1999

*In step with the times.*
*Finnish know-how.*
*Performance and*
*results.*

*OKOBANK Osuuspankkien Keskuspankki Oyj 1999*

# *Ethical principles*

The ethical principles guiding the operations of OKOBANK Consolidated are:

*Confidentiality*
OKOBANK Consolidated's salaried employees are scrupulous in their observance of business and bank secrecy, insider regulations and good banking practice.

*Responsibility*
We engage in areas of business that are generally accepted and promote the economic well-being of our customers, shareholders and society.

*Fairness*
We value our customers, shareholders, staff and other stakeholders and treat them all equally.

*Honesty*
OKOBANK and its subsidiaries are reliable and honest partners in contractual dealings. Both external and internal communications are factual and give a correct picture of the matter being presented.

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*Page*



# Information for shareholders

The Annual General Meeting of OKOBANK Osuuspankkien Keskuspankki Oyj will be held at the Helsinki Fair Centre on March 29, 2000, at 1.30 p.m.

The Executive Board proposes that the dividend to be paid is € 0.70 on Series A shares and € 0.65 on Series K shares. The dividend decided by the Annual General Meeting will be paid to shareholders who on the record date confirmed by the Executive Board for the dividend payout, April 3, 2000, have been entered in the Shareholders' Register kept by Finnish Central Securities Depository Ltd. It will be proposed to the Annual General Meeting that the dividend be paid at the close of the record period, April 10, 2000.

## Financial information in 2000

The Interim Report January 1 – March 31, 2000,
will be published on May 4, 2000
The Interim Report January 1 – June 30, 2000,
will be published on August 17, 2000
The Interim Report January 1 – September 30, 2000,
will be published on November 2, 2000

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

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

Alfred Berg Finland Oyj, telephone +358 9 228 321
Aros Securities Ltd, telephone +358 9 173 371
Conventum Securities Limited, telephone +358 9 549 9300
D. Carnegie Ltd, Finland Branch, telephone +358 9 618 711
Leonia Bank Plc, telephone +358 9 204 2511
Mandatum Stockbrokers Ltd, telephone +358 9 166 721
Merita Securities Ltd, telephone +358 9 123 41
Evli Securities Ltd, telephone +358 9 476 690

# Strategy

OKOBANK Consolidated focuses on serving domestic customers, offering them versatile financing, investment and payment transfer services. For international clients, OKOBANK offers banking services for their business needs that are related to Finland.

OKOBANK acts as the central bank of the OKOBANK Group and is responsible for the Group's liquidity, whilst also attending to its international affairs.

OKOBANK Consolidated's competitive advantage is based on skilled and customer-oriented staff, an operating model that is tailored to each business area and enduring customer relationships. Capitalising on information technology, seamless co-operation throughout the OKOBANK Group and a high-calibre service network ensure efficient operations.

OKOBANK Consolidated's objective in the years ahead is to grow as a versatile provider of financing for medium-sized companies, an arranger of capital market financing for large and medium-sized corporate customers, an asset manager for institutional and retail customers as well as an expert in retail banking services in the Greater Helsinki area.

# Key figures

| | 1995 | 1996 | 1997 | 1998 | 1999 | Targets |
|---|---|---|---|---|---|---|
| Operating profit/loss, € million | -8 | 39 | 48 | 74 | 111 | |
| Return on equity (ROE), % | -0.4 | 6.6 | 7.0 | 9.7 | 16.1 | 14.0 |
| Income/expenses ratio | 1.33 | 1.43 | 1.29 | 1.45 | 1.80 | 1.80 |
| Capital adequacy ratio, % | 21.4 | 18.6 | 19.5 | 16.2 | 12.5 | |
| Capital adequacy ratio by Tier 1 own funds, % | 11.8 | 9.6 | 10.1 | 8.3 | 7.3 | 7.0 |
| Dividend per share, € | - | 0.14 | 0.35 | 0.44 | 0.69 * | |
| Dividend payout ratio, % | - | 19.1 | 45.3 | 39.2 | 40.0 * | 50.0 |
| Effective dividend yield, % (OKOBANK Series A) | - | 3.2 | 5.2 | 5.9 | 6.3 * | |

*Executive Board's proposal: € 0.70 on Series A shares and € 0.65 on Series K shares.
Calculation of key ratios is presented on page 62.

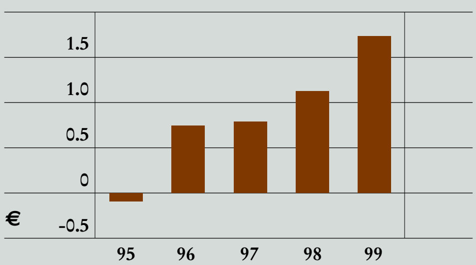
### *OKOBANK's credit ratings*

At the beginning of October Moody's Investors Service Limited upgraded OKOBANK's long-term debt rating from A2 to A1. At the end of the year OKOBANK's credit ratings from international rating agencies were as follows:

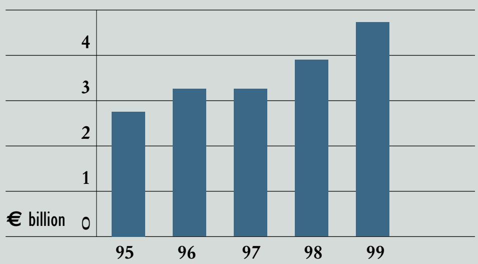
| Rating Agency | Short-term debt | Long-term debt |
|---|---|---|
| Standard & Poor´s | A-2 | - |
| Moody´s | P-1 | A1 |
| Fitch IBCA | F1 | A |



**Earnings per share (EPS)**




**Credit stock**



# Main events

### *January-June*

Finland and ten other EU countries changed over to the new single currency. Within OKOBANK Consolidated the changeover went according to plans and without IT or other problems.

The UniCash cash management system covering the euro-zone was brought out on the market jointly with the Unico co-operation banks.

The Platinum bonus system was introduced to retail customers. It brings customers additional financial benefits and binds them more closely to Okopankki.

OKOBANK's Annual General Meeting passed a resolution to double the number of the Bank's shares and to amend the Articles of Association by adding a conversion clause on the basis of which the member cooperative banks can convert the unlisted Series K shares they own into Series A shares that are listed on the stock exchange.

In an extensive benchmarking survey, the OP Telephone Service offered by Okopankki was chosen the Call Center of the year.

Opstock Ltd carried out an arrangement that enables staff to become shareholders in the company.

OKOBANK's extraordinary general meeting of shareholders resolved to supplement the personnel incentive system and to float an issue of bonds with warrants that was offered for subscription by the entire personnel.

An Opstock index fund package was finalised and brought out on the market.

Opstock achieved the leading market position in share issues carried out on the Internet.

OKOBANK strengthened its position as a provider of debt issuance services and was the largest arranger of issuances among the banks operating in Finland.

Opstock and Okopankki decided to establish an Opstock Private business unit that offers asset management services to private individuals.

The OKOBANK Group signed an agreement with Kesko Corporation on co-operation in the development of customer services. In the first stage Kesko's customers will be offered the possibility of integrating into their Plussa Co Branded card an interest-bearing advance payment account with Okopankki or other member bank of the OKOBANK Group. At the end of the year there were more than 350 000 Plussa card holders in the Greater Helsinki area.

The OKOBANK Group and the insurance companies Ilmarinen, Suomi, A-Vakuutus and Pohjantähti entered into a co-operation agreement on the development of business operations. OKOBANK became (in January 2000) a major shareholder of the Pohjola Group Insurance Corporation.

Information technology preparations for the new millennium reached a climax. Within OKOBANK Consolidated all the information systems and customer services functioned faultlessly at the turn of the year and thereafter.

### *July-December*

Moody's Investors Service upgraded OKOBANK's credit rating for long-term loans from A2 to A1. Moody's upgraded the Bank's financial strength rating from D+ to C.

The OKOBANK Group became the first bank group in Finland to offer small and medium-sized business customers and the self-employed a electronic bill service based on the Internet and e-mail.

Renewed Internet investment services were introduced.

OKO-Venture Capital established a nationwide capital investment fund, Promotion Capital I Ky, whose total capital is EUR 44 million.

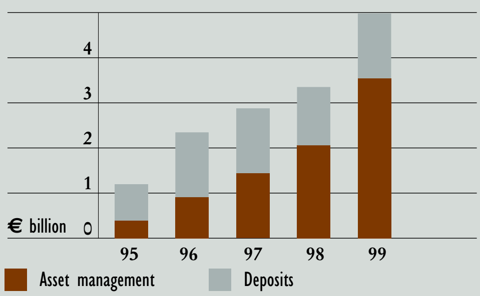
### *First part of 2000*

OKOBANK's Executive Board approved the conversion of 15.6 million series K shares into series A shares that are listed on Helsinki Exchanges. Of OKOBANK's total of 46.7 million shares outstanding, 34.6 million, or 74.0 per cent were thereafter listed series A shares.

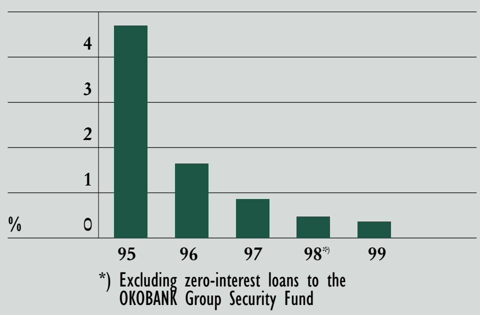
Juhani Elomaa resigned from his seat on OKOBANK's Executive Board and as Managing Director of Opstock Ltd. on February 3, 2000. As from the same date Risto Murto was appointed Managing Director of Opstock.



***Client funds under management***




***The percentage of non-performing and zero-interest claims of loans to the public and guarantees***



# Operating environment

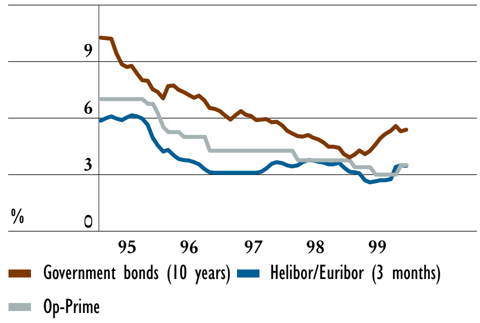
Stage three of Economic and Monetary Union (EMU) began with a period of relatively low interest rates. The European Central Bank lowered its administrative interest rate to 2.5 per cent as recently as in April after observing that inflationary pressures in the euro-zone were very minor. In the summer long market interest rates headed upward in lockstep with interest rates in the USA and reflecting the gradual strengthening in economic growth in the euro-zone. In November the European Central Bank put the administrative interest rate back up to 3 per cent.

The past year was very good for equities. Despite a tightening in monetary policy towards the end of the year and a rise in long interest rates, the HEX portfolio index was up 66 per cent. The rise was fuelled above all by the steep appreciation in the value of technology shares in the latter months of the year. Share prices reacted strongly to the improved growth prospects for the economies in the USA and the euro-zone as well as to the rise in productivity.

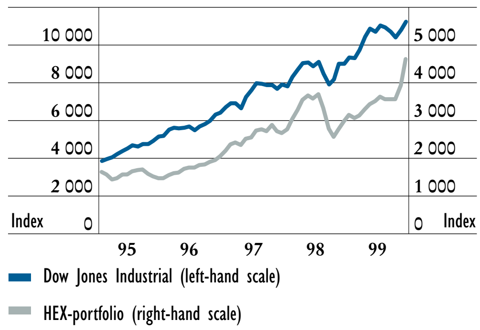
The annual change in Finland's consumer prices quickened to 2 per cent towards the end of the year as a consequence of the substantial rise in the price of oil. Housing prices also continued upward. In spite of relatively strong domestic demand, other price pressures still remained negligible. The trend in oil prices was the most important factor that accelerated inflation last year in all the Western countries.

Industry's expectations for the future presented a dual picture in 1999. At the start of the year, expectations were fairly pessimistic in both Finland and the other EMU countries owing to the problems besetting the international economy. As demand revived, partly in step with low interest rates and a weaker euro, the positive sentiment strengthened. In Finland the changes in industry's expectations were much sharper than in the EMU countries on average.

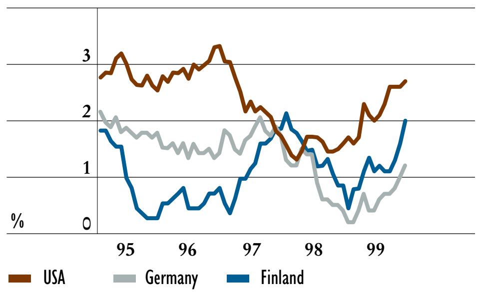
**Interest rates**



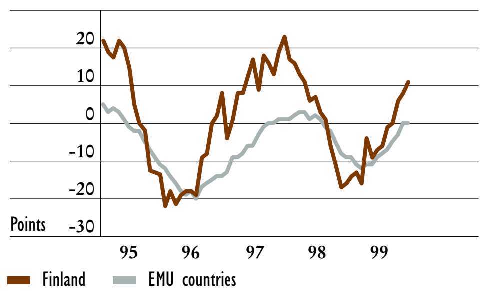

**Stock market indices**




**Consumer prices**
**12 month change**




**Industrial confidence indicator**



# Chairman's review

1999 was quite a good year for OKOBANK Consolidated and the entire OKOBANK Group. The volume of operations outpaced average growth in the banking sector and earnings improved markedly. OKOBANK was able to lower its excess capital adequacy because the capital adequacy of the OKOBANK Group as a whole strengthened.

OKOBANK Consolidated and the entire OKOBANK Group were in good shape to generate earnings and this, together with an increasingly cohesive structure, led to an improvement in OKOBANK's credit rating and a substantial increase in the price of its series A share. Also of importance to shareholders were the measures carried out to increase the liquidity of OKOBANK's series A shares.

The growth in total output meant a favourable operating environment for the banks in 1999. The general price and cost level remained stable with the exception of the housing market in the country's growth centres. The positive general trend was nevertheless overshadowed by fairly large differences between regions and industries.

The start of stage three of Economic and Monetary Union (EMU) brought major changes for both the economic operating environment and economic policy. Euribor interest rates appeared on the money market, and the European Central Bank began implementing a common monetary policy for the EMU countries. The euro was introduced as a currency of account and in many price quotations alongside the Finnish markka.

There was brisk demand for bank loans and the credit portfolio grew rapidly. Total deposits also grew further, though at a markedly slower rate than the credit portfolio. The change in the structure of financial assets unfolded swiftly as the popularity of mutual fund and equity investing grew at a record clip. The change is likely to continue in the same direction, also spurred by the ending of tax-free status for interest on bank deposits. The competition situation within the banks' funding operations will change now that all interest rate investments will be accorded the same tax treatment.

All of OKOBANK Consolidated's divisions and major subsidiaries performed well. Within corporate banking, OKOBANK's position as an arranger of debt issues strengthened. In the area of investment banking, both stockbroking volume and client assets under management increased considerably. Within retail banking the number of customers grew at a brisk pace.

Central bank tasks increased now that the growth of the entire OKOBANK Group's lending and investments was funded primarily on the money and capital markets.

In co-operation with the Unico banks in continental Europe, OKOBANK developed new payment transfer and bond issuance services. Towards the end of the year the EU Commission chose OKOBANK as its Primary Bank in Finland, on the basis of a tender competition, for a second consecutive five-year period.

Primary emphases for the domestic range of products and services were the development of electronic services and the creation of new forms of co-operation with partners outside the bank group.

A company can achieve its objectives only through the work of multiskilled and motivated staff. Last year we launched a number of development programmes and training projects that take into account our strategic objectives and utilise the potential which information networks offer. The high rate of subscription for the bonds with warrants offered to the personnel bears witness to their strong confidence in our own abilities and in their own Bank's success.

OKOBANK Consolidated owes its good performance to its entire staff. All of them, together with the members of the Supervisory Board, deserve my warmest thanks. My best thanks also go to all our stakeholders. We want to serve you in the best possible way – and in line with your wishes – in the new millennium as in the past.

Helsinki, February 15, 2000
Antti Tanskanen






*Chairman*
*Antti Tanskanen*

# *Share capital*

## *and shareholders*

### *Share series and share capital*

The Annual General Meeting of OKOBANK's shareholders held on March 24, 1999, approved the Executive Board's proposal to increase the number of shares without changing the share capital (stock split) and to amend the Bank's Articles of Association. The main points of the approved proposal, which were entered in the Trade Register in April, were the following:

• The number of the Bank's shares outstanding was doubled, without changing the share capital, by halving the accounting countervalue of the shares and splitting each share into two new shares of the corresponding share series. The stipulation concerning the nominal value of the share was deleted from the Articles of Association. The accounting countervalue of the share is EUR 4.21.

• The Bank's Series C class of shares, for which stipulations were included in the Articles of Association as a special condition required in connection with the Government's capital investment in 1992, was deleted from the Articles of Association. OKOBANK repaid the Government's capital investment in 1997 and the Bank does not have Series C shares outstanding.

• A conversion clause was added to the Articles of Association, according to which a Series K share can be converted, at the request of a shareholder, into a Series A share within the framework of the minimum and maximum amounts of the share series as specified by the Articles of Association.

Following these changes, OKOBANK's shares are divided into Series A and Series K shares. At the end of the year there were 18 951 720 Series A shares that are listed on Helsinki Exchanges. There were 27 753 280 Series K shares which can be owned solely by a Finnish cooperative bank, a bank having the legal form of a limited company pursuant to Sections 41 a and 41 b of the Cooperative Bank Act and the central institution of the amalgamation of the cooperative banks – the OKOBANK Group Central Cooperative. On the basis of the conversion clause, 35 480 Series K shares were converted into the same number of Series A shares in December. At general meetings of shareholders each Series A share entitles its holder to one vote and each Series K share to five votes.

An extraordinary general meeting of OKOBANK's shareholders held on June 30, 1999, passed a resolution, in accordance with the proposal of the Executive Board, according to which OKOBANK and the OKOBANK Group Central Cooperative will introduce a share option-based incentive system covering the entire staff. The option certificates for the bonds with warrants entitle their holders to subscribe for a maximum of 4 600 000 OKOBANK Series A shares. The subscription price of the shares is EUR 10.99 and the subscription price will be lowered by the amount of dividends to be distributed before the share subscription. The subscription period for the shares will begin stepwise on October 1, 2002, and end for all equity warrants on October 30, 2006. About 50 per cent of the entire personnel subscribed for the bonds, and the issue was fully subscribed. The terms and conditions of the bonds with warrants are discussed in detail in Note 38 to the accounts.

In 1999 OKOBANK's share capital increased from EUR 188.9 million to EUR 196.4 million. The increase was due to the subscriptions for OKOBANK Series A shares made on the basis of the issue of bonds with warrants targeted at the Government Security Fund in connection with the purchase of Savings Bank of Finland Ltd. Of these subscriptions, 892 500 shares were registered in the first part of 1999. The share series and share capital are itemised in Note 36 to the accounts.

### *Shareholders*

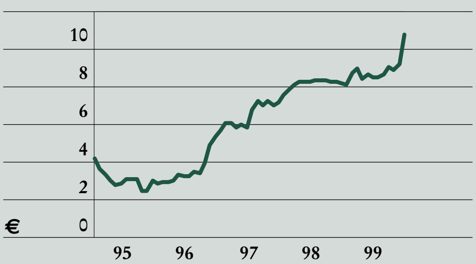
At the end of 1999 OKOBANK had 24 349 registered shareholders. The largest shareholder was OKOBANK's parent company, the OKOBANK Group Central Cooperative, which held 41.3 per cent of OKOBANK's shares and 61.2 per cent of the voting rights. Numerically, the largest shareholder group was private individuals, of whom there were 23 276.

On January 24, 2000, OKOBANK's Executive Board approved conversion demands made to it, in accordance with the Articles of Association, concerning the conversion of 15 614 502 Series K shares into the same number of Series A shares. A conversion demand was made by 159 member cooperative banks and by the OKOBANK Group Central Cooperative.

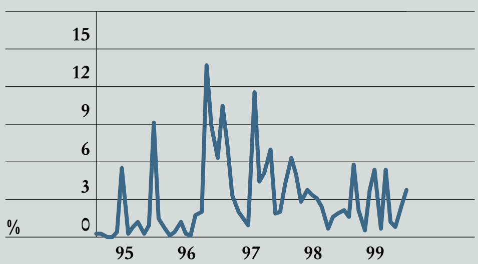
The new Series A shares were entered in the Trade Register



***Average price of OKOBANK's A-shares***




***Proportional turnover of OKOBANK's A-shares***




Monthly share turnover, % of Series A shares outstanding.

on February 11, 2000. Trading in the new shares commenced on Helsinki Exchanges on February 14, 2000. Thereafter the number of OKOBANK Series A shares on the Main List rose to 34 566 222. The number of Series K shares in turn fell to 12 138 778. The data concerning share ownership presented here are based on the situation at February 11, 2000, after the new shares had been entered in the Trade Register. Data on the distribution of shareholdings according to the situation at December 31, 1999, are given in Note 39 to the accounts.

**Major shareholders of OKOBANK, February 11, 2000**

| | % of share stock | % of votes |
|---|---|---|
| OKOBANK Group Central Cooperative | 55.1 | 41.3 |
| Turun Seudun Osuuspankki | 3.1 | 1.3 |
| Oulun Osuuspankki | 2.8 | 1.4 |
| OKOBANK Group Pension Foundation | 1.7 | 3.4 |
| Government Guarantee Fund | 1.5 | 3.0 |
| Keski-Uudenmaan Osuuspankki | 1.3 | 0.5 |
| Keski-Suomen Osuuspankki | 1.2 | 0.5 |
| Kainuun Osuuspankki | 1.1 | 0.4 |
| Norvestia Oyj | 1.0 | 2.0 |
| Porin Seudun Osuuspankki | 0.9 | 0.7 |

**Major shareholders of OKOBANK's Series A shares, February 11, 2000, % of Series A shares**

| | |
|---|---|
| OKOBANK Group Central Cooperative | 31.8% |
| OKOBANK Group Pension Foundation | 4.6% |
| Government Guarantee Fund | 4.1% |
| Norvestia Oyj | 2.8% |
| Ilmarinen Mutual Pension Insurance Company | 1.9% |
| Etelä-Karjalan Osuuspankki | 1.3% |
| Savonlinnan Osuuspankki | 0.8% |
| Sampo Life Insurance Company Limited | 0.8% |
| Sijoitusrahasto Merita Optima | 0.8% |
| Rauman Seudun Osuuspankki | 0.8% |

Nominee-registered shares accounted for 7.6 per cent of the Series A shares following the conversion.

**Shares of different series, February 11, 2000**

| | Series A | Series K |
|---|---|---|
| Number of shares | 34 566 222 | 12 138 778 |
| % of shares | 74.0 | 26.0 |
| % of votes | 36.3 | 63.7 |

## *Share price and turnover*

The trend in OKOBANK's Series A share price was ascending in 1999. The low was EUR 7.80, or EUR 0.65 higher than it was a year earlier. The high for the year was EUR 14, as against EUR 9.50 a year ago. The price at the end of the year was roughly the same as the equity per share at the end of the year. The market value of the Series A shares rose from EUR 148 million at the end of 1998 to EUR 212 million.

In unit volume terms, the share turnover was at the same level as in the previous year. During the year under review more than 6 million Series A shares changed owner. This represents a third of all the Series A shares outstanding. The five-year time series for per-share key ratios are given in Note 44 to the annual accounts.

**Shareholders of OKOBANK by sector, February 11, 2000**

| | % of share stock | % of votes |
|---|---|---|
| OKOBANK Group Central Cooperative and its member banks | 66.3 | 83.5 |
| Public sector entities | 9.3 | 4.6 |
| Households | 8.6 | 4.2 |
| Nominee-registered shareholders | 5.6 | 2.8 |
| Other financial institutions | 4.7 | 2.3 |
| Corporates | 3.6 | 1.8 |
| Others | 1.9 | 0.8 |
| Total | 100.0 | 100.0 |

**Breakdown of shareholding in OKOBANK, February 11, 2000**

| Number of shares | Number of share-holders | % of share-holders | % of share stock |
|---|---|---|---|
| 1 – 100 | 19 577 | 79.7 | 2.3 |
| 101 – 1 000 | 3 990 | 16.2 | 2.8 |
| 1 001 – 10 000 | 721 | 2.9 | 4.3 |
| 10 001 – 50 000 | 184 | 0.8 | 9.1 |
| 50 001 – 100 000 | 50 | 0.2 | 7.6 |
| 100 001 – | 43 | 0.2 | 73.7 |
| On joint book-entry accounts | | | 0.2 |
| Total | 24 565 | 100.0 | 100.0 |

*Helsinki Telephone Corporation, Helsinki. Soon to be renamed Elisa Communications. A major Finnish listed company. A strong player in developing communications solutions. The extensive Group comprises a number of top companies in the field: Radiolinja, Comptel, Datatie, Mäkitorppa, Setele. OKOBANK is playing a part in Elisa's growth: as a provider of financing and as a manager of bond programmes and share issues.*

# *To our shareholders*

You are holding OKOBANK's recast Annual Report. Our objective has been to give our shareholders information that has a greater degree of depth and openness. I hope that we have succeeded in our endeavour.

A year ago we announced OKOBANK Consolidated's long-term financial objectives:

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

In 1999 we achieved these objectives in all essential respects. OKOBANK Consolidated's income/expenses ratio was 1.80, the capital adequacy ratio measured in terms of Tier I own funds was 7.3 per cent, the return on equity was 16.1 per cent and the dividend ratio in accordance with the Executive Board's proposed dividend is 40 per cent. The Executive Board is proposing the payment of dividends for the 1999 financial year that are 57 per cent greater than they were a year earlier.

A special feature of this new look Annual Report is a division by division analysis of OKOBANK Consolidated's result and operations. OKOBANK Consolidated's divisions are Corporate Banking, Investment Banking, Retail Banking and Group Treasury. The Annual Report presents the divisions' results, main events and outlook for the future. Our goal is to help the shareholder to understand better than before the content, objectives, focuses, profitability and development orientation of OKOBANK Consolidated's business operations. We intend to continue along this path in the years ahead.

Of importance to shareholders were the measures taken to improve the liquidity of the company's shares. In the spring 1999 the Annual General Meeting approved a doubling of the number of OKOBANK's shares without increasing the share capital (stock split) as well as an amendment to the Articles of Association on the basis of which the number of Series A shares that are listed on Helsinki Exchanges can be increased.

In January 2000 the OKOBANK Group Central Cooperative and the cooperative banks decided to convert 15.6 million Series K shares they owned into Series A shares. Thereafter 74 per cent of all of OKOBANK's shares outstanding are Series A shares that are listed on the stock exchange. In future this will afford a possibility to improve the liquidity of the shares, which is in the interest of all our shareholders.

As a bank our main task is to act as financial advisers to our customers. We believe that our ability to produce economic added value for our shareholders is based on being capable, over the long term, of producing economic added value for our customers.

OKOBANK seeks to be a successful Finnish bank that is known for its expertise, enduring customer relationships and satisfied customers. We want to be a bank that our staff and shareholders can be proud of.

Helsinki, February 15, 2000
Mikael Silvennoinen

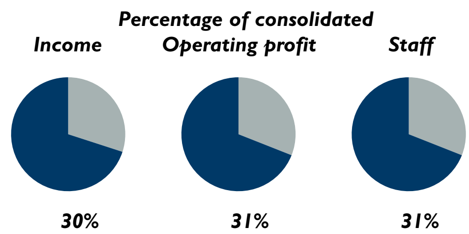
*Managing Director*
*Mikael Silvennoinen*

## Divisions

OKOBANK Consolidated's operations are divided into four divisions: Corporate Banking, Investment Banking, Retail Banking and Group Treasury. The operational areas that are not included in the divisions are grouped together within Other Operations.

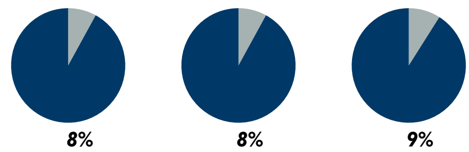
### Corporate Banking

The Corporate Banking division offers corporate customers financing and cash management services as well as services connected with the money, capital and foreign exchange markets. Financial services involve granting loans and guarantees, offering leasing and hire purchase credits, arranging financing on the debt issuance market as well as engaging in capital investments. Corporate Banking is conducted in the parent bank, OKOBANK, along with OKO Mortgage Bank plc, OP-Finance Ltd and OKO-Venture Capital Ltd.



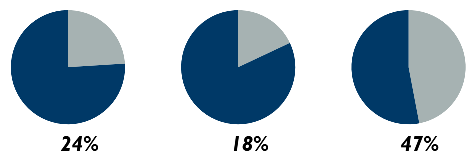

### Investment Banking

The Investment Banking division offers institutional and private investors as well as corporate clients asset management services and stockbroking, produces investment analysis services, arranges equity financing and acts as an adviser in M&A transactions. Within OKOBANK Consolidated, Investment Banking is centralised within Opstock Ltd.




### Retail Banking

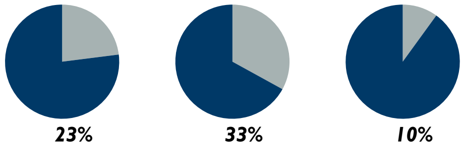
The Retail Banking division offers comprehensive banking services for retail customers in the Greater Helsinki area as well as for small and medium-sized companies. The division offers a full range of financing, investment and payment transfer services. OKOBANK Consolidated's retail banking services are offered by Okopankki Oyj.





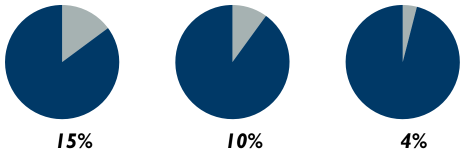

### *Group Treasury*

Group Treasury is in charge of OKOBANK's central bank tasks, OKOBANK Consolidated's long-term funding as well as fixed income and equity investments. Central bank tasks include the OKOBANK Group member cooperative banks' financing and payment transfer services, the management of OKOBANK's account relationships with the Bank of Finland, seeing to the minimum and cash reserve requirements as well as ensuring the member banks' liquidity. Group Treasury furthermore offers the member banks a number of services related to the money, foreign exchange and capital markets as well as sees to the OKOBANK Group's domestic and international financial institutions and investor relations and international funding.




### *Other Operations*

Other Operations comprise real-estate property management as well as life and pension insurance and telebanking through the associated companies Aurum Life Assurance Company and OP-Kotipankki Oyj. The income and expenses arising from consolidated administration are included in the result of Other Operations.




### *Calculating principles*

The results of the divisions are calculated by allocating to each division its income and expenses, adjusted for commission expenses. In addition, the division's risk-weighted commitments have been determined. The equity capital allocated to the divisions amounts to 7 per cent of their risk-weighted claims. The equity capital not being allocated to divisions has been allocated to Other Operations. The equity capital of the Investment Banking division is nevertheless that shown in the balance sheet of Opstock Ltd.

*With the spread of the Internet, the use of data and telephone networks is gaining ground as a means of handling banking transactions. The Elisa Group is developing wireless links that will make transactions faster and possible anywhere, anytime.*

## *Corporate Banking*

### *Operating environment*

Demand for corporate credits remained brisk throughout the year. The Finnish deposit banks' aggregate portfolio of corporate credits grew by about 18 per cent from the turn of the previous year, and total leasing and hire-purchase credits increased by about a fifth. Owing to stiff competition, the margins on loans remained at a low level, as they did last year.

A salient feature of operations in 1999 was the changes necessitated by the transition to the single currency. Fairly strong changes in interest rates took place during the year. From June on, long interest rates were on the rise: from a level of 3.25 per cent in June, interest rates rose to 5 per cent by the end of the year. Short-term rates in turn reacted strongly to the millennium changeover. The banks' trading in derivatives moved to a large extent to the stock exchanges, and the volume of foreign exchange dealing decreased markedly.

### *Subsidiaries belonging to the division*

OKOBANK Consolidated's parent company, OKOBANK, offers financing, payment transfer, money market and foreign exchange services. OKO Mortgage Bank plc is specialised in long-term real-estate and public sector financing that is secured by collateral. OP-Finance Ltd offers leasing and hire purchase credits. OKO-Venture Capital Ltd rounds out the range of services with mezzanine financing instruments and equity investments.

#### ***Operational result***

| | | |
|---|---|---|
| Income / percentage of consolidated income | € 68 million | 30% |
| Operating profit / percentage of consolidated operating profit | € 34 million | 31% |
| Return on allocated capital | 8.5% | |
| Risk-weighted claims and commitments / percentage of consolidated risk-weighted claims and commitments | € 4 187 million | 68% |
| Staff / percentage of consolidated staff | 289 | 31% |

| | ***1999*** | ***1998*** |
|---|---|---|
| Credit stock | € 3 342 million | € 2 788 million |
| Loans and guarantees | € 4 091 million | € 3 472 million |
| Payment transactions | 72 million | 66 million |

*Aldata Solution Oyj, Vantaa. A developer of data acquisition software systems for the retail trade – both traditional and electronic. An information technology Group and a forerunner in its field at home and internationally. Aldata has had co-operation with OKOBANK for years now: first the bank acted as a venture capital investor and now it is the company's main bank.*

## *Financing services*

### *Loans and guarantees*

The aggregate credit portfolio of OKOBANK, OKO Mortgage Bank and OP-Finance grew by EUR 554 million from the end of the previous year, or by about 20 per cent. The credit portfolio at the end of 1999 was EUR 3 342 million. Total guarantees increased by EUR 65 million to EUR 749 million. The aggregate growth in loans and guarantees was 18 per cent. The corresponding growth realised in 1998 was about 14 per cent.

The total amount of financing company credits within the credit portfolio grew by 35 per cent during the report year and amounted to EUR 914 million at the end of the year. Thanks to continued strong growth, OP-Finance further increased its market share as a provider of leasing and hire-purchase credits.

Of corporate loan commitments at the end of 1999, 19 per cent had been granted to companies engaged in the management of residential and commercial properties, 13 per cent to those in the forest industry and 10 per cent to retailers. Other sectors accounted for less than 10 per cent of total lending.

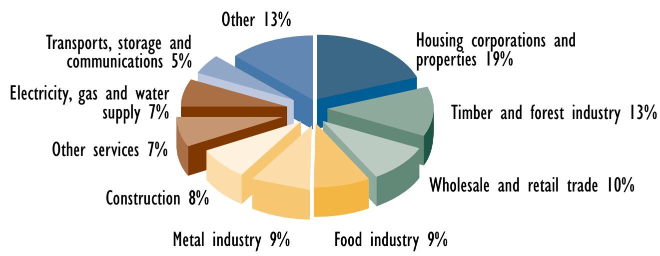
Margins on new credits declined slightly in the first months of the year. By year-end, however, the margin level had already risen a bit higher than the level at the end of 1998.

The amount of non-performing and other zero-interest claims grew by EUR 0.8 million, or 18.6 per cent, during the report year. The aggregate amount of these claims at the end of the year was EUR 5.1 million, which represents 0.15 per cent of the credit portfolio.

Loan losses booked during the year under review were minor in amount. EUR 1.3 million of reversals on loan losses booked in previous years were booked and the net effect of loan losses on earnings was positive.

Network services were developed for a number of Corporate Banking services during the year under review. In the current year the development of network services will be the division's most important capital expenditure item.

***Claims by industry, Corporate Banking***



*Debt financing*

OKOBANK further strengthened its position as a provider of debt issuance services. In 1999 OKOBANK was the largest arranger of issues among the banks operating in Finland, both in terms of numbers of issues arranged and capital raised. The Bank acted as the lead manager in three and as a co-lead-manager in four bond issues for corporate customers. About EUR 220 million in capital was obtained in the issues. This was almost half of the funds raised for Finnish companies by domestic bond issues arranged by domestic arrangers.

In 1998 in co-operation with the European banks belonging to the Unico Bank Group was launched in the area of debt issues on the European bond market. The co-operation will open up for OKOBANK's bond customers a market extending across the euro area. On the other hand, the co-operation will offer bonds issued elsewhere in the euro area as an investment alternative for domestic investors. In co-operation with the Unico banks, OKOBANK was involved in arranging a total of EUR 2.8 billion of bond issues in the report year.

*Capital investments*

OKO-Venture Capital Ltd manages three venture capital funds whose aggregate capital is EUR 51.6 million.

In 1999 twelve primary and follow-up investments in a total amount of EUR 6.2 million were carried out. During the report year the company withdrew from participations in two companies that were portfolio investments.

### *Cash management services*

OKOBANK Consolidated handled more than 72 million outgoing and incoming payment transfer transactions, an increase of 9 per cent on the volume in 1998.

At the end of 1998 a UniCash cash management service that was developed jointly with the Unico banks was brought out on the market. A customer who uses the UniCash service can utilise its own bank link software to manage euro-denominated cash flows without losing value days. UniCash offers Europe-wide direct links to 36 000 branch offices of banks operating in eight countries. Contracts on the use of the UniCash service were made with both Finnish and foreign customers during the year under review.

OKOBANK will continue for the next five years as the European Commission's Primary Bank in Finland after again winning a tender competition among banks. Since the beginning of 1995 all the funds coming from the EU Commission via the banking system have gone through accounts with OKOBANK.

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

OKOBANK acts as a market-maker for the Finnish government's benchmark bonds and as a market participant for other main instruments in trading on the money and capital markets. On the foreign exchange market OKOBANK deals in the most important foreign currencies and currency derivatives.

The changeover to the single currency lowered the trading volumes for money and foreign exchange market services significantly. The volume of customer dealings involving foreign currencies diminished to slightly less than a half of the previous year's volume and totalled EUR 5 billion in terms of its euro countervalue.

During the report year OKOBANK became a member of Eurex Deutschland AG (a non-clearing-member) and began acting as a broker for interest-rate derivatives via Eurex.

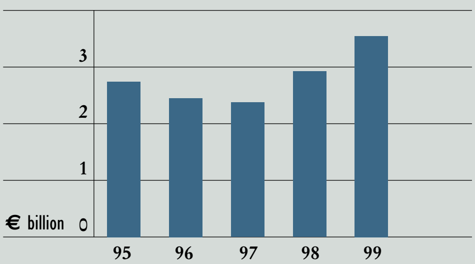
### *Business outlook*

The growth in the credit portfolio is expected to slow down during 2000 compared with the past year. Margins on lending are estimated to grow somewhat. Demand for bond financing will probably increase further. The amount of non-performing claims and credit losses is estimated to remain at a low level.

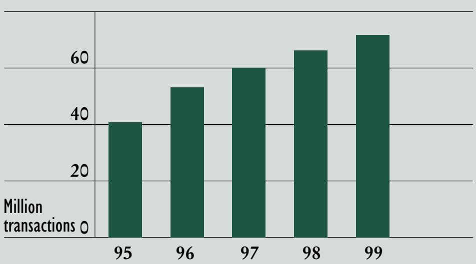
OKOBANK's corporate banking activities are well placed in 2000 to improve their earnings compared with 1999 providing that unforeseen negative changes do not take place on the interest rate market.



**Credit stock, Corporate Banking**




**Payments transactions, Corporate Banking**



## *Investment Banking*

### *Operating environment*

Finland's equity market was significantly more buoyant in 1999 than it has been for years. Helsinki Exchanges' HEX general index was up 162 per cent. Unlike the previous year, share prices in nearly all sectors rose. Investors got acquainted with Helsinki Exchanges' new NM List (New Markets) as a source of venture capital financing for small companies. The rise in share prices accelerated particularly in the latter part of the year, causing turnover on the bourse to nearly double compared with 1998.

The volume of share issues and sales of shares in Finland in 1999 was about EUR 4.5 billion. The issues were smaller than in 1998 and there were more of them. In 1998 share issues and sales of shares amounting to EUR 2.6 billion were carried out.

The shift in the focus of financial assets towards equity investments and the growth in mutual fund investments remained a pronounced trend during the report year. The market capitalisation of mutual funds doubled in 1999.

#### ***Operational result***

| | | |
|---|---|---|
| Income / percentage of consolidated income | € 18 million | 8% |
| Operating profit / percentage of consolidated operating profit | € 9 million | 8% |
| Return on allocated capital *) | 61.8% | |
| Staff / percentage of consolidated staff | 83 | 9% |

*) Allocated capital is equivalent to the equity capital of Opstock Ltd.

| | ***1999*** | ***1998*** |
|---|---|---|
| Value of stock broking | € 8 863 million | € 3 252 million |
| Client funds under management | € 3 538 million | € 2 060 million |
| Number of sales of shares and share issues | 8 | 8 |
| Capital generated for clients by sales of shares | € 202 million | € 236 million |

### *Stockbroking*

In 1999 Opstock Securities acted as a stockbroker in share trades amounting to EUR 8.9 billion. The value of the trades was nearly triple that of the previous year's figure. The volume of share brokerage grew strongly, particularly in the autumn. Opstock's market share of equities trading on Helsinki Exchanges was 4.2 per cent, as against about 3 per cent a year earlier. The market share in derivatives trading was 3.5 per cent, or a bit larger than a year ago.

During the report year Opstock Securities became a non-clearing member of Eurex Deutschland AG and began brokerage in equity derivatives via Eurex in the latter months of the year.

The share of households' orders for carrying out share trades via the Internet quadrupled on the previous year and was 29 per cent.

The cornerstone of successful brokerage activities is investment research. This research, which Opstock has developed significantly in recent years, improved its ranking further in a nationwide comparison. In addition, Opstock increased the efficiency of its operations by introducing a new trading and settlement system.

### *Asset management*

Opstock Asset Management manages the assets of institutional customers in accordance with the expected return and risk profile specified by the customers.

The amount of client assets under management grew from EUR 2.1 billion to EUR 3.5 billion during the report year, or by nearly 72 per cent. Client assets invested in mutual funds trebled. Assets under management exclusive of mutual fund customers increased by about 32 per cent.

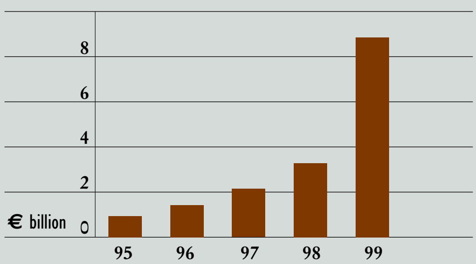
The number of client portfolios under management increased by 88 per cent during the year under review.

The OKOBANK Group's domestic mutual funds, whose assets are managed by Opstock, ranked in the best quarter of domestic mutual funds in a 12-month yield comparison.

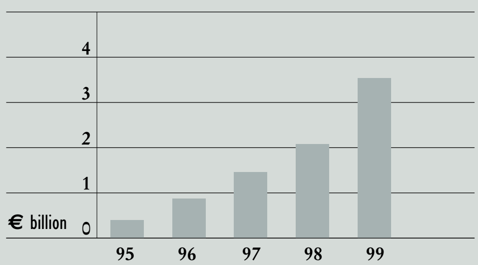
In 1999 the family of index funds intended for institutional clients was supplemented with the Opstock Euro Index, Opstock Finland Bond Index and Opstock Euro Bond Index funds.

Asset Management enhanced its operations in 1999 by introducing a new portfolio management system.

***Stock broking by Opstock Securities***




***Customer assets managed by Opstock Asset Management***



### *Corporate Finance*

Opstock Corporate Finance acted as an arranger in eight issues in 1999, in two of which it acted as the lead manager. About EUR 202 million in funds was raised for clients through sales of shares.

During the report year Corporate Finance acted as an adviser in several different types of M&A transactions. Advisory services in M&A transactions are growing in amount and importance within Opstock's operations.

### *Private Banking*

Towards the end of 1999 Opstock decided to establish, together with Okopankki, a new business unit named Opstock Private which specialises in asset management for private individuals. Operations got under way in the spring 2000. The purpose of Opstock Private is to expand and diversify the services offered to retail customers. The competitiveness of the new unit is based on Opstock's strong expertise in investment research and asset management as well as Okopankki's versatile know-how within banking services. The service is offered to private individuals in the Greater Helsinki area who have a need for individual and integrated asset management. In co-operation with Okopankki, Opstock Private offers customers not only asset management but also complete account, loan and payment transfer services.

### *Business outlook*

The ongoing change that is affecting the structure of financial assets together with companies' increasing interest in securing a listing on the stock exchange create a good basis for the continuing growth of stockbroking, asset management and securities-based financial services in 2000. The favourable operating environment and Opstock's strong development efforts will make possible the growth of investment banking operations and maintain earnings at a good level in the current year too.

## *Retail banking*

### *Operating environment*

Stage three of EMU began with a period of fairly low interest rates. Toward the end of the year and particularly as the millennium change drew near, interest rates rose. At the start of 1999 the Op-Prime rate was 3.75 per cent, from which level it was lowered to 3.4 per cent in February and then dropped to 3 per cent at the beginning of June. When the rise in market interest rates that got under way in the summer continued into the autumn, the Op-Prime rate was raised to 3.5 per cent in November.

The low level of interest rates boosted demand for bank loans. During 1999 the deposit banks' portfolio of euro loans grew by more than 14 per cent. The portfolio of housing loans grew even more, by about 16 per cent. The brisk demand for loans in the Greater Helsinki area was stepped up by the strong influx of people moving in from other areas of the country. The keen competition for market share led to narrower margins on loans.

The change in the structure of financial assets unfolded swiftly. Investing in mutual funds and equities gained greatly in popularity. The market capitalisation of the mutual funds doubled. In spite of this, total euro deposits also grew, by 5 per cent, which reflects the strong growth in the economy and the increase in households' disposable income.

#### *Operational result*

| | | |
|---|---|---|
| Income / percentage of consolidated income | € 55 million | 24% |
| Operating profit / percentage of consolidated operating profit | € 20 million | 18% |
| Return on allocated capital *) | 22.5% | |
| Risk-weighted claims and commitments / percentage of consolidated risk-weighted claims and commitments | € 916 million | 15% |
| Staff / percentage of consolidated staff | 443 | 47% |

*) The equity capital allocated to the division is 7 per cent of risk-weighted claims. The Tier-1 own funds of Okopankki Oyj, which is engaged in retail banking, amounted to 9.5 per cent of risk-weighted claims at the turn of the year.

| | *1999* | *1998* |
|---|---|---|
| Credit stock | € 1 218 million | € 975 million |
| Deposits from the public | € 1 151 million | € 979 million |
| Number of customers | 240 000 | 224 000 |



### *Customers*

At the end of 1999 Okopankki had nearly 240 000 customers, up 7 per cent since the end of the previous year. Retail and household customers accounted for 87 per cent of all customers. During the year Okopankki signed up about 17 000 new household customers, or nearly 20 per cent more than in 1998. More than 60 per cent of the new retail customers were under 35 years of age. About 2 000 new corporate client relationships were formed.

At the end of the year Okopankki's customers had about 73 000 Internet, terminal, telephone or GSM service contracts. The number of contracts grew by 34 per cent from the turn of the previous year. At the end of 1999 there were 40 per cent more Internet service contracts than a year earlier.

In March Okopankki introduced its Platinum bonus system, whose objective is to encourage customers to handle most of their banking needs through Okopankki. Platinum customers earn bonuses on the value of their loans and deposits as well as on the basis of their use of investment services. By the end of the year the value of bonuses earned was EUR 1.2 million. Of this amount, EUR 0.3 million had gone toward the payment of commissions and fees by the end of the year.

### *Lending*

During the report year EUR 581 million in new loans was drawn down. This was about 45 per cent more than a year earlier. Housing loans accounted for 58 per cent of the new loans drawn down, consumer credits for 16 per cent and corporate loans for 26 per cent.

The margins on new loans declined throughout the year owing to tough competition.

The credit portfolio grew by 25 per cent and was EUR 1.2 billion at the end of the year. The growth in the credit portfolio clearly exceeded the average growth in total lending by the Finnish banks.

Total credits granted to retail and household customers amounted to EUR 0.9 billion, an increase of 21 per cent since the end of 1998. Housing loans accounted for 76 per cent of the total volume of credits granted to retail and household customers.

Every third loan granted to a retail or household customer was covered by Payment Protection Plan insurance. This provides coverage against an accident or sickness-related occupational disability, unemployment or serious illness as well as death or a permanent impairment resulting from an accident.

Total loans granted to corporate clients amounted to EUR 0.3 billion, an increase of about 30 per cent on the previous year. Of the corporate loan book, a quarter was granted to companies in the services, a quarter to those engaged in residential and commercial property management and a fifth to retailers.

At the end of the year, Okopankki had EUR 4.3 million of non-performing and other zero-interest credits, down 20 per cent since the end of the previous year. The figure represented 0.4 per cent of the loan book.

Loan losses were booked in a net amount of EUR 0.8 million, or 0.07 per cent of the aggregate amount of the loan book and guarantee commitments. In 1998 the amount of loan losses booked was EUR 0.4 million, or 0.04 per cent of total commitments.

### *Deposit, asset management and payment transfer services*

Total deposits – just like the loan portfolio – outpaced the growth reported by Finnish banks on average. The amount of deposits at the end of the year was EUR 1.2 billion, up 18 per cent since the turn of the year. The aggregate average balance of funds on payment transfer accounts in 1999 was at the previous year's level, or EUR 0.6 billion.

Okopankki acted as a broker for insurance policies offered by Aurum, the OKOBANK Group's pension and life insurance company. These policies totalled EUR 23.3 million, compared with EUR 13 million a year ago. Stock brokerage orders amounting to EUR 190 million were executed in 1999 – double the amount in 1998. Assets channelled into mutual funds amounted to nearly EUR 70 million. The good yield posted by the OKOBANK Group's mutual funds supported sales of mutual funds during the year under review.

In September renewed Internet investment services were placed in use. Via them it is easier than before for customers to handle their investment transactions.

To an increasing extent, customers handled their payment transfers by using Internet, direct debit and payment ATM services. These services accounted for 86 per cent of payment

*Aldata also develops systems for electronic commerce. Net shopping. Payment transfers direct from account to account. Modern systems speed up service and bring added value to customers.*

transactions handled. A year earlier the corresponding share was 85 per cent.

An electronic bill service for small and medium-sized corporate customers and the self-employed was launched in the autumn. The service is based on use of the Internet and e-mail, and it brings greater efficiency to the customer's cash management.

### *Business outlook*

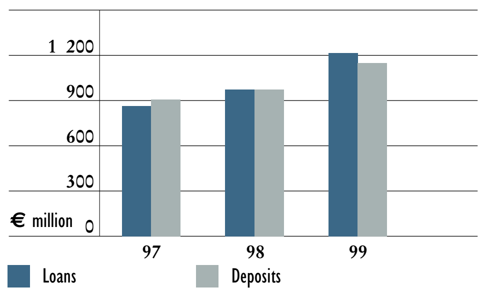
During the report year the OKOBANK Group concluded a co-operation agreement with Kesko Corporation for the development of customer services. The first stage will involve the development of a facility for holders of a Plussa card enabling them to integrate into their card an interest-bearing advance payment account with Okopankki and the OKOBANK Group member cooperative banks. There are more than 350 000 holders of a Plussa card in the Greater Helsinki area.

The ongoing strong population shift to metropolitan Helsinki and the growth in the economy will mean that Okopankki is better placed to pursue successful business operations than are Finnish banks on average. The period of fast growth in lending nevertheless seems to have peaked. It is expected that the narrowing in margins on loans will slow down and that the level of interest rates in 2000 will be higher than the average level in 1999.

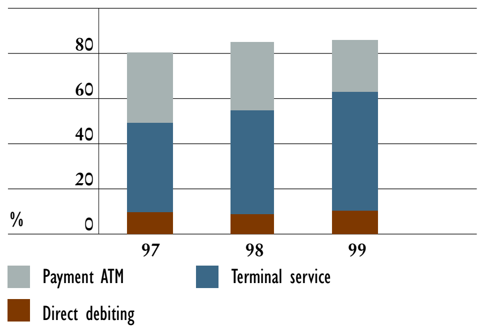
The discontinuance of tax-free status for bank deposits in June 2000 may further change the structure in households' assets. Deposits are estimated to keep growing at a reasonable rate, whilst competition for funding gets tighter.

Owing to the growth in operational volumes and the higher general level of interest rates than a year earlier, Okopankki's operating profit is expected to improve further in 2000.

**Okopankki's loans and deposits**




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




*Citymarket Jumbo, Vantaa. Matti Himberg, store-owner. He came all the way from Ostrobothnia to establish a supermarket and set up in business in the Greater Helsinki area. Finnish know-how for the demanding consumer. Matti Himberg teamed up first with Etelä-Pohjanmaan Osuuspankki and now with Okopankki.*

## *Group Treasury*

### Operational result

| | | |
|---|---|---|
| Income / percentage of consolidated income | € 51 million | 23% |
| Operating profit / percentage of consolidated operating profit | € 36 million | 33% |
| Return on allocated capital | 30.9% | |
| Risk-weighted claims and commitments / percentage of consolidated risk-weighted claims and commitments | € 1 203 million | 20% |
| Staff / percentage of consolidated staff | 96 | 10% |

| | *1999* | *1998* |
|---|---|---|
| Perpetual bonds of the member banks | € 38 million | € 47 million |
| Other credits to the member banks | € 960 million | € 673 million |
| Capital investments to the member banks | € 188 million | € 209 million |
| Member banks' minimum reserve and cash reserve deposits | € 1 738 million | € 1 657 million |
| Member banks' other deposits | € 691 million | € 684 million |

### *Central banking operations*

OKOBANK's net liabilities to the Group member cooperative banks stood at EUR 1 243 million at the end of 1999, a decrease of EUR 169 million during the year under review. The member banks repaid a total of EUR 30 million of capital investments and perpetual bonds subscribed for by OKOBANK. The 10 per cent growth in lending by the member banks increased credits granted by OKOBANK to the member banks by EUR 287 million, or by 43 per cent from the end of 1998. The member banks' minimum and cash reserve deposits grew by EUR 81 million. Other deposits, which amounted to EUR 691 million at the end of the year, were nearly at the previous year's level.

At the end of 1998 a changeover was made to the new cash reserve system that is required by the European Central Bank system, in which OKOBANK, as the central bank of the OKOBANK Group, sees to the cash reserve deposit on behalf of all the member banks of the OKOBANK Group.

During the report year new deposit and credit products that better serve the financing and investment needs of the member banks were developed for them.

### *Funding and investments*

Investments in foreign bonds were increased by EUR 223 million from the previous year, rising to EUR 584 million. As a precautionary measure against turn of the year liquidity problems, towards the end of the year the amount of certificates of deposit was also increased by EUR 602 million to EUR 1 548 million.

The growth in the lending and investments of OKOBANK Consolidated and the member banks of the OKOBANK Group was financed primarily on the money and capital markets. The amount of bonds issued for public subscription grew by EUR 837 million.

In the autumn 1999 OKOBANK exercised its right to repay loans that are counted in with Tier II own funds and redeemed a total of USD 250 million in perpetual bonds. The measure lowered OKOBANK Consolidated's capital adequacy by 3.3 percentage points.

The equity portfolio amounted to EUR 141 million at the end of the year. Sales of shares and appreciation in value resulted in a credit to income of EUR 11.6 million during the report year. Unbooked appreciation in value amounted to EUR 15 million at the end of December.

### *Outlook for operations*

In the current year too the OKOBANK Group's lending is expected to grow faster than its acquisition of deposits. This will be reflected in OKOBANK's central bank and treasury operations in the form of increased receivables from the member banks.

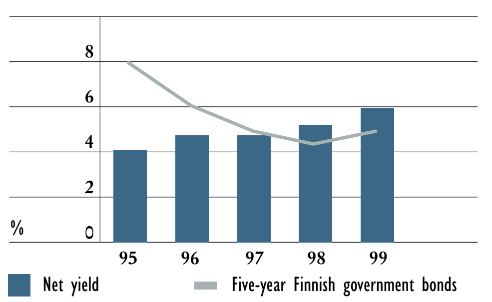
## *Other operations*

#### Operational result

| | | |
|---|---|---|
| Income / percentage of consolidated income | € 34 million | 15% |
| Operating profit / percentage of consolidated operating profit | € 11 million | 10% |
| Staff / percentage of consolidated staff | 35 | 4% |

| | *1999* | *1998* |
|---|---|---|
| Capital invested in real estate holdings | € 292 million | € 316 million |
| Capital invested in leasable properties | € 166 million | € 185 million |
| Net yield on leasable properties | 5.9% | 5.2% |
| Vacancy rate | 9% | 7% |

#### Net yield of real estate holdings not in own use




### *Real-estate holdings*

Capital invested in OKOBANK Consolidated's real-estate holdings amounted to EUR 292 million at the end of the year, falling by EUR 24 million during the year. The total floor space of the properties was about 166 000 sq.m., of which about a third was used by OKOBANK Consolidated for its own activities. The most important property in own use is the OKO-Vallila headquarters.

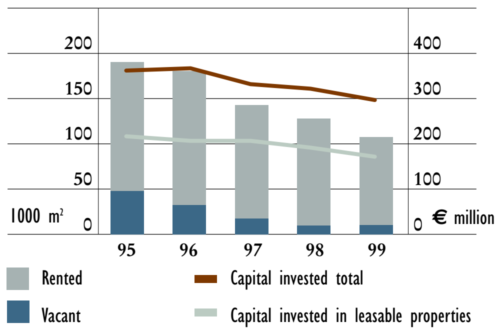
Capital invested in leasable properties that were not in own use amounted to EUR 166 million at the end of the year. About half of the capital was invested in the three largest properties, Kiinteistö Oy Aleksi-Hermes and Arkadiankatu 23 in Helsinki as well as Lahden Trio in Lahti.

During the year under review 28 properties with total floor space of 27 000 sq.m. were sold, yielding net capital gains of EUR 4 million. In 1998, disposals of real estate yielded EUR 5.5 million of capital gains. At the end of the year, an EUR 4 million write-down was made on the Arkadiankatu 23 property.

At the end of the year there was about 9 600 sq.m. of unleased rental space, corresponding to a 9 per cent vacancy rate.

The favourable situation on the rental market continued. The net yield on leasable properties that were in own use improved significantly as a consequence of the better price level and increased property management efficiency. The net yield rose from 5.2 per cent at the end of 1998 to 5.9 per cent. Lease agreements concluded in the report year were generating a net yield of 9.4 per cent at the end of 1999.

#### Leasable properties and capital invested in real-estate holdings




The enlargement of the Kiinteistö Oy Aleksi-Hermes premises was completed in the first part of the year. Leasable space increased by more than 40 per cent. The net yield on the property improved significantly thanks to the enlargement.

### *Outlook for the property business*

The objective in 2000 is to continue freeing up capital invested in real-estate holdings. This target is well within reach in view of the prevailing positive sentiment on the real-estate market.

*A satisfied customer is the joint objective of the store and the bank. Citymarket Jumbo's Loyal Customers receive an additional benefit through their Kesko Plussa card, which soon will incorporate the customer's interest-bearing advance payment account with Okopankki and the cooperative banks.*

It is believed that the rental market will remain favourable. The buoyant economy will guarantee a good occupancy rate for leasable premises.

### *Other operations*

In January 1999, OKOBANK sold its shares in Radiolinja Oy, which was booked under financial fixed assets, generating a capital gain of EUR 16.6 million.

OKOBANK owns 49.6 per cent of Aurum Life Assurance Company. Aurum's premium income grew by 82 per cent to EUR 265 million during the year under review. The result of investment operations nearly trebled. EUR 3.2 million of Aurum's result was included in OKOBANK Consolidated's earnings. In 1998 the amount included in consolidated earnings was EUR 1.5 million.

OKOBANK Consolidated owns 48.1 per cent of the shares in the telebank OP-Kotipankki Oyj. OP-Kotipankki's claims on the public grew by 43 per cent to EUR 103 million. Liabilities to the public increased by 7 per cent to EUR 67 million. EUR 0.8 million of Kotipankki's result was included in OKOBANK Consolidated's earnings. In the previous year the portion of the result included in consolidated earnings was EUR 0.4 million.

## *Service network*

OKOBANK Consolidated's service network in Finland comprises

- its own and the OKOBANK Group member banks' branch offices,
- network services and
- telebank services.

In the Greater Helsinki area OKOBANK Consolidated has a head office and 19 branch offices as well as 5 service outlets in shopping centres. OKOBANK's head office in Helsinki as well as OP-Finance Ltd's outlets in the five largest cities outside the metropolitan area serve corporate customers. Of Okopankki's 19 offices, 5 offer bank services for both retail and corporate customers. The other Okopankki branch offices are for retail customers.

The Group member banks' 750 branch offices and service outlets together with OKOBANK Consolidated's own locations form a nationwide service network.

OKOBANK Consolidated's network services offer customers versatile payment transfer, account and investment services as well as information services that support asset management. The Call Centre rounds out the ways of transacting business in the branch offices or via the Internet.

OKOBANK Consolidated's international service network is based on

- its own branch office and representative office services,
- the Unico Banking Group's network of branch offices and
- international correspondent bank relationships.

OKOBANK's Stockholm branch office concentrates on payment transfer and financing services for corporate customers. The representative offices in Tallinn and St Petersburg serve corporate customers in the Baltic countries and Russia.

### *Unico Banking Group*

Via OKOBANK, the OKOBANK Group is a member in the Unico Banking Group, a co-operation organisation of the central banks of the European cooperative banks. The Unico Banking Group comprises six full members and three associate members. These banks, which are among the leading retail banking groups in their home countries, had aggregate total assets in 1998 of nearly EUR 1 900 billion. The banks employed more than 400 000 people and had over 40 000 branch offices.

The formation of a unified euro-zone has led to more closely knit co-operation between the Unico banks. The emphasis of co-operation at present is on the development of payment transfer, cash management and capital market services.

| ***Unico Banking Group's member bank/ central bank of the banking group*** | ***Banking Group's Total assets € billion*** | ***Staff*** | ***Branch offices*** |
|---|---|---|---|
| Crédit Agricole, France | 390.7 | 86 100 | 7 958 |
| DG BANK AG Deutsche Genossenschaftsbank, Germany | 860.5 | 185 100 | 18 418 |
| ICCREA, Italy | 74.7 | 22 050 | 2 777 |
| OKOBANK Osuuspankkien Keskuspankki Oyj, Finland | 23.3 | 8 366 | 728 |
| Rabobank, Netherlands | 249.7 | 49 465 | 1 797 |
| Raiffeisen Zentralbank Österreich AG, Austria | 80.2 | 21 800 | 2 400 |
| Banco Cooperativo Español*, Spain | 23.9 | 10 792 | 3 235 |
| KBC Bank and Insurance*, Belgium | 147.7 | 18 885 | 1 529 |
| Union of Swiss Raiffeisen Banks*, Switzerland | 41.2 | 4 312 | 1 322 |
| Unico Banking Group | 1 891.9 | 406 870 | 40 164 |

* Associate member

Source: Unico Banking Group's annual report 1998

*Etelä-Karjalan Osuuspankki, a Group member bank. A good co-operation partner for both retail and corporate customers. A forerunner in providing a variety of services which are expected from the bank in the province. One of OKOBANK's shareholder banks and a user of its full range of central bank services.*

# Personnel

### *Structure*

OKOBANK Consolidated had a payroll of 946 employees at the end of 1999, or 6 more than at the end of the previous year. During the year the average number of employed staff was 964 people, as against 974 people in 1998. Turnover of permanent staff was 5 per cent, or a percentage point lower than in the previous year. In accordance with the strategic policy lines, the centralisation of accounting and reporting to the authorities within the OKOBANK Group Central Cooperative was continued. The centralisation of functions did not have a material effect on OKOBANK Consolidated's number of personnel.

During the year essential changes did not take place in the structure of OKOBANK Consolidated's personnel. At the end of 1999 the average age of the personnel was about 41 years, or at the same level as at the end of the previous year. Of the divisions, the highest average age of the staff, 43 years, was in Retail Banking and the lowest, 34 years, was in Investment Banking. People under 30 years of age made up 11 per cent of the personnel. The breakdown or the personnel was 73 per cent women and 27 per cent men, with women accounting for 21 per cent of senior and middle management and 44 per cent of the other supervisory positions. Salaried employees accounted for 64 per cent and experts for 19 per cent of the personnel. About 20 per cent of the personnel held a university degree and 41 per cent have completed post-secondary education. On average the staff had about 15 years of work experience within the OKOBANK Group.

### *Competence*

The objective of competence development is to build skills for the future and thereby to strengthen competitiveness. During 1999 OKOBANK Consolidated launched a process of defining strategic competence areas which will be the focus of competence development in the years ahead. The development priorities are chosen each year. The priorities in 2000 are a customer-oriented way of working, network business as well as co-operation and leadership. The level of competence will be surveyed at all the units for the first time during 2000 at the latest and annually thereafter.

Individual development objectives and personal development plans are surveyed in detail during regular development discussions that are held twice a year. The basic premise is that each employee bears an individual responsibility for developing his or her own competence. The supervisor's task is to facilitate the development.

Personnel development costs net of salary costs during days in training were EUR 1.1 million in 1999, or slightly less than 3 per cent of staff costs. Compared with the previous year, the proportion of training expenses within staff costs increased by about 0.5 percentage point. Within retail banking, the vocational development focus was on banking skills in the broad sense: asset management, procedural and service processes and the versatile utilisation of information technology. Competence inputs within the other divisions were directed at the further development of a customer-oriented approach as well as at introducing and making the most of the new modes of service.

The staff participated in external training on average for three working days. In addition, internal training was arranged, notably, by launching the staff-wide Rytmi (Rhythm) development programme, which is continuing in 2000. The development programme supports the implementation of strategy with the aim of reaching objectives and achieving a unified way of working. A special emphasis in training for supervisors is on personnel management skills.

### *Incentives*

A bonus system encourages employees to meet performance objectives and develop their competence. Annual rewards are based on the achievement of individual and group objectives. The objectives are agreed jointly and attainment of them is evaluated in regular development discussions. In 1999 more than 500 people were paid a bonus corresponding on average to one month of pay on the basis of the previous year's performance.

In addition, arrangements were carried out to motivate the staff to work in a long-term and goal-oriented way with the aim



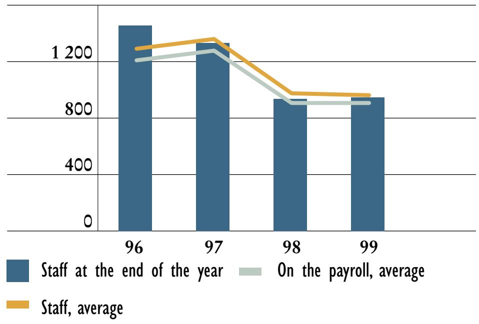


of increasing the Bank's shareholder value. In September bonds with equity warrants were offered to the staff of OKOBANK and the OKOBANK Group Central Cooperative, and about 50 per cent of the employees subscribed for the bonds. In May Opstock Ltd carried out an arrangement whereby the staff were offered the possibility of obtaining shares in Opstock. At the end of December 1999 nearly 13 per cent of the staff owned Opstock shares.

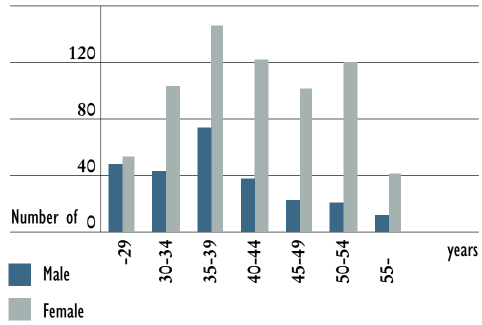
### *Workplace atmosphere*

In the spring 1999 an extensive personnel survey was carried out at all OKOBANK Consolidated units with the exception of Okopankki. The further improvement of the management atmosphere and job satisfaction have been chosen as the development objectives for the current year, and implementation of them will be monitored by means of the new personnel survey. Within retail banking, development of the workplace will be continued on the basis of a teamwork approach. Renewal and job satisfaction are furthermore supported across the OKOBANK Consolidated organisation through activities that maintain working ability and are tailored specifically to the needs of each unit.

**Staff**




**Staff by age groups**








*The OKOBANK Group's strength lies in good mutual co-operation. This is clearly reflected in the business operations of the cooperative banks and their central bank, OKOBANK. The co-operation benefits both parties and, above all, it benefits their wide clientele.*

# Report of the Executive Board

## OKOBANK Consolidated's operations and result

### Result

OKOBANK Consolidated's operating profit for 1999 was EUR 111 million, up EUR 36.7 million and 49 per cent on the previous year. The result was greatly improved by the EUR 16.6 million capital gain that was realised in the first quarter on the sale of Radiolinja Oy shares as well as by operating expenses that were markedly smaller than a year ago.

The income/expenses ratio was 1.8, compared with 1.45 a year earlier. The return on equity (ROE) rose from the previous year's figure of 9.7 per cent to 16.1 per cent and earnings per share (EPS) increased from EUR 1.12 to EUR 1.72. The five-year per-share key figures and indicators of financial performance are given in Note 44 to the annual accounts.

OKOBANK Consolidated's net income from financial operations was EUR 108.8 million, down EUR 3.8 million or 3 per cent on the figure a year earlier. Net income from financial operations was improved by the growth in lending. In addition, interest expenses declined in the last quarter, when OKOBANK exercised its right to make a premature payment and redeemed its two issues of perpetual bonds in a total amount of USD 250 million. Another factor weakening net income from financial operations was narrower margins, particularly on new credits granted to retail customers. The margins on OKOBANK's central bank operations also narrowed and played a part in weakening net income from financial operations.

Commission and fee income increased by EUR 6.7 million compared with the previous year. The growth in commission and fee income was weighted towards the last quarter, when commission income, particularly on securities transactions, increased significantly.

| Commission income, € million | 1999 | 1998 | Change, % |
|---|---|---|---|
| Lending | 10 | 10 | 4 |
| Payment transfers | 14 | 12 | 10 |
| Securities brokerage and issuance | 27 | 25 | 11 |
| Asset management | 7 | 4 | 50 |
| Other commission income | 9 | 9 | 5 |
| Total | 66 | 60 | 11 |

Net income from securities transactions totalled EUR 5.7 million, up EUR 0.9 million on 1998. Net income from debt securities and from interest rate derivatives was in the red, resulting in a loss of EUR 5.8 million. A year earlier these items were slightly loss-making. The losses in 1999 were due to losses on the transfer of debt securities and to write-downs, because market interest rates rose substantially in May–October and the interest rate market was unstable. Net income from share trading, however, rose from the previous year's figure of EUR 4.8 million to EUR 11.5 million.

Due to the change in accounting practice explained under Accounting policies, EUR 2.6 million of income from the unrealised appreciation of actively traded securities was booked to net income from securities transactions. The appreciation booked on shares amounted to 2.2 million and for debt securities it was EUR 0.4 million. The unbooked appreciation on other listed shares included in current assets was EUR 15 million at the end of the year.

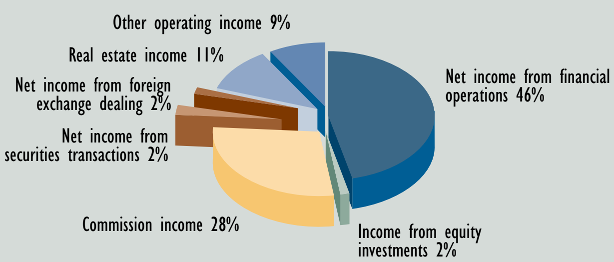
Net income from foreign exchange dealing was EUR 4.4 million. Primarily due to the transition to the euro, this item was 40 per cent smaller than the figure a year earlier.

Other operating income amounted to EUR 49.7 million, compared with EUR 37.4 million in 1998. A non-recurring capital gain of EUR 16.6 million was booked on the sale of Radiolinja Oy shares in January. In the previous year capital gains on shares held as financial fixed assets amounted to EUR 3.4 million. Capital gains on sales of properties and shares in real-estate corporations totalled EUR 4 million, whereas in 1998 these capital gains added EUR 5.6 million to income. Property rents increased by EUR 0.7 million and were EUR 21.6 million. The net yield on capital invested in real estate not in own use

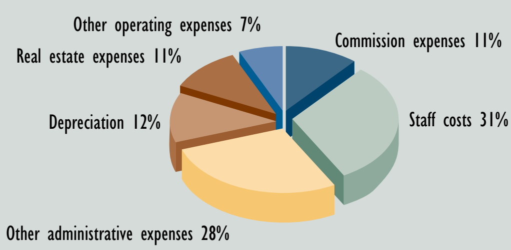




**Income, OKOBANK Consolidated**




**Expenses, OKOBANK Consolidated**



***OKOBANK Consolidated quarterly performance***

| **€ million** | 1999 | | | | | | |
|---|---|---|---|---|---|---|---|
| | ***1-3*** | ***4-6*** | ***7-9*** | ***10-12*** | ***1999*** | ***1998*** | ***Change, %*** |
| Net income from financial operations | 26 | 28 | 26 | 29 | 109 | 113 | -3 |
| Commission income | 13 | 14 | 13 | 25 | 66 | 60 | 11 |
| Net income from securities transactions and foreign exchange dealing | 6 | 1 | -2 | 5 | 10 | 12 | -17 |
| Other operating income | 25 | 9 | 6 | 10 | 50 | 37 | 33 |
| **Total income** | **71** | **52** | **43** | **69** | **235** | **222** | **6** |
| **Total expenses** | **30** | **33** | **29** | **39** | **131** | **153** | **-15** |
| Loan and guarantee losses and write-downs | -2 | 0 | 0 | 0 | -2 | -4 | -36 |
| Share of profit/loss of companies included using the equity method | 1 | 1 | 1 | 1 | 5 | 2 | 99 |
| **Operating profit** | **44** | **21** | **15** | **31** | **111** | **74** | **49** |

was 5.9 per cent at the end of the year, or 0.7 percentage point higher than it was a year earlier.

Administrative costs increased by EUR 5.8 million on the previous year, or by 8.2 per cent. Staff costs accounted for more than half of the total amount of administrative costs, EUR 76.7 million. The amount of staff costs was the same as in 1998. OKOBANK Consolidated had an average payroll in 1999 of 964 employees, or 10 employees less than in 1998. Data processing and data communications costs grew by EUR 0.6 million and were EUR 19.6 million. The growth was due, among other things, to the modification works on information systems on the euro and the eve of the new millennium as well as to an increase in the volume of transactions.

The total amount of depreciation, EUR 16.3 million, includes write-downs on real-estate properties and shares in real-estate corporations, as well as reversals on them, in a net amount of EUR 3.6 million.

Other operating expenses decreased by EUR 29.4 million, or by 56 per cent on the previous year. In 1998 expenses included an EUR 27.1 million contribution to the OKOBANK Group Security Fund. In 1999 a contribution was no longer made to the Fund. Real-estate expenses diminished by EUR 1.6 million, or by 10.2 per cent compared with the previous year.

The net effect on income of loan and guarantee losses as well as write-downs on securities held as financial fixed assets was due to reversals a credit to income of EUR 2.3 million. In 1998 these items added EUR 3.6 million to income.

The minority interest in companies consolidated according to the equity method was EUR 4.6 million. Aurum Life Assurance Company accounted for EUR 3.2 million of this figure and OP-Kotipankki Oyj for EUR 0.8 million.

Extraordinary items includes an entry of EUR 57 million representing the remainder of the shares of liabilities which were paid to the OKOBANK Group Security Fund at the beginning of the year. The withdrawal of OKOBANK and Okopankki Oyj from the Security Fund came into force in January.

After appropriations, taxes and minority interest, OKOBANK Consolidated's profit for the financial year was EUR 39.1 million.

## *Balance sheet*

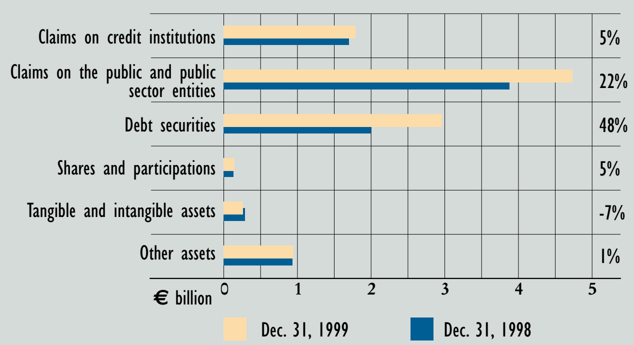
The consolidated balance sheet at the end of the year stood at EUR 10.8 billion, an increase of EUR 1.9 billion and 21.3 per cent on the figure at the end of 1998. Total assets rose as a result of the substantial increase in lending. In addition, OKOBANK prepared for possible liquidity problems over the turn of the millennium and increased the amount of its debt securities substantially in December.

### *Lending and investments*

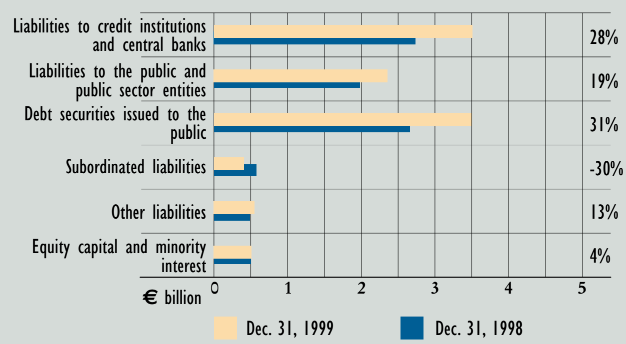
There was brisk demand for credits throughout the year. Credits to the public, including leasing assets, amounted to more than EUR 4.7 billion at the end of the year. The amount of these items increased by EUR 854 million from the end of 1998, or by 22 per cent. The proportion of credits to the public in the consolidated balance sheet was 44 per cent, on a par with the situation a year earlier. The proportion of corporate loans in the credit portfolio declined by 3 percentage points since the end of the previous year and was 55 per cent. Credits granted to households accounted for the same share as a year earlier, or about a quarter.



***Balance sheet: assets in 1999 and 1998 and change in per cent, OKOBANK Consolidated***




***Balance sheet: liabilities in 1999 and 1998 and change in per cent, OKOBANK Consolidated***



OKOBANK Consolidated's non-performing claims diminished by EUR 1.8 million to EUR 12.3 million. In addition, OKOBANK Consolidated had zero-interest claims of EUR 3.6 million. At the end of 1998, zero-interest claims included a total of EUR 57 million of OKOBANK's and Okopankki's loans to the OKOBANK Group Security Fund. The Fund repaid these loans on January 4, 1999. Net of the loans to the Security Fund, zero-interest claims declined by EUR 2.2 million from the end of the previous year. The amount of non-performing and zero-interest claims at the end of the year was 0.3 per cent of loans to the public and guarantees. The corresponding figure a year earlier, net of non-interest bearing loans to the Security Fund, was 0.4 per cent. Of the aggregate amount of non-performing and zero-interest claims, companies accounted for EUR 8.2 million and households for EUR 4.9 million.

Claims on credit institutions amounted to EUR 1 784 million, an increase of EUR 90 million on the figure a year earlier. Of these claims, loans and capital investments granted to the Group member banks accounted for 64 per cent, as against 52 per cent a year earlier. Claims on the member banks grew by EUR 266 million, up 30 per cent since the end of the previous year.

The amount of debt securities increased by EUR 956 million from the end of 1998, or by 48 per cent, and totalled EUR 2 961 million. Part of the growth was due to the above-mentioned preparation for possible liquidity problems over the turn of the year. The amount of banks' certificates of deposit was EUR 1 568 million. The bulk of this increase of EUR 622 million, or 66 per cent, came towards the end of the year. Investments in international issues of bonds and notes were increased. Their amount at the end of the year was EUR 584 million, an increase of EUR 223 million on the previous year. The proportion of debt securities in the consolidated balance sheet rose to 27 per cent, from slightly more than 22 per cent a year earlier.

The amount of OKOBANK Consolidated's equity holdings remained fairly small. The amount of the shares which the consolidated companies owned in non-real-estate companies was EUR 141 million at the end of the year. The amount of equity investments grew on January 19, 2000, when OKOBANK purchased from Suomi Mutual Life Assurance Company shares which it owned in Pohjola Group Insurance Corporation for a total of EUR 44 million.

The book value of shares in real estate and real-estate corporations at the end of the year was EUR 241 million. The book value of these holdings declined by about EUR 15 million from the end of the previous year. The amount of capital invested in real-estate holdings diminished by EUR 24 million and was EUR 292 million at the end of the year.

*Deposits and other liabilities*

The amount of deposits from the public stood at EUR 1 473 million at the end of the year. Deposits increased by EUR 163 million, or 12.4 per cent, since the end of the previous year. Deposits from the public accounted for about 14 per cent of OKOBANK Consolidated's liabilities.

Debts to credit institutions and central banks grew by EUR 774 million, or 28 per cent, and totalled EUR 3.5 billion at the end of the year. Of these liabilities, 69 per cent, or EUR 2.4 billion, were deposits which the member banks of the OKOBANK Group placed with OKOBANK. The member banks' deposits with OKOBANK grew by 3 per cent from the end of the previous year. At the turn of the year OKOBANK had EUR 536 million of current liabilities to the Bank of Finland. At the end of 1998 OKOBANK did not have liabilities to the central bank.

The growth in lending and debt securities was funded mainly on the money and capital markets. At the end of the year, the amount of debt securities issued to the public was about EUR 3.5 billion, an increase of EUR 837 million, or 31 per cent, on the figure a year earlier. Certificate of deposit liabilities were increased by EUR 771 million from the end of the previous year, or 37 per cent, and they amounted to EUR 2 869 million at the end of the year.

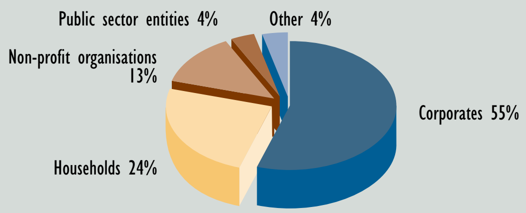
Subordinated liabilities diminished by EUR 174 million since the end of the previous year. The decrease was due to the fact that OKOBANK exercised its right to effect a premature repayment and redeemed its two issues of perpetual bonds in a total amount of USD 250 million. The amount of domestic and international debenture loans, however, grew by EUR 19 million.

*Equity capital*

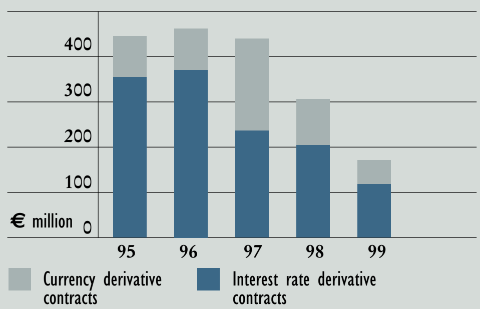
OKOBANK Consolidated's equity capital at the end of the year stood at EUR 513 million, an increase of EUR 19.3 million since the end of the previous year. Equity capital included an EUR 32.6 million non-distributable portion that was transferred to the equity capital account from voluntary provisions and the depreciation difference. OKOBANK Consolidated's distributable equity at the end of the year was EUR 54.2 million.



**Lending by customer sector, OKOBANK Consolidated**




**Equivalent credit values of derivative contracts, OKOBANK Consolidated**



### *Off-balance sheet items*

The amount of guarantees and other off-balance sheet commitments at the end of the year was EUR 2 048 million, an increase of EUR 322 million on the figure at the end of 1998. At the end of the year guarantees amounted to EUR 470 million, or EUR 151 million less than a year earlier. The amount of guarantee liabilities, in turn, grew by EUR 194 million and was EUR 486 million. Unused credit facilities increased by EUR 221 million to EUR 979 million.

Trading in derivative contracts changed significantly following the introduction of the euro. The focus of the trading shifted from the OTC market to the stock exchanges, thereby reducing the credit risk associated with the contracts. The value of the underlying instruments of derivative contracts decreased by 69 per cent from the end of 1998 and was EUR 10.1 billion. The amount of forward rate agreements decreased by 90 per cent to EUR 1.9 billion. The amount of currency forward agreements was more than EUR 1.3 billion, or 77 per cent, less than a year earlier. Interest rate swaps remained nearly unchanged in amount and totalled EUR 6.7 billion at the end of the year. Of the amount of underlying instruments of derivative contracts, interest-rate swaps accounted for 66 per cent, compared with 21 per cent a year earlier. The credit countervalue of derivative contracts was EUR 175 million, or EUR 133 million less than it was a year earlier.

### *Capital adequacy*

OKOBANK Consolidated's capital adequacy ratio at the end of the year was 12.5 per cent, or 3.7 percentage point lower than a year earlier. The decline in the capital adequacy ratio was mainly due to the fact that OKOBANK repaid prematurely, subject to permission from the Financial Supervision, its two issues of perpetual bonds in a total amount of USD 250 million. These bonds were previously included in upper Tier II own funds. The capital adequacy ratio was furthermore weakened by the EUR 931 million growth in risk-weighted items, representing growth of nearly 18 per cent since the end of 1998.

| **€ million** | **Dec. 31, 1999** | **Dec. 31, 1998** |
|---|---|---|
| Own funds | | |
| Tier I | 448 | 435 |
| Tier II | 355 | 435 |
| Deductions | - 36 | - 36 |
| Tier III | - | 13 |
| Total | 767 | 847 |
| Risk-weighted receivables, investments and off-balance sheet items | 6 156 | 5 225 |
| Capital adequacy ratio, % | 12.5 | 16.2 |
| Tier I funds/Risk-weighted items, total, % | 7.3 | 8.3 |

The OKOBANK Group's capital adequacy ratio at the end of 1999 was 12.4 per cent. At the end of 1998 it was 12.2 per cent, having been 11.6 per cent at the end of 1997, and 11.3 per cent at the end of 1996.

## *Risk management within OKOBANK Consolidated*

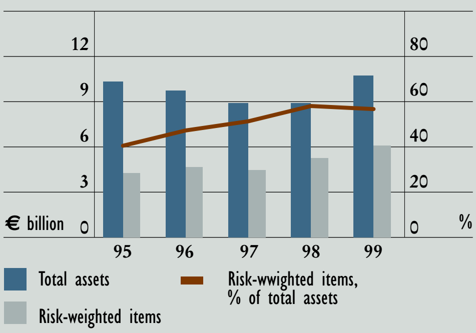
The objective of risk management is to ensure that the risks assumed by the companies belonging to OKOBANK Consolidated are correctly proportioned to the risk-bearing ability of each company and OKOBANK Consolidated. Risks are classified as credit risk, market risk as well as strategic risk and operational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

### *Managing credit risks*

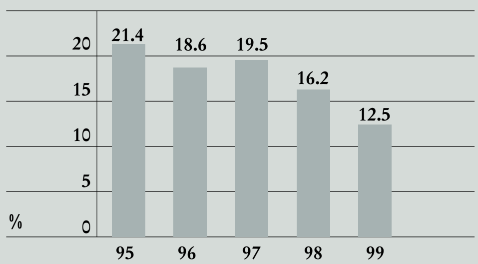
The objective of credit risk management is to confine the impacts on earnings of risks arising from customers' liabilities and other liabilities to an acceptable level. Decisions concerning the management and organisation of OKOBANK Consolidated's credit risks are taken by the Executive Board of OKOBANK.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

Within OKOBANK Consolidated the control and co-ordination of credit risks as well as the management of customer risks are tasks that fall within the competence of the Credit Committee, which reports to OKOBANK's Executive Board.

**Risk-weighted items and balance sheet, OKOBANK Consolidated**




**Capital adequacy ratio, OKOBANK Consolidated**



The upper limit of client-specific commitments, referred to as the commitment limit, is confirmed by the Credit Committee or the Executive Board and it applies to all of OKOBANK Consolidated's corporate clients whose liabilities or planned liabilities exceed EUR 5 million. As a rule, the commitment limit is confirmed for one year at a time.

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

The decision-making process and decision-making levels are defined in the guidelines that are confirmed by OKOBANK's Executive Board. The general rule is adherence to the principle of at least two decision-makers. The preparation of decision proposals, decision-making, execution and monitoring are discrete processes. The Credit Risk Unit, which is a non-operating function, is responsible for issuing guidelines on the granting of credits and for controlling the preparation of loan proposals. Proposals brought before the Credit Committee are furthermore accompanied by a statement by the credit risk manager.

Corporate customers are classified into five classes according to their creditworthiness. The risk classification is based on the companies' financial statement data as well as on the ratio of commitments to collateral. In 2000 a project will be started to develop risk classification so that it fulfils the requirements of the risk classification according to solvency calculations. The classification of clients is reviewed at least once a year. At the end of 1999 OKOBANK Consolidated's corporate client commitments totalled EUR 5.2 billion. Of these commitments, EUR 1.65 billion, or 32 per cent, belonged to the best class (A) and more than EUR 1.4 billion, or 28 per cent, were in the second-best class (B). The proportion of corporate client commitments in the two poorest classes was EUR 346 million, or 7 per cent. The bulk of the total amount of unclassified commitments, over EUR 1 billion in amount, consisted of loans granted to housing and property-management companies as well as to public sector entities.

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

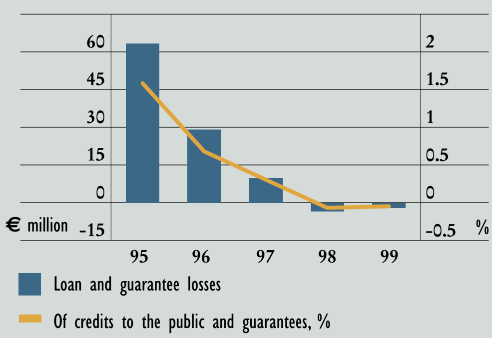
A comprehensive risk report that was developed in 1999 is prepared quarterly by OKOBANK Consolidated's units. By means of the report, OKOBANK's Executive Board monitors, among other things, commitments by counterparty group, corporate client commitments and collateral shortfall by industry, the breakdown of corporate client commitments by risk class, large client risks as well as the trend in problem clients and problem receivables. The report also deals with the performance trend of the member banks as well as the other largest bank commitments. In addition, client relationship managers continually track the state and performance trend of their own corporate clients.

The management of credit risks also involves country limits, which are confirmed by OKOBANK's Executive Board. Countries are classified on the basis of creditworthiness into seven risk groups. Creditworthiness is assessed on the basis of international credit ratings as well as indicators of the country's economic and political state and development trend. The limits of the countries belonging to the two best groups (1 and 2) are defined country by country without a time limit. The country-specific limit of countries belonging to Group 6 is a maximum of 1 per cent of OKOBANK Consolidated's own funds and the limit is for one year at the most. A country limit is not set for countries belonging to Group 7. The liabilities of countries belonging to the two best groups totalled EUR 1.2 billion. These liabilities accounted for about 98 per cent of OKOBANK Consolidated's aggregate country risks outside Finland. The liabilities of countries classed in Group 6 amounted to EUR 1.2 million. This group primarily includes countries in Latin America, Asia and the Middle East. Russia also belongs to this group. There was no country in Group 7 at the end of the year.

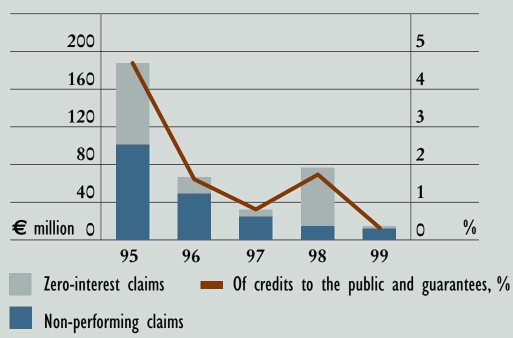
### *Managing real-estate risks*

To minimise the write-down and yield risks connected with its real-estate holdings, OKOBANK Consolidated maintains regularly updated estimates for its individual properties as well as action plans. These plans aim at achieving a gradual reduction in real-estate holdings. Quarterly reports are produced which give the property-specific and summary data on the capital tied up in real-estate holdings, the net yield margins and the vacancy rate.

**Loan and guarantee losses, OKOBANK Consolidated**




**Non-performing and zero-interest claims, OKOBANK Consolidated**



*Managing market risks*

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

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

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

A Value at Risk model (VaR) is used to measure interest rate and foreign exchange risks. Within OKOBANK Consolidated, VaR analysis is based on the historical trend in interest rates and foreign exchange rates. The model estimates the change in market values of interest rate and foreign exchange positions with a one-day holding period. The statistical loss forecast produced by the model is exceeded on average 2.5 times over a 100 day period. The holding period means the time that is needed to close a position or to eliminate a risk. VaR is supplemented with day-to-day back and stress testing.

A project aiming at making VaR analysis more comprehensive was started in 1999. The objective is to build an analysis framework within which foreign exchange, interest rate, equity and credit risks can all be analysed. As part of the project, the bank will go over to using Monte Carlo simulation techniques and statistical prediction models in measuring risks.

*Interest rate risk*

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

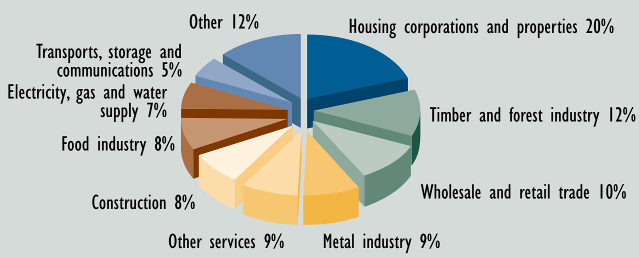
Within OKOBANK Consolidated, interest rate risk is measured currency by currency according to the effect of an interest rate increase of one percentage point in the present value of known future cash flows. Accordingly, the size of the interest rate risk depends on the interest rate fixing times of interest rate-tied balance sheet and off-balance sheet items. Measured in this way, OKOBANK Consolidated's interest rate risk was on average during the year 1999 about EUR 8.4 million negative and the standard deviation was EUR 2.4 million negative. From the beginning the year 2000 the effect is measured by the interest rate increase of 0.5 percentage point. OKOBANK monitors interest rate risks in real time and day by day. In addition, OKOBANK employees the Value at Risk model to gauge interest rate risk. The maximum loss risk predicted by VaR in 1999 was slightly more than EUR 0.8 million at its high point and on average about EUR 0.3 million. The standard deviation was EUR 0.16 million. Please see the figure on page 34.

*Foreign exchange risk*

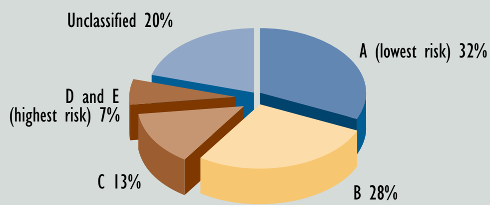
Foreign exchange risk means the effect of changes in foreign exchange rates on the bank's result. Foreign exchange risk arises when the amounts of receivables and liabilities in the same currency differ from each other, i.e. when the bank has an open foreign exchange exposure.

OKOBANK Consolidated's foreign exchange risks have been centralised within OKOBANK. The Bank has defined a limit for the total net foreign exchange position, and this limit is monitored in real time and tracked on a daily basis. OKOBANK's foreign exchange risk is also measured with a VaR model. OKOBANK's foreign exchange risk was fairly small in 1999. The maximum loss risk predicted by VaR was on average EUR 0.05 million in 1999 and the standard deviation was EUR 0.04 million. During the year the total net open foreign exchange exposure was on average EUR 0.4 million negative and the

***Claims on corporate customers' by industry, OKOBANK Consolidated***




***Corporate customers' classified limits, OKOBANK Consolidated***



standard deviation was about EUR 5.9 million.

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

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

*Share price risk*

Share price risk means the effect of changes in the price of shares on the bank's result. The objective of equity investments is to obtain a return on invested capital that is competitive in terms of its risk-return ratio. The Asset and Liability Committee confirms the limits for the equity portfolios. Portfolio summaries and yields are reported monthly to the Asset and Liability Committee. OKOBANK's equity portfolio is fairly small. The book value of the equity portfolios that are traded was EUR 31.9 million at the end of the year and the amount of the unrecorded appreciation in value was EUR 15 million.

*Financial risk*

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

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

The management of OKOBANK Consolidated's balance sheet structure and financial risks is affected by OKOBANK's responsibility as a central financial institution to see to it that the OKOBANK Group has adequate liquidity reserves. The size of OKOBANK's fixed-term investment portfolios is defined in relation to the minimum level of the Group's statutory cash reserves. The Group's cash reserves requirement during the year was on average EUR 2.2 billion and the amount of OKOBANK's investments eligible as cash reserves was also EUR 2.2 billion. OKOBANK also handles the Group's foreign currency-denominated financing, which means that foreign currency-denominated financial risks at the level of the entire Group are centralised within OKOBANK.

*Strategic and operational risks*

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

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

## *Joint responsibility*

OKOBANK is a member of the OKOBANK Group Central Cooperative in accordance with the OKOBANK Group's joint operational model and it is a subsidiary of the Central Cooperative. The Central Cooperative with its subsidiaries and 246 member cooperative banks forms the amalgamation of the cooperative banks. Under the joint co-operation model, the resources of the OKOBANK Group serve as a safety net for all the member banks because under Chapter 2a of the Cooperative Bank Act, the Central Cooperative and its member credit institutions are jointly responsible for one another's liabilities and other commitments which cannot be met from the funds of the Central Cooperative or one member credit institution. If a member credit institution's own funds are depleted by losses such that its operations cannot be sustained, the Central Institution of the amalgamation, the OKOBANK Group Central Cooperative, has the right to collect supplementary payments from the member credit institutions in proportion to their most recently confirmed balance sheets.

The Central Cooperative has an obligation to issue the member credit institutions instructions on safeguarding their activities on, liquidity, capital adequacy and risk management as well as a responsibility to oversee their operations. The Central Cooperative handles its monitoring task, notably, by setting monitoring limits which the member credit institutions must observe in dealing with different types of banking risks. Monitoring limits have also been set for OKOBANK Consolidated, and these too are monitored by the Central Cooperative. The monitoring task is supported by continuous inspections carried out by the Internal Audit.

An amendment, which came into force towards the end 1998, to the Credit Institution Act made it possible for the member banks to withdraw from the OKOBANK Group Security Fund. The withdrawal comes into effect when a bank has paid in full its own share of the Security Fund's liabilities. All the member banks decided to withdraw from the Fund and to pay their own share of the liabilities in the manner they had agreed with the Fund.

Within OKOBANK Consolidated, OKOBANK's share of the liabilities was EUR 127 million and Okopankki's was 34 million. In 1998, OKOBANK paid EUR 84 million of its share of the liabilities and Okopankki paid EUR 20 million. OKOBANK and Okopankki granted the Security Fund EUR 57 million in non-interest bearing credits covering the unpaid amount of their shares of the liability. OKOBANK and Okopankki paid the remainder of their share of the liability, EUR 57 million, on January 4, 1999, whereupon the withdrawal from the Fund came into force. The payments are included in extraordinary expenses in the 1999 and 1998 profit and loss accounts. The Security Fund repaid its zero-interest credits from OKOBANK Consolidated on January 4, 1999.

## *Changes in the structure of OKOBANK Consolidated*

In May OKOBANK sold the shares outstanding in its subsidiary Vicarius Fastigheter AB which owned properties in Sweden, to a Swedish real estate investment company. The deal had a minor effect on earnings.

In May Opstock Ltd., OKOBANK's subsidiary which is engaged in investment banking, carried out an arrangement which made it possible for the staff to own shares in Opstock. At the end of the year the staff owned 13 per cent of Opstock's shares outstanding. Prior to the arrangement, OKOBANK owned Opstock's entire share capital.

The changes in the consolidated structure did not have a material effect on the comparability of financial statement data.

## *The euro and the year 2000*

The transition to stage three of EMU went without a hitch at the beginning of 1999. The Bank managed well in handling euro-denominated reporting and providing service that meets customers' needs.

Preparations for introducing the euro as a cash currency at the beginning of 2002 continued and the drafting of plans for making the changeover from the Finnish markka to the euro were started.

Within OKOBANK Consolidated, preparation for the Year 2000 went according to plans. Modifications to information systems and testing of subsystems in a separate test environment were completed during the summer. During the autumn OKOBANK Consolidated's staff participated in joint tests throughout the OKOBANK Group. In addition, employees took part in joint tests together with other banks and partners in co-operation.

Operational continuity planning was carried out during the late spring and the summer. This involved planning actions to ensure critical business processes and the working out of contingency plans for forecast risks and eventual disturbances. Implementation and testing of the planned measures was continued up to the end of the year.

The transition to the year 2000 was accomplished successfully without any unforeseen internal or external disturbances, and therefore there was no need to initiate countermeasures according to the continuity plans.

The system costs of preparing for the year 2000 amounted to about EUR 0.8 million during the year under review.

## *Co-operation agreements*

During the report year the OKOBANK Group signed a co-operation agreement with Kesko, the Finnish Central Wholesale and Retail Chain, for the development of customer services. In the first stage, Kesko's customers will be offered the possibility of integrating into their Plussa loyal customer cards an interest-bearing advance payment account with Okopankki and other member banks of the OKOBANK Group. There are more than 350 000 Plussa card holders in the Greater Helsinki area.

At the end of the year the OKOBANK Group, together with Mutual Pension Insurance Company Ilmarinen, Suomi Mutual Life Assurance Company, A-Vakuutus Mutual Assurance Company and Pohjantähti Mutual Assurance Company, established an alliance. The objective is for each partner in the alliance to engage in its own business operations, making use of the alliance's distribution channels. This yields synergy advantages that will have a positive effect on earnings over a period of many years. All in all, the partners in the co-operation group have about 3 million customers. The companies in the alliance will seek to boost their market shares further.

## *Outlook*

In the current year the operating environment is estimated to remain favourable for the stable development of OKOBANK Consolidated, as it did last year. The growth in lending is forecast to slow down somewhat compared with 1999, but the narrowing of margins appears to have come to a halt despite the tough competition, particularly in corporate banking. Brisk population growth coupled with growth in the economy in the Greater Helsinki area offer a solid basis for profitable retail banking. The structural change in financial wealth is estimated to continue at a fast rate and to maintain brisk demand for investment services.

In 2000 OKOBANK Consolidated is well positioned to improve its operational profitability further. Consolidated operating profit may nevertheless fall short of the figure in 1999, when the operating profit included a significant non-recurring capital gain.

## *The parent bank, OKOBANK*

### *Result and balance sheet*

OKOBANK's operating profit for 1999 was EUR 86.6 million, an increase of EUR 31.8 million on the previous year. The improved result is attributable to the substantial growth in income and to lower costs. Despite the growth, net income from financial operations was slightly smaller than it was a year ago. Margins on lending narrowed further in the first half of the year, but towards the end of the year the erosion of margins came to a halt. Net income from financial operations was also burdened by the reduction in income from central banking operations.

The biggest item boosting other income was an EUR 16.6 million capital gain on the sale of Radiolinja Oy shares. Dividends received from subsidiaries and associated companies as well as avoir fiscal tax credits were EUR 6.1 million greater than they were in the previous year. The growth was due primarily to the fact that OKO Mortgage Bank plc paid a supplementary dividend amounting to EUR 9.8 million inclusive of avoir fiscal tax credits. Commission and fee income, however, was EUR 3 million less than it was a year earlier. The biggest decrease came in commissions on securities transactions as well as guarantee commissions.

The reduction in expenses was primarily due to the fact that an annual contribution no longer had to be paid to the OKOBANK Group Security Fund. In 1998 the payment was EUR 20 million. Depreciation includes write-downs on real estate and shares in property management companies, including reversals on them, in a net amount of EUR 4.7 million. The corresponding figure a year earlier was EUR 0.7 million. Owing to reversals, the effect on income of loan and guarantee losses as well as write-downs on securities held in financial fixed assets was a net credit to income, as in the previous year. The profit for the financial year after appropriations and taxes was EUR 31 million.

OKOBANK's total assets on the balance sheet date were EUR 9.2 billion. They represented an increase from the end of the previous year of EUR 1.8 billion, or 24 per cent. Loans to the public totalled EUR 1.8 billion, an increase of EUR 0.3 billion, or 21 per cent, since the end of 1998. The amount of non-performing and zero-interest claims at the end of the year was EUR 7.6 million. The amount of these items declined by EUR 4 million if the zero-interest loan to the OKOBANK Security Fund at the end of 1998 is not taken into account.

| ***Result, € million*** | ***1999*** | ***1998*** | ***Change, %*** |
|---|---|---|---|
| Net income from financial operations | 52 | 55 | -5 |
| Other income | 105 | 88 | 19 |
| Expenses | 74 | 93 | -21 |
| Loan losses and write-downs | -3 | -5 | 38 |
| Operating profit | 87 | 55 | 58 |
| Income to expenses ratio | 2.14 | 1.54 | |
| Return on equity, % | 14.7 | 7.7 | |

| ***Balance sheet, € million*** | ***1999*** | ***1998*** | ***Change, %*** |
|---|---|---|---|
| Credit stock | 1 795 | 1 503 | 21 |
| Non-performing and zero-interest claims | 8 | 55 | -86 |
| Deposits from the public | 329 | 338 | -3 |
| Equity capital | 429 | 418 | 3 |
| Capital adequacy ratio, % | 15.1 | 19.5 | |
| Staff, Dec. 31 | 300 | 316 | |

Claims on credit institutions increased by EUR 581 million and were EUR 3 232 million. The member cooperative banks' share of these claims was 36 per cent, whereas OKOBANK's credit institution subsidiaries accounted for 45 per cent. Receivables from the member cooperative banks and credit institutions that are subsidiaries increased by a total of EUR 752 million, whereby the OKOBANK Group's claims on external credit institutions diminished. The amount of debt securities grew by EUR 962 million from the end of the previous year, an increase of 49 per cent, and totalled EUR 2.9 billion. Part of the increase was due to precautionary measures for the possibility of liquidity problems over the turn of the year.

Liabilities to credit institutions increased by EUR 320 million and were slightly less than EUR 3.2 billion. The member banks' share of these liabilities was 76 per cent. The growth in lending was financed for the most part on the money and capital markets. The amount of debt securities issued to the public grew by EUR 851 million and was more than EUR 3 billion at the end of the year.

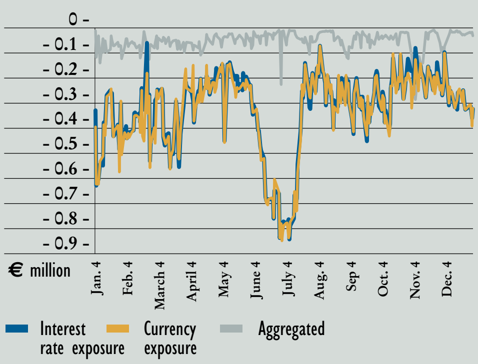
OKOBANK's equity capital at the end of the year stood at EUR 429 million, of which distributable equity amounted to EUR 68.4 million.

OKOBANK's capital adequacy ratio was 15.1 per cent, a decrease of 4.4 percentage points on the figure a year earlier. The capital adequacy ratio was lowered by the redemption of perpetual bonds and the nearly 17 per cent growth in risk-weighted items since the end of the previous year.

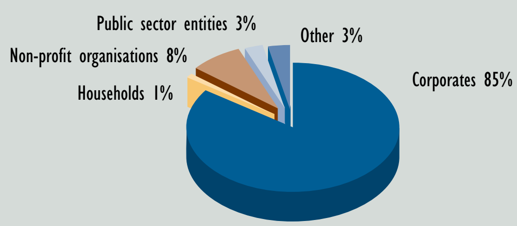




***The Value at Risk on interest rate and currency exposure in 1999, OKOBANK***




***Lending by customer sector, OKOBANK***



## *Share series and share capital*

The Annual General Meeting of OKOBANK's shareholders held on March 24, 1999, approved the Executive Board's proposal to authorise the Supervisory Board to increase the share capital, to increase the number of shares without changing the share capital (stock split) and to amend the Bank's Articles of Association. The main points of the approved proposal, which were entered in the Trade Register in April, were the following:

- The number of the Bank's shares outstanding was doubled, without changing the share capital, by halving the accounting countervalue of the shares and splitting each share into two new shares of the corresponding share series. The stipulation concerning the nominal value of the share was deleted from the Articles of Association. The accounting countervalue of the share is EUR 4.21.
- The Bank's minimum share capital is EUR 185 million and the maximum share capital is EUR 740 million, within which limits the share capital can be increased or decreased without amending the Articles of Association.
- The Bank's Series C shares, for which stipulations were included in the Articles of Association as a special condition required in connection with the Government's capital investment in 1992, was deleted from the Articles of Association. OKOBANK repaid the Government's capital investment in 1997 and the Bank does not have Series C shares outstanding.
- A conversion clause was added to the Articles of Association, according to which a Series K share can be converted, at the request of a shareholder, into a Series A share within the framework of the minimum and maximum amounts of the share series as specified by the Articles of Association.

Following these changes, OKOBANK's shares are divided into Series A and Series K shares. At the end of the year there were 18 951 720 Series A shares that are listed on Helsinki Exchanges. There were 27 753 280 Series K shares which can be owned solely by a Finnish cooperative bank, a bank having the legal form of a limited company pursuant to Sections 41 a and 41 b of the Cooperative Bank Act and the central institution of the amalgamation of the cooperative banks – the OKOBANK Group Central Cooperative. On the basis of the conversion clause, 35 480 Series K shares were converted into the same number of Series A shares in December. At general meetings of shareholders each Series A share entitles its holder to one vote and each Series K share to five votes.

In 1999 OKOBANK's share capital increased from EUR 188.9 million to EUR 196.4 million. The increase was due to the subscriptions for OKOBANK Series A shares made on the basis of the issue of bonds with warrants targeted at the Government Security Fund in connection with the purchase of Savings Bank of Finland Ltd. Of these subscriptions, 892 500 shares were registered in the first part of 1999. The share series and share capital are itemised in Note 36 to the accounts.

An extraordinary general meeting of OKOBANK's shareholders held on June 30, 1999, passed a resolution, in accordance with the proposal of the Executive Board, according to which OKOBANK and the OKOBANK Group Central Cooperative will introduce a share option based incentive system covering the entire staff. An issue of bonds with warrants was offered for subscription by the personnel of OKOBANK Consolidated, the OKOBANK Group Central Cooperative and its other subsidiaries, the OKOBANK Group Mutual Insurance Company, the OKOBANK Group Pension Fund and the OKOBANK Group Research Foundation as well as to OKOBANK's wholly-owned subsidiary OP-Sijoitus Oy. The bond loan with equity warrants is EUR 460 000 in amount. The option certificates for the bonds with warrants entitle their holders to subscribe for a maximum of 4 600 000 OKOBANK Series A shares. The subscription price of the shares is EUR 10.99, and the subscription price will be lowered by the amount of dividends to be distributed before the share subscription. The subscription period for the shares will begin stepwise on October 1, 2002, and end for all equity warrants on October 30, 2006.

About 50 per cent of the entire personnel subscribed for the bonds, and the issue was fully subscribed. On the basis of the terms and conditions of the issue, a subscription of bonds with warrants in a total amount EUR 28 760 was approved for OP-Sijoitus Oy. The bonds will be offered later on to OKOBANK Consolidated's present or future employees.

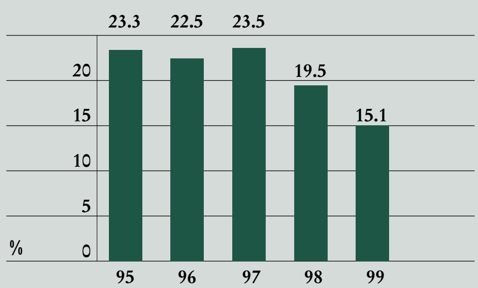
The terms and conditions of the bonds with warrants are discussed in detail in Note 38 to the annual accounts. The same note discusses the authorisations given to the Supervisory Board to increase the share capital. Management's shareholdings and the amounts of shares that can be subscribed for on the basis of the warrants are presented in Note 53 to the annual accounts.

## *Shareholders*

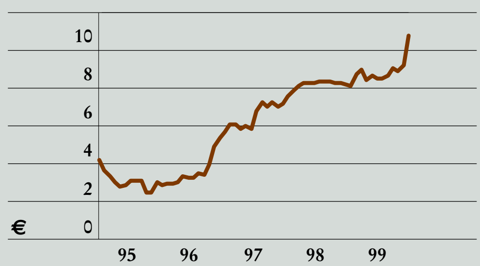
At the end of 1999 OKOBANK had 24 349 registered shareholders. The largest shareholder was OKOBANK's parent company, the OKOBANK Group Central Cooperative, which held



**Capital adequacy ratio, OKOBANK**




**Average price of OKOBANK's A-shares**



41.3 per cent of OKOBANK's shares and 61.2 per cent of the voting rights. Numerically, the largest shareholder group was private individuals, of whom there were 23 276. Detailed itemisations of the breakdown of shareholders and shareholdings at December 31, 1999 are given in Note 39 to the annual accounts. On January 24, 2000 OKOBANK's Executive Board approved conversion demands made to it, in accordance with the Articles of Association, concerning the conversion of 15 614 502 Series K shares into the same number of Series A shares. As a consequence of the conversions, the proportion of votes held by the owner with the largest amount of shares, the OKOBANK Group Central Cooperative, will fall to 55.1 per cent.

Information on the breakdown of shareholdings following the share conversions in January are given on page 6-7 of the Annual Report.

### *Stockholm branch office and representative offices*

OKOBANK has a branch office in Stockholm which, in accordance with its operational concept, focuses on serving Finnish companies that operate in Sweden. OKOBANK has representative offices in St Petersburg and Tallinn. The New York representative office was closed in 1999.

### *OKOBANK's credit ratings*

At the beginning of October Moody's Investors Service Limited upgraded OKOBANK's long-term debt rating from A2 to A1. At the end of the year OKOBANK's credit ratings from international rating agencies were as follows:

| Rating Agency | Short-term debt | Long-term debt |
|---|---|---|
| Standard & Poor's | A-2 | - |
| Moody's | P-1 | A1 |
| Fitch IBCA | F1 | A |

In addition, in 1999 both Moody's and Fitch IBCA upgraded the individual rating based on OKOBANK's profit-generating ability (Moody's financial strength rating and Fitch IBCA individual rating).

### *Administration*

At the Annual General Meeting held on March 24, 1999, the members of the Supervisory Board who were due to resign were re-elected for the term of office 1999-2002. The regular auditors elected were the firm of public accountants SVH Pricewaterhouse Coopers Oy, Eero Huusko, Authorised Public Accountant, and Reino Majala, Authorised Public Accountant as well as the deputy auditors Kauko Lehtonen, Authorised Public Accountant and Auno Inkeröinen, Authorised Public Accountant. The firm of public accountants Öhrlings Coopers & Lybrand AB was elected to audit OKOBANK's Stockholm branch office.

At its organisation meeting held on March 24, 1999, OKOBANK's Supervisory Board re-elected as its chairman Seppo Penttinen and likewise re-elected Paavo Haapakoski as its vice chairman. The members of the Supervisory Board are listed on page 65 of the Annual Report. Given on the same page is a description of the main tasks of the Supervisory Board.

### *Executive Board*

The Bank's Board of Directors is the Executive Board, whose task is to direct the Bank's operations in accordance with the legislation in force and the Articles of Association.

The Executive Board comprises a chairman, who is appointed as the chief executive officer (CEO), the managing director as well as a minimum of three and a maximum of six other members and a maximum of four deputy members. The chairman of the Executive Board is the chairman of the Executive Board of the OKOBANK Group Central Cooperative, which is the central institution of the cooperative banks pursuant to Section 7a of the Cooperative Bank Act, and the vice chairman is the vice chairman of the Central Cooperative.

The members and deputy members of the Executive Board are elected for an unspecified period. A member and deputy member of the Executive Board must resign upon reaching the age of 65, at the latest.

At the end of 1999 the members of the Executive Board and the deputy member owned a total of 3 536 OKOBANK Series A shares. The compensation system for the members and deputy member of the Executive Board is based on the bond loan with equity warrants issued in 1999. On the basis of the bond warrants the CEO is entitled to subscribe for 160 000 Series A shares, the managing directors of OKOBANK and the OKOBANK Group Central Cooperative for 120 000 shares and other members of the Executive Board for 80 000 shares and, furthermore, the Executive Board's deputy member can subscribe for 30 000 shares.

OKOBANK Executive Board member Juhani Elomaa, who was in charge of investment banking, resigned his seat on the Executive Board at his own request effective February 3, 2000.

### *Guidelines for insiders*

For a number of years OKOBANK has had its own guidelines for insiders. The Executive Board has decided that as from January 17, 2000, the Bank will observe insider guidelines corresponding to the recommendation issued by Helsinki Exchanges concerning insider guidelines for listed companies.

### *Salaries and staff*

Salaries and emoluments paid to the members of the administrative bodies of OKOBANK Consolidated amounted to EUR 1.5 million. Salaries and wages paid to other staff totalled EUR 39.4 million. OKOBANK Consolidated employed an average of 869 permanent staff during the financial year.

Salaries and emoluments paid to members of OKOBANK's Supervisory Board and Executive Board amounted to EUR 0.8 million, with EUR 14.7 million being paid to other staff. At the end of the year the Bank employed 300 people, or 16 people less than a year earlier. The number of permanent staff at the end of 1999 was 275 people. An average of 277 people were permanently employed during the year.

## *Major subsidiaries*

### *Okopankki Oyj*

Okopankki's operating profit was up EUR 2.1 million on the previous year and was EUR 20.9 million. The EUR 2 million decrease in net income from financial operations was due to the substantial narrowing in margins on lending. Other income diminished because net income from securities transactions was a million euros negative. The improvement in earnings was attributable to the discontinuance of the contribution to the OKOBANK Group Security Fund. In 1998, EUR 7.1 million in contributions was booked. Because of the substantial growth in the credit portfolio, the amount of risk-weighted commitments increased by EUR 150 million. For this reason, the Bank's capital adequacy ratio declined by 1.5 percentage point from the end of the previous year. An EUR 13.8 million zero-interest loan to the OKOBANK Group Security Fund was included in non-performing and zero-interest claims at the end of 1998.

| € million | 1999 | 1998 | Change,% |
|---|---|---|---|
| Net income from financial operations | 40 | 42 | -5 |
| Other income | 18 | 19 | -4 |
| Expenses | 37 | 42 | -13 |
| Loan losses | 1 | 0 | |
| Operating profit | 21 | 19 | 11 |
| Income to expenses ratio | 1.59 | 1.45 | |
| Return on equity, % | 16.2 | 14.5 | |
| Credit stock | 1 218 | 975 | 25 |
| Non-performing and zero-interest claims | 4.3 | 18.2 | -76 |
| Deposits from the public | 1 151 | 979 | 18 |
| Capital adequacy ratio, % | 9.3 | 10.8 | |
| Staff, Dec. 31 | 443 | 427 | |

### *OP-Finance Ltd*

OP-Finance Ltd's operating profit grew by EUR 3.1 million on the previous year and was EUR 11.7 million. The improved result was due to the 35 per cent growth in the credit portfolio since the end of the previous year. Margins on lending remained at the previous year's level. Net income from financial operations grew by nearly 18 per cent, and commission and fee income amounted to EUR 0.9 million more than it did in 1998. New loans in the credit portfolio amounted to EUR 527 million, an increase of EUR 149 million on the figure a year earlier. Owing to the growth in the credit portfolio, the capital adequacy ratio was 1.4 percentage point lower than it was a year earlier.

| € million | 1999 | 1998 | Change,% |
|---|---|---|---|
| Net income from financial operations | 18 | 15 | 18 |
| Other income | 6 | 5 | 31 |
| Expenses | 12 | 11 | 11 |
| Loan losses | 0 | 0 | |
| Operating profit | 12 | 9 | 36 |
| Income to expenses ratio | 1.92 | 1.77 | |
| Return on equity, % | 10.8 | 8.4 | |
| Credit stock | 914 | 675 | 35 |
| Non-performing and zero-interest claims | 2.6 | 2.0 | 30 |
| Capital adequacy ratio, % | 9.6 | 11.0 | |
| Staff, Dec. 31 | 112 | 111 | |

### *Opstock Ltd*

Opstock Ltd's operating profit improved by EUR 3.4 million on the previous year, rising to EUR 9.2 million. The improvement in earnings was attributable to the significant growth in commission and fee income. Income from securities brokerage grew by EUR 4.7 million and totalled EUR 18.2 million. Securities issuance generated EUR 4.9 million of income, an increase of EUR 0.8 million on the previous year. Income from asset management increased by EUR 1.2 million and totalled EUR 3.7 million. Commission expenses in turn grew from EUR 8.2 million in the previous year to EUR 9.8 million.

| € million | 1999 | 1998 | Change,% |
|---|---|---|---|
| Income | 28 | 20 | 36 |
| Expenses | 18 | 15 | 26 |
| Operating profit | 9 | 6 | 59 |
| Income to expenses ratio | 1.49 | 1.39 | |
| Return on equity, % | 60.3 | 47.3 | |
| Staff, Dec. 31 | 83 | 76 | |

### *OKO Mortgage Bank plc*

OKO Mortgage Bank plc posted operating profit of EUR 4.8 million, down EUR 2.5 million on the previous year. The decrease in net income from financial operations was due primarily to narrower margins on lending. The result was weakened further by an EUR 1.7 million write-down on the shares in the property management subsidiary Kiinteistö Oy Dagmarinkatu 14. The growth in lending was funded to an increasing extent with loans obtained from OKOBANK because there was only a small amount of demand for bonds. During the year EUR 270 million of new loans was drawn down, or EUR 85 million more than in 1998. The decrease in the capital adequacy ratio was due not only to the growth in lending but also to the fact that OKO Mortgage Bank paid a supplementary EUR 7 million dividend to OKOBANK towards the end of the year.

| € million | 1999 | 1998 | Change,% |
|---|---|---|---|
| Net income from financial operations | 8 | 10 | -19 |
| Other income | 2 | 2 | -6 |
| Expenses | 5 | 4 | 35 |
| Loan losses | 0 | 1 | -96 |
| Operating profit | 5 | 7 | -34 |
| Income to expenses ratio | 2.00 | 3.23 | |
| Return on equity, % | 5.1 | 7.9 | |
| Credit stock | 841 | 747 | 13 |
| Non-performing claims | 1.3 | 1.9 | -32 |
| Bonds | 369 | 422 | -13 |
| Capital adequacy ratio, % | 16.1 | 20.4 | |
| Staff, Dec. 31 | 8 | 10 | |

# Accounting policies

The annual accounts of OKOBANK and OKOBANK Consolidated have been prepared and presented in accordance with the provisions of the Credit Institution Act, the Ministry of Finance's decision of January 1, 1998, concerning the parent company and consolidated annual accounts of credit institutions and investment service companies as well as the regulations issued by the Financial Supervision, which came into force on June 30, 1998.

*Extent of the consolidated annual accounts*

The consolidated annual accounts include the information of the accounts of OKOBANK and its directly or indirectly owned subsidiaries and associated companies. Subsidiaries and associated companies whose total assets are less than 10 million euros and whose omission would not have an effect on the giving of an adequate description of the result of OKOBANK Consolidated's operations and its financial position have been excluded from the consolidated accounts on the basis of the relevant regulation issued by the Financial Supervision.

The subsidiaries and associated companies included in the consolidated annual accounts are listed in Note 54 to the annual accounts, where information will also be found on the companies omitted from the consolidated annual accounts.

*Consolidation*

The annual accounts of those companies belonging to OKOBANK Consolidated, which are credit or financial institutions or service companies as specified by the annual account regulations issued by the Financial Supervision, have been consolidated according to the acquisition cost method. All the subsidiaries included in the consolidated accounts have been consolidated according to the acquisition cost method. New companies belonging to OKOBANK Consolidated have been incorporated into the consolidated accounts as from the date of acquisition. Subsidiaries whose status as consolidated companies has ceased during the financial year have been included in the profit and loss account up to the transfer of ownership. The annual accounts of associated companies have been consolidated according to the equity method.

The acquisition costs of subsidiary shares have been eliminated against the equity capital as per the balance sheet dates at the time of acquisition. Excess prices of the subsidiary shares arising from the elimination have been partly included in the book values of the attributable assets. The items included are amortised in accordance with the amortisation plan for the asset item. Where it has not been possible to carry out this allocation, these items are stated in the balance sheet under goodwill on consolidation and are amortised on a straight-line basis over a period of 10 years at the most, but since 1995, over five years at the most.

The acquisition costs of shares in foreign subsidiaries are translated into domestic currency amounts at the middle rate quoted by the Bank of Finland on the balance sheet date. The acquisition costs are hedged by a corresponding debt in the same currency, whereby no translation difference arises in this respect. The translation difference arises from the effect of foreign exchange rate changes on the difference resulting from the elimination of shares in subsidiaries and the equity capital acquired. OKOBANK Consolidated does not have foreign subsidiaries that must be included in the consolidated accounts.

The internal transactions, internal margins, internal distribution of profits and internal receivables and liabilities in the separate accounts of the consolidated companies have been eliminated. The minority interest share of the result and of the equity capital has been separated out and stated as an individual item in the profit and loss account and the balance sheet.

*Items denominated in foreign currency*

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

*Receivables and liabilities*

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

*Securities held in current assets*

Securities held as current assets are treated as debt securities, as are shares and participations that are traded. Since the beginning of 1999, actively traded securities are valued at the probable transfer price and all positive and negative changes in value resulting from the valuation are entered in the accounts. Other securities held as current assets are entered in the annual accounts at the acquisition cost or the probable value on the balance sheet date, whichever is lower. In previous years all securities held as current assets were valued at the acquisition cost or the probable transfer price, whichever is lower. The probable transfer price of a debt security is taken to be the present value of the flow of principal and interest from it, discounted by the market interest rate. The probable transfer price of publicly listed shares is taken to be the closing price on the last trading day of the year.

Gains and losses on the transfer of securities held as current assets as well as changes in write-downs are entered in net income from securities transactions. The difference between the acquisition cost and nominal value of debt securities other than those that are actively traded is periodised as interest income or as a reduction in it over the remaining maturity.

*Securities held as financial fixed assets*

The securities held as financial fixed assets are debt securities which are intended to be held to maturity, shares and participations in subsidiaries and associated companies, other shares purchased as long-term investments as well as shares and participations which have been acquired in order to ensure the provision of services required by OKOBANK Consolidated.

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

*Securities repurchase and resale agreements*

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

The sale price of securities sold on irrevocable repurchase conditions has been entered as a liability in the balance sheet item according to the party involved. The difference between the sale price and the repurchase price has been periodised as interest expense for the period of validity of the agreement. Securities sold under repurchase obligations and respective pledged as marginal collaterad are included in the original balance sheet item irrespective of the agreement.

*Tangible and intangible assets*

The balance sheet value of tangible and intangible assets is the acquisition cost less planned depreciation and any additional depreciation. In the separate annual accounts of subsidiaries, the accumulated depreciation difference is included in the balance sheet item "Depreciation difference", which gives the accumulated appropriations. Should the probable market price of a real-estate property or shares in a real-estate management company be permanently lower than the book value, the difference has been booked as an expense in the profit and loss account item "Deprecation and write-downs on tangible and intangible assets". Any reversals of write-downs have been booked as an adjustment to the same profit and loss account item.

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

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

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

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

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

*Derivative contracts*

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

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

*Non-performing claims*

The entire principal amount of a claim has been classified as non-performing when its interest, principal or a part thereof has fallen due and is unpaid for 90 days. Claims on companies placed in bankruptcy have been classified as non-performing on the date of declaration of bankruptcy at the latest. A claim based on a guarantee given has been classified as non-performing when the payment based on the guarantee has been made. The periodised accrued interest on non-performing claims has been cancelled when the claim has been classified as non-performing.

*Loan and guarantee losses*

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

In 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 reported as a reduction in loan losses.

*Extraordinary items*

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

*Pension expenditures*

With the exception of Opstock Ltd, the staff's statutory pension coverage has been arranged through the OKOBANK Group Pension Fund. Supplementary pension benefits have been arranged through the OKOBANK Group Pension Foundation, except for Opstock Ltd. In respect of an overseas branch office, the practice of the base country has been observed.

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

*Compulsory provisions*

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

*Taxes*

In the separate annual accounts of individual consolidated companies, income taxes are calculated and booked on the basis of a tax calculation based on taxable income. Imputed taxes due and tax claims are not entered in the balance sheet. Note 45 to the annual accounts presents an itemisation of the breakdown of the parent bank's income taxes as well as the imputed deferred taxes and tax claims.

In the separate annual accounts of individual consolidated companies, the depreciation difference and voluntary provisions are entered in the balance sheet item "Accumulated appropriations" and changes in them are entered in the profit and loss account item "Appropriations". In the consolidated balance sheet, accumulated appropriations are divided between equity capital and imputed deferred taxes, whereas in the profit and loss account they are divided between the net profit for the financial year and the change in imputed taxes due. OKOBANK Consolidated's other imputed taxes due and tax claims are stated in Note 68 to the annual accounts.

*Changes in the balance sheet format*

At the end of 1999 certificates of deposit have been included in the balance sheet item "Debt securities eligible for refinancing with central banks". In previous years they were included in the item "Debt securities".

Claims on international organisations and debts to them have been transferred from the credit institutions group to the group "Claims on the public and public sector entities" in accordance with a more detailed sectoral classification. The changes have been made retroactively.

| € million | Jan. 1 to Dec. 31, 1999 | | | | Jan. 1 to Dec. 31, 1998 | | | |
|---|---|---|---|---|---|---|---|---|
| Interest income | | | | 355 | | | | 424 |
| Interest expenses | | | | -247 | | | | -311 |
| ***Net income from financial operations*** | | | | **109** | | | | **113** |
| Income from equity investments | | | | 4 | | | | 3 |
| Commission income | | | | 66 | | | | 60 |
| Commission expenses | | | | -15 | | | | -16 |
| Net income from securities transactions and foreign exchange dealing | | | | | | | | |
| Net income from securities transactions | | | 6 | | | | 5 | |
| Net income from foreign exchange dealing | | | 4 | 10 | | | 7 | 12 |
| Other operating income | | | | 46 | | | | 34 |
| Administrative expenses | | | | | | | | |
| Staff costs | | | | | | | | |
| Salaries and fees | | 32 | | | | 31 | | |
| Staff-related costs | | | | | | | | |
| Pension costs | 5 | | | | 6 | | | |
| Other staff-related costs | 3 | 8 | 40 | | 3 | 9 | 40 | |
| Other administrative expenses | | | 37 | -77 | | | 31 | -71 |
| Depreciation and write-downs on tangible and intangible assets | | | | -16 | | | | -14 |
| Other operating expenses | | | | -23 | | | | -53 |
| Loan and guarantee losses | | | | 2 | | | | 3 |
| Write-downs on securities held as financial fixed assets | | | | 1 | | | | 0 |
| Share of profit/loss of companies included in the consolidated accounts using the equity method | | | | 5 | | | | 2 |
| ***Operating profit*** | | | | **111** | | | | **74** |
| Extraordinary items | | | | | | | | |
| Extraordinary income | | | - | | | | 14 | |
| Extraordinary expenses | | | 57 | -57 | | | 104 | -90 |
| ***Profit (loss) before appropriations and taxes*** | | | | **54** | | | | **-15** |
| Income taxes | | | | | | | | |
| Taxes for the financial year and previous financial years | | | -11 | | | | -2 | |
| Change in imputed taxes due | | | -3 | -14 | | | 2 | 0 |
| Other direct taxes | | | | 0 | | | | - |
| Share of profit/loss for the financial period attributable to minority interests | | | | -1 | | | | - |
| ***Profit (loss) for the financial year*** | | | | **39** | | | | **-15** |

| ASSETS<br>€ million | December 31, 1999 | | December 31, 1998 | |
|---|---|---|---|---|
| Liquid assets | | 601 | | 582 |
| Debt securities eligible for refinancing with central banks | | | | |
| Treasury bills | 2 | | 286 | |
| Other | 1 789 | 1 791 | 226 | 512 |
| Claims on credit institutions | | | | |
| Repayable on demand | 51 | | 27 | |
| Other | 1 734 | 1 784 | 1 668 | 1 694 |
| Claims on the public and public sector entities | | 4 561 | | 3 755 |
| Leasing assets | | 178 | | 130 |
| Debt securities | | | | |
| On public sector entities | 391 | | 35 | |
| Other | 779 | 1 170 | 1 457 | 1 492 |
| Shares and participations | | 79 | | 77 |
| Participating interests | | 55 | | 51 |
| Shares and participations in consolidated companies | | 7 | | 5 |
| Intangible assets | | | | |
| Consolidated goodwill | 0 | | 0 | |
| Other long-term expenditure | 9 | 9 | 12 | 12 |
| Tangible assets | | | | |
| Real estate and shares, and participations in real estate corporations | 241 | | 256 | |
| Other tangible assets | 16 | 257 | 18 | 274 |
| Other assets | | 257 | | 259 |
| Accrued income and prepayments | | 86 | | 91 |
| | | **10 836** | | **8 936** |

| LIABILITIES<br>€ million | December 31, 1999 | | | December 31, 1998 | | |
|---|---|---|---|---|---|---|
| ***Liabilities*** | | | | | | |
| Liabilities to credit institutions and central banks | | | | | | |
| Central banks | | 536 | | | - | |
| Credit institutions | | | | | | |
| Repayable on demand | 295 | | | 298 | | |
| Other | 2 682 | 2 976 | 3 513 | 2 441 | 2 739 | 2 739 |
| Liabilities to the public and public sector entities | | | | | | |
| Deposits | | | | | | |
| Repayable on demand | 1 106 | | | 825 | | |
| Other | 367 | 1 473 | | 486 | 1 310 | |
| Other liabilities | | 883 | 2 356 | | 667 | 1 977 |
| Debt securities issued to the public | | | | | | |
| Bonds | | 502 | | | 462 | |
| Other | | 2 993 | 3 494 | | 2 195 | 2 657 |
| Other liabilities | | | 483 | | | 413 |
| Accrued expenses and referred income | | | 57 | | | 65 |
| Compulsory provisions | | | 1 | | | 2 |
| Subordinated liabilities | | | 404 | | | 579 |
| Imputed taxes due | | | 13 | | | 10 |
| Minority interests | | | 2 | | | - |
| | | | **10 323** | | | **8 443** |
| ***Equity capital*** | | | | | | |
| Share capital | | | 196 | | | 189 |
| Share issue account | | | - | | | 8 |
| Share premium account | | | 1 | | | 0 |
| Revaluation reserve | | | 25 | | | 25 |
| Reserve fund | | | 203 | | | 203 |
| Non-restricted reserves | | | 24 | | | 24 |
| Profit (loss) brought forward | | | 24 | | | 59 |
| Profit (loss) for the financial year | | | 39 | | | -15 |
| | | | **513** | | | **493** |
| | | | **10 836** | | | **8 936** |
| ***Off-balance sheet commitments*** | | | | | | |
| Commitments given to a third party on behalf of a customer | | | | | | |
| Guarantees and pledges | | 966 | | | 934 | |
| Other | | - | 966 | | - | 934 |
| Irrevocable commitments given in favour of a customer | | | | | | |
| Securities repurchase commitments | | 1 082 | | | - | |
| Other | | - | 1 082 | | 792 | 792 |
| | | | **2 048** | | | **1 726** |

€ million

| *Profit and loss accounts* | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|
| Net income from financial operations | 122 | 111 | 118 | 113 | 109 |
| Other income | 120 | 159 | 144 | 109 | 126 |
| Other expenses | 156 | 159 | 177 | 139 | 115 |
| Depreciation and write-downs | 25 | 42 | 27 | 14 | 16 |
| Loan and guarantee losses | 63 | 29 | 10 | -3 | -2 |
| Write-downs on securities held as financial fixed assets | 6 | 3 | 1 | 0 | -1 |
| Share of profit/loss of companies included in the consolidated accounts using the equity method | 1 | 1 | 1 | 2 | 5 |
| Operating profit/loss | -8 | 39 | 48 | 74 | 111 |
| Extraordinary items | -19 | -1 | 1 | -90 | -57 |
| Profit/loss before appropriations and taxes | -27 | 38 | 48 | -15 | 54 |
| Taxes | 4 | -5 | -12 | 0 | -14 |
| Minority interests | -2 | -1 | -1 | - | -1 |
| Profit/loss for the financial year | -24 | 31 | 35 | -15 | 39 |

| *Balance sheet* | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|
| ***ASSETS*** | | | | | |
| Claims on credit institutions | 2 023 | 2 734 | 2 338 | 1 694 | 1 784 |
| Claims on the public and public sector entities | 2 674 | 3 213 | 3 171 | 3 755 | 4 561 |
| Debt securities | 4 229 | 2 447 | 2 274 | 2 004 | 2 961 |
| Shares and participations | 86 | 133 | 126 | 134 | 141 |
| Intangible and tangible assets | 336 | 337 | 313 | 286 | 266 |
| Other assets | 893 | 775 | 708 | 1 062 | 1 122 |
| Total | 10 240 | 9 638 | 8 930 | 8 936 | 10 836 |
| ***LIABILITIES*** | | | | | |
| Liabilities to credit institutions and central banks | 3 432 | 3 148 | 2 857 | 2 739 | 3 513 |
| Liabilities to the public and public sector entities | 1 722 | 1 700 | 1 524 | 1 977 | 2 356 |
| Debt securities issued to the public | 3 058 | 2 739 | 2 650 | 2 657 | 3 494 |
| Subordinated liabilities | 482 | 516 | 666 | 579 | 404 |
| Other liabilities | 1 000 | 1 032 | 700 | 480 | 542 |
| Imputed taxes due | 13 | 11 | 13 | 10 | 13 |
| Minority interests | 13 | 11 | 10 | - | 2 |
| Equity capital | 520 | 481 | 511 | 493 | 513 |
| Total | 10 240 | 9 638 | 8 930 | 8 936 | 10 836 |

The figures for 1995-1997 have been amended, when possible, to comply with the regulations of the Financial Supervision that came into force on June 30, 1998. According to new regulation on sector classifications, claims and liabilities vis-à-vis international organisations for 1995-1997 have been transferred to claims on the public sector entities and to liabilities to public sector entities.

| € million | Jan. 1 to Dec. 31, 1999 | | | | Jan. 1 to Dec. 31, 1998 | | | |
|---|---|---|---|---|---|---|---|---|
| Interest income | | | | 266 | | | | 323 |
| Interest expenses | | | | -213 | | | | -268 |
| ***Net income from financial operations*** | | | | **52** | | | | **55** |
| Income from equity investments | | | | | | | | |
| Consolidated companies | | | 27 | | | | 21 | |
| Participating interests | | | 3 | | | | 3 | |
| Other companies | | | 3 | 33 | | | 3 | 27 |
| Commission income | | | | 18 | | | | 21 |
| Commission expenses | | | | -3 | | | | -7 |
| Net income from securities transactions and foregin exchange dealing | | | | | | | | |
| Net income from securities transactions | | | 6 | | | | 2 | |
| Net income from foreign exchange dealing | | | 4 | 10 | | | 7 | 9 |
| Other operating income | | | | 44 | | | | 31 |
| Administrative expenses | | | | | | | | |
| Staff costs | | | | | | | | |
| Salaries and fees | | 12 | | | | 13 | | |
| Staff-related costs | | | | | | | | |
| Pension costs | 2 | | | | 2 | | | |
| Other staff-related costs | 1 | 3 | 15 | | 1 | 3 | 17 | |
| Other administrative expenses | | | 18 | -34 | | | 15 | -32 |
| Depreciation and write-downs on tangible and intangible assets | | | | -9 | | | | -5 |
| Other operating expenses | | | | -28 | | | | -50 |
| Loan and guarantee losses | | | | 2 | | | | 4 |
| Write-downs on securities held as financial fixed assets | | | | 1 | | | | 0 |
| ***Operating profit*** | | | | **87** | | | | **55** |
| Extraordinary items | | | | | | | | |
| Extraordinary income | | | - | | | | 17 | |
| Extraordinary expenses | | | 43 | -43 | | | 84 | -67 |
| ***Profit (loss) before appropriations and taxes*** | | | | **43** | | | | **-12** |
| Appropriations | | | | 0 | | | | 9 |
| Income taxes | | | | -12 | | | | -3 |
| ***Profit (loss) for the financial year*** | | | | **31** | | | | **-6** |

| *ASSETS* € million | December 31, 1999 | | December 31, 1998 | |
|---|---|---|---|---|
| Liquid assets | | 587 | | 570 |
| Dept securities eligible for refinancing with central banks | | 1 676 | | 464 |
| Claims on credit institutions | | | | |
| Repayable on demand | 41 | | 26 | |
| Other | 3 190 | 3 232 | 2 624 | 2 650 |
| Claims on the public and public sector entities | | 1 795 | | 1 503 |
| Debt securities | | | | |
| On public sector entities | 378 | | 35 | |
| Other | 884 | 1 262 | 1 477 | 1 511 |
| Shares and participations | | 73 | | 71 |
| Participating interests | | 47 | | 47 |
| Shares and participations in consolidated companies | | 162 | | 160 |
| Intangible assets | | 4 | | 6 |
| Tangible assets | | | | |
| Real estate and shares and participations in real estate corporations | 113 | | 119 | |
| Other tangible assets | 8 | 121 | 8 | 128 |
| Other assets | | 206 | | 254 |
| Accrued income and prepayments | | 72 | | 73 |
| | | **9 237** | | **7 437** |

| *LIABILITIES* € million | December 31, 1999 | | | December 31, 1998 | | |
|---|---|---|---|---|---|---|
| ***Liabilities*** | | | | | | |
| Liabilities to credit institutions and central banks | | | | | | |
| Central banks | | 536 | | | - | |
| Credit institutions | | | | | | |
| Repayable on demand | 321 | | | 316 | | |
| Other | 2 847 | 3 168 | 3 704 | 2 533 | 2 848 | 2 848 |
| Liabilities to the public and public sector entitites | | | | | | |
| Deposits | | | | | | |
| Repayable on demand | 308 | | | 243 | | |
| Other | 21 | 329 | | 95 | 338 | |
| Other liabilities | | 848 | 1 177 | | 623 | 961 |
| Debt securities issued to the public | | | | | | |
| Bonds | | 139 | | | 50 | |
| Other | | 2 897 | 3 036 | | 2 135 | 2 185 |
| Other liabilities | | | 455 | | | 407 |
| Accrued expenses and deferred income | | | 34 | | | 39 |
| Compulsory provisions | | | 1 | | | 2 |
| Subordinated liabilities | | | 401 | | | 575 |
| | | | **8 808** | | | **7 018** |
| ***Appropriations*** | | | | | | |
| Depreciation difference | | 1 | | | 1 | |
| Voluntary provisions | | - | 1 | | - | 1 |
| ***Equity capital*** | | | | | | |
| Share capital | | | 196 | | | 189 |
| Share issue account | | | - | | | 8 |
| Share premium account | | | 0 | | | 0 |
| Reserve fund | | | 164 | | | 164 |
| Non-restricted reserves | | | 23 | | | 23 |
| Profit brought forward | | | 14 | | | 40 |
| Profit (loss) for the financial year | | | 31 | | | -6 |
| | | | **429** | | | **418** |
| | | | **9 237** | | | **7 437** |
| ***Off balance sheet commitments*** | | | | | | |
| Commitments given to a third party on behalf of a customer | | | | | | |
| Guarantees and pledges | | 930 | | | 897 | |
| Other | | - | 930 | | - | 897 |
| Irrevocable commitments given in favour of a customer | | | | | | |
| Securities repurchase commitments | | - | | | - | |
| Other | | 758 | 758 | | 447 | 447 |
| | | | **1 688** | | | **1 344** |

(Figures in € millions)

## Notes to the profit and loss account

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

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Interest income | | | | |
| Claims on credit institutions | 70.6 | 109.4 | 110.0 | 137.1 |
| Claims on the public and public sector entities | 190.3 | 185.3 | 65.2 | 59.8 |
| Debt securities | 86.6 | 83.0 | 89.3 | 85.7 |
| Other interest income | 1.1 | 40.4 | 1.1 | 40.4 |
| Leasing margin | 6.9 | 5.7 | - | - |
| Total | 355.4 | 423.7 | 265.6 | 323.0 |
| Interest expenses | | | | |
| Liabilities to credit institutions and central banks | 78.5 | 79.3 | 81.8 | 80.4 |
| Liabilities to the public and public sector entities | 29.1 | 31.4 | 15.8 | 17.3 |
| Debt securities issued to the public | 103.3 | 113.2 | 80.0 | 82.9 |
| Subordinated liabilities | 33.7 | 42.8 | 33.4 | 42.5 |
| Other interest expenses | 2.1 | 44.4 | 2.1 | 44.5 |
| Total | 246.6 | 311.1 | 213.2 | 267.6 |

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

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

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

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Net income from transactions in debt securities | -5.8 | 0.0 | -6.0 | -2.6 |
| Net income from transactions in shares and participations | 11.5 | 4.8 | 11.6 | 4.5 |
| Total | 5.7 | 4.7 | 5.6 | 2.0 |

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

| | Consolidated | OKOBANK |
|---|---|---|
| Debt securities | | |
| Securities purchased | 15 213.8 | 14 749.4 |
| Securities sold | 11 511.1 | 11 132.7 |
| Shares | | |
| Securities purchased | 1 498.9 | 16.8 |
| Securities sold | 1 507.7 | 26.0 |

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

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Other operating income | | | | |
| Rental and dividend income from real estate and real estate corporations | 22.0 | 21.2 | 22.2 | 19.8 |
| Capital gains from the sale of real estate and shares and participations in real estate corporations | 4.0 | 5.6 | 3.5 | 5.4 |
| Other income | 20.0 | 7.5 | 17.8 | 5.6 |
| Total | 46.0 | 34.2 | 43.5 | 30.8 |
| Other operating expenses | | | | |
| Rental expenses | 1.8 | 2.1 | 0.5 | 0.8 |
| Expenses from real estate and real estate corporations | 12.9 | 14.3 | 23.0 | 24.4 |
| Capital losses from the sale of real estate and shares and participations in real estate corporations | 0.0 | 0.2 | 0.0 | 0.2 |
| Other expenses | 8.4 | 36.0 | 4.6 | 24.5 |
| Total | 23.2 | 52.5 | 28.1 | 49.9 |

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

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Planned depreciation | 12.7 | 13.0 | 3.9 | 4.2 |
| Write-downs | 3.9 | 0.9 | 5.0 | 0.9 |
| Reversals on write-downs | -0.4 | -0.2 | -0.4 | -0.2 |
| Total | 16.3 | 13.7 | 8.6 | 4.9 |

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

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| In respect of claims on credit institutions | - | - | - | - |
| In respect of claims on the public and public sector entities | 17.7 | 4.5 | 15.2 | 2.2 |
| In respect of leasing assets | - | - | - | - |
| In respect of guarantees and other off-balance sheet items | - | - | - | - |
| In respect of other items | 0.0 | 0.0 | - | 0.0 |
| Gross loan and guarantee losses | 17.7 | 4.6 | 15.2 | 2.2 |
| Deductions from loan and guarantee losses | -19.4 | -7.7 | -17.3 | -6.2 |
| Loan and guarantee losses in the profit and loss account | -1.7 | -3.2 | -2.1 | -4.1 |

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

| | | | | |
|---|---|---|---|---|
| Actual loan losses during the financial year, total | 15.9 | 5.2 | 14.1 | 4.6 |
| Actual loan losses during the financial year for which a specific loan loss provision has previously been made | -15.6 | -4.5 | -14.0 | -4.3 |
| Recoveries in respect of actual loan losses during previous financial years | -2.6 | -5.5 | -1.9 | -4.1 |
| Specific loan loss provisions made during the financial year | 2.1 | 4.0 | 1.1 | 1.8 |
| Reversals of specific loan loss provision during the financial year | -1.6 | -2.4 | -1.3 | -2.1 |
| Loan and guarantee losses entered in the annual accounts | -1.7 | -3.2 | -2.1 | -4.1 |

Write-downs on securities held as financial fixed assets:

| | | | | |
|---|---|---|---|---|
| Gross write-downs | 0.1 | 0.9 | 0.1 | 0.9 |
| Reversals of write-downs | -0.7 | -1.4 | -0.9 | -1.4 |
| Total | -0.6 | -0.5 | -0.8 | -0.5 |

### 8) *Extraordinary income and expenses during the financial year*

| | Consolidated | OKOBANK |
|---|---|---|
| Extraordinary expenses | | |
| Payments according to the decision by OKOBANK and Okopankki Oyj to withdraw from the OKOBANK Group Security Fund | 57.0 | 43.2 |

### 9) *Breakdown of appropriations*

| | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|
| Change in depreciation difference | 0.2 | 0.8 |
| Change in other voluntary provisions | - | 8.7 |
| Total | 0.2 | 9.5 |

### 10) *Changes in compulsory provisions during the financial year*

| | Consolidated | OKOBANK |
|---|---|---|
| Pension provisions | 0.3 | 0.3 |
| Tax provisions | - | - |
| Other | -1.4 | -1.4 |
| Total | -1.1 | -1.0 |

### 11) *Breakdown of combined items*

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

### 12) *Income by fields of activity and market area*

Income means net income from financial operations on items in the profit and loss account, income from equity investments, commission income, net income from securities transactions and foreign exchange dealing as well as other operating income and is stated as an aggregate amount. The income is stated without eliminations.

| | Income by field of activity | | Staff on average | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Banking | 215.9 | 204.8 | 758 | 786 |
| Mortgage banking | 9.7 | 11.6 | 8 | 15 |
| Finance company operations | 23.3 | 19.3 | 114 | 111 |
| Investment firm operations | 27.5 | 20.4 | 84 | 62 |
| Real estate ownership and possession | 9.1 | 9.6 | | |
| Total | 285.5 | 265.7 | 964 | 974 |

| | Income by geographical market | | Staff on average | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Finland | 284.7 | 264.1 | 954 | 963 |
| Sweden | 0.8 | 1.6 | 10 | 11 |
| Total | 285.5 | 265.7 | 964 | 974 |

## *Notes to the balance sheet*

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

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Treasury bills | 1.6 | 286.2 | 1.6 | 281.5 |
| Government bonds | 220.8 | 215.8 | 189.6 | 172.3 |
| Certificates of deposit | 1 568.4 | - | 1 484.3 | - |
| Others | - | 10.4 | - | 10.4 |
| Total | 1 790.8 | 512.3 | 1 675.5 | 464.3 |

At the end of 1998 certificates of deposit were included in the balance sheet item “Debt securities”.

### 14) *Claims on central banks*

At the end of the year the balance sheet item “Claims on credit institutions” did not include claims on central banks.

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

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Enterprises | 2 507.1 | 2 172.2 | 1 521.0 | 1 255.3 |
| Financial and insurance institutions | 123.2 | 99.6 | 143.2 | 99.4 |
| General government | 165.8 | 191.1 | 10.4 | 34.7 |
| Non-profit institutions | 593.5 | 325.0 | 51.2 | 43.3 |
| Households | 1 121.6 | 908.9 | 19.5 | 11.5 |
| Foreign | 49.8 | 58.3 | 49.8 | 58.3 |
| Total | 4 561.0 | 3 755.1 | 1 795.1 | 1 502.6 |
| Specific loan loss provisions at the beginning of the financial year | 53.9 | 49.3 | 42.8 | 40.0 |
| New provisions made during the financial year (+) | 2.1 | 4.0 | 1.1 | 1.8 |
| Provisions reversed during the financial year (-) | -1.6 | -1.6 | -1.3 | -1.4 |
| Actual loan losses during the financial year, for which the credit institution has previously made specific loan loss provisions (-) | -15.6 | -0.8 | -14.0 | -0.5 |
| Specific loan loss provisions at the end of the financial year | 38.9 | 50.9 | 28.5 | 39.8 |

### *16) Non-performing and other zero-interest claims*

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Non-performing claims | 12.3 | 14.1 | 4.1 | 5.9 |
| Other zero-interest claims | 3.6 | 62.8 | 3.5 | 48.9 |
| Total | 15.9 | 76.9 | 7.6 | 54.8 |

### *17) Book value of assets lodged as security for an unpaid claim as well as property acquired for the purpose of reorganising the customer's business*

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Assets held as security | | | | |
| Real estate and shares and participations in real estate corporations | 2.7 | 9.9 | - | - |
| Other shares and participations | 0.4 | 1.0 | - | 0.5 |
| Other assets | - | 1.1 | - | 1.1 |
| Total | 3.2 | 11.9 | - | 1.6 |

### *18) Subordinated claims*

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Claims on credit institutions | 188.5 | 209.5 | 188.5 | 209.5 |
| Claims on the public and public sector entities | 5.3 | 4.4 | 5.1 | 4.3 |
| Debt securities | 118.0 | 107.7 | 126.3 | 107.6 |
| Total | 311.8 | 321.7 | 319.9 | 321.4 |
| of which from consolidated companies | | | 8.5 | - |
| from associated companies | | | - | 0.7 |

### *19) Breakdown of leasing assets*

| | Consolidated 1999 | Consolidated 1998 |
|---|---|---|
| Prepayments | 9.0 | 3.0 |
| Machinery and equipment | 159.8 | 118.3 |
| Real property and buildings | 8.1 | 8.1 |
| Other assets | 1.2 | 0.4 |
| Total | 178.1 | 129.9 |

### *20) Debt securities*

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

| | Consolidated Quoted | Consolidated Others | OKOBANK Quoted | OKOBANK Others |
|---|---|---|---|---|
| Securities held as current assets | 727.0 | 1 595.3 | 697.4 | 1 508.0 |
| Securities held as fixed assets | 243.0 | 395.5 | 229.9 | 501.9 |
| Total | 970.0 | 1 990.8 | 927.3 | 2 010.0 |

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

| Consolidates figures are stated without eliminations | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Debt securities eligible for refinancing with central banks | - | 0.4 | - | 0.4 |
| Debt securities | - | 1.2 | - | 0.7 |
| Total | - | 1.6 | - | 1.2 |

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

| Consolidated figures are stated without eliminations | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Difference between nominal value and lower book value | | | | |
| Debt securities | 2.2 | 1.6 | 2.2 | 1.5 |
| Difference between book value and lower nominal value | | | | |
| Debt securities | 5.6 | 3.3 | 4.9 | 2.5 |

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

| Book value | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Treasury bills | 1.6 | 286.2 | 1.6 | 281.5 |
| Commercial paper | 8.7 | 11.1 | 8.7 | 11.1 |
| Certificates of deposit | 1 587.8 | 946.0 | 1 500.5 | 856.2 |
| Convertible bonds | 2.6 | 4.2 | 2.5 | 4.1 |
| Other bonds | 1 322.2 | 699.7 | 1 377.7 | 765.4 |
| Other debt securities | 37.9 | 57.2 | 46.3 | 57.2 |
| Total | 2 960.7 | 2 004.3 | 2 937.3 | 1 975.5 |

### 21) *Shares and participations*

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

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | Quoted | Others | Quoted | Others |
| Securities held as current assets | 32.5 | - | 31.9 | - |
| Securities held as fixed assets | 0.2 | 46.4 | 0.2 | 41.1 |
| Total | 32.7 | 46.4 | 32.1 | 41.1 |

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

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Securities held as current assets | 16.7 | 6.3 | 14.9 | 6.3 |
| Securities held as fixed assets | 0.0 | 0.2 | 0.0 | - |
| Total | 16.7 | 6.5 | 15.0 | 6.3 |

OKOBANK Consolidated and OKOBANK did not have securities that were lent out at the end of 1999.

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

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Participating interests | | | | |
| In credit institutions | 7.7 | 7.5 | 5.5 | 5.5 |
| Other | 46.8 | 43.7 | 41.7 | 41.5 |
| Total | 54.6 | 51.2 | 47.2 | 47.1 |
| Shares and participations in consolidated companies | | | | |
| In credit institutions | - | - | 150.8 | 150.8 |
| Other | 7.4 | 5.3 | 10.7 | 8.8 |
| Total | 7.4 | 5.3 | 161.6 | 159.7 |

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

| | Shares and participations, with the exception of shares and participations in real estate corporations | | Land and water areas, buildings and shares and participations in real estate corporations | | Machinery, equipment and any tangible assets other than those mentioned above | |
|---|---|---|---|---|---|---|
| | Consolidated | OKOBANK | Consolidated | OKOBANK | Consolidated | OKOBANK |
| Purchase price at the beginning of the financial year | 110.4 | 257.3 | 318.5 | 168.8 | 66.3 | 49.5 |
| Increases during the financial year | 9.5 | 3.7 | 12.2 | 7.7 | 8.8 | 3.5 |
| Decreases during the financial year | -2.2 | -1.9 | -21.8 | -35.4 | -7.0 | -2.8 |
| Transfers between groups | -0.1 | - | - | - | - | - |
| Planned depreciation during the financial year | - | - | -8.8 | 0.0 | -4.4 | -1.8 |
| Write-downs and reversing items for write-downs during the financial year | -0.1 | -0.1 | 0.0 | -5.0 | - | - |
| Accumulated depreciation and write-downs entered in respect of decreases and transfers at the beginning of the financial year | 0.0 | 0.0 | 28.6 | 26.3 | 0.9 | 0.9 |
| Accumulated depreciation at the beginning of the financial year | - | - | -66.6 | -0.5 | -48.5 | -41.1 |
| Accumulated write-downs at the beginning of the financial year | -9.0 | -9.0 | -46.4 | -48.9 | - | - |
| Accumulated revaluations at the beginning of the financial year | - | - | 25.2 | - | - | - |
| Revaluation and reversing items for revaluations for the financial year | - | - | - | - | - | - |
| Book value at the end of the financial year | 108.5 | 250.0 | 240.9 | 112.9 | 16.2 | 8.2 |

### 23) *Breakdown of intangible assets*

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Goodwill | 3.7 | 0.5 | - | - |
| Other long term expenditure | 5.7 | 11.9 | 4.4 | 6.4 |
| Total | 9.3 | 12.4 | 4.4 | 6.4 |

## 24) Breakdown of real estate holdings

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

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | Book value | Capital invested | Book value | Capital invested |
| Land and water areas and buildings | | | | |
| In own use | 83.5 | 85.6 | 0.9 | 0.9 |
| Other | 90.2 | 99.0 | 0.2 | 0.2 |
| Total | 173.7 | 184.6 | 1.1 | 1.1 |
| Shares and participations in real estate corporations | | | | |
| In own use | 29.7 | 30.7 | 53.8 | 102.5 |
| Other | 37.5 | 75.4 | 59.9 | 144.1 |
| Total | 67.2 | 106.2 | 113.7 | 246.6 |

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

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

| Type of property | Surface area, in square metres | Capital invested | Net income, in per cent | Rate of underutilisation, in per cent |
|---|---|---|---|---|
| Dwellings and residential real estate | 563 | 0.9 | 6.1 | 0.0 |
| Business and office real estate | 84 276 | 146.4 | 5.8 | 8.7 |
| Industrial real estate | 23 464 | 11.6 | 7.6 | 9.8 |
| Land, water and forest areas (undeveloped) | | 5.0 | -0.4 | |
| Unfinished buildings | | - | | |
| Financial leasing real estate | 6 824 | 8.4 | 4.1 | 0.0 |
| Other domestic real estate | 1 117 | 2.4 | -0.1 | 85.1 |
| Foreign real estate | | - | | |
| Properties, total | 116 244 | 174.6 | 5.6 | 9.1 |

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 margin is calculated from the annualised difference between monthly income according to the occupancy rate on the balance sheet date and the year's average maintenance costs, this being expressed as a ratio of the capital invested at the end of the year.

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

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

| Yield rate % | Capital invested |
|---|---|
| Negative | 6.2 |
| 0 to 3 | 8.4 |
| 3 to 5 | 43.7 |
| 5 to 7 | 88.7 |
| over 7 | 27.6 |
| Total | 174.6 |

## 25) Own shares

The consolidated companies held no own or the parent bank's shares at December 31, 1999.

## 26) Breakdown of other assets

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Cash items in the process of collection | 21.2 | 18.8 | 20.0 | 18.6 |
| Guarantee claims | 0.3 | 31.9 | 0.3 | 31.9 |
| Derivative contracts | 148.5 | 169.1 | 151.9 | 172.9 |
| Other | 87.1 | 39.6 | 34.4 | 30.9 |
| Total | 257.1 | 259.5 | 206.5 | 254.3 |

## 27) Breakdown of accrued income and prepayments

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Interests | 81.5 | 77.9 | 71.6 | 61.7 |
| Other | 4.7 | 12.6 | 0.6 | 10.9 |
| Total | 86.2 | 90.5 | 72.2 | 72.6 |

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

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

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

Consolidated figures are stated without eliminations

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Differences between the nominal value and the lower book value | | | | |
| Liabilities to credit institutions and central banks | 0.3 | 0.2 | 0.3 | 0.2 |
| Debt securities issued to the public | 11.5 | 16.9 | 10.5 | 16.3 |
| Subordinated liabilities | 0.4 | 0.1 | 0.4 | 0.1 |
| Total | 12.2 | 17.3 | 11.1 | 16.6 |
| Difference between book value and lower nominal value | | | | |
| Debt securities issued to the public | 0.3 | 0.7 | 0.0 | 0.0 |

### *30) Breakdown of debt securities issued by type of instrument*

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Certificates of deposit | 2 868.6 | 2 098.4 | 2 772.6 | 2 038.0 |
| Bonds | 501.5 | 461.9 | 139.3 | 50.2 |
| Other | 124.0 | 97.1 | 124.0 | 97.1 |
| Total | 3 494.1 | 2 657.4 | 3 035.9 | 2 185.4 |

### *31) Breakdown of other liabilities*

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Cash items under process of collection | 267.5 | 197.1 | 258.8 | 194.8 |
| Derivative contracts | 158.4 | 184.5 | 163.5 | 190.4 |
| Other | 57.5 | 31.7 | 32.6 | 22.1 |
| Total | 483.4 | 413.3 | 454.9 | 407.3 |

### *32) Breakdown of accrued expenses and deferred income*

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Interest | 44.2 | 52.4 | 29.6 | 32.9 |
| Other | 13.2 | 12.9 | 4.4 | 6.2 |
| Total | 57.3 | 65.4 | 34.0 | 39.1 |

### *33) Compulsory provisions at the end of the financial year*

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Pension provisions | 0.3 | - | 0.3 | - |
| Tax provisions | - | - | - | - |
| Other | 0.5 | 1.8 | 0.5 | 1.8 |
| Total | 0.8 | 1.8 | 0.8 | 1.8 |

### *34) Subordinated liabilities*

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

USD 135 million (€ 115.7 million equivalent) perpetual bonds. The interest rate was 6.62% on December 31, 1999. With the prior consent of the Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after September 2002, on giving advance notice as stated in the terms and conditions.

USD 100 million (€ 85.8 million equivalent) subordinated bonds. The interest rate was 6.45% on December 1999. The bonds shall mature in May 2006. With the prior consent of Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after May 2001, on giving advance notice as stated in the terms and conditions.

€ 50.3 million. The interest rate was 4.189% on December 1999. With the prior consent of the Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after June 2004, on giving advance notice as stated in the terms and conditions.

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

Subordinated liabilities other than those mentioned above:

The total euro equivalent of the liabilities in the consolidated accounts was € 152.6 million as at December 31, 1999, and for OKOBANK it was € 149.2 million. Creditors do not have a put option. No perpetuals are included in these liabilities. Loans of this kind were not targeted at companies and participating interests belonging to the same consolidation group.

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

| Consolidated | 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 |
|---|---|---|---|---|
| Share capital | 188.9 | 7.5 | - | 196.4 |
| Share issue account | 7.5 | - | -7.5 | - |
| Share premium account | 0.4 | 0.4 | - | 0.8 |
| Revaluation reserve | 25.2 | - | - | 25.2 |
| Reserve fund | 203.3 | - | 0.0 | 203.3 |
| Profit brought forward | 67.9 | - | -20.2 | 47.7 |
| Loss for the financial year | - | 39.1 | - | 39.1 |
| Equity capital, total | 493.3 | 47.0 | -27.7 | 512.6 |
| **OKOBANK** | | | | |
| Share capital | 188.9 | 7.5 | - | 196.4 |
| Share issue account | 7.5 | - | -7.5 | - |
| Share premium account | 0.4 | - | - | 0.4 |
| Reserve fund | 163.6 | - | - | 163.6 |
| Profit brought forward | 57.9 | - | -20.4 | 37.5 |
| Profit for the financial year | - | 31.0 | - | 31.0 |
| Equity capital, total | 418.3 | 38.5 | -27.9 | 428.9 |

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

| | Series A | Series K | Repurchased | Total |
|---|---|---|---|---|
| Share capital, € | 79 705 439 | 116 722 249 | | 196 427 688 |
| Number of shares | 18 951 720 | 27 753 280 | (5 620) | 46 705 000 |
| Of share capital, % | 40.6 | 59.4 | | 100.0 |
| Votes per share | 1 | 5 | - | |
| Of votes, % | 12.0 | 88.0 | | 100.0 |

The accounting countervalue of OKOBANK's share is EUR 4.21. The countervalue is not a precise figure. The number of shares issued was doubled without changing the share capital (stock split) in accordance with a resolution passed by the Annual General Meeting on March 24, 1999. The Series C share has been cancelled. There are no Series C shares outstanding.

Restrictions concerning the purchase of shares:

Series A shares are intended for the general public and are quoted on Helsinki Exchanges. The purchase of Series A shares is not restricted. Ownership of Series K shares is restricted to Finnish cooperative banks, a bank having the legal form of a limited company pursuant to Section 41 a and 41 b of the Cooperative Bank Act and the central institution of the amalgamation of the cooperative banks pursuant to the same Act. Upon the demand of a shareholder, or in respect of nominee-registered shares upon the written demand of the nominee asset manager entered in the book-entry register, a Series K share can be converted into a Series A share within the framework of the minimum and maximum amounts of the share types as specified in the Articles of Association.

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

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

| | Consolidated | OKOBANK |
|---|---|---|
| Amount transferred to equity capital from voluntary provisions and the depreciation difference, € million | 33 | |

### *38) Issues of convertible bonds and bonds with warrants*

Option-based incentive system

An extraordinary general meeting of OKOBANK's shareholders passed a resolution on June 30, 1999, in accordance with the proposal of the Bank's Executive Board, concerning the introduction within OKOBANK and the OKOBANK Group Central Cooperative of a share option-based incentive scheme covering the entire personnel. A bond loan with equity warrants was offered for subscription by the personnel of OKOBANK Group Central Cooperative Consolidated, the OKOBANK Group Central Cooperative and the subsidiaries, OKOBANK Group Mutual Insurance Company, the OKOBANK Group Pension Fund and the OKOBANK Group Research Foundation as well as OKOBANK's wholly-owned subsidiary OP-Sijoitus Oy. The amount of the bond loan is EUR 460 000 and the loan can be subscribed for during the period from September 6 to September 17, 1999. The loan bears no interest and it will be repaid on October 15, 2002.

The equity warrants attached to the bond loan entitle their holders to subscribe for a maximum total of 4 600 000 OKOBANK Series A shares. The subscription price of the share is EUR 10.99, or the trading turnover-weighted average price of OKOBANK's Series A share on Helsinki Exchanges in May 1999 plus 27 per cent. The subscription price of the share will be lowered, after the period for determining the subscription price and before the subscription for shares, by the amount of dividends to be paid out on each record date for the distribution of dividends. The share subscription period will commence stepwise on October 1, 2002 and October 1, 2004. The share subscription period will close for all equity warrants on October 30, 2006.

Authorisations granted to the Supervisory Board

The Annual General Meeting held on March 24, 1999, authorised the Bank's Supervisory Board, for a period of one year from the Annual General Meeting, to decide on increasing the share capital through a rights issue, an issue of convertible bonds and/or the issuance of share option. The aggregate amount of the new Series K shares that can be issued in the rights issue, exchanged for convertible bonds and subscribed on the basis of share options can be a maximum of 8 000 000 shares and the aggregate amount of new Series A shares a maximum of 8 000 000 shares. The authorisation pursuant to the above furthermore confers the right to waive shareholders' preemptive right to subscribe new shares, convertible bonds and share options. A divergence from shareholders' subscription rights can only be made in the interest of ensuring the Bank's capital adequacy or in connection with corporate or industrywide structural arrangements if the Bank has a weighty economic reason for doing so. The authorisation which the Annual General Meeting granted to the Supervisory Board on April 1, 1998, to decide on increasing the share capital through a rights issue, an issue of convertible bonds and the offering of share options was cancelled unexercised.

### *39) Major shareholders and breakdown of shareholdings*

Major shareholders and number of shares (Ten largest shareholders according to the Share Register at December 31,1999)

| | | Number of shares | Total | Number of votes | % of votes |
|---|---|---|---|---|---|
| OKOBANK Group Central Cooperative | A | 0 | | | |
| | K | 19 293 032 | 19 293 032 | 96 465 160 | 61.2 |
| Turun Seudun Osuuspankki | A | 14 000 | | | |
| | K | 586 360 | 600 360 | 2 945 800 | 1.9 |
| Oulun Osuuspankki | A | 140 000 | | | |
| | K | 506 000 | 646 000 | 2 670 000 | 1.7 |
| Etelä-Karjalan Osuuspankki | A | 154 842 | | | |
| | K | 289 800 | 444 642 | 1 603 842 | 1.0 |
| OKOBANK Group Pension Foundation | A | 1 600 000 | | | |
| | K | 0 | 1 600 000 | 1 600 000 | 1.0 |
| Government Guarantee Fund | A | 1 418 700 | | | |
| | K | 0 | 1 418 700 | 1 418 700 | 0.9 |
| Porin Seudun Osuuspankki | A | 85 998 | | | |
| | K | 251 820 | 337 818 | 1 345 098 | 0.9 |
| Pohjolan Osuuspankki | A | 0 | | | |
| | K | 255 220 | 255 220 | 1 276 100 | 0.8 |
| Keski-Uudenmaan Osuuspankki | A | 0 | | | |
| | K | 245 900 | 245 900 | 1 229 500 | 0.8 |
| Keski-Suomen Osuuspankki | A | 0 | | | |
| | K | 228 280 | 228 280 | 1 141 400 | 0.7 |
| Total | | 25 069 952 | 25 069 952 | 111 695 600 | 70.9 |

Major shareholders in terms of share capital ownership
Ten largest shareholders according to the Share Register at December 31, 1999

| | Number of shares | Holdings,% |
|---|---|---|
| OKOBANK Group Central Cooperative | 19 293 032 | 41.3 |
| OKOBANK Group Pension Foundation | 1 600 000 | 3.4 |
| Government Guarantee Fund | 1 418 700 | 3.0 |
| Norvestia Oyj | 952 400 | 2.0 |
| Ilmarinen Mutual Pension Insurance Company | 651 500 | 1.4 |
| Oulun Osuuspankki | 646 000 | 1.4 |
| Turun Seudun Osuuspankki | 600 360 | 1.3 |
| Etelä-Karjalan Osuuspankki | 444 642 | 1.0 |
| Porin Seudun Osuuspankki | 337 818 | 0.7 |
| LEL Employment Pension Fund | 329 100 | 0.7 |
| Total | 26 273 552 | 56.2 |

Breakdown of shareholdings by number of shares
According to the Share Register at December 31, 1999

| Number of shares (Series A and K) | Number of shareholders | % of shareholders | Number of shares | Holdings, % |
|---|---|---|---|---|
| 1 - 100 | 19 691 | 80.9 | 1 056 215 | 2.3 |
| 101 - 1 000 | 3 695 | 15.2 | 1 194 804 | 2.6 |
| 1 001 - 10 000 | 687 | 2.8 | 1 946 792 | 4.2 |
| 10 001 - 50 000 | 183 | 0.8 | 4 286 658 | 9.2 |
| 50 001 - 100 000 | 50 | 0.2 | 3 544 504 | 7.6 |
| 100 001 - | 43 | 0.2 | 34 548 845 | 74.0 |
| Unregistered shares | | | 127 182 | 0.3 |
| Total | 24 349 | 100.0 | 46 705 000 | 100.0 |

Breakdown of shareholdings by sector
According to the Share Register at December 31, 1999

| Sector | Number of shareholders | % of shareholders | Number of shares | Holdings, % | Number of votes | % of votes |
|---|---|---|---|---|---|---|
| Enterprises | 591 | 2.4 | 1 671 399 | 3.6 | 1 671 399 | 1.1 |
| OKOBANK Group Central Cooperative and its member banks | 247 | 1.0 | 29 992 416 | 64.2 | 141 005 536 | 89.4 |
| Other financial and insurance institutions | 49 | 0.2 | 3 283 083 | 7.0 | 3 283 083 | 2.1 |
| Public sector entities | 26 | 0.1 | 4 506 550 | 9.6 | 4 506 550 | 2.9 |
| Non-profit organisations | 140 | 0.6 | 712 412 | 1.5 | 712 412 | 0.5 |
| Households | 23 276 | 95.6 | 3 755 203 | 8.0 | 3 755 203 | 2.4 |
| Foreign | 16 | 0.1 | 11 564 | 0.0 | 11 564 | 0.0 |
| Nominee-registered shareholders | 4 | 0.0 | 2 645 191 | 5.7 | 2 645 191 | 1.7 |
| Unregistered shares | | | 127 182 | 0.3 | 127 182 | 0.1 |
| Total | 24 349 | 100.0 | 46 705 000 | 100.0 | 157 718 120 | 100.0 |

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

OKOBANK does not have capital investments or capital loans.

*41) Combined items under balance sheet liabilities*

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

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

| According to remaining maturity | Under 3 months | 3-12 months | 1-5 years | Over 5 years |
|---|---|---|---|---|
| Consolidated | | | | |
| Debt securities eligible for refinancing with central banks | 1 297.6 | 357.1 | 99.9 | 36.2 |
| Claims on credit institutions | 807.8 | 403.9 | 570.6 | 2.2 |
| Claims on the public and public sector entities | 636.2 | 724.9 | 2 293.2 | 906.7 |
| Debt securities | 85.6 | 237.5 | 593.5 | 253.3 |
| | | | | |
| Liabilities to credit institutions and central banks | 3 310.4 | 167.2 | 21.5 | 13.6 |
| Liabilities to the public and public sector entities | 2 242.9 | 61.1 | 24.1 | 28.1 |
| Debt securities issued to the public | 2 664.5 | 420.5 | 404.4 | 4.8 |
| | | | | |
| OKOBANK | | | | |
| Debt securities eligible for refinancing with central banks | 1 270.2 | 292.8 | 90.3 | 22.2 |
| Claims on credit institutions | 1 300.2 | 924.0 | 983.5 | 23.8 |
| Claims on the public and public sector entities | 374.6 | 270.9 | 919.6 | 230.0 |
| Debt securities | 85.2 | 237.2 | 584.2 | 355.1 |
| | | | | |
| Liabilities to credit institutions and central banks | 3 501.6 | 167.2 | 21.5 | 13.6 |
| Liabilities to public and public sector entities | 1 095.4 | 54.1 | 0.3 | 26.8 |
| Debt securities issued to the public | 2 577.0 | 337.4 | 121.6 | - |

Claims on the public and public sector entities did not include items payable on demand in the consolidated and OKOBANK accounts at December 31, 1999. Deposits other than fixed-term deposits are included in the maturity class “Under 3 months”.

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

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | Domestic currency | Foreign currency | Domestic currency | Foreign currency |
| Debt securities eligible for refinancing with central banks | 1 790.8 | 0.0 | 1 675.5 | 0.0 |
| Claims on credit institutions | 1 624.1 | 160.3 | 3 071.2 | 160.3 |
| Claims on the public and public sector entities | 4 346.1 | 214.9 | 1 580.2 | 214.9 |
| Debt securities | 661.4 | 508.5 | 753.2 | 508.5 |
| Other assets | 1 502.1 | 27.4 | 1 246.7 | 26.1 |
| Total | 9 924.5 | 911.2 | 8 326.9 | 909.9 |
| | | | | |
| Liabilities to credit institutions and central banks | 3 220.9 | 291.7 | 3 412.2 | 291.7 |
| Liabilities to the public and public sector entities | 2 256.2 | 100.0 | 1 090.9 | 85.7 |
| Debt securities issued to the public | 3 377.3 | 116.8 | 2 919.1 | 116.8 |
| Subordinated liabilities | 150.6 | 253.8 | 147.2 | 253.8 |
| Other liabilities | 525.7 | 30.1 | 460.3 | 30.2 |
| Total | 9 530.8 | 792.4 | 8 029.7 | 778.2 |

### *44) Financial and share based ratios*

Consolidated key ratios of financial performance

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|
| Turnover, € million | 781.8 | 630.3 | 599.4 | 562.2 | 524.9 |
| Operating profit/loss, € million | -7.9 | 38.8 | 47.6 | 74.3 | 111.0 |
| % of turnover | -1.0 | 6.1 | 7.9 | 13.2 | 21.1 |
| Profit or loss before appropriations and taxes, € million | -27.0 | 37.6 | 48.2 | -15.5 | 53.9 |
| % of turnover | -3.5 | 6.0 | 8.0 | -2.7 | 10.3 |
| Return on equity (ROE), % | -0.4 | 6.6 | 7.0 | 9.7 | 16.1 |
| Return on assets (ROA), % | -0.02 | 0.34 | 0.38 | 0.55 | 0.82 |
| Equity/total assets ratio, % | 5.2 | 5.1 | 5.8 | 5.5 | 4.7 |
| Average number of staff | 1 362 | 1 299 | 1 368 | 974 | 964 |
| Income/expenses ratio | 1.33 | 1.43 | 1.29 | 1.45 | 1.80 |

Consolidated per share key ratios

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|
| Earnings per share (EPS), € | -0.09 | 0.74 | 0.78 | 1.12 | 1.72 |
| Equity per share, € | 11.84 | 10.95 | 11.59 | 10.56 | 10.97 |
| Dividend per share, € | - | 0.14 | 0.35 | 0.44 | 0.69 * |
| Dividend payout ratio, % | - | 19.1 | 45.3 | 39.2 | 40.0 * |
| Effective dividend yield, % (OKOBANK Series A) | - | 3.2 | 5.2 | 5.9 | 6.3 * |
| Price/earnings ratio, % | negative | 7.2 | 9.3 | 7.0 | 6.5 |
| Share price performance (OKOBANK Series A) | | | | | |
| Average price, € | 3.02 | 4.31 | 6.63 | 8.27 | 8.95 |
| Lowest price, € | 2.31 | 2.52 | 5.13 | 7.15 | 7.80 |
| Highest price, € | 4.46 | 5.55 | 7.90 | 9.50 | 14.00 |
| Price at Dec. 31, 1998. € | 3.49 | 5.34 | 7.27 | 7.82 | 11.20 |
| Market capitalisation (OKOBANK Series A), € million | 56.3 | 86.1 | 118.6 | 147.9 | 212.3 |
| Movements in share turnover (OKOBANK Series A), in thousands | 3 100.0 | 5 983.2 | 9 287.8 | 6 094.2 | 6 345.6 |
| % of total shares outstanding | 19.2 | 37.1 | 57.5 | 37.1 | 33.5 |
| Number of shares (all Series) | | | | | |
| Average during the financial year | 43 910 400 | 43 910 400 | 43 941 520 | 44 230 272 | 46 705 000 |
| At the end of the financial year | 43 910 400 | 43 910 400 | 44 110 000 | 46 705 000 | 46 705 000 |

The number of the Bank's shares outstanding was doubled without changing the share capital in accordance with the resolution passed by the Annual General Meeting held on March 24, 1999. The amendment was entered in the Trade Register on April 12, 1999. The per-share key ratios have been adjusted retroactively.

* Executive Board's proposal: € 0.70 on Series A shares and € 0.65 on Series K shares.

Calculation of key ratios is presented on page 62.

## *Notes to the accounts concerning taxation*

### *45) Income taxes*

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

The income taxes of OKOBANK, Okopankki Oyj and OKO Mortgage Bank plc were due solely to the minimum tax determined on the basis of the dividend payout.

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

Imputed taxes due and tax claims

In the consolidated balance sheet there were imputed deferred taxes totalling EUR 12.56 million that were based on appropriations. Other imputed deferred taxes and tax claims have not been entered in the balance sheet in 1999 and 1998.

Imputed tax claims which are likely to materialise

| | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Total amount | 2.19 | 1.26 | 0.77 | 0.99 |

Effect of revaluations on income taxes

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

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

### *46) Assets pledged as collateral on own behalf and on behalf of third parties, plus the liabilities and commitments for which the collateral has been pledged*

| | Consolidated | OKOBANK |
|---|---|---|
| Assets pledged as collateral for own liabilities | | |
| Pledges | 1 740.7 | 1 728.3 |
| Mortgages | 80.4 | - |
| Liabilities and commitments for which asset items have been pledged as collateral | | |
| Liabilities to the public sector and public sector entities | 26.7 | 26.7 |
| Debt securities issued to the public | 8.4 | - |
| Collateral pledged on behalf of a consolidated company | | |
| Mortgages | 7.7 | - |
| Collateral pledged on behalf of others | | |
| Mortgages | 10.1 | - |

### *47) Pension liabilities*

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

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

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

### *48) Leasing liabilities*

| | Consolidated | OKOBANK |
|---|---|---|
| Leasing payments in 2000 | 0.20 | 0.14 |
| Leasing payments after 2000 | 0.16 | 0.10 |

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

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Guarantees | 470.0 | 620.5 | 444.2 | 595.6 |
| of which on behalf of subsidiaries | | | 0.3 | 0.4 |
| on behalf of associated companies | | | 0.0 | - |
| Guarantee commitments | 469.8 | 291.7 | 470.9 | 292.8 |
| of which on behalf of subsidiaries | | | 1.1 | 1.1 |
| on behalf of associated companies | | | 0.7 | 0.6 |
| Mortgages | 10.1 | 10.1 | - | - |
| Other commitments given on behalf of a customer for a third party | 16.6 | 11.2 | 14.6 | 8.4 |
| Unused standby facilities | 979.1 | 758.3 | 668.9 | 439.4 |
| of which for subsidiaries | | | 24.9 | 17.2 |
| for associated companies | | | 1.7 | 1.7 |
| Pledges granted | 35.3 | 31.4 | 26.8 | 6.2 |
| Other irrevocable commitments given on behalf of a customer | 67.3 | 2.6 | 62.7 | 1.4 |
| Commitments given, total | 2 048.2 | 1 725.8 | 1 688.2 | 1 343.9 |
| Commitments given to subsidiaries or on their behalf, total | | | 26.3 | 18.7 |
| Commitments given to associated companies or on their behalf, total | | | 2.4 | 2.3 |

### *50) Derivative contracts at the end of the year*

| Values of the underlying instruments | Consolidated 1999 | Consolidated 1998 | OKOBANK 1999 | OKOBANK 1998 |
|---|---|---|---|---|
| Agreements made for hedging purposes | | | | |
| Interest rate derivatives | | | | |
| Forward rate agreements | - | - | - | - |
| Option contracts | | | | |
| Purchased | - | - | - | - |
| Written | - | - | - | - |
| Interest rate swaps | 683.7 | 450.5 | 683.7 | 445.5 |
| Currency derivatives | | | | |
| Forward agreements | 1 333.5 | 5 827.2 | 1 333.5 | 5 827.2 |
| Option contracts | | | | |
| Purchased | - | - | - | - |
| Written | - | - | - | - |
| Interest rate and currency swaps | 90.6 | 33.7 | 90.6 | 33.7 |
| Share derivatives | | | | |
| Futures | - | - | - | - |
| Options | | | | |
| Purchased | - | - | - | - |
| Written | - | - | - | - |
| Total | 2 107.8 | 6 311.4 | 2 107.8 | 6 306.4 |
| Contracts made for purposes other than hedging interest rate derivatives | | | | |
| Interest rate derivatives | | | | |
| Forward rate agreements | 1 893.2 | 19 674.4 | 1 893.2 | 19 674.4 |
| Option contracts | | | | |
| Purchased | - | - | - | - |
| Written | - | - | - | - |
| Interest rate swaps | 5 979.1 | 6 340.1 | 6 277.8 | 6 637.9 |
| Currency derivatives | | | | |
| Forward agreements | - | - | - | - |
| Option contracts | | | | |
| Purchased | 20.2 | - | 20.2 | - |
| Written | 18.7 | 102.2 | 18.7 | 102.2 |
| Interest rate and currency swaps | 37.1 | 102.4 | 37.1 | 102.4 |

| | | | | |
|---|---|---|---|---|
| Share derivatives | | | | |
| Futures | - | - | - | - |
| Options | - | - | - | - |
| Purchased | - | - | - | - |
| Written | - | - | - | - |
| Total | 7 948.2 | 26 219.1 | 8 246.9 | 26 516.9 |

| | | | | |
|---|---|---|---|---|
| Credit countervalues of contracts | | | | |
| Interest rate derivatives | 116.3 | 205.8 | 119.3 | 212.4 |
| Currency derivatives | 58.8 | 102.6 | 58.8 | 102.6 |
| Total | 175.1 | 308.3 | 178.2 | 315.0 |

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

| | Consolidated 1999 | OKOBANK 1999 |
|---|---|---|
| Sales receivables | 92.2 | - |
| Accounts payable | 87.6 | - |

### *52) Other contingent liabilities and commitments*

In December OKOBANK undertook to purchase shares in Pohjola Group Insurance Corporation. The purchase of the shares was contingent upon approval from the Insurance Supervision Authority. The deal was closed on January 19, 2000. The purchase price of the shares was EUR 44.1 million.

OKOBANK's commitments to venture capital funds amounted to EUR 17.7 million at the end of the year.

The above-mentioned commitments are included in Note 49 to the annual accounts "Off-balance sheet commitments".

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

### *53) Staff and members of governing and supervisory bodies*

Staff in 1999, average

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | During the financial year | Change on previous year | During the financial year | Change on previous year |
| Full-time staff | 937 | -3 | 311 | -40 |
| Part-time staff | 27 | -7 | - | - |
| Staff, total | 964 | -10 | 311 | -40 |

Salaries and emoluments received by members of governing and supervisory bodies

| | Consolidated | | OKOBANK | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Members and deputy members of the Supervisory Board | 0.1 | 0.1 | 0.1 | 0.1 |
| Members and deputy members of the Executive Board as well as the managing director | 1.4 | 1.2 | 0.7 | 0.6 |
| Total | 1.5 | 1.3 | 0.8 | 0.7 |

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

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

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

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

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

Pension commitments

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

Management's shareholdings

The members and deputy members of OKOBANK's Supervisory Board, the members and deputy members of the Executive Board as well as the Managing Director owned a total of 7 482 OKOBANK Series A shares as at December 31, 1999, and these shares represented 0.016 per cent of all the shares outstanding and 0.005 per cent of the votes conferred by all the shares outstanding. The members and deputy members of the Executive Board and the Managing Director subscribed for an amount of the bond loan with equity warrants issued by OKOBANK, entitling them to subscribe for a total of 830 000 shares. These shares represent 1.632 per cent of all the shares and 0.516 per cent of the number of votes.

## *Holdings in other companies*

### *54) Shareholdings at the end of the year*

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

| Name of company, domicile and operations | Holding, % | Aggregate book value | Equity capital of the company[1] | The company's profit or loss for the financial year[1] |
|---|---|---|---|---|
| Realinvest Oy, Helsinki, real-estate investment | 19.0 | 27.5 | 162.4 | 2.8 |
| OKOBANK Group Mutual Insurance Company, Helsinki, insurance | 10.9 | 5.5 | 53.8 | -0.8 |
| HEX Oy, Helsinki, securities and derivatives exchange | 8.7 | 4.9 | 38.8 | 9.0 |
| Luottokunta, Helsinki, financial operations | 18.3 | 1.0 | 74.3 | 11.7 |
| Eurocard Oy, Helsinki, financial operations | 11.2 | 0.8 | 8.2 | 1.7 |
| SSH Communication Security Oy | 0.2 | 0.2 | 0.9 | 0.2 |
| Innopoli Oy, Espoo, research and development | 2.4 | 0.2 | 7.6 | 0.3 |
| Järjestöjen Tietotekniikka JTT Oy, Helsinki, data processing services | 12.0 | 0.2 | 0.5 | -0.2 |

[1] According to latest annual accounts.

In addition, OKOBANK had holdings in 33 companies that are included in fixed assets at the end of the year and in which the book value of the shares or participations owned was less than € 200 000. The aggregate book values of these shares and participations was € 1.04 million.

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

| Name of company, domicile and operations | Consolidated holding, % | Aggregate book value | Equity capital at year-end | Profit or loss for the financial year |
|---|---|---|---|---|
| OP-Kotipankki Oyj, Helsinki, banking | 48.1 | 6.3 | 13.5 | 1.2 |
| Aurum Life Assurance Company, Helsinki, insurance | 49.6 | 33.6 | 76.1 | 6.5 |
| Automatia Pankkiautomaatit Oy, Helsinki, finance-related services | 33.3 | 5.1 | 18.8 | 1.3 |
| Toimiraha Oy, Helsinki, finance-related services | 33.3 | 2.1 | 3.7 | 0.4 |
| Kiinteistö Oy Lahden Trio, real-estate holding and management | 33.3 | 11.4 | 55.6 | -1.6 |
| Hatanpäänkadun Teollisuus-hallit Oy, Tampere, real-estate holding and management | 50.0 | 0.1 | 3.7 | 0.5 |

In accordance with the relevant regulation of the Financial Supervision, 6 associated companies have been excluded from the consolidated accounts owing to their minor importance. The aggregate book value of the shares in these companies was € 2.42 million and their total assets in their latest balance sheets stood at € 28.89 million.

Subsidiaries included in the consolidated accounts

| Company name, domicile and operations | Consolidated holding, % | Book value of shares | Equity capital at year-end[1] | Profit or loss for the financial year[1] |
|---|---|---|---|---|
| Okopankki Oyj, Helsinki, banking | 100 | 84.1 | 89.2 | 2.8 |
| OKO Mortgage Bank plc, Helsinki, mortgage banking | 100 | 13.5 | 58.6 | 3.2 |
| OP-Finance Ltd, Helsinki, financing | 100 | 53.3 | 56.1 | 4.2 |
| Opstock Ltd, Helsinki, investment service company | 87.25 | 3.8 | 12.9 | 6.7 |
| Kiinteistö Oy OKO-Vallila, Helsinki | 100 | 44.2 | 43.0 | -0.1 |
| Kiinteistö Oy Aleksi-Hermes, Helsinki | 100 | 13.8 | 11.1 | -0.1 |
| Kiinteistö Oy Arkadiankatu 23, Helsinki | 100 | 5.2 | 5.3 | -4.1 |
| Kiinteistö Oy Dagmarinkatu 14, Helsinki | 100 | 7.5 | 1.4 | 0.4 |
| Kiinteistö Oy Malminkatu 30, Helsinki | 100 | 7.1 | 7.0 | 0.0 |

[1] According to latest annual accounts.

On May 10, 1999, OKOBANK sold the subsidiary Vicarius Fastigheter AB, which owned real-estate in Sweden. The company's profit and loss account for the period January 1 – April 30, 1999, is included in the consolidated annual accounts.

On the basis of the relevant regulation of the Financial Supervision, a total of 27 housing and real-estate companies have been omitted from the consolidated accounts. The aggregate total assets in the most recent balance sheets of these companies was € 43.77 million, and also omitted from the consolidated accounts were 11 other companies, which had € 13.73 million in total assets as calculated according to their most recent balance sheets.

## *Other notes to the accounts*

### *55) Credit institution's trustee services*

OKOBANK offers investment services to the public as well as asset custody and management services.

### *56) Amount of OKOBANK's and some other cooperative credit institution's unpaid cooperative contributions*

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

## *Notes concerning a credit institution belonging to the consolidated group*

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

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

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

| | 1999 | 1998 |
|---|---|---|
| Interest income | 47.8 | 37.3 |
| Income from equity investments | 27.6 | 21.7 |
| Interest expenses | 3.6 | 3.1 |

Claims on consolidated companies and liabilities to them

| | 1999 | 1998 |
|---|---|---|
| Claims | 1 607.0 | 1 102.8 |
| Liabilities | 205.4 | 145.0 |

## *Notes concerning subsidiaries and associated companies*

***58) Subsidiaries included in the consolidated accounts***

The subsidiaries included in the consolidated accounts are listed in Note 54.

***59) Subsidiaries which have been omitted from the consolidated accounts with the permission of the Financial Supervision***

OKOBANK Consolidated does not have subsidiaries according to this section.

***60) Associated companies included in the consolidated accounts***

The associated companies included in the consolidated accounts are listed in Note 54.

***61) Associated companies which have been omitted from the consolidated accounts with the permission of the Financial Supervision***

OKOBANK Consolidated does not have associated companies according to this section.

***62) Subsidiaries included in the annual accounts according to the business combination method***

All the subsidiaries are consolidated according to the acquisition cost method.

***63) Joint ventures included in the consolidated accounts***

All the associated companies are included in the consolidated accounts according to the equity method.

***64) Consolidated subsidiaries whose financial year has ended prior to the end of the parent company's financial year***

The financial year of all the subsidiaries included in the consolidated accounts ended on December 31, 1999.

***65) Consolidated companies that are not credit or financial institutions or ancillary service companies***

OKOBANK's associated company, Aurum Life Assurance Company, which is included in the consolidated accounts using the equity method is not a credit or financial institution or service company.

***66) Breakdown of write-off on goodwill and deduction of negative consolidation difference if these have been combined in the consolidated profit and loss account***

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

***67) Breakdown of goodwill and negative consolidation difference if these have been deducted from each other in the consolidated balance sheet***

Goodwill and the negative consolidation difference have not been deducted from each other in the consolidated balance sheet.

***68) Breakdown of imputed taxes due and changes therein***

The imputed deferred taxes entered in the consolidated balance sheet and the change in imputed deferred taxes in the consolidated profit and loss account are based solely on appropriations. Information on the breakdown of taxes is also given in Note 45 to the annual accounts.

| | 1999 | 1998 |
|---|---|---|
| Imputed deferred taxes in the consolidated balance sheet | | |
| Deferred taxes which are based on appropriations and entered in the consolidated balance sheet. | 12.56 | 9.70 |
| Imputed tax claims based on the consolidated balance sheet | | |
| Based on consolidation measures | 0.65 | 0.75 |
| Based on the consolidated companies' own balance sheets | 2.19 | 1.26 |
| Changes in imputed taxes | | |
| Based on appropriations | 2.82 | -2.01 |
| Based on consolidation measures | -0.10 | -0.10 |
| Based on consolidated companies' own balance sheet [1)] | 0.93 | 1.26 |

[1)] In 1998 the change related to stating the cumulative imputed tax claim

***69) Goodwill and negative consolidation difference in respect of associated companies***

The amount of unamortised goodwill of associated companies included in the consolidated accounts as at December 31, 1999, was € 0.05 million. There was no negative consolidation difference that had not been charged to income at the end of the year.

***70) Average number of staff in joint ventures that have been incorporated into the consolidated accounts in accordance with the holding of consolidated companies in them***

Joint ventures have not been incorporated into the consolidated accounts in accordance with the holding in them.

## *Calculation of key ratios*

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

# *Executive Board's proposal for the disposal of distributable funds*

The consolidated distributable equity capital on December 31, 1999 was € 54 174 221.77.

The equity capital of OKOBANK Osuuspankkien Keskuspankki Oyj on December 31, 1999 was € 428 850 345.41, of which distributable equity capital was € 68 437 898.16.

At the disposal of the Annual General Meeting is

| | |
|---|---|
| The profit for the financial year shown | |
| in the profit and loss account | 30 984 098.96 |
| profit brought forward | 14 004 326.89 |
| and non-restricted reserves | 23 449 472.31 |
| or a total amount of | € 68 437 898.16 |

It is proposed that this be disposed of as follows:

The dividend distributed on the share capital is

| | | |
|---|---|---|
| € 0.65 on 12 138 778 series K shares | 7 890 205.70 | |
| € 0.70 on 34 566 222 series A shares | 24 196 355.40 | 32 086 561.10 |

| | |
|---|---|
| Leaving in distributable equity capital | € 36 351 337.06 |

Helsinki, February 15, 2000

Antti Tanskanen

Reijo Karhinen

Mikael Silvennoinen
Managing Director

Keijo Manner

Timo Ritakallio

Heikki Vitie

Helena Walldén

# Statement of the Supervisory Board

The Bank's financial statements for the year 1999 have been drawn up in accordance with the principles approved by the Supervisory Board, which has confirmed the accounts for presentation to the Annual General Meeting. The Supervisory Board concurs with the Executive Board's proposal concerning the disposal of distributable funds. The following members of the Supervisory Board are to resign in accordance with the Articles of Association of OKOBANK Osuuspankkien Keskuspankki Oyj: Kaarina Aho, Paavo Haapakoski, Seppo Jokinen, Matti Kavetvuo, Vesa Lehikoinen, Jarmo Lähteenmäki, Kati Myllymäki, Tauno Raistakka, Turkka Saarniniemi and Johan Signell.

Helsinki, February 15, 2000

On behalf of the Supervisory Board

Seppo Penttinen
Chairman

Markku Koponen
Secretary

# Auditors' Report

***To the shareholders of OKOBANK Osuuspankkien Keskuspankki Oyj***

We have audited the accounting records, annual accounts and corporate governance of OKOBANK Osuuspankkien Keskuspankki Oyj for the 1999 financial year. The annual accounts, which have been prepared by the Executive Board and the Managing Director, comprise the Executive Board's report on operations as well as the profit and loss account, balance sheet and notes to the annual accounts of OKOBANK Consolidated and the parent company. Based on our audit we express an opinion on the company's annual accounts and corporate governance.

We have conducted the audit in accordance with generally accepted Finnish standards on auditing. This involves examining the accounting records, accounting policies and content and format of the annual accounts to a sufficient extent to determine that the annual accounts do not contain material errors or deficiencies. The audit of corporate governance has focused on ascertaining the legality of the actions of the members of the Supervisory Board and the Executive Board as well as the Managing Director in accordance with the provisions of the Companies Act and the Credit Institution Act.

In our opinion the annual accounts have been prepared in accordance with the Accounting Act and the regulations issued by the Financial Supervision Authority concerning the preparation of annual accounts as well as other statutory provisions. The annual accounts give a true and fair view, as defined in the Accounting Act, of the result of operations and financial position of both OKOBANK Consolidated and the parent company. The annual accounts including the consolidated annual accounts can be adopted. The members of the Supervisory Board as well as the Chief Executive Officer and the other members of the Executive Board can be discharged from liability for the financial year audited by us. The Executive Board's proposal for the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, February 15, 2000

SVH Pricewaterhouse
Coopers Oy
Authorised Public Accountants

Kari Miettinen
Authorised Public
Accountant

Eero Huusko
Authorised Public
Accountant

Reino Majala
Authorised Public
Accountant

# Supervisory Board

***Members elected from among OKOBANK Group Central Cooperative's Supervisory Board members, term of office three years***

*Paavo Haapakoski* (1997), Principal, Pyhäjoki, 1997-2000
Deputy Chairman
*Ilkka Heinonen* (1997), Principal, Haapajärvi, 1999-2002
*Erkki Laatikainen* (1997), Professor, Jyväskylä, 1999-2002
*Jorma Lehikoinen* (1997), Managing Director, Lieksa, 1998-2001
*Vesa Lehikoinen* (1997), Managing Director, Janakkala, 1997-2000
*Antero Luomajärvi* (1997), Principal, Ilmajoki, 1998-2001
*Seppo Penttinen* (1996), Professor, Savitaipale, 1999-2002, Chairman
*Matti Pulkkinen* (1992), Director of District Medical Services, Kuopio, 1999-2002
*Tauno Raistakka* (1997), Farmer, Posio, 1997-2000
*Jukka Ramstedt* (1997), Managing Director, Pori, 1998-2001
*Asko Ruuskanen* (1986), Dean, Savonlinna, 1998-2001
*Turkka Saarniniemi* (1997), Managing Director, Pertteli, 1997-2000
*Johan Signell* (1997), Financial Manager, Hanko, 1997-2000
*Kaj Skåtar* (1973), Managing Director (ret.), Vaasa, 1999-2002
*Heikki Teräväinen* (1997), Managing Director, Toijala, 1998-2001
*Keijo Väänänen* (1995), Professor, Vaala, 1998-2001

***Other members, term of office three years***

*Kaarina Aho* (1997), Managing Director, Tornio, 1997-2000
*Jussi Hautamäki* (1997), Lieutenant General, Hämeenlinna, 1999-2002
*Seppo Jokinen* (1988), Managing Director, Tammela, 1997-2000
*Matti Kavetvuo* (1993), President and CEO, Helsinki, 1997-2000
*Timo Kietäväinen* (1991), Deputy Managing Director, Helsinki, 1999-2002
*Reijo Lehtinen* (1992), Director, Church Central Fund, Espoo, 1998-2001
*Jarmo Lähteenmäki* (1995), Chairman, Finnish Paper Workers' Union, Helsinki, 1997-2000
*Kati Myllymäki* (1997), Chairman, Finnish Medical Association, Mikkelin mlk, 1997-2000
*Seppo Paatelainen* (1997), Managing Director, Seinäjoki, 1998-2001
*Timo Poranen* (1993), Managing Director, Espoo, 1999-2002
*Valvatti Remes-Siik* (1997), Managing Director, Oulu, 1999-2002
*Pertti Stöckel* (1992), Managing Director, Keminmaa, 1999-2002
*Astrid Thors* (1992), Member of the European Parliament, Helsinki, 1998-2001
*Erkki Vähämaa* (1997), Municipal Manager, Kajaani, 1998-2001

The year next to the name indicates since when the person has been a member of the Supervisory Board.

(February 15, 2000)

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

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

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

The task of the Supervisory Board concerning inspection is carried out by the Inspectorate Committee. It includes four members and two debuty members who can also be non-members of the Board. The Committee elects from among its members the Chairman. The Head of the OKOBANK Group Central Cooperative's Internal audit acts as the secretary of the Committee. The Committee holds two meetings annually, or more frequently on the request of the Chairman.

# OKOBANK Consolidated organisation

*Chairman and CEO*
Antti Tanskanen

*Managing Director*
Mikael Silvennoinen

*Business Control*
Risk management, business control
Marja Huhta

## *Corporate banking and debt capital markets*
Timo Ritakallio

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

*Real Estate Investments*
Kari Karvonen

*OP-Finance Ltd*
Pekka Hujala

*Treasury Trading*
Antti Heinonen

*Group Treasury and International Division*
Jorma Alanne

Stockholm Branch
Erik Skön

*Corporate Banking, SME's*
Olli-Pekka Saario

OKO Mortgage Bank plc
Jouko Immonen

OKO-Venture Capital Ltd
Ville Jumppanen

*Corporate Banking, Major Clients*
Jarmo Viitanen

## *Operations and processes*
Helena Walldén

OKOBANK Consolidated's risk management, IT management and legal services. Back office operations for corporate financing and treasury, customer service procedures.

*Treasury and Capital Market Operations*
Mikko Hyttinen

*Corporate Services*
Markku Vehmas

Legal Services
Jari Jaulimo

IT Management
Simo Virkki

## *Investment banking*
Risto Murto

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

*Opstock Ltd*
Risto Murto

Securities Brokerage
Pekka Laulajainen

Corporate Finance
Jyrki Knuutinen

Asset Management
Matti Rantalainen

Investment Research
Rami Kinnala

Clearing, settlement and administration
Anu Hämäläinen

## *Retail banking*
Hannu Tonteri

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

*Okopankki Oyj*
Hannu Tonteri

Trade Union Bank
Juha Harsu

Banking Business
Timo Teinilä

Internal Services
Tarja Joensuu-Sarkio

(February 15, 2000)



## Executive Board

### Chairman

*Antti Tanskanen*, Chief Executive Officer, Helsinki
Member of the Board since 1996

### Deputy Chairman

*Reijo Karhinen*, Managing Director of OKOBANK Group Central Cooperative, Helsinki
Member of the Board since 1994

### Members

*Mikael Silvennoinen*, Managing Director of OKOBANK, Espoo
Member of the Board since 1994

*Keijo Manner*, Executive Director, Helsinki
Member of the Board since 1997

*Timo Ritakallio*, Excutive Director, Espoo
Member of the Board since 1997

*Heikki Vitie*, Executive Director, Espoo
Member of the Board since 1997

*Helena Walldén*, Executive Director, Helsinki
Member of the Board since 1994

### Deputy Member

*Raimo Tammilehto*, Executive Director, Espoo
Member of the Board since 1985

## Auditors

### 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

(February 15, 2000)





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

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Secretary General: Rémy Lasne

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DG BANK AG Deutsche
Genossenschaftsbank, Germany
ICCREA, Italy
OKOBANK Osuuspankkien
Keskuspankki Oyj, Finland
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(associate member), Spain
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member), Belgium
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(associate member), Switzerland



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