

OP Bank Group
Annual Report

2003



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Financial Information in 2004

The OP Bank Group and OKO Bank will publish three interim reports in 2004:

- for January–March on May 6, 2004
- for January–June on August 5, 2004
- for January–September on October 28, 2004.

The interim reports will be published in Finnish, Swedish and English. They are available on our website at the address www.okobank.com. Paper copies can be ordered at the address OP Bank Group Central Cooperative, Corporate Communications, P.O. Box 308, FI-00101 Helsinki, telephone +358 9 404 2765, telefax +358 9 404 2298, e-mail: viestinta@okobank.com.

This publication together with the OP Bank Group's Financial Statements form the Group's Annual Report for 2003. If the Financial Statements are not included as an annex, they can be ordered from the address above.

Photographs designed and shot by the Lahti Polytechnic, Institute of Design, photography major: Katja Almgren, Raisa Karjalainen, Sami Kero, Teemu Kuusimurto, Elina Laukkarinen and Mika Ranta, orientation teacher Pauliina Pasanen. **Theme of the photographs** Turning objectives into results!

Chairman's Review

Steadily Forward

The OP Bank Group moved steadily forward last year on the road we have staked out for ourselves. Our objective was to secure an earnings trend that ensures our future business potential and to gain market share. We achieved both.

As the year progressed, it became clear that operating profit would exceed the previous year's figure, and this happened. Though not large, the growth was clear-cut, and it maintained our stable profitability. The Group's capital adequacy as measured by Tier I own funds has nearly doubled over the past five years. With income increasing, risks well under control and growth in lending set to even out a bit, capital adequacy will remain strong.

We were also winners in the contest for market positions. The OP Bank Group's market share grew in all the main areas of operations, most of all within life and pension insurance. Changes in market shares are generally very small, but tenths of a percentage point, one after the other, add up to a significant gain. More important than those tenths, however, is the trend they represent. For us the trend has been rising for some time now, and I believe the upward momentum will continue. Although market share is not everything, over the long term it is the most reliable gauge of customers' trust – which is all-important to a bank.

The entire banking sector in Finland is in good shape, actually surprisingly good. Last year too most of the banks reported continued strong growth in the volume of their operations, with loan losses remaining small. Profitability has weakened somewhat from the peak figures posted a few years back, but it is still tolerably good. In a European profitability comparison, Finnish banks are among the very best.

The Finnish economy, or the entire world economy for that matter, did not bolster the banks' operations mentionably last year. The trend in the world economy was far from praiseworthy. Economic growth in the United States picked up in the latter half of the year, but it was still driven by consumption. The current account deficit widened further, undermining confidence in the dollar. In the eurozone, economic growth was particularly sluggish, and it was overshadowed by mounting unemployment and a public sector deficit in the large EMU countries. Economic growth in the United States, and especially its power to pull Europe and Finland along with it, still rests on an uncertain foundation.

Finland has stood up fairly well to prolonged slow growth for over two years now. Again last year, the economy did a repeat of its dual mode act. The rise in consumer expenditure even accelerated from the previous year, but the slump in spending on capital goods continued. The growth in our national economy was – and still is in the current year – dependent on private consumption. Measures to stimulate domestic demand would be the best medicine for Finland's economic growth in the near term.

The period of historically low interest rates continued last year. In the second half of the year, market interest rates, especially long rates, began a slight ascent. No



essential change has occurred, however, nor is it to be expected this year, either.

Low interest rates maintain demand for loans, and this was reflected last year especially in the substantial growth in housing loans, but consumer credits were buoyant too. The banks' business volume is thus growing. Concurrently, the interest rate spread has narrowed, again last year by about half a percentage point. This means that banks must seek revenue elsewhere than from traditional net interest income – and expenses must be kept on a tight rein.

Last year showed again that growth can be well controlled despite tough competition. The OP Bank Group's capital adequacy offers the possibility of competing out-and-out on price, but this by itself will not suffice for good long-term performance. Greater gains that are much more enduring can be achieved if we compete by offering all-round and responsible service. We have good experiences of this and we shall make use of them in coming years as well.

Responsible service – acting in the customer's best interests in all circumstances – is corporate responsibility at its best. It is good that the mapping out of corporate responsibility and reporting on it are expanding and spreading, but more important still is doing business responsibly – what the OP Bank Group has done throughout its years in business.

The OP Bank Group's goal is to be the leading bank in Finland. The benchmarks we use are the volume of our core operations in the markets and our reputation among banks. We must continue to develop our operations purposefully and energetically, but experience demonstrates that it is not necessary to work wonders to reach this goal. We just have to perform as well as we did last year – and the year before, and the one before that.

I wish to thank the entire OP Bank Group staff and administration for their diligent work during the past year. A special vote of thanks goes to our owners and customers and to all the other stakeholders for the confidence they have shown in us.

Helsinki, February 12, 2004

Antti Tanskanen

President's Review

Acting as a Group – for the Customer's Benefit

The OP Bank Group's ability to combine a local presence and nationwide reach again brought excellent results in 2003. The Group's market share grew, earnings and capital adequacy improved and the risk position remained good. Our corporate image also developed favourably. By working together, we were able to meet customers' expectations and to fulfil their wishes.

Acting as a group on behalf of the customer was a central theme during the report year. By engaging in extensive internal discussions – which is how we do things – we sought a joint line on issues such as how to ensure high-quality service also when a customer moves to an area served by another member cooperative bank. I am very satisfied with the way and spirit in which we tackled this issue. We found a good basis of understanding and a line of action which no doubt will be refined and honed further in daily customer service.

The joint operational model that was overhauled a few years ago has demonstrated that it works well. This is also borne out by the extensive co-operation survey that was carried out in autumn 2003. The vast majority of the respondents, representing the member banks' external administration and management, say that co-operation at the Group level functions well: the Group is a cohesive entity that has clearly defined operating principles, a clear strategy and strongly committed people. The OP Bank Group is now more unified than perhaps ever before, and it has a very strong financial position and a good corporate image. We thus have a solid foundation enabling us to grow, together with our customers, to become Finland's largest bank.

We have achieved our present position thanks to motivated administrative staff and committed and capable employees. Our challenge today is to maintain this intellectual capital, knowing that over the next years the OP Bank Group too will go through a major bloodletting process when its baby-boomer employees retire.

This has already been taken into account in recruiting. A fifth of our personnel have been in our employ for less than three years. Progress has also been made in developing competence and reward systems, but we must move further along in this area. Last year we launched the building of a personnel fund for the entire OP Bank Group. The starting point for the planning is that long-term rewards apply to the entire staff. The dual objective is to reward our present staff and also to ensure the availability of competent new employees and thereby to maintain and raise our level of competence. I consider the personnel fund to be an essential part of the Group's corporate responsibility.

Competence lies at the heart of the operations of the OP Bank Group Central Cooperative, the Group's central institution. Competence in combination with the right service spirit and properly innovative development work will create a foundation for the entire Group's development. The Central Cooperative's success in accomplishing its core task can be assessed in terms of both the Group's business



success and the satisfaction of the member banks with our services. On the basis of last year's results, we succeeded in both areas.

In last year's service image survey, nine out of ten Group member bank employees considered the Central Cooperative's services good, and every second employee rated them as very good or even excellent. The personnel's professional skill stood out as a paramount strength. Providing information on products and services was singled out as the primary development target, and we shall respond to this challenge next.

In the area of service development, our next big opportunity is products for long-term saving. For a multi-service player like the OP Bank Group, the Government's planned changes in the conditions of long-term saving, which were made public towards the end of the report year, are more of an opportunity than a threat. Finnish long-term saving offers plenty of room for development.

OP Bank Group Central Cooperative Consolidated's earnings came in substantially above the previous year's figure. Thanks to the favourable trend in the equity market, life assurance operations achieved a significant earnings improvement. Also noteworthy is the trend in expenses. Following a number of years of rising expenses, the trend was capped, particularly within the parent company, the Central Cooperative. A decisive component of its operating profit was again the dividends that were paid by OKO Bank.

The Central Cooperative's role as the Group's strategic owner institution was clarified further during the report year. OP Life Assurance Company Ltd's ownership arrangements were seen to completion in the early part of the year, and it was possible to wind up Osuuspankki Realum's operations in their original form. The current year will furthermore see the completion of the phasing out of the OP Bank Group Security Fund.

The future prospects of the OP Bank Group and the Central Cooperative are bright. There are signs of an upswing in the operating environment, and our internal situation is stable. Under our theme of "Driving growth by leveraging strengths together," we will forge ahead on our one hundred year growth curve this year too. Our challenge is to turn our intellectual and financial capital, and our customers' strong trust in us, into new success.

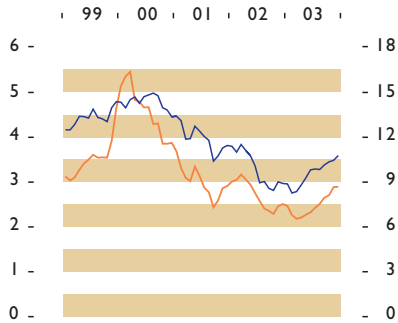
I wish to thank all the member banks, the administrative persons and the entire personnel of the Central Cooperative and the OP Bank Group for their successful co-operation during the past year.

Helsinki, February 12, 2004

A handwritten signature in blue ink, appearing to read 'Reijo Karhinen', with a stylized, flowing script.

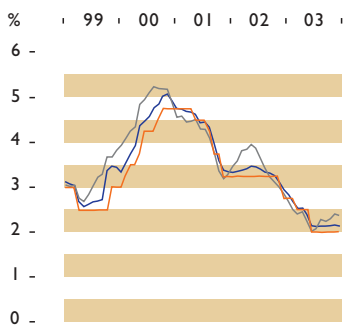
Reijo Karhinen

Operating Environment



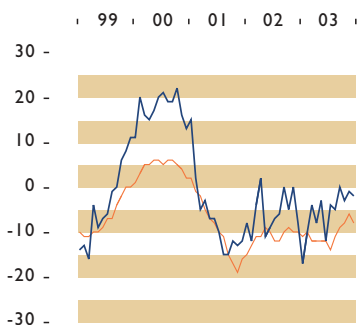
Stock Market Indices in Finland and in USA

— Standard & Poor's 500 (right scale x 100)
— HEX-Portfolio (left scale x 1000)



Euribor Rates and Official Interest Rate

— 3 month euribor
— 12 month euribor
— ECB's main refinancing rate



Industrial Sector Confidence Indicator, characteristic value

— Finland
— EMU countries

Finland's economic growth remained fairly slow in 2003 for the third year running. Total output grew by only slightly over one per cent. Exports and industrial production were hit particularly hard by slack demand from international customers in Finland's main market area, the EMU countries, as well as by the stronger euro in other markets. Apart from housing investments, capital expenditures were also smaller than a year ago.

On the other hand, growth in private consumption strengthened, giving the banking sector a boost. The growth in household consumption was maintained by the increase in income due to pay rises and lower income tax. In spite of slow economic growth, unemployment did not worsen either, in part due to the decrease in the labour supply. Consumer confidence held up fairly well all year long.

Consumer prices were on average only 0.9 per cent higher than a year ago. Towards the end of the year, inflation slowed down to just over half a per cent. The main factors holding inflation in check were the fall in interest rates and lower car prices.

Both long and short-term interest rates were historically low during the report year. To bolster economic growth, the European Central Bank lowered its main refinancing rate that influences euribor rates twice during the year, with rates falling from 2.75 per cent to 2.0 per cent. Drops in the interest rate took place in the first half of the year. The interest rate on the 10-year government bond was on average only slightly above 4 per cent. The OP Bank Group's reference interest rate, the OP-prime rate, was lowered, in line with the market situation and interest rate expectations, from 3.50 per cent to 2.50 per cent in the first half of the year.

House prices increased by just over 6 per cent in the report year. The low level of interest rates, which fell during the year, nevertheless kept up brisk demand for housing loans. The deposit banks' portfolio of housing loans grew by more than 15 per cent. The 12 per cent growth in the total loan portfolio was thus largely dependent on housing loans. Total euro-denominated deposits increased by slightly less than 6 per cent.

The USA-led revival in the international economy sent equity prices upward around the world. Share prices on Helsinki Exchanges rose substantially in most sectors, but due to the downward trend in the price of telecommunications and electronics shares, the HEX All-Share Index rose only 4 per cent. The HEX Portfolio Index was up 16 per cent.

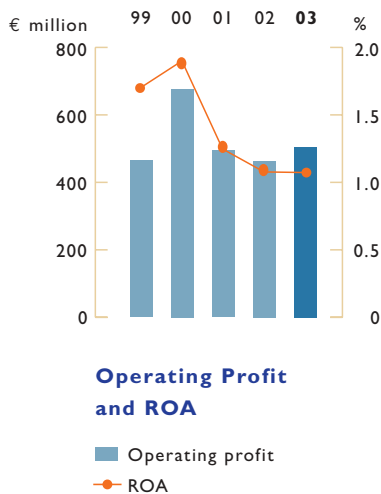
The economic outlook for 2004 is somewhat brighter. The stable financial position of companies and households coupled with the continuing low level of interest rates will continue to support domestic demand and maintain a moderately good operating environment for banks. Despite the stronger euro, Finland's export sector has remained competitive. This means that a strengthening in international demand will gradually lead to an increase in exports.

The OP Bank Group's Key Figures 1999-2003

	1999	2000	2001	2002	2003
Member banks	247	245	245	244	243
Offices	717	709	693	692	682
Staff (excl. interns)	8 337	8 535	8 802	8 937	9 048
Owner-members and customers, thousands					
Owner-members	798	875	984	1 042	1 072
Customers	2 853	2 927	2 983	3 033	3 070
Online service contracts	445	572	685	783	826
Market shares, %					
Of FIM/euro-denominated credits	30.2*	31.9*	32.4*	29.7	29.8
Of FIM/euro-denominated deposits	30.2*	31.2*	32.1*	30.9	31.6
Of mutual funds registered in Finland	14.3	14.2	13.3	14.3	15.1
Of premium income from life and pension insurance	9.5	10.1	13.4	15.1	18.3
Income statement items, € million					
Net interest income	678	801	875	857	798
Commissions and fees	251	303	287	292	312
Loan and guarantee losses	26	5	12	13	9
Operating profit	450	664	504	459	515
Balance sheet items, € million					
Total assets	26 024	27 086	30 031	31 625	35 002
Loan portfolio	18 309	20 260	21 946	24 319	27 206
Non-performing and interest-free loans	236	203	192	174	168
Deposits	16 433	17 118	18 774	19 932	21 243
Equity capital	1 739	2 314	2 694	3 045	3 436
Insurance savings, € million	875	1 201	1 493	1 784	2 242
Capital in mutual funds, € million	1 461	1 917	1 929	2 257	3 329
Key figures					
Capital adequacy ratio, %	12.4	13.7	15.1	15.2	15.4
Tier I ratio (excl. capital investments), %	9.9	11.6	13.0	13.6	14.0
Return on equity (ROE), %	26.7	24.9	14.6	11.9	11.5
Return on assets (ROA), %	1.65	1.90	1.28	1.11	1.12
Cost/income ratio, %	59.0	48.6	55.3	61.1	62.1

*The Bank of Finland changed its practice of reporting statistics on deposits and loans in 2003. The figures for 2002 have been calculated retroactively on the same bases as in 2003. Figures for previous years are according to the bases in force at the time.

The OP Bank Group in 2003

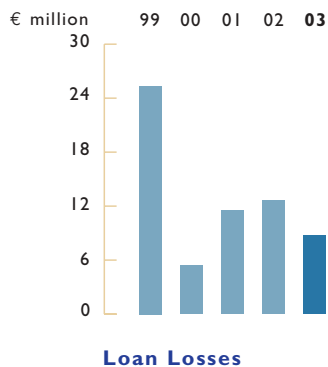


The OP Bank Group's market position strengthened during 2003.

- The market share of euro-denominated deposits at the end of the year was 31.6 per cent (30.9) and the share of loans was 29.8 per cent (29.7)*.
- The market share of capital invested in mutual funds registered in Finland was 15.1 per cent at the end of the year (14.3).
- The market share of premiums written in life and pension insurance was 18.3 per cent in the report year (15.1).

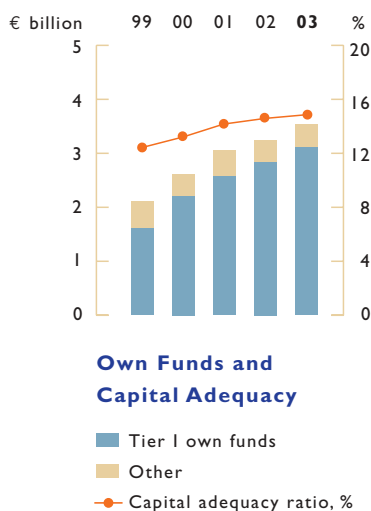
Operating profit was up 12 per cent. Capital adequacy strengthened further.

- Operating profit increased to € 515 million (459 million a year earlier).
- The result of life and pension insurance operations improved by € 75 million.
- Net interest income contracted by 7 per cent. The lower net interest income figure was offset by the growth in commission income, net income from securities transactions and other operating income. Expenses were at the same level as in 2002.
- The return on equity (ROE) was 11.5 per cent (11.9) and the return on assets (ROA) was 1.12 per cent (1.11).
- At the end of the year, the capital adequacy ratio was 15.4 per cent (15.2).
- Consolidated operating profit posted by the Group's listed commercial bank, OKO Bank, increased to € 174 million (96). The improved earnings were attributable to non-recurring items.



The OP Bank Group's risk position is stable.

- Non-performing and interest-free loans contracted by 3 per cent to € 168 million from € 174 million at the end of 2002.



The OP Bank Group's market position is expected to strengthen further. It is estimated that operating profit for 2004 will be on a par with 2003.

*The Bank of Finland changed its practice of reporting statistics on deposits and loans in 2003. The comparison figures for 2002 have been calculated in such a way that they are comparable with the figures for 2003.

MAIN EVENTS IN 2003

January

The OP Bank Group renewed its co-operation agreement with the Central Organisation of Finnish Trade Unions (SAK) (Jan. 22). The agreement with the Confederation of Technical Employee Organisations in Finland (STTK) was renewed in March (25). Agreements were also renewed with the Central Union of Agricultural Producers and Forest Owners (MTK) and the corresponding Swedish-language federation, SLC (May 22).

April

Etelä-Päijänteen Osuuspankki, which resulted from the merger of the Asikkala and Padasjoki cooperative banks, began operations (April 1).

The results of the first OP Investor Barometer were published in a total of 13 localities. The semi-annual barometer will be used to compile an overview of households' investor behaviour (April 23).

May

The new Statutes which the OP Bank Group Central Cooperative approved in April were entered in the Trade Register (May 30).

June

The OKO Bank Group changed its name to the OP Bank Group. The purpose of the move was to clarify and simplify communications (June 23).

July

Moody's Investors Service upgraded its credit rating for OKO Bank's long-term debt from Aa3 to Aa2 and its financial strength rating from B to B+. The rating for short-term loans remained unchanged at P-I (July 4).

September

The international financial magazine The Banker chose the OP Bank Group as Bank of the Year in Finland. This was the first time that the OP Bank Group received this recognition (Sept. 6).

The Central Cooperative received the right to use the WWF (World Wide Fund for Nature) Green Office emblem and a diploma in attestation of this accreditation (Sept. 9).

October

The main festivities during the OP Bank Group Week were held in Tampere under the theme of corporate responsibility. The OP Bank Group donated 40 000 euros to the Finnish Association for Autism and Asperger's Syndrome (Oct. 6).

November

The first Future of Entrepreneurship seminar was arranged in Helsinki (Nov. 17). The Company of the Year and Business Manager of the Year contests were announced at the seminar. Seven regional seminars will be arranged in 2004.

December

The OP Bank Group expanded its Call Centre. The new Call Centre unit went into operation in Joensuu (Dec. 1). Aurum Life Assurance Company changed its name to OP Life Assurance Company Ltd (Dec. 11). Mr Esko Hollman resigned from deputy membership of the Central Cooperative's Executive Board after retiring on a part-time pension as from January 1, 2004.

Economic Survey

Income and Expenses

The OP Bank Group's net interest income totalled € 798 million, down 6.9 per cent on the previous year (857)*. Interest income was down 12 per cent and interest expenses fell by 20 per cent. The decrease in net interest income was attributable to the prevailing low level of interest rates and a continuing contraction in customer margins. The contraction in net interest income bottomed out in the last quarter, when net interest income was up 3.6 per cent on the previous quarter.

The Group's other income grew by 8.1 per cent to € 496 million (459). Net income from securities transactions, commission income and other operating income



increased. Income from equity investments, however, decreased from the previous year's exceptionally high level. Bonuses of € 34 million earned by owner-members and preferred customers have been entered as a charge to income.

The Group's expenses remained at the previous year's level and amounted to € 804 million (805). Commission expenses, other administrative expenses and write-downs decreased compared with 2002. Other expense groups increased, with staff costs showing the biggest rise.

Net loan losses contracted further from the low level of 2002 and were € 9.1 million, or 28 per cent smaller than a year earlier (13). The gross amount of new loan losses booked was € 29 million (41). Their share of the aggregate amount of the loan portfolio and commitments equivalent to lending was 0.08 per cent (0.13). € 4.5 million of write-downs was made on securities held as non-current financial assets (1.4).

The share in the results of companies consolidated for using the equity method was a credit to income of € 39 million, as against a loss of € 38 million in 2002. The bulk of the growth in this item is attributable to the improved earnings posted by OP Life Assurance Company Ltd.

Operating Profit

The Group reported an operating profit of € 515 million, an increase of 12 per cent or € 56 million on the figure a year earlier. The € 75 million earnings improvement by OP Life Assurance Company Ltd is the largest single factor behind the growth in the Group's operating profit. In addition, net income from securities transactions increased by € 24 million, commission income by € 21 million and other operating income by € 9.0 million. The growth in operating profit was slowed down by the contraction in net interest income by € 59 million and by the € 16 million decrease in dividend income.

The consolidated operating profit posted by the OP Bank Group's central bank, OKO Bank, increased to € 174 million (96). The improvement in operating profit was attributable to the disposal of OP Life Assurance Company Ltd shares in February, which contributed € 53 million to earnings, as well as the sale of the total shares in the Kiinteistö Oy Aleks-Hermes property in December, which added € 11 million to earnings. In the comparison period, OKO Bank's investments in Pohjola Group shares increased operating profit by € 10 million.

The aggregate operating profit of the member cooperative banks decreased by 12 per cent to € 295 million (336). The drop was attributable mainly to the decrease in net interest income. At the end of the year, there were 242 member cooperative banks. All posted an operating profit for the financial year, except one, whose operating loss was € 0.09 million.

* The comparison figure for 2002 is given in brackets. For income statement and other aggregated figures, the point of comparison is the figure for January–December 2002. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (December 31, 2002).



Total Assets and Capital Adequacy

The Group's total assets stood at €35.0 billion, an increase of 11 per cent since the end of the previous year (31.6). The loan portfolio totalled € 27.5 billion (24.6). The loan portfolio grew faster than in 2002 and it accounted for 79 per cent of total assets at the end of the year (78). Total deposits amounted to € 21.2 billion (19.9) and their share of total assets declined to 61 per cent (63).

The Group's equity capital grew by 13 per cent to € 3.4 billion (3.0). Net profit for the financial year was € 373 million (342). The total amount of equity and cooperative capital within the Group's total assets grew to € 774 million (721).

The Group's capital adequacy ratio at the end of the year was 15.4 per cent (15.2). Own funds grew by 10 per cent to € 3.6 billion (3.2) and risk-weighted receivables, investments and off-balance sheet commitments were up 9.0 per cent to € 23.2 billion (21.3). Tier I own funds totalled € 3.2 billion at the end of the year (2.9) and Tier II own funds to € 0.4 billion (0.5). Capital adequacy as calculated with Tier I own funds rose by 0.4 percentage point to 14.0 per cent despite the 9.0 per cent increase in risk-weighted commitments.

Risk Position

At the end of 2003, the key ratios for the OP Bank Group's risk position were substantially better than the risk limits set by the Central Cooperative's Supervisory Board.

Non-performing and interest-free loans totalled € 168 million at the end of the year, a decrease of 3.2 per cent on the figure a year ago (174). The ratio of non-performing and interest-free loans to the loan portfolio and other commitments equivalent to lending was 0.5 per cent (0.6). The Group's risk limit for the key ratio was four times this figure, i.e. 2 per cent.

Outlook for 2004

The OP Bank Group's market position has strengthened over the past years, and it is expected to strengthen further in 2004 as well. The Group's operating profit is estimated to be on a par with 2003. The estimates of the trend in operations and results are based on the assumption that major changes do not take place in the equity market and in the rest of the operating environment.

The OP Bank Group's financial information is discussed in greater detail in the Group's Financial Statements, which are annexed to this publication.

The OP Bank Group's Strategy

The OP Bank Group revises its strategy at regular intervals. A new review process was started in the report year. The new draft strategy will be presented for confirmation by the OP Bank Group Central Cooperative's Supervisory Board in June 2004. The strategic policy lines presented in this Annual Report are derived from the current OP 2002 strategy, which was confirmed by the Supervisory Board in June 2002.

The basic premise of OP 2002 is that the OP Bank Group has achieved a good level of earnings and strong capital adequacy, which means that growth can now become the paramount objective. The main long-term goal is for the OP Bank Group to become Finland's largest bank as measured by its market position.

The strategy stresses that in pursuing its growth objective, the OP Bank Group will maintain the kind of profitability and capital adequacy which make possible expanding operations and cover business risks. 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 a competitive edge.

Competence and Expertise

The OP 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 OP 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 OP 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 anytime, anyplace.

Customer relationships are managed actively, in a growth-oriented manner and cost-effectively from the perspective of customer value. Owner-membership and the customer bonus system are developed purposefully with the aim of promoting full-spectrum patronage and customer loyalty.

Customer Service

The OP 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 OP Bank Group focuses on domestic customers, offering them versatile financing, asset management and payment transfer solutions in Finland and internationally. For clients abroad, the Group offers banking services for their business needs that are related to Finland.

The OP Bank Group's online services in its core businesses offer greater versatility, higher quality and better ease of use than those of the competitors. Because

of rapid advances in technology and changes in the competitive environment, the Group will continue to invest in maintaining its development skills and putting in place new technologies, 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 our partners' networks.

Asset Management

Customers perceive the OP 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 Group is seeking substantial growth in its 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.

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

Corporate Responsibility and Core Values

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



Operational Concept of the OP Bank Group

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

The OP Bank Group's strength is based on development-driven customer service operations, tightly-knit joint operations, local decision making and skilled personnel.

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

Ethical Principles

Confidentiality

OP Bank Group's 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 OP 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 OP Bank Group Vision

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

Structure of the OP Bank Group

The OP 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 OP Bank Group adheres to a division of responsibilities – which is agreed in the Group's strategy – between the OP Bank Group Central Cooperative and its member banks. The member banks concentrate on 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 member cooperative banks are independent, local deposit banks that are engaged in retail banking. In their area of operations, the member banks offer modern and competitive banking services to household customers, small and medium-sized business customers, agricultural and forestry customers and to the public sector. 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 benefits for doing the bulk of one's banking with a member cooperative bank.

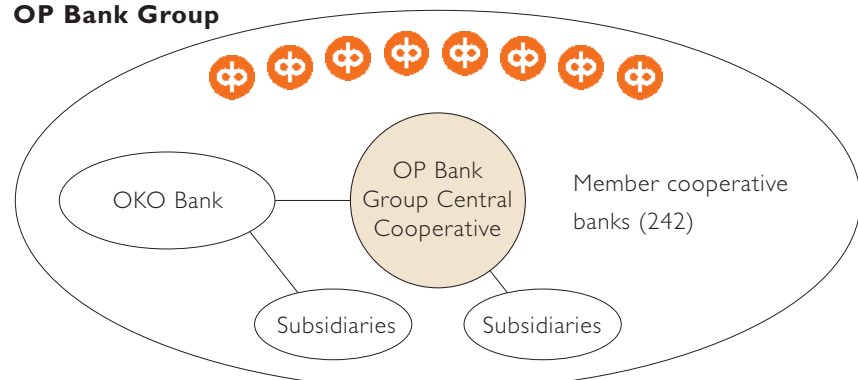
The member banks are organised in the business form of a cooperative, in which the basic values underlying decision making include the one member, one vote principle. A person can become an owner-member of a cooperative bank by paying a cooperative contribution. The members, who are made up primarily of private individuals, elect their own bank's administrative persons 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 € 698 million at the end of 2003.

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 OP Bank Group Central Cooperative and OKO Bank.

The member cooperative banks performed well in 2003. This was reflected in their strong capital adequacy and good profitability, laying a foundation for the development of the banks' own operations and the entire sector in the years ahead as well.

OP Bank Group



OP Bank Group Central Cooperative

The OP Bank Group Central Cooperative's operational concept is that the Central Cooperative 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 potential for realising 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 development of new and more versatile services has called for extensive development work on the basic ledgers. The bulk of the overhaul of the securities systems has been carried out. The overhaul of the deposit system was completed in autumn 2003. Development work on the portfolio management part of the securities systems will continue up to autumn 2004. The next major basic ledger project will be the overhaul of the information system for funding.

Other functions that are part of customer business support are described in greater detail in the section on the OP Bank Group's operations on pages 23–42.

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 OP Bank Group added value can be realised: efficiency, cost benefits or quality.

Centralised services comprise Information Technology and Information Management Services, the Contact Centre (see p. 28) as well as the Account Service, Payroll Administration Service, Collection Service, Regulatory Reporting and Purchasing Services. The Account Service's customers at the end of the year were the companies belonging to OP Bank Group Central Cooperative Consolidated as well as 159 member banks; the customers of Payroll Administration Services were 156 member banks and their estate agents and the customers of Collection Services were 98 member banks.

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 OP Bank Group's best interests during the drafting of financial legislation and in the process of developing other standards both in Finland and internationally.

Among the main tasks of Group control were preparation of the OP Bank Group's new strategy, risk management (see the Financial Statements) and the audit function.

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 objective of the owner institution function is to strengthen the Central Cooperative's capital structure.


The Central Cooperative holds 40.1 per cent of the shares in its subsidiary OKO Bank, giving the Central Cooperative 56.8 per cent of the voting rights in the Group's central bank. In February, the Central Cooperative made a tender offer to the company's shareholder banks for the shares in OP Life Assurance Company Ltd. As a consequence of the arrangements, the Central Cooperative's shareholding in OP Life Assurance Company Ltd rose from 23.4 per cent to 57.9 per cent and OKO Bank's shareholding fell from 49.9 per cent to 15 per cent. Other shareholder relationships are set out in the accompanying table.

Direct Ownership Structure within the OP Bank Group

Share of ownership, % Dec. 31, 2003	Member cooperative banks	OP Bank Group Central Cooperative	OKO Bank	Group total
OP Bank Group Central Cooperative	100.0		0.0	100.0
OKO Bank	23.4	40.1		63.4
Okopankki Oyj			100.0	100.0
Opstock Ltd			85.0	85.0
FD Finanssidata Oy		70.0		70.0
OP Bank Group Mortgage Bank plc	51.7	44.4	3.9	100.0
OP Life Assurance Company Ltd	27.2	57.9	15.0	100.0
OP-Kotipankki Oyj	60.7	18.5	20.8	100.0
Optum Oy (Osuuspankki Realum)		100.0		100.0
OP Fund Management Company Ltd		100.0		100.0
OP Bank Group Mutual Insurance Company	78.5	14.9	6.7	100.0

OKO Bank and Its Subsidiaries

The OP Bank Group Central Cooperative's largest subsidiary, OKO Bank, is a commercial bank which acts as the OP Bank 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 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.



Allkirjoittaneet yhtiön hallituksen jäsenet ja toimitusjohtaja vakuuttavat, että perustamisessa on noudatettu osakeyhtiölain säännöksiä. Lisäksi allekirjoittaneet vakuuttavat, että yhtiön osakkeet on sopimuksen mukaisesti täysin maksettu ja että osakkeista maksettu määrä on yhtiön omistuksessa ja hallinnassa.

Helsingissä, 31.10.2003

Kajin Korjela

Krista Santala

OKO Bank's shares are divided into Series A and Series K shares. Series K shares can be owned solely by the OP 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.

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

Opstock Ltd is specialised in stockbroking, corporate finance, asset management and investment research. The OP Bank Group's investment banking operations are centralised within Opstock. Opstock handles stockbroking for the member cooperative banks and their customers.

OKO Venture Capital Ltd manages venture capital funds.

Other OP Bank Group Central Cooperative Subsidiaries

The Group's life assurance operations and their development have been centralised within *OP Life Assurance Company Ltd*. The Company's product range includes comprehensive life, pension and insurance-related investment services. Up to December 2003, the Company's name was Aurum Life Assurance Company.

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

OP 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 OP Housing Loan Bonds.

OP-Kotipankki Oyj specialises in the sale and management of unsecured consumer credits. The Bank's main products are credits associated with the OP Bank Group's cards.

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.

Optum Oy was formed in January 2004 on the basis of *Osuuspankki Realum*, which relinquished its banking licence. Optum Oy was first established as a cooperative, which was then changed into a limited company from the beginning of February 2004. The Company provides collection services for the member banks of the OP Bank Group as well as manages and carries out disposals of real-estate property.

Other Institutions

The OP Bank Group Pension Fund sees to the Group's statutory pension security and the *OP Bank Group Pension Foundation* handles the supplementary pension security of persons within its domain.



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

The OP Bank Group Security Fund is the Group's internal security fund whose operations will be wound up during 2004.

Corporate Governance of the OP Bank Group

The OP Bank Group began operations in its present form on July 1, 1997. The OP Bank Group refers to the amalgamation of the cooperative banks as specified in the provisions of the Act on Cooperative Banks and Other Cooperative Credit Institutions (Cooperative Bank Act). The OP Bank Group comprises the OP 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 OP Bank Group is monitored on a consolidated basis, and the central institution and the credit institutions belonging to the OP Bank Group are responsible for each other's liabilities and commitments.

In Finland, the OP Bank Group is a unique financial entity that has been created through special legislation. The legal structure of the OP 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 OP Bank Group Central Cooperative, the highest decision-making authority rests with the 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 56–58 of this publication.

The OP Bank Group's central bank, OKO Bank, is a subsidiary of the central institution, the OP 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.

Operations of the OP Bank Group

Owner-Members

The number of the member cooperative banks' owner-members has grown strongly since 1997. At the best, over 100 000 new members have signed up in a year. In March 2002, the number of owner-members topped the one million mark. At the end of 2003, there were 1 072 000 owner-members. In addition, in the Greater Helsinki area Okopankki Oyj has 124 000 preferred customers who receive from their bank the same financial benefits as do owner-members.

The owner-members of the cooperative banks and Okopankki's preferred customers earn Platinum bonuses on doing their banking with the OP Bank Group. Bonuses are applied automatically towards service charges. 2002 saw an expansion of the plan, whereby unused bonuses are paid out in cash each year. € 11 million in bonuses was paid in cash in 2003.

During the report year, owner-members and preferred customers earned an additional € 34 million in bonuses, and € 24 million in bonuses went for paying for various services. A year earlier, the amount of accrued bonuses was € 30 million, of which € 22 million went for service charges.

When joining as an owner-member of a cooperative bank, the member pays the cooperative contribution which is set in the bank's statutes. Cooperative capital investments by owner-members increased by 7.5 per cent to € 698 million during the report year. According to advance information, the member banks will pay a total of € 16 million in interest on the cooperative capital. In 2002 the cooperative banks were given the possibility of increasing owner-members' cooperative capital investments from the bank's equity capital. In 2002–2003 these so-called bonus issues were made to a total amount of just over € 26 million.

Customers

The customer is the central focus of the OP Bank Group's strategy. The objective is to form long-term, full-spectrum customer relationships that yield value to both the customer and the bank. The strategy is implemented by means of a customer-oriented approach. Contacts with customers typically involve surveying and analysing the customer's needs from a total perspective and using this as a basis for offering the customer appropriate solution alternatives. According to customer feedback and surveys, customer satisfaction has improved in step with the development of the customer-oriented approach.

The OP Bank Group has 3.1 million customers. Eighty-four per cent of the them are household customers, 12 per cent are businesses and institutions and 4 per cent are customers employed in agriculture and forestry. The customer base is still growing steadily, with a 37 000 net increase in customers in the report year. The increase over the past five years has been 268 000. According to a change-of-bank survey conducted by TNS Gallup, 38 per cent of Finns are now using the OP Bank Group as their main bank. The results of a nationwide survey which Tietoykkönen Oy made of small and medium-sized enterprises indicates that the



corresponding proportion for SMEs is 39 per cent.

Long-term work to develop the OP brand moved ahead energetically. The results of the work showed up in studies in the form of a positive trend in the corporate image: the OP Bank Group has a strong image as an expert, reliable, successful and Finnish bank. According to a corporate image study commissioned by the OP Bank Group, the Group's banks again received better marks on the above-mentioned factors from their retail customers than did the main competitors from their own customers. The same survey also indicated that non-customers' perception of the OP Bank Group was the best of all the banks.

Surveys by Taloustutkimus Oy and Markkinointi&Mainonta (Marketing&Advertising) magazine indicate that the OP brand is the most highly respected bank and insurance brand in Finland. As part of developing the brand, the Group changed its name from the OKO Bank Group to OP Bank Group in June. The objective of the name change is to clarify and simplify communications. In line with the same trend, in December, Aurum Life Assurance Company changed its name to OP Life Assurance Company Ltd. The names of the companies belonging to the Group and in particular the names of the Group's products and services already for the most part have the OP prefix.

Service Network

Locations

The number of bank locations remained nearly unchanged, but their functionality was developed substantially. At the end of 2003, the OP Bank Group had 716 locations, or 10 fewer than a year ago. The network of locations consists of branch offices and service outlets. The service outlets are generally located in or near large shopping centres and they differ from the branch offices in their service range.

Revamping of the locations continued. By the end of the year, 41 locations had been refurbished in line with the new branch office concept, and 45 locations were in the planning or construction phase. The new business location model is part of the multichannel service concept. Expert services have emerged as a key element of the work the branch offices do. Daily banking transactions are for the most part handled on a self-service basis. In the new premises and operational model there is a clear division between negotiations with customers in privacy, expert services and preparatory work for meetings with customers as well as daily banking services.

Online Banking Services

The use of online banking services grew further during 2003. By the end of the year, already 91 per cent of all of retail customers' basic banking transactions were handled in the form of online self-services. The volume of bills paid via the Internet increased by 22 per cent on the previous year. Towards the end of the year, already more than half of the total amount of retail customers' bill-paying was done on the

Internet. Only about 7 per cent of customers' bills were still being paid at a branch office. At the end of 2003, there were a total of about 3.2 million direct debit authorisation contracts, or about 8 per cent more than last year.

The number of online service contracts for companies and households grew by just over 5 per cent to 826 000 during the year. An online service contract activates all the electronic service channels for the customer with the same user ID. The online service was revitalised during the year by adding new service content and improving the usability of the service. The appearance of the online service pages was also revamped, and new security solutions were placed in use.

In the new online service, customers see a summary of all the services that they are using and the status of the services: accounts, loans, insurance and mutual fund investments, the content of his or her portfolio of securities, debit and credit cards that are in use and agreements as well as messages that the bank has sent to the customer.

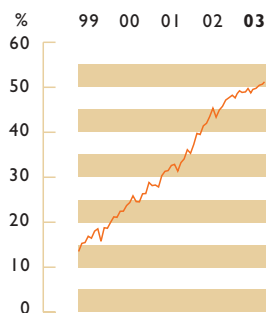
The customer can also use the online service to open accounts for various usage purposes, such as a fixed-term premium yield account paying a higher rate of interest, an account suitable for savings and a current account. In addition, the customer can make a savings agreement whereby an appointed sum is automatically credited to savings in a separate account.

The tracking of account transactions online is also facilitated by transaction queries and an online statement. The online statement is identical to a paper bank statement and it is acceptable for uses such as substantiating a tax deduction on a tax declaration and so is a receipt that is printed out from the Net. The popularity of online statements is growing all the time and towards the end of 2003 an online statement was already in use with about 280 000 accounts.

The process of applying for student loans changed in the summer, when obtaining a government guarantee was placed on an online basis. The new procedure means that a customer of a Group member bank can apply for a student loan and have it paid into his or her account without visiting a branch office. A new customer too can apply for a student loan online. The general loan application that is made online was also overhauled towards the end of the year. Now the same form can be used by both a member bank customer and a new customer when applying for a loan. A new customer is identified with full particulars only when signing the promissory note documents.

The OP Bank Group was the first Finnish company to open an interactive service on digital television as early as 2002. By means of the service, customers can pay their bills and check the status of their accounts. The content of the service offered on MTV3 Channel was expanded in the report year by including in the service palette the house-hunting service provided by the OP-Kiinteistökeskus estate agents. Digital television is expected to make a rapid increase in its share of online service channels over the next few years as the use of interactive devices spreads.

The usability and range of services that are handled by mobile devices was



**Internet Payments
of all Payment
Transactions in
OP Bank Group**

developed further during 2003. The most important individual new feature was the adding of a text message channel as a seamless part of the Group's multichannel service network. The technical characteristics of mobile devices are already at a level that makes possible smooth use of banking services.

In its Internet, mobile and digital television services, MTV3 Channel introduced "digital cash", the online purse developed by the OP Bank Group. This is intended primarily as a digital small payments system that has been brought out on the market for use on the Internet.

In the report year, the OP Bank Group also launched development work on an online desktop. The online services of both customers and bank staff will be built into a more closely integrated suite over the long term. The objective is to obtain



synergy benefits by combining functional features and information into an entity that better supports banking services.

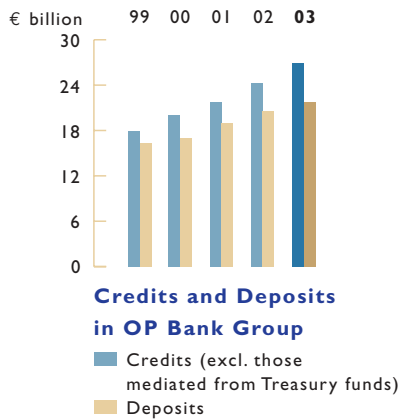
Development of the OP Bank Group's own online portal, Mainio.net, was continued by making the service a more integral part of customer communications beamed at owner-members and preferred customers. Via Mainio.net and the Kultaraha customer magazine (from the beginning of 2004 named OP), owner-members and preferred customers will receive information on their Platinum bonuses and other benefits. Mainio.net has more than 100 000 unique visitors monthly, and the customer magazine has a print run of over 900 000 copies. Via this multimedia channel, the OP Bank Group's corporate customers can also offer their own products and services to a growing target group. This meant that the volume of benefits offered by companies increased substantially during 2003. The development of multimedia is being contin-

ued with the aim of bringing the content more closely in line with areas that support the OP Bank Group's business, and increasing the number of partner companies and the amount of benefits. In addition, the Group is trying out Mainio.net as a channel for presenting Platinum benefits that are agreed locally by the member banks.

Contact Centre

The Contact Centre is the OP Bank Group's centralised service channel that fits in with the multichannel model. Via nationwide numbers, the Contact Centre offers personal electronic channel-related service for customers, along with service and sales support for the member 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.

The Contact Centre's customers are all retail and corporate customers of the OP Bank Group because during the report year the Contact Centre's service area was expanded to include the payment transfer services of corporate customers in Finland. The objective of consolidating the expert services is to improve reachability, enhance problem-solving and otherwise speed up the responses to calls and e-mails coming in from customers and the member banks. Through greater harmonisation of ways of operating, the cost-effectiveness of advisory tasks will also improve.

The Contact Centre's operations were expanded during the report year by setting up a new sales outlet in Joensuu. Its task is to call the Group's customers throughout the country as commissioned by the member banks. Customers are offered services either directly over the phone or, as agreed, during a visit to a branch office. At the end of the year, 15 employees were working in Joensuu. The Contact Centre also has an office in Vaasa, which concentrates on serving the OP Bank Group's Swedish-language customers. There were 13 employees working in Vaasa at the end of the year. The Contact Centre employs a total of 116 salaried employees in Helsinki, Joensuu and Vaasa. During the report year, the Contact Centre handled more than 500 000 customer contacts by phone and via electronic channels.

The OP Bank Group's Call Centre received good marks in the Call Centre 2003 survey that was conducted by the Taloustutkimus research organisation. The survey covered 85 call centres in ten sectors. The OP Bank Group's Call Centre placed fourth and ranked best among the Finnish banks' call services, receiving a mark of 8.11 on a scale of 4–10.

Deposits and Loans

Aggregate deposits with financial institutions in Finland increased by 5.7 per cent to € 72.1 billion. The OP Bank Group's total deposits at the end of the year amounted to € 21.2 billion, an increase of 6.6 per cent since the end of 2002. The Group's market share of Finnish financial institutions' euro-denominated deposits was 31.6 per cent. At the end of 2002 it was 30.9 per cent.

The aggregate loan portfolio of Finnish financial institutions in turn increased by 12 per cent to € 91.7 billion.

Within the OP Bank Group, new loans were drawn down in the report year to an amount of € 11.1 billion, a 17 per cent increase on the figure a year earlier. This meant that the loan portfolio grew by 12 per cent and stood at € 27.5 billion at the end of the year. The Group's market share of financial institutions' euro-denominated credits was 29.8 per cent at the end of the year. A year earlier it was 29.7 per cent. The market shares of loans and deposits at the end of 2002 and 2003 have been calculated on a comparable basis in accordance with the new statistical bases that the Bank of Finland introduced in August 2003.

Asset Management

The OP Bank Group's strategic objective is to become the market leader in all its main business areas. Growth will be sought above all in asset management, i.e. mutual fund and insurance saving, which is estimated to enjoy faster growth than the overall bank market. In future, Finns' wealth will continue to grow, leading to keener competition amongst different investment alternatives. The task of the OP Bank Group's asset management services is to offer its customers a full spectrum of services.

Mutual fund and insurance saving is typically long-term, goal-oriented saving. The long-term savings market is about to undergo several changes if the plans which the Government announced towards the end of 2003 are implemented. The changes



concern products, providers of them and customers themselves. The proposed changes caused a great deal of uncertainty in the markets. In particular, the growth in new voluntary pension insurance policies dried up. If the reforms proposed by the Investment-Insurance Working Group are put into effect, this will have a positive impact on the OP Bank Group's operations. Right towards the end of the report year, the Group started preparations for aligning its products and services with what may be a new kind of market.

Investment Deposits

The OP Bank Group's investment deposits grew by 5.1 per cent to € 7.7 billion, of which households' deposits accounted for € 6.9 billion.

The fixed-term high-yield account was reshaped in November. The customer can instruct the bank to renew the account automatically – unless the customer and the bank agree otherwise during the month after the account falls due. The facility is especially well suited to those customers who roll over their account regularly and wish to have an account that is tied to the market interest rate.

Mutual Funds

The capital in the mutual funds registered in Finland grew during the year by € 6.3 billion, or 40 per cent, to € 22.1 billion. In euro terms, the growth was at a record level. Net subscriptions during the year totalled € 4.6 billion. In step with the revival in the equity market, the value of mutual funds swung upward by about € 1.8 billion.

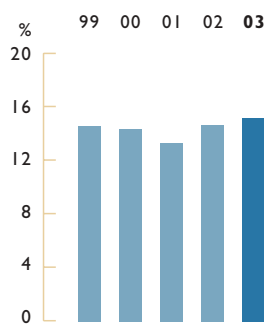
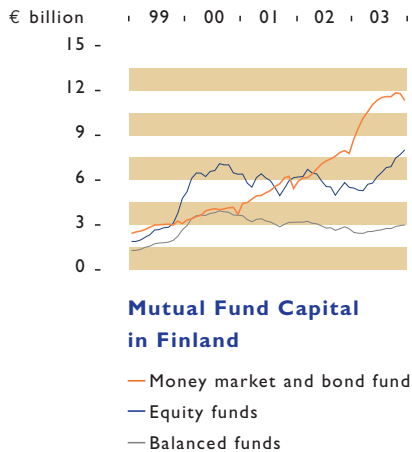
The biggest growth was in money market funds, net sales of which totalled € 2.2 billion. Money market funds already accounted for a third of all mutual fund capital at the end of the year. Sales of bond funds amounted to € 0.7 billion. Sales of equity and balanced funds picked up towards the end of the year, and a total of € 1.4 billion in net investments was made in them during the year.

The growth in the capital invested in mutual funds managed by the OP Bank Group and the number of unit-holders in them outpaced the average for the mutual fund sector as a whole in 2003. The OP Bank Group's market share of mutual fund capital was 15.1 per cent at the end of the year, as against 14.3 per cent a year earlier.

The aggregate capital in OP mutual funds grew by € 1.1 billion, or about 48 per cent, to € 3.3 billion during the year. A net amount of € 846 million was invested in OP mutual funds during the year, as against € 637 million of net subscriptions in the previous year. The effect on mutual fund capital of changes in the value of the funds and yield payouts was a total of € 227 million. The strongest growth was in money market funds, for which net subscriptions totalled € 714 million. Sales of equity and balanced funds amounted to a total of € 138 million.

The Group's mutual funds gained 34 000 new unit-holders during 2003. At the end of the year, the mutual funds had a total of just over 154 000 unit-holders. The OP Bank Group's share of the unit-holders of mutual funds registered in





OP Bank Group's Market Share of the Capital in Mutual Funds in Finland

Finland grew by 1.2 percentage point to 19.5 per cent during 2003.

During 2003, OP Bank Group brought out three new mutual funds on the market. The OP Cash Treasury money market fund started up in February. The fund invests its assets in the treasury bills issued by states in the eurozone and is well suited as a tool for the cash management of corporate investors. During the year, the fund's capital grew to a hefty € 219 million.

The OP Bank Group's spectrum of equity funds was increased during the year by adding two new funds. The OP Value Equity and OP Growth Equity mutual funds, which were launched in March, invest their assets in the shares of value or growth companies in the eurozone. Investors were particularly interested in the OP Growth Equity fund, which saw its invested capital grow to € 15 million by the end of the year.

The investment policy of the Opstock RM Optimus hedge fund that is managed by the OP Bank Group was revised in spring 2003. The cornerstones of the fund's investment operations are seeking a positive return in all market conditions and a non-linkage with the general trend in the securities markets.

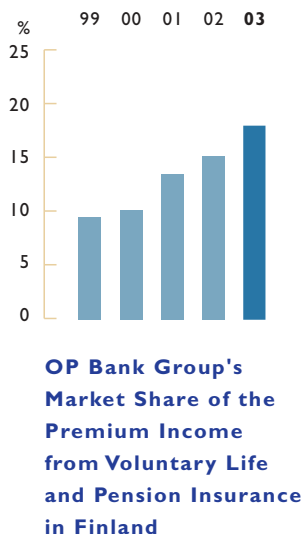
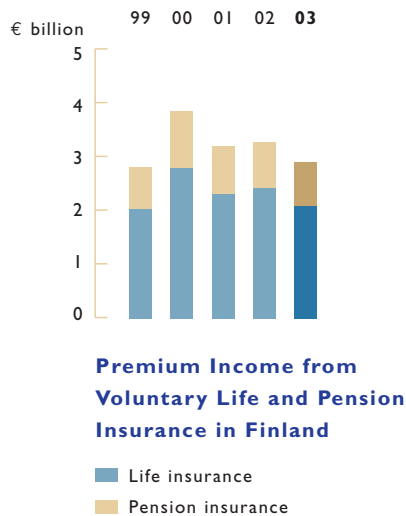
Assets of private and corporate customers under management by the Group's investment bank, Opstock Ltd, grew by 37 per cent to € 8.4 billion. Of these assets, € 5 billion consists of capital invested in the OP mutual funds and of OP Life Assurance Company Ltd's investment assets. The volume of stockbroking grew by 13 per cent from the figure a year ago, reaching 168 000 trades. Stockbroking contracted by 43 per cent in value to € 2.1 billion. Orders executed over the Internet accounted for 70 per cent of total stockbroking. Opstock started the distance brokerage of Swedish securities in August, when it was approved as a member of the Stockholm Stock Exchange.

Insurance

Premiums written in the entire life assurance sector decreased by more than 11 per cent, from € 3.3 billion in the previous year to € 2.9 billion. Premiums written in savings life assurance contracted by over 12 per cent to around € 1.7 billion. Premium income from capitalisation agreements offered to companies showed the biggest percentage drop, about 76 per cent. Sales of new pension insurance grew from about 82 000 policies a year earlier to just over 93 000 policies, and premiums written in pension insurance grew by nearly 15 per cent to about € 700 million.

The nascent upswing in the equity market improved the insurance companies' earnings substantially during 2003. The HEX All-Share Index of the trend in the Helsinki Exchanges was up 4.4 per cent during the year and the HEX Portfolio Index, which is a better measure of the insurance companies' equity portfolio, was up 16.2 per cent. In line with the rise in share prices, the earnings level of life assurance companies improved because write-downs on shares, which were previously booked as a charge to earnings, were reversed and credited to the companies' earnings.

The OP Bank Group fared markedly better in its insurance business than did



its competitors. Premiums written increased by nearly 8 per cent, to € 530 million. The Group's market share of premiums written in life and pension insurance grew from 15.1 per cent to 18.3 per cent.

The bulk of the premiums was again written in savings life assurance, which registered a rise in premiums written of just over 4 per cent to € 470 million. Premiums written in pension insurance grew by 42.5 per cent to € 60 million.

Unit-linked insurance accounted for an increased proportion of premiums written towards the end of the year. In the first part of the year the equity markets were still in decline, causing uncertainty amongst people about to take out a policy. This meant that the share of unit-linked insurance within full-year premiums written remained at 17.5 per cent, or at the same level as a year ago. Premiums written within unit-linked life assurance diminished by just over 2 per cent. Premiums written in unit-linked pension insurance, however, grew by 49 per cent. Aggregate premiums written in unit-linked insurance rose from € 86 million to € 93 million.

The number of insurance policies grew by 27.5 per cent to 184 000. Owing to increased demand and active sales efforts, new pension policies showed the biggest increase, rising in total amount by 60 per cent to 59 000 policies. The OP Bank Group's market share of new sales of individual pension insurance rose from 13.6 per cent to 23.6 per cent.

At the close of the year, the OP Bank Group had an aggregate amount of € 2.2 billion of life and pension insurance savings, an increase of 26 per cent on the figure a year earlier. Unit-linked policies accounted for 19 per cent of insurance savings. A year earlier it was 17 per cent.

The characteristics and services related to insurance policies were developed during the year by adding to unit-linked policies, at the beginning of the year, more extensive insurance security payable at death. Customers' possibilities of making use of the OP Bank Group's online services were extended to insurance policies by making it possible to track insurance policy savings on the Internet. By means of the new service, customers can carry out an online swap of the mutual funds linked to their policies. The appreciation in the value of their insurance savings moves with the trend in these mutual funds.

Sales co-operation in non-life policies continued among the OP Bank Group, the Fennia Group and the Local Insurance Group, and it was developed to be even better in line with the needs of the OP Bank Group's clientele. In spring, the product range was expanded by adding a fixed-term traveller's insurance policy that can be taken out both at a branch office and in the self-service mode on the Internet.

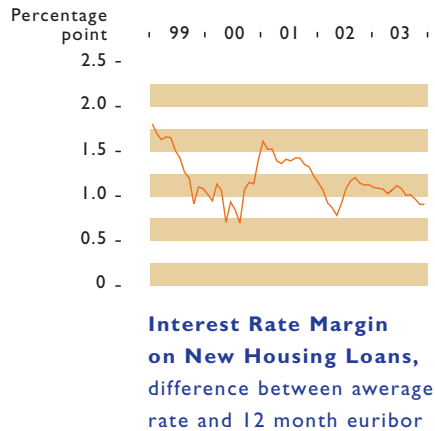
Housing Services

The continued low level of interest rates coupled with buoyant consumer confidence maintained a robust housing market in 2003, and this also led to ongoing brisk demand for housing loans. Although housing prices rose on average by 6.4 per cent in 2003, they nevertheless remained moderate compared with consumers' income and debt.

During the year, a total of € 13 billion of new housing loans was drawn down. June and October were especially busy months for drawing down housing loans. The financial institutions' euro-denominated housing loans thus grew to € 36 billion. Demand for housing loans was maintained in particular by people who moved out of rented apartments and into their first own home.

Households who are customers of the OP Bank Group drew down € 4.6 billion in housing loans in the report year, an increase of 26 per cent on the previous year. In the last quarter of 2003, the amount of new loans drawn down increased by 25 per cent on the figure a year earlier. The average margin on new housing loans fell further.





The OP Bank Group's portfolio of household mortgages grew by 16 per cent to € 12.4 billion in the report year. The Group's market share of financial institutions' euro-denominated housing loans was 34.5 per cent at the end of the year. At the end of 2002 it was 34.4 per cent. The market shares at the end of 2002 and 2003 have been calculated on a comparable basis in accordance with the new statistical bases that the Bank of Finland introduced in August 2003.

OP Bank Group Mortgage Bank's lending is an integral part of the OP Bank Group's housing service. The Bank has granted housing loans to retail customers and institutions since the beginning of 2001. During the report year, the Bank's housing loan portfolio increased by 50 per cent and totalled € 111 million at the end of the year. By the end of the year the Bank had issued € 65 million of OP Housing Loan bonds.

During 2003, customers showed an increased interest in fixed interest rates, though the vast majority of household mortgages was still drawn down in the form of floating-rate loans. There was an increase in the number of long housing loans with periods of over 20 years, especially in the country's growth centres.

The Housing Service was rounded out by offering solutions combining home financing and asset management services. Efforts to speed up the lending process were continued by reducing the amount of loan documentation by combining the promissory note and debt payment commitment into a single form. The lending process was furthermore improved by introducing a new bank guarantee application that is used jointly by the member cooperative banks and OKO Bank. In the same connection, a limit on the bank guarantees which the member cooperative banks can give was also introduced.

Property Brokerage

During 2003, the OP-Kiinteistökeskus estate agents made a total of more than 13 000 deals, an increase of more than 15 per cent on 2002. The volume of property brokerage by the OP-Kiinteistökeskus estate agents outstripped the volume of purchases and sales by other nationwide brokers for the third year running. During the year the network of OP Kiinteistökeskus locations was expanded by adding 8 new offices and service outlets.

Because the level of interest rates is likely to remain low in 2004, the housing market and demand for housing loans will probably be fairly brisk.

The possibility of making a housing loan application as well as a change to the payment programme within the online service gave customers greater flexibility in managing their money affairs and led to increased use of online services. Within residential brokerage, determined efforts were made to develop the opkk.fi portal in a more user-friendly direction whilst introducing new technical features. Digital television was placed in use as a new service channel within residential brokerage. The Group has previously rolled out a service enabling customers to access pictures and information on an OP-Kiinteistökeskus listing they are interested in directly on their imaging phone.

During 2003, the Group member banks participated in the nationwide housing fair in Laukaa and the holiday home trade fair in Kuru.

Daily Money Affairs

Households' current and payment transfer account deposits with the OP Bank Group totalled €10.1 billion at the end of the report year, up 7 per cent since the end of 2002.

The portfolio of consumer loans grew by 15 per cent to € 2 billion. Card credits continued to gain in popularity. They accounted for 12 per cent of the entire OP Bank Group's portfolio of consumer loans.



The Group's approach to card and consumer credits was realigned during the report year. The objective is for as many customers as possible to have a credit facility on their card. Accordingly, customers opted increasingly to make cash withdrawals at an Otto. cash dispenser using a credit card loan facility granted by the OP Bank Group. They also made use of the Internet to transfer a card credit as an account transfer of available funds to their own current account. In June it became possible to check the balance of card credits granted by the OP Bank Group on all the online service channels.

Closer co-operation was pursued with nationwide and local retail and service companies. During the year, numerous co-operation agreements were concluded, and the OP Bank Group's financing solution was added to the service packages offered by partner companies.

Cards

At the end of 2003, 1.9 million debit and credit cards had been issued to customers of the OP Bank Group. The total number of cards grew only slightly compared with the previous year, but the structure of the cards issued continued to change dramatically. A major move was the OP Bank Group's policy line towards changing the outstanding cards as a rule to international cards in the Visa product family.

Towards the end of the year, payment-enabled cards already accounted for 90 per cent of cards outstanding, as against 85 per cent a year earlier. The proportion of internationally accepted cards rose during the year from 40 per cent to 44 per cent of the cards outstanding.

The number of payments made by card increased by 14 per cent on the previous year. The number of cash withdrawals made with a card, in turn, diminished by nearly 4 per cent. Payments made with a card were double the amount of cash withdrawals.

At the end of the report year, the OP Bank Group had 655 payment ATMs, or 14 less than a year ago. OP Bank Group customers are also able to use Sampo Bank's 188 payment ATMs. With the fast-increasing use of the Internet, payment ATMs will be used less and less. The volume of bills paid at payment ATMs during the report year was 15 per cent smaller than a year ago.

At the end of the year Automatia Pankkiautomaatit Oy, which is jointly owned by the OP Bank Group, Nordea and Sampo Bank, had 1 707 Otto. cash dispensers. The number of Internet customer terminals at the OP Bank Group's self-service outlets and other public facilities increased by 32 to 584.

The OP Bank Group and the Population Register Centre carried out a project for adding a citizen's digital certificate to OP cards. The digital certificate can be added initially to the Visa Electron card, but during 2004 also to other Visa cards. 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.

The security of online purchases was improved by enabling Visa and Visa Electron cards for the Verified by Visa secure online payment facility. At the time of purchase, the system identifies reliably both the payer and the seller, thereby reducing considerably the possibilities of fraud in online shopping.

Towards the end of 2003, a chip provided with the EMV facility began to be added to cards. EMV is a secure payment system that was developed jointly by Europay, MasterCard and Visa. It enables the customer to approve his or her purchases by keying in a four-digit PIN code instead of signing a voucher. The facility will initially be added to Visa Electron cards, and during 2004 also to other international cards.



Corporate Customer Services

The OP Bank Group's strategy is to increase its market share, especially in the small and medium-sized company segment in all the subareas of corporate banking. The Group's objective is also to 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 companies in the capital markets.

The OP Bank Group's portfolio of euro-denominated corporate loans grew by 8 per cent and amounted to € 7 billion at the end of the year. € 3.3 billion of new loans was drawn down. The Group's market share of financial institutions' euro-denominated corporate and housing corporation loans was 23.4 per cent at the end of the report year. At the end of 2002 it was 23.3 per cent. The market shares at the

end of 2002 and 2003 have been calculated on a comparable basis in accordance with the new statistical bases that the Bank of Finland introduced in August 2003.

Corporate customers' euro-denominated deposits amounted to € 2.7 billion. At the end of 2002 they totalled € 2.5 billion.

All in all, the number of companies who used a Group member bank as their primary bank was about 75 000 at the end of the year, and there were just over 41 000 self-employed customers. During the year, the Group's number of SME customers grew by a net amount of 1 600. In a nationwide SME survey conducted by Tietoykkönen Oy, 91 per cent of the OP Bank Group's corporate customers reported that they use a Group member bank as their main bank for financing. The corresponding share for the overall corporate sector was 39 per cent. According to this survey, the OP Bank Group was thus the largest bank of SME customers in Finland.

According to a nationwide SME survey, the OP Bank Group had the most positive overall impression among SMEs. The Group's corporate image among SMEs was also good. The OP Bank Group received better marks than other banks for reliability, expertise and business success. The corporate customers of the OP Bank Group are more satisfied with their bank than the main competitors' customers are with their own bank.

Payment Transfers and Development of Services

In the markets, the OP 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 11 per cent since 2002. A total of 286 million domestic payment transfer transactions was handled in 2002.

Competitive services and strong foreign banking partners have also made possible the rapid growth in the volume and market share of foreign payment transfers. The volume of foreign payment transfer transactions increased by 8 per cent since 2002.

In conjunction with other banks, the OP Bank Group has developed the Finvoice electronic invoice standard and the electronic invoice intermediation service that is based on it. The objective of the standard is to promote the introduction of electronic invoices and, notably, to automate bookkeeping. Finvoice electronic invoices can be sent from seller to buyer via the bank's electronic invoice intermediation service. The intermediation service was introduced across the OP Bank Group in spring 2003.

Efficiency-boosting by companies and institutions is also reflected in the need for banking services. Demand for flexible Internet solutions is growing. Accordingly, the OP Bank Group offers versatile and modern services, among other things, to support companies' online business.

The OP Bank Group's finance company services were rounded out further in 2003 with the addition of an operational leasing service that got off to strong growth during the report year. Another priority area for product development was online services for retail sales customers. In the financing of invoice receivables, a signifi-

cant shift has taken place from traditional financing of invoice receivables to the purchase of receivables, or receivables financing, in which the seller transfers its receivables, including credit risks, to the finance company.

A low-priced EU payment based on the regulation on cross-border payments in euro, passed by the European Parliament and European Council, was added to the service range for foreign payments. The regulation makes it easier for consumers and SME companies to make payments at reasonable cost in the EU area. The same price as for corresponding domestic payments will be applied to cross-border payments.

OKO Venture Capital's Promotion Equity suite of funds consisting of four regional and one nationwide private equity fund was established in spring 2003. At



the time of founding, the total capital in the funds was € 32 million. The funds will focus on the ownership arrangements and on growth financing of small and medium-sized enterprises in their area of operations.

Co-operation Abroad

The OP Bank Group offers its corporate customers services abroad in co-operation with strong local banks. The partner banks' strong market position also ensures that payment transfers and other items travel quickly to the customer's account abroad and from such an account to an account with a OP Bank Group member bank.

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 2003, the Unico Bank-

ing Group again comprised six full members and two associate members. The Unico banks are the central banks of major retail banking groups in their home countries. These banking groups had aggregate total assets in 2002 of nearly € 2 140 billion. The banks employed more than 443 000 people and had over 35 000 branch offices.

For the customers of OKO Bank and the member cooperative banks, the branch offices of the Unico banks form a worldwide service network which also functions as a sales channel for corporate and institutional clients' equity and bond issues and other similar services.

The focus of Unico co-operation in 2003 was again on the development of payment transfer and cash management services as well as international capital market and financing services and on offering these to companies. During 2002–2003, the co-operation network of the UniCash cash management service has expanded, in particular, to Finland's nearby areas, or Sweden, Russia and the Baltic countries. UniCash now already covers 24 European countries. During the report year the Unico organisation was revamped and its strategy was developed to be better in line with today's requirements.

For several years now the OP Bank Group has carried on co-operation in the Baltic area with Hansapank. Fast payment transfers to and from the Baltic countries are one of the objectives of the co-operation. Foreign payments coming from Hansapank in the Baltic area to an account with an OP Bank Group member bank are sent ahead quickly, even during the same day.

OKO Bank's Stockholm branch office was discontinued in June 2003. Since then, banking services for the OP Bank Group's corporate customers in Sweden have been provided by FöreningsSparbanken (Swedbank).

Events

The first Future of Entrepreneurship seminar, which was held in Helsinki in November, drew more than 500 visitors, the majority of whom were corporate customers of a Group member bank and other stakeholders. The seminar marked the kick-off of a series of events that has been planned for years ahead. Arrangements for the programme will be made by the OP Bank Group and Kauppalehti, a financial daily, along with a new partner in co-operation that is chosen each year.

The event saw the announcement of a new company contest which aims to encourage Finnish companies to be top performers. The contest will also feature Company of the Year and Business Manager of the Year awards. The first awards in the contest will be presented at the nationwide Future of Entrepreneurship 2005 seminar that is to be held this autumn. In the early part of 2004, regional Future of Entrepreneurship seminars were held in Helsinki, Jyväskylä, Lappeenranta, Oulu, Seinäjoki, Tampere and Turku.

Agriculture and Forestry

Uncertainty about the future reforms of EU agricultural policy and changes to the special subsidies for southern Finland, which are coming to an end, overshadowed 2003. The solution concerning a common agricultural policy, which was reached in the summer, will mean the partial decoupling of agricultural subsidies from production. A separate decision concerning national income aid for southern Finland during 2004–2007 was reached towards the end of the year. It will bring a stage by stage lowering in these income aids. In line with the decision, the support levels for the young farmers' setting-up aid and a number of types of investments will be increased.

Farm investments remained robust. They went mainly for a substantial expansion and automation of livestock units. Crop farming methods were also developed, and this meant a need for higher-efficiency work machines. The rapid growth in unit size will highlight the importance of risk management within agrifinancing.

There was continued brisk demand for agricultural and forestry loans across the OP Bank Group. The loan portfolio for agriculture and forestry customers grew by about 5 per cent and totalled € 2.4 billion at the end of the year. The amount of government loans and interest-subsidised loans drawn down was 7 per cent less than a year earlier. These loans accounted for about a fifth of all loans drawn down. Subsidised financing has been weighted increasingly towards grants. This has paved the way for the investments caused by the swift structural change in the agricultural sector. In the area of financing for machinery and supplies, finance companies increased their share further, and OKO Bank strengthened its market position in this area.

The OP Bank Group's market share of the Finnish banks' financing granted to agricultural and forestry customers remained unchanged at 62 per cent. The market share of the cash flow from timber sales received by forest owners in turn was nearly 60 per cent.

Services targeted at agricultural and forestry customers were presented in the OP Bank Group's Maa- ja metsälehti (Agriculture and Forestry) magazine and on the Group's own website. In addition, the OP Bank Group's services can be accessed via the Farmit and Metsä-Sanomat (Forest News) portals. A separate timely survey of the forestry and investment market came out three times during the year. It deals with the near-term cyclical outlook in the forestry industry as well as the wood and investment market.

Co-operation agreements with the Central Union of Agricultural Producers and Forest-Owners (MTK) and the corresponding Swedish-language federation, SLC, were overhauled. In addition, co-operation was agreed with the Local Insurance Group concerning non-life policies for farms and with the ProAgria Association of Rural Advisory Centres on farm finance training, which is part of quality management for farms.

At the OP Bank Group's nationwide Forest Days in Savonlinna, Secretary of State Raimo Sailas was chosen Forest Economy Opinion-Former of the Year. The Living Tree forest event was arranged in six localities over the year.

Corporate Responsibility

Responsibility for the society around us is an essential part of the OP Bank Group's operations. For as long as it has been in existence, the Group has had close ties to Finnish society. It has thus been natural for the Group to begin setting out its corporate responsibility in accordance with modern reporting practice.

In 2001, the OP Bank Group carried out a study of corporate responsibility concepts, objectives and benchmarks, and the significance of corporate responsibility for the Group. In the OP 2002 Strategy, the Group gave its commitment to develop corporate responsibility, including means of measuring and reporting on it. The OP Bank Group divides corporate responsibility, according to the general practice, into environmental, economic and corporate social responsibility.

The underpinnings of the OP Bank Group's corporate responsibility are its ideological foundation together with the Group's shared values and ethical principles. The OP Bank Group's core values are owner-membership, a people-first approach, reliability, the will to succeed, Group solidarity and political non-alignment. The Group's ethical principles are confidentiality, responsibility, fairness and honesty.

Another element of the OP Bank Group's corporate responsibility is internal control. The Group has its own audit function that oversees the operations of the Group banks. The audit encompasses the operations and the development of the member banks, OKO Bank and Central Cooperative as well as risks. Separate audit functions do not exist for the different subareas of corporate responsibility, but instead, corporate responsibility is taken into account as a part of the general audit.

Monitoring and Measuring Corporate Responsibility

The OP Bank Group's corporate responsibility actions are directed by the Corporate Responsibility Steering Group, which serves as an umbrella organisation for the working groups that deal with environmental responsibility, economic responsibility and corporate social responsibility. A project aiming at measuring and reporting on corporate responsibility was started at the beginning of 2003. It will continue in coming years, and the objective is to arrive at a reporting process in accordance with the GRI guidelines. GRI (Global Reporting Initiative) is a joint development project and independent organisation comprising a number of stakeholders. Its objective is to develop internationally approved guidelines for reporting on corporate responsibility.

Reporting is one of the main short-term development measures for corporate responsibility within the OP Bank Group, and it is expected that reporting will be expanded over the next few years. Despite the development of reporting and possible changes in it, the Group is aiming right from the outset for continuity and comparability. The development of measuring and monitoring will be discussed in the reports.

The OP Bank Group will publish corporate responsibility information semi-annually. A corporate responsibility report based on the reporting guidelines and general practice will be published as part of the Group's Annual Report. In addition, a corporate responsibility brochure will be published in connection with the OP Bank Group Week. The brochure will not seek to conform to official forms of reporting, but will give a reader-friendly overview of the Group's activities in different subareas of corporate responsibility.

Coverage of the Reporting

The OP Bank Group's corporate responsibility reporting is based on the GRI guidelines and the Group's own objectives. The reporting covers the mainline corporate responsibility benchmarks as well as the focus areas that supplement them. In some areas the limited availability of information in the initial stage has led to briefer reporting than was originally intended.

The information underlying the benchmarks cover the entire OP Bank Group unless stated otherwise. The sources of information have been the Group's centralised information systems and processes. The objective is to expand the reporting and develop the benchmarks as well as to supplement other focus areas during 2004.

Environmental Responsibility

	Unit	2003	2002	Change, %
Materials				
Magazines and customer mailings	g/customer	380	430	-12
Plastic cards	g/customer	3	3	1
Consumption of office paper*	kg/employee	68	77	-12
Electricity consumption*	kWh/employee	6 224	6 418	-3
Water consumption*	litre/employee/24h	27	28	-5
Paper collection*	kg/employee	87	98	-11
Wastes*	kg/employee	39	51	-24
Incoming electronic invoices	%	26	19	

* The information concerns only the Central Cooperative (coverage 21 per cent of the OP Bank Group's personnel)

The key items in the OP Bank Group's consumption of materials are customer magazines and bank statements. The Group publishes a number of customer and stakeholder magazines. Owing to a revamp of the magazines and the development of direct marketing, paper consumption in this area will diminish in the future. Since 2001, customers have been offered an online statement that replaces paper bank statements. Online statements have already been added to about 280 000 accounts, and during 2003 they were added to 80 000 accounts.

Another important item of material in banking operations is the plastic used in bank cards. The consumption of plastic is largely determined by the period during which the cards are in use, which will be extended in coming years thanks to the new certification technology. For the time being, the OP Bank Group does not recycle the plastic in old cards that have been removed from use.

Each year the OP Bank Group receives a large number of bills from its partners in co-operation. Previously, the bills formed a large volume of paper that had to be hauled away by logistics units. Today, the Group prefers to receive these invoices in electronic form. The proportion of electronic invoices received has increased steadily in recent years.

A further aim of the OP Bank Group's environmental responsibility benchmarks is to monitor matters that the Group's employees can influence through their

own actions. Electricity and water consumption have been reduced steadily. A great deal of attention has also been paid to sorting wastes and paper. At some of the OP Bank Group's locations, recycled substances other than different types of waste paper are sorted and monitored, too. All the locations are seeking, over the long term, to have a sorting capability at least for the main materials and substances.

Focus Areas Supplementing the OP Bank Group's Environmental Responsibility Benchmarks

- | | |
|--|---|
| <ul style="list-style-type: none"> • Approved environmental principles • Taking environmental risks into account in corporate financing • Taking environmental risks into account in decisions related to mutual funds, asset | <ul style="list-style-type: none"> management and venture capital • Telecommuting practices • Projects for developing environmental responsibility |
|--|---|



The OP Bank Group's environmental responsibility is reflected in its environmental policy and environmental programmes. The Central Cooperative has drawn up an environmental policy and programme concerning its own operations. They were approved in spring 2003. The member cooperative banks too have begun to formulate their own environmental principles and programmes.

The OP Bank Group's environmental responsibility encompasses the taking into account of environmental aspects in its own ways of working, in services offered and in financing and investment decisions. Environmental responsibility is examined in all these subareas.

In developing its own ways of working to promote environmental responsibility, the OP Bank Group operates in co-operation with the Finnish WWF (World Wide Fund for Nature). The Central Cooperative is participating in the WWF's Green Office programme, and the Central Cooperative was awarded a Green Office diploma in autumn 2003. The member banks have also undertaken preparations

for introducing the Green Office programme. In 2003, three cooperative bank branch offices began preparations for participating in the Green Office programme.

The OP Bank Group's range of services includes the OP Sustainable Development mutual fund. Via the fund, the Group offers its customers the possibility of taking environmental considerations into account in making investments. The capital invested in the OP Sustainable Development mutual fund represented 1.7 per cent of the capital invested in all the OP Bank Group's mutual funds. The proportion grew by 0.4 percentage point. In 2003, the number of the fund's unit-holders grew from 219 to 486.

The most important environmental responsibility issues for the banking industry are connected with each bank's indirect responsibility for the environmental impacts of its customers' operations. An important aspect of environmental responsibility issues related to financing decisions is corporate customers' investment projects. The OP Bank Group began environmental risk training for its corporate finance staff in 2003. The objective of the training is to increase possibilities of carrying out versatile environmental risk surveys as part of financing processes. The training was started with OKO Bank's financing staff and the Central Cooperative's corporate analysts.

Careful consideration and close analysis of the investment project are aspects that figure prominently in the OP Bank Group's investment decisions. In the investment decisions of the OP Sustainable Development mutual fund, special selection criteria are applied to ensure the environmental soundness of the investments and their overall conformity with responsible business practices. In other investment decisions, environmental aspects are not taken into consideration separately but are a part of the general assessment of the individual investment.

Economic Responsibility

Matters related to economic responsibility have traditionally been discussed extensively in the OP Bank Group's financial statements and annual reports. Accordingly, only the most important of the financial key figures have been set out here. More detailed information and key figures are given in the other sections of the Annual Report, principally in the Financial Statements part.

Economic responsibility figures prominently in risk management, which is a central element of the OP Bank Group's operations. A detailed discussion of the Group's risk management in 2003 is given in the Financial Statements part of this publication.

Since 2001, OP Fund Management Company's investment activities have been carried on in accordance with its GIPS certificate (Global Investment Performance Standards). This means that the yields on investments are calculated and reported on in accordance with international ethical standards.

The OP Bank Group is a major provider of employment, both directly and indirectly. The Group has a payroll of over 9 000 employees. In addition, a large number of companies are the Group's partners in co-operation. The member coop-

	Unit	2003	2002	Change, %
Net sales	€ million	1 793	1 915	-6
Net interest income	€ million	798	857	-7
Operating profit	€ million	515	459	12
Partners and suppliers				
Total number	no.	19 542	20 750	-6
Purchased services	€ million	325	327	-1
Salaries and wages	€ million	299	285	5
Pensions	€ million	54	47	15
Taxes				
Income taxes	€ million	144	118	21
VAT	€ million	14	13	12
Donations and other financial support	€ million	1.6	2.5	-35
Interest on cooperative capital*	€ million	19	19	-5
Dividends from OKO Bank*	€ million	35	51	-32
OKO Bank's shareholders	thousands	25	25	1
Owner-members	thousands	1 072	1 042	3
Platinum bonuses				
Accrued bonuses	€ million	34	30	13
Use of bonuses	€ million	24	22	9
Bonuses paid in cash	€ million	11	-	

* Amount paid for the previous year.

erative banks seek to find partners and suppliers in their own localities.

By means of donations and other financial support, the OP Bank Group strives to promote development in the areas where it operates. In 2003, the Corporate Responsibility Steering Group drew up a special action policy concerning the OP Bank Group. The donations and support granted do not include different forms of sponsorship agreements. In respect of the donation measures carried out in 2002 and 2003, a separate assessment has not been made of the social implications of the donations. The OP Bank Group celebrated its centennial in 2002. Numerous and varying donations were made during the centennial year. In 2003, the donations have returned to the normal, considerably lower, level.

The OP Bank Group rewards and supports its owner-members and Okopankki's preferred customers through its Platinum bonuses. A more detailed discussion of customer-ownership and the Platinum bonuses is given in the section of the Annual Report entitled Operations of the OP Bank Group.

A large number of private individuals are OKO Bank shareholders. The purpose of OKO Bank's operations is to produce economic benefit for customers and shareholders. The Bank seeks to pay out half of its earnings in dividends.

Focus Areas Supplementing the OP Bank Group's Economic Responsibility Benchmarks

- Risk management
- Monitoring and prevention of the grey economy
- Monitoring and prevention of money laundering
- Projects for developing economic responsibility

Banks have the possibility of working alongside the authorities to curb white-collar crime, such as the grey economy and money laundering. In these areas, the OP Bank Group acts in accordance with the legislation in force and the guidelines for the sector, without special measures of its own.

Being local is a prominent aspect of the OP Bank Group's financial and economic relationship with the society around it. In all the municipalities where it operates, the taxes paid by Group member banks are major in amount, and in a number of localities, the bank is one of the biggest tax payers.

Corporate Social Responsibility

The OP Bank Group's corporate social responsibility concerns administrative persons, the personnel, customers and other stakeholders.

The OP Bank Group has an extensive group of external administrative persons, comprising the members of the banks' representative assemblies, supervisory boards and executive boards. At the end of 2003, there were 6 991 external administrative officers, 28 per cent of whom were women.

The number of the OP Bank Group's personnel grew by 111 employees during the report year and was 9 048 at the end of the year. Women made up 79 per cent of the entire personnel. Women accounted for 93 per cent of the salaried

	Unit	2003	2002	Change, %
Administrative persons	no.	6 991	7 202	-3
Women	%	28	28	
Men	%	72	72	
Personnel				
Employees, total	persons	9 048	8 937	1
Fixed-term	persons	669	664	1
Permanent	persons	8 379	8 273	1
Women	%	79	80	
Men	%	21	20	
Salaried employees	%	72	-	
Experts	%	13	-	
Supervisors	%	6	-	
Senior management	%	10	-	
Average age	years	45	45	
Training expenses	percentage of total payroll	3.2	3.4	
Sickness absences	days/person	7.6	7.5	1
Customers	thousands	3 070	3 033	1
Customer satisfaction				
Retail customers	scale of 1–5	3.9	3.9	
Corporate customers	scale of 1–5	4.2	-	
Branch offices and service outlets	no.	716	726	-1
Online service contracts	thousands, no.	764	721	6
Non-profit seminars and functions*	€ million	0.2	0.2	3

* The item concerns only functions arranged by the Central Cooperative.

employees, 49 per cent of the experts and 59 per cent of the supervisors. The biggest factor that will affect the personnel structure in the future is the retirement of baby-boomers in a few years.

Employee satisfaction is good. Absences are at a level that points to stability in terms of job satisfaction and working conditions. For many years, significant changes have not taken place in absenteeism.

Strong inputs continued to be made into developing the staff's competence. The reported training expenses do not include salary expenses during training.

Equality issues are monitored actively across the OP Bank Group. Putting equality into practice is supported by the principles of human resources administration and by means of special equality plans. During 2003, it was decided to start an equality project promoting equality planning according to an initiative undertaken by FiBS (Finnish Business and Society Ry). FiBS is a Finnish network that promotes corporate social responsibility. The OP Bank Group Central Cooperative is an FiBS member.

Projects connected with the development of subareas of responsible human resources management are also under way within the OP Bank Group. The principles of responsible human resources management were published in summer 2003.

The OP Bank Group serves its customers through Finland's widest network of banking services. The network is developed continuously, and a comprehensive and versatile service network is one of the Group's strengths. A more detailed description of the Group's service network is given in the section of the Annual Report entitled Operations of the OP Bank Group.

The OP Bank Group member banks have an independent responsibility for the pricing of customer services. The OP Bank Group Central Cooperative furnishes the member banks with pricing recommendations, with the aim of taking into account as far as possible the actual production and development costs of each service. In its pricing, the OP Bank Group also takes into consideration the customer relationship and owner-membership or preferred customer status, if they apply.

Customers of the member banks are satisfied with the OP Bank Group's services. Customer satisfaction has shown positive development in step with the growth in the number of customers. Apart from customer satisfaction, the OP Bank Group also enjoys a good overall image. A more detailed discussion of the Group's customers and corporate image is given in the section of the Annual Report entitled Operations of the OP Bank Group.

For a bank, corporate social responsibility also involves indirect possibilities of exercising influence via its own customer companies because the bank takes corporate social responsibility issues into account in making its investment and financing decisions. In its financing decisions, the OP Bank Group also seeks to evaluate, as far as possible, the ethical risks inherent in the customer's business activities and possible detrimental effects arising from them. This is a normal part of operations, and no special measures are deployed.

In taking investment decisions, ethical risks connected with sustainable development are assessed on the basis of the same principles as apply to the environmental risks of prospective investments. No special methods are in use in investment activities, with the exception of management of the OP Sustainable Development Mutual Fund.

Focus Areas Supplementing the OP Bank Group's Corporate Social Responsibility Benchmarks

-
- | | |
|--|---|
| • Responsible human resources policy | • Charity policy |
| • The personnel's forms of union organisation | • Sponsorship policy |
| • Taking ethical risks into account in corporate financing | • Ethical marketing and advertising |
| • Taking ethical risks into account in the investment decisions of mutual funds, asset management and venture capital operations | • Participation in local affairs |
| | • Principles of pricing |
| | • Projects for developing corporate social responsibility |
-

Within human resources affairs, the OP Bank Group introduced new principles of responsible human resources management in summer 2003. The aim of them is to aid in ensuring the personnel's job satisfaction and in the preservation and development of good job conditions. A more detailed discussion of the OP Bank Group's personnel in 2003 is given in the section of the Annual Report entitled Personnel.

The OP Bank Group guarantees its employees all the statutory possibilities of organising into unions and works actively in co-operation with trade unions and employees. The OP Bank Group has a special OP Co-operation Group which exceeds the requirements of the Co-determination Act.

An important element of the OP Bank Group's operations is active participation in the social dialogue and society-related activities. The Group is involved in arranging functions that are important discussion and development forums in their own fields. Amongst such events are the Wage- and Salary-Earners' Forum, the OP Housing Seminar, and the Forest Day, Harvest Session and Future of Entrepreneurship events. In addition, the member banks play a fairly active part in social affairs at the local level and participate in the development of their own localities in many ways.

The OP Bank Group carries on co-operation with wage- and salary-earners' and other organisations. In January 2003, the Group overhauled its co-operation agreement with the Central Organisation of Finnish Trade Unions (SAK). The agreement with the Confederation of Technical Employee Organisations in Finland (STTK) was recast in March. In May, the Group also overhauled its agreements with the Central Union of Agricultural Producers and Forest-Owners (MTK) and the corresponding Swedish-language federation, SLC. The purpose of the agreements is to support and promote co-operation between the parties at national and local level.

Each year the OP Bank Group makes a major financial donation to a worthy cause it selects. In 2003, the donation went to the Finnish Association for Autism and Asperger's Syndrome. In making its annual donations, the OP Bank Group acts

on its own initiative and strives purposefully to identify suitable causes to support. In addition to these annual Group-level donation activities, the member banks are active supporters of worthy causes in their own localities.

Nationwide support activities also include support for the OKO Bank Art Foundation as well as the OP Bank Group Research Foundation and the Kyösti Haataja Foundation. The OKO Bank Art Foundation owns a collection of valuable string instruments, which are lent to talented young musicians. The art foundation also supports the graphic arts by purchasing works, primarily by modern artists, for display in the OP Bank Group's office premises.

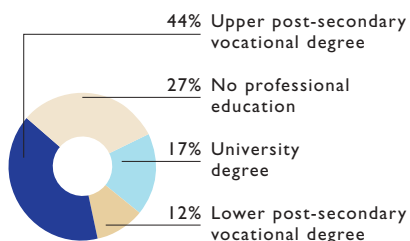
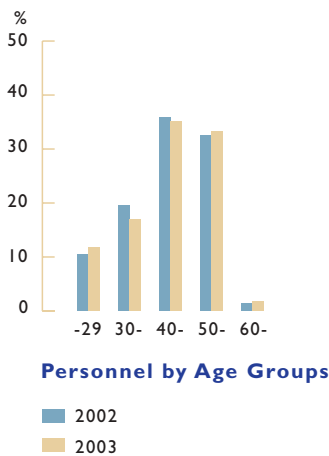
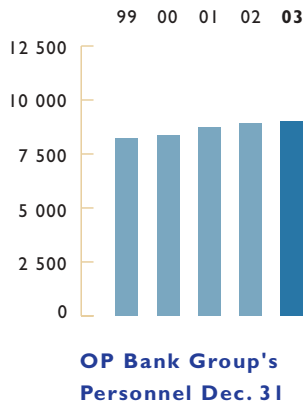
The Kyösti Haataja Foundation was established in 1951 by the OP Bank Group. It makes grants for studies dealing with rural living conditions and means of livelihood. The studies can have an economic, social or legal orientation. In 1972, OKO Bank's Supervisory Board donated to the OP Bank Group Research Foundation the capital for starting the organisation's operations. The grants made by the Research Foundation are intended for economic research dealing with the banking industry and the financial markets. In 2003, the foundations made grants totalling € 175 000.

In addition to direct charity actions, the OP Bank Group also uses sponsorship as a further means of supporting socially responsible initiatives. The Group has stated its policy of concentrating its nationwide sponsorship on cultural events. The activities chosen for nationwide cultural sponsorship in 2003 were the Seinäjoki Tango Market, the Savonlinna Opera Festival, the Kuhmo Chamber Music Festival, the Workers' Music Festival in Valkeakoski and the Helsinki Festival.

Apart from the sponsorship of nationwide cultural events, the member co-operative banks engage in smaller-format sponsorship in their own localities. Co-operative banks have a very good profile and corporate image in their own business territory. Most often, local sponsorship activities are not undertaken merely for marketing benefit, but rather, the underlying purpose of the sponsorship decision is to support a given activity and to see that it is maintained in the locality.



Personnel



Personnel's Education
Dec. 31, 2003

Structure of the Personnel

The OP Bank Group had a staff of 9 048 employees at the end of 2003. At the end of the previous year, the number of personnel was 8 937. The personnel employed by the member cooperative banks numbered 6 619 employees, whereas the OP Bank Group Central Cooperative, including Okopankki, had a staff of 2 395 employees and the other companies belonging to the Group had 34 employees. The vast majority of the employees were permanent and full-time employees. At the end of the year, permanent staff made up 92 per cent of the personnel and full-time employees 95 per cent. On average, the OP Bank Group had 9 234 people on an employment contract during the year.

The level of education of the OP Bank Group's personnel has risen perceptibly year by year. Last year, 17 per cent of the employees had completed a university degree and 56 per cent had a post-secondary vocational degree. Nearly three quarters of the personnel work in customer service positions. Of the staff, 72 per cent are salaried employees, 13 per cent work in expert positions and 15 per cent are management and supervisory staff.

The average age of the OP Bank Group's personnel is 44.8 years. Women make up 79 per cent of the personnel. The Group's personnel tend to stay on in its employ: staff turnover among permanent employees was 4.4 per cent. During the year, 1.5 per cent of the personnel retired. The average period of employment within the OP Bank Group is 18.3 years. At the end of the year, 20 per cent of the personnel had been employed with the Group for less than three years. The number of employees who have been with the Group for over 20 years is 48 per cent of the total staff.

Last year, 615 new employees were hired, 46 per cent of whom were permanently employed. People hired for customer service tasks made up 60 per cent of the new employees. The average age of the new hires was 31.2 years. Of them, 35 per cent had graduated from a college or university and 28 per cent held a post-secondary degree.

At regular intervals, the OP Bank Group searches for people to take part in its supervisor training programme, grooming them for the challenging tasks of the future. During the report year, 10 people from a group of 1 600 applicants were selected for the programme. During the approximately year-long supervisor training programme, versatile job tasks in combination with the Group's own training packages assure a solid foundation for career development.

The OP Bank Group's personnel have the possibility of receiving profit-based bonuses and other incentives. In 2003, a total of € 10.4 million was spent on bonuses within the Group, and they were received by 6 800 employees, or three quarters of the personnel. In addition, the OP Bank Group Central Cooperative's personnel have a comprehensive share option programme that was launched in 1999. As a long-term incentive, work on putting in place a personnel fund across the entire Group was started during the report year.

Human Resources Management

The principles of responsible human resources management were formulated for the OP Bank Group during the report year, and increased attention was directed to applying them in practice. The Group's management culture is traditionally ethical, responsible and shows respect for people. Setting down the elements of responsible human resources management was therefore largely a matter of drawing together and sharpening the existing principles and practices so that they support an OP corporate culture.

The objective is to maintain and strengthen the OP Bank Group's good corporate and employer image because in the value environment of today and the future, companies will be called upon to demonstrate ethically high-calibre and responsible handling of their human resources function. The aim of the principles and modes of carrying out responsible human resources management are to clarify and enhance human resources management across the OP Bank Group. Responsible human resources management involves devoting resources to long-term and sustainable top performance. It means bearing responsibility for the personnel in both good and more difficult times. For the personnel it means predictability, reliability and openness. Responsible human resources management promotes the personnel's well-being and commitment.

In addition, models and tools were developed for dealing with equality issues, recruitment and workplace activities.

Developing Competence

Within the OP Bank Group, competence is developed from the perspective of strategy. Training and development possibilities have been built for the strategic competence areas both within the framework of the Group's joint training network, the OP Academy, and at individual member banks. The Group's personnel develop their competence in accordance with personal development plans that are drawn up during performance appraisal discussions. Collective competence is developed in the workplace and in networks by learning together, sharing knowledge and enhancing operations.

In 2003, the focus of competence development was on long-term saving and investment, customer relationship management and customer-oriented sales via different service channels as well as on maintaining strong professional banking expertise. New and emerging priorities alongside these are the development of supervisor skills and training new qualified staff to take over for the experienced professionals who will soon retire.

The OP Academy arranges training that is tailored to the needs of the OP Bank Group in the form of co-operation between its own experts and external training partners. In 2003, the number of personnel training days came to more than 34 000, on a par with the previous year. Nearly 500 training sessions were arranged in Helsinki and over 700 in other parts of the country. In recent years, a greater

amount of training has been arranged outside the Greater Helsinki area on the basis of the member banks' wishes and needs.

During the report year, 296 persons began a course of studies for an OP Academy diploma connected with customer service and management. Over a five-year period, a total of 2 685 OP Bank Group managers and salaried employees participated in these year-long studies. An investment industry diploma that is certified by the Finnish Association of Securities Dealers was completed by 384 OP Bank Group employees. In a few years, already nearly 850 OP Bank Group employees have earned an investment sector diploma. In addition, other professional banking diplomas have been completed. By the end of 2003, an eMBA degree that is tailored to the needs of the OP Bank Group had been completed by 39 persons, with 70 managers and experts working on the same degree during the report year. In addition, OP Bank Group employees have had the possibility of completing a course of studies leading to general vocational diplomas via apprentice training and vocational proficiency examinations. Diplomas have been earned in fields such as Sales and Finance and Insurance, a course that was started last year.

The OP Academy's training is part of the OP Bank Group's multi-method development of the personnel. In addition to the OP Academy, means employed in the development of the personnel include online study, job rotation, learning together on the job, mentoring and job guidance as well as training arranged by the member banks and the workplaces themselves as well as external training. Mentoring is used systematically in training the member banks' new managing directors and supervisors.

The OP Academy also arranges training for administrative persons. 102 members of the executive boards of member cooperative banks took part in the training in 2003. Over a five-year period, there have been nearly 550 participants. In addition, the member cooperative banks and the federations of cooperative banks arrange training sessions for the banks' administrative persons. In 2003, the OP Bank Group spent 3.2 per cent of the amount of staff salary costs on training expenditure.

Well-being at Work

In the OP 2002 strategy, well-being at work was singled out as a mainstay of growth and good performance alongside competence. Over the long term, the development of well-being at work affects the bank's business operations and success. Within the OP Bank Group, well-being at work is based on the view that people enjoy their work when they feel that it is of importance, they have a mastery of their job and they are respected in their workplaces. With the aim of developing well-being at work, the Group has constructed a special job well-being grid that emphasises the integrated and continuous development of work, the workplace and individuals. Well-being at work is developed through co-operation with the personnel and management and from the individual perspective of each workplace. The objective of developing job well-being is skilled and contented personnel as well as a self-renewing workplace that performs well in a changing environment.



During 2003, a training programme was built that seeks to give the supervisors capabilities for carrying out the development of well-being at work in their own units together with the personnel. To support the effort, a workbook designed to promote the individual's well-being at work and a guide to methods of learning together were prepared. As a further support to the development of the individual's job well-being, a training programme was put together for salaried employees who require support in coping with changes in work and procedures as well as for developing their own well-being.

The OP Bank Group's present personnel survey is a reworked version of the model that was introduced in 2001. It lays a greater emphasis on the personnel's well-being at work. Customer surveys that have been carried out at the same time as the personnel surveys have helped to build an understanding of the bank's internal mechanisms, via which customers' commitment to the bank is strengthened.

In the report year, personnel surveys were carried out at the OP Bank Group Central Cooperative and 57 member banks, and 3 900 people, or 44 per cent of the OP Bank Group's personnel participated in them. During 2001–2003, a total of 197 surveys have been run, with 126 member banks and the Central Cooperative participating in them. The index of the OP Bank Group's way of operating, management, customer-oriented employer image, ability to change and the quality of well-being at work has shown a positive trend.

The Central Cooperative's Corporate Governance

Tasks of the Cooperative and its Members

According to the Statutes of the OP Bank Group Central Cooperative, the purpose of the Central Cooperative is to promote and support the development and co-operation of its members and the entire OP Bank Group, to develop and attend to the Group's centralised services and business operations, to see to the Group's strategic control and the safeguarding of its interests and to act as the Group's strategic owner institution.

The Central Cooperative's members can be the credit institutions, pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions (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 is required to participate in the Central Cooperative by making a minimum of one hundred contributions of 170 euros to its cooperative capital. In addition, the member is furthermore responsible for making contributions on the basis of its capital adequacy calculation of risk-weighted receivables, investments and off-balance sheet items.

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

If a member bank's Tier I own funds at the end of June of the previous calendar year, net of equity capital items originally provided by the State, the OP 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. 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 OP 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 income statement 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 to the members of the Supervisory Board, the members of the Executive Board and the President for the previous financial year

- a resolution on the number of members of the Supervisory Board and election of the required members of the Supervisory Board
- election of the auditor to audit the Central Cooperative's corporate governance and accounts as well as the OP Bank Group's consolidated financial statements
- presentation and distribution of the amalgamation's (OP Bank Group's) consolidated financial statements and the auditor's report
- confirmation if necessary of a supplementary payment to be collected from the members as specified in the Statutes.

At General Meetings of the Cooperative, proposals concerning the election of the members of the Supervisory Board and the auditor 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). A minimum of 16 and a maximum of 20 members are elected to the Supervisory Board such that the Supervisory Board has at least one member from each of the 16 Cooperative Bank Federation areas. Of these members, a number that is closest to one third resigns each year. In addition, the Supervisory Board has 16 members elected from the territories of the Cooperative Bank 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, managing director or auditor or deputy auditor of a member bank which owing to its own financial difficulties has received during the current year or the five previous calendar years a subsidy loan, grant, guarantee or capital investment from the OP 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 the corporate governance of the Cooperative as managed by the Executive Board and the President and to ensure that the Cooperative's operations are managed in an expert and prudent manner in accordance with the Cooperative Societies Act and in the best interests of the Cooperative and the OP Bank Group. In addition, the tasks of the Supervisory Board are, among other things

- to confirm the OP Bank Group's joint objectives and operational policy lines and principles
- to elect and dismiss the Chief Executive Officer, 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 decide 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 the Cooperative's operational and budget targets
- to submit a statement on the audit and the consolidated financial statements to the General Meeting of the Cooperative
- 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. It includes five members and two deputy members who can also be non-members of the Board. The Committee elects the Chairman from among 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, the 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 two deputy members (according to the statutes, a maximum of four). The term of office of a member or deputy member of the Executive Board is for the time being, but for a maximum period up to the person's retirement age in accordance with the OP Bank Group's 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, 2004, the members and deputy members of the Central Cooperative's Executive Board owned a total of 4 126 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 originally was entitled to subscribe for 160 000 OKO Bank Series A shares, the presidents of OKO Bank and the OP 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. According to the share option programme, half of said amounts was exercisable as from October 1, 2002. The remainder can be exercised as from October 1, 2004, and the period for exercising all the warrants ends on October 30, 2006.

Reform of the Cooperative's Statutes

A total reform of the Central Cooperative's Statutes was decided during the report year. The amendments were occasioned by 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 supplementing of 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 an extraordinary payment. The proposed amendments were approved at the General Meeting of the Cooperative on April 3, 2003, and entered in the Trade Register on May 30, 2003.

Supervisory Board January 1, 2004

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

Etelä-Pohjanmaa

Mauri Hietala (2000)
Business Development Director
Seinäjoki, 2003–2006
***Pentti Mäkelä** (2003)
Managing Director
Alajärvi, 2003–(2006)

Etelä-Suomi

Jari Laaksonen (2003)
Managing Director
Asikkala, 2003–2005
***Teuvo Mäkinen** (2003)
Principal
Mäntsälä, 2003–(2006)
***Matti Niemelä** (2003)
Chairman of the Board of
Directors
Hämeenlinna, 2003–(2006)

Kainuu

Keijo Väänänen (1997)
Professor
Vaala, 2001–2004
***Erkki Airaksinen** (1997)
Managing Director
Kuhmo, 2003–(2006)

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, 2003–2006
Chairman
***Paavo Aho** (1997)
Colonel (ret.)
Elimäki, 2003–(2006)
***Risto Kiljunen** (1997)
Managing Director
Lappeenranta, 2003–(2006)

Lappi

Heikki Oja (2001)
Farmer
Tervola, 2001–2004
***Erkki Alatalo** (1998)
Engineer (forestry)
Keminmaa, 2003–(2006)

Pirkanmaa

Heikki Teräväinen (1997)
Managing Director
Toijala, 2002–2005
***Martti Talja** (1997)
Development Manager (ret.)
Mänttä, 2003–(2006)

Pohjois-Karjala

Jorma Lehikoinen (1997)
Managing Director
Lieksa, 2002–2005
***Markku Lappalainen** (2003)
County Manager
Rääkkylä, 2003–(2006)

Pohjois-Pohjanmaa

Paavo Haapakoski (1997)
Principal
Pyhäjoki, 2001–2004
***Paavo Kurttila** (2003)
Managing Director
Pudasjärvi, 2003–(2006)

Pohjois-Savo

Erkki Tuovinen (2000)
Executive Director
Sonkajärvi, 2003–2006
***Jaakko Ojanperä** (2000)
Managing Director
Kuopio, 2003–(2006)

Satakunta

Jorma Pere (1997)
Managing Director
Eura, 2002–2005
***Jukka Ramstedt** (1997)
Managing Director
Pori, 2003–(2006)
***Juhani Suoramaa** (2003)
Managing Director
Rauma, 2003–(2006)

Suur-Savo

Pekka Vilhunen (2003)
Managing Director
Varkaus, 2003–2006
***Erkki Rämö** (2003)
Principal
Juva, 2003–(2006)

Sydämen

Ola Eklund (2000)
Managing Director
Karjaa, 2001–2004

Varsinais-Suomi

Jukka Hulkkonen (2003)
Managing Director
Halikko, 2003–2006
***Pertti Ruotsalainen** (1997)
Hospital Physicist
Mynämäki, 2003–(2006)
*Deputy Chairman and
Chairman's first deputy*
***Pauli Salminen** (1997)
Managing Director
Loimaa, 2003–(2006)

Österbotten

Ulf Nylund (2001)
Managing Director
Vaasa, 2001–2004

Other members

Esa Härmälä (1997)
Chairman
Helsinki, 2002–2005

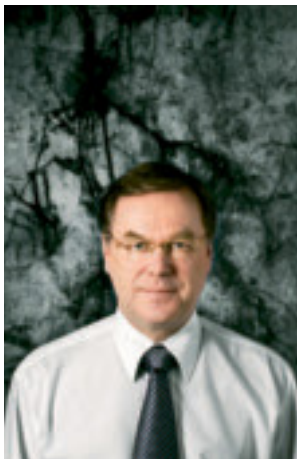
Seppo Junttila (2000)
General Secretary
Helsinki, 2003–2006

Simo Kauppi (2000)
Managing Director
Rauma, 2003–2006
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 January 1, 2004



Chairman

Antti Tanskanen

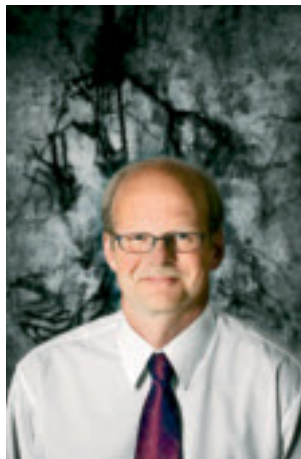
b. 1946

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, Chairman
of the Board of Directors
The Employers' Confederation
of Service Industries, Member of
the Board of Directors

Share options for 80 000

OKO Bank Series A shares



Vice Chairman

Reijo Karhinen

b. 1955

President, OP 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' Associa-
tion, Deputy Chairman of the
Board of Directors
The Finnish Housing Fair,
Deputy Chairman of the Board
of Directors

Share options for 60 000

OKO Bank Series A shares



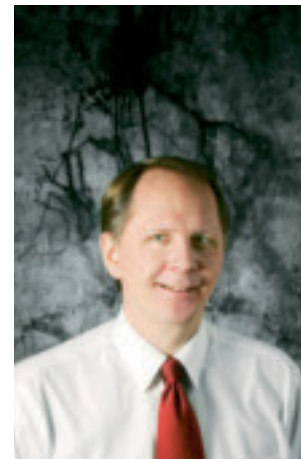
Members

Erkki Böös

b. 1953

Executive Vice President

Member of the Board since
2001



Pekka Jaakkola

b. 1956

Executive Vice President

Member of the Board since
1998

Share options for 40 000
OKO Bank Series A shares

Deputy Members

Matti Korkeela

b. 1946

Executive Vice President

Member of the Board since 1997

Automatia Pankkiautomaatit Oy, Deputy Chairman
of the Board of Directors

Automatia Rahakortit Oy, Deputy Chairman of the Board of Directors

Toimiraha Oy, Deputy Chairman of the Board of Directors

Share options for 15 000 OKO Bank Series A shares



Mikael Silvennoinen

b. 1956

President, OKO Bank

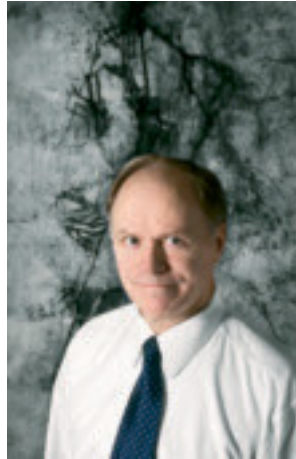
Member of the Board since 1997

Unico Banking Group, Member of the Steering Committee

Holds 1 200 OKO Bank Series A shares

Share options for 60 000

OKO Bank Series A shares



Heikki Vitie

b. 1952

Executive Vice President

Member of the Board since 1994

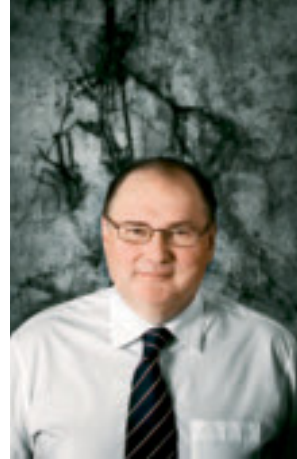
European Association of the Cooperative Banks, Member of the Board of Directors

The Bank Employers' Association, Deputy Chairman of the Board of Directors

The Finnish Banker's Association, Member of the Board of Directors

Share options for 40 000

OKO Bank Series A shares



Chief Audit Executive

Markku Niinikoski

b. 1946

Attends the Executive Board's meetings

Holds 400 OKO Bank Series A shares

Share options for 15 000

OKO Bank Series A shares

Secretary of the Boards

Raimo Tammilehto

b. 1943

Executive Vice President

Member of the Board since 1991

Holds 2 526 OKO Bank

Series A shares

Share options for 15 000

OKO Bank Series A shares

Markku Koponen

b. 1957

Share options for 15 000 OKO Bank Series A shares

Auditor

Firm of authorised public accountants

KPMG Wideri Oy Ab

Organisation January 1, 2004

	Chairman and CEO Antti Tanskanen	
Business Control Seija Halme**	President, Vice Chairman Reijo Karhinen	Management Support and Corporate Communications Markku Koponen* Corporate communications Strategic planning, monitoring national economy and financing sector
Business Planning Pasi Kämäri**		
Customer Function Erkki Böös	Service Function Heikki Vitie	Group Steering Function Pekka Jaakkola
Service and product development Marketing Customer relationships	Information system and production services Financial control Centralised service functions	Member bank steering Risk management Service network, IT management
Audit Function Markku Niinikoski*		
Audit of member cooperative banks Internal audit of the Central Cooperative, bank security		
Development Services for Card Operations and Consumer Finance Matti Korkeela	FD Finanssidata Oy Ilpo Antikainen	Human Resources Development Tarja Joensuu-Sarkio
Agrifinancing Raimo Tammilehto	Administration Services Antti Saarelainen	Member Bank Steering Jari Himanen
Marketing and Customer Relationships Stina Suominen	Optum Oy Jouko Aho	Legal Affairs Seppo Pöyhönen
OP Bank Group Mortgage Bank plc Lauri Karvonen	OP Bank Group Pension Fund Pekka Korhonen	OP Bank Group Mutual Insurance Company Tuomo Metsäaro
OP Life Assurance Company Ltd Jukka Ruuskanen	OP Bank Group Pension Foundation Pekka Korhonen	OP Bank Group Security Fund Tuomo Metsäaro
OP-Kotipankki Oyj Kai Patovirta	Financial Administration Services Harri Luhtala	Service Network Development Mikko Hyttinen
OP Fund Management Company Ltd Harri Nummela	Contact Centre Arto Smedberg	IT Management Markku Mäkinen
Deposits and Credit Services Pekka Sarvi-Peräkylä		
Asset Management Services Harri Nummela		
Payment Services Anne-Mari Tyrkkö		

* Reporting to the CEO

** Reporting to the President

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OP BANK GROUP

FINANCIAL STATEMENTS 2003



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FINANCIAL INFORMATION IN 2004

The OP Bank Group and OKO Bank will publish three interim reports in 2004: for the January-March period on May 6, 2004, for January-June on August 5, 2004, and for January-September on October 28, 2004. The interim reports will be published in Finnish, Swedish and English. The interim reports are available on our website at the address www.okobank.com. Paper copies can be ordered at the address OP Bank Group Central Cooperative, Corporate Communications, P.O. Box 308, FI-00101 Helsinki, telephone +358 9 404 2765, telefax +358 9 404 2298, e-mail: viestinta@okobank.com.

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REPORT OF THE EXECUTIVE BOARD

THE OP BANK GROUP'S STRATEGY

The OP Bank Group revises its strategy at regular intervals. A new review process was started in the report year. The new draft strategy will be presented for confirmation by the OP Bank Group Central Cooperative's Supervisory Board in June 2004.

The current OP 2002 strategy was confirmed by the Supervisory Board in June 2002. Its basic premise was that the OP Bank Group has achieved a good level of earnings and strong capital adequacy, which means that growth can now become the paramount objective, though without compromising on risk management.

The central objective of OP 2002 is that the OP 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 OP Bank Group is a universal 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 OP 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 OP 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.

FINANCIAL PERFORMANCE**NET INTEREST INCOME**

The OP Bank Group's net interest income totalled € 798 million, down 6.9 per cent on the previous year (857)¹. Interest income was down 12 per cent and interest expenses fell by 20 per cent. Net interest income as a ratio of average total assets diminished by 0.4 percentage point to 2.4 per cent. The contraction in net interest income bottomed out in the last quarter, when net interest income was up 3.6 per cent on the previous quarter. Despite the slight growth, net interest income in the last quarter was nevertheless 10 per cent lower than a year earlier.

The decrease in net interest income was attributable to the prevailing low level of interest rates and a continuing contraction in customer margins. The nominal spread between the loan portfolio and total deposits narrowed by 0.7 percentage point during the financial year. The average interest rate on loans fell by just over a percentage point during 2003. The average interest rate paid on deposits declined by only 0.3 percentage point owing to the low level of interest rates, interest rates on deposits no longer had room to fall in lockstep with loan interest rates. The growth in the credit portfolio and total deposits as well as the increase in equity capital had a positive impact on net interest income.

OTHER INCOME

The Group's other income grew by 8.1 per cent to € 496 million (459). Net income from securities transactions, commission income and other operating income increased. Income from equity investments, however, decreased from the previous year's exceptionally high level.

Income from equity investments contracted by 52 per cent to € 14 million (30). Commission income grew

¹ The comparison figure for 2002 is given in brackets. For profit and loss account and other aggregated figures, the point of comparison is the figure for January–December 2002. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (December 31, 2002).

OP Bank Group Quarterly Performance

€ million	2003				2003	2002	Change, %
	1-3	4-6	7-9	10-12			
Net interest income	208	201	191	198	798	857	-7
Commissions and fees	73	82	72	85	312	292	7
Net income from securities and foreign exchange trading	-6	5	9	3	11	-13	
Other operating income	44	38	39	52	173	180	-4
Total income	320	326	311	338	1 294	1 316	-2
Commission expenses	10	9	8	11	38	47	-19
Administrative expenses	139	143	122	162	566	555	2
Depreciation and write-downs on tangible and intangible assets	15	16	17	21	70	74	-5
Other operating expenses	34	30	30	37	130	129	1
Total expenses	198	198	178	231	804	805	0
Profit before loan losses	122	128	133	107	490	511	-4
Loan and guarantee losses	-1	1	5	5	9	13	-28
Write-downs	4	0	0	0	4	1	
Results accounted for using the equity method	-4	18	14	11	39	-38	
Operating profit	115	146	142	113	515	459	12

by 7.1 per cent, or € 21 million, to € 312 million. About half of the increase in commission income came from the growth in commissions on payment transfers. Net income from securities trading contributed € 2.8 million to earnings, compared with negative income of € 21 million a year ago. The growth in net income was greatly affected by the revival in the equity market, as a result of which net income from trading in equities increased to € 13 million (-6.4). Other operating income amounted to € 159 million (150). This income includes an € 11 million capital gain which OKO Bank booked on a sale of shares in the Kiinteistö Oy Aleksii-Hermes property company.

EXPENSES

The Group's expenses amounted to € 804 million (805). Commission expenses, other administrative expenses and write-downs decreased compared with 2002. Other expense groups increased, with staff costs showing the biggest rise.

The volume of commission expenses shrank by 19 per cent to € 38 million (47). The decrease was due in

part to the one-off expenses connected with the introduction of euro banknotes and coins, which increased the total amount of expenses in 2002. Staff costs increased to € 374 million (354), or 5.7 per cent. During 2003 the Group had an average payroll of 9 234 employees, or 0.8 per cent more than a year earlier. Other administrative expenses diminished to € 192 million (201). An especially big item within other administrative expenses in 2002 was the marketing costs connected with the OP Bank Group's centennial year.

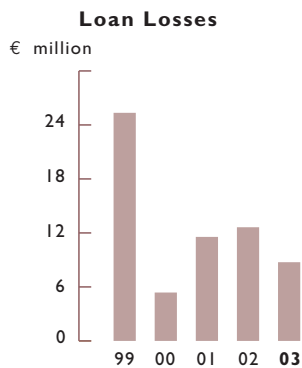
Depreciation according to plan increased by 4.1 per cent to € 64 million (61). Write-downs, mainly on real-estate holdings, amounted to € 6.0 million (13). Other operating expenses totalled € 130 million (129).

LOAN LOSSES

Net loan losses contracted further from the low level of 2002 and were € 9.1 million, or 28 per cent smaller than a year earlier (13). The gross amount of new loan losses booked was € 29 million (41). Their share of the aggregate amount of the loan portfolio and commitments equivalent to lending was 0.08 per cent (0.13). Reversals

on previously booked loan losses amounted to € 7.0 million (9.6).

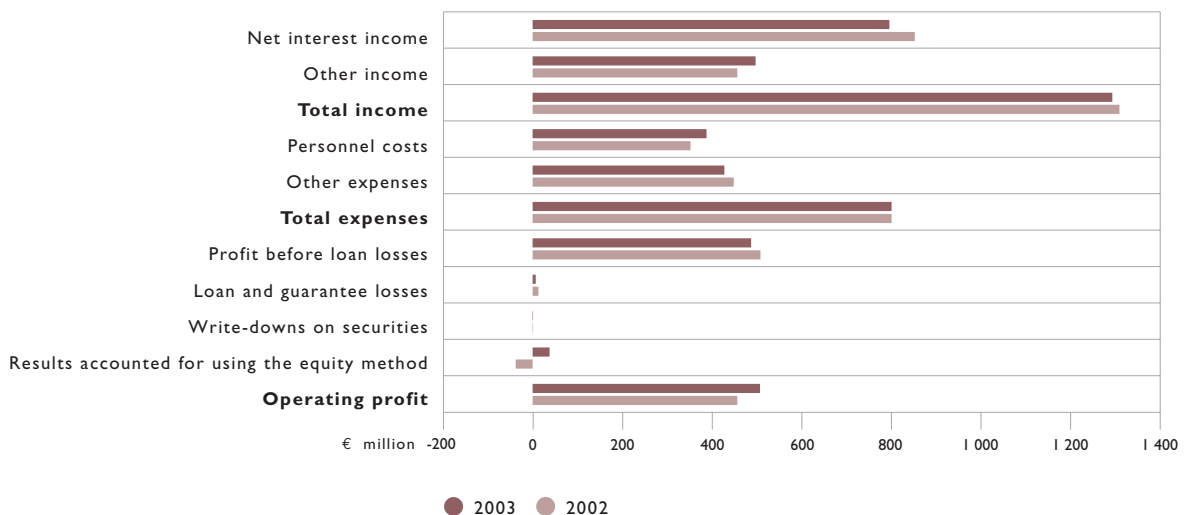
€ 4.5 million of write-downs was made on securities held as non-current financial assets (1.4). Most of the reductions in value were due to the write-downs made by OKO Bank and Osuuspankki Realum on shares in Oy Realinvest Ab, a real-estate investment company.



**RESULTS ACCOUNTED
FOR USING THE EQUITY METHOD**

The share in the results of companies consolidated for using the equity method was a credit to income of € 39 million, as against a loss of € 38 million in 2002. The bulk of the growth in this item is attributable to the improved earnings posted by OP Life Assurance Company Ltd. The Company's net profit was € 36 million, as against a loss of € 39 million a year ago. A central factor behind the € 75 million improvement in earnings was the rise in equity prices, enabling the Company to book € 26 million of reversals of write-downs on its equity and equity fund investments. In 2002 the Company booked € 69 million in write-downs on similar investments.

Income Statement, Main Items



OPERATING PROFIT

The Group reported an operating profit of € 515 million, an increase of 12 per cent or € 56 million on the figure a year earlier. The € 75 million earnings improvement by OP Life Assurance Company Ltd is the largest single factor behind the growth in the Group's operating profit. In addition, net income from securities transactions increased by € 24 million, commission income by € 21 million and other operating income by € 9.0 million. The growth in operating profit was slowed down by the contraction in net interest income by € 59 million and by the € 16 million decrease in dividend income.

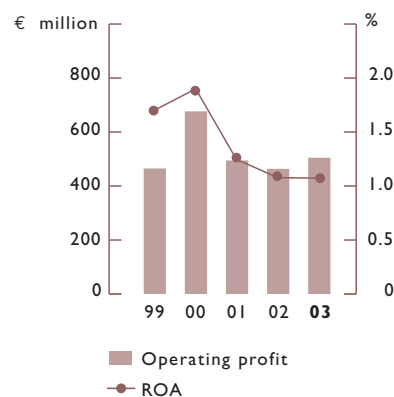
The Group's profitability was again strong. The return on equity (ROE) was 11.5 per cent (11.9) and the return on assets (ROA) was 1.12 per cent (1.11). The cost/income ratio was 62 per cent (61).

OPERATING PROFIT IN OCTOBER-DECEMBER

Fourth-quarter operating profit was € 113 million, or € 6 million less than in the fourth quarter of last year. Income was equal to the previous year's figure. The 10 per cent contraction in net interest income was offset by the growth in commission income and other operating income. Income in the last quarter of the report year includes an € 11 million capital gain which OKO Bank booked on the sale of shares in the Kiinteistö Oy Aleksis-Hermes property company. Expenses were up 5.4 per cent on the figure a year earlier. Net loan losses decreased from € 13 million to € 5.0 million and the share of the results of companies consolidated for using the equity method fell from € 14 million to € 11 million compared with the last quarter of 2002.

Fourth-quarter operating profit was a fifth, or € 29 million, smaller than in the previous quarter. Expenses in the last quarter were € 53 million greater than in the third quarter, mainly owing to seasonal variation. Net interest income grew by € 6.9 million from the previous quarter and other income by € 19 million. The minority interest in companies consolidated for using the equity method decreased by € 2.9 million.

Operating Profit and ROA



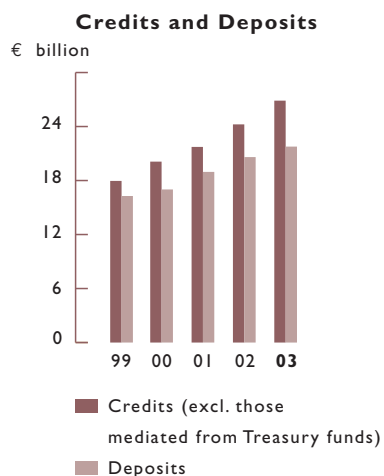
TOTAL ASSETS AND OFF-BALANCE SHEET ITEMS

ASSETS AND LIABILITIES

The Group's total assets stood at € 35.0 billion, an increase of 11 per cent since the end of the previous year (31.6). The loan portfolio totalled € 27.5 billion (24.6). The loan portfolio grew faster than in 2002 and it accounted for 79 per cent of total assets at the end of the year (78). Total deposits amounted to € 21.2 billion (19.9) and their share of total assets declined to 61 per cent (63).

Receivables from the public and public sector entities grew to € 27.2 billion (24.3). The amount of leasing assets was € 291 million (256). Debt securities amounted to € 3.8 billion (4.2) and receivables from credit institutions amounted to € 1.4 billion (0.4). Owing to the rise in equity prices and the improved result posted by OP Life Assurance Company Ltd, which is consolidated for using the equity method, the book value of shares within the Group's total assets grew by 26 per cent to € 0.4 billion (0.3). Because of investments in information technology, intangible assets increased to € 82 million during the financial year (78). The amount of tangible assets, however, decreased by 7.3 per cent to € 1.1 billion (1.2), mainly owing to a reduction in real-estate holdings.

Liabilities to the public and public sector entities increased by 8.9 per cent to € 23.3 billion (21.4) and liabilities to credit institutions and central banks were up



65 per cent to € 1.6 billion (0.9). The amount of debt securities issued to the public was € 5.0 billion at the end of the year (4.5). Subordinated liabilities diminished by 11 per cent to € 0.5 billion (0.6).

EQUITY CAPITAL

The Group's equity capital grew by 13 per cent to € 3.4 billion (3.0). Net profit for the financial year was € 373 million (342). The total amount of equity and cooperative capital within the Group's total assets grew to € 774 million (721).

According to advance information, the member cooperative banks' payment of interest on the cooperative capital for the 2003 financial year will total € 16 million (19). The proposed dividend to be paid on OKO Bank shares is a total of € 77 million (35), of which € 1.60 per share is to be paid on Series A shares (0.75) and € 1.55 per share on Series K shares (0.70).

OFF-BALANCE SHEET ITEMS

The amount of guarantees, guarantee liabilities and other off-balance sheet commitments at the end of the year was € 5.5 billion, an increase of 15 per cent on the figure a year earlier (4.8). The biggest increase was in unused credit arrangements, which were € 0.7 billion greater than at the end of 2002.

The value of the underlying instruments of derivative contracts was € 12.4 billion at the end of the year (19.3). The fall was due above all to the decrease 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 22 per cent to € 152 million.

CAPITAL ADEQUACY

The Group's capital adequacy ratio at the end of the year was 15.4 per cent (15.2). The net profit less the proposed dividend payout has been included in own funds.

Own funds grew by 10 per cent to € 3.6 billion (3.2) and risk-weighted receivables, investments and off-balance sheet commitments were up 9.0 per cent to € 23.2 billion (21.3). Tier I own funds totalled € 3.2 billion (2.9). They included € 81 million of cooperative contributions terminated by the member cooperative banks' owner-members (77). The Group's Tier II own funds at the end of the year amounted to € 0.4 billion (0.5). Capital adequacy as calculated with Tier I own funds rose by 0.4 percentage point to 14.0 per cent despite the 9.0 per cent increase in risk-weighted commitments.

At the end of the year the OP Bank Group received from the Financial Supervision Authority an exemption permitting the non-deduction from the Group's own

Capital Adequacy

€ million (at the end of the year)	1999	2000	2001	2002	2003
Own funds					
Tier I	1 646	2 170	2 531	2 886	3 243
Tier II	506	484	528	460	445
Mandatory adjustments	-101	-99	-109	-112	-127
Total	2 051	2 555	2 951	3 234	3 562
Risk-weighted receivables, investments and off-balance sheet items	16 571	18 675	19 514	21 265	23 173
Capital adequacy ratio, %	12.4	13.7	15.1	15.2	15.4
Tier I ratio, %	9.9	11.6	13.0	13.6	14.0

funds of the capital investments which the member cooperative banks have made in the private equity funds managed by OKO Venture Capital Ltd to the extent that a given private equity fund has not invested assets in credit or financial institutions. The exemption is in force up to December 31, 2006. The effect of the change in the accounting practice on the amount of the Group's own funds and on its capital adequacy ratio is very minor.

OWNER-MEMBERS AND CUSTOMERS

The number of the Group member cooperative banks' owner-members at the end of 2003 was 1 072 000, an increase of 30 000 on the figure a year earlier. In five years the number of owner-members has grown by 378 000, or 54 per cent. Cooperative capital investments by owner-members increased by 7.5 per cent to € 698 million during 2003 (649).

The amount of the bonuses which owner-members and the 124 000 preferred customers of the Greater Helsinki retail bank Okopankki Oyj earned during the report year for their patronage of the Group's banking services was € 34 million, an increase of 12 per cent on the year-ago figure (30). In the Group's profit and loss account, bonuses earned have been booked as a reduction in commission and fee income. During the report period, the Group paid cash bonuses to owner-members and preferred customers for the first time. The cash value of the bonuses paid was € 11 million. During the year, the amount of the bonuses which members and preferred customers used for service and other charges increased by 9.1 per cent to € 24 million (22).

The Group had 3.1 million customers at the end of the year. There was a net increase of 37 000 customers during 2003. According to a change-of-bank survey conducted by TNS Gallup, 38 per cent of Finns are now using the OP Bank Group as their main bank. The results of a nationwide survey which Tietoykkönen Oy made of the banks used by small and medium-sized companies indicate that the corresponding proportion for SMEs is 39 per cent.

REVIEW OF OPERATIONS

LOANS AND DEPOSITS

During 2003 the OP Bank Group's total deposits grew by 6.6 per cent to € 21.2 billion (19.9). Other liabilities to the public and public sector entities than deposits totalled € 2.0 billion at the end of the year, an increase of 41 per cent since the end of 2002 (1.4). The OP Bank Group's share of financial institutions' total deposits was 31.6 per cent at the end of December (30.9)¹.

In 2003 new loans across the Group were drawn down to a total amount of € 11.1 billion, or 17 per cent more than a year ago (9.5). Home mortgages accounted for 60 per cent of the growth. In the last quarter the amount of new loans drawn down increased by 11 per cent on the figure a year earlier.

The Group's loan portfolio grew by 12 per cent since the turn of the year. At the end of December, the loan portfolio stood at € 27.5 billion (24.6). The Group's market share of Finnish credit institutions' loan portfolio was 29.8 per cent at the end of December (29.7)¹.

ASSET MANAGEMENT

The Group's investment deposits increased by 5.1 per cent to € 7.7 billion (7.3). Households' share of investment deposits was € 6.9 billion (6.6).

Premiums written in the life assurance field as a whole decreased by 11 per cent in the report year. The biggest decrease came in premium income on capitalisation agreements, but premiums written in savings life assurance also declined markedly. Premiums written in pension insurance, however, grew by 15 per cent. At the end of the year, the growth in sales of pension policies

¹ The Bank of Finland has changed its practice of reporting statistics on deposits and loans as from July 2003, entailing a change in the OP Bank Group's market shares stated before that date, which were based on Bank of Finland statistics. The main changes relating to the definition of market shares were the enlargement of the reporting population to include not only the deposit banks also other credit institutions (incl. finance companies), widening of the total deposits concept to correspond to the content of the balance sheet items "Liabilities to the public and public sector entities" and enlargement of the loan stock concept to correspond to the aggregate amount of the balance sheet item "Receivables from the public and public sector entities" and "Leasing assets." The OP Bank Group calculates the market shares of the total deposits from euro-denominated deposits received from the euro area and the market shares of the loan stock from euro-denominated loans granted in the euro area. The comparison figures for 2002 have been calculated in such a way that they are comparable with the market share figures for 2003.

was nevertheless slowed down by the planned changes to the conditions and taxation of pension saving.

Within the Group, premiums written in life and pension insurance bucked the market trend, increasing by 7.6 per cent and was € 530 million (493). The Group's market share of premiums written in life and pension insurance grew from 15.1 per cent to 18.3 per cent. Unit-linked policies accounted for 17.5 per cent of the Group's total premiums written (17.5). Pension insurance accounted for a share of 11.3 per cent (8.5), of which unit-linked policies represented 43 per cent.

A record number of over 22 100 pension policies were sold, or 90 per cent more than in 2002. The Group's market share of new sales of individual pension insurance rose to 23.6 per cent (13.6). At the end of the year, the Group had a total of more than 184 000 policies, 32 per cent of which (25) were pension policies.

During the financial year, the Group's life and pension insurance savings were up 26 per cent to € 2.2 billion (1.8). During the report year, life assurance savings grew by 24 per cent to € 2.0 billion and pension insurance savings by 41 per cent to € 233 million. Unit-linked policies accounted for 19 per cent of technical provisions (17).

The aggregate capital invested in all the mutual funds registered in Finland grew by roughly 40 per cent in 2003. At the end of the year, the capital totalled € 22.1 billion, an increase of € 6.3 billion on the previous year. The share of this growth represented by the appreciation of mutual funds was € 1.8 billion and net subscriptions accounted for € 4.6 billion. Net subscriptions for money market funds amounted to € 2.2 billion, for bond funds to € 0.9 billion and for equity and balanced funds to € 1.4 billion.

The capital invested in the Group's mutual funds outpaced the average growth in the sector. The capital invested in the Group's mutual funds at the end of the year stood at € 3.3 billion, or 48 per cent greater than a year earlier (2.3). The Group's net subscriptions grew by nearly a third to € 846 million (637). The Group's share of net sales of the mutual funds registered in Finland was 19 per cent. Net subscriptions for money market funds were € 714 million (500) and for equity and balanced funds they were € 138 million (98).

The Group's market share of the total capital invested in mutual funds registered in Finland grew to 15.1

per cent during the financial year (14.3). The Group's market share grew especially within money market funds, garnering a market share of 19.6 per cent at the end of the year (13.7). The market share within balanced funds grew from 20.3 per cent to 20.8 per cent. The market share within equity funds at the end of the year was 12.1 per cent (12.2) and within bond funds it was 10.9 per cent (15.6).

The Group's mutual funds gained 34 000 new unit-holders during 2003. At the end of the year, the mutual funds had a total of 154 000 unit-holders. The Group's share of the unit-holders of mutual funds registered in Finland grew by 1.2 percentage point to 19.5 per cent during 2003.

Assets of private and corporate customers under management by the Group's investment bank, Opstock Ltd, grew by 37 per cent to € 8.4 billion (6.1). Of these assets, € 5.0 billion (3.7) consists of capital invested in the OP mutual funds and of OP Life Assurance Company Ltd's investment assets. The volume of stockbroking grew by 13 per cent from the figure a year ago, reaching 168 000 trades. Stockbroking contracted by 43 per cent in value to € 2.1 billion (3.7). Orders executed over the Internet accounted for 70 per cent of total stockbroking (70).

HOUSING SERVICES

In 2003 demand for housing loans grew from the previous year's high level to a new record level. Demand was fuelled by the low level of interest rates and consumer confidence. The robust housing market was also reflected in home prices, which rose at a markedly faster pace than other consumer prices.

Households who are customers of the OP Bank Group drew down € 4.6 billion in housing loans in 2003, an increase of 26 per cent on the figure a year earlier (3.7). In the last quarter, the amount of new loans drawn down increased by 25 per cent on the figure a year earlier. The average margin on new housing loans fell further. The Group's portfolio of home mortgages increased from the end of 2002 by 16 per cent to € 12.4 billion (10.7). The Group's market share of home mortgages according to the new statistical basis was 34.5 per cent at the end of December (34.4).

In 2003, the OP-Kiinteistökeskus estate-agents brokered over 13 000 transactions, or 15 per cent more

than in 2002. From the beginning of September, OP-Kiinteistökeskus real-estate listings have been posted on digital television as well as on the Internet.

DAILY MONEY AFFAIRS

At the end of the year, households' current account and payment transfer account deposits with the Group totalled € 10.1 billion (9.5). From the end of 2002, deposits increased by 7.0 per cent.

At the end of 2003, the Group's customers had a total of 1.9 million cards, of which 90 per cent incorporated a payment facility (85). The number of international Visa and MasterCard grew to 851 000 and they accounted for 49 per cent of total payment cards at the end of the year (47). During the year, cards were used as a payment instrument 158 million times, an increase of 14 per cent on the figure a year earlier. However, the volume of cash withdrawals made with a card diminished by 3.6 per cent.

At the end of 2003, the Group began providing its cards with a chip based on the EMV standard developed by Europay, MasterCard and Visa. The EMV standard increases the security of the payment system because approval of a card payment can be made not only by signing but also by using a personal PIN code.

The security of online purchases was improved by enabling Visa and Visa Electron cards with the Verified by Visa facility. The system reduces the possibilities of fraud by reliably identifying both the payer and payee at the time of purchase.

CORPORATE CUSTOMER SERVICES

The Group's euro-denominated total corporate loans grew by 7.9 per cent to € 7.0 billion in 2003 (6.5). During the year, € 3.3 billion in new loans was drawn down, equal to the amount in 2002. In the first part of the year, the amount of new loans drawn down was markedly greater than in the same period of 2002, but in the second half the amount was smaller than a year ago. The Group's market share of euro-denominated corporate and housing company loans according to the new statistical basis was 23.4 per cent at the end of December (23.3).

Corporate customers' euro-denominated deposits grew by 8.0 per cent to € 2.7 billion (2.5). The number of electronic domestic payments made during the financial year was 286 million, up 11 per cent on 2002. Pay-

ment transactions abroad increased by 8 per cent.

In spring 2003 the OP Bank Group introduced an electronic invoice intermediation service based on the Finvoice standard that has been developed jointly by the Finnish banks. The standard facilitates the introduction of electronic invoicing and automates customer companies' bookkeeping.

OKO Bank's Stockholm office was discontinued in June 2003. OKO Bank made an agreement on co-operation with Sweden's FöreningsSparbanken (Swedbank), which offer services in Sweden to the OP Bank Group's corporate customers.

OKO Venture Capital's Promotion Equity suite of funds consisting of four regional and one nationwide private equity fund was established in spring 2003. At the time of founding, the total capital in the funds was € 32 million. The funds will focus on the ownership arrangements and growth of small and medium-sized enterprises in their area of operations.

MAJOR EVENTS AND OTHER OPERATIONS

NEW BUSINESS NAMES INTRODUCED

As part of developing the OP brand, the Group changed its name from the OKO Bank Group to OP Bank Group in June. The OKO Bank Group Central Cooperative had previously changed its name to OP Bank Group Central Cooperative. In December, Aurum Life Assurance Company began using the new business name OP Life Assurance Company Ltd.

BANK OF THE YEAR IN FINLAND

The Banker, an international financial magazine that is published by the Financial Times Group, chose the OP Bank Group as Bank of the Year in Finland. The OP Bank Group received this recognition for the first time. The factors behind the choice were the Group's faster rate of growth than its competitors, and its more favourable earnings trend.

OP LIFE ASSURANCE COMPANY LTD'S OWNERSHIP ARRANGEMENTS

In February, the OP Bank Group Central Cooperative made a tender offer to those of OP Life Assurance Company Ltd's owner banks whose shareholding in the

Company is greater than the weighting which the Bank had in the OP Bank Group's retail banking operations according to the Central Cooperative's confirmed strategy. At the same time, the Central Cooperative offered the possibility of purchasing OP Life Assurance Company Ltd shares to those member cooperative banks who were not the Company's shareholders or whose holding in the Company was smaller than their proportion of the OP Bank Group's retail banking operations.

On the basis of the tender offer, OKO Bank decided to sell to the Central Cooperative 63 000 OP Life Assurance Company Ltd shares, and 20 member cooperative banks decided to sell a total of 3 127 OP Life Assurance Company Ltd shares. OKO Bank's shareholding in OP Life Assurance Company Ltd fell from 49.9 per cent to 15 per cent. Forty-six cooperative banks decided to purchase a total of 4 055 OP Life Assurance Company Ltd shares from the Central Cooperative. As a consequence of the arrangements, the Central Cooperative's holding in OP Life Assurance Company Ltd rose from 23.4 per cent to 57.9 per cent. The Insurance Supervision Authority approved the arrangement between the Central Cooperative and OKO Bank in March.

REAL ESTATE

The Group's capital invested in real-estate properties decreased by 6.5 per cent and at the end of the year was € 1.3 billion (1.4). Real-estate properties not in own use amounted to € 826 million at the end of the year (919), of which business and industrial premises accounted for € 663 million (745) and residential properties for € 109 million (112).

The occupancy rate of business and industrial premises and residential properties at the end of the year was 89 per cent (89) and their net yield was 7.0 per cent (6.8). The Group's objective is to trim the amount of capital tied up in real estate further and to maintain its good yield level.

LITIGATION

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

SERVICE NETWORK

LOCATIONS

The banking services offered by the OP Bank Group provide wider regional coverage than any other bank group in Finland. At the end of the year, the Group had 682 branch offices, or 10 less than at the end of the previous year. The Group had 34 service outlets, or the same number as at the end of 2002. These outlets are more streamlined than traditional branch offices and generally operate in big shopping centres. By the end of the year, 41 locations had been refurbished in line with the Group's new branch office concept, the refurbishment of 45 locations was in the planning or construction phase. The aim of the remake is to strengthen the role of expert services, add greater flexibility in the provision of daily banking services and make the branch offices more attractive. Of the total number of bills paid by the Group's customers, only 7 per cent were still paid through direct customer service at the branch offices (8).

At the end of the year, the Group had 655 payment ATMs, or 14 less than a year ago. The use of payment ATMs is declining in step with the increase in Internet use. The number of Internet customer terminals at the Group's self-service outlets and other public facilities increased by 32 to 584.

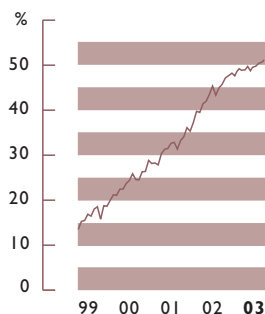
ONLINE SERVICES

The number of online service contracts for companies and households grew by 5.4 per cent to 826 000 during the year (783 000). The volume of bills paid via the Internet grew by a fifth. At the end of the year, already more than half of retail customers' bills were paid via the Internet.

During 2003, the content and appearance of the online service were reshaped, usability was improved and new security solutions were placed in use. A notable new service was the introduction of a summary of bank services, which enables the customer to see at a glance all the services that are in use and a current status overview.

In 2003, the Group's online portal Mainio.net registered a monthly average of over 100 000 unique visitors to its website.

Internet Payments of All Payment Transactions



CONTACT CENTRE

The Contact Centre is the Group’s centralised service channel whose task is to provide, via nationwide service numbers, personal sales work and support for services that are offered over electronic channels. According to a survey conducted by Taloustutkimus Oy, a research consultancy, in spring 2003, the OP Bank Group’s call centre offers the best telephone service within the Finnish banking sector.

During the report year, the Contact Centre handled more than 500 000 customer contacts by phone and via electronic channels, an increase of 65 per cent on the figure a year earlier. The Contact Centre has locations in Helsinki, Joensuu and Vaasa. The Joensuu sales outlet began operations at the end of 2003.

CREDIT RATINGS

The OP Bank Group’s financial position has a considerable effect on the credit ratings of the Group’s central bank, OKO Bank.

At the beginning of July, Moody’s Investors Service upgraded its credit rating for OKO Bank’s long-term debt from Aa3 to Aa2 and its financial strength rating from B to B+. The rating for short-term debt remained unchanged. 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	Aa2
Fitch Ratings	F1+	AA-

ADMINISTRATION AND PERSONNEL

The Cooperative Meeting of the Group’s central body, the OP Bank Group Central Cooperative, was held on April 3, 2003. Of the members due to resign, the meeting re-elected to seats on the Supervisory Board for the term of office ending in 2006 Paavo Aho, Erkki Airaksinen, Erkki Alatalo, Mauri Hietala, Seppo Junntila, Simo Kauppi, Risto Kiljunen, Jaakko Ojanperä, Seppo Penttinen, Erkki Tuovinen, Jukka Ramstedt, Pertti Ruotsalainen, Pauli Salminen and Martti Talja. Elected as new members for the term of office ending in 2006 were Jukka Hulkkonen, Paavo Kurttila, Markku Lappalainen, Pentti Mäkelä, Teuvo Mäkinen, Matti Niemelä, Erkki Rämö, Juhani Suoramaa and Pekka Vilhunen as well as Jari Laaksonen 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 Cooperative Meeting elected as auditor of the OP Bank Group Central Cooperative and the OP Bank Group for the 2003 financial year the firm of independent public accountants KPMG Wöderi Oy Ab.

New statutes were confirmed by the Cooperative Meeting. The amendments were occasioned by the overall reform of the Cooperative Societies Act, which came into force from the beginning of 2002. The main proposed amendments to the Central Cooperative’s statutes concern supplementing of the grounds for expelling a member bank, the number of auditors, a clause providing for additional cooperative capital as well as updating of the grounds for making an extraordinary payment. The amended statutes brought a change in the Cooperative’s business name. The new business name, Osuuspankki-keskus Osk (OP Bank Group Central Cooperative), was entered in the Trade Register on May 30, 2003.

NUMBER OF STAFF AND TYPE OF EMPLOYMENT

At the end of December, the OP Bank Group employed (net of interns) 9 048 staff, or 111 more than a year earlier. The number of permanently employed staff was 8 379 (8 273) and 669 people were on fixed-term employment contracts (664).

At the end of the year, 6 619 people were employed by the member cooperative banks, 2 395 by OP Bank

Group Central Cooperative Consolidated and 34 people in the other companies that are included in the Group's consolidated accounts. Of the entire staff, 72 per cent were in salaried employee positions, 13 per cent worked as functional experts and 15 per cent were in supervisory and management positions. Staff turnover among permanent employees was 4.4 per cent. During the year, 1.5 per cent of the personnel retired. 615 new employees were hired in the report year, 46 per cent of whom were permanently employed.

In the report year, the OP Bank Group spent 3.2 per cent of the amount of staff salary costs on training expenditure

2003 REVIEW OF GROUP COMPANIES

MEMBER COOPERATIVE BANKS

The aggregate operating profit of the member cooperative banks decreased by 12 per cent to € 295 million (336). The drop was attributable mainly to the decrease in net interest income. At the end of the year, there were 242 member cooperative banks. All posted an operating profit for the financial year, except one, whose operating loss was € 0.09 million.

The aggregate net interest income of the member cooperative banks diminished by 8.6 per cent to € 623 million (681), owing above all to the continuing low level of interest rates and further narrowing of customer margins. Income from equity investments was down 11 per cent to € 27 million (30). Commission income, however, increased to € 221 million (210). An especially big increase came in commissions on the handling of payment transfers. Net income from securities transactions grew during the year to € 15 million (2.3). Other operating income amounted to € 80 million (84).

Total expenses were up 0.9 per cent to € 666 million (660). Commission expenses decreased to € 36 million (38). Personnel costs increased by 4.7 per cent to € 247 million (236) and other administrative expenses by 2.1 per cent to € 202 million (198). Write-downs that were made primarily on real-estate holdings, however, amounted to € 5.4 million (12), down 53 per cent on the figure in 2002. Other operating expenses remained unchanged at € 147 million (147). Net loan losses were € 5.4 million (10).

The member cooperative banks' aggregate total assets stood at € 25.4 billion (23.4). The loan portfolio

grew by 12 per cent to € 19.6 billion (17.6) and total deposits were up 6.5 per cent to € 19.9 billion (18.7).

The Asikkala and Padasjoki cooperative banks merged on March 31, 2003. Etelä-Päijänteen Osuuspankki, which was established to continue their operations, started up on April 1, 2003. In December 2002, a resolution was passed on merging Iitin Osuuspankki into Päijät-Hämeen Osuuspankki. Because of opposition to the merger, its implementation has been postponed from the planned timetable. Osuuspankki Realum relinquished its operating licence in January 2004 and from the beginning of February the bank was turned into an ordinary limited company.

OP BANK GROUP CENTRAL COOPERATIVE CONSOLIDATED

OP Bank Group Central Cooperative Consolidated's operating profit grew by 48 per cent to € 169 million (114). Operating profit was improved especially by the higher earnings reported by OP Life Assurance Company Ltd, of which the share of profits corresponding to OP Bank Group Central Cooperative Consolidated's shareholding has been included in Central Cooperative Consolidated's earnings.

From the beginning of 2003, the Central Cooperative changed the accounting practice for entering income received from certain services it provides to the member banks. The comparison figures which are affected by the change have been adjusted in this financial statement in line with the new practice.

The Central Cooperative Consolidated's net interest income grew by 0.8 per cent to € 174 million (172). Income from equity investments decreased to € 9.1 million (27). Dividend income was exceptionally large in 2002. Commission income amounted to € 133 million (113). The main factor behind the 9.7 per cent growth in commission income was the increase in commissions on payment transfers. Net income from securities trading and foreign exchange dealing was € 3.2 million negative (-1.7). Other operating income grew by 13 per cent to € 220 million (194). The increase was largely attributable to higher EDP income and capital gains, which are one-off items.

The Central Cooperative Consolidated's total expenses increased by 2.2 per cent to € 377 million (369). Commission expenses amounted to € 58 million (64). The decrease was due in part to the non-recurring commis-

sions in connection with the introduction of euro banknotes and coins, which resulted in increased expenses in 2002. Personnel costs were € 126 million, or 7.6 per cent higher than they were a year ago (117). The Central Cooperative Consolidated had a staff of 2 395 employees at the end of the year (2 315). Other administrative expenses were € 116 million, or 3.6 per cent less than a year ago (120). Depreciation and write-downs totalled € 33 million (31) and other operating expenses came to € 43 million (37).

The shares of the results of companies consolidated for using the equity method was € 21 million positive, as against € 30 million negative a year earlier. The growth in income was due mainly to the higher earnings posted by OP Life Assurance Company Ltd. The share of these earnings included in the Central Cooperative Consolidated's year accounts was € 20 million, compared with a charge to income of € 29 million in 2002.

Net loan losses were € 3.1 million. In 2002 the net amount of loan losses and reversals was a credit to income of € 0.1 million. The gross amount of new loan losses booked was € 8.4 million (10.6). The amount of non-performing and interest-free loans grew by 24 per cent to € 23 million (19).

The Central Cooperative Consolidated's total assets grew by 16 per cent to € 15.1 billion (13.0), and its loan portfolio amounted to € 7.9 billion, up 12 per cent on the figure at the end of last year (7.0). Total deposits increased to € 3.4 billion (2.7). Liabilities to credit institutions and central banks were € 4.8 billion (4.1) and debt securities issued to the public totalled € 4.9 billion (4.3). Equity capital increased to € 440 million (330).

The Central Cooperative Consolidated's capital adequacy ratio at the end of the year was 10.4 per cent (10.6). Capital adequacy measured with Tier I own funds was 7.2 per cent (7.0). Central Cooperative Consolidated's 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 € 666 million, an increase of 14 per cent on the figure a year earlier (583). The Central Cooperative's cooperative capital and the consolidation group's own funds do not include terminated cooperative contributions. The Central Cooperative Consolidated's risk-weighted receivables, investments and off-balance sheet items grew by 9 per cent to € 10.4 billion at the end of the year.

The consolidated financial statements of OP Bank Group Central Cooperative Consolidated include the financial statements of the parent institution, the OP Bank Group Central Cooperative, as well as the financial statements of OKO Bank, OP-Kotipankki Oyj, OP Fund Management Company Ltd, FD Finanssidata Oy, OP Bank Group Mortgage Bank plc and Osuuspankki Realum. In addition, the financial statements of OP Life Assurance Company Ltd and the real-estate investment company Oy Realinvest Ab are consolidated for using the equity method within the consolidated financial statements. Virtuaalinen Suomi Oy wound up its operations during the report year.

The financial statements of the Central Cooperative's wholly-owned Osuuspankki Realum were included in the consolidated financial statements of OP Bank Group Central Cooperative Consolidated for the first time in October 2003. Previously, on the basis of a permission from the Financial Supervision Authority, Osuuspankki Realum's accounts were consolidated directly within the accounts of the OP Bank Group. The Central Cooperative Consolidated's associated company Oy Realinvest Ab, a real-estate investment company, was included in its consolidated financial statements for using the equity method for the first time at the end of 2003. The consolidation of Osuuspankki Realum within Central Cooperative Consolidated's year-end accounts increased Central Cooperative Consolidated's equity capital by € 65 million.

In OP Bank Group Central Cooperative Consolidated, proportion of insurance business as defined under the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the 10 per cent limit at the end of 2002. Going over the limit value meant that the Central Cooperative Consolidated henceforth forms a financial and insurance conglomerate under the provisions of said act. The Financial Supervision Authority has granted the Central Cooperative a fixed-period exemption from compliance with the special requirements set for the financial statements of a financial and insurance conglomerate. The exemption is in force up to the closing of the books for 2004. Precondition for the exemption is that the financial statements of OP Bank Group Central Cooperative and OP Bank Group include the technical account and the asset and liability statement of insurance business of OP Life Assurance

Company Ltd. These are presented in Note 47 to the financial statements.

OP BANK GROUP CENTRAL COOPERATIVE

The OP Bank Group Central Cooperative's operating profit decreased on the previous year by 45 per cent to € 27 million (50). The decrease was attributed primarily to the drop in income from equity investments as well as the write-downs booked as securities held as non-current financial assets.

In 2002, dividend income was exceptionally large, which explains the decrease in income from equity investments to € 23 million (45). The aggregate amount of dividends received from OKO Bank and avoiv fiscal tax credits was € 20 million (29). Commission income came to € 23 million, a slight decrease on the figure a year ago (24). Other operating income amounted to € 212 million (199), or 6.6 per cent more than in 2002. Other income includes a capital gain of € 2.7 million that was booked on the sale of shares in OP Life Assurance Company Ltd to the member cooperative banks.

Total expenses remained unchanged and were € 217 million (218). Commission expenses diminished by 16 per cent to € 29 million (35). This was due to the fact that the one-off costs of the introduction of euro banknotes and coins as well as the centennial year expenses led to higher expenses in 2002. Personnel costs increased to € 45 million (42). Write-downs on securities held as non-current financial assets amounted to € 8.8 million, consisting in its entirety of the loss booked on the dissolution of Virtuaalinen Suomi Oy. The Central Cooperative continued to operate Virtuaalinen Suomi Oy's Mainio.net online service.

The Central Cooperative's total assets increased by 25 per cent to € 413 million (330). The book value of the shares in subsidiaries held by the Central Cooperative was € 81 million greater at the end of the year than it was a year earlier. The growth was due to the ownership arrangement concerning OP Life Assurance Company Ltd which the Central Cooperative carried out with OKO Bank and the member cooperative banks in the spring. The Central Cooperative's equity capital at the end of the year was € 212 million (202) and its equity ratio was 52.6 per cent (62.8). The Central Cooperative's staff grew by 6.9 per cent during the financial year, to 837 employees (783).

The number of the OP Bank Group Central Cooperative's member banks decreased to 242 in January 2004 when Osuuspankki Realum withdrew from membership of the Central Cooperative. Osuuspankki Realum will continue to operate as Optum Oy, a wholly-owned subsidiary of the Central Cooperative.

Owing to non-recurring items, the OP Bank Group Central Cooperative's earnings in 2004 are estimated to be higher than in the report year.

OP BANK GROUP CENTRAL COOPERATIVE SUBSIDIARIES

OKO BANK

OKO Bank's consolidated operating profit grew to € 174 million (96). The improvement in operating profit was attributable to the disposal of OP Life Assurance Company Ltd shares in February, which contributed € 53 million to earnings, as well as the sale of the total shares in the Kiinteistö Oy Aleksi-Hermes property in December, which added € 11 million to earnings. In the comparison period, OKO Bank's investments in Pohjola Group shares increased operating profit by € 10 million.

Net interest income remained at the previous year's level and was € 161 million. Income from equity investments totalled € 9.1 million (13). Net commission and fee income, adjusted for commission expenses, increased to € 66 million (55). The growth in commission income came mostly from lending, payment transfers and securities issuance. Other operating income grew to € 90 million (19) owing to the above-mentioned non-recurring disposals of shares.

Expenses net of commission expenses grew to € 139 million (130). Personnel costs were up 9.4 per cent to € 58 million (53) owing to the increase in the number of employees and to a rise in the salary level. The number of staff employed by the consolidated companies was 1 113 at the end of the year (1 092). Other administrative expenses amounted to € 45 million (43). Depreciation according to plan remained at € 11 million. Other operating expenses totalled € 26 million (23).

The effect of loan and guarantee losses on operating profit was a charge to income of € 2.4 million (1.9). Write-downs on securities held as non-current financial assets amounted to € 4.6 million (€ 0.1 million positive), the bulk of which was attributable to the shares in the real-estate investment company Oy Realinvest Ab.

Interests in the profits or losses of the companies consolidated for using the equity method amounted to a loss of € 3.3 million (-17). Following the share sales in February, OP Life Assurance Company Ltd is no longer an associated company of OKO Bank. Accordingly, only the January portion of OP Life Assurance Company Ltd's profits has been included in the consolidated net profit for the financial year.

Total assets increased to € 14.8 billion (12.7). The loan portfolio, including leased assets, was up 10 per cent to € 7.4 billion. The loan portfolio accounted for about half of total assets. The amount of deposits from the public was € 2.0 billion (1.9) and liabilities to credit institutions and central banks were € 4.8 billion (4.2). The amount of bonds issued for public subscription grew to € 4.8 billion (4.1).

Equity capital at the end of the year stood at € 733 million (633), and distributable equity amounted to € 146 million (105). OKO Bank Consolidated's capital adequacy ratio was 11.0 per cent (11.1).

The outlook for OKO Bank's operations in 2004 is stable. Earnings generated by the core businesses net of non-recurring items will probably be on a par with 2003. Operating profit will nevertheless fall short of the previous year's figure because in 2003 operating profit was lifted by substantial capital gains.

OP LIFE ASSURANCE COMPANY LTD

In the spring, the Annual General Meeting of Aurum Life Assurance Company passed a resolution on changing the Company's business name to OP-Henkivakuutus Oy (OP Life Assurance Ltd). The new name went

into official use on December 11, 2003.

Bucking the trend in the life assurance sector, OP Life Assurance's premiums written increased by 7.6 per cent to € 530 million (493). Premiums written in pension insurance grew by 43 per cent and accounted for nearly half of the increase in total premiums written. OP Life Assurance's share of total premiums written in the life and pension insurance sector rose to 18.3 per cent (15.1).

The Company's earnings in the financial year improved substantially and were € 36 million (a loss of 39 million). The earnings improvement was spurred by the revival in the equity market, as a result of which previously booked write-downs were reversed, adding € 26 million to the Company's result. In 2002 write-downs led to a charge to income of € 69 million.

Technical provisions at the end of the year amounted to € 2.2 billion (1.8), of which unit-linked policies accounted for 19 per cent (17). The Company's investment assets, excluding assets covering unit-linked policies, had a total book value of € 1.9 billion (1.6). The proportion of interest-bearing investments within assets calculated at fair value was 85 per cent (81), shares and equity funds accounted for 8.4 per cent (12), the proportion of real-estate investments was 3.6 per cent (3.5) and alternative investments accounted for 3.2 per cent (3.2).

The Company's solvency margin at the end of the year was € 219 million (170), nearly triple the statutory minimum amount for the solvency margin. The solvency margin was increased in December by a 10 million euro subordinated loan programme, which was subscribed for in its entirety by the parent company, the OP Bank Group Central Cooperative. At the end of the financial

Life Assurance Earnings Analysis

€ million	1-12/2003	1-12/2002
Premiums written	529	493
Net income from investments	147	-48
Compensation paid	159	171
Change in technical provisions before supplementary benefits and change in equalisation amount	451	278
Operating expenses	23	22
Operating profit/loss	43	-27
Change in equalisation amount; supplementary benefits	8	12
Income taxes and other direct taxes	0	0
Profit/loss for the financial year	36	-39

Solvency Margin

€ million	Dec. 31, 2003	Dec. 31, 2002
Equity capital	122	87
Valuation items	34	31
Subordinated capital notes	65	54
Other items	-2	-2
Total	219	170
Minimum solvency margin	77	62
Capital adequacy ratio, %	11.4	10.9

year the capital adequacy ratio was 11.4 per cent (10.9). The Company had a staff of 45 employees at the end of the year (38).

The proposed changes in the tax status of long-term saving that were announced towards the end of 2003 caused uncertainty in the markets. OP Life Assurance Company has started preparations for what may be a new kind of market. The growth in the Company's earnings is forecast to slow down from the level in 2003. Earnings will nevertheless remain at a good level providing that the trend in the equity market is in line with the long-term trend.

OP FUND MANAGEMENT COMPANY LTD

The capital invested in the mutual funds run by OP Fund Management Company Ltd and the increase in the number of unit-holders during the financial year outpaced the average for the mutual fund sector. The OP Bank Group's market share of mutual fund capital was 15.1 per cent at the end of the year, as against 14.3 per cent a year earlier. The aggregate capital invested in the OP mutual funds grew by 48 per cent to € 3.3 billion during the year (2.3). The effect of net investments on the growth in capital was € 0.8 billion and the total effect of fund appreciation and the yield distribution was a contribution to earnings of € 0.2 billion. The strongest growth was in short-term fixed-income funds, which accounted for € 0.7 billion of net investments.

During 2003, OP Fund Management Company brought out three new mutual funds on the market. OP Cash Treasury is a short-term fixed-income fund that invests its assets in treasury bills issued by states in the eurozone and is suited as a cash management tool for corporate and public sector investors. During the year, the fund's capital grew to € 219 million. The OP Value Equity and OP Growth Equity mutual funds invest their assets in the shares of value or growth companies in the eurozone.

OP Fund Management Company Ltd posted operating profit for 2003 of € 1.9 million, on a par with the figure a year earlier. Income from mutual fund operations increased by 12 per cent to € 28 million (25), of which € 27 million came from management fees collected from the funds. Total expenses increased by 12 per cent to € 27 million (24). The growth in expenses was due primarily to commissions refunded to sales agents, which

totalled € 18 million (15). OP Fund Management Company had a staff of 28 employees at the end of 2003 (28).

The growth in mutual fund capital is expected to continue in Finland again in 2004. The revival in the equity market has paved the way for growth in mutual fund capital. The Company's operating profit for 2004 is expected to be on a par with 2003.

OP-KOTIPANKKI OYJ

OP-Kotipankki Oyj's operations centre on the sale and management of unsecured consumer credits. The Bank's loan portfolio grew by 8.3 per cent on the previous year.

OP-Kotipankki reported operating profit of € 13 million, or 53 per cent more than a year ago (8.3). Net interest income grew by 18 per cent to € 14 million (12). The widespread use of ATM services intended for flexible borrowing boosted commission income to € 17 million (14). Commissions paid to the member cooperative banks and other partners in co-operation were € 9.4 million (8.7). The net amount of loan losses fell to € 1.4 million (1.9). Loan losses amounted to 0.6 per cent of the loan portfolio (0.9).

OP-Kotipankki's total assets increased by 7.9 per cent to € 231 million (214). Receivables from the public and public sector entities totalled € 230 million (212). Liabilities to credit institutions totalled € 183 million (172), consisting in their entirety of loans drawn from OKO Bank. The capital adequacy ratio was 11.8 per cent (11.5). The Bank had a payroll of 43 employees at the end of the year (44).

The Bank is estimated again to post good operating profit for 2004, but it will be somewhat smaller than in 2003.

FD FINANSSIDATA OY

FD Finanssidata Oy is responsible for the integration of the OP Bank Group's information technology. In addition, the Company provides the Group with IT development, maintenance and production services. In 2003 the operational priorities were the development of systems for lending and investment services and measures aiming at safeguarding ongoing operations.

FD Finanssidata reported operating profit of € 1.3 million (1.2). Turnover increased by 3 per cent on the previous year, to € 67 million (65). Total assets at the end of the year stood at € 15 million (17). The number of employees grew from 317 to 324 during the financial year.

Operating profit for 2004 is estimated to be on a par with 2003.

OP BANK GROUP MORTGAGE BANK PLC

OP Bank Group Mortgage Bank plc grants housing loans through the member banks of the Group in accordance with the Mortgage Bank Act.

OP Bank Group Mortgage Bank's operating profit decreased to € 0.5 million (0.8). The loan portfolio grew by 50 per cent to € 111 million during the financial year (74). The Bank did not book loan losses during the financial year, nor did it have non-performing or interest-free loans. The amount of the OP Housing secured bonds issued by the Bank at the end of the financial year was € 65 million (47). The Bank had a payroll of 4 employees at the end of the year (4).

The low level of interest rates is estimated to maintain robust demand for housing loans in 2004 as in the previous year. OP Bank Group Mortgage Bank's operating profit is estimated to increase on 2003.

VIRTUAALINEN SUOMI OY

Integration of the Mainio.net online service into the OP Bank Group's operations was completed as planned. Virtuaalinen Suomi Oy was dissolved as a company on September 30, 2003, and its operations were transferred to the OP Bank Group Central Cooperative.

Virtuaalinen Suomi Oy posted operating profit of € 0.2 million during its last financial period, which was from January to the end of September. In 2002 the Company reported an operating loss of € 2.6 million. The Company's staff of 6 employees transferred to the employ of the Central Cooperative.

OSUUSPANKKI REALUM

2003 was Osuuspankki Realum's last year as a credit institution. During the financial year, the Bank continued to manage and dispose of its real-estate holdings as planned. The Bank posted operating profit of € 1.3 million, down € 1.6 million on the figure a year earlier. The result was weakened by the € 3.8 million of write-downs made on real-estate holdings (1.1).

Realum's total assets stood at € 77 million (76). The loan portfolio decreased to € 2.3 million (2.9) and the amount of real-estate properties and shares in real-estate

corporations fell to € 17 million (31). The other funds included in total assets were mainly receivables and debt certificates from OKO Bank and the OP Bank Group Central Cooperative. Realum's capital adequacy ratio was 100.2 per cent (149.1). The Bank had a payroll of one employee at the end of the year (1).

In 2002 the Executive Boards of Realum and the Central Cooperative approved a plan for merging the Bank into the Central Cooperative in 2003. Realum relinquished its banking licence in accordance with the original plan, but the pending merger of the Bank into the Central Cooperative was suspended. An extraordinary Cooperative Meeting of Realum resolved in December to amend the cooperative's statutes in their entirety. According to the new statutes, the cooperative's new name became Optum Osk (Optum Cooperative Society). The cancellation of the banking licence and the new statutes were entered in the Trade Register on January 2, 2004. At the end of January 2004 Optum was converted into a limited company, which is wholly-owned by the OP Bank Group Central Cooperative.

In accordance with the new plan confirmed by the Central Cooperative's Executive Board, Optum Oy purchased the Central Cooperative's Collection Services unit in January 2004. The unit's 57 staff transferred to Optum's employ under the terms of their current employment contracts. According to plans, Optum will also purchase the post-collection portfolios of the OP Bank Group Mutual Insurance Company and the OP Bank Group Security Fund.

Osuuspankki Realum was included in OP Bank Group Central Cooperative Consolidated's financial statements for the first time at the end of 2003. Previously Osuuspankki Realum was included directly in the OP Bank Group's consolidated financial statements through an exemption granted by the Financial Supervision Authority.

OTHER COMPANIES

OP BANK GROUP MUTUAL INSURANCE COMPANY

The OP Bank Group Mutual Insurance Company is part of the Group's internal risk management system. In its credit insurance activities, OP Bank Group Mutual Insurance Company pays particular attention to receivables involving a greater than normal risk owing to

weakened debt-servicing ability or insufficient collateral. The relative proportion of such doubtful accounts remained unchanged during 2003.

The Company's premium income totalled € 17 million (21), 93 per cent of which came from credit insurance operations. The loan portfolio covered by credit insurance amounted to € 18 billion (17).

Insurance claims paid amounted to € 8.2 million, or on a par with 2002 (8.0). Owing to the rise in equity prices, a net amount of € 1.4 million of reversals on write-downs on investment assets was booked (-8.4). All in all, the result of investment operations was a profit of € 16 million (4.9). Net profit for the financial year was € 5.9 million (-1.1).

OP Bank Group Mutual Insurance Company's total assets increased to € 310 million (254). Technical provisions at the end of the year were € 217 million, up 10 per cent since the end of 2002 (197). The Company's capital adequacy ratio is strong.

OP BANK GROUP SECURITY FUND

Following the amendment to the Credit Institution Act which came into force in 1998, the member banks of the OP 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.

At the end of 2003 the OP Bank Group Security Fund had 18 members, as against 26 at the end of the previous year. The banks will withdraw from membership of the Fund after they have completely paid off their share of the Security Fund's liabilities. Unpaid liabilities at the end of the year totalled € 8.7 million (41).

On the basis of the guarantees it had given on behalf of member banks, during the financial year the OP Bank Group Security Fund paid interest of € 5.6 million on capital investments (7.4). The total amount of the capital investments which the Security Fund made in the member banks did not change during 2003 and remained at € 54 million.

The Security Fund will wind up its operations and the fund will be dissolved during 2004. The Central Cooperative has undertaken to bear responsibility for the surplus or deficit resulting from the winding down

of the Security Fund. As part of the winding down of its operations, the Security Fund will sell to Optum Oy at the beginning of 2004 the post collection portfolio that was transferred to it on the basis of support measures.

PENSION INSTITUTIONS

OP BANK GROUP PENSION FUND

The OP Bank Group Pension Fund attends to the statutory pension security of the OP Bank Group. At the end of the year the Pension Fund had 354 employer members (355). The number of insured salaried employees at the close of the year was 9 529 (9 390).

In 2003 the Pension Fund collected € 63 million in insurance premiums (59), which fell below the general Employment Pension Insurance payment level by 0.9 percentage point. Net income from investments was € 36 million (5.5 negative). Reversals of write-downs were booked to an amount of € 4.8 million more than new write-downs. A year ago, € 45 million of write-downs was booked. The Fund's result for the financial year was a profit of € 8.0 million (a loss of 5.2 million). The Fund's pension liability was € 615 million (580).

The Fund's capital adequacy ratio was strong. The Fund's solvency margin was more than three times the statutory solvency ratio limit. The capital adequacy ratio came to 32 per cent of technical provisions (31).

The Pension Fund's figures are not included in the OP Bank Group's consolidated financial statements.

OP BANK GROUP PENSION FOUNDATION

The OP 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 (329) and the Foundation had 5 526 employee members (5 698).

In 2003 the Pension Foundation collected insurance premiums totalling € 8.5 million (5.3). The net yield on the Foundation's investment assets was € 31 million (6.0 negative). Reversals of write-downs were booked to an amount that was € 5.0 million more than new write-downs. In the previous year, € 36 million of write-downs was booked. The Foundation's result for the financial year was a net profit of € 2.1 million (a net loss of 4.1 million). The Foundation's pension liability at the close of the year was € 468 million (454).

The Foundation's pension liabilities are fully covered and its investment assets amount to 116 per cent of the technical provisions that must be covered (115).

The Pension Fund's figures are not included in the OP Bank Group's consolidated financial statements.

OUTLOOK FOR 2004

The OP Bank Group's market position has strengthened over the past years, and it is expected to strengthen further in 2004 as well. The Group's operating profit is estimated to be on a par with 2003. The estimates of the trend in operations and results are based on the assumption that major changes do not take place in the equity market and in the rest of the operating environment.

RISK MANAGEMENT

Strategic risk connected with the general priority and development policy lines for the OP 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 OP Bank 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. In the annual planning of the Group and the member banks, the risk limits are adjusted for the annual target values for the risk-taking bias.

The strengthening of market positions in line with the OP 2002 business strategy will be accomplished in all conditions in accordance with the Group's risk management instructions. The Group's stance on risk-taking is moderate.

The task of risk management is to identify the threats and opportunities that affect the implementation of the strategy. The most important objective of the Group's 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 is based on the professional skill and prudence of the people who take business decisions and of risk management experts as well as on the systematic measurement, assessment and limiting of risks.

The OP Bank Group carries out continuous develop-

ment work on risk management systems, methods and information systems. Risk management is developed purposefully on the basis of the Group's business needs, taking into account the new capital adequacy framework and the other requirements set by regulations and recommendations of the authorities.

ORGANISATION OF RISK MANAGEMENT

THE OP BANK GROUP CENTRAL COOPERATIVE

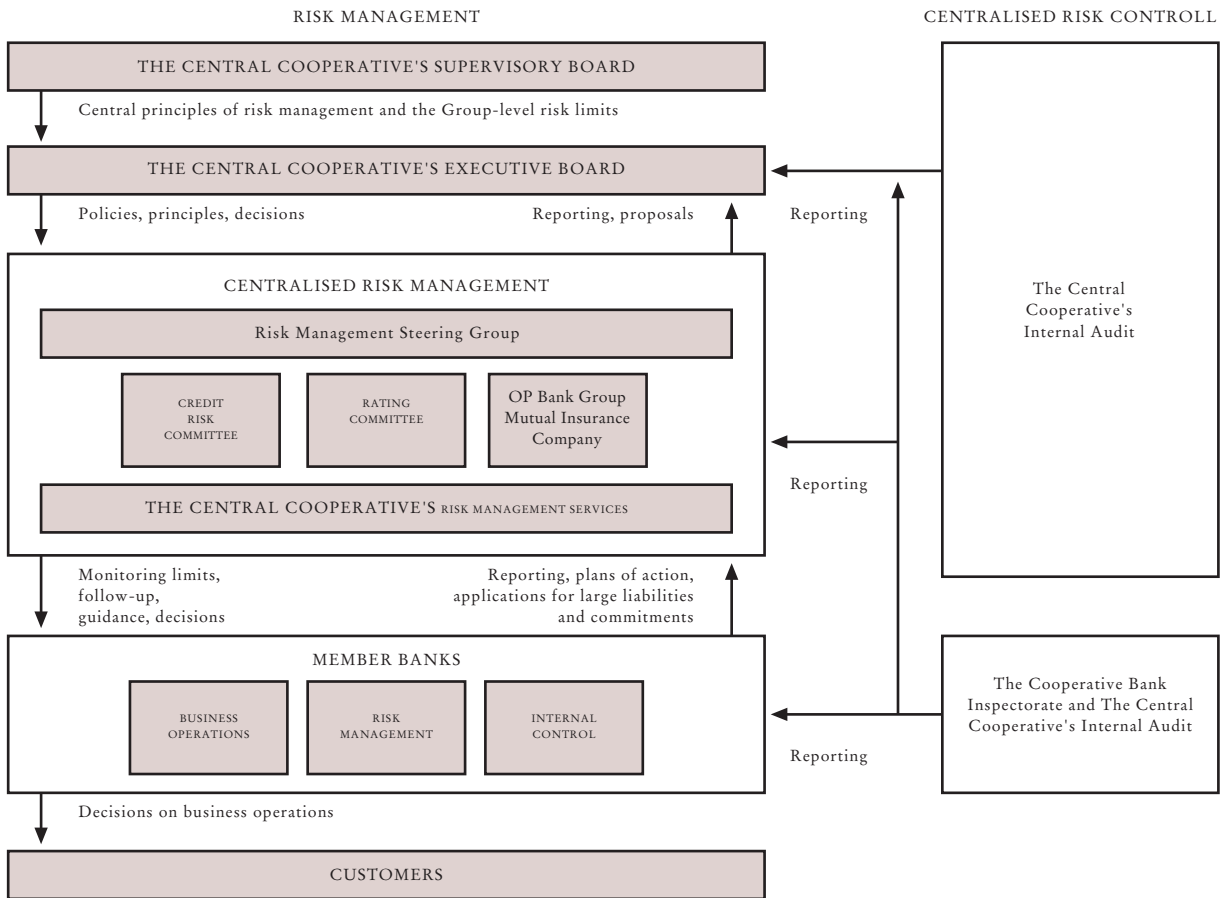
The OP Bank Group Central Cooperative's Supervisory Board confirms the principles of the OP Bank Group's risk management and the Group-level risk limits and furthermore oversees risk management. The Central Cooperative's Executive Board is responsible for the OP Bank Group's risk management at the Group level as well as for ensuring that the Group's risk management systems are adequate and up to date. The Group Steering Function's director is the Executive Board member in charge of risk management. The Central Cooperative issues the Group's companies instructions for safeguarding their risk management and it monitors their 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 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 OP Bank Group's business strategy and plans, and it monitors the development of the Group's risk-bearing capacity 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.

Centralised risk management within the Central Cooperative is carried out by the Credit Risk Committee, the Rating Committee, a Risk Management Services Team drawn from several different units as well as the OP Bank Group Mutual Insurance Company.

The Central Cooperative's Credit Risk Committee deals with major customer liabilities and real-estate investments at the Group level. Permission from the Credit Risk Committee is required for all decisions that increase credit and other customer liabilities whenever

Organisation of Risk Management and Monitoring in OP Bank Group



the liabilities for a customer entity at the member bank level are greater than 20 per cent of the member bank's own funds or when, at the Group level, they exceed five million euros. The own funds limit was lowered from 25 per cent to 20 per cent as from January 1, 2004. 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 Group exceeds 5 million euros.

The Rating Committee designates credit rating classes for OP Bank Group corporate customers whose liabilities or planned liabilities exceed 5 million euros. The Rating Committee can also designate credit ratings for smaller corporate customers, for example, owing to significant collateral shortfalls. The presentation and deci-

sion-making concerning ratings is the responsibility of members of the Central Cooperative's and OKO Bank's Risk Management and Company Analysis units who are not involved in granting credit. For medium-sized liabilities, the rating is carried out by the Central Cooperative's Company Analysis unit either on the basis of visits to the company or by examining the financial statement information.

The OP Bank Group Mutual Insurance Company analyses the adequacy of 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 € 0.25 million or exceed 10 per cent of the bank's own funds.

The OP Bank Group Central Cooperative's Risk Management Services function is centrally responsible

at the Group level, for the maintenance, development and bank-specific oversight of the risk management and monitoring limit systems as well as for the oversight, monitoring and reporting concerning the management of credit, market and operational risks.

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 Cooperative, its member banks and their subsidiaries.

MEMBER BANKS

The OP Bank Group's member banks and the other institutions belonging to the Group have organised their risk management in the manner required by the type and extent of their business operations. Decisions concerning risk management and organisation of this function are taken by each member bank's Executive Board.

Within OKO Bank, operational guidelines and limits for the assumption of risks are decided by the Asset and Liability Committee, which reports to OKO Bank's Executive Board. The Risk Management Department is a unit that is independent from business operations and is responsible for OKO Bank's control of risks, reporting and the development of risk management. The principles underlying the management of OKO Bank's credit

and other risks are described in more detail in the Bank's financial statements.

The Central Cooperative has issued the member banks model instructions 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 bank's Executive Board oversees and controls 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 benchmarks 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.

The OP Bank Group's Risk Limit System in Line with the OP 2002 Business Strategy as well as Risk Benchmark Values

Benchmark	Risk limit	Dec. 31, 2003	Dec. 31, 2002
Risk-bearing capacity and profitability			
Core capital adequacy (capital adequacy ratio net of supplementary cooperative capital and Tier II own funds)	minimum 7	10.9	10.5
Basic profitability (profit before loan losses / total assets, %)	minimum 1	1.5	1.7
Credit risks			
Largest individual customer risk / own funds, %	maximum 15	8.3	9.7
Total amount of large customer risks / own funds, %	maximum 100	0	0
Sectoral risk / own funds, %	maximum 50	48	42
Non-performing loans / loans and commitments, %	maximum 2	0.5	0.6
Estimated credit loss for the next three years / total assets, %	maximum 1.5	0.28	0.32
Market risks			
Funding risk / total assets, %	minimum -3	+2.0	+0.5
Consolidated cash reserves, %	minimum 11	14.3	12.6
Interest rate risk / own funds, %	+/-2	+0.9	+0.9
Foreign exchange risk / own funds, %	maximum 4	0.3	0.4
Share price risk / own funds, %	maximum 10	2.7	1.8
Capital invested in real estate / total assets, %	maximum 6	3.7	4.4

RISK AND MONITORING LIMIT SYSTEM

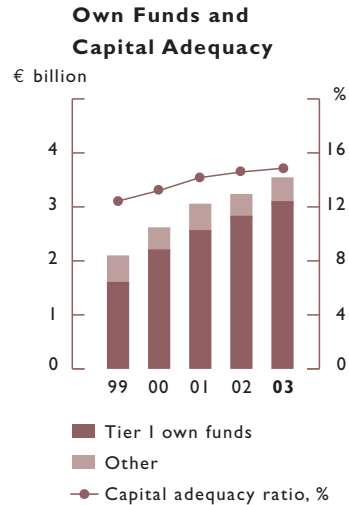
The Central Cooperative’s Supervisory Board has set risk limits for OP Bank Group’s risk-bearing capacity and profitability as well as for credit and market risks. Within the framework of this risk limit system at the Group level, the Central Cooperative’s Executive Board has set for the risk-bearing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

During 2003 and at the end of the year the Group’s key indicators of risk-bearing capacity and profitability were substantially inside the risk limits set by the Central Cooperative’s Supervisory Board. During 2003 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 2003 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 control over their operations. The member banks are classified into intra-Group risk classes. The classification takes into account the number of monitoring limit overruns and the seriousness of the overruns. The Central Cooperative analyses the risk situation and reviews the risk classification regularly as part of the control process.

RISK-BEARING CAPACITY AND PROFITABILITY

The OP Bank Group’s risk-bearing capacity is strong and stable. At the end of 2003 the Group’s capital adequacy ratio was 15.4 per cent (15.2), whereas the statutory minimum level is 8 per cent. The benchmark used to gauge the risk limit of the Group’s risk-bearing capacity 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 10.9 per cent (10.5), or 3.9 percentage points higher than the risk limit which the Central Cooperative’s Supervisory Board has set for the Group. A strong risk-bearing capacity acts as a buffer against unforeseeable losses and creates a basis for the growth of business operations. At



the close of the year the Group’s own funds exceeded by € 898 million (736) the minimum amount of own funds according to the risk limit set for the risk-bearing capacity. The risk limit would have allowed a 55 per cent growth in risk-weighted commitments.

The level of interest rates fell further in 2003, cutting into the Group’s net interest income. The structural interest rate risk for retail banking was realised because deposit interest rates no longer had room to fall further to accommodate the lower interest earned on lending. On the other hand, the revival in equity prices was reflected both in the growth in net income from equity trading and the improved profitability of life and pension insurance operations. Given, furthermore, that the growth in the core businesses areas lowered relative unit costs, the Group’s basic profitability remained at nearly the same level as in the previous year despite the fact that interest rate risk materialised. The value of the risk limit benchmark set for profitability was 1.5 per cent in the report year (1.7), or 0.5 percentage point better than the risk limit set for basic profitability. Thanks to good profitability, the Group’s euro-denominated own funds buffer grew both in respect of the core capital adequacy according to the Group’s own risk limit and statutory capital adequacy in spite of the 9 per cent growth in risk-weighted commitments.

CREDIT RISKS

OBJECTIVES AND GENERAL PRINCIPLES OF CREDIT RISK MANAGEMENT

Because credit risks are the biggest source of risks for retail banking, the OP Bank Group pays particular

attention to developing the way the member banks manage and monitor them. The purpose of credit risk management is to reduce the probability of loan losses before a credit decision is taken and, on the other hand, to limit and prevent the risks connected with existing credit decisions from materialising in a way that would jeopardise the profitability or capital adequacy of the Group or one of its units.

The starting point for credit risk management and the salient strength of the Group's member banks is their local and thorough understanding of customers. 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. For the largest corporate customers, the sufficiency of collateral is also supplemented by covenants that safeguard the Group's position.

Credit granting authorisations within the Group are confirmed to correspond to the extent and nature of each member bank and business unit.

Within the OP Bank Group, the assumption of foreign risk is in practice the exclusive province of OKO Bank. 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 in different countries.

METHODS OF MANAGING CREDIT RISKS

Tools that are utilised in assessing customers' debt-servicing ability and credit risk are payment ability calculations, financial statement analyses, company analyses, expert statements and a renewed risk rating as well as sectoral surveys and financing recommendations prepared by the Central Cooperative.

Consumption norm tables are maintained in order to assess households' debt-servicing ability, and for the granting of housing loans to households, comparative calculations at different interest rate levels are used to ensure that debt servicing will not be jeopardised owing to changes in the level of interest rates. To ensure the debt-servicing ability of a loan customer, insurance covering repayment in unexpected situations is offered to customers during the loan negotiations. In the event of claims, the compensation is tied to the loan repayments and the remaining principal. Each year, about 35 per

cent of loan customers safeguard their payment ability by taking out loan repayment insurance.

To support its corporate financing decisions, the Central Cooperative carried out a financial statement analysis of about 20 000 corporate customers and a total of 26 000 financial periods. All in all, 1 150 company analyses and statements were prepared and these analysed projects amounted to more than 450 million euros. In 2003 the Central Cooperative's Credit Risk Committee dealt with nearly 2 000 different applications. At the end of the year the committee granted 50 exemptions for the financing of large customer entities.

Use of a 12-class system for corporate customers became firmly established during 2003. The classification is based on a comprehensive analysis of corporate customers' financial statements and it is supplemented by a rating provided by the Company Analysis unit or the Rating Committee. For smaller corporate customers, a classification based on financial statements is not made. Credit decisions for this customer group are taken on the basis of the customer history, surveys of the customer's present state and needs as well as information on collateral.

To cover their loan portfolios and bank guarantees, the member cooperative banks and Okopankki Oyj have loan-portfolio insurance with the OP Bank Group Mutual Insurance Company. Insurance decisions are taken separately in respect of loans in excess of € 0.25 million or 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 analysis of insurance coverage, detailed information is obtained on the loans, debt servicing ability and collateral position of the largest customers of the retail banking arm. Analysis of insurance coverage is a significant part of the Group's credit risk management.

The trend in credit risks is monitored monthly at the Group level. The focuses of the monitoring process include the trend and breakdowns of the credit portfolio, the trend in non-performing loans and amounts outstanding as well as the amount of receivables rejected for coverage under the OP Bank Group Security Fund's credit portfolio insurance. Monitoring of credit risks is continuous at the member bank level. In addition, the

Loan Portfolio by Sector

€ million	Dec. 31, 2003	Dec. 31, 2002	Change, %	Non-performing and interest-free loans	
				Dec. 31, 2003	% of loan portfolio
Enterprises and housing companies	7 981	7 473	7	59	0.7
Industry	2 053	2 056	0	15	0.7
Construction	475	462	3	7	1.4
Trade and catering	1 229	1 113	10	10	0.8
Real-estate investment	1 674	1 417	18	10	0.6
Other enterprises	1 714	1 678	2	15	0.9
Housing companies	836	746	12	2	0.2
Finance and insurance	18	27	-34		
Public sector entities and non-profit organisations	591	361	64	0	0.1
Households	18 821	16 569	14	109	0.6
Housing loans	12 403	10 695	16	38	0.3
Foreign	86	146	-41	0	0.3
Total	27 497	24 575	12	168	0.6

trend in the Group's credit risks is monitored by means of regularly conducted risk surveys. These measure credit risks on the basis of the relevant rating and the collateral shortfall that is calculated for individual customers.

TREND IN CREDIT RISKS

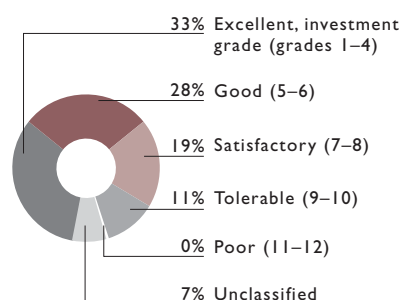
The OP Bank Group's loan and guarantee portfolio grew by 11 per cent to € 28.9 billion in the report year (26.0). The bulk of the € 2.9 billion growth in the loan portfolio, or € 2.3 billion, was attributable to loans to households. Corporate credits accounted for € 0.4 billion. At the end of the year the household sector accounted for 68 per cent of the loan portfolio (67), companies for 26 per cent (27) and other sectors for 6 per cent (5). Housing loans represented € 12.4 billion of the € 18.8. billion loan portfolio for households.

Total corporate credits at the end of the year amounted to € 7.1 billion (6.7). Lending was diversified across sectors and customer entities alike. The Group's largest sectoral risk concentration was the real-estate business (real-estate development as well as the buying and selling, rental and possession of the Group's own properties and housing, excluding housing corporations), for which the total liabilities at the end of the

year were € 1.7 billion, or 48 per cent of own funds. The Group's internal risk limit has been set at 50 per cent of consolidated own funds.

At the end of the year the Group had € 162 million of non-performing loans (166) and € 6 million of interest-free loans (8). The ratio of non-performing and interest-free loans to the loan portfolio and other items equivalent to lending plus off-balance sheet commitments was 0.5 per cent at the end of the year. At the end of 2002 the ratio was 0.6 per cent. During 2003 the Group booked gross loan losses to a total of € 29 million (41), which was 0.08 per cent of the total amount of

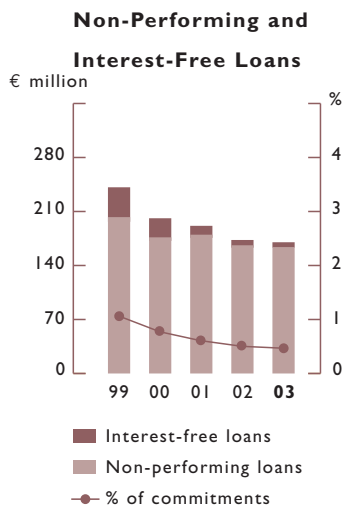
Corporate Liabilities
by Rating Classes Dec. 31, 2003



the loan portfolio, other commitments equivalent to lending and off-balance sheet items (0.13). Specific loan-loss provisions of € 104 million (125) were entered in non-performing loans at the end of the year. For other receivables than non-performing loans, specific loan-loss provisions were booked to an amount of € 60 million.

The OP Bank Group's classification system covers corporate and small business customers whose liabilities to the Group are over 100 000 euros. Of these liabilities, 93 per cent had been classified at the end of 2003. Of the classified liabilities, 36 per cent fell in the best or "investment grade" class and 31 per cent were rated "good". Liabilities classified as poor accounted for 0.3 per cent of classified liabilities.

On the basis of the small amount of non-performing and other problem loans as well as studies carried out when insuring the loan portfolio and, furthermore, gauging by the results of risk surveys, the Group's credit risk situation can be judged to be stable. By means of a more exact customer classification and well-established ways of managing customer relationships, the Group is able to respond to developments in the situation at an earlier stage than previously.



MARKET RISK AND ASSET AND LIABILITY MANAGEMENT

The OP Bank Group regards market risks as including all financial, interest rate and real-estate risks as well as foreign exchange and share price risks of items on and off the balance sheet. The central task of market risk management is to identify and assess the market risks

inherent in the Group's operations, to limit them to an acceptable level and to report on them 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.

The Group has for the most part decentralised asset and liability management and the related taking of market risks at the member bank level. The assumption of market risks by individual member banks is nevertheless guided and limited by the principles of the Group's risk management, the Central Cooperative's risk management guidelines and the Group's monitoring limit system.

Each member cooperative bank's Executive Board has confirmed the written guidelines for its asset and liability management system. The asset and liability management policy defines the products and market instruments to be used, the extent of operations conducted in foreign currency, the principles underlying funding and investment activities, the market risk benchmarks and limits that are employed as well as the organisation of the bank's asset and liability management.

According to the Group's division of responsibilities, the member cooperative banks concentrate on retail banking activities. 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 greater than the recommended limit, as was the case at the end of the previous year as well.

The member cooperative banks handle most of their money market dealing with OKO Bank. The member banks' derivatives operations are very minor in amount and are confined to a few member banks' hedging of their interest rate risk exposure through interest rate swaps with OKO Bank. The value of the interest rate swaps made by the member banks at the end of the year was € 24.5 million (12.7).

OKO Bank, as the OP Bank Group's central bank, handles the Group's liquidity, payment transfers, foreign exchange risks, long-term funding and internation-

al bank relationships. OKO Bank's asset and liability management and the taking of market risks are guided by the company's risk management strategy and overall risk policy as well as by the risk policies for specific types of market risk, which define the permissible maximum amounts of risks, the principles governing the structure and diversification of the exposure as well as the risk and yield objectives.

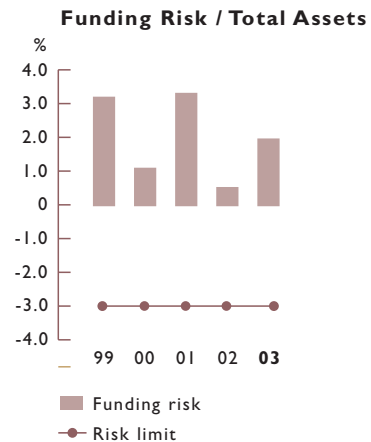
The principles of managing the market risks of the insurance companies belonging to the OP Bank Group (OP Life Assurance Company Ltd, the OP Bank Group Mutual Insurance Company, the OP Bank Group Pension Fund and the OP Bank Group Pension Foundation) are defined in the risk management and investment plans of the individual companies.

The extent and frequency of the market risk reporting of the OP Bank 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, reporting to management is done regularly on a monthly basis, but monitoring is carried out daily, as required. The OP Bank Group Central Cooperative's Risk Management Services function produces monthly market risk reports for the member banks and reports to the Central Cooperative's management on the trend in the entire Group's asset and liability structure and market risks.

FUNDING RISK

Funding risk means the risk that a company's ability to meet its payment obligations is jeopardised. The sources of the OP Bank Group's funding risk are risks arising from the asset and liability structure, customer behaviour and risks connected with the economic operating environment. Furthermore, if the Group's other business risks materialise, this can trigger a funding risk. The funding risks deriving from the asset and liability structure relate to the refinancing risk involved in funding operations, the concentration of sources of funding and the liquidity of solvency reserves. Liquidity risk is also included within funding risk within the Group. 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 Group's units are as a rule responsible themselves for their own funding risks and they even out their financing and liquidity position with OKO Bank. OKO Bank is responsible for managing the entire Group's liquidity risk. OKO Bank tracks the movements in the OP Bank Group's liquidity position on a daily basis and tops it up with financing obtained on the money market.

The funding risk of the OP Bank Group and its business units is measured by means of benchmarks describing the maturity structure of balance sheet accounts receivable and accounts payable as well as the amount, structure and concentration 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. The proportion of deposit funding in the balance sheet as well as the product breakdown and concentration of deposits are nevertheless tracked by means of their own indicators.

During 2003 the growth in deposit funding did not cover the growth in the Group's lending. The share of deposits within funding nevertheless remained high and was 61 per cent at the end of the year (63). During the year the value of the risk limit benchmark for funding

risk increased by about 1.5 percentage points. At the end of the year, the value of the funding risk benchmark was 2.0 per cent. Note 33 to the accounts shows the maturity breakdown of loans and liabilities by balance sheet item at the end of the year.

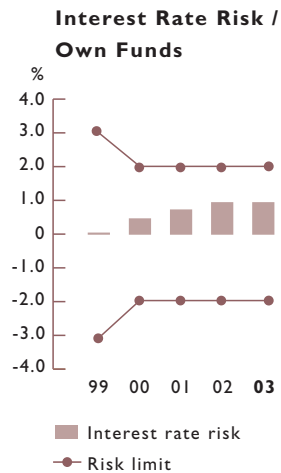
The second risk limit benchmark which the Group employs to measure funding risk is monitoring of the amount of its loans that are eligible as statutory cash reserves. At the end of the year receivables eligible as statutory cash reserves totalled € 4.2 billion (3.4). During the year these receivables exceeded the Group's statutory minimum amount by an average of € 0.7 billion (1.2).

INTEREST RATE RISK

Interest rate risk refers to the effect of interest rate changes on the bank's earnings and on the market value of its risk exposure. Interest rate risk arises from the mismatch between the maturities applied to loans and liabilities or to the differing times of interest rate reviews.

The analysis of interest rate risk encompasses all balance sheet items as well as interest-bearing off-balance sheet items. The most significant source of the OP Bank Group's interest rate risk is retail banking, in which there is a gap in the maturity and repricing times of lending and borrowing. In addition, various interest rate linkages are in use, some of which are so-called administrative interest rates. Customer behaviour also influences the realisation of the 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 lag between administrative interest rates and deposit funding rates compared with changes in market interest rates. These pricing lags, equity and real-estate investments as well as the Group's own funds are included in the interest rate risk analysis in accordance with time class assumptions that are confirmed annually.

In the member cooperative banks' interest rate risk analysis, items sensitive to interest rate changes are broken down in the cash flow analysis in accordance with repricing times and also by maturity. The effects of a change in the level of interest rates are assessed both in relation to the value of the bank's risk exposure and the financial performance in the current financial period and over the next twelve months. The analysis pertains to the static balance sheet, nevertheless taking into



account the assumed repricing lags for administrative interest rates. OKO Bank and the OP Bank Group's insurance companies furthermore calculate their interest rate risks using Value at Risk (VaR) benchmarks.

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 own funds.

At the end of 2003 the OP Bank Group's interest rate risk measured in terms of the effect of a 0.5 percentage point rise in interest rates was € 31.7 million (30.4). On average the Group's interest rate risk during 2003 was € 22.9 million (26.7). The interest rate risk as a ratio of own funds at the end of the financial year was 0.9 per cent (0.9), which was clearly within the Group's risk limits. The Group's interest rate risk can be considered moderate. It is weighted in favour of the structural interest rate risk for retail banking, i.e. it takes account of the fact that the average repricing lag for lending is shorter than the repricing lag for deposits.

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 OP 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 exposure in relation to own funds. In addition, OKO Bank's foreign exchange risk is measured and limited by means of a risk gauge based on VaR analysis. The OP Bank Group's net foreign exchange exposure at the end of the financial year was € 11.3 million (12.2) and during the year it was on average € 10.5 million (12.1). The foreign exchange risk as a ratio of the Group's own funds was small: 0.3 per cent (0.4).

SHARE PRICE RISK

Share price 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 OP Bank Group the risk limit benchmark used for share price 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 strategic investments which are decided separately by the Executive Board and included in the portfolios of the OP Bank Group Central Cooperative and OKO Bank as well as the equity portfolios of the insurance companies belonging to the Group, which are monitored as separate entities. OKO Bank and the OP Bank Group's insurance companies furthermore employ allocation monitoring and VaR benchmarks.

The publicly quoted shares and mutual fund units included in the Group's risk limit benchmark for share price risk had a market value at the end of the year of € 99 million (58), which was 2.7 per cent of the Group's own funds (1.8). The value of the equity risk benchmark was increased by the inclusion of the OKO Bank-owned OMHEX shares, which had a market value of € 26.0 million, in the risk benchmark calculation. The benchmark was furthermore lifted by the overall rise in equity prices during the year. The value of the risk limit benchmark at the end of the year was 7.3 percentage points below the risk limit that had been set.

REAL-ESTATE RISK

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 amount and yield level of the real-estate holdings of the Group and the member banks are monitored quarterly.

The net yield on the OP Bank Group's real-estate holdings in the report year was 7.0 per cent (6.8). The minimum net yield requirement for individual properties is 5.5 per cent. 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 at the end of the report year was € 1.3 billion, a decrease of € 89 million on the figure a year earlier. Of this amount, properties not in own use accounted for € 826 million. The amount of the Group's real-estate holdings at the end of 2003 was 3.7 of total assets (4.4), which is 2.3 percentage points below the risk limit set for the maximum amount of capital invested in real estate.

OPERATIONAL RISKS

Managing operational risks aims at reducing the probability of losses that are attributable to personnel, operational processes or systems, or external factors. In managing operational risks, a professionally skilled and well-trained staff, modern tools, comprehensive operational guidelines and efficient monitoring occupy a centrally important position.

In accordance with the OP Bank Group's structure and division of labour the OP 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. In order to raise the efficiency of operational risk management, procedures connected with the internal assessment of risks, compiling statistics on damage and loss, the introduction of new products and continuity planning have been developed further. In addition, the OP Bank Group Central Cooperative has paid particular attention to the planning of internal processes so that risks can be minimised, as far as possible, in advance and can be kept under control. Part of the detrimental finan-

cial consequences of operational risks have been transferred outside the OP Bank Group by taking out the appropriate insurance.

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 OP Bank 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 OP Bank Group Central Cooperative. The introduction of new products is always preceded by thorough planning, guidelines and training covering the entire process.

**EQUITY RISK AND ACTUARIAL RISK
IN THE INSURANCE BUSINESS**

The OP Bank Group's centralised risk management issues risk management instructions to the Group's companies in the insurance business – OP Life Assurance Company Ltd and the OP Bank Group Mutual Insurance Company – according to the same principles as it does to the member banks. On the basis of these instructions, the Executive Boards of the companies determine their own risk management plans in terms of the company's operations and set risk limits for the risks to be measured. Because the insurance sector differs from banking and is subject to a different regulatory environment, the companies' operations are not included in all respects in the Group's risk limit analysis. The most prominent exception in this respect is the equity risk relating to OP Life Assurance Company Ltd's investment assets, which is not counted in the key ratio for the Group's equity risk. Furthermore, no risk limit has been set for actuarial risks at the Group level. Both equity risk and actuarial risk are confined to the companies' own decisions.

The OP Bank Group's life and pension insurance business is centralised within OP Life Assurance Company Ltd, whose Executive Board confirms for the company an annual risk management plan setting out the company's targets for its risk-bearing capacity and limiting the assumption of risk. Each year the company's Executive Board also confirms an investment plan that sets out both the company's position regarding the long-term objectives and principles of investment activi-

ties and defines the annual basic allocations of investment assets and the limits of variation for them as well as other investment limits.

The Company's investment assets, excluding assets covering unit-linked policies, had a total book value of € 1.9 billion (1.6). Fixed-income investments accounted for 85 per cent (81) and shares and equity-based funds for 8.4 per cent (12) of investment assets. Other investments consisted of real-estate investments and so-called alternative investments.

The product palette of OP Life Assurance Company Ltd consists of products for long-term saving, and they involve only a minor degree of actuarial risk. Actuarial risks are limited by the choice of liabilities assumed, the conservative bases of calculation and reinsurance. Operational and other internal risks of the company are managed by developing the company's processes and products as well as through planning, internal monitoring and the correct personnel resources.

The OP Bank Group Mutual Insurance Company offers the companies in the Group credit, guarantee, liability and premises security insurance. The Mutual Insurance Company's Executive Board confirms the company's annual risk management and investment plans, which define the objectives of its risk management and investment activities and the procedures required for managing risks. Risk related to credit insurance is limited by the choice of liabilities assumed based on the OP Bank Group's credit and collateral guidelines. Credit insurance business, which accounts for 93 per cent of the OP Bank Group Mutual Insurance Company's technical provisions and premiums written, is part of the Group's internal loss equalisation mechanism and credit risk management.

**THE OP BANK GROUP'S PREPARATIONS
FOR CAPITAL ADEQUACY REFORM**

A CHANGE IN THE BANKS' CAPITAL ADEQUACY REGIME

For a number of years now, the Basel Committee on Banking Supervision has engaged in detailed consultation on a major change in the rules pertaining to the calculation and supervision of credit institutions' capital adequacy. The Basel Committee is seeking to approve a new set of rules, the new Accord, during 2004. The European Commission's new capital adequacy directive, which is based on the Basel Committee's recommenda-

tions, is also set for approval during 2004. As plans now stand, the new Accord will come into force at the end of 2006.

The capital adequacy Accord is based on the methods generally used in risk management and it consists of three pillars. Pillar I regulates the calculation of banks' minimum capital requirement and capital adequacy ratio. The provisions of Pillar II seek to ensure that the banks have sufficient equity capital in relation to the bank's risk profile and the level of its risk management systems and internal monitoring. Pillar III contains provisions on the publication of information concerning the banks' risk and capital adequacy position.

The aim of the reform is to increase the stability of the financial markets by ensuring better adequacy of the banks' own funds. The objective is to encourage banks to develop their risk management systems and to promote the correct pricing of risks. One of the objectives of developing the new Accord has been that in spite of changing the principles of determining the minimum capital requirements, the average minimum capital requirement of the banking sector as a whole will not change.

As a departure from the present rules, the new capital adequacy framework will permit the calculation of minimum capital using several different methods. In future, the capital requirement for credit risk will also be able to be calculated according to the customer's external credit rating or a credit rating made by the bank itself. The new Accord furthermore sets a minimum capital requirement for operational risks.

THE OP BANK GROUP'S PREPARATIONS FOR THE REFORM

The starting point for the OP Bank Group's development of risk management methods and systems is primarily the Group's risk management needs and secondarily compliance with the requirements of the capital adequacy rules. On this basis, at the end of 2003 the OP Bank Group Central Cooperative's Executive Board set out the OP Bank Group's objectives in calculating the minimum capital requirement. According to these policy lines, the minimum capital requirement for credit risks deriving from retail exposures is calculated using the advanced internal ratings based approach, the capital requirement for the credit risks of other exposures using the foundation inter-

nal ratings based approach and the capital requirement for operational risks by the standardised approach. The capital requirement for market risks will be calculated according to the standard method, as it is at present. The OP Bank Group is continuing to prepare for the new capital adequacy framework in accordance with the above-mentioned policy lines. The final decisions on the methods to be placed in use will be taken after the Basel Committee on Banking Supervision and the European Commission have given their final approval to the new Accord.

According to international studies, the use of internal ratings in capital adequacy calculations yields the most benefit to banks who concentrate on retail operations, as the OP Bank Group does. The use of internal ratings increases the sensitivity of the minimum capital requirement to fluctuations in the business cycle.

PREPARATION FOR INTRODUCTION OF IAS/IFRS STANDARDS

NEW FINANCIAL STATEMENT REGULATIONS

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 IAS/IFRS standards no later than for the financial year commencing in 2005. According to the regulation, companies that have issued only debt securities can be allowed a transition period, on a national basis, up to 2007. In spring 2003 the European Commission approved the existing IAS/IFRS standards for application within the European Union with the exception of the standards concerning the disclosure and presentation of financial instruments (IAS32) and their recognition and measurement (IAS39).

In summer 2003, the IAS working group that was set up by the Ministry of Trade and Industry submitted its final report on the effects on Finnish accounting standards of the introduction of IFRS standards and the Fair Value Directive. The legislative changes are still under preparation.

THE OP BANK GROUP'S PREPARATIONS FOR GOING OVER TO IAS/IFRS STANDARDS

The financial statements for 2005 of the OP Bank Group, OP Bank Group Central Cooperative Consoli-

dated, OKO Bank and OP Bank Group Mortgage Bank Plc will be prepared in accordance with IAS/IFRS standards. The cooperative banks belonging to the OP Bank Group will continue to prepare their financial statements, even after 2005, in accordance with the provisions of the Credit Institution Act. The provisions of the Fair Value Directive will be applied within the OP Bank Group as from the beginning of 2005.

The introduction of IAS/IFRS standards will be prepared on a central basis by way of the OP Bank Group's IFRS project, which is co-ordinated by the Central Cooperative. By the end of 2003, the project has prepared the first versions of accounting manuals concerning the most important IAS/IFRS standards, analysed the principal impacts of introducing IAS/IFRS standards on the Group's earnings and equity capital and undertaken modifications to its information systems. During 2004 the central tasks for the project will be completion of the modifications to information systems that are critical for preparing IFRS financial statements, finalising the details of the IFRS financial statement process and training the staff. During 2004 the Group will further flesh out its assessment of how IFRS standards will impact the Group's operations and financial statements.

PRINCIPAL CHANGES IN THE OP BANK GROUP'S ACCOUNTING POLICIES

The introduction of IAS/IFRS standards will increase the amount of financial instruments that are valued at their fair value. The standards allow valuation of investment real estate either at the acquisition cost less depreciation or at its fair value. The OP Bank Group has not yet taken final decisions on the principles of valuing investment real estate.

IAS/IFRS standards call for a recalculation of pension liabilities for defined-benefit pension systems. At national level a final interpretation has not yet been made of the extent to which the Finnish pension system is based on contributions or defined benefits. The OP Bank Group Pension Fund and the OP Bank Group Pension Foundation are most likely defined-benefit systems.

Certain items that under Finnish accounting policies are included in equity capital will become liabilities in IFRS financial statements. There is no final interpretation on the treatment of cooperative capital in IFRS financial statements. The possible changing of cooperative capital

into liabilities in the IFRS financial statements will nevertheless not affect the treatment of cooperative capital in the financial statements of the member cooperative banks. Nor will the change affect the OP Bank Group's or an individual member bank's amount of own funds according to capital adequacy calculations.

All in all, the changes in accounting policies will increase the volatility of the Group's earnings as well as of its equity capital and own funds.

LEGAL STRUCTURE OF THE OP BANK GROUP

The OP 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 the Cooperative Bank Act). The amendment to the Cooperative Bank Act, permitted a sharper definition of the position of the OP Bank Group as an entity subject to 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 OP 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 OP 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 OP BANK GROUP

The operations of the amalgamation of the cooperative banks (OP Bank Group) are provided for in the Cooperative Bank Act. The rules concerning the amalgamation of the cooperative banks are set out in detail in Chapters 2 and 11 of the Cooperative Bank Act.

The OP Bank Group comprises the OP 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 OP Bank Group holds a total of more than half of the voting rights. Under law the OP Bank Group is monitored on a consolidated basis, and the central institution and the member credit institutions belonging to the OP Bank Group are responsible for each other's liabilities and commitments.

The Group's central bank, OKO Bank, is a subsidiary of the OP 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 OP Bank Group is monitored on a consolidated basis in respect of capital adequacy, liquidity and customer risks. The OP 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 OP 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 OP 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 OP Bank Group as a whole. The OP 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 of the Group's risk

management are discussed in greater detail above.

In calculating customer risks and the minimum amount of own funds, the OP Bank Group is likened to a credit institution. The legal provisions covering the maximum amounts of individual customer entities for the OP 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 OP 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 OP Bank Group to be dissolved. The Ministry of Finance also has the right to decide on dissolution of the OP 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 OP 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 € 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 OP 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 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 OP BANK GROUP
AND WITHDRAWING FROM IT**

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 OP 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. Acceptance for membership calls for a two thirds majority of the votes cast at the Annual Meeting of the Cooperative or in the Representatives' Meeting of the bank or at a General Meeting of the shareholders.

A member credit institution has the right to withdraw from membership of the OP Bank Group Central Cooperative provided that the capital adequacy calculated for the OP 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 Cooper-

ative 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 OP 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 OP BANK GROUP'S
FINANCIAL STATEMENTS AND AUDIT**

The financial statements of the central institution and member credit institutions as well as their consolidation groups are combined to form the OP Bank Group's consolidated financial statements pursuant, as appropriate, to the provisions and regulations in effect for the consolidated financial statements of a credit institution. The Financial Supervision Authority has issued more detailed regulations on the preparation of the OP Bank Group's financial statements. The accounting policies applied are presented in the Group's financial statements.

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

MONITORING THE OP BANK GROUP

The OP Bank Group is monitored by the Financial Supervision Authority and the OP 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 informa-

tion 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 OP 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 OP 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 OP Bank Group up to a maximum amount of € 25 000.

Under legislation concerning the Investor Compensation Fund, the OP 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 OP Bank Group up to a maximum amount of € 20 000.

AMENDMENTS TO THE CENTRAL INSTITUTION'S STATUTES

The new Statutes of the OP Bank Group Central Cooperative, the OP Bank Group's central institution, were approved in 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 amendments to the Statutes concern supplementing of 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 an extraordinary payment. The proposed amendments were approved at the General Meeting of the Cooperative on April 3, 2003, and entered in the Trade Register on May 30, 2003.

ACCOUNTING POLICIES

The amalgamation of the cooperative banks (hereinafter the OP 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 OP 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 Group.

The provisions concerning the OP Bank Group's financial statements 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 OP Bank Group's financial statements.

The financial statements of the OP Bank Group do not constitute full consolidated financial statements as specified in the Accounting Act. The accounting policy pertaining to the consolidated financial statements of a financial institution are applied, as appropriate, in drawing up the financial statements. 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 OP Bank Group in OKO Bank's equity capital. The financial statements comprise a consolidated income statement, balance sheet, the notes to them and the Executive Board's report on operations.

The Executive Board of the OP Bank Group Central Cooperative is responsible for the preparation of the financial statements 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 OP Bank Group, the OP Bank Group Central Cooperative issues its member credit institutions instructions on the preparation of the financial statements.

The Central Cooperative's auditors audit the OP Bank Group's financial statements, observing, as appropriate, the regulations of the Financial Institution Act. The auditors prepare a separate auditors' report on the

financial statements. The financial statements of the OP Bank Group are submitted to the General Meeting of the OP Bank Group Central Cooperative.

APPLICABLE REGULATIONS

The financial statements of the OP 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. In the consolidation of the financial statements 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 financial statements 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 OP Bank Group prepare their financial statements in accordance with the general legal provisions and regulations concerning the financial statements of financial institutions as well as the instructions issued by the OP Bank Group Central Cooperative.

EXTENT AND CONSOLIDATION OF THE FINANCIAL STATEMENTS

The financial statements of the OP Bank Group represent a consolidation line by line of the financial statements of the OP Bank Group Central Cooperative, its member cooperative banks, the OP Bank Group Security Fund, the OP 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 financial statements of companies controlled by other parties as well as the financial statements of associated companies are consolidated according to the equity method.

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

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

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 financial statements 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 another institution belonging to the Group has been reversed in the OP Bank Group's financial statements to the extent that the grounds for the revaluation are still valid.

The accumulated depreciation difference and voluntary provisions stated in separate financial statements 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 income statement are to the net profit for the financial year and to the change in imputed deferred taxes. Of the actuarial provisions of the OP Bank Group Mutual Insurance Company, the equalisation amount and provision for unspecified claims have been treated in the Group's financial statements in the manner of voluntary reserves.

The minority interest share of the result and of the equity capital has been separated out and stated as an individual item in the income statement and the balance sheet. In defining the minority interest, the OP 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 financial statements can elect not to book depreciation according to plan in its separate financial statements. In the financial statements 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 have been translated into Finnish monetary amounts (euros) using the middle exchange rates of the currencies on the balance sheet date. The foreign exchange rate differences arising from the valuation are included in the income statement 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 with risk premium added. 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 trading. The difference between the acquisition cost and nominal value of non-tradable debt securities is periodised in interest income.

SECURITIES HELD AS NON-CURRENT FINANCIAL ASSETS

The securities held as non-current financial 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 Bank Group. Debt securities held as non-current financial 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 income statement item “Write-downs on securities held as financial fixed

assets.” Any reversals of write-downs have been booked as an adjustment to the same income statement 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 financial statements of entities belonging to the OP 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 income statement item “Depreciation and write-downs on tangible and intangible assets.” Any reversals of write-downs have been booked as an adjustment to the same income statement item.

The acquisition cost of buildings and other tangible and intangible assets subject to wear and tear is depreciated over the economic life of the asset on a straight-line basis according to a pre-prepared depreciation plan. In accordance with the depreciation principles applied by the Group, the acquisition cost of buildings is depreci-

ated over 30–40 years depending on their usage purpose and the construction materials. Machinery and equipment, EDP equipment, computer programs and vehicles are depreciated over 3–6 years and other tangible and intangible assets over 5–10 years. Leasing assets are depreciated according to the annuity method. An individual depreciation period can be specified for tangible assets that are acquired in used condition. No depreciation is entered for non-wearing tangible assets and for revaluations.

VALUATION PRINCIPLES AND METHODS FOR SHARES AND PARTICIPATIONS IN REAL-ESTATE PROPERTIES AND REAL-ESTATE MANAGEMENT COMPANIES

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

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

Commercial, office and industrial properties other than those in own use are valued as a rule according to the yield value method. In the 2003 financial statements 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 income statement 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 financial statements, 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 trading 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 income statement in the same group as is the change in the value of the opposite-signed hedged 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 income statement item “Net income from securities trading and foreign exchange dealing.” The items entered in the balance sheet for these 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 trading. The change in the euro counter-value of derivative contracts denominated in foreign currency are nevertheless booked to net income on foreign exchange dealing.

NON-PERFORMING LOANS

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. Loans from companies placed in bankruptcy have been classified as non-performing on the date of declaration of bankruptcy at the latest. A loan 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 loans has been cancelled when the loan 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.

MANDATORY RESERVES

Entered as a mandatory reserve 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 mandatory reserves but as a reduction in the balance sheet item under which said loan or other asset item has been entered.

TAXES

In the separate financial statements of an individual institution belonging to the OP 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 financial statements.

THE EFFECT OF CHANGES IN THE GROUP'S STRUCTURE AND OF CHANGES IN THE FORMAT OF THE INCOME STATEMENT AND BALANCE SHEET ON THE COMPARABILITY OF THE 2003 AND 2002 FINANCIAL STATEMENTS

During 2003 no changes took place in the OP Bank Group's structure, which might have affected the comparability of the 2003 and 2002 financial statements.

The definition of deposits payable on demand was changed during the financial year such that current accounts and savings accounts having a withdrawal limit were moved from the Other deposits group to the Deposits payable on demand group. The transfer resulted in an increase in the amount of deposits payable on demand of about € 7.5 billion. Comparison data for 2002 has not been changed.

OP BANK GROUP INCOME STATEMENT

€ million	Jan. 1 – Dec. 31, 2003			Jan. 1 – Dec. 31, 2002		
Interest income	1 231			1 397		
Interest expenses	433			540		
Net interest income	798			857		
Income from equity investments	14			30		
Commissions and fees	312			292		
Commission expenses	38			47		
Net income from securities and foreign exchange trading						
Net income from securities trading	3			-21		
Net income from foreign exchange trading	8	11		8	-13	
Other operating income	159			150		
Administrative expenses						
Personnel costs						
Salaries and compensation	299			285		
Indirect personnel costs						
Pension costs	54			47		
Other indirect personnel costs	21	75	374	21	69	354
Other administrative expenses	192 566			201 555		
Depreciation and write-downs on tangible and intangible assets	70			74		
Other operating expenses	130			129		
Loan and guarantee losses	9			13		
Write-downs on securities held as non-current financial assets	4			1		
Results accounted for using the equity method	39			-38		
Operating profit	515			459		
Extraordinary items	-			-		
Profit before appropriations and taxes	515			459		
Income taxes						
Taxes for the financial period	86			76		
Taxes for previous financial periods	3			0		
Change in deferred taxes	53	141		41	117	
Share of minority interests	1			1		
Profit for the financial period	373			342		

BALANCE SHEET

OP BANK GROUP BALANCE SHEET

ASSETS € million	December 31, 2003		December 31, 2002	
Liquid assets	1 060		233	
Notes and bonds eligible for refinancing with central banks				
Treasury bills	57		128	
Other	2 230	2 287	2 431	2 560
Receivables from financial institutions				
Repayable on demand	16		18	
Other	470	486	332	350
Receivables from the public and public sector entities	27 206		24 319	
Leasing assets	291		256	
Notes and bonds				
From public sector entities	88		180	
From others	1 421	1 509	1 463	1 643
Shares and holdings	195		192	
Shares and holdings in affiliates	44		14	
Shares in subsidiaries	130		94	
Intangible assets				
Consolidated goodwill	0		0	
Other long-lived assets	82	82	78	78
Tangible assets				
Real estate and real-estate holdings	1 023		1 108	
Other tangible assets	71	1 094	73	1 181
Other assets	437		480	
Accrued income and advances paid	180		224	
	35 002		31 625	

OP BANK GROUP BALANCE SHEET

LIABILITIES	December 31, 2003			December 31, 2002		
€ million						
Liabilities						
Liabilities to financial institutions and central banks						
Central banks	1 330			732		
Financial institutions						
Repayable on demand	18			7		
Other	218			210		
236				217		
1 566				949		
Liabilities to the public and public sector entities						
Deposits						
Repayable on demand	17 530			9 374		
Other	3 713			10 558		
21 243				19 932		
Other liabilities	2 032			1 443		
				21 375		
Notes and bonds issued to the public						
Bonds	1 503			1 170		
Other	3 506			3 366		
				4 536		
5 009				711		
Other liabilities						
				665		
Accrued expenses and advances received						
				269		
Mandatory reserves						
Other mandatory reserves	6			6		
				6		
Subordinated liabilities						
				514		
Deferred taxes						
				257		
Minority interests						
				4		
	31 566			28 580		
Equity						
Share and cooperative capital	774			721		
Share premium account	12			6		
Revaluation reserve	45			45		
Other restricted reserves						
Reserve fund	710			690		
Other restricted items	7			7		
				697		
Unrestricted reserves						
Other unrestricted items	728			661		
				661		
Retained earnings						
				787		
Profit for the financial period						
				373		
	3 436			3 045		
	35 002			31 625		
Off-balance sheet commitments						
Commitments given to a third party on behalf of customers						
Guarantees and pledges	1 459			1 453		
Other	-			-		
				1 453		
Irrevocable commitments given on behalf of a customer						
Securities repurchase commitments	-			-		
Other	4 035			3 320		
				3 320		
	5 494			4 772		

OP BANK GROUP KEY FIGURES

€ million

INCOME STATEMENTS	1999	2000	2001	2002	2003
Net interest income	678	801	875	857	798
Other income	464	681	481	459	496
Other expenses	598	629	674	731	734
Depreciation and write-downs	76	91	76	74	70
Loan and guarantee losses	26	5	12	13	9
Write-downs on securities held as non-current financial assets		99	88	1	4
Results accounted for using the equity method	7	7	-2	-38	39
Operating profit	450	664	504	459	515
Extraordinary items	-	-	-	-	-
Profit before appropriations and taxes	450	664	504	459	515
Taxes	64	159	138	117	141
Minority interest	1	2	1	1	1
Profit for the financial period	385	504	365	342	373

BALANCE SHEETS

Assets

Receivables from financial institutions	593	803	366	350	486
Receivables from the public and public sector entities	18 309	20 260	21 946	24 319	27 206
Notes and bonds	3 804	3 021	5 146	4 202	3 796
Shares and holdings	249	461	332	300	370
Tangible and intangible assets	1 545	1 374	1 301	1 259	1 177
Other items	1 524	1 166	940	1 194	1 968
Total	26 024	27 086	30 031	31 625	35 002

Liabilities

Liabilities to financial institutions and central banks	1 089	1 164	1 774	949	1 566
Liabilities to the public and public sector entities	17 978	18 312	20 120	21 375	23 275
Notes and bonds issued to the public	3 652	3 629	3 727	4 536	5 009
Subordinated liabilities	743	670	696	576	514
Other items	721	860	853	935	941
Deferred taxes	98	132	163	205	257
Minority interest	4	5	4	4	4
Equity	1 739	2 314	2 694	3 045	3 436
Total	26 024	27 086	30 031	31 625	35 002

NOTES TO THE FINANCIAL STATEMENTS

(€ MILLION)

NOTES TO THE INCOME STATEMENT

1) Breakdown of Interest Income and Expenses by Balance Sheet Item

	2003	2002
Interest income		
Receivables from financial institutions	26	27
Receivables from the public and public sector entities	1 066	1 176
Notes and bonds	141	188
Other interest income	-12	-6
Net leasing income	10	11
Total	1 231	1 397

Interest expenses

Liabilities to financial institutions and central banks	30	38
Liabilities to the public and public sector entities	242	320
Notes and bonds issued to the public	137	150
Subordinated liabilities	24	32
Other interest expenses	1	-1
Total	433	540

2) Breakdown of Net Income from Securities Trading

	2003	2002
Net trading income from notes and bonds	-10	-15
Net income from equity trading	13	-6
Total	3	-21

3) Total Value of Securities Held as Current Assets Purchased and Sold during the Financial Period

	2003	2002
Notes and bonds		
Securities purchased	21 970	20 806
Securities sold	16 885	16 080
Shares		
Securities purchased	1 673	1 939
Securities sold	1 656	1 975

4) Breakdown of Other Operating Income and Expenses

	2003	2002
Other operating income		
Rental and dividend income from real-estate holdings	84	87
Capital gains on the sale of real-estate holdings	21	8
Other income	54	54
Total	159	150

Other operating expenses

Rental expenses	22	22
Expenses from real-estate holdings	84	82
Capital losses on the sale of real-estate holdings	2	3
Other expenses	23	22
Total	130	129

5) Depreciation and Write-Downs on Tangible and Intangible Assets

	2003	2002
Planned depreciation	64	61
Write-downs	7	13
Recoveries on write-downs	-1	0
Total	70	74

6) Loan and Guarantee Losses and Write-Downs on Securities Held as Non-Current Financial Assets

	2003	2002
Receivables from financial institutions	0	0
Receivables from the public and public sector entities	33	40
Leasing assets	-	-
Guarantees and other off-balance sheet items	0	2
Other	2	3
Gross loan and guarantee losses	36	46
Adjustments to loan and guarantee losses	27	33
Loan and guarantee losses recorded in the income statement	9	13

NOTES TO THE FINANCIAL STATEMENTS

Breakdown of total loan and guarantee losses

	2003	2002
Actual total loan losses during the period	56	52
Actual loan losses provisioned earlier	-44	-38
Recoveries of loan losses in previous years	-9	-12
Specific loan loss provisions during the period	19	30
Revaluations of specifically provisioned loan losses	-13	-19
Loan and guarantee losses in the income statement	9	13
Write-downs on securities held as non-current financial assets		
Gross write-downs	5	2
Revaluation of write-downs	1	0
Total	4	1

7) Extraordinary Income and Expenses during the Financial Period

The extraordinary income and expenses entered in the separate financial statements of the institutions belonging to the OP Bank Group have been transferred to Other income and expenses in the Group's in-

come statement 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 Group-level. In the 2003 and 2002 income statements all the income and expenses booked to the extraordinary items on the separate companies have been transferred to Other income and expenses.

8) Changes in Compulsory Provisions during the Financial Period

	2003	2002
Pension provisions	0	0
Tax provisions	-	-
Other	0	2
Total	0	2

9) Breakdown of Combined Items

The items in the OP Bank Group income statement are presented in accordance with the formula approved by the Financial Supervision Authority. The handling of the extraordinary items is presented in Note 7.

10) Income by Division and Market Area

Income refers to the aggregate of the following income statement items: Net Interest Income, Income from Equity Investments, Commissions and Fees, Net Income from Securities and Foreign Exchange Trading, and Other Operating Income. The income is presented without eliminations.

	Income by division		Average number of personnel	
	2003	2002	2003	2002
Banking	1 285	1 267	7 691	7 687
Mortgage banking	1	1	4	4
Finance company operations	31	30	147	145
Investment services	26	23	125	125
Common fund operations	28	26	29	29
Real-estate holding and management	11	10	16	15
Other	403	357	1 222	1 160
Total	1 785	1 714	9 234	9 165

	Income by market area		Average number of personnel	
	2003	2002	2003	2002
Finland	1 785	1 714	9 233	9 159
Sweden	0	1	1	6
Total	1 785	1 714	9 234	9 165

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE BALANCE SHEET

11) Breakdown of Notes and Bonds Eligible for Refinancing with Central Banks

	2003	2002
Treasury bills	57	128
Government bonds	547	714
Bank certificates of deposit	1 471	1 509
Other	212	209
Total	2 287	2 560

12) Receivables from Central Banks

At the year-end, the balance sheet item Receivables from Financial Institutions did not include receivables from central banks.

13) Receivables from the Public and Public Sector Entities by Sector and the Specific Loan Loss Provisions

	2003	2002
Companies	7 703	7 227
Financial and insurance institutions	15	26
Public sector entities	364	171
Non-profit organisations	221	185
Households	18 813	16 564
Foreign	89	145
Total	27 206	24 319

Specific loan loss provisions at the beginning of the period	189	212
New provisions made during the period (+)	19	27
Provisions revaluated during the period (-)	-13	-19
Loan losses during the period for which specific loan loss provisions have been made (-)	-41	-31
Specific loan loss provisions at the end of the period	155	189

14) Non-Performing Loans and Other Interest-Free Receivables

	2003	2002
Non-performing loans	162	166
Other interest-free receivables	6	8
Total	168	174

15) Book Value of Assets Pledged as Collateral for Non-Performing Loans and Assets Purchased to Restructure Customer Businesses

	2003	2002
Assets pledged as collateral		
Real estate and real-estate holdings	41	54
Other shares and holdings	3	2
Other assets	-	-
Total	44	57

Shares and holdings purchased to restructure customer businesses	2	10
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16) Subordinated Liabilities

	2003	2002
Receivables from the public and public sector entities	23	12
Notes and bonds	165	159
Total	188	171

17) Breakdown of Leasing Assets

	2003	2002
Advance payments	16	35
Machinery and equipment	250	205
Real estate and buildings	24	16
Other assets	0	0
Total	291	256

18) Notes and Bonds

Publicly quoted and private notes and bonds as well as notes and bonds eligible for refinancing with central banks at the year-end

	Quoted	Others
Held as current assets	1 421	1 751
Held as non-current assets	307	317
Total	1 728	2 068

The total amount of differences between the probable market value and the lower book value of notes and bonds held as current assets

	2003	2002
Notes and bonds eligible for refinancing with central banks	3	11
Notes and bonds	9	8
Total	12	19

NOTES TO THE FINANCIAL STATEMENTS

The difference between the nominal value and book value of notes and bonds held as non-current assets, notes and bonds eligible for refinancing with central banks, and other receivables at the year-end

Figures are presented without eliminations	2003	2002
The difference between the nominal value and the lower book value		
Notes and bonds	4	3
Receivables from financial institutions	-	-
Receivables from the public and public sector entities	-	-
Total	4	3

The difference between the book value and the lower nominal value

Notes and bonds	12	6
Receivables from financial institutions	-	-
Receivables from the public and public sector entities	-	-
Total	12	6

Notes and bonds by type at the year-end

Book value	2003	2002
Treasury bills	62	128
Municipal papers	8	5
Commercial papers	40	31
Certificates of deposit	1 475	1 528
Convertible bonds	2	3
Other bonds	2 012	2 409
Other bonds and notes	197	99
Total	3 796	4 202

19) Shares and Holdings

The aggregate book value of securities recorded under the balance sheet item Shares and Holdings divided into quoted and private securities

	Quoted	Others
Held as current assets	136	35
Held as non-current assets	5	19
Total	141	54

The aggregate difference between the probable sale price and the lower book value of the publicly quoted shares and holdings recorded under the balance sheet item Shares and Holdings by asset type

	2003	2002
Held under current assets	32	6
Held under non-current assets	22	0
Total	54	6

OP Bank Group was not involved in any securities lending at the end of 2003.

Breakdown of the balance sheet items Shares and Holdings in Affiliates and Shares and Holdings in Subsidiaries

	2003	2002
Shares and holdings in affiliates		
In financial institutions	0	0
In others	44	14
Total	44	14
Shares and holdings in subsidiaries ¹⁾		
In financial institutions	0	0
In others	130	94
Total	130	94

¹⁾The note comprises the book value of shares in subsidiaries owned by separate institutions belonging to the OP Bank Group to the extent that the subsidiaries have not been consolidated in the Group's financial statements, and it furthermore includes the acquisition cost of the shares in OP Life Assurance Company Ltd as adjusted by entries in accordance with the equity method of consolidation.

20) Breakdown of Intangible Assets

	2003	2002
Establishment costs	0	0
Goodwill	0	0
Other long-term expenditure	82	78
Total	82	78

21) Breakdown of Real-Estate Holdings

a) Breakdown of Land and Water as well Real-Estate Holdings Recorded under the Balance Sheet item Tangible Assets at the Year-End¹⁾

	Book value	Capital invested
Land, water and buildings		
In own use	151	151
Other	212	212
Total	363	363

Real-estate holdings

In own use	222	265
Other	438	550
Total	660	815

NOTES TO THE FINANCIAL STATEMENTS

b) Breakdown of Real Estate and Real-Estate Holdings in Other than Own Use at the Year-End ¹⁾

Type of property	Surface area in square metres	Capital invested	Net yield, %	Vacancy rate, %
Dwellings and residential properties	162 663	82	7.1	9.3
Offices and business premises	788 120	594	6.9	10.9
Industrial properties	118 806	32	7.5	10.5
Land, water and forest (undeveloped)	10 281	46	-0.3	75.7
Unfinished buildings	528	1	-2.6	100.0
Financial leasing properties	38 255	19	3.0	0.0
Other domestic properties	6 649	7	-1.4	29.4
Non-domestic real estate	-	-	-	-
Total real estate	1 125 302	781	6.3	11.0

Capital invested refers to the undepreciated acquisition cost plus the amount of company debt per share and/or the proportion of company debt based on its shareholding. Net yield has been calculated by subtracting from the total rental income the property maintenance cost or the service charges paid in housing corporations and mutual real-estate companies. The net yield percentage has been calculated from the per annum difference in monthly income based on the occupancy rate on the balance sheet date and the year's average maintenance costs, expressed as a ratio of the capital invested at the year-end.

Vacancy rate refers to the ratio of unused space to total rentable space. Unused area means rentable premises that did not generate rental income under agreements on the closing day.

c) Breakdown of Capital Invested in Real Estate not in Own Use According to the Year-End Yield ¹⁾

Yield rate, %	Capital invested
Negative	50
0 - 3	76
3 - 5	131
5 - 7	247
over 7	277
Total	781

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

22) Breakdown of Other Assets

	2003	2002
Receivables from payment transfers	18	97
Guarantee receivables	3	5
Derivative contracts	139	169
Other	277	209
Total	437	480

23) Breakdown of Deferred Income and Advances Paid

	2003	2002
Interest	149	194
Other	31	30
Total	180	224

24) Breakdown of the Combined Balance Sheet Items under Assets

The asset items in OP Bank Group's balance sheet are presented in accordance with the formula approved by the Financial Supervision Authority.

25) Difference between the Nominal Value and Book Value of Liabilities

Figures are presented without eliminations	2003	2002
Difference between the nominal and lower book value		
Liabilities to financial institutions and central banks	0	-
Liabilities to the public and public sector entities	-	-
Notes and bonds issued to the public	25	24
Other	-	-
Subordinated liabilities	2	2
Total	27	27

Difference between the book value and lower nominal value

Liabilities to financial institutions and central banks	-	-
Liabilities to the public and public sector entities	-	-
Notes and bonds issued to the public	3	2
Other	-	-
Subordinated liabilities	0	0
Total	3	2

NOTES TO THE FINANCIAL STATEMENTS

26) Breakdown of Notes and Bonds Issued to the Public by Type

	2003	2002
Certificates of deposit	3 101	2 929
Bonds	1 503	1 170
Other	405	438
Total	5 009	4 536

27) Breakdown of Other Liabilities

	2003	2002
Payment transfer liabilities	277	355
Derivative contracts	175	200
Other	214	155
Total	665	711

28) Breakdown of Deferred Expenses and Advances Received

	2003	2002
Interest	154	107
Other	115	111
Total	269	218

The social security commitment arising from unused options offered to the personnel in the OP Bank Group companies has been recorded under deferred expenses.

29) Mandatory Reserves at the End of Period

	2003	2002
Pension reserves	-	-
Tax reserves	-	-
Other	6	6
Total	6	6

31) Increases and Decreases in Equity Items during the Financial Period

	Book value at the beginning of period	Increases during the period	Decreases during the period	Book value at the end of period
Cooperative capital	649	115	-66	698
Share capital	68	6	-	74
Share issue account	3	0	-2	2
Share premium account	6	6	-	12
Revaluation reserve	45	-	0	45
Reserve fund	697	43	-23	717
Unrestricted reserves	661	68	-1	728
Retained earnings	916	-	-129	787
Profit for the period	-	373	-	373
Total equity capital	3 045	612	-221	3 436

The acquisition cost share in excess of or under the nominal value of the OKO Bank shares acquired by the OP Bank Group Central Cooperative and its member cooperative banks is entered in the Group's financial statements either as a reduction or increase in the retained earnings.

30) Breakdown of Subordinated Liabilities

Liabilities with a book value exceeding 10 per cent of the total subordinated liabilities:

€ 150 million. The interest rate was 2.759 per cent on December 31, 2003. The loan will mature in March 2011. With the prior consent of the Financial Supervision Authority, all the bonds may be redeemed on any interest payment date falling in or after March 2006, on giving advance notice as stated in the terms and conditions.

Subordinated liabilities other than those mentioned above:

The total EUR equivalent of the liabilities in the consolidated financial statements of the OP Bank Group was € 364 million as at December 31, 2003. Creditors do not have a put option. These liabilities include € 54 million perpetual bonds.

Loans to subsidiaries and affiliates:

The Group's internal loans, € 39 million, have been eliminated. The Group has no loans targeted at affiliates.

NOTES TO THE FINANCIAL STATEMENTS

32) Combines Liabilities in the Balance Sheet

Liabilities in the balance sheet are presented in accordance with the formula approved by the Financial Supervision Authority.

33) Breakdown of Maturities of Receivables and Liabilities by Balance Sheet Item at the Year-End

By remaining term of maturity	Less than 3 months	3–12 months	1–5 years	More than 5 years
Notes and bonds eligible for refinancing with central banks	1 498	285	349	156
Receivables from financial institutions	453	26	7	0
Receivables from the public and public sector entities	1 763	2 893	10 935	11 615
Notes and bonds	143	176	911	279
Liabilities to financial institutions and central banks	1 498	52	15	1
Liabilities to the public and public sector entities	20 024	1 289	1 197	765
Notes and bonds issued to the public	2 709	673	1 623	5

Receivables from the public and public sector entities did not include any repayables on demand as of December 31, 2003. Deposits other than fixed-term deposits were included in the maturity class "Less than 3 months".

34) Assets and Liabilities in Domestic and Foreign Currencies at the Year-End

	Domestic currency	Foreign currency
Notes and bonds eligible for refinancing with central banks	2 287	-
Receivables from financial institutions	313	173
Receivables from the public and public sector entities	27 036	170
Notes and bonds	1 262	246
Other assets	3 495	19
Total	34 394	608
Liabilities to financial institutions and central banks	1 457	109
Liabilities to the public and public sector entities	23 092	183
Notes and bonds issued to the public	4 736	274
Subordinated liabilities	510	4
Other liabilities	1 185	17
Total	30 979	587

35) Financial Indicators

	1999	2000	2001	2002	2003
Net sales, € million	1 583	2 086	2 022	1 915	1 793
Operating profit, € million	450	664	504	459	515
% of net sales	28.4	31.9	24.9	24.0	28.7
Profit before appropriations and taxes, € million	450	664	504	459	515
% of net sales	28.4	31.9	24.9	24.0	28.7
Return on equity, %	26.7	24.9	14.6	11.9	11.5
Return on assets, %	1.7	1.9	1.3	1.1	1.1
Equity/total assets ratio, %	6.7	8.6	9.0	9.6	9.8
Cost/income ratio, %	59	49	55	61	62

NOTES TO THE FINANCIAL STATEMENTS

Calculation of Financial Indicators

Net sales	The sum total of interest income, income from leasing operations, income from equity investments, commissions and fees, net income from securities transactions and foreign exchange trading as well as other operating income.
Operating profit or loss	Operating profit or loss as shown on the Income Statement
Profit or loss before appropriations and taxes	Income Statement item Profit or Loss before Appropriations and Taxes
Return on equity (ROE), %	$\frac{\text{Operating profit or loss less taxes}^{*)}}{\text{Equity capital + minority interest + voluntary reserves and excess depreciation less deferred taxes (average at the beginning and end of year)}} \times 100$ <p><small>*)Taxes related to extraordinary items are excluded</small></p>
Return on assets (ROA), %	$\frac{\text{Operating profit or loss less taxes}^{*)}}{\text{Balance sheet total on average (beginning and end of the year)}} \times 100$ <p><small>*)Taxes related to extraordinary items are excluded</small></p>
Equity/total assets ratio, %	$\frac{\text{Equity capital + minority interest + voluntary reserves and excess depreciation less deferred taxes}}{\text{Balance sheet total}} \times 100$
Cost/income ratio, %	$\frac{\text{Commission expenses + administrative expenses + depreciation + other operating expenses}}{\text{Net interest income + income from equity investments + commissions and fees + net income from securities and foreign exchange trading + other operating income}} \times 100$

NOTES REGARDING INCOME TAXES

36) Income Taxes

Distribution of income tax between ordinary operations and extraordinary items:
The taxes of all OP Bank Group companies were attributable to ordinary operations.

Deferred taxes and tax liabilities:
The OP Bank Group's balance sheet included € 257 million of deferred taxes that were based on appropriations. Other deferred taxes and tax liabilities were not recorded in the balance sheet for 2003 and 2002 The deferred tax liabilities consisted mainly of losses that were confirmed in the tax statements. Other deferred tax liabilities were minor in amount.

	2003	2002
Deferred tax liabilities likely to materialise	39	37

Impact of revaluations on income taxes:
Revaluations totalling € 89 million have been made on properties and on shares and participations in real-estate companies owned by the OP Bank Group. If the revalued assets were sold, the revaluation would be realised as a capital gain that would result in a maximum increase in income taxes of € 26 million.

NOTES TO THE FINANCIAL STATEMENTS

NOTES CONCERNING COLLATERAL AND CONTINGENT LIABILITIES AS WELL AS DERIVATIVE CONTRACTS

37) Assets Given as Collateral on Own and Others' Behalf as well as Liabilities and Commitments for which They Were Pledged

	2003	2002
Assets pledged as collateral for own liabilities and commitments		
Pledges	1 455	945
Mortgages	-	-
Other	15	14
Collateralised liabilities		
Liabilities to financial institutions and central banks	1 201	601
Liabilities to the public and public sector entities	239	148
Notes and bonds issued to the public	-	-
Collateral pledged on behalf of others		
Pledges	1	1
Mortgages	0	7

38) Pension Liabilities

OP Bank Group company personnel, except for Opstock Ltd, is covered by a statutory pension scheme arranged through the OP Bank Group Pension Fund. Supplementary pension has, with the exception of Opstock Ltd, FD Finanssidata Oy and Keski-Suomen Tila- ja Kiinteistöpalvelu Oy, been arranged through the OP Bank Group Pension Foundation. The Foundation has not accepted new beneficiaries since June 30, 1991. The statutory pension cover for personnel at the Stockholm branch office was arranged in accordance with the Swedish law.

OP Bank Group companies have no direct liabilities associated with pension liabilities. The pension liabilities of OP Bank Group companies are fully covered.

39) Leasing Liabilities

Leasing payments in 2004	3
Leasing payments after 2004	14

40) Breakdown of Off-Balance Sheet Commitments at the Year-End

	2003	2002
Guarantees	383	520
Guarantee commitments	987	884
Pledges and mortgages	0	7
Other commitments given to a third party on behalf of customers	89	41
Unused standby credit facilities	3 613	2 887
Pledges given	1	1
Other irrevocable commitments given on behalf of a customer	420	432
Total commitments	5 494	4 772

41) Derivative Contracts at the Year-End

Values of underlying instruments	2003	2002
Contracts made for hedging purposes		
Interest rate derivatives		
Futures and forwards	24	-
Options	-	-
Interest rate swaps	2 027	521
Currency derivatives		
Futures and forwards	7	4
Options	-	-
Interest rate and currency swaps	100	-
Equity derivatives		
Futures and forwards	-	-
Options		
Purchased	45	7
Written	-	-
Other derivatives		
Futures and forwards	-	-
Options	-	-
Credit derivatives	31	-
Equity swaps	-	-
Total	2 234	532

Contracts made for purposes other than hedging

Interest rate derivatives		
Futures and forwards	1 009	3 157
Options		
Purchased	50	20
Written	50	20
Interest rate swaps	8 127	15 021
Currency derivatives		
Futures and forwards	956	600
Options		
Purchased	26	-
Written	26	-
Interest rate and currency swaps	-	-
Equity derivatives		
Futures and forwards	1	-
Options	-	-
Other derivatives	-	-
Total	10 245	18 818
Credit countervalues of contracts		
Interest rate derivative contracts	78	88
Currency derivative contracts	65	36
Other derivatives	9	1
Total	152	125

The Member Cooperative Banks of the OP Bank Group Central Cooperative, Dec. 31, 2003

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

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Alajärven Osuuspankki	Alajärvi	Pentti Mäkelä	136	2.57
Alastaron Osuuspankki	Alastaro	Petri Antila	41	0.48
Alavieskan Osuuspankki	Alavieska	Ismo Talus	31	0.41
Alavuden Seudun Osuuspankki	Alavus	Jussi Ruuhela	108	1.03
Andelsbanken för Åland	Maarianhamina	Håkan Clemes	110	0.49
Andelsbanken Raseborg	Karjaa	Lars Björklöf	185	0.55
Artjärven Osuuspankki	Artjärvi	Tuulikki Kyyhkynen	36	0.71
Askolan Osuuspankki	Monninkylä	Irja Mäittälä	42	0.84
Auran Osuuspankki	Aura	Sauli Nuolemo	44	0.59
Elimäen Osuuspankki	Elimäki	Pertti Olander	111	1.41
Enon Osuuspankki	Eno	Ari Karhapää	72	1.15
Etelä-Karjalan Osuuspankki	Lappeenranta	Risto Kiljunen	648	8.71
Etelä-Pohjanmaan Osuuspankki	Seinäjoki	Keijo Manner	496	4.26
Etelä-Päijänteen Osuuspankki	Asikkala	Jari Laaksonen	83	1.01
Etelä-Savon Osuuspankki	Mikkeli	Kari Manninen	412	5.84
Eurajoen Osuuspankki	Eurajoki	Harri Hiitiö	36	0.57
Euran Osuuspankki	Eura	Lenni Kankaanpää	63	0.86
Forssan Seudun Osuuspankki	Forssa	Jouni Hautala	186	2.14
Haapajärven Osuuspankki	Haapajärvi	Kari Ahola	57	0.61
Haapamäen Seudun Osuuspankki	Haapamäki	Tauno Vuorenmaa	35	0.45
Haapaveden Osuuspankki	Haapavesi	Timo Suhonen	61	1.01
Hailuodon Osuuspankki	Hailuoto	Veijo Nissilä	20	0.20
Halsuan Osuuspankki	Halsua	Tapio Jokela	17	0.21
Haminan Seudun Osuuspankki	Hamina	Markku Vanhala	132	1.89
Harjavallan Osuuspankki	Harjavalta	Jarmo Tuovinen	77	1.43
Hartolan Osuuspankki	Hartola	Teemu Hauta-Aho	37	0.70
Hauhon Osuuspankki	Hauho	Timo Metsola	31	0.49
Haukivuoren Osuuspankki	Haukivuori	Seppo Laurila	32	0.59
Heinäveden Osuuspankki	Heinävesi	Ville Pönttönen	46	0.88
		Jukka Tuomisto (1.2.2004)		
Himangan Osuuspankki	Himanka	Kalevi Humalajoki	47	0.20
Hinnerjoen Osuuspankki	Hinnerjoki	Jukka Tuomisto	16	0.29
		Kaija Marttala (26.1.2004)		
Hirvensalmen Osuuspankki	Hirvensalmi	Risto Rouhiainen	29	0.37
Honkilahden Osuuspankki	Honkilahti	Olavi Juhola	22	0.43
Huhtamon Osuuspankki	Huhtamo	Päivikki Järvinen	12	0.18
Huittisten Osuuspankki	Huittinen	Olli Näsi	77	1.54
Humppilan Osuuspankki	Humppila	Jari Salokangas	41	0.56
Hämeenkosken Osuuspankki	Hämeenkoski	Janne Nuutinen	27	0.33
Hämeenlinnan Seudun Osuuspankki	Hämeenlinna	Olli Liusjärvi	389	4.30
Iisalmen Osuuspankki	Iisalmi	Eero Mähönen	182	1.86
Iitin Osuuspankki	Kausala	Jari Oivo	48	-0.09
Ikaalisten Osuuspankki	Ikaalinen	Antero Sorri	58	0.73
Ilomantsin Osuuspankki	Ilomantsi	Kalevi Hämäläinen	61	1.08
Janakkalan Osuuspankki	Turenki	Vesa Lehikoinen	189	3.65
Joensuun Osuuspankki	Joensuu	Antti Heliövaara	224	2.48
Jokioisten Osuuspankki	Jokioinen	Vesa Rantanen	51	0.97
Juuan Osuuspankki	Juuka	Tuomo Mustonen	65	1.08
Juvan Osuuspankki	Juva	Kari Pitkälä	90	1.52
Jämsän Seudun Osuuspankki	Jämsä	Heikki Rosti	134	2.72

NOTES TO THE FINANCIAL STATEMENTS

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Kainuun Osuuspankki	Kajaani	Kari Sissala	239	3.08
Kalajoen Osuuspankki	Kalajoki	Pertti Sarkkinen	105	1.21
Kalkkisten Osuuspankki	Kalkkinen	Heikki Leppähaara	11	0.13
Kangasalan Osuuspankki	Kangasala	Veikko Poranen	111	1.64
Kangasniemen Osuuspankki	Kangasniemi	Leo Pakkanen	80	1.88
Kankaanpään Osuuspankki	Kankaanpää	Teuvo Pakkala	73	0.39
Kannuksen Osuuspankki	Kannus	Juha Lundström	57	0.44
Karjalan Osuuspankki	Mynämäki	Pentti Laaksonen	20	0.26
Karkun Osuuspankki	Karkku	Raimo Virtanen	12	0.26
Karunan Osuuspankki	Karuna	Pertti Peura	12	0.07
Karvian Osuuspankki	Karvia	Antti Suomijärvi	35	0.46
Kaustisen Osuuspankki	Kaustinen	Asko Ahonen	47	0.35
Keikyän Osuuspankki	Äetsä	Kalevi Salonen	20	0.32
		Jyrki Suoja (1.2.2004)		
Kemin Seudun Osuuspankki	Kemi	Pertti Stöckel	172	1.73
Kerimäen Osuuspankki	Kerimäki	Jarmo Kaivonurmi	39	0.55
Keski-Suomen Osuuspankki	Jyväskylä	Aimo Ekonen	1 161	13.20
Keski-Uudenmaan Osuuspankki	Järvenpää	Leif Laine	707	11.09
Kestilän Osuuspankki	Kestilä	Hans Aikio	23	0.28
Kesälahden Osuuspankki	Kesälahti	Erkki Kukkonen	37	0.64
Kihniön Osuuspankki	Kihniö	Ari Heinonen	20	0.28
Kiihtelysvaaran Osuuspankki	Kiihtelysvaara	Pasi Leppänen	45	0.50
Kiikalan Rekijoen Osuuspankki	Rekijoki	Kirsi-Marja Hiidensalo	20	0.28
		Eero Lahti (16.3.2004)		
Kiikoisten Osuuspankki	Kiikoinen	Pertti Kärki	16	0.23
Kiskon Osuuspankki	Kisko	Pekka Anttonen	29	0.43
Kiteen Seudun Osuuspankki	Kitee	Pentti Hämäläinen	177	2.40
Kiukaisten Osuuspankki	Kiukainen	Jari Valonen	20	0.43
Koillis-Savon Osuuspankki	Kaavi	Asko Imppola	103	1.68
Koitin-Pertunmaan Osuuspankki	Koitti	Unto Aikasalo	42	0.64
Kokemäen Osuuspankki	Kokemäki	Jari Luukkanen	85	1.61
Kokkolan Osuuspankki	Kokkola	Aatto Ainali	351	3.17
Kontiolahden Osuuspankki	Kontiolahti	Esko Mononen	66	0.64
Korpilahden Osuuspankki	Korpilahti	Kyösti Myller	49	0.97
Korsnäs Andelsbank	Molpe	Jan-Erik Westerdahl	41	0.44
Kotkan Seudun Osuuspankki	Kotka	Pentti Leisti	206	2.11
Kouvolan Seudun Osuuspankki	Kouvola	Marjo Partio	300	3.85
Kronoby Andelsbank	Kruunupyö	Sten-Ole Nybäck	70	1.51
Kuhmalahden Osuuspankki	Pohja	Risto Mattila	20	0.35
Kuhmoisten Osuuspankki	Kuhmoinen	Heikki Vilppala	27	0.45
Kuhmon Osuuspankki	Kuhmo	Erkki Airaksinen	97	1.29
Kuopion Osuuspankki	Kuopio	Jaakko Ojanperä	480	3.37
Kuortaneen Osuuspankki	Kuortane	Markku Jaatinen	39	0.42
Kurun Osuuspankki	Kuru	Marja-Leena Siuro	30	0.53
Kuusamon Osuuspankki	Kuusamo	Kari Kivelä	92	0.75
Kuusjoen Osuuspankki	Kuusjoki	Eero Kaskela	19	0.33
Kymijoen Osuuspankki	Anjalankoski	Heikki Pykälistö	95	1.78
Kärkölän Osuuspankki	Järvelä	Petri Hokkanen	40	0.67
Kärsämäen Osuuspankki	Kärsämäki	Mikko Ruusunen	29	0.41
Käylän Osuuspankki	Käylä	Kaisa Kurtti	15	0.23
Köyliön Osuuspankki	Köyliö	Jorma Pohjus	53	0.63
Lapin Osuuspankki	Lappi	Vesa Parkkali	45	0.60
Lappo Andelsbank	Lappo	Torsten Nordberg	7	0.02

NOTES TO THE FINANCIAL STATEMENTS

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Lehtimäen Osuuspankki	Lehtimäki	Antti Koivula	24	0.12
Lemin Osuuspankki	Lemi	Eero Innanen	36	0.41
Leppävirran Osuuspankki	Leppävirta	Ilkka Martikainen	87	1.47
Lieksan Osuuspankki	Lieksa	Jorma Lehtikoinen	117	2.50
Limingan Osuuspankki	Liminka	Urpo Ojala	42	0.43
Liperin Osuuspankki	Liperi	Jalo Lehtovaara	98	1.51
Loimaan Osuuspankki	Loimaa Kk	Heimo Kortnesniemi	97	1.12
Loimaan Seudun Osuuspankki	Loimaa	Juha Pullinen	76	0.85
Lokalahden Osuuspankki	Lokalahti	Bo Hellén	19	0.24
Lopen Osuuspankki	Loppi	Keijo Bragge	68	0.94
Lounais-Suomen Osuuspankki	Paimio	Vesa Viitaniemi	136	1.34
Luhangan Osuuspankki	Tammijärvi	Pekka Pietilä	19	0.20
Luopioisten Osuuspankki	Luopioinen	Esa Jokinen	22	0.29
Luumäen Osuuspankki	Taavetti	Eero Kettunen	45	0.78
Luvian Osuuspankki	Luvia	Hannu Kyrövaara	39	0.37
Länsi-Uudenmaan Osuuspankki	Lohja	Jukka Karasjärvi	488	2.71
Maaningan Osuuspankki	Maaninka	Reijo Kananen	51	0.88
Marttilan Osuuspankki	Marttila	Matti Vahalahti	48	0.89
Maskun Osuuspankki	Masku	Jarmo Nurmi	55	0.37
Mellilän Seudun Osuuspankki	Mellilä	Jouko Rinne	26	0.48
Merimaskun Osuuspankki	Merimasku	Kaisa Haaksiluoto	15	0.22
Metsämaan Osuuspankki	Metsämaa	Jussi Nieminen	20	0.24
Miehikkälän Osuuspankki	Miehikkälä	Seppo Pylvänäinen	35	0.71
		Kalevi Salonen (1.1.2004)		
Miettilän Osuuspankki	Miettilä	Kaarina Sacklén	5	0.00
Mouhijärven Osuuspankki	Mouhijärvi	Esko Heinonen	35	0.43
Mynämäen Osuuspankki	Mynämäki	Kalle Krappala	84	1.49
		Kimmo Ranta (1.1.2004)		
Myrskylän Osuuspankki	Myrskylä	Jorma Rouhiainen	13	0.11
Mäntsälän Osuuspankki	Mäntsälä	Heikki Kananen	100	1.45
Mäntän Seudun Osuuspankki	Mänttä	Erkki Lauronen	125	2.02
Nagu Andelsbank	Nauvo	Johan Broos	19	0.21
Nakkilan Osuuspankki	Nakkila	Jussi Kuvaja	67	1.49
Niinijoen Osuuspankki	Niinijoki	Timo Seikkula	24	0.36
Nilsian Osuuspankki	Nilsia	Seppo Pääkkö	86	2.31
Nivalan Osuuspankki	Nivala	Markku Niskala	92	0.48
Nousiaisten Osuuspankki	Nousiainen	Ville Aakula	104	1.42
Nurmeksen Osuuspankki	Nurmes	Eero Heino	88	2.12
		Mikko Vepsäläinen (20.1.2004)		
Orimattilan Osuuspankki	Orimattila	Veli-Matti Onnela	100	1.45
Oripään Osuuspankki	Oripää	Jouko Rekolainen	31	0.29
Oriveden Seudun Osuuspankki	Orivesi	Pertti Pyykkö	86	1.49
Osuuspankki Kantrisalo	Inkere	Turkka Saarniniemi	59	0.82
Oulaisten Osuuspankki	Oulainen	Jari Anttila	92	1.93
Oulun Osuuspankki	Oulu	Timo Levo	999	8.13
Outokummun Osuuspankki	Outokumpu	Eero Eskelinen	56	1.15
Paattisten Osuuspankki	Paattinen	Eero Koskinen	57	0.54
Paltamon Osuuspankki	Paltamo	Jorma Niemi	37	0.37
Parikkalan Seudun Osuuspankki	Parikkala	Matti Martikainen	68	1.24
		Tuomo Liukka (5.3.2004)		
Parkanon Osuuspankki	Parkano	Aarre Saranpää	50	0.69
Pedersörenejdens Andelsbank	Pietarsaari	Ulf Löf	192	2.49
Perhon Osuuspankki	Perho	Pekka Pajula	32	0.37

NOTES TO THE FINANCIAL STATEMENTS

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Perniön Osuuspankki	Perniö	Risto Lehtinen	52	0.92
Peräseinäjoen Osuuspankki	Peräseinäjoki	Juha Mäki	60	1.06
Pieksämäen Seudun Osuuspankki	Pieksämäki	Seppo Vanninen	142	0.57
Pielaveden Osuuspankki	Pielavesi	Pertti Rautaparta	57	0.38
Pihtiputaan Osuuspankki	Pihtipudas	Erkki Niemelä	33	0.69
Pohjolan Osuuspankki	Rovaniemi	Markku Salomaa	416	4.46
Polvijärven Osuuspankki	Polvijärvi	Juhani Leminen	62	1.25
Porin Seudun Osuuspankki	Pori	Jukka Ramstedt	600	8.26
Porvoon Osuuspankki	Porvoo	Pertti Hellqvist	297	4.03
Posion Osuuspankki	Posio	Vesa Jurmu	58	1.00
Pudasjärven Osuuspankki	Pudasjärvi	Paavo Kurttila	94	2.07
Pukkilan Osuuspankki	Pukkila	Ari Talkara	35	0.64
Pulkkilan Osuuspankki	Pulkkila	Eero Keskitalo	23	0.44
Punkalaitumen Osuuspankki	Punkalaidun	Tapio Laine	63	1.05
Puolangan Osuuspankki	Puolanka	Jouni Ahokumpu	44	0.58
Purmo Andelsbank	Pietarsaaren mlk	Stig-Göran Jansson	21	0.24
Pyhäjärven Osuuspankki	Pyhäsalmi	Jukka Kuonanoja	65	1.17
		Matti Martikainen (6.1.2004)		
Pyhännän Osuuspankki	Pyhäntä	Viljo Lotvonen	22	0.37
Päijät-Hämeen Osuuspankki	Lahti	Timo Laine	530	1.21
Pälkäneen Osuuspankki	Pälkäne	Jari Linjala	37	0.80
Pöytyän Osuuspankki	Riihikoski	Tuomo Jokinen	51	0.55
Raahen Seudun Osuuspankki	Raahe	Seppo Rytivaara	177	2.73
Rantasalmen Osuuspankki	Rantasalmi	Vesa Auvinen	76	0.98
Rantsilan Osuuspankki	Rantsila	Ismo Välijärvi	29	0.48
Rauman Seudun Osuuspankki	Rauma	Simo Kauppi	329	6.41
Rautalammin Osuuspankki	Rautalampi	Esko-Pekka Markkanen	42	0.80
Riihimäen Seudun Osuuspankki	Riihimäki	Kalevi Oksanen	179	3.28
Riistaveden Osuuspankki	Riistavesi	Pauli Kröger	34	0.61
Ruhtinansalmen Osuuspankki	Ruhtinansalmi	Helena Juntunen	8	0.07
Ruoveden Osuuspankki	Ruovesi	Alpo Porila	60	0.57
Ruukin Osuuspankki	Ruukki	Kalle Arvio	60	1.07
Rymättylän Osuuspankki	Rymättylä	Antero Nikki	38	0.43
Rääkkylän Osuuspankki	Rääkkylä	Olli Koivula	43	0.62
Sallan Osuuspankki	Salla	Veikko Nissi	39	0.21
Salon Seudun Osuuspankki	Salo	Jukka Hulkkonen	347	4.26
Sauvon Osuuspankki	Sauvo	Pasi Virtanen	33	0.44
Savitaipaleen Osuuspankki	Savitaipale	Martti Valtonen	56	0.47
Savonlinnan Osuuspankki	Savonlinna	Merja Auvinen	234	3.25
Sideby Andelsbank	Sideby	Anders Storteir	10	0.16
Siikajoen Osuuspankki	Siikajoki	Pentti Keränen	25	0.29
Simpeleen Osuuspankki	Simpele	Kalevi Lehti	30	0.77
Somerniemen Osuuspankki	Somerniemi	Pertti Kujala	14	0.16
Someron Osuuspankki	Somero	Kari Raikonen	91	1.04
Sonkajärven Osuuspankki	Sonkajärvi	Esko Nissinen	58	0.81
Sotkamon Osuuspankki	Sotkamo	Juhajouni Karttunen	66	1.05
Strömfors Andelsbank	Ruotsinpyhtää	Mats Majander	5	0.00
Sulkavan Osuuspankki	Sulkava	Kari Haverinen	33	0.39
Suodenniemen Osuuspankki	Suodenniemi	Selja Kallio	13	0.11
Suomussalmen Osuuspankki	Suomussalmi	Timo Polo	55	0.65
Suonenjoen Osuuspankki	Suonenjoki	Antti Hult	61	0.97
Sysmän Osuuspankki	Sysmä	Heikki Kurne	61	1.08
Säkylän Osuuspankki	Säkylä	Markku Perttuli	43	0.66

NOTES TO THE FINANCIAL STATEMENTS

Name	Domicile	Managing director	Total assets, € million	Operating profit/loss, € million
Taivalkosken Osuuspankki	Taivalkoski	Riitta-Liisa Ahokumpu	30	0.24
Taivassalon Osuuspankki	Taivassalo	Markku Kraama	26	0.13
Tampereen Seudun Osuuspankki	Tampere	Tony Vepsäläinen	1 205	3.71
Tarvasjoen Osuuspankki	Tarvasjoki	Esa Hentula	32	0.34
Tervolan Osuuspankki	Tervola	Esa Vaarala	38	0.55
Tervon Osuuspankki	Tervo	Seppo Vehniäinen	24	0.45
Toholammin Osuuspankki	Toholampi	Lauri Keski-Rahkonen	56	0.51
Toijalan Osuuspankki	Toijala	Heikki Teräväinen	87	1.75
Tornion Osuuspankki	Tornio	Pentti Alaperä	151	0.71
Turun Seudun Osuuspankki	Turku	Risto Korpela	1 350	2.70
Tuupovaaran Osuuspankki	Tuupovaara	Tuomo Liukka	33	0.47
		Jaana Reimasto-Heiskanen (15.3.2004)		
Tyrnävän Osuuspankki	Tyrnävä	Eero Ylilauri	39	0.63
Ullavan Osuuspankki	Ullava	Veikko Väisälä	18	0.29
Urjalan Osuuspankki	Urjala	Pekka Raivisto	75	1.06
Utajärven Osuuspankki	Utajärvi	Raimo Tuovinen	66	1.32
Uukuniemen Osuuspankki	Niukkala	Pauli Loikkanen	8	0.08
Vakka-Suomen Osuuspankki	Uusikaupunki	Juha-Pekka Nieminen	191	2.31
Valkeakosken Osuuspankki	Valkeakoski	Juha Luomala	100	1.46
Valtimon Osuuspankki	Valtimo	Heikki Myller	35	0.45
Vammalan Seudun Osuuspankki	Vammala	Jari Pimiä	115	0.18
Vampulan Osuuspankki	Vampula	Kari Hänti	41	0.71
Varkauden Osuuspankki	Varkaus	Pekka Vilhunen	133	1.42
Varpaisjärven Osuuspankki	Varpaisjärvi	Seppo Riekkinen	47	0.77
Vasa Andelsbank	Vaasa	Ulf Nylund	389	5.28
Vehmersalmen Osuuspankki	Vehmersalmi	Heikki Väisänen	34	0.67
Vesannon Osuuspankki	Vesanto	Esa Keränen	36	0.42
Vetelin Osuuspankki	Veteli	Jarmo Lehojärvi	18	0.23
Vetelin Ylipään Osuuspankki	Räyrinki	Jari Siirilä	18	0.23
Viekin Osuuspankki	Viekijärvi	Esko Pyykkö	10	0.09
Vihannin Osuuspankki	Vihanti	Olavi Rasi	56	0.87
Vimpelin Osuuspankki	Vimpeli	Simo Ilomäki	35	0.39
Virolahden Osuuspankki	Virolahti	Jyrki Gerlander	37	0.56
Virtain Osuuspankki	Virrat	Ari Kakkori	83	1.29
Ylitornion Osuuspankki	Ylitornio	Heikki Eteläaho	51	0.74
Ylivieskan Osuuspankki	Ylivieska	Jarmo Somero	99	0.97
Yläneen Osuuspankki	Yläne	Heikki Eskola	45	0.85
Ypäjän Osuuspankki	Ypäjä	Kimmo Ranta	48	0.78
		Kirsi-Marja Hiidensalo (1.2.2004)		
Ähtärin Osuuspankki	Ähtäri	Esko Kokkila	33	0.44
Östnylands Andelsbank	Porvoo	Arto Nurmi-Aro	150	0.97
Östra Korsholms Andelsbank	Mustasaari	Jussi Lahti	4	0.03
Övermark Andelsbank	Närpiö	Mårten Vikberg	17	0.24

46) The Amount of Non-Paid Cooperative Capital Investments and the Number of Cooperative Bank's Members at the Year-End

	2003	2002
Non-paid cooperative capital investments, total	0	0
Cooperative capital investments, notice of withdrawal given	4	4
Supplementary cooperative capital investments, notice of withdrawal given	79	75
Individual members	1 072 431	1 042 401

NOTES TO THE FINANCIAL STATEMENTS

47) Technical Account and Asset and Liability Statement of Insurance Business of OP Life Assurance Company Ltd

The Financial Supervision Authority has granted the OP Bank Group Central Cooperative a fixed-period exemption from compliance with the special requirements set for the financial statements of a financial and insurance conglomerate. The exemption is in force up to the closing of the books for 2004. Precondition for the exemption is that the financial statements of OP Bank Group Central Cooperative and OP Bank Group include the technical account and the asset and liability statement of insurance business of OP Life Assurance Company Ltd.

TECHNICAL ACCOUNT

	Jan. 1–Dec. 31, 2003		Jan. 1–Dec. 31, 2002	
Premium income				
Gross premium income	530		493	
Reinsurer's share	-1	529	0	493
Investment income		231		112
Claims incurred				
Claims paid	-159		-171	
Reinsurer's share	0	-159	0	-171
Change in provision for outstanding claims	-5	-164	-3	-175
Change in provision for unearned premiums				
Change in provision for unearned premiums	-457		-287	
Reinsurer's share	4	-453	0	-287
Net operating expenses		-23		-22
Investment expenses		-84		-159
Investment revaluation adjustment				0
Balance on technical account		36		-39
Non-technical account				
Appropriations				
Depreciation difference, increase (-)/decrease (+)		-		0
Direct taxes on ordinary operations				
Taxes for the year and previous years		0		0
Profit for the year		36		-39

**ASSET AND LIABILITY STATEMENT
OF INSURANCE BUSINESS**

Assets	Dec. 31, 2003		Dec. 31, 2002	
Intangible assets				
Other long-term expenditure		2		2
Investments				
Real-estate investments				
Real estate and real-estate shares	44		41	
Loan receivables in Group companies	14	58	10	50
Investments in Group companies and participating interest companies				
Shares and participations in				
Group companies	5		4	
Debt securities and loan receivables in Group companies	5	10	15	19
Other investments				
Shares and participations	416		423	
Debt securities and other fixed-income securities	1 336		1 089	
Deposits	53	1 804	14	1 525
Assets covering unit-linked policies		422		300

NOTES TO THE FINANCIAL STATEMENTS

	Dec. 31, 2003		Dec. 31, 2002	
Debtors				
Arising from direct insurance operations				
Arising from policyholders	0		0	
Arising from reinsurance operations	0		0	
Other debtors	212	213	0	1
Other assets				
Tangible assets	0		0	
Cash in hand and at bank	30	30	13	13
Accrued income				
Accrued interest and rent	30		27	
Other prepayments and accrued income	2	32	3	30
Total assets		2 571		1 940
Liabilities				
Equity capital				
Share capital	47		47	
Reserves (reserve fund)	72		72	
Profit carried forward	-32		7	
Profit for the year	36	122	-39	87
Accumulated appropriations				
Appropriations (depreciation difference)		-		-
Subordinated loans		65		54
Technical provision				
Provision for unearned premiums	1 801		1 471	
Claims outstanding	19	1 820	14	1 485
Provisions for unit-linked policies				
Technical provision		422		299
Creditors				
Arising from direct insurance operations	0		0	
Arising from reinsurance operations	0		0	
Other creditors	133	133	7	7
Deferred income		9		7
Total liabilities		2 571		1 940

STATEMENT CONCERNING
THE FINANCIAL STATEMENTS

We have adopted the consolidated financial statements of the amalgamation of cooperative banks (the OP Bank Group) specified in the Cooperative Bank Act for the financial year 1 January to 31 December 2003. The

financial statements are presented to, and passed out at, the General Meeting of the OP Bank Group Central Cooperative.

HELSINKI, 24 FEBRUARY 2004

Executive Board of the OP Bank Group Central Cooperative

Antti Tanskanen

Reijo Karhinen
Pekka Jaakkola

Heikki Vitie

Erkki Böös
Mikael Silvennoinen

AUDITORS' REPORT

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

We have audited the consolidated financial statements for the year ended 31 December 2003, of the amalgamation of the cooperative banks (the OP 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 OP Bank Group Central Cooperative, which is the OP Bank Group's central institution, comprise the report of the Executive Board, the income statement, 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 OP Bank Group.

HELSINKI, 24 FEBRUARY 2004

KPMG WIDERI OY AB

Hannu Niilekselä
Authorized Public Accountant



OP Bank Group