Information for shareholders

The Annual General Meeting of OKOBANK Osuuspankkien Keskuspankki Oyj will be held at the Helsinki Fair Centre on March 24, 1999, at 1.30 p.m.

The Executive Board proposes that the dividend to be paid on Series A shares is 11 per cent (€ 0.93 per share) and on Series K shares 10 per cent (€ 0.84 per share). The dividend decided by the Annual General Meeting will be paid to shareholders who on the record date confirmed by the Executive Board for the dividend payout, March 29, 1999, have been entered in the Shareholders' Register kept by Finnish Central Securities Depository Ltd. It will be proposed to the Annual General Meeting that the dividend be paid at the close of the record period, April 7, 1999.

Financial information in 1999

The Interim Report January 1 - March 31, 1999,
will be published on May 6, 1999
The Interim Report January 1 - June 30, 1999,
will be published on August 18, 1999
The Interim Report January 1 - September 30, 1999,
will be published on November 4, 1999

Ordering bulletins: Financial bulletins can be obtained from the OKOBANK Group Central Cooperative, Corporate Communications, P.O.Box 308, FIN-00101 Helsinki, Finland, telephone +358 9 404 2765, telefax +358 9 404 2298, e-mail: viestinta@okobank.fi. Financial bulletins are published in Finnish, Swedish and English.

The following brokerage houses have announced that they prepare investment analyses on OKOBANK. The Bank is not responsible for the assessments presented in them.

Aros Securities Ltd
D. Carnegie AB Finland Branch
Mandatum Stockbrokers Ltd
Merita Securities Ltd
Evli Securities plc

The Finnish markka (FIM) figures appearing in the Annual Report in Finnish have been converted as such into euros using the conversion rate 5.94573. In some cases the conversion has, however, been made using more accurate FIM figures than those presented in the Annual Report in Finnish.

1998 in brief

Jan. 1 By deals concluded at the turn of the year, OP-Rahastoyhtiö Oy and FD Finanssidata Oy became subsidiaries of the OKOBANK Group Central Cooperative, and OP-Kotipankki Oyj became an associated company of OKOBANK. In addition, OKOBANK sold to the Central Cooperative the service operations of its Agrifinancing Department and its Payment Services Department.

Feb. 12 Financial statement bulletin: OKOBANK Consolidated posts net operating profit for 1997 of € 48 million, an increase of € 9 million on 1996.

April 1 The Annual General Meeting of OKOBANK confirmed the Bank's financial statements, decided on the dividend to be paid out, changed OKOBANK into a public limited company and made amendments to the Articles of Association as well as elected the members of the Supervisory Board and the auditors. The Supervisory Board re-elected Seppo Penttinen as its chairman and re-elected Paavo Haapakoski as its vice chairman.

May 12 Interim Report: OKOBANK Consolidated's net operating profit for the January-March period was € 19 million. A year earlier it was € 17 million.

May 25 OKOBANK sold the retail banking services of its Stockholm branch office to SkandiaBanken. The branch office will concentrate on serving corporate customers.

June 10 The Supervisory Board appointed Juhani Elomaa a member of OKOBANK's Executive Board and made changes to the areas of responsibility of the Executive Board's members. The decisions entered into force on July 1.

Aug. 11 Interim Report: OKOBANK Consolidated's net operating profit for the January-June period was € 43 million, or nearly 50 per cent greater than during the corresponding period a year earlier.

Oct. 1 OKOBANK and the member banks of the OKOBANK Group opened their renewed Internet service. The OKOBANK Consolidated's corporate services include such facilities as cash management services, money market and foreign exchange services as well as asset management services. It became possible to make and pay for share subscriptions via the Internet.

Oct. 20 The Central Cooperative and the Association of the Local Cooperative Banks entered into an agreement on the allotment of the liabilities of the OKOBANK Group Security Fund and the withdrawal of the member banks from the Security Fund. At the same time, the Central Cooperative and the Association agreed that the Central Cooperative or a party designated by it would purchase the OKOBANK Series K shares owned by the Association's member banks.

Oct. 27 OKOBANK and the member banks announced a Uni-Cash service which is a Europe-wide cash management service for corporate customers. The service was introduced from the beginning of 1999.

Nov. 10 Interim Report: OKOBANK Consolidated's net operating profit for the January–September period was € 56 million, or 61 per cent greater than a year earlier.

Nov. 19 The Tax Office for Major Corporations approved OKOBANK's claim for a rectification of its decision of 1995 to collect from OKOBANK € 9.1 million of taxes on certain bonds. The entire sum, including about € 1.5 million of accrued interest, was refunded to OKOBANK in January 1999.

Nov. 23 OKOBANK and the member banks announced a new Yield Expert service for investor clients. Investment advisers at Okopankki and the member cooperative banks make use of Opstock Ltd's research material and support software.

Opstock Ltd and OP-Rahastoyhtiö Oy brought out on the market a new special investment fund called Opstock Finland Index. The objective of the fund is to offer investors a yield that corresponds to the trend in the domestic FOX share index.

Nov. 25 The Executive Board decided that OKOBANK Consolidated would pay its share of the OKOBANK Group Security Fund's liabilities, after which OKOBANK and Okopankki would withdraw from the fund.

Dec. 15 OKOBANK's share capital increased by FIM 20 250 000 (€ 3.4 million) when the 405 000 Series A shares subscribed in November on the basis of the 1994 issue of bonds with warrants were entered in the Trade Register. Subsequently, the share capital was FIM 1 123 281 000 (€ 188.9 million).

Dec. 16 The Supervisory Board approved the request of Executive Board member Helena Walldén to go on a career brake from February 1, 1999, and to resume her duties by December 31, 1999 at the latest. She will be seconded as director of her function by Director Mikko Hyttinen.

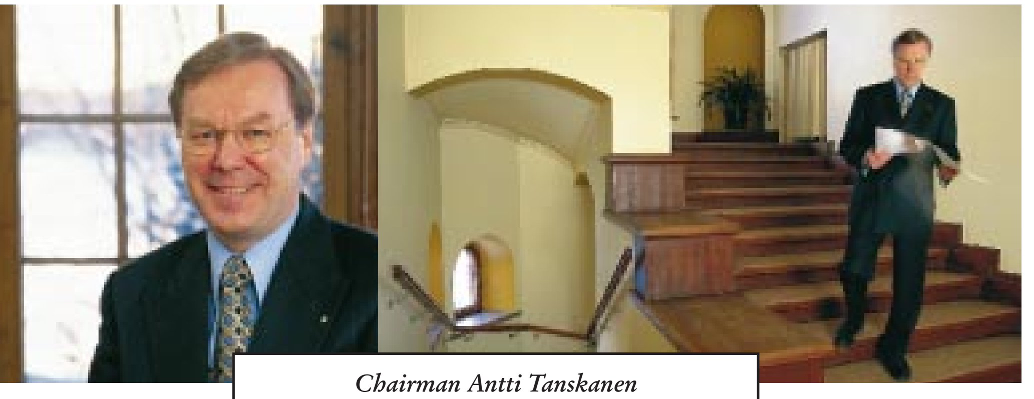
Dec. 29 OKOBANK Consolidated paid € 104 million of its Security Fund liabilities. The remainder of € 57 million was paid by OKOBANK Consolidated on January 4, 1999.

The OKOBANK Group Central Cooperative and 51 of its member banks purchased the OKOBANK Series K shares owned by the member banks of the Association of the Local Cooperative Banks in accordance with the agreement made on October 20, 1998. As a consequence of the deal, OKOBANK Group Central Cooperative Consolidated's proportion of all of OKOBANK's shares rose from 39.6 per cent to 43.0 per cent and its proportion of the voting rights increased from 56.9 per cent to 61.8 per cent.

Dec. 31 The turn of the year meant the last hectic stage in introducing the euro. It went smoothly, and transactions in euros were started as planned on the first banking day of the year, January 4, 1999.

OKOBANK Consolidated serves, directly or via the OKOBANK Group's other units, more than two million customers: private individuals, companies and institutions. Thanks for OKOBANK Consolidated's good success are due above all to them and to our own staff.

Chairman's review



Chairman Antti Tanskanen

The Finnish economy showed very stable development in 1998. International economic problems did not slow down the growth in output significantly, and particularly in the first half of the year the growth in Finland remained strong. Towards the end of the year the situation in the export industry nevertheless began to weaken. This means that in the current year an increasing share of the growth in the Finnish economy will depend on domestic demand.

Inflation remained very slow throughout the year. Monetary policy was dominated by the run-up to stage three of EMU. Finland's market interest rates declined somewhat, but all in all the trend in interest rates was quite calm. The bilateral exchange rates of the currencies of the EMU countries were set in the spring and this protected Finland's foreign exchange and money markets from international disturbances. At the end of 1998 Finland was better prepared for stage three of Economic and Monetary Union than many other EU countries were. The smooth transition to the euro at the turn of the year also demonstrated that Finnish banks have a command of specialised banking technology that makes them rank among Europe's very best.

Stable conditions reinforced citizens' and companies' belief in the future and this translated into a substantial increase in bank lending. Thanks to an expansion of operations, an improvement in cost-effectiveness and a contraction in loan losses, the profitability of the banking industry has risen substantially. Competition between the banks in interest rates on their loans intensified and if the trend continues, it will cut into profitability.

The OKOBANK Group's net operating profit doubled compared with the previous year when it was already the best in our history. We can be very satisfied with the year's result because it was not based on one-off items. Earnings came from profitable basic banking operations, which have come into their own now that loan losses have contracted to near the normal level. In the current year, major changes are not expected in the level of earnings we have reached, provided that the operating environment and competitive situation remain stable. The OKOBANK Group's profitability and capital adequacy measure up to high standards, whether compared with Finnish or international banks.

A considerable portion of the OKOBANK Group's result was generated by the Group's central bank, OKOBANK, and its subsidiaries. It is important for OKOBANK's approximately 25 000 shareholders that the Bank's return on equity and earnings per share improved markedly. The trend is in line with the objectives set by the Executive Board. These objectives are realised in coming years as well, this will mean growth in shareholder value.

A central focus within OKOBANK Consolidated during the year was boosting the efficiency of its own operations and functions serving the entire Group. The joint policy lines and objectives for the entire Group, which were approved in February, served as a basis for this. The development of OKOBANK Consolidated's operations will continue to be anchored in these principles.

One of the most important projects during the year was preparation for the euro and its successful introduction. OKOBANK's operations in the international markets went exactly as planned right from the start of the current year. Customer services were also developed energetically. A major international project was a cash management service for corporate customers that was developed together with seven other European banks. In Finland a special development focus was investment research, and a new asset management system was constructed to serve all of the OKOBANK Group's investor clients.

A key element of the asset management services is the OKOBANK Group's intranet network, which was developed actively during the year. Internet services were stepped up too, both within OKOBANK and the entire Group. The renewed service package provides a variety of facilities such as making and paying for share subscriptions via the Internet. These are examples of services in which we are forerunners.

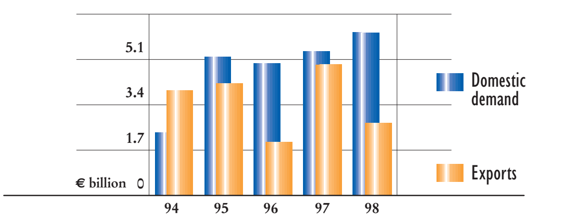
OKOBANK is a listed company that offers a good alternative for all investors who value dividend yields, international investors included. Yet the Bank will remain Finnish. OKOBANK is a subsidiary of the OKOBANK Group Central Cooperative, which is the entire Group's central institution. The Central Cooperative is owned by the member cooperative banks, which in turn have about 700 000 Finnish owners. Domestic decision-making power is a strength and competitive advantage of both the Group and OKOBANK.

OKOBANK Consolidated serves, directly or via the Group's other units, more than two million customers: private individuals, companies and institutions. Thanks for OKOBANK Consolidated's good success are due above all to them and to our own staff. Without customers' unreserved trust we could not operate. Equally necessary is the joint work of our entire staff – administration, management and salaried employees – on behalf of our shared success. My warm thanks to all of you for your accomplishments during the past year.

Helsinki February 10, 1999
Antti Tanskanen

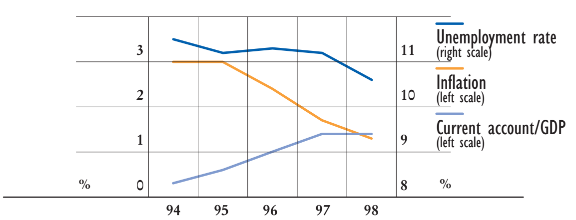
Operating environment

Figure 1. **Total demand**



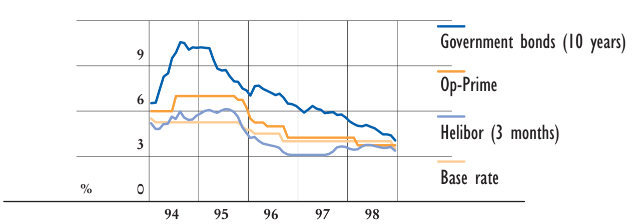
The Finnish economy continued to grow at a fast rate. Total output increased by about 5 per cent. The structure of both the growth in output and total demand nevertheless changed markedly. The increase in industrial output came largely from the telecommunications and electronics sector. Consumer expenditure accounted for a growing share of total demand as the year wore on and exports slowed down due to the problems besetting the international economy.

Figure 2. **Balance of economy in EU countries**



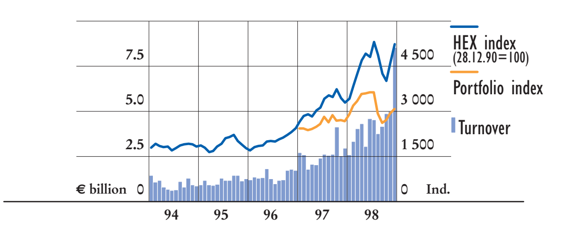
Domestic demand remained relatively weak in the EU countries and this meant that the decline in unemployment was slow, and the countries continued to run a large current account surplus. International economic crises depressed raw material prices considerably and in the latter part of 1998 inflation slowed down to one per cent. From the standpoint of keeping the economy in balance, there was still in the EU countries room for economic policy that supports demand.

Figure 3. **Interest rates**



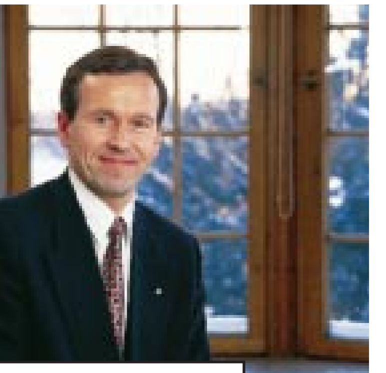
Monetary policy was guided by the run-up to stage three of EMU, and changes in Finland's short-term interest rates were minor, as they were a year earlier too. Towards the end of the year, market interest rates notched down a bit, reflecting the international trend. The transition to Economic and Monetary Union was made at a relatively low level of interest rates because it became apparent that in the EMU area there was a shortage of domestic demand.

Figure 4. **Share indices and turnover**



It was a very busy year on the equity market. The price fluctuations of shares quoted on Helsinki Exchanges were more closely linked to the international trend, and particularly to the New York Stock Exchange, than they have been up to now. During the year the HEX Index rose by nearly 70 per cent. The Portfolio Index was up 15 per cent. This index gives a better picture of the overall stock exchange trend because it limits the weighting of individual shares. Share turnover on the Main List of Helsinki Exchanges rose to € 53 billion, an increase of more than 70 per cent on 1997.

To shareholders



Managing Director Mikael Silvennoinen

OKOBANK Consolidated's net operating profit for 1998 exceeded targets and was € 74 million. Net operating profit increased by € 27 million on the previous year, up 56 per cent. Earnings per share rose from € 1.56 to € 2.23 and return on equity from 7 per cent to 9.7 per cent.

For OKOBANK Consolidated the past year was not only a time of successful operations but also a period of major changes. At the beginning of the year OKOBANK sold to its parent institution, the OKOBANK Group Central Cooperative, those business and service functions whose purpose is solely to serve the member banks of the OKOBANK Group. As a result of the deals, OKOBANK Consolidated's payroll contracted by 370 employees.

In December 1998 OKOBANK and its subsidiary Okopankki Oyj decided to withdraw from the OKOBANK Group Security Fund. As a consequence of this, OKOBANK Consolidated took a charge of € 104 million for its share of the Fund's liabilities, booking this to extraordinary expenses in December 1998, and the remainder of € 57 million was paid in January 1999. Withdrawal from the Security Fund will reduce OKOBANK Consolidated's operating expenses because as from the current year OKOBANK Consolidated will no longer pay an annual contribution to the Security Fund. In 1998 the contribution was € 27 million, which was entered in expenses before net operating profit.

In developing OKOBANK Consolidated, a primary aim apart from carrying out structural changes was to strengthen the strategy for the years ahead and to set long-term financial targets. OKOBANK's objective is to be a successful Finnish bank that is first in customer satisfaction.

OKOBANK Consolidated's business areas are corporate banking, investment banking and retail banking in the Greater Helsinki area. OKOBANK Consolidated offers Finnish corporate and retail customers a wide variety of financing, investment and funds transfer services for the needs of customers' operations in Finland and abroad. For foreign customers, the services that are offered and developed are those which these customers need in pursuing their business activities in Finland.

OKOBANK Consolidated's near-term objective will centre on acting as a versatile provider of financing for medium-sized companies, finding capital market solutions for the financing needs of large and middle-sized clients, acting as an asset manager for institutional and private customers and offering a spectrum of expertise in deposit bank services for retail customers in the Greater Helsinki area.

OKOBANK Consolidated operates in close co-operation with the cooperative banks that are members of the OKOBANK Group. OKOBANK Consolidated acts as the centre of the OKOBANK Group's foreign exchange, money and capital market trading and it is well versed in international operations. Apart from its own service channels, OKOBANK Consolidated can draw on the extensive service network of the entire OKOBANK Group.

The cornerstones of the development of OKOBANK Consolidated's operations, which enable the Bank to leverage its expertise, are a professionally skilled and committed staff, procedures that are tailored to specific business areas, long-term customer relationships, efficient information technology and a comprehensive service network.

OKOBANK Consolidated's financial objective is to increase shareholder value. To gauge how well this objective was reached, in the autumn 1998 the Executive Board confirmed the following long-term targets:

- an average income to expenses ratio of 1.8
- Tier I own funds account for a share of at least 7 per cent of risk-weighted commitments
- return on equity of 14 per cent
- a dividend ratio of 50 per cent.

These financial objectives will spur OKOBANK Consolidated's line management and other staff onward in the years ahead.

Helsinki February 10, 1999
Mikael Silvennoinen

A special development focus was investment research, and a new asset management system was constructed to serve all of the OKOBANK Group's investor clients. A key element of the asset management services is the Group's intranet network, which was developed actively during the year. Internet services were stepped up too, both within OKOBANK and the entire Group.

Share capital and shareholders

Share series and share capital

OKOBANK's shares are divided into Series A, Series K and Series C shares. Series A shares have been listed on Helsinki Exchanges since 1989, and there were 9 458 120 such shares outstanding at the end of the year, of which a total of 892 500 shares were unregistered. At the same date there were 13 894 380 Series K shares, which can be owned solely 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 (€ 8.41). At meetings of shareholders, each Series A share carries one vote and each Series K share 5 votes.

In 1998 OKOBANK's equity capital rose from € 186 million to € 189 million. The increase was due to the subscriptions of OKOBANK Series A shares made on the basis of the issue of bonds with warrants targeted at the Government Security Fund in connection with the purchase of Savings Bank of Finland Ltd. The warrants were exercised to subscribe a total of 1 297 500 shares, of which 892 500 shares were unregistered at the end of the year. The share series and share capital are itemised in Note 36 to the annual accounts.

The amendments to the Articles of Association which the Executive Board will propose on the Annual General Meeting on March 24, 1999, are discussed on page 28.

Shareholders

At the end of 1998 OKOBANK had 25 034 registered shareholders. The largest shareholder was OKOBANK's parent company, the OKOBANK Group Central Cooperative, which held 43.0 per cent of OKOBANK's shares and 61.8 per cent of the voting rights. At the end of the year the Central Cooperative increased its shareholding and proportion of the voting rights when it purchased 559 980 Series K shares that were owned by Osuuspankki Realum. In addition, the Central Cooperative purchased 758 336 OKOBANK Series K shares that were owned by the cooperative banks that are members of the Association of the Local Cooperative Banks. Some of the member banks of the OKOBANK Group bought the remainder of the Series K shares owned by the Association's banks.

Major shareholders of OKOBANK, Dec. 31, 1998

	% of share stock	% of votes
OKOBANK Group Central Cooperative	43.0	61.8
Turun Seudun Osuuspankki	1.3	1.9
Oulun Osuuspankki	1.4	1.7
OKOBANK Group Pension Foundation	4.0	1.1
Etelä-Karjalan Osuuspankki	1.0	1.0
Porin Seudun Osuuspankki	0.8	0.9
Pohjolan Osuuspankki	0.6	0.8
Keski-Uudenmaan Osuuspankki	0.6	0.8
Keski-Suomen Osuuspankki	0.5	0.7
Kainuun Osuuspankki	0.5	0.7

Nominee-registered shares accounted for 17.1 per cent of the Series A shares. At the end of the previous year, the corresponding proportion was 24.8 per cent.

Major shareholders of OKOBANK's Series A shares, Dec. 31, 1998

	% of Series A shares
OKOBANK Group Pension Foundation	10.4
The Local Government Pensions Institution of Finland	4.7
Ilmarinen Mutual Pension Insurance Company	2.6
Alfred Berg Finland Unit Trust	2.5
Alfred Berg Optimal Unit Trust	2.5
Työeläkekassa	2.1
Sijoitusrahasto Merita Optima	1.6
Alfred Berg Portfolio Unit Trust	1.5
Tampereen Seudun Osuuspankki	1.3
Finnish National Fund for Research and Development Sitra	1.2

The largest shareholder group at the end of the year was the OKOBANK Group Central Cooperative and its 246 member cooperative banks, which held 69.3 per cent of OKOBANK's shares outstanding and 91.2 per cent of the voting rights. The largest owner group in numerical terms was private individuals, who numbered 24 003 shareholders.

Figure 5. **Average price of OKOBANK's A-shares**

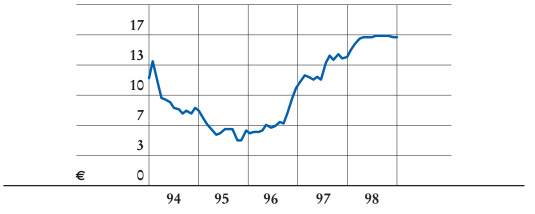
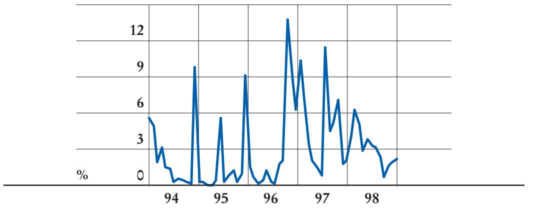


Figure 6. **Proportional turnover of OKOBANK's A-shares**



Shareholders of OKOBANK by sector, Dec. 31, 1998

	% of share stock	% of votes
Corporates	1.5	0.4
OKOBANK Group Central Cooperative and its member cooperative banks	69.3	91.2
Other financial institutions	4.3	1.2
Public sector entities	8.9	2.6
Non-profit organisations	1.7	0.5
Households	7.3	2.1
Foreign	0.1	0.0
Nominee-registered shareholders	6.5	1.9
On joint book-entry accounts	0.3	0.1
Total	100.0	100.0

Breakdown of shareholding in OKOBANK, Dec. 31, 1998

Number of shares	Number of share-holders	% of share-holders	% of share stock
1 – 100	22 642	90.4	3.1
101 – 1 000	1 899	7.6	2.7
1 001 – 10 000	307	1.2	5.2
10 001 – 50 000	148	0.6	15.0
50 001 – 100 000	16	0.1	5.0
100 001 -	22	0.1	68.7
On joint book-entry accounts			0.3
Total	25 034	100.0	100.0

Share price trend and turnover

The trend of OKOBANK's Series A share continued to rise in 1998. The low for the year was € 14.30, an increase of € 4.04 on the previous year. The high was € 19.01. The share price at the end of the year was 74 per cent of the per-share shareholders' equity at the close of the year. The market capitalisation of the Series A shares rose from € 119 million at the end of 1997 to € 148 million.

Share turnover in numerical terms was smaller than it was a year ago. During the year under review 3 million Series A shares changed owners. This represented 37 per cent of all the Series A shares outstanding. A year earlier more than 57 per cent of the shares outstanding changed owners. The five-year time series for per-share key ratios are given in Note 44 to the annual accounts.

The structure of OKOBANK Consolidated

OKOBANK Osuuspankkien Keskuspankki Oyj
Founded in 1902, 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 Helsinki Exchanges since 1989. OKOBANK is a subsidiary of the OKOBANK Group Central Cooperative.

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

Subsidiaries

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

OKO Mortgage Bank plc
OKO Mortgage Bank began operations in 1917. It acts as the OKOBANK Group's mortgage credit bank and is specialised in long-term housing, public sector and real-estate financing.

OP-Finance Ltd
OP-Finance Ltd provides financing services based on security- and receivable-backed collateral. The company began operations in 1975.

Opstock Ltd
Opstock Ltd is engaged in securities brokerage, corporate finance, asset management and investment research. In its operations, Opstock Ltd uses the auxiliary business names Opstock Securities, Opstock Corporate Finance and Opstock Asset Management. Opstock Ltd began operations in 1990.

Principal associated companies

Aurum Life Assurance Company
Aurum Life Assurance Company began operations in 1996. Aurum produces the OKOBANK Group's life and pension insurance services on a centralised basis. The company offers savings and investment-linked policies. OKOBANK has a 49.6 per cent interest in the company.

OP-Kotipankki Oyj
OP-Kotipankki Oyj acts as the OKOBANK Group's telebank. The company began operations in 1989. OKOBANK Consolidated has a 48.1 per cent interest in the company.

Customer services were developed energetically. A major international project was the UniCash cash management service for corporate customers that was developed in co-operation with seven other European banks.

Services offered to customers

OKOBANK Consolidated's business areas are corporate banking, investment banking and retail banking in the Greater Helsinki area.

In addition, the parent bank OKOBANK acts as the central financial institution of the OKOBANK Group and provides treasury and payment transfer services for the Group's member cooperative banks.

Corporate banking services

OKOBANK and its subsidiaries offer financial services as well as money-market and foreign exchange services to large and medium-sized companies that operate nationwide as well as to public sector entities. OKOBANK Consolidated furthermore offers security-based financing solutions as well as venture capital services.

Together with the member banks of the OKOBANK Group, OKOBANK Consolidated offers small and medium-sized corporate customers a wide variety of banking services. OKOBANK's Stockholm branch office concentrates on serving the OKOBANK Group's corporate customers in Sweden.

During 1998 a particular development focus was enhancing and co-ordinating sales co-operation between OKOBANK and the Group's member banks.

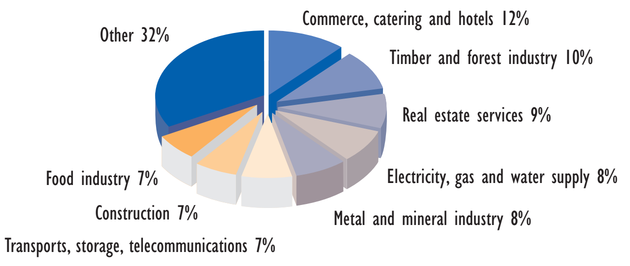
Financing services

Loans and guarantees

Demand for loans by companies and institutions grew during the year under review. The loans and guarantees which OKOBANK Consolidated granted to corporate and institutional clients grew in total amount by nearly 14 per cent on the previous year and stood at € 3.3 billion at the end of 1998.

Loan and guarantee liabilities for corporate and institutional clients were spread fairly evenly among different lines of business. The total liabilities for companies in the retail, hospitality and restaurant industries represented the largest proportion of total loans and guarantees: 12 per cent.

Figure 7. **OKOBANK Consolidated's claims on corporate customers by industry**



Securities-backed financing services

The development of debt issuance services was one of the priority areas for corporate and institutional financing in 1998.

OKOBANK strengthened its position particularly as an arranger of bond issues for domestic corporations. OKOBANK acted as the lead manager in one issue as well as a manager or broker in a total of seven other corporate bond and note arrangements. The issues generated proceeds totalling € 0.4 billion for OKOBANK's corporate and institutional customers and € 0.2 billion for the member cooperative banks.

Working together with the European banks belonging to the UNICO Banking Group, OKOBANK developed a joint operational model for issuing bonds in the European bond market. OKOBANK is thus able to offer its corporate and institutional clients the possibility of floating bond issues across the entire euro area. On the other hand, a new investment alternative that is offered to investor clients is bonds that are issued elsewhere in the EMU area.

The aggregate amount of bond issues arranged by the UNICO banks, primarily in Europe, was in 1998 about € 3.5 billion.

Venture capital services

OKOBANK's venture capital unit offers venture capital services to small and medium-sized enterprises and thereby rounds out the OKOBANK Group's range of corporate financing services by providing mezzanine financing instruments and venture capital investments.

During the report year the venture capital unit managed the Promotion I and II Ky venture capital funds, which had total capital of about € 8.4 million. The funds make equity investments in unlisted companies that are believed to have good growth potential, and the funds furthermore offer these companies other equity and debt capital financing solutions.

Mortgage credit bank services

OKO Mortgage Bank plc is a mortgage credit bank that is specialised in long-term collateral-backed housing, real-estate and public sector financing.

In 1998 OKO Mortgage Bank concluded financing agreements totalling € 185 million. The loan portfolio grew by more

Figure 8. **OKO Mortgage Bank's credit stock**

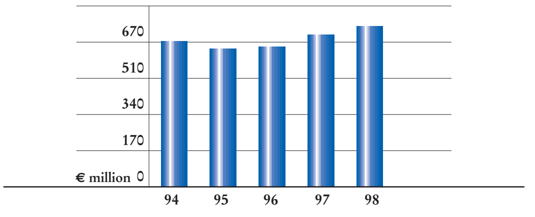
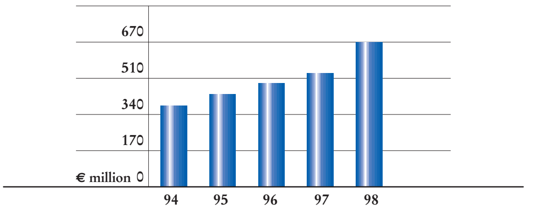


Figure 9. **OP-Finance's credit stock**



than 5 per cent on the previous year, reaching € 747 million.

The amount of loans granted for financing housing corporations as well as properties and real-estate operations grew by 13 per cent and amounted to more than € 450 million at the end of the year.

The portfolio of public sector loans was up 5 per cent to € 151 million.

Together with the other units of the OKOBANK Group and YIT, Finland's largest construction company, a home financing model was developed, which enables the buyer to finance a large part of the home's purchase price with a long-term loan that is granted to the housing corporation, i.e. a condominium.

Security and receivable-backed financing services

OP-Finance Ltd offers security and receivable-backed financing services which round out the palette of financial products of the OKOBANK Group's other units. OP-Finance's financing is geared towards financing for vehicles, transport fleets, work machines, industrial machinery and equipment as well as invoice receivables.

The remainder of the new credits sold by OP-Finance in 1998 was € 363 million at the end of the year. OP-Finance's entire credit portfolio at the end of the year was about € 675 million, or 27 per cent greater than a year earlier.

Thanks to this strong growth, OP-Finance further increased its market share within the finance company operations of Finland's bank groups. The market shares of all the company's basic products strengthened.

OP-Finance's product development focused on product solutions for financing working capital. Financing of the working capital of contract manufacturers that serve industrial companies as well as financing of the export receivables of companies that are going international were developed into products of their own. OP-Finance's forestry financing was tailored to the financing needs of forest owners.

Cash Management services

OKOBANK Consolidated offers its corporate customers comprehensive services for day-to-day domestic and foreign funds transfers as well as cash management.

OKOBANK Consolidated handled more than 66 million outgoing and ingoing domestic payment transfer transactions. The volume grew by 10 per cent on the previous year. The growth in the volume of international payment transfer transactions was about 15 per cent.

Towards the end of the report year a UniCash cash management service that was developed jointly with the UNICO banks was brought out on the market. For companies engaged in foreign trade, UniCash makes possible a Europe-wide liquidity and cash management service by opening direct connections to 36 000 branch offices of banks operating in eight countries. A customer who uses the UniCash service can utilise its own bank link software to manage euro-denominated cash flows fast and without losing value days.

Money-market and foreign exchange services

OKOBANK operates on the domestic money and capital market as a market maker for certificates of deposit, Treasury bills and Government benchmark bonds and the Bank is also a market participant in trading in the main market instruments and interest rate derivatives. OKOBANK's market share in government benchmark bond trading grew to more than 7 per cent from the previous year.

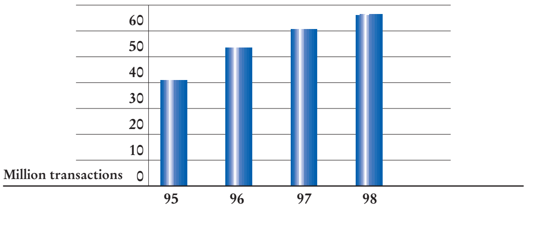
In customer trading OKOBANK's total turnover in certificates of deposit and commercial paper as well as Treasury bills was about € 42 billion.

OKOBANK acted as the lead manager in the first euro-denominated commercial paper programme that was arranged for a Finnish company.

On the foreign exchange market OKOBANK deals in the most important foreign currencies and currency derivatives. The volume of foreign exchange dealing for customers' account was about € 11 billion in markka countervalue.

Trading for customers' account, risk management and market analyses were the main focuses of development during the report year. In addition, the treasury trading system was renewed during the year. In the latter part of the year treasury operations were occupied with preparations for the start-up of the euro market on January 4, 1999.

Figure 10. **OKOBANK's payment transactions**



Investment banking services

During the report year OKOBANK Consolidated's investment banking operations were concentrated in their entirety within Opstock Ltd, which took over not only securities brokerage and asset management services as well as investment research but also in July the corporate finance function.

Investment research

Opstock Investment Research forms the core of investment banking operations. The OKOBANK Group's strategy that was confirmed in February 1998 singled out securities operations as one of the Group's business priorities. Accordingly, the quality of investment research was developed energetically during the report year.

Investment research is oriented towards the Top Down approach, which is a systematic way of analysing changes in the investment environment, proceeding from the macroeconomy down to specific asset classes and then to the level of companies industry by industry. This approach forms the foundation of investment research, asset management and the entire OKOBANK Group's investor counselling.

A Yield Expert package that is based on the investment research approach was created together with the other units of the OKOBANK Group to serve as a tool for the investment advisers of the member banks. The package supports the sale of asset management services by the member cooperative banks and Okopankki.

Investment research materials were divided into three kinds of publications: investment strategy publications that give an overall view of the market, market analyses that focus on asset classes or industries and, thirdly, corporate analyses.

The investment research materials are also available via the Internet. This puts the publications within easy reach of the member banks' investment advisers and customers.

Securities brokerage

Equity trading brokered by Opstock Securities in 1998 totalled € 3.3 billion. This represented a 58 per cent increase in money terms compared with 1997.

Opstock Securities had a market share of about 3 per cent of equities turnover on the Helsinki Exchanges, and the share of the turnover on the Investor List was more than 7 per cent. The share of turnover in derivatives trading was about 3 per cent of the total volume of trading.

Opstock Securities offers securities brokerage services mainly to institutional clients. Brokerage services for retail customers are sold via the member cooperative banks of the OKOBANK Group and Okopankki.

Asset management

Opstock Asset Management takes care of managing clients' assets in accordance with the yield objectives and risk profile defined by the clients themselves.

The amount of client assets under management grew from € 1.5 billion to € 2.1 billion, an increase of more than 40 per cent.

The clientele of Opstock Asset Management consists of institutional clients. The volume of client portfolios under management in 1998 grew by 10 per cent.

Towards the end of 1998 Opstock Asset Management brought out on the market a new product – the Opstock Finland Index special fund. To serve as a tool for professional investment planning, Opstock Asset Management built a Proallocator system which is based on the investment research approach and facilitates the management of risk – return levels between different types of assets.

Corporate finance

Opstock Corporate Finance arranges equity-based financing and carries out M&A and other corporate arrangements.

In 1998 Opstock acted as a manager in all the state's privatisations and in five other sales of shares and it was the lead manager in two tender offers. The sales of shares generated more than € 250 million of capital for the clients.

The trustee and securities branch offices of the member cooperative banks of the OKOBANK Group and Okopankki comprise a nationwide sales network that ensures the sale of securities issued.

The OKOBANK Group was the first Finnish banking institution to open a share subscription service on the Internet. The service enables investors to make share subscriptions and pay for the shares they have subscribed directly via the Internet.

Retail banking services

In accordance with the division of responsibilities within the OKOBANK Group, Okopankki Oyj, a subsidiary of OKOBANK, offers comprehensive retail banking services in

Figure 11. **Shares brokered by Opstock Securities**

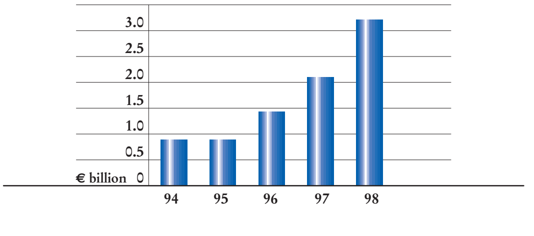


Figure 12. **Customer assets managed by Opstock Asset Management**

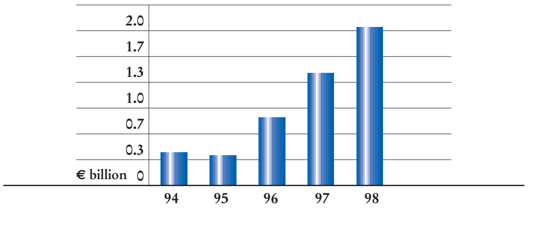


Figure 13. **Okopankki's loans and deposits**

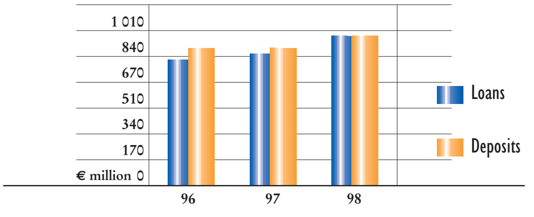
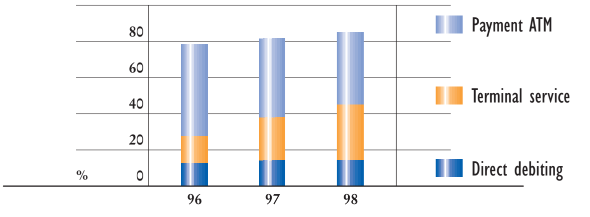


Figure 14. **Proportion of direct debiting and self service of Okopankki's transactions**



the Greater Helsinki area. The services offered by Okopankki include all the OKOBANK Group's basic banking products for both retail customers and small and medium-sized corporate and institutional customers.

Okopankki had nearly 224 000 customers at the end of the year. About 14 300 new household customer relationships were formed. Almost 70 per cent of the private individuals who chose Okopankki as their bank in 1998 were under 35 years of age. About 2 300 new corporate and institutional customer relationships were formed.

The volume of new loans raised during the year under review was € 404 million, an increase of 59 per cent on 1997. Housing loans taken out by households accounted for 57 per cent of the new loans.

The loan book grew by more than 13 per cent and stood at € 975 million at the end of the year. Total loans granted to retail and household customers grew to € 766 million, or 15 per cent. Total loans granted to corporate and institutional customers amounted to € 209 million at the end of the year, up 8 per cent from the turn of the previous year.

The volume of deposits grew by 8 per cent and totalled € 979 million at the end of the year. The aggregate average balance of funds on payment transfer accounts was € 601 million during the report year, representing an increase of 3 per cent on the previous year.

In handling their payments, customers made increased use of direct debit, ATM and Internet services. About 85 per cent of the payment transactions of Okopankki's customers were handled as direct debits or through self-service.

Customer service was further improved by extending the bank's opening hours. Together with the member cooperative banks, Internet home pages were opened and the terminal service was revamped. Thomas Cook, the English company that is engaged in currency exchange, began offering currency exchange services at Okopankki's Aleksi branch office.

Service network

OKOBANK's head office is located in Helsinki. In addition, at the end of 1998 OKOBANK had a branch office in Stockholm as well as representative offices in Moscow, New York, St. Petersburg and Tallinn. The London representative office was closed in April 1998. A decision has been taken to close the New York representative office during 1999.

Okopankki acts as the retail bank of OKOBANK Consolidated and it has 19 branch offices and 5 shopping centre service outlets in the Greater Helsinki area, including Espoo and Vantaa. Five of the branch offices offer full services for both corporate and retail customers. The other branch offices cater for retail customers. The service network is rounded out by 61 payment ATMs as well as telebanking, GSM, terminal and Internet services.

OP-Finance Ltd offers its services in co-operation with retailers and the member cooperative banks as well as through its own service network. The company's own offices are located in Helsinki, Kuopio, Lahti, Oulu, Tampere and Turku.

The branch offices and service outlets of the member banks of the OKOBANK Group provide the services produced by the companies belonging to OKOBANK Consolidated. The member cooperative banks form a nationwide service network that plays a key role as a sales channel that supplements OKOBANK Consolidated's own offices.

Central bank services for the member banks of the OKOBANK Group

OKOBANK's tasks as the central financial institution of the OKOBANK Group are to provide financing and payment transfer services to the member banks. OKOBANK handles the Group's account relationships with the Bank of Finland, acts as an intermediary for the member banks' minimum legal cash reserves and ultimately sees to it that the member banks have sufficient financing and liquidity.

OKOBANK offers the member banks services connected with the money, foreign exchange and capital markets. In addition it handles the Group's domestic and international financial institution and investor relations as well as foreign funding.

OKOBANK's claims on the cooperative banks and on the OKOBANK Group Security Fund totalled € 1.2 billion on average during the report year. The corresponding amount a year earlier was € 1.0 billion. At the end of 1998, these claims totalled € 0.9 billion.

Liabilities to the cooperative banks were on average at the previous year's level and their average balance was € 2.3 billion. The liabilities totalled € 2.3 billion at the end of the year.

OKOBANK Consolidated offers Finnish corporate and retail customers a wide variety of financing, investment and funds transfer services. For foreign customers, the Bank offers services that they need in pursuing their business activities in Finland. OKOBANK's objective is to be a successful Finnish bank that is first in customer satisfaction.

The 1998 annual accounts of OKOBANK
Osuuspankkien Keskuspankki Oyj

Report of the Executive Board

OKOBANK Consolidated's operations and result

Result

OKOBANK Consolidated's net operating profit for 1998 was € 74.3 million, an increase of € 26.7 million on the previous year. Return on equity (ROE) rose from the previous year's figure of 7 per cent to 9.7 per cent. Earnings per share (EPS) were € 2.23, as against € 1.56 a year earlier. The five-year per-share key figures and indicators of financial performance are given in Note 44 to the annual accounts.

The result improved in nearly all business areas. In addition, OKOBANK Consolidated's loan and guarantee losses as well as write-downs diminished substantially. The changes in OKOBANK Consolidated's structure which were carried out at the beginning of the year – these are discussed in greater detail in the section "Changes in the structure of OKOBANK Consolidated" – did not have a material effect on net operating profit, but due to them individual items in the profit and loss account are not comparable.

€ million	1998	1997	Change, %
Net income from financial operations	113	118	-5
Other income	109	144	-24
Total income	222	262	-15
Total expenses	153	204	-25
Loan losses and write-downs	-4	11	
Share of profit/loss of companies included using the equity method	2	0	
Net operating profit	74	48	56
Extraordinary items	-90	0	
Profit/loss before appropriations and taxes	-16	48	

OKOBANK Consolidated's net income from financial operations was € 112.6 million, or € 5.5 million less than in the previous year. Positive factors that affected net income from financial operations were the growth in lending and the minimal amount of non-performing and zero-interest claims. Furthermore, € 1.5 million of interest on the basis of a claim for rectification on refunded stamp tax interest was booked to net income from financial operations as a non-recurring item. Net income from financial operations was weakened in turn by a reduction in income from central bank financing. € 0.9 million of contribution payments to the common deposit guarantee fund were booked in interest expenses. On the basis of a regulation issued by the Financial Supervision, the difference between interest received from and paid on interest rate and currency swap contracts taken out to hedge debt securities not held as financial fixed assets and for trading purposes has been booked to net income from securities transactions. Previously, such interest was booked in net income from financial operations. The change in accounting policy improved the 1998 net income from financial operations by € 0.6 million. The change improved net income from financial operations in the previous year by € 17.5 million. Net income from securities transactions weakened by a corresponding amount.

Commission and fee income declined by € 5.1 million. Commission and fee income adjusted for changes in the OKOBANK Consolidated's structure nevertheless grew by more than € 3.5 million. Commissions on securities trading grew by € 5.3 million to € 24.4 million. Comparable commission income on lending also increased. Income from guarantees, however, fell further.

Net income from securities transactions amounted to € 4.7 million. The net income from debt securities and interest rate derivatives was slightly negative. Net income from transactions in shares and participations yielded € 4.8 million, or € 2 million less than a year ago. The unrealised increases in share values was € 6.3 million at the end of the year. A year earlier the amount was € 7.8 million. Foreign exchange dealing generated € 7.3 million of net income, or € 1.2 million more than in 1997.

Figure 15. **OKOBANK Consolidated's income**

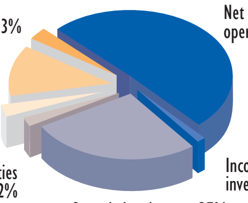
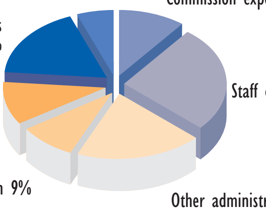


Figure 16. **OKOBANK Consolidated's expenses**



Other operating income fell by € 36.2 million. This was due to the fact that EDP and system connection income diminished by € 40.2 million owing to the divestment of FD Finanssidata Oy. Property rental income grew by more than € 3.7 million to € 21 million. € 5.6 million of capital gains on shareholdings on real-estate was booked and non-recurring capital gains on long-term shareholdings generated more than € 3.3 million.

Staff and other administrative costs diminished by a good 30 per cent compared with the previous year. OKOBANK Consolidated had an average payroll in 1998 of 974 employees, or 394 employees and 29 per cent less than in 1997. The bulk of the reductions was due to changes in the structure of OKOBANK Consolidated.

Depreciation includes more than € 0.9 million of write-downs on real-estate properties and shares in real-estate corporations, with reversals of depreciation amounting to over € 0.2 million.

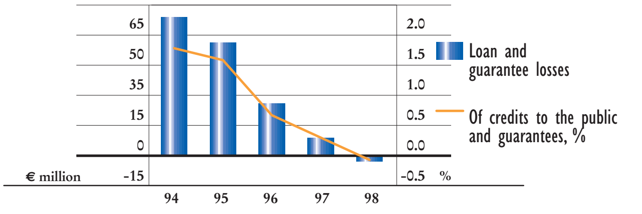
Real-estate expenses within other operating expenses diminished by about 16 per cent. Contributions paid to the OKOBANK Group Security Fund amounted to € 27.1 million, or € 5.1 million less than a year ago.

The net effect on earnings of loan and guarantee losses as well as reversals was a credit of € 3.2 million. Write-downs on securities held as financial fixed assets represented a net credit to income of € 0.5 million. In the previous year, the total amount of loan and guarantee losses as well as write-downs was € 11.1 million.

The minority interest in companies consolidated according to the equity method was € 2.3 million. Aurum Life Assurance Company accounted for € 1.5 million of income and OP-Kotipankki Oyj for € 0.4 million.

Divestments connected with structural changes within OKOBANK Consolidated generated € 5.3 million, which was booked to extraordinary income at the beginning of 1998. Likewise entered in extraordinary items was a total of € 9.1 million of refunds of stamp taxes and additional taxes calculated on them following approval by the tax authorities of

Figure 18. **OKOBANK Consolidated's loan and guarantee losses**



OKOBANK's claim for a rectification. Entries in extraordinary expenses include a total of € 104.3 million of payments by OKOBANK and Okopankki Oyj to the OKOBANK Group Security Fund for their shares of joint liabilities.

OKOBANK Consolidated's result for the financial year after appropriations and taxes was a loss of € 15.4 million.

Balance sheet

The consolidated balance sheet at the end of the year stood at € 8.9 billion, or at the same level as a year earlier. The balance sheet was increased by substantially higher lending, but the amount of claims on credit institutions and debt securities diminished.

The amount of debt securities eligible for refinancing with central banks declined by € 351 million from the end of the previous year, to more than € 512 million. The amount of Treasury bills was € 286 million, or about € 44 million less than a year earlier. The amount of Government bonds and notes, however, declined by € 318 million to € 216 million.

Claims on credit institutions fell by € 644 million. Predominantly short-term deposits and investments placed with foreign credit institutions amounted to € 533 million at the end of the year, or € 592 million less than at the end of 1997. OKOBANK's claims on the cooperative banks remained at roughly the same level and were in excess of € 882 million. The claims included € 209 million of the member banks' equity capital investments. Towards the end of the year the OKOBANK Group Security Fund paid its € 268 million debt to

Figure 17. **OKOBANK Consolidated's balance sheet: assets in 1998 and 1997**

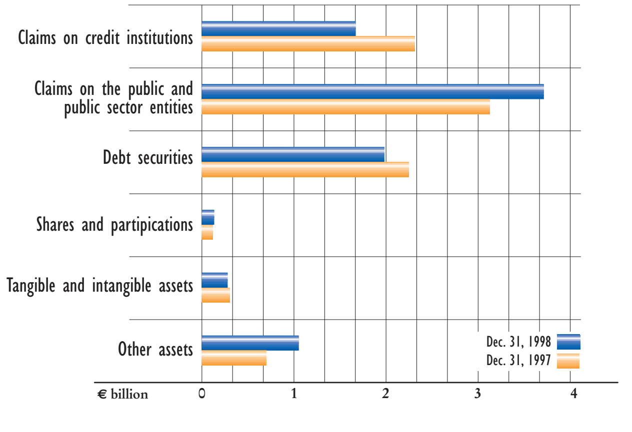


Figure 19. **OKOBANK Consolidated's balance sheet: liabilities in 1998 and 1997**

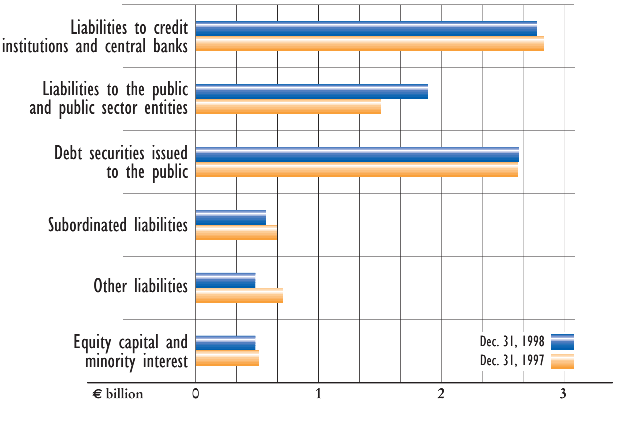


Figure 20. **OKOBANK Consolidated's credit stock**

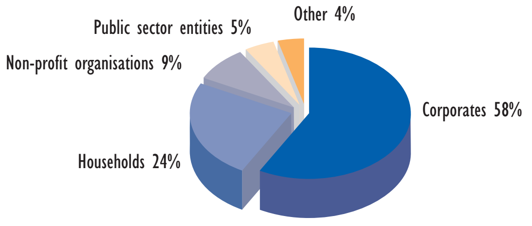
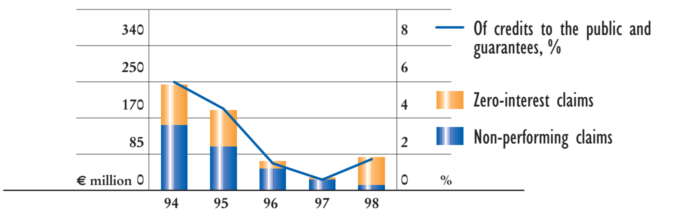


Figure 21. **OKOBANK Consolidated's non-performing and zero-interest claims**



OKOBANK. OKOBANK and Okopankki in turn granted the Security Fund a total of € 57 million of zero-interest loans, which corresponded in amount to the banks' unpaid shares of their joint liabilities.

Claims on the public and public sector entities stood at € 3.8 billion at the end of the year, of which € 15 million consisted of claims that are classified as other than lending. Loans to the public and public sector entities grew by € 570 million, or 18 per cent. Domestic markka-denominated loans increased by 17.5 per cent and totalled € 3.4 billion at the end of the year. The amount of domestic foreign currency credits grew by a third to € 348 million. The amount of foreign credits diminished to € 52 million. At the end of 1997 OKOBANK Consolidated's credit portfolio still included € 50 million of OP-Kotipankki's loans. Loans to the public, adjusted for the change in OKOBANK Consolidated's structure, grew by about € 620 million in 1998, an increase of nearly 20 per cent.

OKOBANK Consolidated's non-performing claims diminished by € 11.0 million to € 14.1 million. In addition, OKOBANK Consolidated had zero-interest claims of € 62.8 million. Zero-interest claims included a total of € 57 million of OKOBANK's and Okopankki's loans to the OKOBANK Group Security Fund. The Security Fund repaid these loans on January 4, 1999. Without the loans to the Security Fund, zero-interest claims amounted to € 5.8 million, or € 0.5 million less than at the end of 1997. The amount of non-performing and zero-interest claims at the end of the year was 1.8 per cent of loans to the public and guarantees. The corresponding figure a year earlier was 0.8 per cent. Factoring out the non-interest bearing loans to the Security Fund, the ratio at the end of 1998 was 0.5 per cent. The total amount of non-performing and zero-interest claims was € 10.6 million for companies and € 5.2 million for households.

The amount of debt securities not eligible for refinancing with central banks grew by € 82 million to € 1.5 billion. The amount of certificates of deposit declined from € 1.2 billion at the end of the previous year to € 946 million. Investments in foreign issues of bonds and notes were increased. They amounted to more than € 359 million at the end of the year, or € 300 million more than a year earlier.

Debts to credit institutions and central banks totalled € 2.8 billion, or € 55 million less than at the end of 1997. Deposits and investments of cooperative banks with OKOBANK declined by € 171 million to € 2.3 billion. Part of the reduction was due to the fact that in the latter months of the year OKOBANK no longer acted as the central financial institution of the cooperative banks that remained outside the OKOBANK Group. OKOBANK's debts to the member banks were increased by € 252 million of minimum reserve deposits, for which OKOBANK has a centralised responsibility for the entire Group. Funding from foreign banks grew by € 115 million to € 420 million.

Deposits from the public diminished by € 170 million and were € 1.2 billion. More than half of the reduction in deposits was due to changes in the structure of OKOBANK Consolidated. Other debts to the public and public sector entities consisted of fixed-term market money debts. The amount of debt securities issued to the public remained unchanged at € 2.6 billion. The amount of certificate of deposit debts grew by € 66 million to € 2.1 billion and the domestic bonds and notes declined by a nearly equivalent amount. Subordinated liabilities diminished by € 87 million, about half of which was due to the fact that OKOBANK redeemed its perpetual loan for USD 40 million.

OKOBANK Consolidated's equity capital was more than € 493 million as at December 31, 1998. On the basis of an issue of bonds with warrants targeted at the Government Security Fund, OKOBANK's Series A shares were subscribed in an amount of nearly € 10.9 million. At the end of the year, € 7.5 million of share subscriptions were still unregistered. The total amount of distributable equity, € 68 million, includes a non-distributable portion of € 28 million, which was transferred to equity capital from voluntary provisions and the depreciation difference.

Real-estate holdings

Capital invested in OKOBANK Consolidated's real-estate holdings amounted to € 316 million at the end of the year, or € 12 million less than a year earlier. The greatest part, or about 85 per cent, of OKOBANK Consolidated's real-estate holdings was owned by OKOBANK. The total floor space of the properties was about 190 000 sq.m. at the end of the year, of which 30 per cent was used by OKOBANK Consolidated for its own activities. The most important property in own use is the OKOVallila operations centre.

OKOBANK Consolidated had € 185 million of capital invested in properties that were not in its own use. Nearly half of this amount was invested in the three largest properties, the Aleksi-Hermes, the Arkadiankatu 23 and the Lahden Trio.

The positive trend in the real-estate market together with the increased efficiency of operations boosted the real net yield on OKOBANK Consolidated's leasable properties that were not in its own use to 5.2 per cent at the end of the year, an improvement of 0.5 percentage point on the previous year. The vacancy rate of premises improved by 5 percentage points and was 7 per cent at the end of the year. Net capital gains totalled € 5.4 million, as against € 2.4 million in the previous year.

OKOBANK Consolidated has property-by-property appraisals and action plans covering its real-estate holdings, and these are updated regularly. The plans serve as a basis for realising the objective of a gradual reduction in real-estate holdings. The plans also include development projects, among which the construction works on enlargement of the Aleksi-Hermes property were started during 1998. This capital expenditure of about € 4.2 million will add 1 760 square metres of additional leasable business space in the heart of Helsinki's business district and improve the yield on the property substantially beginning in 1999.

The breakdown by sector and according to yield rates of the real-estate holdings is given in Note 24 to the annual accounts.

Off-balance sheet items

The amount of guarantees and other off-balance sheet commitments was € 1.7 billion, up by more than € 159 million on the figure at the end of the previous year. At the end of the year guarantees amounted to € 621 million, or € 128 million less than a year earlier. The biggest decrease came in guarantees connected with loans mediated through the Bank's trustee services, € 68 million. The amount of guarantee liabilities grew by € 68 million to € 292 million. Unused credit facilities increased from € 507 million at the end of 1997 to € 758 million.

The total amount of the underlying instruments of derivative contracts decreased from € 68 billion at the end of 1997 to € 33 billion. Forward rate agreements decreased by € 31 billion to € 20 billion. Other derivative contracts also decreased in amount. The equivalent credit value of derivative contracts was € 308 million at the end of the year, or € 130 million less than at the end of the previous year. The equivalent credit value diminished relatively less than the value of the underlying assets because the biggest decrease came in forward rate agreements, for which the clearing of dealing is handled by the Helsinki Exchanges. Note 50 to the annual accounts presents an itemised listing of derivative contracts at the end of the year.

Capital adequacy

OKOBANK Consolidated's capital adequacy ratio at the end of the year was 16.2 per cent, or 3.3 percentage points smaller than a year earlier. The capital adequacy ratio was weakened in particular by the payment of the OKOBANK Group Security Fund liabilities. In addition, risk-weighted items grew by € 687 million from the end of the previous year, whereas total assets remained at the same level as they were at the end of 1997. Tier I own funds were 8.3 per cent of the total amount of risk-weighted items.

€ million	**Dec. 31, 1998**	**Dec. 31, 1997**
Own funds		
Tier I	435	460
Tier II	435	460
Deductions	-36	-45
Tier III	13	8
Total	847	883
Risk-weighted receivables, investments and off-balance sheet items	5 225	4 538
Capital adequacy ratio, %	16.2	19.5
Tier I funds/Risk-weighted items, total %	8.3	10.1

According to advance information, the OKOBANK Group's capital adequacy ratio at the end of 1998 was 12.2 per cent, as against 11.6 per cent at the end of 1997 and 11.3 per cent at the end of 1996.

Figure 22. **OKOBANK Consolidated's capital adequacy ratio**

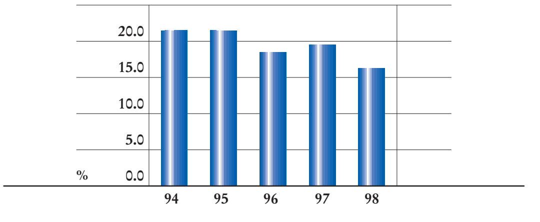


Figure 23. **OKOBANK Consolidated's risk-weighted items and balance sheet**

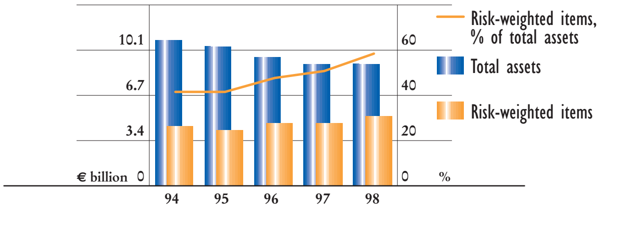
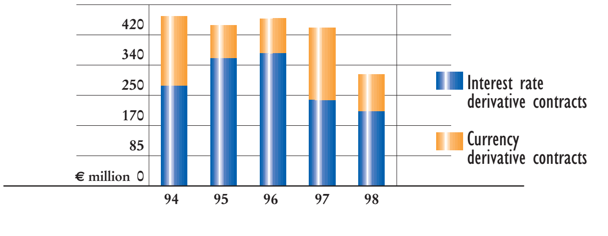


Figure 24. **Equivalent credit values of OKOBANK Consolidated's derivative contracts**



Risk management within the OKOBANK Consolidated

The objective of risk management is to ensure that the risks assumed by the companies belonging to OKOBANK Consolidated are correctly proportioned to the risk-bearing ability of each company and OKOBANK Consolidated. Risks are classified as credit risk, market risk as well as strategic risk and operational risk.

Managing credit risks

The objective of credit risk management is to confine the impacts on earnings of risks arising from customers' liabilities and other liabilities to an acceptable level. Decisions concerning the management and organisation of OKOBANK Consolidated's credit risks are taken by the Executive Board of OKOBANK. In addition to general guidelines covering OKOBANK Consolidated as a whole, the consolidated companies have guidelines that take into account the special features of their operations. The management of credit risks covers lending, guarantees, derivative commitments and other financial products involving credit risk.

Within OKOBANK Consolidated the management and co-ordination of bank products involving credit risk as well as the management of customer risks are tasks that fall within the competence of the Credit Committee, which reports to OKOBANK's Executive Board. The upper limit of client-specific commitments is confirmed by the Credit Committee or the Executive Board and it constitutes a committed line for all those clients of OKOBANK Consolidated whose liabilities or planned liabilities exceed € 5 million. As a rule, the committed line is confirmed for one year at a time.

The Credit Committee or the Executive Board also approves credit limits for the credit and financial institutions who act as counterparties. The determination of these limits is based on analyses that are made on the basis of the banks' annual reports, the ratings of credit rating agencies and estimates of the limit requirements. The limits are dimensioned according to the equity capital of the credit and financial institutions. Limits are monitored continuously and are reviewed once a year. Changes that have taken place in creditworthiness ratings always lead to a reassesment of the relevant limits.

The decision-making process and decision-making levels are defined in the guidelines that are confirmed by OKOBANK's Executive Board. The general rule is adherence to the principle of at least two decision makers. The preparation on decision proposals, decision making, execution and monitoring are discrete processes.

Corporate clients are classified into five liability classes. The risk classification is based on the companies' annual account information as well as the ratio of collateral to liabilities. The classification of clients is reviewed at least once a year. Of the 170-odd corporate clients who were classified and had a committed line in excess of € 5 million, 131 companies belonged to the two best classes (A and B) at the end of the year. Their aggregate committed line was 87 per cent of the aggregate committed line of all the companies mentioned above. The share of the aggregate committed line of the 9 companies in the two poorest classes was less than 2 per cent.

The taking of credit decisions is based primarily on the client having an adequate debt servicing ability. The factors affecting the decision are knowledge of the client, the client's financial state, the outlook for the future and available collateral. When the financing of an individual project is reviewed, the separate profitability of the project is also looked into.

Monitoring of client risks involves a structural analysis of the entire credit portfolio and separate monitoring of large client risks. Quarterly reports of the trend in non-performing and zero-interest claims as well as possible problem clients are submitted to OKOBANK's Executive Board.

The management of credit risks also involves country limits, which are confirmed by OKOBANK's Executive Board. Countries are classified on the basis of creditworthiness into seven risk groups. Creditworthiness is assessed on the basis of international credit ratings as well as indicators of the country's economic and political state and development trend. The limits of the countries belonging to the two best groups (1 and 2) are defined country by country without a time limit. The country-specific limit of countries belonging to Group 6 is a maximum of 1 per cent of OKOBANK Consolidated's own funds and the limit is for one year at the most. A country limit is not set for countries belonging to Group 7. At the end of the year the country limits of the countries belonging to the two best groups totalled € 15.6 billion and the liabilities amounted to € 1.3 billion. These liabilities accounted for 99 per cent of OKOBANK Consolidated's aggregate country risks. The country limits of the countries classed in Group 6 totalled € 23 million at the end of the year and their liabilities amounted to € 2.1 million. The

Figure 25. **Corporate customers' limits, classified**

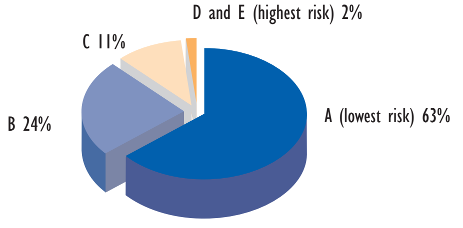
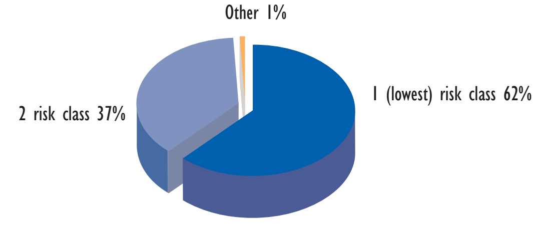


Figure 26. **Country risks, classified**



countries belonging to this group are located primarily in Latin America, Asia and the Baltic area. Russia also belongs to this group. The liabilities of the countries belonging to Group 7 totalled € 0.4 million at the end of 1998.

Managing market risks

The objective of managing market risks is to confine the risks due to price changes of balance sheet and off-balance sheet items to an acceptable level as well as to capitalise on profit-generating opportunities by optimising the risk to income ratio. OKOBANK Consolidated's market risks include interest rate risk, foreign exchange risk, volatility risk, share price risk and financial risk, including liquidity risk.

Decisions concerning OKOBANK Consolidated's asset and liability management and its organisation are taken by OKOBANK's Executive Board. The Asset and Liability Committee, which reports to the Executive Board, decides on the operational guidelines and limits for developing the balance sheet structure and the taking of risks. The Asset and Liability Unit, which is a non-business entity, is responsible for monitoring OKOBANK Consolidated's market risks, risk positions and the development of methods of managing risks. The Asset and Liability Unit prepares proposals for the interest rate, foreign exchange and financial risk limits as well as equity portfolio limits of OKOBANK Consolidated, OKOBANK and the subsidiaries. Limits can be set by type of risk, currency, business unit, time class and product.

Each unit that takes a market risk has the right to handle its risk exposure within its agreed limits. New business initiatives or products involving market risks are dealt with by the Asset and Liability Committee and are submitted to OKOBANK's Executive Board for approval before they are put into use. The Executive Board decides on derivative products that are to be used within the consolidated organisation. Derivative products other than those approved by the Executive Board are not used.

A Value at Risk model (VaR) is used to measure interest rate and foreign exchange risks. Within OKOBANK Consolidated, VaR analysis is based on the historical trend in interest rates and foreign exchange rates. The model indicates with a 2.5 per cent probability the negative change in the market values of different interest rate and foreign exchange positions with a one-day holding period. The holding period means the time that is needed to close a position or to eliminate a risk. VaR is supplemented with day-to-day back and stress testing.

Interest rate risk

Interest rate risk means the effect of changes in the level of interest rates on the bank's result. Interest rate risk arises from the fact that the maturities of balance sheet and off-balance sheet items, interest rate fixing times or the bases of interest rates differ from each other.

Within OKOBANK Consolidated, interest rate risk is measured currency by currency according to the effect of an interest rate increase of one percentage point in the present

value of known future cash flows. Accordingly, the size of the interest rate risk depends on the interest rate fixing times of interest rate-tied balance sheet and off-balance sheet items. Measured in this way, OKOBANK Consolidated's interest rate risk was € 9.8 million negative at the end of 1998 and the average during the year was about € 9.9 million negative. OKOBANK monitors interest rate risks in real time and day by day. In addition, OKOBANK employees the Value at Risk model to gauge interest rate risk. The maximum loss risk predicted by VaR in 1998 was slightly less than € 0.9 million at its high point and on average about € 0.3 million. The standard deviation was € 0.1 million.

Foreign exchange risk

Foreign exchange risk means the effect of changes in foreign exchange rates on the bank's result. Foreign exchange risk arises when the amounts of receivables and liabilities in the same currency differ from each other, i.e. when the bank has an open foreign exchange exposure.

OKOBANK Consolidated's foreign exchange risks have been centralised within OKOBANK. The Bank has defined a limit for the total net foreign exchange position, and this limit is monitored in real time and tracked on a daily basis. OKOBANK's foreign exchange risk is also measured with a VaR model. OKOBANK's foreign exchange risk was fairly small in 1998. The maximum loss risk predicted by VaR was on average € 35 000 in 1998 and the standard deviation was € 17 000. At the end of the year the total net open foreign exchange exposure was € 5.4 million. During the year it was on average about € 0.8 million and the standard deviation was about € 14.1 million.

According to the relevant regulation of the Financial Supervision a bank group's overall net foreign currency position can be a maximum of 30 per cent of its own funds, nor may any single currency position exceed 15 per cent of own funds. OKOBANK's foreign currency position limits are set at a considerably lower maximum level. In addition, stop-loss limits have been approved for both trading during the day and for the overnight position.

Trading in currency options is centralised within OKOBANK, which trades in the common European options that have a maximum duration of one year. The risk position of the currency options business is monitored in real time and the result of trading is calculated day by day. The simulated maximum loss risk of currency options was minimal throughout the year, amounting to less than € 170 000.

Share price risk

Share price risk means the effect of changes in the price of shares on the bank's result. The objective of equity investments is to obtain a return on invested capital that is competitive in terms of its risk-return ratio. The Asset and Liability Committee confirms the limits for the equity portfolios. Portfolio summaries and yields are reported monthly to the Asset and Liability Committee. OKOBANK's equity portfolio is fairly small. The book value of the equity portfolios that are traded was € 29 million at the end of the year and the amount of the unrecorded appreciation in value was € 6.3 million.

Financial risk

Financial risk is the risk connected with the availability and price of refinancing, and this risk arises when the maturities of receivables and liabilities differ from each other. Financial risk also arises if receivables or liabilities are excessively concentrated in respect of counterparties, products or market areas. Financial risk involves liquidity risk, which means the risk that financing will not be available when the liabilities or other commitments fall due.

OKOBANK Consolidated's units asses financial risk by maturity class in terms of the magnitude of the differences between receivables and liabilities in each class. Note 42 to the annual accounts shows a breakdown of receivables and liabilities by maturity for specific balance sheet items at the end of the year. Financial risks are dealt with monthly in meetings of the Asset and Liability Committee, at which the necessary proposals for actions to be taken are made and submitted to the Executive Board for approval. OKOBANK's liquidity is forecast day by day. In addition, a forecast is prepared for two weeks ahead.

The management of OKOBANK Consolidated's balance sheet structure and financial risks is affected by OKOBANK's responsibility as a central financial institution to see to it that the OKOBANK Group has adequate liquidity reserves. The size of OKOBANK's fixed-term investment portfolios is defined in relation to the minimum level of the Group's statutory cash reserves. The Group's cash reserves requirement during the year was on average € 2.1 billion and the amount of OKOBANK's investments eligible as cash reserves was € 2.3 billion. OKOBANK also handles the Group's foreign currency-denominated financing, which means that foreign currency-denominated financial risks at the level of the entire Group are centralised within OKOBANK.

Strategic and operational risks

Strategic risk means the losses arising due to an incorrectly chosen business strategy. The strategies of OKOBANK Consolidated are derived from those of the entire OKOBANK Group. The aim is to minimise OKOBANK Consolidated's strategic risks through continuous planning that is based on analyses and forecasts of the client's future needs, the trend in different industries and market areas and the competition situation. In defining strategy, the Bank utilises its own analyses, which underpin the strategies of the OKOBANK Group.

In managing operational risks, competent staff are in a key position. The Bank endeavours to minimise the operational risks it incurs by means of continuous development of the staff's competence and skills and by issuing operational guidelines. Risks are also prevented from materialising by separating decision making, execution and controlling from each other. Before new products are put into use, the Bank always carries out thorough planning of the entire operational process and issues comprehensive guidelines. Contingency plans are also used to limit, say, risks due to malfunctioning information systems. Internal auditing plays a central role in pinpointing operational risks.

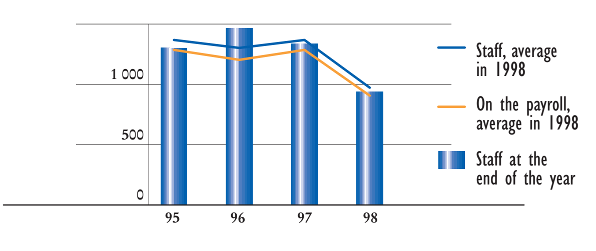
Personnel

OKOBANK Consolidated had a payroll of 940 employees at the end of 1998, or 396 less than at the end of the previous year. Due to changes in the Consolidated structure, 370 people transferred from OKOBANK Consolidated to the employ of the OKOBANK Group Central Cooperative at the beginning of 1998. In accordance with the agreed strategic policy lines, during the financial year the Central Cooperative was given centralised responsibility for handling collections, part of the information technology functions as well as the statutory accounting and reporting to the authorities in respect of OKOBANK and OKO Mortgage Bank Ltd. The 20 or so people who handle these tasks transferred to the employ of the Central Cooperative. At the end of 1998 there were 853 permanent employees and 87 temporary employees.

During the year the average number of employed staff was 974 people, compared with 1 368 a year earlier. The change in the average number of employees was mainly due to changes in the structure of OKOBANK Consolidated. Staff turnover during the year, net of changes in the structure of OKOBANK Consolidated, was 11 per cent.

During the year essential changes did not take place in the structure of OKOBANK Consolidated's personnel. At the end of 1998 the average age of the personnel was about 40 years. The breakdown of the personnel was 74 per cent women and 26 per cent men. Salaried employees accounted for 64 per cent and

Figure 27. **OKOBANK Consolidated's personnel**



experts for 21 per cent of the total employees. About 20 per cent of the personnel held a university degree and 40 per cent have completed post-secondary education.

The development of OKOBANK Consolidated's personnel is based on the confirmed strategy and the objectives that are set in line with it. The challenges in the years ahead, particularly in respect of the development of key staff, are to ensure the competence that will be required in the future and to maintain competitiveness in a changing operating environment. The development priorities are management and leadership, sales skills and information technology. Each salaried employee is also individually responsible for the continuous development and diversification of his or her own professional skill. Learning and self-development are supported through activities that maintain working ability.

Personnel development costs in 1998 were € 0.8 million, or 2 per cent of staff costs. The figure does not include salary costs during days in training. The staff participated in external training on average for 5 working days during the year. In addition, training in asset management services and extensive euro training, among other things, were carried out internally.

The OP-Akatemia that was established within the OKOBANK Group towards the end of 1998 will mean an increase in learning opportunities. The basic principle of the courses it offers is to cover the training needs of the entire OKOBANK Group as widely as possible. The courses offered include both training aiming at internal OKOBANK Group diplomas and training for bank professionals, which is also offered via an intranet network.

OKOBANK Consolidated encourages learning and the achievement of goals through its bonus system. Rewards are based on achieving individual or group goals. The development plan and objectives are agreed jointly and attainment of them is monitored in regular development discussions. In 1998, about 300 people were paid a bonus corresponding on average to three weeks of pay on the basis of the previous year's performance.

Liabilities of the OKOBANK Group Security Fund and joint responsibility

The withdrawal of the member banks from the OKOBANK Group Security Fund was made possible by the establishment of a common deposit guarantee fund, the agreement on apportionment of the Security Fund's liabilities that was made between the OKOBANK Group Central Cooperative, the Association of the Local Cooperative Banks and the Security Fund as well as an amendment to the Credit Institution Act, which came into force towards the end of 1998. The withdrawal will be consummated when the bank has paid completely its own portion of its commitment for the Security Fund's liabilities. The portion of the liabilities must be paid by the end of 2004 at the latest in accordance with the repayment timetable agreed by the bank and the Security Fund.

The Security Fund's net liabilities were set at € 0.7 billion, of which the share of the member banks of the OKOBANK Group was 94 per cent and the share of the banks belonging to the Association of the Local Cooperative Banks was 6 per cent. Within the bank groups the liabilities are divided among the banks in accordance with the 1997 basis of paying contributions, but nevertheless such that Osuuspankki Realum has been exempted from payment of its share of the liabilities. All of the Security Fund's member banks have decided to withdraw from the Fund and to pay their own share of the liabilities in the manner they have agreed together with the Fund.

Within OKOBANK Consolidated, OKOBANK's share of the liabilities was € 127 million and Okopankki's was € 34 million. On December 29, 1998, OKOBANK paid € 84 million of its share of the liabilities and Okopankki € 20 million. The payments were included in extraordinary expenses in the 1998 profit and loss account. OKOBANK and Okopankki granted the Security Fund € 57 million worth of non-interest bearing credits covering the unpaid amount of their shares of the liability. A similar arrangement concerned all those member banks of the Security Fund which did not pay their share of the liability entirely in 1998. OKOBANK and Okopankki paid the remainder of their share of the liability, € 57 million, on January 4, 1999, whereupon the withdrawal from the Fund came into force. The payments are included in extraordinary expenses in the 1999 profit and loss account. The Fund repaid its zero-interest credits on January 4, 1999.

OKOBANK is a member of the OKOBANK Group Central Cooperative in accordance with the Group's joint operational model. In this model, the resources of the OKOBANK Group serve as a safety net for all the member banks because under Chapter 2a of the Cooperative Bank Act, the Central Cooperative and its member credit institutions are jointly responsible for one another's liabilities and other commitments which cannot be met from the funds of the Central Cooperative or one or more of its member credit institutions. The Central Cooperative issues instructions to its members on banking operations and in particular on the management of capital adequacy, liquidity and risk management.

Changes in the structure of OKOBANK Consolidated

In accordance with the policy lines on the division of responsibilities decided by the Supervisory Boards of the OKOBANK Group Central Cooperative and OKOBANK, 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 as well as shares in its subsidiary OP-Kotipankki Oyj. OKOBANK Consolidated's holding in OP-Kotipankki fell from 57.7 per cent to 48.1 per cent. In addition to the shareholdings, OKOBANK sold to the Central Cooperative the service operations of its Agrifinancing Department and its Payment Services Department. The deals made did not have a material effect on the net operating profit of OKOBANK Consolidated and OKOBANK, but individual items in the profit and loss account are not comparable. The deals resulted in the booking of extraordinary income of € 5.3 million for OKOBANK Consolidated and € 7.7 million for OKOBANK.

At the beginning of July the corporate finance function was transferred from OKOBANK to Opstock Ltd. OKOBANK's wholly-owned subsidiary OKOBANK (Cayman Islands) Limited wound up operations in November through a voluntary liquidation procedure.

EMU and the Year 2000

In 1998 preparation for stage three of EMU and the introduction of the euro involved modifications to information systems, operational preparations and tasks during the changeover weekend.

The definition stage for the modifications to information systems, which was started in 1997, reached conclusion in March 1998. The required system modifications were completed in January 1999. Because of its considerable scope, the system project was organised by business area into six sub-projects which in turn were divided into a number of project units. Implementation of the project, including testing, required the work input of about a hundred people. Progress of the work was monitored by a steering group made up of the managers of the business areas.

The information system project involved carrying out, testing and placing in use modifications to nearly one hundred systems that are in operation within OKOBANK Consolidated. Project risks were tracked continuously.

The project went smoothly and system capabilities were in good shape on January 4, 1999. The costs of the project in 1998 amounted to about € 3 million.

Operational preparations were started in September with the drafting of action plans unit by unit. The plans included working out of all the modifications concerning business operations. Aspects studied included changes in customers' service behaviour, the renewal of agreements, forms, brochures and price lists, the preparation of new internal instructions and the issuing of information releases and extensive training for the staff. Progress of the preparations was overseen by a steering group that was appointed by the Executive Board. OKOBANK Consolidated's costs during this phase were about € 0.7 million.

For the changeover weekend, the groups prepared "minute plans" which combined both operational and system-specific measures. On the basis of these and the plans for commissioning the systems, a precise run-up plan was made to cover the crucial days from December 31, 1998 to January 3, 1999. A euro expert network was assembled to support operations during the changeover phase. To ensure that everything moved ahead as it should, a command centre was appointed to secure a decision-making capability in disturbance and anomalous situations.

During the changeover weekend, the European Central Bank had a liaison system that operated via the national central banks. The OKOBANK Group reported to the Bank of Finland on the accomplishment of seven scheduled milestones, the reaching of which was monitored by a person who was appointed to be in charge of the liaison system. Internal reporting in accordance with the more detailed run-up plans was used to monitor the putting in place of capabilities.

The building of an operational capability was carried out in different parts of the consolidated organisation in accordance with plans. The changeover weekend went without a hitch and production and service capabilities were put in place even ahead of the planned timetable. The historically momentous change was also of wide interest to the media.

In 1999 business activities will be adjusted to the new operating environment and functional capabilities will be honed further both in the area of information systems and staff expertise.

The focus of the Year 2000 project in 1998 was on implementing system modifications on the basis of the system analysis that had been made in the previous year. New software versions were put through their paces in a test environment simulating present production, and tested versions were put into operation. Towards the end of the year preparations were made for the testing stage – to be carried out in the spring 1999 – covering the integrated system in a simulated Year 2000 environment.

At the end of 1998 OKOBANK Consolidated's degree of preparation in carrying out Year 2000 tasks was about 55 per cent. In the first part of 1999 the last system modifications and tests will be carried out.

In the spring the project involved carrying out a comprehensive risk analysis, the conclusions of which guided the decisions that were taken during the project. The risks of the project are monitored continuously. Since the spring attention has been directed at customers' Year 2000 risk in connection with the review of loan decisions.

By the end of 1998 OKOBANK Consolidated's Year 2000 work had cost about € 0.4 million. In 1999 it is estimated that an additional € 0.6 million of costs will be incurred.

Outlook

The conditions for the growth of OKOBANK Consolidated's operations were favourable in 1998. OKOBANK Consolidated's net operating profit was substantially better than in the previous year and exceeded objectives. The trend in the national economy is estimated to continue on a positive track in the current year as well. The changeover to a single currency is not anticipated to have a material effect on OKOBANK Consolidated's profit-making ability.

OKOBANK Consolidated's strategy for the years ahead has been confirmed and its long-term financial objectives have been set.

OKOBANK and Okopankki paid the remainder of their share of the joint liabilities to the OKOBANK Group Security Fund at the beginning of 1999, whereupon their withdrawal from the Security Fund came into force. The disengagement from the Security Fund will reduce OKOBANK Consolidated's operational expenses because from the beginning of 1999 it will no longer pay annual contributions to the Security Fund.

OKOBANK Consolidated's objective is to improve its net operating profit further. It is in a good position to do this provided that the national economy continues its positive development and no major market disturbances take place.

The parent bank, OKOBANK

Result

OKOBANK's net operating profit for 1998 was € 54.8 million, an increase of € 25.2 million on the previous year. The improvement in earnings was due to a substantial decrease in loan and guarantee losses as well as write-downs. In addition, the net operating profit figure included € 23.8 million of dividends from subsidiaries and associated companies as well as avoir fiscal tax credits, together representing an increase of € 6.2 million on 1997.

Result, € million	**1998**	**1997**	**Change**
Total income	143	157	-14
Total expenses	93	115	-22
Loan losses and write-downs	-5	12	-17
Net operating profit	55	30	25

Income and expense items are not comparable because OKOBANK sold the service operations of its Agrifinancing and Payment Services Departments to the Central Cooperative at the beginning of 1998. In addition, the corporate finance function was transferred to Opstock Ltd at the beginning of July.

OKOBANK's total income was € 13.7 million less than a year earlier, and total expenses declined by € 22 million. Income includes € 5.4 million of capital gains on the sale of real estate and real-estate management companies and about € 3.3 million of non-recurring gains on the sale of equity holdings held in non-current assets. Contributions to the OKOBANK Group Security Fund, which are included in other operating expenses, amounted to € 20 million, or € 5.1 million less than in 1997. Depreciation includes a net amount of € 0.7 million of write-downs on shares in real estate and real-estate management corporations. A year earlier € 4.2 million of write-downs were booked.

Due to reversals, the effect on earnings of credit and guarantee losses as well as write-downs on securities held as financial fixed assets was € 5.5 million positive. In 1997, € 12.4 million of loan losses and write-downs was booked.

OKOBANK entered in extraordinary income a total of € 7.7 million of capital gains in connection with structural changes and € 9.1 million of refunds on stamp taxes and additional tax assessments on the basis of a claim for rectification which had been submitted. Entered in extraordinary expenses was a € 84 million payment to the OKOBANK Group Security Fund. After these entries, OKOBANK's loss before appropriations and taxes was € 12.4 million.

Appropriations included discharging € 8.7 million of OKOBANK's credit loss reserve and € 0.8 million of the depreciation difference. The Bank posted an after-tax loss for the financial period of € 6.1 million.

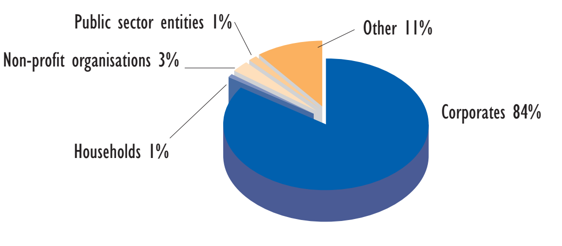
Balance sheet

OKOBANK's total assets on the balance sheet date were € 7.4 billion, or € 78 million greater than a year earlier. Claims on credit institutions diminished by € 311 million. Deposits and investments with foreign banks totalled € 518 million, or more than 50 per cent less than at the end of 1997. Claims on the cooperative banks remained at nearly the previous level and were more than € 882 million. The OKOBANK Group Security Fund repaid its € 268 million loan to OKOBANK and OKOBANK granted to the Security Fund a € 43 million non-interest-bearing loan corresponding to the Bank's remaining share of the Security Fund's liabilities. The financing needs of subsidiaries which are financial institutions were handled to an increasing extent via OKOBANK. The Bank's loans to such financial subsidiaries grew by € 387 million and totalled € 971 million.

Loans to the public and public sector entities grew by € 341 million, or 30 per cent, and amounted to about € 1.5 billion at the end of the year. Domestic markka-denominated loans increased by € 273 million to € 1.1 billion. Domestic foreign currency-denominated loans increased by € 107 million to € 347 million. The amount of non-performing and zero-interest claims was € 54.8 million, or € 34.6 million greater than a year earlier. Zero-interest claims included a € 43 million loan granted to the OKOBANK Group Security Fund, which the Security Fund repaid on January 4, 1999.

Liabilities to credit institutions were roughly as large as they were a year earlier, or € 2.9 billion. The cooperative banks'

Figure 28. **OKOBANK's lending by customer sectors**



cash reserve deposits with OKOBANK declined by € 121 million to € 1.4 billion. The reduction was due to the fact that at the end of the year the cooperative banks belonging to the Association of the Local Cooperative Banks no longer used OKOBANK as their central financial institution. The cooperative banks' other deposits and investments with OKOBANK amounted to slightly less than € 936 million, a decrease of € 48 million. Deposits included the member banks' FIM € 252 million of minimum cash reserves, which OKOBANK manages on a centralised basis for the entire OKOBANK Group.

OKOBANK's equity capital at the end of the year was € 418 million, of which distributable equity capital amounted to € 58 million.

OKOBANK's capital adequacy ratio at the end of the year was 19.5 per cent.

Share series and share capital

OKOBANK's shares are divided into Series A, Series K and Series C shares. The number of Series A shares that have been listed on Helsinki Exchanges since 1989 was 9 458 120 at the end of the year, of which a total of 892 500 shares were unregistered. The number of Series K shares was 13 894 380, and they can be owned solely 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 (€ 8.41).

In 1998 OKOBANK's share capital grew from € 186 million to € 189 million. The increase was due to subscriptions of OKOBANK's Series A share on the basis of the issue of bonds with warrants that was targeted at the Government Security Fund in connection with the purchase of Savings Bank of Finland Ltd. The warrants were exercised to subscribe a total of 1 297 500 shares, of which 892 500 shares were unregistered at the end of the year. The share series and share capital are itemised in Note 36 to the annual accounts.

OKOBANK's Executive Board will propose to the Bank's Annual General Meeting to be held on March 24, 1999, that the Supervisory Board be authorised to increase the share capital, that the number of shares be increased without changing the share capital and that the company's Articles of Association be amended. The central points of the proposal are the following:

- It is proposed that the number of the Bank's shares outstanding be doubled without changing the share capital such that the accounting countervalue of the share be halved and that each share be converted into two new shares of the corresponding share series.

- It is proposed that the stipulation concerning the nominal value of the share be deleted from the Articles of Association. It is proposed that the Bank's minimum share capital be set at € 185 million and its maximum share capital at € 740 million, within which limits the share capital can be increased or decreased without amending the Articles of Association.

- It is proposed that the stipulations concerning Series C shares be deleted from the Articles of Association.

- It is proposed that a stipulation be added to the Articles of Association to the effect that the Bank offers investment services according to Section 3 of the Act on Investment Firms and custodian and asset management services pursuant to Section 16 of the same act.

Shareholders

At the end of 1998 OKOBANK had 25 034 registered shareholders. The largest shareholder was the OKOBANK Group Central Cooperative, which holds 43.0 per cent of OKOBANK's shares and 61.8 per cent of its voting rights. At the end of the year, the Central Cooperative increased its stake and the proportion of its votes when it purchased 559 980 Series K shares that were owned by Osuuspankki Realum. In addition, the Central Cooperative purchased from the cooperative banks which belong to the Association of the Local Cooperative Banks 758 336 OKOBANK Series K shares owned by the Association's banks. Part of the Central Cooperative's member cooperative banks purchased the remainder of the Series K shares owned by these banks.

The largest shareholder group at the end of the year was the OKOBANK Group Central Cooperative and its 246 member cooperative banks, which held 69.3 per cent of all of OKOBANK's shares and 91.2 per cent of the voting rights. In numerical terms, the largest owner group was private individuals, who numbered 24 003 shareholders. Detailed itemisations of shareholders and the breakdown of shareholdings are given in Note 39 to the annual accounts.

Share price and turnover

The share price of OKOBANK's Series A share was again rising in 1998. The low for the year was € 14.30, or € 4.04

Figure 29. **OKOBANK's capital adequacy ratio**

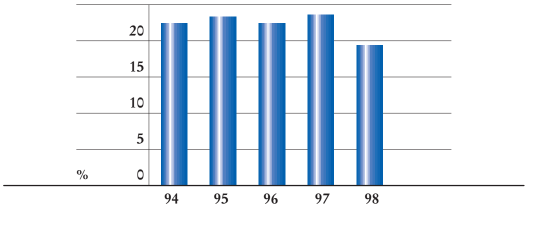
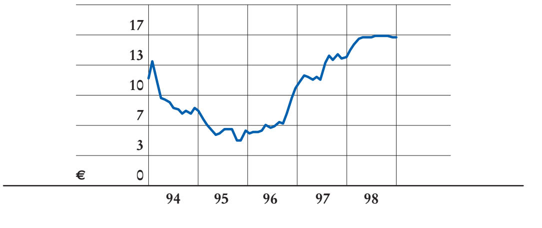


Figure 30. **Average price of OKOBANK's A-shares**



higher than a year ago. The high was € 19.01. The price at the end of the year was € 15.64, as against € 14.53 a year earlier. The price at the end of the year was 74 per cent of the equity per share at the end of the year. The market value of the Series A shares outstanding rose from € 119 million at the end of 1997 to € 148 million.

Share turnover in numerical terms was smaller than it was a year ago. During the report year more than 3 million Series A shares changed owners. This represents 37 per cent of all the Series A shares. A year earlier the turnover was more than 57 per cent. The five-year per-share key figures are given in Note 44 to the annual accounts.

Stockholm branch office and representative offices

In May, OKOBANK sold the retail banking services of its Stockholm branch office to SkandiaBanken AB of Sweden. The operational concept of the branch office was changed to a primary focus on serving Finnish companies that operate in Sweden. As a consequence of the deal OKOBANK's total assets diminished by about € 76 million. The deal had only a minor effect on earnings.

At the end of the year OKOBANK had representative offices in Moscow, New York, St Petersburg and Tallinn. The London representative office was closed in April 1998. A decision has been taken to close the New York representative office during 1999.

OKOBANK's credit ratings

No changes took place in the credit ratings obtained from international credit rating agencies in 1998.

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

Administration

At the Annual General Meeting held on April 1, 1998, the Executive Board's proposal to change OKOBANK into a public limited company was approved. The Meeting re-elected the members of the Supervisory Board who were due to resign. The auditors elected were the firm of public accountants SVH Pricewaterhouse Coopers Oy, Eero Huusko, Authorised Public Accountant and Reino Maijala, Authorised Public Accountant as well as the deputy auditors Kauko Lehtonen, Authorised Public Accountant and Auno Inkeröinen, Authorised Public Accountant. The firm of public accountants Öhrlings Coopers & Lybrand AB was elected to audit OKOBANK's Stockholm branch office.

At its organisation meeting held on April 1, 1998, OKOBANK's Supervisory Board re-elected as its chairman Seppo Penttinen and likewise re-elected Paavo Haapakoski as its vice chairman.

At its meeting held on June 10, 1998, the Supervisory Board appointed Juhani Elomaa, managing director of Opstock Ltd, a member of OKOBANK's Executive Board effective July 1, 1998. Mr Elomaa is responsible for the Investment Banking function, which includes securities brokerage, asset management, corporate finance as well as investment research. Mr Elomaa is also staying on as managing director of Opstock Ltd. The new area of responsibility of Executive Director Timo Ritakallio, who was previously in charge of OKOBANK Consolidated's Administration function, is the Corporate Banking and Debt Capital Markets function, which includes arranging financing for corporate and institutional customers, trading in the fixed income and currency markets, treasury, financing for the member banks of the OKOBANK Group, international operations and real-estate holdings. Mr Ritakallio is also deputy managing director of OKOBANK. The new area of responsibility of Executive Director Helena Walldén is the Operations and Processes function, which comprises back office operations and customer service procedures for corporate financing and treasury as well as the information systems and legal affairs of OKOBANK Consolidated. The changes in areas of responsibility came into force on July 1, 1998.

Salaries and staff

Salaries and emoluments paid to the members of the administrative bodies of OKOBANK Consolidated amounted to € 1.3 million. Salaries and wages paid to other staff totalled € 37.5 million. OKOBANK Consolidated employed an average of 876 permanent staff during the financial year.

Salaries and emoluments paid to members of OKOBANK's Supervisory Board and Executive Board amounted to € 0.7 million, with € 15.8 million being paid to other staff. At the end of the year the bank employed 316 people, or 144 people less than a year earlier. The number of permanent staff at the end of 1998 was 282 people. An average of 314 people were permanently employed during the year.

Operations and result of the major subsidiaries and associated companies

Okopankki Oyj

Result

Okopankki grew steadily in all the sectors of its operations. The Bank's net operating profit for 1998 was € 18.8 million, an increase of € 3.5 million on the previous year. The improved result was due largely to the good trend in net income from financial operations. Net income from financial operations grew by € 3.8 million, or 10 per cent. Commission income, net income from securities transactions and other operating income also increased compared with the previous year. Staff costs grew by € 1.4 million. This was due mainly to the more than € 0.8 million of contributions to cover the pension liability that were paid to the OKOBANK Group Pension Foundation. Loan and guarantee losses were again minor in amount, € 0.4 million.

In extraordinary expenses Okopankki entered a € 20.2 million payment for its liabilities to the OKOBANK Group Security Fund. Consequently, the Bank posted a loss before appropriations and taxes of € 1.4 million.

Result, € million	**1998**	**1997**	**Change**
Net income from financial operations	42.1	38.3	3.8
Other income	19.2	17.8	1.4
Expenses	42.2	40.6	1.6
Loan losses	0.4	0.2	0.2
Net operating profit	18.8	15.3	3.5
Income to expenses ratio	1.45	1.38	0.07
Return on equity, %	14.5	12.1	2.4

Balance sheet

Okopankki's total assets at the end of the year stood at € 1.3 billion, or € 135 million more than a year earlier. The loan portfolio grew by € 115 million and were € 975 million. The amount of new loans drawn during the year was € 404 million. Housing loans to households accounted for 57 per cent of the total amount of new loans. At the end of the year the Bank had € 4.3 million of non-performing claims, or € 1 million less than a year earlier. The total amount of zero-interest claims, € 13.9 million, included a € 13.8 million non-interest-bearing loan that was granted to the OKOBANK Group Security Fund and which corresponded to Okopankki's yet unpaid share of its liabilities to the Security Fund. Okopankki paid the remainder of its share of the liabilities on January 4, 1999 and the Security Fund repaid its loan on the same day. The Bank's deposits from the public increased by € 77 million to € 979 million at the end of 1998.

Balance sheet, € million	**1998**	**1997**	**Change**
Credit stock	975.0	860.3	114.7
Non-performing and zero-interest claims	18.2	5.6	12.6
Deposits from the public	978.9	902.2	76.7
Equity capital	85.3	91.5	-6.2
Total assets	1 296.1	1 161.5	134.6
Capital adequacy ratio, %	10.8	12.3	-1.5
Staff, Dec. 31	427	425	2

Outlook

Okopankki's net operating profit exceeded targets in 1998 and was substantially better than the previous year's result. Okopankki's withdrawal from the OKOBANK Group Security Fund will reduce the Bank's operating expenses beginning in 1999, because there will no longer be a need to pay annual contributions to the Security Fund. In 1998 the amount of the contribution was € 7 million.

The forecast growth in the population and economy of the Greater Helsinki area mean that Okopankki is in a good position to expand its business operations faster than the average rate of growth in banking business. Keener competition is nevertheless expected to narrow further the margins on lending. Owing to the growth in business volume and the reduction in operating expenses, Okopankki's net operating profit is nevertheless expected to improve in 1999.

Figure 31. **Okopankki's FIM deposits**

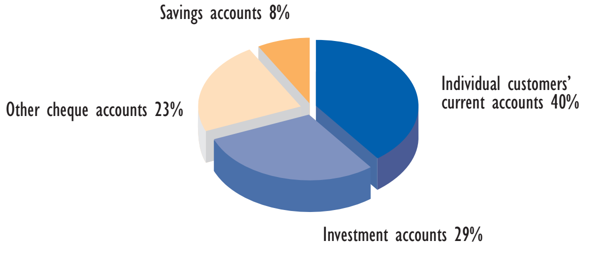
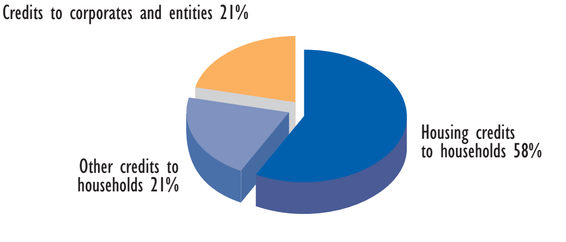


Figure 32. **Okopankki's credit stock**

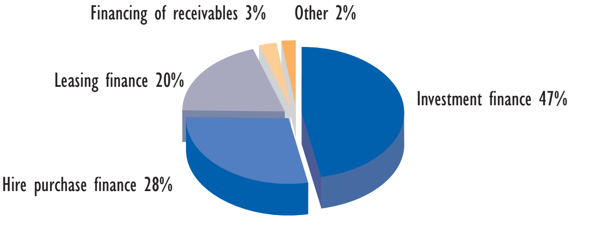


OP-Finance Ltd

Result

OP-Finance's net operating profit was up € 2 million on the previous year and was € 8.6 million. The improvement in earnings was mainly due to the growth in net income from financial operations, which amounted to € 14.9 million, or € 2.1 million more than in 1997. Other income was slightly greater than in 1997. Administrative expenses grew by € 1 million. More than € 0.3 million of the increase was due to euro-related modifications to the information systems. The net impact on earnings of credit losses was € 0.2 million positive. A year earlier, € 0.4 million of loan losses was booked.

Figure 33. **OP-Finance's credit stock**



Result, € million	**1998**	**1997**	**Change**
Net income from financial operations	14.9	12.8	2.1
Other income	4.5	4.2	0.3
Expenses	10.9	10.0	0.9
Loan losses	-0.2	0.4	-0.6
Net operating profit	8.6	6.6	2.0
Income to expenses ratio	1.77	1.70	0.07
Return on equity, %	8.4	6.8	1.6

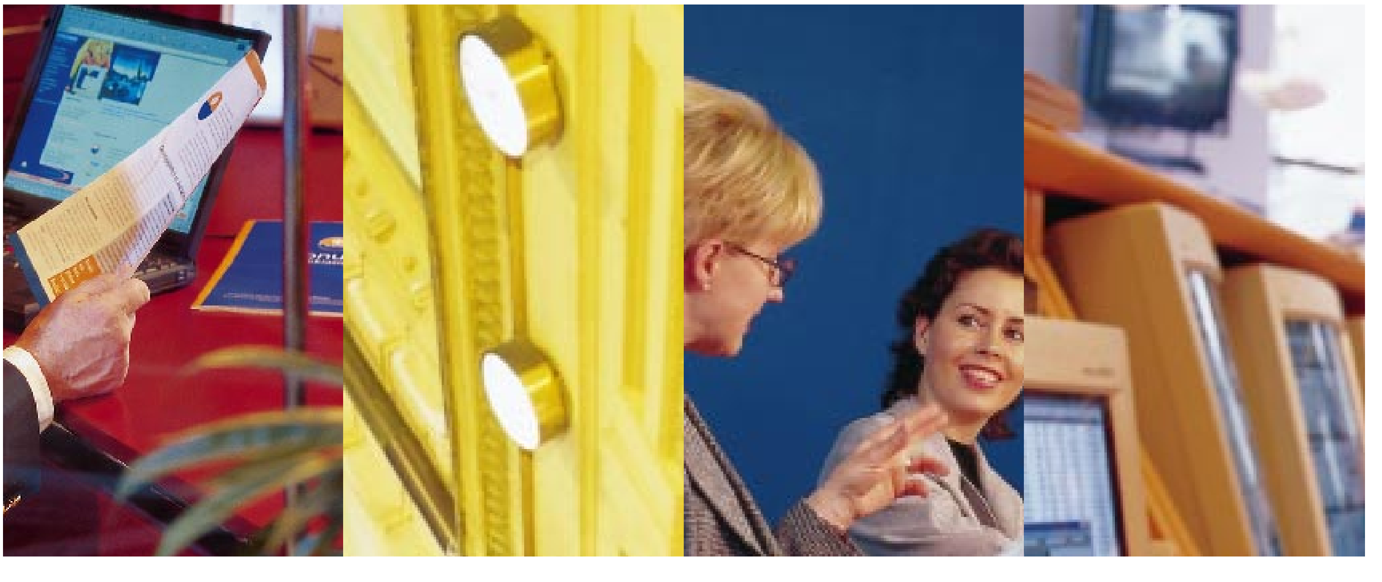
Balance sheet, € million	**1998**	**1997**	**Change**
Credit stock	675.1	530.3	144.8
Non-performing claims	2.0	1.9	0.1
Equity capital	55.5	54.5	1.0
Capital adequacy ratio, %	11.0	13.4	-2.4
Staff, Dec. 31	111	107	4

Balance sheet

OP-Finance's total assets at the end of the year amounted to € 684 million, or slightly less than € 146 million greater than at the end of the previous year. The loan portfolio grew by nearly € 145 million, or 27 per cent, and was € 675 million. New lending amounted to € 363 million in 1998. The amount of non-performing claims at the end of the year was € 2 million, or € 0.1 million greater than a year earlier. Refinancing was obtained to an increasing extent from OKOBANK. OP-Finance's liabilities to OKOBANK grew from € 370 million to € 550 million.

Outlook

According to forecasts, the growth in companies' capital spending activity is slowing down in the current year. This portends a slowdown in the growth rate of OP-Finance's lending. The positive trend in OP-Finance's net operating profit is nevertheless estimated to continue, provided that unforeseen and major changes do not take place in the operating environment.

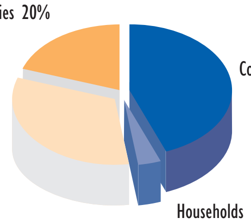


OKO Mortgage Bank plc

Result

OKO Mortgage Bank posted net operating profit of € 7.3 million, nearly double the € 3.7 million figure a year earlier. Net income from financial operations was up nearly € 2.8 million, to € 9.5 million. € 0.4 million of capital gains were booked as net income on securities transactions. Expenses remained at nearly the same level as a year earlier. Net credit losses were € 0.7 million, or € 0.3 million less than in 1997.

Figure 34. **OKO Mortgage Bank's credit stock**



Result, € million	1998	1997	Change
Net income from financial operations	9.5	6.8	2.7
Other income	2.1	1.6	0.5
Expenses	3.5	3.5	0
Loan losses	0.7	1.0	-0.3
Net operating profit	7.3	3.7	3.6
Income to expenses ratio	3.22	2.37	0.85
Return on equity, %	7.9	4.2	3.7

Balance sheet, € million	1998	1997	Change
Credit stock	746.8	708.2	38.6
Non-performing claims	1.9	2.9	-1.0
Bonds	422.2	478.3	-56.1
Equity capital	67.6	64.4	3.2
Capital adequacy ratio, %	20.4	22.3	-1.9
Staff, Dec. 31	10	16	-6

Balance sheet

OKO Mortgage Bank's total assets at the end of the year stood at € 806 million, an increase of € 41 million compared with the end of 1997. The loan portfolio grew by € 39 million and was more than € 740 million. OKO Mortgage Bank granted € 185 million of new loans during the financial year. The amount of non-performing claims at the end of the year was € 1.9 million, or € 0.8 million less than a year earlier. During 1998 OKO Mortgage Bank issued a total of € 144 million of bonds and notes. The amount of debt financing at the end of the year was € 422 million, or € 56 million less than at the end of 1997. Because of the financing need resulting from this, € 98 million of additional financing was obtained from OKOBANK.

Outlook

In step with rising capital expenditures in certain sectors, the demand for loans is expected to remain good in the Bank's priority areas – residential construction and public sector financing.

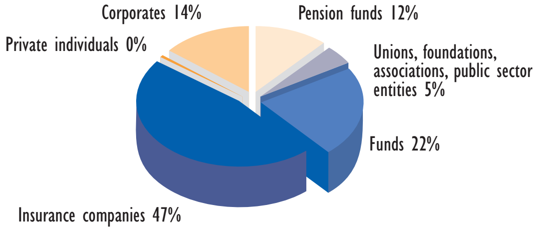
The Bank's earnings are nevertheless estimated to decline from the 1998 level due to narrower credit margins and a decrease in capital gains.

Opstock Ltd

Result

Opstock Ltd reported net operating profit for 1998 of € 5.8 million, up € 0.3 million on the previous year. The profit and loss account items are not fully comparable because the corporate finance function was transferred from OKOBANK to Opstock at the beginning of July. Commission income amounted to € 19.5 million, or € 6.1 million more than a year ago. Opstock Securities' commission income on securities brokerage grew by € 1.7 million and totalled € 13.1 million. Commission income generated by Opstock Asset Management totalled € 1.7 million and commission income on the issuance of securities brought in € 4.4 million. Commission expenses were up € 3.4 million to € 8.2 million. Staff costs and other administrative expenses grew by € 2.5 million. Particular development focuses were asset management and investment research.

Figure 35. **Customer assets managed by Opstock Asset Management**



Result, € million	**1998**	**1997**	**Change**
Income	20.5	14.3	6.2
Expenses	14.7	8.8	5.9
Net operating profit	5.8	5.5	0.3
Income to expenses ratio	1.39	1.62	-0.23
Return on equity, %	47.3	25.7	21.6
Staff, Dec. 31	76	45	31

Outlook

The efficiency of Opstock Ltd's operations will be stepped up by investing in new securities brokerage and asset management systems that will be introduced in 1999 and 2000. Demand for securities brokerage, asset management and securities-based financing services are forecast to grow further during the current financial year. Turnover on the stock exchange is forecast to be on a par with 1999. The Company's earnings trend is expected to be favourable in the current year.

Aurum Life Assurance Company

Aurum's underwriting result was € 4.2 million, up € 2.1 million on the previous year. Premium income declined by € 65 million and was € 145.8 million. Net income from investment operations amounted to € 34.8 million, as against € 21 million in 1997. Claims incurred more than doubled on the previous year and were € 11.2 million. The change in the provision for unearned premiums was € 153.8 million, down € 59.2 million on 1997. Operating expenses remained at roughly the same level as a year earlier. Net profit for the financial year was € 3 million, of which € 1.5 million was credited to OKOBANK Consolidated's income in the consolidated accounts in accordance with OKOBANK's 49.6 per cent interest in Aurum.

At the end of the year, 87 per cent of Aurum's investments were in various fixed-income instruments and 13 per cent was in shares and participations. The Company's total underwriting reserves were € 568 million, an increase of € 146 million from the figure at the end of 1997. Total assets grew by € 173 million and totalled nearly € 670 million at the end of the year.

OP-Kotipankki Oyj

OP-Kotipankki's net operating profit was more than € 2.9 million, an improvement of € 1.1 million on the previous year. Net income from financial operations grew by € 0.6 million and was € 5.7 million. Other income increased by € 1.4 million to € 4.4 million. Notably, commission income increased substantially. Expenses were up € 0.9 million and totalled € 6.8 million. Loan losses were a net amount of € 0.3 million, or at the same level as in 1997. Entered in extraordinary expenses was a payment of slightly less than € 1.7 million to cover the Bank's share of the OKOBANK Group Security Fund's liabilities. Net profit for the financial year was more than € 1 million, of which income of € 0.4 million was credited to OKOBANK Consolidated in its financial statements, in accordance with its 48.1 per cent interest in OP-Kotipankki.

The Bank's claims on the public and public sector entities grew by € 21.3 million and were € 72.1 million at the end of the year. Deposits from the public totalled € 72.0 million at the end of the year, a reduction of € 8.7 million from the end of the previous year. Total assets stood at € 92.3 million.

The OKOBANK Group's strategy that was confirmed in February 1998 singled out securities operations as one of the Group's business priorities. Trading for customers' account, risk management and market analyses were the main focuses of development during the report year.

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, the Ministry of Finance's decision of January 1, 1998, concerning the parent company and consolidated annual accounts of credit institutions and investment service companies as well as the regulations issued by the Financial Supervision, which came into force on June 30, 1998.

Extent of the consolidated annual accounts

The consolidated annual accounts include the information of the accounts of OKOBANK and its directly or indirectly owned subsidiaries and associated companies. Subsidiaries and associated companies whose total assets are less than 10 million euros and whose omission would not have an effect on the giving of an adequate description of the result of OKOBANK Consolidated's operations and its financial position have been excluded from the consolidated 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 54 to the annual accounts, where information will also be found on the 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. All the subsidiaries included in the consolidated accounts have been consolidated according to the acquisition cost method. New companies belonging to OKOBANK Consolidated have been incorporated into the consolidated accounts as from 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 annual accounts of associated companies have been consolidated according to the equity method.

The acquisition costs of subsidiary shares have been eliminated against the equity capital as per the balance sheet dates 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 on consolidation and are amortised on a straight-line basis over a period of 10 years at the most, but since 1995, over five years at the most.

The acquisition costs of foreign subsidiary shares have been translated into Finnish markkaa 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, whereby no translation difference arises in this respect. The translation difference arises from the effect of foreign exchange rate changes on the difference resulting from the elimination of shares in subsidiaries and the equity capital acquired. The translation difference is included in OKOBANK Consolidated's profit for previous financial years.

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

Items denominated in foreign currency

The balance sheet items and off-balance sheet items of national currencies in the euro area have been translated into Finnish markka amounts applying the fixed exchange rates quoted by the European Central Bank on December 31, 1998. Other items denominated in foreign currency as well as the annual account information of foreign subsidiaries and the overseas branch office have been translated into Finnish markkaa applying the average exchange rates of the currencies on the balance sheet date. The foreign exchange rate differences arising from the valuation are entered in the profit and loss account item Net income from foreign exchange dealing.

Receivables and liabilities

Receivables and liabilities have been entered in the balance sheet at the value which was paid for or received from them at the time of acquisition. The difference between the acquisition cost and the nominal value of a receivable is periodised as interest income and is an increase or decrease in the acquisition cost of the receivable. The difference between the amount received for a liability and the nominal value is periodised as interest expense and is an increase or decrease in the acquisition cost of the liability.

Securities held as current assets

The securities held as current assets are debt securities as well as shares and participations that are traded. Debt securities held as current assets are placed in the balance sheet items "Debt securities eligible for refinancing with central banks" and "Debt securities". Securities held as current assets are valued at acquisition cost or the probable value on the balance sheet date, whichever is lower. The probable transfer price of a debt security is taken to be the present value of the flow of principal and interest from it, discounted by the market interest rate. The probable transfer price of publicly listed shares is taken to be the closing price on the last trading day of the year.

Gains and losses on the transfer of securities held as current assets as well as changes in write-downs are entered in net income from securities transactions. The difference between the acquisition cost and nominal value of debt securities is periodised in interest income. In line with the practice adopted in 1997 and 1996, a portion corresponding to the financial year has been calculated on the difference between the acquisition cost of markka-denominated bonds and notes included in OKOBANK's current assets, and this amount is included in net income from financial operations. In years prior to this time, the price difference was entered in net income from securities transactions.

Securities held as current assets and which are traded will be valued, on the basis of a transitional provision pursuant to the relevant regulation issued by the Financial Supervision, at the market value for the first time in the 1999 financial year.

Securities held as financial fixed assets

The securities held as financial fixed assets are debt securities which are intended to be held to maturity, shares and participations in subsidiaries and associated companies, other shares purchased as long-term investments as well as shares and participations which have been acquired in order to ensure the provision of services required by OKOBANK Consolidated. The debt securities held as financial fixed assets are placed in the balance sheet under the items "Debt securities eligible for refinancing with central banks" and "Debt securities".

Securities held as financial fixed assets are stated at the amount of their acquisition cost. If at the close of the financial year the probable market value of such a security is permanently lower than the acquisition cost, the difference is entered in the profit and loss account item "Write-downs on securities held as financial fixed assets". Any reversals of write-downs have been entered as an adjustment to the same profit and loss account item. The difference between the acquisition cost and nominal value of debt securities has been periodised in interest income.

Securities repurchase and resale agreements

The purchase price of securities purchased on irrevocable resale terms has been entered as a receivable in the balance sheet and figures in the item according to the party involved. 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 has been entered as a liability in the balance sheet item according to the party involved. The difference between the sale price and the repurchase price has been periodised 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.

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 the balance sheet item "Depreciation difference", which gives the accumulated appropriations. Should the probable market price of a real-estate property or shares in a real-estate management company be permanently lower than the book value, the difference has been booked as an expense in the profit and loss account item "Deprecation and write-downs on tangible and intangible assets". Any reversals of write-downs have been booked as an adjustment to the same profit and loss account item.

The acquisition cost of buildings and other tangible and intangible assets subject to wear and tear is depreciated over the economic life of the asset on a straight-line basis according to a pre-prepared depreciation plan. In accordance with the depreciation plan prepared by OKOBANK Consolidated, the acquisition cost of buildings is depreciated over 30-40 years depending on their usage purpose and the construction materials. Machinery and equipment, EDP equipment, computer programs and vehicles are depreciated over 3-6 years and other tangible and intangible assets over 5-10 years. Leasing assets are depreciated according to the annuity method. An individual depreciation period can be specified for tangible assets that are acquired in used condition. No depreciation is entered for non-wearing tangible assets and for revaluations.

Valuation principles and methods for real-estate properties and shares in real-estate companies

The real-estate holdings of OKOBANK Consolidated are valued once a year. For special reasons, the values can be reviewed more frequently. In determining the balance sheet value of real-estate and shares in real-estate companies that are in own use, the starting point taken is the value of the asset in relation to earnings expectations for ordinary operations. Commercial, office and industrial properties other than those in own use are valued as a rule according to the yield value method. Land, water and forest areas as well as dwellings and residential buildings are valued according to the sale value method.

In defining the net yield percentage, account is taken of the location of the property, its usage purpose and special features as well as any appreciation expectations. For each property, a plan of measures to be carried out has been prepared and this is reviewed yearly. In addition to the main principles, valuation of real estate is carried out taking into account the special features of each property and use is made of statistics and forecasts that are published in the field.

In booking reductions in value, the permanence of the write-downs and criteria pertaining to their material importance have been applied. The principles of valuation have not changed compared with the previous financial year.

Derivative contracts

The difference between the interest received from and paid on receivables and interest rate swaps made to hedge debt securities held as financial fixed assets as well as liabilities has been booked to interest income or expenses. In the annual accounts, the accrued interest on these interest rate swaps has been entered in accrued income and prepayments and accrued expenses and prepaid income. The difference in the interest obtained from and paid on other interest rate swaps has been booked to net income from securities transactions and the accrued interest corresponding to this income has been booked to Other assets and Other liabilities.

Changes in the value of derivative contracts taken out for hedging purposes are dealt with in the profit and loss account in the same way as is the change in value of the opposite-signed hedging balance sheet item. The income, expenses and changes in value of interest rate, currency and equity derivatives taken out for purposes other than hedging have been entered in the profit and loss account item “Net income from securities transactions and foreign exchange dealing”. The items entered in the balance sheet for derivative contracts taken out for non-hedging purposes have been entered in Other assets or Other liabilities.

Non-performing claims

The entire principal amount of a claim has been classified as non-performing when its interest, principal or a part thereof has fallen due and is unpaid for 90 days. Claims on companies placed in bankruptcy have been classified as non-performing on the date of declaration of bankruptcy at the latest. A claim based on a guarantee given has been classified as non-performing when the payment based on the guarantee has been made. The periodised 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 and losses on the disposal of assets obtained in lieu of a receivable for the financing of a customer. 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 reposting 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, insurance compensation received, gains on the sale of assets obtained in lieu of a receivable for costomer financing and reversals of specific loan loss provisions have been reported as a reduction in loan losses.

Extraordinary items

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

Pension expenditures

With the exception of 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. In respect of an overseas branch office, the practice of the base country has been observed.

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.

Compulsory provisions

Entered as a compulsory provision is a provision for such itemisable future expenses and losses as are probable or certain but whose amount and time of occurrence are still uncertain. Specific loan loss provisions or other similar items connected with the valuation of individual balance sheet items are not entered in compulsory provisions but as a reduction in the balance sheet item under which said loan or other asset item has been entered.

Changes in the structure of OKOBANK Consolidated which affect the comparability of the consolidated accounts

Changes in the structure of OKOBANK Consolidated are discussed in the Report of the Executive Board. Changes in the structure of OKOBANK Consolidated do not have a material effect on its net operating profit but individual profit and loss account items are not comparable with the figures for the previous year.

Changes in the format of the profit and loss account and balance sheet

The profit and loss account and balance sheet of the financial institution and its consolidated group are presented in accordance with the Ministry of Finance's decision which entered into effect on January 1, 1998, and the regulations of the Financial Supervision, which came into force on June 30, 1998. The principal changes compared with the previous format and disclosure are the following:

The difference between the interest received from and paid on interest rate and currency swap contracts hedging securities held as current assets or taken out for non-hedging purposes has been booked to net income from securities transactions. According to the previous regulations, this interest was recorded as interest income or as an item adjusting interest income. The counterentry is now made to the items "Other assets" and "Other liabilities" instead of to accrued income and prepayments and accrued expenses and referred income.

Write-downs on shares in real-estate companies are booked to the profit and loss account item "Depreciation and write-downs on tangible and intangible assets". Previously these write-downs were entered in the item "Write-downs on securities held as financial fixed assets".

In the separate annual accounts of individual consolidated companies, the depreciation difference and voluntary provisions have been entered in the balance sheet item "Appropriations" and changes in them have been entered in the profit and loss account item "Appropriations". In the consolidated balance sheet, accumulated appropriations has been divided between equity capital and imputed taxes due, whereas in the profit and loss account the allocation is made to profit for the financial year and the change in imputed taxes due. In accordance with the previous practice, the profit and loss account contained as a separate item the change in appropriations, and the balance sheet had, as a separate item in equity capital, the portion of voluntary provisions and the depreciation difference that had been transferred to equity capital.

In the balance sheet, debt securities are divided between the items: "Debt securities eligible for refinancing with central banks" and "Debt securities". Entered in "Debt securities eligible for refinancing with central banks" are those debt securities which the Bank of Finland approves as collateral for central bank refinancing other than intraday finance. The item includes FIM-denominated Treasury bills and Government bonds as well as the promissory notes of the asset management company Arsenal. The original maturity of these notes was a maximum of 12 months.

Entered in the equity capital item "Share premium account" in the balance sheet is the accumulated share of subscription prices in share issues after September 1, 1997, which exceeds the nominal value of the shares. Previous share issue premiums have been entered in the Reserve fund.

Consolidated profit and loss account

€ million	Jan. 1 to Dec. 31, 1998				Jan. 1 to Dec. 31, 1997			
Interest income				424				432
Interest expenses				-311				-314
Net income from financial operations				**113**				**118**
Income from equity investments				3				3
Commission income				60				65
Commission expenses				-16				-13
Net income from securities transactions and foreign exchange dealing								
Net income from securities transactions			5				-1	
Net income from foreign exchange dealing			7	12			6	6
Other operating income				34				70
Administrative expenses								
Staff costs								
Salaries and fees		31				43		
Staff-related costs								
Pension costs	6				6			
Other staff-related costs	3	9	40		4	10	54	
Other administrative expenses			31	-71			48	-102
Depreciation and write-downs on tangible and intangible assets				-14				-27
Other operating expenses				-53				-63
Loan and guarantee losses				3				-10
Write-downs on securities held as financial fixed assets				0				-1
Share of profit/loss of companies included in the consolidated accounts using the equity method				2				1
Net operating profit				**74**				**48**
Extraordinary items								
Extraordinary income			15				1	
Extraordinary expenses			104	-90			0	1
Profit (loss) before appropriations and taxes				**-15**				**48**
Income taxes								
Taxes for the financial year and previous financial years			-2				-10	
Change in imputed taxes due			2	0			-2	-12
Share of profit (loss) for the financial year attributable to minority interests				-				-1
Profit (loss) for the financial year				**-15**				**35**

Consolidated balance sheet

ASSETS € million	December 31, 1998		December 31, 1997	
Liquid asset		583		191
Debt securities eligible for refinancing with central banks				
Treasury bills	286		330	
Other	226	512	533	863
Claims on credit institutions				
Repayable on demand	27		59	
Other	1 668	1 694	2 279	2 338
Claims on the public and public sector entitites		3 755		3 171
Leasing assets		130		104
Debt securities				
On public sector entities	35		61	
Other	1 457	1 492	1 349	1 410
Shares and participations		77		82
Participating interests		51		42
Shares and participations in consolidated companies		5		1
Intangible assets				
Consolidated goodwill	0		1	
Other long-term expenditure	12	12	18	19
Tangible assets				
Real estate and shares and participations in real estate corporations	256		271	
Other tangible assets	18	274	24	294
Other assets		259		297
Accrued income and prepayments		91		115
		8 936		**8 930**

LIABILITIES € million	December 31, 1998			December 31, 1997		
Liabilities						
Liabilities to credit institutions and central banks						
Central banks		-			0	
Credit institutions						
Repayable on demand	298			417		
Other	2 509	2 807	2 807	2 444	2 861	2 861
Liabilities to the public and public sector entities						
Deposits						
Repayable on demand	825			717		
Other	418	1 242		695	1 413	
Other liablities		667	1 909		106	1 519
Debt securities issued to the public						
Bonds		462			521	
Other		2 195	2 657		2 129	2 649
Other liabilities			413			605
Accrued expenses and deferred income			65			94
Compulsory provisions			2			1
Subordinated liabilities			579			666
Imputed taxes due			10			13
Minority interests			-			10
			8 443			**8 418**
Equity capital						
Share capital			189			186
Share issue account			8			-
Share premium account			0			0
Revaluation reserve			25			25
Reserve fund			203			204
Non-restricted reserves			24			24
Profit brought forward			59			38
Profit (loss) for the financial year			-15			35
			493			**511**
			8 936			**8 930**
Off-balance sheet commitments						
Commitments given to a third party on behalf of a customer						
Guarantees and pledges		934			1 013	
Other		-	934		-	1 013
Irrevocable commitments given in favour of a customer						
Securities repurchase commitments		-			-	
Other		792	792		554	554
			1 726			**1 567**

Consolidated key figures

€ million

Profit and loss accounts	1994	1995	1996	1997	1998
Net income from financial operations	107	122	111	118	113
Other income	155	120	159	144	109
Other expenses	175	156	159	177	139
Depreciation and write-downs	34	25	42	27	14
Loan and guarantee losses	78	63	29	10	-3
Write-downs on securities held as financial fixed assets	2	6	3	1	0
Share of profit/loss of companies included in the consolidated accounts using the equity method		1	1	1	2
Net operating profit/loss	-26	-8	39	48	74
Extraordinary items	-4	-19	-1	1	-90
Profit/loss before appropriations and taxes	-29	-27	38	48	-15
Taxes	7	4	-5	-12	0
Minority interests	-2	-2	-1	-1	
Profit/loss for the financial year	-25	-24	31	35	-15

Balance sheets	1994	1995	1996	1997	1998
ASSETS					
Claims on credit institutions	2 936	2 023	2 776	2 338	1 694
Claims on the public and public sector entities	3 117	2 674	3 170	3 171	3 755
Debt securities	3 528	4 229	2 447	2 274	2 004
Shares and participations	98	86	133	126	134
Intangible and tangible assets	365	336	338	313	286
Other assets	897	893	775	708	1 062
Total	10 942	10 240	9 638	8 930	8 936
LIABILITIES					
Liabilities to credit institutions and central banks	3 307	3 486	3 153	2 861	2 807
Liabilities to the public and public sector entities	949	1 668	1 696	1 519	1 909
Debt securities issued to the public	4 684	3 058	2 738	2 649	2 657
Subordinated liabilities	488	482	517	666	579
Other liabilities	931	1 000	1 032	700	481
Imputed taxes due	21	13	11	13	10
Minority interests	13	13	11	10	
Equity capital	549	520	481	511	493
Total	10 942	10 240	9 638	8 930	8 936

The figures for 1994-1997 have been amended, when possible, to comply with the regulations of the Financial Supervision that came into force on June 30, 1998.

OKOBANK profit and loss account

€ million	Jan. 1 to Dec. 31, 1998				Jan. 1 to Dec. 31, 1997			
Interest income				323				317
Interest expenses				-268				-251
Net income from financial operations				**55**				**66**
Income from equity investments								
Consolidated companies			21				17	
Participating interests			3				1	
Other companies			3	27			3	21
Commission income				21				29
Commission expenses				-7				-6
Net income from securities transactions and foregin exchange dealing								
Net income from securities transactions			2				-2	
Net income from foreign exchange dealing			7	9			6	4
Other operating income				31				39
Administrative expenses								
Staff costs								
Salaries and fees		13				17		
Staff-related costs								
Pension costs	2				2			
Other staff-related costs	1	3	17		2	4	21	
Other administrative expenses			15	-31			19	-39
Depreciation and write-downs on tangible and intangible assets				-5				-12
Other operating expenses				-50				-58
Loan and guarantee losses				4				-8
Write-downs on securities held as financial fixed assets				0				-5
Net operating profit				**55**				**30**
Extraordinary items								
Extraordinary income			17				1	
Extraordinary expenses			84	-67			0	1
Profit (loss) before appropriations and taxes				**-12**				**30**
Appropriations				9				-6
Income taxes				-3				-6
Profit (loss) for the financial year				**-6**				**18**

OKOBANK balance sheet

ASSETS € million	December 31, 1998		December 31, 1997	
Liquid assets		570		175
Debt securities eligible for refinancing with central banks		464		794
Claims on credit institutions				
Repayable on demand	26		118	
Other	2 624	2 650	2 843	2 961
Claims on the public and public sector entities		1 503		1 147
Debt securities				
On public sector entities	35		58	
Other	1 477	1 511	1 381	1 438
Shares and participations		71		75
Participating interests		47		42
Shares and participations in consolidated companies		160		174
Intangible assets		6		12
Tangible assets				
Real estate and shares and participations in real estate corporations	119		122	
Other tangible assets	8	128	12	133
Other assets		254		314
Accrued income and prepayments		73		94
		7 437		**7 359**

LIABILITIES € million	December 31, 1998			December 31, 1997		
Liabilities						
Liabilities to credit institutions and central banks						
Central banks		-			0	
Credit institutions						
Repayable on demand	316			431		
Other	2 600	2 916	2 916	2 508	2 939	2 939
Liabilities to the public and public sector entitites						
Deposits						
Repayable on demand	243			317		
Other	27	270		129	446	
Other liabilities		623	893		58	505
Debt securities issued to the public						
Bonds		50			57	
Other		2 135	2 185		2 088	2 145
Other liabilities			407			611
Accrued expenses and deferred income			39			57
Compulsory provisions			2			1
Subordinated liabilities			575			663
			7 018			**6 920**
Appropriations						
Depreciation difference		1			2	
Voluntary provisions		-	1		9	10
Equity capital						
Share capital			189			186
Share issue account			8			-
Share premium account			0			0
Reserve fund			164			164
Non-restricted reserves			23			23
Profit brought forward			40			38
Profit (loss) for the financial year			-6			18
			418			**429**
			7 437			**7 359**
Off-balance sheet commitments						
Commitments given to a third party on behalf of a customer						
Guarantees and pledges		897			990	
Other		-	897		-	990
Irrevocable commitments given in favour of a customer						
Securities repurchase commitments		-			-	
Other		447	447		263	263
			1 344			**1 254**

Notes to the accounts

(figures in € millions)

NOTES TO THE PROFIT AND LOSS ACCOUNT

1) **Interest income and interest expenses, broken down by balance sheet item**

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Interest income				
Claims on credit institutions	109.4	97.9	137.1	110.7
Claims on the public and public sector entities	185.3	178.6	59.8	53.5
Debt securities	83.0	115.4	85.7	117.2
Other interest income	40.4	35.3	40.4	35.3
Net leasing income	5.7	4.7		
Total	423.7	431.9	323.0	316.7
Interest expenses				
Liabilities to credit institutions and central banks	79.3	61.9	80.4	62.4
Liabilities to the public and public sector entities	31.4	36.8	17.3	19.8
Debt securities issued to the public	113.2	136.6	82.9	92.2
Subordinated liabilities	42.8	41.9	42.5	40.4
Other interest expenses	44.4	36.7	44.5	36.5
Total	311.1	313.8	267.6	251.3

2) **Breakdown of net income from leasing operations**

OKOBANK does not have leasing operations. According to the relevant regulation of the Financial Supervision, OKOBANK Consolidated is not required to give this information in a note.

3) **Breakdown of net income from securities transactions**

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Net income from transactions in debt securities	0.0	-7.2	-2.6	-8.7
Net income from transactions in shares and participations	4.8	6.7	4.5	6.6
Total	4.7	-0.5	2.0	-2.2

4) **Total values of securities held as current assets purchased or sold during the financial year**

Because the information specific to this Note has not been collected for the entire 1998 financial year, its amounts cannot be stated.

5) **Breakdown of other operating income and expenses**

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Other operating income				
Rental and dividend income from real estate and real estate corporations	21.2	17.3	19.8	19.5
Capital gains from the sale of real estate and shares and participations in real estate corporations	5.6	4.5	5.4	4.5
Other income	7.5	48.6	5.6	14.6
Total	34.2	70.5	30.8	38.7
Other operating expenses				
Rental expenses	2.1	2.0	0.8	0.7
Expenses from real estate and real estate corporations	14.3	17.0	24.4	27.8
Capital losses from the sale of real estate and shares and participations in real estate corporations	0.2	2.0	0.2	0.5
Other expenses	36.0	41.5	24.5	29.4
Total	52.5	62.6	49.9	58.4

6) **Depreciation and write-downs on tangible and intangible assets**

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Planned depreciation	13.0	25.2	4.2	7.6
Write-downs	0.7	1.7	0.7	4.2
Total	13.7	26.9	4.9	11.8

7) **Loan and guarantee losses and write-downs on securities held as financial fixed assets**

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
In respect of claims on credit institutions				
In respect of claims on the public and public sector entities	4.5	12.3	2.2	9.4
In respect of leasing assets				
In respect of guarantees and other off-balance sheet items		8.9		8.9
In respect of other items	0.0	1.2	0.0	0.7
Gross loan and guarantee losses	4.6	22.4	2.2	19.0
Deductions from loan and guarantee losses	-7.7	-12.6	-6.2	-11.1
Loan and guarantee losses in the profit and loss account	-3.2	9.8	-4.1	7.9

Total amount of loan and guarantee losses, broken down as follows:

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Actual loan losses during the financial year, total	5.2	10.3	4.6	7.9
Actual loan losses during the financial year for which a specific loan loss provision has previously been made	-4.5	-7.7	-4.3	-7.1
Recoveries in respect of actual loan losses during previous financial years	-5.5	-4.0	-4.1	-3.0
Specific loan loss provisions made during the financial year	4.0	12.6	1.8	11.1
Reversals of specific loan loss provisions during the financial year	-2.4	-1.2	-2.1	-1.0
Loan and guarantee losses entered in the annual accounts	-3.2	9.9	-4.1	7.9

Write-downs on securities held as financial fixed assets:

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Gross write-downs	0.9	1.3	0.9	1.3
Reversals of write-downs	-1.4	-0.2	-1.4	-0.2
Total	-0.5	1.2	-0.5	1.2

8) Extraordinary income and expenses during the financial year

	Consolidated	OKOBANK
Extraordinary income		
Sale to the Central Co-operative of shares in subsidiaries and the service operations of OKOBANK's departments	5.3	7.7
Stamp taxes and extra tax assessments refunded on the basis of OKOBANK's claim for a rectification	9.1	9.1
Total	14.4	16.8
Extraordinary expenses		
Payments according to the decision by OKOBANK and Okopankki Oyj to withdraw from the OKOBANK Group Security Fund	104.3	84.1

9) Breakdown of appropriations

	OKOBANK 1998	OKOBANK 1997
Change in depreciation difference	0.8	1.2
Change in other voluntary provisions	8.7	-6.9
Total	9.5	-5.7

10) Changes in compulsory provisions during the financial year

	Consolidated	OKOBANK
Pension provisions		
Tax provisions		
Others	0.7	0.7
Total	0.7	0.7

11) Breakdown of combined items

The items in the Consolidated and OKOBANK profit and loss account are presented in accordance with the profit and loss account formats which the Ministry of Finance has confirmed for credit institutions.

12) Income by fields of activity and geographical market

Income refers to the total for the profit and loss items net income from financial operations, income from equity investments, commission income, net income from securities transactions and foreign exchange dealing as well as other operating income. The income is stated without eliminations.

	Income by field of activity 1998	Income by field of activity 1997	Staff on average 1998	Staff on average 1997
Banking	204.8	221.8	786	938
Mortgage banking	11.6	8.3	15	15
Finance company operations	19.3	17.0	111	112
Investment firm operations	20.4	14.3	62	42
Mutual fund operations		3.6		8
Real estate ownership and possession	9.6	9.3		
Other		47.2		254
Total	265.7	321.5	974	1 368

	Income by geographical market 1998	Income by geographical market 1997	Staff on average 1998	Staff on average 1997
Finland	264.1	312.6	963	1 344
Sweden	1.6	8.4	11	23
Cayman Islands		0.5		
Total	265.7	321.5	974	1 368

13) Breakdown of debt securities eligible for refinancing with central banks

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Treasury bills	286.2	330.2	281.5	287.9
Government bonds	215.8	533.3	172.3	505.9
Others	10.4		10.4	
Total	512.3	863.5	464.3	793.8

14) Claims on central banks

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
The amount of claims on central banks included in the balance sheet item "Claims on credit institutions"		18.3		

15) Claims on the public and public sector entities by sector and specific loan loss provisions for them

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Corporates	2 172.2	1 756.7	1 255.3	914.1
Financial and insurance institutions	99.6	56.3	99.4	59.0
General government	191.1	189.0	34.7	32.3
Non-profit institutions	325.0	271.5	43.3	34.3
Households	908.9	830.5	11.5	9.9
Foreign	58.3	66.9	58.3	97.7
Total	3 755.1	3 171.0	1 502.6	1 147.4
Specific loan loss provisions at the beginning of the financial year	49.3	46.1	40.0	37.3
New provisions made during the financial year (+)	4.0	8.4	1.8	6.7
Provisions reversed during the financial year (-)	-1.6	-1.3	-1.4	-0.8
Actual loan losses during the financial year, for which a specific loan loss provision has previously been made (-)	-0.8	-2.4	-0.5	-2.0
Specific loan loss provisions at the end of the financial year	50.9	50.8	39.8	41.2

16) Non-performing and other zero-interest claims

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Non-performing claims	14.1	25.2	5.9	13.8
Other zero-interest claims	62.8	6.6	48.9	6.4
Total	76.9	31.8	54.8	20.2

17) Book value of assets serving as collateral security for unpaid claims as well as assets acquired for the purpose of reorganising the customer's business

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Assets held as security				
Real estate and shares and participations in real estate corporations	9.9	14.6		
Other shares and participations	1.0	0.5	0.5	
Other assets	1.1	0.0	1.1	
Total	11.9	15.1	1.6	

18) Subordinated claims

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Claims on credit institutions	209.5	213.4	209.5	213.4
Claims on the public and public sector entities	4.4	4.5	4.3	4.4
Debt securities	107.7	55.0	107.6	54.0
Total	321.7	273.0	321.4	271.8
of which				
from consolidated companies			0.0	0.0
from associated companies			0.7	0.8

19) Breakdown of leasing assets

	Consolidated 1998	Consolidated 1997
Prepayments	3.0	4.2
Machinery and equipment	118.3	81.4
Real property and buildings	8.1	18.5
Other assets	0.4	0.3
Total	129.9	104.3

20) Debt securities

Publicly quoted and unquoted debt securities and debt securities eligible for refinancing with central banks at the end of the year

	Consolidated		OKOBANK	
	Quoted	Others	Quoted	Others
Securities held as current assets	233.9	1 253.6	221.7	1 159.2
Securities held as financial fixed assets	189.8	327.0	166.7	427.9
Total	423.7	1 580.7	388.4	1 587.1

The total amount of differences between the market value and the lower book value of securities which are held as current assets

Consolidates figures are stated without eliminations

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Debt securities eligible for refinancing with central banks	0.4		0.4	
Debt securities	1.2	2.3	0.7	2.3
Total	1.6	2.3	1.2	2.3

Year-end difference between the nominal value and book value of debt securities, debt securities eligible for refinancing with central banks and other claims which are included in financial fixed assets

Consolidated figures are stated without eliminations

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Difference between nominal value and lower book value				
Debt securities	1.6	7.7	1.5	7.4
Difference between book value and lower nominal value				
Debt securities	3.3	1.5	2.5	0.0

Debt securities by type of claim at the end of the financial year

	Consolidated		OKOBANK	
Book value	1998	1997	1998	1997
Treasury bills	286.2	364.4	281.5	322.2
Local authority paper		0.8		
Commercial paper	11.1		11.1	
Certificates of deposit	946.0	1 180.6	856.2	1 087.8
Convertible bonds	4.2	6.9	4.1	6.9
Other bonds	699.7	719.0	765.4	815.4
Other debt securities	57.2	2.0	57.2	
Total	2 004.3	2 273.7	1 975.5	2 232.3

21) Shares and participations

The aggregate book value of securities entered in the balance sheet item “Shares and participations” broken down into publicly quoted and unquoted securities

	Consolidated		OKOBANK	
	Quoted	Others	Quoted	Others
Securities held as current assets	29.4	0.5	29.4	
Securities held as financial fixed assets	0.1	47.2		42.1
Total	29.5	47.7	29.4	42.1

The aggregate amount of the differences of the probable fair value or lower book value of shares and participations that are publicly quoted and which are entered in the balance sheet item “Shares and participations”, by type of asset

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Securities held as current assets	6.3	7.9	6.3	7.8
Securities held as financial fixed assets	0.2	0.8		0.9
Total	6.5	8.7	6.3	8.7

OKOBANK Consolidated and OKOBANK did not have securities that were lent out at the end of 1998.

The balance sheet items “Participating interest” and “Shares and participations in consolidated companies” broken down as follows

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Participating interests				
In credit institutions	7.5		5.5	
Other	43.7	42.2	41.5	41.5
Total	51.2	42.2	47.1	41.5
Shares and participations in consolidated companies				
In credit institutions			150.8	165.8
Other	5.3	1.3	8.8	8.6
Total	5.3	1.3	159.7	174.4

22) Increases and decreases in shares held as financial fixed assets and in tangible assets during the financial year

	Shares and participions, with the exception of shares and participations in real estate corportions		Land and water areas, buildings and shares and participations in real estate corporations		Machinery, equipment and any tangible assets other than those mentioned above	
	Consolidated	OKOBANK	Consolidated	OKOBANK	Consolidated	OKOBANK
Purchase price at the beginning of the financial year	116.2	264.0	332.4	168.5	85.0	73.0
Increases during the financial year	11.8	8.7	6.7	5.6	7.6	2.2
Decreases during the financial year	-15.1	-14.7	-18.4	-7.5	-21.4	-20.8
Transfers between groups	-0.1	-0.1	-0.3		0.3	0.0
Planned depreciation during the financial year			-5.4	0.0	-4.7	-2.6
Write-downs and reversing items for write-downs during the financial year	-0.8	-0.9	-0.7	-0.7		0.0
Accumulated depreciation and write-downs entered in respect of decreases and transfers at the beginning of the financial year			6.7	2.4	15.3	15.2
Accumulated depreciation at the beginning of the financial year			-67.1	-0.5	-64.3	-58.7
Accumulated write-downs at the beginning of the financial year	-8.2	-8.2	-23.4	-48.4		
Accumulated revaluations at the beginning of the financial year			25.2			
Revaluation and reversing items for revaluations for the financial year						
Book value at the end of the financial year	103.8	248.8	255.7	119.5	17.8	8.4

23) Breakdown of intangible assets

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Goodwill	0.5	0.7		
Other long term expenditure	11.9	18.3	6.4	11.6
Total	12.4	19.0	6.4	11.6

24) Breakdown of real estate holdings

a) Land and water areas, buildings and shares and participations in real estate corporations entered under the balance sheet item “Tangible assets” at the end of the year

	Consolidated Book value	Consolidated Capital invested	OKOBANK Book value	OKOBANK Capital invested
Land and water areas and buildings				
In own use	84.2	86.5	1.0	1.0
Other	98.7	114.4	0.2	0.2
Total	183.0	200.9	1.2	1.2
Shares and participations in real estate corporations				
In own use	30.0	31.4	53.0	107.8
Other	42.7	82.6	65.3	155.7
Total	72.8	114.0	118.2	263.6

b) Real estate and shares in real-estate corporations that are not in own use, broken down at the end of the year

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

Type of property	Surface area, in square metres	Capital invested	Net yield in per cent	Vacancy rate in per cent
Dwellings and residential real estate	1 489	2.4	0.77	58.10
Business and office real estate	89 649	151.2	4.87	6.60
Industrial real estate	24 019	11.9	7.11	8.80
Land, water and forest areas (undeveloped)		5.6	1.80	
Unfinished buildings		5.9		
Financial leasing real estate	12 890	12.1	2.82	
Other domestic real estate		1.0	0.19	
Foreign real estate	13 800	7.2	10.36	1.10
Properties, total	141 847	197.3	4.78	6.40

Capital invested is the purchase price less depreciation entered plus the share in the debts of a real-estate corporation based on the number of shares owned therein and/or the share in the debts of a real-estate corporation based on the percentage of shares owned therein. Net yield has been calculated by subtracting from the total rental income the maintenance costs on the property or in housing corporations and mutual real-estate corporations the maintenance rents paid. The net yield % has been calculated from the annualised difference between income and expenses for the financial statement period, which is stated as a proportion of invested capital at the end of the year.

Vacancy rate is the ratio of the unused surface area to the total rentable surface area. By unused surface area is meant such rentable surface area as does not yield rental income on a contractual basis on the reporting date.

c) Capital invested in real-estate property not in own use, broken down according to the yield rate at the end of the year

Yield rate %	Capital invested
Negative	9.4
0 to 3	12.6
3 to 5	117.1
5 to 7	15.0
over 7	43.2
Total	197.3

25) Own shares

The consolidated companies held no own or the parent bank's shares at December 31, 1998.

26) Breakdown of other assets

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Cash items in the process of collection	18.8	18.2	18.6	18.0
Guarantee claims	31.9	35.7	31.9	35.7
Derivative contracts	169.1	202.8	172.9	208.0
Other	39.6	40.7	30.9	52.1
Total	259.5	297.4	254.3	313.8

27) Breakdown of accrued income and prepayments

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Interests	77.9	105.6	61.7	90.3
Other	12.6	9.8	10.9	3.5
Total	90.5	115.4	72.6	93.8

28) Breakdown of combined items under assets in the balance sheet

The asset items in the Consolidated and OKOBANK balance sheet are stated in accordance with the balance sheet formats confirmed by the Ministry of Finance.

29) Difference between the nominal value and the book value of liabilities

Consolidated figures are stated without eliminations

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Differences between the nominal value and the lower book value				
Liabilities to credit institutions and central banks	0.2	3.7	0.2	3.7
Debt securities issued to the public	16.9	30.6	16.3	29.8
Subordinated liabilities	0.1	0.3	0.1	0.3
Total	17.3	34.6	16.6	33.8
Difference between book value and lower nominal value				
Debt securities issued to the public	0.7	1.0	0.0	0.0

30) Breakdown of debt securities issued by type of instrument

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Certificates of deposit	2 098.4	2 032.6	2 038.0	1 995.5
Bonds	461.9	520.5	50.2	56.7
Other	97.1	96.5	97.1	92.3
Total	2 657.4	2 649.6	2 185.4	2 144.5

31) Breakdown of other liabilities

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Cash items under process of collection	197.1	278.7	194.8	276.7
Derivative contracts	184.5	204.9	190.4	211.4
Other	31.7	121.6	22.1	122.7
Total	413.3	605.1	407.3	610.8

32) Breakdown of accrued expenses and deferred income

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Interest	52.4	64.1	32.9	51.3
Other	12.9	29.4	6.2	5.6
Total	65.4	93.5	39.1	56.9

33) Compulsory provisions at the end of the financial year

	Consolidated		OKOBANK	
	1998	1997	1998	1997
Pension provisions				
Tax provisions				
Other	1.8	1.1	1.8	1.1
Total	1.8	1.1	1.8	1.1

34) Subordinated liabilities

Liabilities with a book value equivalent to more than 10 per cent of the total amount of subordinated liabilities:

USD 150 million (€ 128.5 million equivalent) perpetual bonds. The interest rate was 6.75% on December 31, 1998. 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 (€ 115.7 million equivalent) perpetual bonds. The interest rate was 5.74% on December 31, 1998. 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 (€ 85.8 million equivalent) perpetual bonds. The interest rate was 6.79% on December 31, 1998. 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 (€ 85.8 million equivalent) subordinated bonds. The interest rate was 5.60% on December 1998. The bonds shall mature in May 2006. With the prior consent of 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.

Subordinated liabilities other than those mentioned above:

The total euro equivalent of the liabilities in the consolidated accounts was € 163 million as at December 31, 1998, and for OKOBANK it was € 160 million. Creditors do not have a put option. No perpetuals are included in these liabilities. Loans of this kind were not targeted at companies and participating interests belonging to the same consolidation group.

35) Increases and decreases in equity capital during the financial year

	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
Consolidated				
Share capital	185.5	3.4		188.9
Share issue account		7.6		7.6
Share premium account	0.4			0.4
Revaluation reserve	25.2			25.2
Reserve fund	203.7		-0.3	203.3
Profit brought forward	96.6	3.9	-17.3	83.2
Loss for the financial year			-15.3	-15.3
Equity capital, total	511.5	14.8	-33.0	493.3
OKOBANK				
Share capital	185.5	3.4		188.9
Share issue account		7.5		7.5
Share premium account	0.4			0.4
Reserve fund	163.6			163.6
Profit brought forward	79.5		-15.5	63.9
Loss for the financial year			-6.1	-6.1
Equity capital, total	429.0	10.9	-21.6	418.3

36) Shares of different series at the end of the year

	Series A	Series K	Series C	Repurchased	Total
Share capital, €	72 031 693	116 843 348		(47 261)	188 922 302
Number of shares	8 565 620	13 894 380		(5 620)	22 460 000
Of share capital, %	38.1	61.9			100.0
Votes per share	1	5	5	-	
Of votes, %	11.0	89.0			100.0

In addition, a total of 892 500 Series A shares were not entered into the Trade Register on December 31, 1998.

Restrictions concerning the purchase of shares:

Series A shares are intended for the general public and are quoted on 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 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 pre-emptive 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 pre-emptive right to subscribe new Series A shares and Series K shares confer a pre-emptive right to subscribe new Series K shares, and Series C shares confer a pre-emptive 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 paid on Series K and C shares.

37) Total amount of non-distributable items included in non-restricted equity at the end of the year

	Consolidated	OKOBANK
Amount transferred to equity capital from voluntary provisions and the depreciation difference	28.0	

38) Issues of convertible bonds and bonds with warrants

In 1994 OKOBANK floated an issue of bonds with warrants targeted at the Government Security Fund in connection with the purchase of Savings Bank of Finland Ltd. The warrants entitled the holder to subscribe 1 500 000 OKOBANK Series A shares at a price of € 8.41 per share. The subscription period ended on December 31, 1998. In November and December 1998, a total of 1 297 500 OKOBANK Series A shares were subscribed. At the end of the year, 892 500 of the subscribed shares were unregistered.

Authorisations granted to the Supervisory Board

The Annual General Meeting held on April 1, 1998, authorised the Bank's Supervisory Board, for a period of one year from the Annual General Meeting, to decide on a rights issue or an issue of convertible bonds and/or the issuance of share option. The aggregate amount of the new Series K shares that can be issued in the rights issue, exchanged for convertible bonds and subscribed on the basis of share options can be a maximum of 4 000 000 shares and the aggregate amount of new Series A shares a maximum of 4 000 000 shares. The authorisation pursuant to the above furthermore confers the right to waive shareholders' pre-emptive right to subscribe new shares, convertible bonds and share options. A divergence from shareholders' subscription rights can only be made in the interest of ensuring the Bank's capital adequacy or in connection with corporate or industry-wide structural arrangements if the Bank has a weighty economic reason for doing so. At the same time, the Annual General Meeting resolved to cancel the one-year authorisation that was granted to the Supervisory Board on May 27, 1997, on the basis of which the share capital could have been increased by a maximum of € 33 637 585.29. The Supervisory Board did not exercise said authorisations in 1998.

39) Major shareholders and breakdown of shareholdings

Major shareholders in terms of votes
(Ten largest shareholders according to the Share Register at December 31, 1998)

		Number of shares	Total	Number of votes	% of votes
OKOBANK Group Central Cooperative	A	0			
	K	9 646 516	9 646 516	48 232 580	61.8
Turun Seudun Osuuspankki	A	40			
	K	293 180	293 220	1 465 940	1.9
Oulun Osuuspankki	A	70 000			
	K	253 000	323 000	1 335 000	1.7
OKOBANK Group Pension Foundation	A	889 628			
	K	0	889 628	889 628	1.1
Etelä-Karjalan Osuuspankki	A	77 421			
	K	144 900	222 321	801 921	1.0
Porin Seudun Osuuspankki	A	42 999			
	K	125 910	168 909	672 549	0.9
Pohjolan Osuuspankki	A	0			
	K	127 610	127 610	638 050	0.8
Keski-Uudenmaan Osuuspankki	A	0			
	K	122 950	122 950	614 750	0.8
Keski-Suomen Osuuspankki	A	0			
	K	114 140	114 140	570 700	0.7
Kainuun Osuuspankki	A	0			
	K	101 910	101 910	509 550	0.7
Total			12 010 204	55 730 668	71.4

Major shareholders in terms of share capital ownership
(Ten largest shareholders according to the Share Register at December 31, 1998)

	Number of shares	% of shares
OKOBANK Group Central Cooperative	9 646 516	43.0
OKOBANK Group Pension Foundation	889 628	4.0
The Local Government Pensions Institution of Finland	405 000	1.8
Oulun Osuuspankki	323 000	1.4
Turun Seudun Osuuspankki	293 220	1.3
Etelä-Karjalan Osuuspankki	222 321	1.0
Pension Insurance Company Ilmarinen Ltd	219 643	1.0
Alfred Berg Finland Unit Trust	213 400	1.0
Alfred Berg Optimal Unit Trust	212 800	0.9
LEL Employment Pension Fund	181 400	0.8
Total	12 606 928	56.1

Breakdown of shareholdings by number of shares
(According to the Share Register at December 31, 1998)

Number of shares (Series A and K)	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 100	22 642	90.4	694 576	3.1
101 - 1 000	1 899	7.6	612 042	2.7
1 001 - 10 000	307	1.2	1 158 556	5.2
10 001 - 50 000	148	0.6	3 363 819	15.0
50 001 - 100 000	16	0.1	1 118 321	5.0
100 001 -	22	0.1	15 434 303	68.7
On joint book-entry account			78 383	0.3
Total	25 034	100.0	22 460 000	100.0

Breakdown of shareholdings by sector
(According to the Share Register at December 31, 1998)

Sector	Number of shareholders	% of shareholders	Number of shares	% of shares	Number of votes	% of votes
Corporates	586	2.3	340 991	1.5	340 991	0.4
OKOBANK Group Central Cooperative and its member cooperative banks	247	1.0	15 566 702	69.3	71 144 222	91.2
Other financial and insurance institutions	40	0.2	970 545	4.3	970 545	1.2
Public sector entities	23	0.1	1 990 496	8.9	1 990 496	2.6
Non-profit organisations	119	0.5	383 080	1.7	383 080	0.5
Households	24 003	95.9	1 644 525	7.3	1 644 525	2.1
Foreign	12	0.0	22 942	0.1	22 942	0.0
Nominee-registered shareholders	4	0.0	1 462 336	6.5	1 462 336	1.9
On joint book-entry account			78 383	0.3	78 383	0.1
Total	25 034	100.0	22 460 000	100.0	78 037 520	100.0

40) Principal terms and conditions of capital investments and capital loans

OKOBANK does not have capital investments or capital loans.

41) Combined items under balance sheet liabilities

The liabilities items of the Consolidated and OKOBANK balance sheet are stated in accordance with the balance sheet format confirmed by the Ministry of Finance for credit institutions.

42) Maturity breakdown of assets and liabilities by balance sheet item at the end of the year

According to remaining maturity

Consolidated	Under 3 months	3-12 months	1-5 years	Over 5 years
Debt securities eligible for refinancing with central banks	31.2	314.8	139.3	27.0
Claims on credit institutions	1 032.0	139.7	508.1	14.5
Claims on the public and public sector entities	638.9	554.9	1 891.3	670.1
Debt securities	535.6	466.7	252.0	237.6
Liabilities to credit institutions and central banks	2 716.4	89.3	1.3	
Liabilities to the public and public sector entities	1 832.6	39.0	10.9	26.8
Debt securities issued to the public	1 529.8	697.3	425.2	5.1
OKOBANK				
Debt securities eligible for refinancing with central banks	12.8	314.8	122.8	13.9
Claims on credit institutions	1 487.2	382.1	748.6	32.1
Claims on the public and public sector entities	347.1	204.0	754.7	196.8
Debt securities	533.9	382.5	257.8	337.0
Liabilities to credit institutions and central banks	2 836.1	78.5	1.3	
Liabilities to public and public sector entities	858.6	6.4	1.6	26.8
Debt securities issued to the public	1 407.8	656.0	121.6	

Claims on the public and public sector entities did not include items payable on demand in the consolidated and OKOBANK accounts at December 31, 1998. Deposits other than fixed-term deposits are included in the maturity class "Under 3 months".

43) Asset and liability items denominated in domestic and foreign currency at the end of the year (€ million)

	Consolidated		OKOBANK	
	FIM	Foreign currency	FIM	Foreign currency
Debt securities eligible for refinancing with central banks	512.3		464.3	
Claims on credit institutions	1 648.1	615.5	2 617.4	601.9
Claims on the public and public sector entities	3 361.2	393.9	1 102.1	400.5
Debt securities	1 068.9	423.0	1 087.1	424.2
Other assets	741.3	171.5	564.4	175.6
Total	7 331.9	1 603.9	5 835.3	1 602.2
Liabilities to credit institutions and central banks	2 445.6	361.4	2 539.5	376.5
Liabilities to the public and public sector entities	1 863.5	45.7	835.6	57.7
Debt securities issued to the public	2 560.3	97.0	2 088.3	97.0
Subordinated liabilities	73.6	505.2	70.2	505.2
Other liabilities	309.2	181.0	275.6	172.5
Total	7 252.2	1 190.4	5 809.3	1 209.0

44) Financial and share based ratios

Consolidated key ratios of financial performance	1994	1995	1996	1997	1998
Turnover, € million	850.58	781.77	630.25	599.40	562.18
Net operating profit/loss, € million	-25.58	-7.89	38.75	47.65	74.34
% of turnover	-3.0	-1.0	6.1	7.9	13.2
Profit or loss before appropriations and taxes, € million	-29.47	-27.01	37.56	48.19	-15.46
% of turnover	-3.5	-3.5	6.0	8.0	-2.7
Return on equity (ROE), %	-3.4	-0.4	6.6	7.0	9.7
Return on assets (ROA), %	-0.17	-0.02	0.34	0.38	0.55
Equity/total assets ratio, %	5.1	5.2	5.1	5.8	5.5
Average number of staff	1 475	1 362	1 299	1 368	974
Income/expenses ratio	1.28	1.33	1.43	1.29	1.45

Consolidated per share key ratios	1994	1995	1996	1997	1998
Earnings per share (EPS), €	-1.02	-0.17	1.48	1.56	2.23
Equity per share, €	25.00	23.68	21.89	23.18	21.12
Dividend per share, €			0.28	0.70	0.87 *
Dividend payout ratio, %			19.1	45.3	39.2
Effective dividend yield, % (OKOBANK Series A)			3.2	5.2	5.9
Price/earnings ratio	negative	negative	7.2	9.3	7.0
Share price performance (OKOBANK Series A)					
Average price, €	10.49	6.05	8.62	13.26	16.54
Lowest price, €	7.50	4.63	5.05	10.26	14.30
Highest price, €	14.46	8.91	11.10	15.81	19.01
Price at Dec. 31, 1998, €	9.08	6.98	10.68	14.53	15.64
Market capitalisation (OKOBANK Series A), € million	73.21	56.26	86.10	118.59	147.94
Movements in share turnover (OKOBANK Series A), in thousands	2 399.9	1 550.0	2 991.6	4 643.9	3 047.1
% of total shares outstanding	29.8	19.2	37.1	57.5	37.1
Number of shares (all Series)					
Average during the financial year	21 955 200	21 955 200	21 955 200	21 970 760	22 115 136
At the end of the financial year	21 955 200	21 955 200	21 955 200	22 055 000	23 352 500

892 500 Series A shares which were not entered into the Trade Register on December 31, 1998, are included in the total number of shares.

*Executive Board's proposal: € 0.93 on Series A shares and € 0.84 on Series K shares.

Calculation of key ratios is presented on page 62.

NOTES TO THE ACCOUNTS CONCERNING TAXATION

45) Income taxes

Imputed taxes due and tax claims

Imputed taxes due and tax claims pursuant to Section 18 of Chapter 5 of the Accounting Act were not material in amount at the end of 1998 in the consolidated and OKOBANK annual accounts. Imputed taxes due and tax claims have not been entered in the balance sheet.

Breakdown of income taxes into taxes on ordinary operations and on extraordinary items

OKOBANK's result for the financial year was a loss of € 6.05 million. This was due to the fact that the net amount of extraordinary items was € 67.27 million negative. OKOBANK's income taxes were due solely to the minimum tax determined on the basis of the dividend payout.

The taxes of other consolidated companies were due to ordinary operations.

Effect of revaluations on income taxes

Revaluations do not have an effect on the income taxes of OKOBANK or the other consolidated companies.

NOTES TO THE ACCOUNTS CONCERNING COLLATERAL, CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

46) 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

a) Own liabilities for which assets had been pledged or mortgaged at the end of the year

	Book value of the liabilities		Book value of assets pledged as collateral	
	Con-solidated	OKO-BANK	Con-solidated	OKO-BANK
Liabilities to credit institutions and central banks				
Pledges	0.0		0.2	
Liabilities to the public sector and public sector entities				
Pledges	1.6	1.6	1.6	1.6
Debt securities issued to the public				
Pledges	25.2		26.1	

b) Other collateral pledged on own behalf at the end of the year

	Off-balance sheet commitments		Book value of assets pledged as collateral	
	Con-solidated	OKO-BANK	Con-solidated	OKO-BANK
Pledges	4.6	4.6	1 197.0	1 197.0

c) Collateral pledged on behalf of a consolidated company at the end of the year

	Consolidated	OKOBANK
Pledges	2.7	

d) Collateral pledged on behalf of others

Mortgages	10.1	

47) Pension liabilities

Except for Opstock Ltd, the statutory pension security of the staff of consolidated companies has been arranged through the OKOBANK Group Pension Fund. Supplementary pension benefits have been arranged through the OKOBANK Group Pension Foundation, with the exception of Opstock Ltd. The foundation did not take in new beneficiaries after June 30, 1991. The statutory pension security of the staff of the Stockholm branch office has been arranged in accordance with the Swedish regulations.

The consolidated companies did not have direct liabilities arising from pension commitments.

The pension liabilities of the consolidated companies have been covered in full.

48) Leasing liabilities

	Consolidated	OKOBANK
Leasing payments in 1999	0.21	0.15
Leasing payments after 1999	0.23	0.18

49) Breakdown of off-balance sheet commitments at the end of the year

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Guarantees	620.5	748.1	595.6	726.8
of which on behalf of subsidiaries			0.4	23.0
Guarantee commitments	291.7	224.0	292.8	225.7
of which on behalf of subsidiaries			1.1	1.8
on behalf of associated companies			0.6	
Pledges and mortgages	10.1			
Other commitments given on behalf of a customer for a third party	11.2	40.7	8.4	37.7
Unused standby facilities	758.3	507.4	439.4	255.7
of which for subsidiaries			17.2	53.5
for associated companies			1.7	
Pledges granted	31.4	41.2	6.2	5.4
Other irrevocable commitments given on behalf of a customer	2.6	5.6	1.4	2.4
Commitments given, total	1 725.8	1 567.0	1 343.9	1 253.6
Commitments given to subsidiaries or on their behalf, total			18.7	78.3
Commitments given to associated companies or on their behalf, total			2.3	

50) Derivative contracts at the end of the year

Values of the underlying instruments	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Agreements made for hedging purposes				
Interest rate derivatives				
Forward rate agreements				
Option contracts				
Purchased				
Written				
Interest rate swaps	450.5	931.8	445.5	924.1
Currency derivatives				
Forward agreements	5 827.2	7 670.7	5 827.2	7 671.0
Option contracts				
Purchased				
Written				
Interest rate and currency swaps	33.7	75.5	33.7	75.5
Share derivatives				
Futures				
Options				
Purchased				
Written				
Total	6 311.4	8 678.0	6 306.4	8 670.5
Contracts made for purposes other than hedging				
Interest rate derivatives				
Forward rate agreements	19 674.4	51 042.3	19 674.4	51 042.3
Option contracts				
Purchased				
Written				
Interest rate swaps	6 340.1	8 067.9	6 637.9	8 403.2
Currency derivatives				
Forward agreements				
Option contracts				
Purchased		100.1		100.1
Written	102.2	166.7	102.2	166.7
Interest rate and currency swaps	102.4	148.1	102.4	148.1
Share derivatives				
Futures				
Options				
Purchased				
Written				
Total	26 219.1	59 525.1	26 516.9	59 860.4
Credit countervalues of contracts				
Interest rate derivatives	205.8	238.7	212.4	244.1
Currency derivatives	102.6	200.1	102.6	200.1
Total	308.3	438.8	315.0	444.1

51) The total amount of sales receivables arising from the selling of assets on behalf of customers and the total amount of accounts payable arising from the purchase of assets on behalf of customers

	Consolidated 1998	OKOBANK 1998
Sales receivables	17.1	
Accounts payable	18.3	

52) Other contingent liabilities and commitments

OKOBANK and the consolidated companies have no sales receivables or accounts payable as set forth in this section.

NOTES TO THE ACCOUNTS CONCERNING THE STAFF AND MEMBERS OF GOVERNING AND SUPERVISORY BODIES

53) Staff and members of governing and supervisory bodies

Staff in 1998, average

	Consolidated: During the financial year	Consolidated: Change on previous year	OKOBANK: During the financial year	OKOBANK: Change on previous year
Full-time staff	940	-386	351	-137
Part-time staff	34	-8		-1
Staff, total	974	-394	351	-138

Salaries and emoluments received by members of governing and supervisory bodies

	Consolidated 1998	Consolidated 1997	OKOBANK 1998	OKOBANK 1997
Members and deputy members of the Supervisory Board	0.1	0.1	0.1	0.1
Members and deputy members of the Executive Board as well as the managing director	1.2	1.3	0.6	0.8
Total	1.3	1.4	0.7	0.8

Emoluments and bonuses which depend on the credit institution's financial performance have not been paid.

Loans and guarantees granted to members of administrative and supervisory bodies at the end of the year

	Consolidated	OKOBANK
Loans		
To the members and deputy members of the Supervisory Board	0.4	
To the members and deputy members of the Executive Board as well as to the managing director	1.2	
To the auditors and firms of public accountants		
Total	1.6	

	Consolidated	OKOBANK
Guarantees		
To the members and deputy members of the Supervisory Board	0.04	
To the members and deputy members of the Executive Board as well as to the managing director	0.02	
To the auditors and firms of public accountants		
Total	0.05	

The Bank's normal terms and conditions of credit are observed in the terms of credit of members of administrative and supervisory bodies. The loans are tied to the generally used reference interest rates.

Pension commitments

Pension commitments have not been made in respect of the members of administrative and supervisory bodies. Pension commitments have also not been made in respect of persons who previously belonged to these governing bodies.

Management's shareholdings

The members and deputy members of OKOBANK's Supervisory Board, the members and deputy members of the Executive Board as well as the Managing Director owned a total of 13 267 OKOBANK Series A shares as at December 31, 1998, and these shares represented 0.059 per cent of all the shares outstanding and 0.017 per cent of the votes conferred by all the shares outstanding.

HOLDINGS IN OTHER COMPANIES

54) Shareholdings at the end of the year

OKOBANK's holdings in shares and participations included in financial fixed assets

Name of company, domicile and line of business	Holding, %	Aggregate book value	Equity capital of the company[1]	The company's profit or loss for the financial year[1]
Realinvest Oy, Helsinki, real-estate investment	19.0	27.5	256.5	2.5
OKOBANK Group Mutual Insurance Company, Helsinki, insurance	10.9	5.5	54.6	3.8
HEX Ltd, Helsinki, securities and derivatives exchange	8.7	4.9	29.9	0.0
Luottokunta, Helsinki, financial operations	18.3	1.0	63.6	11.7
Eurocard Oy, Helsinki, financial operations	10.1	0.7	7.8	1.4
Sanoma Oy, Helsinki, communications	0.1	0.5	325.9	45.6
Radiolinja Oy, Helsinki telecommunications	0.8	0.4	58.9	12.1
DG European Securities Corporation, USA, financial operations	3.4	0.2	1.9	0.0
Innopoli Oy, Espoo, research and development	2.4	0.2	5.6	0.5
Järjestöjen Tietotekniikka JTT Oy, Helsinki, data processing services	12.0	0.2	0.8	0.0

[1] According to latest annual accounts.

In addition, OKOBANK had holdings in 35 companies that are included in fixed assets at the end of the year and in which the book value of the shares or participations owned was less than € 200 000. The aggregate book values of these shares and participations was € 1.12 million.

Consolidated company-owned shares in associated companies which are included in consolidated accounts according to the equity method

Name of company, domicile and line of business	Consolidated holding, %	Aggregate book value	Equity capital at year-end	Profit or loss for the financial year
OP-Kotipankki Oyj, Helsinki, banking	48.1	6.3	13.4	1.1
Aurum Life Assurance Company, Helsinki, insurance	49.6	33.6	72.6	3.0
Automatia Pankkiautomaatit Oy, Helsinki, finance-related services	33.3	5.1	18.4	1.1
Toimiraha Oy, Helsinki, finance-related services	33.3	2.1	3.3	0.3
Kiinteistö Oy Lahden Trio, real-estate holding and management[1]	33.3	11.4	55.5	0.0
Hatanpäänkadun Teollisuushallit Oy, Tampere, real-estate holding and management	50.0	0.1	3.2	0.8

In accordance with the relevant regulation of the Financial Supervision, two associated companies have been excluded from the consolidated accounts owing to their minor importance. The aggregate book value of the shares in these companies was € 1.63 million and their total assets in their latest balance sheets stood at € 9.31 million.

[1] According to latest annual accounts.

Subsidiaries included in the consolidated accounts

Company name, domicile and line of business	Consolidated holding, %	Book value of shares	Equity capital at year-end[1)]	Profit or loss for the financial year[1)]
Okopankki Oyj, Helsinki, banking	100	84.1	86.3	0.0
OKO Mortgage Bank plc, Helsinki, mortgage banking	100	13.5	67.6	5.2
OP-Finance Ltd, Helsinki, financing	100	53.3	55.5	3.5
Opstock Ltd, Helsinki, investment service company	100	3.9	8.2	3.8
Vicarius Fastigheter AB, Stockholm, real estate holding and management	100	0.0	1.3	0.1
Kiinteistö Oy OKO-Vallila, Helsinki	100	41.9	40.7	0.0
Kiinteistö Oy Aleksi-Hermes, Helsinki	100	13.8	11.3	-0.2
Kiinteistö Oy Arkadiankatu 23, Helsinki	100	10.3	9.3	-0.1
Kiinteistö Oy Dagmarinkatu 14, Helsinki	100	9.3	1.0	-0.1
Kiinteistö Oy Malminkatu 30, Helsinki	100	5.7	5.7	0.1

[1)] Profit or loss of the parent company

OKOBANK (Cayman Islands) Ltd was wound up on November 13, 1998, following a voluntary liquidation procedure. The company is included in the consolidated profit and loss account for the period January 1 - November 13, 1998. The real-estate company Kiinteistö Oy Asiakkaankatu 3 and the housing company Asunto Oy Asuinkartano have been omitted from the consolidated accounts because they were not of material significance for the year's result.

On the basis of the relevant regulation of the Financial Supervision, a total of 30 housing and real-estate companies have been omitted from the consolidated accounts. The aggregate total assets in the most recent balance sheets of these companies were € 50.92 million, and also omitted from the consolidated accounts were 5 other companies, which had € 5.85 million in total assets as calculated according to their most recent balance sheets.

OTHER NOTES TO THE ACCOUNTS

55) Credit institution's trustee services

OKOBANK offers custodian services to the public. In addition, OKOBANK mediates customers' funds as loans to other customers. The amount of loans for which OKOBANK acted as an intermediary was € 8.74 million at December 31, 1998. The corresponding figure at the end of the previous year was € 61.05 million.

56) Amount of cooperative credit institution's unpaid membership fees

On the basis of its company form, OKOBANK does not have information to report as regards this section.

NOTES CONCERNING A CREDIT INSTITUTION BELONGING TO A CONSOLIDATED GROUP

57) Information concerning a credit institution belonging to a consolidated group

OKOBANK's parent company is the OKOBANK Group Central Cooperative, within whose consolidated accounts, the figures for OKOBANK Consolidated are included. A copy of the Annual Accounts of the OKOBANK Group Central Cooperative is available from the Central Cooperative at the address Teollisuuskatu 1b, 00510 Helsinki.

Financial income obtained from other consolidated companies and financial expenses paid to them

	1998	1997
Interest income	37.3	26.7
Income from equity investments	21.7	17.5
Interest expenses	3.1	3.4

Claims on consolidated companies and liabilities to them

	1998	1997
Claims	1 102.8	906.2
Liabilities	145.0	189.7

58) **Subsidiaries included in the consolidated accounts**
The subsidiaries included in the consolidated accounts are listed in Note 54.

59) **Subsidiaries which have been omitted from the consolidated accounts with the permission of the Financial Supervision**
OKOBANK Consolidated does not have subsidiaries according to this section.

60) **Associated companies included in the consolidated accounts**
The associated companies included in the consolidated accounts are listed in Note 54.

61) **Associated companies which have been omitted from the consolidated accounts with the permission of the Financial Supervision**
OKOBANK Consolidated does not have associated companies according to this section.

62) **Subsidiaries included in the annual accounts according to the pooling method**
All the subsidiaries are consolidated according to the acquisition cost method.

63) **Joint ventures included in the consolidated accounts**
All the associated companies are included in the consolidated accounts according to the equity method.

64) **Consolidated subsidiaries whose financial year has ended prior to the end of the parent company's financial year**
The financial year of all the subsidiaries included in the consolidated accounts ended on December 31, 1998.

65) **Consolidated companies that are not credit or financial institutions or ancillary service companies**
OKOBANK's associated company, Aurum Life Assurance Company, which is included in the consolidated accounts using the equity method is not a credit or financial institution or service company.

66) **Breakdown of write-off on goodwill and deduction of negative consolidation difference if these have been combined in the consolidated profit and loss account**
A write-off on goodwill and a deduction of the negative consolidation difference have not been combined in the consolidated profit and loss account.

67) **Breakdown of goodwill and negative consolidation difference if these have been deducted from each other in the consolidated balance sheet**
Goodwill and the negative consolidation difference have not been deducted from each other in the consolidated balance sheet.

68) **Breakdown of imputed taxes due and changes therein**
Imputed taxes due in the consolidated balance sheet and the change in imputed taxes due in the consolidated profit and loss account are based on appropriations.

69) **Goodwill and negative consolidation difference in respect of associated companies**
The amount of unamortised goodwill of associated companies included in the consolidated accounts as at December 31, 1998, was € 0.07 million. There was no negative consolidation difference that had not been charged to income at the end of the year.

70) **Average number of staff in joint ventures that have been incorporated into the consolidated accounts in accordance with the holding of consolidated companies in them**
Joint ventures have not been incorporated into the consolidated accounts in accordance with the holding in them.

CALCULATION OF KEY RATIOS

Turnover	The sum total of interest income, income from leasing operations, income from equity investments, net income from securities transactions and foreign exchange dealing as well as other operating income.
Operating profit or loss	Net operating profit/loss according to the profit and loss account
Profit or loss before appropriations and taxes	The profit and loss account item "Profit or loss before appropriations and taxes"
Return on equity (ROE) %	Net operating profit /loss less taxes / 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) × 100
Return on assets (ROA) %	Net operating profit /loss less taxes / Average total assets (average of the figures for the beginning and the end of the year) × 100
Equity/total assets ratio (%)	Equity capital + minority interests + voluntary provisions + depreciation difference less deferred taxes due / Total assets × 100
Income to expenses ratio	Net income from financial operations + income from equity investments + commission income + net income from securities transactions and foreign exchange dealing + other operating income / Commission expenses + administrative expenses + depreciation + other operating expenses
Earnings per share (EPS)	Net operating profit/loss -/+ minority interests in the profit or loss for the financial year less taxes / Adjusted average number of shares during the financial year
Equity per share	Equity capital plus voluntary provisions and depreciation difference less deferred taxes due and minority interests at the end of the year / Adjusted number of shares on the balance sheet date
Dividend per share	Dividend paid for the financial year / Adjusted number of shares on the balance sheet date
Dividend payout ratio (%)	Dividend per share / Earnings per share × 100
Effective dividend yield (%)	Dividend per share / Adjusted last share price on the balance sheet date × 100
Price/earnings ratio (P/E)	Adjusted last share price on the balance sheet date / Earnings per share
Average price	Total share turnover in FIM / Number of shares traded
Market capitalisation	Total number of shares × last price on the balance sheet date

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

The consolidated distributable equity capital on December 31, 1998 was FIM 236 830 787.70 (€ 39.8 million).

The equity capital of OKOBANK Osuuspankkien Keskuspankki Oyj on December 31, 1998 was FIM 2 487 096 837.54 (€ 418.3 million), of which distributable equity capital was FIM 344 181 737.54 (€ 57.9 million).

At the disposal of the Annual General Meeting is	
the loss for the financial year shown	
in the profit and loss account	FIM -35 979 130.65 (€ -6.1 million)
profit brought forward	FIM 240 736 637.17 (€ 40.5 million)
and non-restricted reserves	FIM 139 424 231.02 (€ 23.4 million)
or a total amount of	FIM 344 181 737.54 (€ 57.9 million)

It is proposed that this be disposed of as follows:

The dividend distributed on the share capital is		
10% on 13 894 380 series K shares	FIM 69 471 900.00 (€ 11.7 million)	
11% on 9 458 120 series A shares	FIM 52 019 660.00 (€ 8.7 million)	FIM 121 491 560.00 (€ 20.4 million)
Leaving in distributable equity capital		FIM 222 690 177.54 (€ 37.5 million)

Helsinki February 10, 1999

Antti Tanskanen

Reijo Karhinen

Mikael Silvennoinen
Managing Director

Juhani Elomaa

Keijo Manner

Timo Ritakallio

Heikki Vitie

Helena Walldén

Statement of the Supervisory Board

The Bank's financial statements for the year 1998 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 Oyj: Jussi Hautamäki, Ilkka Heinonen, Timo Kietäväinen, Erkki Laatikainen, Seppo Penttinen, Timo Poranen, Matti Pulkkinen, Valvatti Remes-Siik, Kaj Skåtar and Pertti Stöckel.

Helsinki February 10, 1999

On behalf of the Supervisory Board

Seppo Penttinen Chairman	Markku Koponen Secretary

Auditors' Report

To the shareholders of
OKOBANK Osuuspankkien Keskuspankki Oyj

We have audited the accounting, the financial statements and the corporate governance of OKOBANK Osuuspankkien Keskuspankki Oyj for the 1998 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 12, 1999

SVH Pricewaterhouse
Coopers Oy
Authorised Public Accountants

Tauno Haataja Authorised Public Accountant	Eero Huusko Authorised Public Accountant	Reino Majala Authorised Public Accountant

OKOBANK Consolidated business organisation March 1, 1999

Chairman and CEO
Antti Tanskanen

Managing Director
Mikael Silvennoinen

CORPORATE BANKING AND DEBT CAPITAL MARKETS
Timo Ritakallio

Corporate and Group member bank financing, trading, Group treasury, international division, real estate investments.

Corporate Banking, SME's
Olli-Pekka Saario

OKO Mortgage Bank plc
Jouko Immonen

Corporate Banking, Major Clients
Jarmo Viitanen

OP-Finance Ltd
Pekka Hujala

Treasury Trading
Antti Heinonen

Group Treasury and International Division
Jorma Alanne

Stockholm Branch
Erik Skön

Real Estate Investments
Kari Karvonen

OPERATIONS AND PROCESSES
Helena Walldén
(on leave up to Dec. 31, 1999. Seconded by Mikko Hyttinen)

Back office operations for corporate financing and treasury, customer service procedures, IT management, legal services.

Treasury and Capital Market Operations
Mikko Hyttinen

Corporate Services
Markku Vehmas

IT Management
Seija Hallavo

Legal Services
Jari Jaulimo

INVESTMENT BANKING
Juhani Elomaa

Securities brokerage, asset management, corporate finance, investment research.

Opstock Ltd
Juhani Elomaa

Securities Brokerage and Investment Research
Risto Murto

Asset Management
Matti Rantalainen

Corporate Finance
Jyrki Knuutinen

Administration
Anu Hämäläinen

RETAIL BANKING
Hannu Tonteri

Retail banking services for private individuals and SME's in the Greater Helsinki area.

Okopankki Oyj
Hannu Tonteri

Banking Business
Timo Teinilä

Internal Services
Tarja Joensuu-Sarkio

Trade Union Bank
Juha Harsu

Business Control
Marja Huhta
(reporting to the Managing Director)

OKOBANK Osuuspankkien Keskuspankki Oyj

Supervisory Board March 1, 1999

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

Paavo Haapakoski
Principal, Pyhäjoki
1997-2000
Deputy Chairman

Ilkka Heinonen
Principal, Haapajärvi
1997-1999

Erkki Laatikainen
Editor-in-Chief, Jyväskylä
1997-1999

Jorma Lehikoinen
Managing Director, Lieksa
1998-2001

Vesa Lehikoinen
Managing Director, Janakkala
1997-2000

Antero Luomajärvi
Principal, Ilmajoki
1998-2001

Seppo Penttinen
Professor, Savitaipale
1997-1999
Chairman

Matti Pulkkinen
Director of District Medical Services
Kuopio
1997-1999

Tauno Raistakka
Farmer, Posio
1997-2000

Jukka Ramstedt
Managing Director, Pori
1998-2001

Asko Ruuskanen
Dean
Savonlinna
1998-2001

Turkka Saarniniemi
Managing Director, Pertteli
1997-2000

Johan Signell
Financial Manager
Hanko
1997-2000

Kaj Skåtar
Managing Director, Vaasa
1997-1999

Heikki Teräväinen
Managing Director, Toijala
1998-2001

Keijo Väänänen
Professor, Vaala
1998-2001

Other Members

Kaarina Aho
Managing Director, Tornio
1997-2000

Jussi Hautamäki
Lieutenant General
Hämeenlinna
1997-1999

Seppo Jokinen
Managing Director, Tammela
1997-2000

Matti Kavetvuo
Managing Director, Helsinki
1997-2000

Timo Kietäväinen
Deputy Managing Director
Helsinki
1997-1999

Reijo Lehtinen
Director, Church
Central Fund, Espoo
1998-2001

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

Kati Myllymäki
Chairman, Finnish Medical Association
Mikkelin mlk
1997-2000

Seppo Paatelainen
Managing Director, Seinäjoki
1998-2001

Timo Poranen
Managing Director, Espoo
1997-1999

Valvatti Remes-Siik
Managing Director, Oulu
1997-1999

Pertti Stöckel
Managing Director,
Keminmaa
1997-1999

Astrid Thors
Member of the European Parliament, Helsinki
1998-2001

Erkki Vähämaa
Municipal Manager, Sotkamo
1998-2001

The Supervisory Board of OKOBANK Osuuspankkien Keskuspankki Oyj includes a minimum of 12 and a maximum of 30 members who are elected by the Annual General Meeting for a term of three years at a time. The majority of the members of the Supervisory Board are elected from amongst the members of the Supervisory Board of the OKOBANK Group Central Cooperative. One third of the members of the Supervisory Board are due to resign annually. The Supervisory Board elects from amongst its members a chairman and a vice chairman.

The task of the Supervisory Board is to oversee that the Bank is managed in an expert and prudent manner in accordance with the relevant legislation and the Articles of Association. The tasks of the Supervisory Board are, among other things,

- to confirm the number of members and deputy members of the Executive Board and to elect and dismiss the chairman of the Executive Board, the managing director and the deputy to the managing director as well as the other members and deputy members of the Executive Board
- to issue instructions on the division of responsibilities between the chairman of the Executive Board, the managing director and the other members of the Executive Board as well as on the right of these officers to represent the Bank
- to confirm the Bank's general operational instructions in matters that are of wide significance and important in principle
- to have performed by auditors elected by them once a year an audit of the management and administration of the Bank
- to confirm the principles of the Bank's annual accounts and to present to the Annual General Meeting a statement on the annual accounts as well as to certify it
- to decide on calling meetings of shareholders.

Executive Board and Auditors March 1, 1999

Back row from left:
Antti Tanskanen, Reijo Karhinen, Keijo Manner and Heikki Vitie.
Front row from left:
Juhani Elomaa, Helena Walldén, Mikael Silvennoinen and Timo Ritakallio.

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

Juhani Elomaa
Executive Director
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

Auditors and Deputies

Auditors

SVH Pricewaterhouse
Coopers Oy
Authorised Public
Accountants
Helsinki

Eero Huusko
Authorised Public
Accountant
Kajaani

Reino Majala
Authorised Public
Accountant
Turku

Deputies

Kauko Lehtonen
Authorised Public
Accountant
Turku

Auno Inkeröinen
Authorised Public
Accountant
Mikkeli

Secretary of the Boards

Markku Koponen
Sipoo

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Keskuspankki Oyj

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Managing Director:
Erik Skön

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Managing Director: Valentin Graf
Kerssenbrock

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KBC Bank, Belgium
Crédit Agricole, France
DG Bank Deutsche
Genossenschaftsbank. Germany
FöreningsSparbanken AB, Sweden
ICCREA, Italy
OKOBANK Osuuspankkien
Keskuspankki Oyj, Finland
Rabobank Nederland,
The Netherlands
Raiffeisen Zentralbank
Österreich AG, Austria
Union of Swiss Raiffeisen Banks,
Switzerland