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## *Financial information in 1999*

The OKOBANK Group and the OKOBANK Group Central Cooperative will publish three interim reports in 1999:  
- for January-March on May 6, 1999  
- for January-June on August 18, 1999  
- for January-September on November 4, 1999.  
The interim reports will be published in Finnish, Swedish and English.

Reports can be ordered 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.

# OKOBANK Group

The OKOBANK Group comprises the independent local member cooperative banks together with the OKOBANK Group Central Cooperative and its subsidiaries. The OKOBANK Group has 247 member banks, including OKOBANK Osuuspankkien Keskuspankki Oyj.

The member banks of the OKOBANK Group belong to 16 provincial federations of cooperative banks. The federations act as regional co-operation bodies for the member banks and name the candidates from their areas to seats on the Supervisory Boards of the OKOBANK Group Central Cooperative and OKOBANK.

The OKOBANK Group Central Cooperative is the statutory central institution of the Group. It is a cooperative which is owned by the Group member banks and it functions as the Group's know-how and service centre. OKOBANK Group Central Cooperative Consolidated provides centralised services for its member banks and it controls and supervises the risk management, capital adequacy and liquidity of the member banks. In addition, it safeguards the interests of the entire Group.

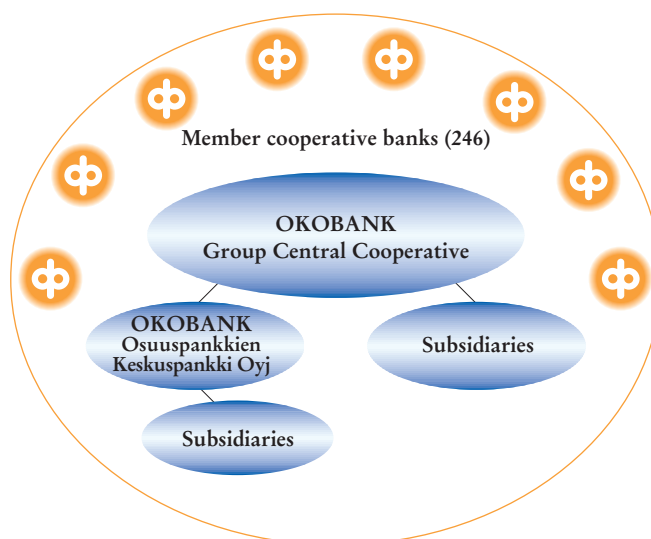
OKOBANK is a subsidiary of the OKOBANK Group Central Cooperative. OKOBANK acts as an independent commercial bank and the central financial institution of the cooperative banks. OKOBANK's Series A share is listed on the Main List of Helsinki Exchanges.

The OKOBANK Group operates on the money, foreign exchange and capital markets via OKOBANK. OKOBANK also handles the Group's account relationships with the Bank of Finland and in the last resort sees to it that the member banks have sufficient financing and liquidity. OKOBANK has published its own annual report for 1998.

The new form of joint operations which the OKOBANK Group started in 1997 will increase the Group's competitiveness and promote its adaptation to the new demands facing the banking sector. The system will increase the effectiveness of the Group's risk management and the handling of its capital adequacy requirements whilst furthermore strengthening the position of the member banks as independent local banks.

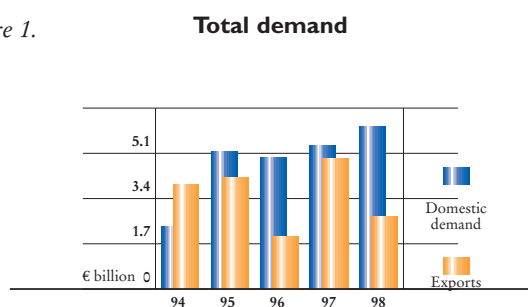
## Key figures

|   | 1998    | 1997    |
|---|---------|---------|
| Member banks (incl. OKOBANK)            | 247     | 250     |
| Branches                                | 728     | 745     |
| Staff                                   | 8 366   | 8 695   |
| Individual members                      | 695 000 | 647 000 |
| Market share of FIM deposits, %         | 30.4    | 31.0    |
| Market share of FIM credits, %          | 29.9    | 30.8    |
| € million                               |         |         |
| Total assets                            | 23 332  | 22 816  |
| Turnover                                | 1 721   | 1 668   |
| Net income from financial operations    | 691     | 649     |
| Profit before loan and guarantee losses | 519     | 408     |
| Loan and guarantee losses               | 128     | 214     |
| Net operating profit                    | 395     | 195     |
| Non-performing claims                   | 220     | 386     |
| Zero-interest claims                    | 45      | 49      |
| Equity capital                          | 1 308   | 990     |
| Capital adequacy ratio, %               | 12.2    | 11.6    |
| Income/expenses ratio                   | 1.77    | 1.62    |



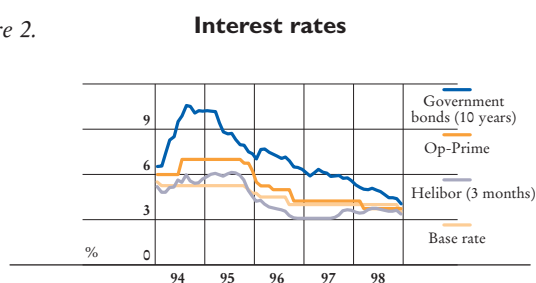
# Operating environment

Figure 1.



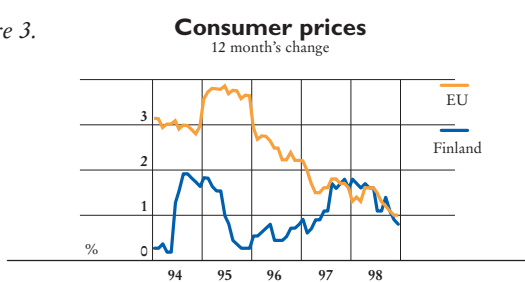
The Finnish economy continued to grow at a fast rate. Total output increased by about 5 per cent. The structure of both the growth in output and total demand nevertheless changed markedly. The increase in industrial output came largely from the telecommunications and electronics sector. Consumer expenditure 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.



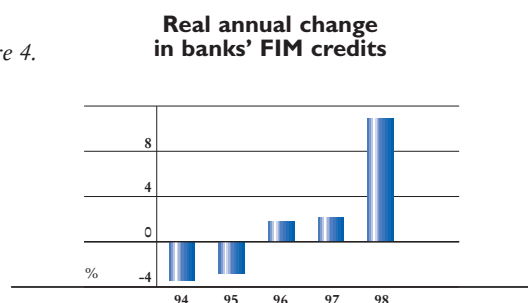
Monetary policy was guided by the run-up to stage three of EMU, and changes in Finland's short-term interest rates were minor, as they were a year earlier too. Towards the end of the year, market interest rates notched down a bit, reflecting the international trend. The transition to Economic and Monetary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

Figure 3.



Consumer prices in Finland rose on average only by slightly less than 1.5 per cent in 1998. Inflation was slowed down by the strong fall in the prices of imports as well as high unemployment. The only clear price rises were in the cost of housing as well as in educational and health care services. Maintaining a stable price level during a period of fast economic growth indicates that an essential change has occurred in the economy's price mechanisms. Slow inflation is also a clear sign that there are still unused production resources within the economy.

Figure 4.



An increase in the income of households and companies together with relatively low indebtedness promoted the growth in lending by Finland's banks. The deposit banks' total markka-denominated lending grew by 10 per cent. In stable price conditions, the real growth in lending was quite strong. The margin on new lending nevertheless narrowed further despite the strong growth in the loan book.

## 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 Oy 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 statements bulletin: The OKOBANK Group's net operating profit for 1997 was nearly € 0.2 billion, up 68 per cent on 1996.  
The Supervisory Board confirmed the OKOBANK Group's joint strategy and action plan, OP-100. It will extend up to 2002, which will mark the Group's centennial.
- April 1** The annual meeting of the OKOBANK Group Central Cooperative adopted the annual accounts and elected the members of the Supervisory Board and the auditors. The Supervisory Board re-elected Seppo Penttinen as its chairman and re-elected Esa Swanljung and Heikki Pykälistö as its vice chairmen.
- May 12** Interim Report: The OKOBANK Group's net operating profit for the January-March period was € 96 million, double the figure posted a year earlier.
- June 1** The OKOBANK Group brought out on the market a new mutual fund named OP-Euro Equity, which invests its assets in shares quoted on the stock exchanges of the EMU countries.
- June 10** The Supervisory Board appointed Pekka Jaakkola a member of the Central Cooperative's Executive Board, made changes to the areas of responsibility of the Executive Board and accepted Tuomas Hinttula's resignation from deputy membership of the Executive Board. The decisions entered into force on July 1.
- June 30** Osuuspankki Realum repaid the remainder of € 119 million on the capital investment which the Government made in 1992 in a total amount of € 257 million.
- Aug. 11** Interim Report: the OKOBANK Group's net operating profit for the January-June period was € 197 million, or nearly 60 per cent greater than during the corresponding period a year earlier.
- Sept. 28** The nationwide OKOBANK Group Week was opened in Varkaus. The theme of the week was "The OKOBANK Group – with you at life's every turn".
- Oct. 1** The OKOBANK Group opened its renewed Internet service. It was the first bank group in Finland to offer Internet customers network services tailored to their own interests. 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** The OKOBANK Group announced a UniCash 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: The OKOBANK Group's net profit for the January-September period was € 277 million, up 68 per cent on the previous year.
- Nov. 23** The OKOBANK Group 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.  
OP-Rahastoyhtiö Oy and Opstock Ltd 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.
- Dec. 29** The majority of the member banks of the OKOBANK Group paid their share of the OKOBANK Group Security Fund's liabilities. 52 banks paid their share in full and withdrew from the Security Fund. All the other member banks have decided to pay their shares and to withdraw in 2004 at the latest.

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 OKOBANK Group Pension Fund, the OKOBANK Group Pension Foundation and the Association of the Local Cooperative Banks entered into an agreement to the effect that the Association's member banks will withdraw from the Pension Fund and the Pension Foundation. The agreement is pending approval by the Ministry of Social Affairs and Health and the employers.

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.

*The OKOBANK Group is with you at life's every turn 24 hours a day. At the close of 1998 the Group had 2.1 million active customers. The member banks had 728 branch offices, 21 service outlets and 666 own payment ATMs.*



## 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 inter-

est 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 were generated by 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.

The good earnings trend enabled the OKOBANK Group to repay the last instalment of the Government's capital investment that was made in 1992. The majority of the Group's member banks also repaid their shares of the OKOBANK Group Security Fund's liabilities at the end of the year. An agreement on their allotment between the OKOBANK Group and the banks which broke away from the Group was reached in the autumn, and subsequently Security Fund contributions have no longer burdened the banks' price competitiveness. As the member banks pay their share of the liabilities, they will withdraw from the Security Fund, which will be wound up in 2004 at the latest.

The OP-100 action plan that extends up to the OKOBANK Group's centennial year, 2002, was approved in February and became the foundation of day-to-day operations. In drawing up the plan we have prepared for the new banking world in a thorough and far-reaching way. OP-100 is based on the fundamentals: the Group's operational concept, core values and ethical principles. They lay the foundation for our business targets, which were set at a realistically high level and which involve a commitment that is the right and responsibility of each and every unit and employee.

The OKOBANK Group has resolved to celebrate its centennial as the leading Finnish bank. To achieve success, we must continually turn a good profit. This builds capital adequacy, competitiveness and stronger resources that will enable us to maintain a top level of services in our sector – to be and to remain a forerunner in the Finnish banking market. Our key resource in achieving success is a highly competent and renewal-conscious staff whose expertise is worthy of our customers' trust.

Last year's achievements improved the OKOBANK Group's competitiveness. We are now in an improved position to participate to the fullest extent in the competition in the financial industry. With the advent of EMU, this competition will get tighter and assume new forms. An important trump card for us on the threshold of the new millennium is our members. The OKOBANK Group's decision-making authority is anchored in the member cooperative banks, which have

about 700 000 Finnish owners. The member banks own the Group's central institution, the OKOBANK Group Central Cooperative. Its subsidiary and the Group's central bank, OKOBANK, offers the Group's customers a full range of international banking services in co-operation with international partners.

The year's result did not come about all by itself but by dint of day-to-day diligence and co-operation. The OKOBANK Group handles the money affairs of more than two million Finns and tens of thousands of companies and institutions. Our earnings spring from small brooks in which each member of the OKOBANK Group team and each customer make an important contribution.

I wish to thank all the employees of the OKOBANK Group as well as its administrative staff for their excellent performance and I express my gratitude to all our customers for the confidence they have shown in us.

Helsinki February 10, 1999  
Antti Tanskanen



*The brisker demand for loans showed up in particular in housing loans. About a third more new housing loans were granted than in 1997. Nearly every second housing loan granted by the OKOBANK Group was covered by the Payment Protection Plan insurance.*



# The 1998 annual accounts of the OKOBANK Group

## Report of the Executive Board

### A full year in our new form

1998 was the first full year of operations for the OKOBANK Group in its new form. In July 1997 the bank group launched its recast joint operations as an amalgamation of the cooperative banks. This was based on the 1997 amendment to the Cooperative Bank Act. The new system increases the Group's competitiveness and furthers the adaptation of banking operations to new demands. The system will enhance the Group's management of risks and capital adequacy and strengthen the position of the member banks as independent local banks.

When the new form of operations got started, OKOBANK Osuuspankkien Keskuspankki Oyj and the vast majority of the cooperative banks became members of the OKOBANK Group. At the end of 1997 the number of member cooperative banks was 249, and 44 cooperative banks remained outside the Group. One of the seceding cooperative banks rejoined the OKOBANK Group in the autumn 1998.

Three mergers took place during 1998. Saaren Osuuspankki merged with Parikkalan Seudun Osuuspankki and Mietoisten Osuuspankki merged with Mynämäen Osuuspankki. In addition, Kiikalan Osuuspankki, Kuusjoen Ylikulman Osuuspankki and Perttelin Osuuspankki merged into the new Osuuspankki Kantrisalio.

At the end of 1998 the OKOBANK comprised 246 independent cooperative banks as well as the OKOBANK Group Central Cooperative with its subsidiaries, the largest of which is OKOBANK. Counting OKOBANK, the total number of the Central Cooperative's member banks is 247. The member banks are listed in Note 45 to the annual accounts on page 42. The consolidated annual accounts of the OKOBANK Group furthermore include the OKOBANK Group Security Fund, the OKOBANK Group Mutual Insurance Company as well as the six largest subsidiaries of the member cooperative banks.

In December the OKOBANK Group Central Cooperative and the member cooperative banks increased their holding in OKOBANK by purchasing from the member banks of the Association of the Local Cooperative Banks the 1 174 620 Series K shares owned by these banks.

### *New policy lines*

In February the Supervisory Board of the OKOBANK Group Central Cooperative adopted OP-100, the joint strategy and action plan for the entire OKOBANK Group. It will extend

up to 2002, which marks the centennial of the Group. The chief objective of the strategy is to make the OKOBANK Group the leading retail banking group in Finland by 2002. The aim is for the OKOBANK Group to have a good capital adequacy ratio and to surpass its major competitors in both profitability and cost-effectiveness. High-quality risk management will ensure stable development. Within information technology, the Group is a pioneer in Finland. The Group has a strong position in the market and it has the best corporate image of all the banks. Internally, the OKOBANK Group is unified and works in a spirit of co-operation, forming a tightly-knit whole that functions as a chain.

A central element of the Group's internal division of responsibilities is the principle that customer-oriented operations are decentralised to the level of the member banks so that they are close to the customer. The support and development services required for business operations are centralised as far as possible within OKOBANK Group Central Cooperative Consolidated. In serving the member banks and their customers, those operations which call for bank status are handled on a centralised basis by OKOBANK and its subsidiaries.

## Performance of the OKOBANK Group

### *Net operating profit € 395 million*

In 1998 the OKOBANK Group posted its all-time best result. The Group's net operating profit was € 395 million, or double its earnings in 1997. The return on equity rose by 17.8 percentage points to 35 per cent, and the return on assets by 1.1 percentage point to 1.7 per cent. The income/expenses ratio rose from 1.62 to 1.77.

The improvement in the result was due to the good trend in basic banking operations. The growth in net income from financial operations and in other income accounted for 57 per cent of the improvement in earnings. The share of the improvement attributable to loan and guarantee losses was smaller than in previous years and amounted to 43 per cent. Other operating income includes a non-recurring item of € 36 million, which represents a payment by the cooperative banks that withdrew from the OKOBANK Group for their share of the liabilities of the OKOBANK Group Security Fund.

Net income from financial operations grew by more than 6 per cent on the previous year, reaching € 691 million. The ratio of net income from financial operations to average total assets was 3 per cent, or 0.2 percentage point greater than in 1997. Net income from financial operations was increased by the contraction in non-performing and zero-interest claims,

## OKOBANK Group's performance

| € million   | 1998       |            |            |            | 1997         |              | Change<br>1-12 |
|---|------------|------------|------------|------------|--------------|--------------|----------------|
|   | 1-3        | 4-6        | 7-9        | 9-12       | 1-12         | 1-12         |                |
| Net income from financial operations                                  | 164        | 169        | 175        | 183        | 691          | 649          | 42             |
| Commission income   | 61         | 64         | 62         | 75         | 262          | 244          | 18             |
| Net income from securities and foreign exchange dealing               | 12         | 8          | -3         | 4          | 21           | 20           | 1              |
| Other operating income  | 48         | 44         | 39         | 88         | 220          | 167          | 52             |
| <b>Total income</b>   | <b>285</b> | <b>285</b> | <b>273</b> | <b>351</b> | <b>1 193</b> | <b>1 081</b> | <b>113</b>     |
| Commission expenses   | 6          | 6          | 5          | 6          | 23           | 23           | 1              |
| Administrative expenses   | 100        | 106        | 97         | 123        | 427          | 410          | 16             |
| Depreciation and write-downs  | 13         | 18         | 20         | 34         | 86           | 89           | -3             |
| Other operating expenses  | 34         | 35         | 32         | 37         | 138          | 151          | -13            |
| <b>Total expenses</b>   | <b>154</b> | <b>165</b> | <b>154</b> | <b>201</b> | <b>674</b>   | <b>673</b>   | <b>2</b>       |
| Profit before loan losses   | 131        | 119        | 119        | 150        | 519          | 408          | 111            |
| Loan and guarantee losses   | 30         | 24         | 32         | 42         | 128          | 214          | -86            |
| Share of profit/loss of companies<br>included using the equity method | 1          | 3          | -8         | 7          | 3            | 2            | 2              |
| <b>Net operating profit</b>   | <b>102</b> | <b>99</b>  | <b>79</b>  | <b>115</b> | <b>395</b>   | <b>195</b>   | <b>199</b>     |
| Income/expenses ratio   | 1.85       | 1.72       | 1.78       | 1.74       | 1.77         | 1.62         |                |

## OKOBANK Group's liabilities and equity capital Dec. 31

| € billion   | 1998 | 1997 | Change |
|---|------|------|--------|
| Tax-free deposits   | 12.5 | 11.9 | 0.6    |
| Deposits subject to<br>withholding tax                        | 0.8  | 1.2  | -0.5   |
| Deposits subject to other tax                                 | 2.3  | 2.0  | 0.3    |
| Foreign currency deposits                                     | 0.1  | 0.1  | -0.1   |
| Domestic deposits   | 15.6 | 15.3 | 0.4    |
| Foreign deposits  | 0.0  | 0.1  | -0.1   |
| Total deposits  | 15.7 | 15.4 | 0.3    |
| Domestic money and<br>capital market debts                    |      |      |        |
| Other liabilities to the public<br>and public sector entities | 1.3  | 0.8  | 0.5    |
| Debt securities issued<br>to the public                       | 2.7  | 2.7  | 0.0    |
| Liabilities to credit institutions<br>and central banks       | 0.0  | 0.3  | -0.2   |
| Subordinated liabilities                                      | 0.5  | 0.6  | -0.1   |
| Foreign money and capital<br>market debts                     | 1.1  | 1.0  | 0.1    |
| Total money and<br>capital market debts                       | 5.6  | 5.3  | 0.2    |
| Accrued expenses and<br>deferred income                       | 0.2  | 0.2  | -0.1   |
| Other   | 0.6  | 0.9  | -0.3   |
| Total liabilities   | 22.0 | 21.8 | 0.2    |
| Share and cooperative capital<br>and restricted reserves      | 1.1  | 1.0  | 0.1    |
| Capital investments   | -    | 0.1  | -0.1   |
| Non-restricted reserves<br>and profit for the year            | 0.2  | -0.2 | 0.4    |
| Equity capital  | 1.3  | 1.0  | 0.3    |
| Total   | 23.3 | 22.8 | 0.5    |

## OKOBANK Group's claims and investments Dec. 31

| € billion  | 1998 | 1997 | Change |
|--|------|------|--------|
| Domestic   |      |      |        |
| Corporates   | 4.5  | 4.1  | 0.4    |
| Financial institutions   | 0.1  | 0.1  | 0.0    |
| Public sector entities   | 0.2  | 0.2  | 0.0    |
| Non-profit organisations   | 0.6  | 0.5  | 0.1    |
| Households   | 10.8 | 10.1 | 0.7    |
| Domestic lending   | 16.1 | 15.0 | 1.2    |
| Leasing assets   | 0.1  | 0.1  | 0.0    |
| Foreign lending  | 0.1  | 0.1  | 0.0    |
| Claims on the public<br>and public sector<br>entities and leasing assets | 16.3 | 15.1 | 1.2    |
| Domestic money and<br>capital market investments                         |      |      |        |
| Claims on central<br>banks and credit<br>institutions                    | 0.8  | 0.5  | 0.3    |
| Debt securities  |      |      |        |
| - current  | 1.9  | 2.3  | -0.4   |
| - non-current  | 0.8  | 0.8  | 0.0    |
| Foreign money and<br>capital market investments                          | 1.0  | 1.4  | -0.4   |
| Total money and<br>capital market investments                            | 4.4  | 4.9  | -0.5   |
| Shares   | 0.2  | 0.2  | 0.0    |
| Real-estate property   | 1.5  | 1.6  | -0.1   |
| Other property   | 0.8  | 0.9  | -0.1   |
| Total  | 23.3 | 22.8 | 0.5    |

the lower costs of funding and the growth in the credit portfolio. A € 16 million contribution to the common deposit guarantee fund was entered in interest expenses as a new expense item. Interest expenses include € 3 million of interest accrued for the January-June period on the Government's capital investment. The lower margins on new lending did not have a significant effect on net income from financial operations.

Commission and fee income increased by 7 per cent to € 262 million. Commissions on lending, securities transactions and insurance operations increased on the previous year. Commissions on payment transfers and guarantees diminished. The net income from securities transactions amounted to € 12 million, an increase of € 1 million on the figure a year earlier. Net income from debt securities and interest rate derivatives totalled € 3 million, and the net income from shares and participations was € 9 million. Net income from foreign exchange dealing remained at the previous year's level and was € 9 million.

Other operating income was up by nearly a third to € 215 million. The income includes € 16 million of items which in the separate accounts of the entities belonging to the OKOBANK Group have been entered in extraordinary income. The corresponding income in 1997 totalled € 6 million. Capital gains on real estate and shares in real-estate companies generated € 15 million of income, or € 4 million more than a year earlier. The total amount of the payments to the OKOBANK Group Security Fund made by the cooperative banks that broke away from the OKOBANK Group was € 45 million in 1998. The net profit for 1997 included € 9 million of contributions by the cooperative banks which withdrew from the Group.

Expenses and write-downs were € 674 million. Staff costs were up by more than one per cent to € 287 million and other administrative expenses by nearly 10 per cent to € 139 million. An item within other administrative expenses which showed a particular increase was EDP expenses. The amount of depreciation according to plan and write-downs grew by 3 per cent. Depreciation includes € 34 million of write-downs on real-estate properties and shares in real-estate companies. Other operating expenses contracted by € 13 million to € 138 million. The expenses include a total of € 7 million of losses on the sale of real estate and shares and participations in real-estate

companies. Other operating expenses includes € 3 million of items which the separate companies have booked in extraordinary expenses.

Loan losses decreased by 40 per cent to € 128 million. They include € 20 million of write-downs and losses on the sale of property that was lodged as security for a receivable. € 4 million of gains on the sale of foreclosed property was booked as a reduction in credit losses.

Income taxes amounted to € 13 million, or € 50 million less than in 1997. The income taxes of the banks belonging to the OKOBANK Group were exceptionally small compared with the Group's result because of the payments which the banks made to cover the liabilities of the OKOBANK Group Security Fund.

Consolidated net operating profit of the Group's member cooperative banks, the OKOBANK Group Security Fund and the OKOBANK Group Mutual Insurance Company was € 306 million, or € 155 million more than a year earlier. Of the Group's 246 member cooperative banks, 243 banks posted a net operating profit. The large cooperative banks in particular improved their result significantly. OKOBANK Group Central Cooperative Consolidated's net operating profit was € 85 million. In 1997 the aggregate net operating profit of the entities belonging to OKOBANK Group Central Cooperative Consolidated was € 52 million.

### ***Total assets € 23.3 billion***

The total assets of the OKOBANK Group stood at € 23.3 billion, or € 0.5 billion greater than at the end of 1997. Total assets were increased by € 1.2 billion in new lending. The growth in total lending also decreased the Group's investments in money and capital market instruments.

Claims on the Bank of Finland and credit institutions amounted to € 1.3 billion at the end of the year, or € 0.3 billion less than at the end of the previous year. The amount of debt securities declined from € 3.2 billion to € 3 billion. The amount of debt securities eligible for refinancing with central banks was € 1.4 billion. Of this amount, Treasury bills accounted for € 0.3 billion, Government bonds for € 1.1 billion and other promissory notes for less than € 0.1 billion. The amount of other debt securities was € 1.6 billion, of which certificates of deposit accounted for € 1 billion.

Figure 5. Net operating profit/loss and return on assets

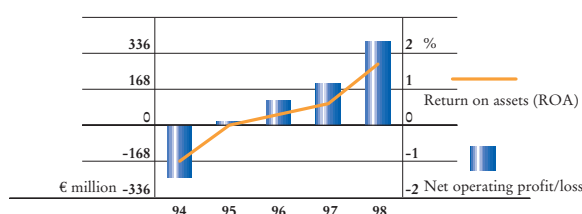
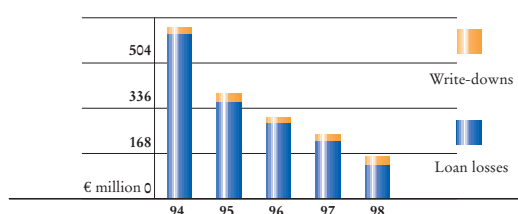


Figure 6. Loan losses and write-downs



Claims on the public and public sector entities grew by 7.8 per cent to € 16.2 billion. The markka credit portfolio grew by € 1.1 billion, or 7.5 per cent, to € 15.8 billion. The amount of domestic foreign currency credits grew by a third to € 0.3 billion. Because of the fall in market interest rates and the lower margins on new lending, the nominal interest yield on the credit portfolio declined by about 0.5 percentage point during 1998.

The OKOBANK Group's non-performing claims diminished by almost € 0.2 billion during 1998, to € 0.2 billion. The amount of zero-interest claims at the end of the year was less than € 0.1 billion, or 7 per cent less than at the balance sheet date in 1997. At the end of the year the amount of non-performing and zero-interest rate claims amounted to 1.1 per cent of total assets. At the end of 1997 the ratio was 0.8 percentage point higher.

The aggregate balance sheet value of shares and participations was € 0.2 billion. The amount of tangible assets at the end of the year was € 1.6 billion, of which real estate and shares and participations in real-estate companies accounted for € 1.5 billion. The amount of real estate in own use and shares in real-estate companies was € 0.5 billion, with real-estate holdings not in own use accounting for € 1 billion.

Liabilities to the public and public sector entities totalled € 17 billion at the end of the year, or € 0.8 billion more than at the end of 1997. Markka deposits grew by 3 per cent to € 15.6 billion. Foreign currency deposits declined by nearly a half, or to less than € 0.1 billion. Due to the fall in market interest rates and changes in the structure of deposits, the average price of deposits declined by about 0.25 percentage point during the year. Other liabilities to the public and public sector entities totalled € 1.3 billion.

Liabilities to credit institutions and central banks contracted by a fifth to € 0.5 billion. Subordinated liabilities diminished by 12.7 per cent, to € 1 billion. The amount of debt securities issued to the public was € 2.8 billion.

The OKOBANK Group's equity capital at the end of the year stood at € 1.3 billion, or nearly a third more than at the end of 1997. The equity/total assets ratio rose during the year from 3.8 per cent to 5.6 per cent. Cooperative capital

investments by the members of the cooperative banks totalled € 0.3 billion at the end of the year, an increase of 32 per cent compared with the figure at the end of 1997. The Group's equity capital includes € 0.1 billion of funds from OKOBANK's equity capital and funds booked to the share issue account, which sum corresponds to the ownership interest in OKOBANK of shareholders outside the Group. In June, Osuuspankki Realum repaid the final outstanding amount, € 119 million, on the Government's capital investment that was made in 1992. Following the repayment the equity capital of the OKOBANK Group no longer includes capital investments or capital loans.

The amount of guarantees and other off-balance sheet commitments grew by 12.5 per cent to € 2.8 billion. The value of the underlying instruments of derivative contracts was € 32.3 billion at the end of the year. At the end of the previous year their amount was € 67.8 billion. The biggest decrease was in markka-denominated forward rate agreements. Of the OKOBANK Group's units, only OKOBANK operates on the derivative markets outside the Group.

#### *Capital adequacy 12.2 per cent*

The capital adequacy ratio of the OKOBANK Group was 12.2 per cent at the end of the year, or 0.5 percentage point higher than at the end of the previous year. The ratio of Tier I own funds to risk-weighted receivables, investments and off-balance sheet items rose to 7.9 per cent.

Tier I own funds amounted to € 1.2 billion at the end of the year, an increase of € 0.3 billion on the figure a year earlier. Tier I own funds increased significantly due to the net profit for the financial period and the growth in the cooperative capital of the member banks. Tier II own funds declined from € 0.8 to € 0.7 billion.

Risk-weighted commitments at the end of the year totalled € 15.3 billion, or 9 per cent more than at the end of 1997. The amount of commitments was increased primarily by the growth in lending, which on the one hand increased total assets and on the other altered the structure of the balance sheet by tying up more own funds.

Figure 7. OKOBANK Group total assets

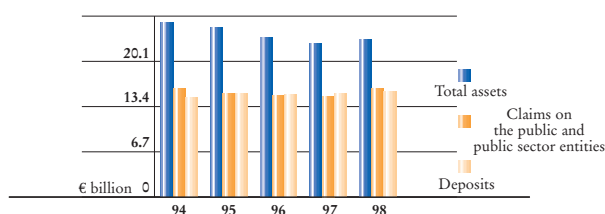
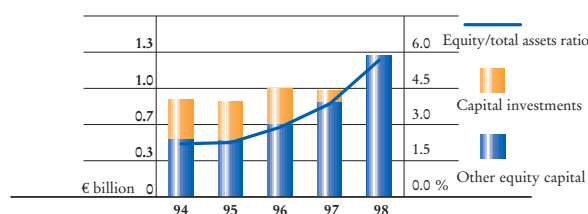


Figure 8. Equity capital and equity/total assets ratio



### Real-estate holdings diminish

The amount of capital which the OKOBANK Group had invested in real estate at the end of the year was € 1.8 billion, or € 0.1 billion less than a year earlier. The capital invested in properties in the Group's own use was € 0.5 billion, as against € 1.3 billion that was invested in real-estate property not in own use.

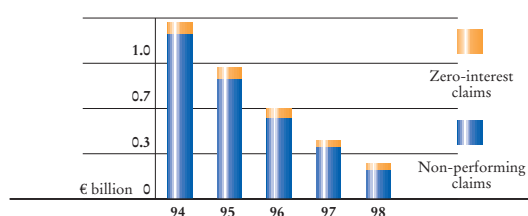
The OKOBANK Group's largest individual property owner is OKOBANK Consolidated, which has € 0.3 billion of capital invested in real-estate property. € 0.2 billion of this amount was invested in real-estate property that was not in own use. Of the member cooperative banks, the largest real-estate holdings are those of Turun Seudun Osuuspankki, € 0.14 billion, Keski-Suomen Osuuspankki, € 0.13 billion, Osuuspankki Realum, € 0.12 billion and Tampereen Seudun Osuuspankki, € 0.07 billion.

Of real-estate property not in own use, dwellings and residential properties accounted for 16 per cent, or € 0.2 billion. The net yield on dwellings and residential properties at the end of the year was 5.3 per cent. At the end of the year, 91 per cent of the residential properties were rented. At the end of 1998 the amount of capital invested in commercial, office and industrial real estate not in own use was € 1 billion.

### Capital adequacy

| € million  | Dec. 31, 1996 | Dec. 31, 1997 | Dec. 31, 1998 |
|--|---------------|---------------|---------------|
| Own funds  |               |               |               |
| Tier I   | 916           | 897           | 1 210         |
| of which capital investments                                       | 342           | 119           | 0             |
| Tier II  | 724           | 807           | 722           |
| Deductions   | -35           | -73           | -73           |
| Total  | 1 605         | 1 630         | 1 859         |
| Risk-weighted receivables, investments and off-balance sheet items | 14 233        | 14 000        | 15 261        |
| Capital adequacy ratio, %  | 11.3          | 11.6          | 12.2          |
| Tier I funds/<br>Risk-weighted items, total, %                     | 6.4           | 6.4           | 7.9           |

Figure 9. Non-performing claims



The net yield on these properties was 5.1 per cent and the occupancy rate was nearly 90 per cent. The average net yield on leasable properties was 5.2 per cent. A year earlier it was 4.5 per cent.

In accordance with the OKOBANK Group's strategic policy lines, the capital tied up in real-estate property will be reduced.

## Development of operations

### Customers and members

At the close of 1998 the OKOBANK Group had 2.1 million active customers. The number of customers grew by 24 500 from the end of the previous year. The structure of the clientele did not change significantly during the year.

At the end of 1998 the member cooperative banks of the OKOBANK Group had 695 000 individual members. The number of members increased by 47 700 during the year. The objective is to reach the one million member level by 2002. During 1998 the OKOBANK Group put together a new member's service package, which was launched in February 1999. The objective is to create a continuously evolving system that is based on reciprocity and gives the member economic benefits and binds him or her to the OKOBANK Group.

According to advanced information, for 1998 the member banks of the OKOBANK Group will pay about € 10 million in interest on members' cooperative capital investments.

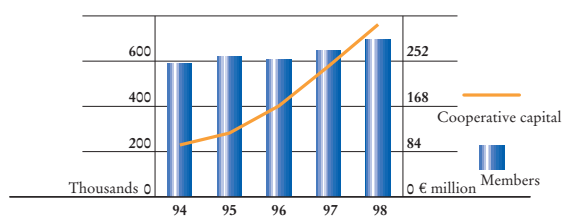
### Financing services

#### Demand for housing loans

The OKOBANK Group's domestic credit portfolio at the end of 1998 was € 16.1 billion, or 7.9 per cent greater than a year earlier. The market share of the deposit banks' markka credits was 29.9 per cent. A year earlier it was 30.8 per cent.

The brisker demand for loans showed up in particular in housing loans. About a third more new housing loans were granted than in 1997. The OKOBANK Group's total housing loans amounted to € 6.2 billion, an increase of 11 per cent during the year. Competition among the banks in the provision of housing loans hotted up and margins declined markedly com-

Figure 10. Number of members and cooperative capital



pared with the previous year. A factor that contributed to the competition was the abolishment of the stamp tax on loans.

The demand for home financing centred increasingly on the main growth localities. The steady trend in interest rates and their low level favoured the bringing out on the market of new home financing products such as fixed-rate housing loans. OKOBANK Group and YIT, Finland's largest construction company, developed a home financing model, 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.

The OKOBANK Group's total consumer credits amounted to € 1.5 billion, an increase of 3 per cent during the year.

In 1998 already nearly every second housing loan granted by the OKOBANK Group and every fourth consumer credit was covered by the Group's Payment Protection Plan, which provides coverage against employment disability due to illness or an accident, unemployment or a serious sickness as well as death and a permanent impairment due to accident.

In April the OKOBANK Group was the first bank in the Nordic countries to come out on the market with a new insurance policy covering serious illness. It provides coverage against 11 serious illnesses that essentially change the course of one's life and against permanent physical impairment due to accident as well as death due to the above-mentioned causes.

#### *Capital expenditures boost lending to corporate customers*

An increase in capital expenditures by companies was reflected in brisker demand for loans. After several years of receding demand, the markka-denominated loan book for corporate customers began to grow again. During the year it increased by nearly 10 per cent and amounted to € 4.5 billion at the end of the year.

The portfolio of finance company products was up 27 per cent during the year, to € 0.7 billion. The volume of financing for capital projects grew by a third.

Competition amongst the banks and the abolition of the stamp tax on loans contributed to narrowing margins on corporate credits. At the same time, competition increased the turnover rate of the loan book. According to market surveys, every third SME considers a member bank of the OKOBANK Group as its main bank.

#### *Agrifinancing on the rise*

Thanks to the increase in capital spending, total loans to agricultural customers swung to slight growth in 1998. The amount of loans which the OKOBANK Group granted to customers engaged in agricul-

ture and forestry was about € 2 billion at the end of the year. Interest-subsidised loans amounted to € 0.4 billion of this figure and loans mediated from Treasury funds totalled € 0.4 billion.

The OKOBANK Group's share of bank financing to the agricultural and forestry sector was 62 per cent. According to studies, slightly less than 60 per cent of forest owners are customers of the OKOBANK Group.

#### *Deposit and asset management services*

Total deposits with the OKOBANK Group stood at € 15.6 billion at the end of the year, or 2.6 per cent greater than at the end of 1997. Growth on the deposit market was slow, and particularly in the first part of the year it was apparent that customers had a growing interest in alternative investment services. In the latter half of the year the growth in deposits nevertheless picked up. The OKOBANK Group's share of markka deposits contracted during the financial year by 0.5 percentage point to 30.4 per cent.

The amount of deposits subject to withholding tax contracted by 37 per cent to € 0.8 billion. The amount of tax-free deposits, however, was up 5 per cent to € 12.5 billion.

The growth in insurance-related saving slowed down in Finland during 1998 after several years of strong growth. At the end of the year the OKOBANK Group had about 50 000 customers who have invested in insurance plans. The technical reserves of the Group's life assurance company grew to € 0.6 billion during 1998, an increase of 37 per cent. For 1998, a 2.0 per cent customer bonus was paid on pension insurance policies and a 1.1 per cent bonus on savings insurance plans, these bonuses being paid in addition to the 4.5 per cent calculated interest.

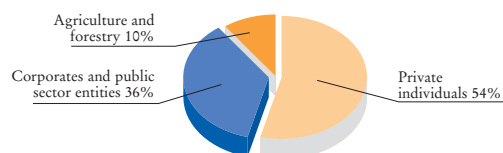
The capital under management by the mutual funds run by OP-Rahastoyhtiö Oy totalled € 0.46 billion at the close of the year, up 81 per cent on 1997. The Group's market share grew during the year and at the close of the financial year it was 9.4 per cent of the aggregate capital of the mutual funds registered in Finland.

During the year two new mutual funds were brought out on the market. OP-Euro Equity invests its assets in shares listed on the stock exchanges of the EMU countries. The objective of the Opstock Finland Index special mutual fund is

to offer investors a yield that tracks the trend in the domestic FOX share index. Continuous investing in mutual funds was also introduced as a new investment product.

The yield trend of the OKOBANK Group's mutual funds was in line with the overall objectives that have been set and

Figure 11. Credits by customer sectors  
Dec. 31, 1998



the funds fared well compared with the performance of Finnish mutual funds in general.

The amount of client assets under management by the Opstock Asset Management grew by over 40 per cent to more than € 2.2 billion. The amount of client portfolios under management grew by 10 per cent.

### *Money and capital market services*

The OKOBANK Group acts via OKOBANK on the domestic money market as a market participant for the main market instruments and interest rate derivatives. The member cooperative banks' participation in the money market is primarily in the role of investors. OKOBANK's market share of trading in Government benchmark bonds rose during the year to more than 7 per cent. In trading for customers' account, the aggregate turnover in certificates of deposit and commercial paper as well as treasury bills was about € 42 billion.

Via OKOBANK the Group engages actively in foreign exchange dealing and trading in foreign currency derivatives.

The OKOBANK Group's investment bank operations are concentrated within Opstock Ltd, a subsidiary of OKOBANK. The OP-100 strategy defines securities operations as one of the Group's priority areas of operations. Accordingly, the core area of investment banking operations – investment research – has been a prime focus of development. Investment research activities are based on 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. The approach forms the cornerstone of investment research, asset management and the entire Group's investment communications.

In 1998 Opstock Securities' equities brokerage amounted to € 3.25 billion. Its market share of turnover on the Helsinki Exchanges was about 3 per cent and it had a share of 7 per cent in turnover on the Investor List.

In 1998 Opstock Ltd acted as a co-manager in all the privatisations of state-owned companies and in five other sales of shares and it was the lead manager in two tender offers. More than € 0.25 billion of capital was obtained for clients through sales of shares.

### *Service network*

At the end of the year the member banks of the OKOBANK Group had 728 branch offices. In addition, the banks had 21 service outlets that were primarily located in large shopping centres. The number of branch offices diminished by 17 during the year, and the number of service outlets grew by 6.

OKOBANK has a branch office in Stockholm and representative offices in Moscow, New York, St. Petersburg and

Tallinn. The retail customer services of the Stockholm branch office were sold to ScandiaBanken of Sweden in May and the office will concentrate on serving corporate customers. It has been decided to close the New York representative office during 1999.

OKOBANK belongs to the UNICO Banking Group based on the cooperative principle, whose member banks operate in ten countries across Europe.

### *Use of network services gains ground*

The use of self services by means of a computer, telephone or



ATM increased further. In 1998 the share of self-services within all the basic service transactions for customers reached 84 per cent.

OP-Telebank's customers receive personal telephone service from bank employees. At the turn of the year about half of the customers of the OKOBANK Group were covered by the services of the OP-Telebank.

The number of network service agreements grew by about 50 per cent during the year and, including agreements with small and medium-sized enterprises, totalled more than 370 000 at the end of the year. The number of GSM bank service agreements trebled during the year, rising to more than 96 000.

The amount of terminal service transactions grew by 70 per cent during the year, to 19 million. The Internet service package was renewed in October. Local Internet pages were opened for all the member banks of the OKOBANK Group, and the service can be adjusted to the customer's needs. The OKOBANK Group also introduced subscriptions of rights issues in its network services. For agricultural customers, too, an extensive Internet-based bank service package was developed, and a special forest services package was made available to forest owners.

The OKOBANK Group opened Finland's first extranet link between its shopkeeper customers and OP-Kotipankki Oyj, thus offering a new way to grant consumer credits in real time.

### *Card payments grow in popularity*

The total number of cards issued by the OKOBANK Group grew by 5 per cent during the year. All in all, there were 1.7 million cards at the end of the year, with debit cards accounting for 52 per cent.

The amount of transactions involving payments using a card grew by 11 per cent on the previous year and the volume of card payments clearly outstripped cash withdrawals made with a card. Cash withdrawals by card at a shop check-out became firmly established, especially in areas that lack cash dispensers.

The card business was further developed with a special emphasis on the smartcard project. The OKOBANK Group is participating in projects connected with electronic ID verification with the aim of promoting the introduction of comprehensive smartcards on the market over the next few years.

At the end of the year the OKOBANK Group had 666



payment ATMs, or 11 less than a year ago. The Group's own ATMs were supplemented by 304 payment ATMs that are operated on a reciprocal basis.

During the year, 184 new Internet customer terminals were installed in the offices of Group member banks, enabling customers who have made an agreement to handle their bank services over the net.

At the end of the year Automatia Pankkiautomaatit Oy, the ATM service company that is jointly owned by Finland's large banks, had 1 940 cash dispensers. The volume of cash withdrawals on an OKOBANK Group debit card grew by 4 per cent during the year.

### *New funds transfer facilities*

The OKOBANK Group further strengthened its position as the market leader in direct debiting. About 17 per cent of the Group's retail customers use direct debiting as the main way they pay their bills. The number of direct debit agreements

grew by 12 per cent during the year.

The volume of companies' domestic payment transfers grew in step with the stronger economy. The priority area in the development of payment transfers was preparation for the introduction of the euro and more cohesive international UNICO co-operation in the wake of it.

In the latter part of the year, the bank announced that it was making available to its corporate customers a cash management service, called UniCash, that has been developed jointly with 7 other European banks.

### *The euro and the Year 2000*

As far back as 1994 the OKOBANK Group began preparations for stage three of EMU and the introduction of the euro. The actual EMU project got started in 1995. The objective of the project was to achieve full technical and operational capabilities before the start of stage three of EMU as well as to carry out the modifications in a well co-ordinated manner and at the lowest possible cost. The business objective was to capitalise on the potential competitive advantage of EMU and the euro, to strengthen the OKOBANK Group's competitive position and to be an expert and active provider of euro services. The EMU project will continue up to the year 2002.

The main tasks connected with the EMU project in 1998 were the implementation, testing and placing in use of modifications to information systems as well as the training and briefing of the staff and customers of the member banks. The main tasks in the latter part of the year were raising the hands-on euro capabilities of the staff and preparations for introducing the euro within the OKOBANK Group Central Cooperative at the turn of the year. The member banks had 270 euro advisers who acted as their bank's euro experts, trainers and liaison staff in dealings between the bank and the EMU project that is being carried out by the Central Cooperative.

At the end of 1998 the OKOBANK Group had put in place the technical and operational capability for making the transition to the euro era. The introduction of the euro went along as planned and without problems. Progress of the preparations has been monitored by the internal audit staff, the bank's outside auditors, the Financial Supervision and the Bank of Finland.

The total costs of EMU and euro preparations in 1996-1998 were more than € 10 million. The costs of preparations within the member banks were more than € 4 million, the costs of modifications to information systems within retail banking were more than € 2 million and the costs of modifications to information systems within wholesale banking and the costs of operational preparations totalled about € 4 million.

### *Preparing for the Year 2000*

The OKOBANK Group began preparations for the year 2000



already in 1996. The preparations covered not only information systems and the technical environments serving them but also non-IT equipment and ensuring of its Year 2000 compliance.

The main task during 1998 has been to check the applications, carry out the necessary modifications and update the system software and equipment to achieve full Year 2000 preparedness. The modified applications have come on stream as they have been completed, and full preparedness was reached in February 1999. Replacement applications solutions comprising new features and power will be completed by the autumn 1999 at the latest.

The costs of preparing for the year 2000 are estimated to total € 7 million. The figure does not include upgrading of the workstation system or those applications development projects whose primary aim has been to revamp customer services. Concurrently with the Year 2000 project, the entire OKOBANK Group's workstation and server hardware and software as well as the communications networks have been upgraded and these enhanced systems became fully operational in November 1998. In carrying out the upgrade, it was ensured that a good foundation was created for the Year 2000 compliance of the entire workstation and server environment.

## Personnel

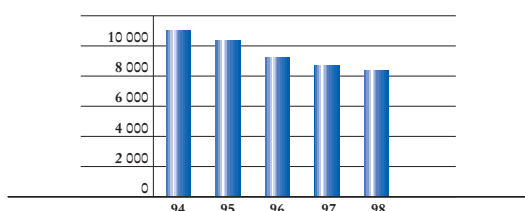
### Staff numbers and composition

The OKOBANK Group had a payroll of 8 366 employees at the end of the year, or 329 employees (3.8 per cent) fewer than a year earlier. During the year an average of 8 524 people were employed by the Group, or 423 fewer than in 1997. The proportion of part-time staff diminished from 7.4 per cent to 6.1 per cent.

The structure of the personnel did not change significantly during the year. The average age is 44 years and the largest age group is people 40-44 years of age. Women made up 81 per cent of the personnel and men 19 per cent. About 11 per cent of the personnel have a university degree and 61 per cent have completed post-secondary education.

The OKOBANK Group's wage and salary expenses totalled € 231 million, an increase of slightly less than one per cent on the previous year.

Figure 12. **OKOBANK Group staff**



### Developing human resources

The central priorities for the development of human resources were an improvement in the management culture and corporate culture as well as the staff's professional skills. The development of professional skills is based on the principle of life-long learning and versatile growth in professional competence. The development process stresses the individual responsibility of each employee for his or her own development.

The training functions of the OKOBANK Group Institute were renewed by turning them into competence development services and they were integrated into business development to form a new Business and Knowledge Management Development Department. The aim of this was to ensure that the development of staff competence will be carried out in line with the Group's strategy.

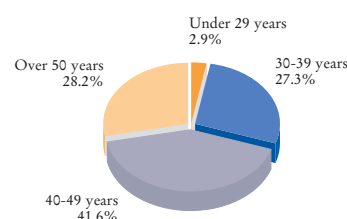
Part of the same development effort was the creation of a new learning environment, the OP Academy, which was established in order to improve the Group's competitiveness. The OP Academy is a diverse development environment which makes active use of the most recent means of voluntary development made possible by modern technology whilst also drawing on the training services of the units of the OKOBANK Group and external partners in cooperation. The forms of learning offered by the OP Academy are diploma programmes lasting about one year in areas such as management and leadership, sales training, customer service as well as timely event days and seminars aiming at developing the competence of bank professionals.

The OP Academy's pages in the OKOBANK Group's intranet network launched a new form of learning. This will make possible self study via all the workstations at different locations throughout the Group.

### Pension security

The OKOBANK Group Pension Fund handles the statutory pension security for the OKOBANK Group's personnel and the OKOBANK Group Pension Foundation provides the related supplementary pension security. The number of employer members in the Pension Fund at the close of 1998 was 410 and the Fund had 9 455 employee members. The Pension Foundation comprised 383 employers and 7 302 employees.

Figure 13. **Staff by age groups, Dec. 31, 1998**



At the end of the year the Foundation's pension liabilities had been covered in full.

In 1998 the employers belonging to the Association of the Local Cooperative Banks and their salaried employees still belonged to the scope of coverage of the pension institutions. On December 12, 1998, the OKOBANK Group Pension Fund and the OKOBANK Group Pension Foundation reached an agreement with the Association concerning the withdrawal of the employers belonging to the Association from membership of the Pension Fund and the Pension Foundation. The agreement is pending approval by the Ministry of Social Affairs and Health and the employers.

## Risk management

OKOBANK Group adheres to the principle of independent and local decision making at all the member banks as well as to joint responsibility. The OKOBANK Group Central Cooperative and its member banks are lenders of last resort for each other's liabilities and commitments in the manner set out in Chapter 2a of the Cooperative Bank Act. Joint responsibility is also defined in the statutes of the Central Cooperative and its member cooperative banks as well as in OKOBANK's Articles of Association.

The Financial Supervision oversees the consolidated accounts of the OKOBANK Group, particularly in respect of capital adequacy, liquidity and customer risks.

As a consequence of the joint responsibility stipulated in the relevant act, the OKOBANK Group Central Cooperative has a statutory obligation to issue to its member banks instructions covering the management of their liquidity, capital adequacy and risk management and it has a further obligation to supervise their operations. The main purpose of the instructions and supervision is to prevent an individual member bank from taking risks which exceed its own resources and might jeopardise the member bank's operational stability or weaken substantially the entire Group's financial position.

The Central Cooperative has set limits on the Group's risk-bearing ability and on the most important types of risk. The Central Cooperative has also set for its member banks

monitoring limits, the aim of which is to prevent the taking of risks by a member bank in excess of its own risk-bearing ability. Within the monitoring limits, the member banks are themselves responsible for the adequacy of their risk management and their risk management system. The member banks have confirmed their own risk management instructions and risk limits on the basis of models furnished by the Central Cooperative.

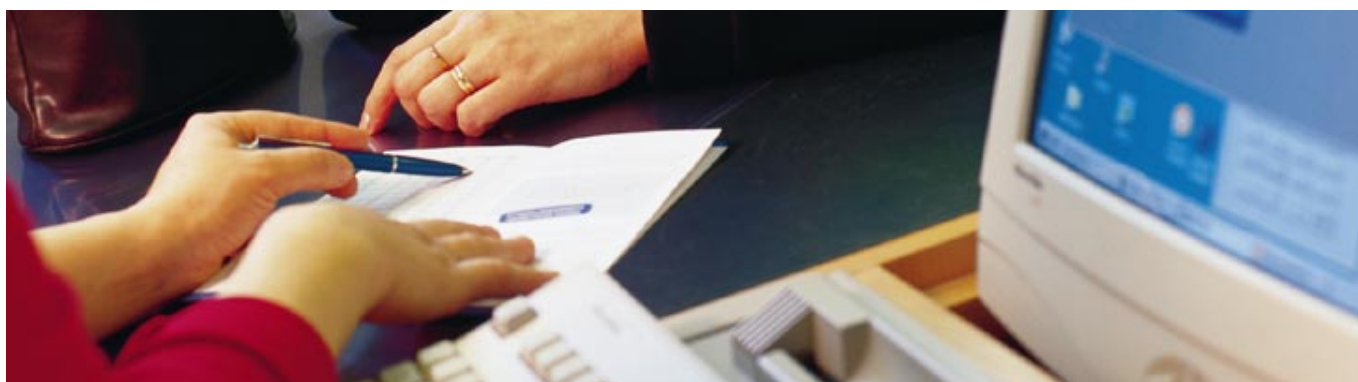
The Central Cooperative monitors the risks and observance of monitoring limits of the member banks and units belonging to OKOBANK Group Central Cooperative Consolidated and it steps in to guide their operations in the event that the monitoring limits are exceeded. The Central Cooperative's audit function monitors the observance of the risk management instructions issued by it and by the member banks themselves.

Management of the Group's operational risks is based on the divisions of responsibility set within the risk management instructions as well as on the decision-making procedures defined in the operational instructions and methodological descriptions.

### Credit risks

The purpose of credit risk management is to minimise the danger of credit losses before the taking of a credit decision and to prevent the risks of existing credit decisions from materialising, thereby ensuring that the profitability and capital adequacy of the Group and its units are not jeopardised. Confirmed decision-making instructions are observed in lending operations. Lending is based on the customer's debt servicing ability. As a rule, the credits must be secured by collateral.

Local and thorough knowledge of the customer is the starting point for credit risk management. In assessing customers' debt servicing ability and credit risks, the tools used are analyses of financial statements, company analyses and risk classifications. Analysis of annual accounts involves classifying corporate customers into five classes according to their debt servicing ability. The trends in the classes are monitored at the level of the individual bank and the Group as a whole.



The overall trend in credit risks is monitored by means of risk surveys that are carried out regularly.

The Central Cooperative's Credit Risk Committee deals with all decisions concerning credit commitments and other aspects of the total customer relationship in which the liabilities for the individual customer entity following the decision exceed € 5 million within the Group or 25 per cent of any single member bank's own funds. The € 5 million rule nevertheless does not apply to the Group's central bank, OKOBANK.

For the purpose of equalising risks, the member banks are insured by the OKOBANK Group Mutual Insurance Company for their total loans, including bank guarantees. The insurance is tantamount to a legal guarantee and the portion of compensation is 60 per cent of the bank's credit loss. The maximum amount of compensation is € 0.8 million against one customer entity's damage per one bank. The maximum amount of compensation payable to different banks for the same insured event of a single customer entity is nevertheless a total maximum of € 5 million. The commitments for a customer entity can remain outside the scope of the insurance in the event that the maximum amounts specified in the terms and conditions are exceeded or if the risks associated with debt servicing ability or the insurance situation are excessively large. Monitoring of these customer liabilities which are outside the scope of insurance coverage is part of the Group's system of tracking credit risks.

OKOBANK handles the Group's taking of risks abroad. OKOBANK's Executive Board confirms the Bank's country limits, which are based on international credit ratings and the Bank's own analyses of the economic and political state of different countries. The principles underlying the management of the Bank's credit and other risks are described in more detail in OKOBANK's Annual Report.

### **Real-estate risks**

The trend in the volume and yield level of the OKOBANK Group's real-estate holdings is monitored by means of real-estate surveys that are carried out twice a year. The OKOBANK Group is seeking to reduce the amount of its real-estate holdings and to improve the yield level of real-estate properties that are not in its own use.

The Real-Estate Committee that was established in 1998 deals with the largest of the member banks' real-estate projects. The member banks must have authorisation from the real-estate committee before they can carry out major real-estate projects. The committee deals with each real-estate project involving the tying up of more than € 5 million of the capital of any single bank or the entire Group.

### **Balance sheet risk**

The aim of managing balance sheet risks is to ensure that changes in market prices or other market factors do not lead to

an essential weakening of the profitability or capital adequacy of any single entity belonging to the Group or of the entire Group.

According to the jointly formulated policy lines, the Group does not take market risks which might jeopardise its profits or capital adequacy. An individual member cooperative bank does not assume foreign exchange risks or engage in trading in market or derivative instruments. Central bank services are handled on a centralised basis by OKOBANK in accordance with the needs of the member banks and their customers. OKOBANK is in charge of the Group's liquidity, foreign exchange position, long-term funding and international financial institution relationships.

The OKOBANK Group's balance sheet risks include financing, interest rate, foreign exchange and share price risks. The Group's balance sheet analysis covers all the balance sheet items and off-balance sheet items.

Financing risk arises from an imbalance in the maturity and due date structure of receivables and liabilities or from excessive concentration of funding. Financing risk also includes liquidity risk. During 1998 the OKOBANK Group's cash reserve deposits exceeded the statutory minimum amount by about € 0.8 billion. At the end of the year cash reserve deposits totalled € 3.1 billion.

Interest rate risk is defined as being the effect of changes in market interest rates on the bank's profits and the market values of its positions and thereby on its profitability and capital adequacy. The benchmark of interest rate risk used within the Group is the effect of a rise of one percentage point in a given market interest rate on the aggregate present value of risk positions currency by currency. Gauged by this measure the Group's interest rate risk at the end of the year was € 18 million negative and during the year it was on average low, at a level of € 25 million negative. The central institution has set a monitoring limit, which is binding upon each member bank, for the interest rate risk benchmark used and the amount of own funds. Furthermore, within OKOBANK, which handles the Group's wholesale and central bank operations, interest rate risk is measured using the Value at Risk method that is based on historical simulation.

The effect of a change in profits or market value which is due to foreign exchange fluctuations and weakens profitability or capital adequacy is considered to constitute foreign exchange risk. The measure used to gauge foreign exchange risk is the overall net foreign currency position as well as the size of the net positions for individual currencies, for which monitoring limits have been set in relation to own funds. The foreign currency position of an individual member cooperative bank has been limited to the foreign currency kept for travellers' needs. OKOBANK Consolidated's net foreign currency position at the end of the year was € 6 million and during the year it was € 3 million on average. Within OKOBANK,

foreign exchange risk is also measured by means of the VaR method that is based on historical simulation.

Share price risk is taken to mean the effect on earnings or a change in value caused by publicly quoted shares, mutual fund units and other comparable instruments owned by a member institution as well as by changes in the market price of derivatives related to them. The measure of risk used is the value of the above-mentioned publicly quoted securities and its relation to own funds. For this benchmark, the central institution has set bank-specific monitoring limits. The Group's share price risk is small. At the end of the year the aggregate book value of the publicly quoted shares and mutual fund units owned by the entities belonging to the Group was € 85 million, of which OKOBANK's Series A shares accounted for € 18 million. The Group's shares held as current assets registered an unrecorded appreciation totalling € 11 million.

#### *The OKOBANK Group Security Fund*

Following amendments to the Credit Institution Act which came into force at the end of the year, the OKOBANK Group Security Fund changed into a voluntary security fund. In October 1998 the OKOBANK Group Central Cooperative, the Association of the Local Cooperative Banks, which comprises the cooperative banks that broke away from the OKOBANK Group, and the OKOBANK Group Security Fund reached agreement on the allotment of the Security Fund's liabilities and on the principles according to which a bank can withdraw from membership of the Security Fund as well as on closing of the Security Fund. The members of the Fund must pay their share of the Fund's liabilities in accordance with the timetable agreed with the Fund, but nevertheless by the end of 2004 at the latest. Withdrawal from the Fund will enter into force after payment of the individual share of the liabilities.

Following the amendment to the act, all the member banks of the OKOBANK Group Security Fund decided to withdraw from the Fund and to pay their share of the liabilities in the manner agreed with the Fund. At the time of signing the agreement, the Fund's net liabilities amounted to € 706 million, of which the share of the banks belonging to the OKOBANK Group was € 664 million. At the end of 1998 the member banks of the Fund had paid € 324 million of their share of its liabilities. At the end of 1998, 90 banks, and at the beginning of 1999, 89 banks had paid their share of the liab-

ilities and withdrawn from membership of the Fund. At the end of 1999 only 72 banks will still be members of the Fund.

After 1998 the Security Fund will no longer take new support decisions but it will honour its obligations based on previous decisions. These include, among other things, the guarantees given in respect of the winding down of Osuuspankki Realum and on behalf of the cooperative banks. As from the beginning of 1999, the Security Fund will no longer collect support contributions. The Fund will be dissolved after all the liabilities have been honoured. The OKOBANK Group Central Cooperative will be responsible for disposing of any surplus or deficit resulting from the dissolution of the Security Fund.

During 1998 the OKOBANK Group Security Fund collected from the member banks a support contribution equivalent to 0.5 per cent of their aggregate total assets for 1997, i.e. a total contribution of € 142 million. At the end of 1998 the Security Fund's members covered their shares of the joint liabilities in a total amount of € 324 million. During the year the Fund provided its members with grants totalling € 281 million, of which € 279 million went to Osuuspankki Realum. All in all, € 2 million of the contributions were related to mergers that had already been decided before 1998. In addition, the Fund paid € 11 million of interest on capital investments on behalf of the member banks on the basis of guarantees given by the Fund and it granted Osuuspankki Realum a total of € 158 million in composition in respect of the capital investment certificates which the bank had issued.

#### **Outlook for 1999**

In 1998 the OKOBANK Group doubled the record result of the previous year. The 1998 result is based on the positive trend in net income from financial operations and other basic banking operations as well as on the contraction in loan losses.

In the face of tightening price competition, income generated through net income from financial operations and other banking business is not expected to grow as much as it did in 1998. Loan and guarantee losses as well as write-downs are forecast to contract further. During the current year major changes are not expected in the level of net operating profit of the OKOBANK Group. The estimate is based on the assumption that the national economy continues its positive development and no major market disturbances take place.



*The use of self services by means of a computer, telephone or ATM increased further. The share of self-services within all the basic service transactions for customers reached 84 per cent. The OKOBANK Group was the first bank group in Finland to offer Internet customers network services tailored to their own interests.*

## Accounting policies

The OKOBANK Group does not form a Group as defined in the Accounting Act or a consolidation group as defined in the Credit Institution Act. The OKOBANK Group Central Cooperative and its member cooperative banks do not have in respect of each other power of control as stated in the Accounting Act. A parent company cannot be designated for the OKOBANK Group. The OKOBANK Group's equity capital is ultimately comprised of the cooperative investments made by the individual members of the cooperative banks as well as by investments made in OKOBANK by shareholders outside the OKOBANK Group.

The annual accounts of the OKOBANK Group do not constitute full consolidated annual accounts as specified in the Accounting Act. The accounting policy pertaining to the consolidated annual accounts of a financial institution are applied in drawing up the annual accounts as appropriate. The annual accounts comprise a (consolidated) profit and loss account, balance sheet, the notes to them and the report on operations. The annual accounts also include the profit and loss account and balance sheet for the previous year.

The Executive Board of the OKOBANK Group Central Cooperative is responsible for the preparation of the annual accounts in accordance with the relevant regulations and generally approved accounting principles. In order to ensure the uniformity of the annual account principles applied by the entities belonging to the OKOBANK Group, the OKOBANK Group Central Cooperative issues its member credit institutions instructions on the preparation of the annual accounts.

The Central Cooperative's auditors audit the annual accounts, observing, as appropriate, the regulations of the Financial Institution Act. The auditors prepare a separate auditors' report on the annual accounts. The annual accounts of the OKOBANK Group are submitted to the annual meeting of the OKOBANK Group Central Cooperative.

### *Applicable regulations*

The annual accounts of the OKOBANK Group are consolidated in observance of the provisions of Chapter 2 of the Cooperative Bank Act and the regulations issued by the Financial Supervision. In the consolidation of the annual accounts the relevant guidelines applied are, as appropriate, also the regulations of Chapter 4 of the Credit Institution Act, the decision of the Ministry of Finance concerning the parent

company and consolidated annual accounts of credit institutions and investment service companies, the regulations of the Accounting Act with the exceptions mentioned in Section 30 of the Credit Institution Act as well as the general instructions issued by the Accounting Board.

The credit and financial institutions, mutual funds and investment service companies belonging to the OKOBANK Group prepare their annual accounts in accordance with the general provisions and regulations concerning companies as well as the instructions issued by the OKOBANK Group Central Cooperative.

### *Extent and consolidation of the annual accounts*

The annual accounts of the OKOBANK Group represent a consolidation line by line of the annual accounts of the OKOBANK Group Central Cooperative, its member cooperative banks, the OKOBANK Group Security Fund, the OKOBANK Group Mutual Insurance Company as well as those credit and financial institutions, investment service companies, mutual funds and service companies belonging to the above-mentioned institutions or which are jointly controlled by them. The annual accounts of other companies controlled by said units as well as those of associated companies are consolidated according to the equity method.

An entity belonging to the OKOBANK Group or companies that are jointly controlled by said entities can be omitted from the annual accounts if the total assets in the company's balance sheet are less than 10 million euros and if its omission does not have a material impact on giving a correct and fair description of the result of the Group's operations or its financial position.

Note 45 sets forth the companies consolidated in the annual accounts as well as the aggregate effect of the companies that are included in the consolidated annual accounts of the member credit institutions but are excluded from the Group's annual accounts.

In the companies that are consolidated line by line, intra-Group shareholdings are eliminated by the acquisition cost method against the equity capital amounts at the time of acquisition. The equity capital proportion of the accumulated depreciation difference and voluntary provisions less imputed deferred taxes thereon has not been included in equity capital if the shares have been acquired before 1998. The portion of the acquisition cost that exceeds or falls short of the amount of

equity capital at the time of acquisition (corresponding to the holding beginning on January 1, 1998) has been stated in the consolidated balance sheet as goodwill arising on consolidation or as a Group reserve to the extent that it has not been possible to allocate it as an increase or decrease in other balance sheet items. Goodwill arising on consolidation and the Group reserve which were entered before 1998 are amortised annually on a straight-line basis over a maximum of 10 years, and since 1998 over a maximum of 5 years. Group assets and liabilities allocated to balance sheet accounts are written off in accordance with the general principles of depreciation or amortisation concerning the balance sheet item.

As a departure from the acquisition cost method, the nominal value of the OKOBANK shares owned by entities belonging to the Group has been eliminated against OKOBANK's equity capital and the portion that exceeds or falls short of the nominal value has been eliminated against OKOBANK's profit/loss brought forward.

The Group's internal transactions, internal margins, internal distribution of profits, gains and losses on the sale of OKOBANK shares as well as mutual receivables and liabilities have been eliminated. A revaluation that is discharged in the accounts of an entity belonging to the Group when said entity has transferred the underlying assets on which the revaluation was made to another entity belonging to the Group has been reversed in the Group's annual accounts to the extent that the grounds for the revaluation are still valid.

The accumulated depreciation difference and voluntary provisions stated in separate annual accounts as well as the changes in them are divided in the balance sheet into a portion allocated to equity capital and a portion allocated to imputed deferred taxes and the equivalent allocations in the profit and loss account are to the net profit for the financial year and to the change in imputed deferred taxes. The technical reserves indicated in the annual accounts of the OKOBANK Group Mutual Insurance Company have been treated in the Group's annual accounts in the manner of voluntary provisions.

The minority interest share of the profit and equity capital has been separated out and it is presented as an individual item in the profit and loss account and the balance sheet. In defining the minority interest, the OKOBANK Group Central Cooperative's member cooperative banks and OKOBANK have formed a parent company in the technical sense necessary for the calculations. From the net profit and equity capital of the OKOBANK Group Security Fund, a portion has been separated out as minority interest and this corresponds to the share of the cooperative banks which remained outside the OKOBANK Group in the Security Fund's uncovered liabilities at the end of the financial year.

According to the equity method, the OKOBANK Group's profit and loss account presents as an individual item the share according to the Group's holding of the profit or loss

for the year of subsidiaries or associated companies, and this profit or loss has been adjusted for the change in the depreciation difference and voluntary provisions as well as the imputed taxes due caused by them. In the consolidated balance sheet the acquisition cost of shares in companies as well as the profit or loss for previous financial years and the current financial year have been adjusted by the post-acquisition change in net asset value according to the holding concerned.

A real-estate company consolidated in the Group's annual accounts can elect not to book depreciation according to plan in its separate annual accounts. In the annual accounts of the OKOBANK Group the depreciation of these companies has been adjusted in accordance with the principles observed by the Group.

#### *Items denominated in foreign currency*

The balance sheet items and off-balance sheet items of national currencies in the EMU 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 OKOBANK's 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 included 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 during the maturity 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 during its maturity.

#### *Securities held as current assets*

The securities held as current assets are debt securities and shares and participations that are traded as well as securities that have been obtained through the investment of financial surpluses and which are to be held for the time being and, furthermore, non-current equity investments. 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 at 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. The market value of non-listed shares and participations is taken to be the book value or the estimated transfer price, whichever is lower.

Gains and losses on the transfer of securities held as current assets as well as write-downs and reversals of write-downs have been entered in net income from securities transactions. The difference between the acquisition cost and nominal value of debt securities is periodised in interest income.

Securities held as current assets and which are traded will be valued, on the basis of a transitional provision pursuant to the Credit Institution Act, 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 and 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 the OKOBANK Group. 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 was 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 and depreciation according to plan*

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 entities belonging to the OKOBANK Group, 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 "Depreciation 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 principles applied by the Group, 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 shares and participations in real-estate properties and real-estate companies*

Shares in real-estate companies as well as land, forest and water areas have been entered in the balance sheet at the acquisition cost or if their market value is permanently lower than the acquisition cost, at the probable market value. Buildings are entered in the balance sheet at the acquisition cost adjusted for depreciation according to plan or, if their probable market value is permanently lower than the adjusted acquisition cost, at the probable market value.

In determining the balance sheet value of shares in real-estate and 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. Properties classified as being in own use are properties belonging to the bank group which are in its own use as office, warehouse or other premises or in use by its personnel as well as shares in real-estate companies which give the right of possession and management in respect of such premises.

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.

Write-downs on real estate and shares in real-estate companies are entered as expense in the profit and loss account item "Depreciation and write-downs on tangible and intangible assets". In booking reductions in value, the permanence of the write-downs and criteria pertaining to their material importance have been applied.

#### *Principles applied to revaluations and methods of determining the value of their underlying assets*

Revaluations can be made on land areas and shares and participations in real-estate companies as well as in exceptional cases also on shares and participations held as financial fixed assets, the value of which is permanently and materially greater than the original acquisition cost. The land areas and shares in real-estate companies on which the revaluations are made are valued by a real-estate agent.

#### *Derivative contracts*

The differences 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 the 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 period-

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

Recoveries on receivables written off in previous years, insurance compensations received, gains on the sale of assets obtained in lieu of a receivable for customer financing and reversals of specific loan loss provisions have been recorded as a reduction in loan losses.

#### *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.

#### *Taxes*

Taxes are entered in the profit and loss account as calculated on the basis of taxable income. In addition, the statement of income taxes includes the change in imputed deferred taxes.

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

The profit and loss account and balance sheet of the OKOBANK Group are presented in accordance with the regulation of the Financial Supervision which came into force on December 8, 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 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 balance sheet of the OKOBANK Group, 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. Accumulated gains and losses on OKOBANK shares have been entered as an increase or decrease in the item "Share premium account".

#### *Other factors affecting the comparability of figures*

The annual accounts of the OKOBANK Group were prepared for the first time for the 1997 financial year. The annual accounts prior to 1997 have been prepared in accordance with the accounting principles in force at the time. The figures for the period prior to 1997 are not in all respects comparable with the figures for 1997 and 1998.

During 1998 major changes which would have affected the comparability of the profit and loss account and balance sheet items did not take place in the Group's structure.

## OKOBANK Group profit and loss account

| € million   | Jan. 1 to Dec. 31, 1998 |    |     | Jan. 1 to Dec. 31, 1997 |     |     |     |
|---|-------------------------|----|-----|-------------------------|-----|-----|-----|
| Interest income   | 1 189                   |    |     | 1 213                   |     |     |     |
| Interest expenses   | 498                     |    |     | 564                     |     |     |     |
| <b>Net income from financial operations</b>   | <b>691</b>              |    |     | <b>649</b>              |     |     |     |
| Income from equity investments  | 5                       |    |     | 6                       |     |     |     |
| Commission income   | 262                     |    |     | 244                     |     |     |     |
| Commission expenses   | 23                      |    |     | 23                      |     |     |     |
| Net income from securities transactions and foreign exchange dealing                            |                         |    |     |                         |     |     |     |
| Net income from securities transactions   | 12                      |    |     | 12                      |     |     |     |
| Net income from foreign exchange dealing  | 9                       | 21 |     | 9                       | 20  |     |     |
| Other operating income  | 215                     |    |     | 162                     |     |     |     |
| Administrative expenses   |                         |    |     |                         |     |     |     |
| Staff costs   |                         |    |     |                         |     |     |     |
| Salaries and fees   | 231                     |    |     | 230                     |     |     |     |
| Staff-related costs   |                         |    |     |                         |     |     |     |
| Pension costs   | 38                      |    |     | 35                      |     |     |     |
| Other staff-related costs   | 18                      | 56 | 287 | 19                      | 54  | 284 |     |
| Other administrative expenses   | 139                     |    |     | 427                     | 127 |     | 410 |
| Depreciation and write-downs on tangible and intangible assets                                  | 87                      |    |     | 84                      |     |     |     |
| Other operating expenses  | 138                     |    |     | 151                     |     |     |     |
| Loan and guarantee losses   | 128                     |    |     | 214                     |     |     |     |
| Write-downs on securities held as financial fixed assets  | 0                       |    |     | 4                       |     |     |     |
| Share of profit/loss of companies included in the consolidated accounts using the equity method | 3                       |    |     | 1                       |     |     |     |
| <b>Net operating profit</b>   | <b>395</b>              |    |     | <b>195</b>              |     |     |     |
| Extraordinary items   | -                       |    |     | -                       |     |     |     |
| <b>Profit before appropriations and taxes</b>   | <b>395</b>              |    |     | <b>195</b>              |     |     |     |
| Income taxes  |                         |    |     |                         |     |     |     |
| Taxes for the financial year and previous financial years                                       | 13                      |    |     | 57                      |     |     |     |
| Change in imputed taxes due   | 0                       | 13 |     | 6                       | 63  |     |     |
| Share of profit (loss) for the financial year attributable to minority interests                | 0                       |    |     | 1                       |     |     |     |
| <b>Profit for the financial year</b>  | <b>382</b>              |    |     | <b>132</b>              |     |     |     |

## OKOBANK Group balance sheet

| ASSETS<br>€ million  | December 31, 1998 |       | December 31, 1997 |       |
|--|-------------------|-------|-------------------|-------|
| Liquid assets  | 737               |       | 362               |       |
| Debt securities eligible for refinancing with central banks              |                   |       |                   |       |
| Treasury bills   | 315               |       | 361               |       |
| Other  | 1 088             | 1 403 | 1 318             | 1 679 |
| Claims on credit institutions  |                   |       |                   |       |
| Repayable on demand  | 15                |       | 44                |       |
| Other  | 737               | 752   | 1 386             | 1 430 |
| Claims on the public and public sector entities                          | 16 192            |       | 15 023            |       |
| Leasing assets   | 130               |       | 104               |       |
| Debt securities  |                   |       |                   |       |
| On public sector entities  | 63                |       | 95                |       |
| Other  | 1 560             | 1 623 | 1 435             | 1 530 |
| Shares and participations  | 133               |       | 120               |       |
| Participating interests  | 12                |       | 10                |       |
| Shares and participations in consolidated companies                      | 75                |       | 88                |       |
| Intangible assets  |                   |       |                   |       |
| Consolidated goodwill  | 1                 |       | 1                 |       |
| Other long-term expenditure  | 19                | 20    | 20                | 21    |
| Tangible assets  |                   |       |                   |       |
| Real estate and shares and participations<br>in real estate corporations | 1 519             |       | 1 636             |       |
| Other tangible assets  | 101               | 1 621 | 90                | 1 726 |
| Other assets   | 312               |       | 380               |       |
| Accrued income and prepayments   | 323               |       | 343               |       |
|  | <b>23 332</b>     |       | <b>22 816</b>     |       |

| LIABILITIES<br>€ million                                   | December 31, 1998 |        |        | December 31, 1997 |        |        |
|--|-------------------|--------|--------|-------------------|--------|--------|
| <b>Liabilities</b>   |                   |        |        |                   |        |        |
| Liabilities to credit institutions and central banks       |                   |        |        |                   |        |        |
| Central banks  | -                 |        |        | 0                 |        |        |
| Credit institutions  |                   |        |        |                   |        |        |
| Repayable on demand  | 12                |        |        | 64                |        |        |
| Other  | 454               | 466    | 466    | 520               | 584    | 585    |
| Liabilities to the public and public sector entities       |                   |        |        |                   |        |        |
| Deposits   |                   |        |        |                   |        |        |
| Repayable on demand  | 5 315             |        |        | 4 776             |        |        |
| Other  | 10 352            | 15 667 |        | 10 577            | 15 352 |        |
| Other liabilities  | 1 294             |        | 16 961 | 782               |        | 16 134 |
| Debt securities issued to the public                       |                   |        |        |                   |        |        |
| Bonds  | 471               |        |        | 517               |        |        |
| Other  | 2 325             |        | 2 796  | 2 284             |        | 2 800  |
| Other liabilities  |                   |        |        | 504               | 792    |        |
| Accrued expenses and deferred income                       |                   |        |        | 194               | 249    |        |
| Compulsory provisions                                      |                   |        |        |                   |        |        |
| Pension provisions   | 2                 |        |        | 1                 |        |        |
| Tax provisions   | 0                 |        |        | -                 |        |        |
| Other  | 8                 |        | 10     | 21                |        | 22     |
| Subordinated liabilities                                   |                   |        |        | 1 016             | 1 164  |        |
| Imputed taxes due  |                   |        |        | 75                | 75     |        |
| Minority interests   |                   |        |        | 3                 | 5      |        |
|  |                   |        |        | 22 024            | 21 826 |        |
| <b>Equity capital</b>                                      |                   |        |        |                   |        |        |
| Share and cooperative capital                              | 378               |        |        | 306               |        |        |
| Share issue account  | 8                 |        |        | -                 |        |        |
| Share premium account                                      | 3                 |        |        | 0                 |        |        |
| Revaluation reserve  | 56                |        |        | 58                |        |        |
| Other restricted reserves                                  |                   |        |        |                   |        |        |
| Reserve fund   | 658               | 658    |        | 658               | 658    |        |
| Capital investments  |                   |        |        | -                 | 119    |        |
| Non-restricted reserves                                    |                   |        |        |                   |        |        |
| Other reserves   | 197               | 197    |        | 169               | 169    |        |
| Loss brought forward                                       |                   |        |        | -374              | -452   |        |
| Profit for the financial year                              |                   |        |        | 382               | 132    |        |
|  |                   |        |        | 1 308             | 990    |        |
|  |                   |        |        | 23 332            | 22 816 |        |
| <b>Off balance sheet commitments</b>                       |                   |        |        |                   |        |        |
| Commitments given to a third party on behalf of a customer |                   |        |        |                   |        |        |
| Guarantees and pledges                                     | 1 238             |        |        | 1 329             |        |        |
| Other  | -                 |        | 1 238  | -                 |        | 1 329  |
| Irrevocable commitments given in favour of a customer      |                   |        |        |                   |        |        |
| Securities repurchase commitments                          | -                 |        |        | -                 |        |        |
| Other  | 1 532             | 1 532  |        | 1 134             | 1 134  |        |
|  |                   |        |        | 2 769             | 2 463  |        |

## Key figures for OKOBANK Group

€ million

| <b>Profit and loss accounts</b>  | <b>1996</b> | <b>1997</b> | <b>1998</b> |
|--|-------------|-------------|-------------|
| Net income from financial operations   | 648         | 649         | 691         |
| Other income   | 424         | 431         | 503         |
| Other expenses   | 585         | 584         | 588         |
| Depreciation and write-downs   | 94          | 84          | 87          |
| Loan and guarantee losses  | 280         | 214         | 128         |
| Write-downs on securities held as financial fixed assets   | -4          | 4           | 0           |
| Share of profit/loss of companies included<br>in the consolidated accounts using the equity method | 1           | 1           | 3           |
| Net operating profit   | 119         | 195         | 395         |
| Extraordinary items  | 1           | -           | -           |
| Profit before appropriations and taxes   | 119         | 195         | 395         |
| Taxes  | 41          | 63          | 13          |
| Minority interests   | 1           | 1           | 0           |
| Profit for the financial year  | 77          | 132         | 382         |

### Balance sheets

#### Assets

|   |        |        |        |
|---|--------|--------|--------|
| Claims on credit institutions                   | 1 883  | 1 430  | 752    |
| Claims on the public and public sector entities | 15 084 | 15 023 | 16 192 |
| Debt securities                                 | 3 486  | 3 209  | 3 026  |
| Shares and participations                       | 212    | 218    | 220    |
| Intangible and tangible assets                  | 1 749  | 1 747  | 1 641  |
| Other assets                                    | 1 378  | 1 189  | 1 501  |
| Total   | 23 792 | 22 816 | 23 332 |

#### Liabilities

|  |        |        |        |
|--|--------|--------|--------|
| Liabilities to credit institutions and central banks | 1 136  | 585    | 466    |
| Liabilities to the public and public sector entities | 16 264 | 16 134 | 16 961 |
| Debt securities issued to the public                 | 2 914  | 2 800  | 2 796  |
| Subordinated liabilities                             | 1 012  | 1 164  | 1 016  |
| Other liabilities                                    | 1 384  | 1 063  | 708    |
| Imputed taxes due                                    | 69     | 75     | 75     |
| Minority interests                                   | 5      | 5      | 3      |
| Equity capital                                       | 1 006  | 990    | 1 308  |
| Total  | 23 792 | 22 816 | 23 332 |

The figures for 1996-1997 have been amended, when possible, to comply with the regulations of the Financial Supervision that came into force on June 30, 1998.

## 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

|  | 1998         | 1997         |
|--|--------------|--------------|
| Interest income                                      |              |              |
| Claims on credit institutions                        | 61           | 61           |
| Claims on the public and public sector entities      | 926          | 925          |
| Debt securities                                      | 147          | 182          |
| Other interest income                                | 51           | 41           |
| Net leasing income                                   | 4            | 4            |
| <b>Total</b>   | <b>1 189</b> | <b>1 213</b> |
| Interest expenses                                    |              |              |
| Liabilities to credit institutions and central banks | 25           | 31           |
| Liabilities to the public and public sector entities | 229          | 256          |
| Debt securities issued to the public                 | 118          | 141          |
| Subordinated liabilities                             | 78           | 84           |
| Capital investments                                  | 3            | 15           |
| Other interest expenses                              | 45           | 37           |
| <b>Total</b>   | <b>498</b>   | <b>564</b>   |

#### 2) Breakdown of net income from securities transactions

|   | 1998      | 1997      |
|---|-----------|-----------|
| Net income from transactions in debt securities           | 3         | -3        |
| Net income from transactions in shares and participations | 9         | 15        |
| <b>Total</b>  | <b>12</b> | <b>12</b> |

#### 3) 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.

#### 4) Breakdown of other operating income and expenses

|   | 1998       | 1997       |
|---|------------|------------|
| Other operating income  |            |            |
| Rental and dividend income from real estate and real estate corporations                              | 96         | 97         |
| Capital gains from the sale of real estate and shares and participations in real estate corporations  | 15         | 11         |
| Other income  | 104        | 54         |
| <b>Total</b>  | <b>215</b> | <b>162</b> |
| Other operating expenses  |            |            |
| Rental expenses   | 13         | 15         |
| Expenses from real estate and real estate corporations  | 92         | 94         |
| Capital losses from the sale of real estate and shares and participations in real estate corporations | 7          | 8          |
| Other expenses  | 26         | 34         |
| <b>Total</b>  | <b>138</b> | <b>151</b> |

#### 5) Depreciation and write-downs on tangible and intangible assets

|                      | 1998      | 1997      |
|----------------------|-----------|-----------|
| Planned depreciation | 53        | 64        |
| Write-downs          | 34        | 20        |
| <b>Total</b>         | <b>86</b> | <b>84</b> |

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

|  | 1998 | 1997 |
|--|------|------|
| In respect of claims on credit institutions  | 0    | 0    |
| In respect of claims on the public and public sector entities  | 133  | 203  |
| In respect of leasing assets   | 0    | 0    |
| In respect of guarantees and other off-balance sheet items   | 15   | 44   |
| In respect of other items  | 20   | 6    |
| Gross loan and guarantee losses  | 168  | 254  |
| Deductions from loan and guarantee losses  | 40   | 40   |
| Loan and guarantee losses in the profit and loss account   | 128  | 214  |
| Total amount of loan and guarantee losses, broken down as follows:   |      |      |
| Actual loan losses during the financial year, total  | 144  | 152  |
| Actual loan losses during the financial year for which a specific loan loss provision has previously been made | -57  | -63  |
| Recoveries in respect of actual loan losses during previous financial years                                    | -18  | -12  |
| Specific loan loss provisions made during the financial year   | 81   | 154  |
| Reversals of specific loan loss provisions during the financial year   | -22  | -18  |
| Loan and guarantee losses entered in the annual accounts   | 128  | 214  |
| Write-downs on securities held as financial fixed assets:  |      |      |
| Gross write-downs  | 1    | 5    |
| Reversals of write-downs   | -1   | 0    |
| Total  | 0    | 4    |

7) **Extraordinary income and expenses during the financial year**

The extraordinary income and expenses entered in the separate annual accounts of the entities belonging to the OKOBANK Group have been transferred to Other income and expenses in the Group's profit and loss account to the extent that they do not fulfil the criterion of being material in amount – which is part of the definition of extraordinary income and expenses – at the level of the Group. In the 1998 profit and loss account and the comparison data for 1997, all the income and expenses booked to the extraordinary items by the separate companies have been transferred to Other operating income and expenses.

8) **Changes in compulsory provisions during the financial year**

|                             | 1998 | 1997 | Change |
|-----------------------------|------|------|--------|
| Pension provisions          | 2    | 1    | 1      |
| Tax provisions              | 0    |      | 0      |
| Other compulsory provisions |      |      |        |
| Guarantee commitments       | 3    | 3    | 0      |
| Others                      | 5    | 18   | -13    |
| Total                       | 10   | 22   | -12    |

9) **Breakdown of combined items**

Items in OKOBANK Group's profit and loss account are stated in accordance with the format stipulated by the Financial Supervision. The handling of the extraordinary items is presented in Note 7.

10) **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 |       | Staff on average |       |
|--------------------------------------|-----------------------------|-------|------------------|-------|
|                                      | 1998                        | 1997  | 1998             | 1997  |
| Banking                              | 1 133                       | 1 096 | 7 528            | 8 084 |
| Mortgage banking                     | 12                          | 8     | 14               | 15    |
| Finance company operations           | 19                          | 17    | 110              | 112   |
| Investment firm operations           | 20                          | 14    | 61               | 42    |
| Mutual fund operations               | 7                           | 4     | 10               | 8     |
| Real estate ownership and possession | 14                          | 0     | 13               |       |
| Other                                | 659                         | 315   | 788              | 686   |
| Total                                | 1 864                       | 1 454 | 8 524            | 8 947 |

|                | Income by geographical market |       | Staff on average |       |
|----------------|-------------------------------|-------|------------------|-------|
|                | 1998                          | 1997  | 1998             | 1997  |
| Finland        | 1 863                         | 1 446 | 8 513            | 8 924 |
| Sweden         | 2                             | 8     | 11               | 23    |
| Cayman Islands | 0                             | 1     | -                | -     |
| Total          | 1 864                         | 1 454 | 8 524            | 8 947 |

The staff on average doesn't include seasonal trainees. The average number of them was 159 in 1998.



## NOTES TO THE BALANCE SHEET

### 11) Breakdown of debt securities eligible for refinancing with central banks

|                  | 1998         | 1997         |
|------------------|--------------|--------------|
| Treasury bills   | 315          | 361          |
| Government bonds | 1 049        | 1 318        |
| Others           | 38           | -            |
| <b>Total</b>     | <b>1 403</b> | <b>1 679</b> |

### 12) Claims on central banks

|  | 1998 | 1997 |
|--|------|------|
| The amount of claims on central banks included in the balance sheet item "Claims on credit institutions" | 0    | 265  |

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

|                                      | 1998          | 1997          |
|--------------------------------------|---------------|---------------|
| Corporates                           | 4 453         | 4 053         |
| Financial and insurance institutions | 55            | 65            |
| General government                   | 213           | 219           |
| Non-profit institutions              | 588           | 538           |
| Households                           | 10 822        | 10 080        |
| Foreign                              | 61            | 68            |
| <b>Total</b>                         | <b>16 192</b> | <b>15 023</b> |

|   |     |     |
|---|-----|-----|
| Specific loan loss provisions at the beginning of the financial year  | 293 | 230 |
| New provisions made during the financial year (+)   | 72  | 124 |
| Provisions reversed during the financial year (-)   | -18 | -16 |
| Actual loan losses during the financial year, for which a specific loan loss provision has previously been made (-) | -47 | -41 |
| Specific loan loss provisions at the end of the financial year  | 300 | 297 |

The € 4 million difference between the end of financial period 1997 and the beginning of financial period 1998 is mainly due to valuation differences at the Bank's foreign branch office and to reversals made by the member banks during 1998.

### 14) Non-performing and other zero-interest claims

|                            | 1998       | 1997       |
|----------------------------|------------|------------|
| Non-performing claims      | 220        | 386        |
| Other zero-interest claims | 45         | 49         |
| <b>Total</b>               | <b>266</b> | <b>434</b> |

### 15) 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

|   | 1998       | 1997       |
|---|------------|------------|
| Assets held as security   |            |            |
| Real estate and shares and participations in real estate corporations | 172        | 275        |
| Other shares and participations                                       | 4          | 9          |
| Other assets  | 1          | 2          |
| <b>Total</b>  | <b>177</b> | <b>286</b> |

|  |   |   |
|--|---|---|
| Shares and participations acquired for the purpose of reorganising the customer's business | 5 | 2 |
|--|---|---|

### 16) Subordinated claims

|   | 1998      |
|---|-----------|
| Claims on the public and public sector entities | 12        |
| Debt securities                                 | 67        |
| <b>Total</b>                                    | <b>79</b> |

### 17) Breakdown of leasing assets

|                             | 1998       | 1997       |
|-----------------------------|------------|------------|
| Prepayments                 | 3          | 4          |
| Machinery and equipment     | 118        | 81         |
| Real property and buildings | 8          | 18         |
| Other assets                | 0          | 0          |
| <b>Total</b>                | <b>130</b> | <b>104</b> |

### 18) Debt securities

|  | Quoted Others |              |
|--|---------------|--------------|
| Quoted and non-quoted debt securities by type of assets at the end of the financial year |               |              |
| Securities held as current assets  | 747           | 1 342        |
| Securities held as financial fixed assets  | 547           | 391          |
| <b>Total</b>   | <b>1 293</b>  | <b>1 732</b> |

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

Figures are stated without eliminations.

|   |           |
|---|-----------|
| Debt securities eligible for refinancing with central banks | 35        |
| Debt securities   | 5         |
| <b>Total</b>  | <b>39</b> |

Year-end difference between the nominal value and book value of debt securities and other claims which are included in financial fixed assets

Figures are stated without eliminations.

|   |   |
|---|---|
| Difference between nominal value and lower book value |   |
| Debt securities                                       | 2 |
| Claims on credit institutions                         | 1 |
| Claims on the public and public sector entities       | 0 |
| Total   | 4 |

|   |    |
|---|----|
| Difference between book value and lower nominal value |    |
| Debt securities                                       | 23 |
| Claims on credit institutions                         | 0  |
| Claims on the public and public sector entities       | 1  |
| Total   | 24 |

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

| Book value              | 1998  | 1997  |
|-------------------------|-------|-------|
| Treasury bills          | 315   | 426   |
| Local authority paper   | 15    | 2     |
| Commercial paper        | 24    | 2     |
| Certificates of deposit | 955   | 1 194 |
| Convertible bonds       | 10    | 13    |
| Other bonds             | 1 627 | 1 557 |
| Others                  | 79    | 16    |
| Total                   | 3 026 | 3 209 |

## 19) 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

|   | Quoted | Others |
|---|--------|--------|
| Securities held as current assets         | 66     | 20     |
| Securities held as financial fixed assets | 0      | 46     |
| Total                                     | 67     | 66     |

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

|   |    |
|---|----|
| Securities held as current assets         | 11 |
| Securities held as financial fixed assets | 1  |
| Total                                     | 12 |

OKOBANK Group 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

|   | 1998 | 1997 |
|---|------|------|
| Participating interests   |      |      |
| In credit institutions  |      |      |
| Other   | 12   | 10   |
| Total   | 12   | 10   |
| Shares and participations in consolidated companies <sup>1)</sup> |      |      |
| In credit institutions  | 9    | 7    |
| Other   | 66   | 81   |
| Total   | 75   | 88   |

<sup>1)</sup>The note comprises the book value of shares in subsidiaries owned by separate entities belonging to the Group to the extent that the subsidiaries have not been consolidated in the Group's annual accounts, and it furthermore includes the acquisition cost of the shares in Aurum Life Assurance Company as adjusted by entries in accordance with the equity method of consolidation.

## 20) Breakdown of intangible assets

|                             | 1998 | 1997 |
|-----------------------------|------|------|
| Establishment costs         | 0    | -    |
| Goodwill                    | 1    | 1    |
| Other long term expenditure | 18   | 20   |
| Total                       | 20   | 21   |

## 21) 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

|                                    | Book value |
|------------------------------------|------------|
| Land and water areas and buildings |            |
| In own use                         | 238        |
| Other                              | 348        |
| Total                              | 586        |

|   |     |
|---|-----|
| Shares and participations in real estate corporations |     |
| In own use  | 234 |
| Other   | 699 |
| Total   | 933 |

|                              | Capital invested <sup>1) 2)</sup> |
|------------------------------|-----------------------------------|
| In own use <sup>3)</sup>     | 520                               |
| Not in own use <sup>3)</sup> | 1 316                             |
| Total                        | 1 836                             |

<sup>1)</sup>Incl. financial leasing real estate

- b) Real estate and shares in real-estate corporations that are not in own use, broken down at the end of the year <sup>2)</sup>

| Type of property  | Surface area,<br>in square metres | Capital<br>invested | Net yield<br>in per cent | Vacancy rate<br>in per cent |
|---|-----------------------------------|---------------------|--------------------------|-----------------------------|
| Dwellings and residential real estate                     | 310 231                           | 209                 | 5.3                      | 9.0                         |
| Business, office and industrial real estate <sup>4)</sup> | 1 286 872                         | 963                 | 5.1                      | 10.1                        |
| Land, water and forest areas (undeveloped)                |                                   | 86                  | -                        | -                           |
| Unfinished buildings                                      |                                   | 15                  | -                        | -                           |
| Financial leasing real estate                             | 12 890                            | 12                  | 2.8                      | 0.0                         |
| Other domestic real estate                                |                                   | 25                  | -                        | -                           |
| Foreign real estate                                       | 13 800                            | 7                   | 10.4                     | 1.1                         |
| Properties, total   |                                   | 1 316               | 4.7                      | 9.8                         |

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 <sup>2)</sup>

| Yield rate % | Capital invested |
|--------------|------------------|
| Negative     | 96               |
| 0 to 3       | 284              |
| 3 to 5       | 377              |
| 5 to 7       | 265              |
| over 7       | 294              |
| Total        | 1 316            |

<sup>2)</sup>Data concerning surface areas, invested capital, net yield rates and the rate of underutilisation are disclosed as Group data in respect of the member banks.

<sup>3)</sup>It has not been possible to itemise the data to the accuracy required by Regulation 106.1 issued by the Financial Supervision. According to the regulation, the capital invested in real-estate property that is in own and other use is to be itemised, on the one hand, into land and water areas and buildings as well as, on the other hand, into shares and participations in real-estate companies.

<sup>4)</sup>It has not been possible to itemise the data to the accuracy required by Regulation 106.1 issued by the Financial Supervision. According to the regulation, the data are to be stated separately for commercial and office real estate and for industrial real estate.

## 22) Breakdown of other assets

|   | 1998 | 1997 |
|---|------|------|
| Cash items in the process of collection | 13   | 14   |
| Guarantee claims                        | 58   | 87   |
| Derivative contracts                    | 169  | 203  |
| Other                                   | 72   | 76   |
| Total                                   | 312  | 380  |

## 23) Breakdown of accrued income and prepayments

|           | 1998 | 1997 |
|-----------|------|------|
| Interests | 275  | 325  |
| Other     | 48   | 18   |
| Total     | 323  | 343  |

## 24) Breakdown of combined items under assets in the balance sheet

The asset items in OKOBANK Group's balance sheet are stated in accordance with the balance sheet formats confirmed by Financial Supervision.

## 25) Difference between the nominal value and the book value of liabilities

Figures are stated without eliminations. 1998

|  |    |
|--|----|
| Differences between the nominal value and the lower book value |    |
| Liabilities to credit institutions and central banks           | 2  |
| Liabilities to the public and public sector entities           | 0  |
| Debt securities issued to the public                           | 18 |
| Other liabilities  | 0  |
| Subordinated liabilities                                       | 2  |
| Total  | 22 |

|   |   |
|---|---|
| Difference between book value and lower nominal value |   |
| Liabilities to credit institutions and central banks  | - |
| Liabilities to the public and public sector entities  | - |
| Debt securities issued to the public                  | 1 |
| Other liabilities                                     | - |
| Subordinated liabilities                              | 0 |
| Total   | 1 |

## 26) Breakdown of debt securities issued by type of instrument

|                         | 1998  | 1997  |
|-------------------------|-------|-------|
| Certificates of deposit | 2 228 | 2 187 |
| Bonds                   | 471   | 517   |
| Other                   | 97    | 96    |
| Total                   | 2 796 | 2 800 |

## 27) Breakdown of other liabilities

|  | 1998       | 1997       |
|--|------------|------------|
| Cash items under process of collection | 206        | 290        |
| Derivative contracts                   | 184        | 205        |
| Other                                  | 114        | 297        |
| <b>Total</b>                           | <b>504</b> | <b>792</b> |

## 28) Breakdown of accrued expenses and deferred income

|              | 1998       | 1997       |
|--------------|------------|------------|
| Interest     | 133        | 163        |
| Other        | 61         | 86         |
| <b>Total</b> | <b>194</b> | <b>249</b> |

## 29) Compulsory provisions at the end of the financial year

|                             | 1998      | 1997      |
|-----------------------------|-----------|-----------|
| Pension provisions          | 2         | 1         |
| Tax provisions              | 0         | -         |
| Other compulsory provisions |           |           |
| Guarantee commitments       | 3         | 3         |
| Other                       | 5         | 18        |
| <b>Total</b>                | <b>10</b> | <b>22</b> |

## 30) 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 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 (€ 116 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.

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

Subordinated liabilities other than those mentioned above:

The total FIM equivalent of the liabilities in the OKOBANK Group was € 772 million as at December 31, 1998. Creditors do not have a put option. No perpetuums are included in these liabilities. Loans of this kind were not targeted at companies and participating interests belonging to the same consolidation group.

## 31) 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 |
|--------------------------------------|---|----------------------------------|----------------------------------|---|
| Cooperative capital                  | 243   | 115                              | -37                              | 320   |
| Share capital                        | 63  | 3                                | -8                               | 58  |
| Share issue account                  | 0   | 8                                |                                  | 8   |
| Share premium account                | 0   | 2                                |                                  | 3   |
| Revaluation reserve                  | 58  |                                  | -2                               | 56  |
| Reserve fund                         | 658   | 0                                |                                  | 658   |
| Capital investment                   | 119   |                                  | -119                             | 0   |
| Non-restricted reserves              | 169   | 28                               |                                  | 197   |
| Loss brought forward                 | -320  |                                  | -54                              | -374  |
| <b>Profit for the financial year</b> |   | <b>382</b>                       |                                  | <b>382</b>                                  |
| <b>Equity capital, total</b>         | <b>990</b>  | <b>538</b>                       | <b>-221</b>                      | <b>1 308</b>                                |

The acquisition cost share in excess of or under the nominal value of the OKOBANK shares acquired by the OKOBANK Group Central Cooperative and its member cooperative banks is entered in the bank group's annual accounts either as a reduction or increase in the profit/loss brought forward. During 1998 the Central Cooperative and its member banks purchased from the cooperative banks that withdrew from the Group 1 174 620 OKOBANK Series K shares. The acquisition cost of the shares exceeded the aggregate nominal value of the shares by € 10 million, which amount is stated as an adjustment to the profit/loss brought forward.

### 32) Combined items under balance sheet liabilities

The liabilities items of OKOBANK Group's balance sheet are stated in accordance with the balance sheet format confirmed by the Financial Supervision.

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

| According to remaining maturity                             | Under 3 months | 3-12 months | 1-5 years | Over 5 years |
|---|----------------|-------------|-----------|--------------|
| Debt securities eligible for refinancing with central banks | 292            | 346         | 421       | 344          |
| Claims on credit institutions                               | 713            | 34          | 0         | 4            |
| Claims on the public and public sector entities             | 1 737          | 2 143       | 7 321     | 4 992        |
| Debt securities   | 568            | 490         | 314       | 251          |
| Liabilities to credit institutions and central banks        | 429            | 28          | 0         | 7            |
| Liabilities to the public and public sector entities        | 14 660         | 1 475       | 574       | 252          |
| Debt securities issued to the public                        | 1 615          | 765         | 413       | 4            |

Claims on the public and public sector entities did not include items payable on demand. Deposits other than fixed-term deposits are included in the maturity class "Under 3 months".

### 34) Asset and liability items denominated in domestic and foreign currency at the end of the year

|   | FIM           | Foreign currency |
|---|---------------|------------------|
| Debt securities eligible for refinancing with central banks | 1 403         | 0                |
| Claims on credit institutions                               | 660           | 660              |
| Claims on the public and public sector entities             | 15 799        | 394              |
| Debt securities   | 1 200         | 423              |
| Other assets  | 2 610         | 183              |
| <b>Total</b>  | <b>21 672</b> | <b>1 660</b>     |
| Liabilities to credit institutions and central banks        | 104           | 361              |
| Liabilities to the public and public sector entities        | 16 871        | 90               |
| Debt securities issued to the public                        | 2 699         | 97               |
| Subordinated liabilities                                    | 511           | 505              |
| Other liabilities   | 604           | 181              |
| <b>Total</b>  | <b>20 789</b> | <b>1 235</b>     |

### 35) Financial and share based ratios

OKOBANK Group key ratios of financial performance

|   | 1996  | 1997  | 1998  |
|---|-------|-------|-------|
| Turnover, € million                                       | 1 807 | 1 668 | 1 721 |
| Net operating profit/loss, € million                      | 119   | 195   | 395   |
| % of turnover   | 6.6   | 13.0  | 22.9  |
| Profit or loss before appropriations and taxes, € million | 119   | 195   | 395   |
| % of turnover   | 6.6   | 13.0  | 22.9  |
| Return on equity (ROE), %                                 | 12.9  | 17.2  | 35.0  |
| Return on assets (ROA), %                                 | 0.32  | 0.57  | 1.66  |
| Equity/total assets ratio, %                              | 2.8   | 3.8   | 5.6   |
| Income/expenses ratio                                     | 1.6   | 1.6   | 1.8   |

## 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 (loss) before appropriations and taxes"

### Return on equity (ROE), %

$$\frac{\text{Net operating profit /loss less taxes}}{\text{Equity capital without capital investments+ minority interests + voluntary provisions + depreciation difference less deferred taxes due (average of the figures for the beginning and the end of the year)}} \times 100$$

### Return on assets (ROA), %

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

### Equity/total assets ratio, %

$$\frac{\text{Equity capital without capital investments + minority interests + voluntary provisions + depreciation difference less deferred taxes due}}{\text{Total assets}} \times 100$$

### Income to expenses ratio

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

## NOTES TO THE ACCOUNTS CONCERNING TAXATION

### 36) Income taxes

Imputed taxes due and tax claims:

Imputed taxes due pursuant to Section 18 of Chapter 5 of the Accounting Act were not material in amount at the end of 1998. For the companies consolidated within the OKOBANK Group. Imputed tax claims primarily comprised losses confirmed in tax assessments. Other imputed tax claims were minor in amount. 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 Group's annual accounts do not include extraordinary income or expenses.

Effect of revaluations on income taxes:

Revaluations do not have an effect on the income taxes of companies consolidated within the OKOBANK Group.

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

**37) 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**

|  | Book value<br>of the liabilities | Book value of<br>assets pledged<br>as collateral |
|--|----------------------------------|--|
| a) Own liabilities for which assets had been pledged or mortgaged at the end of the year |                                  |  |
| Liabilities to credit institutions and central banks                                     |                                  |  |
| Pledges  | 0                                | 0  |
| Liabilities to the public sector and public sector entities                              |                                  |  |
| Pledges  | 2                                | 2  |
| Debt securities issued to the public   |                                  |  |
| Pledges  | 25                               | 26   |
| b) Other collateral pledged on own behalf at the end of the year                         |                                  |  |
| Pledges  | 5                                | 1 198  |
| d) Collateral pledged on behalf of others  |                                  |  |
| Mortgages  |                                  | 10   |

**38) Pension liabilities**

Except for Opstock Ltd, the statutory pension security of the staff of companies consolidated within the OKOBANK Group 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, FD Finanssidata Oy, Optum Kiinteistöpalvelut Oy and Keski-Suomen Tilaja Kiinteistöpalvelu Oy. The Foundation has not taken in new beneficiaries after June 30, 1992. The statutory pension security of the staff of the Stockholm branch office has been arranged in accordance with the Swedish regulations.

The companies consolidated within the OKOBANK Group did not have direct liabilities arising from pension commitments.

The pension liabilities of the OKOBANK Group have been covered in full.

**39) Leasing liabilities**

|                             |    |
|-----------------------------|----|
| Leasing payments in 1999    | 2  |
| Leasing payments after 1999 | 14 |

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

|   |       |
|---|-------|
| Guarantees  | 717   |
| Guarantee commitments   | 494   |
| Pledges and mortgages   | 12    |
| Other commitments given on behalf of a customer for a third party | 15    |
| Unused standby facilities   | 1 470 |
| Pledges granted   | 31    |
| Other irrevocable commitments given on behalf of a customer       | 30    |
| Commitments given, total  | 2 769 |

|  |               |               |
|--|---------------|---------------|
| <b>41) Derivative contracts at the end of the year</b> |               |               |
|  | 1998          | 1997          |
| Values of the underlying instruments                   |               |               |
| Agreements made for hedging purposes                   |               |               |
| Interest rate derivatives                              |               |               |
| Forward rate agreements                                | -             | -             |
| Option contracts                                       |               |               |
| Purchased  | -             | -             |
| Written  | -             | -             |
| Interest rate swaps                                    | 445           | 924           |
| Currency derivatives                                   |               |               |
| Forward agreements                                     | 5 827         | 7 671         |
| Option contracts                                       |               |               |
| Purchased  | -             | -             |
| Written  | -             | -             |
| Interest rate and currency swaps                       | 34            | 76            |
| Share derivatives                                      |               |               |
| Futures  | -             | -             |
| Options  |               |               |
| Purchased  | -             | -             |
| Written  | -             | -             |
| <b>Total</b>   | <b>6 306</b>  | <b>8 670</b>  |
| Contracts made for purposes other than hedging         |               |               |
| Interest rate derivatives                              |               |               |
| Forward rate agreements                                | 19 674        | 51 042        |
| Option contracts                                       |               |               |
| Purchased  | -             | -             |
| Written  | -             | -             |
| Interest rate swaps                                    | 6 087         | 7 690         |
| Currency derivatives                                   |               |               |
| Forward agreements                                     | -             | -             |
| Option contracts                                       |               |               |
| Purchased  | -             | 100           |
| Written  | 102           | 167           |
| Interest rate and currency swaps                       | 102           | 148           |
| Share derivatives                                      |               |               |
| Futures  | -             | -             |
| Options  |               |               |
| Purchased  | -             | -             |
| Written  | -             | -             |
| <b>Total</b>   | <b>25 966</b> | <b>59 147</b> |
| Credit countervalues of contracts                      |               |               |
| Interest rate derivatives                              | 189           | 224           |
| Currency derivatives                                   | 103           | 200           |
| <b>Total</b>   | <b>291</b>    | <b>424</b>    |

**42) 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**

|                   |    |
|-------------------|----|
| Sales receivables | 17 |
| Accounts payable  | 18 |

**43) Other contingent liabilities and commitments**

Companies consolidated within the OKOBANK Group 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**

**44) Staff and members of governing and supervisory bodies**

| Staff in 1998, average | During the financial year | Change on previous year |
|------------------------|---------------------------|-------------------------|
| Full-time staff        | 8 002                     | -287                    |
| Part-time staff        | 522                       | -136                    |
| <b>Staff, total</b>    | <b>8 524</b>              | <b>-423</b>             |

The staff on average doesn't include seasonal trainees. The average number of them was 159 in 1998.

Salaries and emoluments received by members of governing and supervisory bodies of companies consolidated within the OKOBANK Group

|  |           |
|--|-----------|
| Members and deputy members of the Supervisory Board                                | 1         |
| Members and deputy members of the Executive Board as well as the managing director | 23        |
| <b>Total</b>   | <b>24</b> |

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



#### 45) Name and domicile of companies consolidated in the annual accounts

| Company name  | Domicile          |
|---|-------------------|
| Consolidated line by line:                              |                   |
| Member cooperative banks, 246, presented on pages 42-45 |                   |
| OKOBANK Group Central Cooperative                       | Helsinki          |
| OKOBANK Osuuspankkien Keskuspankki Oyj                  | Helsinki          |
| Okopankki Oyj   | Helsinki          |
| OKO Mortgage Bank plc                                   | Helsinki          |
| OP-Finance Ltd  | Helsinki          |
| Opstock Ltd   | Helsinki          |
| Kiinteistö Oy Aleks-Hermes                              | Helsinki          |
| Kiinteistö Oy Arkadiankatu 23                           | Helsinki          |
| Kiinteistö Oy Dagmarinkatu 14                           | Helsinki          |
| Kiinteistö Oy Malminkatu 30                             | Helsinki          |
| Kiinteistö Oy OKO-Vallila                               | Helsinki          |
| Vicarius Fastigheter AB                                 | Stockholm, Sweden |
| OP-Kotipankki Oyj                                       | Helsinki          |
| OP-Rahastoyhtiö Oy                                      | Helsinki          |
| FD Finanssidata Oy                                      | Helsinki          |
| Optum Kiinteistöpalvelut Oy                             | Helsinki          |
| OKOBANK Group Security Fund                             | Helsinki          |
| OKOBANK Group Mutual Insurance Company                  | Helsinki          |
| Jyväskylän Kassatalo Oy                                 | Jyväskylä         |
| Keski-Suomen Tila- ja Kiinteistöpalvelu Oy              | Jyväskylä         |
| Kiinteistö Oy Krassipuisto                              | Vantaa            |
| Kiinteistö Oy Pekurinkulma                              | Oulu              |
| Kiinteistö Oy Vammalan Torikeskus                       | Vammala           |
| Kiinteistösijoitusyhtiö Nopkin Oy                       | Jyväskylä         |
| Consolidated using the equity method:                   |                   |
| Aurum Life Assurance Company Ltd <sup>1)</sup>          | Helsinki          |
| Automatia Pankkiautomaatit Oy <sup>2)</sup>             | Helsinki          |
| Hatanpääkadun Teollisuushallit Oy <sup>2)</sup>         | Tampere           |
| Kiinteistö Oy Lahden Trio <sup>2)</sup>                 | Lahti             |
| Toimiraha Oy <sup>2)</sup>                              | Helsinki          |

<sup>1)</sup> Consolidated as an insurance company according to the equity method

<sup>2)</sup> Consolidated as an associated company according to the equity method

Sufficient information for assessing the relationships of a company which is consolidated in the annual accounts and is not a credit or financial institution or a service company, and other companies included in the amalgamation:

Aurum Life Assurance Company is a company that is wholly owned by the OKOBANK Group Central Cooperative and its member banks and the company is engaged in life and pension insurance operations. The company handles the OKOBANK Group's life and pension insurance operations on a centralised basis.

The amalgamation's consolidated annual accounts have omitted 273 companies that are included in the consolidated annual accounts of its member credit institutions. These companies had aggregate total assets of about € 0.4 billion. The effect of consolidating the companies on the Group's equity capital would have been a decrease of € -22 million and it would have

lowered the capital adequacy ratio by 0.1 percentage point.

#### 46) The amount of non-paid cooperative capital investments and the number of member cooperative banks' individual members at the end of the financial year

|   |         |
|---|---------|
| Non-paid cooperative capital investments, total                           | 1       |
| Cooperative capital investments, notice of withdrawal given               | 7       |
| Supplementary cooperative capital investments, notice of withdrawal given | 48      |
| Individual members  | 694 637 |

#### 45) Member cooperative banks of OKOBANK Group Central Cooperative Dec. 31, 1998

The total assets and net operating profit/loss figures are preliminary.

| Name                            | Domicile      | Managing director    | Total assets,<br>€ million | Net operating<br>profit/loss,<br>€ million |
|---------------------------------|---------------|----------------------|----------------------------|--|
| Alajärven Osuuspankki           | Alajärvi      | Pentti Mäkelä        | 100                        | 2.3  |
| Alastaron Osuuspankki           | Alastaro      | Petri Antila         | 33                         | 0.5  |
| Alavieskan Osuuspankki          | Alavieska     | Ismo Talus           | 21                         | 0.1  |
| Alavuden Seudun Osuuspankki     | Alavus        | Jussi Ruuhela        | 83                         | 1.1  |
| Andelsbanken för Åland          | Maarianhamina | Håkan Clemes         | 90                         | -0.5                                       |
| Andelsbanken Raseborg           | Karjaa        | Bo Thölix            | 121                        | 1.0  |
| Artjärven Osuuspankki           | Artjärvi      | Pertti Purola        | 32                         | 0.9  |
| Asikkalan Osuuspankki           | Asikkala      | Jari Laaksonen       | 42                         | 0.4  |
| Askaisten Osuuspankki           | Askainen      | Arja Ahola           | 15                         | 0.3  |
| Askolan Osuuspankki             | Askola        | Irja Mäittälä        | 25                         | 0.3  |
| Auran Osuuspankki               | Aura          | Sauli Nuolemo        | 35                         | 0.5  |
| Elimäen Osuuspankki             | Elimäki       | Pertti Olander       | 85                         | 0.8  |
| Enon Osuuspankki                | Eno           | Aulis Keronen        | 47                         | 0.7  |
| Etelä-Karjalan Osuuspankki      | Lappeenranta  | Risto Kiljunen       | 444                        | 9.1  |
| Etelä-Pohjanmaan Osuuspankki    | Seinäjoki     | Esko Ala-Äijälä      | 346                        | 5.0  |
| Etelä-Savon Osuuspankki         | Mikkeli       | Raimo Rekikoski      | 258                        | 6.5  |
| Eurajoen Osuuspankki            | Eurajoki      | Harri Hiitiö         | 24                         | 0.4  |
| Euran Osuuspankki               | Eura          | Lenni Kankaanpää     | 51                         | 0.5  |
| Forssan Seudun Osuuspankki      | Forssa        | Seppo Jokinen        | 163                        | 1.1  |
| Haapajärven Osuuspankki         | Haapajärvi    | Kari Ahola           | 34                         | 0.6  |
| Haapamäen Seudun Osuuspankki    | Keuruu        | Tauno Vuorenmaa      | 28                         | 0.6  |
| Haapaveden Osuuspankki          | Haapavesi     | Kalervo Karvonen     | 47                         | 0.8  |
| Hailuodon Osuuspankki           | Hailuoto      | Veijo Nissilä        | 15                         | 0.3  |
| Halsuan Osuuspankki             | Halsua        | Tapio Jokela         | 16                         | 0.1  |
| Haminan Seudun Osuuspankki      | Hamina        | Markku Vanhala       | 88                         | 1.9  |
| Harjavallan Osuuspankki         | Harjavalta    | Jarmo Tuovinen       | 57                         | 1.2  |
| Hartolan Osuuspankki            | Hartola       | Teemu Hauta-Aho      | 30                         | 0.5  |
| Hauhon Osuuspankki              | Hauho         | Timo Metsola         | 23                         | 0.4  |
| Haukivuoren Osuuspankki         | Haukivuori    | Seppo Laurila        | 17                         | 0.4  |
| Heinäveden Osuuspankki          | Heinävesi     | Ville Pönttönen      | 34                         | 0.6  |
| Himangan Osuuspankki            | Himanka       | Kalevi Humalajoki    | 36                         | 0.3  |
| Hinnerjoen Osuuspankki          | Eura          | Jukka Tuomisto       | 14                         | 0.2  |
| Hirvensalmen Osuuspankki        | Hirvensalmi   | Risto Rouhiainen     | 23                         | 0.1  |
| Honkilahden Osuuspankki         | Eura          | Olavi Juhola         | 18                         | 0.4  |
| Huhtamon Osuuspankki            | Huittinen     | Päivikki Järvinen    | 10                         | 0.2  |
| Huittisten Osuuspankki          | Huittinen     | Olli Näsi            | 60                         | 1.8  |
| Humppilan Osuuspankki           | Humppila      | Jari Salokangas      | 38                         | 0.5  |
| Hämeenkosken Osuuspankki        | Hämeenkoski   | Keijo Bragge         | 19                         | 0.4  |
| Hämeenlinnan Seudun Osuuspankki | Hämeenlinna   | Ossi Halonen         | 250                        | 1.2  |
| Iisalmen Osuuspankki            | Iisalmi       | Eero Mähönen         | 113                        | 1.6  |
| Itin Osuuspankki                | Iitti         | Hannu Viitanen       | 52                         | 0.2  |
| Ikaalisten Osuuspankki          | Ikaalinen     | Antero Sorri         | 42                         | 0.5  |
| Ilomantsin Osuuspankki          | Ilomantsi     | Kalevi Hämäläinen    | 47                         | 0.8  |
| Janakkalan Osuuspankki          | Janakkala     | Vesa Lehikoinen      | 127                        | 3.2  |
| Joensuun Osuuspankki            | Joensuu       | Antti Heliövaara     | 148                        | 2.2  |
| Jokioisten Osuuspankki          | Jokioinen     | Vesa Rantanen        | 32                         | 0.8  |
| Juuan Osuuspankki               | Juuka         | Tuomo Mustonen       | 49                         | 0.7  |
| Juvan Osuuspankki               | Juva          | Kari Pitkälä         | 61                         | 1.6  |
| Jämsän Seudun Osuuspankki       | Jämsä         | Heikki Rosti         | 91                         | 2.0  |
| Kainuun Osuuspankki             | Kajaani       | Kari Sissala         | 181                        | 2.9  |
| Kalajoen Osuuspankki            | Kalajoki      | Pertti Sarkkinen     | 72                         | 1.0  |
| Kalkkisten Osuuspankki          | Asikkala      | Esko-Pekka Markkanen | 10                         | 0.1  |
| Kangasalan Osuuspankki          | Kangasala     | Veikko Poranen       | 66                         | 1.2  |
| Kangasniemen Osuuspankki        | Kangasniemi   | Leo Pakkanen         | 60                         | 1.6  |
| Kankaanpään Osuuspankki         | Kankaanpää    | Teuvo Pakkala        | 50                         | 0.9  |
| Kannuksen Osuuspankki           | Kannus        | Markku Niskala       | 35                         | 0.4  |
| Karjalan Osuuspankki            | Mynämäki      | Pentti Laaksonen     | 15                         | 0.2  |
| Karkun Osuuspankki              | Vammala       | Raimo Virtanen       | 10                         | 0.2  |
| Karunan Osuuspankki             | Sauvo         | Esko Lehtonen        | 9                          | 0.1  |
| Karvian Osuuspankki             | Karvia        | Muisto Parikka       | 24                         | 0.4  |
| Kaustisen Osuuspankki           | Kaustinen     | Asko Ahonen          | 43                         | 0.1  |
| Keikyän Osuuspankki             | Äetsä         | Reino Väilä          | 16                         | 0.2  |

| Name                          | Domicile         | Managing director   | Total assets,<br>€ million | Net operating<br>profit/loss,<br>€ million |
|-------------------------------|------------------|---------------------|----------------------------|--|
| Kemin Seudun Osuuspankki      | Kemi             | Pertti Stöckel      | 124                        | 2.0  |
| Kerimäen Osuuspankki          | Kerimäki         | Kari Korhonen       | 27                         | 0.6  |
| Keski-Suomen Osuuspankki      | Jyväskylä        | Aimo Ekonen         | 821                        | 5.6  |
| Keski-Uudenmaan Osuuspankki   | Järvenpää        | Leif Laine          | 430                        | 9.4  |
| Kestilän Osuuspankki          | Kestilä          | Hans Aikio          | 15                         | 0.1  |
| Kesälahden Osuuspankki        | Kesälahti        | Erkki Kukkonen      | 26                         | 0.6  |
| Kihniön Osuuspankki           | Kihniö           | Ari Heinonen        | 14                         | 0.2  |
| Kiihtelysvaaran Osuuspankki   | Kiihtelysvaara   | Pasi Leppänen       | 26                         | 0.4  |
| Kiikalan Rekijoen Osuuspankki | Kiikala          | Antti Riikonen      | 18                         | 0.2  |
| Kiikoisten Osuuspankki        | Kiikoinen        | Pertti Kärki        | 12                         | 0.2  |
| Kiskon Osuuspankki            | Kisko            | Pekka Anttonen      | 23                         | 0.3  |
| Kiteen Seudun Osuuspankki     | Kitee            | Pentti Hämäläinen   | 129                        | 3.0  |
| Kiukaisten Osuuspankki        | Kiukainen        | Jari Valonen        | 18                         | 0.3  |
| Koillis-Savon Osuuspankki     | Kaavi            | Erkki Eronen        | 83                         | 1.3  |
| Koitin-Pertunmaan Osuuspankki | Hartola          |                     | 25                         | 0.3  |
| Kokemäen Osuuspankki          | Kokemäki         | Matti Ollila        | 68                         | 1.2  |
| Kokkolan Osuuspankki          | Kokkola          | Aatto Ainali        | 225                        | 2.2  |
| Kontiolahden Osuuspankki      | Kontiolahti      | Esko Mononen        | 38                         | 0.7  |
| Korpilahden Osuuspankki       | Korpilahti       | Juha Luomala        | 34                         | 0.7  |
| Korsnäs Andelsbank            | Korsnäs          | Jan-Erik Westerdahl | 30                         | 0.5  |
| Kotkan Seudun Osuuspankki     | Kotka            | Pentti Leisti       | 150                        | 1.1  |
| Kouvolan Seudun Osuuspankki   | Kouvola          | Marjo Partio        | 231                        | 3.4  |
| Kronoby Andelsbank            | Kruunupyö        | Sten-Ole Nybäck     | 49                         | 1.0  |
| Kuhmalahden Osuuspankki       | Kuhmalahdi       | Risto Mattila       | 16                         | 0.3  |
| Kuhmoisten Osuuspankki        | Kuhmoinen        | Heikki Vilppala     | 20                         | 0.2  |
| Kuhmon Osuuspankki            | Kuhmo            | Erkki Airaksinen    | 72                         | 1.7  |
| Kuopion Osuuspankki           | Kuopio           | Jaakko Ojanperä     | 318                        | 3.4  |
| Kuortaneen Osuuspankki        | Kuortane         | Markku Jaatinen     | 33                         | 0.4  |
| Kurun Osuuspankki             | Kuru             | Markku Jokela       | 16                         | 0.3  |
| Kuusamon Osuuspankki          | Kuusamo          | Jari Himanen        | 80                         | 0.3  |
| Kuusjoen Osuuspankki          | Kuusjoki         | Rauno Hurme         | 17                         | 0.2  |
| Kymijoen Osuuspankki          | Anjalankoski     | Heikki Pykälistö    | 75                         | 1.0  |
| Kärkölan Osuuspankki          | Kärkölä          | Lasse Kalervo       | 29                         | 0.5  |
| Kärsämäen Osuuspankki         | Kärsämäki        | Timo Suhonen        | 21                         | 0.3  |
| Käylän Osuuspankki            | Kuusamo          | Kaisa Kurtti        | 10                         | 0.1  |
| Köyliön Osuuspankki           | Köyliö           | Matti Hyrsylä       | 42                         | 0.6  |
| Laitilan Osuuspankki          | Laitila          | Hannu Nyman         | 69                         | 0.5  |
| Lapin Osuuspankki             | Lappi            | Vesa Parkkali       | 37                         | 0.5  |
| Lappo Andelsbank              | Brändö           | Torsten Nordberg    | 6                          | 0.0  |
| Lemin Osuuspankki             | Lemi             | Eero Innanen        | 25                         | 0.3  |
| Leppävirran Osuuspankki       | Leppävirta       | Ilkka Martikainen   | 64                         | 1.4  |
| Lieksan Osuuspankki           | Lieksa           | Jorma Lehikoinen    | 89                         | 2.1  |
| Limingan Osuuspankki          | Liminka          | Urpo Ojala          | 27                         | 0.5  |
| Liperin Osuuspankki           | Liperi           | Jalo Lehtovaara     | 73                         | 1.0  |
| Lohtajan Osuuspankki          | Lohtaja          | Veijo Uusitalo      | 32                         | 0.2  |
| Loimaan Osuuspankki           | Loimaan kunta    | Heimo Kortesniemi   | 68                         | 0.8  |
| Loimaan Seudun Osuuspankki    | Loimaan kaupunki | Tuomo Maunuksela    | 61                         | 0.9  |
| Lokalahden Osuuspankki        | Uusikaupunki     | Seppo Penttilä      | 16                         | 0.2  |
| Lopen Osuuspankki             | Loppi            | Tapio Mikkola       | 47                         | 1.0  |
| Luhangan Osuuspankki          | Luhanka          | Pekka Pietilä       | 14                         | 0.1  |
| Luopioisten Osuuspankki       | Luopioinen       | Esa Jokinen         | 16                         | 0.2  |
| Luumäen Osuuspankki           | Luumäki          | Eero Kettunen       | 33                         | 0.5  |
| Luvian Osuuspankki            | Luvia            | Hannu Kyrövaara     | 27                         | 0.4  |
| Länsi-Uudenmaan Osuuspankki   | Lohja            | Jukka Karasjärvi    | 283                        | 2.0  |
| Maaningan Osuuspankki         | Maaninka         | Reijo Kananen       | 35                         | 0.9  |
| Marttilan Osuuspankki         | Marttila         | Jussi Kuvaja        | 40                         | 1.0  |
| Maskun Osuuspankki            | Masku            | Jarmo Nurmi         | 39                         | 0.1  |
| Mellilän Seudun Osuuspankki   | Mellilä          | Raimo Lindström     | 23                         | 0.3  |
| Merimaskun Osuuspankki        | Merimasku        | Kaisa Haaksiluoto   | 12                         | 0.2  |
| Metsämaan Osuuspankki         | Loimaan kunta    | Jussi Nieminen      | 16                         | 0.2  |
| Miehikkälän Osuuspankki       | Miehikkälä       | Seppo Pylvänäinen   | 23                         | 0.5  |
| Miettilän Osuuspankki         | Rautjärvi        | Tarja Huolman       | 5                          | 0.0  |
| Mouhijärven Osuuspankki       | Mouhijärvi       | Esko Heinonen       | 29                         | 0.2  |
| Mynämäen Osuuspankki          | Mynämäki         | Kalle Krappala      | 69                         | 1.1  |
| Myrskylän Osuuspankki         | Myrskylä         | Kalevi Kuronen      | 11                         | 0.1  |
| Mäntsälän Osuuspankki         | Mäntsälä         | Heikki Kananen      | 71                         | 0.7  |

| Name                          | Domicile           | Managing director      | Total assets,<br>€ million | Net operating<br>profit/loss,<br>€ million |
|-------------------------------|--------------------|------------------------|----------------------------|--|
| Mäntän Seudun Osuuspankki     | Mänttä             | Erkki Lauronen         | 78                         | 1.6  |
| Nagu Andelsbank               | Nauvo              | Johan Broos            | 13                         | 0.1  |
| Nakkilan Osuuspankki          | Nakkila            |                        | 48                         | 1.3  |
| Niinijoen Osuuspankki         | Loimaan kunta      | Timo Seikkula          | 18                         | 0.3  |
| Nilsiän Osuuspankki           | Nilsinä            | Mikko Lahtela          | 65                         | 1.7  |
| Nivalan Osuuspankki           | Nivala             | Teuvo Välikangas       | 64                         | 0.5  |
| Nousiaisten Osuuspankki       | Nousiainen         | Seppo Äijälä           | 64                         | 1.5  |
| Nurmeksen Osuuspankki         | Nurmes             | Eero Heino             | 66                         | 1.0  |
| Orimattilan Osuuspankki       | Orimattila         | Veli-Matti Onnela      | 74                         | 1.3  |
| Oripään Osuuspankki           | Oripää             | Tapio Laine            | 23                         | 0.2  |
| Oriveden Seudun Osuuspankki   | Orivesi            | Pertti Pyykkö          | 59                         | 1.2  |
| Osuuspankki Kantrisola        | Pertteli           | Turkka Saarniniemi     | 49                         | 0.6  |
| Osuuspankki Realum            | Helsinki           | Olli Latola            | 240                        | -103.6                                     |
| Oulaisten Osuuspankki         | Oulainen           | Lauri Knuutila         | 63                         | 1.3  |
| Oulun Osuuspankki             | Oulu               | Timo Levo              | 623                        | 4.0  |
| Outokummun Osuuspankki        | Outokumpu          | Eero Eskelinen         | 43                         | 0.9  |
| Paattisten Osuuspankki        | Turku              | Eero Koskinen          | 37                         | 0.5  |
| Paavolan Osuuspankki          | Ruukki             | Kalle Arvio            | 39                         | 0.7  |
| Padasjoen Osuuspankki         | Padasjoki          | Heikki Jaakkola        | 14                         | 0.2  |
| Paimion Osuuspankki           | Paimio             | Vesa Viitaniemi        | 98                         | 1.1  |
| Paltamon Osuuspankki          | Paltamo            | Jorma Niemi            | 25                         | 0.4  |
| Parikkalan Seudun Osuuspankki | Parikkala          | Matti Martikainen      | 45                         | 0.4  |
| Parkanon Osuuspankki          | Parkano            | Aarre Saranpää         | 35                         | 0.5  |
| Pedersörenejdens Andelsbank   | Pietarsaari        | Ulf Löf                | 124                        | 1.1  |
| Perhon Osuuspankki            | Perho              | Pekka Pajula           | 26                         | 0.3  |
| Perniön Osuuspankki           | Perniö             | Risto Lehtinen         | 42                         | 0.8  |
| Peräseinäjoen Osuuspankki     | Peräseinäjoki      | Olavi Ilola            | 48                         | 0.9  |
| Pieksämäen Seudun Osuuspankki | Pieksämäki         | Seppo Vanninen         | 128                        | 0.2  |
| Pielaveden Osuuspankki        | Pielavesi          | Pertti Rautaparta      | 39                         | 0.7  |
| Pihtiputaan Osuuspankki       | Pihtipudas         | Erkki Niemelä          | 25                         | 0.3  |
| Pohjolan Osuuspankki          | Rovaniemi          | Markku Salomaa         | 336                        | 5.3  |
| Polvijärven Osuuspankki       | Polvijärvi         | Juhani Leminen         | 45                         | 0.7  |
| Porin Seudun Osuuspankki      | Pori               | Jukka Ramstedt         | 442                        | 8.9  |
| Porvoon Osuuspankki           | Porvoo             | Pertti Hellqvist       | 173                        | 2.4  |
| Posion Osuuspankki            | Posio              | Martti Varanka         | 46                         | 0.8  |
| Pudasjärven Osuuspankki       | Pudasjärvi         | Paavo Kurttila         | 64                         | 1.4  |
| Pukkilan Osuuspankki          | Pukkila            | Ari Talkara            | 24                         | 0.5  |
| Pulkkilan Osuuspankki         | Pulkkila           | Eero Keskitalo         | 13                         | 0.2  |
| Punkalaitumen Osuuspankki     | Punkalaidun        | Ville Aakula           | 48                         | 1.1  |
| Puolangan Osuuspankki         | Puolanka           | Jouni Ahokumpu         | 30                         | 0.6  |
| Purmo Andelsbank              | Pietarsaaren mlk   | Stig-Göran Jansson     | 16                         | 0.2  |
| Pyhäjärven Osuuspankki        | Pyhäjärvi          | Jukka Kuonanoja        | 43                         | 0.9  |
| Pyhännän Osuuspankki          | Pyhäntä            | Viljo Lotvonen         | 15                         | 0.2  |
| Päijät-Hämeen Osuuspankki     | Lahti              | Timo Laine             | 399                        | 1.1  |
| Pälkäneen Osuuspankki         | Pälkäne            | Alpo Näsi              | 25                         | 0.4  |
| Pöytyän Osuuspankki           | Pöytyä             | Juha Pullinen          | 42                         | 0.6  |
| Raahen Seudun Osuuspankki     | Raahen             | Seppo Rytivaara        | 115                        | 2.3  |
| Rantasalmen Osuuspankki       | Rantasalmi         | Vesa Auvinen           | 54                         | 1.0  |
| Rantsilan Osuuspankki         | Rantsila           | Ismo Välijärvi         | 18                         | 0.2  |
| Rauman Seudun Osuuspankki     | Rauma              | Simo Kauppi            | 250                        | 6.7  |
| Rautalammin Osuuspankki       | Rautalampi         | Kalle Kilpeläinen      | 32                         | 0.6  |
| Riihimäen Seudun Osuuspankki  | Riihimäki          | Kalevi Oksanen         | 127                        | 4.0  |
| Riistaveden Osuuspankki       | Kuopio             | Pauli Kröger           | 20                         | 0.3  |
| Ruhtinansalmen Osuuspankki    | Suomussalmi        | Helena Juntunen        | 6                          | 0.0  |
| Ruoveden Osuuspankki          | Ruovesi            | Alpo Porila            | 43                         | 0.6  |
| Rymättylän Osuuspankki        | Rymättylä          | Antero Nikki           | 31                         | 0.5  |
| Rääkkylän Osuuspankki         | Rääkkylä           | Olli Koivula           | 30                         | 0.6  |
| Sallan Osuuspankki            | Salla              | Jari Sieppi            | 34                         | 0.1  |
| Salon Seudun Osuuspankki      | Salo               | Jukka Hulkkonen        | 260                        | 3.3  |
| Sauvon Osuuspankki            | Sauvo              | Pasi Virtanen          | 26                         | 0.4  |
| Savitaipaleen Osuuspankki     | Savitaipale        | Martti Valtonen        | 43                         | 0.8  |
| Savonlinnan Osuuspankki       | Savonlinna         | Erkki Böös             | 186                        | 4.4  |
| Sideby Andelsbank             | Kristiinankaupunki | Anders Storteir        | 8                          | 0.1  |
| Siikajoen Osuuspankki         | Siikajoki          | Pentti Keränen         | 16                         | 0.4  |
| Simpeleen Osuuspankki         | Rautjärvi          | Juhani Ikonen          | 21                         | 0.5  |
| Somerniemen Osuuspankki       | Somero             | Kirsi-Marja Hiidensalo | 11                         | 0.1  |

| Name                              | Domicile      | Managing director      | Total assets,<br>€ million | Net operating<br>profit/loss,<br>€ million |
|-----------------------------------|---------------|------------------------|----------------------------|--|
| Someron Osuuspankki               | Somero        | Kari Raikonen          | 65                         | 1.5  |
| Sonkajärven Osuuspankki           | Sonkajärvi    | Esko Nissinen          | 40                         | 0.8  |
| Sotkamon Osuuspankki              | Sotkamo       | Vt Juhajouni Karttunen | 54                         | 0.7  |
| Strömfors Andelsbank              | Ruotsinpyhtää | Mats Majander          | 4                          | 0.0  |
| Sulkavan Osuuspankki              | Sulkava       | Kari Haverinen         | 23                         | 0.4  |
| Suodenniemen Osuuspankki          | Suodenniemi   | Selja Kallio           | 10                         | 0.1  |
| Suomussalmen Osuuspankki          | Suomussalmi   | Timo Polo              | 42                         | 0.5  |
| Suonenjoen Osuuspankki            | Suonenjoki    | Antti Hult             | 49                         | 0.8  |
| Sysmän Osuuspankki                | Sysmä         | Heikki Kuurne          | 46                         | 1.0  |
| Säkylän Osuuspankki               | Säkylä        | Markku Perttuli        | 33                         | 0.7  |
| Taivalkosken Osuuspankki          | Taivalkoski   | Riitta-Liisa Ahokumpu  | 22                         | 0.1  |
| Taivassalon Osuuspankki           | Taivassalo    | Markku Kraama          | 23                         | 0.2  |
| Tampereen Seudun Osuuspankki      | Tampere       | Tony Vepsäläinen       | 790                        | 0.8  |
| Tarvasjoen Osuuspankki            | Tarvasjoki    | Esa Hentula            | 28                         | 0.3  |
| Tervolan Osuuspankki              | Tervola       | Esa Vaarala            | 25                         | 0.6  |
| Tervon Osuuspankki                | Tervo         | Seppo Vehniäinen       | 18                         | 0.2  |
| Toholammin Osuuspankki            | Toholampi     | Lauri Keski-Rahkonen   | 45                         | 0.4  |
| Toijalan Osuuspankki              | Toijala       | Heikki Teräväinen      | 64                         | 1.0  |
| Tornion Osuuspankki               | Tornio        | Pentti Alaperä         | 135                        | 0.2  |
| Turun Seudun Osuuspankki          | Turku         | Risto Korpela          | 997                        | 0.9  |
| Tuupovaaran Osuuspankki           | Tuupovaara    | Tuomo Liukka           | 25                         | 0.4  |
| Tyrnävän Osuuspankki              | Tyrnävä       | Eero Ylilauri          | 25                         | 0.5  |
| Ullavan Osuuspankki               | Ullava        | Veikko Väisälä         | 14                         | 0.3  |
| Urjalan Osuuspankki               | Urjala        | Pekka Raivisto         | 61                         | 0.9  |
| Utajärven Osuuspankki             | Utajärvi      | Raimo Tuovinen         | 40                         | 0.9  |
| Uudenkaupungin Seudun Osuuspankki | Uusikaupunki  | Juha-Pekka Nieminen    | 82                         | 1.2  |
| Uukuniemen Osuuspankki            | Uukuniemi     | Pauli Loikkanen        | 7                          | 0.1  |
| Valkeakosken Osuuspankki          | Valkeakoski   | Pauli Piilma           | 63                         | 1.2  |
| Valtimon Osuuspankki              | Valtimo       | Heikki Myller          | 25                         | 0.2  |
| Vammalan Seudun Osuuspankki       | Vammala       | Taisto Hyttinen        | 103                        | 0.3  |
| Vampulan Osuuspankki              | Vampula       | Kari Hänti             | 36                         | 0.3  |
| Varkauden Osuuspankki             | Varkaus       | Pekka Vilhunen         | 94                         | 1.1  |
| Varpaisjärven Osuuspankki         | Varpaisjärvi  | Seppo Riekkinen        | 35                         | 0.6  |
| Vasa Andelsbank                   | Vaasa         | Kaj Skåtar             | 278                        | 3.5  |
| Vehmersalmen Osuuspankki          | Vehmersalmi   | Heikki Väisänen        | 23                         | 0.6  |
| Vesannon Osuuspankki              | Vesanto       | Esa Keränen            | 26                         | 0.5  |
| Vetelin Osuuspankki               | Veteli        | Aulis Karvonen         | 13                         | 0.2  |
| Vetelin Ylipään Osuuspankki       | Veteli        | Jarmo Lehojärvi        | 13                         | 0.2  |
| Viekin Osuuspankki                | Liekka        | Esko Pyykkö            | 9                          | 0.1  |
| Vihannin Osuuspankki              | Vihanti       | Olavi Rasi             | 39                         | 0.8  |
| Vimpelin Osuuspankki              | Vimpeli       | Simo Ilomäki           | 24                         | 0.4  |
| Virolahden Osuuspankki            | Virolahti     | Markku Salomaa         | 31                         | 0.3  |
| Virtain Osuuspankki               | Virrat        | Hannu Kaakkomäki       | 60                         | 1.2  |
| Ylitornion Osuuspankki            | Ylitornio     | Heikki Eteläaho        | 35                         | 0.7  |
| Ylivieskan Osuuspankki            | Ylivieska     | Jarmo Somero           | 57                         | 0.7  |
| Ylä-Kintauden Osuuspankki         | Petäjävesi    | Erkki Kuivikko         | 2                          | 0.0  |
| Yläneen Osuuspankki               | Yläne         | Jari Pimiä             | 40                         | 0.9  |
| Ypäjän Osuuspankki                | Ypäjä         | Kimmo Ranta            | 40                         | 0.5  |
| Ähtärin Osuuspankki               | Ähtäri        | Esko Kokkila           | 25                         | 0.3  |
| Östnylands Andelsbank             | Porvoo        | Arto Nurmi-Aro         | 96                         | 0.6  |
| Östra Korsholms Andelsbank        | Mustasaari    | Jussi Lahti            | 3                          | 0.0  |
| Övermark Andelsbank               | Närpiö        | Mårten Vikberg         | 13                         | 0.1  |

# Statement concerning the annual accounts

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We have adopted these consolidated annual accounts of the group of cooperative banks specified in the Cooperative Bank Act for the financial year January 1 – December 31, 1998.

The annual accounts will be presented and made available for scrutiny at the annual cooperative meeting of the OKOBANK Group Central Cooperative.

Helsinki March 9, 1999  
Executive Board of the OKOBANK Group Central Cooperative

Antti Tanskanen

Reijo Karhinen  
Keijo Manner

Pekka Jaakkola  
Mikael Silvennoinen

Heikki Vitie

## Auditors' Report

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We have audited the consolidated financial statements of the amalgamation of the cooperative banks (the OKOBANK Group) pursuant to the Cooperative Bank Act for the financial year January 1 – December 31, 1998. The financial statements prepared by the Executive Board and managing director of the OKOBANK Group's central institution, the OKOBANK Group Central Cooperative, include the report of the Executive Board, the profit and loss account, balance sheet and notes to the financial statements. Based on our audit we express an opinion on these financial statements.

The audit has been conducted in accordance with Finnish Standards on Auditing. In carrying out the audit, we have acquainted ourselves with the financial statement information of the Group's member institutions, the auditors' reports and other auditor-related reports to the extent we have deemed necessary. In addition, we have examined the guidelines and

accounting policy of the financial statements as well as gone through the compilation and consolidation of the financial statement information of the Group's member institutions.

Information has been obtained from all the member institutions to be consolidated within the Group and it has been included in the consolidated financial statements. The consolidation of the financial statements from the financial statement information has been carried out substantially correctly and in compliance with the regulations issued by the Financial Supervision.

On the basis of our audit and with reference to what has been said above, we observe that the consolidated financial statements give a true and fair view, as defined in the Cooperative Bank Act and the guidelines issued by the Financial Supervision, of the OKOBANK Group's result of operations as well as of the financial position.

Helsinki March 10, 1999

SVH Pricewaterhouse  
Coopers Oy  
Authorised Public Accountants  
Tauno Haataja  
Authorised Public Accountant

Eero Huusko  
Authorised Public Accountant

Reino Majala  
Authorised Public Accountant



*The volume of card payments clearly outstripped cash withdrawals made with a card. Cash withdrawals by card at a shop check-out became firmly established. The OKOBANK Group is participating in projects with the aim of promoting the introduction of comprehensive Smart Cards on the market.*

# OKOBANK Group Central

## Cooperative Consolidated in 1998



*Managing Director Reijo Karbinen*



### A running-in year for the new organisation

1998 was the first full year of operations for the OKOBANK Group in its new form and thus also for the new OKOBANK Group Central Cooperative Consolidated. The structure of the Central Cooperative Consolidated became more cohesive and its internal division of labour was made more clear-cut when the internal ownership arrangements that were agreed in the previous year were implemented at the turn of the year. In addition, the operational organisation was revamped in the summer. We

are now better prepared for our main task: the development, support and guidance of the entire OKOBANK Group's business operations.

Apart from developing the structure of the Central Cooperative Consolidated, operations during the running-in year emphasised the creation and introduction of the first business strategy at the level of the new Group entity. The joint strategy of the entire Group was confirmed in the spring,

and on the basis of it policy lines were forged for the operations of the Central Cooperative Consolidated. The objective of the OPK-100 plan is to make the Group's competence and service centre better support and strengthen business operations with the aim of making the OKOBANK Group the leading retail bank in Finland.

The task of OKOBANK Group Central Cooperative Consolidated is to generate added value for the customers of the OKOBANK Group and for its owners. In line with the OPK-100 strategy, the core functions of the Central Cooperative Consolidated are the strategic management of the OKOBANK Group, Group control and the safeguarding of interests, development and support services that are produced for the member banks on a centralised basis as well as business operations that strengthen the market position of the Group and generate income.

In the last-mentioned task, OKOBANK Osuuspankkien Keskuspankki Oyj occupies a central position. It is the OKOBANK Group Central Cooperative's largest subsidiary which, together with its own subsidiaries, forms a clearly defined business entity. The changes implemented in the internal division of labour of the Central Cooperative Consolidated will give it improved possibilities to develop the listed company OKOBANK also as an attractive and competitive portfolio investment.

In a bank group that functions as a chain, the internal division of responsibilities occupies an important place. From the standpoint of the Group's efficiency, it is expedient that



the member banks concentrate on their customer service business, and the Central Cooperative as widely as possible on providing cost-efficient support services. Among the new services that were started during the year under review were centralised accounting and payroll accounting services for the member banks.

The development and provision of information technology services is a central element in the operations of OKOBANK Group Central Cooperative Consolidated. Seen to completion during the year was a renewal of the Group's workstation system that will make it possible to handle administrative, sales, development and office services using state-of-the-art tools. Furthermore, the smoothly executed introduction of the euro as a currency of account within the Group's wholesale and retail bank services was a large-scale information technology project, as were the information technology modifications connected with the transition to the new millennium.

The result of OKOBANK Group Central Cooperative Consolidated's first full year of operations was in line with expectations, except for premium income from insurance operations. The Central Cooperative Consolidated's net operating profit developed favourably throughout the year and the principal subsidiaries posted a profit. The biggest improvement in earnings was reported by OKOBANK Consolidated. The positive trend lays a good foundation for the future success of both the Central Cooperative Consolidated and the entire Group.

The OKOBANK Group Central Cooperative's most important task is to support the business operations of the member banks. To serve as a basis for developing support services, in November an extensive survey was carried out among the member cooperative banks. The results show that in the opinion of the member banks, the Central Cooperative has both expertise and development skills as well as a wide and modern range of services.

The survey indicates that the key development targets in the current year will be to improve the quality, flexibility and availability of the services we provide.

In other respects, too, 1999 will be a challenging year of development, inputs and outlays with the aim of achieving the targets set in the OPK-100 strategy. We have a solid foundation. OKOBANK Group Central Cooperative Consolidated's fundamental structure is in good shape and it has a well functioning organisation. We can now move from a running-in year to a year of development.

Helsinki February 10, 1999  
Reijo Karhinen

# OKOBANK Group Central Cooperative

## Annual Report 1998

### Changes in the consolidated structure

OKOBANK Group Central Cooperative Consolidated was formed in the summer 1997, when the Central Cooperative acquired a majority holding in OKOBANK Osuuspankkien Keskuspankki Oyj through share purchases concluded with the cooperative banks. In accordance with policy lines formulated by the Supervisory Boards of the Central Cooperative and OKOBANK already in 1997, OKOBANK Group Central Cooperative purchased from OKOBANK its 70 per cent holding in FD Finanssidata Oy, the entire shares outstanding in its wholly-owned OP-Rahastoyhtiö Oy, and 7 000 shares in OP-Kotipankki Oyj. After these purchases, OKOBANK Consolidated's holding in Kotipankki declined to 48 per cent. In addition to the share purchase arrangements, OKOBANK Group Central Cooperative purchased from OKOBANK the service operations of its Agrifinancing and Payment Services departments as well as the IT software which the member banks require in their banking operations. The deals served to clarify the OKOBANK Group Central Cooperative's role as the know-how and service centre of the member cooperative banks as well as OKOBANK's role as a listed company. At the end of April the OKOBANK Group Central Cooperative purchased from OKOBANK, the OKOBANK Group Pension Fund and Osuuspankki Realum the shares which they held in the Optum Kiinteistöpalvelut Oy real-estate service company.

On the basis of an agreement made with the Association of the Local Cooperative Banks, in December the OKOBANK Group Central Cooperative purchased 757 796 OKOBANK Series K shares that were owned by the Association's member banks. At the end of the year the OKOBANK Group Central Cooperative furthermore purchased from Osuuspankki Realum and Ylä-Kintauden Osuuspankki a total of 560 520 OKOBANK Series K shares which they owned. Following these purchases, the OKOBANK Group Central Cooperative's holding in OKOBANK rose to 43.0 per cent and its voting rights to 61.8 per cent.

Following the corporate arrangements carried out during 1998, OKOBANK Group Central Cooperative Consolidated includes the parent cooperative and OKOBANK together with its consolidated subsidiaries as well as Aurum Life Assurance Company, OP-Kotipankki Oyj, FD Finanssidata Oy, OP-Rahastoyhtiö Oy and Optum Kiinteistöpalvelut Oy. The annual accounts of the OKOBANK Group Central Cooperative's wholly-owned Osuuspankki Realum have been consolidated directly within the OKOBANK Group's annual accounts on the basis of permission obtained from the Financial Supervision.

Acquisitions and divestments as well as other arrangements carried out within OKOBANK Group Central Cooperative Consolidated did not have direct effects on its result. The impact of the acquisitions and divestments on the Central Cooperative Consolidated's distributable equity is minor.

### OKOBANK Group Central Cooperative Consolidated performance

| € million  | 1998      |           |           |           | 1997       |            | Change<br>1-12 |
|--|-----------|-----------|-----------|-----------|------------|------------|----------------|
|  | 1-3       | 4-6       | 7-9       | 10-12     | 1-12       | 1-12       |                |
| Net income from financial operations                                 | 28        | 29        | 29        | 32        | 117        | 54         | 63             |
| Commission income  | 18        | 19        | 17        | 21        | 75         | 31         | 44             |
| Net income from securities transactions and foreign exchange dealing | 6         | 5         | 1         | 1         | 12         | 2          | 11             |
| Other operating income   | 30        | 32        | 27        | 27        | 115        | 95         | 20             |
| <b>Total income</b>  | <b>82</b> | <b>84</b> | <b>74</b> | <b>81</b> | <b>320</b> | <b>182</b> | <b>138</b>     |
| Commission expenses  | 4         | 5         | 4         | 6         | 19         | 8          | 11             |
| Administrative expenses  | 33        | 35        | 33        | 44        | 146        | 99         | 47             |
| Depreciation and write-downs   | 5         | 5         | 5         | 6         | 21         | 14         | 7              |
| Other operating expenses   | 16        | 14        | 12        | 13        | 55         | 33         | 22             |
| <b>Total expenses</b>  | <b>57</b> | <b>59</b> | <b>54</b> | <b>69</b> | <b>240</b> | <b>153</b> | <b>87</b>      |
| Profit before loan losses  | 24        | 25        | 19        | 11        | 80         | 29         | 51             |
| Loan and guarantee losses  | 0         | -1        | -1        | -1        | -3         | 3          | -6             |
| Share of profit/loss of companies included using the equity method   | 1         | 2         | -6        | 5         | 3          | -3         | 5              |
| <b>Net operating profit</b>  | <b>25</b> | <b>28</b> | <b>15</b> | <b>18</b> | <b>85</b>  | <b>23</b>  | <b>62</b>      |
| Income/expenses ratio  | 1.43      | 1.42      | 1.35      | 1.17      | 1.33       | 1.20       |                |

## Performance of OKOBANK Group Central Cooperative Consolidated

### Net operating profit € 85 million

OKOBANK Group Central Cooperative Consolidated posted net operating profit of € 85 million. The return on equity rose from 7.9 per cent in 1997 to 11.1 per cent and the return on assets rose from 0.4 per cent 0.6 per cent.

Because OKOBANK and its subsidiaries were consolidated within OKOBANK Group Central Cooperative Consolidated in the 1997 annual accounts only for the period July 1 - December 31, the figures in the 1997 profit and loss account are not comparable with those for 1998.

The net operating profit for each quarter was in the black. The largest net operating profit figure, € 28 million, was generated in the second quarter and the smallest, € 15 million, in the third quarter. Net operating profit for the July-December period was 41 per cent greater than the net operating profit in the corresponding period a year earlier.

Net income from financial operations was € 117 million. The factors that had a positive effect on net income from financial operations were the growth in lending as well as the decrease in non-performing and zero-interest claims to a minor amount.

Commission income amounted to € 75 million. Commissions on securities operations, payment transfers and lending totalled € 24 million, more than € 13 million and less than € 13 million, respectively. Net income on securities transactions was € 5 million and net income on foreign exchange dealing totalled € 7 million. Other operating income totalled € 112 million. The income includes capital gains of slightly less than € 6 million on the sale of real estate and more than € 3 million of capital gains on long-term holdings of equities.

Administrative expenses amounted to € 146 million, of which staff costs were € 78 million. The depreciation booked was € 21 million, which includes a net amount of less than € 1 million of write-downs on shares and participations in real-

estate companies. Other operating expenses totalled € 55 million. The deposit banks belonging to OKOBANK Group Central Cooperative Consolidated paid a total of € 28 million of contributions to the OKOBANK Group Security Fund.

Thanks to reversals of loan losses booked by OKOBANK, loan losses improved OKOBANK Group Central Cooperative Consolidated's result by a net amount of € 3 million. Write-downs on securities held as fixed financial assets and adjustments to them improved the result of OKOBANK Group Central Cooperative Consolidated by a net amount of about € 0.5 million.

The share of the result attributable to companies consolidated using the equity method was € 3 million. The item is comprised almost entirely of the Central Cooperative's and OKOBANK's interest in the net profit of Aurum Life Assurance Company.

OKOBANK Group Central Cooperative Consolidated's € 9 million of extraordinary income consists almost completely of stamp taxes and additional taxes counted on them, which were refunded to OKOBANK on the basis of a claim for rectification. The € 106 million of payments made by OKOBANK, Okopankki Oyj and OP-Kotipankki Oyj during the year in settlement of the OKOBANK Group Security Fund's liabilities have been entered in extraordinary expenses.

After income taxes and minority interests, OKOBANK Group Central Cooperative Consolidated posted a loss for the financial year of € 5 million.

### Total assets € 9 billion

OKOBANK Group Central Cooperative Consolidated had total assets of € 9 billion, representing a balance sheet total that was on the same level as it was a year earlier. OKOBANK Group Central Cooperative Consolidated's credit portfolio grew by € 0.6 billion and investments in the money and capital markets declined by a similar amount.

The amount of debt certificates eligible for refinancing with central banks was € 0.5 billion at the end of the year, or € 0.3 billion less than a year earlier. The amount of Treasury

Figure 14. **OKOBANK Group Central Cooperative Consolidated income**

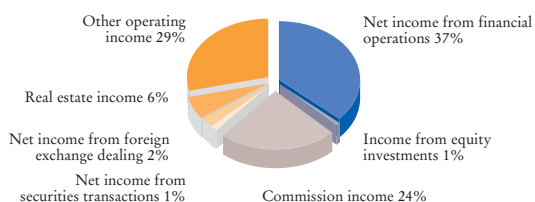
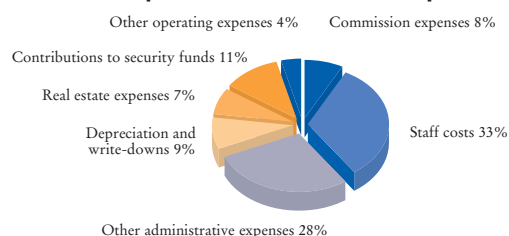


Figure 15. **OKOBANK Group Central Cooperative Consolidated expenses**



bills was € 0.3 billion and Government bonds amounted to € 0.2 billion. The amount of debt certificates other than those eligible for refinancing with central banks grew from € 1.4 billion to € 1.5 billion.

Claims on credit institutions contracted by nearly a third to € 1.7 billion. Claims on the cooperative banks remained at the level of December 31, 1997, and were € 0.9 billion. Capital investments by the member banks amounted to € 0.2 billion in the consolidated balance sheet. In December 1998 OKOBANK and Okopankki Oyj granted to the OKOBANK Group Security Fund a € 57 million non-interest-bearing loan corresponding to their uncovered share of the Security Fund's liability. In December 1998 the OKOBANK Group Security Fund repaid the member loans granted to it by companies belonging to OKOBANK Group Central Cooperative Consolidated as well as other loans.

Claims on the public and public sector entities grew from € 3.2 billion to € 3.8 billion during the financial year. Domestic markka-denominated credits increased by 18.6 per cent to € 3.4 billion and domestic foreign currency loans were

up by a third to less than € 0.4 billion. The amount credits to foreigners contracted to about € 50 million.

OKOBANK Group Central Cooperative Consolidated's non-performing claims contracted further in 1998, totalling € 15 million at the end of the year, or € 9 million less than at the end of 1997. The amount of zero-interest claims grew from € 7 million to € 63 million owing to the interest-free loans granted to the Security Fund. The Fund repaid the € 57 million of zero-interest loans at the beginning of January 1999.

Liabilities to credit institutions totalled € 2.8 billion at the end of the year, and were at the same level as a year earlier. Liabilities to the public and public sector entities grew by € 0.4 billion. Domestic deposits contracted by 2.1 per cent to € 1.3 billion. Debt securities issued to the public were at the level of December 31, 1997, or € 2.6 billion. Subordinated liabilities contracted by slightly less than € 0.1 billion to € 0.6 billion.

OKOBANK Group Central Cooperative Consolidated's equity capital at the end of the year was € 0.2 billion and the minority interest share of the equity capital was € 0.3 billion. After subtracting the loss for the financial year, OKOBANK Group Central Cooperative Consolidated's distributable equity totalled € 70 million.

The total amount of off-balance sheet commitments was € 1.8 billion, or € 0.3 billion greater than at the end of the previous year. The aggregate value of the underlying instruments of derivatives contracted from € 68.2 billion to € 32.6 billion.

#### OKOBANK Group Central Cooperative Consolidated capital adequacy

| € million  | Dec. 31, 1998 | Dec. 31, 1997 |
|--|---------------|---------------|
| Own funds  |               |               |
| Tier I   | 440           | 483           |
| of which capital investments                                       | 0             | 0             |
| Tier II  | 440           | 483           |
| Deductions   | -52           | -220          |
| Tier III   | 13            | 8             |
| Total  | 840           | 755           |
| Risk-weighted receivables, investments and off-balance sheet items | 5 315         | 4 395         |
| Capital adequacy ratio, %  | 15.8          | 17.2          |
| Tier I funds/Risk-weighted items, total, %                         | 8.3           | 11.0          |

#### Capital adequacy ratio 15.8 per cent

OKOBANK Group Central Cooperative Consolidated's capital adequacy ratio at the end of the year was 15.8 per cent, or 1.4 percentage point lower than at the end of the previous year. Following the amendments to the Credit Institution Act which came into force from the beginning of the year, an institution belonging to the OKOBANK Group need not subtract from the amount of its own funds investments which it has made in other credit institutions belonging to the OKOBANK

Figure 16. OKOBANK Group Central Cooperative Consolidated balance sheet: assets

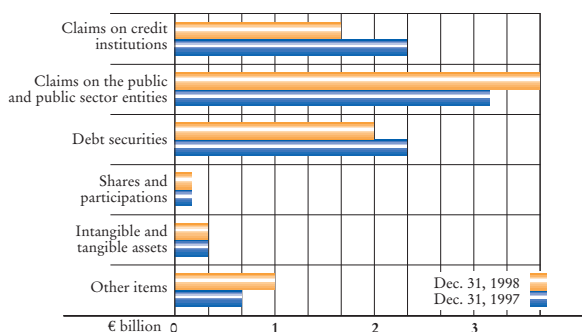
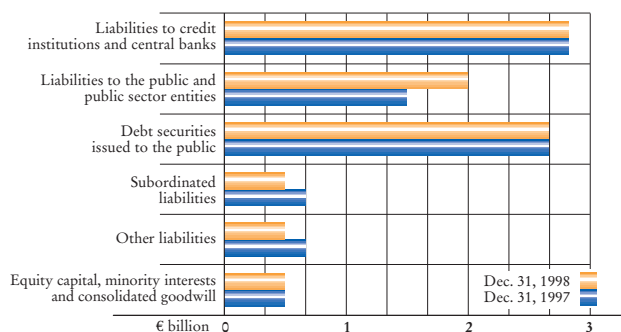


Figure 17. OKOBANK Group Central Cooperative Consolidated balance sheet: liabilities



Group. The effect of the legislative change on the capital adequacy ratio of OKOBANK Group Central Cooperative Consolidated was 3.4 percentage points. However, the growth in risk-weighted commitments as well as the covering of OKOBANK Group Central Cooperative Consolidated's share of the Security Fund's liabilities weakened the capital adequacy ratio.

The amount of Tier I own funds at the end of the year was € 0.4 billion. The loss for the financial year has been subtracted from the figure. The ratio of Tier I own funds to risk-weighted receivables, investments and off-balance sheet items was 8.3 per cent, or 2.7 percentage point lower than it was at the end of 1997.

## Personnel

OKOBANK Group Central Cooperative Consolidated's payroll at the end of the year was 1 757 employees, or 19 less than at the end of 1997, comparably calculated. The real-estate services company Optum Kiinteistöpalvelut Oy was consolidated for the first time as a part of the Central Cooperative Consolidated during 1998. The company added 40 employees to the Central Cooperative Consolidated as a legal entity. At the end of the year the number of permanent salaried employees was 1 645 people and there were 112 people employed on a fixed-term basis. The average payroll during the year was 1 782 employees. The average for the previous year was 1 744 employees.

The composition of OKOBANK Group Central Cooperative Consolidated's personnel did not change essentially during the year. The average age of the personnel at the end of 1998 was about 42 years. Women made up 66 per cent of the staff. About 25 per cent of the staff had a university degree and 46 per cent had a post-secondary degree.

Salaries and wages paid totalled € 62 million.

### Staff by companies

|                              | Dec. 31,<br>1998 | Dec. 31,<br>1997 |
|------------------------------|------------------|------------------|
| OKOBANK Group                |                  |                  |
| Central Cooperative          | 479              | 378              |
| OKOBANK Consolidated*        | 940              | 1 054            |
| OP-Kotipankki Oyj            | 23               | 24               |
| OP-Rahastoyhtiö Oy           | 12               | 8                |
| FD Finanssidata Oy           | 240              | 250              |
| Aurum Life Assurance Company | 22               | 23               |
| Optum Kiinteistöpalvelut Oy  | 40               | 39               |
| Other                        | 1                | 0                |
| Total                        | 1 757            | 1 776            |

\* The figure for 1997 is given without OP-Kotipankki Oyj, OP-Rahastoyhtiö Oy and FD Finanssidata Oy.

## Operations of OKOBANK Group Central Cooperative Consolidated

### Service operations

#### New operational policy lines

The OPK-100 strategy covering OKOBANK Group Central Cooperative Consolidated was completed in the spring 1998 on the basis of the OKOBANK Group's joint OP-100 strategy. The strategy review served to confirm the Central Cooperative Consolidated's vision, its core functions and its strategic priorities. OPK-100 sets forth a strategy with a pronounced emphasis on seeking development, and it stresses the importance of expert knowledge and know-how.

In June the organisation of the Central Cooperative Consolidated was renewed and the areas of responsibility of the members of its Executive Board were reviewed to be better in line with the new operational policy lines that were approved in the spring. The reforms will aim at achieving better service ability and stepping up the efficiency of operations.

The Central Cooperative's service operations centred on the key areas defined in the strategies. The development work emphasised the support of a sales-oriented way of working, the development of electronic banking, preparation for offering the new centralised service packages as well as revamping the management, training and development systems. Other important matters were preparation for the euro and for the Year 2000 project as well as the separating out of the operations of the cooperative banks which remained outside the OKOBANK Group from the Group's information systems.

Sales-oriented procedures were supported by means of a number of systems and training that promoted the practical application and development of a customer-first approach. Projects started in the autumn were a review of the advertising themes and graphical guidelines supporting the sought-after corporate image as well as the development of marketing services.

The member banks' Internet service package was renewed during the year. The upgrade was supported by an extensive marketing campaign beamed at the member banks as well as by training in use of the system. The overhaul will give the banks the possibility to carry out their own voluntary customer communications via the Internet.

The member banks' management tools were developed during the year. The concept and process of strategic planning were renewed. A new management tool for putting the strategy to work in a concrete way was the OKOBANK Group's Balanced Scorecard, a set of measures of performance that was developed together with the member banks and which also comprised measurements related to customers and the staff.

### *Central new products and services in 1998*

- New Internet service package
- Extranet link between shopkeeper customers and OP-Kotipankki
- UniCash cash management service across the euro area
- Yield Expert service
- OP-Euro Equity and Opstock Finland Index mutual funds
- New housing finance systems
- Insurance against serious illness
- Continual mutual fund investing

### *The OP Academy starts up*

The training functions of the OKOBANK Group Institute were renewed by turning them into competence development services and they were integrated into business development to form a new Business and Knowledge Management Development Department. The aim of this was to ensure that the development of staff competence will be carried out in line with the bank's strategy.

Part of the same development effort was the creation of a new learning environment, the OP Academy, which was established in order to improve the Group's competitiveness. The OP Academy is a diverse development environment which makes active use of the most recent means of voluntary development made possible by modern technology whilst also drawing on the training services of the units of the OKOBANK Group and external partners in cooperation. The forms of learning offered by the OP Academy are diploma programmes lasting about one year in areas such as management and leadership, sales training, customer service as well as topical days and seminars aiming at developing the competence of bank professionals.

The OP Academy's pages in the OKOBANK Group's intranet network launched a new form of learning. This will make possible self study via all the workstations at different locations throughout the Group.

Improvements in personnel administration during the year centred on job rotation between the member banks and the Central Cooperative's different units, renewal of the principles of recruiting key personnel, organising for the member

banks a series of seminars connected with activities that maintain working ability as well as the development of reward practices jointly with the member banks.

### *Accounting services developed*

During 1998 the Central Cooperative undertook operations to offer the member banks new centralised services. OP Accounting Service, which offers comprehensive accounting services, began operations in the autumn. Payroll accounting was also placed on a centralised basis. In addition, steps were taken to produce centralised collection services.

The centralising of financial control tasks was also started within OKOBANK Group Central Cooperative Consolidated. From the beginning of October OKOBANK's external accounting and reporting to the authorities have been handled on a centralised basis by the Central Cooperative's Financial Control. In December the financial control of OKO Mortgage Bank plc was also transferred to the Central Cooperative.

### *Preparations for the euro and the Year 2000*

The Central Cooperative has had a centralised responsibility for the information system modifications, training, provision of information and marketing for the OKOBANK Group's EMU project. Information system modifications concerning retail banking have been handled by FD Finanssidata Oy and changes related to wholesale banking have been carried out within the modification project run by OKOBANK Consolidated. The Central Cooperative has provided training for the member banks' Euro Advisers and the banks' salaried staff during euro theme days.

The euro affairs have also been made a part of other training. The Central Cooperative's experts have given presentations at a number of customer meetings organised by the member banks. Euro brochures and series of transparencies have been published for different customer groups. Articles concerning the euro have appeared in the OKOBANK Group's customer and personnel magazines.

The Central Cooperative's auditors audited the EMU project in October and the Financial Supervision made a visit of inspection in connection with the EMU project in November. The Central Cooperative's internal audit has also actively tracked the project's progress.

The Central Cooperative is responsible for the OKOBANK Group's Year 2000 project. FD Finanssidata Oy is responsible for implementing the project. In December the Steering Group for the applications project was strengthened by including representatives of the management of the main business operations departments. The purpose of the organisational change is to ensure the input and support of the business functions for joint testing and introduction of the Year 2000 modifications. Furthermore, monthly reports on progress of the project are submitted to the Executive Board. In addition to



the Group's own project and its co-operation with suppliers, to ensure Year 2000 compliance the OKOBANK Group has collaborated with both the Finnish financial sector and regulatory authorities.

By the end of the year all the member banks' approximately 6 000 workstations were upgraded to be in line with the new standard. The new workstation standard was also introduced within OKOBANK Group Central Cooperative Consolidated. In the autumn a thorough overhaul of office services was started on the basis of the new workstation architecture.

The separating out of the cooperative banks which remained outside the OKOBANK Group from the Group's information systems and organisation was seen to completion. The wide-ranging project involving the transfer of customer relationships called for changes to nearly all the applications. Separating out of the information technology systems was seen to completion in November.

### *Group control*

#### *Safeguarding of interests*

The most important legislative projects from the standpoint of the OKOBANK Group's legal operating environment were the total reform of the Cooperative Act, which was in preparation at the Ministry of Justice, and an act on reorganising credit institutions and the winding up of a credit institution, which was being drafted by the Ministry of Finance. Representatives of the Central Cooperative were members of the background working groups of the ministries that were involved in drafting these acts. Similarly, the Central Cooperative safeguarded the interests of the OKOBANK Group in respect of amendments to the Credit Institution Act by seeing to it that it was made possible for the member banks of the OKOBANK Group Security Fund to withdraw from the Security Fund by paying their share of its liabilities.

An important part of the safeguarding of interests in legislative work and in contacts with the authorities was handled by way of participating in the activities of the Finnish Bankers' Association. The Central Cooperative was also actively involved in the activities of the UNICO Banking Group, a financial interest group formed by the largest European cooperative banks, and in the activities of the European Association of Cooperative Bank, which safeguards the interests of the cooperative banks in work on EU legislation.

#### *Risk management*

The objective of risk management is to ensure that the risks assumed by the units of the OKOBANK Group are in correct proportion to each unit's own risk-bearing ability. The trend in the business operations, risk-bearing ability and risk situation of the member cooperative banks as well as of OKOBANK Group Central Cooperative Consolidated and its units is continuously monitored by the Central Cooper-

ative's Legal Affairs and Risk Management Services Department. The Central Cooperative's Executive Board has defined the monitoring limits for credit, real-estate and balance sheet risks for the member cooperative banks and the entire OKOBANK Group as well as for the Central Cooperative and its units. The Legal Affairs and Risk Management Services Department has overseen the risk management of the member banks in general and especially in the event that the monitoring limits are exceeded.

Acting under authorisation by the Central Cooperative's Executive Board, the Credit Risk Committee has dealt with the member banks' committed line and exemption applications in accordance with the Cooperative Bank Act. The Committee took 58 committed line decisions for 38 bank's customer entities. A total of 80 exemptions were dealt with.

The Asset and Liability Management unit was established within the Legal Affairs and Risk Management Department to strengthen the management of balance sheet risks. The unit also monitors the interest rate market and prepares proposals for changing the Op-Prime interest rate. These proposals are submitted to the Central Cooperative's Executive Board for decision.

Of the companies belonging to OKOBANK Group Central Cooperative Consolidated, the assumption of credit or market risk is part of the nature of the business operations of the OKOBANK Consolidated companies, OP-Kotipankki Oyj and Aurum Life Assurance Company. The other consolidated companies primarily provide services for the entities belonging to the OKOBANK Group and thus their operations do not involve major credit or market risks. The companies belonging to the Central Cooperative Consolidated have set forth the risks inherent in their operations and their risk management methods in greater detail in their own annual reports.

#### *Audit activities*

The structure of the Central Cooperative's Audit Function was changed such that there are now four audit regions instead of the 16 audit districts. At the same time the district auditors' posts were changed into regional auditors' posts. The regional auditors comprise four audit teams which handle audit responsibilities on a rotation basis.

The audit function also monitored preparations for the euro and measures to achieve Year 2000 compliance and it invested in improving data security. In addition, a development project for EDP-aided auditing was started together with the chief auditor with the objective of supporting the auditing of the member banks at the amalgamation level.

The audits were carried out in a way that supported achievement of the objectives of the member banks and the entire Group's business operations. The audit plans for 1998 were carried out.

### *Data security*

During the year the prime emphasis within data security was on improving and backing up present LAN, Internet and card services as well as those under development. A data security solution was developed that will make possible remote use of the Group's information network already during 1999.

To ensure improved data security for network services, the bank worked together with the authorities to find an improved solution by carrying out a project connected with electronic ID verification. The solution will make possible encryption and digital signatures when transacting business over a network.

### *Withdrawal from the OKOBANK Group Security Fund*

The withdrawal of the member banks of the OKOBANK Group Security Fund from the 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 € 706 million, 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. The Fund will henceforth only carry out those support requirements for which it had made commitments by the end of 1998.

The aggregate share of the companies belonging to OKOBANK Group Central Cooperative Consolidated was € 163 million. Of this amount, € 106 million was paid on December 29, 1998. The payment is included in extraordinary expenses in the 1998 profit and loss account. The Security Fund was granted a total of € 57 million of interest-free loans corresponding to the unpaid share of the liabilities. This arrangement concerned all those member banks of the Security Fund which had not paid their share of the liabilities entirely in 1998. The companies belonging to OKOBANK Group Central Cooperative Consolidated paid

the final remaining amount of their share of the liabilities, € 57 million, on January 4, 1999, when their withdrawal from the Security Fund also entered into force. The payment is included in extraordinary expenses in the 1999 profit and loss account. On January 4, 1999, the Security Fund repaid the loan it had received.

OKOBANK Group Central Cooperative has undertaken to bear responsibility for the surplus or deficit incurred in winding down the Security Fund.

## **The parent cooperative**

### *Result and balance sheet*

Because of changes in the consolidated structure, the OKOBANK Group Central Cooperative's total assets grew significantly during 1998. At the end of the year total assets amounted to € 0.2 billion, or 37 per cent greater than at the end of the previous year. The purchases of businesses and assets that were carried out both increased the amount of income and expenses and changed the structure of the expenses. Accordingly, the profit and loss accounts for 1997 and 1998 are not comparable in all respects.

The OKOBANK Group Central Cooperative's net operating profit increased from € 5 million to almost € 15 million. The growth in net operating profit is mainly attributable to the more than € 8 million growth in dividend income. Owing to dividends as well as to the structural arrangements carried out, income grew by 32 per cent to € 108 million and expenses were up 22 per cent to € 94 million.

Dividends, including avoiron fiscal credits, were € 9 million and commission income amounted to € 8 million. Other operating income grew from € 82 million to € 93 million. Other operating income includes € 8 million of operations contributions from the member banks and more than € 3 million of audit payments.

Primarily due to transfers of business functions, staff costs were up 30 per cent to € 23 million. Other administrative expenses were € 11 million greater than a year earlier. The increase was mainly attributable to EDP expenses. The amount of depreciation grew by € 3 million to more than € 4 million and other operating expenses decreased by € 3 million to € 6 million. The growth in depreciation is due largely to the deals made with OKOBANK, as is the contraction in other operating expenses.

After direct taxes of € 4 million for the financial year, the result for the financial year was a net profit of € 12 million.

The book value of the Central Cooperative's shareholdings at the end of the year was € 160 million, an increase of € 31 million from the end of the previous year. The total amount of tangible and intangible assets at the end of the year was € 21 million. A year earlier the total amount of these assets was € 4 million.



At the end of December, liabilities totalled € 90 million, most of which consisted of internal financing for the OKOBANK Group. The amount of cooperative capital at the end of the year was € 99 million, i.e. at the same level as a year earlier. Equity capital totalled € 112 million, or € 9 million more than at the end of 1997. The equity/total assets ratio fell during the financial year by 14 percentage points to 56 per cent.

At the end of 1998 the Central Cooperative had a payroll of 479 employees, or 101 more than a year earlier. The purchases of business functions carried out at the beginning of the year increased the number of employees by 82. During the year the collection function, part of EDP systems as well as the external audit and reporting to the authorities for OKOBANK and OKO Mortgage Bank were all transferred to the Central Cooperative. The 29 staff who handle these tasks became employees of the Central Cooperative.

The Central Cooperative's Executive Board will propose that interest of 5.75 per cent, or € 6 million, be paid on the cooperative capital for 1998.

### *Members of the OKOBANK Group Central Cooperative*

During 1998 the number of the Central Cooperative's member banks diminished by three. Saaren Osuuspankki merged with Parikkalan Seudun Osuuspankki and Mietoisten Osuuspankki merged with Mynämäen Osuuspankki. In addition, Kiikalan Osuuspankki, Kuusjoen Ylikulman Osuuspankki and Perttelin Osuuspankki merged into the new Osuuspankki Kantrisalo. Ylä-Kintauden Osuuspankki, which remained outside the OKOBANK Group in the summer 1997, rejoined the OKOBANK Group Central Cooperative in September 1998. At the end of the year the Central Cooperative had 247 members.

### *Administration*

At its meeting held on April 1, 1998, the OKOBANK Group Central Cooperative elected Erkki Alatalo and Pertti Raunio as new members of its Supervisory Board. Paavo Haapakoski, Ilkka Heinonen, Tauno Raistakka, Johan Signell, Kaj Skätär and Keijo Väänänen, who were members due to resign, were re-elected for the term of office 1998-2001. Pertti Raunio was elected in place of Simo Kauppi, who had tendered his resignation from membership of the Supervisory Board. In place of Pentti Pihko, Erkki Alatalo was elected on the grounds that in the apportionment of seats among the federations of the cooperative banks, Satakunnan Osuuspankkiliitto lost one seat to Lapin Osuuspankkiliitto.

The regular auditors elected were the firm of independent public accountants SVH Pricewaterhouse Coopers Oy as well as Eero Huusko, M.Sc.(Econ.), Authorised Public Accountant, and professor Reino Majala, Authorised Public

Accountant. Elected as deputy auditors were Kauko Lehtonen, M.Sc.(Econ.), Authorised Public Accountant, and Auno Inkeröinen, M.Sc.(Econ.), Authorised Public Accountant.

At its organisation meeting held on April 1, 1998, the Supervisory Board re-elected Seppo Penttinen as its chairman. Likewise, Esa Swanljung and Heikki Pykälistö were re-elected as vice chairmen.

At its meeting on June 10, 1998, the Supervisory Board appointed Pekka Jaakkola as a new member of the Executive Board of the OKOBANK Group Central Cooperative effective July 1, 1998. Mr Jaakkola's area of responsibility is the revamped Group Services function, whose previous director, Keijo Manner, took over as director of the new Retail Banking Services function.

Esko Hollman, member of the Executive Board, took over as director of Legal Affairs and Risk Management Services, which was made a part of the Group Administration function headed by Heikki Vitie. At the same time, Mr Hollman was made a deputy member of the Executive Board.

The Supervisory Board accepted the resignation of Tuomas Hinttula from deputy membership of the Executive Board effective July 1, 1998. Mr Hinttula retired on January 1, 1999.

### **Major subsidiaries**

#### *OKOBANK Osuuspankkien Keskuspankki Oyj*

The OKOBANK Group Central Cooperative's largest subsidiary is OKOBANK Osuuspankkien Keskuspankki Oyj which, together with its subsidiaries, forms the OKOBANK Group Central Cooperative Consolidated subgroup. OKOBANK's major subsidiaries are Okopankki Oyj, which is engaged in retail banking operations in the Greater Helsinki area, the finance company OP-Finance Ltd, the mortgage credit bank OKO Mortgage Bank plc as well as Opstock Ltd, which is engaged in securities brokerage, corporate finance, asset management and investment research.

OKOBANK Consolidated's net operating profit grew by € 27 million to € 74 million. OKOBANK Consolidated's return on equity rose to 9.7 per cent. Net income from financial operations was € 113 million, down 5 per cent on 1997. Other income and expenses contracted by a quarter mainly due to the changes that took place in the consolidated structure. Net loan losses and write-downs improved the result by less than € 4 million owing to reversals of losses in previous financial years.

OKOBANK Consolidated's total assets at the end of the year stood at € 8.9 billion. Claims on the public and public sector entities grew by 18 per cent to € 3.8 billion. Deposits from the public were € 1.2 billion.

OKOBANK Consolidated's capital adequacy ratio fell by 3.3 percentage points to 16.2 per cent. This was due to the fact that OKOBANK Consolidated paid € 104 million of its

share of the OKOBANK Group Security Fund's liabilities. The ratio of Tier I own funds to risk-weighted claims, investments and off-balance sheet items was 8.3 per cent at the end of the year.

The parent bank OKOBANK posted net operating profit of € 55 million, an increase of € 25 million on the previous year. OKOBANK's total assets grew by less than € 0.1 billion to € 7.4 billion. During 1998 the Bank's share capital increased by more than € 3 million to € 189 million. This was due to subscriptions of OKOBANK Series A shares made on the basis of the issue of bonds with warrants that was directed at the Government Security Fund in connection with the purchase of Savings Bank of Finland Ltd. At the end of the year OKOBANK's equity capital was € 0.4 billion and its capital adequacy ratio was 19.5 per cent.

The share price trend of OKOBANK's listed Series A share was rising during 1998. The price at the end of the year, € 15.64, was 7.6 per cent higher than the closing share price a year earlier.

#### *Aurum Life Assurance Company*

Aurum's premium income was € 146 million, as against € 211 million a year earlier. Premium income came nearly entirely from policies taken out by private individuals. The share of pension insurance policies in total premium income rose from 6 per cent a year earlier to 13 per cent and was € 19 million.

At the end of the year Aurum had total underwriting reserves of € 578 million and it was divided among about 50 000 policies. A 2.0 per cent customer bonus was paid on pension insurance policies and a 1.1 per cent bonus on savings insurance plans, these bonuses being paid in addition to the 4.5% calculated interest. Aurum paid € 11 million in claims.

Aurum's underwriting result for the financial year was more than € 4 million. Net income from investment operations was € 35 million. At the end of the year, 88 per cent of the investments was in different kinds of fixed-income instruments and 12 per cent was in shares and participations. The company's total assets at the end of the year were € 670 million.

During 1998 new policy conditions and bases of calculation were introduced. In interest-yield insurance policies according to offers that were made after the beginning of October, the calculated interest is confirmed annually in advance. For 1998, it was decided to pay the same 4.5 per cent calculated interest on these policies as on older policies.

Jukka Ruuskanen was appointed managing director of Aurum effective September 8, 1998.

#### *OP-Rahastoyhtiö Oy*

The capital in the mutual funds managed by OP-Rahastoyhtiö was € 0.46 billion at the close of the year, an increase of 81 per

cent on the previous year. The company's market share grew during the year and at the close of the financial year it was 9.4 per cent of the aggregate capital in mutual funds registered in Finland. The company's income from mutual fund operations was up 83 per cent on the previous year and totalled more than € 6 million. OP-Rahastoyhtiö reported net operating profit of € 0.9 million.

During the financial year OP-Rahastoyhtiö established two new mutual funds. OP-Euro Equity invests its assets in the shares of companies listed on the stock exchanges of the EMU countries. The special mutual fund Opstock Finland Index, which was launched in November, is an index fund that seeks a return equivalent to the FOX share index.

#### *OP-Kotipankki Oyj*

OP-Kotipankki Oyj had net operating profit of € 2.9 million, up € 1.2 million on 1997. The better than anticipated total amount of the Bank's net income from financial operations and its other income together with a reduction in loan losses were the factors that contributed to the positive trend in net operating profit. Owing to the growth in total lending, the capital adequacy ratio declined by 4.1 percentage points and was 11.4 at the end of the year.

OP-Kotipankki's total assets at the end of the year stood at € 92 million, down € 7 million on the previous year. Total lending grew from the end of 1997 by € 21 million, or 42 per cent. A factor responsible for the growth in demand for credits was co-operation with the member banks of the OKOBANK Group. The main products were the Gold Card Loan, the Cash Credit facility for financing the sales of shopkeepers as well as the Gold Card/MasterCard.

The number of shopkeepers who financed their sales with the Cash Credit grew by more than a fifth during the year.

#### *FD Finanssidata Oy*

FD Finanssidata Oy is in charge of the OKOBANK Group's centrally produced systems work, systems integration, operation and network services.

The priority areas for the development of customer systems apart from the euro and Year 2000 projects were a renewal of the workstation system, self-service systems, sales support systems as well as office services. Concurrently, a project involving a transfer of the customer relationships of the banks that withdrew from the OKOBANK Group was carried out. Development of an electronic filing and remote viewing system was also continued and it enabled the amount of paper printouts to be cut by a third during the report year. Because of the reduction in paper printouts, the company discontinued its own paper printout function in the autumn.

FD Finanssidata had net operating profit of € 0.7 million and total assets of € 14 million.

### Optum Kiinteistöpalvelut Oy

Optum Kiinteistöpalvelut Oy acts as a support and co-ordination unit for the OKOBANK Group's real-estate operations. The Company assists the entities belonging to the Group in tasks calling for real-estate expertise, provides guidelines for and reports on real-estate operations as well as oversees the Group's interests in real-estate matters.

During 1998 the Company concentrated on services connected with the sale, rental, administration and development of the real-estate property of its management clients. Optum sold about € 50 million of its clients' real-estate property and rented out about 90 000 square metres of premises.

The Company had turnover of almost € 3 million. The amount and composition of turnover did not change significantly during 1998.

### Osuuspankki Realum

The operational objectives of Osuuspankki Realum have been set in the winding down programme that extends up to 2004. During 1998 the Bank achieved its operational objectives for the year. Operations were geared towards the disposal of real-estate and security assets, collections as well as transferring rehabilitated customers back to the normal bank system.

In June the Bank repaid all the remaining capital investments that were made by the Government in 1992, making a payment of € 119 million.

The agreement on the allotment of the OKOBANK Group Security Fund's liabilities will make it possible to wind down Osuuspankki Realum faster than had been planned. The share-of-liabilities payments made by the Security Fund's member banks at the end of 1998 moved up the Security Fund's support given to Realum considerably ahead of plan. During 1998 Realum received from the Security Fund a total of € 437 million of support that was credited to income. Of the support entered in extraordinary income, the Bank received € 279 million as a grant and € 158 million in composition in respect of capital investments in the Bank.

Osuuspankki Realum posted a net operating loss of € 104 million, or € 43 million greater than a year earlier. € 67 million of loan and guarantee losses was booked. This figure includes € 14 million of write-downs booked on assets pledged as collateral for a receivable. In addition, a total of € 20 million of write-downs was booked on other shares and participations in real-estate companies. It is not expected that Osuuspankki Realum will sustain further significant losses on its customer liabilities and real-estate holdings.

After the support received from the OKOBANK Group Security Fund and other extraordinary items, the Bank's net profit for the year was € 343 million.

At the end of the year the Bank's total assets amounted to € 240 million, or € 150 million less than at the end of the previous year. Total lending contracted during the year by 47 per cent to € 80 million. The balance sheet value of real-estate holdings at the end of the year was € 104 million. Equity capital at the end of the year was € 66 million and the capital adequacy ratio was 28.6 per cent.

From the beginning of 1999 the bank will outsource its services connected with managing its receivables in the process of collection and accounting services, purchasing these services from the OKOBANK Group Central Cooperative. The number of people employed by Realum accordingly contracted from 37 to 11 at the beginning of January 1999.

## Other companies

### OKOBANK Group Mutual Insurance Company

The OKOBANK Group Mutual Insurance Company equalises risks among the OKOBANK Group's different units by engaging in intra-Group credit, guarantee, liability and security insurance operations. The Company's tasks also include prevention of damages.

During 1998 the Company undertook a major overhaul of its insurance conditions to bring them better into line with the OKOBANK Group's new structure and operating procedures.



At the end of 1998 the OKOBANK Group Mutual Insurance Company had total assets of € 0.2 billion, which was on a par with 1997. The Company's premium income totalled € 35 million, down € 8 million on 1997. Credit insurance operations accounted for 97 per cent of the premium income. Claims expenses fell from the previous year's € 35 million to € 29 million. The Company's net profit for the financial year was almost € 4 million.

Hannu Jaatinen was appointed managing director of the OKOBANK Group Mutual Insurance Company effective July 1, 1998.

### ***OKOBANK Group Security Fund***

Following the amendments to the Credit Institution Act which came into force at the end of the year, the OKOBANK Group Security Fund changed into a voluntary security fund. By the end of 1998 all the Security Fund's members had decided to withdraw from the Fund. The withdrawal will become effective after each bank has paid its share of the Fund's total liabilities of € 0.7 billion. During 1998, 90 banks paid their share of the liabilities in its entirety, and 89 banks paid them in January 1999. 40 banks will pay their share entirely by the end of 1999 and the remaining 72 banks by the end of 2004.

During 1998 the Security Fund collected from its members a contribution of 0.5 per cent of the aggregate amount of their total assets in 1997, a total contribution of € 142 million. At the end of 1998 the Fund's members had covered their shares of the Fund's liabilities in a total amount of € 324 million. During the year the Fund granted to its members grants totalling € 281 million, of which amount € 279 million was granted to Osuuspankki Realum. In addition, the Fund paid € 11 million of interest on capital investments on behalf of the member banks on the basis of guarantees given by the Fund and it granted Osuuspankki Realum a total of € 158 million in composition in respect of the capital investment certificates which the bank had issued.

Tuomo Metsäaro was appointed director of the OKOBANK Group Security Fund effective July 1, 1998.

### ***Pension institutions***

The OKOBANK Group Pension Fund handles the employees' statutory pension insurance and the OKOBANK Group Pension Foundation is responsible for the supplementary pension security of the employees for whom it provides coverage. In 1998 the area of coverage of the pension insurance institutions also included employers belonging to the Association of the Local Cooperative Banks, for whom withdrawal from membership of the pension institutions was agreed towards the end of 1998. Consummation of the withdrawal is contingent upon approval from the Ministry of Social Affairs and Health and the employers.

At the end of 1998 the Pension Fund covered 410 employer members and 9 455 employee members. In the course of the year the number of employers belonging to the Pension Foundation fell by three to 383. Towards the end of the year, 7 302 salaried employees were covered by the Pension Foundation. The figures do not take into account the effect of the agreement concluded with the Association of the Local Cooperative Banks.

The Pension Fund collected insurance premiums totalling € 50 million. The Pension Foundation did not collect an annual payment. The levels of contributions were on a par with the previous year. The Pension Fund's premium was 1.5 percentage point lower than the general level of statutory employees' pension insurance (TEL). The Fund's capital adequacy was raised not only by compulsory funding of the interest rate difference but also by increasing the reserves from the Fund's net profit for the year.

The Pension Fund's pension liability grew by about € 34 million and the Pension Foundation's by about € 9 million. The Foundation's pension liabilities were completely covered at the end of the year.

### ***Outlook for 1999***

OKOBANK Group Central Cooperative Consolidated's net operating profit for the first full year of operations exceeded targets. The organisation is in a good position to improve its net operating profit in the current year provided that the trend in the national economy remains positive and that major market disturbances do not occur. Withdrawal from the OKOBANK Group Security Fund will lower the Central Cooperative Consolidated's expenses by about € 27 million in 1999.

## OKOBANK Group Central Cooperative Consolidated profit and loss account

| € million  | Jan. 1 to Dec. 31, 1998 |     |    | Jan. 1 to Dec. 31, 1997 |   |    |
|--|-------------------------|-----|----|-------------------------|---|----|
| Interest income  | 431                     |     |    | 220                     |   |    |
| Interest expenses  | 313                     |     |    | 166                     |   |    |
| <b>Net income from financial operations</b>  | <b>117</b>              |     |    | <b>54</b>               |   |    |
| Income from equity investments   | 3                       |     |    | 1                       |   |    |
| Commission income  | 75                      |     |    | 31                      |   |    |
| Commission expenses  | 19                      |     |    | 8                       |   |    |
| Net income from securities transactions<br>and foreign exchange dealing                            |                         |     |    |                         |   |    |
| Net income from securities transactions  | 5                       |     |    | -1                      |   |    |
| Net income from foreign exchange dealing   | 7                       | 12  |    | 3                       | 2 |    |
| Other operating income   | 112                     |     |    | 94                      |   |    |
| Administrative expenses  |                         |     |    |                         |   |    |
| Staff costs  |                         |     |    |                         |   |    |
| Salaries and fees  | 62                      |     |    | 36                      |   |    |
| Staff-related costs  |                         |     |    |                         |   |    |
| Pension costs  | 10                      |     |    | 5                       |   |    |
| Other staff-related costs  | 6                       | 16  | 78 | 3                       | 8 | 44 |
| Other administrative expenses  | 68                      |     |    | 54                      |   |    |
| Depreciation and write-downs on<br>tangible and intangible assets                                  | 21                      |     |    | 14                      |   |    |
| Other operating expenses   | 55                      |     |    | 33                      |   |    |
| Loan and guarantee losses  | -3                      |     |    | 3                       |   |    |
| Write-downs on securities held as financial fixed assets   | 0                       |     |    | 0                       |   |    |
| Share of profit/loss of companies included<br>in the consolidated accounts using the equity method | 3                       |     |    | -3                      |   |    |
| <b>Net operating profit</b>  | <b>85</b>               |     |    | <b>23</b>               |   |    |
| Extraordinary items  |                         |     |    |                         |   |    |
| Extraordinary income   | 9                       |     |    | 1                       |   |    |
| Extraordinary expenses   | 106                     | -96 |    | 0                       | 1 |    |
| <b>Profit (loss) before appropriations and taxes</b>   | <b>-11</b>              |     |    | <b>24</b>               |   |    |
| Income taxes   |                         |     |    |                         |   |    |
| Taxes for the financial year and previous<br>financial years                                       | 4                       |     |    | 1                       |   |    |
| Change in imputed taxes due  | -2                      | 2   |    | 2                       | 3 |    |
| Share of profit (loss) for the financial<br>year attributable to minority interests                | -8                      |     |    | 11                      |   |    |
| <b>Profit (loss) for the financial year</b>  | <b>-5</b>               |     |    | <b>10</b>               |   |    |

## OKOBANK Group Central Cooperative Consolidated balance sheet

| ASSETS<br>€ million  | December 31, 1998 |              | December 31, 1997 |              |
|--|-------------------|--------------|-------------------|--------------|
| Liquid assets  |                   | 582          |                   | 191          |
| Debt securities eligible for refinancing<br>with central banks           |                   |              |                   |              |
| Treasury bills   | 288               |              | 330               |              |
| Other  | 231               | 519          | 538               | 868          |
| Claims on credit institutions  |                   |              |                   |              |
| Repayable on demand  | 27                |              | 59                |              |
| Other  | 1 664             | 1 691        | 2 279             | 2 338        |
| Claims on the public and public sector entities                          |                   | 3 773        |                   | 3 171        |
| Leasing assets   |                   | 130          |                   | 104          |
| Debt securities  |                   |              |                   |              |
| On public sector entities  | 36                |              | 60                |              |
| Other  | 1 468             | 1 504        | 1 349             | 1 409        |
| Shares and participations  |                   | 81           |                   | 86           |
| Participating interests  |                   | 11           |                   | 42           |
| Shares and participations in consolidated companies                      |                   | 63           |                   | 26           |
| Intangible assets  |                   |              |                   |              |
| Consolidated goodwill  | 1                 |              | 1                 |              |
| Other long-term expenditure  | 19                | 20           | 19                | 20           |
| Tangible assets  |                   |              |                   |              |
| Real estate and shares and participations<br>in real estate corporations | 256               |              | 271               |              |
| Other tangible assets  | 38                | 294          | 26                | 297          |
| Other assets   |                   | 260          |                   | 296          |
| Accrued income and prepayments   |                   | 93           |                   | 116          |
|  |                   | <b>9 020</b> |                   | <b>8 966</b> |

| LIABILITIES<br>€ million                                   | December 31, 1998 |  |  | December 31, 1997 |  |  |
|--|-------------------|--|--|-------------------|--|--|
| <b>Liabilities</b>   |                   |  |  |                   |  |  |
| Liabilities to credit institutions and central banks       |                   |  |  |                   |  |  |
| Central banks  | -                 |  |  | 0                 |  |  |
| Credit institutions  | .....             |  |  |                   |  |  |
| Repayable on demand  | 298               |  |  | 417               |  |  |
| Other  | 2 517             |  |  | 2 871             |  |  |
|  | 2 814             |  |  | 2 872             |  |  |
| Liabilities to the public and public sector entities       |                   |  |  |                   |  |  |
| Deposits   | .....             |  |  |                   |  |  |
| Repayable on demand  | 882               |  |  | 717               |  |  |
| Other  | 428               |  |  | 1 412             |  |  |
|  | 1 310             |  |  | 695               |  |  |
| Other liabilities  | 676               |  |  | 1 986             |  |  |
|  | 1 986             |  |  | 131               |  |  |
|  | 1 986             |  |  | 1 543             |  |  |
| Debt securities issued to the public                       |                   |  |  |                   |  |  |
| Bonds  | 459               |  |  | 520               |  |  |
| Other  | 2 188             |  |  | 2 648             |  |  |
|  | 2 648             |  |  | 2 123             |  |  |
|  | 2 648             |  |  | 2 643             |  |  |
| Other liabilities  | 419               |  |  | 603               |  |  |
| Accrued expenses and deferred income                       | 74                |  |  | 98                |  |  |
| Compulsory provisions                                      | .....             |  |  |                   |  |  |
| Pension provisions   | 0                 |  |  | 0                 |  |  |
| Other  | 2                 |  |  | 1                 |  |  |
|  | 2                 |  |  | 1                 |  |  |
| Subordinated liabilities                                   | 579               |  |  | 666               |  |  |
| Imputed taxes due  | 11                |  |  | 13                |  |  |
| Minority interests   | 297               |  |  | 328               |  |  |
|  | 8 829             |  |  | 8 768             |  |  |
| <b>Equity capital</b>                                      |                   |  |  |                   |  |  |
| Share capital  | 99                |  |  | 99                |  |  |
| Share premium account                                      | 0                 |  |  | 0                 |  |  |
| Revaluation reserve  | 10                |  |  | 10                |  |  |
| Non-restricted reserves                                    | .....             |  |  |                   |  |  |
| Other reserves   | 9                 |  |  | 9                 |  |  |
|  | 9                 |  |  | 9                 |  |  |
| Profit brought forward                                     | 78                |  |  | 71                |  |  |
| Profit (loss) for the financial year                       | -5                |  |  | 10                |  |  |
|  | 191               |  |  | 198               |  |  |
|  | 9 020             |  |  | 8 966             |  |  |
| <b>Off balance sheet commitments</b>                       |                   |  |  |                   |  |  |
| Commitments given to a third party on behalf of a customer |                   |  |  |                   |  |  |
| Guarantees and pledges                                     | 932               |  |  | 996               |  |  |
| Other  | -                 |  |  | 996               |  |  |
|  | 932               |  |  | -                 |  |  |
|  | 932               |  |  | 996               |  |  |
| Irrevocable commitments given in favour of a customer      |                   |  |  |                   |  |  |
| Securities repurchase commitments                          | -                 |  |  | -                 |  |  |
| Other  | 880               |  |  | 554               |  |  |
|  | 880               |  |  | 554               |  |  |
|  | 1 812             |  |  | 1 550             |  |  |

## OKOBANK Group Central Cooperative profit and loss account

| € million   | Jan. 1 to Dec. 31, 1998 |     |      | Jan. 1 to Dec. 31, 1997 |     |      |
|---|-------------------------|-----|------|-------------------------|-----|------|
| Interest income   | 0.5                     |     |      | 0.7                     |     |      |
| Interest expenses   | 1.5                     |     |      | 0.3                     |     |      |
| <b>Net income from financial operations</b>                             | <b>-1.0</b>             |     |      | <b>0.3</b>              |     |      |
| Income from equity investments  |                         |     |      |                         |     |      |
| Consolidated companies  | 9.1                     |     |      | 0.7                     |     |      |
| Other companies   | 0.0                     | 9.1 |      | 0.0                     | 0.7 |      |
| Commission income   | 7.7                     |     |      | -                       |     |      |
| Commission expenses   | 0.3                     |     |      | 0.0                     |     |      |
| Net income from securities transactions<br>and foreign exchange dealing |                         |     |      |                         |     |      |
| Net income from securities transactions                                 | 0.0                     |     |      | 0.0                     |     |      |
| Other operating income  | 92.7                    |     |      | 81.6                    |     |      |
| Administrative expenses   |                         |     |      |                         |     |      |
| Staff costs   |                         |     |      |                         |     |      |
| Salaries and fees   | 18.3                    |     |      | 14.6                    |     |      |
| Staff-related costs   |                         |     |      |                         |     |      |
| Pension costs   | 2.9                     |     |      | 1.7                     |     |      |
| Other staff-related costs   | 1.5                     | 4.4 | 22.9 | 1.2                     | 2.9 | 17.7 |
| Other administrative expenses   | 60.0                    |     |      | 49.3                    |     |      |
| Other administrative expenses   | 82.9                    |     |      | 66.9                    |     |      |
| Depreciation and write-downs<br>on tangible and intangible assets       | 4.4                     |     |      | 1.2                     |     |      |
| Other operating expenses  | 6.2                     |     |      | 9.1                     |     |      |
| <b>Net operating profit</b>   | <b>14.6</b>             |     |      | <b>5.2</b>              |     |      |
| Extraordinary items   |                         |     |      |                         |     |      |
| Extraordinary income  | 2.0                     |     |      | 0.2                     |     |      |
| Extraordinary expenses  | -                       | 2.0 |      | 0.0                     | 0.2 |      |
| <b>Profit before appropriations and taxes</b>                           | <b>16.7</b>             |     |      | <b>5.4</b>              |     |      |
| Appropriations  | 0.3                     |     |      | 0.0                     |     |      |
| Income taxes  | 4.0                     |     |      | 1.5                     |     |      |
| <b>Profit for the financial year</b>                                    | <b>12.3</b>             |     |      | <b>3.7</b>              |     |      |



## OKOBANK Group Central Cooperative balance sheet

| € million   | December 31, 1998 |              | December 31, 1997 |              |
|---|-------------------|--------------|-------------------|--------------|
| <b>ASSETS</b>   |                   |              |                   |              |
| Debt securities eligible for refinancing with central banks           |                   | 3.9          |                   | 3.9          |
| Claims on credit institutions   |                   |              |                   |              |
| Repayable on demand   |                   | 1.7          |                   | 0.7          |
| Debt securities   |                   |              |                   |              |
| On other than public sector entities                                  |                   | 5.9          |                   | 4.4          |
| Shares and participations   |                   | 4.0          |                   | 4.0          |
| Shares and participations in consolidated companies                   |                   | 155.7        |                   | 124.3        |
| Intangible assets   |                   | 7.4          |                   | 1.0          |
| Tangible assets   |                   |              |                   |              |
| Real estate and shares and participations in real estate corporations |                   | 0.5          |                   | 0.5          |
| Other tangible assets   |                   | 13.0         | 13.5              | 2.2          |
| Other assets  |                   | 0.8          |                   | 0.7          |
| Accrued income and prepayments  |                   | 9.6          |                   | 6.1          |
|   |                   | <b>202.5</b> |                   | <b>147.7</b> |
| <b>LIABILITIES</b>  |                   |              |                   |              |
| <b>Liabilities</b>  |                   |              |                   |              |
| Liabilities to credit institutions and central banks                  |                   |              |                   |              |
| Credit institutions   |                   |              |                   |              |
| Other than repayable on demand  |                   | 58.0         |                   | 9.9          |
| Liabilities to the public and public sector entities                  |                   |              |                   |              |
| Other than deposits   |                   | 8.7          |                   | 25.2         |
| Other liabilities   |                   | 17.0         |                   | 5.0          |
| Accrued expenses and deferred income                                  |                   | 6.1          |                   | 4.5          |
| Compulsory provisions   |                   |              |                   |              |
| Pension provisions  |                   | 0.0          |                   | -            |
| Other   |                   | 0.2          | 0.3               | -            |
|   |                   | 90.0         |                   | 44.7         |
| <b>Appropriations</b>   |                   |              |                   |              |
| Depreciation difference   |                   | 0.3          |                   | 0.0          |
| <b>Equity capital</b>   |                   |              |                   |              |
| Cooperative capital   |                   | 98.9         |                   | 98.9         |
| Other restricted reserves   |                   |              |                   |              |
| Reserve fund  |                   | 0.7          |                   | -            |
| Non-restricted reserves   |                   |              |                   |              |
| Other reserves  |                   | 0.2          |                   | 0.2          |
| Profit for the financial year   |                   | 12.3         |                   | 3.7          |
|   |                   | <b>202.5</b> |                   | <b>147.7</b> |
| <b>Off balance sheet commitments</b>                                  |                   |              |                   |              |
| Commitments given to a third party on behalf of a customer            |                   |              |                   |              |
| Guarantees and pledges  |                   | 209.6        |                   | 215.1        |
| Irrevocable commitments given in favour of a customer                 |                   | -            |                   | -            |
|   |                   | <b>209.6</b> |                   | <b>215.1</b> |

# Statement of the Supervisory Board

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The OKOBANK Group Central Cooperative's annual accounts for 1998 have been prepared in accordance with the principles approved by the Supervisory Board. The Supervisory Board has confirmed the accounts for presentation to the Central Cooperative's annual meeting. The Supervisory Board concurs with the Executive Board's proposal concerning disposal of the profit for the financial year and the profit brought forward.

In accordance with the statutes of the OKOBANK Group Central Cooperative, the following members of the Supervisory Board are due to resign: Maria Kaisa Aula, Esa Härmälä, Erkki Laatikainen, Jorma Lehtikoinen, Vesa Lehtikoinen, Jorma Pere and Heikki Teräväinen.

Helsinki February 10, 1999

For the Supervisory Board

Seppo Penttinen  
Chairman

Markku Koponen  
Secretary

## Auditors' Report

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### To the members of the OKOBANK Group Central Cooperative

We have audited the accounting, the financial statements and the corporate governance of the OKOBANK Group Central Cooperative 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. The accounting as well as the principles, form and content and the method of presentation of the financial statements have been audited comprehensively enough to state that the financial statements have been correctly prepared. 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 Executive Board as well as the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Executive Board, concurred by the Supervisory Board, regarding the disposition of the profit for the year is in compliance with the relevant legislation.

Separate consolidated financial statements have been prepared of the amalgamation of the cooperative banks (OKOBANK Group), as defined in the Cooperative Bank Act. We have given a separate Auditors' report on them.

Helsinki February 10, 1999

SVH Pricewaterhouse  
Coopers Oy  
Authorised Public Accountants  
Tauno Haataja  
Authorised Public Accountant

Eero Huusko  
Authorised Public Accountant

Reino Majala  
Authorised Public Accountant



*The objective of the OKOBANK Group is to remain a forerunner in the Finnish banking market and to be the leading retail banking group in Finland by 2002, the Group's centennial year. The good result for 1998 did not come by itself but by close co-operation between competent staff and confident customers.*

# OKOBANK Group Central Cooperative business organisation

March 1, 1999

*Chairman and CEO*  
Antti Tanskanen

*Managing Director*  
Reijo Karhinen

| GROUP ADMINISTRATION   | RETAIL BANKING SERVICES  | GROUP SERVICES   | AUDIT FUNCTION  |
|--|--|--|---|
| <p>Heikki Vitie</p> <p>OKOBANK Group's and OKOBANK Group Central Cooperative Consolidated's centralised financial control and personnel services, pension services, the Central Cooperative Consolidated's internal services, the Group's labour market and staff affairs, legal and risk management services.</p> <p><i>Financial Control</i><br/>Antti Saarelainen</p> <p><i>Personnel Services</i><br/>Juha Laitinen</p> <p>OKOBANK<br/><i>Group Pension Fund</i><br/>OKOBANK<br/><i>Group Pension Foundation</i><br/>Pekka Korhonen</p> <p><i>Legal Affairs and Risk Management Services</i><br/>Esko Hollman</p> <p>OKOBANK Group<br/>Mutual Insurance Company<br/>Hannu Jaatinen</p> <p>OKOBANK Group<br/>Security Fund<br/>Tuomo Metsäaro</p> | <p>Keijo Manner</p> <p>OKOBANK Group's centralised deposit, payment, financing, asset management and marketing services, agrifinancing and insurance services.</p> <p><i>Deposit and Payment Services</i><br/>Raimo Vaalasranta</p> <p><i>Credit and Insurance Services</i><br/>Pekka Sarvi-Peräkylä</p> <p><i>Agrifinancing</i><br/>Raimo Tammilehto</p> <p><i>Asset Management Services</i><br/>Harri Nummela</p> <p>Aurum Life Assurance<br/>Company Ltd<br/>Jukka Ruuskanen</p> <p>OP-Rahastoyhtiö Oy<br/>Harri Nummela</p> <p><i>Marketing</i><br/>Stina Suominen</p> | <p>Pekka Jaakkola</p> <p>OKOBANK Group's centralised personnel and business development services, data and real estate services, service network and card technology services.</p> <p>OP-Puhelinpankki<br/>Kai Patovirta</p> <p>OP-Kotipankki Oyj<br/>Kai Patovirta</p> <p><i>Business and Knowledge Management Development</i><br/>Aila Tikkala</p> <p><i>Service Network Development</i><br/>Matti Korkeela</p> <p><i>IT Management</i><br/>Markku Mäkinen</p> <p><i>FD Finanssidata Oy</i><br/>Ilpo Antikainen</p> <p><i>Optum Künsteistöpalvelut Oy</i><br/>Olli Latola</p> <p><i>Osuuspankki Realum</i><br/>Olli Latola</p> | <p>Markku Niinikoski<sup>1)</sup></p> <p><i>Internal Audit</i><br/>Heikki Yli-Juuti<sup>1)</sup></p> <p><i>The Cooperative Bank Inspectorate</i><br/>Tapani Santala</p> <p><i>Management Support and Corporate Communications</i><br/>Markku Koponen<sup>1)</sup></p> |
|  |  |  | <p><sup>1)</sup> Reporting to the CEO</p>   |

# OKOBANK Group Central Cooperative Executive Board and Auditors

March 1, 1999

*Back row from left:  
Keijo Manner,  
Pekka Jaakkola,  
Markku Niinikoski.  
Front row from left:  
Heikki Vitie,  
Reijo Karhinen,  
Antti Tanskanen,  
Mikael Silvennoinen.*



## Executive Board

### Chairman

Antti Tanskanen  
Chief Executive Officer  
Helsinki

### Deputy Chairman

Reijo Karhinen  
Managing Director of  
OKOBANK Group  
Central Cooperative  
Helsinki

### Members

Pekka Jaakkola  
Executive Director  
Järvenpää

Keijo Manner  
Executive Director  
Helsinki

Mikael Silvennoinen  
Managing Director of  
OKOBANK  
Espoo

Heikki Vitie  
Executive Director  
Espoo

### Deputy Members

Esko Hollman  
Executive Director  
Espoo

Matti Korkeela  
Executive Director  
Vantaa

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

Inspection Director  
Markku Niinikoski (Vantaa)  
attends the Executive  
Board's meetings.

# OKOBANK Group Central Cooperative

## Supervisory Board

March 1, 1999

*Regionally Elected Members and*

*\* members elected on the basis of capital adequacy of the member banks in the region*

Etelä-Pohjanmaa  
Antero Luomajärvi  
Principal, Ilmajoki  
1997-2000  
\* Simo Ilomäki  
Managing Director  
Vimpeli  
1997-

Etelä-Suomi  
Vesa Lehtikainen  
Managing Director  
Janakkala  
1997-1999  
\* Timo Alaviuhkola  
Head of Research Station  
Hyvinkää, 1997-  
\* Jorma Pitkälä  
Farmer, Hämeenkoski  
1997-

Kainuu  
Keijo Väänänen  
Professor, Vaala  
1998-2001  
\* Erkki Airaksinen  
Managing Director  
Kuhmo  
1997-

Keski-Pohjanmaa  
Ilkka Heinonen  
Principal, Haapajärvi  
1998-2001

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

Kymi-Vuoksi  
Seppo Penttinen  
Professor, Savitaipale  
1997-2000  
*Chairman*  
\* Paavo Aho  
Colonel (ret.), Elimäki, 1997-  
\* Risto Kiljunen  
Managing Director  
Lappeenranta, 1997-

Lappi  
Tauno Raistakka  
Farmer, Posio  
1998-2001  
\* Erkki Alatalo  
Engineer (forestry)  
Keminmaa, 1998-

Pirkka-Häme  
Heikki Teräväinen  
Managing Director, Toijala  
1997-1999  
\* Martti Talja  
Development Manager, Mänttä  
1997-

Pohjois-Karjala  
Jorma Lehtikainen  
Managing Director, Lieksa  
1997-1999  
\* Heikki Pirinen  
Principal, Kitee, 1997-

Pohjois-Pohjanmaa  
Paavo Haapakoski  
Principal, Pyhäjoki  
1998-2001  
\* Kalervo Karvonen  
Managing Director, Haapavesi  
1997-

Pohjois-Savo  
Matti Pulkkinen  
Director of District Medical  
Services, Kuopio  
1997-2000  
\* Erkki Eronen  
Managing Director, Kaavi  
1997-

Satakunta  
Jorma Pere  
Managing Director, Eura  
1997-1999  
\* Jukka Ramstedt  
Managing Director, Pori, 1997-  
\* Pertti Raunio  
Principal, Rauma  
1998-

Suur-Savo  
Leo Pakkanen  
Managing Director  
Kangasniemi, 1997-2000  
\* Asko Ruuskanen  
Dean  
Savonlinna, 1997-

Sydkusten  
Johan Signell  
Financial Manager  
Hanko, 1998-2001

Varsinais-Suomi  
Turkka Saarniniemi  
Managing Director, Pertteli  
1997-2000  
\* Pertti Ruotsalainen  
Hospital Physicist  
Mynämäki, 1997-  
\* Pauli Salminen  
Managing Director, Loimaa  
1997-

Österbotten  
Kaj Skåtar  
Managing Director, Vaasa  
1998-2001

### *Other members*

Maria Kaisa Aula  
Member of Parliament  
Tervola  
1997-1999

Esa Härmälä  
Chairman, Central Union of  
Agricultural Producers  
Helsinki, 1997-1999

Heikki Pykälistö  
Managing Director  
Anjalankoski, 1997-2000  
*Deputy Chairman*

Esa Swanljung  
President, Finnish  
Confederation  
of Salaried Employees  
Helsinki, 1997-2000  
*Deputy Chairman*

The Supervisory Board of the OKOBANK Group Central Cooperative comprises a minimum of 32 and a maximum 36 members. The annual meeting of the cooperative first elects a maximum of 20 members, one from each provincial federation area, for a three-year term. Of these members, a number that is closest to one third resigns each year. In addition, 16 members are elected from the territories of the provincial federations such that the allotment of seats is determined among the provincial federations on the basis of the capital adequacy of their member banks. The term of office of these members is three years unless the term of office ends prior to this date due to a change in the allotment of seats among the provincial federations. The Supervisory Board elects from amongst its number a chairman and two deputy chairmen.

The task of the Supervisory Board is to oversee that the Central Cooperative's operations are managed in an expert and prudent manner in accordance with the relevant acts and the cooperative's statutes and in the best interests of the members and the OKOBANK Group and, furthermore, that the confirmed instructions and decisions of the cooperative are observed. In addition, the tasks of the Supervisory Board are, among other things

- to confirm the joint objectives and operational policy lines of the OKOBANK Group as well as the general principles of exercising control and oversight of the member credit institutions, the standing regulations concerning auditing of the member credit institutions and the principles governing support that is granted to the member credit institutions
- to elect and dismiss the chairman of the Executive Board, the managing director and the other members and deputy members of the Executive Board as well as the director in charge of the audit function
- 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
- to have performed by auditors elected by them once a year an audit of the management and administration of the central cooperative
- to confirm a budget for the next year and to propose for adoption by the cooperative meeting the main payments to be collected from the members
- to present to the annual meeting of the cooperative a statement on the parent company and consolidated annual accounts and to adopt them
- to decide on calling a meeting of the central cooperative.

# Contact addresses

## *OKOBANK Group Central Cooperative Consolidated*

OKOBANK Group  
Central Cooperative  
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Keskuspankki Oyj

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Teollisuuskatu 1b  
00510 Helsinki

Telex:  
124714 okohe fi (general)  
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S.W.I.F.T. code:  
OKOY FI HH

## *OKOBANK abroad*

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OKOY SE SS  
Managing Director:  
Erik Skön

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Telefax: +31-20-6267 846  
Internet address:  
[www.unico.nl](http://www.unico.nl)  
Secretary General: Rémy Lasne

## *Member banks of the UNICO Banking Group*

Banco Cooperativo Español S.A.,  
Spain  
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