
<b>Total</b>	<b>5 248</b>	<b>5 061</b>
<b>Risk-weighted receivables and commitments</b>	<b>26 983</b>	<b>27 264</b>
<b>Capital adequacy ratio, %</b>	<b>19.5</b>	<b>18.6</b>

## Joint responsibility and joint cover

OKOBANK, Okopankki Oy, OP-Kotipankki Oy and all cooperative banks belong to the OKOBANK Group Security Fund in order to safeguard stable operations in accordance with Chapter 6 of the Credit Institution Act. A member bank can if necessary receive support from the Fund. Each member bank must pay an annual contribution to the Security Fund in accordance with its statutes. In 1997 the total amount of the contribution was 0.5 per cent of the total assets of the member banks' most recently confirmed balance sheets. Each member bank's share of the contribution is based on the calculation principle defined in the Security Fund's statutes. For the 1997 financial year, OKOBANK, Okopankki and OP-Kotipankki paid a total of FIM 192 million of contributions to the Security Fund, which is FIM 10 million less than a year earlier.

To fulfil its obligations, the Security Fund has taken out loans from its member banks as well as other loans, given guarantees on behalf of the member cooperative banks it supports and also taken decisions to provide grants which are not yet paid out. The total amount of these items as at 31 December 1997 was FIM 4 634 million. In addition, the Security Fund estimates that the aggregate amount of future liabilities calcu-



lated up to the end of the year 2004 will be FIM 1 811 million, which means that total liabilities will amount to FIM 6 445 million. The Security Fund's capital investments have not been taken into account as a factor reducing liabilities, nor have other assets in the Security Fund's balance sheet. The imputed aggregate share of all of the Security Fund's liabilities incumbent upon OKOBANK, Okopankki and OP-Kotipankki according to the principle of calculating the contribution to the fund is FIM 1 445 million. The member bank loan which OKOBANK granted to the OKOBANK Security Fund was FIM 443 million at the end of the financial year. In addition, OKOBANK has granted the Security Fund other loans amounting to FIM 1 177 million.

The OKOBANK Group Security Fund or the OKOBANK Group are not the recipients of public support measures.

OKOBANK is a member of the OKOBANK Group Central Cooperative in accordance with Chapter 2a of the Cooperative Bank Act. Membership gives OKOBANK the joint security of the entire OKOBANK Group because the member credit institutions provide each other with coverage in the manner specified in the Cooperative Bank Act. The Bank's operations are also safeguarded by the aggregate capital adequacy and liquidity of all the central cooperative's member credit institutions as well as by the Central Cooperative's right to issue its members guidelines on bank operations, and particularly on the handling of capital adequacy, liquidity and risk management.

## Risk management

### *Risk management: organisation and methods*

The general principles applied within the OKOBANK Group form the basis of OKOBANK Consolidated's risk management. OKOBANK's Executive Board takes decisions concerning OKOBANK Consolidated's risk management and its organisation.

The control and co-ordination of bank products involving customer risks for OKOBANK Consolidated's companies as well as the management of customer risks are the tasks of the Credit Committee, which reports to OKOBANK's Executive Board.

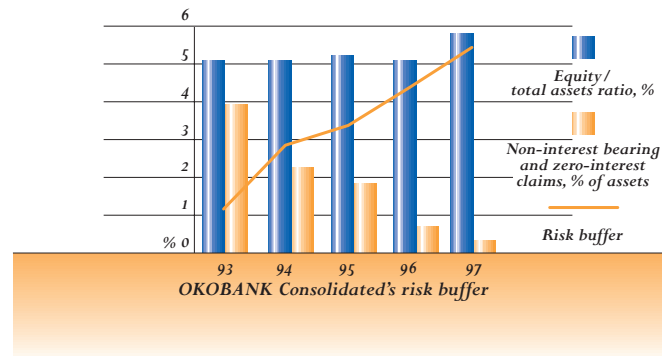
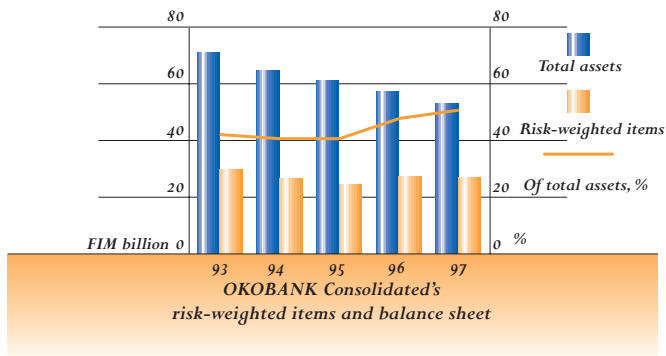
Credit Committee confirms the upper limit of client-specific commitments for all of OKOBANK Consolidated's corporate and public sector clients whose liabilities or planned liabilities exceed the defined markka amount. The business units can take decisions concerning customer risk within the framework of the confirmed liability limit. Credit Committee also approves the risk limits for banks that act as counterparties. The country risk limits are dealt with by OKOBANK's Executive Board.

The development of the structure of funding and investments as well as the taking of financial, interest rate, foreign exchange and share price risks is co-ordinated by Asset and Liability Committee that reports to OKOBANK's Executive Board. The Committee decides on operating policies and new products as well as supervises the taking of risks and approves the risk limits of the business units.

The objective of risk management is to confine the risk-related impacts on earnings to acceptable levels of risk.

Customer risk monitoring comprises the structural analysis of the entire credit portfolio as well as large customer risks, doing this by means of a separate report. The breakdown of customer risks by risk classes is reported regularly to OKOBANK's Executive Board. The risks of both problem customers and the risks of customers who are on the watch list are reported on more frequently than are other customer risks.

The purpose of measurements of market risks is to calculate the sensitivity of different portfolios and the market value of the entire balance sheet to changes in interest rates and share prices. Risks are measured and the result of valuation is



calculated daily. The result of the valuation indicates the impact on earnings of actions undertaken by the Bank's own units and of changes in the market.

Within OKOBANK Consolidated's units, interest rate risk is measured by currency according to the effect of an interest rate increase of one percentage point to the present value of known future cash flows by period. Permission has been obtained from the Financial Supervision to use the above-mentioned own sensitivity model in calculating the capital requirement for covering market risk.

In 1997 OKOBANK put into use a Value at Risk model by means of which the change in the market value of the Bank's positions can be estimated.

Liquidity risk is estimated by maturity class on the basis of the size of the net cash flows of the class in question. The size of the interest rate instrument portfolio as a ratio of the OKOBANK Group's balance sheet is used as a gauge of the liquidity risk. The amount of overnight indebtedness is regulated separately with a limit.

The benchmark that is used to indicate market liquidity is OKOBANK Consolidated's indebtedness to the wholesale market as a ratio of the total amount of certificates of deposit issued on the market. In addition, the ratio of OKOBANK Consolidated's portfolio of investment and derivative instrument contracts to the existing total amount of contracts on the domestic market is monitored.

### **OKOBANK Consolidated's risk position**

Lending made up more than 35 per cent of OKOBANK Consolidated's balance sheet. Funding through deposits accounted for about 16 per cent of the balance sheet.

OKOBANK Consolidated's balance sheet structure is also affected by OKOBANK's obligation, in accordance with its central financial institution task, to make sure that the

OKOBANK Group has sufficient liquidity reserves. The size of OKOBANK's investment portfolios is specified in proportion to the Group's minimum level of statutory cash reserves.

Risk-weighted claims and commitments accounted for about 51 per cent of the balance sheet at the end of 1997. A year earlier the corresponding figure was about 48 per cent. The growth in the relative proportion was due to the fact that the balance sheet diminished by 7 per cent, and risk-weighted claims and commitments fell by only one per cent.

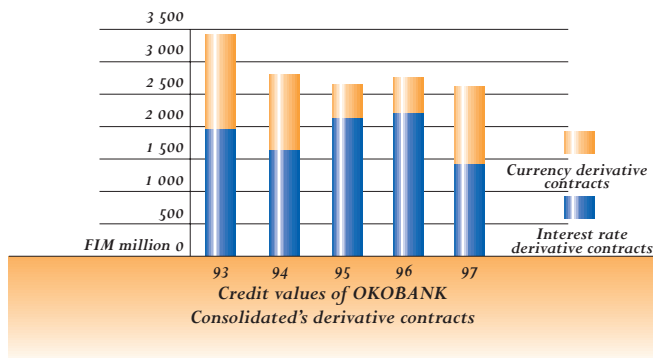
The risk buffer at the end of 1997 was 5.4 per cent, or one percentage point higher than a year earlier. The risk buffer is calculated by subtracting from the equity/total assets ratio the share which risk loans, i.e. non-performing and zero-interest claims, represent in the balance sheet.

The equivalent credit value of derivative contracts was FIM 2.6 billion at the end of the year, or FIM 148 million smaller than at the end of the previous year. The lower equivalent credit value was a consequence of transferring the clearing of dealing in forward rate agreements to the stock exchange.

The OKOBANK Group carried out a change in its terms and conditions of account on March 1, 1997 when the interest rate basis of tax-free savings accounts was changed to the OP-Prime. This meant that debts tied to the OP-Prime rate exceeded the amount of claims, and the absolute value of the difference between claims and debts tied to the OP-Prime rate halved. Similarly, whereas there were more debts that were tied to the base rate, this swung to a surplus in claims, and the absolute value of the difference between base rate-tied claims and debts diminished by more than 90 per cent.

The most important changes in OKOBANK Consolidated's financing risk were due to the issuance of a perpetual bond in connection with the OKOBANK Group's capital funding programme and the subscription of capital certificates by the member banks of the OKOBANK Group.





During 1997, OKOBANK Consolidated's interest rate, foreign exchange and share risks were not major in size compared with its own funds.

### OKOBANK's credit ratings

Changes did not occur in the credit ratings obtained from international rating agencies in 1997.

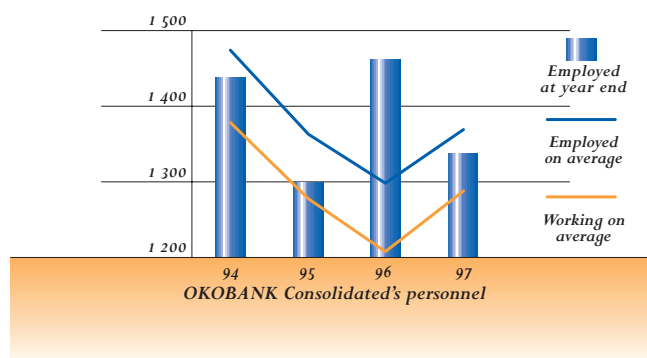
Rating Agency	Short-term	Long-term
Standard & Poor's	A-2	-
Moody's	P-1	A2
Fitch IBCA	F1	A

### Personnel

OKOBANK Consolidated had a payroll of 1 336 employees at the end of 1997, or 126 employees less than at the end of the previous year. OKOBANK's sale of the Internal Services unit to the Central Association of the Finnish Cooperative Banks at the beginning of the year reduced OKOBANK Consolidated's payroll by 69 employees. At the end of the year there were 1 245 permanent employees and 91 temporary employees.

The average number of employed staff grew by 5.3 per cent compared with the previous year. The increase was mainly due to Okopankki's personnel who are only included for the last quarter in the figures for the comparison year.

Essential changes did not occur in the structure of the personnel during the year. The breakdown of the personnel at the end of 1997 was 67 per cent women and 33 per cent men. The average age of the personnel was about 41 years. Salaried employees comprised the largest personnel group. At the end of the year they accounted for 53 per cent of the permanently employed personnel. Experts made up more than a third of the personnel.



Personnel development costs amounted to slightly less than 3 per cent of staff costs in 1997, i.e. about FIM 9 million. The figure does not include salary costs during days in training.

### Changes in the structure of OKOBANK Consolidated

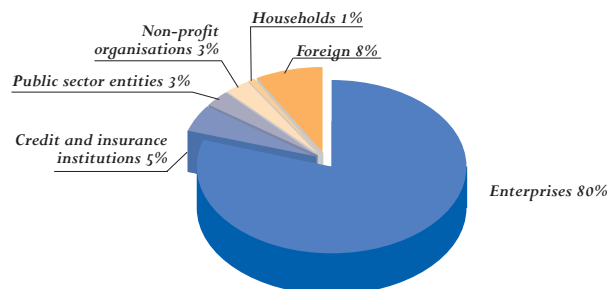
At the beginning of the year under review OKOBANK sold its Internal Services unit to the Central Association of the Finnish Cooperative Banks.

In April, OKOBANK sold the shares it held in the Kiinteistö Oy Fredrikinkatu 69 property. A gain of about FIM 7 million was booked on the sale. Of the foreign subsidiaries, the procedure for placing OKOBANK Sverige in receivership was seen to completion and the company is no longer included in the consolidated accounts. Operations of OKO Funding Inc, which operated in the United States, were wound up and the company is no longer consolidated.

In October, OKOBANK's wholly-owned Aurum Life Assurance Company Ltd directed a share issue at the OKOBANK Group Central Cooperative and its member cooperative banks. The increase in share capital from FIM 90 million to FIM 181.5 million was entered in the Trade Register on December 4, 1997. As a consequence of the increase in share capital, OKOBANK's holding in Aurum fell to 49.6 per cent.

Opstock Securities Ltd was merged with the parent company Opstock Ltd on June 30, 1997.

At the beginning of 1998 OKOBANK sold to the Central Cooperative its 70 per cent holding in FD Finanssidata Oy, the shares outstanding in its wholly-owned OP-Rahastoyhtiö Oy fund management company and 7 000 OP-Kotipankki Oy shares. After the deal, OKOBANK Consolidated's holding in Kotipankki fell from 58 per cent to about 48 per cent. In addition,



OKOBANK's lending by customer sectors

OKOBANK sold to the Central Cooperative the service operations of its Agrifinancing Department and its Payment Services Department. The total price of sales and transfers of business functions was FIM 124 million. They will add more than FIM 30 million to OKOBANK Consolidated's extraordinary income in 1998. The deals that have been made and the changes in OKOBANK Consolidated's structure resulting from them are nevertheless not estimated to have a material effect on OKOBANK Consolidated's net operating profit in the current year.

## Outlook

The above-described changes in OKOBANK Consolidated's structure have been in effect from the beginning of the year. 1998 is OKOBANK Consolidated's first full year of operations as a subsidiary of the OKOBANK Group Central Cooperative and a part of the newly recast OKOBANK Group.

OKOBANK Consolidated's objective is to achieve a net net operating profit that is at least on a par with that posted in 1997. The organisation is in a good position to accomplish this provided that the economy continues on a positive trend and that unforeseeable market disturbances do not occur.

## The parent bank, OKOBANK

OKOBANK's net net operating profit for 1997 was FIM 176 million, up FIM 84 million on the previous year. The improvement in the net operating profit was due to the substantial decrease in loan and guarantee losses as well as write-downs. In addition, net net operating profit includes FIM 48 million more of dividends from subsidiaries and avoiron fiscal credits on company taxes than were booked in the previous year.

## Result and balance sheet items

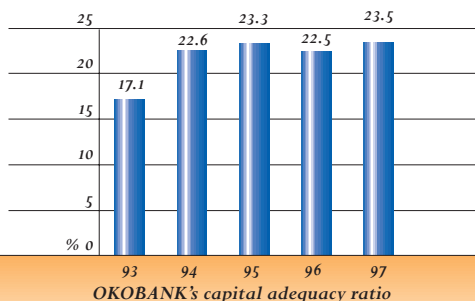
FIM million	1997	1996	Change, %
Total income	934	1 224	-24
Total expenses	660	767	-14
Profit before loan losses	274	456	-40
Loan losses and write-downs	98	364	-73
Net operating profit	176	92	91

The income and expense items are not fully comparable with the previous year's figures because OKOBANK sold its retail banking operations to Okopankki in September 1996. In addition, considerable non-recurring income was included in the 1996 commission and fee income, net income from securities transactions and other operating income.

Net income before loan losses was FIM 274 million, or FIM 182 million less than in the previous year. Net loan and guarantee losses as well as write-downs were a total of FIM 98 million, or FIM 265 million less than in 1996. Write-downs include slightly less than FIM 35 million of write-downs on real-estate property owned by OKOBANK Consolidated companies. These write-downs are eliminated in the consolidated annual accounts.

OKOBANK increased its voluntary provisions in a net amount of FIM 34 million. The Bank's after-tax profit for the financial year was FIM 109 million.

OKOBANK's balance sheet stood at FIM 43.8 billion, or FIM 1.9 billion less than a year earlier. The amount of credits to the public declined by a billion, to FIM 6.8 billion. Claims on credit institutions grew by FIM 0.6 billion. The growth was due to the fact that in December OKOBANK redeemed from the Government FIM 816 million of the member cooperative banks' capital certificates and FIM 453 million from the Government Security Fund. As a consequence of the redemption,



these capital certificates, which are classed alongside the cooperative banks' equity capital, were transferred to OKOBANK's claims on member banks. Debt securities included FIM 300 million of perpetual bonds issued by the member banks of the OKOBANK Group. Claims on the member banks and other cooperative banks amounted to a total of FIM 5.6 billion at the end of the year, an increase of FIM 0.5 billion on the figure at the end of last year.

Liabilities to credit institutions totalled 17.5 billion. Of them, FIM 9.1 billion consisted of their surplus on deposits which the member banks and other cooperative banks placed with OKOBANK and FIM 5.8 billion represented the member banks' other deposits and investments with OKOBANK. Deposits from the public declined by FIM 0.2 billion, to slightly less than FIM 2.7 billion. The amount of bonds for public subscription was FIM 12.8 billion, or FIM 1.7 billion greater than a year ago. Of the aggregate amount, 11.9 billion consisted of certificate of deposit debt. Subordinated debt grew by FIM one billion to FIM 3.9 billion.

OKOBANK's equity capital at the end of the year was FIM 2 551 million, of which non-restricted equity capital was FIM 472 million.

OKOBANK's capital adequacy ratio was 23.5 per cent, or one percentage point better than at the end of the previous year.

### Shares and share capital

OKOBANK's shares are divided into Series A, Series K and Series C shares. Series A shares have been listed on the Helsinki Exchanges since 1989, and there were 8 160 620 such shares outstanding at the end of the year. There were 13 894 380 Series K shares, which can only be owned by a Finnish cooperative bank, a bank having the legal form of a limited company pursuant to Section 41 a and 41 b of the Cooperative Bank Act

and the central institution of the amalgamation of the cooperative banks – the OKOBANK Group Central Cooperative. Series C shares have not been issued. The nominal value of the shares is FIM 50.

In 1997 OKOBANK's equity capital rose from FIM 1 098 million to FIM 1 103 million. The increase was due to the subscriptions of 99 800 Series A shares made on the basis of the option loan with warrants that was issued in 1991 and directed at management. The share classes and share capital are itemised in Note 31 to the annual accounts.

### Shareholders

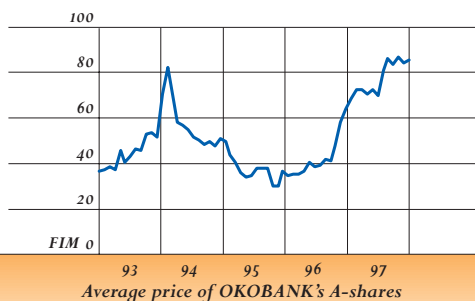
At the end of 1997 OKOBANK had 27 028 registered shareholders. The largest shareholder was the OKOBANK Group Central Cooperative, which on June 18, 1997 purchased from the Group member banks an amount of OKOBANK Series K shares which increased the voting rights conferred by the shares owned by the Cooperative to 53.3 per cent. As a consequence of these deals, OKOBANK became a subsidiary of the Central Cooperative. At the end of the year the Central Cooperative held 37.8 per cent of OKOBANK's shares and 53.6 per cent of the voting rights.

The largest owner group at the end of the year was the Central Cooperative and its 249 member banks, which held 66 per cent of all of OKOBANK's shares outstanding and 84.3 per cent of the voting rights. The largest owner group in numerical terms was private individuals, who numbered 25 958 shareholders.

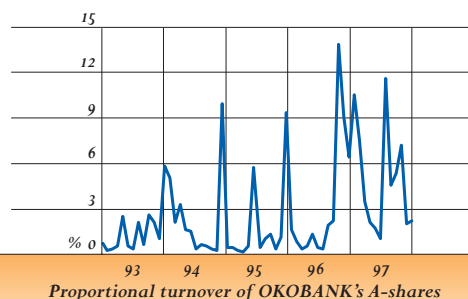
#### Major shareholders of OKOBANK's Series A shares as at Dec. 31, 1997, of Series A shares, %

OKOBANK Group Pension Foundation	10.5%
Pension Varma Mutual Insurance Company	2.4%
Pension Insurance Company Ilmarinen Ltd	2.1%
Alfred Berg Optimal Unit Trust	1.5%
Alfred Berg Finland Unit Trust	1.4%
Tampereen Seudun Osuuspankki	1.3%
Etelä-Karjalan Osuuspankki	1.2%
Suomen Osuuskauppojen Keskuskunta	0.9%
Alfred Berg Portfolio Unit Trust	0.9%
Oulun Osuuspankki	0.9%

Nominee-registered shares accounted for 24.8 per cent of the Series A shares. At the end of the previous year, the corresponding proportion was 12.9 per cent. More detailed information on the shareholders is given in note 33 to the annual accounts.



Average price of OKOBANK's A-shares



Proportional turnover of OKOBANK's A-shares

### Share price trend

The trend of OKOBANK's Series A share was rising in 1997. The low for the year was FIM 61, double the previous year's lowest FIM 30. The high was FIM 94. The year-end share price was FIM 86.40, as against FIM 63.50 on the last day of trading in 1996. The share price at the end of the year was 63 per cent of the per-share shareholders' equity at the close of the year. The market capitalisation of the Series A shares rose to FIM 705 million, from FIM 512 million at the end of 1996.

Share turnover stepped up considerably and the liquidity improved. During the year under review 4.6 million Series A shares changed owners. This represented about 57 per cent of all the Series A shares. A year earlier 37 per cent of the shares outstanding changed owners and in 1995 the share turnover was only 19 per cent.

### Administration

At the Bank's Annual General Meeting held on May 27, 1997, the Executive Board's proposal on amending the Articles of Association of OKOBANK in the manner required by the OKOBANK Group's new form of joint operations was approved. The Articles of Association were amended, among other things, in such a way that the majority of the members of the Bank's Supervisory Board is elected from amongst the members of the Central Cooperative's Supervisory Board. The Annual General Meeting elected a new Supervisory Board, whose members are listed on page 50 of the Annual Report.

The auditors elected were SVH Coopers & Lybrand Oy, Authorised Public Accountants, Eero Huusko (Authorised Public Accountant) and Reino Majala (Authorised Public Accountant). The deputy auditors elected were Kauko Lehtonen (Authorised Public Accountant) and Auno Inkeröinen (Authorised Public Accountant). The auditors elected to audit OKOBANK's Stockholm branch were Öhrlings Coopers & Lybrand AB.

At its meeting held on June 3, 1997, the Supervisory Board elected Seppo Penttinen as its chairman and Paavo Haapakoski as its vice chairman.

At its meeting held on June 3, 1997, the Supervisory Board appointed Timo Ritakallio, deputy member of the Executive Board, to a seat on the Executive Board, assigning him responsibility for OKOBANK's Financial Control, Information Management and Real estate function. At the same meeting, Heikki Vitie, a member of the Central Cooperative's Executive Board, was also appointed to a seat on the Executive Board. Both appointments became effective July 1, 1997.

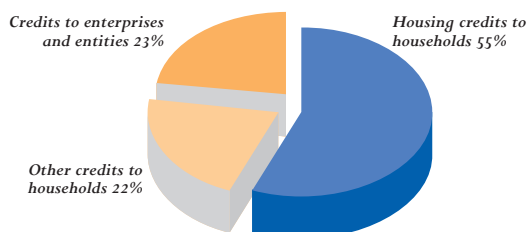
Pentti Hakkarainen resigned as managing director of OKOBANK on December 11, 1997. On December 15, 1997 the Supervisory Board appointed Executive Board member Mikael Silvennoinen as the new managing director.

### Salaries and staff

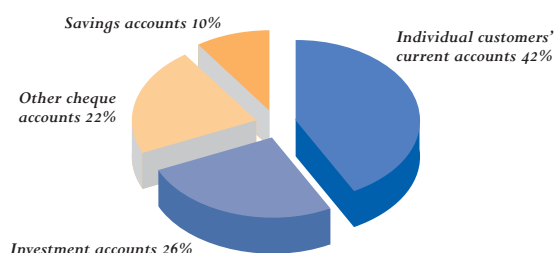
Salaries and emoluments paid to the members of the administrative bodies of OKOBANK Consolidated amounted to FIM 8 million. Salaries and wages paid to other staff totalled FIM 258 million. OKOBANK Consolidated employed an average of 1 253 permanent staff during the financial year.

Salaries and emoluments paid to members of OKOBANK's Supervisory Board and Executive Board amounted to FIM 5 million, with FIM 97 million being paid to other staff.

At the end of the year the Bank employed 460 people, or 102 people less than a year earlier. The number of permanent staff at the end of the year was 430 people. An average of 435 people were permanently employed during the year.



Okopankki's credit stock



Okopankki's FIM deposits

## Operations and result of the major subsidiaries

### Okopankki Oy

During the year Okopankki's services were developed by rounding out its service network and by introducing more flexible banking hours. The Bank also carried out a wide-ranging upgrade of its workstations. The modernisation covers both the information technology and service processes, and it improves the support of customer service and makes it run more smoothly. In 1998 the project will stress the renewal of ways of serving customers and follow-up training for the staff.

The sales training for the entire personnel, which was begun in the previous year, was continued. Within training for supervisors, the accent was on participative management, working together and the importance of a good work ethic.

Okopankki carried out an impressive marketing campaign that helped it to solidly establish its corporate image as a modern and urban bank. The Finnish Marketing Federation voted the campaign an award winner as the best in the service company class.

Okopankki had a payroll of 425 employees at the end of 1997.

#### Result and balance sheet trend

The result for the first full year of operations exceeded expectations. Net income from financial operations was FIM 228 million. Commission and fee income, which totalled FIM 97 million, made up about 30 per cent of the total income. The largest commission and fee items were payment and lending fees.

#### Result, FIM million

Result, FIM million	1997
Net income from financial operations	228
Other income	106
Expenses	241
Loan losses and write-downs	1
Net operating profit	91
Income to expenses ratio	1.4
Return on equity, % (Imputed taxes due excluded)	13.5

New lending amounted to FIM 1.5 billion during the financial year. Housing loans accounted for slightly less than 54 per cent of the total amount of new loans. The total amount of customer financing grew to FIM 5.4 billion. At the turn of the year, the Bank had about FIM 300 million of guarantee commitments.

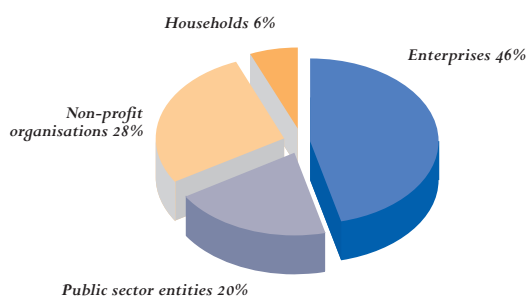
The biggest item in funding was deposits from the public, which amounted to FIM 5.4 billion at the end of the year. The amount of deposits declined somewhat from the previous year's level.

#### Balance sheet, FIM million

Balance sheet, FIM million	1997	1996
Credit stock	5 115	4 913
Non-performing and zero-interest claims	33	40
Equity	544	507
Total assets	6 906	6 710
Capital adequacy ratio, %	12.3	12.9

#### Outlook

The good result for 1997 and Okopankki's strong capital adequacy ratio will lay the foundation for the long-term development of its operations. The forecasts of economic growth, the increase in construction activity and the continuing brisk demand in the housing market together with a net positive flow of people moving into the Greater Helsinki area mean that Okopankki is in a good position to increase its business operations in 1998.



OKO Mortgage Bank's credit stock

## OKO Mortgage Bank Ltd

In the autumn OKO Mortgage Bank Ltd announced its plan for a funding programme in a maximum amount of FIM 1.5 billion that will be directed at the long term bond market. Towards the end of the year three bonds in an aggregate amount of FIM 400 million were issued as part of the programme.

During the year the Bank developed its co-operation with the member banks of the OKOBANK Group and its methods of managing market risks.

OKO Mortgage Bank Ltd had a payroll of 16 people at the end of the year.

### Result and balance sheet trend

OKO Mortgage Bank Ltd's net operating profit increased by FIM 6 million, to FIM 22 million. Total income declined by FIM 7 million, or about 12 per cent compared with the previous year. An upswing in the trend in net income from financial operations nevertheless occurred in the last quarter owing to the change in the structure of refinancing and the fall in costs.

Profit before loan losses and write-downs declined by FIM 4 million from the previous year. The improvement in net operating profit was due to a FIM 15 million drop in write-downs. A write-down of FIM 15 million on one investment was booked in 1996.

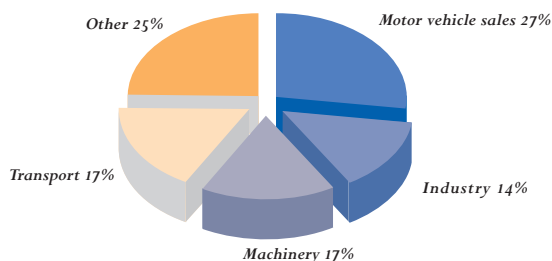
Result, FIM million	1997	1996
Net income from financial operations	40	44
Other income	9	12
Expenses	21	23
Loan losses and write-downs	6	16
Net operating profit	22	16
Income to expenses ratio	2.4	2.4
Return on equity, % (Imputed taxes due excluded)	2.6	3.0

OKO Mortgage Bank Ltd granted FIM 1.3 billion of new loans during the financial year, and the loan portfolio grew by slightly less than FIM 360 million. The Bank issued a total of FIM 850 million of bonds and notes. The amount of negotiable secondary market financing declined by about FIM 530 million from the previous year. The resulting financing need was met by increasing internal financing from OKOBANK Consolidated by more than FIM 800 million.

Balance sheet, FIM million	1997	1996
Credit stock	4 211	3 849
Non-performing and zero-interest claims	42	54
Equity	383	364
Total assets	4 550	4
Capital adequacy ratio, %	22.3	24.9

### Outlook

OKO Mortgage Bank Ltd has favourable earnings prospects in 1998. The strongest growth period for machinery and equipment investments is behind us but the volume of construction investments is rising at a good pace. The reduction in starts of state-supported rental housing will be offset by the step-up in market-financed housing. There will also be increased spending on renovations. The demand for loans by the municipalities will increase now that their finances have become somewhat tighter.



OP-Finance's credit stock

## OP-Finance Ltd

In order to ensure its competitiveness, OP-Finance Ltd developed new products that will be launched in 1998, particularly in the area of working capital financing. The new mode of financing export receivables will help companies as they increasingly go global. The company's OPR Forest Financing is designed to meet the financing needs of forest owners.

OP-Finance Ltd employed 107 people at the close of the financial year.

### Result and balance sheet development

OP-Finance Ltd's net operating profit increased by FIM 8 million on the previous year, reaching FIM 39 million. The company's net income from financial operations did not quite reach the previous year's level, despite the growth of lending. Keener competition put increasing pressure on prices.

The biggest factor that influenced the favourable earnings trend was the drop in loan losses to under a quarter of the 1996 level.

Result, FIM million	1997	1996
Net income from financial operations	77	78
Other income	24	28
Expenses	59	62
Loan losses and write-downs	2	12
Net operating profit	39	31
Income to expenses ratio	1.7	1.7
Return on equity, % (Imputed taxes due excluded)	7.4	6.3

The business operations of all of OP-Finance Ltd's main target groups – the vehicle sales, transport, industry and fields that use work machines – developed favourably during the year. Total credits outstanding grew by about FIM 260 million

during the financial year. Competition was tougher, particularly in vehicle sales financing, because car dealers' own financing companies sought to increase their market shares. Nonetheless, OP-Finance Ltd was able to increase the credit it extended to the vehicle sales, as it did in other areas too.

During the financial year more than half of the remaining temporary holdings of property was disposed of. Non-performing and zero-interest claims fell to FIM 11 million, from FIM 14 million.

OP-Finance Ltd did not issue commercial paper in 1997. Commercial paper financing was replaced by increasing the financing arranged within OKOBANK Consolidated by FIM 2.2 billion.

Balance sheet, FIM million	1997	1996
Credit stock	3 153	2 893
Non-performing and zero-interest claims	11	14
Equity	324	316
Total assets	3 201	2 974
Capital adequacy ratio, %	13.4	14.9

### Outlook

The good overall outlook for the economy bodes well for continuing growth. The current year will nevertheless most likely see tougher competition than before. The changeover to the common European currency will probably increase the offerings of financing provided by foreign industrial and commercial companies since the risks associated with the Finnish markka will be eliminated. Well established co-operation with sellers as well as specific collateral used in financing services will be a key factor of strength for finance companies.

## Opstock Ltd

Opstock Ltd's wholly-owned subsidiary Opstock Securities Ltd was merged with the parent company on June 30, 1997. The purpose of the merger was to concentrate investment service company operations as broadly as possible within one company.

Opstock beefed up its investment research and trading activities. To enhance business operations a decision has been taken to overhaul both the brokerage and portfolio management systems during 1998-99.

Opstock Ltd had a payroll of 45 people at the end of 1997.

### Earnings trend

During the financial year Opstock's income grew by more than 40 per cent, to FIM 82 million. Because of the merger, the aggregate income of the Opstock companies has been used in stating the comparative data. 1997 was a year of record activity on the Helsinki Exchanges, and Opstock Securities's brokerage income exceeded targets. Dealing in derivatives and foreign securities also showed positive development.

The amount of client assets under management by Opstock Asset Management grew by 64 per cent, to FIM 8.7 billion, during the financial year.

<i>Result, FIM million</i>	<i>1997</i>	<i>1996</i>
<i>Total income</i>	<i>82</i>	<i>58</i>
<i>Net operating profit</i>	<i>32</i>	<i>22</i>

### Outlook

The demand for securities brokerage and asset management services as well as securities-based financing arrangements is estimated to grow in the current year, too. It is believed that there will be continued brisk share turnover on the stock exchange. The operating environment for Opstock remains favourable.

## OP-Kotipankki Oy

OP-Kotipankki's net operating profit declined to FIM 11 million, from the previous year's FIM 20 million. Net income from financial operations was FIM 30 million. The amount of commission and fee income grew by 12 per cent and loan losses were cut in half. The biggest factor that weakened the net operating profit was the very heavy outlays that were made on selling Gold Card credits through the service network of the member banks of the OKOBANK Group. The income/expenses ratio fell to 1.4, from 2.1.

OP-Kotipankki's balance sheet shrank to FIM 593 million, from the previous year's 682 million. The Bank's capital adequacy ratio at the end of the year was 15.5 per cent.

OP-Kotipankki had a staff of 24 people at the end of the year.

## OP-Rahastoyhtiö Oy

OP-Rahastoyhtiö Oy had a net operating profit of FIM 4.5 million, up FIM 2 million on the previous year. The company's income came from management fees collected from its mutual funds as well as fees on the subscription and redemption of shares. Income amounted to FIM 21 million, an increase of about 60 per cent on the previous financial year. The growth was attributable to the 85 per cent increase during the year of capital under management by the mutual funds.

OP-Rahastoyhtiö had a payroll of 8 employees at the end of 1997.

## FD Finanssidata Oy

FD Finanssidata's net operating profit was FIM 8 million, or a million less than in the previous year. Turnover was FIM 249 million and total assets were FIM 62 million. The company had a payroll of 250 employees at the end of the year.

During the financial year a new office service system based on new technology and an open architecture was placed in use, as was an Internet-based self-service system that incorporates not only conventional payment services but also securities trading and electronic payment facilities. The company's service based on GSM abbreviated message technology, which was developed for the OKOBANK Group, won the international Smartcard innovation award in September 1997.



## Accounting policies

The annual accounts of OKOBANK and OKOBANK Consolidated have been prepared and presented in accordance with the provisions of the Credit Institution Act and the new regulations issued by the Financial Supervision, which came into force at the beginning of 1997.

### *Extent of the consolidated annual accounts*

The consolidated annual accounts include the information of the accounts of OKOBANK and those companies in which OKOBANK's voting interest is directly or indirectly more than 50 per cent. Associated companies and joint ventures in which OKOBANK Consolidated has a 20–50 per cent holding have been included in the consolidated annual accounts in the manner described in the section Consolidation. Subsidiaries, associated companies and joint ventures whose total assets are less than FIM 60 million and which have a minor effect on OKOBANK Consolidated's financial position and unappropriated equity capital have been omitted from the consolidated annual accounts on the basis of the relevant regulation issued by the Financial Supervision.

The subsidiaries and associated companies included in the consolidated annual accounts are listed in note 36 to the annual accounts, where information will also be found on companies omitted from the consolidated annual accounts.

### *Consolidation*

The annual accounts of those companies belonging to OKOBANK Consolidated, which are credit or financial institutions or service companies as specified by the annual account regulations issued by the Financial Supervision have been consolidated according to the acquisition cost method. New subsidiaries have been consolidated as of the date of acquisition. Subsidiaries whose status as consolidated companies has ceased during the financial year have been included in the profit and loss account up to the transfer of ownership. The acquisition costs of subsidiary shares have been eliminated against the equity capital as per the balance sheets at the time of acquisition. Excess prices of the subsidiary shares arising from the elimination have been partly included in the book values of the attributable assets. The items included are amortised in accordance with the amortisation plan for the asset item. Where it has not been possible to carry out this allocation, these items are stated in the balance sheet under goodwill and are amortised on a straight-line basis over a period of ten years at the most.

The internal transactions, internal distribution of profits and internal receivables and liabilities in the separate accounts of the consolidated companies have been eliminated.

The annual accounts of other subsidiaries and associated companies have been consolidated using the equity method. In

accordance with the method, the Consolidated profit and loss account contains as a separate item an amount, corresponding to OKOBANK Consolidated's holding, of the change in the shareholders' equity of these companies during the financial year as well as a share of the amortisation of the goodwill arising from the acquisition of the company, this also being entered for the financial year.

The acquisition costs of foreign subsidiary shares have been translated into Finnish markka using the Bank of Finland's average rates of exchange on the closing date. The acquisition costs have been hedged by a corresponding debt in the same currency.

### *Items denominated in foreign currency*

Foreign currency-denominated balance sheet items, off-balance sheet items as well as the annual account information concerning foreign subsidiaries and the foreign branch office have been translated into Finnish markka using the average exchange rates of the foreign currencies on the closing date. The foreign exchange rate differences arising from the valuation are included in the profit and loss account item Net income from foreign exchange dealing.

### *Receivables*

A receivable is entered in the balance sheet at the value that was paid for it at the moment of acquisition or at its market value, whichever is lower. The difference between the acquisition cost and the nominal value of the receivable is periodised as interest income and is an increase or decrease in the acquisition cost of the receivable.

### *Debt securities*

Debt securities are divided into debt securities not held as financial fixed assets and those that are held as financial fixed assets. The breakdown is presented in the notes to the annual accounts. Included in the item Other are debt securities which are to be held as financial fixed assets up to their due date. Debt securities held as financial fixed assets are to be held up to their due date. Debt securities not held as financial fixed assets are valued at the acquisition cost, adjusted for the periodised price difference, or the market value on the closing date, whichever is lower. Other debt securities are valued at the acquisition cost, adjusted for the periodised price difference, or the market value in so far as their value on the closing date is permanently lower than their book value.

Gains and losses on debt securities not held as financial fixed assets as well as changes due to write-downs are entered in net income from securities transactions. Write-downs on other debt securities are entered under the item Write-downs on securities held as financial fixed assets. Any reversals of write-downs are entered as a correction to the same item in

the profit and loss account. For the price difference between the acquisition cost and nominal value of OKOBANK's debt securities that are not held as financial fixed assets, the 1997 portion has been calculated, as it was in the previous year, and is included in net income from financial operations. In previous years the price difference was recorded in net income from securities transactions.

#### ***Repurchase and resale agreements concerning debt securities***

The purchase price of securities purchased on irrevocable resale terms has been entered as a receivable in the balance sheet item according to the party to the agreement. The difference between the purchase price and resale price is periodised as interest income for the period of validity of the agreement.

The sale price of securities sold on irrevocable repurchase conditions that has been entered as a liability and the difference between the sale price and repurchase price is booked as interest expense for the period of validity of the agreement. Securities sold under repurchase obligations are included in the original balance sheet item irrespective of the agreement.

#### ***Shares and participations***

Shares are divided into shares not held as financial fixed assets and those which are held as financial fixed assets. The breakdown is presented in the Notes to the Annual Accounts. Treated as shares held as financial fixed assets are shares in subsidiaries and associated companies, other shares acquired for long-term ownership as well as shares and participations which it is necessary for the credit institution to own in order to procure the services it requires.

Shares not held as financial fixed assets are valued at the acquisition cost or the market value on the closing date, whichever is lower. Other shares and participations are valued at the acquisition cost or their market value in so far as their value on the closing date is permanently lower than their book value.

Gains and losses on the sale of shares not held as financial fixed assets as well as changes due to write-downs have been entered in net income from securities transactions. Write-downs on other shares have been entered in the item Write-downs on securities held as financial fixed assets. Reversals on write-downs have been entered as a correction to the same item in the profit and loss account.

#### ***Tangible and intangible assets***

The balance sheet value of tangible and intangible assets is the acquisition cost less planned depreciation and any additional depreciation. In the separate annual accounts of subsidiaries, the accumulated depreciation difference is included in voluntary provisions in the balance sheet. A revaluation made in previous years on one wholly-owned real-estate property is included in the consolidated annual accounts.

The gains and losses on the sale of real-estate properties and real-estate corporations that are in the company's own use are included in extraordinary items. Gains on the sale of shares in real estate and real-estate corporations that are not in own use are entered as Other operating income and the losses on such sales as Other operating expenses. Permanent write-downs on real-estate shares are entered in the item Write-downs on securities held as financial fixed assets. Any reversals of write-downs are booked as a correction to the same item in the profit and loss account.

In accordance with the depreciation principles applied by OKOBANK Consolidated, buildings are depreciated on a straight-line basis over 40 years, EDP equipment over 4–5 years and computer software over 3–5 years. On conventional office machines and equipment as well as vehicles, a 30 per cent annual depreciation entry is made on the carrying value in accordance with the depreciation plan. Leasing assets are depreciated according to the annuity method. An individual depreciation time can be specified for tangible assets that are acquired in used condition. No depreciation is entered for non-wearing tangible assets and revaluations.

On the basis of the relevant regulation issued by the Financial Supervision, a real-estate company that is a subsidiary can omit the entry of depreciation according to plan in its separate annual accounts. The depreciation in the consolidated annual accounts, however, is corrected to conform to the plan.

#### ***Derivative contracts***

Accrued interest on interest rate swaps and the point difference of currency forward contracts have been booked under net income from financial operations, as has the share for the financial year of the income and expenses on interest rate forward contracts which are used to hedge interest-bearing balance sheet items other than those not held as financial fixed assets.

The result for the financial year of a change in the market values of derivative contracts taken out for hedging purposes has been booked under net income from securities transactions, which also includes the valuation result of contracts taken out for trading purposes.

The changes in the valuation of hedging contracts have been treated in a manner corresponding to the change in valuation of balance sheet items that are to be hedged.

On the basis of the Financial Supervision's new financial statement regulation that came into force as from the beginning of 1997, positions were redefined within the parent bank, OKOBANK. Consequently, part of the derivative contracts that were previously treated as taken out for hedging purposes were transferred to non-hedging contracts. At the same time the accounting treatment of uncovered derivative positions was changed so that changes in value are booked to the full amount. Previously only net losses in specific currencies were booked. The redefinition of the position structure and the change in the accounting treatment did not have a material effect on earnings.

Premiums paid on options have been valued at the acquisition cost or the market value, whichever is lower, and income or expenses have been entered in the net income from securities transactions. The change in the FIM countervalue of derivative contracts denominated in foreign currency has nevertheless been entered in net income from foreign exchange transactions.

#### ***Non-performing claims***

In accordance with the relevant regulation of the Financial Supervision, a receivable is considered to be non-performing when its interest or principal, or part of either, is overdue by 90 days. A guarantee receivable is classified as non-performing as soon as the bank has effected the payment on the grounds of the guarantee. The accrued interest on non-performing claims has been cancelled when the claim has been classified as non-performing.

#### ***Loan and guarantee losses***

Loan and guarantee losses comprise irredeemable losses and shortfalls on receivables and guarantee commitments as well as write-downs on assets. Write-downs are entered as specific credit loss provisions when it has become apparent that a payment will not be received for the receivable or to the extent that a repayment is not expected from collateral.

In reporting loan losses, property serving as collateral for the receivable is valued at the estimated realisable market value of the property.

Recoveries on receivables written off in previous years have been reported as a reduction in the loan and guarantee losses.

#### ***Extraordinary items***

Extraordinary income and expenses include such substantial and extraordinary items as are not involved in the ordinary operations of the subsidiaries during the financial year.

#### ***Pension expenditure***

The pension liabilities of the consolidated companies have been covered in full. Coverage of the annual change in the pension liability is included in pension expenditure.

Except for Opstock Ltd, the staff's statutory pension coverage has been arranged through the OKOBANK Group Pension Fund. Supplementary pension benefits have been arranged through the OKOBANK Group Pension Foundation, except for Opstock Ltd and FD Finanssidata Oy. For foreign subsidiaries, local practice has been observed.

#### ***Compulsory provisions***

Entered as compulsory provisions is a provision for such itemisable future expenses as are probable or certain but whose amount and time of occurrence is still uncertain.

#### ***Voluntary provisions and depreciation difference***

The voluntary provisions and depreciation difference in the separate annual accounts of individual consolidated companies include voluntary appropriations, such as loan loss provisions as well as the difference between booked and planned depreciation. In the consolidated balance sheet, voluntary provisions and the depreciation difference are divided, in accordance with the relevant regulation issued by the Financial Supervision, between distributable equity capital and the imputed deferred tax liability, and in the profit and loss account they are booked under the change in provisions and the change in the imputed deferred tax liability. The corporate tax percentage in force at the time of preparing the annual accounts has been used in calculating the imputed deferred tax liability.

## Consolidated financial and share based ratios

### Financial ratios

	1993	1994	1995	1996	1997
Turnover, FIM million	7 083.5	5 057.3	4 648.2	3 747.3	3 563.9
Net operating profit/loss, FIM million	121.4	-152.1	-46.9	230.4	283.3
of turnover, %	1.7	-3.0	-1.0	6.1	7.9
Profit or loss before voluntary provisions and taxes, FIM million	119.8	-175.2	-160.6	223.3	286.5
of turnover, %	1.7	-3.5	-3.5	6.0	8.0
Return on equity (ROE), %					
Imputed taxes due excluded	2.9	-4.7	-1.9	5.8	7.3
Imputed taxes due included		-3.4	-0.4	6.6	7.0
Return on assets (ROA), %					
Imputed taxes due excluded	0.16	-0.25	-0.10	0.31	0.41
Imputed taxes due included		-0.17	-0.02	0.34	0.38
Equity/total assets ratio, %					
Imputed taxes due excluded	5.1	5.3	5.3	5.2	6.0
Imputed taxes due included		5.1	5.2	5.1	5.8
Average staff number	1 490	1 475	1 362	1 299	1 368
Income/expenses ratio	1.59	1.28	1.33	1.43	1.29

### Share based ratios

	1993	1994	1995	1996	1997
Earnings per share (EPS), FIM					
Imputed taxes due excluded	4.72	-8.35	-3.34	7.98	9.81
Imputed taxes due included		-6.06	-1.04	8.79	9.25*
Equity per share, FIM					
Imputed taxes due excluded	162.83	154.61	144.86	133.32	141.45
Imputed taxes due included		148.67	140.78	130.16	137.84
Dividend per share, FIM	–	–	–	1.68	4.19**
Dividend payout ratio, %	–	–	–	16.0	32.6
Effective dividend yield, % (OKOBANK Series A)	–	–	–	3.2	5.2
Price/earnings ratio (P/E)					
Imputed taxes due excluded	10.9	neg.	neg.	8.0	8.8
Imputed taxes due included		neg.	neg.	7.2	9.3
Share price performance (OKOBANK Series A)					
Average price, FIM	47.85	62.35	35.95	51.26	78.87
Lowest price, FIM	34.00	44.60	27.50	30.00	61.00
Highest price, FIM	58.00	86.00	53.00	66.00	94.00
Price at Dec. 31, 1997, FIM	51.50	54.00	41.50	63.50	86.40
Market capitalisation (OKOBANK Series A), FIM million	415.1	435.3	334.5	511.9	705.1
Movements in share turnover (OKOBANK Series A), in thousands	966.0	2 399.9	1 550.0	2 991.6	4 643.9
% of total share stock	12.0	29.8	19.2	37.1	57.5
Number of shares (all Series)					
Average during the financial year	21 955 200	21 955 200	21 955 200	21 955 200	21 970 760
At the end of the financial year	21 955 200	21 955 200	21 955 200	21 955 200	22 055 000

Key ratios for 1994–1997 have been calculated in accordance with both the new regulations of the Financial Supervision, in force as from the beginning of 1997, and those in force previously. Ratios for 1993 have not been adjusted, irrespective of the turnover.

\* By noting option loan adjustments FIM 8.66.

\*\* Executive Boards proposal: FIM 4.50 on the Series A share and FIM 4.00 on Series K share.

The calculation of ratios is presented on page 46.

## Consolidated profit and loss account

FIM million	January 1 to December 31, 1997		January 1 to December 31, 1996	
Interest income				
Claims on credit institutions and central banks	581		479	
Claims on the public and public sector entities	1 062		1 036	
Debt securities	686		1 004	
Other interest income	<u>107</u>	2 436	<u>-68</u>	2 451
Net leasing income		28		37
Interest expenses				
Liabilities to credit institutions and central banks	368		426	
Liabilities to the public and public sector entities	219		228	
Debt securities issued to the public	812		1 103	
Subordinated liabilities	249		226	
Capital investments	-		1	
Other interest expenses	<u>217</u>	-1 866	<u>14</u>	-1 999
<b>Net income from financial operations</b>		<b>598</b>		<b>490</b>
Dividend income		21		17
Commission income		385		393
Commission expenses		-75		-51
Net income from securities transactions and foreign exchange dealing				
Net income from securities transactions				
Debt securities	19		159	
Shares and participations	40		83	
Other	<u>41</u>	100	<u>24</u>	266
Net income from foreign exchange dealing		<u>36</u>	137	<u>24</u>
Other operating income		419		416
Administrative expenses				
Staff costs				
Wages and salaries	258		247	
Pension costs	37		33	
Other social security costs	25		24	
Other staff-related costs	<u>14</u>	335	<u>17</u>	322
Other administrative expenses		<u>272</u>	-607	<u>209</u>
Depreciation		-150		-176
Other operating expenses		-372		-365
Loan and guarantee losses		-59		-171
Write-downs on securities held as financial fixed assets		-17		-88
Share of profit/loss of companies included in the consolidated accounts using the equity method		<u>4</u>		<u>7</u>
<b>Net operating profit</b>		<b>283</b>		<b>230</b>
Extraordinary income		4		4
Extraordinary expenses		<u>0</u>		<u>-11</u>
<b>Profit before appropriations and taxes</b>		<b>287</b>		<b>223</b>
Change in voluntary provisions and depreciation difference		-32		29
Direct taxes				
Taxes for the financial year and previous financial years				
Change in imputed taxes due		-59		-48
Share of profit/loss for the financial year attributable to minority interests		<u>-12</u>	-71	<u>17</u>
<b>Profit for the financial year</b>		<b><u>175</u></b>		<b><u>215</u></b>

## Consolidated balance sheet

<i>Assets</i>	December 31, 1997		December 31, 1996	
FIM million				
Liquid assets				
Cash in hand		103		111
Claims on central banks repayable on demand		<u>1 035</u>	1 137	<u>2</u> 113
Claims on credit institutions and central banks				
Claims on central banks other than those repayable on demand		109		114
Claims on credit institutions				
Repayable on demand	350		406	
Other	<u>13 443</u>	<u>13 793</u>	13 902	<u>15 988</u> 16 394 16 508
Claims on the public and public sector entities			18 852	18 849
Leasing assets			620	614
Debt securities				
Claims on public sector entities		5 497		4 943
Other		<u>8 022</u>	13 519	<u>9 604</u> 14 547
Shares and participations			490	536
Shares and participations in associated companies and subsidiaries				
Credit institutions		—		—
Other		<u>259</u>	259	<u>252</u> 252
Intangible assets				
Consolidated goodwill		4		6
Other intangible assets		<u>109</u>	113	<u>85</u> 91
Tangible assets				
Land and buildings				
In own use	533		783	
Other	<u>645</u>	1 178	<u>548</u>	1 331
Shares and participations in real estate corporations				
In own use	162		150	
Other	<u>268</u>	430	<u>292</u>	443
Machinery and equipment		71		66
Other tangible assets		<u>70</u>	1 749	<u>76</u> 1 915
Other assets				
Cash items in the process of collection		108		490
Guarantee claims		212		217
Other		<u>242</u>	561	<u>730</u> 1 437
Accrued income and prepayments				
Interest		1 834		2 098
Other		<u>58</u>	1 893	<u>343</u> 2 441
			<u><u>53 095</u></u>	<u><u>57 304</u></u>



## Consolidated key figures

FIM million

<i>Profit and loss accounts</i>	1993	1994	1995	1996	1997
Net income from financial operations	588	726	568	490	598
Other income	1 197	836	870	1 116	961
Other expenses	980	1 038	928	947	1 053
Depreciation	140	178	150	176	150
Loan and guarantee losses	452	462	376	171	59
Write-downs on securities held as financial fixed assets	91	36	34	88	17
Share of profit/loss of companies included in the consolidated accounts using the equity method			3	7	4
Net operating profit/loss	121	-152	-47	230	283
Extraordinary items	-2	-23	-114	-7	3
Profit/loss before appropriations and taxes	120	-175	-161	223	287
Increase (-) or decrease (+) in provisions	-131	153	154	29	-32
Direct taxes	-15	-10	-17	-48	-59
Increase (-) or decrease (+) in imputed taxes due		50	51	18	-12
Minority interests	-5	-14	-9	-7	-9
Profit/loss for the financial year	-30	4	18	215	175

<i>Balance sheets</i>	1993	1994	1995	1996	1997
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### *Assets*

Claims on credit institutions and central banks	14 743	17 538	12 073	16 508	13 902
Claims on the public and public sector entities	21 637	18 453	15 852	18 849	18 852
Debt securities	23 719	20 977	25 145	14 547	13 519
Shares and participations	224	584	510	788	748
Intangible and tangible assets	2 526	2 172	1 995	2 007	1 862
Other assets	8 366	5 336	5 312	4 606	4 212
Total	71 214	65 058	60 887	57 304	53 095

### *Liabilities*

Liabilities to credit institutions and central banks	19 341	19 502	20 047	18 499	17 015
Liabilities to the public and public sector entities	6 723	5 644	9 850	10 081	9 030
Debt securities issued to the public	34 676	27 852	18 183	16 284	15 754
Subordinated liabilities	1 627	2 900	2 865	3 071	3 961
Other liabilities	5 190	5 698	6 693	6 383	4 162
Voluntary provisions and depreciation difference	681				
Imputed taxes due		122	80	63	75
Minority interests	82	76	77	66	58
Equity capital	2 894	3 264	3 091	2 858	3 040
Total	71 214	65 058	60 887	57 304	53 095

Voluntary provisions for 1993 are not broken down into equity capital and imputed taxes due. Share of profit/loss of associated companies has been reported for 1995–1997. In 1993 and 1994 their effect was insignificant. Otherwise, the figures have been adjusted to correspond to the new regulations of the Financial Supervision in force as from the beginning of 1997.



## OKOBANK profit and loss account

FIM million	January 1 to December 31, 1997		January 1 to December 31, 1996	
Interest income				
Claims on credit institutions and central banks	658		495	
Claims on the public and public sector entities	318		444	
Debt securities	697		1 023	
Other interest income	99	1 772	-71	1 892
Interest expenses				
Liabilities to credit institutions and central banks	371		430	
Liabilities to the public and public sector entities	118		166	
Debt securities issued to the public	548		760	
Subordinated liabilities	240		208	
Capital investments	-		1	
Other interest expenses	217	-1 494	16	-1 582
<b>Net income from financial operations</b>		<b>278</b>		<b>309</b>
Dividend income		123		67
Commission income		171		280
Commission expenses		-33		-29
Net income from securities transactions and foreign exchange dealing				
Net income from securities transactions				
Debt securities	18		157	
Shares and participations	39		78	
Other	41	98	24	259
Net income from foreign exchange dealing		35	133	24
Other operating income		230		285
Administrative expenses				
Staff costs				
Wages and salaries	99		126	
Pension costs	14		16	
Social security costs	11		12	
Other staff-related costs	8	131	13	167
Other administrative expenses		104		101
Depreciation		-45		-69
Other operating expenses		-347		-402
Loan and guarantee losses		-47		-153
Write-downs on securities held as financial fixed assets		-52		-211
<b>Net operating profit</b>		<b>176</b>		<b>92</b>
Extraordinary income		3		40
Extraordinary expenses		0		-11
<b>Profit before appropriations and taxes</b>		<b>179</b>		<b>122</b>
Change in voluntary provisions and depreciation difference				
Change in fund for general banking risks		-41		85
Change in difference between recorded and planned depreciation		7	-34	2
Direct taxes		-37		-42
<b>Profit for the financial year</b>		<b>109</b>		<b>166</b>

## OKOBANK balance sheet

<i>Assets</i>	December 31, 1997		December 31, 1996	
FIM million				
Liquid assets				
Cash in hand		5		5
Claims on central banks repayable on demand	1 035	1 040	2	7
Claims on credit institutions and central banks				
Claims on central banks other than those repayable on demand		—		—
Claims on credit institutions				
Repayable on demand	699		657	
Other	16 909	17 608	16 354	17 011
17 608		17 608		17 011
Claims on the public and public sector entities		6 818		7 821
Debt securities				
On public sector entities		5 064		5 778
Other	8 209	13 273	8 571	14 349
Shares and participations		446		495
Shares and participations in the associated companies of the consolidated companies				
Credit institutions		—		—
Other	247	247	43	43
Shares and participations in consolidated companies				
Credit institutions		986		994
Other	51	1 037	243	1 237
Intangible assets		69		38
Tangible assets				
Land and buildings				
In own use		6		6
Other	5	11	2	9
Shares and participations in real estate corporations				
In own use		314		360
Other	401	715	366	726
Machinery and equipment		17		22
Other tangible assets	51	794	63	820
Other assets				
Cash items in the process of collection		107		488
Guarantee claims		212		215
Other	310	629	791	1 494
Accrued income and prepayments				
Interest		1 743		1 971
Other	51	1 795	338	2 309
		<u>43 756</u>		<u>45 625</u>

<b>Liabilities</b>	December 31, 1997			December 31, 1996		
FIM million						
Liabilities						
Liabilities to credit institutions and central banks						
Central banks	2			3 116		
Credit institutions						
Repayable on demand	2 562			2 234		
Other	14 910	17 472	17 474	13 708	15 942	19 058
Liabilities to the public and public sector entities						
Deposits						
Repayable on demand	1 887			2 250		
Other	767	2 654		629	2 878	
Other liabilities	346			992		
3 000						
Debt securities issued to the public						
Bonds	337			957		
Other	12 413	12 751		10 061	11 018	
Other liabilities						
Cash items in the process of collection	1 645			1 601		
Other liabilities	729	2 375		2 236	3 838	
Accrued expenses and deferred income						
Interest	1 481			1 969		
Other	115	1 596		400	2 369	
Compulsory provisions						
	7			52		
Voluntary provisions and depreciation difference						
Fund for general banking risks	51			11		
Accumulated difference between recorded and planned depreciation	10	62		17	28	
Subordinated liabilities						
	3 941			2 922		
Equity capital						
Restricted equity						
Share capital	1 103			1 098		
Reserve fund	975	2 078		973	2 071	
Distributable equity						
Profit brought forward	364			234		
Profit for the financial year	109	472	2 551	166	401	2 471
	<u>43 756</u>			<u>45 625</u>		
<b>Off balance sheet commitments</b>						
Commitments given to a third party on behalf of a customer						
Bills of exchange	—			—		
Guarantees and pledges	5 887			8 101		
Irrevocable commitments given in favour of a customer	1 566			1 922		
Total	7 454			10 023		

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FIM million

1) Debt securities (under assets) and debt securities issued to the public (under liabilities) by type of instrument

	Consolidated		OKOBANK	
	1997	1996	1997	1996
<b>Assets</b>				
Certificates of deposit	7 020	5 429	6 567	5 429
Commercial paper	—	—	—	51
Treasury bills	2 166	1 670	1 915	1 650
Local authority paper	5	5	—	—
Subordinated debt securities	327	290	321	286
Convertible bonds	41	45	41	45
Bonds with equity warrants	—	—	—	—
Other bonds	3 948	5 599	4 428	5 986
Other	12	1 509	—	903
<b>Total</b>	<b>13 519</b>	<b>14 547</b>	<b>13 273</b>	<b>14 349</b>
<b>Liabilities</b>				
Certificates of deposit	12 085	9 091	11 865	9 070
Bonds	3 095	4 160	337	957
Other	574	3 033	549	991
<b>Total</b>	<b>15 754</b>	<b>16 284</b>	<b>12 751</b>	<b>11 018</b>

2) Maturity breakdown of claims and liabilities by balance sheet item

According to the remaining maturity	3 months or less	3 months to 1 year	1 to 5 years	over 5 years
<i>Consolidated</i>				
Claims on credit institutions and central banks	7 153	4 818	363	1 568
Claims on the public and public sector entities	2 480	3 353	9 791	3 228
Debt securities	7 428	3 974	1 464	653
<b>Liabilities to credit institutions and central banks</b>	<b>15 159</b>	<b>1 780</b>	<b>77</b>	<b>—</b>
<b>Liabilities to the public and public sector entities</b>	<b>8 507</b>	<b>184</b>	<b>339</b>	<b>0</b>
<b>Debt securities issued to the public</b>	<b>4 577</b>	<b>8 479</b>	<b>2 558</b>	<b>140</b>
<i>OKOBANK</i>				
Claims on credit institutions and central banks	9 786	5 492	742	1 588
Claims on the public and public sector entities	1 288	1 055	3 616	860
Debt securities	7 158	3 532	1 376	1 207
<b>Liabilities to credit institutions and central banks</b>	<b>15 668</b>	<b>1 732</b>	<b>75</b>	<b>—</b>
<b>Liabilities to the public and public sector entities</b>	<b>2 922</b>	<b>21</b>	<b>57</b>	<b>0</b>
<b>Debt securities issued to the public</b>	<b>3 995</b>	<b>7 954</b>	<b>793</b>	<b>9</b>

OKOBANK's or OKOBANK Consolidated's claims on the public and public sector entities did not include claims repayable on demand on December 31, 1997. Other than fixed term deposits have been reported in the category 3 months or less.

3) Assets and liabilities denominated in domestic and foreign currency

	Consolidated		OKOBANK	
	FIM	Foreign	FIM	Foreign
<b>Claims on credit institutions and central banks</b>	<b>7 941</b>	<b>5 961</b>	<b>11 638</b>	<b>5 970</b>
<b>Claims on the public and public sector entities</b>	<b>16 967</b>	<b>1 885</b>	<b>4 866</b>	<b>1 952</b>
<b>Debt securities</b>	<b>12 705</b>	<b>815</b>	<b>12 616</b>	<b>657</b>
<b>Other assets</b>	<b>6 044</b>	<b>778</b>	<b>5 232</b>	<b>825</b>
<b>Total assets</b>	<b>43 657</b>	<b>9 438</b>	<b>34 352</b>	<b>9 403</b>
<b>Liabilities to credit institutions and central banks</b>	<b>15 472</b>	<b>1 543</b>	<b>15 855</b>	<b>1 619</b>
<b>Liabilities to the public and public sector entities</b>	<b>7 965</b>	<b>1 066</b>	<b>1 953</b>	<b>1 047</b>
<b>Debt securities issued to the public</b>	<b>15 216</b>	<b>538</b>	<b>12 213</b>	<b>538</b>
<b>Subordinated liabilities</b>	<b>434</b>	<b>3 528</b>	<b>414</b>	<b>3 528</b>
<b>Other liabilities</b>	<b>3 244</b>	<b>992</b>	<b>2 998</b>	<b>979</b>
<b>Total liabilities</b>	<b>42 330</b>	<b>7 667</b>	<b>33 432</b>	<b>7 711</b>

4) Lending broken down by sectors and specific loan loss provisions

Claims on the public and public sector entities by sectors	Consolidated		OKOBANK	
	1997	1996	1997	1996
Enterprises	10 445	10 111	5 435	5 691
Financial institutions	335	428	351	413
Public entities	1 124	1 284	192	354
Non-profit institutions	1 614	1 736	204	502
Households	4 938	4 781	59	90
Foreign	395	510	578	771
<b>Total</b>	<b>18 852</b>	<b>18 849</b>	<b>6 819</b>	<b>7 821</b>
<b>Specific loan loss provisions made in respect of claims on the public and public sector entities</b>	<b>Consolidated</b>		<b>OKOBANK</b>	
Specific loan loss provisions at the beginning of the financial year			274	222
+ new provisions made during the financial year			50	40
– provisions reversed during the financial year			-8	-5
– actual loan losses during the financial year, for which specific loan loss provisions have previously been made			-14	-12
<b>Specific loan loss provisions at the end of the financial year</b>			<b>302</b>	<b>246</b>

Specific loan loss provisions have not been reported for 1993 and for previous years.

5) *Difference between the nominal value and the purchase price of debt securities and other assets held as financial fixed assets*

The consolidated figures have been reported without eliminations.	Consolidated		OKOBANK	
	1997	1996	1997	1996
Total amount of differences between the nominal value and the lower book value	46	19	44	16
Total amount of differences between the book value and the lower nominal value	9	13	0	0

6) *Non-performing and other zero-interest claims*

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Enterprises	89	253	59	183
Financial institutions	0	0	–	–
Public entities	–	–	–	–
Non-profit institutions	1	1	–	–
Households	53	84	15	36
Foreign	46	64	46	64
Total	189	403	120	283

7) *Subordinated claims*

Balance sheet item	Consolidated		OKOBANK	
	1997	1996	1997	1996
Claims on the public and public sector entities	27	21	26	16
Debt securities	327	290	321	286
Total	354	311	347	301
of which on consolidated companies and on associated companies	–	–	0	0
	5	16	5	16

8) *Loans and guarantees received by members of administrative and supervisory bodies*

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Members and deputy members of the Supervisory Board	2	3	–	–
Members and deputy members of the Executive Board and the managing director	8	7	–	–
Auditors and firm of auditors	0	0	–	–
Total	10	10	–	–

9) *Leasing assets, itemised*

	Consolidated	
	1997	1996
Prepayments	25	90
Machinery and equipment	484	475
Fixed assets and buildings	110	46
Other assets	2	3
Total	620	614

10) *Securities by type of asset, broken down into quoted and other securities, and lent or borrowed securities*

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Debt securities				
Not held as financial fixed assets	9 930	11 319	9 282	11 374
Other	3 589	3 228	3 991	2 976
Total	13 519	14 547	13 273	14 349
Shares and participations				
Not held as financial fixed assets				
Quoted securities	208	246	207	246
Other	3	4	–	–
Other				
Quoted securities	2	2	0	0
Other	276	285	239	249
Total	490	536	446	495

Principles applied in the breakdown of different types of assets and in their valuation have been disclosed in the Accounting policies of the annual report.

At the end of 1997 OKOBANK Consolidated and OKOBANK did not have lent or borrowed securities.

11) *The aggregate difference between the market values and the book values of securities*

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Debt securities not held as financial fixed assets	14	36	14	36
Quoted shares and participations				
Not held as financial fixed assets	47	45	47	45
Other	5	3	5	3

## 12) Long-term shareholdings, itemised

Name, domicile and operations of the company	Consolidated				OKOBANK			
	Number of shares owned	% of all shares	Number of shares owned		Number of shares owned	% of all shares	Number of shares owned	
			Nominal value	Book value			Nominal value	Book value
Realinvest Oy, Helsinki, real estate services	6 533 333	19.0	163	163	6 533 333	19.0	163	163
OKOBANK Group Mutual Insurance Company, Helsinki, insurance	564 090	18.8	57	57	327 510	10.9	33	33
HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House	668 159	6.7	7	9	570 559	5.7	6	8
Luottokunta, Helsinki, financing operations	11 600	18.3	6	6	11 600	18.3	6	6
Suomen Arvopaperikeskus Oy, Helsinki, financing operations	2 700	6.0	3	5	2 700	6.0	3	5
Rahakontti Oy, Helsinki, financing operations	4 800	7.1	5	5	4 800	7.1	5	5
Eurocard Oy, Helsinki, financing operations	3 818	10.1	4	4	3 818	10.1	4	4
Sanoma Oy, Helsinki, communication	252	0.1	0	3	252	0.1	0	3
Itäkeskuksen Pysäköintitalo Oy, Helsinki, parking house company	71	15.0	0	3				
Radiolinja Oy, Helsinki, telecommunications	411	0.8	2	2	411	0.8	2	2
Euro Audaces S.A, Luxemburg, investment operations	25	0.3	2	1				
DG European Securities Corporation, USA, financing operations	7 121	3.4	0	1	7 121	3.4	0	1
Innopoli Oy, Espoo, research and development	16 667	2.4	2	1	16 667	2.4	2	1
Golf Exclusive Oy, Sipoo, sport activities	94	6.7	0	1	94	6.7	0	1
Central Share Register of Finland Co-operative, Espoo, operations of central share register	15	3.6	1	1	15	3.6	1	1
Järjestöjen Tietotekniikka JTT Oy, Helsinki, EDP-services	1 000	12	0	1	1 000	12	0	1
Suomen Asiakastieto Oy, Helsinki, status report services	12 006	16.1	2	1	12 006	16.1	2	1
TP-Salkku Oy, Helsinki, collection of charges services	2 500	16.7	2	0				

In addition, OKOBANK Consolidated had long-term shareholdings in 48 companies. The nominal and book values of these shares was less than FIM one million and the total book value stood at FIM 6.1 million. OKOBANK had corresponding holdings in 38 companies and their total book value was FIM 4 million.

## 13) Increases and decreases in securities held as financial fixed assets and in tangible and intangible assets

	Shares and participations excluding shares and participations in real estate corporations		Land and buildings in own use, plus shares and participations in real estate corporations		Land and buildings not in own use, plus shares and participations in real estate corporations		Machinery, equipment and other tangible and intangible assets not previously mentioned	
	Consolidated	OKOBANK	Consolidated	OKOBANK	Consolidated	OKOBANK	Consolidated	OKOBANK
Book value at the beginning of the financial year	538	1 530	909	356	864	378	233	124
+ increases in purchase prices during the year	9	14	6	20	18	38	129	82
- decreases in purchase prices during the year	-11	-21	-1	-1	-121	-22	-25	-23
- depreciations and write-downs for the financial year	-	-	-20	-20	-46	-25	-84	-45
+ revaluations for the financial year	-	-	-	-	-	-	-	-
- reversing items for revaluations for the financial year	-	-	-	-	-	-	-	-
Transfers between different types of assets	-	-	-199	-36	199	36	-	-
Book value at the end of the financial year	537	1 524	695	320	914	405	254	138

In the consolidated accounts, a FIM 150 million revaluation is included in buildings not in own use.

#### 14) Real-estate holdings, itemised

##### 14 a) The principles and methods used in valuing shares and participations in properties and real-estate corporations that are not in own use

Real estate and shares in real-estate corporations that are not in own use are appraised once a year. The value can be checked more often if there is a special reason for doing so. The yield value method has been used mainly for the values of commercial, office and industrial properties. The sale value method is mainly used for appraisals of land, water and forest areas as well as residential units and condominiums. The book value of real estate properties that were not in own use as well as of shares and participations in properties and real-estate corporations was based on an appraisal carried out using the 86% yield value method and the 14% sale value method.

In determining the percentage net yield requirement, account has been taken of the location of the property, its usage purpose and special features as well as any appreciation expectations.

In booking write-downs, criteria concerning the permanence and substantive nature of the write-down have been applied.

In addition to the main principles, arriving at a valuation involves taking into account the special features of each property, also making use of published real-estate statistics and forecasts.

The valuation principles have not changed compared with the previous financial year.

##### 14 b) The book value of shares and participations in properties and real-estate corporations that are not in own use, itemised by type of property, as well as the total amount of credits and guarantees granted to real-estate corporations which are subsidiaries or associated companies but have not been consolidated in the annual accounts.

The data are consolidated data, because OKOBANK prepares consolidated annual accounts.

Type of property	Book value		Proportion of non-yielding properties*)	
	Properties	Shares and participations	FIM million	%
Residential units and condominiums	0	13	0	3
Commercial and office properties	570	215	3	0
Industrial properties	–	26	11	41
Land, water and forest areas (not built up)	5	13	13	73
Uncompleted buildings	–	–	–	–
Financial leasing real estate	28	82	–	–
Other domestic real estate	–	1	1	95
Foreign real estate	70	–	–	–
Real estate, total	673	350	28	4

Loans and guarantees granted to real-estate corporations	
To subsidiaries	171
To associated companies	147

Portions of debt outstanding connected with shares and participations in real-estate corporations	
	227

\*) Non-yielding properties mean land areas and buildings which at the balance sheet date are unleased, as well as shares and participations in real-estate corporations, which shares entitle their holders to the possession of premises which at the close of the accounting period were unleased and for which rental income has not been received for the three months immediately preceding the closing date of the annual accounts.

##### 14 c) Major changes in the structure of real-estate holdings as well as major risks connected with real-estate holdings

The building owned by Kiinteistö Oy Arkadiankatu 23, which had a book value of FIM 205 million as at December 31, 1997, was for the most part (83% of the book value) transferred during the financial year from OKOBANK Consolidated's own use, becoming a leasable property.

OKOBANK Consolidated's real-estate holdings did not involve major risks.

##### 15) Assets serving as collateral security for unpaid claims and assets acquired for the reorganisation of clients' business operations

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Assets acquired as security for claims				
Real estate and shares and participations in real estate corporations	87	187	–	–
Other shares and participations	3	3	–	–
Other assets	0	0	–	–
Total	90	191	–	–

##### 16) Assets pledged as collateral on own behalf and on behalf of third parties, plus the liabilities and commitments for which the collateral has been pledged as well as assets sold on binding repurchase terms

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Assets pledged as collateral				
Claims on credit institutions and central banks	121	–	–	–
Debt securities	8 471	4 237	8 323	3 974
Liability items for which the pledge or mortgage has been given				
Liabilities to credit institutions and central banks	2	869	2	807
Debt securities issued to the public	159	250	9	–
Other liabilities	0	0	–	–
Off-balance sheet commitments	84	16	21	16
Assets which have been sold on binding repurchase terms	–	2 557	–	2 557

##### 17) Difference between the nominal value and the book value of liabilities by balance sheet item

	Consolidated		OKOBANK	
	1997	1996	1997	1996
The consolidated figures have been reported without eliminations.				
Book value higher than nominal value				
Liabilities to credit institutions and central banks	22	11	22	11
Debt securities issued to the public	182	101	177	105
Subordinated liabilities	2	2	2	2
Total	205	114	201	117

Nominal value lower than book value				
Debt securities issued to the public	6	9	0	1



**18) Convertible bonds and bonds with equity warrants issued by credit institution**

Bonds with warrants issued by OKOBANK

Option loan issued in 1994 to Government Security Fund

Outstanding amount, FIM	–
Date of conversion	April 11, 1994 – December 31, 1998
Number of outstanding bonds with equity warrants	100 000
Type of shares to be acquired upon conversion	OKOBANK Series A
Number of shares to be acquired upon conversion	1 500 000
Subscription price/share	FIM 50

Authorisations granted to the Supervisory Board: In 1997 the following authorisations, granted by the Annual General Meetings on March 26, 1996 and on May 27, 1997 have been in effect: to decide on increasing the share capital through a rights issue and/or the issuance of convertible bonds, and bonds with equity warrants or the taking of a capital investment. On the basis of both authorisations, the share capital can be increased by a maximum amount of FIM 200 000 000. The first-mentioned authorisation was in effect up to March 26, 1997 and the latter authorisation will be in effect up to May 27, 1998. The Supervisory Board did not make use of the above-mentioned authorisations in 1997.

**19) Subordinated liabilities**

*19 a) Liabilities with a book value equivalent to more than 10 per cent of the total amount of subordinated liabilities.*

USD 150 million (FIM 813 million equivalent) perpetual bonds. The interest rate was 7.31% on December 31, 1997. With the prior consent of the Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after September 1999, on giving advance notice as stated in the terms and conditions.

USD 135 million (FIM 732 million equivalent) perpetual bonds. The interest rate was 6.41% on December 31, 1997. With the prior consent of the Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after September 2002, on giving advance notice as stated in the terms and conditions.

USD 100 million (FIM 542 million equivalent) perpetual bonds. The interest rate was 7.20% on December 31, 1997. With the prior consent of the Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after October 1999, on giving advance notice as stated in the terms and conditions.

USD 100 million (FIM 542 million equivalent) subordinated bonds. The interest rate was 6.23% on December 31, 1997. The bonds shall mature in May 2006. With the prior consent of the Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after May 2001, on giving advance notice as stated in the terms and conditions.

The above-mentioned liabilities are debenture loans which are subordinated to OKOBANK's other commitments. The bonds are not equity-linked.

*19 b) Subordinated liabilities other than those mentioned above*

The total FIM equivalent of the liabilities in consolidated accounts was FIM 1 332 million and that in OKOBANK's accounts FIM 1 312 million. Creditors do not have a put option. No perpetuals are included in these liabilities and they were not targeted at consolidated or associated companies.

**20) Increases and decreases in equity capital during the financial year, itemised**

	Book value at the beginning of the financial year	Increases for the financial year	Decreases for the financial year	Book value at the end of the financial year
<i>Consolidated</i>				
Share capital	1 098	5		1 103
Reserve fund	1 211	3	0	1 213
Revaluation reserve	150			150
Restricted equity, total	2 459	8	0	2 466
Profit/loss brought forward	242	8	-41	208
Proportion of voluntary provisions and depreciation difference transferred to equity capital	157	34		191
Profit for the financial year				175
Distributable equity, total	399	42	-41	574
Equity capital, total	2 858	49	-41	3 040
<i>OKOBANK</i>				
Share capital	1 098	5		1 103
Reserve fund	973	3		975
Restricted equity, total	2 071	8		2 078
Profit brought forward	401		-37	364
Profit for the financial year				109
Distributable equity, total	401		-37	473
Equity capital, total	2 471	8	-37	2 551

### 21) Income by field of activity and geographical market

Income refers to the total for the profit and loss account items Net income from financial operations, Dividend income, Commission income, Net income from securities transactions and foreign exchange dealing, and Other operating income. Income has been reported without eliminations.

	Income by field of activity		Staff in average	
	1997	1996	1997	1996
Banking	1 319	1 374	938	838
Mortgage banking	50	56	15	15
Finance company operations	101	123	112	134
Investment firm operations	85	61	42	37
Mutual fund operations	22	14	8	6
Other	336	449	254	255
Total	1 912	2 077	1 368	1 285

	Income by geographical market		Staff in average	
	1997	1996	1997	1996
Finland	1 859	1 939	1 344	1 238
Sweden	50	119	23	28
Great Britain		16		19
Cayman Islands	3	3	–	–
Total	1 912	2 077	1 368	1 285

### 22) Net income from leasing operations, itemised

OKOBANK does not carry on leasing operations. According to the regulations of the Financial Supervision, consolidated leasing operations are not reported in the notes to the accounts.

### 23) Other operating income and expenses, itemised

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Rental and dividend income from real estate and real estate corporations	103	101	116	112
Capital gains from the sale of shares and participations in real estate and real estate corporations not in own use	27	4	27	4
Other income	289	311	87	170
Total	419	416	230	285
Rental expenses	12	8	4	5
Expenses from real estate and real estate corporations	101	93	165	160
Capital losses from the sale of shares and participations in real estate and real estate corporations	12	9	3	9
Other expenses	247	255	175	228
Total	372	365	347	402

### 24) Loan and guarantee losses plus write-downs in respect of securities held as financial fixed assets, itemised

	Consolidated		OKOBANK	
	Loan losses, gross	Deductions	Loan losses, gross	Deductions
In respect of claims on the public and public sector entities	73	-43	56	-35
In respect of claims on credit institutions and central banks	–	–	–	–
In respect of leasing assets	–	–	–	–
In respect of guarantees and other off-balance sheet items	53	-31	53	-31
In respect of other items	7	-1	4	0
Total	133	-75	113	-66

(Profit and loss account item Loan and guarantee losses)

In respect of debt securities held as financial fixed assets	8	-1	8	-1
--	---	----	---	----

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Breakdown of loan and guarantee losses				
+ Actual loan losses during the financial year, total		61		47
– Actual loan losses during the financial year for which a specific loan loss provision has previously been made		-46		-42
– Recoveries in respect of actual loan losses during previous financial years		-24		-18
+ Specific loan loss provisions made during the financial year		75		66
– Reversals of specific loan loss provisions during the financial year		-7		-6
Loan and guarantee losses entered in the annual accounts		59		47

The principles according to which the collateral for loans was valued when loan losses were entered are shown in the Accounting principles of the annual report.

### 25) Emoluments received by members of the administrative and supervisory bodies and pension commitments that will be incurred or that have been made regarding them

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Emoluments				
25a) Members and deputy members of the Supervisory Board	0.4	0.5	0.3	0.3
25b) Members and deputy members of the Executive Board and managing director	8.0	9.4	4,5	6.9

No pension commitments have been made in respect of members of the administrative and supervisory bodies. No emoluments which depend on OKOBANK's financial performance have been paid.

## 26) Off-balance sheet commitments, itemised

Off-balance sheet commitments (derivative commitments excluded) which are equivalent to more than 10 per cent of the total amount of off-balance sheet commitments

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Guarantees	4 448	6 569	4 321	6 448
Guarantee commitments	1 332	1 012	1 342	1 023
Unused standby facilities	3 017	2 538	1 520	1 095

Contingent liabilities				
on behalf of consolidated companies	—	—	465	332
on behalf of associated companies	—	—	—	—

### Derivative commitments

Values of the underlying instruments	Consolidated		OKOBANK	
	For hedging purposes	Other	For hedging purposes	Other
Interest rate derivatives				
Futures and forwards	—	303 483	—	303 483
Options				
Purchased	—	—	—	—
Written	—	—	—	—
Interest rate swaps	5 540	47 970	5 494	49 963
Currency derivatives				
Futures and forwards	45 608	—	45 610	—
Options				
Purchased	—	595	—	595
Written	—	991	—	991
Interest rate and currency swaps	449	881	449	881
Share derivatives				
Futures	—	—	—	—
Options				
Purchased	—	—	—	—
Written	—	—	—	—
Total	51 597	353 920	51 553	355 914

In the case of interest rate derivative contracts, the nominal value is entered as the value of the underlying asset, in case of currency derivative contracts, the equivalent markka value of the purchased currency on the balance sheet date and, in the case of share derivative contracts, the market value of the shares on the balance sheet date. The values are given as gross figures.

### Equivalent credit values of the contracts

	Consolidated		OKOBANK	
	1997	1996	1997	1996
Interest rate derivative contracts	1 419	2 207	1 451	2 249
Currency derivative contracts	1 190	550	1 190	550
Total	2 609	2 757	2 641	2 799

## 27) Leasing liabilities

	Consolidated	OKOBANK
Leasing payments in 1998	2	0
Leasing payments during subsequent financial years	1	0

## 28) Pension liabilities

	Consolidated	OKOBANK
Liability arising from pension commitments	—	—
Uncovered part of the liability deficit of OKOBANK Group Pension Foundation	—	—

The arrangement of staff's pension coverage is explained in Accounting policies of the annual report.

## 29) Trustee services

OKOBANK and Okopankki Oy offer custodian services to the public. In addition, OKOBANK intermediates customers' funds as loans to other customers. Opstock Ltd offers portfolio management services to the public. Loans intermediated by OKOBANK totalled FIM 362.8 million on December 31, 1997. The corresponding figure at the end of the previous year was FIM 219.9 million.

## 30) Number of staff (average)

	Consolidated		OKOBANK	
	During the financial year	Change over the previous year	During the financial year	Change over the previous year
Full-time staff	1 326	48	488	-169
Part-time staff	42	20	1	-4
Total	1 368	68	489	-173

The breakdown of the staff by operations and geographical markets is shown in note 21.

### 31) Shares of various kinds plus own shares

	Series A	Series K	Series C	Repurchased	Total
Share capital, FIM	408 031 000	694 719 000	–	(281 000)	1 103 031 000
Number of shares	8 160 620	13 894 380	–	(5 620)	22 055 000
Of share capital, %	37.0	63.0	–	0	100.0
Votes per share	1	5	5	–	–
Of votes, %	10.5	89.5	–	–	100.0

Restrictions concerning the purchase of shares:

Series A shares are intended for the general public and are quoted on the Helsinki Exchanges.

The purchase of Series A shares is not restricted.

Ownership of Series K shares is restricted to Finnish cooperative banks, a bank having the legal form of a limited company pursuant to Section 41 a and 41 b of the Cooperative Bank Act and the central institution of the amalgamation of the cooperative banks pursuant to the same Act. Series C shares have not been issued.

In increasing the share capital through a bonus issue, Series A, K and C shares confer a preferential right to subscribe shares of the corresponding series. In a rights issue, the share capital can be increased by issuing Series A shares or Series K and C shares or Series A, K and C shares. Series A shares confer a preferential right to subscribe new Series A shares and Series K shares confer a preferential right to subscribe new Series K shares, and Series C shares confer a preferential right to subscribe new Series C shares.

If a dividend is distributed, Series A shares confer the right to an annual distribution of profits which is at least one (1) percentage point higher than a dividend to be paid on Series K and C shares.

### 32) Terms and conditions of capital investments

OKOBANK did not have capital investments on December 31, 1997. On January 23, 1996, the Bank gave up the Government's capital investment on behalf of Suur-Helsingin Osuuspankki (SHOP). OKOBANK has undertaken to redeem the capital certificate by the end of 2002 if Osuuspankki Realum (the former SHOP) has not repaid it to the Government before that date. In June 1997, the above mentioned commitment was transferred to the OKOBANK Group Security Fund.

### 33) Major shareholders, number of shareholders and amount of shares held by the management

Major shareholders and the number of shareholders (Ten largest shareholders according to the Share Register at December 31, 1997)

		Number of shares	Total	% of share stock	Number of votes	% of votes
OKOBANK Group Central Cooperative	A	0				
	K	8 328 200	8 328 200	37.8	41 641 000	53.6
Osuuspankki Realum	A	0				
	K	559 980	559 980	2.5	2 799 900	3.6
Suupohjan Osuuspankki	A	0				
	K	200 080	200 080	0.9	1 000 400	1.3
Turun Seudun Osuuspankki	A	111				
	K	193 180	193 291	0.9	966 011	1.2
Oulun Osuuspankki	A	70 000				
	K	173 000	243 000	1.1	935 000	1.2
OKOBANK Group Pension Foundation	A	859 528				
	K	0	859 528	3.9	859 528	1.1
Etelä-Karjalan Osuuspankki	A	97 621				
	K	144 900	242 521	1.1	822 121	1.1
Porin Seudun Osuuspankki	A	42 999				
	K	125 910	168 909	0.8	672 549	0.9
Pohjolan Osuuspankki	A	0				
	K	126 610	126 610	0.6	633 050	0.8
Keski-Uudenmaan Osuuspankki	A	0				
	K	122 950	122 950	0.6	614 750	0.8
<b>Total</b>			<b>11 045 069</b>	<b>50.1</b>	<b>50 944 309</b>	<b>65.6</b>

According to the Share Register, OKOBANK had 27 028 shareholders at December 31, 1997.

OKOBANK Group Central Cooperative announced on June 18, 1997, to have purchased from various cooperative banks 8 268 700 OKOBANK Series K shares. They represented 37.7 per cent of the Bank's share capital and 53.3 per cent of the voting rights. Osuuspankki Realum, which is the Central Cooperative's subsidiary, owns 559 980 OKOBANK Series K shares. On June 18, 1997, Realum and the Central Cooperative owned 8 828 680 OKOBANK Series K shares representing 40.2 per cent of the Bank's share capital and 56.9 per cent of the voting rights conferred by all the Bank's shares.

Breakdown of shareholding (According to the Share Register at December 31, 1997)

Number of shares (Series A and K)	Number of shareholders	% of shareholders	Number of shares	% of share stock
1–100	24 792	91.7	759 129	3.4
101–1 000	1 759	6.5	533 712	2.4
1 001–10 000	261	1.0	1 006 892	4.6
10 001–50 000	175	0.6	3 985 211	18.1
50 001–100 000	21	0.1	1 437 894	6.5
100 001–	20	0.1	14 229 832	64.5
Unregistered shares			102 330	0.5
<b>Total</b>	<b>27 028</b>	<b>100.0</b>	<b>22 055 000</b>	<b>100.0</b>

*Breakdown of the share ownership by sectors (According to the Share Register at December 31, 1997)*

Sector	Number of shareholders	% of shareholders	Number of shares	% of share stock	Number of votes	% of votes
Enterprises	619	2.3	688 846	3.1	688 846	0.9
OKOBANK Group Central						
Cooperative and its member banks	250	0.9	14 556 631	66.0	65 433 511	84.3
Other financial institutions	67	0.3	1 944 445	8.8	6 645 085	8.6
Public sector entities	16	0.1	1 003 953	4.6	1 003 953	1.3
Non-profit organisations	106	0.4	140 910	0.6	140 910	0.2
Households	25 958	96.0	1 587 395	7.2	1 587 395	2.0
Foreign	9	0.0	6 762	0.0	6 762	0.0
Nominee-registered shareholders	3	0.0	2 023 728	9.2	2 023 728	2.6
Unregistered shares			102 330	0.5	102 330	0.1
<b>Total</b>	<b>27 028</b>	<b>100.0</b>	<b>22 055 000</b>	<b>100.0</b>	<b>77 632 520</b>	<b>100.0</b>

*Shares owned by the management*

At December 31, 1997 the members of the Bank's Supervisory Board and the members and deputy members of the Executive Board owned a total of 3 191 Series A shares, which represented 0.014 per cent of the shares outstanding and 0.004 per cent of the voting rights.

**34) Financial income from other consolidated and associated companies and financial expenses paid to them**

	1997	1996
Interest income		
From consolidated companies	136	92
From associated companies	23	22
Interest expenses		
To consolidated companies	16	28
To associated companies	4	0
Dividend income		
From consolidated companies	97	54
From associated companies	7	3

**35) Claims on other consolidated and associated companies, plus liabilities to them, broken down by balance sheet items and guarantees provided to other consolidated and associated companies**

Balance sheet item	Consolidated companies		Associated companies	
	1997	1996	1997	1996
Claims on credit institutions	3 841	644	—	—
Claims on the public and public sector entities	241	324	385	272
Debt securities	669	785	56	60
Other assets	132	150	—	—
Accrued income and prepayments	58		6	
<b>Total</b>	<b>4 941</b>	<b>1 903</b>	<b>447</b>	<b>332</b>
Liabilities to credit institutions	633	744	—	—
Liabilities to the public and public sector entities	98	125	90	24
Debt securities issued to the public	29	124	99	—
Other liabilities	138	154	—	—
Accrued expenses and deferred income	39		1	
<b>Total</b>	<b>937</b>	<b>1 146</b>	<b>191</b>	<b>24</b>
Guarantees provided	137	214	—	—

36) Holdings in consolidated and associated companies

	Number of shares owned	Share as % of total shares	Share as % of all votes	Nominal value of shares FIM million	Book value of shares FIM million	Profit or loss for the financial year FIM million
<i>Subsidiaries included in the consolidated accounts</i>						
Okopankki Oy, Helsinki, banking	500 000	100	100	500	500	44
OKO Mortgage Bank Ltd, Helsinki, mortgage banking	80 000	100	100	80	80	31
OP-Finance Ltd, Helsinki, finance company operations	3 255 004	100	100	163	317	15
OP-Kotipankki Oy, Helsinki, banking	42 100	57.7	57.7	42	44	7
Opstock Ltd, Helsinki, brokerage and asset management services	200 000	100	100	20	23	24
FD Finanssidata Oy, Helsinki, EDP services	70 000	70	70	7	11	20
OP-Rahastoyhtiö Oy, Helsinki, mutual funds operations	10 000	100	100	10	10	3
Kiinteistö Oy Arkadiankatu 23, Helsinki	10 821	100	100	60	60	1
Kiinteistö Oy OKO-Vallila, Helsinki	33 771	100	100	93	249	0
Kiinteistö Oy Dagmarinkatu 14, Helsinki	4 674	100	100	6	54	-1
Kiinteistö Oy Aleksi-Hermes, Helsinki	8 064	100	100	81	82	0
Kiinteistö Oy Malminkatu 30, Helsinki	3 069	100	100	15	27	-14
Kiinteistö Oy Asiakkaankatu 3, Helsinki	11 150	100	100	1	3	0
Asunto Oy Asuinkartano, Järvenpää	10 000	66.7	66.7	0	11	-2
Vicarius Fastigheter AB, Stockholm, Sweden, real estate holding and management	500	100	100	0	0	1
OKOBANK (Cayman Islands) Limited, Georgetown, Cayman Islands, financing operations	91	100	100	49	49	3
<i>Associated companies included in consolidated accounts using the equity method</i>						
Aurum Life Assurance Company Ltd, Helsinki, insurance operations	60 000	49.6	49.6	90	200	9
ATM Automatia Ltd, Helsinki, finance-related services	6	33.3	33.3	30	30	6
Toimiraha Oy, Helsinki, finance-related services	9 500	33.3	33.3	10	13	-12
Kiinteistö Oy Lahden Trio, Lahti, real estate holding and management	60 000	33.3	33.3	60	68	0
Hatanpääkadun Teollisuushallit Oy, Tampere, real estate holding and management	250	50	50	1	1	-1

In accordance with the regulation of the Financial Supervision, 79 companies have been excluded from the consolidated accounts owing to their small size. The total book value of the shares of these companies was FIM 300 million and the aggregate total of their latest balance sheets stood at FIM 729 million. OKOBANK's wholly owned real estate company Kiinteistö Oy OKO-Jyskä, which at the end of 1996 was included in these companies, was merged to OKOBANK on April 15, 1997. The result of the merger was insignificant.

### 37) Changes in principles and methods applied in drawing up the consolidated accounts

The principles, the changes therein and their impact on the result and financial standing of OKOBANK Consolidated are presented in Accounting policies of the annual report.

### 38) Changes in the consolidated structure

Changes in the consolidated structure are presented in the annual report.

### 39) Exemptions from the regulations of the Financial Supervision

OKOBANK has applied for no exemptions from the regulations governing drawing up of consolidated accounts.

### 40) Exclusion of subsidiaries and companies from the consolidated accounts

The principles and the impact on the result and the financial standing of OKOBANK Consolidated are presented in the accounting policies and in note 36.

### 41) Principles observed in incorporating of companies that are not credit or financial institutions or ancillary services companies in the consolidated accounts

Associated companies, joint ventures and subsidiaries that are not credit or financial institutions or ancillary services companies have been combined in the consolidated accounts by the equity method.

### 42) Relations between subsidiaries, which are not credit or financial institutions or ancillary services companies, and other consolidated companies

In the consolidated accounts, there are not subsidiaries which are not credit or financial institutions or ancillary services companies.

### 43) Conversion difference

The acquisition costs of foreign subsidiary shares have been converted into Finnish markkas at the exchange rate on the closing date. Since the acquisition costs have been hedged by a corresponding debt in the same currency, no conversion difference has arisen in this respect. Due to the changes in exchange rates, a conversion difference appears in the elimination of the subsidiary shares and equity capital achieved. The amount of the conversion difference was FIM 978 at December 31, 1997.

### 44) Elimination difference and goodwill

The difference arising from eliminating internal ownership totalled FIM 4.3 million at December 31, 1997. Excess prices of the subsidiary shares arising from the elimination have been partly included in the book values of the attributable assets. Where it has not been possible to apply this principle, these items have been reported in the balance sheet under goodwill and depreciated on a straight-line basis over a period of ten years at the most, as from the year 1995 over five years at the most. For 1997 the depreciation amounted to FIM 1.9 million.

### 45) Own shares

The consolidated companies held no own shares at December 31, 1997.

## Calculation of key ratios

### Turnover

The sum total of interest income, income from leasing operations, dividend income, commission income, net income from securities transactions and foreign exchange dealing and other operating income.

### Net operating profit/loss

Net operating profit/loss according to the profit and loss account

### Profit or loss before voluntary provisions and taxes

Profit/loss before appropriations and taxes according to the profit and loss account

### Return on equity (ROE), %

$$\frac{\text{Net operating profit/loss - taxes}}{\text{Equity capital + minority interests + voluntary provisions + depreciation difference less deferred taxes due (average of the figures for the beginning and the end of the year)}} \times 100$$

### Return on assets (ROA), %

$$\frac{\text{Net operating profit/loss - taxes}}{\text{Average balance sheet total (average of the figures for the beginning and the end of the year)}} \times 100$$

### Equity/total assets ratio, %

$$\frac{\text{Equity capital + minority interests + voluntary provisions + depreciation difference less deferred taxes due}}{\text{Total assets}} \times 100$$

### Income to expenses ratio

$$\frac{\text{Net income from financial operations + dividend income + net income from securities transactions and foreign exchange dealing + other operating income}}{\text{Commission expenses + administrative expenses + depreciation + other operating expenses}}$$

### Earnings per share (EPS)

$$\frac{\text{Net operating profit or loss -/+ minority interests in the profit or loss for the financial year - taxes}}{\text{Adjusted average number of shares during the financial year}}$$

### Equity per share

$$\frac{\text{Equity capital + voluntary provisions + depreciation difference less deferred taxes due at year-end}}{\text{Adjusted average number of shares on the balance sheet date}}$$

### Dividend per share

$$\frac{\text{Dividend paid for the financial year}}{\text{Adjusted average number of shares on balance sheet date}}$$

### Dividend payout ratio

$$\frac{\text{Dividend paid for the financial year}}{\text{Net operating profit}} \times 100$$

### Effective dividend yield, %

$$\frac{\text{Dividend per share}}{\text{Adjusted share price on balance sheet date}} \times 100$$

### Price/earnings ratio (P/E)

$$\frac{\text{Share issue adjusted last price on balance sheet date}}{\text{Earnings per share}}$$

### Average price

$$\frac{\text{Total share turnover in FIM}}{\text{Number of shares traded}}$$

### Market capitalisation

Total number of shares x last price on balance sheet date



## Executive Board's proposal concerning the financial year's result

The consolidated non-restricted equity on December 31, 1997 was FIM 573 628 869.84.

Funds transferred from voluntary provisions and the depreciation difference in a total amount of FIM 191 017 488.47 are not distributable; accordingly, OKOBANK Consolidated's distributable capital on December 31, 1997 was FIM 382 611 381.37.

The equity capital of OKOBANK Osuuspankkien Keskuspankki Oy as at December 31, 1997 was FIM 2 550 501 278.19, of which non-restricted equity was FIM 472 461 178.19.

At the disposal of the Annual General Meeting is the profit for the financial year shown

in the profit and loss account	108 573 575.11
and retained earnings of	363 887 603.08
or a total amount of	<u>FIM 472 461 178.19</u>

It is proposed that this be disposed of as follows:

The dividend distributed on the share capital is

8% on 13 894 380 series K shares	55 577 520.00
9% on 8 160 620 series A shares	36 722 790.00
	<u>FIM 92 300 310.00</u>

Leaving in retained earnings FIM 380 160 868.19

Helsinki February 12, 1998

Antti Tanskanen

Reijo Karhinen

Mikael Silvennoinen

Keijo Manner

Timo Ritakallio

Heikki Vitie

Helena Walldén

## Statement of the Supervisory Board

The Bank's financial statements for the year 1997 have been drawn up in accordance with the principles approved by the Supervisory Board, which has confirmed the accounts for presentation to the Annual General Meeting. The Supervisory Board concurs with the Executive Board's proposal concerning disposal of the profit for the financial year and retained earnings.

The following members of the Supervisory Board are to resign in accordance with the Articles of Association of OKOBANK Osuuspankkien Keskuspankki Oy: Jorma Lehikoinen, Reijo Lehtinen, Antero Luomajärvi, Seppo Paatelainen, Jukka Ramstedt, Asko Ruuskanen, Heikki Teräväinen, Astrid Thors, Erkki Vähämaa and Keijo Väänänen.

Helsinki February 12, 1998

On behalf of the Supervisory Board

Seppo Penttinen  
Chairman

Markku Koponen  
Secretary

## Auditors' Report

*To the shareholders of*

**OKOBANK Osuuspankkien Keskuspankki Oy**

We have audited the accounting, the financial statements and the corporate governance of OKOBANK Osuuspankkien Keskuspankki Oy for the 1997 financial year. The financial statements, which include the report of the Executive Board, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Executive Board and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

Board and the Executive Board and the Managing Director have legally complied with the rules of the relevant legislation.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and the regulations of Financial Supervision and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view of both the consolidated and parent company's result of operations as well as of the financial position.

The financial statements with the consolidated financial statements can be adopted. The members of the Supervisory Board and the Chief Executive Officer, the Managing Director and other members of the Executive Board can be discharged from liability for the financial year audited by us.

The proposal by the Executive Board regarding the disposition of the profit for the year is in compliance with the relevant legislation.

We have reviewed the interim reports published during the financial year. The interim reports have been prepared in accordance with applicable regulations.

Helsinki February 13, 1998

SVH Coopers & Lybrand Oy  
Authorised Public Accountants  
Tauno Haataja  
Authorised Public Accountant

Eero Huusko  
Authorised Public Accountant

Reino Majala  
Authorised Public Accountant



# OKOBANK Supervisory Board and Executive Board March 1, 1998

## Supervisory Board

*Members elected from among OKOBANK Group Central Cooperative's Supervisory Board Members*

Paavo Haapakoski  
1997–2000  
Principal  
Pyhäjoki  
*Deputy Chairman*

Ilkka Heinonen  
1997–1999  
Principal  
Haapajärvi

Erkki Laatikainen  
1997–1999  
Editor-in-Chief  
Jyväskylä

Jorma Lehikoinen  
1997–1998  
Managing Director  
Lieksa

Vesa Lehikoinen  
1997–2000  
Managing Director  
Janakkala

Antero Luomajärvi  
1997–1998  
Principal  
Ilmajoki

Seppo Penttinen  
1997–1999  
Professor  
Savitaipale  
*Chairman*

Matti Pulkkinen  
1997–1999  
Director of District  
Medical Services  
Kuopio

Tauno Raistakka  
1997–2000  
Farmer  
Posio

Jukka Ramstedt  
1997–1998  
Managing Director  
Pori

Asko Ruuskanen  
1997–1998  
Principal  
Savonlinna

Turkka Saarniniemi  
1997–2000  
Managing Director  
Pertteli

Johan Signell  
1997–2000  
Financial Manager  
Hanko

Kaj Skåtar  
1997–1999  
Managing Director  
Vaasa

Heikki Teräväinen  
1997–1998  
Managing Director  
Toijala

Keijo Väänänen  
1997–1998  
Assistant Professor  
Vaala

### *Other Members*

Kaarina Aho  
1997–2000  
Managing Director  
Tornio

Jussi Hautamäki  
1997–1999  
Lieutenant General  
Kerava

Seppo Jokinen  
1997–2000  
Managing Director  
Tammela

Matti Kavetvuo  
1997–2000  
Managing Director  
Helsinki

Timo Kietäväinen  
1997–1999  
Deputy Managing Director  
Helsinki

Reijo Lehtinen  
1997–1998  
Director, Church  
Central Fund  
Espoo

Jarmo Lähteenmäki  
1997–2000  
Chairman, Finnish Paper  
Workers' Union  
Helsinki

Kati Myllymäki  
1997–2000  
Chairman, Finnish Medical  
Association  
Mikkelin mlk.

Seppo Paatelainen  
1997–1998  
Managing Director  
Seinäjoki

Timo Poranen  
1997–1999  
Managing Director  
Espoo

Valvatti Remes-Siik  
1997–1999  
Managing Director  
Oulu

Pertti Stöckel  
1997–1999  
Managing Director  
Keminmaa

Astrid Thors  
1997–1998  
Member of European  
Parliament  
Helsinki

Erkki Vähämaa  
1997–1998  
Municipal Manager  
Sotkamo



From left:  
 Timo Ritakallio  
 Heikki Vitie  
 Keijo Manner  
 Helena Walldén  
 Mikael Silvennoinen  
 Antti Tanskanen  
 Reijo Karhinen

## Executive Board

### *Chairman*

Antti Tanskanen  
 Chief Executive Officer  
 Helsinki

### *Deputy Chairman*

Reijo Karhinen  
 Managing Director of  
 OKOBANK Group  
 Central Cooperative  
 Helsinki

### *Members*

Mikael Silvennoinen  
 Managing Director of  
 OKOBANK  
 Espoo

Keijo Manner  
 Executive Director  
 Helsinki

Timo Ritakallio  
 Executive Director  
 Espoo

Heikki Vitie  
 Executive Director  
 Espoo

Helena Walldén  
 Executive Director  
 Helsinki

### *Deputy Member*

Raimo Tammilehto  
 Executive Director  
 Espoo

### *Secretary of the Board*

Markku Koponen  
 Järvenpää

## Auditors and Deputies

### *Auditors*

SVH Coopers & Lybrand Oy  
 Authorised Public Accountants  
 Helsinki

Eero Huusko  
 Authorised Public Accountant  
 Kajaani

Reino Majala  
 Authorised Public Accountant  
 Turku

### *OKOBANK Stockholm Branch*

Öhrlings Coopers & Lybrand AB  
 Stockholm

### *Deputies*

Kauko Lehtonen  
 Authorised Public Accountant  
 Turku

Auno Inkeröinen  
 Authorised Public Accountant  
 Mikkeli

# OKOBANK organisation March 1, 1998

CHAIRMAN  
Antti Tanskanen

DEPUTY CHAIRMAN  
Reijo Karhinen

MANAGING DIRECTOR  
Mikael Silvennoinen

Treasury and  
Capital Markets  
Acting Head of Division  
Timo Ritakallio

CAPITAL MARKETS  
OPSTOCK LTD  
Juhani Elomaa

TREASURY  
Jorma Alanne

GROUP FINANCIAL  
SERVICES  
Mikko Hyttinen

Corporate Banking  
Helena Walldén

CORPORATE FINANCE  
Jarmo Viitanen

OKO MORTGAGE  
BANK LTD  
Acting Head of Division  
Jouko Immonen

OP-FINANCE LTD  
Pekka Hujala

CORPORATE SERVICES  
Markku Vehmas

FOREIGN SUBSIDIARIES  
Jussi-Pekka Hakola

STOCKHOLM  
BRANCH OFFICE  
Stefan Silfver

CORPORATE FINANCE  
SUPPORT  
Sampsa Kokkonen

Financial Control,  
Information Management  
and Real Estate  
Timo Ritakallio

FINANCIAL CONTROL  
Marja Huhta

INFORMATION  
MANAGEMENT  
Seija Hallavo

REAL ESTATE  
Kari Karvonen

OKOPANKKI OY  
Hannu Tonteri

## Contact addresses

### **OKOBANK Group Central Cooperative Consolidated**

OKOBANK Group Central  
Cooperative  
OKOBANK Osuuspankkien  
Keskuspankki Oy

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(foreign exchange)

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+358-9-404 2149 (foreign  
exchange)  
+358-9-404 2219 (Executive  
Board)

Internet address:  
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[www.oko.fi](http://www.oko.fi)

Visiting address:  
Teollisuuskatu 1 b  
00510 Helsinki

Telex:  
124714 okohe fi (general)  
123280 okofx fi (foreign exchange)

S.W.I.F.T. code:  
OKOY FI HH

### **OKOBANK abroad**

#### Branch office

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Telex: 11236 okoss s  
S.W.I.F.T. code: OKOY SE SS  
Managing Director: Stefan Silfver

#### Representative Offices

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Telefax: +7-812-326 1890  
Representative: Kari Tolvanen

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c/o St. Petersburg  
Representative Office  
Kazanskaya Str. 44, Office B26  
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Representative: Kari Tolvanen

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Telefax: +372-6-266 494  
Representative: Ville Jumppanen

#### Affiliated company

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Corporation  
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Telefax: +1-212-745 1616  
Telex: 178905 dgsec uc  
Managing Director: Valentin Graf  
Kerssenbrock

#### Membership

UNICO Banking Group  
Standing Secretariat:  
Herengracht 386  
NL-1016 CJ Amsterdam  
Telephone: +31-20-6222 252  
Telefax: +31-20-6267 846  
Secretary General:  
Pierre Torquebiau

### **Member banks of the UNICO Banking Group**

Banco Cooperativo Español S.A., Spain  
CERA Bank, Belgium  
Crédit Agricole, France  
DG Bank Deutsche  
Genossenschaftsbank, Germany  
Föreningsparbanken AB, Sweden  
ICCREA, Italy  
OKOBANK Osuuspankkien  
Keskuspankki Oy, Finland  
Rabobank Nederland, The Netherlands  
Raiffeisen Zentralbank  
Österreich AG, Austria  
Union of Swiss Raiffeisen Banks,  
Switzerland

