



# **OKO Bank Group**

**Annual Report 2002**

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## Financial information in 2003

The OKO Bank Group and OKO Bank will publish three interim reports in 2003:

- for January–March on May 8, 2003
- for January–June on August 7, 2003
- for January–September on October 30, 2003.

The interim reports will be published in Finnish, Swedish and English. The fastest way to access the interim reports is by visiting our website at [www.okobank.com](http://www.okobank.com). Paper copies can be ordered at the address OKO Bank Group Central Cooperative, Corporate Communications, PO Box 308, FIN-00101 Helsinki, telephone +358 9 404 2765, telefax +358 9 404 2298, e-mail: [viestinta@okobank.com](mailto:viestinta@okobank.com).

This publication together with the OKO Bank Group's financial statements form the Group's annual report for 2002. If the financial statements are not included as an annex, they can be ordered from the address above.

# Chairman's review

## **A far-reaching centennial year**

The OKO Bank Group celebrated its centennial last year. There was hardly anyone in Finland who did not know about this. Herein lies one of the great merits of our centennial year. It brought us an unprecedented amount of positive publicity. The centennial's many events afforded us an opportunity to tell more about ourselves and our operations than in many previous years together. This was of great importance both externally and internally. Our corporate image amongst Finns strengthened and the team spirit within the Group was reinforced. By dint of this, the centennial year will have far-reaching consequences and make our centennial theme "100 years in the future" come true. Now it is easier than ever for us to work for the next hundred years, looking to the future and believing in it.

## **Good performance in unstable conditions**

Our financial performance too gives strong grounds for a belief in the future. Over the past years, the OKO Bank Group has performed considerably well in its business operations. The centennial year 2002 was no exception. We achieved the greater part of our earnings and growth objectives despite the fact that the operating environment did not turn out to be what was expected. The trend and direction of both the world economy and the Finnish economy were fairly shifting. Now cautious hopefulness, now some degree of gloom prevailed. This was reflected, notably, in the instability in the stock market, which lowered the value of banks' and insurance companies' investment assets and cut into income.

As recently as the start of the year, market interest rates were rising, but in the summer the trend reversed when forecasts of an upswing in the world economy fell through, one after the other. Record-low interest rates of course were greatly to the liking of debtors, but were vexing for savers. For the banks the situation meant a contraction in the most important income item – net income from financial operations – which the tooth-and-nail competition exacerbated further. All in all, the banks' financial situation in Finland weakened, yet nevertheless not by as much as could have been expected judging from the business cycle. Volume growth offset the narrowing in margins because the low level of interest rates promoted borrowing.

## **The recession drags on**

The situation is largely the same in the current year. A strong revival is not to be expected in the world economy or in the eurozone either. The recession – slower than normal growth – will continue. The EU has concentrated on stabilising the public sector and is looking to the United States for a boost. The country's debt overhang may nevertheless weaken the recovery and send foreign exchange rates heading in an unfavourable direction from the standpoint of Europe's hopes for growth. In Finland, the healthy financial position of both companies and households has so



far bolstered domestic market growth. The Finnish banks' operating environment will thus most likely remain unchanged well into the third year running. Business volumes will, however, grow. This will be ensured by the low level of interest rates, with no significant change on the horizon.

### **Targeting managed growth**

The OKO Bank Group has singled out growth as its primary objective. This is one of the key points of our recast strategy, but it is not the only content. The overhaul of strategy has not been particularly radical. Managed growth has been one of our objectives for a long time now, and we have achieved many of our goals.

We want growth to continue and to gain pace. The Group's profitability and capital adequacy have for years now been at a level that affords us an opportunity to channel our resources towards growth. Our capital adequacy is nearly double the statutory minimum, and our present profitability guarantees that this level will be maintained.

The OKO Bank Group has increased its share of Finland's banking market for a hundred years now and will be able to do so in future years as well, without compromising on risk management. We have adjusted to the post-deregulation era and we well remember the years of the bank crisis and the lessons they taught. The entire banking sector and the OKO Bank Group in particular are in a totally different situation than in the 1990s. Today we start out from a much better position, now that service ability is a paramount factor in competition among the banks. We are going for growth by leveraging this very strength.

### **Everything hinges on service**

Our strong financial position means that we can concentrate on developing services. Within banking services this means, first and foremost, devoting resources to building a skilled staff, because it is people who deliver service. Sophisticated online and mobile services do not spring up by themselves either. It takes competent people to develop them. Of course, the importance of people stands out even more prominently in individual, personal customer service. Service quality is important for our customers and that is why it ranks first in importance for us too. A good corporate image and high-quality services make our present customers satisfied and bring in new customers. Market share growth based on this approach is healthy growth.

I wish to thank our owners, customers, staff and administrative officers, as well as all our other stakeholders for your support during the past year and I wish you every success in the current year.

Helsinki, 13 February 2003

A handwritten signature in blue ink, which appears to read 'Antti Tanskanen'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Antti Tanskanen

# President's review

## Decades of joint operations

The year 2002 marked a celebration for the entire OKO Bank Group. It was an impressive demonstration of the power of co-operation. Joint operations within the Group are not something that is detached from mainline business. Successful customer business with the Group's multidimensional structure depends specifically on co-operation based on a clear division of labour. By combining our know-how and resources, we have built an operational model that guarantees a service palette of the very highest calibre for the customers of all the member banks throughout the country and via our electronic networks.

This year marks 75 years from the founding of the OKO Bank Group Central Cooperative's predecessor, the Central Association of the Finnish Cooperative Banks. In summer 1928, more than 900 representatives of 389 cooperative credit societies met in Savonlinna to agree on founding a joint central organisation for the federations of credit societies. The Central Association's primary mission was defined as "to promote cooperative credit society operations." Over the decades, the Central Association's activities grew and developed, but that central mission proved to be strong and enduring.

The present OKO Bank Group Central Cooperative is radically different from its predecessor, but its basic tasks are essentially the same. The Central Cooperative's strategy, which last summer was recast on the basis of the entire Group's strategy, defined our core service areas to be support services for the customer business, centralised services, Group control and fulfilling the function of a strategic owner institution. The new strategy sets a clear-cut framework for our development inputs in future years. In order to implement the entire Group's growth-driven strategy, the Central Cooperative must be able to provide service and product development that supports the member banks' operations along with preventive risk management and monitoring, and centralised services that support the Group's price competitiveness.

## The Central Cooperative paves the way

The Central Cooperative's mission is to create the potential for realising the Group's strategic objectives. One of the most central factors of competition and success in the financial sector is the ability to invest in information technology. This involves the dual aspects of quality- and price-competitiveness. Customers want new and increasingly more modern products that replace older ones. The life cycle of products is shortening and services must always be available. At the same time, information technology represents a rising proportion of total costs.

The OKO Bank Group is well-placed to take on the competition. We have the necessary know-how, the necessary financial resources and a sufficient volume of operations. We want to be a pioneer in the core business areas that are defined in our strategy. In the report year, the focus of information technology investments has been, as it



will be in the current year; on asset management services. Significant inputs will also be made into customer relationship management and the development of systems that support the versatile utilisation of service channels.

### **Quality and efficiency**

In recent years, an increasing part of the member banks' own business-support services has been consolidated within the Central Cooperative. This has proved to be an excellent move. The banks have received additional sales power for customer contacts, and we have been able to boost efficiency at the Group level. In a short time, the bulk of the Group's payroll management, account and telephone services have been placed on a centrally managed basis. The development of quality and reliability will be an increasingly pronounced emphasis within centralised services in coming years.

The Central Cooperative's position as the Group's strategic owner institution was clarified and reinforced. The new strategy spelt out the Central Cooperative's role as the primary owner of, and provider of capital for, the service and production companies that carry on the Group's retail banking business. The Central Cooperative's operating profit nearly trebled, and it was generated virtually in its entirety by income from equity investments. Thanks to this, the Central Cooperative's equity ratio strengthened substantially. The Central Cooperative Consolidated's operating profit was nearly a third greater than in the previous year, despite the red ink of the life and pension insurance business, which received rough treatment from the equity markets.

### **A stable risk position**

The OKO Bank Group's joint co-operation model in its present form has been in use for a good five years. The central objective in carrying out the reform was to clarify the Central Cooperative's role and responsibility as the unit that is responsible for the entire Group's risk management. A solid foundation for the control and monitoring of the member banks was laid by creating an internal monitoring system that has proved to be a good tool for norm-based Group control.

The OKO Bank Group's risk-bearing ability is strong, and it strengthened further last year. The key ratios for risk-bearing ability and profitability were clearly within the risk limits set by the Supervisory Board, and not a single risk limit for credit or market risks was exceeded. Bolstered by a stable risk position and a solid financial situation, we are in a good position to continue our successful operations as a Group – in the best interest of our customers.

I wish to thank all the member banks and our entire personnel for your support during the past centennial year and I hope that the current 75th anniversary year will be prosperous for all.

Helsinki, 13 February 2003



Reijo Karhinen

# Operating environment

*Last year the problems besetting the international economy had marked repercussions for Finland too. The economy grew fairly slowly for the second year running. The increase in total output was only a couple of per cent. Domestic demand, however, continued to rise relatively steadily, supported by the growth in wage and salary income and the low level of interest rates. The volume of capital expenditures, however, was smaller than in the previous year. Thanks to the stability of the domestic market, the number of people in employment was on a par with the figures a year ago and the average rate of unemployment was just over 9 per cent. The number of entrepreneurs nevertheless diminished, as it did a year earlier.*

At the start of the year, the European Central Bank's main lending rate was 3.25 per cent, and it remained at that level up to December. It was then lowered by half a percentage point because the eurozone economy had weakened and inflationary pressures had receded. For most of the year, the Op-Prime rate was 3.50 per cent. Towards the end of the year the slide in market interest rates became steeper and it was decided to lower the Op-Prime to 3.20 per cent from the beginning of 2003 and further to 2.90 per cent as from March 3, 2003.

Euro bank notes and coins were introduced at the beginning of the year, and they replaced the Finnish markka in everyday use. It was feared that the changeover to euro cash would raise consumer prices but, all in all, the price effects were minor. Inflationary pressures were also lowered by the appreciation of the euro against the dollar, which was due mainly to the problems facing the US economy.

The average annual rise in consumer prices was only 1.6 per cent. On the other hand, housing prices rose considerably in the first part of the year. In the autumn prices evened out, and towards the end of the year dwellings in the largest cities were about 10 per cent more expensive than a year earlier. As a ratio of households' income, average housing prices were still reasonable.

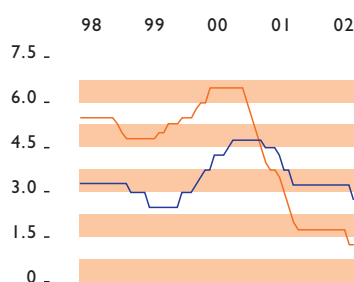
The growth in households' income, coupled with the very low level of interest rates, propped up brisk demand for housing loans. The population shift to the largest growth centres and their nearby municipalities continued. The deposit banks' portfolio of housing loans grew by almost 13 per cent. The strong growth in the housing loan market thus continued into its fifth year.

For companies, the operating environment varied considerably from sector to sector. The export industry suffered from weak demand in the international markets. In industry catering for the domestic market and in service fields, home market demand propped up growth. On the whole, companies' financial position remained comparatively good. The growth in companies' bank loans speeded up to more than 10 per cent in the latter half of the year, although investment activity was subdued. In line with the business cycle, industrial capital expenditures contracted, whereas in the service sector, they headed upward after a dip in the first part of the year.

Prices of stock exchange shares slid further. In Finland the HEX portfolio index declined by just over 15 per cent during the year. Despite the weakness in the equity markets, net subscriptions for mutual funds, particularly for fixed-income funds, were on a par with last year. The accumulation of financial wealth has clearly been perceived as a long-term activity. Total euro deposits with banks grew by just over 4 per cent.

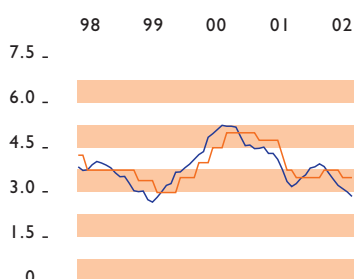
In the current year, Finland's economic development will continue to be largely dependent on the domestic market. Households' income will rise as a result of the collective pay agreement made last autumn, but the growth in disposable income will be limited by steep taxes and high unemployment. There are no grounds for expecting a significant improvement in the financial state of the large euro countries, and this will lead to a prolongation of relaxed monetary policy and the period of low interest rates in the eurozone.

# Key figures



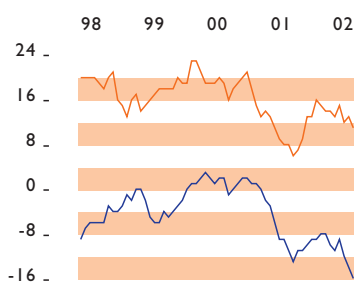
Official interest rates, %

■ Fed  
■ ECB



Other interest rates, %

■ Op-Prime  
■ Helibor/Euribor (12 months)



Consumer confidence indicator

■ Finland  
■ EMU countries

	1998	1999	2000	2001	2002
Member banks	247	247	245	245	<b>244</b>
Offices	728	717	709	693	<b>692</b>
Staff (excl. interns)	8 366	8 337	8 535	8 802	<b>8 937</b>

## Owner-members and customers, thousands

Owner-members	695	798	875	984	<b>1 042</b>
Customers	2 801	2 848	2 920	2 973	<b>3 023</b>
Online service contracts	341	445	572	685	<b>783</b>

## Market shares, %

Of FIM/euro-denominated credits	30.2	30.2	31.9	32.4	<b>31.4<sup>*)</sup></b>
Of FIM/euro-denominated deposits	30.4	30.2	31.2	32.1	<b>32.7</b>
Of mutual funds registered in Finland	9.4	14.3	14.2	13.3	<b>14.3</b>
Of premium income from life and pension insurance	6.6	9.5	10.1	13.4	<b>15.1</b>

## Profit and loss items, € million

Net income from financial operations	691	678	801	875	<b>857</b>
Commission income	262	251	303	287	<b>292</b>
Loan and guarantee losses	128	26	5	12	<b>13</b>
Operating profit	395	450	664	504	<b>459</b>

## Balance sheet items, € million

Total assets	23 332	26 024	27 086	30 031	<b>31 625</b>
Credit stock	16 192	18 309	20 260	21 946	<b>24 319</b>
Non-performing and zero-interest claims	266	236	203	192	<b>174</b>
Deposits	15 735	16 433	17 118	18 774	<b>19 932</b>
Equity capital	1 308	1 739	2 314	2 694	<b>3 046</b>

Insurance savings, € million	578	875	1 201	1 493	<b>1 784</b>
Capital in mutual funds, € million	460	1 461	1 917	1 929	<b>2 257</b>

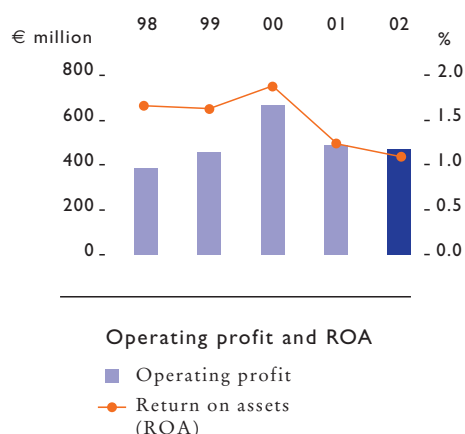
## Key figures

Capital adequacy ratio, %	12.2	12.4	13.7	15.1	<b>15.2</b>
Tier I capital ratio (excl. capital investments), %	7.9	9.9	11.6	13.0	<b>13.6</b>
Return on assets (ROA), %	1.66	1.65	1.90	1.28	<b>1.11</b>
Return on equity (ROE), %	35.0	26.7	24.9	14.6	<b>11.9</b>
Cost/income ratio, %	56.5	59.0	48.6	55.3	<b>61.1</b>

<sup>\*)</sup> The like-for-like share compared with previous years is 32.5%, see page 23



# The OKO Bank Group in 2002



In 2002 the OKO Bank Group's market position strengthened, operating profit contracted and the capital adequacy ratio improved.

Customer funds, i.e. deposits, insurance savings and capital invested in mutual funds, grew by 8.0 per cent to EUR 24.0 billion. The Group's market share of the deposit banks' euro-denominated deposits increased to 32.7 per cent (32.1). The Group's share of the capital invested in mutual funds registered in Finland rose from 13.3 per cent to 14.3 per cent and the share of premiums written in life and pension insurance increased from 13.4 per cent to 15.1 per cent.

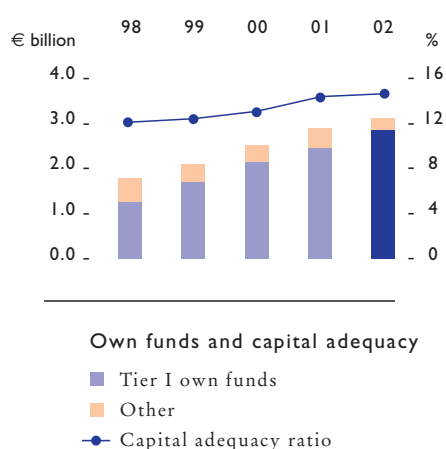
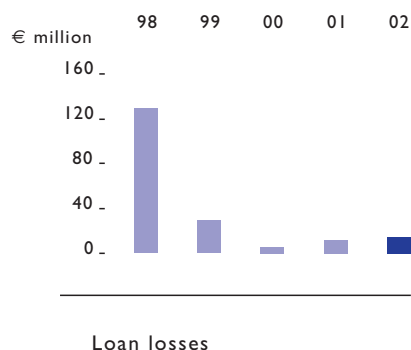
The total credit portfolio was up 11 per cent to EUR 24.3 billion. The market share of the deposit banks' euro-denominated lending was 31.4 per cent. A year earlier the comparable proportion was 31.3 per cent. The market share of households' housing loans was 34.8 per cent (34.3).

Operating profit contracted by 8.9 per cent to EUR 459 million. The return on assets was 1.1 per cent.

The Group's risk-bearing ability strengthened further. The capital adequacy ratio as calculated with Tier I own funds rose to 13.6 per cent (13.0) and total capital adequacy increased to 15.2 per cent (15.1). The Group's risk position is stable.

The commercial bank OKO Bank, the OKO Bank Group's listed central bank, posted consolidated operating profit of EUR 96 million, compared with EUR 111 million in 2001.

The OKO Bank Group's market position is expected to strengthen further in 2003. It is estimated that operating profit will be on a par with 2002.



## Main events in 2002

- January 1** Finland changed over to the use of euro banknotes and coins. Within the OKO Bank Group all customer services-related conversions were seen to completion according to plans and the placing in use of the information systems went without a hitch, as did cash services for the member banks and customers.
- March 7** Following a competitive bidding process, the Ministry of Finance chose OKO Bank as one of its payment transfer banks. OKO Bank began operating as a secondary intermediary bank for the state's payment transfers in September.
- March 21** The number of the member cooperative banks' owner-members topped the one million mark. The millionth owner-member was Ms Terhi Mikkola, an export assistant from Turku.
- April 17** The OKO Bank Group donated to Finnish libraries 350 computers, including telecommunications connections. In August the Ministry of Education named the donation the Information Society Deed of the Year in 2002.
- April 30** The OKO Bank Group Central Cooperative and OKO Bank sold all their holdings of shares in Pohjola Group. The total yield on the investments made in 2000 was about 75 million euros.
- May 14** The main event of the OKO Bank Group's centennial year was held in Helsinki. More than 7 000 guests representing all the Group's stakeholders took part in the nationwide main celebration. In the course of the centennial year, 14 regional celebrations were arranged and an art exhibition made a tour of 14 localities.
- May saw the publication of the historical work "Lähellä ihmistä. Osuuspankkitoiminta 100 vuotta" (People First. A Hundred Years of Cooperative Banking). The author was the well-known economic historian Mr Antti Kuusterä.
- Right on OKO Bank's date of foundation, Fitch Ratings upgraded OKO Bank's long-term credit rating from A+ to AA- and the short-term credit rating from F1 to F1+.
- June 13** The Central Cooperative's Supervisory Board confirmed the Group's new business strategy: OP-2002. Its centrepiece is the target of achieving growth: over the long-term the OKO Bank Group is seeking to be Finland's largest bank in terms of its market position.
- August 16–18** The centennial festivities of the OKO Bank Group's personnel were held in the city of Turku. Over 4 000 OKO Bank Group staff took part in the numerous events. A centennial celebration for pensioners was organised in the city of Mikkeli towards the end of August.
- Sept. 5** In honour of the Group's centennial, the OKO Bank Group Research Foundation organised a seminar on the research programme that has been carried out and which the Foundation has supported by providing a total of a million euros of funding.
- Oct. 9** OP Fund Management Company Ltd brought out on the market the OP Sustainable Development mutual fund that invests in the euro area. Its portfolio is made up of companies that have a good record of managing the social, economic and environmental issues related to their operations.



## Operational concept of the OKO Bank Group

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

The OKO Bank 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 OKO Bank Group's operations are membership, a people-first approach, reliability, the will to succeed and group solidarity.

### Ethical principles

#### Confidentiality

The OKO Bank 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 OKO Bank 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.

### The OKO Bank Group vision

We are the leading bank in Finland  
– for our customers, more than a bank.

# The OKO Bank Group's strategy

*In June, the Supervisory Board of the OKO Bank Group Central Cooperative confirmed a new strategy – OP-2002 – for the Group. Its basic premise was that the Group has achieved a good level of earnings and strong capital adequacy, which means that growth can now become the paramount objective. The goal is that over the long-term the OKO Bank Group will be Finland's largest bank as measured by its market position.*

## **Growth – with risks under control**

The OKO Bank Group will maintain the kind of profitability and capital adequacy which make possible the growth of operations and cover the risks which its operations involve. The Group's operational efficiency will be developed in a manner that promotes price-competitiveness. In all conditions, strengthening the market position will be accomplished in accordance with the Group's risk management instructions and within the framework of the monitoring limits.

The Group's core businesses are financing, asset management, daily money matters and payment transfer services. The financial industry's best value-added services round out the core businesses and give them an increased competitive edge.

## **Top professionalism and expertise**

The OKO Bank Group's success is underpinned by expertise that brings competitive advantage and resilience, and also by leadership in satisfying customers' needs. Of Finland's universal banks, the OKO Bank Group offers its customers the best know-how, and its centralised expertise in specialist areas comes up to the standards of financial niche-market players. The OKO Bank Group's multichannel service network operates cost-effectively and seamlessly from the customer's viewpoint. The service network is able to satisfy customers' needs more easily and conveniently than those of competitors can, and it does so any time, any place.

Customer relationships are managed actively, with an eye to growth and cost-effectiveness from the standpoint of customer relationship value. Owner-membership and the customer bonus system are developed purposefully with the aim of promoting full-spectrum patronage and customer loyalty.

## **Putting customers' needs first**

The OKO Bank Group's customers are households, SMEs and rural businesses, institutions and large corporations in selected service areas.

The development of products and services is based on customers' present and foreseeable needs. The guiding idea is the ease of use and competitiveness of the products and services for both the customer and the bank. The Group is developing integrated products and services and seeks to package the services for optimal customer suitability.

In serving companies and institutions, the Group focuses on domestic customers, offering them versatile financing, asset management and payment transfer solutions in Finland and internationally. For international clients, the Group offers banking services for their business needs that are related to Finland.

The OKO Bank Group's online services in its core businesses offer greater versatility, higher quality and better ease of use than those of competitors. Because of rapid advances in technology and changes in the competitive environment, the Group will continue to invest in maintaining its developmental expertise and putting in place new tech-

nologies, especially in its core businesses. A primary strategic objective of the Group is to operate nationwide. The Group's own service network is rounded out by partners' networks.

### **Seeking substantial growth in asset management**

Customers perceive the OKO Bank Group's asset management services as a coherent and unified whole that offers the best alternative on the market for increasing the customer's wealth and ensuring financial security. Asset management services will be made a much more central part of customer relationship management than they have been up to now.

Within asset management, the OKO Bank Group is seeking substantial growth in market share. This growth will be achieved by outperforming competitors in customer relationship management, the efficient organisation of sales and through an active expansion of know-how and continuous product and service development.

### **A forerunner in housing services**

Housing finance and services connected with residential living and the brokerage of apartments, homes and real estate are a central area of operations for the OKO Bank Group. The Group is a forerunner in developing housing services and it combines the competitive edge brought by high-quality housing service with competitive pricing throughout the country. The member banks, the OP-Kiinteistökeskus estate agents and OKO Bank Group Mortgage Bank offer the best housing finance and housing brokerage expertise together with related products and services. The OKO Bank Group stands out from its competitors by combining housing services and products with, for example, investment and insurance services to provide packages that are tailored to customers' needs.

### **Responsibility: the prime value**

The OKO Bank Group's stand-out characteristics are a local presence and community spirit, which in practice means fast decision making, expertise and the member banks' active operations on behalf of customers and their own economic area.

The co-operation and trust between the member banks and the OKO Bank Group Central Cooperative and amongst the member banks themselves are fundamentally important for achieving the business targets of the member banks and the entire Group.

Responsibility is the cornerstone of the OKO Bank Group's ethical principles. A prominent element of the Group's operations is responsibility for the environment and the individual. Apart from these, responsibility for society as a whole and its development should be viewed as an essential part of the Group's fundamental values.

The way in which the member cooperative banks bear their social responsibility should be apparent both in the form of local community spirit and deeds at regional and national level. In reliance on its operational concept, core values and ethical principles, the Group will be involved, in future years as well, in building Finnish society and bearing responsibility for its sustainable development.

The OKO Bank Group and its member banks communicate openly their actions in all the subareas of social responsibility. Openness and measurability are a central element of financial, social and environmental responsibility.

# The OKO Bank Group's structure

*The OKO Bank Group handles the financial affairs of over three million customers – private individuals, companies and institutions. A third of the customers are also owner-members of the cooperative banks. Furthermore, OKO Bank, which is listed on Helsinki Exchanges, has 25 000 shareholders, most of whom are private individuals.*

The OKO Bank Group adheres to a division of responsibilities - which is agreed in the Group's strategy – between the OKO Bank Group Central Cooperative and its member banks. The member banks concentrate on their customer-centred business whereas the Central Cooperative, which acts as a development and service centre, promotes and supports their operations, whilst also exercising responsibility for Group control and monitoring.

## Member cooperative banks

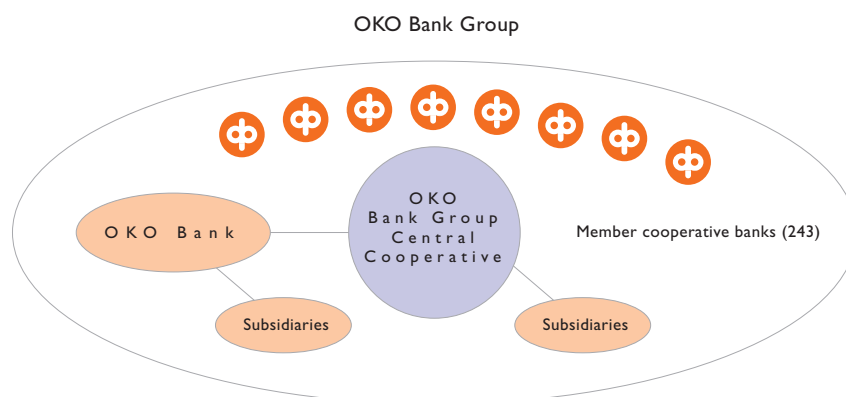
The cooperative banks are independent, local deposit banks that are engaged in retail banking. They offer modern and competitive banking services to household customers, small and medium-sized business customers, agricultural and forestry customers and to the public sector in their area of operations. Corresponding retail banking operations in the Greater Helsinki area are the province of OKO Bank's wholly-owned subsidiary Okopankki Oyj.

Membership is a distinctive feature of the cooperative bank customer relationship. Owner-membership offers a chance to participate in the bank's administration and decision-making. This gives members a say in promoting the entire locality's business life and well-being. In addition, owner-membership brings Platinum Bonus system benefits for doing the bulk of one's banking with a member cooperative bank.

The member cooperative banks are organised in the business form of a cooperative, in which the basic values underlying decision-making include the one member, one vote principle. A person can become an owner-member of a cooperative bank by paying a cooperative contribution. The members, who are made up primarily of private individuals, elect their own bank's administrative officers from amongst their number.

The cooperative bank's basic capital is made up of the cooperative capital and any supplementary cooperative capital. The total amount of cooperative capital investments by owner-members was EUR 649 million at the end of 2002.

Finland is divided into 16 federations of cooperative banks, which are regional



co-operation bodies for the member banks. They name the candidates from their areas to seats on the Supervisory Boards of the OKO Bank Group Central Cooperative and OKO Bank.

In 2002 the successful business operations of the member cooperative banks were reflected in their strong capital adequacy and good profitability. This provides a firm basis for developing the banks' own operations and their entire local sphere in the years ahead.

### **OKO Bank Group Central Cooperative**

The OKO Bank Group Central Cooperative's operational concept is that it operates as the entire Group's development and service centre, and is a strategic owner institution and a central institution with responsibility for Group control and monitoring.

The Central Cooperative's mission is to create the fundamental conditions for achieving the Group's strategic objectives. Its vision is to be the member banks' best and most sought-after partner in co-operation.

The Central Cooperative's core service areas are the support of customer business, centralised services, Group control and exercising its role as an owner institution.

**The support of customer business** task is to promote the success of the member banks' business operations by offering competitive business support services and high-quality central bank services through OKO Bank. Key elements of operations are innovative and efficient product and service development as well as the support of the member banks' business success and growth orientation. The business operations belonging to this core area are described in greater detail in the section Operations of the OKO Bank Group on pages 20–42.

**The centralised services** task is to strengthen cost-effectiveness, operational reliability and quality by producing competitively priced integrated services. An operational emphasis is the provision of centralised services and to continue this centralised approach in areas in which for the OKO Bank Group added value can be realised: efficiency, cost benefits or quality.

The operations of the Contact Centre belonging to this core area are described in greater detail in the section Operations of the OKO Bank Group on page 21. Other important centralised services are account, payroll administration, collection and purchasing services. At the end of the year, customers using the account service comprised the companies belonging to OKO Bank Group Central Cooperative Consolidated along with 141 member cooperative banks; payroll administration services were provided for 149 cooperative bank companies and 82 member banks were full-spectrum customers for collection services.

**The Group control** task is to support the implementation of Group strategy across the member banks, to strengthen Group unity and to ensure continuous risk management and supervision when implementing the growth strategy. In addition, the

task of Group control is to monitor the OKO Bank Group's best interests during the drafting of financial legislation and in the process of developing other standards both in Finland and internationally.

Amongst the central tasks of this core area were the drafting of the OKO Bank Group's new OP-2002 strategy (see page 11) and risk management (see page 38). In addition, revisions to the statutes of the member banks and the Central Cooperative were prepared in line with the reformed legislation and the responsible units attended to auditing of the member banks.

**As an owner institution** the Central Cooperative is responsible for the Group's strategic shareholdings, which support the Group's operations. Shareholdings are long-term investments primarily in the Group's own companies and secondarily in companies outside the Group. The prime element in exercising the role of ownership is the Group viewpoint, promoting the operations of the entire Group.

The Central Cooperative owns a total of 19 million OKO Bank Series K and Series A shares, which give the Central Cooperative a 41.3 per cent ownership stake and 57.6 per cent of the voting rights in the Group's central bank. Other shareholder relationships are set out in the accompanying table.

### Direct ownership structure within OKO Bank Group

Share of ownership, % Dec. 31, 2002	Member cooperative banks	OKO Bank Group Central Cooperative	OKO Bank Consoli- dated	Group total
OKO Bank Group Central Cooperative	100.0			100.0
OKO Bank	23.7	41.3		65.0
Okopankki Oyj			100.0	100.0
Opstock Ltd			85.6	85.6
Aurum Life Assurance Company	26.7	23.4	49.9	100.0
OP Fund Management Company Ltd		100.0		100.0
OP-Kotipankki Oyj	60.7	18.5	20.8	100.0
OKO Bank Group Mortgage Bank plc	51.7	44.4	3.9	100.0
FD Finanssidata Oy		70.0		70.0
OKO Bank Group				
Mutual Insurance Company	78.4	14.9	6.7	100.0
Virtuaalinen Suomi Oy		95.0		95.0

On February 11, 2003, the OKO Bank Group Central Cooperative made a purchase offer to those shareholder banks of Aurum whose holding in the Company exceeds the weighting, as defined in the Central Cooperative's confirmed strategy, of their retail banking operations in the Group. Following the offer, OKO Bank decided on the same day to sell its Aurum shares to the Central Cooperative in such an amount that OKO Bank's holding in Aurum will decline from 49.9 percent to 15 per cent.



## **OKO Bank and its subsidiaries**

The OKO Bank Group Central Cooperative's largest subsidiary, OKO Bank, is a commercial bank which acts as the Group's central bank and is responsible for the Group's liquidity and for handling its international operations. OKO Bank's business areas are Corporate Banking, Investment Banking, Retail Banking and Group Treasury. OKO Bank Consolidated focuses on serving customers in Finland and offers them versatile financing, investment and payment transfer services. For international clients, OKO Bank offers banking services for their business needs that are related to Finland.

OKO Bank's shares are divided into Series A and Series K shares. Series K shares can be owned solely by the OKO Bank Group Central Cooperative as the Group's central institution as well as by cooperative banks and banks having the legal form of a limited company pursuant to the Cooperative Bank Act. Series A shares are quoted on Helsinki Exchanges. The member cooperative banks' and the Central Cooperative's holding of OKO Bank's Series A shares was 54 per cent at the end of the year.

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

*OP-Finance Ltd* was merged into its parent company OKO Bank at the end of the year. Operations as a provider of leasing and hire purchase financing services will continue as OKO Bank's Finance Company Services department. Operations remain 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 OKO Bank Group's investment banking operations are centralised within Opstock. Opstock handles stockbroking for the member cooperative banks and their customers.

## **Other OKO Bank Group Central Cooperative subsidiaries**

*Aurum Life Assurance Company* is in charge of the Group's life assurance operations and their development. Aurum's product range includes comprehensive life, pension and insurance-related investment services.

*OP Fund Management Company Ltd* manages the OKO Bank Group's mutual funds. In selling its mutual fund units the Company makes use of the service network of the member banks and the Group's Internet services.

*OKO Bank Group Mortgage Bank plc*, acting via the member cooperative banks, grants long-term housing loans against full collateral. The Bank funds its operations by issuing housing loan bonds.

*OP-Kotipankki Oyj* specialises in the sale and management of unsecured consumer credits. The Bank's central products are the Gold Card credit facility that can be added to the OKO Bank Group's 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.

*Virtuaalinen Suomi Oy* was established in 1999. It develops and markets Internet-based online services.

*Osuuspankki Realum* is an asset management bank whose operations will be wound up when it is merged into the OKO Bank Group Central Cooperative in 2003.

### **Other institutions**

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

*The OKO Bank Group Mutual Insurance Company* is the Group's internal insurance company. It is part of the Group's internal risk management system.

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

### **Corporate governance within the OKO Bank Group**

The OKO Bank Group began operations in its present form on July 1, 1997. The OKO Bank Group means the amalgamation of the cooperative banks, as provided for in the Cooperative Banks Act. The Group comprises the OKO Bank Group Central Cooperative, which is the Group's central institution, its member banks and the companies belonging to their consolidation groups. Under law the OKO Bank Group is monitored on a consolidated basis, and the central institution and the credit institutions belonging to the Group are responsible for each other's liabilities and commitments.

In Finland, the OKO Bank Group is a unique financial entity that has been created through special legislation. The legal structure of the OKO Bank Group (the amalgamation of the cooperative banks) is discussed in greater detail in the financial statements, which are annexed to this publication.

Within the member cooperative banks, the highest decision-making authority is exercised by the cooperative meeting or assembly, which is comprised of the owner-members and elects a supervisory board for the bank. The supervisory board in turn elects for the bank an executive board whose members are made up of both owner-members and representatives of the bank's professional management.

Within the Group's central institution, the OKO Bank Group Central Cooperative, the highest decision-making authority rests with the General Meeting of the Cooperative and the Supervisory Board elected by it. Operational decision-making authority is exercised by the Executive Board, which is elected by the Supervisory Board and is made up of professional managers. The Central Cooperative's corporate governance is described in greater detail on page 48–50 of this publication.

The Group's central bank, OKO Bank, is a subsidiary of the central institution, the OKO Bank Group Central Cooperative. OKO Bank's highest decision-making authority rests with the Annual General Meeting and the Supervisory Board elected by it. The majority of OKO Bank's Supervisory Board comprises members of the Central Cooperative's Supervisory Board. The chairman of the Central Cooperative's Executive Board also acts as the chairman of OKO Bank's Executive Board. Within OKO Bank too, operational decision-making authority is exercised by an Executive Board which is elected by the Supervisory Board and is composed of professional managers drawn from the Central Cooperative and OKO Bank. OKO Bank's corporate governance is discussed in greater detail in its own annual report.

*The OKO Bank Group stands out from its competitors in its customer approach. This means strong expertise, a people-first attitude, the ability to see the big picture and a knack for offering customers the solutions that are best suited to their needs.*





# Operations of the OKO Bank Group

*In line with the OP-2002 strategy, owner-membership and the bonus system will be developed purposefully with the aim of promoting full-spectrum patronage and customer-loyalty. The starting point is to increase the OKO Bank Group's attractiveness as a provider of banking services for customers as well as to support the prosperity of owner-members and preferred customers.*

## **Over a million owner-members**

The number of the member cooperative banks' owner-members has grown strongly since 1997. At the best, over one hundred thousand new members have signed up in a single year. In March the number of owner-members topped the one million mark. At the end of the year there were 1 042 000 owner-members. In addition, in the Greater Helsinki area Okopankki Oyj has 118 000 preferred customers who receive from their bank the same benefits as do owner-members.

The banks reward their owner-members and preferred customers for their loyalty in the use of banking services by awarding them Platinum bonuses. The OKO Bank Group has developed the bonus system a great deal in recent years. Bonuses are earned for loans, deposits, insurance policies and mutual fund units, and today they can be used to pay for the vast majority of service charges. In 2002, rents for safe deposit boxes and an online gift card were added as new ways of using bonuses. Since 1999, a total of 87 million euros of bonuses have been earned by owner-members and preferred customers. The amount earned in the report year was EUR 30.4 million, and they were used to a value of 22.1 million.

Bonuses are used automatically to pay for service charges. During 2002, the system was developed such that from the beginning of 2003 the banks can pay unused bonuses in cash to the account of an owner-member or preferred customer, after deduction of capital income tax.

When joining as an owner-member of a cooperative bank, the member pays the cooperative contribution which is set in the bank's statutes. An amendment to the Cooperative Societies Act, which came into force from the beginning of 2002, gave the cooperative banks the possibility of increasing members' cooperative contributions from the bank's equity capital. In 2002, the member banks increased the cooperative contributions of owner-members through bonus issues to a total of EUR 26 million.

## **Steady customer growth**

In its strategy, the OKO Bank Group puts the customer's needs first. This is manifested in the customer-oriented way of working. It is a way of working that runs through the bank's entire operations, making the customer the focal point of everything the bank does. It is based on the idea of analysing customers' needs when contacting them and preparing comprehensive product and service offerings based on this information. The objective is to form long-term full-spectrum customer relationships that yield value to both the customer and the bank.

The number of the OKO Bank Group's customers has grown steadily over the past years. The increase over the past five years has been a total of 246 000 customers. During the report year, the number of customers grew by 50 000 and at the end of December there were just over 3 million customers. Eighty-three per cent of the customers were household customers, 12 per cent were businesses and institutions and

5 per cent were customers employed in agriculture and forestry.

According to a corporate image survey commissioned by the OKO Bank Group, the Group's member banks received better marks from their retail customers during the report year than did the major competitors from their own customers. The points compared in the study were the banks' degree of expertise, business success, Finnish character and reliability. The same survey also indicated that non-customers' perception of the OKO Bank Group was the best of all the banks. In a survey of the above-mentioned corporate image components, small and medium-sized customers too gave the OKO Bank Group the best marks of all the banks.

The OKO Bank Group trademark is very well-known in Finland. According to surveys, the spontaneous recognisability of the OKO Bank Group's business emblem is 95 per cent and the brand is the most highly respected of the bank and insurance brands in Finland. Development of the brand continued in the report year in accordance with the corporate image objectives.

### **A multichannel service network**

*The OP-2002 strategy states that the OKO Bank Group's different service channels – branch offices, service outlets, personalised service offered through electronic channels and online self-services – form a unified functional entity. Customers select the service channel they wish and are given the support they require in using the various types of services.*

The number of bank locations remained nearly unchanged, but their functionality was developed substantially. At the end of the year the total number of sites was 692, or one less than a year earlier. The number of service outlets remained unchanged at 34. They are more streamlined than traditional branch offices and are generally located in large shopping centres.

Revamping of the branch offices continued. The fundamental idea behind the branch office upgrade that was started in 2001 is the substantial change in the way customers do their daily banking. The bulk of customers' basic transactions is done electronically and only a small part at branch offices. Expert services have emerged as a key element of the work branch offices do. In the new branch office there is a clear division between daily services, negotiations with customers in privacy and expert services as well as preparatory work for meetings with customers. During the year, 13 new-concept branch offices were opened and the refurbishment of 27 was started. The refurbishments will be carried out stage by stage as the upgrading of branch offices generally becomes a timely issue for the member banks. The new-style branch offices have been very well received. According to customer satisfaction surveys, service has speeded up and improved.

### **The Contact Centre becomes a nationwide service channel**

Set up in 2001, the Contact Centre developed its operations energetically in the report year. The Contact Centre was created by combining the Call Centre that was intended for customers and the Help Desk, which serves the member banks. The background factor was that the migration of retail banking transactions to the online mode brings a corresponding need for personal support. Furthermore, technical support is very similar for both retail customers and bank staff. The banks' active contacts with customers are also on the increase.

The Contact Centre aims to offer, via nationwide service numbers, personal electronic channel-related service for customers and service and sales support for the mem-

ber banks. The Contact Centre's main tasks are to ensure high-quality customer service, reachability and sales beamed at customers – also in the evening and on Saturdays.

At the end of the year, the Call Centre covered a good 80 per cent of the OKO Bank Group's retail customers. A Swedish-language call centre went into operation in the city of Vaasa in 2002. During the report year, the Contact Centre handled a total of about 300 000 customer contacts by phone and via electronic channels. The number of customer contacts is estimated to double in 2003.

The OKO Bank Group's Call Centre received good marks in the Telephone Services 2002 survey that was conducted by the Taloustutkimus research organisation. The survey covered 85 telephone numbers in 10 sectors. The OKO Bank Group's 0100 0500 Call Centre placed fourth and ranked best among the Finnish banks' call services, receiving a school mark of 8.33 on a scale of 1–10.

### Internet use increases

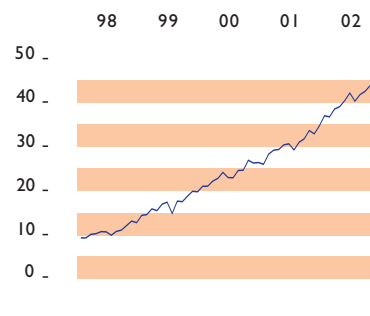
The use of online services increased further during 2002. By the end of the year, already 90 per cent of all of customers' basic banking transactions were handled in the form of electronic self-services. The volume of bills paid via the Internet increased by 48 per cent on the previous year. Nearly half of all the bills of retail customers were paid on the Internet. Only about 8 per cent of all bills were paid at a branch office. At the end of the year, there were a total of about 2.9 million direct debit authorisation contracts, or 8 per cent more than in 2001.

The number of online service contracts grew by 14 per cent to 783 000 during the year. The online service contract was revamped during the report year. The new contract opens up to the customer all the online service channels with the same user ID. The content of the online service was upgraded by adding services and improving their ease of use. New features added in 2002 included altering of a loan repayment schedule and the making of a student loan application online as well as an online gift card by means of which a customer can deposit money in the recipient's account and send a card as a text message, an e-mail or by regular mail. For the purpose of handling small payments, especially on the Internet, the Digicash, digital system for small payments was brought out on the market in the autumn.

The OKO Bank Group's Mainio.net Internet portal was revamped in March. Mainio's services have been made into an integral part of the member banks' communications that are beamed at customers, especially at owner-members. Mainio's content is targeted at subjects that directly support the OKO Bank Group's operations, such as housing, motoring and home money and legal matters. Mainio's number of visitors grew steadily and towards the end of the year the site had more than 120 000 unique visitors every month. A quarter of the visitors are customers of the other bank groups.

### Digital TV and mobile services become a reality

The OKO Bank Group was the first Finnish company to open an interactive service on digital television. By means of the service customers can pay their bills and check the status of their accounts. The service offered on the MTV3 channel has been implemented in accordance with the international MHP standard. The digital TV service is expected to gain share rapidly as an electronic service channel over the next few years in step with the spread of interactive equipment.



Internet payments of all payment transactions, %

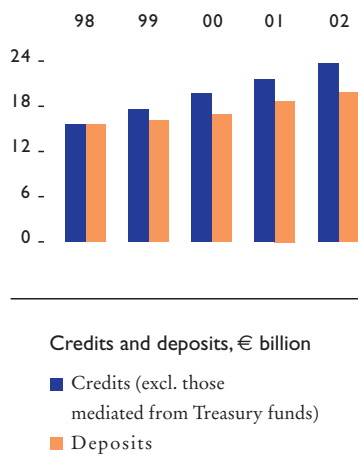
The OKO Bank Group developed the ease of use and palette of mobile-enabled services during 2002. The Group's bank service can now be used with WAP phones also via GPRS, by means of an easy-to-use menu service developed for GSM devices and by using a scaled-down text-based Internet service with a Personal Digital Assistant (PDA). The features of mobile devices have now reached a level supporting fluent use of banking services.

### Increase in total deposits and the credit portfolio

The Finnish banks' aggregate deposits increased by EUR 2.2 billion to EUR 62.2 billion. The OKO Bank Group's total deposits at the end of the year amounted to EUR 19.9 billion, an increase of 6.2 per cent since the end of 2001. The growth in total deposits slowed down in the report year but was still faster than for all the Finnish banks on average. The Group's market share of euro-denominated deposits grew by 0.6 percentage point to 32.7 per cent. The proportion has grown steadily since 1999, when it was 30.2 per cent.

The Finnish banks' aggregate credit portfolio in turn rose to EUR 74.1 billion, up 5.4 billion on the previous year. The growth was driven by the continuing low level of interest rates.

In the report year, EUR 9.5 billion of new loans was drawn down within the OKO Bank Group – more than ever before. This meant that the credit portfolio grew by 11 per cent and was EUR 24.3 billion at the end of the year. The Group's market share of euro-denominated lending was 31.4 per cent. The like-for-like share compared with previous years was 32.5 per cent. The change was due to the fact that OKO Bank's lending to OP-Finance Ltd was dropped from the statistics on total euro credits at the Bank of Finland when OP-Finance Ltd was merged into OKO Bank at the end of 2002.



*The OP-2002 strategy designates asset management services as a central priority for the OKO Bank Group. Within asset management, the Group is seeking substantial growth in market share. The Group wishes to offer customers the best alternative on the market for increasing their wealth. Asset management services encompass deposits, life assurance policies and mutual fund investments.*

### Prioritising asset management


The trend in asset management services was overshadowed during the report year by the uncertainty that dogged the equity market. In a difficult market situation, the OKO Bank Group nevertheless succeeded in strengthening its position within asset management. This called for a strong input into the development of staff skills as well as products and services.

The OKO Bank Group's total fixed-term and continuous high-yield accounts grew by 4 per cent to EUR 7.3 billion. Current accounts grew by 8 per cent to EUR 12.6 billion.

In the spring, the OKO Bank Group brought out on the market a mutual fund account that combines the advantages of a conventional fixed-term deposit and investments in mutual funds. The underlying fixed-term high-yield account of the mutual fund account safeguards the permanence of the capital invested, while the mutual fund investment offers a better return than one can get from a conventional account. The range of insurance products also expanded when the sale of a new completely unit-linked policy was started at the beginning of the year.

Since the spring, customers have been able to make a special agreement concerning savings placed in an account. The agreement can be made for a continuous high-yield





*The OKO Bank Group's asset management services are a coherent and unified whole that offers the best alternative on the market for increasing the customer's wealth and ensuring financial security.*



account, which offers a better rate of interest than is paid on a conventional current account. Customers can now make a long-term savings agreement in which the savings instrument is an account, a mutual fund and an insurance policy.

In the autumn, the OKO Bank Group brought out on the market a discretionary asset management service, OP Private. It comprises investment consultancy and full-mandate asset management services for customers with substantial investment wealth.

### OP mutual funds boost their market share

The growth in mutual fund capital continued in 2002. Aggregate capital in the mutual funds registered in Finland grew during the year by EUR 1.2 billion, or about 9 per cent, to EUR 15.7 billion, according to Helsinki Exchanges. During 2002, a net amount of EUR 3.4 billion was invested in mutual funds registered in Finland, as against EUR 2.4 billion a year earlier. The biggest growth was in short-term fixed-income funds, which registered net sales of EUR 1.6 billion. The net amount invested in equity and balanced funds was EUR 1.1 billion, but due to the fall in the equity markets, the amount of capital in the funds contracted. EUR 0.4 billion was invested in long-term fixed income funds.

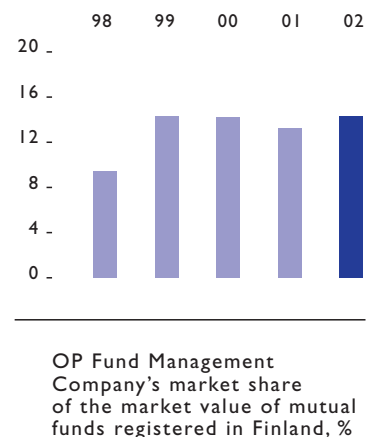
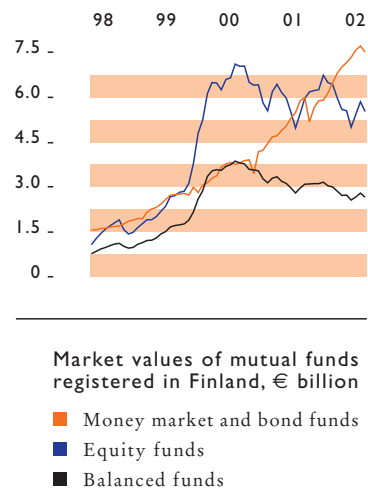
The aggregate capital in the mutual funds managed by the OKO Bank Group grew by EUR 327 million, or about 17 per cent, to EUR 2.3 billion during 2002. A net amount of EUR 637 million was invested in OP mutual funds during the year, compared with EUR 172 million a year earlier. The slide in the equity markets also showed up in the capital invested in OP mutual funds. The negative change in the value of the funds decreased their capital by a total of EUR 290 million. In 2002, the OP mutual funds paid out dividends totalling EUR 19 million.

The OKO Bank Group's market share of the total capital invested in mutual funds that are registered in Finland rose by one percentage point to 14.3 per cent. The market share in money market funds grew by 8.8 percentage points to 13.7 per cent. Market shares within other types of funds fell.

During 2002, four new OP mutual funds were opened. The range of mutual funds that invest in Finland's equity market was expanded by adding two new funds. The OP Focus special mutual fund seeks to achieve a high return over the long term by focusing its investments on a limited number of primarily Finnish companies. The OP Finland Growth fund in turn diversifies its assets by investing mainly in small and medium-sized companies that are listed on Helsinki Exchanges. The range of equity mutual funds that invest in the global markets was expanded by adding the OP China special mutual fund that runs a diversified portfolio, with investments primarily in companies operating in the People's Republic of China, Taiwan and Hong Kong.

The OP Cash Manager mutual fund that started up at the beginning of September is a short-term fixed-income fund that invests its assets in euro-denominated short-term fixed-income instruments. The fund is well suited to companies as a cash management tool, and it offers a competitive alternative to bank deposits and money market investments. Following its launch, the fund grew rapidly and its capital at the end of the year totalled EUR 276 million.

The statutes and investment policy of the Opstock Global Balanced mutual fund were revised as from 14 October 2002. The name of the fund was changed to the OP Sustainable Development mutual fund. OP Sustainable Development is an equity fund



that invests in the eurozone, its portfolio consisting of companies that have a good record of managing social, economic and environmental affairs.

### Insurance business outpaces the market

During the report year the instability in the equity markets also hampered life and pension insurance operations. Plummeting equity prices burdened the result of operations and in particular slowed down sales of unit-linked policies.

The long period of growth in premiums written in the entire life assurance industry headed downward in 2001. In the first part of 2002, the volume of premiums written swung upwards again, but the growth petered out towards the end of the year. Full-year growth was 2.1 per cent and premiums written totalled EUR 3.3 billion. The bulk of the premium income consisted of savings-type insurance policies that have been written in recent years. The popularity of pension policies grew substantially in 2002. Over 85 000 new pension insurance policies were sold.

The growth in the OKO Bank Group's life assurance business outpaced the market. Premiums written increased by 16 per cent on the previous year, to EUR 493 million. The Group's market share of premiums written in life and pension insurance grew by 1.7 percentage point to 15.1 per cent. Premiums written in unit-linked life assurance were up 29 per cent and in unit-linked pension insurance the corresponding increase was 22 per cent. All in all, premium income from unit-linked policies increased from EUR 70 million to EUR 86 million, accounting for 17.5 per cent of total premiums written.

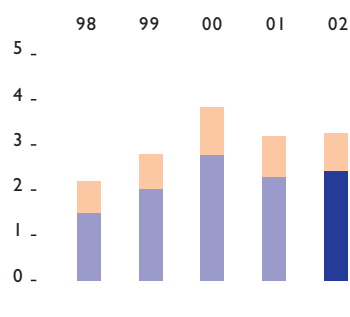
The number of insurance policies grew by about 29 per cent to more than 144 000, about 37 000 of which were pension policies. Sales of these grew substantially: the number of new policies rose to over 11 600. In 2001 about 6 000 new pension policies were sold.

The increase in sales of pension policies brought a markedly greater increase in premiums written compared with previous years. Premium income from traditional pension insurance was up 14 per cent to EUR 25 million and premiums written in unit-linked pension insurance rose by 22 per cent to EUR 17 million.

At the close of the year, the OKO Bank Group had EUR 1.8 billion of life and pension insurance savings, an increase of 19 per cent on the figure a year earlier. Life assurance savings increased by 18 per cent and pension insurance savings by 28 per cent. Unit-linked policies accounted for 17 per cent of insurance savings. A year earlier it was 20 per cent.

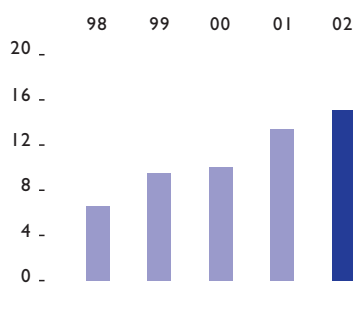
### Insurance companies team up

Sales co-operation among the OKO Bank Group, the Fennia Group and the Lähivakuutus Group (Local Insurance Group) got under way in autumn 2002 in accordance with a previously made agreement. The OKO Bank Group began selling Kultaturva (Gold Security) non-life policies that are produced by Fennia and the Local Insurance Group and offered under the OKO Bank Group brand and it brokered Pension-Fennia's statutory employees' (TEL) and self-employed persons' (YEL) insurance policies. The Local Insurance Group in turn began selling the insurance policies of Aurum Life Assurance Company. The partners' products round out the OKO Bank Group's own product palette very appropriately. The Group's customers can handle all their finance and insurance matters via a single channel.



Premium income from non-statutory life and pension assurance in Finland, € billion

■ Pension assurance  
■ Life assurance



Aurum's market share of the premium income from non-statutory life and pension assurance in Finland, %

*The OP-2002 Strategy states that housing finance and services connected with residential living and the brokerage of apartments, homes and real estate are a central area of operations for the OKO Bank Group. The Group is a forerunner in developing housing services and it combines the competitive edge brought by high-quality housing service with competitive pricing throughout the country.*

## A pioneer in housing services

The home real-estate market was buoyed up all year long by the prevailing low interest rates, the pronounced population shift and consumers' confidence in their own finances. Demand for housing loans was especially brisk. Households drew down EUR 10.4 billion in new loans during the year. The busiest months were May and October. In May a record volume of new housing loans was drawn down, topping the billion euro mark. The Finnish banks' portfolio of housing loans thus grew to over 30 billion euros in 2002.

### Biggest provider of housing loans

The OKO Bank Group's housing loan portfolio grew by 15 per cent to EUR 10.7 billion during the report year. The Group's market share of the deposit banks' total housing loans grew by 0.5 percentage point to 34.8 per cent during the year. Customers favoured floating-rate loans but towards the end of the year, as interest rates fell further, there was also a budding interest in fixed interest rate periods. During the year, the average interest rate on new housing loans fell from 4.58 to 4.15 per cent.

OKO Bank Group Mortgage Bank plc, the OKO Bank Group's mortgage credit bank, has granted housing loans to retail customers and institutions from the beginning of 2001. During the report year, the Bank's housing loan portfolio increased by 79 per cent and totalled EUR 74 million at the end of 2002. By the end of the year, the Bank had issued EUR 47 million of OP Housing bonds.

### Real-estate operations expand

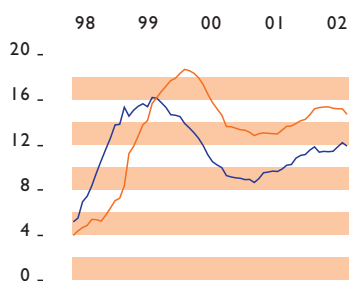
In 2002, the OP-Kiinteistökeskus estate agents acted as brokers in a total of nearly 11 400 home purchases, an increase of 10 per cent on 2001. The low level of interest rates led, above all, to burgeoning demand amongst young people purchasing their first home and tenants who became home-owners. Housing prices kept rising in 2002. The rise throughout the country was on average about 8 per cent, but it was roughly 10 per cent in the Greater Helsinki area. The rise is expected to even out in the current year.

The OP-Kiinteistökeskus estate agents registered the fastest growth, for the second year running, of all the nationally operating estate agents, as measured in terms of both sales and the service network. During the year, the network of OP-Kiinteistökeskus locations expanded by 14 new offices and service outlets. The prevailing low level of interest rates as well as home purchasers' good purchasing power will keep the housing market buoyant in 2003 as well.

### New Housing Services

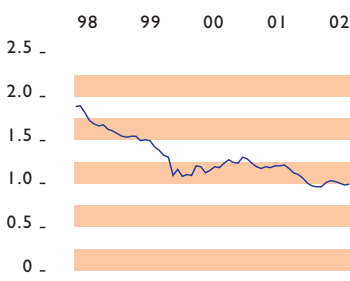
The Housing Services offered by the member cooperative banks, the OP-Kiinteistökeskus estate agents and the OKO Bank Group Central Cooperative form a versatile package covering all home finance needs. During the year the Housing Services were expanded by adding a facility for long-term saving in conjunction with loan repayments as well as Kultaturva home insurance. The online Housing Service introduced an application form for making a change in a loan repayment schedule as an Internet banking service as well as the possibility of receiving pictures and other information on homes for sale – directly to the customer's mobile phone.

As part of its centennial events, the OKO Bank Group enhanced its presence at



The banks' housing loan stock in Finland, 12-month change, %

- OKO Bank Group
- Other banks total



The banks' interest rate margin on housing loans, %

Difference between average rate on new lending and 12-month euribor

the Kotka nationwide Home Owners' Fair by participating with its own fair exhibition. This was a duplex home that requires only a small down payment and can be rounded out and expanded as the family grows. The exhibition received a great deal of positive publicity and praise from the public. As part of the fair programme, the OKO Bank Group arranged a housing policy seminar. In addition, the Group participated with its own stand at the national Holiday Home Fair in Savonlinna.

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*According to the OP-2002 strategy, the OKO Bank Group is developing for its customers the best banking services and brokered insurance services on the market – services that are customised to meet the needs of their daily financial transactions. The Group's card is being developed into a key and tool for online payments and to it will be added the most versatile new consumer-credit card, loan and account services on the market.*

### **The best services for daily money matters**

Households' current and payment transfer account deposits totalled EUR 9.5 billion at the end of the report year, up nearly 8 per cent since the end of 2001.

At the end of 2002, 1.9 million debit and credit cards had been issued to customers of the OKO Bank Group. The total number of cards remained fairly unchanged but the outstanding cards changed considerably in structure. At the end of the year, payment-enabled cards already accounted for 84 per cent of cards outstanding, as against 76 per cent a year earlier. The proportion of internationally accepted cards rose during the year from 32 per cent to 40 per cent of the cards outstanding. The volume of payments made by card increased by 30 per cent on the previous year. The volume of cash withdrawals, however, remained at the previous level. The volume of payments made by card was nearly 70 per cent greater than the volume of cash withdrawals by card.

At the end of the report year the Group had 669 payment ATMs, the same number as a year earlier. OKO Bank Group customers were also able to use Sampo Bank's 293 payment ATMs. The volume of bills paid at payment ATMs during the report year was 9 per cent smaller than a year ago. With the fast-increasing use of the Internet, payment ATMs will be used less. The number of Internet customer terminals at the OKO Bank Group's self-service outlets or in other public facilities grew from 490 to 552.

At the end of the year, Automatia Pankkiautomaatit Oy, which is jointly owned by the OKO Bank Group, Nordea and Sampo Bank had 1 812 Otto. cash dispensers.

In spring 2002 the OKO Bank Group and the Population Register Centre launched a project for adding a citizens' digital certification to the OKO Bank Group debit card. Customers will probably be able to request a card of this type right from autumn 2003. The citizen certificate enables wide use of all banking services and also the making of legally binding agreements from one's own computer without visiting a branch office. The card can also be used for the services of other service providers, such as the authorities, wherever the citizen certificate is accepted. During 2002 capabilities were put in place for starting the large-scale production of chip-enabled cards according to the standards for the EMV cards, i.e. MasterCard and Visa, in spring 2003.

### **Consumer credits on the increase**

The OKO Bank Group's total consumer credits grew by 7.4 per cent to EUR 1.8 billion. The use of card credits increased further. Their proportion of the Group's total consumer lending rose to 12 per cent.

Online services connected with consumer credit were developed further. Cash withdrawals with a Gold Card Credit Facility became possible at Otto. cash dispensers from the start of the year. Sales of combined bank card MasterCards to customers were

*The OKO Bank Group is a forerunner in developing housing services and it combines the competitive edge brought by high-quality housing services with competitive pricing throughout the country.*







started at the member banks during the first quarter. All year long, customers who have made an online banking contract with the member banks have been able to make online applications for a Gold Card Credit Facility and a MasterCard Credit Facility as well as an increase in their overdraft, and they have received a preliminary credit decision in real time. The OKO Bank Group was the first bank in Finland to offer this service to its customers.

Co-operation with retail and service branch chains was increased. In the early autumn, an Expert MasterCard was brought out on the market. It can be used as a means of payment at Expert home appliance stores as well as at 28 million MasterCard sales outlets around the world and it can be used to make cash withdrawals at all the Otto. cash dispensers in Finland as well as at cash dispensers and banks abroad.

### **Euro banknotes and coins**

Finland and 11 other EU countries changed over to euro banknotes and coins as from the beginning of 2002. The euro had been in use as a currency of account since the beginning of 1999.

The euro-related modifications to information systems were completed according to plans and were put into operation without a hitch. The delivery of euro banknotes and coins to the banks and then on to companies as well as the taking of markka banknotes and coins out of circulation were accomplished without much of a rush.

All things considered, the changeover to euro cash went quite smoothly. The changeover did not cause problems at banks and companies, and citizens too took the new euro cash in stride. Now the new banknotes and coins that have been in use for a year have already become an ordinary daily means of payment.

### **Enhanced corporate customer services**

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*The OP-2002 strategy states that the OKO Bank Group's market position will be boosted, especially amongst small and medium-sized companies, in all the subareas of corporate banking. The Group will grow faster than the market average also as a provider of services for managing the payment transfers and liquidity of companies and institutions, and as an arranger of financing for large and medium-sized customers in the capital markets.*

The OKO Bank Group's corporate credit portfolio at the end of the year amounted to EUR 6.3 billion, an increase of 14 per cent since the end of 2001. EUR 3.3 billion in new loans was drawn down, an increase of 4.5 per cent on the figure a year earlier. The Group's market share of the deposit banks' euro-denominated total corporate credits was 26.4 per cent at the end of the report year. A year earlier the share was 25.7 per cent.

The euro-denominated deposits of corporate customers amounted to EUR 2.5 billion. At the end of 2001 they totalled EUR 2.3 billion.

### **The OKO Bank Group has a positive corporate image**

The number of companies who used a member bank of the OKO Bank Group as their primary bank was about 75 000 at the end of the year, and there were just over 43 000 self-employed customers. During the year, the Group brought in nearly 1 000 new SME customers. In nationwide surveys of SMEs, 37 per cent of the companies stated that they used a member bank of the Group as their primary bank for financing. On this yardstick, the OKO Bank Group was one of the two largest banks in Finland that serve small and medium-sized enterprises.

Again this report year, companies had a very positive image of the OKO Bank Group. According to a nationwide survey of SMEs, the member banks and OKO Bank had the best general perception and service image. The survey examined six bank groups.

Compared with the other bank groups, the OKO Bank Group received from small and medium-sized enterprises better marks for reliability, expertise and business success. The corporate customers of the OKO Bank Group were more satisfied with their bank than our main competitors' customers were with their own bank. The Group's corporate customers were likewise substantially more reluctant to change their bank than were the customers of the main competitor banks.

### **Payment transactions – a growth area**

In the markets, the OKO Bank Group's competitiveness as a reliable and knowledgeable handler of payment transfers has strengthened further. The volume of domestic payment transfer transactions increased by 10 per cent since 2001. A total of 257 million domestic payment transfer transactions was handled in 2002.

During the report year, the Finnish Ministry of Finance chose OKO Bank as one of the intermediary banks for Finnish Government payment transfers. OKO Bank began handling the state's payment transactions at the beginning of September. This means that OKO Bank will receive a substantial portion of the incoming payment transfers, thereby improving further the OKO Bank Group's possibilities of strengthening its market position as a provider of services for managing the payment transfers of municipalities and other public-sector entities. Competitive services have also made possible the rapid growth in the volume and market share of foreign payment transfers. The volume increased by 18 per cent compared with 2001.

### **New cash management service**

The OKO Bank Group Central Cooperative and the member banks continued their development work in support of corporate customers' operations. Self-service direct debit authorisations and direct notifications for presenting online bills was introduced within the Internet banking service. By means of the service the invoicer can send a payment proposal, including an itemised invoice, directly to the payer.

A cash management service was also developed for online services during the year. It is suited to large corporations and public sector entities as a tool for liquidity management and to small companies as a banking service for handling payment transfers. The service enables the company to track such things as account balances and transactions, to make domestic payments and express transfers and to manage the enterprise's cash pool. Via the Internet banking service, payments can now also be made abroad. The service is excellently suited, for example, to a small company that has payments abroad now and then.

With the start-up of co-operation between the Fennia Group, the Local Insurance Group and the OKO Bank Group during the report year, customers can now negotiate on their insurance and banking service needs through a wider customer service network.

In co-operation with the Expert chain, the OKO Bank Group brought out on the market a new retail credit solution: the Expert MasterCard loyal customer credit card.

### **European co-operation**

OKO Bank has been a member of the Unico Banking Group, the co-operation group of the European cooperative banks, for over 25 years. In 2002, the Unico Banking Group again comprised six full members and two associate members which are the central

A close-up photograph of a woman with dark hair pulled back, wearing a white turtleneck sweater. She is smiling and looking down and to the right. The background is a blurred city skyline with tall buildings under a blue sky. The overall tone is professional and positive.

*The OKO Bank Group's Corporate Banking operations are based on knowing the business and needs of customers and their stakeholders, enduring customer relationships, know-how and service-mindedness.*



banks of prominent retail banking groups in their home countries. These banking groups had aggregate total assets in 2001 of over EUR 2 090 billion. The banks employed more than 430 000 people and had over 36 000 branch offices.

The functions of some of the Unico banks underwent an essential change last year. The focus of co-operation in 2002 was again on the development of payment transfer, cash management and international capital market and financing services and on offering these to companies. In addition, OKO Bank has endeavoured in particular to develop payment transfer services in Russia together with RZB. The UniCash cash management service was expanded in 2003 to Portugal, Sweden and Denmark and via RZB's overseas branch office network to Bulgaria, Croatia, Poland, the Czech Republic, Slovakia, Hungary, Ukraine and Russia. The Internet-based vehicle leasing service was expanded to cover additional countries in Europe.

In the summer OKO Bank signed a co-operation agreement with Hansapank concerning payment transfer and banking services that are to be offered in the Baltic countries. Thanks to the co-operation, the payment transfers of OKO Bank and the member cooperative banks between Finland and the Baltic countries have speeded up and financing services have expanded significantly in the Baltic area.

It was decided in January 2003 to wind up OKO Bank's Stockholm branch office by the end of June 2003. OKO Bank has made an agreement on co-operation with Sweden's FöreningsSparbanken (Swedbank), which in future will offer services in Sweden to the OKO Bank Group's corporate customers.

### **A solid position in agriculture and forestry**

The OKO Bank Group has a solid position as a bank serving the agriculture and forestry sector. The Group's market share of the gross income received by farmers and rural entrepreneurs – and of the bank loans granted to them – is over 60 per cent. The corresponding proportion of the income received from forest owners' timber sales is nearly 60 per cent.

In the agricultural sector, an increase in generation changeovers combined with larger production units maintained increasing demand for loans during the report year. Part of the financing for these investment projects was handled with government or interest-subsidised loans. Shorter term loans were also needed for machinery investments and to finance working capital. The Group's entire credit portfolio for agriculture and forestry customers grew by about 6 per cent and totalled EUR 2.3 billion at the end of the year. On the basis of a survey conducted towards the end of the year, demand for loans is expected to remain brisk in 2003 as well.

The Group continued the development of banking services for farm and forestry customers with the aim of taking into account the rapid structural change that has taken place in agriculture and the diversification of farm-economy entrepreneurial activities. Customers' varying needs have also been taken into consideration in the different service channels by creating both branch office-based and online banking services. During the report year, as part of the Pro Maaseutu (Pro Rural) competition, the OKO Bank Group together with the agricultural producer organisations MTK and SLC as well as the Central Organisation of Finnish Trade Unions SAK, rewarded about 80 exemplary developers of rural vitality around the country.

*The OP-2002 strategy states that responsibility is the mainstay of the OKO Bank Group's ethical principles. An important focus of operations is responsibility for the environment and the individual, and responsibility for society as a whole and its development is an essential part of the Group's fundamental values.*

## **Highlighting social responsibility**

Ethics and social responsibility are a prominent feature of the OKO Bank Group's products and operations at a number of levels. Separate function- and bank-specific ethical principles and guidelines have been defined for part of the member banks as well as for the functions and subsidiaries of the OKO Bank Group Central Cooperative. The bank does not finance unrealistic projects and it makes sure that the customer understands the risks connected with his or her investment and financing decisions.

Through their own choices, customers can also support sustainable development by investing their funds, for example, in the OP Sustainable Development mutual fund, which the OKO Bank Group brought out on the market in autumn 2002.

The objective of sustainable development is also reflected in the Group's own choices. In spring, the Central Cooperative signed a membership commitment with the Finnish Business & Society network. The Society seeks to create a beneficial partnership between companies, the public sector and civic organisations with the aim of achieving socially and economically sustainable development. Together with European partners, the network is committed to promoting corporate social responsibility at both national and international level. In the autumn, the Central Cooperative concluded a Green Office co-operation agreement with the World Wildlife Foundation (WWF) for the purpose of furthering the cost-effectiveness and ecological responsibility of offices.

## **A wide spectrum of joint operations**

The member cooperative banks are locally owned and managed. In the last analysis, their success depends on the prosperity of the area in which they operate. It is therefore natural that the member banks are engaged in wide co-operation with companies, organisations and institutions in their own region. The member banks also have a great importance as taxpayers. In 2002 the entire Group paid direct taxes totalling EUR 76 million, and many a member bank was among the biggest taxpayers in its locality.

As the largest bank of wage and salary-earners, the OKO Bank Group carries out extensive co-operation with wage-earners' organisations. The Group's Wage and Salary Earners' Advisory Committee has representatives from the Confederation of Unions for Academic Professions in Finland, the Central Organisation of Finnish Trade Unions (SAK), the Finnish Confederation of Salaried Employees and their main member associations. During the report year, the co-operation agreement between SAK and the OKO Bank Group was revised and the new version was signed in January 2003.

The cooperative banks and the federations of cooperative banks are important supporters of cultural and leisure activities in their own territory. In 2002, the Group spent a total of about EUR 3.6 million on awards, donations and sponsorship. In honour of their centennial year the member banks donated 350 computers, including telecommunications connections, to municipal libraries. The total value of the donation was just over 700 000 euros.

Culture and charity are the main focuses of national sponsorship. In 2002, the Central Cooperative sponsored the Seinäjoki Tango Market, the Kuhmo Chamber Music Festival, the Savonlinna Opera Festival, the Helsinki Festival Weeks and the Labour Movement Music Event in Valkeakoski.

OKO Bank's sponsorship activities are also centred on culture. Via its Art Foundation it supports young artists in particular. The Foundation owns a collection of valuable string instruments, which are lent to talented young musicians. The pearl of the collection, a Stradivarius dating from 1702, was lent out during 2002 to violinist Pietari Inkinen for three years. The Foundation's collections also contain more than a thousand art works: paintings, sculptures and graphics. The Foundation adds works by Finnish contemporary artists to its collection each year. During the centennial year, two exhibitions were put together from the collection.

The OKO Bank Group supports young people's leisure and amateur activities via the Youth Academy. The Group is the Youth Academy's main partner in co-operation. The Youth Academy is a co-operation body for organisations that work with young people.

In 2002, the member banks participated in a number of ways in activities at schools and educational institutions as well as in youth events. In addition, the banks have offered summer jobs to a large number of young people either at a bank or in general welfare tasks funded by a bank, typically, care and cleaning jobs. The Group offered a summer job to a total of about 700 young people in 2002.

The OKO Bank Group Research Foundation and the Kyösti Haataja Foundation have in recent years granted an annual total of about 170 000 euros in grants for scientific research. The grants made by the Research Foundation are intended mainly for research dealing with the banking industry and the financial markets. The Foundation's other activities include an annual award for the best doctoral dissertation and arranging a Theme Day on a timely subject. In honour of the Group's centennial year, the Research Foundation carried out a separate research programme for which four research projects were selected. The Foundation has supported these projects with grants totalling one million euros.

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*The OKO Bank Group's risk management is based on the professional skill and prudence of business decision-makers and risk management experts, and furthermore on the systematic monitoring, assessment and limiting of risks. The most important objective of risk management is to prevent uncontrolled risks from arising, so that they do not jeopardise the capital adequacy of an individual member bank or the entire Group.*

## **Risk management**

In accordance with the OP 2002 Business Strategy, the strengthening of market positions will take place under all conditions in conformity with the Group's risk management instructions.

The OKO Bank Group Central Cooperative is in charge of managing the OKO Bank Group's risks at the Group level and for the adequacy and upgrading of the Group's risk management systems. The Central Cooperative issues to its member banks instructions to safeguard their risk management and it monitors the member banks' operations. Each institution nevertheless is responsible itself for seeing to it that it has risk management systems that are adequate in respect of the nature of its operations and risk-taking and that there are sufficient internal controls.

The Group's member banks and the other institutions belonging to the Group have organised their risk management in the manner required by the nature and extent of their business operations. The member banks' executive boards make the decisions concerning risk management and organisation of this function. The Central Cooperative has issued the member banks model guidelines on arranging risk management.

The Central Cooperative's Supervisory Board has set risk limits for the Group's risk-bearing ability and profitability as well as for credit, market and real-estate risks.

Within the framework of this Group level risk limit system, the Central Cooperative's Executive Board has set for the risk-bearing ability, profitability and various types of risks of the member banks and the other institutions belonging to the Group, monitoring limits which they must not exceed in their operations and on the basis of which they confirm their own risk limits. The extent of the benchmarks and their development needs are reviewed regularly as part of the Group's strategy process.

### **Risk-bearing ability and risk types**

The Group's risk-bearing ability is strong. At the end of 2002 the Group's capital adequacy ratio was 15.2 per cent (15.1), whereas the statutory minimum level is 8 per cent. Thanks to good profitability, the Group's own funds again grew faster in 2002 than did its risk-weighted commitments.

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. Because credit risks are the biggest source of risks for retail banking, the Group pays particular attention to developing the way the member banks manage and monitor them. Local and thorough business knowledge is the starting point for the management of credit risks and it is an especial strength of the Group's member banks. Lending takes place primarily on the basis of the customer's sufficient and verified debt servicing ability. The tools used in assessing customers' debt servicing ability and credit risk are solvency calculations, financial statement analyses, company studies, qualified opinions and a risk rating.


The Group's total corporate credits at the end of the year amounted to EUR 6.5 billion (5.7). Lending was diversified across both sectors and customer entities. At the end of the year the Group had EUR 166 million of non-performing claims (181) and EUR 8 million of zero-interest claims (11). The ratio of non-performing and zero-interest claims to the credit portfolio and other claims equivalent to lending plus off-balance sheet commitments was 0.6 per cent at the end of the year.

On the basis of the small amount of non-performing and other problem claims as well as studies carried out when insuring the credit portfolio and, furthermore, gauging by the results of risk surveys, the Group's credit risk situation can be judged to be stable.

The central task of **market risk** management is to identify and analyse the market risks inherent in the Group's operations, to limit them to an acceptable level and to report market risks regularly and efficiently. This ensures that changes in market prices or other external market factors do not lead to a long-term weakening in profitability or capital adequacy in an individual unit belonging to the Group or within the Group as a whole.

At each of the Group's institutions engaged in banking operations, the executive board has confirmed a written description of the asset and liability management system. It defines the products and market instruments to be used, the extent of operations conducted in foreign currency, the principles underlying funding and investment activities, the market risk benchmarks and limits that are employed as well as the organisation of the bank's asset and liability management.



A hand is shown using a key to unlock a door handle. A bright, glowing light emanates from the keyhole, illuminating the surrounding area. The background is a mix of blue and orange hues, suggesting a sunset or sunrise. The text is centered in the upper half of the image.

*The OKO Bank Group will maintain the kind of profitability and capital adequacy which makes possible the growth of operations and cover the expected and unforeseeable risks which its operations involve.*



**Funding risk** refers to the unit's own ability to meet its payment obligations. Funding risk arises when investment and funding fall due at different times or if funding is excessively concentrated. Liquidity risk is included in funding risk.

During 2002 the growth in deposit funding did not suffice to cover the Group's strong increase in lending. Deposits nevertheless continued to represent a high proportion of funding. The value of the risk limit benchmark for funding risk weakened by about 2.9 percentage points. The change was relatively even and the benchmark's value was markedly above the risk limit throughout the year.

**Interest rate risk** refers to the effect of movements in interest rates on the bank's earnings and on the market value of its risk exposure. Interest rate risk arises from the differing interest rate maturities applied to receivables and liabilities or to the timing of interest rate reprising.

At the end of 2002 the Group's interest rate risk measured in terms of the effect of a 0.5 percentage point rise in interest rates was EUR 30.4 million (20.0). The Group's interest rate risk can be considered moderate, but the lowering in the interest rate level in the latter months of the year weakened the trend in net income from financial operations.

**Equity risk** refers to the risk of a change in earnings and market value caused by changes in the market price of publicly quoted shares and other similar instruments.

The publicly quoted shares and mutual fund units included in the Group's risk limit benchmark for equity risk had a market value at the end of the year of 58 million (140), which was 1.8 per cent of the Group's own funds (4.7). The equity risk was reduced in particular by the sale of the shares in Pohjola Group plc that were held by the Central Cooperative and OKO Bank.

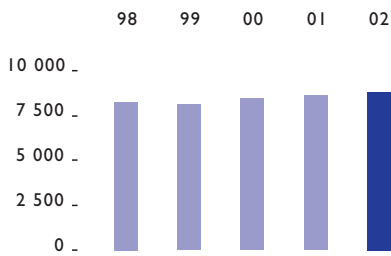
The objective of managing **real-estate risks** is to minimise the risk of value depreciation, yield and damage risk connected with real-estate or shares and participations in property management companies.

The Group's capital invested in real estate and real-estate investment companies was EUR 1.4 billion, a decrease of 2.9 per cent on the figure a year earlier. This capital in relation to total assets was 4.4 per cent (4.7), or 1.6 percentage points smaller than the Group's risk limit for the real-estate risk benchmark.

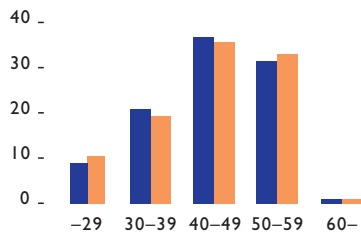
Managing **operational risks** involves actions to reduce the probability of losses that are attributable to personnel, operational processes on systems, or external factors. The member banks overhauled their internal guidelines for the management of operational risks in 2002. In accordance with the Group's structure and division of labour the OKO Bank Group Central Cooperative occupies a central position, especially in respect of risks connected with the centralised provision of services and operation of the information systems.

The OKO Bank Group's risk management is discussed in greater detail in the Financial Statements, which are annexed to this publication.

# Personnel

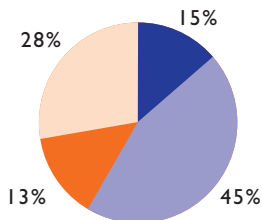


OKO Bank Group's staff (Dec. 31)



Staff by age groups, %

■ 2001  
■ 2002



Staff's education, Dec. 31, 2002

■ University degree  
■ Upper intermediate grade  
■ Lower intermediate grade  
■ No professional education

## Larger headcount

The OKO Bank Group's payroll at the end of 2002 was 8 937 employees. At the end of the previous year the number of employees was 8 802, the increase being 1.5 per cent. The member cooperative banks employed 6 588 people and the OKO Bank Group Central Cooperative including Okopankki 2 315 people. At the end of the year, permanent staff made up 93 per cent of the personnel and full-time employees 95 per cent.

The basic educational level of the OKO Bank Group's personnel has remained about the same as in 2001. About 15 per cent held a university or college degree and 57 per cent had a post-secondary degree. 73 per cent of the staff work in customer service positions. The Group has a very experienced staff: the average time in employment at the end of the year was 18.9 years and the average age was 44.7 years. The average time in employment in the previous year was 18.8 years and the average age was 44.6 years. Nearly 80 per cent of the personnel are women.

626 new employees were hired, 53 per cent of whom were permanently employed. About 78 per cent of the new employees went into customer service positions. The average age of the new hires was 32.1 years. Of them, 14.5 per cent had graduated from a college or university and 48 per cent held a post-secondary degree.

## A workplace that rewards accomplishment

A central factor of the OKO Bank Group's success is the staff's job motivation and commitment. The leadership tool which is applied throughout the Group is a set of benchmarks of success that are derived from the Balanced Scorecard model. This is a framework for setting targets and defining important actions for three key areas: customer performance, financial performance and internal performance - i.e. operational performance and intellectual capital. The carrying out of a personnel survey is a firmly established way of developing internal performance. Over half of the personnel participate in the survey. The development that is done on the basis of its results is an important part of the development of job well-being across the entire Group. A frame of reference and the principles underlying the job well-being programme were drafted during the year in order to strengthen internal performance.

The OKO Bank Group's personnel have the possibility of receiving profit-based bonuses and other incentives. In 2002, the Group paid profit-related bonuses of EUR 10 million to a total of 6 500 people. An objective that was written into the OP-2002 strategy that was adopted in summer 2002 is to get the entire personnel covered by goal-oriented reward schemes.

The Summer Festivities for the Group's personnel were held in the city of Turku as part of the Group's centennial festivities. Over 4 000 Group staff took part in the numerous events. Centennial festivity events for pensioners were arranged in the city of Mikkeli towards the end of August.

## Know-how spawns success

The OKO Bank Group has built up banking expertise stemming from a hundred years of experience. Future know-how will be built on this solid foundation by managing know-how in line with the Group's strategy and by formulating personal development plans as part of performance appraisal discussions.

In 2002, priority areas for strengthening the personnel's know-how were long-term saving and insurance sales as well as customer relationship management and overseeing the performance of the new service channels.

The OP Academy offers training and online study programmes tailored to the needs of the OKO Bank Group. The training is implemented in the form of co-operation between internal experts and external training partners in a number of localities. In 2002, the range of training offered by the OP Academy was made more versatile and it is now available in a greater number of localities. The number of person-training-days grew to more than 34 000, an increase of 15 per cent on 2001.

A year-long course of studies aiming at developing customer relationship and management skills and leading to an OP Academy diploma was started by 499 managers and salaried employees. An investment industry diploma that is certified by the Finnish Association of Securities Dealers was completed by 251 OKO Bank Group employees. By the end of 2002, an eMBA degree that is tailored to the needs of the Group had been completed by 22 persons, with 66 managers and experts working on the same degree during the year.

Apart from the training offered by the OP Academy, external training and the member banks' own development actions are used in building the staff's skills. In 2002, the OKO Bank Group spent 3.4 per cent of its payroll total on training. In the previous year, the proportion was 3.5 per cent. The decrease was due to the fact that the Group made a larger use of internal training.

During the 2002 centennial year, 50 OKO Bank Group employees received merit cash awards from the Counsellor of Education Viljo L. Seppälä Foundation in recognition of their exemplary self-development. Merit cash awards were made for long-term vocational studies that expand or amplify know-how and had been successfully completed on the job.



# Result of the OKO Bank Group

## Result of operations and financial position

### Income and expenses

The OKO Bank Group's net income from financial operations totalled EUR 857 million (875)<sup>1</sup>, down 2.1 per cent on the previous year. The decline was due to the fall in the level of interest rates and the narrowing in customer margins. The effect of these factors was offset by the growth in the credit portfolio and total deposits as well as equity capital.

The Group's other operating income amounted to EUR 459 million (481), or 4.6 per cent less than a year earlier. The contraction in income was due to the decrease in dividend income as well as to a decline in net income from trading in equities. Stripping out these effects of equity investments, other income would have grown by 0.8 per cent.

The Group's total expenses increased by 7.3 per cent to EUR 805 million (750). Commission expenses grew by 12 per cent to EUR 47 million (42), which was due mainly to the expenses resulting from the changeover to euro banknotes and coins as well as the costs of cash services. Comparable staff costs increased by 8 per cent to EUR 354 million (315) and other administrative expenses by 8.2 per cent to EUR 201 million.

Depreciation according to plan amounted to EUR 61 million (58), increasing by 6.0 per cent on the figure a year earlier. By contrast, write-downs diminished by 29 per cent to EUR 13 million (18). Interests in the profits or losses of the companies consolidated according to the equity method amounted to a loss of EUR 38 million (a loss of EUR 2 million in 2001). The equity interest consolidated for Aurum Life Assurance Company was EUR 39 million negative (1). Owing to the sharp fall in share prices, Aurum recorded a total of 69 million euros of write-downs on its equity and mutual fund investments during the report year.

The net amount of loan and guarantee losses remained at a low level, though they did increase by 7.3 per cent to EUR 13 million (12). The gross amount of new credit losses booked was EUR 41 million (48). Gross loan losses amounted to 0.13 per cent of the aggregate amount of the credit portfolio and commitments equivalent to lending at the end of the year (0.17). Non-performing claims amounted to EUR 166 million at the end of the year (181), or 8.6 per cent less than a year earlier. The amount of zero-interest claims contracted by 23 per cent to EUR 8 million (11).

### Operating profit

The OKO Bank Group's operating profit diminished by 8.9 per cent to EUR 459 million (504). The change is attributable to four main factors. The first was that owing to the fall in share prices the result of life and pension insurance operations was EUR 40 million

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<sup>1</sup> The comparison figure for 2001 is given in brackets. For profit and loss account and other aggregated figures, the point of comparison is the figure for January-December 2001. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (December 31, 2001).

weaker than a year earlier. Second, other equity investments contributed EUR 61 million more to earnings than in 2001. Third, expenses increased by EUR 55 million on the previous year, of which EUR 13 million was attributable to the reversal on a special liability that was obtained from the OKO Bank Group Pension Foundation. The fourth factor was the decrease in net income from financial operations of EUR 18 million.

The Group's profitability was strong. The return on assets (ROA) was 1.11 per cent (1.28) and the return on equity (ROE) was 11.9 per cent (14.6). The expenses/income ratio was 61 per cent (55).

### **Balance sheet and capital adequacy**

Total assets grew by 5.3 per cent during the financial year, rising to EUR 31.6 billion (30.0). Claims on the public and public sector entities were up 11 per cent to EUR 24.3 billion. The credit portfolio grew faster than a year earlier and more than the average credit portfolio of all the Finnish banks. The credit portfolio accounted for 77 per cent of total assets (73).

Liabilities to the public and public sector entities grew by 6.2 per cent to EUR 21.4 billion (20.1). Deposits made up 63 per cent of the balance sheet total, on a par with the figure a year earlier.

Equity capital grew by 13 per cent to EUR 3.0 billion (2.7). Equity capital was increased by the EUR 342 million net profit for the financial year and an increase in cooperative capital investments of EUR 74 million.

Capital adequacy ratio at the end of the year was 15.2 per cent (15.1). The amount of own funds grew by 9.6 per cent to EUR 3.2 billion (3.0) and risk-weighted claims, investments and off-balance sheet commitments were up 9.0 per cent to EUR 21.3 billion (19.5). Tier I own funds totalled EUR 2.9 billion (2.5). Capital adequacy as calculated with Tier I own funds rose by 0.6 percentage point to 13.6 per cent.

### **OKO Bank Group companies in 2002**

*The member cooperative banks'* aggregate operating profit was EUR 336 million (375), down 10 per cent on 2001. During the report year 241 member cooperative banks reported an operating profit. Two member banks reported an operating loss of EUR 0.3 million in total amount.

Aggregate net income from financial operations contracted by 5.0 per cent to EUR 681 million (717). The decline was due mainly to the low level of interest rates and to a further narrowing in the interest rate spread. Other income was EUR 333 million (334). Total expenses were EUR 666 million (662). Aggregate loan losses amounted to EUR 10 million, a decrease of 12 per cent on 2001 (12).

The credit portfolio grew by 9.5 per cent to EUR 17.6 billion (16.0) and total deposits were up 7.1 per cent to EUR 18.0 billion (16.8).

*OKO Bank Group Central Cooperative Consolidated's* operating profit was EUR 114 million, up 29 per cent on the figure a year earlier (89). The impact on earnings of equity investments improved by 63 million euros on the previous year. On the other hand, the contribution to operating profit from life and pension insurance operations was EUR 30 million weaker than in 2001.

Capital adequacy ratio at the end of the year was 10.6 per cent, or 1.7 percentage point smaller than at the end of 2001. Capital adequacy measured with Tier I own funds was 7.0 per cent (7.7).

The parent company, the OKO Bank Group Central Cooperative, posted operating profit of EUR 50 million (17), nearly tripling the result for 2001. The increase in operating profit was attributable to income from equity investments. In the report year, income from equity investments was EUR 37 million greater than in 2001.

The Central Cooperative's total assets at the close of the financial year were EUR 330 million, a decrease of 5.2 per cent since the previous balance sheet date (349).

**OKO Bank** posted consolidated operating profit of EUR 96 million (111). The result was weakened by the loss reported by Aurum Life Assurance Company, which was due to the sharp fall in share prices. OKO Bank's investments in Pohjola Group shares, however, improved operating profit. The operating profit generated by the core operations comprised of OKO Bank's four divisions was EUR 119 million (125).

OKO Bank Consolidated's total assets stood at EUR 12.7 billion, a slight increase since the end of the previous year. The credit portfolio grew strongly, and the increase was financed primarily through bonds issued for public subscription. OKO Bank Consolidated's capital adequacy ratio was 11.1 per cent (12.8).

**Aurum Life Assurance Company's** premiums written increased by 16 per cent. According to advance information, the Company's market share of total premiums written increased from 13.4 per cent to 15.1 per cent. Aurum's balance on technical account was EUR 39 million negative (1.6). The loss-making result is attributable above all to the write-downs of EUR 69 million that were due to the fall in share prices (45).

**OP Fund Management Company Ltd's** operating profit for the financial year grew by 57 per cent to EUR 1.9 million (1.2). The aggregate capital invested in mutual funds managed by the Company grew by about 17 per cent during 2002, to EUR 2.3 billion. At the end of the year, the capital in the company's mutual funds amounted to 14.3 per cent of the capital of all the mutual funds registered in Finland. The Company's market share rose by one percentage point during the year.

**OP-Kotipankki Oyj** reported operating profit of EUR 8 million, double the result for 2001 (4). Net income from financial operations grew by 20 per cent to EUR 12 million (10). The amount of commission income grew to EUR 14 million (11). The net amount of loan losses was EUR 1.9 million (1.5). The Bank's total assets at the end of the year amounted to EUR 214 million (188). The Bank's credit portfolio grew by 15 per cent to EUR 212 million (185).

**OKO Bank Group Mortgage Bank plc** posted operating profit of EUR 0.8 million (0.3). The Bank's portfolio of housing loans grew by 79 per cent to EUR 74 million during the year (41). The amount of the OP Housing secured bonds issued by the Bank more than doubled during the financial year, rising to EUR 47 million (19).

### **Outlook for the OKO Bank Group**

The OKO Bank Group's market position has strengthened over the past years, and it is expected to strengthen further in 2003. The Group's operating profit is estimated to be on a par with 2002. The estimates of the trend in operations and results are based on the assumption that major changes do not take place in the operating environment.



# The Central Cooperative's corporate governance

## Tasks of the Cooperative and its members

According to the statutes of the OKO Bank Group Central Cooperative, the Cooperative's purpose is to promote and support the development and joint operations of its members and the entire OKO Bank 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 at least a hundred contribution of 170 euros to the Central Cooperative. When joining the Central Cooperative, a member is furthermore responsible for participating in it through 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 General Meeting of the Cooperative is held once a year before the end of May on a day specified by the Supervisory Board. 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 OKO Bank 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 OKO Bank 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 General Meeting of the 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 in 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 president, 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 OKO Bank Group's consolidated annual accounts
- presentation and distribution of the OKO Bank Group's consolidated annual accounts and the auditors' report
- confirmation of payments collected from the members as specified in the statutes.

At the Meetings of the Cooperative, proposals concerning the election of the members of the Supervisory Board and the auditors as well as their emoluments and fees are made on the basis of an advance slate prepared by a committee whose members consist of persons named by each Federation of Cooperative Banks (16).

### **Supervisory Board**

The Central Cooperative's Supervisory Board has 36 members (according to the statutes, a minimum of 32 and a maximum of 36). The General Meeting of the Cooperative first elects a maximum of 20 members, one from each Cooperative Bank 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 Federations such that the allotment of seats is determined among the 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 Federations. A member elected to the Supervisory Board shall not be a Supervisory Board member, Executive Board member or deputy member, president 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 OKO Bank 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 OKO Bank 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 OKO Bank 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 president 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 president 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 General Meeting of the Cooperative the main payments to be collected from the members
- to present to the General 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 committee elects the chairman from amongst its members. 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 called the Chief Executive Officer; a president, who acts as the Executive Board's vice chairman as well as four other members (according to the statutes, a minimum of two and a maximum of four) and three deputy members (according to the statutes, a maximum of four).

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 OKO Bank**

On January 1, 2003, the members and deputy members of the Central Cooperative's Executive Board owned a total of 2 726 OKO Bank Series A shares. The reward system for members and deputy members of the Executive Board is based on the bond loan with equity warrants issued in 1999. On the basis of the equity warrants, the CEO is entitled to subscribe for 160 000 OKO Bank Series A shares, the presidents of OKO Bank and the OKO Bank Group Central Cooperative for 120 000 shares, the other members of the Executive Board for 80 000 shares and the deputy members for 30 000 shares.

### **Reform of the Cooperative's statutes**

A reform of the OKO Bank Group Central Cooperative's statutes was drafted during the report year. The background to the amendments was the overall reform of the Cooperative Societies' Act, which came into force at the beginning of 2002. The central proposed amendments to the Central Cooperative's statutes concern additions and clarifications to the grounds for expelling a member bank, the number of auditors, the making possible of additional cooperative capital as well as updating of the grounds for making supplementary payments. The proposed amendments will be dealt with at the Central Cooperative's General Meeting in April 2003.

# 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 most three years)

## *Etelä-Pohjanmaa*

**Mauri Hietala** (2000)  
Business Development  
Director  
Seinäjäoki, 2000-2003  
**\*Simo Ilomäki** (1997)  
Managing Director  
Vimpeli, 2000-(2003)

## *Etelä-Suomi*

**Vesa Lehikoinen** (1997)  
Managing Director  
Janakkala, 2002-2005  
**\*Timo Alaviuhkola** (1997)  
Head of Research Station  
Hyvinkää, 2000-(2003)  
**\*Jorma Pitkälä** (1997)  
Farmer  
Hämeenkoski, 2000-(2003)

## *Kainuu*

**Keijo Väänänen** (1997)  
Professor  
Vaala, 2001-2004  
**\*Erkki Airaksinen** (1997)  
Managing Director  
Kuhmo, 2000-(2003)

## *Keski-Pohjanmaa*

**Ilkka Heinonen** (1997)  
Principal  
Haapajärvi, 2001-2004

## *Keski-Suomi*

**Erkki Laatikainen** (1997)  
Professor  
Jyväskylä, 2002-2005

## *Kymi-Vuoksi*

**Seppo Penttinen** (1997)  
Professor  
Savitaipale, 2000-2003  
*Chairman*  
**\*Paavo Aho** (1997)  
Colonel (ret.)  
Elimäki, 2000-(2003)  
**\*Risto Kiljunen** (1997)  
Managing Director  
Lappeenranta, 2000-(2003)

## *Lappi*

**Heikki Oja** (2001)  
Farmer  
Tervola, 2001-2004  
**\*Erkki Alatalo** (1998)  
Engineer (forestry)  
Keminmaa, 2000-(2003)

## *Pirkanmaa*

**Heikki Teräväinen** (1997)  
Managing Director  
Toijala, 2002-2005  
**\*Martti Talja** (1997)  
Development Manager (ret.)  
Mänttä, 2000-(2003)

## *Pohjois-Karjala*

**Jorma Lehikoinen** (1997)  
Managing Director  
Lieksa, 2002-2005  
**\*Heikki Pirinen** (1997)  
Principal (ret.)  
Kitee, 2000-(2003)

## *Pohjois-Pohjanmaa*

**Paavo Haapakoski** (1997)  
Principal  
Pyhäjoki, 2001-2004  
**\*Lauri Knuutila** (2000)  
Managing Director  
Oulainen, 2000-(2003)

## *Pohjois-Savo*

**Erkki Tuovinen** (2000)  
Executive Director  
Sonkajärvi, 2000-2003  
**\*Jaakko Ojanperä** (2000)  
Managing Director  
Kuopio, 2000-(2003)

## *Satakunta*

**Jorma Pere** (1997)  
Managing Director  
Eura, 2002-2005  
**\*Jukka Ramstedt** (1997)  
Managing Director  
Pori, 2000-(2003)  
**\*Pertti Raunio** (1998)  
Principal (ret.)  
Rauma, 2000-(2003)

## *Suur-Savo*

**Leo Pakkanen** (1997)  
Managing Director  
Kangasniemi, 2000-2003  
**\*Asko Ruuskanen** (1997)  
Dean (ret.)  
Savonlinna, 2000-(2003)

## *Sydäkusten*

**Ola Eklund** (2000)  
Managing Director  
Karjaa, 2001-2004

## *Varsinais-Suomi*

**Turkka Saarniniemi** (1997)  
Managing Director  
Pertteli, 2000-2003  
**\*Pertti Ruotsalainen** (1997)  
Hospital Physicist  
Mynämäki, 2000-(2003)  
*Deputy Chairman and  
Chairman's first deputy*  
**\*Pauli Salminen** (1997)  
Managing Director  
Loimaa, 2000-(2003)

## *Österbotten*

**Ulf Nylund** (2001)  
Managing Director  
Vaasa, 2001-2004

## OTHER MEMBERS

**Esa Härmälä** (1997)  
Chairman  
Helsinki, 2002-2005

**Seppo Junttila** (2000)  
General Secretary  
Helsinki, 2000-2003

**Simo Kauppi** (2000)  
Managing Director  
Rauma, 2000-2003  
*Deputy Chairman*

**Tuire Santamäki-Vuori** (2002)  
President  
Helsinki, 2002-2005

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

## Executive Board



Antti Tanskanen



Reijo Karhinen



Pekka Jaakkola



Erkki Bööös



Mikael Silvennoinen



Heikki Vitie



Markku Niinikoski

#### CHAIRMAN

**Antti Tanskanen**, b. 1946

Chairman and CEO

Member of the Board since 1996

M-real Corporation,

Member of the Board  
of Directors

Unico Banking Group,

Member of the

Steering Committee

The Central Chamber of

Commerce of Finland,

Member of the Board of  
Directors

The Employers' Confedera-  
tion of Service Industries,

Member of the Board of  
Directors

*Owns warrants exercisable into*

*80 000 OKO Bank Series*

*A shares. Share options for*

*80 000 A shares.*

#### VICE CHAIRMAN

**Reijo Karhinen**, b. 1955

President, OKO Bank Group

Central Cooperative

Member of the Board since 1994

Luottokunta,

Chairman of the Board of  
Directors

Eurocard Oy,

Deputy Chairman of the  
Board of Directors

The Finnish Bankers' Association,

Deputy Chairman of the  
Board of Directors

The Finnish Housing Fair,

Deputy Chairman of the  
Board of Directors

*Owns warrants exercisable into*

*60 000 OKO Bank Series*

*A shares. Share options for*

*60 000 A shares.*

#### MEMBERS

**Pekka Jaakkola**, b. 1956

Executive Vice President

Member of the Board since 1998

*Owns warrants exercisable*

*into 20 000 OKO Bank Series*

*A shares. Share options for*

*40 000 A shares.*

**Erkki Böös**, b. 1953

Executive Vice President

Member of the Board since 2001

**Mikael Silvennoinen**, b. 1956

President, OKO Bank

Member of the Board since 1997

Unico Banking Group,

Member of the Steering

Committee

*Holds 1 200 OKO Bank Series*

*A shares. Owns warrants*

*exercisable into 60 000*

*A shares. Share options for*

*60 000 A shares.*

**Heikki Vitie**, b. 1952

Executive Vice President

Member of the Board since 1994

European Association of the

Cooperative Banks,

Member of the Board of  
Directors

The Bank Employers'

Association,

Deputy Chairman of the

Board of Directors

*Owns warrants exercisable*

*into 40 000 OKO Bank Series*

*A shares. Share options for*

*40 000 A shares.*

#### DEPUTY MEMBERS

**Esko Hollman**, b. 1943

Executive Vice President

Member of the Board since 1987

Suomen Asiakastieto Oy,

Deputy Chairman of the

Board of Directors

*Owns warrants exercisable*

*into 15 000 OKO Bank Series*

*A shares. Share options for*

*15 000 A shares.*

**Matti Korkeela**, b. 1946

Executive Vice President

Member of the Board since 1997

Automatia Pankkiautomaatit Oy,

Chairman of the Board of

Directors

Automatia Rahakortit Oy,

Chairman of the Board of

Directors

Toimiraha Oy,

Chairman of the Board of

Directors

*Owns warrants exercisable*

*into 15 000 OKO Bank Series*

*A shares. Share options for*

*15 000 A shares.*

**Raimo Tammilehto**, b. 1943

Executive Vice President

Member of the Board since 1991

*Holds 1 526 OKO Bank Series*

*A shares. Owns warrants*

*exercisable into 15 000*

*A shares. Share options for*

*15 000 A shares.*

**Markku Niinikoski**, b. 1946

Chief Audit Executive

Attends the Executive Board's

meeting.

*Holds 400 OKO Bank Series*

*A-shares. Owns warrants*

*exercisable into 15 000*

*A shares. Share options for*

*15 000 A shares.*

**Markku Koponen**, b. 1957

Secretary of the Boards

*Owns warrants exercisable*

*into 15 000 OKO Bank*

*Series A shares. Share options*

*for 15 000 A shares.*

#### AUDITORS

Regular auditors

Firm of authorised public

accountants

KPMG Wideri Oy Ab

**Raimo Saarikivi**,

Authorised Public Accountant

**Petri Hämäläinen**,

Authorised Public Accountant

Deputy

**Tapani Vuopala**,

Authorised Public Accountant

# Organisation

Business control <b>Seija Halme**</b>	Chairman and CEO <b>Antti Tanskanen</b>	<i>Management Support and Corporate Communications</i>
Business planning <b>Pasi Kämäri**</b>	President, Vice Chairman <b>Reijo Karhinen</b>	<b>Markku Koponen*</b> Corporate Communications Strategic planning, monitoring national economy and financing sector

## Customer Function

**Erkki Böös**

Service and product development  
Marketing  
Customer relationships

*Aurum Life Assurance Company*

**Jukka Ruuskanen**

*AgriFinancing*

**Raimo Tammilehto**

*Marketing and Customer Relationships*

**Stina Suominen**

*OKO Bank Group*

*Mortgage Bank plc*

**Pekka Sarvi-Peräkylä**

*OP-Kotipankki Oyj*

**Kai Patovirta**

*OP Fund Management Company Ltd*

**Harri Nummela**

*Deposit and Credit Services*

**Pekka Sarvi-Peräkylä**

*Asset Management Services*

**Harri Nummela**

*Payment Services*

**Anne-Mari Tyrkkö**

## Service Function

**Heikki Vitie**

Information system and production services  
Financial control  
Centralised service functions

*FD Finanssidata Oy*

**Ilpo Antikainen**

*Administration Services*

**Antti Saarelainen**

*OKO Bank Group*

*Pension Fund*

*OKO Bank Group Pension Foundation*

**Pekka Korhonen**

*Financial Administration Services*

**Harri Luhtala**

*Client Communications Centre*

**Arto Smedberg**

## Group Steering Function

**Pekka Jaakkola**

Member bank steering  
Risk management  
Service network, IT management

*Human Resources Development*

**Tarja Joensuu-Sarkio**

*Member Bank Steering*

**Jari Himanen**

*Legal Affairs*

**Esko Hollman**

*Osuuspankki Realum*

**Jouko Aho**

*OKO Bank Group Mutual Insurance Company*

**Tuomo Metsäaro**

*OKO Bank Group Security Fund*

**Tuomo Metsäaro**

*Service Network Development*

**Matti Korkeela**

*IT Management*

**Markku Mäkinen**

*IT Management*

**Markku Mäkinen**

## Audit Function

**Markku Niinikoski\***

Audit of operations and economy of member cooperative banks  
Internal audit of companies belonging to the Central Co-operative, bank security

*The Cooperative Bank Inspectorate*

**Tapani Santala**

*Internal Audit*

**Heikki Yli-Juuti\***

\* Reporting to the CEO

\*\* Reporting to the President

# Contact addresses

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BE-1040 Brussels

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Telefax +32 2 502 4368

www.unico.nl

unico@unico.nl

Secretary General:

Rémy Lasne



# The OKO Bank Group: 100 years

- 1902** The Central Lending Fund of the Cooperative Credit Societies Limited Company was founded on May 14 in Helsinki. The first credit societies were established in the same year.
- 1920** The cooperative credit societies received the right to take in deposits from non-members. The number of societies had risen to 602 and their membership to 31 000.
- 1928** The Central Association of the Finnish Cooperative Credit Societies was founded as the central body of the societies. The number of societies was at its highpoint: 1 416. The membership topped the 100 000 mark.
- 1945** After the wars the number of credit societies was 927 and their market share of deposits was a good tenth. The societies were given the main role in mediating government re-settlement loans, and this led to a substantial expansion of the Group's operations.
- 1960** In the 1950s and 1960s the focus of the credit societies' operations shifted from rural areas to the cities. The credit societies became general banks serving all population groups. Their market share rose to roughly a fifth.
- 1970** Bank legislation was amended and the cooperative credit societies became cooperative banks. The central bank's name was changed to Osuuspankkien Keskuspankki Oy (OKO Bank). The Group introduced a new business emblem which, stylised somewhat, is still in use.
- 1980** There were 372 cooperative banks with more than 360 000 members, and the market share of deposits was nearly a quarter. The 1970s and 1980s were a period of stable growth for the Group.
- 1993** The OKO Bank Group together with three other bank groups acquired the healthy business operations of Savings Bank of Finland. This was the consequence of the deep crisis in which the banking sector had ended up owing to the general economic slump.
- 1997** In step with legislative amendments, the OKO Bank Group adopted a new form of joint operations. On the foundation of the Central Association of the Finnish Cooperative Banks, the OKO Bank Group Central Cooperative was formed as the Group's central institution.
- 2002** The OKO Bank Group was celebrating its centennial and continues its operations as a strong Finnish bank group comprising 243 member cooperative banks which have more than one million owner-members. The Group has more than three million customers and its market share of both deposits and loans is about a third.

OKO BANK GROUP

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# FINANCIAL STATEMENTS 2002



The OKO Bank Group Central Cooperative

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## **FINANCIAL INFORMATION IN 2003**

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The OKO Bank Group and OKO Bank will publish three interim reports in 2003: for the January-March period on May 8, 2003, for January-June on August 7, 2003, and for January-September on October 30, 2003.

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

The fastest way to access the interim reports is by visiting our website at the address [www.okobank.com](http://www.okobank.com). Paper copies can be ordered at the address OKO Bank Communications, PO Box 308, FIN-00101 Helsinki, telephone +358 9 404 2765, telefax +358 9 404 2298,

e-mail: [viestinta@okobank.com](mailto:viestinta@okobank.com).



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## REPORT OF THE EXECUTIVE BOARD 2002

**OPERATING ENVIRONMENT**

Finland's economic growth was fairly slow for the second year running. Weak demand hurt exports, showing up in industrial output, which remained at nearly the previous year's level. By contrast, demand in the domestic market remained relatively stable. Another indication of domestic market's stability was the fact that unemployment did not rise significantly despite the slow economic growth.

The problems besetting the international economy kept interest rates low. Market interest rates rose in the first part of the year, but in the summer the trend reversed as the economic outlook weakened. The average annual rise in consumer prices was only 1.6 per cent. On the other hand, housing prices rose substantially in the early months of the year, but the rise tapered off in the autumn. As a ratio of households' income, average housing prices were nevertheless still reasonable.

The growth in households' income coupled with the very low level of interest rates propped up brisk demand for housing loans. The deposit banks' portfolio of housing loans grew by nearly 13 per cent in 2002. Prices of stock exchange shares fell precipitously. This was manifested by investor caution, which contributed to maintaining the growth in bank deposits. The low level of interest rates together with the slide in the equity market were also reflected in the banks' earnings. The profitability of Finnish banks was weaker than in 2001, but on an international yardstick it still held up fairly well.

In 2003 the Finnish economy's momentum will still come largely from the domestic market. Households' income will rise due to the collective pay agreement, but unemployment threatens to remain fairly high. In order for there to be a sustained improvement in the international economy, the Iraq crisis must be averted and the USA must find a controlled way of lowering the indebtedness of its economy.

**THE GROUP UNVEILS A NEW STRATEGY**

In June the OKO Bank Group Central Cooperative's Supervisory Board confirmed for the OKO Bank Group a new business strategy: OP-2002. It is a strategy that aims at strengthening the Group's market position. Having achieved its earnings level and capital adequacy goals, the OKO Bank Group is shifting its focus towards growth and strengthening its market position, nevertheless without compromising on risk management.

The central objective of OP-2002 is that the OKO Bank Group will, in the long-term, achieve the market position of being Finland's largest bank. Growth will be sought in all four core businesses: asset management services, housing services, corporate customer services and services for managing daily finances. Within the asset management segment, the Group is seeking substantial growth in market share.

The OKO Bank Group is a general bank. The Group's customers are households, SMEs and rural businesses, institutions as well as large corporations in selected service areas. The member banks of the OKO Bank Group operate as part of the local community, and responsibility for the society around us is an essential element of the Group's fundamental values.

The OKO Bank Group will maintain the kind of profitability and capital adequacy which make possible the growth of operations and cover the risks which its operations involve. Risk management is maintained at the level dictated by changes in the operating environment and business activities. Risk management is a central aspect of daily operations.

OKO Bank Group quarterly performance

e million	2002				2002	2001	Change %
	1-3	4-6	7-9	10-12			
Net income from financial operations	209	215	214	220	857	875	-2
Commission income	70	77	69	76	292	287	2
Net income from securities transactions and foreign exchange dealing	23	-27	-12	3	-13	-46	-73
Other operating income	40	65	35	40	180	241	-25
<b>Total income</b>	<b>342</b>	<b>330</b>	<b>306</b>	<b>338</b>	<b>1 316</b>	<b>1 356</b>	<b>-3</b>
Commission expenses	12	13	12	10	47	42	12
Administrative expenses	130	146	128	151	555	501	11
Depreciation and write-downs on tangible and intangible assets	17	16	17	24	74	76	-2
Other operating expenses	31	35	29	34	129	132	-3
<b>Total expenses</b>	<b>190</b>	<b>210</b>	<b>186</b>	<b>219</b>	<b>805</b>	<b>750</b>	<b>7</b>
Profit before loan losses	152	120	120	119	511	606	-16
Loan and guarantee losses	2	0	-2	13	13	12	7
Write-downs on securities held as financial fixed assets	0	0	0	1	1	88	-98
Share of profit/loss of companies included using the equity method	1	-40	-13	14	-38	-2	
<b>Operating profit</b>	<b>151</b>	<b>81</b>	<b>109</b>	<b>119</b>	<b>459</b>	<b>504</b>	<b>-9</b>

**FINANCIAL PERFORMANCE**

**NET INCOME FROM FINANCIAL OPERATIONS**

The OKO Bank Group's net income from financial operations contracted slightly from the previous year, though fourth-quarter net income from financial operations was the highest since the second quarter of 2001. Net income from financial operations totalled EUR 857<sup>1</sup> million (875), down 2.1 per cent on the previous year. As a ratio of average total assets, net income from financial operations fell by 0.3 percentage point.

The decline in net income from financial operations was due to the fall in the level of interest rates and the narrowing in customer margins. The effect of these factors was offset by the growth in the credit portfolio and total deposits as well as equity capital.

**OTHER INCOME**

The Group's other income amounted to EUR 459 million (481), or 4.6 per cent less than a year earlier. The contraction in income was due to the decrease in dividend income as well as to a decline in net income from trading in equities. Stripping out these effects of equity investments, other income would have grown by 0.8 per cent.

Commission income increased by 1.7 per cent to EUR 292 million (287). The biggest increase was in commissions on payment transfers, which were EUR 6 million, or 6.3 per cent greater than in the previous financial year. Commissions on stockbroking, however, diminished by EUR 3 million, or 16 per cent, on the figure a year earlier.

Net income from securities transactions resulted in a loss of EUR 21 million (53 million negative), but despite this, it improved by EUR 32 million compared with 2001, when an EUR 39 million write-down on Pohjola Group shares cut into net income from securities transactions.

<sup>1</sup> The comparison figure for 2001 is given in brackets. For profit and loss account and other aggregated figures, the point of comparison is the figure for January–December 2001. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (December 31, 2001).

Other operating income amounted to EUR 150 million (146), or 2.8 per cent more than a year earlier. Other income included EUR 8.2 million of non-recurring capital gains on the sale of real-estate properties (9.4).

**EXPENSES**

The OKO Bank Group's total expenses increased by 7.3 per cent to EUR 805 million (750). Commission expenses grew by 12 per cent to EUR 47 million (42), which was due mainly to the expenses resulting from the changeover to the euro as well as the costs of cash services. Staff costs increased by 12 per cent to EUR 354 million (315) and other administrative expenses by 8.2 per cent to EUR 201 million. In 2001 staff costs were reduced by an EUR 13 million reversal on a special liability that was received from the OKO Bank Group Pension Foundation. Eliminating this item, the comparable growth in staff costs was 8.0 per cent. The biggest increase in other administrative expenses was in EDP expenses, which rose by 13 per cent to EUR 54 million (48) and in marketing expenses, up 13 per cent to EUR 52 million. The growth in marketing expenses was attributable to the costs of the OKO Bank Group's centennial year.

Depreciation according to plan amounted to EUR 61 million (58), increasing by 6.0 per cent on the figure a year earlier. Write-downs, however, diminished by 29 per cent to EUR 13 million (18). The write-downs were made on real-estate assets.

Other operating expenses amounted to EUR 129 million (132), down 2.6 per cent on the figure a year earlier. Sales of real-estate assets resulted in a loss of EUR 3.4 million (4.1).

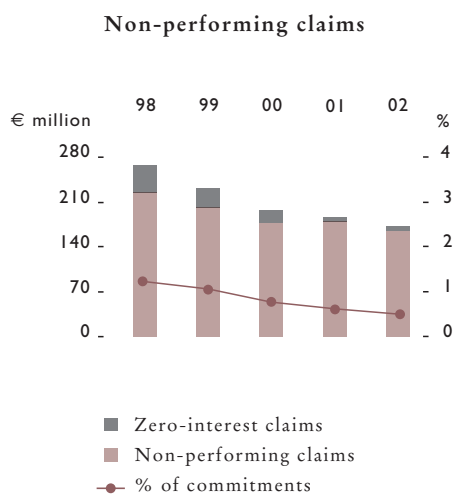
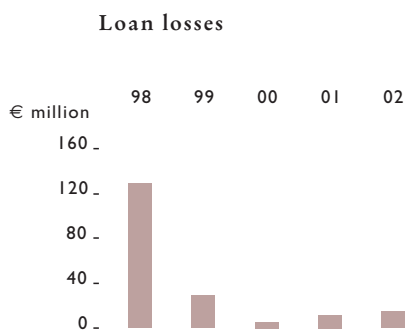
**LOAN AND GUARANTEE LOSSES**

The net amount of loan and guarantee losses remained at a low level, though they did increase by 7.3 per cent to EUR 13 million (12). The gross amount of new credit losses booked was EUR 41 million (48). Gross loan losses amounted to 0.13 per cent of the aggregate amount of the credit portfolio and commitments equivalent to lending at the end of the year (0.17). Loan loss reversals obtained through post-collection totalled EUR 9.6 million (11.7).

Write-downs on securities held as financial fixed assets totalled EUR 1.4 million, or EUR 87 million less than in 2001. The large change is due to the write-downs on Pohjola Group shares that were made in 2001.

Profit and loss account, main items





**SHARE OF THE RESULTS OF COMPANIES**

**CONSOLIDATED ACCORDING TO THE EQUITY METHOD**

Interests in the profits or losses of the companies consolidated according to the equity method amounted to a loss of EUR 38 million (a loss of EUR 2 million in 2001). The equity interest consolidated for Aurum Life Assurance Company was EUR 39 million negative (1). Owing to the sharp fall in equity risks, Aurum recorded a total of 69 million euros of write-downs on its equity and mutual fund investments during the report year. Aurum generated a loss for the full year, though it did report a profit in the fourth quarter.

**OPERATING PROFIT**

The OKO Bank Group's operating profit diminished by 8.9 per cent to EUR 459 million (504). The change is

attributable to four main factors. The first was that owing to the fall in equity risks the result of life and pension insurance operations was EUR 40 million weaker than a year earlier. Second, other equity investments contributed EUR 61 million more to earnings than in 2001. Third, expenses increased by EUR 55 million on the previous year, of which EUR 13 million was attributable to the reversal on a special liability that was obtained from the OKO Bank Group Pension Foundation. The fourth factor was the decrease in net income from financial operations of EUR 18 million.

The Group's profitability was strong. The return on assets (ROA) was 1.11 per cent (1.28) and the return on equity (ROE) was 11.9 per cent (14.6). The expenses/income ratio was 61 per cent (55).

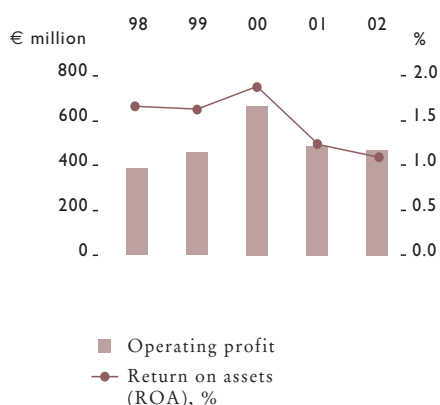
**BALANCE SHEET AND OFF-BALANCE SHEET ITEMS**

**ASSETS AND LIABILITIES**

The OKO Bank Group's total assets grew by 5.3 per cent during the financial year, rising to EUR 31.6 billion (30.0). The largest increase was in claims on the public and public sector entities, deposits from the public and debt securities issued to the public.

Claims on the public and public sector entities were up 11 per cent to EUR 24.3 billion. The credit portfolio grew faster than a year earlier and more than the average credit portfolio of all the Finnish banks. The credit

**Operating profit and ROA**





portfolio accounted for 77 per cent of total assets (73).

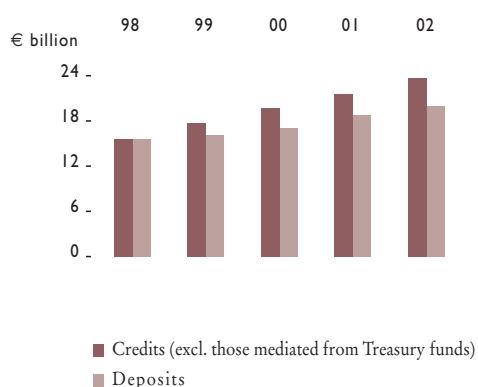
The total amount of debt securities was EUR 4.2 billion (5.1) or 18 per cent less than at the end of the previous year. Of debt securities, EUR 2.6 billion were debt securities eligible for refinancing with central banks (3.4). The amount of equity holdings diminished by 9.6 per cent from the end of the previous year, to EUR 300 million (332).

Primarily due to investments in information technology, intangible assets grew by 15 per cent to EUR 78 million during the financial year (68). Tangible assets, consisting for the most part of properties and shares in real-estate corporations, declined by 4.2 per cent to EUR 1.2 billion (1.2).

Liabilities to credit institutions and central banks diminished by 47 per cent from the end of the previous year, to EUR 0.9 billion (1.8). Liabilities to the public and public sector entities, in turn, grew by 6.2 per cent to EUR 21.4 billion (20.1). Deposits accounted for EUR 19.9 billion of this amount (18.8). Deposits made up 63 per cent of the balance sheet total, on a par with the figure a year earlier.

Since the end of 2001, debt securities issued to the public increased by 22 per cent to EUR 4.5 billion (3.7). Subordinated liabilities diminished by 17 per cent to EUR 0.6 billion (0.7).

Credits and deposits



## EQUITY CAPITAL

The Group's equity capital grew by 13 per cent to EUR 3.0 billion (2.7). Equity capital was increased by the EUR 342 million net profit for the financial year and an increase in cooperative capital investments of EUR 74 million. During the report year the member cooperative banks increased their owner-members' cooperative contributions through a bonus issue to an amount of about EUR 26 million. This was made possible by the new Cooperative Societies Act. The Group's equity ratio was 9.6 per cent (9.0).

According to advance information, the member cooperative banks will pay a total of EUR 18 million in interest on cooperative capital for the 2002 financial year, as against EUR 19 million that was paid a year earlier. The proposed dividend to be paid on OKO Bank shares is a total of EUR 35 million (51), of which EUR 0.75 per share is to be paid on Series A shares (1.10) and EUR 0.70 per share on Series K shares (1.05).

## OFF-BALANCE SHEET ITEMS

The amount of guarantees, guarantee liabilities and other off-balance sheet commitments grew by 14 per cent to EUR 4.8 billion from the end of 2001 (4.2). The biggest increase was in unused credit arrangements, which were EUR 0.5 billion greater than at the end of 2001.

The value of the underlying instruments of derivative contracts was EUR 19.3 billion at the end of the year (7.4). The increase was due above all to the rise in the value of the underlying instruments of interest rate swaps. The credit countervalue of derivative contracts grew since the end of last year by 88 per cent to EUR 125 million.

## CAPITAL ADEQUACY

The OKO Bank Group's capital adequacy ratio at the end of the year was 15.2 per cent (15.1). The net profit less the proposed dividend payout has been included in own funds.

The amount of own funds grew by 9.6 per cent to EUR 3.2 billion (3.0) and risk-weighted claims, investments and off-balance sheet commitments were up 9.0 per cent to EUR 21.3 billion (19.5). Tier I own funds totalled EUR 2.9 billion (2.5). Own funds included

EUR 77 million of cooperative contributions terminated by the member cooperative banks' owner-members (71). The Group's Tier II own funds at the end of the year amounted to EUR 0.5 billion (0.5). Capital adequacy as calculated with Tier I own funds rose by 0.6 percentage point to 13.6 per cent despite the 9.0 per cent increase in risk-weighted commitments as well as the weakening in profitability owing to the sharp fall in equity risks and the low level of interest rates.

The Group's investments in Aurum Life Assurance Company were taken into account, following the legislative amendment that entered into force in February, so that instead of deducting the book value of insurance company investments from the Group's own funds, the ownership-based share of the minimum amount of the

solvency margin calculated according to the Insurance Companies Act is deducted.

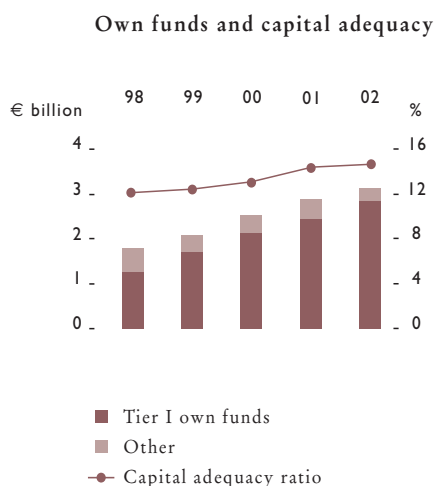
#### OWNER-MEMBERS AND CUSTOMERS

The number of the member cooperative banks' owner-members topped the one million mark in March. The goal of obtaining a million owner-members by the spring of the 2002 jubilee year was set back in 1998. At the end of 2002, there were 1 042 000 owner-members, or 59 000 more than a year earlier. In five years the number of owner-members has grown by almost 400 000, or 61 per cent. In addition, metropolitan Helsinki-based Okopankki Oyj, which because of its company form cannot have owner-members, has 118 000 preferred customers.

The value of the bonuses earned by owner-members and preferred customers in 2002 for being regular patrons of the Group was EUR 30.4 million (24.1). Use of the bonuses grew to EUR 22.1 million (19.1). From the beginning of 2003, bonuses which would otherwise lapse can also be paid in cash.

The OKO Bank Group's number of customers increased in the report year by roughly the same amount as in the previous year - by a good 50 000. At the end of the year the Group had just over 3 million customers.

e million	Dec. 31, 2002	Dec. 31, 2001
<b>Own funds</b>		
Tier I	2 886	2 531
Tier II	460	528
Deductions	-112	-109
<b>Total</b>	<b>3 234</b>	<b>2 951</b>
Risk-weighted receivables, investments and off-balance sheet items	21 265	19 514
Capital adequacy ratio, %	15.2	15.1
Tier I funds/ Risk-weighted items, total, %	13.6	13.0



#### BUSINESS OPERATIONS

At the end of the year, the Group's total deposits rose to EUR 19.9 billion, up 6.2 per cent on the figure a year earlier (18.8). The growth in total deposits slowed from the previous year but still outpaced competitors on average. The Group's market share of euro-denominated deposits was 32.7 per cent at the end of the report year. A year earlier it was 32.1 per cent.

During the report year new loans were drawn down to a total amount of EUR 9.5 billion (8.6). Thanks to the strong increase in lending, the Group's credit portfolio grew by 11 per cent and stood at EUR 24.3 billion at the end of the year (21.9). The growth exceeded the targets that had been set. The Group's market share of euro-denominated lending was 31.4 per cent. The like-for-like share compared with previous years was 32.5 per cent. The change was due to the

fact that OKO Bank's lending to OP-Finance Ltd was dropped from the statistics on total euro credits at the Bank of Finland when OP-Finance Ltd was merged into OKO Bank at the end of 2002.

#### ASSET MANAGEMENT

The trend in asset management services was overshadowed during the report year by the uncertainty that dogged the equity market. In a difficult market situation, the OKO Bank Group nevertheless succeeded in strengthening its market position.

The capital under management by the mutual funds run by the OKO Bank Group stood at EUR 2.3 billion (1.9) at the end of the year, or 17 per cent and EUR 327 million greater than at the end of 2001. The aggregate negative change in the value of mutual fund assets, which was caused primarily by the sharp fall in equity risks, was EUR 290 million. This slowed the growth in mutual fund capital considerably. The mutual funds' net subscriptions totalled EUR 637 million (172), nearly quadrupling the amount in 2001.

The OKO Bank Group's market share of the total capital invested in mutual funds that are registered in Finland rose by 1.0 percentage point to 14.3 per cent. The market share in money market funds grew by 8.8 percentage points to 13.7 per cent. Market shares in other types of funds fell.

During 2002, the fall in equity risks also hampered life and pension insurance operations. Plummeting equity prices burdened the result of operations and slowed down sales of unit-linked policies. At the end of the year, life and pension insurance savings totalled EUR 1.8 billion, increasing by 19 per cent on the figure a year earlier (1.5). Life assurance savings increased by 18 per cent and pension insurance savings by 28 per cent. Unit-linked insurance policies accounted for 17 per cent of insurance savings (20).

In 2002, premiums written amounted to EUR 493 million, an increase of 16 per cent on the previous year. A good 35 per cent of the premiums was written in October–December. Unit-linked policies accounted for 17.5 per cent of total premiums written (16.3). The Group's market share of premiums written in life and pension insurance grew by 1.7 percentage point to 15.1 per cent (13.4).

The low level of interest rates slowed down the growth of investment deposits by households. The falling due at the end of the year of the last of the so-called Centennial Accounts that were part of the OKO Bank Group's 100-year jubilee also slowed down the growth in deposits. Households' total investment deposits at the end of the year were EUR 6.5 billion, an increase of EUR 154 million on the figure a year earlier (6.4). During the year, the Group rolled out a new mutual fund product that combines the features of traditional fixed-term deposits with mutual fund investments. During the report year, OKO Bank floated two issues of share index-linked bonds that were targeted at the Group's investor customers.

OP Private, the OKO Bank Group's new individual asset management service, was brought out on the market in September. It comprises investment consultancy and full-mandate asset management services for customers with substantial investment wealth.

#### HOUSING SERVICES

The low level of interest rates, the migration and consumers' continuing strong confidence in their own finances kept up brisk housing sales and demand for housing loans. The OKO Bank Group's household customers drew down EUR 3.7 billion of new housing loans, up 20 per cent on 2001 (3.0). During the report year margins on housing loans continued to narrow. The average margin on new housing loans during the report year was 0.2 percentage point smaller than in 2001.

The OKO Bank Group's portfolio of housing loans to households topped the 10 billion euro mark and grew by 15 per cent to EUR 10.7 billion (9.3). The growth was faster than for competitors on average, boosting the Group's market share of housing loans to households from 34.3 per cent to 34.8 per cent.

The OP-Kiinteistökeskus estate agents had the fastest growth of the national chains of estate agents. During 2002, the OP-Kiinteistökeskus offices brokered nearly 11 400 sales, an increase of 10 per cent on the previous year. Since December the OKO Bank Group has offered a service enabling the customer to receive, on a mobile phone, images and information on the properties offered for sale through the OP-Kiinteistökeskus offices.

**DAILY MONEY AFFAIRS**

Households' current and payment transfer account deposits in the OKO Bank Group totalled EUR 9.5 billion at the end of the report year, up nearly 8 per cent on the previous year (8.8).

The use of cards as a mode of payment increased substantially. In the report year the volume of card payments was 30 per cent greater than in 2001. The volume of cash withdrawals made with a card was on a par with 2001. At the end of the report year the Group's customers had a total of 1.9 million cards, of which 84 per cent had a payment facility. A year earlier the share was 76 per cent. The international Visa and MasterCard's share of payment cards rose from 43 to 46 per cent.

**CORPORATE CUSTOMER SERVICES**

The Group's euro-denominated total corporate credits grew by 14 per cent to EUR 6.3 billion (5.6). EUR 3.3 billion in new loans was drawn down, an increase of 4.5 per cent on the figure a year earlier (3.1). The Group's market share of the deposit banks' euro-denominated corporate loans grew from 25.7 per cent to 26.4 per cent.

Corporate customers' euro-denominated deposits totalled EUR 2.5 billion, as against EUR 2.3 billion at the end of the previous year. The number of electronic domestic payments made during the report year was 257 million, up 10 per cent on 2001.

Following a competitive bidding process, the Finnish Ministry of Finance chose OKO Bank as one of the intermediary banks for Government payment transfers. OKO Bank began handling the State's payment transfers on September 1, 2002. This improves further the Group's ability to strengthen its market position in handling the payment transfers of municipalities and other public sector clients.

In the summer, OKO Bank and the Estonian Hansapank concluded a co-operation agreement that has speeded up the payment transfer services of OKO Bank and the member cooperative banks between Finland and the Baltic countries and enabled the banks to expand their financial services in the Baltic area significantly.

It was decided in January 2003 to wind up OKO Bank's Stockholm branch office by the end of June

2003. OKO Bank has made an agreement on co-operation with Sweden's FöreningsSparbanken (Swedbank), which in future will offer services in Sweden to the OKO Bank Group's corporate customers.

**OTHER OPERATIONS AND MAJOR EVENTS****REAL ESTATE**

The OKO Bank Group's capital invested in real-estate properties contracted by 3.1 per cent to EUR 1.3 billion in 2002 (1.4). Real-estate properties not in own use amounted to EUR 919 million at the end of the year (959), of which business and industrial premises accounted for EUR 745 million (761) and residential properties for EUR 112 million (130).

In accordance with the Group's real-estate strategy, the yield level of properties has been improved, with the minimum yield on leasable properties rising to 5.5 per cent. The occupancy rate of business and industrial premises and residential properties at the end of the year was 89 per cent (90) and their net yield was 6.8 per cent (6.7). The Group's objective is to trim the amount of capital tied up in real estate further and to raise its yield level.

**SALES OF POHJOLA GROUP SHARES**

At the end of April, the OKO Bank Group Central Cooperative and OKO Bank sold their 7.3 per cent holding in Pohjola Group plc, or a total of 3.8 million shares. The shares were sold at a price of 21.50 euros each, for a total sale price of EUR 81 million.

During 2002 the OKO Bank Group booked dividend income inclusive of avoik fiscal tax credits totalling EUR 21 million on the Pohjola Group shares it sold (85) as well as a net amount of EUR 6.6 million of net income on trading in shares and write-downs (122 million negative). The total income booked on the investments made in Pohjola Group shares in 2000 after financial costs was about EUR 75 million.

**SALES CO-OPERATION****WITH FENNIA AND LÄHIVAKUUTUS**

The autumn of 2002 saw the launch of sales co-operation among the OKO Bank Group, the Fennia Group

and the Lähivakuutus Group (Local Insurance Group). The OKO Bank Group began selling its co-operation partners' non-life policies as the OKO Bank Group's policies and brokering Pension-Fennia's statutory employees' and self-employed persons' insurance policies. The Local Insurance Group in turn began selling the policies of the OKO Bank Group's life and pension insurance company. The products of the co-operation partners round out the OKO Bank Group's own product palette.

#### CENTENNIAL YEAR

The OKO Bank Group celebrated its centennial in the report year. The main festivities were held in Helsinki on May 14, the day OKO Bank was founded. May also saw the publication of the OKO Bank Group's one hundred-year history, written by economic historian Antti Kuusterä. The centennial occasions also included regional festivities and art exhibitions in different parts of Finland, a centennial seminar of the OKO Bank Group Research Foundation as well as nationwide functions for the staff and pensioners.

#### LITIGATION

The companies belonging to the OKO Bank Group are parties to litigation connected with the companies' normal business activities. These do not have an essential effect on the Group's operations or financial position.

#### SERVICE NETWORK

##### BRANCH OFFICES

The banking services offered by the OKO Bank Group provide wider regional coverage than any other bank group in Finland. At the end of the year the Group had 692 branch offices, or one less than a year earlier. At the end of the year, 13 branch offices had been refurbished in line with the Group's new branch office concept, and the refurbishment of 27 branch offices had been started. The aim of the remake is to strengthen the role of expert services, to add greater flexibility to routine services and to make branch offices more attractive. Of the total number of bills paid by the Group's customers, only 8 per cent were still paid through direct customer service at the branch offices. The figure in 2001 was 10 per cent.

The Group had 34 service outlets that are more streamlined than traditional branch offices and generally operate in big shopping centres. The number of such outlets was the same as at the end of 2001. The number of payment ATMs was 669. The number of Internet customer terminals grew by 62 to 552.

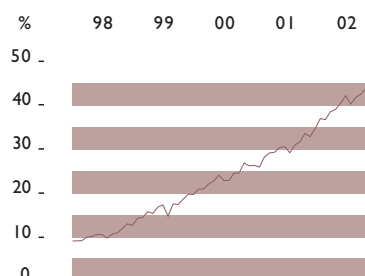
#### ONLINE SERVICES

The use of online banking services grew considerably. The volume of bills paid via the Internet increased by 48 per cent since 2001. Nearly half of all the bills of retail customers were paid on the Internet. The number of online service contracts grew by 14 per cent to 783 000 (685 000). During the year the Group's online service agreement was revamped so that now the customer can use all the online services with a single user ID.

The OKO Bank Group was the first Finnish company to open an interactive service on digital television. By means of the service that is offered on MTV3 channel, customers can pay bills and check the situation of their bank accounts. With the specific purpose of facilitating the payment of small charges, the Group brought out on the market, at the end of the year, a new digital small payments system: Digicash.

The OKO Bank Group's Mainio.net Internet portal was revamped in March. The Internet portal has been made into an integral part of the Group's communications that are beamed at customers, especially at owner-members. Towards the end of 2002, the Mainio.net website had more than 120 000 unique visitors each month.

Internet payments of all payment transactions



**CONTACT CENTER**

The Contact Center is part of the OKO Bank Group's multi-channel service model. Its task is to provide, via national service numbers, personal service support for electronic channels as well as active customer-targeted sales also in the evening and on Saturdays.

At the beginning of 2002 a new unit offering service to the Group's Swedish-speaking customers went into operation in the city of Vaasa. During the report year, the Contact Center handled about 300 000 customer contacts by phone and via electronic channels.

**CREDIT RATINGS**

The OKO Bank Group does not have a rating assigned by the international credit rating agencies. The Group's financial position nevertheless has a considerable effect on the credit ratings of the Group's central bank, OKO Bank.

In May, Fitch Ratings upgraded OKO Bank's long-term funding rating from A+ to AA- and the short-term funding rating from F1 to F1+. In September, Standard & Poor's gave a rating for OKO Bank's long-term funding for the first time. The rating is A+. Following these changes, OKO Bank's credit ratings from international credit rating agencies are the following:

Rating Agency	Short-term debt	Long-term debt
Standard & Poor's	A-1	A+
Moody's	P-1	Aa3
Fitch Ratings	F1+	AA-

**ADMINISTRATION AND PERSONNEL**

The General Meeting of the Group's central institution, the OKO Bank Group Central Cooperative, was held on March 21, 2002. Of the members due to resign, the meeting re-elected to seats on the Central Cooperative's Supervisory Board for the term of office ending in 2005 Esa Härmälä, Erkki Laatikainen, Jorma Lehikoinen, Vesa Lehikoinen, Jorma Pere and Heikki Teräväinen. Tuire Santamäki-Vuori was elected a new member for the term of office ending in 2005.

At its organisation meeting, the Supervisory Board

of the Central Cooperative re-elected Seppo Penttinen as its chairman. Re-elected as vice chairmen were Pertti Ruotsalainen and Simo Kauppi.

The General Meeting elected as the regular auditors of the OKO Bank Group Central Cooperative and the OKO Bank Group for the 2002 financial year the firm of independent public accountants KPMG Wideri Oy as well as Raimo Saarikivi, Authorised Public Accountant, and Petri Hämäläinen, Authorised Public Accountant. Tapani Vuopala, Authorised Public Accountant, was elected the deputy auditor.

During the report year the OKO Bank Group had a payroll (net of interns) of 8 937 employees, or 1.5 per cent more than a year earlier (8 802). The average number of staff during the year was 9 165 (8 930).

**OUTLOOK FOR THE OKO BANK GROUP**

The OKO Bank Group's market position has strengthened over the past few years, and it is expected to strengthen further in 2003. The Group's operating profit is estimated to be on a par with 2002. The estimates of the trend in operations and results are based on the assumption that major changes do not take place in the operating environment.

**2002 REVIEW OF GROUP COMPANIES**

**MEMBER COOPERATIVE BANKS**

The aggregate operating profit of the member cooperative banks was EUR 336 million (375), down 10 per cent on 2001. During the report year 241 member cooperative banks reported an operating profit. Two banks reported an operating loss of EUR 0.3 million in total amount.

Aggregate net income from financial operations contracted by 5.0 per cent to EUR 681 million (717). The decline was due mainly to the low level of interest rates and to a further narrowing in the interest rate spread. Commission income equalled the previous year's figure, EUR 210 million. Income from equity investments contracted by 11 per cent to EUR 30 million (34). Net income from securities transactions was EUR 2 million in the black, whereas in 2001 it was EUR

4 million in the red. Other operating income amounted to EUR 83 million, down EUR 4 per cent on the previous year (87).

Commission expenses grew by 10 per cent to EUR 38 million (35), with other administrative expenses up 9 per cent to EUR 198 million (181) and staff costs up 12 per cent to EUR 236 million (211). The growth in staff costs was attributable to the EUR 11 million reversal on a special liability that was received from the OKO Bank Group Pension Foundation and which reduced expenses in the 2001.

Depreciation diminished by 16 per cent to EUR 41 million (49) and other operating expenses were down 18 per cent to EUR 146 million (178). Net loan losses amounted to EUR 10 million, a decrease of 12 per cent on 2001 (12).

The member cooperative banks' aggregate total assets stood at EUR 23.4 billion (21.7). The credit portfolio grew by 9.5 per cent to EUR 17.6 billion (16.0) and total deposits were up 7.1 per cent to EUR 18.0 billion (16.8).

Lohtajan Osuuspankki merged into Kokkolan Osuuspankki on September 30, 2002. Following this, there are 243 cooperative banks belonging to the Group. During the report period the Asikkala and Padasjoki cooperative banks resolved to merge and to found Etelä-Päijänteen Osuuspankki in April 2003. In December, a resolution was passed on merging Iitin Osuuspankki into Päijät-Hämeen Osuuspankki. The merger will be carried out by the end of March 2003. Throughout 2002 Iitin Osuuspankki has operated with the capital adequacy support of the OKO Bank Group because, owing to substantial losses in view of the Bank's size, its own funds and capital adequacy have fallen below the minimum level specified in the Credit Institution Act. Paavolan Osuuspankki changed its name to Ruukin Osuuspankki in the report year.

#### **OKO BANK GROUP CENTRAL COOPERATIVE CONSOLIDATED**

OKO Bank Group Central Cooperative Consolidated's operating profit was EUR 114 million, up 29 per cent on the figure a year earlier (89). The impact on earnings of equity investments improved by 63 million euros on the previous year. On the other hand, the contribution to operating profit from life and pension insurance

operations was EUR 30 million weaker than in 2001.

The Central Cooperative Consolidated's net income from financial operations grew by 11 per cent to EUR 172 million (156), boosted especially by the growth in the corporate banking credit portfolio. Commission income increased to EUR 113 million (109). Commissions on lending were up 20 per cent to EUR 26 million (21) and commissions on payment transfers rose by 13 per cent to EUR 20 million (17). Commissions on stockbroking, in turn, were down 20 per cent to EUR 14 million (17).

Net income from securities transactions was EUR 9.2 million negative (EUR 42 million negative). Other operating income amounted to EUR 164 million (153). The bulk of the growth in other income came from the 14 per cent increase in EDP income to EUR 112 million (99).

Commission expenses increased to EUR 37 million (34). Staff costs were EUR 117 million (103). A part of the 14 per cent growth is attributable to an approximately two million euro reversal on a special liability that was obtained from the OKO Group Pension Foundation and which reduced expenses in the comparison year. The number of personnel grew by 4.1 per cent during the financial year and was 2 315 at the end of the year (2 223). Other administrative expenses grew by 12 per cent to EUR 108 million (97). Within other administrative expenses, EDP expenses, EUR 52 million (47), grew by 13 per cent and marketing expenses, EUR 19 million (16), were up 20 per cent. The costs of the Group's centennial year increased marketing expenses for the financial year.

Depreciation according to plan amounted to EUR 31 million (27). Other operating expenses amounted to EUR 37 million (38), or slightly less than a year earlier. Interests in the profits or losses of the companies consolidated according to the equity method amounted to a loss of EUR 30 million (a loss of EUR 3.0 million).

Net loan losses resulted in a credit to income of EUR 0.1 million (2.4). The gross amount of new loan losses booked was EUR 8.9 million, or 17 per cent less than in 2001. The amount of non-performing and zero-interest claims fell by 14 per cent to EUR 19 million (22).

The Central Cooperative Consolidated's total assets stood at EUR 13.0 billion (12.9). Claims on the public

and public sector entities grew by 0.8 billion to EUR 6.8 billion. Liabilities to the public and public sector entities remained nearly unchanged at EUR 2.7 billion. Equity capital increased by 13 per cent to EUR 330 million (291).

Capital adequacy ratio at the end of the year was 10.6 per cent, or 1.7 percentage point smaller than at the end of 2001. Capital adequacy measured with Tier I own funds was 7.0 per cent (7.7). Result less the dividend proposed by the Executive Boards of the consolidated companies is included in own funds.

Tier I own funds at the end of the year amounted to EUR 583 million, an increase of 1.7 per cent on the figure a year earlier. The Central Cooperative's cooperative capital and the consolidation group's own funds do not include terminated cooperative contributions. Risk-weighted claims, investments and off-balance sheet items grew by 12 per cent to EUR 8.4 billion at the end of the year.

The consolidated annual accounts of the Central Cooperative Consolidated include the annual accounts of the parent institution, the OKO Bank Group Central Cooperative, as well as the annual accounts of OKO Bank Consolidated, OP-Kotipankki Oyj, OP Fund Management Company Ltd, FD Finanssidata Oy and OKO Bank Group Mortgage Bank plc. In addition, the consolidated annual accounts include the annual accounts of Aurum Life Assurance Company and Virtuaalinen Suomi Oy, which are consolidated according to the equity method.

#### **OKO BANK GROUP CENTRAL COOPERATIVE**

The OKO Bank Group Central Cooperative posted operating profit of EUR 50 million (17), nearly tripling the result for 2001. The increase in operating profit was attributable to income from equity investments, which was EUR 37 million greater than in 2001.

Income from equity investments for the financial year shrank by 51 per cent to EUR 45 million (93) compared with the previous year. Income from equity investments comprised mainly the dividend income, including avoiv fiscal tax credits, which OKO Bank received from shares in Pohjola Group. Commission income increased by 2.6 per cent to EUR 13 million

(12). Net income from securities transactions amounted to EUR 4.5 million, or EUR 30 million more than a year ago (26 million negative).

Other operating income amounted to EUR 166 million (148), or 13 per cent more than in 2001. Income from EDP services increased from EUR 95 million to EUR 110 million.

Total expenses were EUR 174 million, or 16 per cent more than in 2001 (150). EDP expenses grew by 9.1 per cent to EUR 65 million (59) and staff costs by 15 per cent to EUR 42 million (37). Marketing expenses were EUR 13 million, increasing by 30 per cent on the previous year (9.7). Depreciation according to plan totalled EUR 16 million (13) and other operating expenses amounted to EUR 20 million (17).

Total assets at the close of the financial year were EUR 330 million, a decrease of 5.2 per cent since the previous balance sheet date (349). Equity capital totalled EUR 202 million, or 27 per cent greater than in 2001 (159). The equity ratio increased by 16.1 percentage points to 62.9 per cent.

The Central Cooperative's staff grew by 6.7 per cent during the financial year, to 783 employees (734).

A major item affecting the Central Cooperative's result for 2002 was the large amount of income from equity investments. In 2003 operating profit is forecast to be markedly smaller than it was in the report year.

#### **OKO BANK**

OKO Bank Consolidated posted operating profit of EUR 96 million (111). The result was weakened by the loss reported by Aurum Life Assurance Company, which was due to the sharp fall in equity risks. The share of Aurum's result included on consolidation in OKO Bank Consolidated's annual accounts was EUR 20 million negative, whereas a year earlier it was EUR 0.5 million in the black. OKO Bank's investments in Pohjola Group shares, however, improved operating profit by nearly EUR 10 million, whereas in 2001 they resulted in a charge to income of EUR 13 million. The operating profit reported by the core business comprising OKO Bank's four divisions was EUR 119 million (125).

OKO Bank Consolidated's net income from financial operations amounted to EUR 161 million (152), up



6.4 per cent on 2001. The increase in net income from financial operations was attributable to the substantial growth in the credit portfolio, but on the other hand it was reduced by the fall in the level of interest rates and a narrowing in customer margins within retail banking.

Income from equity investments amounted to EUR 13 million (35). Net commission income amounted to EUR 55 million (56). Commissions on lending were up 16 per cent owing to the strong growth in the credit portfolio. By contrast, net commission income on stockbroking diminished by 23 per cent. Other operating income contracted to EUR 19 million (26).

Expenses net of commission expenses increased by 4.7 per cent to EUR 130 million (124). Administrative expenses increased by 6.3 per cent. Staff costs accounted for more than half of the total amount of EUR 96 million in administrative expenses. They increased by about 15 per cent. Excluding the reversal on a special liability that was obtained from the OKO Bank Group Pension Foundation and reduced staff costs in 2001, the growth in staff costs was 10 per cent. The consolidated companies had an average payroll during the year of 1 117 employees, or just over 4 per cent more than in 2001.

The amount of depreciation remained nearly at the previous year's level of EUR 11 million and other operating expenses totalled EUR 23 million.

The minority interest in companies consolidated according to the equity method was EUR 17 million negative. In the previous year these companies yielded operating profit of EUR 2 million.

OKO Bank Consolidated's total assets stood at EUR 12.7 billion, a slight increase since the end of the previous year. The credit portfolio grew strongly, and the increase was financed primarily through debt securities issued to the public.

Credits to the public, including leased property, were up 14 per cent to EUR 6.7 billion (5.9). The amount of deposits from the public fell by 1.6 per cent to EUR 1.9 billion. Debt securities issued to the public amounted to EUR 4.1 billion at the end of the year, increasing by EUR 0.8 million on the figure a year earlier.

Equity capital at the end of the year stood at EUR 633 million, an increase of EUR 15 million since the end of 2001. Distributable equity totalled just under EUR 105

million. Capital adequacy ratio was 11.1 per cent (12.8).

The outlook for OKO Bank's operations in 2003 is stable. It is estimated that operating profit will be higher than in 2002.

OKO Bank has published its own Annual Report and financial statements for 2002.

#### **AURUM LIFE ASSURANCE COMPANY**

Aurum Life Assurance Company's premiums written increased by 16 per cent. Aurum's growth outstripped the average for the life assurance sector by a substantial margin because total premiums written grew by only 2 per cent for the sector as a whole. The Company's market share of total premiums written increased from 13.4 per cent to 15.1 per cent.

Aurum's balance on technical account was EUR 39 million negative (1.6). The loss-making result is attributable above all to the write-downs of EUR 69 million that were due to the fall in equity risks (45). At the end of the year, shares and equity-based mutual funds accounted for 12.2 per cent of Aurum's entire investment assets (12.9).

In the spring, Aurum raised its share capital and increased its solvency margin by a total of EUR 49 million. The solvency margin at the end of the year was EUR 170 million (144), whereas the statutory minimum amount was EUR 62 million (51). The capital adequacy ratio as calculated according to the Insurance Companies Act remained at the planned level throughout the year. At the end of the year it was 10.9 per cent (11.3). The Company had a staff of 38 employees at the end of the year (35).

On February 11, 2003, the OKO Bank Group Central Cooperative made a purchase offer to those shareholder banks of Aurum whose holding in the Company exceeds the weight, as defined in the Central Cooperative's confirmed strategy, of their retail banking operations in the Group. Following the offer, OKO Bank decided on the same day to sell its Aurum shares in such amount that the Bank's holding in Aurum will decline from 49.9 per cent to 15 per cent. The arrangement has no effect on the OKO Bank Group's operating profit.

Aurum's premiums written and market share of premiums written are forecast to grow further in 2003.

The Company's result is expected to move into the black during 2003. This will depend on an upturn in the prolonged bear market in equities.

#### OP FUND MANAGEMENT COMPANY LTD

The growth in mutual fund capital continued in Finland again in 2002. The aggregate capital in mutual funds registered in Finland grew by about 9 per cent, which was somewhat more than in 2001. The biggest growth was in money market funds. Because of the decline in the equity markets, the aggregate capital in equity and balanced funds diminished.

The aggregate capital invested in mutual funds managed by OP Fund Management Company Ltd grew by about 17 per cent during 2002, to EUR 2.3 billion. At the end of the year, the capital in the Company's mutual funds amounted to 14.3 per cent of the capital of all the mutual funds registered in Finland. The Company's market share rose by one percentage point during the year.

During the year, four new OP Mutual Funds were opened. The OP Focus special mutual fund concentrates its investments on a limited number of primarily domestic companies. The OP Finland Growth investment fund in turn diversifies its assets mainly in small and medium-sized companies that are listed on Helsinki Exchanges. The OP China special mutual fund invests primarily in companies operating in the Far East. The OP Cash Manager mutual fund, which is suitable as a cash management tool for companies, invests its assets in euro-denominated short-term fixed-income instruments. The Opstock Global Balanced mutual fund's statutes and investment policy were revised and the name was changed to the OP Sustainable Development mutual fund. The fund's portfolio investments are chosen from amongst companies that have a good record of managing social, economic and environmental matters. At the end of the year OP Fund Management Company Ltd had 29 funds under management.

OP Fund Management Company's operating profit for the financial year grew by 57 per cent to EUR 1.9 million (1.2). A significant proportion of the income, EUR 25 million (24), consisted of management commissions collected from the mutual funds. Commission refunds paid to the Group member banks and to other

sales agents totalled EUR 15 million (16). The Company had a staff of 28 employees at the end of the year (27).

Despite the uncertainty prevailing in the equity markets, the growth in mutual fund capital is expected to continue in Finland in 2003. OP Fund Management Company is seeking again to outpace market growth and to increase its market share. The Company's operating result is forecast to be on a par with 2002.

#### OP-KOTIPANKKI OYJ

OP-Kotipankki Oyj's operations centre on the sale and management of unsecured consumer credits. Despite the uncertainty in the economic environment, the Bank reached the credit portfolio growth objective it had set for 2002.

OP-Kotipankki Oyj reported operating profit of EUR 8 million, double the result for 2001 (4). Net income from financial operations grew by 20 per cent to EUR 12 million (10). Thanks to the higher degree of usage of overdrafts and the increased use of Internet banking services, the amount of commission income increased to EUR 14 million (11). Expenses from commissions paid to the Group member cooperative banks and other partners in cooperation were EUR 9 million (8). The net amount of loan losses was EUR 1.9 million (1.5), or 0.9 per cent of the credit portfolio at the end of the year (0.8).

Kotipankki's total assets grew by 14 per cent to EUR 214 million during 2002 (188). Claims on the public and public sector entities totalled EUR 212 million (185). Kotipankki's liabilities to credit institutions, EUR 172 million (140), consisted in their entirety of borrowings from OKO Bank. The Bank repaid the subordinated EUR 10 million perpetual bond it had issued and which was fully subscribed for by OKO Bank. As a consequence of repayment of the bond and the growth in the credit portfolio, the Bank's capital adequacy ratio declined by 4.5 percentage points to 11.5 per cent (16.0). The Bank had a payroll of 44 employees at the end of the year (43).

Kotipankki is continuing to develop its products and services and to expand co-operation with merchants belonging to nationwide retail chains. More active use of overdrafts than previously combined with the increased use of Internet banking service for drawing

down loans had a positive impact on earnings. Operating profit in 2003 is forecast to remain at the record level of 2002.

#### **FD FINANSSIDATA OY**

FD Finanssidata is an information technology company that is responsible for integrating the OKO Bank Group's IT systems. In addition, the Company provides the Group with IT development, maintenance and production services. The priority in 2002 was the development of investment service systems and online service applications.

FD Finanssidata reported operating profit of EUR 1.2 million (1.1). Turnover grew by 11 per cent to EUR 65 million (59). Total assets at the end of the year stood at EUR 17 million (15). The number of employees grew from 306 to 317 during the financial year.

The volume of operations in 2003 is forecast to grow in step with the growth in customers' operations. Operating profit is estimated to remain at the level of 2002.

#### **OKO BANK GROUP MORTGAGE BANK PLC**

The OKO Bank Group's mortgage credit bank, OKO Bank Group Mortgage Bank plc, has granted housing loans since the beginning of 2001. The Group member banks act as intermediaries in arranging the Mortgage Bank's housing loans for their customers and they themselves grant them on the basis of an arranging agreement.

Mortgage Bank reported operating profit of EUR 0.8 million (0.3). The Bank's portfolio of housing loans grew by 79 per cent to EUR 74 million during the year (41). The amount of the OP Housing secured bonds issued by the Bank more than doubled during the financial year, rising to EUR 47 million (19). The Bank's capital adequacy ratio at the end of the year was 30 per cent (51). The Bank had a payroll at the end of the year of 4 employees (4).

Demand for both housing loans and mortgage bonds is forecast to remain strong in 2003. The Bank's operating profit is expected to grow compared with 2002.

#### **VIRTUAALINEN SUOMI OY**

During the year, the Mainio.net Internet service concept produced by Virtuaalinen Suomi Oy was revamped to serve the OKO Bank Group's business operations more

directly. The overhauled Mainio.net service was opened at the end of March. The monthly number of visitors has risen from just under 50 000 to about 120 000.

The Company reported an operating loss for the financial year of EUR 2.6 million. A year earlier the operating profit was EUR 4.7 million.

The content of the Mainio.net service is being developed further and it will be integrated more closely into the OKO Bank Group's operations. The operating loss is expected to diminish further.

#### **OSUUSPANKKI REALUM**

The winding down of Osuuspankki Realum's operations continued in 2002. Realum's operating profit was EUR 3 million (1.3). The reversals of loan and guarantee losses as well as the significant decrease in financing expenses had a positive effect on the result. Depreciation included EUR 1.1 million of write-downs on real-estate holdings (3.1). During the financial year, the OKO Bank Group Security Fund granted Realum EUR 20 million in composition in respect of cooperative capital investments (55), after which the OKO Bank Group Security Fund no longer has investments in Osuuspankki Realum.

The Bank's total assets at the end of the year amounted to EUR 76 million (71). The credit portfolio contracted by 88 per cent to EUR 3 million (23). Just over EUR 20 million of the contraction in the credit portfolio was due to the sale of Realum's credit portfolio to Okopankki Oyj. The volume of real-estate holdings shrank by 17 per cent to EUR 31 million (37). At the end of the year the Bank's capital adequacy ratio was 149.2 per cent (105.9). The Bank had a payroll of one employee at the end of the year (4).

In February 2002, the Executive Boards of Realum and the Central Cooperative approved a plan for merging the Bank into the Central Cooperative. In February, Realum's General Meeting passed a resolution to relinquish its banking licence. The National Board of Patents and Registration of Finland registered a banking licence waiver application and a merger application in March. Because of the opposition to the merger process, the merger could not be carried out during the report year, and it was deferred to 2003.

On the basis of a permission from the Financial Supervision Authority, Osuuspankki Realum's accounts have been consolidated directly within the accounts of the OKO Bank Group.

#### **OTHER COMPANIES INCLUDED IN THE ACCOUNTS**

##### **OKO BANK GROUP MUTUAL INSURANCE COMPANY**

The OKO Bank Group Mutual Insurance Company is part of the Group's internal risk management system. During 2002 the Insurance Company, together with other parties in charge of the Central Cooperative's risk management, paid particular attention to receivables involving a greater than normal risk owing to a weakened debt servicing ability or collateral situation.

The Insurance Company's premium income totalled EUR 21 million (22), 95 per cent of which came from credit insurance operations. The credit portfolio within credit insurance grew by 7 per cent to EUR 16 billion during the financial year (15).

Claims paid amounted to EUR 8 million (12), a decrease of 32 per cent on the figure a year earlier. Because of the unfavourable trend in equity risks, write-downs totalling EUR 8 million were made on investment assets (1). Despite the write-downs, investment activities generated income of EUR 5 million (11). The result for the financial year was a loss of one million euros (3).

The Insurance Company's total assets increased by 9 per cent to EUR 254 million (234). Technical provisions at the end of the year totalled EUR 197 million, up 13 per cent since the end of the previous year (174). The Insurance Company's capital adequacy is strong.

##### **OKO BANK GROUP SECURITY FUND**

Following the amendment to the Credit Institution Act which came into force in 1998, the member banks of the OKO Bank Group Security Fund have been able to withdraw from membership of the Security Fund after they have paid their share of the Fund's liabilities. In accordance with the payment timetable agreed by the banks and the Security Fund, the shares of the liabilities must be paid by the end of 2004.

The Security Fund's operations will be wound up at the end of 2004 and it will meet only those support needs to which it has given its commitment by the end of 1998. The Central Cooperative has undertaken to bear responsibility for the surplus or deficit resulting from the winding down of the Security Fund.

At the end of the year the Security Fund had 26 members, as against 38 at the end of 2001. The banks will withdraw from membership of the Fund after they have completely paid off their share of the Fund's liabilities. The remainder of the liabilities due for payment during the period 2003-2004 was EUR 41 million in total amount.

On the basis of guarantees it had given, the Security Fund paid, during the financial year, EUR 7.4 million on behalf of the member banks in interest on capital investments (7.3) and granted Osuuspankki Realum a total of EUR 20 million in composition in respect of the capital investment certificates which the Bank had issued (55). The member banks repaid EUR 5 million in capital investments to the Security Fund (18). At the end of the year the total amount of capital investments which the Security Fund made in the member banks was EUR 54 million (79).

#### **PENSION INSTITUTIONS**

##### **OKO BANK GROUP PENSION FUND**

The OKO Bank Group Pension Fund attends to the statutory pension security of the Group. At the end of the year the Pension Fund had 355 employer members (355). The number of insured salaried employees at the close of the year was 9 390.

In 2002 the Pension Fund collected EUR 59 million in insurance premiums (48), which fell below the general Employment Pension Insurance payment level by about 1.6 percentage points. The net yield on investment operations was EUR 5.5 million negative (77), which was due mainly to write-downs of shares, which totalled EUR 45 million during the year. The loss on investment operations was covered by discharging EUR 31 million from supplementary insurance provisions. The Pension Fund's result for the financial year was a

loss of EUR 5 million (5). The pension liability in the Fund's balance sheet was EUR 580 million (575).

The Fund's capital adequacy at the end of the year remained strong. Solvency margin was nearly three times the statutory capital adequacy limit. The capital adequacy ratio was 31.1 (43.9).

The Pension Fund's figures are not included in the OKO Bank Group's consolidated annual accounts.

#### **OKO BANK GROUP PENSION FOUNDATION**

The OKO Bank Group Pension Foundation is responsible for the supplementary pension security for the personnel in the scope of its coverage. The number of employer members in the Pension Foundation at the end of the year was 329 (327) and the Foundation had 5 698 employee members (5 903).

In 2002 the Pension Foundation collected insurance premiums totalling EUR 5 million (4). Because of the fall in equity risks, write-downs of EUR 36 million were booked on investment assets. Owing to these write-downs the net yield on investment operations was EUR 6 million negative (41). The loss incurred in investment operations was covered by discharging EUR 9 million from index increase provisions. The Foundation's pension liability at the close of the year was EUR 454 million (476).

The Pension Foundation is fully covered and its investment assets amounted to 115 per cent of the pension liability to be covered.

The Pension Foundation's figures are not included in the OKO Bank Group's consolidated annual accounts.

### **RISK MANAGEMENT**

The OKO Bank Group's risk management is based on the professional skill and prudence of business decision-makers and risk management experts, and furthermore on the systematic monitoring, assessment and limiting of risks. The most important objective of risk management is to prevent uncontrolled risks from arising, so that they do not jeopardise the capital adequacy of an individual member bank or the entire Group.

In accordance with the OP-2002 Business Strategy that was confirmed in June, the strengthening of market

positions will take place under all conditions in conformity with the Group's risk management instructions. Risk management is developed in the manner required by the operating environment and changes in business operations.

#### **ORGANISATION OF RISK MANAGEMENT**

##### *THE OKO BANK GROUP CENTRAL COOPERATIVE*

The OKO Bank Group Central Cooperative is in charge of managing the OKO Bank Group's risks at the Group level and for the adequacy and upgrading of the Group's risk management systems. The Central Cooperative issues to its member banks instructions to safeguard their risk management and it monitors the member banks' operations. Each institution nevertheless is responsible itself for seeing to it that it has risk management systems that are adequate in respect of the nature of its operations and risk-taking and that there are sufficient internal controls.

The Executive Board of the OKO Bank Group Central Cooperative is responsible for the Group's risk management as well as for the sufficiency of the guidelines issued to the member banks and other support. The Risk Management Steering Group, which reports to the Executive Board of the Central Cooperative, is in charge of co-ordinating the objectives and guidelines for risk management with the Group's business strategy and plans, and it monitors the development of the bank group's risk-bearing ability and risk position as well as co-ordinates risk management development work. The chairman and vice chairman of the Risk Management Steering Group are members of the Central Cooperative's Executive Board.

The Central Cooperative's Credit Risk Committee deals with major customer liability and real-estate investment decisions. All decisions that increase credit and other customer liabilities whenever the liabilities for a customer entity at the member bank level are greater than 25 per cent of the member bank's own funds or when, at the bank group level, they exceed five million euros need a permission from the Credit Risk Committee. The five million euro limit does not apply to decisions taken by the Group's central bank, OKO Bank. The committee's permission must also be obtained for

all real-estate investment projects in which the amount of the capital invested by the bank group exceeds 5 million euros. The OKO Bank Group Mutual Insurance Company analyses the customer's debt servicing ability and collateral security for all loans in which the liabilities of a member bank or Okopankki Oyj for an individual customer entity are greater than EUR 0.25 million or exceed 10 per cent of the bank's own funds.

The OKO Bank Group Central Cooperative's Risk Management Services are centrally responsible for the Group level maintenance and development of risk management and monitoring limit systems, for member bank specific oversight as well as for the guidance, monitoring and reporting of credit, market and operational risk management. The Central Cooperative also offers company study services to the member banks. The Central Cooperative's Audit function supports risk management and internal control by auditing the implementation and adequacy of the risk management of the Central Cooper-

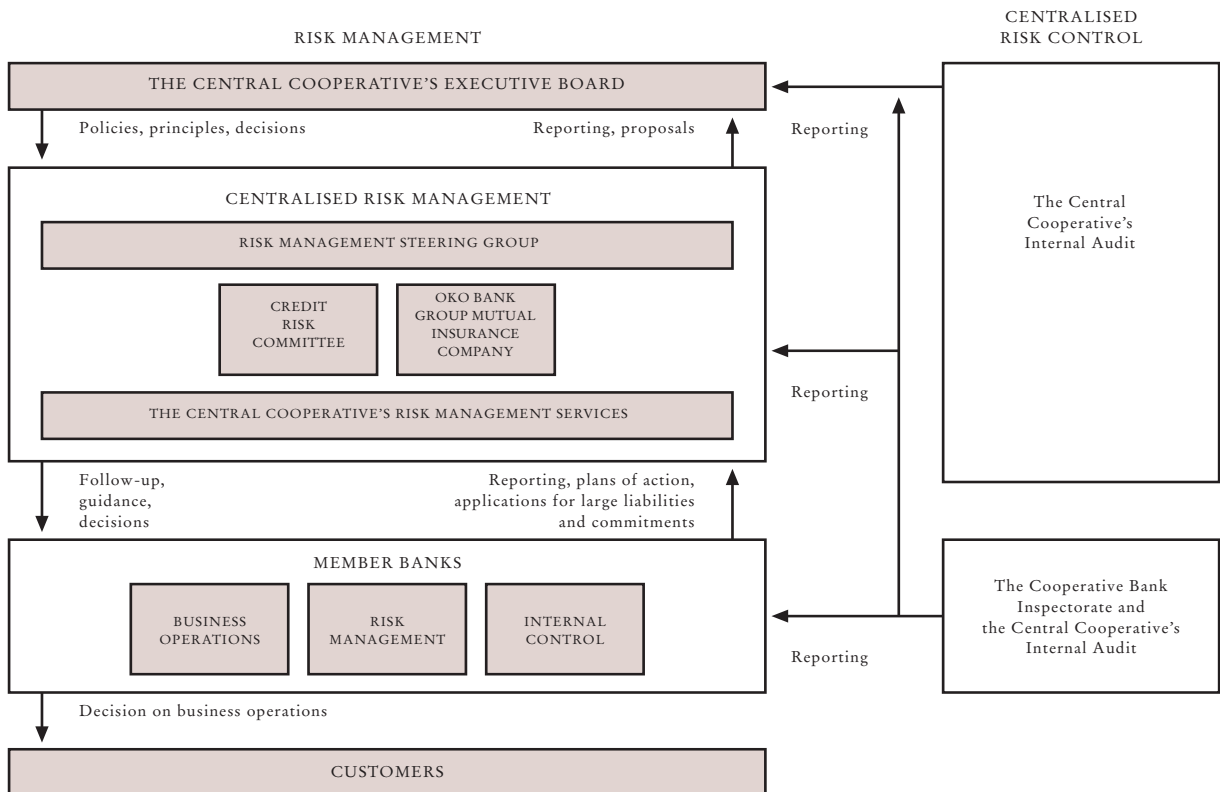
ative, its member banks and their subsidiaries.

The Central Cooperative's Risk Management Services and Credit Risk Committee can only act indirectly in taking decisions affecting the risk situation of a member bank and the Group. Decisions of this kind include exemptions concerning the member banks' individual large loan or investment projects as well as credit portfolio insurance.

MEMBER BANKS

The Group's member banks and the other institutions belonging to the Group have organised their risk management in the manner required by the nature and extent of their business operations. The member banks' executive boards make the decisions concerning risk management and organisation of this function. Within OKO Bank Consolidated the Risk Management Committee, reporting to OKO Bank's Executive Board, decides the operational policy lines and limits for risk

Organisation of risk management and control in OKO Bank Group



taking. The Risk Management Department, which is organisationally separated from business operations, is responsible for OKO Bank Consolidated's risk control and reporting and for the risk management development. The principles underlying the management of the Bank's credit and other risks are described in more detail in OKO Bank's financial statements.

The Central Cooperative has issued the member banks model guidelines on arranging risk management. The supervisory boards of the member banks have confirmed the principles that are applied to risk management, on the basis of which the banks' executive boards oversee and control the bank's risk-taking. In the confirmed internal guidelines each member bank defines, among other things:

- the central principles governing lending, especially the objectives, decision-making authorisations and responsibilities in lending operations, the general collateral and own financing requirements and the benchmarks and risk limits used in monitoring credit risks
- the asset and liability management principles governing business decision-making, the bench-

marks for market risk and risk limits as well as the asset and liability management organisation and reporting practice.

- policy lines covering real-estate holdings, such as the volume and yield targets of the holdings and the breakdown of the portfolio into properties that are to be held, developed and sold off
- the principles of managing operational risks.

#### RISK AND MONITORING LIMIT SYSTEM

The Central Cooperative's Supervisory Board has set risk limits for the Group's risk-bearing ability and profitability as well as for credit, market and real-estate risks. Within the framework of this Group level risk limit system, the Central Cooperative's Executive Board has set for the risk-bearing ability, profitability and various types of risks of the member banks and the other institutions belonging to the Group, monitoring limits which they must not exceed in their operations and on the basis of which they confirm their own risk limits. The extent of the benchmarks and their development needs are reviewed regularly as part of the Group's strategy process.

#### The OKO Bank Group's risk limit system according to the OP-2002 Business Strategy and the values of the risk benchmarks

Benchmark	Risk limit	Dec. 31, 2002	Dec. 31, 2001
<b>Risk-bearing ability and profitability</b>			
Core capital adequacy (capital adequacy ratio net of supplementary cooperative capital and Tier II own funds)	7	10.5	9.9
Basic profitability (profit before loan losses / total assets, %)	1	1.7	2.1
<b>Credit risks</b>			
Largest single customer risk / own funds, %	15	9.7	9.8
Total amount of large exposures / own funds, %	100	0	0
Sectoral risk / own funds, %	50	42	35
Non-performing claims / claims and commitments, %	2	0.6	0.7
Credit loss estimate for next three years / total assets, %	1.5	0.32	0.37
<b>Market risks</b>			
Funding risk / total assets, %	-3	+0.5	+3.4
Consolidated cash reserves, %	11	12.6	16.8
Interest rate risk / own funds, %	+/-2	+0.9	+0.7
Foreign exchange risk / own funds, %	4	0.4	0.3
Equity risk / own funds, %	10	1.8	4.8
Capital invested in real estate / total assets, %	6	4.4	4.7

During 2002 and at the end of the year the Bank Group's key indicators of risk-bearing ability and profitability were substantially inside the risk limits set by the Central Cooperative's Supervisory Board. During 2002 not a single risk limit for credit or market risks was exceeded. Details of the principles of calculating risk indicators and the trend in them during 2002 are given in the discussion of the figures for specific types of risk.

The member banks are overseen and controlled mainly on the basis of the monitoring limit system. If monitoring limits are broken, the member banks may be subjected to various degrees of guidance over their operations. In the Group's internal risk classifications the member banks are classified in risk categories such that the number of monitoring limit overruns and the seriousness of the overruns weaken the bank's credit classification. The Central Cooperative analyses the risk situation and reviews the risk classification regularly as part of the control process.

#### RISK-BEARING ABILITY AND PROFITABILITY

The Group's risk-bearing ability is strong. At the end of 2002 the Group's capital adequacy ratio was 15.2 per cent (15.1), whereas the statutory minimum level is 8 per cent. The benchmark used to gauge the risk limit of the Group's risk-bearing ability is core capital adequacy, which is a clearly more stringent benchmark than is statutory capital adequacy. At the end of the year the core capital adequacy was 10.5 per cent (9.9), or 3.5 percentage points higher than the risk limit which the Central Cooperative's Supervisory Board has set for the Group. A strong risk-bearing ability acts as a buffer against unexpected losses and creates a basis for the growth of business operations. At the close of the year the Group's own funds exceeded by EUR 744 million the minimum amount of own funds according to the risk limit set for risk-bearing ability. Similarly, the risk limit set for risk-bearing ability would have permitted an increase of nearly 50 per cent in risk-weighted commitments.

In 2002 the low level of interest rates burdened the Group's net income from financial operations. The fact that the structural interest rate risk connected with retail banking materialised explains in part the decreased

proportion of net income from financial operations within total assets. The sharp fall in equity risks showed up both in the form of write-downs made on the banks' equity holdings and in the weak yield in investment operations within the life and pension insurance business. The Group's profitability remained good despite the risks that materialised. The value of the risk limit benchmark set for profitability was 1.7 per cent in the report year (2.1), or 0.7 percentage point better than the risk limit set for basic profitability. Thanks to good profitability, the bank group's own funds again grew faster in 2002 than did its risk-weighted commitments.

#### 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. Because credit risks are the biggest source of risks for retail banking, the Group pays particular attention to developing the way the member banks manage and monitor them.

Local and thorough business knowledge is the starting point for the management of credit risks and it is an especial strength of the Group's member banks. Lending takes place primarily on the basis of the customer's sufficient and verified debt servicing ability. In order to ensure the repayment of commitments, as a rule the customer's liabilities must be secured by collateral. Credit granting authorisations within the Group are confirmed to correspond to the extent and nature of each member bank and business unit.

The tools used in assessing customers' debt servicing ability and credit risk are solvency calculations, financial statement analyses, company studies, qualified opinions and a risk rating. During 2002 the rating system for corporate customers was renewed by replacing the previous 5-class financial statement analysis breakdown with a 12-class system. The Central Cooperative supports the member banks' credit taking decisions by preparing industry-specific surveys and financing recommendations. For the granting of housing loans to households, comparative calculations at different inter-



est rate levels are used to ensure that debt servicing will not be jeopardised owing to changes in the level of interest rates.

The member cooperative banks and Okopankki Oyj have credit portfolio insurance with the OKO Bank Group Mutual Insurance Company to cover their loan books and bank guarantees. 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 be rejected outside the scope of the insurance if the risks associated with debt servicing ability or collateral are excessively large. On the basis of a separate insurance analysis, detailed information is obtained on the debt servicing ability, loans and collateral position of the largest customers of the retail banking arm. Insurance analysis forms an important part of the Group's credit risk management.

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 sectoral concentrations, liabilities rejected under the OKO Bank Group Mutual Insurance Company's credit portfolio insurance as well as overdue amounts and non-performing claims.

For the most part, OKO Bank handles the Group's taking of foreign risks. OKO Bank'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 Group's portfolio of loans and guarantees grew by EUR 2.5 billion in the report year, or by 11 per cent to EUR 26.0 billion (23.5). The bulk of the EUR 2.4 billion growth in the credit portfolio, or EUR 1.7 billion, came from the household sector. Corporate credits accounted for EUR 0.8 billion of the growth. At the end of the year the household sector accounted for 68 per cent of the credit portfolio (68), companies for 27 per cent (26) and other sectors for 5.2 per cent (6.4). Hous-

#### Credits, leasing receivables and non-performing claims by sector

e million	Dec. 31, 2002	Dec. 31, 2001	Change		Non-performing claims	
			e million	%	Dec. 31, 2002	% of credits and leasing receivables
<b>Enterprises and housing companies</b>	<b>7 473</b>	<b>6 729</b>	<b>744</b>	<b>11</b>	<b>57</b>	<b>0.8</b>
Industry	2 056	1 768	288	16	13	0.6
Construction	462	510	-49	-10	6	1.3
Trade and catering	1 113	1 068	45	4	14	1.2
Real-estate investment	1 417	1 129	288	26	7	0.5
Other enterprises	1 678	1 449	229	16	15	0.9
Housing companies	746	804	-57	-7	3	0.3
<b>Finance and insurance</b>	<b>27</b>	<b>165</b>	<b>-138</b>	<b>-84</b>	<b>0</b>	<b>0.1</b>
<b>Public sector entities and non-profit organisations</b>	<b>361</b>	<b>331</b>	<b>30</b>	<b>9</b>	<b>1</b>	<b>0.2</b>
<b>Households</b>	<b>16 569</b>	<b>14 849</b>	<b>1 720</b>	<b>12</b>	<b>116</b>	<b>0.7</b>
Housing loans	10 695	9 292	1 403	15	42	0.4
<b>Foreign</b>	<b>146</b>	<b>97</b>	<b>49</b>	<b>50</b>	<b>0</b>	<b>0.1</b>
<b>Total</b>	<b>24 575</b>	<b>22 171</b>	<b>2 404</b>	<b>11</b>	<b>174</b>	<b>0.7</b>

ing loans represented EUR 10.7 billion of the EUR 16.6 billion credit portfolio for households.

Total corporate credits at the end of the year amounted to EUR 6.5 billion (5.7). Lending was diversified across both sectors and customer entities. The Group's largest sectoral risk concentration was the property business (property developments as well as the buying and selling, rental and management of both own real estate and housing), for which the total liabilities at the end of the year were EUR 1.4 billion, or 42 per cent of own funds, which is a proportion that is 8 percentage points below the benchmark's risk limit value.

At the end of the year there were 56 exemptions for the financing of large customer entities granted by the Central Cooperative's Credit Risk Committee. During 2002 the committee dealt with a total of 1 241 applications.

The Central Cooperative supports corporate financing decisions by means of financial statement analyses, which were carried out during the report year on nearly 17 000 customers and a total of over 22 000 financial periods. All in all, 1 100 company studies and statements were prepared and these analysed projects amounting to more than EUR 620 million.

At the end of the year the Group had EUR 166 million of non-performing claims (181) and EUR 8 million of zero-interest claims (11). The ratio of non-performing and zero-interest claims to the credit portfolio and other claims equivalent to lending plus off-balance sheet commitments was 0.6 per cent at the end of the year. At the end of 2001 the ratio was 0.7 per cent. During 2002 the Group booked gross loan losses to a total of EUR 41 million (48), which was 0.13 per cent of the total amount of the credit portfolio, other commitments equivalent to lending and off-balance sheet items (0.17).

On the basis of the small amount of non-performing and other problem claims as well as studies carried out when insuring the credit portfolio and, furthermore, gauging by the results of risk surveys, the bank group's credit risk situation can be judged to be stable.

#### MARKET RISK AND ASSET AND LIABILITY MANAGEMENT

The Group regards market risks as including funding, interest rate and real-estate risks as well as foreign exchange and equity risk risks of all on and off the balance

sheet items. The central task of market risk management is to identify and analyse the market risks inherent in the Group's operations, to limit them to an acceptable level and to report market risks regularly and efficiently. This ensures that changes in market prices or other external market factors do not lead to a long-term weakening in profitability or capital adequacy in an individual unit belonging to the Group or within the Bank Group as a whole.

According to the Group's division of responsibilities, the member banks concentrate on retail banking activities. The Group's management of liquidity, payment transfers, foreign exchange risk, long-term funding and international financial institution relationships are centralised within OKO Bank. The member cooperative banks handle most of their money market dealing through OKO Bank. The active trading undertaken by the member cooperative banks on the money and capital markets 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 financial year, two member banks had a trading portfolio that was larger than the recommended amount, as against three such banks a year earlier.

At each of the Group's institutions engaged in banking operations, the executive board has confirmed a written description of the asset and liability management system. It defines the products and market instruments to be used, the extent of operations conducted in foreign currency, the principles underlying funding and investment activities, the market risk benchmarks and limits that are employed as well as the organisation of the bank's asset and liability management. The principles of managing the market risks of the insurance companies belonging to the Group (Aurum and the OKO Bank Group Mutual Insurance Company) are defined in their investment plans.

The extent and frequency of the market risk reporting of the Group's units varies according to the nature of the unit's operations. At OKO Bank, the monitoring of and reporting on market risks is a daily and partly real-time activity. At the Group's other institutions,

management reporting is done regularly on a monthly basis, but monitoring is carried out daily if necessary.

*FUNDING RISK*

Funding risk refers to the unit's own ability to meet its payment obligations. Funding risk arises when investment and funding fall due at different times or if funding is excessively concentrated. Liquidity risk is included in funding risk. Liquidity risk arises if financing is not available when liabilities or other commitments fall due. The Group's funding risk is managed by means of liquidity planning at the member bank and Group level as well as by regulating the maturity structure of balance sheet items, maintaining a sufficient liquidity reserve and diversifying the structure of funding.

The funding risk of the Group and its business units is measured by means of benchmarks describing the maturity structure of balance sheet items as well as the amount and structure of liquidity reserves and funding. At the Group level the risk limit indicator for funding risk is the ratio to total assets of the difference between the receivables and liabilities falling due during the 12 months after the time of performing the analysis. In calculating key ratios, current and chequing accounts are not taken into account, nor are continuous high-yield accounts, which in normal conditions are considered to constitute stable funding.

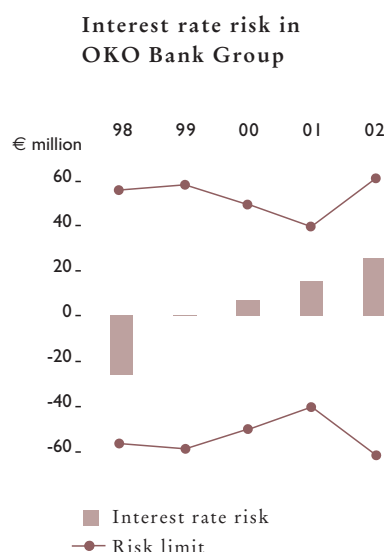
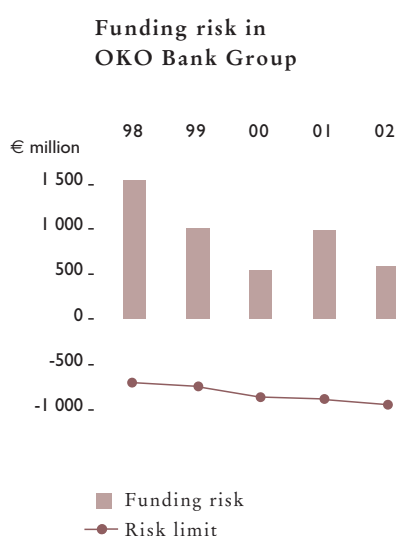
During 2002 the growth in deposit funding did not suffice to cover the Group's strong increase in lending. Deposits nevertheless continued to represent a high proportion of funding. The value of the risk limit benchmark for funding risk weakened by about 2.9 percentage points. The change was relatively even and the benchmark's value was markedly above the risk limit throughout the year. Note 33 to the accounts shows the maturity breakdown of claims and liabilities by balance sheet item at the end of the year.

The second risk limit benchmark which the Group employs to measure funding risk is monitoring of the amount of its claims that are eligible as statutory cash reserves. At the end of the year receivables eligible as statutory cash reserves totalled EUR 3.4 billion (4.3). During the year these receivables exceeded the Group's statutory minimum requirement by an average of EUR 1.2 billion (1.2).

*INTEREST RATE RISK*

Interest rate risk refers to the effect of movements in interest rates on the bank's earnings and on the market value of its risk exposure. Interest rate risk arises from the differing interest rate maturities applied to receivables and liabilities or to the timing of interest rate reprising.

The analysis of interest-rate risk encompasses all the Group's balance sheet items as well as interest-bearing



off-balance sheet items. The Group's most important source of interest rate risk is retail banking. In retail banking the due dates and repricing dates of lending and borrowing differ from each other. In addition, various interest rate linkages are in use, some of which are so-called administrative interest rates. Customer behaviour also influences the bank group's interest rate risk in both lending and deposit funding. For the purpose of calculating interest rate risk, an estimate is made of the statistical repricing gap of administrative interest rates and total deposits compared with changes in market interest rates. Pricing gaps, equity and real-estate investments and their financing as well as the bank group's own funds are included in the interest rate risk analysis in accordance with time class assumptions that are confirmed annually.

The risk limit benchmark of interest rate risk used by the Group is the effect of a rise of 0.5 percentage point on the present value of the Group's risk position as a ratio of equity capital. In addition, the member banks employ a risk indicator for the interest rate yield to estimate the effect of a corresponding interest rate change on the bank's result in the current financial period and during the next twelve months. OKO Bank Consolidated and the Group's insurance companies calculate their interest rate risks by means of VaR indicators.

At the end of 2002 the Group's interest rate risk measured in terms of the effect of a 0.5 percentage point rise in interest rates was EUR 30.4 million (20.0). On average the Group's interest rate risk during 2002 was EUR 26.7 million (15.0). The interest rate risk as a ratio of own funds at the end of the financial year was 0.9 per cent (0.7), which was clearly within the Group's risk limits. The Group's interest rate risk can be considered moderate, but the lowering in the interest rate level in the latter months of the year weakened the trend in net income from financial operations.

#### FOREIGN EXCHANGE RISK

Foreign exchange risk refers to the risk of a change in profits or market value which the bank incurs as a result of changes in foreign exchange rates. An open foreign exchange exposure arises when the amounts of receivables and liabilities in the same currency differ from each other. Within the OKO Bank Group, foreign exchange risk is centralised within OKO Bank, and the foreign

currency exposure of an individual member cooperative bank is in practice limited to the foreign currency kept for travellers' needs.

The foreign exchange risk of the Group is measured in terms of the size of the aggregate net foreign exchange position in relation to own funds. OKO Bank's foreign exchange risk is measured and limited by means of a risk gauge based on VaR analysis. The Group's net foreign exchange exposure at the end of the financial year was EUR 12.2 million (10.0) and during the year it was on average EUR 12.1 million (14.3). The foreign exchange risk as a ratio of the bank group's own funds was small, or 0.4 per cent (0.4).

#### EQUITY RISK

Equity risk refers to the risk of a change in earnings and market value caused by changes in the market price of publicly quoted shares and other similar instruments. Within the OKO Bank Group the risk limit benchmark used for equity risk is the ratio to own funds of the market value of publicly quoted shares, mutual fund units or other similar instruments. Not included in calculating this measure are the OKO Bank's Series A share, the strategic investments which are decided separately by Executive Board and included in the portfolios of the OKO Bank Group Central Cooperative and OKO Bank as well as the equity portfolios, which are monitored as separate entities of the insurance companies belonging to the Group.

The publicly quoted shares and mutual fund units included in the Group's risk limit benchmark for equity risk had a market value at the end of the year of 58 million (140), which was 1.8 per cent of the Group's own funds (4.7). The equity risk was reduced in particular by the sale at the end of April of the shares in Pohjola Group plc (with a market value of EUR 81 million) that were held by the Central Cooperative and OKO Bank. The value of the risk limit benchmark was 8.2 percentage points below the risk limit that had been set.

The predominant fall in share prices during 2002 led to the booking of a net amount of EUR 78 million in write-downs and losses on the sale of shares and mutual fund units. Aurum Life Assurance Company accounted for EUR 71 million of this amount.

*REAL-ESTATE RISKS*

The objective of managing real-estate risks is to minimise the risk of value depreciation, yield and damage risk connected with real-estate or shares and participations in property management companies. In order to reduce risks connected with real-estate holdings and to raise the yield level, the member banks have confirmed the principles of managing real-estate risks and adopted management systems for them. The real-estate risk of the Group and the member banks as well as the yield level of properties are monitored quarterly.

According to the real-estate strategy, the net yield per property of the Group's leasable real-estate property not in own use was raised to at least 5.5 per cent by the end 2002. A net yield below the requirement is acceptable only in respect of individual properties that were underutilised at the end of the year or for which major renovation costs have been incurred during the report year or for which separate development plans have been prepared.

The Group's capital invested in real estate and real-estate investment companies was EUR 1.4 billion, a decrease of 2.9 per cent on the figure a year earlier. Of this amount, properties not in own use totalled EUR 919 million. During 2002 the amount of these assets shrank by EUR 40 million and their ratio of total assets was 4.4 per cent (4.7), or 1.6 percentage points smaller than the Group's risk limit for the real-estate risk benchmark.

**OTHER RISKS***STRATEGIC RISKS*

Strategic risk connected with the general priority and development policy lines for the OKO Bank Group's operations 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. Group-level risk limits are also confirmed as part of the strategy processes.

*OPERATIONAL RISKS*

Managing operational risks involves actions to reduce the probability of losses that are attributable to personnel, operational processes on systems, or external fac-

tors. A professionally skilled and well-trained staff, modern tools, comprehensive operational guidelines and efficient monitoring occupy an important position in operational risk management.

The member banks overhauled their internal guidelines for the management of operational risks in 2002. In accordance with the Group's structure and division of labour the OKO Bank Group Central Cooperative occupies a central position, especially in respect of risks connected with the centralised provision of services and operation of the information systems. With the aim of making the identification of operational risks more effective, the Central Cooperative launched procedures based on an internal assessment of risks as a new element of its risk management. The Central Cooperative also initiated the updating of function-specific continuity plans as well as safety and rescue plans. The danger of certain major risks connected with the bank group's centralised functions is reduced by taking out insurance policies. Procedures concerning the assessment of insurance security were developed during the year.

Risks connected with new operational models as well as new products and services undergo a comprehensive assessment at the Central Cooperative. The member banks and the other institutions of the Group use only products and services in accordance with the Central Cooperative's policy lines. The member banks' use of the most complex banking products is centralised within the Central Cooperative. The introduction of new products is always preceded by thorough planning, guidelines and training covering the entire process.

*THE OKO BANK GROUP PREPARES**FOR A NEW CAPITAL ADEQUACY FRAMEWORK*

Since 1999 the Basel Committee on Banking Supervision has been drafting a reform of the capital adequacy framework for credit institutions. The objective of the Basel Committee on Banking Supervision is for the new framework to enter into force in 2006. The European Commission has started preparations for implementing the framework that is in the drafting stage at the present time.

The new capital adequacy framework seeks to motivate banks to develop their risk management systems. The new framework gives the banks the possibility of utilising their own risk management systems in calculat-

ing capital adequacy when these comply with the special requirements set by the authorities. The starting point for the development of the capital adequacy framework has been that the capital requirements will diminish if the bank makes use of the more advanced risk management methods and systems. As a departure from the framework now in force, the new framework will probably set an own funds requirement that also applies to operational risks. New requirements will furthermore be set for banks' risk management processes and the financial statement information that is published.

The OKO Bank Group has started preparations for the new capital adequacy framework. The requirements set by the framework have been taken into account in the development work on risk management systems as well as in the Group's and the member banks' guidelines concerning risk management. Decisions have nevertheless not yet been taken regarding which of the calculation methods made possible by the new framework will be used within the bank group.

At the end of 2002 the bank group took part in the Basel Committee's Quantitative Impact Study (QIS3). In the QIS3 study the OKO Bank Group used the so-called standard methods in calculating the own funds requirements for both credit and operational risks. According to the calculations made, the effect of the new capital adequacy framework on the OKO Bank Group's own funds requirement was relatively neutral. The own funds requirement for housing and other retail banking liabilities, which is more liberal than the present one, would compensate fairly exactly for the new own funds requirements set for operational risks.

#### **FUTURE CHANGES IN ACCOUNTING POLICIES**

The European Parliament and the Council issued, at the end of 2001, a Fair value directive according to which the Member States can either permit or demand the valuation of certain financial instruments at fair value. The directive changes the asset class breakdown of financial instruments and brings new asset classes within the scope of valuation under the fair value principle. The directive's valuation rules are convergent with IAS standards and in practice it brings into force the central principles of valuation spelt out in the IAS39 standard. The changes resulting from the Fair value directive must be enacted in

the Member States' legislation by the beginning of 2004.

An IAS Regulations Working Group, set up by the Ministry of Trade and Industry in autumn 2002, stated in its interim report that in Finland the regulations specified by the Fair value directive should be compulsory for credit institutions. In Finland, the unrealised changes in value of certain financial instruments will probably be booked – bypassing the profit and loss account – to a new fair value reserve under equity capital.

The Fair value directive will increase the amount of the Group's asset items that are to be valued at fair value. Initially, taking unrealised increases in value into account will increase equity capital, but in future years it will increase the sensitivity of the Group's result and equity capital to changes in market interest rates and share prices.

According to the IAS regulation which the European Parliament and the Council issued in 2002, companies whose issued securities are publicly traded must prepare consolidated financial statements according to International Accounting Standards (IAS) no later than for the financial year commencing in 2005. According to the regulation, companies that had issued only debt securities can be allowed a transition period, on a national basis, up to 2007.

The OKO Bank Group has begun preparations for introducing IAS standards. The Group will prepare its first IAS statements for the 2005 financial year. The standards will change the present financial statement accounting policy in a number of respects.

#### **THE OKO BANK GROUP'S LEGAL STRUCTURE**

The OKO Bank 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 (which has been renamed the Act on Cooperative Banks and Other Cooperative Credit Institutions, hereinafter referred to as the Cooperative Bank Act). The amendment to the Cooperative Bank Act led to a sharper definition of the position of the OKO Bank 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 OKO Bank 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 OKO Bank Group is a unique financial entity that has been created through special legislation.

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

#### EXTENT OF THE OKO BANK GROUP

The operations of the amalgamation of the cooperative banks (OKO Bank Group) are provided for in the Cooperative Bank Act. After the amendments that came into force at the beginning of 2002, the provisions concerning the amalgamation of the cooperative banks have been grouped together in Chapters 2 and 11 of the Cooperative Bank Act. In the same connection, certain minor adjustments concerning the amalgamation were made to the Cooperative Bank Act.

The OKO Bank Group comprises the OKO Bank Group Central Cooperative, which is the Group's central institution, its member cooperative banks, the companies belonging to the consolidation groups of the Central Cooperative and the member banks as well as credit and financial institutions and service companies in which one or more company belonging to the OKO Bank Group holds a total of more than half of the voting rights. Under law the OKO Bank Group is monitored on a consolidated basis, and the central institution and the credit institutions belonging to the OKO Bank Group are responsible for each other's liabilities and commitments.

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

#### CONSOLIDATED MONITORING

Under law, the OKO Bank Group is monitored on a consolidated basis in respect of capital adequacy, liquidity and customer risks. The OKO Bank 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 OKO Bank 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 OKO Bank 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 OKO Bank Group as a whole. The OKO Bank 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 above.

In calculating customer risks and the minimum amount of own funds, the OKO Bank Group is likened to a credit institution. The legal provisions covering the maximum amounts of individual customer entities for the OKO Bank 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 OKO Bank 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 ratio calculated for the Group must be at least 8 per cent. Should the Group's own funds fall below 8 per cent, the Financial Supervision Authority 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 fixed period, the Ministry of Finance, acting upon a proposal of the Financial Supervision Authority, can order the Group to be dissolved. The Ministry of Finance also has the right to decide on dissolution of the OKO Bank Group in other situations in which the Group does not fulfil the prescribed requirements of Chapter 2 of the Cooperative Bank Act even after the setting of a specified period.

#### **EXCEPTIONS CONCERNING MEMBER CREDIT INSTITUTIONS**

The OKO Bank 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 to an individual bank.

The regulations concerning the minimum amount of own funds required to ensure statutory capital adequacy are not applied as such to the OKO Bank 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 Authority, 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 Authority will set the deadline.

A member credit institution does not bear the obligation of publishing an interim report in accordance with Section 41 of the Credit Institution Act.

#### **JOINING THE OKO BANK GROUP AND WITHDRAWAL FROM ITS MEMBERSHIP**

Membership of the Central Cooperative is open to cooperative banks, banks having the legal form of a limited company pursuant to the Cooperative Bank Act and the commercial bank acting as the central financial institution of the OKO Bank Group as well as credit institutions in which said companies own, alone or jointly, more than half of the voting rights provided that the amendments to the statutes or Articles of Association as specified in the Cooperative Bank Act are made. Joining the Central Cooperative calls for a two thirds majority of the votes cast at the general meeting of the cooperative or in the representatives' meeting of the bank or at a general meeting of the shareholders.

A member credit institution has the right to withdraw from membership of the OKO Bank Group Central Cooperative provided that the capital adequacy calculated for the OKO Bank 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 OKO Bank 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 OKO BANK 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 OKO Bank Group's consolidated annual accounts pursuant to, as appropriate, the provisions and regulations in effect for the consolidated annual accounts of a credit institution. The Financial Supervision Authority has issued more detailed regulations on the preparation of the OKO Bank Group's annual accounts. The accounting policies applied are presented in the Group's annual accounts.



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

#### **MONITORING THE OKO BANK GROUP**

The OKO Bank Group is monitored by the Financial Supervision Authority and the OKO Bank 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 OKO Bank 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 OKO Bank 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 OKO Bank Group up to a maximum amount of EUR 25 000.

Under legislation concerning the Investor Compensation Fund, the OKO Bank Group is also considered as a single bank for purposes of compensation protection. The Investor Compensation Fund's assets may be used to compensate an investor's receivable from companies belonging to the OKO Bank Group up to a maximum amount of EUR 20 000.

#### **AMENDMENTS TO THE CENTRAL INSTITUTION'S STATUTES**

A reform of statutes of the OKO Bank Group Central Cooperative, the OKO Bank Group's central institution, was prepared during the report year. The amendments are occasioned by the overall reform of the Cooperative Societies' Act, which came into force at the beginning of 2002. The main proposed amendments to the Central Cooperative's statutes concern additions and clarifications to the grounds for expelling a member bank, the number of auditors, the making possible of supplementary cooperative capital as well as the bringing up to date of the basis for the payment of an extraordinary contribution. The proposed amendments will be dealt with at the General Meeting of the OKO Bank Group Central Cooperative in April 2003.

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## ACCOUNTING POLICIES

The amalgamation of the cooperative banks (hereinafter the OKO Bank Group) does not form a group as defined in the Accounting Act or a consolidation group as defined in the Credit Institution Act. The OKO Bank 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 Group's annual accounts are set forth separately in the Cooperative Bank Act. On the basis of it the Financial Supervision Authority has issued more detailed regulations on the preparation of the OKO Bank Group's annual accounts.

The annual accounts of the OKO Bank 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 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 OKO Bank Group in OKO Bank'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 OKO Bank 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 OKO Bank Group, the Central Cooperative issues its member credit institutions instructions on the preparation of the annual accounts.

The Central Cooperative's auditors audit the OKO Bank Group's annual accounts, observing, as appropri-

ate, the regulations of the Financial Institution Act. The auditors prepare a separate auditors' report on the annual accounts. The annual accounts of the OKO Bank Group are submitted to the General Meeting of the OKO Bank Group Central Cooperative.

### APPLICABLE REGULATIONS

The annual accounts of the OKO Bank Group are consolidated in observance of the provisions of Chapter 2 of the Cooperative Bank Act and the regulations issued by the Financial Supervision Authority. 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 OKO Bank 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 OKO Bank Group Central Cooperative.

### EXTENT AND CONSOLIDATION OF THE ANNUAL ACCOUNTS

The annual accounts of the OKO Bank Group represent a consolidation line by line of the annual accounts of the OKO Bank Group Central Cooperative, its member cooperative banks, the OKO Bank Group Security Fund, the OKO Bank 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 OKO Bank 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 OKO Bank shares owned by entities belonging to the Group has been eliminated against OKO Bank's equity capital and the portion that exceeds or falls short of the nominal value has been eliminated against OKO Bank's profit/loss brought forward.

The Group's internal transactions, internal margins, internal distribution of profits, gains and losses on the sale of OKO Bank 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 an-

other institution belonging to the bank group has been reversed in the Group's annual accounts to the extent that the grounds for the revaluation are still valid.

The accumulated depreciation difference and voluntary provisions stated in separate annual accounts as well as the changes in them are divided in the balance sheet into a portion allocated to equity capital and a portion allocated to imputed deferred taxes and the equivalent allocations in the profit and loss account are to the net profit for the financial year and to the change in imputed deferred taxes. The technical reserves indicated in the annual accounts of the OKO Bank 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 result and of the equity capital has been separated out and stated as an individual item in the profit and loss account and the balance sheet. In defining the minority interest, the OKO Bank Group Central Cooperative's member cooperative banks and OKO Bank have formed a parent company in the technical sense necessary for the calculations.

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 Group the depreciation of these companies has been adjusted in accordance with the principles observed by the Group.

#### ITEMS DENOMINATED IN FOREIGN CURRENCY

Items denominated in foreign currency as well as the annual account information of OKO Bank's overseas branch office have been translated into domestic currency applying the average exchange rates of the currencies on the balance sheet date. The foreign exchange rate differences arising from the valuation are included in the profit and loss account item "Net income from foreign exchange dealing".

#### RECEIVABLES AND LIABILITIES

Receivables and liabilities have been entered in the balance sheet at the value which was paid for or received from them at the time of acquisition. The difference

between the acquisition cost and the nominal value of a receivable is periodised as interest income and is an increase or decrease in the acquisition cost of the receivable during the maturity of the receivable. The difference between the amount received for a liability and the nominal value is periodised as interest expense and is an increase or decrease in the acquisition cost of the liability during its maturity.

#### **SECURITIES HELD AS CURRENT ASSETS**

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

Actively traded securities are valued at the probable transfer price and all positive and negative changes in value resulting from the valuation are entered in the accounts. Other securities held as current assets are 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 OKO Bank Group. Debt securities held as financial fixed assets are placed in the balance sheet 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 booked 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 OKO Bank 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 REAL-ESTATE PROPERTIES AND SHARES AND  
PARTICIPATIONS IN REAL-ESTATE COMPANIES**

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

In determining the balance sheet value of real-estate properties and shares in real estate companies that are in own use, the starting point taken is the value of the asset in relation to earnings expectations for ordinary operations. 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 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. In the 2002 annual accounts the assumed minimum required return for an individual property is 5.5 per cent. 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 euro 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 OKO Bank 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 2002 AND 2001 ANNUAL ACCOUNTS**

During 2002 no changes took place in the OKO Bank Group's structure, which might have affected the comparability of the 2002 and 2001 financial statements.

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT

e million	Jan. 1 to Dec. 31, 2002			Jan. 1 to Dec. 31, 2001		
Interest income	1 397			1 540		
Interest expenses	540			665		
<b>Net income from financial operations</b>	<b>857</b>			<b>875</b>		
Income from equity investments	30			95		
Commission income	292			287		
Commission expenses	47			42		
Net income from securities transactions and foreign exchange dealing						
Net income from securities transactions	-21			-53		
Net income from foreign exchange dealing	8	-13		7	-46	
Other operating income	150			146		
Administrative expenses						
Staff costs						
Salaries and fees	285			268		
Staff-related costs						
Pension costs	47			28		
Other staff-related costs	21	69	354	20	47	315
Other administrative expenses	201 555			186 501		
Depreciation and write-downs on tangible and intangible assets	74			76		
Other operating expenses	129			132		
Loan and guarantee losses	13			12		
Write-downs on securities held as financial fixed assets	1			88		
Share of profit/loss of companies included in the consolidated accounts using the equity method	-38			-2		
<b>Operating profit</b>	<b>459</b>			<b>504</b>		
Extraordinary items	-			-		
<b>Profit before appropriations and taxes</b>	<b>459</b>			<b>504</b>		
Income taxes						
Taxes for the financial year	76			79		
Taxes for previous financial years	0			29		
Change in imputed taxes due	41	117		31	138	
Share of profit (loss) for the financial year attributable to minority interests	1			1		
<b>Profit for the financial year</b>	<b>342</b>			<b>365</b>		

BALANCE SHEET

BALANCE SHEET

ASSETS e million	December 31, 2002		December 31, 2001	
Liquid assets		233		242
Debt securities eligible for refinancing with central banks				
Treasury bills		128		1 048
Other	2 431	2 560	2 345	3 393
Claims on credit institutions				
Repayable on demand		18		37
Other	332	350	329	366
Claims on the public and public sector entities		24 319		21 946
Leasing assets		256		225
Debt securities				
On public sector entities		180		443
Other	1 463	1 643	1 309	1 753
Shares and participations		192		237
Participating interests		14		11
Shares and participations in consolidated companies		94		85
Intangible assets				
Consolidated goodwill		0		0
Other long-term expenditure		78	78	68
Tangible assets				
Real-estate and shares and participations in real-estate corporations		1 108		1 153
Other tangible assets		73	1 181	80
Other assets		480		237
Accrued income and prepayments		224		236
		<u>31 625</u>		<u>30 031</u>



BALANCE SHEET

BALANCE SHEET

LIABILITIES e million	December 31, 2002			December 31, 2001		
<b>Liabilities</b>						
Liabilities to credit institutions and central banks						
Central banks	732			1 194		
Credit institutions						
Repayable on demand	7			30		
Other	210	217	949	550	581	1 774
Liabilities to the public and public sector entities						
Deposits						
Repayable on demand	9 374			8 358		
Other	10 558	19 932				
Other liabilities	1 443 21 375			1 346 20 120		
Debt securities issued to the public						
Bonds	1 170			1 131		
Other	3 366	4 536				
Other liabilities				711 603		
Accrued expenses and deferred income				218 245		
Compulsory provisions						
Other compulsory provisions	6 6			4 4		
Subordinated liabilities						
Imputed taxes due				205 163		
Minority interests	4			4		
	<b>28 580</b>			<b>27 337</b>		
<b>Equity capital</b>						
Share and cooperative capital	721			644		
Share premium account	6			4		
Revaluation reserve	45			46		
Other restricted funds						
Reserve fund	690			680		
Other reserves	7	697				
Non-restricted reserves						
Other reserves	661	661				
Profit brought forward				573 371		
Profit for the financial year				342 365		
	<b>3 045</b>			<b>2 694</b>		
	<b>31 625</b>			<b>30 031</b>		
<b>Off-balance sheet commitments</b>						
Commitments given to a third party on behalf of a customer						
Guarantees and pledges	1 453			1 352		
Other	-	1 453				
Irrevocable commitments given in favour of a customer						
Securities repurchase commitments	-			-		
Other	3 320	3 320				
	<b>4 772</b>			<b>4 185</b>		

KEY FIGURES

KEY FIGURES

e million

PROFIT AND LOSS ACCOUNTS	1998	1999	2000	2001	2002
Net income from financial operations	691	678	801	875	857
Other income	503	464	681	481	459
Other expenses	588	598	629	674	731
Depreciation and write-downs	87	76	91	76	74
Loan and guarantee losses	128	26	5	12	13
Write-downs on securities held as financial fixed assets	0	0	99	88	1
Share of profit/loss of companies included in the consolidated accounts using the equity method	3	7	7	-2	-38
<b>Operating profit</b>	<b>395</b>	<b>450</b>	<b>664</b>	<b>504</b>	<b>459</b>
Extraordinary items	-	-	-	-	-
<b>Profit before appropriations and taxes</b>	<b>395</b>	<b>450</b>	<b>664</b>	<b>504</b>	<b>459</b>
Taxes	13	64	159	138	117
Minority interests	0	1	2	1	1
<b>Profit for the financial year</b>	<b>382</b>	<b>385</b>	<b>504</b>	<b>365</b>	<b>342</b>

**BALANCE SHEETS**

**Assets**

Claims on credit institutions	752	593	803	366	350
Claims on the public and public sector entities	16 192	18 309	20 260	21 946	24 319
Debt securities	3 026	3 804	3 021	5 146	4 202
Shares and participations	220	249	461	332	300
Intangible and tangible assets	1 641	1 545	1 374	1 301	1 259
Other assets	1 501	1 524	1 166	940	1 194
<b>Total</b>	<b>23 332</b>	<b>26 024</b>	<b>27 086</b>	<b>30 031</b>	<b>31 625</b>

**Liabilities**

Liabilities to credit institutions and central banks	398	1 089	1 164	1 774	949
Liabilities to the public and public sector entities	17 029	17 978	18 312	20 120	21 375
Debt securities issued to the public	2 796	3 652	3 629	3 727	4 536
Subordinated liabilities	1 016	743	670	696	576
Other liabilities	708	721	860	853	935
Imputed taxes due	75	98	132	163	205
Minority interests	3	4	5	4	4
Equity capital	1 308	1 739	2 314	2 694	3 045
<b>Total</b>	<b>23 332</b>	<b>26 024</b>	<b>27 086</b>	<b>30 031</b>	<b>31 625</b>

NOTES TO THE ACCOUNTS

(MILLION EURO)

NOTES TO THE PROFIT AND LOSS ACCOUNT

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

	2002	2001
<b>Interest income</b>		
Claims on credit institutions	27	45
Claims on the public and public sector entities	1 176	1 283
Debt securities	188	199
Other interest income	-6	2
Leasing margin	11	11
<b>Total</b>	<b>1 397</b>	<b>1 540</b>
<b>Interest expenses</b>		
Liabilities to credit institutions and central banks	38	52
Liabilities to the public and public sector entities	320	401
Debt securities issued to the public	150	174
Subordinated liabilities	32	38
Other interest expenses	-1	1
<b>Total</b>	<b>540</b>	<b>665</b>

2) Breakdown of net income from securities transactions

	2002	2001
Net income from transactions in debt securities	-15	-7
Net income from transactions in shares and participations	-6	-46
<b>Total</b>	<b>-21</b>	<b>-53</b>

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

	2002	2001
<b>Debt securities</b>		
Securities purchased	20 806	12 698
Securities sold	16 080	10 079
<b>Shares</b>		
Securities purchased	1 939	3 665
Securities sold	1 975	3 581

4) Breakdown of other operating income and expenses

	2002	2001
<b>Other operating income</b>		
Rental and dividend income from real-estate and real-estate corporations	87	89
Capital gains from the sale of real-estate and shares and participations in real-estate corporations	8	9
Other income	54	47
<b>Total</b>	<b>150</b>	<b>146</b>
<b>Other operating expenses</b>		
Rental expenses	22	21
Expenses from real-estate and real-estate corporations	82	83
Capital losses from the sale of real-estate and shares and participations in real-estate corporations	3	4
Other expenses	22	24
<b>Total</b>	<b>129</b>	<b>132</b>

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

	2002	2001
Planned depreciations	61	58
Write-downs	13	18
Reversals on write-downs	0	-
<b>Total</b>	<b>74</b>	<b>76</b>

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

	2002	2001
In respect of claims on credit institutions	0	0
In respect of claims on the public and public sector entities	40	49
In respect of leasing assets	-	-
In respect of guarantees and other off-balance sheet items	2	1
In respect of other items	3	9
<b>Gross loan and guarantee losses</b>	<b>46</b>	<b>58</b>
Deductions from loan and guarantee losses	33	47
<b>Loan and guarantee losses in the profit and loss account</b>	<b>13</b>	<b>12</b>

**NOTES TO THE ACCOUNTS**

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

	2002	2001
Actual loan losses during the financial year, total	52	83
Actual loan losses during the financial year for which a specific loan loss provision has previously been made	-38	-59
Recoveries in respect of actual loan losses during previous financial years	-12	-16
Specific loan loss provisions made during the financial year	30	34
Reversals of specific loan loss provisions during the financial year	-19	-29
<b>Loan and guarantee losses entered in the annual accounts</b>	<b>13</b>	<b>12</b>

**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 OKO Bank 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 2002 and 2001 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	0
Tax provisions	-
Other	2
<b>Total</b>	<b>2</b>

Write-downs on securities held as financial fixed assets:

Gross write-downs	2	88
Reversals of write-downs	0	0
<b>Total</b>	<b>1</b>	<b>88</b>

**9) Breakdown of combined items**

Items in OKO Bank 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
	2002	2001		2002
Banking	1 267	1 324	7 687	7 526
Mortgage banking	1	1	4	3
Finance company operations	30	26	145	139
Investment firm operations	23	25	125	127
Common fund operations	26	26	29	26
Real-estate ownership and possession	10	9	15	15
Other	357	382	1 160	1 094
<b>Total</b>	<b>1 714</b>	<b>1 792</b>	<b>9 165</b>	<b>8 930</b>

	Income by field of activity			Staff on average
	2002	2001		2002
Finland	1 714	1 792	9 159	8 921
Sweden	1	1	6	9
<b>Total</b>	<b>1 714</b>	<b>1 792</b>	<b>9 165</b>	<b>8 930</b>

**NOTES TO THE ACCOUNTS**

NOTES TO THE BALANCE SHEET

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

	2002	2001
Treasury bills	128	1 048
Government bonds	714	445
The bank's certificates of deposit	1 509	1 670
Other	209	230
<b>Total</b>	<b>2 560</b>	<b>3 393</b>

*12) Claims on central banks*

The balance sheet item Claims on central bank did not include claims on central banks at the end of the year.

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

	2002	2001
Enterprises	7 227	6 515
Financial and insurance institutions	26	165
General government	171	167
Non-profit institutions	185	539
Households	16 564	14 464
Foreign	145	97
<b>Total</b>	<b>24 319</b>	<b>21 946</b>

Specific loan loss provisions at the beginning of the financial year	212	249
New provisions made during the financial year (+)	27	33
Provisions reversed during the financial year (-)	-19	-28
Actual loan losses during the financial year, for which the credit institution has previously made specific loan loss provisions (-)	-31	-43
Specific loan loss provisions at the end of the financial year	189	210

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

	2002	2001
Non-performing claims	166	181
Other zero-interest claims	8	11
<b>Total</b>	<b>174</b>	<b>192</b>

*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*

	2002	2001
Assets held as security		
Real-estate and shares and participations in real-estate corporations	54	64
Other shares and participations	2	3
Other assets	-	-
<b>Total</b>	<b>57</b>	<b>67</b>

Shares and participations acquired for the purpose of reorganising the customer's business

	10	4
--	----	---

*16) Subordinated claims*

	2002	2001
Claims on the public and public sector entities	12	8
Debt securities	159	129
<b>Total</b>	<b>171</b>	<b>137</b>

*17) Breakdown of leasing assets*

	2002	2001
Prepayments	35	28
Machinery and equipment	205	184
Real property and buildings	16	13
Other assets	0	0
<b>Total</b>	<b>256</b>	<b>225</b>

*18) Debt securities*

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

	Quoted	Other
Securities held as current assets	1 632	1 825
Securities held as financial fixed assets	395	350
<b>Total</b>	<b>2 027</b>	<b>2 175</b>

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

Figures are stated without eliminations	2002	2001
Debt securities eligible for refinancing with central banks	11	7
Debt securities	8	3
<b>Total</b>	<b>19</b>	<b>10</b>

**NOTES TO THE ACCOUNTS**

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	2002	2001
Difference between nominal value and lower book value		
Debt securities	3	4
Claims on credit institutions	-	-
Claims on the public and public sector entities	-	-
<b>Total</b>	<b>3</b>	<b>4</b>
Difference between book value and lower nominal value		
Debt securities	6	8
Claims on credit institutions	-	-
Claims on the public and public sector entities	-	-
<b>Total</b>	<b>6</b>	<b>8</b>

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

Book value	2002	2001
Treasury bills	128	1 048
Local authority paper	5	2
Commercial paper	31	73
Certificates of deposit	1 528	1 675
Convertible bonds	3	5
Other bonds	2 409	2 274
Other debt securities	99	68
<b>Total</b>	<b>4 202</b>	<b>5 146</b>

**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	Other
Securities held as current assets	111	32
Securities held as financial fixed assets	10	38
<b>Total</b>	<b>121</b>	<b>71</b>

The aggregate amount of the differences of the probable market value and 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

	2002	2001
Securities held as current assets	6	17
Securities held as financial fixed assets	0	0
<b>Total</b>	<b>6</b>	<b>17</b>

OKO Bank Group did not have securities that were lent out at the end of 2002.

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

	2002	2001
Participating interests		
In credit institutions	0	-
Other	14	11
<b>Total</b>	<b>14</b>	<b>11</b>
Shares and participations in consolidated companies <sup>1)</sup>		
In credit institutions	0	-
Other	94	85
<b>Total</b>	<b>94</b>	<b>85</b>

<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**

	2002	2001
Establishment costs	0	0
Goodwill	0	1
Other long term expenditure	78	68
<b>Total</b>	<b>78</b>	<b>68</b>

**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	148	148
Other	262	262
<b>Total</b>	<b>410</b>	<b>410</b>
Shares and participations in real-estate corporations		
In own use	217	265
Muut	481	606
<b>Other</b>	<b>698</b>	<b>871</b>

NOTES TO THE ACCOUNTS

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 yield, %	Vacancy rate, %
Dwellings and residential real-estate	186 373	101	6.8	8.8
Business and office real-estate	840 596	666	6.7	11.4
Industrial real-estate	145 711	40	7.0	16.1
Land, water and forest areas (undeveloped)	12 796	49	-0.2	20.5
Unfinished buildings	503	1	0.7	83.5
Financial leasing real-estate	32 288	9	3.8	0.0
Other domestic real-estate	12 464	11	1.0	69.7
Foreign real-estate	-	-	-	-
<b>Properties, total</b>	<b>1 230 731</b>	<b>877</b>	<b>6.2</b>	<b>12.0</b>

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

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

c) Capital invested in real-estate property not in own use, broken down according to the yield rate at the end of the year: <sup>1)</sup>

Yield rate, %	Capital invested
Negative	62
0 - 3	78
3 - 5	140
5 - 7	309
over 7	288
<b>Total</b>	<b>877</b>

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

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

The asset items in OKO Bank 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

	2002	2001
Differences between the nominal value and the lower book value		
Liabilities to credit institutions and central banks	-	-
Liabilities to the public and public sector entities	-	-
Debt securities issued to the public	24	16
Other liabilities	-	-
Subordinated liabilities	2	2
<b>Total</b>	<b>27</b>	<b>19</b>

**22) Breakdown of other assets**

	2002	2001
Cash items in the process of collection	97	15
Guarantee claims	5	7
Derivative contracts	169	118
Other	209	97
<b>Yhteensä</b>	<b>480</b>	<b>237</b>

**23) Breakdown of accrued income and prepayments**

	2002	2001
Interests	194	216
Other	30	20
<b>Total</b>	<b>224</b>	<b>236</b>

Difference between book value and lower nominal value

	2002	2001
Liabilities to credit institutions and central banks	-	-
Liabilities to the public and public sector entities	-	-
Debt securities issued to the public	2	0
Other liabilities	-	-
Subordinated liabilities	0	0
<b>Total</b>	<b>2</b>	<b>0</b>

NOTES TO THE ACCOUNTS

26) Breakdown of debt securities issued by type of instrument

	2002	2001
Certificates of deposit	2 929	2 485
Bonds	1 170	1 131
Other	438	110
<b>Total</b>	<b>4 536</b>	<b>3 727</b>

27) Breakdown of other liabilities

	2002	2001
Cash items under process of collection	355	326
Derivative contracts	200	141
Other	155	137
<b>Total</b>	<b>711</b>	<b>603</b>

28) Breakdown of accrued expenses and deferred income

	2002	2001
Interest	107	148
Other	111	98
<b>Total</b>	<b>218</b>	<b>245</b>

The social security payment liability arising from unused employment-related OKO Bank stock options granted to the personnel in the OKO Bank Group companies has been booked under accrued expenses.

29) Compulsory provisions at the end of the financial year

	2002	2001
Pension provisions	-	-
Tax provisions	-	-
Other	6	4
<b>Total</b>	<b>6</b>	<b>4</b>

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	576	130	-56	649
Share capital	68	0	-	68
Share issue account	-	5	-2	3
Share premium account	4	2	-	6
Revaluation reserve	46	-	-1	45
Reserve fund	686	13	-2	697
Non-restricted reserves	577	110	-27	661
Profit brought forward	737	-	-163	573
Profit for the financial year	-	342	-	342
<b>Equity capital, total</b>	<b>2 694</b>	<b>602</b>	<b>-251</b>	<b>3 045</b>

The acquisition cost share in excess of or under the nominal value of the OKO Bank shares acquired by the OKO Bank 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.



**NOTES TO THE ACCOUNTS**

**32) Combined items under balance sheet liabilities**

The liabilities items of OKO Bank 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	741	910	765	144
Claims on credit institutions	298	49	3	0
Claims on the public and public sector entities	1 673	2 912	9 281	10 452
Debt securities	86	149	993	415
Liabilities to credit institutions and central banks	949	0	0	-
Liabilities to the public and public sector entities	18 487	1 441	747	700
Debt securities issued to the public	2 404	1 431	701	-

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	2 560	-
Claims on credit institutions	254	97
Claims on the public and public sector entities	24 014	304
Debt securities	1 262	380
Other assets	2 727	27
<b>Total</b>	<b>30 817</b>	<b>808</b>
Liabilities to credit institutions and central banks	751	198
Liabilities to the public and public sector entities	21 232	143
Debt securities issued to the public	4 200	336
Subordinated liabilities	567	10
Other liabilities	1 124	19
<b>Total</b>	<b>27 875</b>	<b>705</b>

**35) Financial and share based ratios**

OKO Bank Group key ratios of financial performance	1998	1999	2000	2001	2002
Turnover, EUR million	1 721	1 583	2 086	2 022	1 915
Operating profit, EUR million	395	450	664	504	459
% of turnover	22.9	28.4	31.9	24.9	24.0
Profit before appropriations and taxes, EUR million	395	450	664	504	459
% of turnover	22.9	28.4	31.9	24.9	24.0
Return on equity (ROE), %	35.0	26.7	24.9	14.6	11.9
Return on assets (ROA), %	1.7	1.7	1.9	1.3	1.1
Equity/total assets ratio, %	5.6	6.7	8.6	9.0	9.6
Cost/income ratio, %	57	59	49	55	61

**NOTES TO THE ACCOUNTS**

*Calculation of key ratios*

<b>Turnover</b>	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.
<b>Operating profit or loss</b>	Operating profit/loss according to the profit and loss account
<b>Profit or loss before appropriations and taxes</b>	The profit and loss account item "Profit (loss) before appropriations and taxes"
<b>Return on equity (ROE), %</b>	$\frac{\text{Operating profit/loss less taxes}^{\text{*)}}}{\text{Equity capital without capital investments + minority interests + voluntary provisions + depreciation difference less deferred taxes due (average of the figures for the beginning and the end of the year)}} \times 100$ <p style="margin-left: 20px;">*)Taxes related to extraordinary items are excluded</p>
<b>Return on assets (ROA), %</b>	$\frac{\text{Operating profit/loss less taxes}^{\text{*)}}}{\text{Average total assets (average of the figures for the beginning and the end of the year)}} \times 100$ <p style="margin-left: 20px;">*)Taxes related to extraordinary items are excluded</p>
<b>Equity/total assets ratio, %</b>	$\frac{\text{Equity capital without capital investments + minority interests + voluntary provisions + depreciation difference less deferred taxes due}}{\text{Total assets}} \times 100$
<b>Cost/income ratio, %</b>	$\frac{\text{Commission expenses + administrative expenses + depreciation + other operating expenses}}{\text{Net income from financial operations + income from equity investments + commission income + net income from securities transactions and foreign exchange dealing + other operating income}} \times 100$

**NOTES TO THE ACCOUNTS CONCERNING INCOME TAXES**

**36) Income taxes**

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

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

Imputed taxes due and tax claims:

In the OKO Bank Group balance sheet there were EUR 205 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 2002 and 2001. The imputed tax claims consisted mainly of losses that were confirmed in the tax statements. Other imputed tax claims were minor in amount.

	2002	2001
Imputed tax claims that are likely to materialise	37	57

Effect of revaluations on income taxes:

Revaluations totalling EUR 95 million have been made on shares and participations in properties and real-estate management companies owned by the OKO Bank 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 28 million.

NOTES TO THE ACCOUNTS

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*

	2002	2001
Assets pledged as collateral for own liabilities		
Pledges	945	1 946
Mortgages	-	-
Other	14	14
Liabilities and commitments for which asset items have been pledged as collateral		
Liabilities to credit institutions and central banks	601	1 189
Liabilities to the public sector and public sector entities	148	69
Debt securities issued to the public	-	-
Collateral pledged on behalf of others		
Pledges	1	294
Mortgages	7	7

*38) Pension liabilities*

Except for Opstock Ltd, the statutory pension security of the staff of companies within the OKO Bank Group has been arranged through the OKO Bank Group Pension Fund. Supplementary pension benefits have been arranged through the OKO Bank 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 within the OKO Bank Group did not have direct liabilities arising from pension commitments. The pension liabilities of the Group have been covered in full.

*39) Leasing liabilities*

Leasing payments in 2003	3
Leasing payments after 2003	17

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

	2002	2001
Guarantees	520	514
Guarantee commitments	884	798
Pledges and mortgages	7	7
Other commitments given on behalf of a customer for a third party	41	34
Unused standby credit facilities	2 887	2 393
Pledges granted	1	1
Other irrevocable commitments given on behalf of a customer	432	438
<b>Commitments given, total</b>	<b>4 772</b>	<b>4 185</b>

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

Values of the underlying instruments	2002	2001
Agreements made for hedging purposes		
Interest rate derivatives		
Forward rate agreements	-	-
Option contracts		
Purchased	-	-
Written	-	-
Interest rate swaps	521	704
Currency derivatives		
Forward agreements	4	-
Option contracts		
Purchased	-	-
Written	-	-
Interest rate and currency swaps	-	-
Share derivatives	-	-
Futures	-	-
Options		
Purchased	7	-
Written	-	-
Other derivatives	-	-
<b>Total</b>	<b>532</b>	<b>704</b>

Contracts made for purposes other than hedging

Interest rate derivatives		
Forward agreements	3 157	77
Option contracts		
Purchased	20	-
Written	20	-
Interest rate swaps	15 021	6 225
Currency derivatives		
Forward agreements	600	366
Option contracts		
Purchased	-	8
Written	-	7
Interest rate and currency swaps	-	-
Share derivatives	-	-
Other derivatives		
Futures	-	-
Options		
Purchased	-	-
Written	-	-
Credit derivatives	-	-
Equity swaps	-	16
<b>Total</b>	<b>18 818</b>	<b>6 698</b>

Credit countervalues of contracts		
Interest rate derivatives	88	57
Currency derivatives	36	7
Other derivatives	1	3
<b>Total</b>	<b>125</b>	<b>67</b>

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

	2002	2001
Sales receivables	45	30
Accounts payable	60	40

**43) Other contingent liabilities and commitments**

OKO Bank Group's commitments to venture capital funds at Dec. 31, 2002 were EUR 32.7 million. These commitments are included in commitments in Note 40.

The companies included in the OKO Bank 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 2002, average	Change
	During the financial year      on previous year
Full-time staff	8 687      207
Part-time staff	478      28
<b>Staff, total</b>	<b>9 165      235</b>

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

	2002	2001
Members and deputy members of the Supervisory Board	2	2
Members and deputy members of the Executive Board as well as the President	29	22
<b>Total</b>	<b>31</b>	<b>24</b>

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

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

<b>Company name</b>	<b>Domicile</b>
<b>Consolidated line by line:</b>	
Member cooperative banks, (listed on pages 52–56)	
OKO Bank Group Central Cooperative	Helsinki
OKO Bank	Helsinki
Okopankki Oyj	Helsinki
OP-Finance Ltd	Helsinki
(merged into OKO Bank on Dec. 31, 2002)	

Opstock Ltd	Helsinki
Kiinteistö Oy Aleks-Hermes	Helsinki
Kiinteistö Oy Arkadiankatu 23	Helsinki
Kiinteistö Oy Dagmarinkatu 14	Helsinki
Kiinteistö Oy Kanta-Sarvis II	Helsinki
OKO Bank Group Mortgage Bank plc	Helsinki
OP-Kotipankki Oyj	Helsinki
OP Fund Management Company Ltd	Helsinki
FD Finanssidata Oy	Helsinki
OKO Bank Group Security Fund	Helsinki
OKO Bank Group Mutual Insurance Company	Helsinki
Jyväskylän Kassatalo Oy	Jyväskylä
Keski-Suomen Tila- ja Kiinteistöpalvelu Oy	Jyväskylä
Kiinteistö Oy Pekurinkulma	Oulu
Kiinteistö Oy Vammalan Torikeskus	Vammala
<b>Consolidated using the equity method:</b>	
Aurum Life Assurance Company <sup>1)</sup>	Helsinki
Automatia Pankkiautomaatit Oy <sup>2)</sup>	Helsinki
Hatanpääkadun Teollisuushallit Oy <sup>2)</sup>	Tampere
Kiinteistö Oy Lahden Trio <sup>2)</sup>	Lahti
Toimiraha Oy <sup>2)</sup>	Helsinki
Virtuaalinen Suomi Oy <sup>3)</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

<sup>3)</sup> Consolidated as a business corporation according to the equity method

OKO Bank sold on Sept. 27, 2002 Kiinteistö Oy Näyttelijäntie, on Feb. 15, 2002 Kiinteistö Oy Kantilli and on May 30, 2002 Kiinteistö Oy Asuinkartano to Aurum Life Assurance Company, and OKO Bank sold on Aug. 22, 2002 Certall Oy to Automatia Ltd.

OKO Bank purchased on Sept. 12, 2002 from OP-Kiinteistöt Oy 500 shares of Vuosselinmaa Oy. The Bank's new holding in Vuosselinmaa Oy is 45 per cent.

The Promotion Fund of OKO Venture Capital Oy has been terminated on April 26, 2002.

The liquidation process of Kiinteistö Oy Metlin has been concluded on April 5, 2002 and of TA-Sijoitus Oy on Dec. 31, 2002. The companies are owned by OKO Bank.

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 OKO Bank Group Central Cooperative and its member banks and the company is engaged in life and pension insurance operations. The company handles the OKO Bank Group's life and pension insurance operations on a centralised basis.

The amalgamation's consolidated annual accounts have omitted 154 companies that are included in the consolidated annual accounts of its member credit institutions. These companies had aggregate total assets of about EUR 0.2 billion. The effect of consolidating the companies on the Group's equity capital would have been about EUR 78 million and on the capital adequacy ratio 0.31 percentage point.

NOTES TO THE ACCOUNTS

The member cooperative banks of the OKO Bank Group Central Cooperative, Dec. 31, 2002.  
The total assets and operating profit/loss figures are preliminary.

Name	Domicile	Managing director	Total assets e million	Operating profit/loss e million
Alajärven Osuuspankki	Alajärvi	Pentti Mäkelä	122	2.12
Alastaron Osuuspankki	Alastaro	Petri Antila	36	0.56
Alavieskan Osuuspankki	Alavieska	Ismo Talus	30	0.44
Alavuden Seudun Osuuspankki	Alavus	Jussi Ruuhela	100	1.58
Andelsbanken för Åland	Maarianhamina	Håkan Clemes	104	0.49
Andelsbanken Raseborg	Karjaa	Lars Björklöf	163	-0.16
Artjärven Osuuspankki	Artjärvi	Tuulikki Kyyhkynen	34	0.42
Asikkalan Osuuspankki	Vääksy	Jari Laaksonen	57	0.62
Askolan Osuuspankki	Monninkylä	Irja Mäittälä	37	0.82
Auran Osuuspankki	Aura	Sauli Nuolemo	41	0.78
Elimäen Osuuspankki	Elimäki	Pertti Olander	104	1.09
Enon Osuuspankki	Eno	Ari Karhapää	69	1.30
Etelä-Karjalan Osuuspankki	Lappeenranta	Risto Kiljunen	599	11.21
Etelä-Pohjanmaan Osuuspankki	Seinäjoki	Keijo Manner	457	4.78
Etelä-Savon Osuuspankki	Mikkeli	Kari Manninen	365	6.05
Eurajoen Osuuspankki	Eurajoki	Harri Hiitiö	33	0.74
Euran Osuuspankki	Eura	Lenni Kankaanpää	60	1.15
Forssan Seudun Osuuspankki	Forssa	Jouni Hautala	189	1.82
Haapajärven Osuuspankki	Haapajärvi	Kari Ahola	50	0.75
Haapamäen Seudun Osuuspankki	Haapamäki	Tauno Vuorenmaa	33	0.43
Haapaveden Osuuspankki	Haapavesi	Timo Suhonen	56	1.30
Hailuodon Osuuspankki	Hailuoto	Veijo Nissilä	18	0.27
Halsuan Osuuspankki	Halsua	Tapio Jokela	16	0.22
Haminan Seudun Osuuspankki	Hamina	Markku Vanhala	123	2.61
Harjavalan Osuuspankki	Harjavalta	Jarmo Tuovinen	70	1.61
Hartolan Osuuspankki	Hartola	Teemu Hauta-Aho	36	0.44
Hauhon Osuuspankki	Hauho	Timo Metsola	29	0.56
Haukivuoren Osuuspankki	Haukivuori	Seppo Laurila	28	0.55
Heinäveden Osuuspankki	Heinävesi	Ville Pönttönen	42	0.91
Himangan Osuuspankki	Himanka	Kalevi Humalajoki	42	0.07
Hinnerjoen Osuuspankki	Hinnerjoki	Jukka Tuomisto	16	0.15
Hirvensalmen Osuuspankki	Hirvensalmi	Risto Rouhiainen	28	0.22
		Markku Hyytiäinen		
		until 4/30/03		
Honkilahden Osuuspankki	Honkilahti	Olavi Juhola	22	0.31
Huhtamon Osuuspankki	Huhtamo	Päivikki Järvinen	11	0.19
Huittisten Osuuspankki	Huittinen	Olli Näsi	71	1.67
Humppilan Osuuspankki	Humppila	Jari Salokangas	39	0.64
Hämeenkosken Osuuspankki	Hämeenkoski	Janne Nuutinen	24	0.46
Hämeenlinnan Seudun Osuuspankki	Hämeenlinna	Olli Liusjärvi	348	4.89
Iisalmen Osuuspankki	Iisalmi	Eero Mähönen	161	2.13
Iitin Osuuspankki	Kausala	vt. Jari Oivo	51	-0.18
Ikaalisten Osuuspankki	Ikaalinen	Antero Sorri	53	0.70
Ilomantsin Osuuspankki	Ilomantsi	Kalevi Hämäläinen	58	1.13
Janakkalan Osuuspankki	Turenki	Vesa Lehikoinen	178	3.63
Joensuun Osuuspankki	Joensuu	Antti Heliövaara	208	2.73
Jokioisten Osuuspankki	Jokioinen	Vesa Rantanen	48	1.09
Juuan Osuuspankki	Juuka	Tuomo Mustonen	61	1.19
Juvan Osuuspankki	Juva	Kari Pitkälä	83	1.86
Jämsän Seudun Osuuspankki	Jämsä	Heikki Rosti	127	3.24

NOTES TO THE ACCOUNTS

Name	Domicile	Managing director	Total assets e million	Operating profit/loss e million
Kainuun Osuuspankki	Kajaani	Kari Sissala	224	3.66
Kalajoen Osuuspankki	Kalajoki	Pertti Sarkkinen	94	1.57
Kalkkisten Osuuspankki	Kalkkinen	Esko-Pekka Markkanen Heikki Leppähaara as of 4/23/03	11	0.16
Kangasalan Osuuspankki	Kangasala	Veikko Poranen	95	1.90
Kangasniemen Osuuspankki	Kangasniemi	Leo Pakkanen	74	2.11
Kankaanpään Osuuspankki	Kankaanpää	Teuvo Pakkala	66	0.88
Kannuksen Osuuspankki	Kannus	Juha Lundström	50	0.43
Karjalan Osuuspankki	Mynämäki	Pentti Laaksonen	19	0.27
Karkun Osuuspankki	Karkku	Raimo Virtanen	12	0.26
Karunan Osuuspankki	Karuna	Pertti Peura	11	0.08
Karvian Osuuspankki	Karvia	Antti Suomijärvi	32	0.56
Kaustisen Osuuspankki	Kaustinen	Asko Ahonen	43	0.07
Keikyän Osuuspankki	Äetsä	Kalevi Salonen	18	0.30
Kemin Seudun Osuuspankki	Kemi	Pertti Stöckel	154	2.24
Kerimäen Osuuspankki	Kerimäki	Kari Korhonen	36	0.73
Keski-Suomen Osuuspankki	Jyväskylä	Aimo Ekonen	1 058	14.43
Keski-Uudenmaan Osuuspankki	Järvenpää	Leif Laine	630	11.09
Kestilän Osuuspankki	Kestilä	Hans Aikio	22	0.31
Kesälahden Osuuspankki	Kesälahti	Erkki Kukkonen	36	0.61
Kihniön Osuuspankki	Kihniö	Ari Heinonen	19	0.28
Kiihtelysvaaran Osuuspankki	Kiihtelysvaara	Pasi Leppänen	40	0.65
Kiikalan Rekijoen Osuuspankki	Rekijoki	Kirsi-Marja Hiidensalo	18	0.37
Kiikoisten Osuuspankki	Kiikoinen	Pertti Kärki	15	0.24
Kiskon Osuuspankki	Toija	Pekka Anttonen	27	0.41
Kiteen Seudun Osuuspankki	Kitee	Pentti Hämäläinen	164	2.18
Kiukaisten Osuuspankki	Kiukainen	Jari Valonen	20	0.16
Koillis-Savon Osuuspankki	Kaavi	Asko Imppola	101	1.96
Koitin-Pertunmaan Osuuspankki	Koitti	Unto Aikasalo	39	0.72
Kokemäen Osuuspankki	Kokemäki	Jari Luukkanen	80	1.66
Kokkolan Osuuspankki	Kokkola	Aatto Ainali	322	3.11
Kontiolahden Osuuspankki	Kontiolahti	Esko Mononen	58	0.87
Korpilahden Osuuspankki	Korpilahti	Kyösti Myller	46	1.06
Korsnäs Andelsbank	Molpe	Jan-Erik Westerdahl	37	0.57
Kotkan Seudun Osuuspankki	Kotka	Pentti Leisti	182	2.89
Kouvolan Seudun Osuuspankki	Kouvola	Marjo Partio	287	3.22
Kronoby Andelsbank	Kruunupyö	Sten-Ole Nybäck	65	1.41
Kuhmalahden Osuuspankki	Pohja	Risto Mattila	18	0.37
Kuhmoisten Osuuspankki	Kuhmoinen	Heikki Vilppala	26	0.27
Kuhmon Osuuspankki	Kuhmo	Erkki Airaksinen	92	1.46
Kuopion Osuuspankki	Kuopio	Jaakko Ojanperä	433	4.94
Kuortaneen Osuuspankki	Kuortane	Markku Jaatinen	37	0.56
Kurun Osuuspankki	Kuru	Marja-Leena Siuro	28	0.51
Kuusamon Osuuspankki	Kuusamo	Kari Kivelä	89	1.23
Kuusjoen Osuuspankki	Kuusjoki	Eero Kaskela	18	0.25
Kymijoen Osuuspankki	Anjalankoski	Heikki Pykälistö	93	1.98
Kärkölän Osuuspankki	Järvelä	Petri Hokkanen	39	0.88
Kärsämäen Osuuspankki	Kärsämäki	Mikko Ruusunen	28	0.41
Käylän Osuuspankki	Käylä	Kaisa Kurtti	14	0.23
Köyliön Osuuspankki	Köyliö	Matti Hyrsylä Jorma Pohjus as of 3/1/03	50	0.70
Lapin Osuuspankki	Lappi	Vesa Parkkali	42	0.69

NOTES TO THE ACCOUNTS

Name	Domicile	Managing director	Total assets e million	Operating profit/loss e million
Lappo Andelsbank	Lappo	Torsten Nordberg	7	0.03
Lehtimäen Osuuspankki	Lehtimäki	Antti Koivula	22	0.05
Lemin Osuuspankki	Lemi	Eero Innanen	33	0.46
Leppävirran Osuuspankki	Leppävirta	Ilkka Martikainen	80	1.75
Lieksan Osuuspankki	Lieksa	Jorma Lehtikoinen	110	2.46
Limingan Osuuspankki	Liminka	Urpo Ojala	37	0.52
Liperin Osuuspankki	Liperi	Jalo Lehtovaara	91	1.73
Loimaan Osuuspankki	Loimaa Kk	Heimo Kortensniemi	81	0.97
Loimaan Seudun Osuuspankki	Loimaa	Tuomo Maunuksela Juha Pullinen as of 4/1/03	71	0.78
Lokalahden Osuuspankki	Lokalahti	Bo Hellén	18	0.29
Lopen Osuuspankki	Loppi	Keijo Bragge	62	1.24
Lounais-Suomen Osuuspankki	Paimio	Vesa Viitaniemi	133	0.45
Luhangan Osuuspankki	Tammijärvi	Pekka Pietilä	18	0.16
Luopioisten Osuuspankki	Luopioinen	Esa Jokinen	21	0.29
Luumäen Osuuspankki	Taavetti	Eero Kettunen	43	0.65
Luvian Osuuspankki	Luvia	Hannu Kyrövaara	35	0.45
Länsi-Uudenmaan Osuuspankki	Lohja	Jukka Karasjärvi	424	4.05
Maaningan Osuuspankki	Maaninka	Reijo Kananen	48	1.09
Marttilan Osuuspankki	Marttila	Matti Vahalahti	46	1.00
Maskun Osuuspankki	Masku	Jarmo Nurmi	51	0.45
Mellilän Seudun Osuuspankki	Mellilä	Jouko Rinne	24	0.38
Merimaskun Osuuspankki	Merimasku	Kaisa Haaksiluoto Antti Ristimäki until 2/28/03	14	0.23
Metsämaan Osuuspankki	Metsämaa	Jussi Nieminen	18	0.28
Miehikkälän Osuuspankki	Miehikkälä	Seppo Pylvänäinen	33	0.61
Miettilän Osuuspankki	Miettilä	Tarja Huolman	5	0.01
Mouhijärven Osuuspankki	Mouhijärvi	Esko Heinonen	33	0.43
Mynämäen Osuuspankki	Mynämäki	Kalle Krappala	81	1.60
Myrskylän Osuuspankki	Myrskylä	Heikki Leppähaara	13	0.11
Mäntsälän Osuuspankki	Mäntsälä	Heikki Kananen	90	1.59
Mäntän Seudun Osuuspankki	Mänttä	Erkki Lauronen	113	2.12
Nagu Andelsbank	Nauvo	Johan Broos	18	0.20
Nakkilan Osuuspankki	Nakkila	Jussi Kuvaja	64	1.53
Niinijoen Osuuspankki	Niinijoki	Timo Seikkula	22	0.41
Nilsian Osuuspankki	Nilsia	Seppo Pääkkö	82	2.00
Nivalan Osuuspankki	Nivala	Markku Niskala	82	0.30
Nousiaisten Osuuspankki	Nousiainen	Ville-Pekka Aakula	93	1.39
Nurmeksien Osuuspankki	Nurmes	Eero Heino	81	1.67
Orimattilan Osuuspankki	Orimattila	Veli-Matti Onnela	97	1.66
Oripään Osuuspankki	Oripää	Jouko Rekolainen	30	0.31
Oriveden Seudun Osuuspankki	Orivesi	Pertti Pyykkö	77	1.55
Osuuspankki Kantrisal	Inkere	Turkka Saarniniemi	54	0.86
Osuuspankki Realum	Helsinki	Jouko Aho	76	2.89
Oulaisten Osuuspankki	Oulainen	Lauri Knuutila Jari Anttila as of 5/1/03	84	2.28
Oulun Osuuspankki	Oulu	Timo Levo	875	10.86
Outokummun Osuuspankki	Outokumpu	Eero Eskelinen	51	1.08
Paattisten Osuuspankki	Paattinen	Eero Koskinen	53	0.99
Padasjoen Osuuspankki	Padasjoki	Keijo Uotila	17	0.20
Paltamon Osuuspankki	Paltamo	Jorma Niemi	35	0.68

NOTES TO THE ACCOUNTS

Name	Domicile	Managing director	Total assets e million	Operating profit/loss e million
Parikkalan Seudun Osuuspankki	Parikkala	Matti Martikainen	63	1.26
Parkanon Osuuspankki	Parkano	Aarre Saranpää	45	0.89
Pedersörejdens Andelsbank	Pietarsaari	Ulf Löf	169	2.31
Perhon Osuuspankki	Perho	Pekka Pajula	31	0.40
Perniön Osuuspankki	Perniö	Risto Lehtinen	52	1.00
Peräseinäjoen Osuuspankki	Peräseinäjoki	Juha Mäki	58	1.20
Pieksämäen Seudun Osuuspankki	Pieksämäki	Seppo Vanninen	138	0.77
Pielaveden Osuuspankki	Pielavesi	Pertti Rautaparta	51	0.92
Pihtiputaan Osuuspankki	Pihtipudas	Erkki Niemelä	31	0.43
Pohjolan Osuuspankki	Rovaniemi	Markku Salomaa	395	5.33
Polvijärven Osuuspankki	Polvijärvi	Juhani Leminen	58	0.89
Porin Seudun Osuuspankki	Pori	Jukka Ramstedt	553	11.15
Porvoon Osuuspankki	Porvoo	Pertti Hellqvist	266	4.41
Posion Osuuspankki	Posio	Martti Varanka	53	1.14
Pudasjärven Osuuspankki	Pudasjärvi	Paavo Kurttila	86	2.06
Pukkilan Osuuspankki	Pukkila	Ari Talkara	34	0.66
Pulkkilan Osuuspankki	Pulkkila	Eero Keskitalo	21	0.42
Punkalaitumen Osuuspankki	Punkalaidun	Tapio Laine	59	0.63
Puolangan Osuuspankki	Puolanka	Jouni Ahokumpu	42	0.69
Purmo Andelsbank	Pietarsaaren mlk	Stig-Göran Jansson	19	0.22
Pyhäjärven Osuuspankki	Pyhäsalmi	Jukka Kuonanoja	59	1.10
Pyhännän Osuuspankki	Pyhäntä	Viljo Lotvonen	21	0.33
Päijät-Hämeen Osuuspankki	Lahti	Timo Laine	495	1.31
Pälkäneen Osuuspankki	Pälkäne	Jari Linjala	35	0.84
Pöytyän Osuuspankki	Riihikoski	Juha Pullinen	49	0.42
Raahen Seudun Osuuspankki	Raaha	Seppo Rytivaara	163	3.48
Rantasalmen Osuuspankki	Rantasalmi	Vesa Auvinen	70	1.32
Rantsilan Osuuspankki	Rantsila	Ismo Välijärvi	27	0.50
Rauman Seudun Osuuspankki	Rauma	Simo Kauppi	310	6.46
Rautalammin Osuuspankki	Rautalampi	Esko-Pekka Markkanen	39	1.04
Riihimäen Seudun Osuuspankki	Riihimäki	Kalevi Oksanen	168	3.39
Riistaveden Osuuspankki	Riistavesi	Pauli Kröger	29	0.55
Ruhtinansalmen Osuuspankki	Ruhtinansalmi	Helena Juntunen	7	0.05
Ruoveden Osuuspankki	Ruovesi	Alpo Porila	57	0.38
Ruukin Osuuspankki	Ruukki	Kalle Arvio	56	1.18
Rymättylän Osuuspankki	Rymättylä	Antero Nikki	35	0.63
Rääkkylän Osuuspankki	Rääkkylä	Olli Koivula	40	0.69
Sallan Osuuspankki	Salla	Veikko Nissi	38	0.29
Salon Seudun Osuuspankki	Salo	Jukka Hulkkonen	309	4.96
Sauvon Osuuspankki	Sauvo	Pasi Virtanen	31	0.52
Savitaipaleen Osuuspankki	Savitaipale	Martti Valtonen	54	0.72
Savonlinnan Osuuspankki	Savonlinna	Merja Auvinen	218	4.08
Sideby Andelsbank	Sideby	Anders Stortteir	9	0.12
Siikajoen Osuuspankki	Siikajoki	Pentti Keränen	23	0.35
Simpeleen Osuuspankki	Simpele	Kalevi Lehti	28	0.71
Somerniemen Osuuspankki	Somerniemi	Pertti Kujala	13	0.24
Someron Osuuspankki	Somero	Kari Raikkonen	79	1.15
Sonkajärven Osuuspankki	Sonkajärvi	Esko Nissinen	52	1.01
Sotkamon Osuuspankki	Sotkamo	Juhajouni Karttunen	62	1.14
Strömfors Andelsbank	Ruotsinpyhtää	Mats Majander	5	0.03
Sulkavan Osuuspankki	Sulkava	Kari Haverinen	31	0.45
Suodenniemen Osuuspankki	Suodenniemi	Selja Kallio	12	0.10



NOTES TO THE ACCOUNTS

Name	Domicile	Managing director	Total assets e million	Operating profit/loss e million
Suomussalmen Osuuspankki	Suomussalmi	Timo Polo	50	0.77
Suonenjoen Osuuspankki	Suonenjoki	Antti Hult	61	0.96
Sysmän Osuuspankki	Sysmä	Heikki Kuurne	57	1.01
Säkylän Osuuspankki	Säkylä	Markku Perttuli	40	0.67
Taivalkosken Osuuspankki	Taivalkoski	Riitta-Liisa Ahokumpu	28	0.28
Taivassalon Osuuspankki	Taivassalo	Markku Kraama	24	0.08
Tampereen Seudun Osuuspankki	Tampere	Tony Vepsäläinen	1 064	9.30
Tarvasjoen Osuuspankki	Tarvasjoki	Esa Hentula	31	0.34
Tervolan Osuuspankki	Tervola	Esa Vaarala	36	0.68
Tervon Osuuspankki	Tervo	Seppo Vehniäinen	23	0.50
Toholammin Osuuspankki	Toholampi	Lauri Keski-Rahkonen	52	0.38
Toijalan Osuuspankki	Toijala	Heikki Teräväinen	82	1.97
Tornion Osuuspankki	Tornio	Pentti Alaperä	143	0.70
Turun Seudun Osuuspankki	Turku	Risto Korpela	1 281	8.27
Tuupovaaran Osuuspankki	Tuupovaara	Tuomo Liukka	31	0.47
Tyrnävän Osuuspankki	Tyrnävä	Eero Ylilauri	37	0.82
Ullavan Osuuspankki	Ullava	Veikko Väisälä	16	0.30
Urjalan Osuuspankki	Urjala	Pekka Raivisto	70	0.88
Utajärven Osuuspankki	Utajärvi	Raimo Tuovinen	55	1.45
Uukuniemen Osuuspankki	Niukkala	Pauli Loikkanen	8	0.10
Vakka-Suomen Osuuspankki	Uusikaupunki	Juha-Pekka Nieminen	182	3.34
Valkeakosken Osuuspankki	Valkeakoski	Juha Luomala	86	1.58
Valtimon Osuuspankki	Valtimo	Heikki Myller	34	0.65
Vammalan Seudun Osuuspankki	Vammala	Jari Pimiä	113	0.22
Vampulan Osuuspankki	Vampula	Kari Hänti	37	0.44
Varkauden Osuuspankki	Varkaus	Pekka Vilhunen	119	1.76
Varpaisjärven Osuuspankki	Varpaisjärvi	Seppo Riekkinen	43	0.62
Vasa Andelsbank	Vaasa	Ulf Nylund	349	4.29
Vehmersalmen Osuuspankki	Vehmersalmi	Heikki Väisänen	32	0.59
Vesannon Osuuspankki	Vesanto	Esa Keränen	34	0.61
Vetelin Osuuspankki	Veteli	Jarmo Lehojärvi	17	0.20
Vetelin Ylipään Osuuspankki	Räyrinki	Jari Siirilä	17	0.28
Viekin Osuuspankki	Viekijärvi	Esko Pyykkö	9	0.07
Vihannin Osuuspankki	Vihanti	Olavi Rasi	51	1.01
Vimpelin Osuuspankki	Vimpeli	Simo Ilomäki	31	0.50
Virolahden Osuuspankki	Virolahti	Jyrki Gerlander	36	0.57
Virtain Osuuspankki	Virrat	Ari Kakkori	78	1.04
Ylitornion Osuuspankki	Ylitornio	Heikki Eteläaho	47	0.77
Ylivieskan Osuuspankki	Ylivieska	Jarmo Somero	86	1.05
Yläneen Osuuspankki	Yläne	Heikki Eskola	42	0.86
Ypäjän Osuuspankki	Ypäjä	Kimmo Ranta	45	0.82
Ähtärin Osuuspankki	Ähtäri	Esko Kokkila	31	0.52
Östnylands Andelsbank	Porvoo	Arto Nurmi-Aro	133	1.30
Östra Korsholms Andelsbank	Mustasaari	Jussi Lahti	4	0.05
Övermark Andelsbank	Närpiö	Mårten Vikberg	16	0.17

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

	2002	2001
Non-paid cooperative capital investments, total	0	0
Cooperative capital investments. Notice of withdrawal given	4	6
Supplementary cooperative capital investments. Notice of withdrawal given	75	69
Individual members	1 042 401	983 858

STATEMENT CONCERNING  
THE FINANCIAL STATEMENTS

We have adopted the consolidated financial statements for the financial year 1 January – 31 December, 2002, of the amalgamation of the cooperative banks (the OKO Bank Group) pursuant to the Act on Cooperative Banks

and Other Cooperative Credit Institutions. The financial statements will be presented to, and made available for scrutiny at, the General Meeting of the OKO Bank Group Central Cooperative.

HELSINKI, 25 FEBRUARY, 2003

Executive Board of the OKO Bank Group Central Cooperative

Antti Tanskanen

Reijo Karhinen  
Erkki Böös

Heikki Vitie

Pekka Jaakkola  
Mikael Silvennoinen

## AUDITORS' REPORT

*(Translation)***TO THE GENERAL MEETING OF THE OKO BANK GROUP  
CENTRAL COOPERATIVE**

We have audited the consolidated financial statements for the financial year 1 January – 31 December, 2002, of the amalgamation of the cooperative banks (the OKO Bank Group) pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions. The financial statements prepared by the Executive Board and the President of the OKO Bank Group Central Cooperative, which is the OKO Bank Group's central institution, comprise the report of the Executive Board, the profit and loss account, balance sheet and notes to the annual accounts. Based on our audit we express an opinion on these financial statements.

We conducted our audit of the consolidated financial statements in accordance with Finnish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. In carrying out the audit, we acquainted ourselves with the financial statement policies adopted by the Group's member institutions, as well as the auditors' reports and other related reporting submitted by their auditors.

In our opinion, the consolidated financial statements have been prepared in accordance with the Finnish Accounting Act, the rules and regulations issued by the Financial Supervision Authority, as well as with other relevant regulations concerning the preparation of financial statements in Finland. The consolidated financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and financial position of the OKO Bank Group.

HELSINKI, 26 FEBRUARY, 2003

KPMG WIDERI OY AB

Hannu Niilekselä  
Authorised Public AccountantPetri Hämäläinen  
Authorised Public AccountantRaimo Saarikivi  
Authorised Public Accountant





**OKO Bank Group**