

# 1999

*A reliable,  
knowledgeable Finnish  
partner*



*OKOBANK Group 1999*

# *Operational concept of the OKOBANK Group*

The independent Finnish banks belonging to the OKOBANK Group offer the best banking service and promote the financial success of their owner-members and their customers.

The OKOBANK Group's strength is based on development-driven customer service operations, close co-operation, local decision-making and skilled personnel.

The core values that guide the OKOBANK Group's operations are membership, a people-first approach, reliability, the will to succeed and group solidarity.

## *Ethical principles*

### *Confidentiality*

OKOBANK Group'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, owners and society.

### *Fairness*

We value our customers, owners, staff and other stakeholders and treat them all equally.

### *Honesty*

Entities belonging to the OKOBANK Group 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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## Financial information in 2000

The OKOBANK Group and OKOBANK Osuuspankkien Keskuspankki Oyj will publish three interim reports in 2000:

- for January-March on May 4, 2000
- for January-June on August 17, 2000
- for January-September on November 2, 2000.

The interim reports will be published in Finnish, Swedish and English.

Reports can be ordered from the OKOBANK Group Central Cooperative, Corporate Communications, P.O. Box 308, FIN-00101 Helsinki, telephone +358 9 404 2765, telefax +358 9 404 2298, e-mail: viestinta@okobank.fi.

In February 1998 the Supervisory Board of the OKOBANK Group Central Cooperative adopted the OP-100 plan setting forth the OKOBANK Group's strategic policy lines up to 2002. According to this strategy the OKOBANK Group is a co-operation organisation whose operational emphasis is on retail banking and its development. A central objective is for the OKOBANK Group to be the leading retail bank in Finland by the end of 2002 and for the Group to surpass its major competitors in both profitability and cost-effectiveness. The Group's capital adequacy is strengthening, thereby increasing its risk-bearing ability further. Risk management is efficient and an integral part of normal operations.

When it has reached its objectives, in 2002 the Group will be the leading provider of financing, asset management and securities brokerage services for Finnish customers. The Group's corporate image is the best amongst all main customer groups. The OKOBANK Group is a forerunner in developing and exploiting bank products and services as well as electronic service channels. The Group is a unified, tightly knit whole that functions as a chain. Membership is a distinctive characteristic that deepens the customer relationship. By the end of 2002 the member cooperative banks will have a million members. The management focus is on leadership and a customer-oriented way of working. The personnel have the will to undertake continual renewal and to develop into multiskilled bank service professionals.

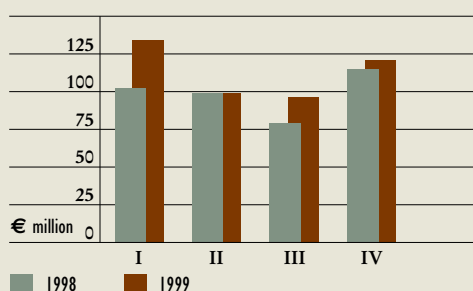
To maintain its competitiveness the OKOBANK Group is pursuing closer co-operation with leading Finnish and international companies in different fields.

In view of changes that have taken place in the competitive and business environment, it was recognised at the end of 1999 that there was a need to review the objectives of the OP-100 strategy. The review will be seen to completion in the summer 2000.

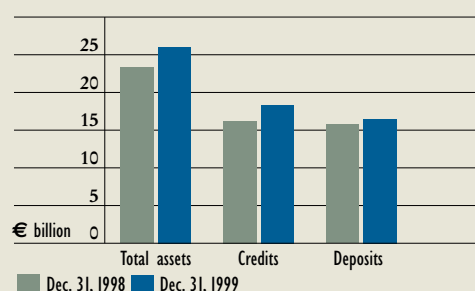
In 1999 the OKOBANK Group set a new earnings record for the third year running. Operating profit grew by 14 per cent to EUR 450 million. Tier I capital adequacy ratio rose by 2.0 percentage points to 9.9 per cent. Credit portfolio grew by 14 per cent, and the market share of credits grew from 29.4 to 30.2 per cent. The Group's market share of the total capital invested in mutual funds rose by almost 5 percentage points to 14.3 per cent.

	1999	1998
Member banks (incl. OKOBANK)	247	247
Branches	717	728
Staff	8 337	8 366
Individual members	798 000	695 000
Market share of € deposits, %	30.2	30.3
Market share of € credits, %	30.2	29.4
€ million		
Total assets	26 024	23 332
Turnover	1 583	1 721
Net income from financial operations	678	691
Profit before loan and guarantee losses	469	519
Loan and guarantee losses	26	128
Operating profit	450	395
Non-performing claims	200	220
Zero-interest claims	35	45
Equity capital	1 739	1 308
Capital adequacy ratio, %	12.4	12.2
Income/expenses ratio	1.70	1.77

Quarterly operating profit



Main balance sheet items



# The year in brief

## January-June

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

The OKOBANK Group's result for 1998 was announced. Operating profit was EUR 395 million, making the OKOBANK Group the most profitable universal bank in the Nordic countries.

The Platinum bonus system for retail customers was introduced. It brings customers additional financial benefits and rewards them for customer loyalty.

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 and the OKOBANK Group Central Cooperative can convert the unlisted Series K shares they own into Series A shares that are listed on the stock exchange.

The Interim Report for the January-March period was published. The OKOBANK Group posted operating profit of EUR 134 million.

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

The OKOBANK Group Central Cooperative, Pohjola Life Assurance Company Ltd and A-lehdet magazine group founded the portal company Virtuaalinen Suomi Oy.

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

## July-December

The half-year Interim Report was published. The OKOBANK Group's operating profit was EUR 233 million.

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

Renewed Internet investment services were introduced.

The Interim Report for the January-September period was published. The OKOBANK Group's operating profit was EUR 329 million.

The OKOBANK Group announced it was beginning co-operation with Nokia, IBM and Yomi Media for the development of WAP services.

An agreement was signed 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 loyal customer cards an interest-bearing advance payment account with a member bank of the OKOBANK Group.

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. The OKOBANK Group Central Cooperative and OKOBANK became (in January 2000) a major shareholder of the Pohjola Group Insurance Corporation.

Aurum Life Assurance Company began selling capital redemption policies and individual pension policies to corporate customers.

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

*Co-operation across sectoral boundaries. An agreement between the OKOBANK Group and the insurance companies Ilmarinen, Suomi, A-Vakuutus and Pohjantähti was signed on December 21, 1999. A co-operation agreement with Kesko Corporation, the Finnish central wholesale and retail chain, was signed on December 14, 1999.*



# The operating environment

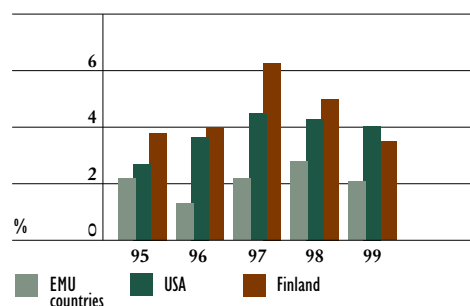
The growth in total output slowed down in 1999 compared with the previous year in both Finland and the EMU countries on average. Economic growth was increasingly dependent on domestic demand. In the USA, however, the economy continued to expand at a fast clip and the current boom is already the longest on record. Towards the end of the year economic growth began to pick up again in the EMU countries too. The change was reflected most clearly in industry's expectations and in output figures.

The annual change in Finland's consumer prices quickened to 2 per cent towards the end of the year in step with the substantial rise in the price of oil. The rise in housing prices also continued. In spite of Finland's relatively strong economic growth, other price pressures still remained negligible. A similar oil price-driven change in inflation was experienced in all the Western countries.

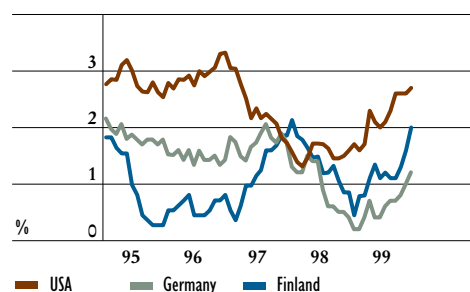
Stage three of Economic and Monetary Union (EMU) began with a period of relatively low interest rates. The European Central Bank lowered its administrative interest rate to 2.5 per cent in April after observing that inflationary pressures in the euro-zone were very minor. In the summer long market interest 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 ongoing structural change in financial assets was accelerated by the growth in households' disposable income, the sharp rise in share prices and the low level of interest rates. In 1999 this was reflected particularly in the operations of mutual funds. The market capitalisation of mutual funds registered in Finland more than doubled, and at the end of the year there were already more than 380 000 mutual fund savers.

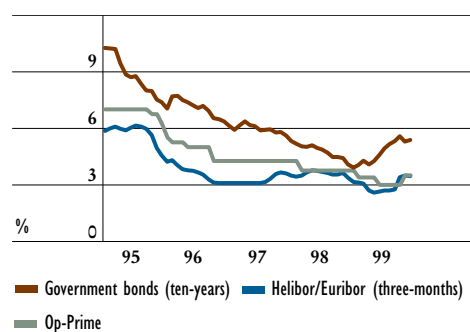
**GDP growth**



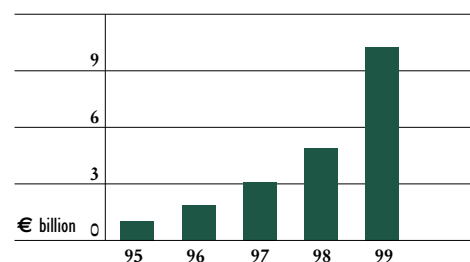
**Consumer prices 12-month change**



**Interest rates**



**Investments in mutual funds**



1999 was quite a good year for the OKOBANK Group. Operating profit grew to a new record figure for the third year in succession. Thanks to the good result, the structure of the Group's own funds improved and capital adequacy strengthened. Our market shares headed upward fastest within home loans and mutual fund investments. I believe we will see a strong growth trend in the current year as well even if price competition leads to a situation in which we no longer break earnings records.

The favourable development of the national economy meant a good operating environment for the banks in 1999. The growth in total output was attributable to the strong increase in domestic demand as export growth began to slow. 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.

The low level of interest rates increased the 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.

The OKOBANK Group strengthened its competitive position significantly when it concluded co-operation agreements with leading retailers and insurance companies.

The flexible co-operation will enable the partners in the alliance to maintain their independence and own corporate culture, whilst being able to offer their customers ever wider services with greater efficiency. A new joint venture was also founded for the purpose of developing web services. The Group engaged in increasingly close business co-operation with the European cooperative banks.

What customers value above all in their bank relationship is reliability and the quality of the service they receive. We stress these values in all our operations. Other factors that have proved to be key to our success are expertise and decision-making authority that remains in local Finnish hands. During the report year we brought our owner-members and other preferential customers additional financial advantages and promoted their commitment to the OKOBANK Group by means of the Platinum bonus system. Indeed, the number of owner-members grew by a hefty 100 000 during the year, rising to 800 000.

A company can achieve its objectives only through the work of multiskilled and motivated staff. The development of professional skill calls for new forms alongside traditional training and education. We offered these through our own OP Academy's year-long diplomas in a variety of fields. In addition, we launched a development programme in which the OKOBANK Group Central Cooperative's entire personnel will work out the necessary practical measures for achieving our strategic objectives.

The OKOBANK Group owes its success to the work of its entire staff: salaried employees, management and the officers of its administrative bodies. They all deserve my warmest thanks. The roots of successful banking operations also lie in the confidence customers have in us. On behalf of the OKOBANK Group I wish to express my best thanks to all our customers. 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



Chief Executive Officer  
Antti Tanskanen



*YIT Corporation. A major Finnish multi-skilled expert in construction. Residential, commercial and industrial construction, civil engineering, bridges, HEPAC and electrical installations plus much more. Also in the international marketplace.*

*YIT and the OKOBANK Group have teamed up together in financing Alfa apartments. Long-term financing for the condominium offers the purchaser of an apartment a new kind of financing alternative.*



**The leading Finnish retail bank**

The OKOBANK Group is the leading Finnish retail bank group, with a total of 2.1 million customers. During 1999 the number of customers grew by 16 000. There were more than 1.6 million customers who used an OKOBANK Group member bank as their main bank – as many as there were at the end of the previous year. Every third Finn and small or medium-sized company considers the OKOBANK Group to be its main bank. Among farmers and forest owners the Group has a share of about 60 per cent of the country's bank customers.

The OKOBANK Group's market share in both euro-denominated credits and deposits was 30.2 per cent at the end of the year.

The OKOBANK Group has a nationwide network of branch offices. They are supported by cash dispensers and payment ATMs, telebanking service as well as Internet and other electronic banking services. The OKOBANK Group is in the forefront of the world's banks in the development of electronic services. A number of electronic banking services have made their world debut in Finland – and the OKOBANK Group has been the first to introduce them.

**Membership and ownership within the OKOBANK Group**

The OKOBANK Group's owners are the owner-members of the cooperative banks. In addition, OKOBANK, which is listed on the stock exchange, has more than 24 000 shareholders, a large part of whom are households.

The number of the member cooperative banks' owner-members increased by more than 100 000 during 1999. At the end of the year there were nearly 800 000 members. The objective is to reach the one million member mark in 2002.

When joining as a member of a cooperative bank, a private person, institution or company pays the bank a membership fee which gives the right to participate in the bank's decision-making.

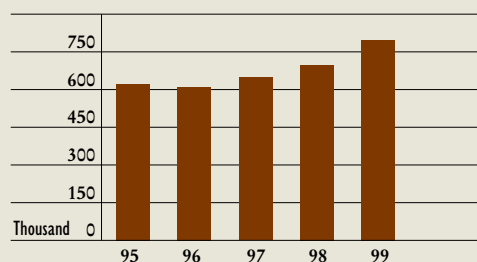
The cooperative banks' basic capital consists of the co-operative capital and any supplementary co-operative capital. The total amount of owner-members' co-operative capital investments was EUR 0.4 billion at the end of 1999, of which the supplementary co-operative capital amounted to nearly 80 per cent. The main purpose of membership is to guarantee members reasonably priced and otherwise competitive banking services. As a rule, higher interest is paid on supplementary co-operative capital than on the regular co-operative capital. According to advance information, a total of EUR 11 million in interest is paid on the co-operative capital for the 1999 financial year.

Membership is a distinctive success factor for the OKOBANK Group. During 1999 the Group introduced a new Platinum bonus system in which owner-members and preferred customers are offered benefits for handling most of their banking services at a member bank of the OKOBANK Group. The starting point for the development of banking services is to ensure the benefits received by owner-members and to improve service.

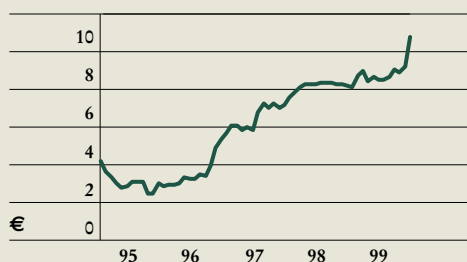
OKOBANK's shares are divided into Series A and Series K shares. Series K shares can be owned solely by the OKOBANK Group Central Cooperative, as the central institution of the bank group, as well as by the Finnish cooperative banks and banks having the legal form of a listed company pursuant to the Cooperative Bank Act. The Series A shares are quoted on Helsinki Exchanges. The proportion of OKOBANK's shares held by parties outside the OKOBANK Group was 33.6 per cent at the end of the year, and they held 10.0 per cent of the voting rights. At the end of the year, 83 per cent of the Series A shares were owned by parties outside the Group.

The share price trend of OKOBANK's Series A share was ascending during 1999. The price of the share at the end of the year was EUR 11.20, or 43 per cent higher than at the end of the previous year. The high for the year was EUR 14.00 and the low was EUR 7.80. The Executive Board is proposing the payment of a dividend of EUR 0.70 on Series A shares for the 1999 financial year.

**Number of owner-members**



**Average price of OKOBANK's Series A share**



The OKOBANK Group observes an agreed division of responsibilities between the OKOBANK Group Central Cooperative and the member cooperative banks. The member banks engage in retail banking in their own territory. The Central Cooperative together with its subsidiaries supports the operations of the member banks by offering them information technology and product development-related services as well as other services needed in the banking business.

*The member cooperative banks* are independent local deposit banks that engage in retail banking and have statutory administrative bodies. The cooperative banks offer comprehensive retail banking services to wage and salary earners as well as agricultural, forestry and small and medium-sized business customers in their territory. OKOBANK's wholly-owned subsidiary *Okopankki Oyj* is engaged in retail banking in the Greater Helsinki area.

*The federations of the Finnish cooperative banks* are regional co-operation bodies for the member banks. They name the candidates from their areas to seats on the Supervisory Boards of the OKOBANK Group Central Cooperative and OKOBANK. There are 16 provincial federations of cooperative banks.

*The OKOBANK Group Central Cooperative* is the statutory central institution of the Group. It is the member banks' know-how and service centre that supports its member banks' operations and offers them information technology and other services needed in the banking business. The Central Cooperative guides and oversees the operations of the individual member banks, prepares the Group's joint strategies, safeguards the Group's interests and guides the operations of the entire Group. The Central Cooperative also offers its member banks centralised account, collection and payroll administration services as well as telebanking services.

*The OKOBANK Group Central Cooperative Consolidated* comprises the OKOBANK Group Central Cooperative and its subsidiaries: OKOBANK, Aurum Life Assurance Company, OP Fund Management Company Ltd, OP-Kotipankki Oyj and FD Finanssidata Oy. OKOBANK's main subsidiaries are Okopankki Oyj, OP-Finance Ltd, Opstock Ltd and OKO Mortgage Bank plc.

### OKOBANK and its subsidiaries

*OKOBANK Osuuspankkien Keskuspankki Oyj* is a commercial bank whose Series A share is listed on Helsinki Exchanges. OKOBANK acts as the central bank of the OKOBANK Group, is responsible for the Group's liquidity and handles its international affairs. OKOBANK Consolidated focuses on serving customers in Finland and offers them versatile financing, investment and payment transfer services. For international clients, OKOBANK offers banking services for their business needs that are related to Finland.

*Okopankki Oyj* is OKOBANK's subsidiary that is engaged in retail banking in the Greater Helsinki area.

*OP-Finance Ltd* offers leasing and hire purchase credits, thereby rounding out the range of financial products of the OKOBANK Group's other units. OP-Finance's operations are geared towards financing for vehicles, transport fleets, work machines, industrial machinery and equipment as well as invoice receivables.

*Opstock Ltd* is specialised in stockbroking, corporate finance, asset management and investment research. The OKOBANK Group's investment banking operations are centralised within Opstock. The securities brokerage of the member cooperative banks and their customers is handled via Opstock.

*OKO Mortgage Bank plc* is a mortgage credit bank that is specialised in long-term housing, real-estate and public sector financing that is secured by collateral. The Bank finances its operations by issuing bonds and notes.

### Other OKOBANK Group Central Cooperative subsidiaries

*Aurum Life Assurance Company* is in charge of the Group's insurance operations and their development. Aurum's product range includes comprehensive life, pension and insurance-related investment services. The company also manages relationships with other insurance companies whose products are mediated through the OKOBANK Group's service network.

*OP Fund Management Company Ltd* manages the OKOBANK Group's mutual funds. In selling its mutual funds the company makes use of the service network of the member banks as the Group's Internet services.

*OP-Kotipankki Oyj* is the Group's telebank. Among the Bank's central products are a cash credit facility intended for financing the sales of retailers and small merchants as well as the Gold Card credit facility that can be added to the OKOBANK Group's customer cards and the Gold Card MasterCard.

*FD Finanssidata Oy* is an information technology company that acts as an integrator for the Group's information systems and provides the group with IT development, maintenance and production services.

*Osuuspankki Realum* is an asset management bank whose operations are planned to be wound up in 2004.

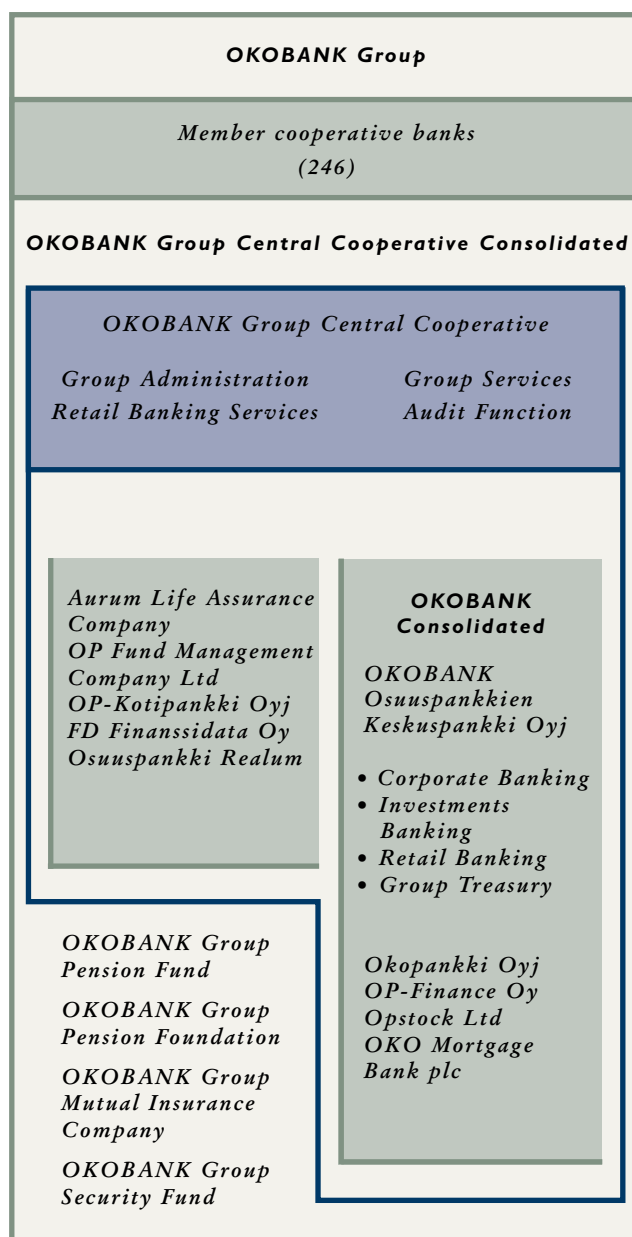
### Other institutions

*The OKOBANK Group Mutual Insurance Company* is the Group's internal insurance company. It is part of the Group's internal loss equalisation mechanism and risk management system.

*The OKOBANK Group Security Fund* is the Group's internal security fund whose operations will be wound up by the end of 2004.

*The OKOBANK Group Pension Fund* sees to the Group's statutory pension security and the *OKOBANK Group Pension Foundation* handles the supplementary pension security for persons covered by it.

*Virtuaalinen Suomi Oy* is a portal company that was established in 1999. The company develops and markets Internet-based network services and acts as a discussion forum and web store. The company will begin operations in 2000.



### **Direct ownership structure of companies within the OKOBANK Group**

	Group member cooperative banks	Share in per cent		Group total
		OKOBANK Group Central Cooperative	OKOBANK Consolidated	
OKOBANK Group Central Cooperative	100.0		0.0	100.0
OKOBANK Osuuspankkien Keskuspankki Oyj	25.1	41.3		66.4
Okopankki Oyj			100.0	100.0
OP-Finance Ltd			100.0	100.0
Opstock Ltd			87.3	87.3
OKO Mortgage Bank plc			100.0	100.0
Aurum Life Assurance Company	27.2	23.2	49.6	100.0
OP Fund Management Company Ltd		100.0		100.0
OP-Kotipankki Oyj	40.9	9.6	48.1	98.6
FD Finanssidata Oy		70.0		70.0
OKOBANK Group Mutual Insurance Company	78.4	2.8	18.8	100.0
Virtuaalinen Suomi Oy		47.5		47.5



## Customer-related business

The report year was the sixth year of strong growth in Finland. The growth in gross domestic product, the low level of interest rates and the general strong confidence in the positive trend in the economy increased the demand for loans. The growth in demand was furthermore attributable in part to the unwinding of pent-up demand in the wake of the recession in the early 1990s.

Customers' interest turned increasingly to mutual fund and equity investments as well as to insurance plan saving. The bull market on the Helsinki Exchanges further increased interest in investing in shares.

During 1999 the OKOBANK Group boosted its market share in a number of business areas and also reached its other business profitability and growth targets.

### Customers and members

In 1999 the OKOBANK Group had 2.1 million customers, or slightly more than a year earlier.

The number of the member cooperative banks' owner-members grew by 103 000 to 798 000. In March a Platinum bonus system intended for owner-members and preferred customers was introduced. At the end of the year there were about 620 000 recipients of a bonus and the value of the bonuses they had earned by the end of the year was EUR 12 million.

### Financial services

At the end of 1999 the OKOBANK Group's euro-denominated credit portfolio stood at EUR 18.2 billion. From the end of the previous year the credit portfolio grew by 13.8 per cent, or EUR 2.2 billion. The amount of new loans drawn down during the year was 17 per cent greater than a year ago. The Group's market share of euro-denominated loans grew by 0.8 percentage point to 30.2 per cent, according to the Bank of Finland's statistics.

The housing loan portfolio was EUR 7.4 billion at the end of the year. During the year total housing loans grew by 19 per cent, or EUR 1.2 billion. A third more new loans were

granted than a year earlier. In 1998 the OKOBANK Group and YIT Corporation, Finland's largest construction company, developed a home financing model which enables the buyer to finance a large part of the home's purchase price with a long-term loan that is granted to the housing corporation, i.e. a condominium. By the end of 1999 about 700 of these Alfa apartments had been built or started.

The OP-Kiinteistökeskus real-estate agents support the sales of the Group member banks' housing loans. All in all, there are 73 Kiinteistökeskus real-estate offices. During the year they acted as estate agents for 11 000 properties, of which nearly 9 000 were up for sale and more than 2 000 were rental properties. The role of the Kiinteistökeskus real-estate offices as a sales channel for housing loans has grown.

In December the Finnish parliament approved a new Mortgage Credit Bank Act. The act provides for broader fixed-interest housing and real-estate lending and creates a basis for diversifying and amplifying Finland's financing and bond market. In February 2000 the OKOBANK Group decided to establish its own housing loan bank, which is scheduled to begin operations in the autumn 2000.

Consumer credits were up 13 per cent to EUR 1.4 billion. The amount of new consumer credits grew by 7.8 per cent. Competition in the consumer credit market has become tighter as an increasing number of non-bank players offer consumer loans.

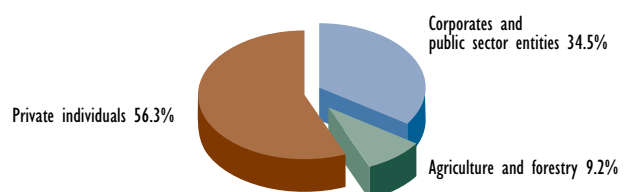
Nearly every second housing loan and every fourth consumer credit granted by the OKOBANK Group was covered by the Group's Payment Protection Plan insurance, which provides coverage, among other things, against unemployment, serious illness and death.

Corporate credit stock grew by 12 per cent and amounted to EUR 4.7 billion at the end of the year. The pick-up in construction and capital expenditures fed through into the demand for loans, with the relatively biggest increase coming in financing for construction and industry. There was keen price competition throughout the year. At the end of the year the narrowing in margins nevertheless came to a halt and they began creeping upward.

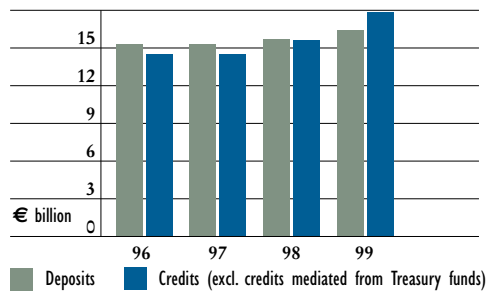
The OKOBANK Group raised more than EUR 0.2 billion in capital for its corporate clients through bond issues. The figure was almost half of the funds obtained for Finnish

*Kesko Corporation. Own operations within the supermarket and general merchandise business as well as the ironmongery and agricultural trade. Purchases goods and produces other services for K-merchants and its other customers. K-läbikauppa neighbourhood stores, K-market, Citymarket, Anttila, K-rauta ironmongery, Musta Pörssi, Carrols – all household names to every Finn.*

Credits by customer sectors  
Dec. 31, 1999



## Deposits and credits



companies by domestic issue arrangers. In addition, the OKOBANK Group participated in issues totalling EUR 2.8 billion that were arranged in co-operation with the European banks belonging to the Unico Banking Group.

The Group participated in eight share offerings, in two of which it acted as the lead manager. An aggregate amount of more than EUR 200 million in funds was raised for customers in these offerings.

Loans granted to agricultural and forestry customers amounted to more than EUR 2 billion, or a slightly larger figure than a year earlier. A good fifth of the credit portfolio consisted of interest-subsidised loans, whereas the share of loans mediated from Treasury funds was less than a fifth. The Group's market share of lending to the agricultural sector remained at the previous year's level and was 62 per cent.

For forest owners, the Green Gold service package covering wood trade financing, purchases of woodlands and the investment of forestry income was developed.

## Deposit and asset management services

Deposits grew by 4.4 per cent to EUR 16.4 billion. Tax-free deposits totalled EUR 13.2 billion, and their amount grew by 5.9 per cent during the year. The Group's market share of euro-denominated deposits declined from 30.3 per cent to 30.2 per cent.

In 1999 Parliament decided to revoke the tax-free status of interest on deposits as from the beginning of June 2000. The immediate effects of discontinuance of the tax-free status is estimated to be minor but in future the change is likely to lead to tighter price competition within deposits and thereby stimulate customers' interest in other forms of investment.

Premium income from insurance operations grew by 82 per cent to EUR 266 million. Premiums written in unit linked products rose from 3 per cent of total premium income to nearly 36 per cent. According to advance information, the Group's market share of the entire Finnish life assurance industry's premium income increased by 3.4 percentage points to 9.7 per cent. Technical provisions grew by 51 per cent to EUR 875 million during the year. During 1999, the Group began selling capital redemption policies and individual pension policies to corporate customers. For the 1999 financial year, a yield of 6.25 per cent was paid on life policies and 5.5 per cent on savings insurance policies, whereby the calculated interest on policies taken out before October 1, 1998, was 4.5 per cent and on policies taken out thereafter 3.5 per cent.

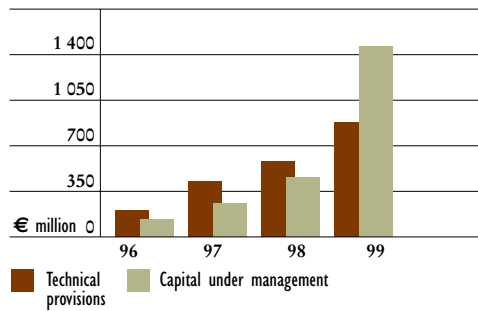
Capital under management by the mutual funds run by OP Fund Management Company Ltd was EUR 1.5 billion at the close of the year. The mutual funds more than trebled their capital during the year under review. The OKOBANK Group's market share of the total capital invested in mutual funds that are registered in Finland rose by 4.9 percentage points to 14.3 per cent. Net investments in the Group's mutual funds were EUR 0.7 billion, an increase of 280 per cent compared with 1998.

During the year five new mutual funds were established. Three of them were index funds that are intended primarily

*Kesko – a modern marketing and logistics company as well as a developer of retail concepts and operational models. Independent Finnish K-merchants as the partners of independent Finnish cooperative banks throughout the country. Now nationwide co-operation also in serving loyal customers. In the future it will be possible to integrate into a Plussa card an interest-bearing advance payment account with a OKOBANK Group member bank.*



**Technical provisions (insurance operations) and capital under management by mutual funds**



for institutional investors. The two other mutual funds, OP-Euro Growth and OP-Spektri, are mainly for private individuals.

The mutual funds run by the OKOBANK Group performed well during the year. They racked up a number of top rankings in comparisons of value trends amongst Finland's mutual funds.

Asset management for private individuals was enhanced. Renewed Internet investment services were introduced and the development of asset management-related information services on the Internet was continued. The services comprise real-time news items and share prices, investment research as well as technical analysis tools.

The amount of client funds under management by Opstock Asset Management grew to EUR 3.5 billion. Client assets in the funds trebled. Assets under management exclusive of mutual fund customers grew by about a third. The volume of client portfolios under management nearly doubled.

Share trades in which Opstock Securities acted as a stockbroker nearly trebled to EUR 8.9 billion. The change-over to the single currency meant a significant contraction in trading related to money and foreign exchange market services.

During the report year OKOBANK and Opstock became non-clearing members of Eurex Deutschland AG and began brokerage in interest-rate and share derivatives via Eurex.

**Payment transfers**

The volumes of domestic and international payment transfers continued to increase, up 8 per cent in 1999. The number of payment transfer customers grew, with the rate of growth picking up during the last quarter of the year.

OKOBANK will continue as the EU Commission's Primary Bank for the next five years after again winning a tender competition that was arranged for the second time. Since 1995 all funds coming to Finland from the EU Commission directly via the banking system have gone through OKOBANK's accounts.

In the autumn the OKOBANK Group brought out on the market a new web bill that increases the efficiency of companies' financial administration. A web bill is sent electronically to the payer, who pays it by means of an electronic banking service.

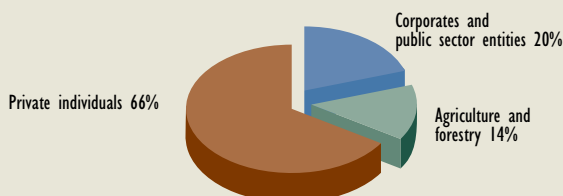
In 1998 the OKOBANK Group together with 6 other European Unico banks and Lloyds TSB Bank of Great Britain brought out on the market a UniCash service that enables companies to manage euro-denominated cash flows by means of their own payment link software without losing value dates. The number of banks involved in the co-operation will be increased. The first contracts covering use of the service were made during the year under review.

**Service network**

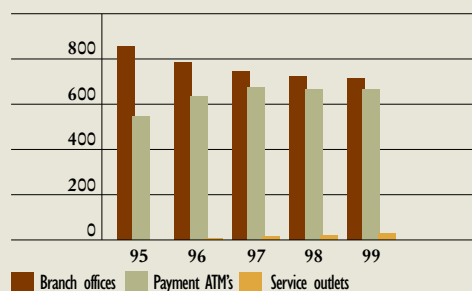
The OKOBANK Group's service network comprises physical premises, telebanking service and electronic self-services. The parts of the service network are integrated into a unified whole made up of mutually supporting parts. The priority for development is Internet services and wireless services.

At the end of the year the OKOBANK Group had 717 branch offices, 11 less than a year earlier. The number of service outlets grew by 11, rising to 32. These scaled-down versions of branch offices are primarily intended for counselling customers and selling bank products, and as a rule they are located in large shopping centres. Testing of the idea

**Deposits by customer sectors  
Dec. 31, 1999**



**Service network**







of offering banking services through agents was started during the year.

The range of telebanking services covers most of a retail customer's service needs. By means of telebanking, the customer can make transfers to and from an account, make investments, negotiate a loan and receive advice on the use of services. Telebanking covers the customers of 44 member cooperative banks, representing 65 per cent of the Group's clientele.

At the end of the year there were 1.7 million OKOBANK Group cards in use, on a par with the figure at the end of 1998. There were 10 per cent more card payment transactions than a year earlier.

At the end of 1999 already nearly 85 per cent of customers' basic services were handled as electronic self services. The use of Internet services increased the fastest, or by about 70 per cent. The number of network service contracts grew by nearly 40 per cent during the year, reaching 460 000. The number of Internet customer terminals in public facilities and at self-service points grew from 178 to 313. A quarter of retail customers' payment orders and 40 per cent of stock exchange orders were handled via the Internet.

The content and usability of Internet service was improved. The most important new launches were information services for investors, a youth service package, the Platinum service for owner-members and extranet services for major corporations. The Group also participated in a co-operation project which developed an application of electronic ID and signature certification technology in a wireless and fixed data link.

Wireless banking services continued to enjoy strong growth. The number of GSM banking service contracts more than doubled to a good 190 000. The volume of transactions also grew significantly. In November the OKOBANK Group became the first bank in Finland to roll out a WAP banking service for investors. WAP services expanded in February 2000 to account and payment services as well as to Visa queries.

At the end of the year the Group had 668 payment ATMs, two more than a year ago. Customers could also use Leonia Bank's 314 payment ATMs that are in reciprocal use. Owing to the popularity of Internet services, the volume of payment ATM transactions headed downward at the end of the year.

Automatia Pankkiautomaatit Oy, which is jointly owned by the OKOBANK Group, Merita-Nordbanken and Leonia Bank, had about 1 900 Otto. cash dispensers at the end of the year. The volume of cash withdrawals by the OKOBANK Group's customers remained on a par with last year's figure.

OKOBANK has a branch office in Stockholm, Sweden, and representative offices in St Petersburg, Russia, and Tallinn, Estonia.

## Other operations

### Real-estate holdings

The amount of capital which the OKOBANK Group had invested in real estate at the end of the year was EUR 1.7 billion. From the end of the previous year, the amount of capital invested contracted by EUR 140 million. According to the real-estate strategy, the OKOBANK Group's objective is to reduce the amount of capital invested in real-estate holdings to less than EUR 1.7 billion by the end of 2002.

The amount of capital invested in real-estate property that was not in own use totalled EUR 1.2 billion at the end of the year. The occupancy rate of leasable properties was 89 per cent at the end of the year, on a par with 1998. The net yield from these properties was 5.6 per cent, or 0.4 percentage point higher than at the end of 1998.

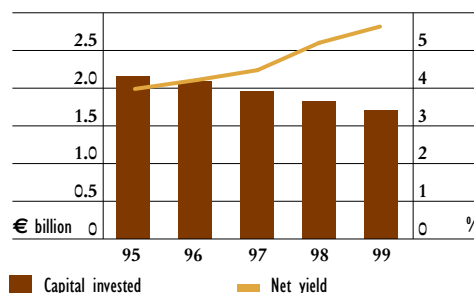
The bulk of real-estate properties that were not in the Group's own use, 76 per cent, consisted of commercial and industrial properties. Residential housing accounted for 14 per cent and other properties, such as land, water and forest areas, made up 10 per cent. The net yield margin on commercial and industrial properties rose to 5.6 per cent and that of residential properties to 6.1 per cent.

### Other investments

The focus of the OKOBANK Group's operations is on retail banking, and the Group has only minor equity investments. At the end of the year the Group's investments in shares and participations in other companies, excluding investments in subsidiaries and associated companies, amounted to EUR 152 million. The co-operation arrangement – announced in December 1999 – with Mutual Pension Insurance Company Ilmarinen

*Helsinki Telephone Corporation, soon to be Elisa Communications. A nationwide creator of contact links and an unbiased developer of them. Data links – society's infrastructure – in competent hands. Common interests with the OKOBANK Group within services based on both fixed and wireless communications.*

**Capital invested in real-estate holdings: amount and net yield**



and Suomi Mutual Life Assurance Company, including its ownership arrangements, will nearly double the Group's investments in shares and participations in other companies.

The Group invests its liquidity reserves and excess liquidity in debt securities having a low degree of risk as well as in deposits with other credit institutions. At the end of the year the Group's amount of debt securities eligible for refinancing with central banks was EUR 2.4 billion and other debt securities amounted to EUR 1.4 billion. Claims on central banks and other credit institutions totalled EUR 1.2 billion.

## Unico co-operation

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 globalisation of the world economy together with the formation of a unified euro-zone has led to closer co-operation among Unico's members. The focus of the co-operation at present is on developing joint products for customers as well as on joint financing arrangements. The most recent Unico product

that has been introduced is the UniCash cash management service for companies. Collaboration between the banks has also been increased in the area of bond issuance. The objective is to create a Europe-wide market for major bond issues. In 1999 the OKOBANK Group worked together with the Unico banks in arranging issues totalling EUR 2.8 billion.

### Unico Banking Group

<i>Unico Banking Group's member bank/central bank of the banking group</i>	<i>Total assets € billion</i>	<i>Banking Group's Staff</i>	<i>Branch offices</i>
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

*The Internet, GSM, WAP, electronic identity certification – a leader at home and internationally. Tomorrow's solutions within information networks.*



# Personnel

## Number and structure

The OKOBANK Group's payroll net of interns (115) was 8 337 employees at the end of the year, or 29 employees less than at the end of 1998. During the year the Group employed on average 8 587 people, or 96 less than a year earlier. Of the personnel, 93 per cent were permanent employees and 7 per cent part-timers. Staff costs totalled EUR 234 million.

Major changes did not take place in the structure of the personnel during the year. The average age at the end of the year was 44.4 years.

Women accounted for 81 per cent of the personnel, on a par with the figure a year earlier. Of the personnel, 11 per cent held a university or college degree and 59 per cent had a post-secondary degree.

## Management and the workplace

The starting point for management within the OKOBANK Group and development of it is jointly defined core values, ethical principles and strategy. In line with these principles, the focus is decisively on leadership skills.

The central element of the management system is the OKOBANK Group's Balanced Scorecard, a framework for a balanced analysis of operations from the perspectives of customer relationships, efficiency, ability and management by objectives. The Balanced Scorecard is linked to the operations of the workplaces via the practice of development discussions.

About half of the institutions belonging to the OKOBANK Group employ a bonus system based on the achievement of personal and workgroup objectives. During 1999 the reward systems were developed by creating alongside the annual bonuses a bonus that emphasises longer term performance.

The OKOBANK Group Central Cooperative rounded out its annual bonuses by introducing a share option-based incentive system covering the entire personnel. About half of the Central Cooperative's personnel subscribed for the bond loan with equity warrants.

Activities for maintaining working ability were developed during the year by creating a joint model on the basis of which the institutions belonging to the Group prepare their own concrete job fitness programmes.

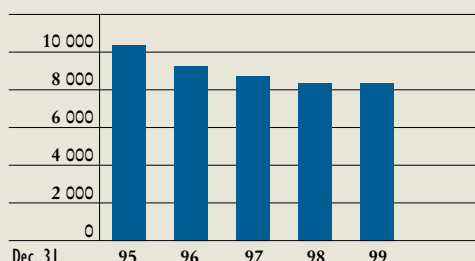
## Developing competence

A fundamental premise of the OKOBANK Group's personnel vision is that the Group's success springs from the personnel's competence and joint will to succeed. The priorities for the competence development strategy are the development of management and leadership, customer management expertise and sales skills as well as learning skills. Competence development stresses a strategy-driven approach, working for the long term and the learner's own responsibility. Each employee is responsible for his or her own development, whilst the organisation and managers create the framework for accomplishing this.

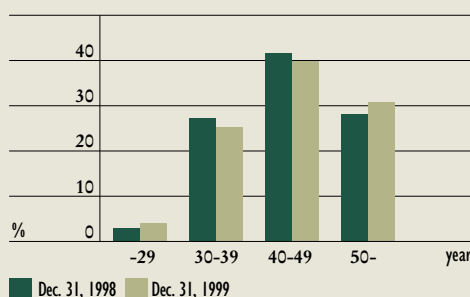
The study degrees that are part of the OKOBANK Group's own study system, known as the OP-Academy, are of central importance in the development of both employees and management as well as the administrative personnel of the member banks. The theme of the diploma courses, which last for about a year is a customer-oriented way of working, viewed from the perspective of management, sales training and customer-related expertise. 580 people went through courses leading to a diploma in 1999. Network studying increased considerably during the year. The OP-Academy's first network study packages together with use of the Group's intranet have enabled the personnel's competence to be developed in a cost-effective manner. In addition, during the report year a special focus of development was the mentor system that supports the acquisition of skills by new managing directors and supervisory trainees.

The OKOBANK Group Central Cooperative launched an extensive staff-wide Rytmi (Rhythm) development programme with the aim of promoting the implementation of key strategies, internal mobility, the development of unified ways of working and improving management skills. The development programme will continue during the first half of 2000.

Staff



Staff by age groups



# Legal background of the amalgamation of the cooperative banks

The OKOBANK Group began operations in its present form on July 1, 1997. The Group's operations are based on an amendment, which came into force in August 1996, to the Cooperative Bank Act. The amendment to the Cooperative Bank Act led to a sharper definition of the position of the OKOBANK Group in respect of financial monitoring. The amendment also strengthened the operational framework of the independent and local cooperative banks belonging to the group, among other things, by permitting the banks certain flexible arrangements in applying the provisions of the Credit Institution Act.

The OKOBANK Group does not form a corporate group as defined in the Accounting Act or a consolidation group as defined in the Credit Institution Act. In Finland, the OKOBANK Group is a unique financial entity that has been created through special legislation. The operational model nevertheless has several successful analogues elsewhere in Europe – Rabobank Nederland in the Netherlands, for example.

The acts establishing the legal provisions for co-operative banking are the Credit Institution Act, the Cooperative Bank Act and the Cooperative Societies Act.

## *Extent of the OKOBANK Group*

The operations of the amalgamation of the cooperative banks (OKOBANK Group) are provided for in the Cooperative Bank Act. The OKOBANK Group comprises the OKOBANK Group Central Cooperative, which is the Group's central institution, its member cooperative banks and the companies belonging to the consolidation groups of the Central Cooperative and the member cooperative banks. Under law the OKOBANK Group is monitored on a consolidated basis, and the central institution and the credit institutions belonging to the OKOBANK Group are responsible for each other's liabilities and commitments.

The central bank of the group, OKOBANK, is a subsidiary of the OKOBANK Group Central Cooperative. The members of the Central Cooperative's Supervisory Board form the majority of OKOBANK's Supervisory Board. The chairman of the Central Cooperative's Executive Board also acts as the chairman of OKOBANK's Executive Board.

## *Consolidated monitoring*

Under law, the OKOBANK Group is monitored on a consolidated basis in respect of capital adequacy, liquidity and customer risks. The OKOBANK Group Central Cooperative is responsible for issuing to its member credit institutions guidelines with the aim of ensuring their liquidity, capital adequacy and risk management. The Central Cooperative also has an obligation to monitor the operations of its member credit institutions and their consolidation groups. The obligation to issue guidelines and exercise supervision nevertheless does not give the Central Cooperative the power to

dictate the course of the member banks' business operations. Each member cooperative bank carries on its business independently within the scope of its own resources.

The liquidity of the OKOBANK Group must be ensured in a manner that is sufficient for its operations. To support the Group's liquidity there must be cash reserves which are at least 10 per cent of the consolidated liabilities as specified in detail in the relevant act.

An institution belonging to the OKOBANK Group may not, in the course of its activities, take on a risk of such magnitude that it constitutes a material danger to the capital adequacy calculated for the institution or the OKOBANK Group as a whole. The OKOBANK Group Central Cooperative must have risk monitoring systems that are adequate in respect of the operations of the entire Group. An individual credit institution must have risk monitoring systems that are adequate in respect of its own operations. The principles underlying the Group's risk management are described in greater detail on pages 24-26 of this Annual Report.

In calculating customer risks and the minimum amount of own funds, the OKOBANK Group is likened to a credit institution. The legal provisions covering the maximum amounts of individual customer entities for the OKOBANK Group are the same in content as those for a credit institution's consolidation group. The maximum amount of an individual customer risk undertaken by the OKOBANK Group is nevertheless limited to a smaller amount than that of an individual credit institution or its consolidation group. The maximum amount of an individual customer risk is limited to 20 per cent of the Group's own funds, whereas for credit institutions and their consolidation groups the maximum amount of a customer risk is 25 per cent. The total amount of large customer risks as defined in the relevant act can be a maximum of 500 per cent of the Group's own funds, i.e. 300 percentage points smaller than for credit institutions and their consolidation groups.

The capital adequacy calculated for the OKOBANK Group must be at least 8 per cent. Should the Group's own funds fall below 8 per cent, the Financial Supervision will set a specified period within which the minimum level of own funds specified in the relevant act must be reached. If the Group's capital adequacy is not restored within the specified period and if at least half of the Group's restricted equity capital has been lost, or the central institution is not able to meet its commitments, the OKOBANK Group in its present form must be dissolved.

## *Exceptions concerning member credit institutions*

The OKOBANK Group Central Cooperative can grant to any of its member credit institutions and its consolidation group permission to diverge from the maximum amount of large customer risks specified in the relevant act. With the Central Cooperative's permission, an individual member

credit institution can assume a maximum of twice the maximum amount of customer risk stipulated in the Credit Institution Act. For customer risks less than EUR 250 000, the Central Cooperative can grant an exemption without prejudice to the above restriction.

The regulations concerning the minimum amount of own funds required to ensure statutory capital adequacy are not applied to the OKOBANK Group Central Cooperative's member credit institutions and their consolidation groups. If the capital adequacy of a member bank falls below the minimum level provided for in law, the Central Cooperative, acting in accordance with the guidelines prescribed by the Financial Supervision, sets a deadline for the carrying out of actions to raise the institution's own funds to the statutory level.

Should the minimum own funds fall below the absolute minimum amount prescribed in the Credit Institution Act, a deadline within which the own funds must reach the minimum amount set forth in the regulations will be set for the member credit institution. The deadline will be set by the Central Cooperative if the member credit institution's capital adequacy ratio is at least 10 per cent. If the capital adequacy ratio is below this, the Financial Supervision will set the deadline.

#### *Joining the OKOBANK Group and withdrawal from its membership*

Membership of the Central Cooperative is open to cooperative banks as well as to banks having the legal form of a limited company pursuant to the Cooperative Bank Act provided that they make the changes set forth in the Cooperative Bank Act to their statutes or Articles of Association. Acceptance for membership calls for a two thirds majority of the votes cast at the Annual Meeting of the Cooperative or in the Representatives' Meeting of the bank.

A member credit institution has the right to withdraw from membership of the OKOBANK Group Central Cooperative provided that the capital adequacy calculated for the OKOBANK Group remains at the statutory level also following the withdrawal. A member credit institution can be expelled from membership of the Central Cooperative in accordance with the Cooperative Societies Act. The credit institution which has withdrawn or been expelled is responsible for the liabilities and commitments of another member credit institution belonging to the OKOBANK Group or of the central institution if either is placed in liquidation during a period of five years from the balance sheet date following the withdrawal or expulsion. The member credit institution that has withdrawn or been expelled is also liable to pay the extra contributions collected for the purpose of preventing another member credit institution of the Central Cooperative from being placed in liquidation.

#### *The OKOBANK Group's annual accounts and audit*

The annual accounts of the Central institution and member credit institutions as well as their consolidation groups are combined to form the OKOBANK Group's consolidated annual accounts pursuant, as appropriate, to the provisions and regulations in effect for the consolidated annual accounts

of a credit institution. The Financial Supervision has issued more detailed regulations on the preparation of the OKOBANK Group's annual accounts. The accounting policies applied are presented in the Group's annual accounts.

The Central Cooperative's auditors audit the OKOBANK Group's annual accounts observing, as appropriate, the provisions of the Financial Institution Act. The annual accounts are presented to, and passed out at, the Central Cooperative's Annual Meeting.

#### *Monitoring the OKOBANK Group*

The OKOBANK Group is monitored by the Financial Supervision and the OKOBANK Group Central Cooperative, which is the Group's central institution. The Central Cooperative exercises oversight to ensure that its member credit institutions and the companies belonging to their consolidation groups operate in accordance with the laws, decrees, instructions and regulations issued by the authorities in respect of the financial markets as well as the instructions issued by the Central Cooperative and its own statutes and Articles of Association. A member credit institution and the companies belonging to its consolidation group are responsible for supplying the Central Cooperative with all the information and reports which it requires and are necessary to enable the Central Cooperative to carry out its monitoring duties.

#### *Joint responsibility and joint security*

If a member credit institution's own funds are depleted to such a low level owing to losses that the legal requirements for being placed in liquidation are fulfilled, the OKOBANK Group Central Cooperative has the right to collect from its member credit institutions extra contributions, on the grounds set forth in the Central Cooperative's statutes, in a maximum amount during the financial year of five thousandths of the member credit institutions' aggregate total assets in their most recently approved balance sheets for use in carrying out the support actions necessary to prevent the member credit institution from being placed in liquidation.

The Central Cooperative and the member credit institutions are jointly and severally responsible for the debts of the Central Cooperative or a member credit institution which is in liquidation in the event that these debts cannot be paid from its funds. The liability is apportioned amongst the central institution and the member credit institutions in proportion to the total assets in the most recently adopted balance sheets.

#### *Protection provided by the Deposit Guarantee Fund*

According to the legislation concerning the Deposit Guarantee Fund, which came into force in January 1998, the deposit banks belonging to the OKOBANK Group are considered to constitute a single bank in respect of deposit protection. The assets of the Deposit Guarantee Fund are applied to compensate a depositor's receivables from the deposit banks belonging to the OKOBANK Group up to a maximum amount of FIM 150 000.

## Report of the Executive Board

### Main events

The OKOBANK Group maintained its strong earnings trend during 1999. The Group set a new earnings record for the third year in succession. Thanks to the good result, which was even better than expected, the Group's capital adequacy strengthened, with the structure of own funds showing particularly positive development. The capital adequacy ratio calculated in terms of Tier I own funds rose by 2.0 percentage points to 9.9 per cent. In addition to its earnings targets, the Group also achieved its main growth objectives.

In December 1999 the OKOBANK Group, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company, A-Vakuutus Mutual Insurance Company and Pohjantähti Mutual Insurance Company established a new alliance that is owned by Finnish customers. The Group's services cover all bank and insurance services. The objective of the alliance is to make use of a joint service channel, thereby enhancing the operations of the partners in the alliance and improving the availability of bank and insurance services. Each of the partners will concentrate on and specialise in its own core business whilst making its own special know-how available to the other partners in the alliance. The earnings-improving effect of the alliance will be realised over a period of several years.

When establishing the alliance, the OKOBANK Group Central Cooperative and OKOBANK Osuuspankkien Keskuspankki Oyj decided to purchase from Suomi Mutual Life Assurance Company its 5.0 per cent interest in Pohjola Group Insurance Corporation at a total price of EUR 132 million. The shares purchased represent 8.2 per cent of the voting rights in Pohjola. The Central Cooperative's share of the investment was 2/3 and OKOBANK's was 1/3. The purchase of the shares created a basis for beginning the

alliance's operations and for the disposal and apportionment of Pohjola's assets that are not related to insurance activities. At the end of the year the alliance and its parties held an aggregate of 25 per cent of Pohjola's shares and 41 per cent of the votes conferred by all the shares.

The purchase of Pohjola shares was contingent on receiving permission from the Insurance Supervision Authority. The Authority granted its approval on January 14, 2000. The deal was closed as planned on January 19.

At the end of 1999, the OKOBANK Group and Kesko Corporation, the Finnish central wholesale and retail chain, signed an important co-operation agreement on the development of services for loyal customers. In the first stage of the co-operation, Kesko's customers will be offered the possibility of integrating into their loyal customer cards an interest-bearing advance payment account with a member bank of the OKOBANK Group. The objective of Kesko and the OKOBANK Group is to amplify co-operation in the development of account and financing services as well as electronic payments.

At the beginning of 1999 the euro was introduced as a currency of account. Preparations are under way for the euro's cash currency phase, which is set to start in 2002. During the year the Group also continued its preparations for the new millennium. The preparatory work went well and the changeover to the new millennium did not cause problems for the Group's information systems.

The figures for the OKOBANK Group comprise a consolidation of the financial data for OKOBANK Group Central Cooperative Consolidated (including OKOBANK Consolidated), the 246 member cooperative banks of the Central Cooperative and their major subsidiaries, the OKOBANK Group Security Fund and the OKOBANK Group Mutual Insurance Company. No major changes which might affect the comparability of the figures have taken place in the OKOBANK Group's structure.

### OKOBANK Group: quarterly performance

€ million	1999				1999	1998	Change, %
	1-3	4-6	7-9	10-12			
Net income from financial operations	169	168	163	178	678	691	-2
Commission income	58	60	58	75	251	262	-4
Net income from securities transactions and foreign exchange dealing	14	2	-5	18	29	21	35
Other operating income	61	43	37	44	185	220	-16
<b>Total income</b>	<b>302</b>	<b>273</b>	<b>253</b>	<b>315</b>	<b>1 143</b>	<b>1 193</b>	<b>-4</b>
Commission expenses	6	6	6	6	24	23	3
Administrative expenses	107	111	103	122	443	427	4
Depreciation and write-downs on tangible and intangible assets	15	16	16	29	76	86	-12
Other operating expenses	30	34	29	38	131	138	-5
<b>Total expenses</b>	<b>158</b>	<b>167</b>	<b>155</b>	<b>194</b>	<b>674</b>	<b>674</b>	<b>0</b>
Profit before loan losses	145	105	98	121	469	519	-10
Loan and guarantee losses	12	9	3	1	26	128	-80
Write-downs on securities held as financial fixed assets	0	-1	0	1	0	0	
Share of profit/loss of companies included using the equity method	1	2	1	2	7	3	
<b>Operating profit</b>	<b>134</b>	<b>99</b>	<b>96</b>	<b>121</b>	<b>450</b>	<b>395</b>	<b>14</b>

## Result of operations and financial position

### Operating profit

In 1999 the OKOBANK Group set a new earnings record for the third year running. Operating profit was EUR 450 million, an increase of EUR 55 million on the previous record result reported in 1998. The improvement in earnings was attributable to the contraction in loan and guarantee losses. The difference between income and expenses, i.e. profit before loan losses, contracted by EUR 50 million. The income/expenses ratio fell from 1.77 to 1.70. The return on assets ratio (ROA) was on a par with 1998 and was 1.65 per cent. Owing to the rise in the equity/total assets ratio, the return on equity nevertheless fell 8.3 percentage points to 26.7 per cent. The ROA and ROE were weakened by the growth in taxes compared with the previous year.

Net income from financial operations slimmed by 1.8 per cent to EUR 678 million. The reasons for the contraction were the low level of interest rates that prevailed during the year and margins that were eroded by competition, whose negative effects could not be offset entirely by the growth in lending. The interest rate spread on lending and borrowing shrank by more than a half percentage point during the financial year. The rise in the interest rates nevertheless sent the spread upward during the last quarter. In the last quarter the contraction in net income from financial operations also came to a halt and swung to growth.

Other income amounted to EUR 464 million, a decrease of EUR 38 million on the figure a year earlier. The amount of commission and fee income was EUR 251 million, or 4.2 per cent less than in 1998. Despite the growth in lending, the amount of commissions on lending declined on the previous year. Commissions on securities issuance and payment transfers diminished, too. On the other hand, commission and fee income collected on securities brokerage as well as asset

management and legal services exceeded the figures a year earlier.

Net income from securities transactions was EUR 22 million, up EUR 10 million on the previous year. Net income from debt securities and interest rate derivatives was EUR 11 million negative. Net income from shares and equity derivatives amounted to EUR 32 million.

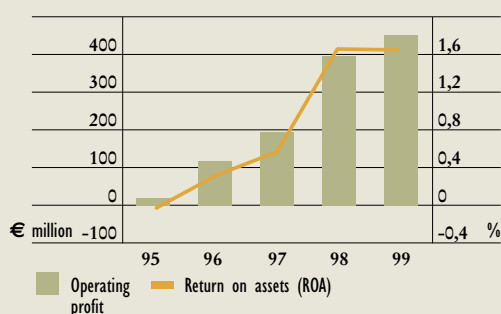
In September Osuuspankki Realum changed the usage purpose of its interest rate swap agreements to be better in line with the changes that had taken place in the balance sheet structure. The negative valuation result, EUR 2 million, of the interest rate swaps, which were previously treated as hedging instruments, has been booked as a reduction in net income from securities transactions. From the beginning of 1999 the institutions belonging to the OKOBANK Group have valued actively traded securities at their market value. The change in the principle of valuation increased the Group's income by about EUR 13 million.

Other operating income declined by 17 per cent to EUR 178 million. This figure includes OKOBANK's EUR 17 million capital gain on the sale of Radiolinja Oy shares. Other income also includes EUR 6 million of payments which the cooperative banks that withdrew from the OKOBANK Group made to the OKOBANK Group Security Fund. In 1998 other operating income included EUR 45 million of these payments. Capital gains on the sale of real estate and shares in real-estate companies generated EUR 15 million of income, or nearly the same amount as a year earlier.

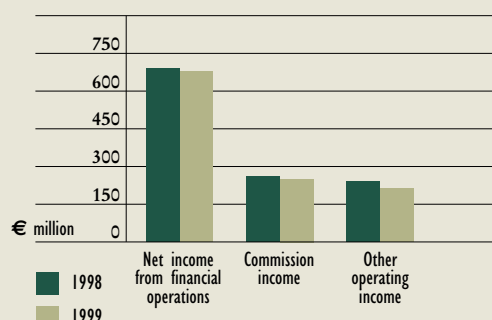
Expenses and write-downs remained at the previous year's level and were EUR 674 million. Staff costs were up 1.4 per cent to EUR 292 million. The amount of salaries and emoluments paid was EUR 234 million.

The OKOBANK Group's average payroll during 1999 was 8 587 employees, or 96 less than in the previous year. At the end of 1999 the number of employees net of interns was

Operating profit and return on assets



Income



8 337, or 29 less than at the end of 1998. At the end of 1999 there were 115 seasonal temporary employees.

Other administrative expenses grew by 8.8 per cent to EUR 152 million. The biggest increase came in EDP and marketing expenses. A major item within EDP expenses was, among other things, the cost of preparing for the changeover to the new millennium. Depreciation according to plan amounted to EUR 53 million and write-downs were EUR 23 million. A year earlier the amount of depreciation and write-downs booked was EUR 10 million more. Other operating expenses totalled EUR 131 million, or 5.3 per cent less than a year earlier. Real-estate expenses contracted by 7.6 per cent to EUR 85 million. Other operating expenses included more than EUR 4 million of losses on the disposal of real-estate assets, or a third less than a year ago.

Loan and guarantee losses were booked in a net amount of EUR 26 million, down EUR 102 million on the figure a year earlier. The reduction in the net amount of loan losses was attributable to both the lower amount of loan and guarantee losses and the contraction in write-downs and losses on the disposal of repossessed property. The amount of reversals on previously booked losses also grew.

The share of the results of companies consolidated according to the equity method was EUR 7 million. The item is attributable nearly in its entirety to the result of Aurum Life Assurance Company.

Taxes for the financial year amounted to EUR 64 million, as against EUR 13 million a year ago. Owing to the member banks' repayments of their shares of the OKOBANK Group Security Fund's liabilities, the bank's income taxes for 1998 were exceptionally small compared with the Group's earnings.

The OKOBANK Group posted net profit for the financial year of EUR 385 million, which was on a par with 1998.

### Balance sheet

The OKOBANK Group's balance sheet at the end of the year stood at EUR 26.0 billion, up 12 per cent since the end of 1998. The growth was due mainly to the increase in total lending as well as to precautionary provisions for the changeover to the new millennium and any disturbances on the money and capital markets which it might cause.

Claims on the Bank of Finland amounted to EUR 0.6 billion. Claims on credit institutions contracted by a fifth to

EUR 0.6 billion. The amount of debt securities eligible for refinancing with central banks and other debt securities was EUR 3.8 billion at the end of the year, an increase of EUR 0.8 billion since the end of 1998.

Claims on the public and public sector entities grew by 13 per cent to EUR 18.3 billion. Demand for loans, especially housing loans, remained brisk during 1999. The Group's euro-denominated loan portfolio grew by nearly 14 per cent during the financial year, reaching EUR 18.2 billion, and the housing loan portfolio was up 19 per cent to EUR 7.4 billion. The amount of new loans drawn down increased by 17 per cent on the figure a year earlier.

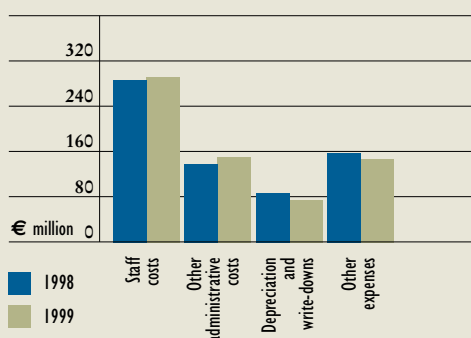
The amount of non-performing claims at the end of the year was EUR 0.2 billion, or 9.1 per cent less than at the end of 1998. The amount of zero-interest claims contracted by 22 per cent and was EUR 35 million. The amount of non-performing and zero-interest claims at the end of the year was 0.9 per cent of total assets. At the end of the previous year the ratio was 1.1 per cent.

When the operations of Savings Bank of Finland were sold to the other main bank groups, Arsenal Asset Management Company was given responsibility for customer liabilities but the acquiring banks were put in charge of managing the liabilities. The transaction concerning these so-called balance sheet loan receivables has not yet been seen to completion. The OKOBANK Group has paid Arsenal a purchase price for the balance sheet loan receivables but a final agreement on the terms and conditions of the deal has not yet been concluded. In the accounting records of the cooperative banks belonging to the OKOBANK Group, the difference between the purchase price paid for the receivables and their nominal value has been booked as a credit loss provision for balance sheet loan receivables and it reduces the book value of the receivables. The impact of the transaction on the OKOBANK Group's result and capital adequacy will be minor.

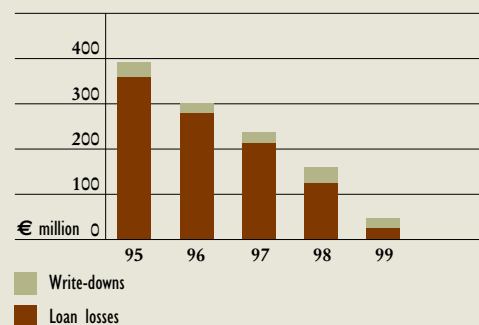
The book value of tangible assets at the end of the year was EUR 1.5 billion. Of this amount, real estate and shares and participations in real-estate management companies accounted for EUR 1.4 billion, or EUR 100 million less than a year earlier.

In accordance with its real-estate strategy, the OKOBANK Group reduced the amount of capital tied up in real-estate properties. The amount of capital tied up in real-estate

Expenses



Loan losses and write-downs





properties at the end of the year was EUR 1.7 billion, or EUR 140 million less than at the turn of the year. The occupancy rate of the OKOBANK Group's leasable properties was 89 per cent and the average net return on capital invested was 5.6 per cent. At the end of 1998 the net return was 5.2 per cent.

Liabilities to credit institutions and central banks grew by EUR 0.7 billion to EUR 1.1 billion, and debt securities issued to the public increased by EUR 0.9 billion to EUR 3.7 billion. The growth was attributable to precautionary provisions for the changeover to the new millennium as well as to the growth in the credit portfolio, which outpaced total deposits.

Liabilities to the public and public sector entities grew by 5.6 per cent to EUR 18.0 billion. Deposits from the public totalled EUR 16.4 billion at the end of the year, an increase of 4.4 per cent since the end of 1998. Tax-free deposits grew by 5.9 per cent to EUR 13.2 billion.

The Group's equity capital grew by nearly a third and was EUR 1.7 billion at the end of the year. During the financial year the equity/total assets ratio rose from 5.6 per cent to 6.7 per cent. Co-operative capital investments by the cooperative banks' members grew by 23 per cent to EUR 0.4 billion.

### Off-balance sheet commitments

The amount of guarantees and other off-balance sheet commitments at the end of December was EUR 3.2 billion, an increase of 17 per cent since the end of 1998.

The value of the underlying instruments of derivative contracts fell by 70 per cent during 1999. The biggest decrease was in the amount of forward rate agreements, which contracted by 90 per cent to EUR 1.9 billion. The need to use currency forward agreements in liquidity management also decreased significantly. The introduction of the euro has moved the focus of trading from the OTC market to the stock exchanges and this has reduced the amount of the underlying instruments of the agreements and the credit risk resulting from them.

The credit countervalue of derivative contracts was EUR 165 million. At the end of 1998 the aggregate countervalue of these contracts was EUR 291 million.

### Capital adequacy 12.4 per cent

The OKOBANK Group's capital adequacy ratio at the close of the financial year was 12.4 per cent, compared with 12.2 per cent at the end of 1998. Thanks to the strong result, the amount of Tier I own funds grew by 36 per cent to EUR 1.6 billion. The proposed dividend for the financial year has been subtracted from own funds. Tier I own funds include EUR 0.4 billion of co-operative capital investments made by the individual members of the cooperative banks of which EUR 65 million represents the share of terminated co-operative payments. The ratio of Tier I own funds to risk-weighted receivables, investments and off-balance sheet commitments rose by 2.0 percentage points to 9.9 per cent.

The amount of Tier II own funds contracted during the year by EUR 215 million and stood at EUR 506 million at the end of the year. Because of the growth in Tier I own funds, the Group has been able actively to reduce the amount of Tier II own funds. During the financial year OKOBANK exercised its right to repay prematurely two issues of perpetual bonds in an aggregate amount of USD 250 million.

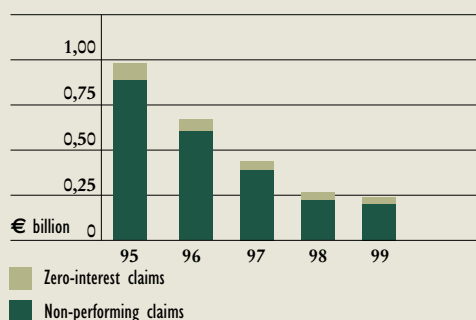
The amount of risk-weighted receivables, investments and off-balance sheet commitments grew by 8.6 per cent to EUR 16.6 billion.

€ million	Dec. 31, 1999	Dec. 31, 1998
Own funds		
Tier I	1 646	1 210
Tier II	506	722
Deductions	-101	-73
Total	2 051	1 859
Risk-weighted receivables, investments and off-balance sheet items	16 571	15 261
Capital adequacy ratio, %	12.4	12.2
Tier I funds/Risk-weighted items, total, %	9.9	7.9

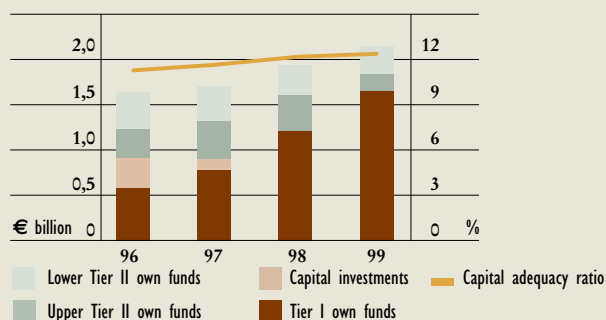
### Euro and year 2000

At the beginning of the year the euro was introduced as a currency of account and as the monetary unit of the investment and wholesale banking market. The introduction of the euro went without difficulties. During the year preparations continued for introducing the euro as a cash currency at the beginning of 2002.

### Non-performing and zero-interest claims



### Own funds and capital adequacy ratio



The OKOBANK Group made careful preparations for the year 2000. By the beginning of December all the necessary application, hardware environment and system software modifications had been checked by carrying out several rounds of tests simulating the turn of the year. During the year a number of obsolescent systems were replaced with new ones. To be able to cope with any disturbances, contingency plans were drawn up and extra resources were deployed to monitor system operation at the turn of the year. Thanks to good preparation, the OKOBANK Group's information systems functioned faultlessly at the turn of the year. The total costs of preparing for the Year 2000 during 1996-1999 amounted to nearly EUR 15 million within the OKOBANK Group.

## Risk management

### *Objectives and organisation of risk management*

The objective of the OKOBANK Group's risk management is to prevent uncontrolled risks from arising and to ensure that in its operations an institution belonging to the Group does not assume such a large risk as might jeopardise the capital adequacy of the institution itself or the Group as a whole. Risk management is based on the professional skill and prudence of the people who take business decisions and of risk management experts as well as on the systematic monitoring, assessment and limiting of risks.

The OKOBANK Group Central Cooperative is in charge of the Group's risk management and risk monitoring system, and each member bank is responsible for ensuring that it and its consolidation group have risk management systems that are adequate in view of the extent of operations and risk-taking.

The Central Cooperative issues its member banks instructions to safeguard their risk management and it monitors the member banks' operations. Each year the Central Cooperative sets target values for the member banks' risk-bearing ability and maximum limits, specified by type of risk, for the member banks' assumption of risk. Monitoring of the member banks is accomplished primarily by means of these monitoring limits. If monitoring limits are broken, the member banks may be subjected to various degrees of control over their operations. The risk limits corresponding to the monitoring limits are specified for the level of the entire OKOBANK Group.

The member banks have adopted their own risk management systems on the basis of the instructions issued by the Central Cooperative. Within the framework of the monitoring limits the member banks are themselves responsible for their risk management. The member banks set risk limits for their operations, these as a rule being tighter than the Group's monitoring limits.

The organisational units and committees serving the Central Cooperative's risk management can only act indirectly in taking decisions affecting the overall risk situation of a member bank and the OKOBANK Group. Such decisions are, among other things, the granting of exemptions connected with the member banks' individual

large-scale projects and the taking of insurance decisions.

The Legal Affairs and Risk Management Department is in charge of the adequacy of the OKOBANK Group's risk management systems, issuing guidelines on risk management and monitoring risks. The Central Cooperative's Audit function examines the implementation and adequacy of the risk management of the Central Cooperative, its member banks and their subsidiaries. Other elements of the Group's risk management system are the OKOBANK Group Mutual Insurance Company, the Credit Risk Committee, the Asset and Liability Management Committee and the Real-Estate Risk Committee.

### *Managing credit risks*

The purpose of credit risk management is to minimise the danger of credit losses before the taking of a credit decision and to prevent the risks of existing credit decisions from materialising in a way that might jeopardise the profitability or capital adequacy of the Group or one of its units. Approved decision-making instructions are observed in lending activities. Lending is based on the customer's debt servicing ability. As a rule, the credits must be secured by collateral.

Local and thorough knowledge of the customer is the starting point for credit risk management. In assessing a customer's debt servicing ability and credit risks, the tools used are analyses of financial statements, company analyses and risk ratings. The analysis of annual accounts involves classifying corporate customers into five classes according to their debt servicing ability. The trends in the classes are monitored at the level of the individual bank and the Group as a whole. In 1999 a total of 17 598 analyses of annual accounts were made.

The Central Cooperative's Credit Risk Committee deals with credit and other commitments of client entities in which the liabilities of the client entity exceed 25 per cent of the member bank's own funds or the liabilities within the Group exceed EUR 5 million. The five million euro limit nevertheless does not apply to OKOBANK. In 1999 the Credit Risk Committee dealt with a total of 463 applications, of which an affirmative decision was taken in 439 cases.

To cover their loan books and bank guarantees, the member cooperative banks and Okopankki Oyj have credit portfolio insurance with the OKOBANK Group Mutual Insurance Company. The insurance is tantamount to a legal guarantee and the portion of the compensation is 60 per cent of the bank's credit loss. The maximum amount of compensation is EUR 0.8 million against one customer entity's damage per one bank and EUR 5.0 million for several banks together. Insurance decisions are taken separately in respect of loans in excess of EUR 0.25 million or which are 10 per cent of the member bank's own funds. The commitments for a customer entity can remain outside the scope of the insurance if the risks associated with debt servicing ability or collateral are excessively large. Liabilities outside the scope of the insurance totalled EUR 316 million at December 31, 1999, or 5.7 per cent more than a year ago.

The trend in credit risks is monitored by means of regular risk surveys. Risk surveys are prepared by measuring credit risks by means of risk coefficients related to the

customer's financial statement analysis class as well as the status of the loan and its collateral. Other benchmarks used in monitoring credit risks at the Group and member bank level include the trend in liabilities outside the OKOBANK Group Mutual Insurance Company's credit portfolio insurance as well as the trend in overdue amounts and non-performing claims.

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

### *Real-estate risk*

Real-estate risk means the value depreciation, yield and damage risk relating to real-estate or shares and participations in property management companies. To reduce the risks connected with real-estate property and raise the yield level, each bank belonging to the Group has a formally adopted real-estate strategy and applies joint principles for the management of real-estate and other ownership risks.

The amount, yield level and trend in value of the OKOBANK Group's real-estate property is monitored by means of real-estate surveys that are carried out twice a year. The surveys are part of the bank group's monitoring limit system.

The OKOBANK Group Central Cooperative's Real-Estate Risk Committee deals with the bank group's most important real-estate projects. The committee deals with each real-estate project involving the tying up of more than EUR 5.0 million of capital in the bank group's real-estate properties.

### *Management of market risks*

#### *Objectives and organisation of market risk management*

The objective of market risk management within the OKOBANK Group is to ensure that changes in market prices or other market factors do not materially weaken the profitability or capital adequacy of an institution belonging to the Group or of the Group as a whole. The management of market risks stresses in particular the identification of risks and keeping them at an acceptable level.

The Group's market risks include financing, interest rate, foreign exchange and share price risks. The analysis of market risk includes all balance sheet and off-balance sheet items.

The Group's asset and liability management policy is confirmed in writing by the different units and it guides the unit's business decisions. The asset and liability management policy defines the products and market instruments to be used, the extent of operations conducted in foreign currency, the principles underlying funding and investment activities as well as the risk benchmarks and limits that are employed.

In accordance with the Group's division of responsibilities, the management of liquidity, payment transfers, foreign exchange risk, long-term funding and international financial institution relationships are centralised

within OKOBANK. The member cooperative banks also handle most of their money market dealing through OKOBANK. The active trading undertaken by an individual member cooperative bank on the money and capital market is limited by a recommendation at the Group level, according to which the value of a bank's trading portfolio can be a maximum of 5 per cent of the aggregate amount of its total assets and off-balance sheet items. At the end of the year the limit was broken by 4 member banks.

The Asset and Liability Management Committee that was appointed by the Central Cooperative's Executive Board began operations at the beginning of the financial year. The Committee meets monthly and reports directly to the Executive Board. The Asset and Liability Management Committee decides on the general guidelines of managing the Group's market risks, controls the development of market risk management, oversees the market risks of the Group and its units as well as the trend in the balance sheet structure and furthermore takes a position on new products and forms of account. The general guidelines issued to the OKOBANK Group's member banks are approved by the Central Cooperative's Executive Board.

Set up in 1998, the Asset and Liability Management Unit is in charge of the general guidelines for the management of the OKOBANK Group's market risks and monitoring, advisory services and reporting on them. Its tasks include monitoring, analysis and reporting on Group-level market risk limits to the Central Cooperative's management as well as the development of methods of analysing market risks and asset and liability management systems. The Asset and Liability Management Unit prepares general instructions and recommendations concerning market risks as well as Group-level risk limit proposals and bank-level monitoring limit proposals.

Each institution belonging to the Group has arranged its reporting and monitoring for market risks in the manner required by the type and extent of its operations. Within OKOBANK Consolidated, decisions concerning the management of market risks and the organisation of risk management are taken by OKOBANK'S Executive Board. At each member bank too, the responsibility for asset and liability management ultimately rests with the bank's Executive Board. Owing to the nature of its operations, responsibility for monitoring and reporting in respect of OKOBANK Consolidated's market risks has been assigned to a separate asset and liability management unit. At the member cooperative banks and in companies belonging to OKOBANK Group Central Cooperative Consolidated, asset and liability management tasks are handled in accordance with the decisions taken by their Executive Boards. Within OKOBANK, reporting on and monitoring of market risks is a daily activity, whereas in the other institutions of the bank group, market risks are as a rule monitored monthly.

#### *Financing risk*

Financing risk arises when receivables and liabilities fall due at different times or if funding is excessively concentrated. Liquidity risk is a part of financing risk, and it means the risk

of inability to finance debts and other commitments that have fallen due. Financing risk is measured with a number of different indicators within the OKOBANK Group. The indicator used to measure the monitoring limit for financing risk is the ratio of receivables and liabilities falling due within the next 12 months of the time of analysis to total assets.

The gauge of financing risk at the level of the OKOBANK Group is the amount of receivables eligible as statutory cash reserves. At the end of the year receivables eligible as statutory cash reserves totalled EUR 3.6 billion. During the year they exceeded the minimum amount specified for the bank group in law by an average of EUR 0.6 billion. A year earlier the excess margin was EUR 0.8 billion.

#### *Interest rate risk*

Interest rate risk is defined as being the effect of changes in market interest rates on a bank's profits and capital adequacy. Interest rate risk arises from the differing interest rate bases applied to receivables and liabilities as well as to differences in the timing of interest rate reviews and maturity dates. The benchmark of interest rate risk used by the OKOBANK Group is the effect of a rise of one percentage point in market interest rates on the present value of the bank's risk positions. The monitoring limit for the interest rate risk of an individual member bank is the ratio of the above defined interest rate risk to the bank's own funds.

OKOBANK monitors interest rate risk in real time and at the day-to-day level. In addition, the value at risk model (VaR) is used to measure interest rate risk. The other units of the OKOBANK Group Central Cooperative make use of the Group's interest rate gauge, supplementing it with the VaR model in matters of detail. The OKOBANK Group's interest rate risk at the end of the year was EUR 21 million and the average during the year was EUR 6 million. A year earlier the Group's interest rate risk was on average EUR 25 million negative.

#### *Foreign exchange risk*

Foreign exchange risk refers to a change in profits resulting from changes in foreign exchange rates. Foreign exchange risk arises when the amounts of receivables and liabilities in the same currency differ from each other, i.e. the bank has foreign currency exposure. Within the OKOBANK Group, OKOBANK has a centralised responsibility for foreign exchange risk. The foreign currency position of an individual member cooperative bank is in practice limited to the foreign currency kept for travellers' needs. The foreign exchange risk of a member bank is measured in terms of the size of the aggregate net foreign exchange position in relation to the bank's own funds. The foreign exchange risk that is centrally

managed by OKOBANK is furthermore measured using a VaR-based risk measurement. OKOBANK's net foreign exchange position at the end of the financial year was EUR 2.0 million and during the year it was on average EUR 0.7 million negative. At the other units of the Central Cooperative foreign exchange risk during the financial year was very minor in amount.

#### *Share price risk*

Share price risk is taken to mean the effect on earnings of changes in the market prices of publicly quoted shares, mutual fund units or other comparable instruments or derivatives related to them. The measure of share price risk used is the value of the above-mentioned publicly quoted securities and its relation to own funds. In calculating the value of this benchmark, OKOBANK's Series A share is not included. The publicly quoted shares as well as equity and balanced fund units owned by the institutions belonging to the Group (including Aurum Life Assurance Company) had an aggregate book value at the end of the year of EUR 164 million. These items included an unbooked appreciation in value of EUR 74 million.

#### *Management of strategic and operational risks*

Strategic risk refers to losses arising from an incorrectly chosen business strategy. The OKOBANK Group's strategic risk is reduced through continuous planning that is based on analyses and forecasts of customers' future needs, the trend in different lines of business and market areas as well as the competitive situation. The Group's strategic policy lines are discussed widely within the Group before they are adopted.

In managing operational risks, a professionally skilled staff occupies a centrally important position. By continually developing the personnel's competence and formulating operational guidelines the Group seeks to minimise the possibility that operational risks will materialise. These risks are also contained by separating from each other, as far as possible, decision-making, execution and monitoring. The introduction of new products is always preceded by thorough planning and guidelines covering the entire process. To reduce operational risks, the Group has given the OKOBANK Group Central Cooperative a primary responsibility for new business areas or their support as well as for the use of more complex bank products. The aim of contingency plans is also to contain, for example, risks due to the malfunctioning of information systems. The Cooperative Bank Inspectorate as well as the internal auditing functions of the Central Cooperative and the member cooperative banks play a key role in preventing and locating operational risks.

## 1999 review of Group companies

### *Member cooperative banks*

The aggregate operating profit generated by the member cooperative banks was EUR 278 million. In 1998 the operating profit was EUR 134 million. The 1999 result was improved by the substantial contraction in contributions to the OKOBANK Group Security Fund. In 1999 the member cooperative banks' net income from financial operations was EUR 560 million, or 4.6 per cent less than a year earlier. Other income totalled EUR 336 million and expenses were EUR 599 million. Loan and guarantee losses as well as write-downs contracted by 81 per cent to EUR 18 million.

Of the 246 member cooperative banks, 241 reported a positive result. The aggregate loss reported by the loss-making banks was about EUR 5 million, of which Osuuspankki Realum accounted for 96 per cent.

The member cooperative banks had aggregate total assets at the end of the year of EUR 19.2 billion, an increase of EUR 0.9 billion on the previous year. The banks' credit portfolio grew by 10 per cent to EUR 13.7 billion and total deposits were up 3.2 per cent to EUR 14.9 billion.

### *OKOBANK Group*

#### *Central Cooperative Consolidated*

OKOBANK Group Central Cooperative Consolidated reported operating profit of EUR 121 million, up EUR 35 million on the previous year. The biggest improvement in operating profit came from the growth in capital gains as well as from the discontinuance of the contribution to the OKOBANK Group Security Fund in 1999. OKOBANK Group Central Cooperative Consolidated's net income from financial operations diminished by 3.6 per cent to EUR 113 million. The return on equity grew by 6.5 percentage points to 17.6 per cent.

During the year the number of OKOBANK Group Central Cooperative Consolidated's staff grew by 83 employees to 1 840. The growth was mainly attributable to the transfer of certain functions from the cooperative banks to the Central Cooperative.

OKOBANK Group Central Cooperative Consolidated's total assets at the end of December stood at EUR 10.9 billion. During the financial year total assets grew by 21 per cent, or by EUR 1.9 billion. Since the end of September, total assets grew by EUR 1.4 billion. In addition to the growth in the credit portfolio, the balance sheet total was also increased by provisions to meet contingencies during the changeover to the new millennium.

The Central Cooperative Consolidated's equity capital grew by 8.3 per cent during the financial year to EUR 207

million and the minority interest share of the equity capital increased by 4.6 per cent to EUR 311 million.

Consolidated capital adequacy ratio at the end of December was 11.9 per cent, or 3.9 percentage points less than a year earlier. The ratio of Tier I own funds to risk-weighted claims, investments and off-balance sheet commitments contracted by 0.9 percentage point to 7.4 per cent.

### *OKOBANK Group Mutual Insurance Company*

The OKOBANK Group Mutual Insurance Company's premium income in 1999 was EUR 26 million, or EUR 8 million less than a year earlier. Credit insurance operations accounted for 96 per cent of the premium income. Paid insurance claims diminished from EUR 48 million to EUR 23 million.

The Company had total assets at the end of the year of EUR 193 million, or on a par with the figure a year earlier.

The terms of total loan insurance were renewed as from the beginning of 1999. The obligation to notify the company of liabilities was expanded and, among other things, the bonus system was changed. Amendments were also made to other insurance terms and conditions.

### *OKOBANK Group Security Fund*

At the end of 1998 the OKOBANK Group Security Fund changed into a security fund from which the member banks will withdraw when they have paid their share of the Fund's liabilities. The shares of the liabilities must be paid by the end of 2004 in accordance with the payment timetable agreed by the bank and the Security Fund.

At the beginning of 1999 the Security Fund had 205 member banks. Of them, 92 repaid in full their share of the liabilities on January 4, 1999, and withdrew from membership of the Fund. In addition, 45 banks completely repaid their share of the liabilities by the end of 1999. The number of the Security Fund's member banks at the end of 1999 was thus 68.

The member banks covered their share of the liabilities during 1999 in a total amount of EUR 198 million. The remainder of the liabilities due for payment during the period 2000-2004 was EUR 185 million in total amount.

On the basis of guarantees it had given, in 1999 the Security Fund paid EUR 7 million on behalf of the member banks in interest on capital investments to OKOBANK and granted Osuuspankki Realum a total of EUR 194 million in composition in respect of the capital investment certificates which the bank had issued. During the year the Security Fund granted EUR 2 million in grants on the basis of mergers that were implemented before 1999. The banks repaid the Security Fund EUR 6 million of capital investments.

## *OKOBANK Group Pension Fund and OKOBANK Group Pension Foundation*

The OKOBANK Group Pension Fund handles the statutory pension security for the OKOBANK Group's personnel and the OKOBANK Group Pension Foundation provides the related supplementary pension security for the personnel in the scope of its coverage. In 1998 the employers belonging to the Association of Finnish Local Co-operative Banks withdrew from the OKOBANK Group Pension Foundation and in 1999 from the Pension Fund. The withdrawal had been agreed towards the end of 1998. The withdrawal required the approval of the Insurance Supervision Authority and the employers belonging to the Foundation.

The number of employer members in the Pension Fund at the close of 1999 was 357 and the Fund had 8 664 employee members. The number of members at the end of the previous year was 406 and the number of members was 9 430. The number of employers covered by the Pension Foundation decreased by 49 to 331 and the number of salaried employees fell by 921 to 6 381. Most of the reduction was attributable to the withdrawal of the employers who belonged to the Association of Finnish Local Co-operative Banks.

The Pension Fund collected about EUR 52 million of insurance premiums, or EUR 2 million more than a year earlier. The Pension Fund's insurance premium was 1.5 percentage point lower than the general level of the TEL employment pension insurance. The Pension Fund's capital adequacy was raised not only by transferring the compulsory interest rate differential to reserves but also through a transfer to an unallotted supplementary insurance liability fund. The Pension Fund's pension liability grew by about EUR 44 million and totalled EUR 451 million at the end of the year.

The Pension Foundation did not collect an annual contribution in 1999. The Foundation's pension liability declined by about EUR 21 million from the previous year and was EUR 425 million at the end of the year. The Pension Foundation's pension liability is fully covered.

The Pension Foundation's present accounting system that is partly arranged by individual employers and partly is on an equalisation basis does not in all respects meet the requirements of the amended legislation. The Foundation's Executive Board has proposed a changeover to an equalising system. The Foundation's members have approved the change in the accounting system but its final implementation is subject to approval by the Insurance Supervision Authority.

## *Outlook for 2000*

Price competition is forecast to get tougher during 2000, leading to even narrower margins on lending and funding. Demand for loans is nevertheless estimated to remain brisk, and this will partly offset the effects of the narrower margins. The change in the taxation of deposits will have an effect on the structure and price of funding.

The OKOBANK Group is intensively developing network banking services. Citizens' electronic identification enables significant basic banking services in the net.

The OKOBANK Group's result for 2000 is estimated to weaken compared with the previous year but to remain at a good level. The earnings estimate for 2000 is based on the assumption that the trend in the national economy will remain positive and that no major market disturbances arise.

## Accounting policies

The amalgamation of the cooperative banks (hereinafter the OKOBANK Group) does not form a group as defined in the Accounting Act or a consolidation group as defined in the Credit Institution Act. The OKOBANK Group Central Cooperative and its member cooperative banks do not have in respect of each other power of control as stated in the Accounting Act, whereby a parent company cannot be specified for the bank group.

The provisions concerning the bank group's annual accounts are set forth separately in the Cooperative Bank Act. On the basis of it the Financial Supervision has issued more detailed regulations on the preparation of the OKOBANK Group's annual accounts.

The annual accounts of the OKOBANK Group do not constitute full consolidated annual accounts as specified in the Accounting Act. The Accounting policy pertaining to the consolidated annual accounts of a financial institution are applied as appropriate in drawing up the annual accounts. As a consequence of the consolidation, the bank group's equity capital items are ultimately made up of the cooperative capital investments made by the members of the cooperative banks as well as by the investments of shareholders outside the OKOBANK Group in OKOBANK's equity capital. The annual accounts comprise a (consolidated) profit and loss account, balance sheet, the notes to them and the Executive Board's report on operations.

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

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

### *Applicable regulations*

The annual accounts of the OKOBANK Group are consolidated in observance of the provisions of Chapter 2 of the Cooperative Bank Act and the regulations issued by the Financial Supervision. In the consolidation of the annual accounts the relevant guidelines applied are, as appropriate, also the regulations of Chapter 4 of the Credit Institution Act, the decision of the Ministry of Finance concerning the parent company and consolidated annual accounts of credit institutions and investment service companies, the regulations of the Accounting Act with the exceptions mentioned in Section 30 of the Credit Institution Act as well as the general instructions issued by the Accounting Board.

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

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

The annual accounts of the OKOBANK Group represent a consolidation line by line of the annual accounts of the

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

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

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

In the companies that are consolidated line by line, intra-Group shareholdings are eliminated by the acquisition cost method against the equity capital amounts at the time of acquisition. The equity capital proportion of the accumulated depreciation difference and voluntary provisions less imputed deferred taxes thereon has not been included in equity capital if the shares have been acquired before 1998. The portion of the acquisition cost in excess of the amount of equity capital at the time of acquisition is stated as goodwill on consolidation in the consolidated annual accounts to the extent that it has not been possible to allocate it as an increase in other balance sheet items. Goodwill arising on consolidation which was entered before 1998 is amortised annually on a straight-line basis over a maximum of 10 years, and since 1998 over a maximum of 5 years.

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

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

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

The minority interest share of the net profit and equity capital has been separated out and it is presented as an individual item in the profit and loss account and the balance sheet. In defining the minority interest, the OKOBANK Group Central Cooperative's member cooperative banks and OKOBANK have formed a parent company in the technical sense necessary for the calculations. From the net profit and equity capital of the OKOBANK Group Security

Fund, a portion has been separated out as minority interest and this corresponds to the share of the cooperative banks which remained outside the OKOBANK Group in the Security Fund's uncovered liabilities at the end of the financial year.

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

#### *Items denominated in foreign currency*

The balance sheet items and off-balance sheet items of national currencies in the EMU area have been translated into Finnish markka amounts applying the fixed exchange rates quoted by the European Central Bank on December 31, 1998. Other items denominated in foreign currency as well as the annual account information of foreign subsidiaries and OKOBANK's overseas branch office have been translated into the 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 included in the profit and loss account item "Net income from foreign exchange dealing".

#### *Receivables and liabilities*

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

#### *Securities held as current assets*

The securities held as current assets are debt securities and shares and participations that are traded as well as securities that have been obtained through the investment of financial surpluses and which are to be held for the time being and, furthermore, non-current equity investments. Debt securities held as current assets are placed in the balance sheet items "Debt securities eligible for refinancing with central banks" and "Debt securities".

Actively traded securities held as current assets have been valued at the market value since the beginning of 1999. In the 1998 annual accounts these securities were valued at acquisition cost or the probable value on the balance sheet date, whichever was lower. The effect of the change in the principle of valuation on the bank group's net income from securities transactions was a credit to income of about EUR 13 million. Other securities held as current assets are valued at acquisition cost or the probable transfer price on the balance sheet date, whichever is lower.

The probable transfer price of a debt security is taken to be the present value of the flow of principal and interest from it, discounted at the market interest rate. The probable transfer price of publicly listed shares is taken to be the closing price on the last trading day of the year.

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

#### *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 the OKOBANK Group. The debt securities held as financial fixed assets are placed in the balance sheet under the items "Debt securities eligible for refinancing with central banks" and "Debt securities".

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

#### *Securities repurchase and resale agreements*

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

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

#### *Tangible and intangible assets and depreciation according to plan*

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

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



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

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

In determining the balance sheet value of shares in real estate and real-estate management companies that are in own use, the starting point taken is the value of the asset in relation to earnings expectations for ordinary operations. Properties classified as being in own use are properties belonging to the Group which are in its own use as office, warehouse or other premises or in use by its personnel as well as shares in real-estate management companies which give the right of possession and management in respect of such premises.

Commercial, office and industrial properties other than those in own use are valued as a rule according to the yield value method. Land, water and forest areas as well as dwellings and residential buildings are valued according to the sale value method.

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

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

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

### *Derivative contracts*

The differences between the interest received from and paid on receivables and interest rate swaps made to hedge debt securities held as financial fixed assets as well as liabilities has been booked to interest income or expenses. In the annual accounts, the accrued interest on these interest rate swaps has been entered in accrued income and prepayments and in 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 valuation result for derivative contracts taken out for hedging purposes are booked in the profit and loss account in the same group as is the change in the value of the opposite-signed hedging balance sheet item. The income, expenses and changes in value of interest rate, currency and equity derivatives taken out for purposes other than hedging have been entered in the profit and loss account item "Net income from securities transactions and foreign exchange dealing". The items entered in the balance sheet for derivative contracts have been entered in "Other assets" or "Other liabilities".

Premiums paid on options are valued at the acquisition cost or the probable transfer price, whichever is lower. Income and expenses are booked to net income from securities transactions. The change in

the markka countervalue of derivative contracts denominated in foreign currency are nevertheless booked to net income on foreign exchange dealing.

### *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 recorded as a reduction in loan losses.

### *Compulsory provisions*

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

### *Taxes*

In the separate annual accounts of an individual institution belonging to the OKOBANK Group, income taxes are calculated and booked on the basis of taxable income in accordance with a statement of income taxes. Imputed deferred taxes and tax claims are not entered in the balance sheet. They are set forth in Note 36 to the annual accounts.

### *The effect of changes in the Group's structure and of changes in the format of the profit and loss account and balance sheet on the comparability of the 1999 and 1998 annual accounts.*

During 1999 no changes took place in the OKOBANK Group's structure, which might have affected the comparability of the 1999 and 1998 financial statements.

In respect of actively traded securities held as current assets, a changeover to market valuations was made during 1999 as described in the section "Securities held as current assets". In addition, minor clarifying adjustments have been made to customer classifications in the balance sheet items. The effect of the changes on the comparability of the profit and loss account and balance sheet is minor.

# Key figures for OKOBANK Group

€ million

<i>Profit and loss accounts</i>	1996	1997	1998	1999
Net income from financial operations	648	649	691	678
Other income	424	431	503	464
Other expenses	585	584	588	598
Depreciation and write-downs	94	84	87	76
Loan and guarantee losses	280	214	128	26
Write-downs on securities held as financial fixed assets	-4	4	0	0
Share of profit/loss of companies included in the consolidated accounts using the equity method	1	1	3	7
Operating profit	119	195	395	450
Extraordinary items	1	-	-	-
Profit before appropriations and taxes	119	195	395	450
Taxes	41	63	13	64
Minority interests	1	1	0	1
Profit for the financial year	77	132	382	385
 <i>Balance sheets</i>	 1996	 1997	 1998	 1999
<b>ASSETS</b>				
Claims on credit institutions	1 883	1 430	752	593
Claims on the public and public sector entities	15 084	15 023	16 192	18 309
Debt securities	3 486	3 209	3 026	3 804
Shares and participations	212	218	220	249
Intangible and tangible assets	1 749	1 747	1 641	1 545
Other assets	1 378	1 189	1 501	1 524
Total	23 792	22 816	23 332	26 024
 <b>LIABILITIES</b>				
Liabilities to credit institutions and central banks	1 136	585	398	1 089
Liabilities to the public and public sector entities	16 264	16 134	17 029	17 978
Debt securities issued to the public	2 914	2 800	2 796	3 652
Subordinated liabilities	1 012	1 164	1 016	743
Other liabilities	1 384	1 063	708	721
Imputed taxes due	69	75	75	98
Minority interests	5	5	3	4
Equity capital	1 006	990	1 308	1 739
Total	23 792	22 816	23 332	26 024

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

# OKOBANK Group profit and loss account

€ million	January 1 to December 31, 1999			January 1 to December 31, 1998		
Interest income	1 076			1 189		
Interest expenses	397			498		
<b>Net income from financial operations</b>	<b>678</b>			<b>691</b>		
Income from equity investments	7			5		
Commission income	251			262		
Commission expenses	24			23		
Net income from securities transactions and foreign exchange dealing						
Net income from securities transactions	22			12		
Net income from foreign exchange dealing	7	29		9	21	
Other operating income	178			215		
Administrative expenses						
Staff costs						
Salaries and fees	234			231		
Staff-related costs						
Pension costs	38			38		
Other staff-related costs	19	57	292	18	56	287
Other administrative expenses	152 443			139 427		
Depreciation and write-downs on tangible and intangible assets	76			87		
Other operating expenses	131			138		
Loan and guarantee losses	26			128		
Write-downs on securities held as financial fixed assets	0			0		
Share of profit/loss of companies included in the consolidated accounts using the equity method	7			3		
<b>Operating profit</b>	<b>450</b>			<b>395</b>		
Extraordinary items	-			-		
<b>Profit before appropriations and taxes</b>	<b>450</b>			<b>395</b>		
Income taxes						
Taxes for the financial year and previous financial years	41			13		
Change in imputed taxes due	23	64		0	13	
Other direct taxes	0			-		
Share of profit (loss) for the financial year attributable to minority interests	1			0		
<b>Profit for the financial year</b>	<b>385</b>			<b>382</b>		

# OKOBANK Group balance sheet

<b>ASSETS</b> € million	December 31, 1999		December 31, 1998	
Liquid assets	772		737	
Debt securities eligible for refinancing with central banks				
Treasury bills	4		315	
Other	2 426	2 429	1 088	1 403
Claims on credit institutions				
Repayable on demand	20		15	
Other	573	593	737	752
Claims on the public and public sector entities	18 309		16 192	
Leasing assets	178		130	
Debt securities				
On public sector entities	502		63	
Other	873	1 375	1 560	1 623
Shares and participations	152		133	
Participating interests	9		12	
Shares and participations in consolidated companies	88		75	
Intangible assets				
Consolidated goodwill	0		1	
Other long-term expenditure	14	15	19	20
Tangible assets				
Real estate and shares and participations in real estate corporations	1 419		1 519	
Other tangible assets	111	1 530	101	1 621
Other assets	313		312	
Accrued income and prepayments	261		323	
	<b>26 024</b>		<b>23 332</b>	

**LIABILITIES**

€ million

**Liabilities**

## Liabilities to credit institutions and central banks

	December 31, 1999			December 31, 1998		
Central banks	536			-		
Credit institutions						
Repayable on demand	32			12		
Other	520	553	1 089	386	398	398
Liabilities to the public and public sector entities						
Deposits						
Repayable on demand	6 830			5 315		
Other	9 603	16 433		10 420	15 735	
Other liabilities	1 545			17 978		
Debt securities issued to the public						
Bonds	522			471		
Other	3 131	3 652		2 325	2 796	
Other liabilities				537		
Accrued expenses and deferred income				173		
Compulsory provisions						
Pension provisions	4			2		
Tax provisions	0			0		
Others	7	11		8	10	
Subordinated liabilities				743		
Imputed taxes due				98		
Minority interests				4		
	<b>24 285</b>			<b>22 024</b>		

**Equity capital**

Share and cooperative capital	464			378		
Share issue account	-			8		
Share premium account	4			3		
Revaluation reserve	53			56		
Reserve fund	664			658		
Non-restricted reserves	214			197		
Loss brought forward	-44			-374		
Profit for the financial year	385			382		
	<b>1 739</b>			<b>1 308</b>		
	<b>26 024</b>			<b>23 332</b>		

**Off-balance sheet commitments**

## Commitments given to a third party on behalf of a customer

Guarantees and pledges	1 227			1 238		
Other	-	1 227		-	1 238	
Irrevocable commitments given in favour of a customer						
Securities repurchase commitments	-			-		
Other	2 001	2 001		1 532	1 532	
	<b>3 228</b>			<b>2 769</b>		

# Notes to the accounts

(Figures in € millions)

## Notes to the profit and loss account

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

	1999	1998
Interest income		
Claims on credit institutions	35	61
Claims on the public and public sector entities	889	926
Debt securities	139	147
Other interest income	7	51
Leasing margin	6	4
Total	1 076	1 189

	1999	1998
Interest expenses		
Liabilities to credit institutions and central banks	26	25
Liabilities to the public and public sector entities	201	229
Debt securities issued to the public	108	118
Subordinated liabilities	61	78
Capital investments	0	3
Other interest expenses	1	45
Total	397	498

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

	1999	1998
Net income from transactions in debt securities	-11	3
Net income from transactions in shares and participations	32	9
Total	22	12

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

	1999	1998
Debt securities		
Securities purchased	15 145	
Securities sold	10 956	
Shares		
Securities purchased	1 557	
Securities sold	1 573	

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

	1999	1998
Other operating income		
Rental and dividend income from real estate and real estate corporations	94	96
Capital gains from the sale of real estate and shares and participations in real estate corporations	15	15
Other income	69	104
Total	178	215

Other operating expenses		
Rental expenses	13	13
Expenses from real estate and real estate corporations	85	92
Capital losses from the sale of real estate and shares and participations in real estate corporations	4	7
Other expenses	28	26
Total	131	138

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

	1999	1998
Planned depreciation	53	53
Write-downs	23	34
Reversals on write-downs	-1	-1
Total	76	87

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

	1999	1998
In respect of claims on credit institutions	0	0
In respect of claims on the public and public sector entities	77	133
In respect of leasing assets	0	0
In respect of guarantees and other off-balance sheet items	3	15
In respect of other items	6	20
Gross loan and guarantee losses	86	168
Deductions from loan and guarantee losses	60	40
Loan and guarantee losses in the profit and loss account	26	128

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

Actual loan losses during the financial year, total	100	144
Actual loan losses during the financial year for which a specific loan loss provision has previously been made	-75	-57
Recoveries in respect of actual loan losses during previous financial years	-21	-18
Specific loan loss provisions made during the financial year	46	81
Reversals of specific loan loss provisions during the financial year	-24	-22
Loan and guarantee losses entered in the annual accounts	26	128

Write-downs on securities held as financial fixed assets:

Gross write-downs	1	1
Reversals of write-downs	-1	-1
Total	0	0

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

The extraordinary income and expenses entered in the separate annual accounts of the institutions belonging to the OKOBANK Group have been transferred to Other income and expenses in the Group's profit and loss account to the extent that they do not fulfil the criterion of being material in amount – which is part of the definition of extraordinary income and expenses – at the level of the Group.

In the 1999 and 1998 profit and loss account all the income and expenses booked to the extraordinary items of the separate companies have been transferred to Other income and expenses.

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

Pension provisions	2
Tax provisions	0
Others	-1
Total	1

## 9) Breakdown of combined items

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

## 10) Income by fields of activity and 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	1 124	1 133	7 468	7 687
Mortgage banking	10	12	8	14
Finance company operations	23	19	114	110
Investment firm operations	28	20	84	61
Common fund operations	14	7	13	10
Real estate ownership and possession	14	14	13	13
Other	416	659	887	788
Total	1 629	1 864	8 587	8 683

	Income by geographical market		Staff on average	
	1999	1998	1999	1998
Finland	1 629	1 863	8 577	8 672
Sweden	1	2	10	11
Total	1 629	1 864	8 587	8 683

## Notes to the balance sheet

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

	1999	1998
Treasury bills	4	315
Government bonds	857	1 049
Certificates of deposit	1 549	-
Others	20	38
Total	2 429	1 403

## 12) 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.

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

	1999	1998
Enterprises	4 873	4 351
Financial and insurance institutions	68	55
General government	184	213
Non-profit institutions	878	690
Households	12 257	10 822
Foreign	50	61
Total	18 309	16 192
Specific loan loss provisions at the beginning of the financial year	303	293
New provisions made during the financial year (+)	44	72
Provisions reversed during the financial year (-)	-21	-18
Actual loan losses during the financial year, for which the credit institution has previously made specific loan loss provisions (-)	-59	-47
Specific loan loss provisions at the end of the financial year	267	300

The € 3 million difference between the end of financial period 1998 and the beginning of financial period 1999 is mainly due to valuation differences at the OKOBANK's foreign branch office.

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

	1999	1998
Non-performing claims	200	220
Other zero-interest claims	35	45
Total	236	266

### 15) 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

	1999	1998
Assets held as security		
Real estate and shares and participations in real estate corporations	124	172
Other shares and participations	2	4
Other assets	0	1
Total	127	177
Shares and participations acquired for the purpose of reorganising the customer's business	6	5

### 16) Subordinated claims

	1999	1998
Claims on the public and public sector entities	13	12
Debt securities	122	67
Total	135	79

### 17) Breakdown of leasing assets

	1999	1998
Prepayments	9	3
Machinery and equipment	160	118
Real property and buildings	8	8
Other assets	1	0
Total	178	130

### 18) Debt securities

Quoted and non-quoted debt securities and debt securities eligible for refinancing with central banks by type of assets at the end of the financial year

	Quoted	Others
Securities held as current assets	1 230	1 616
Securities held as fixed assets	512	445
Total	1 743	2 061

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

Figures are stated without eliminations	1999	1998
Debt securities eligible for refinancing with central banks	9	35
Debt securities	5	5
Total	14	39

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

Figures are stated without eliminations	1999	1998
Difference between nominal value and lower book value		
Debt securities	1	2
Claims on credit institutions	0	1
Claims on the public and public sector entities	-	0
Total	1	4

Difference between book value and lower nominal value

Debt securities	16	23
Claims on credit institutions	0	0
Claims on the public and public sector entities	-	1
Total	16	24

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

Book value	1999	1998
Treasury bills	4	315
Local authority paper	3	15
Commercial paper	13	24
Certificates of deposit	1 594	955
Convertible bonds	9	10
Other bonds	2 038	1 627
Other debt securities	144	79
Total	3 804	3 026

### 19) Shares and participations

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

	Quoted	Others
Securities held as current assets	85	21
Securities held as fixed assets	1	45
Total	86	66

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

	1999	1998
Securities held as current assets	23	11
Securities held as fixed assets	1	1
Total	24	12

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

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

	1999	1998
Participating interests		
In credit institutions	-	-
Other	9	12
Total	9	12

Shares and participations in consolidated companies <sup>1)</sup>

In credit institutions	2	9
Other	86	66
Total	88	75

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

### 20) Breakdown of intangible assets

	1999	1998
Establishment costs	0	0
Goodwill	3	1
Other long term expenditure	12	18
Total	15	20

### 21) Breakdown of real estate holdings

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

	Book value	Capital invested <sup>1)</sup>
Land and water areas and buildings		
In own use	234	236
Other	320	330
Total	554	565

Shares and participations in real estate corporations

In own use	221	272
Other	644	855
Total	865	1 127



b) Real estate and shares in real-estate corporations that are not in own use, broken down at the end of the year <sup>1)</sup>

Type of property	Surface area, in square metres	Capital invested	Net income, in per cent	Rate of underutili- sation, in per cent
Dwellings and residential real estate	263 250	167	6.1	9.4
Business, office and industrial real estate <sup>2)</sup>	1 199 058	896	5.6	11.4
Land, water and forest areas (undeveloped)	0	73	-	-
Unfinished buildings	0	11	-	-
Financial leasing real estate	6 824	8	4.1	0.0
Other domestic real estate	0	29	-	-
Properties, total		1 185	5.1	11.0

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

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 <sup>1)</sup>

Yield rate %	Capital invested
Negative	85
0 to 3	196
3 to 5	311
5 to 7	334
over 7	258
Total	1 185

<sup>1)</sup> Data concerning surface areas, invested capital, net yield rates and the rate of underutilisation are disclosed as Group data in respect of the member banks.

<sup>2)</sup> It has not been possible to itemise the data to the accuracy required by Regulation 106.1 issued by the Financial Supervision. According to the regulation, the data are to be stated separately for commercial and office real estate and for industrial real estate.

## 22) Breakdown of other assets

	1999	1998
Cash items in the process of collection	32	13
Guarantee claims	13	58
Derivative contracts	148	169
Other	119	72
Total	313	312

## 23) Breakdown of accrued income and prepayments

	1999	1998
Interests	245	275
Other	17	48
Total	261	323

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

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

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

Figures are stated without eliminations	1999	1998
Differences between the nominal value and the lower book value		
Liabilities to credit institutions and central banks	1	2
Liabilities to the public and public sector entities	0	0
Debt securities issued to the public	12	18
Other liabilities	0	0
Subordinated liabilities	3	2
Total	16	22

Difference between book value and lower nominal value

Liabilities to credit institutions and central banks	-	-
Liabilities to the public and public sector entities	-	-
Debt securities issued to the public	0	1
Other liabilities	-	-
Subordinated liabilities	0	0
Total	0	1

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

	1999	1998
Certificates of deposit	3 007	2 228
Bonds	522	471
Other	124	97
Total	3 652	2 796

## 27) Breakdown of other liabilities

	1999	1998
Cash items under process of collection	283	206
Derivative contracts	158	184
Other	95	114
Total	537	504

## 28) Breakdown of accrued expenses and deferred income

	1999	1998
Interest	102	133
Other	71	61
Total	173	194

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

	1999	1998
Pension provisions	4	2
Tax provisions	-	0
Other	7	8
Total	11	10

### 30) 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 31, 1999. The bonds shall mature in May 2006. With the prior consent of the Financial Supervision, all the bonds may be redeemed on any interest payment date falling in or after May 2001, on giving advance notice as stated in the terms and conditions.

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

Subordinated liabilities other than those mentioned above:

The total € equivalent of the liabilities in the consolidated accounts was € 541 million as at December 31, 1999. 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.

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

	Book value at the beginning of the financial year	Increases for the financial year	Decreases for the financial year	Book value at the end of the financial year
Cooperative capital	320	120	-46	394
Share capital	58	12	-	70
Share issue account	8	-	-8	0
Share premium account	3	1	-	4
Revaluation reserve	56	-	-4	53
Reserve fund	658	5	0	664
Non-restricted reserves	197	18	-1	214
Loss brought forward	8	1	-53	-44
Profit for the financial year	-	385	-	385
Equity capital, total	1 308	543	-111	1 739

The acquisition cost share in excess of or under the nominal value of the OKOBANK shares acquired by the OKOBANK Group Central Cooperative and its member cooperative banks is entered in the bank group's annual accounts either as a reduction or increase in the profit/loss brought forward.

### 32) Combined items under balance sheet liabilities

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

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

According to remaining maturity	Under 3 months	3-12 months	1-5 years	Over 5 years
Debt securities eligible for refinancing with central banks	1 303	466	454	207
Claims on credit institutions	494	99	0	0
Claims on the public and public sector entities	1 714	2 388	8 006	6 202
Debt securities	112	255	740	267
Liabilities to credit institutions and central banks	942	145	2	0
Liabilities to the public and public sector entities	15 468	710	1 573	227
Debt securities issued to the public	2 792	437	424	0

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

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

	Domestic currency	Foreign currency
Debt securities eligible for refinancing with central banks	2 429	-
Claims on credit institutions	403	190
Claims on the public and public sector entities	18 095	215
Debt securities	866	509
Other assets	3 278	40
Total	25 071	954
Liabilities to credit institutions and central banks	797	292
Liabilities to the public and public sector entities	17 848	129
Debt securities issued to the public	3 536	117
Subordinated liabilities	489	254
Other liabilities	793	30
Total	23 463	822

### 35) Financial and share based ratios

OKOBANK Group key ratios of financial performance

	1996	1997	1998	1999
Turnover, € million	1 807	1 668	1 721	1 583
Operating profit, € million	119	195	395	450
% of turnover	6.6	13.0	22.9	28.4
Profit or loss before appropriations and taxes, € million	119	195	395	450
% of turnover	6.6	13.0	22.9	28.4
Return on equity (ROE), %	12.9	17.2	35.0	26.7
Return on assets (ROA), %	0.32	0.57	1.66	1.65
Equity/total assets ratio, %	2.8	3.8	5.6	6.7
Income/expenses ratio	1.6	1.6	1.8	1.7

#### 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 (loss) before appropriations and taxes"

##### Return on equity (ROE), %

$$\frac{\text{Operating profit /loss less taxes}}{\text{Equity capital + minority interests + voluntary provisions} + \text{depreciation difference less deferred taxes due}} \times 100$$

(average of the figures for the beginning and the end of the year)

##### Return on assets (ROA), %

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

##### Equity/total assets ratio, %

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

##### Income to expenses ratio

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

#### Notes to the accounts concerning taxation

##### 36) Income taxes

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

OKOBANK Group's annual accounts do not include extraordinary income or expenses.

Imputed taxes due and tax claims:

In the OKOBANK Group's balance sheet there was EUR 98 million of imputed taxes due that were based on appropriations. Other imputed taxes due and tax claims have not been entered in the balance sheet in 1999 and 1998. The imputed tax claims consisted mainly of losses that were confirmed in the tax statements. Other imputed tax claims were minor in amount.

	1999	1998
Imputed taxes due that are likely to materialise	0	-
Imputed tax claims that are unlikely to materialise	0	0
Imputed tax claims that are likely to materialise	46	54

Effect of revaluations on income taxes:

Revaluations totalling EUR 142 million have been made on shares and participations in properties and real-estate management companies owned by the OKOBANK Group. If the revalued properties were sold, the revaluation would be realised as a capital gain that would result in a maximum increase in income taxes of EUR 41 million.

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

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

	1999	
Assets pledged as collateral for own liabilities		
Pledges	1 741	
Mortgages	82	
Liabilities and commitments for which asset items have been pledged as collateral		
Liabilities to credit institutions and central banks	1	
Liabilities to the public sector and public sector entities	27	
Debt securities issued to the public	8	
Off-balance sheet commitments	-	
Other collateral pledged on own behalf		
Pledges	1	
Mortgages	0	
Collateral pledged on behalf of others		
Pledges	5	
Mortgages	10	

**38) Pension liabilities**

Except for Opstock Ltd, the statutory pension security of the staff of companies consolidated within the OKOBANK Group has been arranged through the OKOBANK Group Pension Fund. Supplementary pension benefits have been arranged through the OKOBANK Group Pension Foundation, with the exception of Opstock Ltd, FD Finanssidata Oy and Keski-Suomen Tila- ja kiinteistöpalvelu Oy. 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 companies consolidated within the OKOBANK Group do not have direct liabilities arising from pension commitments.

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

**39) Leasing liabilities**

Leasing payments in 2000	3
Leasing payments after 2000	23

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

Guarantees	523	717
Guarantee commitments	670	494
Pledges and mortgages	12	12
Other commitments given on behalf of a customer for a third party	22	15
Unused standby facilities	1 778	1 470
Pledges granted	35	31
Other irrevocable commitments given on behalf of a customer	188	30
Commitments given, total	3 228	2 769

**41) Derivative contracts at the end of the year**

Values of the underlying instruments	1999	1998
Agreements made for hedging purposes		
Interest rate derivatives		
Forward rate agreements	-	-
Option contracts		
Purchased	-	-
Written	-	-
Interest rate swaps	684	445
Currency derivatives		
Forward agreements	1 334	5 827
Option contracts		
Purchased	-	-
Written	-	-
Interest rate and currency swaps	91	34
Share derivatives		
Futures	-	-
Options		
Purchased	-	-
Written	-	-
Total	2 108	6 306

Contracts made for purposes other than hedging

Interest rate derivatives		
Forward rate agreements	1 893	19 674
Option contracts		
Purchased	-	-
Written	-	-
Interest rate swaps	5 735	6 087
Currency derivatives		
Forward agreements	-	-
Option contracts		
Purchased	20	-
Written	19	102
Interest rate and currency swaps	37	102
Share derivatives		
Futures	-	-
Options		
Purchased	-	-
Written	-	-
Total	7 705	25 966

Credit countervalues of contracts

Interest rate derivatives	106	189
Currency derivatives	59	103
Total	165	291

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

Sales receivables	92
Accounts payable	88

#### 43) Other contingent liabilities and commitments

In December 1999 OKOBANK and the OKOBANK Group Central Cooperative undertook to purchase shares in Pohjola Group Insurance Corporation in a manner described in detail in the Annual Report. Purchase of the shares was conditional upon approval by the Insurance Supervision Authority. The deal was closed on January 19, 2000. The purchase price of the shares was EUR 132.2 million.

The above-mentioned commitments are included in Commitments in Note 40.

In addition, the companies included in the OKOBANK Group's consolidated accounts had contingent liabilities which resulted from their normal business operations and were minor in importance. These are not included in Commitments in Note 40.

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

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

Staff in 1999, average	During the financial year	Change on previous year
Full-time staff	8 044	-117
Part-time staff	543	21
Staff, total	8 587	-96

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

Members and deputy members of the Supervisory Board	1
Members and deputy members of the Executive Board as well as the managing director	24
Total	25

Emoluments and bonuses which depend on the credit institution's financial performance

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

Company name	Domicile
Consolidated line by line:	
Member cooperative banks, 246, presented on pages 44-47	
OKOBANK Group Central Cooperative	Helsinki
OKOBANK Osuuspankkien Keskuspankki Oyj	Helsinki
Okopankki Oyj	Helsinki
OKO Mortgage Bank plc	Helsinki
OP-Finance Ltd	Helsinki
Opstock Ltd	Helsinki
Kiinteistö Oy Aleks-Hermes	Helsinki
Kiinteistö Oy Arkadiankatu 23	Helsinki
Kiinteistö Oy Dagmarinkatu 14	Helsinki
Kiinteistö Oy Malminkatu 30	Helsinki
Kiinteistö Oy OKO-Vallila	Helsinki
OP-Kotipankki Oyj	Helsinki
OP Fund Management Company Ltd	Helsinki
FD Finanssidata Oy	Helsinki

OKOBANK Group Security Fund	Helsinki
OKOBANK Group Mutual Insurance Company	Helsinki
Jyväskylän Kassatalo Oy	Jyväskylä
Keski-Suomen Tila- ja Kiinteistöpalvelu Oy	Jyväskylä
Kiinteistö Oy Krassipuisto	Vantaa
Kiinteistö Oy Pekurinkulma	Oulu
Kiinteistö Oy Vammalan Torikeskus	Vammala
Kiinteistösiirtoyhtiö Nopkin Oy	Jyväskylä

Consolidated using the equity method:

Aurum Life Assurance Company Ltd <sup>1)</sup>	Helsinki
Automatia Pankkiautomaatit Oy <sup>2)</sup>	Helsinki
Hatanpäänkadun Teollisuushallit Oy <sup>2)</sup>	Tampere
Kiinteistö Oy Lahden Trio <sup>2)</sup>	Lahti
Toimiraha Oy <sup>2)</sup>	Helsinki
Virtuaalinen Suomi Oy <sup>2)</sup>	Helsinki

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

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

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

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

The amalgamation's consolidated annual accounts have omitted 244 companies that are included in the consolidated annual accounts of its member credit institutions. These companies had aggregate total assets of about € 0.3 billion. The effect of consolidating the companies on the Group's equity capital would have been a decrease of € -22 million and it would have lowered the capital adequacy ratio by 0.04 percentage point.

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

	1999	1998
Non-paid cooperative capital investments, total	1	1
Cooperative capital investments, notice of withdrawal given	8	7
Supplementary cooperative capital investments, notice of withdrawal given	61	48
Individual members	798 016	694 637

45) Member cooperative banks of OKOBANK Group Central Cooperative Dec. 31, 1999

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

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Alajärven Osuuspankki	Alajärvi	Pentti Mäkelä	104	2.92
Alastaron Osuuspankki	Alastaro	Petri Antila	35	0.45
Alavieskan Osuuspankki	Alavieska	Ismo Talus	21	0.08
Alavuden Seudun Osuuspankki	Alavus	Jussi Ruuhela	86	1.47
Andelsbanken för Åland	Maarianhamina	Håkan Clemes	94	0.71
Andelsbanken Raseborg	Karjaa	Bo Thölix	128	1.14
Artjärven Osuuspankki	Artjärvi	Pertti Purola	32	0.29
Asikkalan Osuuspankki	Asikkala	Jari Laaksonen	45	0.87
Askaisten Osuuspankki	Askainen	Arja Ahola	15	0.22
Askolan Osuuspankki	Askola	Irja Mäittäälä	27	0.43
Auran Osuuspankki	Aura	Sauli Nuolemo	35	0.62
Elimäen Osuuspankki	Elimäki	Pertti Olander	89	0.64
Enon Osuuspankki	Eno	Aulis Keronen	50	0.96
Etelä-Karjalan Osuuspankki	Lappeenranta	Risto Kiljunen	468	11.06
Etelä-Pohjanmaan Osuuspankki	Seinäjoki	Esko Ala-Äijälä	365	6.49
Etelä-Savon Osuuspankki	Mikkeli	Raimo Rekikoski	285	6.02
Eurajoen Osuuspankki	Eurajoki	Harri Hiitiö	24	0.46
Euran Osuuspankki	Eura	Lenni Kankaanpää	51	0.17
Forssan Seudun Osuuspankki	Forssa	Seppo Jokinen	166	0.74
Haapajärven Osuuspankki	Haapajärvi	Kari Ahola	38	0.62
Haapamäen Seudun Osuuspankki	Keuruu	Tauno Vuorenmaa	28	0.53
Haapaveden Osuuspankki	Haapavesi	Kalervo Karvonen	48	0.95
Hailuodon Osuuspankki	Hailuoto	Veijo Nissilä	16	0.25
Halsuan Osuuspankki	Halsua	Tapio Jokela	15	0.06
Haminan Seudun Osuuspankki	Hamina	Markku Vanhala	93	2.20
Harjavallan Osuuspankki	Harjavalta	Jarmo Tuovinen	60	1.85
Hartolan Osuuspankki	Hartola	Teemu Hauta-Aho	31	0.49
Hauhon Osuuspankki	Hauho	Timo Metsola	24	0.43
Haukivuoren Osuuspankki	Haukivuori	Seppo Laurila	18	0.52
Heinäveden Osuuspankki	Heinävesi	Ville Pänttönen	35	0.79
Himangan Osuuspankki	Himanka	Kalevi Humalajoki	38	0.18
Hinnerjoen Osuuspankki	Eura	Jukka Tuomisto	14	0.29
Hirvensalmen Osuuspankki	Hirvensalmi	Risto Rouhiainen	23	0.31
Honkilahden Osuuspankki	Eura	Olavi Juhola	18	0.41
Huhtamon Osuuspankki	Huittinen	Päivikki Järvinen	10	0.20
Huittisten Osuuspankki	Huittinen	Olli Näsi	61	1.44
Humppilan Osuuspankki	Humppila	Jari Salokangas	38	0.36
Hämeenkosken Osuuspankki	Hämeenkoski	Keijo Bragge	20	0.40
Hämeenlinnan Seudun Osuuspankki	Hämeenlinna	Ossi Halonen	276	1.81
Iisalmen Osuuspankki	Iisalmi	Eero Mähönen	135	2.27
Iitin Osuuspankki	Iitti	Hannu Viitanen	53	0.34
Ikaalisten Osuuspankki	Ikaalinen	Antero Sorri	42	0.73
Ilomantsin Osuuspankki	Ilomantsi	Kalevi Hämäläinen	48	0.97
Janakkalan Osuuspankki	Janakkala	Vesa Lehikoinen	139	3.94
Joensuun Osuuspankki	Joensuu	Antti Heliövaara	162	2.32
Jokioisten Osuuspankki	Jokioinen	Vesa Rantanen	37	0.92
Juuan Osuuspankki	Juuka	Tuomo Mustonen	49	0.88
Juvan Osuuspankki	Juva	Kari Pitkälä	66	1.94
Jämsän Seudun Osuuspankki	Jämsä	Heikki Rosti	98	2.45
Kainuun Osuuspankki	Kajaani	Kari Sissala	193	3.03
Kalajoen Osuuspankki	Kalajoki	Pertti Sarkkinen	77	1.35
Kalkkisten Osuuspankki	Asikkala	Esko-Pekka Markkanen	10	0.13
Kangasalan Osuuspankki	Kangasala	Veikko Poranen	70	1.16
Kangasniemen Osuuspankki	Kangasniemi	Leo Pakkanen	59	1.61
Kankaanpään Osuuspankki	Kankaanpää	Teuvo Pakkala	52	0.84
Kannuksen Osuuspankki	Kannus	Markku Niskala	40	0.41
Karjalan Osuuspankki	Mynämäki	Pentti Laaksonen	15	0.29
Karkun Osuuspankki	Vammala	Raimo Virtanen	10	0.25
Karunan Osuuspankki	Sauvo	Esko Lehtonen	9	0.05
Karvian Osuuspankki	Karvia	Antti Suomijärvi	24	0.36
Kaustisen Osuuspankki	Kaustinen	Asko Ahonen	42	0.07
Keikyän Osuuspankki	Äetsä	Reino Vällilä	15	0.24
Kemin Seudun Osuuspankki	Kemi	Pertti Stöckel	124	2.37
Kerimäen Osuuspankki	Kerimäki	Kari Korhonen	30	0.54
Keski-Suomen Osuuspankki	Jyväskylä	Aimo Ekonen	878	6.63

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Keski-Uudenmaan Osuuspankki	Järvenpää	Leif Laine	471	10.75
Kestilän Osuuspankki	Kestilä	Hans Aikio	16	0.15
Kesälähden Osuuspankki	Kesälahti	Erkki Kukkonen	27	0.67
Kihniön Osuuspankki	Kihniö	Ari Heinonen	14	0.28
Kiihtelysvaaran Osuuspankki	Kiihtelysvaara	Pasi Leppänen	28	0.46
Kiikalan Rekijoen Osuuspankki	Kiikala	Kirsi-Marja Hiidensalo	18	0.24
Kiikoisten Osuuspankki	Kiikoinen	Pertti Kärki	13	0.26
Kiskon Osuuspankki	Kisko	Pekka Anttonen	23	0.12
Kiteen Seudun Osuuspankki	Kitee	Pentti Hämäläinen	133	3.97
Kiukaisten Osuuspankki	Kiukainen	Jari Valonen	18	0.26
Koillis-Savon Osuuspankki	Kaavi	Erkki Eronen	83	1.69
Koitin-Pertunmaan Osuuspankki	Hartola	Unto Aikasalo	26	0.40
Kokemäen Osuuspankki	Kokemäki	Matti Ollila	68	1.20
Kokkolan Osuuspankki	Kokkola	Aatto Ainali	245	1.60
Kontiolahden Osuuspankki	Kontiolahti	Esko Mononen	42	0.88
Korpilahden Osuuspankki	Korpilahti	Juha Luomala	36	0.86
Korsnäs Andelsbank	Korsnäs	Jan-Erik Westerdahl	31	0.61
Kotkan Seudun Osuuspankki	Kotka	Pentti Leisti	165	1.80
Kouvola Seudun Osuuspankki	Kouvola	Marjo Partio	235	3.25
Kronoby Andelsbank	Kruunupyö	Sten-Ole Nybäck	50	1.10
Kuhmalahden Osuuspankki	Kuhmalahti	Risto Mattila	16	0.29
Kuhmoisten Osuuspankki	Kuhmoinen	Heikki Vilppala	21	0.16
Kuhmon Osuuspankki	Kuhmo	Erkki Airaksinen	74	2.51
Kuopion Osuuspankki	Kuopio	Jaakko Ojanperä	357	5.06
Kuortaneen Osuuspankki	Kuortane	Markku Jaatinen	34	0.50
Kurun Osuuspankki	Kuru	Markku Jokela	18	0.31
Kuusamon Osuuspankki	Kuusamo	Jari Himanen	84	0.64
Kuusjoen Osuuspankki	Kuusjoki	Rauno Hurme	17	0.19
Kymijoen Osuuspankki	Anjalankoski	Heikki Pykälistö	76	1.65
Kärkölän Osuuspankki	Kärkölä	Lasse Kalervo	30	0.50
Kärsämäen Osuuspankki	Kärsämäki	Timo Suhonen	21	0.29
Käylän Osuuspankki	Kuusamo	Kaisa Kurtti	11	0.17
Köyliön Osuuspankki	Köyliö	Matti Hyrsylä	42	0.73
Laitilan Osuuspankki	Laitila	Hannu Nyman	68	-0.15
Lapin Osuuspankki	Lappi	Vesa Parkkali	36	0.63
Lappo Andelsbank	Brändö	Torsten Nordberg	6	-0.00
Lemin Osuuspankki	Lemi	Eero Inananen	25	0.52
Leppävirran Osuuspankki	Leppävirta	Ilkka Martikainen	68	1.50
Lieksan Osuuspankki	Lieksa	Jorma Lehikoinen	93	2.41
Limingan Osuuspankki	Liminka	Urpo Ojala	28	0.54
Liperin Osuuspankki	Liperi	Jalo Lehtovaara	75	1.34
Lohtajan Osuuspankki	Lohtaja	Veijo Uusitalo	32	0.07
Loimaan Osuuspankki	Loimaan kunta	Heimo Kortensniemi	66	1.03
Loimaan Seudun Osuuspankki	Loimaan kaupunki	Tuomo Maunuksela	62	0.80
Lokalahden Osuuspankki	Uusikaupunki	Seppo Penttilä	16	0.28
Lopen Osuuspankki	Loppi	Tapio Mikkola	50	1.25
Luhangan Osuuspankki	Luhanka	Pekka Pietilä	15	0.12
Luopioisten Osuuspankki	Luopioinen	Esa Jokinen	16	0.23
Luumäen Osuuspankki	Luumäki	Eero Kettunen	33	0.65
Luvian Osuuspankki	Luvia	Hannu Kyrövaara	27	0.42
Länsi-Uudenmaan Osuuspankki	Lohja	Jukka Karasjärvi	317	2.77
Maaningan Osuuspankki	Maaninka	Reijo Kananen	37	0.95
Marttilan Osuuspankki	Marttila	Matti Vahalahti	39	1.06
Maskun Osuuspankki	Masku	Jarmo Nurmi	41	0.63
Mellilän Seudun Osuuspankki	Mellilä	Raimo Lindström	22	0.30
Merimaskun Osuuspankki	Merimasku	Kaisa Haaksiluoto	12	0.23
Metsämaan Osuuspankki	Loimaan kunta	Jussi Nieminen	16	0.19
Miehikkälän Osuuspankki	Miehikkälä	Seppo Pylvänäinen	24	0.64
Miettilän Osuuspankki	Rautjärvi	Tarja Huolman	5	0.02
Mouhijärven Osuuspankki	Mouhijärvi	Esko Heinonen	28	0.31
Mynämäen Osuuspankki	Mynämäki	Kalle Krappala	69	1.42
Myrskylän Osuuspankki	Myrskylä	Heikki Leppähaara	11	0.15
Mäntsälän Osuuspankki	Mäntsälä	Heikki Kananen	73	1.97
Mäntän Seudun Osuuspankki	Mänttä	Erkki Lauronen	85	1.96
Nagu Andelsbank	Nauvo	Johan Broos	14	0.13

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Nakkilan Osuuspankki	Nakkila	Jussi Kuvaja	52	1.33
Niinijoen Osuuspankki	Loimaan kunta	Timo Seikkula	19	0.34
Nilsian Osuuspankki	Nilsia	Mikko Lahtela	70	1.89
Nivalan Osuuspankki	Nivala	Teuvo Välikangas	73	0.19
Nousiaisten Osuuspankki	Nousiainen	Seppo Äijälä	64	1.50
Nurmeksen Osuuspankki	Nurmes	Eero Heino	66	0.41
Orimattilan Osuuspankki	Orimattila	Veli-Matti Onnela	76	1.49
Oripään Osuuspankki	Oripää	Tapio Laine	22	0.08
Oriveden Seudun Osuuspankki	Orivesi	Pertti Pyykkö	62	1.43
Osuuspankki Kantrisal	Pertteli	Turkka Saarniniemi	48	0.75
Osuuspankki Realum	Helsinki	Jouko Aho	167	-4.84
Oulaisten Osuuspankki	Oulainen	Lauri Knuutila	69	1.63
Oulun Osuuspankki	Oulu	Timo Levo	686	5.91
Outokummun Osuuspankki	Outokumpu	Eero Eskelinen	43	0.98
Paattisten Osuuspankki	Turku	Eero Koskinen	40	0.60
Paavolan Osuuspankki	Ruukki	Kalle Arvio	40	0.69
Padasjoen Osuuspankki	Padasjoki	Heikki Jaakkola	15	0.16
Paimion Osuuspankki	Paimio	Vesa Viitaniemi	108	1.42
Paltamon Osuuspankki	Paltamo	Jorma Niemi	27	0.37
Parikkalan Seudun Osuuspankki	Parikkala	Matti Martikainen	45	0.40
Parkanon Osuuspankki	Parkano	Aarre Saranpää	36	0.59
Pedersörenejdens Andelsbank	Pietarsaari	Ulf Löf	135	1.23
Perhon Osuuspankki	Perho	Pekka Pajula	26	0.29
Perniön Osuuspankki	Perniö	Risto Lehtinen	45	0.93
Peräseinäjoen Osuuspankki	Peräseinäjoki	Olavi Iloa	48	1.14
Pieksämäen Seudun Osuuspankki	Pieksämäki	Seppo Vanninen	131	0.84
Pielaveden Osuuspankki	Pielavesi	Pertti Rautaparta	39	0.75
Pihtiputaan Osuuspankki	Pihtiputas	Erkki Niemelä	26	0.33
Pohjolan Osuuspankki	Rovaniemi	Markku Salomaa	349	5.82
Polvijärven Osuuspankki	Polvijärvi	Juhani Leminen	45	1.04
Porin Seudun Osuuspankki	Pori	Jukka Ramstedt	462	10.50
Porvoon Osuuspankki	Porvoo	Pertti Hellqvist	192	3.15
Posion Osuuspankki	Posio	Martti Varanka	44	1.14
Pudasjärven Osuuspankki	Pudasjärvi	Paavo Kurttila	67	1.67
Pukkilan Osuuspankki	Pukkila	Ari Talkara	23	0.63
Pulkkilan Osuuspankki	Pulkkila	Eero Keskitalo	14	0.33
Punkalaitumen Osuuspankki	Punkalaidun	Ville Aakula	48	1.26
Puolangan Osuuspankki	Puolanka	Jouni Ahokumpu	30	0.66
Purmo Andelsbank	Pietarsaaren mlk	Stig-Göran Jansson	16	0.20
Pyhjärven Osuuspankki	Pyhjärvi	Jukka Kuonanoja	42	0.93
Pyhännän Osuuspankki	Pyhantä	Viljo Lotvonen	16	0.16
Päijät-Hämeen Osuuspankki	Lahti	Timo Laine	420	1.37
Pälkäneen Osuuspankki	Pälkäne	Jari Linjala	27	0.52
Pöytyän Osuuspankki	Pöytyä	Juha Pullinen	41	0.65
Raahen Seudun Osuuspankki	Raahe	Seppo Rytivaara	128	2.96
Rantasalmen Osuuspankki	Rantasalmi	Vesa Auvinen	57	1.81
Rantsilan Osuuspankki	Rantsila	Ismo Välijärvi	19	0.39
Rauman Seudun Osuuspankki	Rauma	Simo Kauppi	260	9.05
Rautalammin Osuuspankki	Rautalampi	Kalle Kilpeläinen	33	0.65
Riihimäen Seudun Osuuspankki	Riihimäki	Kalevi Oksanen	136	3.02
Riistaveden Osuuspankki	Kuopio	Pauli Kröger	21	0.45
Ruhtinansalmen Osuuspankki	Suomussalmi	Helena Juntunen	6	0.04
Ruoveden Osuuspankki	Ruovesi	Alpo Porila	46	0.81
Rymättylän Osuuspankki	Rymättylä	Antero Nikki	31	0.52
Rääkkylän Osuuspankki	Rääkkylä	Olli Koivula	32	0.51
Sallan Osuuspankki	Salla	Jari Sieppi	34	0.10
Salon Seudun Osuuspankki	Salo	Jukka Hulkkonen	269	4.04
Sauvon Osuuspankki	Sauvo	Pasi Virtanen	27	0.34



Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Savitaipaleen Osuuspankki	Savitaipale	Martti Valtonen	43	0.77
Savonlinnan Osuuspankki	Savonlinna	Erkki Böös	191	5.77
Sideby Andelsbank	Kristiinankaupunki	Anders Storteir	8	0.10
Siikajoen Osuuspankki	Siikajoki	Pentti Keränen	19	0.31
Simpeleen Osuuspankki	Rautjärvi	Juhani Ikonen	22	0.62
Somerniemen Osuuspankki	Somero	Pertti Kujala	11	0.12
Someron Osuuspankki	Somero	Kari Raikkonen	65	1.36
Sonkajärven Osuuspankki	Sonkajärvi	Esko Nissinen	41	0.77
Sotkamon Osuuspankki	Sotkamo	Juhajouni Karttunen	54	1.16
Strömfors Andelsbank	Ruotsinpyhtää	Mats Majander	4	0.02
Sulkavan Osuuspankki	Sulkava	Kari Haverinen	25	0.50
Suodenniemen Osuuspankki	Suodenniemi	Selja Kallio	11	0.12
Suomussalmen Osuuspankki	Suomussalmi	Timo Polo	41	0.80
Suonenjoen Osuuspankki	Suonenjoki	Antti Hult	50	0.84
Sysmän Osuuspankki	Sysmä	Heikki Kuurne	47	1.18
Säkylän Osuuspankki	Säkylä	Markku Perttuli	33	0.72
Taivalkosken Osuuspankki	Taivalkoski	Riitta-Liisa Ahokumpu	23	0.18
Taivassalon Osuuspankki	Taivassalo	Markku Kraama	22	-0.02
Tampereen Seudun Osuuspankki	Tampere	Tony Vepsäläinen	800	4.20
Tarvasjoen Osuuspankki	Tarvasjoki	Esa Hentula	26	0.35
Tervolan Osuuspankki	Tervola	Esa Vaarala	26	0.37
Tervon Osuuspankki	Tervo	Seppo Vehniäinen	19	0.38
Toholammin Osuuspankki	Toholampi	Lauri Keski-Rahkonen	44	0.27
Toijalan Osuuspankki	Toijala	Heikki Teräväinen	65	1.63
Tornion Osuuspankki	Tornio	Pentti Alaperä	139	0.30
Turun Seudun Osuuspankki	Turku	Risto Korpela	1 069	3.78
Tuupovaaran Osuuspankki	Tuupovaara	Tuomo Liukka	26	0.40
Tyrnävän Osuuspankki	Tyrnävä	Eero Ylilauri	29	0.63
Ullavan Osuuspankki	Ullava	Veikko Väisälä	14	0.28
Urjalan Osuuspankki	Urjala	Pekka Raivisto	61	1.06
Utajärven Osuuspankki	Utajärvi	Raimo Tuovinen	41	0.99
Uudenkaupungin Seudun Osuuspankki	Uusikaupunki	Juha-Pekka Nieminen	87	1.59
Uukuniemen Osuuspankki	Uukuniemi	Pauli Loikkanen	7	0.10
Valkeakosken Osuuspankki	Valkeakoski	Pauli Piilma	66	1.22
Valtimon Osuuspankki	Valtimo	Heikki Myller	27	0.18
Vammalan Seudun Osuuspankki	Vammala	Taisto Hyttinen	103	0.39
Vampulan Osuuspankki	Vampula	Kari Hänti	36	0.15
Varkauden Osuuspankki	Varkaus	Pekka Vilhunen	97	1.74
Varpaisjärven Osuuspankki	Varpaisjärvi	Seppo Riekkinen	36	0.85
Vasa Andelsbank	Vaasa	Ulf Nylund	298	1.57
Vehmersalmen Osuuspankki	Vehmersalmi	Heikki Väisänen	24	0.56
Vesannon Osuuspankki	Vesanto	Esa Keränen	27	0.37
Vetelin Osuuspankki	Veteli	Aulis Karvonen	13	0.25
Vetelin Ylipään Osuuspankki	Veteli	Jarmo Lehojärvi	14	0.23
Viekin Osuuspankki	Liekka	Esko Pyykkö	9	0.04
Vihannin Osuuspankki	Vihanti	Olavi Rasi	40	0.86
Vimpelin Osuuspankki	Vimpeli	Simo Ilomäki	26	0.56
Virolahden Osuuspankki	Virolahti	Markku Salomaa	31	0.42
Virtain Osuuspankki	Virrat	Hannu Kaakkomäki	63	1.43
Ylitornion Osuuspankki	Ylitornio	Heikki Eteläaho	37	0.73
Ylivieskan Osuuspankki	Ylivieska	Jarmo Somero	62	0.60
Ylä-Kintauden Osuuspankki	Petäjävesi	Erkki Kuivikko	2	-0.00
Yläneen Osuuspankki	Yläne	Jari Pimiä	37	0.83
Ypäjän Osuuspankki	Ypäjä	Kimmo Ranta	40	0.68
Ähtärin Osuuspankki	Ähtäri	Esko Kokkila	27	0.25
Östnylands Andelsbank	Porvoo	Arto Nurmi-Aro	103	0.98
Östra Korsholms Andelsbank	Mustasaari	Jussi Lahti	3	0.03
Övermark Andelsbank	Närpiö	Mårten Vikberg	14	0.10

# *Statement concerning the annual accounts*

We have adopted these consolidated annual accounts of the group of cooperative banks specified in the Cooperative Bank Act for the financial year January 1 – December 31, 1999.

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

Helsinki, March 7, 2000

Antti Tanskanen

Reijo Karhinen  
Keijo Manner

Pekka Jaakkola  
Mikael Silvennoinen

Heikki Vitie

## *Auditors' Report*

We have audited the consolidated financial statements of the amalgamation of the cooperative banks (the OKOBANK Group) pursuant to the Cooperative Bank Act for the financial year January 1 – December 31, 1999. The financial statements prepared by the Executive Board and managing director of the OKOBANK Group's central institution, the OKOBANK Group Central Cooperative, include the report of the Executive Board, the profit and loss account, balance sheet and notes to the financial statements. Based on our audit we express an opinion on these financial statements.

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

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

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

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

Helsinki, March 8, 2000

SVH Pricewaterhouse

Coopers Oy  
Authorised

Public Accountants

Tauno Haataja  
Authorised  
Public Accountant

Eero Huusko  
Authorised  
Public Accountant

Reino Majala  
Authorised  
Public Accountant

A year of development

The OKOBANK Group's good performance in 1999 also showed up clearly in the figures for OKOBANK Group Central Cooperative Consolidated as well as in the content and focuses of the services it provides. The consolidated companies that are specialised in customer-related business reached their objectives. The Central Cooperative's know-how and service units also performed well. Compared with previous years, more resources were channelled into the development of products, services and internal operations.

Operations were underpinned by the new consolidated structure as well as the first consolidated-level strategy programme, OPK-100. In line with it, the accent in development work connected with service activities were on supporting a customer-oriented way of working, developing electronic banking, offering centralised service packages and renewing the management and personnel development systems.

The development inputs showed up, as budgeted, in the form of increased staff costs and capital expenditures. The introduction of the euro as a currency of account and the changeover to the new millennium were demanding information system projects which went admirably well.

The objective of the OKOBANK Group is to be a forerunner in offering network services to its customers. The development of new services and products was geared precisely to covering the needs in this area. A special development focus has been the creation of an open technical environment. It will make available banking services on the customer's terms, whether the customer's preference be for manual or electronic ways of handling transactions. A major project has been the development of electronic identity certification and signatures and their wide-scale introduction in Finland, also in service areas outside banking.

The OKOBANK Group is a chain whose business operations are organised from the customer's viewpoint and in which a customer-oriented approach is supported by an optimal internal division of responsibilities within the Group. The first experiences of using the new type of centralised telephone services as well as account, collection and payroll management services are encouraging. The freeing up of

resources for customer-related business at the member banks, along with the already implemented Group-level cost savings and declining unit costs in line with the objectives set, are clear indications that we have chosen the right strategy.

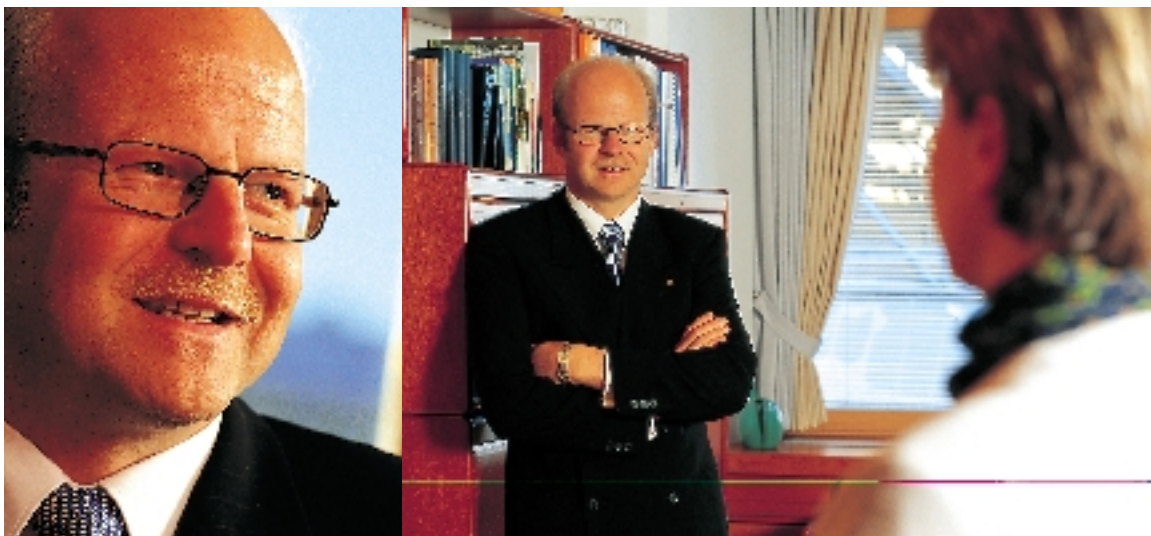
According to the OKOBANK Group's internal division of responsibilities, the continuous development of services for the Group's wide customer base is the task of the OKOBANK Group Central Cooperative. We are living through turmoil times calling for ever bigger development inputs. Forerunners must stay in front.

Within OKOBANK Group Central Cooperative Consolidated, the parent company is gaining in importance as a company in which a major interest is held. During the report year the income from service activities for the member banks covered their costs. Dividend income received now rose to nearly the amount of the operating profit we generated. In accordance with the policy lines confirmed by the Supervisory Board, it will be necessary to strengthen the OKOBANK Group Central Cooperative's equity/total assets ratio. From the standpoint of equity/total assets ratio and generating earnings, it is important that the Central Cooperative's investments in its most important subsidiary, OKOBANK, yield a good and growing return, and that the value of the investment keeps growing.

Our fundamental task is to take the initiative and to anticipate the future in carrying out our work of supporting and inspiring our member banks to develop their own business operations. Our objective is to develop our activities and services in such a way that for our member banks we are a desirable and reliable partner in cooperation that is further characterised by the attributes competent, inspiring, efficient and open-minded forerunner, expert and developer.

To this end, last year OKOBANK Group Central Cooperative Consolidated's entire personnel worked in a way deserving of my warmest thanks, and in the current year we shall take another big step forward on the same road.

Helsinki, February 15, 2000  
Reijo Karhinen



Managing Director  
Reijo Karhinen

**OKOBANK Group**  
**Central Cooperative Consolidated's**  
**operational result and financial position**

**Operating profit EUR 121 million**

OKOBANK Group Central Cooperative Consolidated reported operating profit of 121 million, up EUR 35 million on the previous year. The biggest improvement in operating profit came from the growth in capital gains as well as from the discontinuance of the contribution to the OKOBANK Group Security Fund in 1999. Return on equity grew by 6.5 percentage points to 17.6 per cent.

OKOBANK Group Central Cooperative Consolidated's net income from financial operations diminished by 3.6 per cent to EUR 113 million. The growth in the credit portfolio did not suffice to offset the low level of interest rates, the narrowing of margins on customer business and the reduction in income from OKOBANK's central bank operations.

Other income was up 17 per cent to EUR 238 million. Commission income amounted to EUR 91 million, an increase of EUR 16 million on the figure a year earlier. Income from stockbroking grew by 23 per cent to EUR 20 million. Commission income on lending increased by 16 per cent to EUR 15 million. Income from mutual fund operations, which is included in Other commission income, doubled to EUR 14 million.

Net income from securities transactions grew by nearly a fifth to EUR 6 million. Net income from debt securities and interest rate derivatives was EUR 6 million negative, whereas shares and equity derivatives yielded income of EUR 11 million. Since January 1999 the appreciation on marketable securities has been booked in net income from securities transactions. The amount of this appreciation was slightly less than EUR 3 million at the end of December. Because of the changeover to the euro, net income from foreign exchange dealing diminished as expected, falling by 40 per cent to slightly more than EUR 4 million.

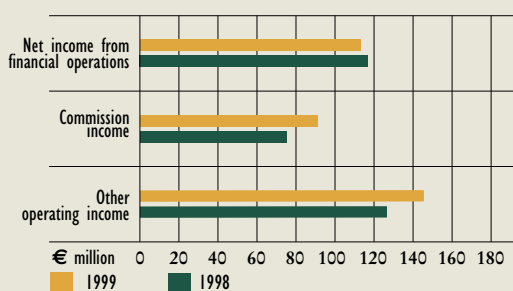
Other operating income totalled EUR 133 million, or EUR 20 million more than a year earlier. In January OKOBANK sold its shares in Radiolinja Oy, generating a capital gain of EUR 17 million, which is included in other operating income. Capital gains on the sale of real-estate contributed EUR 4 million to income during the year, down by slightly more than a fifth on the previous year.

OKOBANK Group Central Cooperative Consolidated's expenses shrank by 1.4 per cent to EUR 237 million. Staff costs were EUR 83 million, an increase of 5.7 per cent on the figure a year ago. Salaries and emoluments paid amounted to EUR 67 million. During the year the number of Central Cooperative Consolidated's staff grew by 83 employees to 1 840. The growth was mainly attributable to the transfer of certain functions from the cooperative banks to the Central Cooperative. Other administrative expenses grew by EUR 8 million to EUR 76 million. The largest growth was due to EDP expenses, which were affected significantly by the changeover to the euro and the modification works on information systems in preparation for the new millennium.

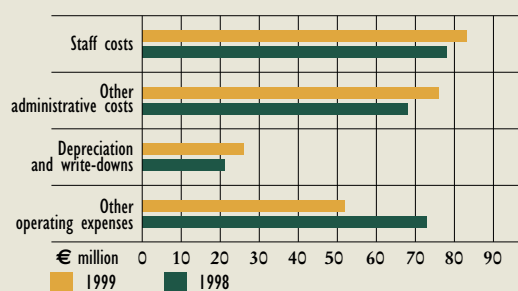
Depreciation according to plan and write-downs on tangible and intangible assets amounted to EUR 26 million during the financial year, up 23 per cent on the previous year. The share of write-downs was slightly less than EUR 4 million. Other operating expenses contracted by EUR 28 million, falling to EUR 27 million. In January OKOBANK and Okopankki Oyj paid the final instalment of their liabilities to the OKOBANK Group Security Fund and withdrew from membership of the Fund. The payment to the Security Fund in 1999 for said share of the liabilities, EUR 57 million, has been booked to extraordinary expenses, whereby

*The following is an abridged version of the report on operations by the Executive Board of the OKOBANK Group Central Cooperative. The complete annual accounts and report on operations are available from the address mentioned on page 1.*

**Income**



**Expenses**



OKOBANK Group Central Cooperative Consolidated's other operating expenses no longer include payments to the Security Fund. In 1998 other operating expenses included a total of EUR 27 million of these payments.

Reversals on previously booked loan and guarantee losses exceeded the amount of new loan and guarantee losses by about one million euros during the financial year. Taxes for the financial year totalled EUR 16 million. Net profit for the year after taxes and minority interests was EUR 23 million.

### Total assets grow by 21 per cent

OKOBANK Group Central Cooperative Consolidated's total assets at the end of December stood at EUR 10.9 billion. During the financial year total assets grew by 21 per cent, or by EUR 1.9 billion. Since the end of September, total assets grew by EUR 1.4 billion. In addition to the growth in the credit portfolio, the balance sheet total was also increased by provisions to cover the millennium changeover.

The amount of debt securities eligible for refinancing with central banks and other debt securities increased from EUR 2.0 billion to EUR 3.0 billion. Claims on credit institutions amounted to EUR 1.8 billion, which was on a par with last year.

Claims on the public and public sector entities totalled EUR 4.6 billion at the end of the year, an increase of 22 per cent on the figure a year earlier. Non-performing and zero-interest claims amounted to EUR 17 million at the end of the year, or EUR 61 million less than at the end of the previous year. At the beginning of the year the OKOBANK Group Security Fund repaid EUR 57 million of the zero-interest loans that were granted to it by OKOBANK and Okopankki Oyj at the end of 1998, which amount corresponded to the unpaid portions of the two banks' liabilities to the Security Fund.

The amount of capital which OKOBANK Group Central Cooperative Consolidated had invested in real-estate holdings was EUR 291 million at the end of the year. At the end of the previous year the amount of this capital was EUR 25 million larger. Capital invested in real-estate properties not in own use contracted by 12 per cent during the year, to

EUR 174 million. The occupancy rate of leasable properties was 91 per cent at the end of the year. Thanks to the rise in the level of rents and stepped up operational efficiency, the net yield rose from 5.2 per cent to 5.9 per cent.

Liabilities to credit institutions grew by a quarter to EUR 3.5 billion and debt securities issued to the public increased by nearly a third to EUR 3.5 billion. Liabilities to the public and public sector entities amounted to EUR 2.4 billion at the end of December, or 18 per cent more than a year earlier. Deposits from the public grew by 11 per cent to EUR 1.5 billion.

Subordinated liabilities diminished by 30 per cent to EUR 0.4 billion. During the year OKOBANK exercised its right to repay prematurely two issues of perpetual bonds in an aggregate amount of USD 250 million. On the other hand, the total amount of domestic and foreign debentures grew by EUR 19 million.

OKOBANK Group Central Cooperative Consolidated's equity capital grew by 8.3 per cent during the financial year to EUR 207 million and the minority interest share of the equity capital increased by 4.6 per cent to EUR 311 million.

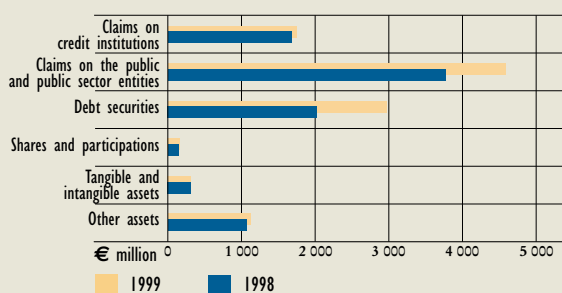
### Off-balance sheet commitments grow

The amount of guarantees and other off-balance sheet commitments at the end of December was EUR 2.3 billion, an increase of 24 per cent since the end of 1998.

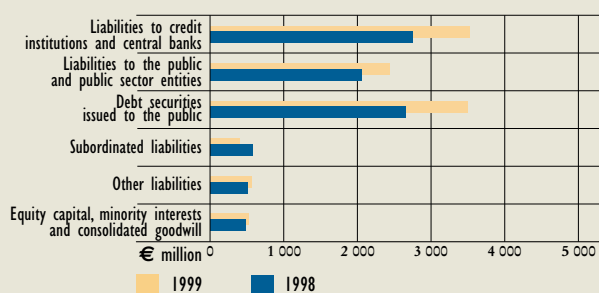
The value of the underlying instruments of derivative contracts diminished by 69 per cent from the end of 1998 and was EUR 10.1 billion. The amount of forward rate agreements diminished by a hefty 90 per cent and the amount of currency forward agreements fell by 77 per cent, whereas interest rate swaps remained unchanged in amount. The introduction of the euro has shifted the focus of trading from the OTC market to the stock exchanges, and this has led to a reduction in the amount of the underlying instruments of agreements and the credit risk arising from them.

The credit countervalue of derivative contracts was EUR 0.2 billion. At the end of 1998 the aggregate countervalue of derivative contracts was EUR 0.1 billion greater.

Balance sheet, assets



Balance sheet, liabilities



## Capital adequacy 11.9 per cent

OKOBANK Group Central Cooperative Consolidated's capital adequacy ratio at the end of December was 11.9 per cent, or 3.9 percentage points less than a year earlier. The decrease in the capital adequacy ratio was largely due to the fact that OKOBANK repaid prematurely its two perpetual bonds in a total amount of USD 250 million. The amount of Tier II own funds at the end of the year was EUR 340 million, a decrease of 23 per cent since the end of 1998.

OKOBANK Group Central Cooperative Consolidated's Tier I own funds grew during the year by 6.8 per cent to EUR 470 million. The net profit for the financial year less the proposed dividend payout has been included in own funds. The OKOBANK Group Central Cooperative's co-operative capital and the consolidation group's own funds did not include terminated co-operative capital payments.

The amount of risk-weighted claims, investments and off-balance sheet commitments at the end of the year was EUR 6.4 billion, or a fifth larger than 12 months earlier. The ratio of Tier I own funds to risk-weighted claims, investments and off-balance sheet commitments contracted by 0.9 percentage points to 7.4 per cent.

## The OKOBANK Group Central Cooperative

### Earnings trend

The trend in the income/expenses ratio of the OKOBANK Group Central Cooperative and its number of personnel were affected materially in 1999 by the centralisation within the Central Cooperative of account and collection services, payroll administration and telebank services.

OKOBANK Group Central Cooperative's operating profit grew by 14 per cent to EUR 17 million. Income increased by EUR 15 million to EUR 123 million. Income from equity investments grew by 46 per cent to EUR 13 million and other operating income rose by 10 per cent to EUR 102 million. Income from EDP services for the member banks grew by 3 per cent to EUR 56 million.

During the financial year the member banks paid a total of EUR 11 million in operating and audit payments, which was equal to the figure in 1998. Booked to other operating income is a capital gain of slightly less than EUR 1 million

on the divestment of the real-estate management company Optum Kiinteistöpalvelut Oy. Commission income was up 32 per cent to EUR 10 million.

Expenses grew by 14 per cent to EUR 107 million. Staff costs increased from EUR 23 million to EUR 27 million. At the end of the year the OKOBANK Group Central Cooperative had a payroll of 576 employees, 97 more than at the end of the previous year.

Other administrative expenses were EUR 65 million, up 8 per cent on the previous year. EDP expenses grew by 5 per cent to EUR 47 million. Depreciation according to plan amounted to EUR 6 million, or 40 per cent more than in 1998. The growth in depreciation was due mainly to investments in EDP applications. Other operating expenses amounted to EUR 8 million.

The OKOBANK Group Central Cooperative had total assets of EUR 223 million, an increase of 10 per cent since the end of 1998. The book value of the Central Cooperative's shareholdings was EUR 160 million. The main holdings were OKOBANK, Aurum Life Assurance Company and Osuuspankki Realum. The amount of tangible and intangible assets increased 68 per cent to EUR 35 million, mainly due to investments in software.

The OKOBANK Group Central Cooperative's equity capital at the end of the year stood at EUR 117 million, of which EUR 99 million was cooperative capital. Liabilities at the end of the year totalled 105 million. During the year the equity/total assets ratio fell by 3.0 percentage points to 53 per cent.

In 2000 OKOBANK Group Central Cooperative is continuing to support the development of its member banks' business operations in line with the focuses of the adopted Group strategy.

### Administration

At its meeting held on March 24, 1999, the OKOBANK Group Central Cooperative re-elected for the term of office 1999-2002 all the members of the Supervisory Board who were due to resign. They are Maria Kaisa Aula, Esa Härmälä, Erkki Laatikainen, Jorma Lehikoinen, Vesa Lehikoinen, Jorma Pere and Heikki Teräväinen.

The regular auditors elected were the firm of independent public accountants SVH Pricewaterhouse Coopers Oy as

### OKOBANK Group Central Cooperative: key figures

	1999 € million	1998 € million	Change %
Net income from financial operations	-2	-1	
Other income	126	109	14
Expenses	107	94	14
Operating profit	17	15	14
	Dec. 31, 99	Dec. 31, 98	Change, %
Total assets, € million	223	202	10
Credit stock, € million	117	112	4
Tier I funds/risk weighted items, %	53	56	3
Number of staff	576	479	20

### OKOBANK Consolidated: key figures

	Dec. 31, 99	Dec. 31, 98	Change %
Total assets, € million	10 836	8 936	21
Credit stock, € million	4 739	3 895	22
Non-performing and zero-interest claims, € million	16	77	-79
Deposits from the public, € million	1 473	1 310	12
Equity capital, € million	513	493	4
Capital adequacy ratio, %	12.5	16.2	
Number of staff	946	940	1

well as Eero Huusko, Authorised Public Accountant, and Reino Majala, Authorised Public Accountant. Elected as deputy auditors were Kauko Lehtonen, Authorised Public Accountant, and Auno Inkeröinen, Authorised Public Accountant.

At its organisation meeting held on March 24, 1999, the Supervisory Board re-elected Seppo Penttinen as its chairman. Likewise, Esa Swanljung and Heikki Pykälistö were re-elected as vice chairmen.

### Major subsidiaries

#### *OKOBANK Osuuspankkien Keskuspankki Oyj*

OKOBANK Consolidated's operating profit grew by nearly 50 per cent to EUR 111 million. The improved result was largely attributable to an EUR 17 million capital gain on the sale of Radiolinja Oy shares as well as to the discontinuance of the contribution to the OKOBANK Group Security Fund from the beginning of the year. OKOBANK Consolidated's return on equity rose from 9.7 per cent to 16.1 per cent and earnings per share (EPS) increased from EUR 1.12 to EUR 1.72.

OKOBANK Consolidated's net income from financial operations diminished by more than 3 per cent to EUR 109 million. Other operating income grew by 16 per cent to EUR 126 million. The income includes the capital gain on the sale of Radiolinja Oy shares. Expenses diminished by EUR 22 million to EUR 131 million. Expenses for 1998 included contributions to the OKOBANK Group Security Fund in a total amount of EUR 27 million. Owing to reversals, the net effect on income of loan and guarantee losses as well as write-downs on securities held as financial fixed assets was a credit to income of slightly more than EUR 2 million. The payment of the remainder of the liabilities to the OKOBANK Group Security Fund, EUR 57 million in all, was booked to OKOBANK Consolidated's extraordinary expenses.

OKOBANK Consolidated's total assets at the end of the year stood at EUR 10.8 billion, an increase of 21 per cent since the end of the previous year. The credit portfolio grew by nearly EUR 0.9 billion to EUR 4.7 billion. Deposits from the public amounted to almost EUR 1.5 billion at the end of the year, up 12 per cent since the end of 1998. OKOBANK

Consolidated's equity capital at the end of the year was EUR 513 million, whereas at the end of the previous financial year it was EUR 19 million less.

It is estimated that the operating environment will remain favourable for the stable development of OKOBANK Consolidated in the current year. In 2000 OKOBANK Consolidated is well placed to improve its operational profitability further. OKOBANK Consolidated's operating profit may nevertheless fall short of the 1999 figure, when a large non-recurring capital gain was included in operating profit.

OKOBANK Osuuspankkien Keskuspankki Oyj has published its own Annual Report on March 21, 2000.

#### *Aurum Life Assurance Company*

Aurum Life Assurance Company's premium income nearly doubled and the balance on technical account more than doubled compared with the previous year. Particularly in the fourth quarter, premiums written and earnings showed positive development. During the financial year a joint network of liaison managers with regional responsibility was established together with OP Fund Management Company Ltd to support sales work. The introduction during 1999 of a new sales application enabled the Company to begin selling individual pension policies to corporate customers. Right towards the end of the year the Company began selling capital redemption policies.

Aurum's balance on technical account increased from EUR 4 million to EUR 9 million. Premiums written was up 82 per cent to EUR 266 million. Premiums written in unit linked products rose from 3 per cent of total premium income to nearly 36 per cent. The share of individual pension insurance declined by about 3 percentage points to 9.8 per cent. The amount of commissions paid to the OKOBANK Group member banks grew by 13.3 per cent to EUR 9 million.

Aurum had total assets at the end of the year of EUR 985 million. Total technical provisions grew by 51 per cent to EUR 875 million. In the autumn the company launched an EUR 30 million capital loan. With the consent of the Insurance Supervision Authority the loan is counted in with the solvency margin in the solvency capital calculations. The amount of investment assets at the end of the year was EUR 933 million. Real-estate properties accounted for one per cent of investment assets, shares and participations for 29 per cent

#### **OKOBANK Consolidated: performance**

	1999	1998	Change %
Net income from financial operations, € million	109	113	-3
Other income, € million	126	109	16
Expenses, € million	131	153	-15
Loan losses, € million	-2	-3	-36
Operating profit, € million	111	74	49
Income/expenses ratio	1.8	1.4	
Return on equity, %	16.1	9.7	

#### **Aurum: key figures**

	1999 € million	1998 € million	Change %
Premiums written	266	146	82
Net yield on investments	96	36	172
Operating expenses	13	11	13
Balance on technical account	9	4	119
	Dec. 31, 99	Dec. 31, 98	Change, %
Total assets, € million	985	670	47
Equity capital, € million	76	73	5
Technical provisions, € million	875	578	52
Number of staff	23	22	5

and fixed income instruments for 70 per cent. The Company's solvency capital per technical provisions at the end of the year was 19.3 per cent, as against 19.0 per cent at the end of 1998.

Greater affluence, a general interest in investing and the low level of interest rates increased the demand for investment-related insurance products. During the report year premiums written from unit linked products grew significantly, and this growth is expected to continue. Aurum's objective is to increase its market share further in its business area. The Company's operating profit is expected to remain at the same level as in 1999.

### *OP Fund Management Company Ltd*

The funds managed by OP Fund Management Company Ltd grew faster during 1999 than did Finnish mutual funds on average. The trend in the appreciation of the funds also outperformed the average. During 1999 OP Fund Management Company established five new mutual funds. The OP-Euro Growth mutual fund that invests its assets in the shares of small and medium-sized European companies was started in June. In December the Company established OP-Spektri, a balanced fund that started up at the beginning of 2000. The other three were mainly index funds intended for institutional investors.

The capital under management by OP Fund Management Company's mutual funds amounted to EUR 1.5 billion at the close of the year, an increase of 218 per cent since the end of the previous year. The Company's market share of the aggregate capital under management by mutual funds registered in Finland rose by 4.9 percentage points during 1999, to 14.3 per cent.

The Company's operating profit doubled to nearly EUR 2 million. Income from mutual fund operations doubled to EUR 14 million. Commission expenses were up by more than 150 per cent to EUR 10 million.

	1999	1998	Change, %
Income from mutual fund operations, € million	14	6	119
Expenses, € million	12	6	137
Operating profit, € million	2	1	98
Total assets, Dec. 31, € million	6	3	63
Number of staff, Dec. 31	13	12	8

During 1999 the capital under management by mutual funds grew significantly thanks to both new subscriptions and the exceptionally strong rise in share prices. The popularity of mutual fund investing is estimated to grow further during 2000. The influx of money into mutual funds is nevertheless forecast to slow down as the trend in share prices levels off. The Company's earnings in 2000 are not expected to change significantly from the 1999 figure.

### *OP-Kotipankki Oyj*

During 1999 OP-Kotipankki Oyj developed and strengthened its co-operation with the Group member banks in selling financial services and it deployed a nationwide regional sales organisation. The saleability of Kotipankki's financial products through the member banks was improved by placing in use software that speeds up the processing of new loan applications. Thanks to the growth in the demand for financial products and improved sales support, Kotipankki's loan portfolio grew by 43 per cent during 1999. The amount of deposits, however, contracted because the Bank concentrated on offering financial products in accordance with the strategy adopted in August.

OP-Kotipankki Oyj posted operating profit of more than EUR 2 million, down 21 per cent on the previous year. Despite the lower level of interest rates on loans, net income from financial operations grew by 15 per cent to EUR 7 million. The growth in the loan portfolio and a rise in the degree of usage of overdrafts meant that commission income grew by 50 per cent to EUR 5 million. Commission expenses grew to more than EUR 4 million, the bulk of which was paid to the member banks and partner merchants. Administrative and other operating expenses were EUR 4 million, or 4 per cent less than in 1998. Credit losses were slightly less than a EUR 1 million.

Kotipankki's total assets grew by 22 per cent during 1999, reaching EUR 113 million. Claims on the public and public sector entities amounted to EUR 103 million at the end of the year, an increase of EUR 31 million since the end of 1998. The amount of non-performing and zero-interest claims grew by 16 per cent to slightly less than EUR 2 million. Deposits from the public contracted by 7.3 per cent to EUR 67 million.

### *Kotipankki: key figures*

	Dec. 31, 99	Dec. 31, 98	Change, %
Total assets, € million	113	92	22
Credit stock, € million	103	72	43
Non-performing and zero-interest claims, € million	2	1	16
Deposits from the public, € million	67	72	-7
Equity capital, € million	13	13	1
Capital adequacy ratio, %	9.9	11.4	
Number of staff	27	23	17

### *Kotipankki: performance*

	1999	1998	Change, %
Net income from financial operations, € million	7	6	15
Other income, € million	5	5	21
Expenses, € million	9	7	30
Loan losses, € million	1	0	101
Operating profit, € million	2	3	-21
Income/expenses ratio	1.3	1.5	



Because of the growth in the loan portfolio, the Bank's capital adequacy ratio declined from 11.4 per cent to 9.9 per cent.

Following the development work carried out during the year under review, OP-Kotipankki Oyj is well placed to increase the volume of its operations further. Earnings are forecast to remain on a par with 1999.

### *FD Finanssidata Oy*

Preparations for the new millennium were the dominant aspect of FD Finanssidata Oy's operations. During the report year the Company completed its work on checking the year 2000 compliance of applications, hardware environments and system software, made the necessary modifications and replaced a number of old applications with new ones. The accent in the development of new services was on introducing the Platinum bonus system as well as on Internet and GSM services including related identity certification projects.

The Company reported operating profit in 1999 of EUR 1 million, or 27 per cent more than a year earlier. Turnover grew by almost 6 per cent. The Company's total assets were EUR 15 million.

	1999	1998	Change, %
Turnover, € million	48	45	6
Expenses, € million	47	44	5
Operating profit, € million	1	1	27
Total assets, Dec. 31, € million	15	14	7
Number of staff, Dec. 31	255	240	6

During 2000 the focus of operations is on projects aiming at developing services and on preparatory work for the stage when the euro will become a cash currency. It is estimated that the Company's earnings will remain at the previous year's level.

### *Osuspankki Realum*

Osuspankki Realum continued its operations according to the winding down plan. During 1999 the Bank exceeded its operational objectives. Operations centred on the disposal of real-estate and collateral assets as well as the transfer of

rehabilitated customers to the normal sphere of banking operations.

The Bank's operating loss contracted by 95 per cent to EUR 5 million. The amount of payments that were obtained via post-collection and entered as a reduction in loan and guarantee losses grew by EUR 5 million to EUR 8 million. Owing to returns and reversals, the net amount of loan and guarantee losses improved the result by about half a million euros. In the previous financial year loan and guarantee losses amounted to EUR 68 million.

Recorded in extraordinary items is a total of EUR 194 million in composition in respect of capital investments in the Bank granted by the OKOBANK Group Security Fund. The Bank's net profit for the financial year was EUR 190 million.

During 1999 the Bank's total assets contracted by 31 per cent to EUR 167 million. At the end of the year the Bank's credit portfolio amounted to EUR 53 million and the balance sheet value of real-estate properties was EUR 78 million. Equity capital at the end of the year was EUR 61 million and the capital adequacy ratio was 39.4 per cent.

During 2000 the Bank's winding down process will continue and its balance sheet will shrink. The objective is to see to it that the Bank's operations are completely wound down by 2004 at the latest.

On the basis of a permission from the Financial Supervision, Osuspankki Realum's accounts have been consolidated directly within the accounts of the OKOBANK Group.

### Outlook for 2000

OKOBANK Group Central Cooperative Consolidated's result for 2000 is estimated to remain at a good level. Operating profit may fall somewhat short of 1999, when it included a non-recurring EUR 17 million capital gain. The estimate is based on the assumption that the trend in the national economy remains positive and that no major market disturbances arise.

#### **Realum: key figures**

	Dec. 31, 99	Dec. 31, 98	Change, %
Credit stock, € million	53	80	-34
Non-performing and zero-interest claims, € million	25	33	-26
Deposits from the public, € million	6	5	13
Equity capital, € million	61	65	-7
Capital adequacy ratio, %	39.4	28.6	
Number of staff	5	11	-55

#### **Realum: performance**

€ million	1999	1998	Change, %
Net income from financial operations	- 4	- 6	41
Other income	9	14	-28
Expenses	11	43	-75
Loan losses	- 0	68	
Operating profit	- 5	-104	95
Grants and composition in respect of capital investments from the OKOBANK Group Security Fund	194	437	-56

*Profit and loss account*

€ million	January 1 to December 31, 1999				January 1 to December 31, 1998			
Interest income	361				431			
Interest expenses	248				313			
<b>Net income from financial operations</b>	<b>113</b>				<b>117</b>			
Income from equity investments	4				3			
Commission income	91				75			
Commission expenses	26				19			
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	133				112			
Administrative expenses								
Staff costs								
Salaries and fees	67				62			
Staff-related costs								
Pension costs	10				10			
Other staff-related costs	6	16	83		6	16	78	
Other administrative expenses	76				159	68		146
Depreciation and write-downs on tangible and intangible assets	26				21			
Other operating expenses	27				55			
Loan and guarantee losses	-1				-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				3			
<b>Operating profit</b>	<b>121</b>				<b>85</b>			
Extraordinary items								
Extraordinary income	0				9			
Extraordinary expenses	57				-57	106		-96
<b>Profit (loss) before appropriations and taxes</b>	<b>64</b>				<b>-11</b>			
Income taxes								
Taxes for the financial year and previous financial years	13				4			
Change in imputed taxes due	4	16			-2	2		
Other direct taxes	0				0			
Share of profit (loss) for the financial year attributable to minority interests	25				-8			
<b>Profit (loss) for the financial year</b>	<b>23</b>				<b>-5</b>			

## Balance sheet

<i>ASSETS</i> € million	December 31, 1999	December 31, 1998
Liquid assets	601	582
Debt securities eligible for refinancing with central banks	1 802	519
Claims on credit institutions	1 756	1 691
Claims on the public and public sector entities	4 593	3 773
Leasing assets	178	130
Debt securities	1 172	1 504
Shares and participations	83	81
Participating interests	11	11
Shares and participations in consolidated companies	70	63
Intangible assets	15	20
Tangible assets	294	294
Other assets	258	260
Accrued income and prepayments	89	93
	<b>10 921</b>	<b>9 020</b>
 <i>LIABILITIES</i>		
<i>Liabilities</i>		
Liabilities to credit institutions and central banks	3 519	2 814
Liabilities to the public and public sector entities	2 425	1 986
Debt securities issued to the public	3 484	2 648
Other liabilities	488	419
Accrued expenses and deferred income	67	74
Compulsory provisions	1	2
Subordinated liabilities	404	579
Imputed taxes due	14	11
Minority interests	311	297
	<b>10 714</b>	<b>8 829</b>
 <i>Equity capital</i>		
Share capital	99	99
Revaluation reserve	10	10
Non-restricted reserves	9	9
Profit brought forward	67	78
Profit (loss) for the financial year	23	-5
	<b>207</b>	<b>191</b>
	<b>10 921</b>	<b>9 020</b>
 <i>Off-balance sheet commitments</i>		
Commitments given to a third party on behalf of a customer	963	932
Irrevocable commitments given in favour of a customer	1 288	880
	<b>2 251</b>	<b>1 812</b>



MÄNTSÄLÄN  
OSUUSPANKKI

**KASSAPALVELUT, 2-3** luottokassa **001-200**

- kassan avaus/sulku tai
- kassan maksu, tilaus
- kassan kassa

**TULU / VALINTA** **000-000**

- kassan maksu/talletus tai kassan talletus
- kassan maksu tai kassan talletus
- maksu/valinta
- kassan talletus
- kassan talletus
- kassan talletus
- kassan talletus

**LUOTTOPALVELUT** **000-000**

- arvopapereiden ja sijoitusten
- säästön ja sijoituspalvelut
- arvopapereiden sijoitukset

**LUOTOT** **700-700**

- valtakäsitteiset ja velat
- velkasaajat

**YHTIÖIDEN KASSAPALVELUT** **000-000**

- yritysten kassa- ja maksupalvelut

**NEUVONTA** **000-000**

- kassan neuvonta
- talletukset
- maksupalvelut
- uudet asiakkaat
- ajantasaisuus

[www.osuuspankki.fi](http://www.osuuspankki.fi)



# Administration of the OKOBANK Group Central Cooperative

## Tasks of the cooperative and its members

According to the statutes of the OKOBANK Group Central Cooperative, the Cooperative's purpose is to promote and support the development and joint operations of its members and the entire OKOBANK Group, to handle centralised services for its members and to see to the safeguarding of the Group's interests.

The Cooperative's members can be the credit institutions pursuant to the Cooperative Bank Act, whose statutes or Articles of Association have been approved by the Central Cooperative. The Supervisory Board takes decisions on admitting new members.

A member must make a contribution of at least FIM 100 000 to the Central Cooperative. When joining the Central Cooperative, a member is furthermore responsible for participating in it through supplementary contributions that are calculated on the basis of the risk-weighted claims, investments and off-balance sheet items according to the member's capital adequacy calculations.

Under the Cooperative Bank Act, the Central Cooperative is responsible for issuing its members instructions on their activities in order to ensure liquidity, capital adequacy and risk management and also to monitor the members' operations.

## Meeting of the cooperative

The Annual Meeting of the Cooperative is held once a year on a day specified by the Supervisory Board before the end of May. In calculating the votes that can be cast at the meeting, a member receives a number of votes equal to the amount of the contributions it has paid in.

If a member bank's Tier I own funds at the end of June of the previous calendar year, net of equity capital items originally provided by the State, the OKOBANK Group Security Fund or the central institution, an institution that is a subsidiary of the central institution or another member cooperative bank, are more than seven per cent of the risk-weighted total assets used in calculating the member bank's capital adequacy, the member bank receives additional votes such that collectively the members may have additional votes totalling double the number of votes accorded on the basis of their contributions. The central institution's subsidiary credit institutions do not receive additional votes.

At the meeting no member, however, can cast more than two per cent of the votes represented at the meeting.

A member who owing to its own financial difficulties has received during the current year or the five previous calendar years a subsidy loan, grant, guarantee or capital investment from the OKOBANK Group Security Fund or the central institution or a subsidiary credit institution of the central institution can cast only one vote at the meeting.

The following matters, among others, are dealt with at the Annual Meeting of the Central Cooperative:

- a resolution on approval of the parent company and consolidated profit and loss account and balance sheet for the previous financial year
- a resolution on measures to be taken respect of the profit or loss shown in the approved parent company and consolidated balance sheets
- a resolution on the granting of discharge from liability for the previous financial year to the chairman of the Executive Board, the managing director, the other members of the Executive Board and the members of the Supervisory Board
- a resolution on the number of members of the Supervisory Board and election of the required members of the Supervisory Board
- election of at least three auditors and a necessary number of deputy auditors to audit the Central Cooperative's corporate governance and accounts as well as the OKOBANK Group's consolidated annual accounts
- presentation and distribution of the OKOBANK Group's consolidated annual accounts and the auditors' report
- confirmation of payments collected from the members.

Amendments of the Central Cooperative's statutes must be decided at two successive meetings of the Central Cooperative. At the latter meeting the proposed amendment must be passed by either all, three quarters or two thirds of the votes cast, depending on the point in the statutes dealt with in the proposed amendment.

*Mäntsälän Osuuspankki, one of the Group's 246 member cooperative banks and one of the OKOBANK Group Central Cooperative's owners and customers. The cooperative banks handle the money transactions of about two million Finnish customers as well as more than a hundred thousand companies and numerous institutions. Local decision-making and closeness to the customer as well as closely knit group unity and chain operations are the OKOBANK Group's key strengths.*

### *Supervisory Board*

The Central Cooperative's Supervisory Board comprises a minimum of 32 and a maximum of 36 members. The Annual Meeting of the Cooperative first elects a maximum of 20 members, one from each provincial federation area, for a three-year term. Of these members, a number that is closest to one third resigns each year. In addition, 16 members are elected from the territories of the provincial federations such that the allotment of seats is determined among the provincial federations on the basis of the capital adequacy of their member banks. The term of office of these members is three years unless the term of office ends prior to this date due to a change in the allotment of seats among the provincial federations. A member elected to the Supervisory Board shall not be a Supervisory Board member, Executive Board member or deputy member, managing director or auditor or deputy auditor of a member bank which owing to its own financial difficulties has received during the current year or the five previous calendar years a subsidy loan, grant, guarantee or capital investment from the OKOBANK Group Security Fund or the central institution or a subsidiary credit institution of the central institution. The members of the Supervisory Board shall elect from amongst their number a chairman and two vice chairmen.

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

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

The audit task which is a duty of the Supervisory Board is carried out by the Audit Committee appointed by the Supervisory Board. The committee comprises four ordinary and two deputy members whom may also be appointed from amongst persons who are not members of the Supervisory Board. The Audit Committee elects a chairman from amongst its number. The secretary is the head of the Central Cooperative's Internal Audit. The committee meets twice a year or more frequently when convened by the chairman.

### *Executive Board*

The Central Cooperative's corporate governance is exercised by an Executive Board whose task is to direct the Central Cooperative's operations in accordance with the relevant acts and the Central Cooperative's statutes.

The Executive Board comprises a chairman who is appointed as the Chief Executive Officer, a managing director, who acts as the Executive Board's vice chairman as well as a minimum of two and a maximum of four other members and a maximum of four deputy members.

The term of office of a member or deputy member of the Executive Board lasts from the date of election up to the retirement age in accordance with the cooperative banks' pension system. The term of office can end prior to this date if the member or deputy member requests to resign or is dismissed from membership.

### *Management's responsibility*

The Executive Board is collectively responsible for the matters which it jointly decides at its meetings. In addition, the members and deputy members of the Executive Board have an operational responsibility for the functional areas and organisational entities that are designated as their individual responsibility.

### *Shareholdings in OKOBANK*

The members and deputy members of the OKOBANK Group Central Cooperative's Executive Board owned a total of 2 736 OKOBANK Series A shares at the end of 1999. The system of rewards for the Executive Board's members and deputy members is based on the bond loan with equity warrants issued in 1999. On the basis of the warrants, the Chief Executive Officer is entitled to subscribe for 160 000 OKOBANK Series A shares, the managing directors of the OKOBANK Group Central Cooperative and OKOBANK for 120 000 shares, the other members of the Executive Board for 80 000 shares and the deputy members for 30 000 shares.

# OKOBANK Group Central Cooperative Supervisory Board

## *Regionally Elected Members*

(term of office three years)

*and members elected on  
the basis of capital adequacy of  
the member banks in the region\**  
(term of office at the most three years)

### *Etelä-Pohjanmaa*

Antero Luomajärvi (1997)  
Principal, Ilmajoki, 1997–2000  
\* Simo Iilomäki (1997)  
Managing Director, Vimpeli, 1997–(2000)

### *Etelä-Suomi*

Vesa Lehtikoinen (1997)  
Managing Director, Janakkala, 1999–2002  
\* Timo Alaviuhkola (1997)  
Head of Research Station  
Hyvinkää, 1997–(2000)  
\* Jorma Pitkälä (1997)  
Farmer, Hämeenkoski, 1997–(2000)

### *Kainuu*

Keijo Väänänen (1997)  
Professor, Vaala, 1998–2001  
\* Erkki Airaksinen (1997)  
Managing Director, Kuhmo, 1997–(2000)

### *Keski-Pohjanmaa*

Ilkka Heinonen (1997)  
Principal, Haapajärvi, 1998–2001

### *Keski-Suomi*

Erkki Laatikainen (1997)  
professori, Jyväskylä, 1999–2002

### *Kymi-Vuoksi*

Seppo Penttinen (1997)  
Professor, Savitaipale, 1997–2000

### *Chairman*

\* Paavo Aho (1997)  
Colonel (ret.), Elimäki, 1997–(2000)  
\* Risto Kiljunen (1997)  
Managing Director  
Lappeenranta, 1997–(2000)

### *Lappi*

Tauno Raistakka (1997)  
Farmer, Posio, 1998–2001  
\* Erkki Alatalo (1998)  
Engineer (forestry)  
Keminmaa, 1998–(2000)

### *Pirkanmaa*

Heikki Teräväinen (1997)  
Managing Director, Toijala, 1999–2002  
\* Martti Talja (1997)  
Development Manager  
Mänttä, 1997–(2000)

### *Pohjois-Karjala*

Jorma Lehtikoinen (1997)  
Managing Director, Lieksa, 1999–2002  
\* Heikki Pirinen (1997)  
Principal, Kitee, 1997–(2000)

### *Pohjois-Pohjanmaa*

Paavo Haapakoski (1997)  
Principal, Pyhäjoki, 1998–2001  
\* Kalervo Karvonen (1997)  
Managing Director,  
Haapavesi, 1997–(2000)

### *Pohjois-Savo*

Matti Pulkkinen (1997)  
Director of District Medical Services  
Kuopio, 1997–2000  
\* Erkki Eronen (1997)  
Managing Director, Kaavi, 1997–(2000)

### *Satakunta*

Jorma Pere (1997)  
Managing Director, Eura, 1999–2002  
\* Jukka Ramstedt (1997)  
Managing Director, Pori, 1997–(2000)  
\* Pertti Raunio (1998)  
Principal, Rauma, 1998–(2000)

### *Suur-Savo*

Leo Pakkanen (1997)  
Managing Director  
Kangasniemi, 1997–2000  
\* Asko Ruuskanen (1997)  
Dean, Savonlinna, 1997–(2000)

### *Sydkusten*

Johan Signell (1997)  
Financial Manager, Hanko, 1998–2001

### *Varsinais-Suomi*

Turkka Saarniniemi (1997)  
Managing Director, Pertteli, 1997–2000  
\* Pertti Ruotsalainen (1997)  
Hospital Physicist  
Mynämäki, 1997–(2000)  
\* Pauli Salminen (1997)  
Managing Director  
Loimaa, 1997–(2000)

### *Österbotten*

Kaj Skåtar (1997)  
Managing Director (ret.)  
Vaasa, 1998–2001

### *Other members,*

term of office three years

Maria Kaisa Aula (1997)  
Member of Parliament  
Tervola, 1999–2002

Esa Härmälä (1997)  
Chairman, Central Union of  
Agricultural Producers  
Helsinki, 1999–2002

Heikki Pykälistö (1997)  
Managing Director  
Anjalankoski, 1997–2000  
*Deputy Chairman*

Esa Swanlung (1997)  
President, Finnish Confederation  
of Salaried Employees  
Helsinki, 1997–2000  
*Deputy Chairman*

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

(February 15, 2000)

# OKOBANK Group Central Cooperative's organisation

## *Chairman and CEO*

Antti Tanskanen

## *Managing Director*

Reijo Karhinen

## *Management Support and Corporate Communications*

Markku Koponen \*

## *Group Administration*

Heikki Vitie

OKOBANK Group's and OKOBANK Group Central Cooperative Consolidated's centralised financial control and personnel services, pension services, the Central Cooperative Consolidated's internal services, the Group's labour market and staff affairs, legal and risk management services.

## *Personnel Services*

Juha Laitinen

## *Legal Affairs and Risk Management Services*

Esko Hollman

*OKOBANK Group  
Mutual Insurance Company*  
Hannu Jaatinen

*OKOBANK Group  
Security Fund*  
Tuomo Metsäaro

## *OKOBANK Group Pension Fund*

*OKOBANK Group Pension  
Foundation*  
Pekka Korhonen

*Financial Control*  
Antti Saarelainen

*OKOBANK Group Pension  
and Life Investment Management*  
Jari Puhakka

## *Retail Banking Services*

Keijo Manner

OKOBANK Group's centralised deposit, payment, financing asset management and marketing services, agrifinancing and insurance services.

## *Aurum*

*Life Assurance Company*  
Jukka Ruuskanen

*Agrifinancing*  
Raimo Tammilehto

*Marketing and  
Customer Care Services*  
Stina Suominen

*Deposit and Credit Services*  
Pekka Sarvi-Peräkylä

*Asset Management Services*  
Harri Nummela

*OP Fund Management  
Company Ltd*  
Harri Nummela

*Payment Services*  
Raimo Vaalasranta

## *Group Services*

Pekka Jaakkola

OKOBANK Group's centralised personnel and business development services, data services, service network and card technology services.

## *FD Finanssidata Oy*

Ilpo Antikainen

*Business and Knowledge  
Management Development*  
Anneli Karhula

## *OP-Kotipankki Oyj*

Kai Patovirta

*Service Network  
Development*  
Matti Korkeela

*IT Management*  
Markku Mäkinen

*OP-Telephone Service*  
Kai Patovirta

*Osuuspankki Realum*  
Jouko Aho

## *Audit Function*

Markku Niinikoski \*

## *The Cooperative Bank*

*Inspectorate*  
Tapani Santala

*Internal Audit*  
Heikki Yli-Juuti \*

\* Reporting to the CEO

(February 15, 2000)





OKOBANK Group Central Cooperative  
Executive Board and Auditors

*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*

Pekka Jaakkola  
Executive Director  
Järvenpää  
Member of the Board since 1998

Keijo Manner  
Executive Director  
Helsinki  
Member of the Board since 1997

Mikael Silvennoinen  
Managing Director of OKOBANK  
Espoo  
Member of the Board since 1997

Heikki Vitie  
Executive Director  
Espoo  
Member of the Board since 1994

*Deputy Members*

Esko Hollman  
Executive Director  
Espoo  
Member of the Board since 1987

Matti Korkeela  
Executive Director  
Vantaa  
Member of the Board since 1997

Raimo Tammilehto  
Executive Director  
Espoo  
Member of the Board since 1991

*Auditors and Deputies*

*Auditors*

SVH Pricewaterhouse  
Coopers Oy  
Authorised Public Accountants  
Helsinki

Eero Huusko  
Authorised Public Accountant  
Kajaani

Reino Majala  
Authorised Public Accountant  
Turku

*Deputies*

Kauko Lehtonen  
Authorised Public Accountant  
Turku

Auno Inkeröinen  
Authorised Public Accountant  
Mikkeli

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

Secretary of the Boards  
Markku Koponen  
Sipoo

(February 15, 2000)



From left:  
Pekka Jaakkola,  
Reijo Karhinen,  
Keijo Manner,  
Markku Niinikoski,  
Mikael Silvennoinen,  
Antti Tanskanen and  
Heikki Vitie

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Managing Director:  
Erik Skön

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Rémy Lasne

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DG BANK AG Deutsche  
Genossenschaftsbank,  
Germany  
ICCREA, Italy  
OKOBANK Osuuspankkien  
Keskuspankki Oyj, Finland  
Rabobank, The Netherlands  
Raiffeisen Zentralbank  
Österreich AG (RZB-  
Austria), Austria  
Banco Cooperativo Español  
(associate member), Spain  
KBC Bank and Insurance  
(associate member), Belgium  
Union of Swiss Raiffeisen  
Banks (associate member),  
Switzerland