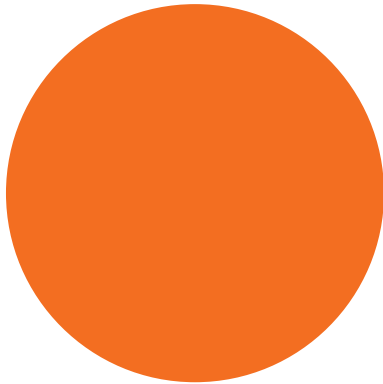


**OP BANK GROUP**  
ANNUAL REPORT 2004







### Financial Information in 2005

The OP Bank Group and OKO Bank will publish three interim reports in 2005:

- for January–March on May 12, 2005
- for January–June on August 11, 2005
- for January–September on November 10, 2005.

The interim reports will be published in Finnish, Swedish and English. The interim reports are available on our website at the address [www.op.fi/english](http://www.op.fi/english). Paper copies can be ordered at the address OP Bank Group Central Cooperative, Corporate Communications, P.O. Box 308, FI-00101 Helsinki, telephone +358 10 252 2053, telefax +358 10 252 2298, e-mail: [viestinta@op.fi](mailto:viestinta@op.fi).

This publication together with the OP Bank Group's Financial Statements form the Group's Annual Report for 2004.

Also annexed to the Annual Report is the OP Bank Group's Corporate Responsibility Report, which was previously published as one of the chapters of the Annual Report.

Should the Financial Statements and Corporate Responsibility Report not be enclosed with this Annual Report, they can be ordered from the above address.

Picture on the front cover:

*"What's good for the customer, is good for the bank. That's the essence of my job as head of customer relationship management. It's about developing service and sales, with the kind of challenges and excitement a team coach sees."*

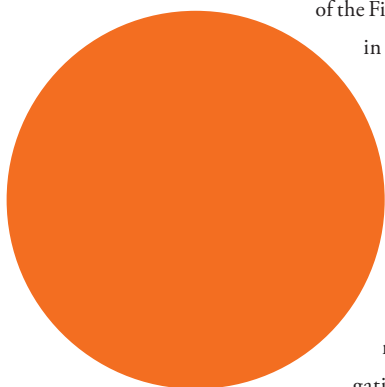
#### **Marja-Liisa Sipola**

Bank Director, Raahen Seudun Osuuspankki

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# CHAIRMAN'S REVIEW



The 50-year historical account of the Central Association of the Finnish Cooperative Banks, which was published in 1979, was entitled *The Power of Continuous Growth*. It was a good name. It portrays our achievements today still, when the OP Bank Group's 100-year historical account is three years old.

Continuous growth is also the motive force behind our strategy, which was updated last summer. "Our historical and recent business achievements impose an obligation and give us the wherewithal to continue outpacing the market," as the idea is expressed in the introduction. The OP Bank Group's historical accomplishments are generally known, and our recent ones do not fall short of them. On the contrary. The Group's financial soundness, market position and corporate image are stronger than ever.

The OP Bank Group's objective is to exceed the average market growth in all its core business areas and to be the market leader in them. The objective is realistic in view of our starting positions. In 2004, the OP Bank Group's operating profit was again at the level of about 500 million euros that we have reached in recent years. Our own funds have nearly doubled over the past five years, and the capital adequacy ratio has risen substan-

tially. This makes it possible and warranted to prioritise growth. The objective is also realistic for the reason that the OP Bank Group has already secured very good market positions. Last year, as in many previous years, we gained market share in both loans and deposits as well as in mutual fund investments and insurance savings.

Changes in market shares are usually small, but the trend in them is the key factor. For the OP Bank Group, it has been rising, and I believe it will continue to rise. Market shares are an important measure of success for us. Even small changes in them tell right away how well we have done our work, how well we have served our customers. The OP Bank Group has already secured the leading position amongst retail customers, and in the corporate customer segment our position has strengthened significantly.

The power of continuous growth is something that would be salutary for the world economy and our home country's economy as well. Indeed, it was a stronger year of growth for the world economy than was generally expected a year ago. Even that, however, did not help Europe. In coming years, the United States' debt-driven economy will be less and less apt to act as the world's locomotive. Europe itself must be able to generate so much demand that it will lead to jobs for more and more people. I thus believe that the European Central Bank will refrain



from major interest rate hikes, and I forecast that market interest rates will remain at a low level, as in recent years.

Finland's economic growth last year was respectable as measured against the eurozone. It was nevertheless weak compared with the world economy and in view of what would have been required to achieve employment targets. Finland's investment rate is still worryingly low, though it did notch up slightly last year.

The banks' loan portfolio continued to grow briskly, mainly thanks to robust demand for home mortgages, but the corporate loan portfolio also expanded. Deposit growth was smaller and the average spread between total loans and deposits narrowed further. The upswing in the equity market, however, boosted the popularity of long-term saving, and capital invested in mutual funds increased substantially.

The trend in the current year will most likely be the same. The growth in personal income and continuing low interest rates will maintain demand for non-rental housing and thereby also build a larger loan portfolio. Investments in mutual funds are continuing to rise, and life and pension insurance too can be expected to revive, because the implications of the new legislation have become clear.

The OP Bank Group's success has been, and still is, crucially dependent on having a staff that are skilled, motivated and committed. Last year the Group's human resources policy centred on two things: training and rewards. In the area of rewards, we set off on a new path

when it was decided to establish a personnel fund. Alongside it, a separate reward system for management was created. The aim of these schemes is to reward people for good performance, to encourage them to do even better and to get everybody solidly behind the Group's common objectives.

Only through the efforts of our staff, and bolstered by the confidence which our other stakeholders have in us, can we carry out the fundamental mission that is stated in our strategy: to promote the sustainable prosperity and well-being of our owner-members, customers and operating environment and to be for our customers more than a bank.

I wish to thank the OP Bank Group's staff and administrative officers as well as our owners, customers and all our other stakeholders for their good co-operation during the past year.

Helsinki, February 10, 2005

**Antti Tanskanen**

## PRESIDENT'S REVIEW



The will to succeed runs deep in the values underpinning the OP Bank Group. Last year's operational results demonstrate yet again that we also have the ability to succeed. We moved ahead in line with our strategic aims. We outpaced the market and our earnings trend was stable. We also succeeded in risk management. Despite the prolonged growth in lending, all the benchmarks of credit risk were still at a historically low level.

The OP Bank Group's accomplishments are based on two things: skilled staff and the confidence our customers have in us. These factors will drive our success in future years as well. Our staff are professionally skilled and experienced, and new employees have also been recruited and trained in their tasks. Human resources development and a people-first corporate culture are among our traditional strengths.

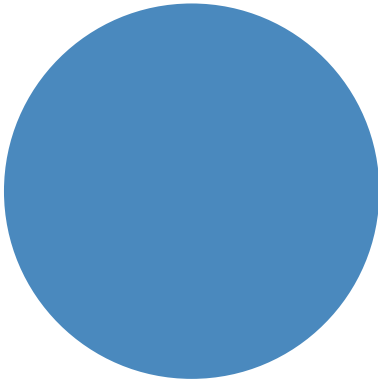
The OP Bank Group has a human focus. The Group's operations are guided by a genuine care for both customers and our staff. We can earn customers' trust only by dint of our expertise and skill. At best, these qualities turn into a benevolent circle: skill begets trust; trust strengthens the aspiration to excellence.

According to studies, reliability is the most important criterion in choosing a bank. Taking the customer's life

situation into consideration is also an essential factor. The OP Bank Group has managed to respond to customers' requirements better than others have. This is shown by our own customers' strong ties to us, but we are also the most attractive alternative for those who are considering changing their bank. We shall have a strong will and ability to prosper together with our customers in coming years as well.

The halt in escalating expenses supported the OP Bank Group's good earnings trend in 2004. Nor can we afford rising expenses henceforth. In conditions of free competition, it takes strong price competitiveness to secure the kind of performance outlined in our strategy. There is no room for relying on widening margins. On the contrary, it is more likely that the average price of aggregate funding will rise and the trend in loan losses will return to normal. Only a capable bank that minds its expenses can be a strong player in the face of ever-keener competition.

An essential element of the OP Bank Group's future competitiveness is the ability of the central institution, the Central Cooperative, to keep producing added value for its member banks. Today's Central Cooperative is progressive: it has devoted resources purposefully to development, and our information technology efficiency stacks up well against both domestic and international peers. We have



furthermore revitalised and expanded our services and ways of working. Yet this is not enough; we must push ahead farther.

The Central Cooperative revamped its strategy in the report year. We observed that living up to the Group's strategy in line with our mission calls for going beyond small steps towards a more far-reaching remake. We need room for growing our business capabilities and the ability to innovate. The ICT tasks within our new organisation, which is in the running-in stage, are centralised rigorously. This means big challenges for all operational functions, above all for management. It also implies growing efficiency, and I believe that in the new strategy period the Central Cooperative will become an even more flexible and efficient development and service centre.

Within the Central Cooperative's line operations, the usability of IT services improved, demand for centralised services grew and operational efficiency was enhanced. Total invoicing for the sale of services to the member banks grew only somewhat, and expenses decreased slightly for the second year running.

One of the main events that will go down in the Group's history was the winding up of the OP Bank Group Security Fund in the year under review. The Security Fund's liabilities, assets and obligations were transferred to the Central Cooperative in accordance with the dissolution agreement that was prepared back in 1998. Apart from the income booked on the dissolution of the Security

Fund, the Central Cooperative's result was strengthened by the markedly higher dividends received from OKO Bank than a year ago.

The OP Bank Group has a clear-cut strategy. It challenges both the Central Cooperative and the member banks to renew themselves. The entire know-how and operations of the Group's personnel and administration are attuned to realising our common objectives. This is the aim of our reward schemes as well. We work with money and we know that money has a large importance for everyone. We also know that economic incentives alone are not enough. Along with them there must be work that is challenging and rich in content as well as a motivating workplace and an opportunity for continuous learning and development. The OP Bank Group offers all this now, as it will in the future.

I wish to thank all the member banks, the administrative officers and the entire personnel of the Central Cooperative and the OP Bank Group for their good work and support during the past year.

Helsinki, February 10, 2005

Reijo Karhinen





*"Information on changes in the operating environment is vital to the bank. I keep the Group's management posted and get around a lot telling people how the economy is doing. I'm in the public eye a lot: the business outlook is a hot topic."*

**Timo Lindholm**  
Chief Economist,  
Central Cooperative



## OPERATING ENVIRONMENT

The international economy experienced a strong upswing in 2004, particularly in the USA and China. In Japan too, growth was markedly faster than in recent years. In the eurozone, however, economic development was still modest, though the growth in total output did speed up somewhat. The increase in consumption was noticeably slow. Domestic demand in the eurozone was curbed in many member states by persistently high unemployment.

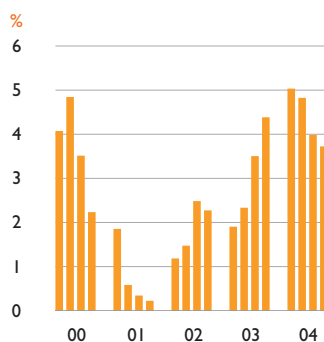
Towards the end of the year, relatively expensive oil and the sharp slide in the dollar created uncertainty about the near-term trend in the international economy. The fundamentals weakened, especially for the eurozone's largely export-led economic growth. The United States continued to be saddled with a huge debt overhang. This undermined the dollar, which weakened appreciably against the euro. The brakes began to be applied to China's torrid economic growth, with restrictions being imposed on capital spending and lending by banks.

In Finland, the growth in total output accelerated compared with the previous year and was over 3.5 per cent. The growth in consumer expenditure remained stable, and investments too ratcheted up somewhat after

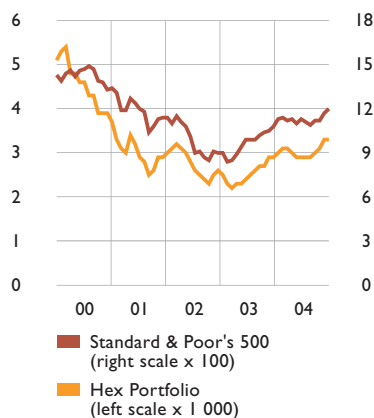
receding for a couple of years. Investments were boosted in particular by robust housing construction. Consumption was propped up by the substantial increase in household income. Real purchasing power rose in step with the growth in total take-home wages and salary and the uncommonly big dividends paid by listed companies. In addition to these factors, employment rose in the autumn. The average unemployment rate in 2004 fell by two tenths to 8.8 per cent, as the labour supply continued to decline slightly.

The price level was very stable all year long. The average rise in consumer prices was only 0.2 per cent – slower than for decades – because the alcohol tax was lowered in March. Furthermore, interest rates on loans

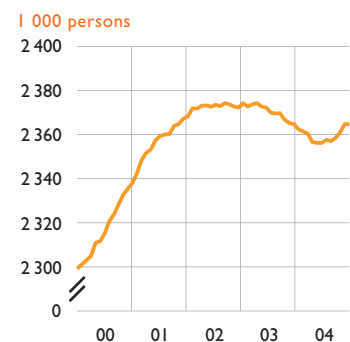
US GDP Growth



Stock Market Indices in Finland and in USA



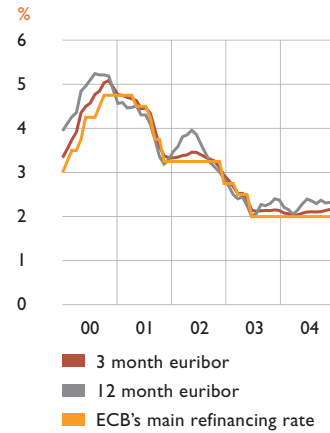
Employment, 12 month moving average



Industrial Sector Confidence Indicator, characteristic value



Euribor Rates and Official Interest Rate



remained very low throughout the year. On the other hand, housing prices rose further. The prices of old apartment house units rose by 5.5 per cent all over Finland, and slightly less in the Greater Helsinki area. The price trend tapered off in the latter part of the year. As a ratio of earned income, housing prices remained nearly unchanged. The ratio of households' aggregate credits to disposable income rose last year, largely in tandem with the fast growth in home mortgages, to 80 per cent. By international standards, the indebtedness rate is not high, but the breakdown of loans among households was more uneven than previously.

Material changes did not take place in interest rates during 2004, but they remained fairly low. In conditions of relatively slow inflation and subdued economic growth, the European Central Bank kept its main lending rate at 2 per cent all year long. The OP Bank Group's OP-Prime reference interest rate too remained unchanged at 2.5 per cent throughout the year. There was only minor fluctuation in market interest rates. The 12-month euribor was in a band of 2.0 to 2.5 per cent. Long market interest rates in the euro area headed downward in the summer, when the high price of oil was estimated rather to slow down economic growth than to send inflation heading upwards. A further factor keeping interest rates low was the appreciation of the euro against the dollar, thereby reducing external price pressures in the eurozone.

The growth in banking activities continued at a fast rate in all the main segments. As in the previous year, the home mortgage portfolio grew by just over 15 per cent, but growth slowed down somewhat in the latter part of the year. The rise in incomes and low interest rates maintained

strong demand for family-owned housing. The home mortgage costs paid by customers were lowered further by the narrowing in the banks' margins on loans. The financial state of the banks' clientele remained good. Retail customers saw an increase in their net wealth in step with the rise in value of financial investments and homes. Companies' equity ratios rose further and profitability remained relatively good despite tough global price competition.

The growth in the corporate loan portfolio quickened to 9 per cent, because investments swung upwards and there was an uptick in M&A transactions as well as generational shifts in companies. The increase in deposits with financial institutions was 5 per cent, which meant that total deposits fell further behind the loan portfolio. The trend in the banks' net interest income was also hampered by the low level of interest rates as well as tough competition in the pricing of new loans, thereby compressing the average spread on the loan portfolio and total deposits already to close to 2.5 percentage points.

The bull market in equities led to a marked increase in the popularity of long-term saving. The HEX Portfolio Index, which tracks the prices of shares listed on the stock exchange in Finland, rose by 15 per cent. The growth in mutual fund capital hit a good 40 per cent owing to the combined effect of large net subscriptions and the funds' appreciation in value. Net subscriptions in mutual funds amounted to a record € 6.6 billion. Three quarters of the growth in mutual fund capital came from these new investments. By contrast, the growth in insurance savings was slow. Premiums written in life assurance were roughly on a par with 2003.

## THE OP BANK GROUP'S KEY FIGURES

	2000	2001	2002	2003	2004
<b>Member banks</b>	245	245	244	243	<b>241</b>
Offices	709	693	692	682	<b>677</b>
Staff (excl. interns)	8 566	8 847	8 991	9 114	<b>9 118</b>
<b>Owner-members and customers, thousands</b>					
Owner-members	875	984	1 042	1 072	<b>1 105</b>
Customers	2 927	2 983	3 033	3 070	<b>3 100</b>
Online service contracts	572	685	783	826	<b>907</b>
<b>Market shares, %</b>					
Of FIM/euro-denominated credits*	31.9	32.4	29.7	29.8	<b>30.5</b>
Of FIM/euro-denominated deposits*	31.2	32.1	30.9	31.6	<b>32.3</b>
Of mutual funds registered in Finland	14.2	13.3	14.3	15.1	<b>16.5</b>
Of life and pension insurance savings	..	8.0	8.8	10.0	<b>11.0</b>
<b>Income statement items, € million</b>					
Net interest income	801	875	857	798	<b>783</b>
Commissions and fees	303	287	292	312	<b>328</b>
Loan and guarantee losses	5	12	13	9	<b>7</b>
Operating profit	664	504	459	515	<b>504</b>
<b>Balance sheet items, € million</b>					
Total assets	27 086	30 031	31 625	35 002	<b>38 229</b>
Loan portfolio	20 453	22 171	24 575	27 497	<b>31 006</b>
Non-performing and interest-free loans	203	192	174	168	<b>150</b>
Deposits	17 118	18 774	19 932	21 243	<b>22 783</b>
Equity capital	2 314	2 694	3 045	3 436	<b>3 863</b>
Insurance savings, € million	1 201	1 493	1 784	2 242	<b>2 678</b>
Capital in mutual funds, € million	1 917	1 929	2 257	3 329	<b>5 127</b>
<b>Key figures</b>					
Capital adequacy ratio, %	13.7	15.1	15.2	15.4	<b>15.8</b>
Tier I ratio (excl. capital investments), %	11.6	13.0	13.6	14.0	<b>14.1</b>
Return on equity (ROE), %	24.9	14.6	11.9	11.5	<b>10.5</b>
Return on assets (ROA), %	1.90	1.28	1.11	1.12	<b>1.04</b>
Cost/income ratio, %	49	55	61	62	<b>62</b>

\* 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 2004

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## A Stronger Market Position

The OP Bank Group's market position strengthened further in 2004. The market shares were as follows:

- 30.5 per cent of all euro-denominated loans (29.8% at the end of 2003), 34.4 per cent of home mortgages (34.5%), and 24.8 per cent of corporate loans (23.4%)
- 32.3 per cent of euro-denominated deposits (31.6)
- 16.5 per cent of capital invested in mutual funds registered in Finland (15.1)
- 11.0 per cent of insurance savings through life and pension policies (10.0)

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## Earnings at a Good Level

- Operating profit was € 504 million (515 in 2003).
- Net interest income was € 783 million (798).
- The return on equity (ROE) was 10.5 per cent (11.5) and the return on total assets (ROA) was 1.04 per cent (1.12).
- Consolidated operating profit posted by the Group's listed commercial bank, OKO Bank, was € 134 million (174). The result for 2003 included a large non-recurring item. In comparable terms, operating profit grew by 13 per cent.

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## Capital Adequacy Is Strong and the Risk Position Stable

- At the end of the year, the capital adequacy ratio was 15.8 per cent (15.4).
- Non-performing and interest-free loans contracted by 11 per cent to € 150 million (168).

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## Outlook for 2005

The Group's target is to strengthen its market position further during 2005.

The profit before taxes for 2005 is estimated to be on a par with 2004.

## Main Events in 2004

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- The OP Bank Group Central Cooperative's Supervisory Board confirmed the OP Bank Group's updated strategy. According to it, the OP Bank Group's goal is to be the leading bank in Finland and the Group's mindset is to outpace the market in all its core businesses.
- The constitutive meeting of the OP Bank Group's personnel fund was held in December. The fund went into operation at the beginning of 2005. About 93 per cent of the OP Bank Group's personnel joined immediately as members of it.
- The OP Bank Group Security Fund was dissolved in the summer after the very last member banks had paid their share of the Fund's liabilities. The Security Fund's liabilities were transferred to the OP Bank Group Central Cooperative, as was the income resulting from dissolution of the fund.
- During the report year, OP-Kiinteistökeskus became the largest chain of estate agents in Finland as measured by the number of sales made: 14 500 transactions in the report year. In the autumn the OP Bank Group was the first bank in Finland to bring out on the market an interest-capped home mortgage for private individuals.
- OP Fund Management Company became Finland's second-largest mutual fund company as measured by the number of unitholders, which went over 290 000 at the end of the year. OP Fund Management Company Ltd received the best overall marks for fund management companies in the National Corporate Image survey conducted by the market research company Taloustutkimus, as it did in previous years.
- In September, the British financial magazine *The Banker* again chose the OP Bank Group as Bank of the Year in Finland. *Global Finance* magazine of the United States chose OKO Bank as Finland's best bank in 2004.
- The main celebration for the OP Bank Group Week was held in Oulu and its theme was "102 Years of Responsibility". As part of the festivities, the OP Bank Group made a 40 000 euro donation to the Finnish Association for Mental Health.
- At the Future of Entrepreneurship 2005 seminar, the Company of the Year and Business Manager of the Year 2004 awards were passed out.
- The subject of the theme day arranged by the OP Bank Group Research Foundation was "Building a New Upswing – Achieving Growth Through Know-how and Entrepreneurship." The speakers at the function were Juhan Parts, Estonia's Prime Minister, and Matti Vanhanen, Finland's Prime Minister.
- The OP Bank Group Research Foundation and the OP Bank Group's Kyösti Haataja Foundation made grants totalling € 188 000 for scientific research.
- OP was chosen as the new name of the OP Bank Group's customer magazine. The previous name was Kultaraha (Gold Coin). The online service was renamed [www.op.fi](http://www.op.fi) and the call centre was named OP 0100 0500. The changes were part of the expanded use of the OP signature in the names used by the Group.
- An extraordinary general meeting of the shareholders of OKO Bank passed a resolution in the autumn that an additional dividend of € 0.30 per share be paid on the Series A and Series K shares.

## Economic Survey

### Income and Expenses

The OP Bank Group's net interest income for 2004 totalled € 783 million, down 2.0 per cent on the previous year (798)\*. Net interest income was still burdened by the low level of interest rates and a narrowing in customer margins. In the latter half of the year, the growth in the loan portfolio and total deposits as well as equity capital sent net interest income heading upward. The turnaround also stemmed from the halt in the downward trend in short interest rates and their slight rise after the spring. Net interest income in the last two quarters was greater than in the same periods a year earlier.

The Group's other income grew by 1.5 per cent to € 504 million (496). The biggest growth was registered in commission income and net income from securities trading. On the other hand, other operating income decreased substantially, mainly owing to the non-recurring items that were included in income in the comparison year. Income from equity investments amounted to € 16 million (14), an increase of 13.5 per cent on the previous year. Commission income increased by 4.9 per cent to € 328 million (312).

The OP Bank Group's expenses amounted to € 803 million (804). Commission expenses increased by 14 per cent to € 43 million (38). Salary expenses increased by 3.4 per cent but overall staff costs diminished by 1.1 per cent to € 370 million (374).

Net loan losses were booked to an amount of € 6.8 million, down 26 per cent on 2003 (9.1). The gross amount of new credit losses booked was € 28 million (29). Their share of the aggregate amount of the loan portfolio and commitments equivalent to lending was 0.07 per cent (0.08). Reversals on previously booked loan losses amounted to € 7.4 million (7.0). Write-downs on securities held as non-current financial assets amounted to € 0.1 million (4.5).

The share of the results of companies accounted for using the equity method diminished by 29 per cent to € 27 million (39). The decrease was due to the fact that OP Life Assurance Company Ltd's earnings for the financial year after an € 14 million voluntary supplementary benefit provision were € 21 million, down 41 per cent on the previous year (36).

### Operating Profit

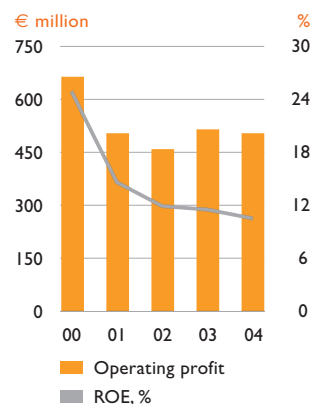
The OP Bank Group's operating profit was down 2.2 per cent to € 504 million (515). The principal factors affecting the trend in operating profit were the decrease in both net interest income and other operating income by € 16 million and the € 15 million drop in earnings reported by OP Life Assurance Company. The decreases were offset by growth of € 15 million in commission income and € 7 million in net income from securities trading. Other items improved operating profit by a net amount of € 9.1 million.

OKO Bank Consolidated posted operating profit for 2004 of € 134 million (174). The result included a just over € 10 million capital gain on the sale of OMX AB shares. In 2003, non-recurring items added € 65 million to earnings. Comparable operating profit improved by 13 per cent thanks to strong growth.

The aggregate operating profit of the member cooperative banks increased by 13 per cent to € 334 million (295). The growth was attributable above all to higher dividend income and reduced expenses compared with the previous year. On the other hand, the contraction in net interest income slowed down the growth in operating profit. At the end of the year, there were 239 member cooperative banks, all of which posted an operating profit for the financial year.

\* The comparative figure for 2003 is given in brackets. For income statement and other aggregated figures, the point of comparison is the figure for January–December 2003. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (December 31, 2003).

Operating Profit and ROE



### Total Assets and Capital Adequacy

The OP Bank Group's total assets stood at € 38.2 billion, an increase of 9.2 per cent since the end of 2003 (35.0). The loan portfolio totalled € 31.0 billion (27.5), growing by 13 per cent and rising to an 81 per cent share of total assets (79). Total deposits amounted to € 22.8 billion (21.2) and their share of total assets declined to 60 per cent (61).

The Group's equity capital grew by 12 per cent to € 3.9 billion (3.4). Net profit for the financial year was € 380 million (373). The total amount of equity and cooperative capital within the OP Bank Group's total assets grew to € 798 million (774).

According to advance information, the member banks' payment of interest on the cooperative capital for the 2004 financial year will total € 16 million (16). The proposed dividend to be paid on OKO Bank shares is a total of € 52 million (106), of which € 0.53 per share is to be paid on Series A shares (1.10) and € 0.50 per share on Series K shares (1.08).

The OP Bank Group's capital adequacy ratio at the end of the year was 15.8 per cent (15.4). Own funds grew by 14 per cent to € 4.1 billion (3.6) and risk-weighted receivables, investments and off-balance sheet commitments were up 10 per cent to € 25.6 billion (23.2). Tier I

own funds totalled € 3.7 billion (3.2). Tier II own funds at the end of the year amounted to € 0.5 billion (0.4). The capital adequacy ratio calculated with Tier I own funds was 14.4 per cent (14.0).

### Risk Position

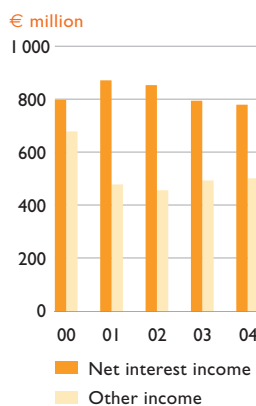
In 2004 the key ratios for the risk position were substantially better than the risk limits set for the Group.

Non-performing and interest-free loans totalled € 150 million at the end of the year, a decrease of 11 per cent on the figure at the end of 2003. The ratio of these loans to the loan portfolio and other commitments equivalent to lending fell to 0.4 per cent (0.5), or to the lowest level in over ten years. The Group's risk exposure is stable according to other indicators of credit risk as well.

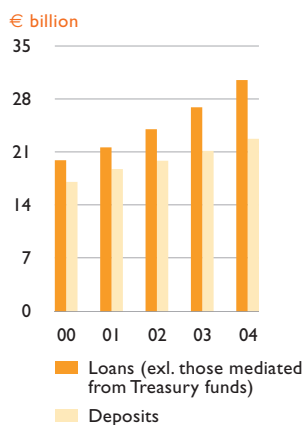
### Outlook for 2005

The OP Bank Group's market position has strengthened for a number of years now. The Group's target is to strengthen its market position further. The OP Bank Group's profit before taxes for 2005 is estimated to be on a par with 2004. The performance estimate is based on the assumption that major changes do not take place in the equity market and in the rest of the operating environment.

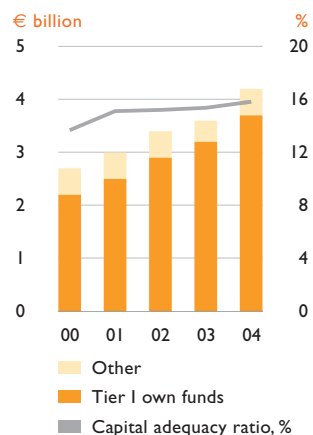
#### Net Interest Income and Other Income



#### Loans and Deposits



#### Own Funds and Capital Adequacy





# CORNERSTONES OF THE OP BANK GROUP'S OPERATIONS

## **Ideological Foundation**

The cooperative movement is the OP Bank Group's ideological foundation and the starting point for its strategic objectives. Owner-members are customers who use the services of a member bank. It follows naturally from this joining together of ownership and patronage as a customer that the benefit and added value of the bank's operations are channelled, via the customer relationship, to members and customers. The fundamental objective of cooperative operations is thus not to maximise profits for the owners but to provide, as competitively as possible, the services which the cooperative's members and customers need. For the financially solid OP Bank Group, this affords a competitive advantage that underpins growth.

## **Strategy**

The OP Bank Group Central Cooperative's Supervisory Board confirmed an updated strategy for the OP Bank Group in June. It does not change the basic policy lines that were set in the previous strategy but supplements and amplifies them.

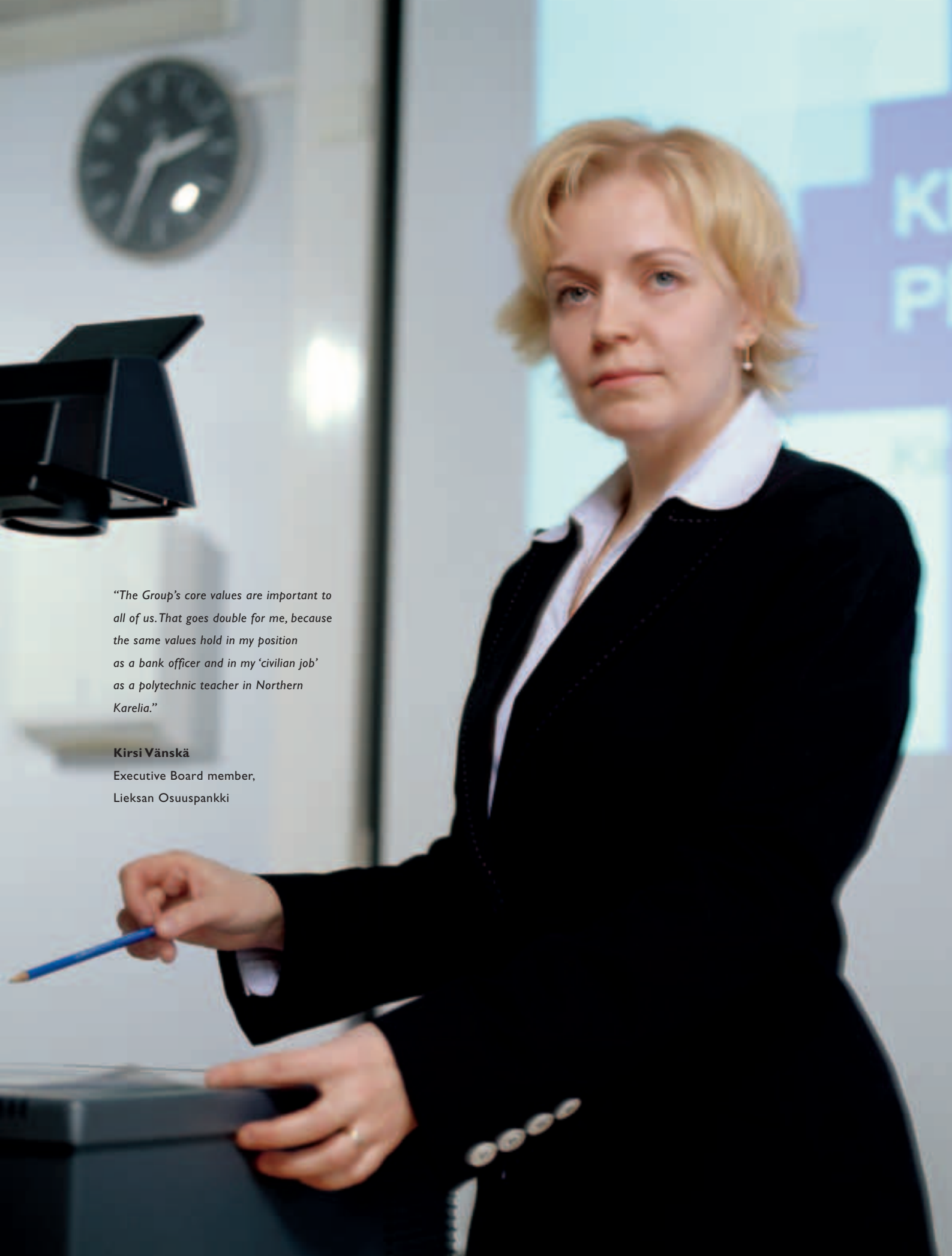
Having achieved the targets for its level of earnings and capital adequacy, the OP Bank Group shifted its focus – in the previous strategy statement in 2002 – squarely to growth and strengthening the Group's market position. During the strategy period now ended, the OP Bank Group achieved its main targets: the market position strengthened, whilst profitability and capital adequacy held up well. The aim of the updated strategy is to ensure that this positive trend continues.

The OP Bank Group's capital adequacy and corporate image are stronger than ever during the Group's hundred-year history. The Group's historical and recent business achievements impose an obligation and give us the wherewithal to continue outpacing the market.

The OP Bank Group's goal is to be the leading bank in Finland. The Group is seeking to become Finland's largest bank and the most highly regarded bank for its customers and partners in co-operation. This goal reflects the OP Bank Group's strategic mindset and sets a joint challenge for the entire Group's personnel and administrative bodies.

The Group's long-term objective is to be the market leader in all its core operations. Growth in the number of customers and business volume will enable the OP Bank Group to provide high-quality multichannel customer service at competitive prices, to offer good training and development opportunities for its staff, and improved patronage-based financial benefits for its owner-members.

Growth will be sought on a regionally differentiated basis by raising market shares in the Greater Helsinki area and other fast-developing areas at a markedly quicker pace than the OP Bank Group's overall growth rate. All the member banks will strive to attain a proportion of funding, consumer finance as well as sales of corporate service products in accordance with their share of customers. Growth will be realised by stepping up new customer acquisition and through additional sales targeted at the present clientele in line with the Group's division of labour and jointly approved operating principles.



*"The Group's core values are important to all of us. That goes double for me, because the same values hold in my position as a bank officer and in my 'civilian job' as a polytechnic teacher in Northern Karelia."*

**Kirsi Vänskä**

Executive Board member,  
Lieksan Osuuspankki

The OP Bank Group's success in customer service and business is based on the member banks' entrepreneurial local work. The member banks' service offerings are rounded out by the services of the OP Bank Group's jointly owned companies and the extensive expert services provided by the OP Bank Group Central Cooperative.

By means of well-developed risk management coupled with close internal oversight and monitoring, the Group is able to ensure that its growth is manageable and geared to the long term. The OP Bank Group takes a moderate stance on the assumption of risk.

The following long-term financial targets for the OP Bank Group were formulated in the updated strategy:

	Target	Realised		
		2004	2003	2002
Capital adequacy as measured by Tier I own funds (excl. supplementary cooperative capital), %	11	12.0	11.4	11.0
Loan losses within the loan and guarantee portfolio, %	0.25	0.02	0.03	0.05
Return on equity (excl. supplementary cooperative capital), %	10	12.1	13.3	13.8
Cost/income ratio, %	62	62	62	61

### Mission

From its inception, the OP Bank Group has had a clear mission within Finnish society, and it continues to act, at both the bank and Group level in harmony with the principles of corporate responsibility. Having the form of a cooperative society and operating in line with cooperative ideals create communality and continuity and confer an identity that highlights the equality of different stakeholders. The OP Bank Group's mission is:

*We promote the sustainable financial success and well-being of our owner-members, customers and operating environment – for our customers, we are more than a bank.*

### Core Values

The OP Bank Group's distinctive and enduring set of values which springs from its business origins and traditional strengths also acts as a distinguishing feature and thereby adds a further dimension to the Group's mission by building competitive advantage. The OP Bank Group's way of working is based on shared values that have proved

their vitality and competitiveness despite changes in the operating environment. The values guiding the OP Bank Group's operations are the following:

#### *A People-first Approach*

The OP Bank Group has a human focus. A genuine concern for people – both customers and co-workers – is the starting point of our operations. It is easy and pleasant to approach us; we treat people with respect and as equals. This respect for people runs through every aspect of the OP Bank Group's activities.

#### *Responsibility*

We operate locally, regionally and nationally as an exemplary and ethically responsible enterprise. We build enduring customer relationships based on mutual trust. Bolstered by our strong professional skill, we bear responsibility for the high quality, expertise and reliability of our operations.

#### *Prospering Together*

Prospering together with our customers both points the way and imparts an impetus to the development of our operations and services. Operating as a unified group gives our customers greater security and improves our service ability. The shared will to win of our administrative officers and employees, by breeding continuous success, creates a firm foundation for our good reputation.

### Goal

The OP Bank Group's goal reflects the Group's shared strategic mindset. Our joint goal also sets clear bearings for each individual member bank. The OP Bank Group's goal is:

*We Are the Leading Bank in Finland.*

Realisation of this goal is measured both in terms of the trend in the market shares of the core businesses and via our corporate image. Being the leading bank thus means size as measured in the volumes of the core businesses compared with the overall market and our reputation compared with our main competitors.

# 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 the Helsinki Stock Exchange, has about 26 000 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 cooperative 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.

### The Member Cooperative Banks

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

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

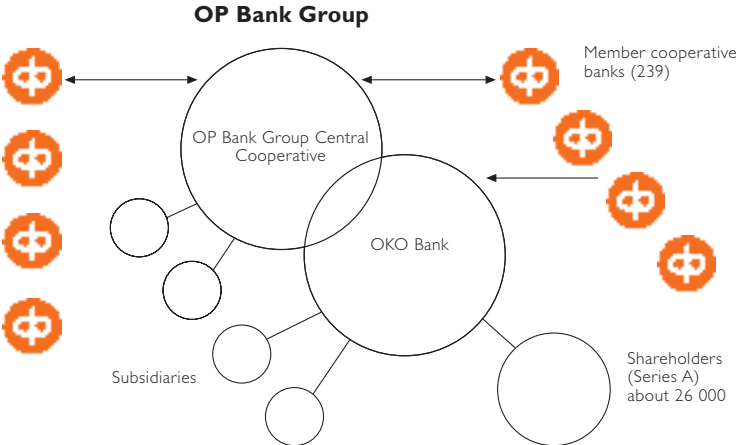
The member banks have the corporate form of a cooperative, in which the basic values underlying decision making include the one member, one vote principle. A person can become an owner-member of a cooperative bank by paying a cooperative contribution. The members, who are made up primarily of private individuals, elect

from amongst their number their own bank’s administrative staff.

The cooperative banks’ basic capital consists of the cooperative capital and any supplementary cooperative capital. The total amount of cooperative capital investments by owner-members was € 717 million at the end of 2004.

Finland is divided into 16 federations of cooperative banks, which are regional co-operation bodies for the member banks. They name the candidates from their areas to seats on the Supervisory Boards of the OKO Bank Group Central Cooperative and OKO Bank.

There were 239 member cooperative banks at the end of the year, or three less than at the start of the year. Osuuspankki Realum gave up its banking licence in January. At the same time, Realum was changed into a limited company and named Optum Oy. Suodenniemen Osuuspankki was merged into Vammalan Seudun Osuuspankki in September and Iitin Osuuspankki into Päijät-Hämeen Osuuspankki in October.



*“Local administration and decision-making are a big strength of our banks, and they benefit the entire Group. I also like to think that my work as a commercial law professor at the University of Tampere serves both the community and the nation as a whole.”*

**Risto Nuolimaa**

Chairman of the Supervisory Board,  
Tampereen Seudun Osuuspankki





## **OP Bank Group Central Cooperative**

The OP Bank Group 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 redefined its strategy in the report year on the basis of the entire Group's new strategy. The main elements of the revamp were an update of the Central Cooperative's mission, core values and goal, a new division for core services and the policies underlying it as well as managing and steering ICT functions as a priority development focus. The objective is to move from development centring on products and units towards the development of more extensive entities and working together, to develop services in a more business-oriented way so as to support the OP Bank Group's growth and to aid the member banks in realising the OP Bank Group's objectives.

In line with the new strategy, the Central Cooperative's mission is to create the potential for realising the Group's strategic objectives. The objective is to be the most competent and efficient development and service centre in the sector. The core values guiding the Central Cooperative's operations are responsibility, respect for people, prospering together and the will for development.

The Central Cooperative's core services areas are Products and Services, Customer Relationships and Service Channels, Centralised Support Services, ICT Services, Group Steering and the Owner Institution. The core services areas provide a framework for the Central Cooperative's operations and bring together task units that are similar from the viewpoint of the member banks' operations so that services can be developed and produced to meet the banks' needs.

The task of the Products and Services core service area is innovative and efficient product and service development, whilst promoting the member banks' growth and cost-effectiveness.

The task of the Customer Relationship and Service Channels area is to further the member banks' growth and cost-effectiveness by offering competitive ways of doing banking and customer channels.

The task of Centralised Support Services is to strengthen cost-effectiveness, operational reliability and quality by producing competitively priced integrated services. The operational focus is on producing centralised services and extending the centralised approach to areas where the OP Bank Group sees opportunities for achieving added value: efficiency, cost benefits or quality.

The task of ICT Services is to develop and provide the information technology and telecommunications services required for customer relationships and service channels, products and services as well as the competitiveness and cost-effectiveness of centralised support services.

The Group Control's 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.

The task of the Owner Institution is to support the Group's operations through its strategic holdings. The Central Cooperative is responsible for the Group's strategic participations. Shareholdings are long-term investments primarily in the Group's own companies. The fundamental element in exercising the role of ownership is the Group viewpoint, so as to promote the operations of the entire Group.

### ***Revamp of the ICT Operational Model Launched***

To put strategy into practice, the Central Cooperative launched a special Jousto (Flex) development programme for overhauling ways of working and processes. The first stage of the development programme was completed in November, when it was decided to go over to the Central Cooperative's new steering model for information technology and telecommunications (ICT). It enables unified control of the ICT function in accordance with the OP Bank Group's ICT strategy and clarifies the division of labour between the businesses and the ICT staff. The steering model is based on know-how clusters that are organised according to competence areas and process responsibilities and it makes possible more efficient and flexible use of ICT expertise as well as faster throughput of development projects, thereby creating an improved basis for developing and ensuring the competitiveness and quality of ICT functions.

Concurrently, it was decided to establish two new departments within the Central Cooperative: an ICT Service Development Department and an ICT System Development Department. In addition, it was also decided to launch the second stage of the Flex development programme with the aim of continuing the Central Cooperative's remake into a flexible, efficient and more seamlessly integrated organisation.



*“Reliability and security are the soul of banking, and information technology is its backbone. It’s my duty to see to it that they’re in good shape and keep developing. I’m lucky to be assisted by lots of very capable people.”*

**Markku Mäkinen**  
IT Director, Central Cooperative



## Direct Ownership Structure within the OP Bank Group

Dec. 31, 2004 Share of ownership, %	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	22.3	39.4		61.7
Okopankki Oyj			100.0	100.0
OKO Venture Capital Ltd			100.0	100.0
Opstock Ltd			85.3	85.3
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	57.8	15.0	100.0
OP-Kotipankki Oyj	60.7	18.5	20.8	100.0
OP Fund Management Company Ltd		100.0		100.0
Optum Oy		100.0		100.0
OP Bank Group Mutual Insurance Company	78.5	14.9	6.7	100.0

### Shareholding Structure

The Central Cooperative holds 39.4 per cent of the shares in its subsidiary OKO Bank, giving the Central Cooperative 56.3 per cent of the voting rights in the Group's central bank.

The Central Cooperative owns the service companies that support the Group's business operations as follows: 70 per cent of FD Finanssidata Oy, 18.5 per cent of OP-Kotipankki Oyj (57.0 per cent of the votes), 57.8 per cent of OP Life Assurance Company Ltd, 100 per cent of OP Fund Management Company Ltd and 44.4 per cent of OP Bank Group Mortgage Bank Plc (88.2 per cent of the votes). In addition, the Central Cooperative owns 14.9 per cent of the OP Bank Group Mutual Insurance Company (11.2 per cent of the votes) and 100 per cent of Optum Oy. Other shareholdings are set out in the accompanying table.

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

OKO Bank's shares are divided into Series A and Series K shares. Series K shares can be owned solely by the 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. The Series A shares are quoted on the Helsinki Stock Exchange.

*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 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 and pension insurance operations and their development have been centralised within *OP Life Assurance Company Ltd*. The Company's product portfolio includes life, pension, insurance-related investment and risk insurance services.

*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 OKO Bank as well as the Group's Internet services.

*OP Bank Group Mortgage Bank plc*, acting via the member cooperative banks, grants long-term home mortgages against full collateral. The Bank funds its operations by issuing OP Home Mortgage 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* provides the Group with IT 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 Pension Fund* sees to the Group's statutory pension security and the OP Pension Foundation handles the supplementary pension security for persons covered by it.

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

*The OP Bank Group Security Fund* was the Group's internal security fund whose operations were 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 cooperative 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 consolidated 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 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 who are Bank executives.

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

The Group's central bank, OKO Bank, is a subsidiary of the central institution, the OKO Bank Group Central Cooperative. OKO Bank's highest decision-making authority rests with the Annual General Meeting and the Supervisory Board elected by it. The majority of OKO Bank's Supervisory Board comprises members of the Central Cooperative's Supervisory Board. The chairman of the Central Cooperative's Executive Board also acts as the chairman of OKO Bank's Executive Board. Within OKO Bank too, operational decision-making authority is exercised by an Executive Board which is elected by the Supervisory Board and is composed of management executives drawn from the Central Cooperative and OKO Bank.

In September 2004, OKO Bank's Executive Board decided to begin a study of an overhaul of the Bank's corporate governance structure. The study will be carried out in accordance with the recommendation on the corporate governance of listed companies, which was published in December 2003. The study involves looking into the possibility of abolishing OKO Bank's Supervisory Board and replacing the internal Board of Directors (Executive Board) based on the previous Commercial Bank Act with a non-executive Board of Directors.

Abolishment of OKO Bank's Supervisory Board calls for an amendment to the Cooperative Bank Act. In February 2005, the Government submitted to Parliament a bill on amending the Act on Cooperative Banks and Other Cooperative Credit Institutions such that a Supervisory Board is no longer a mandatory administrative body of OKO Bank. The change in OKO Bank's corporate governance model furthermore calls for a resolution by a general meeting of shareholders on amending the Articles of Association and other necessary measures.

OKO Bank's corporate governance is discussed in greater detail in its own annual report.

## Owner-members

The number of the member banks' owner-members grew by 32 000 in the report year, reaching a year-end membership of 1 105 000. In addition, metropolitan Helsinki-based Okopankki Oyj had 128 000 preferred customers at the end of the year.

Owner-members and preferred customers receive the same financial benefits. The most important of these are bonuses earned for patronage, which can be used to pay service charges. The Bank pays out the unused bonuses in cash, and everything is handled automatically.

During the report year, owner-members and preferred customers earned a total of € 39 million in bonuses, and they used them for different services to a value of € 27 million. In addition, they were paid € 7 million in cash for unused bonuses. A year earlier the amount of accrued bonuses was € 34 million, of which € 24 million went for service charges.

When joining as an owner-member of a cooperative bank, the customer pays the cooperative contribution which is set in the Bank's statutes. Cooperative capital investments by owner-members increased by just under three per cent to € 717 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.

The OP magazine for owner-members and preferred customers was given a new look at the beginning of the report year. The magazine's former name was Kultaraha (Gold Coin). Apart from the name change, the appearance and content of the magazine were revitalised. It now has local news spots telling about matters of interest con-

cerning each bank and the local area. The upgraded OP magazine was received enthusiastically. According to Kansallinen Mediatutkimus, a nationwide media survey, OP boosted its readership by 115 000 in a year, or more than any other newspaper or magazine in Finland. OP had a total number of readers of 874 000.

OP magazine is rounded out by the Mainio.net online portal, which was revamped in spring 2004. The portal offers daily updated information for a variety of needs, such as household matters and personal finances. Mainio features a host of subjects, and a special emphasis of the upgrade was to improve the presentational format and to make it easier to find things. Mainio now also has clear and in-depth guides, for example, to aid with removals, for students and for people who are planning various purchases. The service's number of visitors has grown continuously. In 2004, Mainio registered an average of 151 000 unique visitors a month – an increase of 40 per cent on the previous year.

These upgrades have benefited both owner-members and preferred customers, and also the OP Bank Group's corporate customers. OP magazine, Mainio and the other member benefits comprise the Group's multimedia channel, through which companies offered a record amount of benefits in the report year. Owner-members and preferred customers also made greater use of them than previously.

## Customers

The customer is the central focus of the OP Bank Group's strategy. The strategy is implemented by means of a customer-oriented approach. The customer's needs are ana-

lysed from a total perspective and using this as a basis, the Bank offers alternatives tailored to each customer's needs. This approach typifies the Bank's initiative-taking, systematic way of working and purposefulness. The objective is to forge long-term, full-spectrum customer relationships that yield value for both the customer and the Bank.

The processing and analysis of customer feedback was also stepped up during the report year. Feedback is an important part of the management of the OP Bank Group's customer relationships as well as its product and service development.

The OP Bank Group has 3.1 million customers, 84 per cent of whom are household customers, 12 per cent are businesses and institutions and 4 per cent are customers employed in agriculture and forestry. The customer base has shown sustained growth, and a net 30 000 customers were added to the clientele in the report year. According to a change-of-bank survey conducted by TNS Gallup, 37 per cent of Finns are using a bank belonging to the OP Bank Group as their main bank. The results of a nationwide survey which Add Value Research Finland Ltd made of small and medium-sized enterprises indicates that the corresponding proportion for SMEs is 36 per cent.

Long-term work to develop the OP brand moved ahead in 2004. Surveys indicate that the results of this work show up in people's perception of the Group as an expert, reliable, successful and Finnish bank. According to a corporate image study commissioned by the OP Bank Group from Marketing Radar, a consultancy, the OP member banks again received better marks on the above-mentioned factors from their retail customers than did the Group's main competitors from their own customers. The same survey indicated that for non-customers too, OP Bank Group's member banks had the best overall image of all the Finnish banks. Small and medium-sized business customers likewise gave the OP Bank Group better marks for these corporate image measures than they did to competitors.

A survey by Taloustutkimus Oy and Markkinointi & Mainonta (Marketing & Advertising) magazine indicates that the OP brand is the most highly respected bank and insurance brand in Finland. As part of the brand development, increased use was made of the OP prefix in the names of the Bank's services. The OP prefix makes the OP Bank Group's names more unified and logical. The prefix is the same in all languages. The names of the companies belonging to the Group already for the most part have the OP

prefix. During the past year the address of the OP Bank Group's online service was shortened to [www.op.fi](http://www.op.fi). The Call Centre was named OP 0100 0500 and the Swedish-language Call Centre was designated OP 0100 9051. The OP corporate and payment transfer services were named in similar fashion. The names OP Visa and OP Visa Electron were adopted for cards. The cards were also given a new appearance: four different alternatives are now offered. In considering the appearance of the cards, attention was paid to making sure that picture alternatives that are geared to different target groups are available and that they epitomise the OP Bank Group's corporate image.

### Service Network

Bank customers have made a rapid shift from a branch office environment to the use of multichannel services. Customers demand flexible and high-quality service in every channel, and increasingly on an anytime, any place basis. A central requirement is that the service stays active seamlessly and effectively also when the customer moves from one channel to another during different stages of using the service.

For years now, the OP Bank Group has devoted resources both to enhancing individual channels and to developing the effectiveness of the interaction between the different channels and the people working in them - across its entire service palette and all sales functions. A guiding aim is to meet customers' expectations and to offer services more actively, efficiently and to higher standards of quality than ever before.

The further development of the multichannel service model was defined as being one of the priority areas in the OP Bank Group's new strategy. In 2004, the member banks and the Central Cooperative launched the development work outlined in the strategy and putting the new initiatives into use. Among the main thrusts were the development and implementation of multichannel sales management and service processes, the follow-up development of Contact Centre activities and refining of the roles of the service channels and their division of labour. The channels of the OP Bank Group's multichannel service network are business locations, online services and Contact Centre activities.

### Locations

At the end of 2004, the member banks had 710 locations, six less than a year earlier. The revitalisation of the locations

*“The OP Bank Group is Finland’s best known and most highly regarded financial sector brand. I develop it together with the banks and work with an ad agency on marketing communications beamed at different target groups and channels.”*

**Katri Korpikallio**

Brand Manager, Central Cooperative





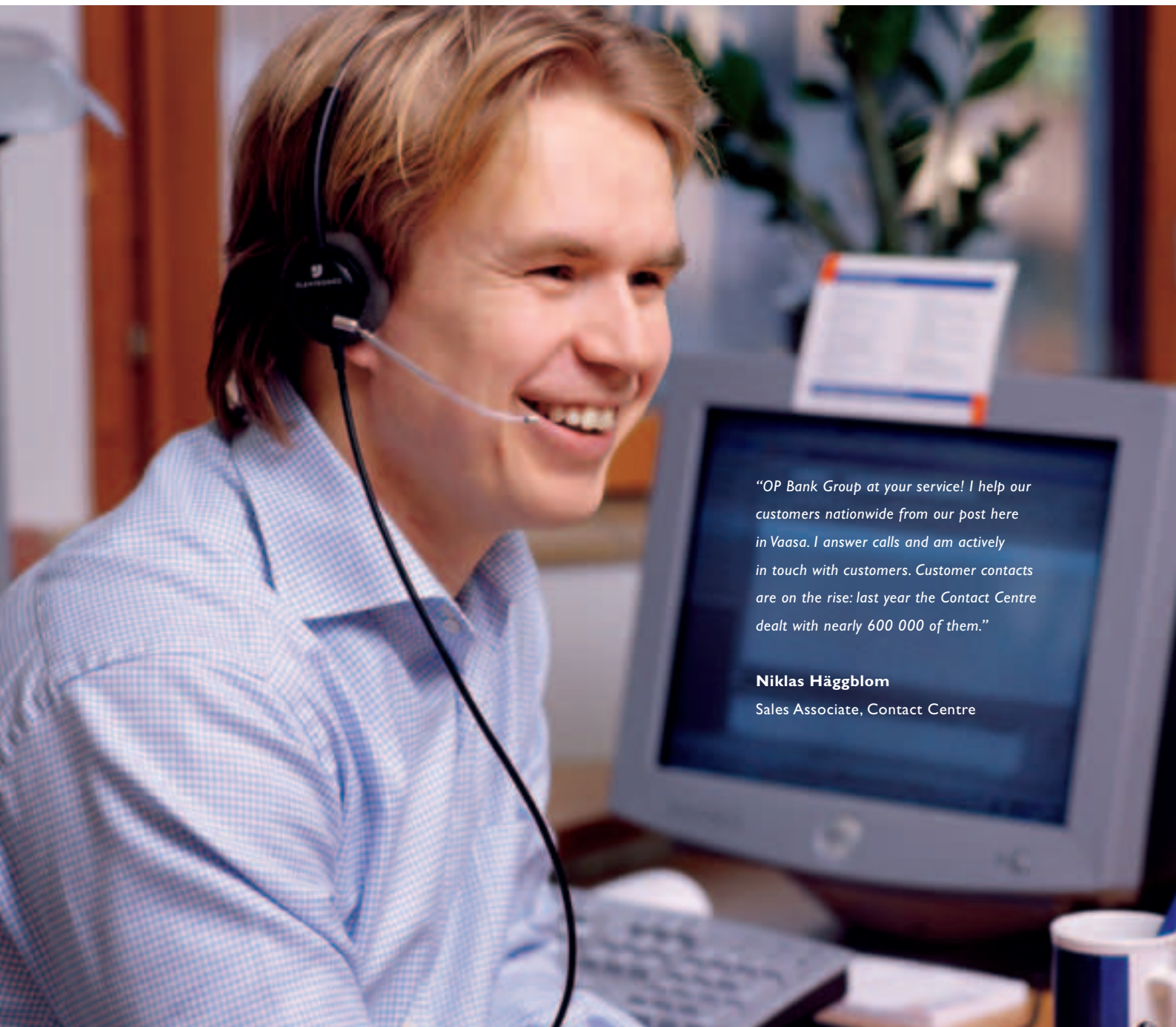
moved ahead and their functionality was developed energetically. By the end of the year, 84 locations had been refurbished in line with the new branch office concept and the refurbishment of 33 locations had been started.

The new branch office model is part of the multichannel service concept. Daily services are handled largely in the form of customers' self service and staff at the business locations devote most of their time to providing expert services. The new premises and operational model reflect a clear demarcation between quickly-handled daily banking services, negotiations with customers requiring privacy,

expert services and areas for preparatory work for meetings with customers.

At the end of the report year, the OP Bank Group had 623 payment ATMs, or 32 less than a year ago. The Group's customers were also able to use Sampo Bank's 179 payment ATMs. As use of the Internet spreads, payment ATMs will be used less. The volume of bills paid at payment ATMs during the report year was just over a tenth 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 1 725 Otto. cash dispensers.



*"OP Bank Group at your service! I help our customers nationwide from our post here in Vaasa. I answer calls and am actively in touch with customers. Customer contacts are on the rise: last year the Contact Centre dealt with nearly 600 000 of them."*

**Niklas Häggblom**

Sales Associate, Contact Centre

### Online Services

Online services have become the most important channel via which customers do their daily banking. The number of online service contracts for companies and households grew by 10 per cent to 907,000 during the year. The number of Internet customer terminals in public facilities or at self-service outlets grew from 584 to 618. Towards the end of 2004, the online bank already had over 200 000 unique customers daily.

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. By far the widest use of the online service is for paying bills, but it has evolved into a service channel that is used for many other purposes, such as investment and loan services, managing one's own finances and information services. In the report year, a quarter more bills were paid via the Internet than a year ago. Already more than half of retail customers' bills were paid via the Internet.

The easy-to-use helppo.op.fi service which is intended for senior citizens and people with impaired vision and was developed together with the Finnish Federation of the Visually Impaired received plaudits. The Helppo (Easy) service features a screen with large menus, which can be easily used either with a mouse or by touching the screen. The customer can call up easy-to-view colours and enlarge the size of the text on the screen by means of simple on-screen push buttons.

The My Finances service was added to the online repertoire in the spring. It enables customers to track their income and expenses effortlessly, prepare their own budget and monitor the actual figures, pull income and expenses together into different categories and much more. The service automatically keeps tabs of transactions in the customer's accounts and prepares electronic reports on them as specified by the customer.

During the year, student loans became the first kind of loan that can be applied for and drawn down fully automatically without the aid of a branch office or bank staff. The online service for investors was greatly renewed and made more versatile during the report year.

### Contact Centre Activities

Through its Contact Centre activities, the OP Bank Group offers customers personal telephone and online services via its centralised Contact Centre and the member banks.

The centralised Contact Centre offers customer service and sales support to the member banks. At the end of the year, all the OP Bank Group's retail and corporate customers were covered by the services. During the report year, the Contact Centre handled 593 000 customer contacts by phone and over electronic channels.

The basic task of the Contact Centre is to offer the member banks' customers, via nationwide service numbers, personal electronic channel-related service also in the evenings and on Saturdays. Another basic task is to concentrate on service sales, acting for the member banks. These services include cards, consumer loans and other daily banking services. Service situations requiring more attention are dealt with at the member banks' locations. The Contact Centre is also responsible for offering customers expert support connected with use of online services.

The most important events for the Contact Centre during the report year were preparations for expanding the sales outlet that was established in Joensuu at the end of 2003, a multiple increase in contract sales and introduction of the banks' reachability service. Dedicated phone numbers are assigned to the different services in the reachability service. In accordance with the agreed division of responsibilities, part of the calls are directed to the Contact Centre for handling and part to the member bank. The reachability service ensures that good call service is readily available to customers and that extensive service hours are offered. The new service will enable the member banks to concentrate more effectively on consultative customer service situations at the branch offices and outlets.

According to a survey carried out by the market research company Taloustutkimus Oy, the OP Bank Group's Call Centre again racked up the best marks in the Finnish banking sector. The survey was carried out by measuring the customer perceptions of 83 call centre phone numbers in 10 industries. OP 0100 0500 ranked eighth among all the Finnish call centres covered in the survey.

### **Deposits and Loans**

Aggregate deposits with financial institutions in Finland increased by just over 5 per cent to € 76 billion. The OP Bank Group's total deposits at the end of the year amounted to € 22.8 billion, an increase of more than 7 per cent since the end of 2003. The Group's market share of



Finnish financial institutions' euro-denominated deposits was 32.3 per cent. At the end of 2003 it was 31.6 per cent.

The growth in market share indicates that the OP Bank Group has gained further in importance among depositors in the domestic deposit market. A large proportion of customers appreciate the trouble-free and safe nature of deposits as a form of investment. Deposits will retain their wide popularity as a stable and safe form of investment in coming years too.

The overhaul of deposit and bank statement systems that has been in progress for several years now was completed at the beginning of 2004. The new systems ensure virtually error-free operation on a multichannel and real-time basis 24 hours round the clock.

The aggregate loan portfolio of Finnish financial institutions in turn increased by just over 10 per cent to € 101 billion. Within the OP Bank Group, new loans were drawn down in the report year to an amount of € 12.8 billion, a 15 per cent increase on the figure a year earlier. This meant that the loan portfolio grew by 13 per cent and was € 31 billion at the end of the year. The share of home mortgages within new loans was 40 per cent and the share of households' other loans was 22 per cent. Corporate loans represented a share of 36 per cent. OP Bank Group's market share of financial institutions' euro-denominated loans was 30.5 per cent at the end of the year. A year earlier it was 29.8 per cent.

### 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. The growth outlook for long-term saving via mutual funds and insurance remains good, even though the reforms which the so-called Siva working group proposed for developing Finnish long-term saving were not realised in 2004.

One of the priorities for the development of the OP Bank Group's asset management services in 2004 was the introduction of a new investment portfolio management system as a part of customer service. By means of the new application, the OP Bank Group extended its asset management reporting for the entire clientele and offered a wider array of online services for investor customers. The biggest improvement within online services for investors was the development of share trading and market information services.

The OP Private service that is targeted at investors who favour discretionary and total-mandate asset management was also developed. At the end of the year, there was a stand-alone OP Private service unit at 20 of the OP Bank Group's member banks. In addition, a large number of the member banks offer OP Private services in collaboration with Opstock Ltd or another member bank. The OP Private service package comprises two different service alternatives: investment consulting and full-mandate asset management.

### Investment Deposits

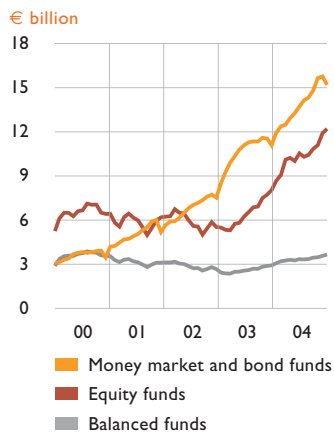
The OP Bank Group's investment deposits increased by just over 12 per cent to € 8.6 billion. Households' investment deposits increased by 13 per cent to € 7.9 billion.

Deposit investing has become easier, because customers can open a fixed-term or continuous high-yield account and also make a savings agreement online. Basic information on the accounts, such as interest rate data and maturities, has also been added to the service.

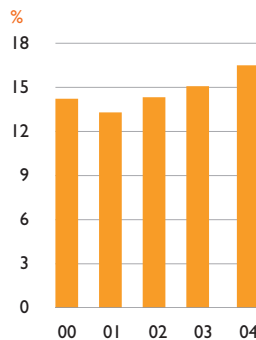
### Mutual Funds


The capital of mutual funds registered in Finland grew by 41 per cent to € 31.1 billion in 2004. Growth in euro terms reached record levels. A part of the increase in capital was due to the fact that in the year under review the main players in the market reported for the first time their figures for foreign sales to their mutual funds registered in Finland. Fund inflows were also boosted by the growing popularity of funds of funds, because the capital in these funds overlaps in statistics on the mutual fund market.

Mutual Fund Capital in Finland



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





*"Part of my workday is spent helping customers with their daily finances, but asset management is my specialty. It's one of the priority areas for the local banks and the entire Group, and we have a lot of investment savvy to offer."*

**Satu Lepola**

Service Adviser, Elimäen Osuuspankki

Net subscriptions to the funds grew by 45 per cent to € 6.6 billion. The biggest growth was in equity funds, net sales of which totalled € 2.2 billion. Net sales of money market funds were € 2.0 billion.

The capital invested in OP mutual funds grew by 54 per cent during the year, markedly more than the average for the entire mutual fund sector, and it topped the five billion euro mark for the first time. The OP Bank Group's market share of mutual fund capital was 16.5 per cent at the end of the year, as against 15.1 per cent a year earlier. A net amount of just over € 1.5 billion was invested in OP mutual funds during the year, as against about € 850 million of net subscriptions in the previous year. Net subscriptions to equity funds amounted to just over € 700 million, subscriptions to money market funds totalling about € 350 million and subscriptions to other funds totalling slightly less than € 500 million.

During 2004, the Group's mutual funds gained more than 55 000 new unitholders, and at the end of the year there were a total of over 290 000 unitholders in the different funds. A notable factor that spurred the growth in the number of unitholders was the increase in the popularity of continuous monthly mutual fund saving. In December, OP Fund Management Company, which runs the Group's mutual funds, gained second place among the mutual fund companies registered in Finland, as measured by the number of unitholders. The Company had a market share of 18.8 per cent of unitholders.

During 2004, OP Bank Group brought out five new mutual funds onto the market. The range of mutual funds that invest in Asia was rounded out with the OP India and OP Japan special mutual funds. The third new mutual fund, OP Real Estate, which started up in November, in turn invests its assets primarily in the shares of companies serving European real-estate investment enterprises and the property business. The new alternative for fixed-income investing is OP High Yield, which invests its assets in high-yield bonds and notes issued by companies with a low credit rating.

The range of the OP Bank Group's balanced funds was expanded by establishing the new low-risk OP Fixed Income Plus mutual fund. The fund was well received by investors, because at the close of the year it had 5 600 unitholders, and its capital had already grown to over € 60 million.

A major move that affected other balanced mutual funds was converting them into funds of funds. The OP

Yield, OP Spektri and OP Pirkka mutual investment funds' mode of investment was altered such that henceforth they will invest their assets chiefly in the other OP mutual funds instead of making direct equity and fixed-income investments.

At the end of the year, the OP Fund Management Company Ltd had a total of 37 mutual funds under management. The Company received – as in previous years – the best marks for fund management companies in the National Corporate Image survey conducted by the market research company Taloustutkimus Oy. The Company's strengths were considered to be its financial position, public profile, future prospects and the professional skill of its portfolio managers.

Assets of private and corporate customers under management by the Group's investment bank, Opstock Ltd, grew by a third to just over € 11 billion. Of these assets, slightly more than € 7 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 almost a third on the previous year, reaching 436 000 trades. Stockbroking grew by a good 80 per cent in value to € 7.7 billion. Orders executed over the Internet accounted for 68 per cent of total stockbroking.

#### *Insurance Saving*

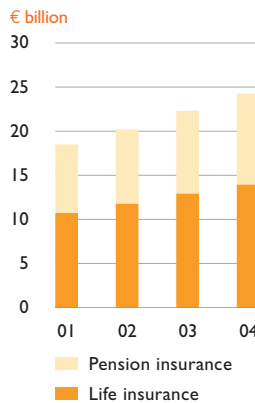
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The process of drafting legislation on the taxation of insurance was given exceptionally wide media coverage from autumn 2003 on. Ultimately, the changes applied only to pension insurance, for which transitional provisions were made public in the early summer of 2004.

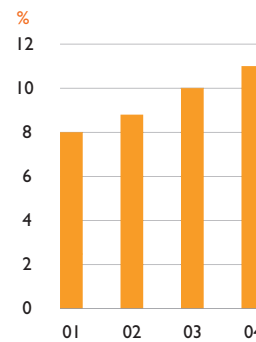
The protracted drafting stage of the legislation had a detrimental knock-on effect on non-pension policies as well. Premiums written in the industry grew by just short of one per cent from 2003. Although new sales of pension policies did not rise to the level of previous years, premiums written in such policies nonetheless increased. Payments on old policies will still be made in 2004-2005 in accordance with the previous tax provisions. Premiums written in savings life assurance declined by just under two per cent. Premiums written in capitalisation agreements sold to companies continued on the downward trend that started a year earlier and fell by more than a third.

The task of the OP Bank Group's insurance operations is to offer integrated insurance services that bring added value to both the member banks and their customers. OP Life Assurance Company Ltd's investment and

Life and Pension Insurance Savings in Finland



OP Bank Group's Market Share of Life and Pension Insurance Savings in Finland



pension policies form the framework of this service package. It is rounded out with the insurance products of the Group's partners in co-operation.

The volume of premiums written by OP Life Assurance Company Ltd reflected the uncertainty which the legislative projects caused regarding the future of insurance saving. The legal amendments ended up being smaller than anticipated, and the transitional provisions for pension policies protected the position of existing policies. Sales of insurance policies – in both unit and euro terms – thus began to revive in the latter part of the year. Premiums written in OP Bank Group's life and pension policies were nevertheless down by around ten per cent on the previous year, to € 478 million. The Group's market share of premiums written in life and pension insurance was 16.5 per cent. In 2003 it was 18.3 per cent.

The bulk of OP Life Assurance Company's premiums written again came from savings life assurance, amounting to € 401 million, as against € 470 million a year earlier. Premiums written in pension insurance grew by 29 per cent to € 77 million. The share of unit-linked premiums written increased by 35 per cent to € 168 million.

The number of policies increased to 206 000, from 184 000 a year ago. OP Life Assurance Company gained the leading market share in unit sales of both new pension and life policies, with a share of 23 per cent of life policies and 37 per cent of savings insurance policies.

At the close of the year, the OP Bank Group had € 2.7 billion of life and pension insurance savings, an increase of a fifth on the previous year. The proportion which unit-linked policies accounted for within insurance savings rose to 23 per cent from 19 per cent a year earlier.

For over ten years now, the OP Bank Group's own insurance business has been supplemented by co-opera-

tion that has been carried on with Genworth Financial (formerly GE Vakuutus/GE Insurance). The company provides payment protection coverage for the loans of retail and corporate customers as well as serious illness insurance that is offered to private individuals and provides financial security in the event of a serious illness or accident.

Within non-life insurance, co-operation with the Fennia Group and Local Insurance Group was developed to be better in line with the OP Bank Group's present strategy. Retail customers are referred to either Fennia or the Local Insurance Group, according to their preference. Corporate customers are referred to the Fennia Group and rural entrepreneurs to the Local Insurance Group. During the report year, OP Life Assurance Company developed a new risk life assurance product for the sales network of the Local Insurance Group. Sales and operations for providing the policies were started on July 1, 2004.

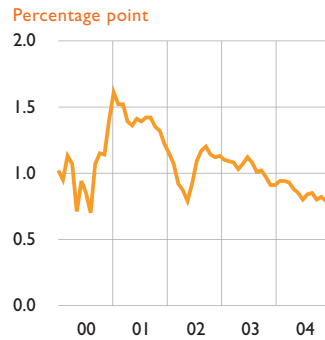
### Housing Services

The low level of interest rates led to buoyant sales of residential housing. Consumer confidence was strong in the first half of the year, but weakened thereafter until it picked up again at the end of the year. Following a record pace in the first part of the year, sales of residential housing and thus also demand for home mortgages receded somewhat in the latter half of the year but are still at a higher level than in 2003.

New home mortgages were drawn down in Finland to a total of nearly € 15 billion during the year, and financial institutions' euro-denominated home mortgage portfolio grew to nearly € 42 billion. Households who are customers of the OP Bank Group drew down € 5.1 billion in home mortgages in the report year, 11 per cent more than



Interest Rate Margin on New Housing Loans, difference between average rate and 12 month euribor



in 2003. The average margin on new home mortgages was 0.1 percentage point smaller than in 2003.

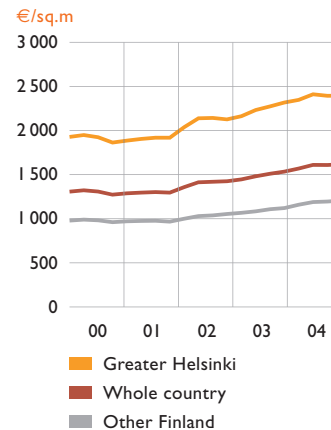
The OP Bank Group's portfolio of household mortgages grew by 15 per cent to € 14.2 billion in the report year. The Group's market share of financial institutions' euro-denominated home mortgages was 34.4 per cent at the end of the year. A year earlier it was 34.5 per cent.

Lending by OP Bank Group Mortgage Bank plc is an important and growing part of the OP Bank Group's housing services. OP Bank Group Mortgage Bank has granted home mortgages to retail customers and institutions since the beginning of 2001. During the report year, the Bank's home mortgage portfolio increased by 43 per cent and totalled € 158 million at the end of 2004. By the end of the year, the Bank had issued € 73 million of OP Home Mortgage Bonds.

The OP Bank Group is the leading provider of home financing and it develops services in step with customers' requirements. To meet customers' needs to ensure their loan servicing ability even if interest rates should rise, the OP Bank Group brought out on the market a new interest-capped home mortgage. It allows customers to select an interest rate level above which the interest on their mortgage will not rise during the validity of the interest cap period, regardless of the overall trend in interest rates.

Insurance security is also part of the OP Bank Group's housing services. The member banks offer comprehensive payment protection insurance on loans, providing a useful aid in paying back a loan in the event that one's income diminishes abruptly, say, owing to sickness or unemployment. If the insured party dies or becomes seriously disabled, the payment protection insurance will be applied to the repayment of the entire remaining principal. About 40

Average House Prices



per cent of home mortgages eligible for repayment protection now have payment protection insurance coverage. The insurance is written by Genworth Financial.

In home property insurance, the member banks engage in co-operation with Fennia and the Local Insurance Group. Customers can elect to receive an insurance offer either from Fennia or the Local Insurance Group.

As in past years, the member banks participated in the nationwide housing fair in Heinola and the holiday home trade fair in Hartola.


#### Property Brokerage

Although housing prices rose on average by 5.5 per cent in 2004, they remained moderate compared with consumers' income and debt. There were signs of a tapering off in housing price development, especially in the Greater Helsinki area, but in many other growth centres prices appeared to be still on the rise.

During the report year, OP-Kiinteistökeskus became the largest chain of estate agents in Finland as measured by the number of sales made. During the year, the OP-Kiinteistökeskus estate agents made a total of about 14 500 transactions, or a good tenth more than in 2003. Two completely new OP Kiinteistökeskus offices were established in the report year. A total of 15 new business locations and service outlets were opened.

Because the low level of interest rates seems likely to hold steady in 2005, no significant change in the housing market is expected. The prevailing view, however, is that housing price development will taper off in 2005.

The Internet has gained in popularity as a tool in residential property sales and home financing. More and more customers are looking for a house or apartment, and

A man with short brown hair and blue eyes, wearing a dark grey pinstriped suit jacket, a blue shirt, and a patterned tie, stands in a kitchen. He is holding a blue folder with a white document inside. He is gesturing with his right hand, pointing towards the camera. The background shows a kitchen with wooden cabinets, a stainless steel range hood, and a sink. A window with a view of the outdoors is visible behind him.

*“Straight talk. Customers must be able to trust their estate agent. And trust they do, because the trade is booming. Three cheers for the OP-Kiinteistökeskus Estate Agents for becoming the country’s largest chain in unit sales!”*

**Pekka Hamari**

Estate Agent, Oulun OP-Kiinteistökeskus

requesting financing offers from banks via the Internet. For this reason, the member banks, and especially the OP-Kiinteistökeskus estate agents, developed their online services in the report year and the handling of service requests coming in from customers online. This will also be a prime development focus in coming years. Customer recruitment and the look-out service offered by the estate agents' on the opkk.fi site was overhauled in the report year. Via the look-out service, customers can elect to receive, free of charge, information on residential property and other items of interest to them in e-mail and text message form.

### Daily Finances

Households' current and payment transfer account deposits with the OP Bank Group totalled € 10.4 billion at the end of the report year, up just over two per cent compared with the figure a year earlier.

Customers of the member banks are offered a number of alternatives from which they can select for themselves the most suitable way of handling their daily finances. Paying for purchases and bills with a card and online have also gained in popularity amongst people who previously used conventional banking services. The use of drop-off payments services has contracted to a tenth of all payment transfers. In 2004, only about 7 per cent of bills were paid in cash or by an account transfer at a bank branch office. At the end of the year, there were about 3.4 million direct debit authorisation contracts, or 8 per cent more than a year ago.

The use of electronic banking services increased further during 2004. By the end of the year, already more than 91 per cent of all of customers' basic banking transactions were handled in the form of electronic self-services. The volume of bills paid via the Internet increased by 24 per cent on the previous year. Towards the end of the report year, already 57 per cent of all the bills of retail customers were paid online.

During the report year, customers have also been able to open a current account online. The account is opened in real-time and is available for use immediately. Various particulars related to an account have also been added to the Internet service.

The volume of bank statements accessed via the Internet service increased by 80 per cent on the previous year. Of all retail customers' bank statements, 17 per cent were online bank statements at the end of the year. Since Sep-

tember, users of an online bank statement have had access to two years of account transactions free of charge, thereby helping to reduce their need to file the bank statements.

### Consumer Loans and Cards

The OP Bank Group's portfolio of consumer loans grew by 10 per cent to € 2.2 billion. Consumer credit offered by retailers grew by 15 per cent, card credits by 7 per cent and other consumer loans by 10 per cent.

At the end of 2004, two million debit and credit cards had been issued to customers of the OP Bank Group. The total number of cards grew by just over two per cent since the end of 2003. The card mix emphasises the OP Bank Group's policy of going over chiefly to the international cards in the Visa product family. Since November, new OP Visa cards have automatically had a credit facility.

Towards the end of the year, payment-enabled cards already accounted for the bulk of cards outstanding: 91 per cent. The number of international cards rose to just over a million and they already accounted for more than half of the cards outstanding. The number of Visa cards in issue grew by 148 000 during the year, whereas the number of cash cards for use at a cash dispenser and domestic debit cards decreased by about 100 000.


The volume of payments made by card increased by 15 per cent on the previous year. The volume of cash withdrawals, however, decreased by three per cent. The volume of card payments exceeded the volume of cash withdrawals made with cards by a factor of nearly two and a half.

There were already nearly half a million Visa Electron cards, and the number of them is growing continuously. In future, the OP Visa Electron will supplant cash cards completely.

In November, the OP Bank Group brought out on the market a new international OP Visa card offering, alongside interest-free payment time, an online credit facility. The introduction of the new OP Visa cards was accompanied by giving the Visa and Visa Electron cards a distinctive new appearance. Customers can select the card that appeals to them most from four different alternatives.

In December 2004, customers were also given the option of withdrawing cash from their Visa account at an Otto cash dispenser as well as transferring money from a Visa account to customer's own account over the Internet. Using the payment time facility provided with Visa cards, the OP Bank Group's customers made more than 14 per






*"I come up with solutions to customers' financing needs. I also head a team that handles all our customer relationship dealings by phone and online. I'm kind of a head coach with these future ice hockey stars, too..."*

**Taina Pöllänen**

Loan Officer, Orimattilan Osuuspankki





*"I'm in charge of serving the bank's business and farm customers, plus taking care of legal matters and collateral security. Working with customers is the best part of my job. We all pull together here: when the customer prospers, so do we."*

**Arja Urpalainen**

Bank Director,  
Etelä-Karjalan Osuuspankki

cent more purchases and cash withdrawals in volume than in 2003.

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 and during 2005 also to other internationally used 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 to pay other service providers, such as the authorities. Towards the end of the year, already 20 public authority or business services offered their customers the possibility of using a digital certificate.

Verified by Visa firmly established its position as a secure system of making payments on the Internet. Towards the end of the year, already 150 Finnish online merchants had introduced the system. At the time of purchase, the Verified by Visa system identifies reliably both the payer and the seller, thereby reducing considerably the possibilities of fraud in online shopping.

By the end of 2004, an EMV facility had already been added to 234 000 Visa Electron cards provided by the OP Bank Group. 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. During 2005, EMV will also be added as a basic facility to the other cards that are used internationally.

### Insurance

As part of its services for handling daily finances, the OP Bank Group also offers its customers a new kind of insurance coverage. A policy taken out to cover serious illness brings financial security and a margin of choice when a person is suddenly faced with a serious illness or accident. The OP Bank Group's range of insurance is also supplemented with a fixed-term travel policy that is suited to the needs of customers who travel about. These policies can be purchased either from a branch office or online on a self-service basis.

### **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. A further

objective is to grow faster than the market average as a provider of services for managing payment transfers, liquid funds and accumulated assets and as an arranger of financing for large and medium-sized companies in the capital markets. During the report year, the OP Bank Group's number of SME customers grew by a net amount of 1 800. According to a nation-wide survey on SME's banking practices, carried out by Add Value, about 43 per cent of small and medium sized enterprises say that a member bank of the OP Bank Group is their provider of financing. Gauged by this measure, the OP Bank Group is the biggest player in the market.

### Business Operations and Service Development

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 10 per cent since 2003. A total of 330 million domestic payment transfer transactions were handled during the report year.

For enterprises, 2004 was a time of making the transition to electronic financial administration. An indication of this is the fast spread of electronic invoicing. The Finvoice electronic invoice standard that was developed by the OP Bank Group in collaboration with other banks, and the electronic invoice intermediation service that is part of it, gained a foothold in 2004. The OP Bank Group's e-invoicing service enables companies of all sizes to go over to electronic invoicing easily and at low cost.

Public sector entities and large corporations realise substantial savings, especially when they place incoming invoices on an electronic basis: bills can be reconciled, moved about in the organisation and approved, etc. in electronic form. Even a small company can go over to electronic invoicing quickly and without large outlays by means of the OP Bank Group's e-invoicing service. The OP Bank Group brought the e-invoicing service out on the market in the spring. The number of service contracts grew significantly, especially in the last quarter of the year.

To support companies' transition to electronic financial administration, the OP Bank Group introduced an online payroll service in 2004. It enables payroll calculations to be relayed to the employees of companies and institutions in electronic form. The online payroll service was implemented in co-operation with Sampo Bank and

Nordea Bank as well as with two online payroll operators.

Competitive services and strong foreign banking partners have also contributed to rapid growth in the volume and market share of foreign payment transfers within the OP Bank Group. The volume of foreign payment transfer transactions increased by 27 per cent since 2003. In 2004, foreign payment transfers were an important development focus for the OP Bank Group in an internationalising market.

In the early part of the year, the OP Bank Group joined EBA Step2, a European messaging service for the exchange of bulk payment files in the euro payments area. The service enables the OP Bank Group's customers to make EU payment transfers securely and at low cost, and it improves the OP Bank Group's competitiveness in handling payment transfers in the eurozone.

Development work on foreign payment transfers also extended to the Internet and Cash Management Service. Both were expanded during 2004 to cover payment transfers to a total of 231 countries, and the range of currencies was expanded to 30.

### *Financing*

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The financial institutions' euro-denominated corporate loan portfolio increased by slightly less than 9 per cent to just over € 36 billion during the report year. Across the OP Bank Group, growth outstripped the market average, in line with the targets set: the corporate loan portfolio grew by 15 per cent to € 9 billion. A year ago, the increase was only slightly above 8 per cent. The OP Bank Group's market share of corporate loans rose to 24.8 per cent from 23.4 per cent a year earlier.

New corporate loans were drawn down in the OP Bank Group to a total of € 4.7 billion, or 28 per cent more than a year ago.

The OP Bank Group's market shares of finance company services have grown steadily: more than 7 percentage points in five years. In March 2004, the Group's market share of the loan portfolio for finance company products was 31 per cent. Of the loan portfolio for investment financing, the OP Bank Group's share amounted to slightly more than 50 per cent.

### *Asset Management*

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In the area of corporate asset management services, 2004 was a time of strong growth. Mutual funds, and money market funds in particular, gained in importance as an

asset management tool for corporate customers. During 2004, more and more companies outsourced the investment of their cash assets to mutual funds.

Growth was propelled by an enlarged product palette and an improvement in the quality of services. An indication of the recognition which the OP Bank Group received for high quality was that the Group's investment bank, Opstock Ltd, was the only Nordic player to rank in the top three in both earnings forecasts and investment recommendations in a study carried out by AQ Research, a UK consultancy. The OP Bank Group makes use of Opstock Ltd's investment research in investing the liquid cash funds and accumulated financial assets of corporate customers.

### *Co-operation Abroad*

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The OP Bank Group offers its corporate customers services abroad in co-operation with strong local banks. The partner banks' strong market position ensures, for example, that payment transfers and other items travel quickly to the customer's account abroad and from such an account to an account with a 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 2004, the Unico Banking 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. The Unico banks had aggregate total assets in 2003 of over € 2 400 billion. The banks employed 480 000 people and had altogether more than 42 000 branch offices. The Unico member banks' aggregate market share of the European loan market is 19 per cent, and they have 21 per cent of the deposit market.

For the customers of OKO Bank Consolidated 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 2004 was 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. In recent years the co-operation network of the UniCash cash management service has expanded, and with especial vigour in Finland's nearby areas, or Sweden, Russia and the Baltic countries. The network comprises banks outside the



Unico organisation as well: all in all, 25 banks in 24 European countries. The UniCash cash management service offers the OP Bank Group's corporate customers Europe-wide liquidity and cash management services via a single banker. Unico Carlease is an international co-operation body that is specialised in managing vehicle sale transactions. Apart from the Unico countries, the service also covers the UK, Russia, the Baltic countries and North America as well as other areas.

In February, OKO Bank and Bank of America entered into a co-operation agreement on cash management services for the OP Bank Group's corporate customers. The first stage will cover services in Europe. A partner in co-operation was sought by culling a group of several large international banks. Bank of America was chosen on the basis of its flexible and fast service and the suitability of its technology. Co-operation with this global bank will round out the UniCash service palette.

For several years now the OP Bank Group has carried on co-operation in the Baltic area with Hansapank. Apart from the opening of accounts, the co-operation makes possible exceptionally fast payment transfers in the Baltic area. Payment transfers between customers of OP Bank Group and the Hansapank Group are effected the very same day.

In the spring, OKO Bank and the European Investment Bank made an agreement on continuing their co-operation. OKO Bank received authorisations to intermediate in the EIP's loans for financing small and medium sized investments of municipalities and companies owned by them throughout Finland.

#### *Events and Co-operation in Finland*

The Future of Entrepreneurship 2005 seminar was arranged in Helsinki in mid-November. The seminar is a high-level "sizing up the future" event for small business entrepreneurs and people who wield influence in the business world. This, the second Future of Entrepreneurship seminar, drew 600 company managers and OP Group enterprise specialists.

During the event, the Company of the Year and Business Manager of the Year were published for the first time. The purpose of the competition arranged by the OP Bank Group and Kauppalehti, a financial daily, is to encourage companies to achieve success and, at the same time, to outline the profiles of the top performers. The participants in the competition were companies with turnover in the

range of 5–20 million euros and whose financial statement information was available in September.

The Helsinki law firm Asianajotoimisto Fennica Oy was chosen Company of the Year in 2004, and the Business Manager of the Year was Jarmo Järventie, managing director of Mastsystem Int'l Oy of Kiihtelysvaara.

The Future of Entrepreneurship series of events will continue in spring 2005 with ten regional functions. It culminates in a seminar to be arranged in the autumn.

Over the next few years, every third entrepreneur-run Finnish company will undergo a generational shift. The OP Bank Group reinforced its expertise that is required in assisting in generational shifts by concluding in November a co-operation agreement with Suomen Yrityskaupat, a chain specialising in SME mergers and acquisitions, with the aim of offering high-quality expert services in special matters connected with changes of business owners. The co-operation encompasses training of staff to advice small businesses, arranging Business Deal Evenings and consultancy for customers.

In March, the OP Bank Group concluded a co-operation agreement with Yrityspörssi (Enterprise Exchange), a web mall which is maintained by the Federation of Finnish Enterprises. The exchange is a channel via which offers can be made for selling or buying companies and financing can be offered or applied for. The Yrityspörssi enterprise exchange brings together banks, insurance companies and business organisations.

In June, the Group's finance company services were rounded out by adding IT equipment leasing and integrated hardware management when OKO Bank signed a co-operation agreement with a major company that is specialised in the life cycle management of IT equipment, thus greatly enlarging the scope of its service offerings.

#### **Agriculture and Forestry**

Farm and rural business income grew by nearly 4 per cent in 2004, principally due to the increase in both production and producer prices as well as subsidies. Total agricultural output increased by nearly 3 per cent, thanks largely to a bigger grain harvest as well as a stronger price trend in livestock production. Agricultural production subsidies also grew, already accounting for half of total agricultural income.

Sales income from private forests decreased somewhat compared with earlier years, notably due to the lower average price of wood. By contrast, market fellings picked

up in the latter part of the year, coming in slightly above the previous year's level.

During the report year, changes concerning the agricultural subsidy system were drafted, based on the EU's reformed agricultural policy. The solutions arrived at will mean a shift in subsidy allocation from production-linked support to forms of support based on cultivated acreage and livestock counts. Significant changes were made to investment subsidies for agriculture and also to young farmers' setting-up aid. The scope of investment subsidies was narrowed at the same time as the level of the subsidies was raised to the maximum amount permitted in law. The granting of government loans for new financed projects was discontinued and a concurrent increase was made in the authorisation to grant interest-subsidised loans and the total amount of direct grants.

The granting of young farmers' setting-up aid was deferred to the end of the report year. The start-up of the investment subsidy system according to the new subsidy terms was moved to the beginning of 2005. Accordingly, above a third less subsidised loans for agriculture were drawn down compared with the year-ago figure. Demand for loans on normal terms was nevertheless brisk, because they temporarily helped to fill the gap in subsidised financing.

The aggregate loan portfolio for agriculture and forestry customers grew by 5 per cent to € 4.4 billion. Within the OP Bank Group, the loan portfolio increased by just

over 5 per cent to € 2.5 billion. The Group's share of bank financing for rural businesses remained roughly unchanged at 62 per cent.

The range of services offered to farm and forestry customers was developed. The OP Bank Group makes available to them a multi-channel service network offering services both online and at branch offices. The OP Bank Group's magazine for forestry customers also occupies an important place in providing information. In addition, a renewed financing guide was produced. The website for farm and forestry customers was developed further, as was the Farmit co-operation portal. The Group's positive public image was reinforced by means of the OP Bank Group's nationwide "harvest session", which was held in Mikkeli. In addition, a large number of regional functions on banking matters were arranged for farmers.

Contacts with forest owners were maintained by means of the customer magazine and customer functions. At the start of the year, a forest tax guide was delivered to forest owners, and it received wide popularity. A separate up-to-date survey of the forestry and investment market came out three times during the report year. At the member banks' nationwide forest days in Jyväskylä, film director Markku Pölönen was chosen Forestry Promoter of the Year. Keeping in good touch with forest owners locally was accomplished by means of various forest-related events that were organised together with a number of partners in co-operation.

# PERSONNEL

## Structure of the Personnel

At the end of the report year, the Group employed 9 118 staff, or 4 more than at the end of 2003. The member banks had a total of 6 592 employees at year end (at the end of 2003: 6 635). OKO Bank Consolidated had a payroll of 1 242 employees (1 179) and the rest of the Central Cooperative 1 317 employees (1 333)\*. At the end of the year, permanent staff made up 93 per cent of the personnel and full-time employees 96 per cent. On average, the OP Bank Group had 9 327 people on an employment contract during the year.

The level of education of the OP Bank Group's personnel has risen somewhat year by year. At the end of the report year, 19 per cent of the employees had completed a university degree and 55 per cent had a post-secondary vocational degree. Nearly three quarters of the personnel work in customer service positions. Of the staff, 70 per cent are salaried employees, 16 per cent are management and supervisory staff and 14 per cent work in expert positions. The proportion of expert staff has risen in recent years in step with the change in the nature of bank work.

The average age of the Group's personnel is 45 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 5.2 per cent in the report year. The average period of employment within the Group is 18 years. At the end of the year, 18 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 OP Bank Group for over 20 years is 49 per cent of the total staff. It is estimated that over the next five years about 9 per cent of the staff will retire on an old age pension, and about 24 per cent will retire over the next ten years.

During the report year, 591 new staff were hired, 9 of whom were singled out for supervisor training. During the approximately year-long 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 2004, a total of € 12.6 million was spent on bonuses

\* The 33 employees (33) of the OP Bank Group Pension Fund are included in "the rest of the Central Cooperative" but not in the OP Bank Group's total figures, because the Fund is not officially included in the Group's consolidated financial statements.



*"First-rate service - shake a leg there! That's how it is at the banks and here at the 'Centre' too. We've got our own canteen that caters daily for over a thousand of our staff, and guests into the bargain."*

**Petri Ukkonen**  
Waiter, Central Cooperative

within the Group, and they were received by 7 222 employees, or 79 per cent of the personnel.

During the year, preparatory work was carried out for creating an OP Bank Group joint personnel fund to serve as a long-term incentive, and the constitutive meeting was held on December 8, 2004. The fund began operations on January 1, 2005. Helena Reinikainen of Turku was elected chairperson of the OP Personnel Fund's Council, and Sami-Pekka Ylikoski of Pori was elected chairman of the Executive Board. The Ministry of Labour approved the Fund's statutes and registered the OP Personnel Fund on December 30, 2004. Initially, 259 companies in the OP Bank Group and 8 981 employees joined the personnel fund, representing about 93 per cent of the Group's personnel. Alongside the OP Personnel Fund, a reward system for management, based on share bonuses, was created. It was introduced at 132 companies in the OP Bank Group.

### Pension Security

The employers belonging to the OP Bank Group have arranged the pension security of the personnel under the Employees' Pensions Act (TEL) comprehensively within the OP Bank Group Pension Fund, which operates as a pension institution in accordance with the Employee Benefit Funds Act. The pension fund is administered by an Executive Board, a Supervisory Board and a representative assembly.

Part of the OP Bank Group's personnel are also covered by the OP Bank Group Pension Foundation. The foundation is a pension institution which operates under the Pension Foundation Act and provides supplementary pension security for the employees belonging to it. The foundation is administered by an Executive Board and a

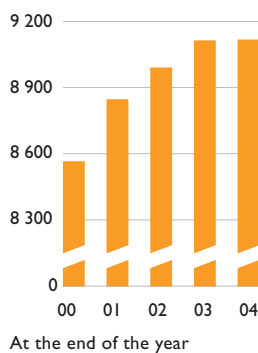
Supervisory Board. The personnel are represented in the administrative bodies of both the OP Pension Fund and the OP Pension Foundation.

### Human Resources Management

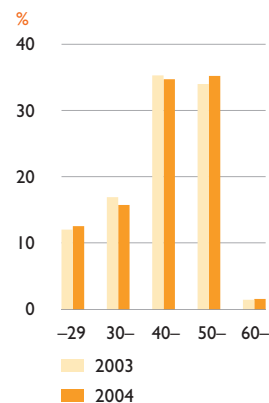
The OP Bank Group adheres to the principles of responsible human resources management, the practical application of which is supported by means of training for management and supervisors as well as by the necessary development projects and tools. The OP Bank Group management culture is traditionally ethical, responsible and shows respect for people. The objective is to maintain and strengthen the Group's good corporate and employer image as well as its ethically high-calibre and responsible handling of the human resources function. 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.

The Making Equality Real project was carried out within the OP Bank Group in 2004 in co-operation with the National Research and Development Centre for Welfare and Health (Stakes) and Innotiimi, an international management consultancy team. During the project and the training programme that was part of it, the present state of equality across the OP Bank Group was surveyed, needs were identified and ideas for ways of promoting equality were brought forth. Furthermore, equality plans were prepared for the member banks that took part in the training and for the Central Cooperative. The project resulted in the creation of implementation models and practices for equality planning, which will be put in place throughout the Group.

OP Bank Group's Personnel



Personnel by Age Groups







*"15 years with the Group! Human resources is my line: recruitment, job orientation, service medals and lots more. In my opinion, the big event last year was setting up the personnel fund."*

**Heidi Auer**

Human Resources Assistant,  
Central Cooperative

**Developing Competence**

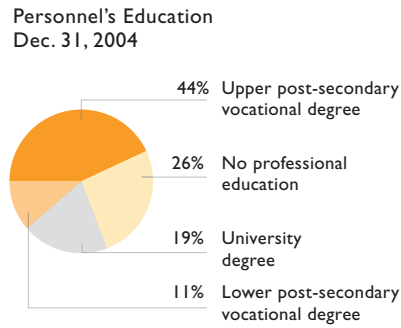
Within the OP Bank Group, competence is developed from the perspective of strategy. The implementation of strategy will be supported by offering the employees training and other development opportunities in their own workplace, at the OP Academy and also outside the OP Bank Group. The staff develop their competence in accordance with personal development plans that are drawn up during performance appraisal discussions. Collective competence is developed by learning together, sharing knowledge, and also by evaluating and developing operations.

In 2004, competence development was geared to the quality of encounters with customers, investment, financ-

ing and corporate services as well as enhancing leadership and supervisor skills.

The OP Academy carries out 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 2004 the OP Academy arranged 631 training sessions in Helsinki and 585 in other parts of the country. Over 22 000 people took part in them, and there were a total of nearly 30 000 person training days.

In the report year, 162 people began a course of studies for managers and supervisors with the aim of earning an OP Academy diploma. During six years, over 1 000 people have studied to earn a diploma in these year-



long courses. A course of studies leading to an OP Supervisor's diploma for new managers was started by 73 employees. The OP Successful Manager diploma retained its strong position, as did the OP MBA degree, that is tailored to the OP Bank Group and has now been completed or started by 126 managers and experts. In addition, the OP Bank Group's executive training programme was started up again after a several-year pause. Among the other forms of grooming management talent for leadership within the OP Bank Group were development groups for seasoned managers, job guidance and mentoring for supervisors as well as the 360-degree Assessment, in which supervisor performance is assessed from the perspective of the person's supervisor, the reporting staff and the manager concerned. Company-specific development programmes dealing with aspects of supervisor's work were also run.

An investment industry diploma that is certified by the Finnish Association of Securities Dealers has been completed by 1 080 OP Bank Group employees. A total of 233 diplomas were earned in 2004. The OP Academy arranged training to prepare for the examinations. The staff of the OP Bank Group's member banks also participated actively in the OP Academy's training for customer encounters, advisor training programmes, business service examinations and other training for banking professionals. In addition, the OP Bank Group conducted on-the-job apprentice training and vocational proficiency examinations in studies leading to general vocational diplomas, notably, a diploma in finance and insurance, as well as a basic commercial institute diploma.

Autumn 2004 saw the launch of preparations for the most extensive training project during the strategy period. Over the next two years, the member banks' management, supervisors and customer contact staff will take part in their own training programmes, the objective of which is to increase activity in the management of customer relationships, in multichannel customer-targeted sales and in

a coaching style of leadership.

The OP Academy's online training shifted into a new development stage in 2004. A number of new online courses were produced in collaboration with external partners. The new online courses are now more interactive and technologically progressive. Wider use is also made of them at the member banks.

In addition to training for the personnel, the OP Academy arranges courses for the member banks' administrative officers. Sixty-two members of the Executive Board completed a course leading to an OP Executive Board Member diploma in 2004. Over a six-year period, there have been more than 600 participants. In the report year, the OP Academy also arranged seminars in the economic fundamentals underlying the OP Bank Group's operations, with 215 administrative officers participating in them, as well as training days for supervisory board inspectors, in which 268 people participated. In addition, the member cooperative banks and the federations of cooperative banks arrange their own training sessions for the banks' administrative officers.

In 2004, the OP Bank Group spent 3.0 per cent of total staff salary costs on training expenditure. In recent years, the proportion has decreased somewhat, because more active use is now made of other methods of developing competence alongside in-house training.

### Well-being at Work

A major emphasis in furthering job well-being in 2004 was the development of workplace procedures. The changes that have taken place in the work performed by bank staff in recent years emphasise a customer-oriented and multichannel approach. Major challenges that have emerged are the chaining together of different channels, high quality and cost effective operations, managing highly demanding work and changes required of the personnel, new kinds of co-operation skills and professional competence. Development work has been carried on with the financial support of the Ministry of Labour's National Workplace Development Programme (FINWPD). The FINWPD programme supports workplace development projects aimed at promoting, at the same time, both job performance and the quality of working life. The projects are being carried out jointly by management and the personnel.

The objective of the development programmes has been to create participative working methods enabling

customer service work to be made more efficient and productive whilst promoting smoother internal co-operation in the workplace. The core and support processes underlying the member banks' operations were also mobilised by means of these participative methods. The development programmes were carried out together with Learning Systems Oy, three member banks and the Contact Centre. The methods worked out in the project will be deployed in future also in enhancing the member banks' operations.

The furtherance of individual job well-being was supported by means of various training and rehabilitation programmes, the aim of which was to provide new capabilities for managing the changes that have taken place in

jobs and ways of doing things, at the same time furthering personal well-being.

An employee opinion survey was carried out at 60 member banks in the report year, and 3 177 people, or 48 per cent of the member banks' staff, took part in them. A positive trend was registered in the Resources Index, that measures ways of working, leadership, a customer-oriented employer image, the ability to change and the quality of job well-being.

During 2004, the 360-degree Assessment benchmark, a tool for boosting the effectiveness of supervisors' work, was deployed across the member banks.

*"We've got a pretty healthy and fit bunch. Besides treating illnesses, we focus on improving working ability, well-being on the job and the overall enhancement of working conditions. An ounce of prevention is worth a pound of care."*

**Hanna Joensuu**

Occupational Health Physician,  
Central Cooperative



# THE CENTRAL COOPERATIVE'S CORPORATE GOVERNANCE

## The Cooperative's Owners

The Central Cooperative's owners, i.e. its members, can be the credit institutions, pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions, 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.

## General 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 the member has additional votes totalling double the number of votes accorded on the basis of its contributions. At the meeting no member, however, can cast more than two per cent of the votes represented at the meeting.

At the Annual General Meeting of the Cooperative, a member shall have only one vote if, due to its own financial difficulties, the member has received financial support based on a resolution passed by the cooperative, which fulfils the characteristics specified in Section 8 of the Cooperative's Statutes.

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

- a resolution on approval of the parent institution 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 institution 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 auditors' report
- confirmation if necessary of a supplementary payment to be collected from the members as specified in the Statutes.

At the General Meeting 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. An administrative officer or salaried employee may not be elected to the Supervisory Board from such a member credit institution which pursuant to Section 8 of the Cooperative's Statutes has only one vote at cooperative meetings, i.e. which has received the financial support set out in said section. 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 parent institution and consolidated financial statements to the General Meeting of the Cooperative
- to decide on calling a meeting of the Cooperative.

The audit duty falling within the competence of the Supervisory Board is exercised by the Inspectorate 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 amongst its members. The secretary is the head of the Central Cooperative's Internal Audit. The Committee holds two meetings annually or more frequently on the request of 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 cooperative banks' pension system. The term of office can end prior to this date if the member or deputy member requests to resign or is dismissed from membership.

### **Management's Responsibility**

The Executive Board is collectively responsible for the matters upon which it decides jointly in 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, 2005, the members and deputy members of the Central Cooperative's Executive Board owned a total of 22 452 OKO Bank Series A shares. On the basis of the warrants of the bond loan issued in 1999, 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 of 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, and the remainder as from October 1, 2004, and the period for exercising all the warrants will end on October 30, 2006.

# THE CENTRAL COOPERATIVE'S SUPERVISORY BOARD

January 1, 2005

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

## *Etelä-Pohjanmaa*

**Mr Mauri Hietala** (2000), Business Development Director  
Seinäjoki, 2003–2006

\* **Mr Pentti Mäkelä** (2003), Managing Director  
Alajärvi, 2003–(2006)

## *Etelä-Suomi*

**Mr Jari Laaksonen** (2003), Managing Director  
Asikkala, 2003–2005

\* **Mr Teuvo Mäkinen** (2003), Principal  
Mäntsälä, 2003–(2006)

\* **Mr Matti Niemelä** (2003)  
Chairman of the Board of Directors  
Hämeenlinna, 2003–(2006)

## *Kaakkois-Suomi*

**Mr Seppo Penttinen** (1997), Professor  
Savitaipale, 2003–2006

### *Chairman of the Supervisory Board*

\* **Mr Paavo Aho** (1997), Colonel (ret.)  
Elimäki, 2003–(2006)

\* **Mr Risto Kiljunen** (1997), Managing Director  
Lappeenranta, 2003–(2006)

## *Kainuu*

**Mr Keijo Väänänen** (1997), Professor  
Vaala, 2004–2007

## *Keski-Pohjanmaa*

**Mr Tapio Kurki** (2004), Director  
Kokkola, 2004–2007

## *Keski-Suomi*

**Mr Erkki Laatikainen** (1997), Professor  
Jyväskylä, 2002–2005

\* **Mr Heikki Rosti** (2004), Managing Director,  
Jämsä, 2004–(2006)

## *Lappi*

**Mr Heikki Oja** (2001), Farmer  
Tervola, 2004–2007

\* **Mr Erkki Alatalo** (1998), Engineer (forestry)  
Keminmaa, 2003–(2006)

## *Pirkanmaa*

**Mr Heikki Teräväinen** (1997), Managing Director  
Toijala, 2002–2005

\* **Mr Martti Talja** (1997), M.Sc. (Eng.)  
Mänttä, 2003–(2006)

## *Pohjois-Karjala*

**Mr Juhani Leminen** (2004), Managing Director  
Polvijärvi, 2004–2005

\* **Mr Markku Lappalainen** (2003), County Manager  
Rääkkylä, 2003–(2006)

## *Pohjois-Pohjanmaa*

**Mr Paavo Haapakoski** (1997), Principal  
Pyhäjoki, 2004–2007

\* **Mr Timo Levo** (2004), Managing Director  
Oulu, 2004–(2006)

## *Pohjois-Savo*

**Mr Erkki Tuovinen** (2000), Executive Director  
Sonkajärvi, 2003–2006

\* **Mr Jaakko Ojanperä** (2000), Managing Director  
Kuopio, 2003–(2006)

## *Satakunta*

**Mr Jorma Pere** (1997), Managing Director  
Eura, 2002–2005

\* **Mr Jukka Ramstedt** (1997), Managing Director  
Pori, 2003–(2006)

\* **Mr Juhani Suoramaa** (2003), Managing Director  
Rauma, 2003–(2006)

## *Suur-Savo*

**Mr Pekka Vilhunen** (2003), Managing Director  
Varkaus, 2003–2006

\* **Mr Erkki Rämö** (2003), Principal (ret.)  
Juva, 2003–(2006)

## *Sydkusten*

**Mr Ola Eklund** (2000), Product Director  
Karjaa, 2004–2007

## *Varsinais-Suomi*

**Mr Jukka Hulkkonen** (2003), Managing Director  
Halikko, 2003–2006

\* **Mr Pertti Ruotsalainen** (1997), Hospital Physicist  
Mynämäki, 2003–(2006)

### *Deputy Chairman and Chairman's first deputy*

\* **Mr Pauli Salminen** (1997), Managing Director  
Loimaa, 2003–(2006)

## *Österbotten*

**Mr Bo Storsjö**, Farmer

Kristiinankaupunki, 2004–2007

## **Other members**

**Mr Esa Härmälä** (1997), Chairman  
Helsinki, 2002–2005

**Mr Seppo Junntila** (2000), General Secretary  
Helsinki, 2003–2006

**Mr Simo Kauppi** (2000), Managing Director  
Rauma, 2003–2006

### *Deputy Chairman*

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



# THE CENTRAL COOPERATIVE'S ORGANISATION

March 1, 2005

*Chairman and CEO*  
**Mr Antti Tanskanen**

Business Control  
**Ms Seija Halme\*\***

*President, Vice Chairman*  
**Mr Reijo Karhinen**

Management Support and  
Corporate Communications  
**Mr Markku Koponen\***  
Corporate communications  
Strategic planning,  
monitoring national  
economy and financing sector

Business Planning  
**Mr Pasi Kämäri\*\***

*Customer Function*  
**Mr Erkki Böös**

*Service Function*  
**Mr Heikki Vitie**

*Group Steering Function*  
**Mr Pekka Jaakkola**

*Audit Function*  
**Mr Markku Niinikoski\***

Products and services  
Customer relationships

ICT-Services  
Financial control

Personnel  
Service network  
Risk management

Audit of member  
cooperative banks and  
the Central Cooperative,  
Bank security

Agrifinancing  
**Mr Raimo Tammilehto**

ICT System Development  
**Mr Ilpo Antikainen**

Personnel Services  
**Ms Tarja Joensuu-Sarkio**

Cooperative Bank  
Inspectorate  
**Mr Tapani Santala**

Payment Services  
**Ms Anne-Mari Tyrkkö**

ICT Service Development  
**Mr Pekka Sarvi-Peräkylä**

Member Bank Steering  
**Mr Jari Himanen**

Internal Audit  
**Mr Mauno Jokelainen\***

Marketing and Customer  
Relationships  
**Ms Stina Suominen**

Legal affairs  
**Mr Seppo Pöyhönen**

Service Network  
Development  
**Mr Matti Korkeela**

Credit Services  
**Mr Mikko Hyttinen**

Financial Administration  
Services  
**Mr Harri Luhtala**

Contact Centre  
**Mr Arto Smedberg**

Asset Management  
Services  
**Mr Harri Nummela**

IT Management  
**Mr Markku Mäkinen**

Premises Maintenance  
**Mr Kari Hintikka**

\* Reporting to the CEO  
\*\* Reporting to the President

## Product and service companies belonging to the Functions

OP Bank Group  
Mortgage Bank plc  
**Mr Lauri Karvonen**

FD Finanssidata Oy  
**Mr Kari Katainen**

Optum Oy  
**Mr Jouko Aho**

OP Life Assurance  
Company Ltd  
**Mr Jukka Ruuskanen**

OP Bank Group  
Pension Fund  
OP Bank Group  
Pension Foundation  
**Mr Pekka Korhonen**

OP Bank Group Mutual  
Insurance Company  
**Mr Tuomo Metsäaro**

OP-Kotipankki Oyj  
**Mr Kai Patovirta**

OP Fund Management  
Company Ltd  
**Mr Harri Nummela**

# THE CENTRAL COOPERATIVE'S EXECUTIVE BOARD

January 1, 2005



## **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
- Confederation of Finnish Industries,  
EK, Member of the Board and its  
Working Committee



## **Vice Chairman**

**Reijo Karhinen**, b. 1955

President,

OP Bank Group Central Cooperative

Member of the Board since 1994

- The Association of the Pension Foundations,  
Chairman of the Board of Directors
- The Finnish Pension Alliance TELA,  
Second Deputy Chairman of the Board  
of Directors
- Luottokunta,  
Chairman of the Board of Directors
- The Finnish Housing Fair, Second Deputy  
Chairman of the Board of Directors
- The Finnish Bankers' Association, Deputy  
Chairman of the Board of Directors

Holds 10 000 OKO Bank Series A shares



**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



**Markku Niinikoski, b. 1946**  
 Chief Audit Executive  
 Attends the Executive Board's meetings  
 Holds 800 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 2 400 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 Bankers' Association, Member of the Board of Directors  
 Share options for 30 000 OKO Bank Series A shares

**Deputy Members**

**Mr 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

**Mr Raimo Tammilehto, b. 1943**  
 Executive Vice President  
 Member of the Board since 1991  
 Holds 10 052 OKO Bank Series A shares  
 Share options for 3 500 OKO Bank Series A shares

**Auditor**

KPMG Oy Ab

**Secretary of the Boards**

**Mr Markku Koponen, b. 1957**  
 Senior Vice President  
 Share options for 15 000 OKO Bank Series A shares

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Telephone +358 10 252 010  
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**OP BANK GROUP**  
FINANCIAL STATEMENTS 2004





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### Financial Information in 2005

The OP Bank Group and OKO Bank will publish three interim reports in 2005: for the January–March period on May 12, 2005, for January–June on August 11, 2005, and for January–September on November 10, 2005.

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

The interim reports are available on our website at the address [www.op.fi/english](http://www.op.fi/english). Paper copies can be ordered at the address OP Bank Group Central Cooperative, Corporate Communications, PO Box 308, FI-00101 Helsinki, telephone +358 10 252 2765, telefax +358 10 252 2298, e-mail: [viestinta@op.fi](mailto:viestinta@op.fi).

# REPORT OF THE EXECUTIVE BOARD

## RESULT OF THE OP BANK GROUP

### Net Interest Income

The OP Bank Group's net interest income for 2004 totalled € 783 million, down 2.0 per cent on the previous year (798)<sup>1)</sup>. Net interest income as a ratio of average total assets contracted by 0.3 percentage point to 2.1 per cent. The contraction in net interest income that has been ongoing since 2002 bottomed out during the report year. Net interest income in the last two quarters was greater than in the same periods a year earlier. In the third quarter, net interest income was up 1.6 per cent, and in the last quarter up 2.2 per cent, on the year-ago figure.

During 2004 net interest income was still burdened by the low level of interest rates and a narrowing in customer margins. In the latter half of the year, the growth in the loan portfolio and total deposits as well as equity capital sent net interest income heading upward. The turnaround in net interest income also stemmed from the halt in the downward trend in short interest rates and their slight rise after the spring. The nominal spread between the loan portfolio and total deposits narrowed by 0.2 percentage point during the report year. Two thirds of the narrowing occurred in January–June.

<sup>1)</sup> The comparative figure for 2003 is given in brackets. For income statement and other aggregated figures, the point of comparison is the figure for January – December 2003. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (December 31, 2003).

### Other Income

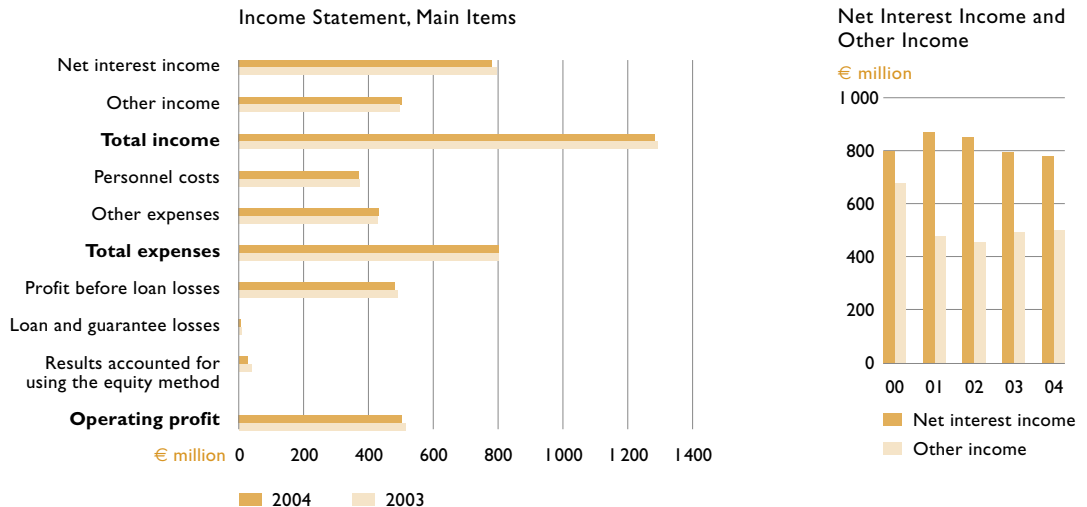
The Group's other income grew by 1.5 per cent to € 504 million (496). The biggest growth was registered in commission income and net income from securities trading. On the other hand, other operating income decreased substantially, mainly owing to the non-recurring items that were included in income in the comparison year.

Income from equity investments amounted to € 16 million, an increase of 13.5 per cent on the previous year (14). Commission income increased by 4.9 per cent to € 328 million (312). The biggest growth was in commissions on lending, stockbroking and mutual fund operations. Net income from securities trading and foreign exchange trading grew to € 17 million (11). The increase was due mainly to the capital gain booked by OKO Bank on the sale of shares.

Other operating income decreased by 10 per cent to € 143 million (159) and was largely attributable to the € 11 million gain booked in 2003 by OKO Bank on the sale of the shares in the Kiinteistö Oy Alekski-Hermes property. In addition, other operating income derived from real estate diminished to € 77 million (84).

### Expenses

Total expenses amounted to € 803 million (804). Commission expenses increased by 14 per cent to € 43 million (38). Salary expenses increased by 3.4 per cent but overall staff costs diminished by 1.1 per cent to € 370 million (374). The decrease was due to the smaller



insurance premiums collected by the OP Pension Fund compared with the previous year as well as to the fact that the OP Pension Foundation did not collect a contribution at all for 2004. Other administrative expenses amounted to € 193 million (192). Depreciation according to plan amounted to € 62 million (64) and write-downs to € 7.2 million (6.0). Other operating expenses decreased by 2.7 per cent to € 127 million (130).

### Loan Losses

Net loan losses were booked to an amount of € 6.8 million, down 26 per cent on 2003 (9.1). The gross amount of new loan losses booked was € 28 million (29). Their share of the aggregate amount of the loan portfolio and commitments equivalent to lending was 0.07 per cent (0.08). Reversals on previously booked loan losses amounted to € 7.4 million (7.0).

Write-downs on securities held as non-current financial assets amounted to € 0.1 million (4.5).

### Results Accounted for Using the Equity Method

The share of the results of companies accounted for using the equity method diminished by 29 per cent to € 27 million (39). The decrease was attributable to the smaller earnings reported by OP Life Assurance Company, which were € 21 million, a decrease of 41 per cent on the year-ago figure (36). The decrease was due

mainly to the Company's booking of an € 14 million supplementary benefit provision, whereby the Company prepared for paying customer bonuses in future years.

The share in the results in associated companies consolidated using the equity method was a credit to income of € 4.8 million (1.1).

### Operating Profit

The OP Bank Group's operating profit was down 2.2 per cent to € 504 million (515). The principal factors affecting the trend in operating profit were the decrease in both net interest income and other operating income by € 16 million and the € 15 million drop in earnings reported by OP Life Assurance Company. The decreases were offset by growth of € 15 million in commission income and € 7 million in net income from securities trading. Other items improved operating profit by a net amount of € 9.1 million.

The Group's profitability was again strong. The return on equity (ROE) was 10.5 per cent (11.5) and the return on assets (ROA) 1.04 per cent (1.12). The cost/income ratio was 62 per cent (62).

### Operating profit in October–December

Operating profit in the last quarter of the report year was € 114 million, a slight increase on the figure a year earlier (113). Net interest income grew by 2.2 per cent to € 202 million (198). Other income diminished to

OP Bank Group Quarterly Performance € million	2004				2004	2003	Change, %
	1–3	4–6	7–9	10–12			
Net interest income	194	192	194	202	783	798	-2
Commissions and fees	87	79	75	86	328	312	5
Net income from securities and foreign exchange trading	2	7	3	5	17	11	61
Other operating income	40	45	35	39	159	173	-8
<b>Total income</b>	<b>323</b>	<b>323</b>	<b>307</b>	<b>333</b>	<b>1 286</b>	<b>1 294</b>	<b>-1</b>
Commission expenses	10	11	11	10	43	38	14
Administrative expenses	143	144	129	147	563	566	0
Depreciation and write-downs on tangible and intangible assets	15	15	16	23	70	70	0
Other operating expenses	31	30	29	37	127	130	-3
<b>Total expenses</b>	<b>199</b>	<b>201</b>	<b>185</b>	<b>217</b>	<b>803</b>	<b>804</b>	<b>0</b>
Profit before loan losses	124	122	122	115	483	490	-1
Loan and guarantee losses	-1	0	1	7	7	9	-26
Write-downs	0	0	0	0	0	4	-97
Results accounted for using the equity method	11	7	4	6	27	39	-29
<b>Operating profit</b>	<b>136</b>	<b>128</b>	<b>125</b>	<b>114</b>	<b>504</b>	<b>515</b>	<b>-2</b>



€ 130 million (140), which was attributable to the non-recurring gains on the sale of real-estate holdings booked in the comparison period. Expenses decreased by 5.8 per cent to € 217 million (231), because in October–December pension expenses were € 15 million less than a year ago.

Fourth-quarter operating profit was down 8.9 per cent on the previous quarter (€ 125 million). This was due mainly to the seasonal increase in expenses at the end of the year. Net interest income in October–December was greater than in the other quarters. Other income increased by 16 per cent and expenses by 17 per cent compared with the third quarter. The net amount of loan losses booked was € 6.5 million more than in July–September.

### TOTAL ASSETS AND OFF-BALANCE SHEET ITEMS

#### Assets and Liabilities

The OP Bank Group's total assets stood at € 38.2 billion, an increase of 9.2 per cent since the end of 2003 (35.0). The loan portfolio totalled € 31.0 billion (27.5), growing by 13 per cent and rising to an 81 per cent share of total assets (79). Total deposits amounted to € 22.8 billion (21.2) and their share of total assets declined to 60 per cent (61).

Receivables from the public and public sector entities totalled € 30.6 billion (27.2). The amount of debt securities increased to € 4.0 billion (3.8). Receivables from credit institutions, in turn, decreased to € 1.0 billion (1.4). The total amount of shares was € 432 million (370). The total amount of tangible and intangible assets diminished by 3.1 per cent to € 1.1 billion (1.2).

Liabilities to the public and public sector entities increased by 8.0 per cent to € 25.1 billion (23.3) and liabilities to credit institutions and central banks were down 25 per cent to € 1.2 billion (1.6). The amount of debt securities issued to the public was € 6.3 billion at the end of the year (5.0).

#### Equity Capital

The Group's equity capital grew by 12 per cent to € 3.9 billion (3.4). Net profit for the financial year was € 380 million (373). The total amount of equity and cooperative capital within the Group's total assets grew to € 798 million (774).

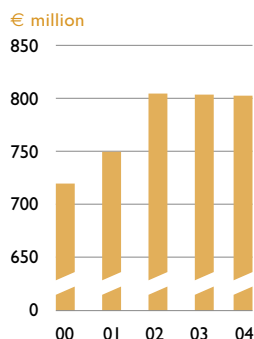
According to advance information, the member cooperative banks' payment of interest on the cooperative capital for the 2004 financial year will total € 16 million (16). The proposed dividend to be paid on OKO Bank shares is a total of € 52 million (106), of which € 0.53 per share is to be paid on Series A shares (1.10) and € 0.50 per share on Series K shares (1.08).

#### Off-balance Sheet Items

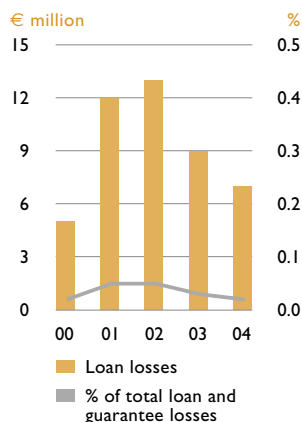
The amount of guarantees, guarantee liabilities and other off-balance sheet commitments at the end of the year was € 6.3 billion (5.5), an increase of 14 per cent on the figure a year earlier. The biggest increase was in unused credit arrangements, which were € 0.6 billion greater than at the end of 2003.

The value of the underlying instruments of derivative contracts was € 19.0 billion at the end of the year (12.5). The credit countervalue of derivative contracts grew since the end of last year by 53 per cent to € 233 million.

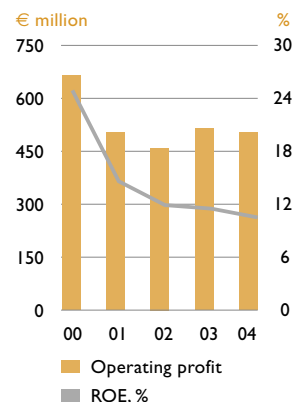
Total Expenses



Loan Losses



Operating Profit and ROE



## CAPITAL ADEQUACY

The OP Bank Group's capital adequacy ratio at the end of the year was 15.8 per cent (15.4). The net profit less the payout proposed by Group companies has been included in own funds.

Own funds grew by 14 per cent to € 4.1 billion (3.6) and risk-weighted receivables, investments and off-balance sheet commitments were up 10 per cent to € 25.6 billion (23.2). Tier I own funds totalled € 3.7 billion (3.2). Own funds included € 90 million of cooperative contributions terminated by the member banks' owner-members (81). The Group's Tier II own funds at the end of the year amounted to € 0.5 billion (0.4). The capital adequacy ratio calculated with Tier I own funds was 14.4 per cent (14.0).

At the end of 2003, the OP Bank Group received from the Financial Supervision Authority an exemption permitting the non-deduction from the Group's own funds of the capital investments which the member banks have made in the private equity funds managed by OKO Venture Capital Oy 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 cooperative banks' owner-members grew by 32 000 to 1 105 000. In addition, metropolitan Helsinki-based Okopankki Oyj has 128 000 preferred customers.

The amount of the bonuses which owner-members and the preferred customers of Okopankki Oyj earned in 2004 for their patronage of the Group's banking services was € 39 million (34), an increase of 13 per cent on the year-ago figure. In the Group's income statement, bonuses earned have been booked as a reduction in commissions and fees. Owner-members and preferred customers applied bonuses for paying for bank services to a total amount of € 27 million (24), and cash bonuses paid to them amounted to € 7.3 million (11).

At the end of the year, the OP Bank Group had 3.1 million customers, 30 000 more than a year earlier. Household customers accounted for 84 per cent, corporate customers for 12 per cent and customers engaged in agriculture and forestry for 4 per cent.

## BUSINESS OPERATIONS

### Loans and Deposits

The OP Bank Group's total deposits grew by 7.3 per cent to € 22.8 billion in the report year (21.2). The Group's market share of total deposits with financial institutions, in accordance with the Bank of Finland's statistical bases, grew by 0.7 percentage point to 32.3 per cent.

The OP Bank Group's loan portfolio at the end of the year amounted to € 31.0 billion (27.5), an increase of 13 per cent since the end of 2003. The Group's market share of financial institutions' loan portfolio grew by 0.7 percentage point to 30.5 per cent.

During the report year, € 12.8 billion in new loans was drawn down, an increase of 15 per cent on the figure a year earlier (11.1). The share of household mortgages within new loans was 40 per cent (42) and the share of

### Capital Adequacy

(At the end of the year)	2000	2001	2002	2003	2004
<b>Own funds, € million</b>					
Tier I	2 170	2 531	2 886	3 243	3 686
of which subordinated capital notes	-	-	-	-	74
Tier II	484	528	460	445	455
Mandatory adjustments	-99	-109	-112	-127	-92
<b>Total</b>	<b>2 555</b>	<b>2 951</b>	<b>3 234</b>	<b>3 562</b>	<b>4 050</b>
Risk-weighted receivables, investments and off-balance sheet items, € million	18 675	19 514	21 265	23 173	25 577
Capital adequacy ratio, %	13.7	15.1	15.2	15.4	15.8
Tier I ratio, %	11.6	13.0	13.6	14.0	14.4

other loans to the household sector was 22 per cent (24). Corporate loans represented a share of 36 per cent (33). In the last quarter, € 3.6 billion in new loans was drawn down, a third more than a year earlier.

### Asset Management

The OP Bank Group's investment deposits at the end of the year totalled € 8.6 billion, an increase of 12 per cent since the end of 2003 (7.7). Households' investment deposits increased by 13 per cent to € 7.8 billion (6.9).

### Insurance Saving

After clarity emerged concerning the legislative changes to the taxation of pension insurance policies, demand for insurance savings products revived in the second half of the year. Total premiums written in the industry remained at the previous year's level. Premiums written in individual pension insurance grew by more than 10 per cent. Unit sales of new pension policies swung to growth after the summer, though full-year sales were less than half of the peak level reached in 2003.

The OP Bank Group's premiums written in life and pension insurance decreased by 9.7 per cent to € 478 million (530). In the last quarter, premiums written amounted to € 172 million, a 17 per cent increase on the figure a year earlier and nearly double that reported for the previous quarter. The OP Bank Group's market share of premiums written in the life assurance sector in 2004 was 16.5 per cent (18.3).

Premiums written by OP Life Assurance Company decreased by 15 per cent, but premiums written in pension insurance grew by 29 per cent from 2003. The share of pension insurance policies within premiums written rose to 16 per cent (11). The share of unit-linked

policies within total premiums written in life and pension insurance rose to 35 per cent (18).

In 2004, the OP Bank Group had the largest unit sales of pension and savings policies in Finland. A total of 32 200 new policies were sold, or 31 per cent of all the pension and savings insurance policies in Finland. At the end of the year, the OP Bank Group had a total of more than 206 000 policies (184 000), 33 per cent of which were pension policies (32).

During the report year, the OP Bank Group's asset inflows through savings life assurance, pension insurance and capitalisation agreements grew by 19 per cent to € 2.7 billion (2.2). Savings life assurance assets grew by 17 per cent to € 2.2 billion, pension insurance savings by 36 per cent to € 318 million and capitalisation agreement savings by 13 per cent to € 94 million. Unit-linked policies accounted for 23 per cent of the aggregate amount of insurance savings (19).

The OP Bank Group's market share of insurance savings was 11.0 per cent at the end of the year (10.0).

### Mutual Fund Saving

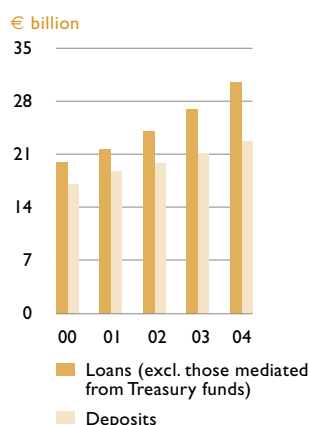
The capital of mutual funds registered in Finland grew by 41 per cent to € 31.1 billion in the report year. Capital in money market funds increased by 30 per cent, in equity funds by 55 per cent and in other funds by 37 per cent. A part of the increase in capital was due to the fact that in the year under review the main players in the market reported for the first time their figures for foreign sales to mutual funds registered in Finland. Net subscriptions to the funds grew by 45 per cent to € 6.6 billion.

The capital invested in the OP Bank Group's mutual funds grew by 54 per cent in the report year and topped the five billion euro mark. At the end of the year the capital in mutual funds amounted to € 5.1 billion (3.3). Equity funds nearly doubled to € 1.7 billion, money market funds were up 26 per cent to € 1.8 billion and other funds rose by 54 per cent to € 1.6 billion.

The OP Bank Group's net subscriptions increased by 82 per cent to € 1 539 million (846). Net subscriptions to equity funds amounted to € 717 million (133), subscriptions to money market funds totalling € 339 million (714) and subscriptions to other funds totalling € 483 million (-2).

During the report year, the OP Bank Group brought out on the market five new mutual funds: the OP India and OP Japan special mutual funds that invest in the equity market, the OP Real Estate mutual fund that invests in the European real-estate market via listed real-estate

### Loans and Deposits



companies, the OP High Yield mutual fund that invests in corporate bonds of companies with a low credit rating and the OP Fixed Income Plus balanced fund that has a low risk level. In autumn 2004, the OP Yield, OP Spektri and OP Pirkka balanced funds were converted into funds of funds. At the end of the year, the OP Bank Group had a total of 37 mutual funds under management.

The Group's market share of the aggregate capital under management by mutual funds registered in Finland rose by 1.4 percentage points during 2004, to 16.5 per cent. In the second half of the year, the market share rose by 2.7 percentage points.

The Group's mutual funds gained more than 55 000 new unitholders in 2004. At the end of the year, the mutual funds had a total of just over 290 000 unit-holders. The OP Fund Management Company Ltd's market share of fund unitholders was 18.8 per cent, making it the second largest of fund management companies registered in Finland.

The OP Fund Management Company, which handles all the mutual funds run by the Group, received – as in previous years – the best marks for fund management companies in the National Corporate Image survey conducted by the economic research consultancy Taloustutkimus Oy. The Company's strengths were considered to be its financial position, public profile, future prospects and the professional skill of its portfolio managers.

Assets of private and corporate customers under management by the Group's investment bank, Opstock Ltd, grew by 33 per cent to € 11.1 billion (8.4). Of these assets, € 7.1 billion (5.0) 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 29 per cent from the figure a year ago, reaching 436 000 trades. Stockbroking grew by 81 per cent in value to € 7.7 billion (4.2). Orders executed over the Internet accounted for 68 per cent of total stockbroking (70).

### Housing Services

The low level of interest rates, which kept housing sales brisk, bolstered the demand for loans. The banks' portfolio of housing loans continued its fast pace of growth in 2004. The OP Bank Group's portfolio of home mortgages grew by 15 per cent. At the end of the year, the OP Bank Group's portfolio of home mortgages totalled € 14.2 billion (12.4), or 46 per cent of the Group's loan portfolio (45). The Group's market share of home mortgages at the end of the year was 34.4 per cent (34.5).

Households who are customers of the OP Bank Group drew down € 5.1 billion in housing loans in 2004, an increase of 11 per cent on the figure a year earlier (4.6). In the report year more new home mortgages were drawn down in each quarter than a year earlier. In the last quarter, € 1.3 billion in home mortgages was drawn down, or 13 per cent more than in the last quarter of 2003. The average margin on new housing loans during the report year was 0.1 percentage point smaller than in 2003.

In September, the OP Bank Group was the first bank in Finland to bring out on the market interest-capped home mortgage for private individuals. Under its terms, the customer can pay a fee for setting a cap or ceiling on the loan, above which the interest will not rise during the validity of the interest-capped agreement.

OP-Kiinteistökeskus became the largest chain of estate agents in Finland as measured by the number of sales made. The volume of property brokerage by the OP-Kiinteistökeskus estate agents was up 11 per cent to 14 500 transactions. During 2004, two new OP Kiinteistökeskus estate agent centres were established, and 15 new offices were opened.

In the Finland Today survey carried out by Taloustutkimus Oy, the OP Bank Group's housing services received the best marks from its customers according to all four criteria in the survey: level of interest rates, loan maturities, flexibility and professionalism.

### Daily Money Affairs

At the end of the year, households' current account and payment transfer account deposits with the OP Bank Group totalled € 10.3 billion (10.1). From the end of 2003, these deposits grew by 2.2 per cent. The portfolio of consumer credits to households increased by 10 per cent to € 2.2 billion (2.0). Towards the end of the year the OP Bank Group brought out on the market a new unsecured constant-limit flexible loan.

In the report year, the number of the Group's customer cards grew by 2.4 per cent to about 2.0 million. Cards with a payment facility accounted for 91 per cent of this figure (90). The number of international Visa and MasterCard grew by 18 per cent to 1 002 000 during the report year, representing 56 per cent of payment cards (49). The OP Bank Group is seeking to convert the bulk of the cards to international credit cards in the Visa product family. Since November, new OP Visa cards have automatically had a credit facility. The number of cards intended for use in an ATM and domestic debit cards

decreased by 9.6 per cent.

Cards were used as a payment instrument 182 million times, an increase of 15 per cent on the volume a year earlier. The volume of cash withdrawals made with a card diminished, in turn, by 3 per cent.

### **Corporate Customer Services**

The OP Bank Group's euro-denominated corporate loan portfolio increased by 15 per cent to € 9.0 billion (7.8) during the report year. Growth in 2003 was 8.3 per cent. The growth in the Group's corporate loan portfolio accelerated during the last quarter of the year. The Group's market share of corporate loans at the end of the year was 24.8 per cent (23.4).

New euro-denominated corporate loans were drawn down to an amount of € 4.7 billion (3.7), or 28 per cent more than in 2003. In the last quarter, € 1.6 billion of new loans was drawn down.

Corporate customers' euro-denominated deposits at the end of the year totalled € 3.1 billion, up 7.4 per cent on the figure at the end of 2003 (2.9). The number of electronic domestic payments made was 330 million, up 10 per cent on 2003. Payment transactions abroad increased by 27 per cent. At the beginning of 2004, the OP Bank Group joined EBA Step2, a European messaging service for the exchange of bulk payment files in the euro payments area.

During 2004, companies made wider use of electronic invoicing and the Finvoice electronic invoice standard that has been developed by the Finnish banks. The OP Bank Group launched its e-billing service in spring 2004. The number of service contracts grew significantly, especially in the last quarter of the year.

In accordance with an agreement signed with Municipality Finance Plc in March, the OP Bank Group began offering Municipality Finance Plc's municipal bonds to its customers. The bonds round out the range of bonds and notes that the OP Bank Group offers its customers.

OKO Bank and the European Investment Bank continued their co-operation in accordance with the agreement that was concluded in April. Under the agreement, the OP Bank Group will be authorised to intermediate for € 100 million of loans for financing the small and medium-sized investments of municipalities and companies owned by them.

In a customer satisfaction comparison correlated by Taloustutkimus Oy, OKO Bank's leasing and factoring services were judged to be the best in their field as ranked in both overall marks and in customer service.

## **OTHER OPERATIONS AND MAJOR EVENTS**

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### **Real Estate**

The OP Bank Group's capital invested in real-estate properties at the end of the year was € 1.2 billion (1.3). The amount of capital decreased by € 47 million during the report year. Real-estate properties not in own use amounted to € 772 million at the end of the year (826), of which business and industrial premises accounted for € 623 million (663) and residential properties for € 96 million (109).

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 6.8 per cent (7.0). The Group's objective is to trim the amount of capital tied up in real estate further and to maintain its good yield level.

### **Exemption from the Supervisory Requirements for a Financial and Insurance Conglomerate**

Amendments to the Act on the Supervisory Requirements for Financial and Insurance Conglomerates came into force in August 2004. Following the amendments, the OP Bank Group can form a financial and insurance conglomerate as set out in the act, providing the requirements defined in the act are fulfilled. In August, 2004, the OP Bank Group fulfilled one of the three requirements for such a conglomerate, but the Financial Supervision Authority has granted the OP Bank Group an exemption from the requirements of said act up to the end of 2005.

### **Bank of the Year in Finland Citations**

The Banker, a financial magazine that is published by the Financial Times Group, chose the OP Bank Group as Bank of the Year in Finland for the second year running. Global Finance magazine of the United States, in turn, chose the Group's central bank, OKO Bank, as Finland's best bank in 2004.

## **SERVICE NETWORK**

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The OP Bank Group's service model is based on the multichannel concept. The Group's objective is to offer customers a chain of services that operates in a high-quality and seamless way, also when the customer switches from one channel to another. The OP Bank Group's multichannel service network comprises outlets, online services and contact centre facilities.

## Locations

The number of the OP Bank Group's locations decreased by six to 710. The number of branch offices was reduced by five to 677 and the number of service outlets, which are more streamlined than branch offices, by one to 33. The number of the Group's payment ATMs fell by 5 per cent, and there were 623 of them at the end of the year. The increasing use of the Internet is reducing the use of payment ATMs: during 2004, the volume of bills paid at payment ATMs decreased by 11 per cent. The number of Internet customer terminals at the OP Bank Group's self-service outlets and other public facilities increased by 34 to 618. At the end of the year Automatia Pankkiautomaatit Oy, which is jointly owned by the OP Bank Group, Nordea Bank Finland Plc and Sampo Bank plc, had more than 1 700 Otto. cash dispensers. The banking services offered by the OP Bank Group provide wider regional coverage than any other bank group in Finland.

Of the total number of bills paid by the OP Bank Group's customers, only about 6 per cent were still paid through direct customer service at the branch offices, compared with a share of 7 per cent a year ago. As a counterweight to the decrease in routine tasks, the volume and importance of expert services has grown. Owing to the change in customer behaviour, a far-ranging overhaul of the branch office service concept is under way within the Group. By the end of the report year, 84 locations had been converted to the new format. In addition, the refurbishment of 33 locations was in the planning or construction stage.

## Online Services

The number of online service contracts for companies and households grew by 9.9 per cent to 907 000. In 2004, paying bills over the Internet increased by 24 per cent compared with last year. Retail customers paid 54 per cent of their bills over the Internet.

In the spring, the OP Bank Group brought out for its customers a new My Finances service, which is a convenient way for customers to improve the way they manage their own finances. In autumn 2004, the Group introduced an easy-to-use helppo.op.fi service that has been developed for the needs of senior citizens and people with impaired vision. Since the beginning of the report year, students have been able to apply for and draw down a student loan fully online without the assistance of a branch office and its staff.

The OP Bank Group's Mainio.net online portal offers useful information for a variety of daily needs, such as

household matters, personal finances and motoring. In the last quarter of the year, the portal registered an average of 170 000 unique visitors monthly, up 60 per cent on the figure reached in the last quarter of 2003. The average number of unique visitors over the full year grew by 41 per cent on the previous year, reaching 151 000 a month.

## 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 sales support for the member cooperative banks. The number of customer contacts handled by the Contact Centre by phone or over electronic channels grew by 23 per cent from the figure a year ago, rising to more than 593 000. According to Taloustutkimus Oy, the OP Bank Group still offers the best call centre service in the Finnish banking sector. The Contact Centre has locations in Helsinki, Joensuu and Vaasa.

## CREDIT RATINGS

Of the international credit rating institutions, Fitch Ratings provides a rating for both the OP Bank Group and its central bank, OKO Bank. The Group's financial position nevertheless has a considerable impact on the credit ratings issued for OKO Bank alone as well. During the report period, the credit ratings remained unchanged and were the following at the end of the year:

Rating Agency	Short-term debt	Long-term debt
Fitch Ratings		
(OP Bank Group and OKO Bank)	F1+	AA-
Standard & Poor's (OKO Bank)	A-1	A+
Moody's (OKO Bank)	P-1	Aa2

## ADMINISTRATION

The General Meeting of the OP Bank Group Central Cooperative was held on March 31, 2004. Of the members due to resign, the meeting re-elected to seats on the Cooperative's Supervisory Board Ola Eklund, Paavo Haapakoski, Heikki Oja and Keijo Väinänen. The new members elected were Tapio Kurki, Juhani Leminen, Timo Levo, Heikki Rosti and Bo Storsjö. The Supervisory Board has a total of 36 members.



At its organisation meeting, the Supervisory Board re-elected Seppo Penttinen as its chairman. Re-elected as vice chairmen were Pertti Ruotsalainen and Simo Kauppi.

The General Meeting of the Cooperative elected KPMG Wideri Oy Ab (as of Jan. 24, 2005 KPMG Oy Ab) as the auditor of the OP Bank Group Central Cooperative for the 2004 financial year.

## PERSONNEL

At the end of the report year, the Group employed (net of interns) 9 118 staff, or 4 more than at the end of 2003. The member cooperative banks had a total of 6 592 employees at year end (6 635). OKO Bank Consolidated had a payroll of 1 242 employees (1 179) and the rest of the Central Cooperative 1 317 employees (1 333). The personnel of the Helsingin Seudun OP-Kiinteistökeskus Oy estate agents, who were included in OP Bank Group Central Cooperative Consolidated's financial statements as from the beginning of 2004, have been added to the comparative figures at the end of 2003. The 33 employees (33) of the OP Pension Fund are included in the figures for "the rest of the Central Cooperative" but not in the total figures for OP Bank Group because the Fund is not consolidated within the Group's financial statements.

At its meeting held in September, the Supervisory Board of the OP Bank Group Central Cooperative decided to establish an OP Bank Group personnel fund. The actual constitutive meeting of the pension fund was held in December. The Ministry of Labour approved the fund's statutes and registered the OP Personnel Fund on December 30, 2004. At the end of the year, 259 companies in the OP Bank Group and 8 981 members had joined the personnel fund, representing about 93 per cent of the Group's personnel.

In September, the Central Cooperative's Supervisory Board also took a decision on a long-term reward system for the management of the companies belonging to the OP Bank Group. After the specified targets have been achieved, the persons covered by the reward system will be eligible to receive a separately agreed amount of OKO Bank shares. Both individual member cooperative banks and the other companies belonging to the OP Bank Group can join the personnel fund and the long-term reward system for management, subject to a separate decision. In the initial stage, the reward system for management was introduced at 132 companies in the Group.

## COMPANY OVERVIEWS IN 2004

### The Member Cooperative Banks

The aggregate operating profit of the member cooperative banks increased by 13 per cent to € 334 million (295). The growth was attributable above all to higher dividend income and reduced expenses compared with the previous year. On the other hand, the contraction in net interest income slowed down the growth in operating profit. At the end of the year, there were 239 member cooperative banks, all of which posted an operating profit for the financial year.

The aggregate net interest income of the member cooperative banks diminished by 2.9 per cent to € 604 million (623). Net interest income was burdened by the continuing low level of interest rates and further narrowing of customer margins. Income from equity investments increased by € 32 million to € 58 million (27), primarily due to the larger dividend income received from OKO Bank, compared with the previous year. Commission income amounted to € 220 million (221). Commissions on stockbroking increased by € 5.4 million to € 19 million (14), but other commissions diminished by € 5.7 million to € 34 million (40). Other commissions were decreased by the larger bonuses paid to customers than a year ago, which have been booked as an adjustment to commission income. Net income from securities trading amounted to € 14 million (15) and other operating income to € 78 million (80).

Expenses were down 4.3 per cent on the previous year, to € 637 million (666). Commission expenses amounted to € 34 million (36). Personnel costs decreased by 3.0 per cent to € 240 million (247), which was due to the smaller pension and other indirect personnel costs compared with the previous year. Other administrative expenses grew by 1.7 per cent to € 205 million (202). Depreciation according to plan amounted to € 31 million (30) and write-downs to € 7.7 million (5.4). Other operating expenses amounted to € 120 million (146), down 18 per cent on the figure in 2003. This was attributable largely to the decrease in share-of-liabilities payments to the OP Bank Group Security Fund. After May 2004, the member cooperative banks no longer had outstanding obligations to the Security Fund. Net loan and guarantee losses were down to € 4.4 million (5.4).

The member cooperative banks' aggregate total assets stood at € 27.5 billion (25.4). The loan portfolio grew by 12 per cent to € 21.9 billion (19.6) and total deposits were up 6.1 per cent to € 20.4 billion (19.2).

There were 239 member cooperative banks at the end of the year, or three less than at the start of the year. Osuuspankki Realum gave up its banking licence at the beginning of January. At the same time, Realum was changed into a limited company and named Optum Oy. Osuuspankki Realum's figures are included in the comparative figures for 2003, but it nevertheless has only a minor impact on the comparability of the figures. A resolution was passed on merging Suodenniemen Osuuspankki into Vammalan Seudun Osuuspankki at the Cooperative Meetings of the banks in April 2004, and the merger was entered in the Trade Register on September 30, 2004. In December 2002, a resolution was passed on merging Iitin Osuuspankki into Päijät-Hämeen Osuuspankki. The opposing opinions that delayed the merger were dealt with and resolved during the financial year, and the merger was entered in the Trade Register on October 31, 2004.

### **OP Bank Group Central Cooperative Consolidated**

OP Bank Group Central Cooperative Consolidated's operating profit grew by 40.5 per cent to € 238 million (169). Operating profit was improved especially by the growth in commission income and other operating income as well as the increase in net income from securities trading. The growth in operating profit was slowed down by higher commission expenses and administrative expenses than a year ago.

Net interest income grew by 3.3 per cent to € 179 million (174). Income from equity investments decreased to € 7.7 million (9.1). Commission income increased by 17 per cent to € 156 million (133). Particularly strong growth was registered in lending, stockbroking and commission income on mutual fund operations, which is included in other commissions. Net income from securities trading and foreign exchange trading was € 6.0 million, compared with a loss of € 3.2 million a year ago. A major factor behind the growth was the capital gains booked by OKO Bank on the sale of shares. Other operating income increased by 23 per cent to € 271 million (220), due primarily to the non-recurring income which the Central Cooperative booked following the dissolution of the OP Bank Group Security Fund. IT income included in other operating income increased to € 127 million (125).

Total expenses increased by 5.6 per cent to € 398 million (377). Commission expenses amounted to € 72 million (58), increasing mainly as a result of the growth in

commission expenses from mutual fund operations. Despite the decrease in pension expenses, personnel costs increased by 2.8 per cent to € 129 million (126) and other administrative expenses by 3.1 per cent to € 120 million (116). Depreciation according to plan and write-downs totalled € 37 million (33) and other operating expenses came to € 40 million (43).

The share of the results of companies accounted for using the equity method contributed € 18 million to income (21), of which OP Life Assurance Company Ltd accounted for € 13 million (20).

The net amount of loan losses fell to € 1.7 million (3.1). The gross amount of new credit losses booked was € 7.8 million (8.4). The amount of non-performing and interest-free loans grew to € 29 million (23).

Total assets grew by 11 per cent to € 16.8 billion (15.1). Loan portfolio was € 9.1 billion (7.9), or 15 per cent higher than at the end of 2003. The loan portfolio accounted for 54 per cent of total assets. Debt securities amounted to € 3.3 billion (2.9) and receivables from credit institutions amounted to € 3.3 billion (2.5). Total deposits increased to € 2.4 billion (2.0), accounting for 14 per cent of total assets. Liabilities to credit institutions and central banks were € 4.3 billion (4.8) and debt securities issued to the public totalled € 6.2 billion (4.9). Equity capital increased to € 610 million (440).

Capital adequacy ratio at the end of the year was 11.5 per cent (10.4). Capital adequacy as measured with Tier I own funds was 8.6 per cent (7.2). 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 € 908 million, an increase of 36 per cent on the figure a year earlier (666). OP Bank Group 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 claims, investments and off-balance sheet items grew by 13 per cent and totalled € 10.5 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 Optum Oy. In addition, the financial statements of OP Life Assurance Company Ltd and the real-estate investment company Oy Real-

invest Ab are consolidated according to the equity method within the consolidated financial statements.

In OP Bank Group Central Cooperative Consolidated, the proportion of insurance business as defined under the Act on the Supervision of Financial and Insurance Conglomerates exceeded 10 per cent at the end of 2002. Going over the limit value meant that OP Bank Group Central Cooperative Consolidated henceforth forms a financial and insurance conglomerate under the provisions of said act. Because the Central Cooperative Consolidated did not exceed the limit value, in the manner specified by the act, uninterruptedly over a three-year period, the Financial Supervision Authority has granted Central Cooperative Consolidated an exemption from the requirements of the Act on the Supervision of Financial and Insurance Conglomerates up to the end of 2005.

### **OP Bank Group Central Cooperative**

The OP Bank Group Central Cooperative's operating profit increased by € 83 million on the previous year, to € 111 million (27). The operating profit was improved by non-recurring items and an increase in dividend income.

Income from equity investments nearly doubled to € 45 million (23), benefiting largely from the greater dividends paid by OKO Bank compared with the previous year. Commission income remained nearly unchanged at € 22 million (23). All in all, other operating income increased by 23 per cent to € 261 million (213), due primarily to the € 49 million of income which the Central Cooperative received from the dissolution of the OP Bank Group Security Fund. Within other operating income, IT income increased by 3.3 per cent to € 131 million (127).

Expenses diminished by 1.1 per cent to € 214 million (217). Commission expenses remained unchanged at € 29 million (29). Personnel costs were down 8.3 per cent to € 41 million (45). Major factors contributing to the drop were the decrease in pension expenses and the reduction in the Central Cooperative's number of employees following the sale of the collections business to Optum Oy. Other administrative expenses were € 107 million (105), depreciation according to plan € 19 million (17) and other operating expenses € 18 million (20). The result for the comparison period included € 8.8 million of non-recurring write-downs on securities held as non-current financial assets.

Total assets grew by 7.0 per cent during the financial year to € 442 million (413). In accordance with the plan

related to the dissolution of the OP Bank Group Security Fund, the Central Cooperative purchased from the Security Fund in June capital loans issued by the member banks to a nominal value of € 54 million. The Central Cooperative's liabilities now include the interest payment guarantees which the Security Fund had given OKO Bank on the member cooperative banks' capital loans as well as the redemption commitments concerning the loans to a total amount of € 144 million.

In accordance with the previous resolutions passed by the Cooperative Meetings and due to the redenomination of the cooperative capital in euros, the cooperative capital was increased in March, whereby the value of one cooperative share was set at 170 euros. The total amount of the increase in the cooperative capital was € 1.0 million. Because of the strong earnings it generated, the Central Cooperative's equity ratio rose to 65.4 per cent at the end of the financial year (52.6). The Central Cooperative had 241 members at the end of the report period. Following a resolution passed at an extraordinary general meeting and with the registration of the relevant amendment to the Articles of Association on September 30, 2004, the Central Cooperative's subsidiary OP Bank Group Mortgage Bank Plc became a member of the Central Cooperative. According to plans, OP-Kotipankki and Okopankki will decide on joining the Central Cooperative at the 2005 Annual General Meetings.

The number of personnel at the end of the year was 775 (837). At the start of the year, the Central Cooperative sold its collections business to Optum Oy. A total of 57 staff transferred to the employ of Optum. In other respects, the transaction has only a minor impact on the comparability of the figures for the Central Cooperative's report period and the comparison period.

Because of non-recurring items that were included in the OP Bank Group Central Cooperative's result in the report year, earnings in 2005 are forecast to be markedly lower than in 2004.

### **OP Bank Group Central Cooperative Subsidiaries**

#### **OKO Bank**

OKO Bank posted a consolidated operating profit for 2004 of € 134 million (174). The result included a just over € 10 million capital gain on the sale of OMX AB shares. In 2003, non-recurring items added € 65 million to earnings. Comparable operating profit improved by 13 per cent thanks to strong growth. The credit portfolio

increased by 17 per cent during the year, and customer funds under asset management by 33 per cent.

Net interest income grew to € 164 million (161). Income from equity investments contracted to € 7.3 million (9.1). Net commission and fee income, adjusted for commission expenses, increased by a good fifth to € 79 million (66). Growth came especially from stockbroking and lending as well as asset management. Net income from securities trading and foreign exchange trading was € 5.2 million, compared with a loss of € 2.3 million a year ago. Other operating income amounted to € 20 million (90). In 2003 other operating income included non-recurring capital gains of € 71 million.

Expenses excluding commission expenses increased to € 147 million (139), due mainly to the consolidation within OKO Bank, from the start of the year, of the Helsingin Seudun OP-Kiinteistökeskus LKV estate agents. OKO Bank and its subsidiaries had a staff of 1 242 employees at the end of the year (1 179). Personnel costs increased by 8.9 per cent to € 63 million (58) and other administrative expenses by 9.2 per cent to € 49.5 million (45). Depreciation according to plan and write-downs totalled € 8.6 million (9.8). Other operating expenses remained unchanged at € 26 million.

The net amount of loan and guarantee losses was € 1.2 million (2.4) and write-downs on securities held as non-current assets amounted to € 0.3 million (4.6). The share in the results of companies consolidated according to the equity method was a credit to income of € 6.0 million, as against a loss of € 3.3 million a year earlier.

Total assets increased to € 16.4 billion (14.8). The loan portfolio, including leased assets, was up 17 per cent to € 8.7 billion, making up more than half of total assets. Receivables from financial institutions, primarily from the member cooperative banks, increased to € 3.5 billion (2.7). The amount of deposits from the public grew by 18 per cent to € 2.4 billion (2.0), accounting for 15 per cent of total assets. Liabilities to credit institutions and central banks diminished to € 4.3 billion (4.8). The amount of bonds issued for public subscription grew to € 6.1 billion (4.8). Equity capital at the end of the year stood at € 807 million (733), of which distributable equity amounted to € 75 million (146). The capital adequacy ratio was 10.8 per cent (11.0).

The business environment and competitive situation of banks are expected to remain similar to 2004. Due to the growth in business, OKO Bank's consolidated earnings before taxes will probably be bigger than the corresponding amount in 2004 adjusted for non-recurring items, pro-

vided there are no unexpected changes in the business environment.

### *OP Life Assurance Company Ltd*

Uncertainty about the content of the amendments to legislation on the taxation of insurance policies affected the premiums written by OP Life Assurance Company Ltd, as it did other insurers. When clarity emerged regarding the legislative amendments and transitional regulations were provided for old pension policies, sales of insurance policies – in both unit and euro terms – revived in the latter part of the year. The Company's premiums written, however, contracted by 9.7 per cent to € 478 million (530). The bulk of the Company's premiums written again came from savings life assurance, amounting to € 401 million (469). Premiums written in pension insurance grew by 29 per cent to € 77 million. The share of unit-linked premiums written increased to 35 per cent, or € 168 million. OP Bank Group's market share of premiums written in life and pension insurance was 16.5 per cent.

The Company reported operating profit of € 50 million (43). The result of investment operations was € 166 million (147). The Company's posted earnings included an € 14 million supplementary benefit provision whereby it prepared for paying customer bonuses in future years.

### **Life Assurance Earnings Analysis**

€ million	1–12/2004	1–12/2003
Premiums written	478	529
Net income from investments	166	147
Compensation paid	161	159
Change in technical provisions before supplementary benefits and change in equalisation amount	410	451
Operating expenses	22	23
<b>Operating profit</b>	<b>50</b>	<b>43</b>
Change in equalisation amount; supplementary benefits	25	8
Income taxes and other direct taxes	4	0
<b>Profit for the fiscal period</b>	<b>21</b>	<b>36</b>

Technical provisions at the end of the year amounted to € 2.7 billion (2.2), of which unit-linked policies accounted for 23 per cent (19). The OP Bank Group's market share of insurance savings through life and pension policies was 11.0 per cent at the end of the year, according to advance information (10.0).

OP Life Assurance Company Ltd's investment assets, excluding assets covering unit-linked policies, had a total

book value of € 2.2 billion (1.9). The proportion of interest-bearing investments within assets calculated at fair value was 78 per cent (85), shares and equity funds accounted for 11.2 per cent (8.4), the proportion of real-estate investments was 2.9 per cent (3.6) and alternative investments accounted for 8.1 per cent (3.2).

The Company's solvency margin at the end of the year was € 266 million (219), nearly triple the statutory minimum amount for the solvency margin. By permission of the Insurance Supervision Authority, the Company repaid € 19.2 million of capital loans that had been included in its solvency margin because an amendment to the solvency margin regulations under the Insurance Companies Act limited the inclusion of capital loans in the Company's solvency margin. Following the repayment, the Company's solvency ratio at the end of the year was 12.0 per cent (11.4). The Company had a staff of 46 employees (45).

#### Solvency Margin

€ million	Dec. 31, 2004	Dec. 31, 2003
Equity capital	133	122
Valuation items	89	34
Subordinated capital notes	44	65
Other items	-1	-2
<b>Total</b>	<b>266</b>	<b>219</b>
Minimum solvency margin	89	77
Capital adequacy ratio, %	12.0	11.4

Income from equities and fixed income markets is forecast to decrease and to return to close to the long-term level. If the forecast materialises, the Company's earnings will come in lower than in 2004.

#### OP Fund Management Company Ltd

The capital invested in the mutual funds run by OP Fund Management Company Ltd grew and the number of unitholders increased further during the financial year, outpacing the mutual fund sector as a whole. The Company's market share of mutual fund capital at the end of the year was 16.5 per cent (15.1). The market share of unitholders in mutual funds was 18.8 per cent.

The aggregate capital in OP mutual funds grew by 54 per cent from € 3.3 billion to € 5.1 billion. Total net subscriptions increased to € 1.5 billion (0.8). The positive effect of the change in value on the capital in mutual funds totalled € 257 million. In net amounts, the highest sales within the OP Bank Group were clearly for equity and balanced funds.

OP Fund Management Company Ltd's operating profit for 2004 was € 1.9 million (1.9). Income from mutual fund operations was up 37 per cent to € 39 million (28), of which income from management fees amounted to € 36 million (27). OP Fund Management Company's expenses increased owing to returns of commissions and fees paid to subscription agents as well as an increase in portfolio management fees. Expenses came to € 37 million (27). The Company had a staff at the end of 2004 of 25 employees (28).

The growth in mutual fund capital is expected to continue in Finland again in 2005. The Company's operating profit for 2005 is expected to be on a par with 2004.

#### OP-Kotipankki Oyj

OP-Kotipankki's operations focus on the management of unsecured consumer loans and support for their sales as well as the development of unsecured consumer credit products.

OP-Kotipankki posted operating profit of € 12 million (13). Net interest income was € 15 million (14). Commission income grew further and was € 18 million (17). Commission expenses for selling loans and processing credit applications totalled € 12 million (9.4). Of the commission expenses, 95 per cent represented payments to the OP Bank Group's member banks. The net amount of loan losses was € 1.1 million (1.4). Loan losses accounted for 0.5 per cent of the loan portfolio (0.6).

OP-Kotipankki's total assets increased by 6.8 per cent to € 247 million (231) during the report year. Receivables from the public and public sector entities were up 5.9 per cent to € 244 million (230). Liabilities to credit institutions totalled € 195 million (183), consisting in their entirety of loans drawn from OKO Bank. The capital adequacy ratio was 12.4 per cent (11.8). The Bank had a staff of 44 employees (43) at the end of the year.

Owing to increasing sales commissions, the Bank's operating profit for 2005 is estimated to be clearly smaller than it was in 2004.

#### FD Finanssidata Oy

FD Finanssidata Oy is responsible for integrating the OP Bank Group's information technology and it provides the Group's information technology development, maintenance and production services.

In 2004 the operational emphasis was on the reliability of production and the development of services. The applications development focused on asset management services, foreign payment transfers and new systems for

account products and services.

The Company generated turnover of € 67 million, on a par with the figure a year earlier. Operating profit grew to € 1.9 million (1.3). Total assets at the end of the year stood at € 15 million (17). The number of employees at year end was 324 (315).

In connection with the reorganisation of the OP Bank Group Central Cooperative's ICT functions, FD Finanssidata's applications services and closely related functions will be transferred to the management of the Central Cooperative on March 1, 2005. This will involve the transfer to the Central Cooperative of about two thirds of the Company's personnel and nearly half of its turnover. Following the transfers, FD Finanssidata will be basically an ICT production company instead of an ICT overall services company as it is at present. In respect of production services, profit before taxes for 2005 is estimated to remain at the same level as in 2004.

#### ***OP Bank Group Mortgage Bank plc***

OP Bank Group Mortgage Bank Group plc, which acts as the OP Bank Group's mortgage bank, grants home mortgages through the member banks of the OP Bank Group in accordance with the Mortgage Bank Act. During the financial year, OP Bank Group Mortgage Bank joined the Central Cooperative as a member credit institution. The relevant amendment to the Articles of Association was registered on September 30, 2004. Having become a member, the Bank became part of the OP Bank Group's joint responsibility system.

The Bank had turnover of € 0.6 million (0.5). The Bank's total assets amounted to € 176 million (126). The loan portfolio grew by 43 per cent to € 158 million (111). OP Bank Group Mortgage Bank did not book loan losses in the report year, nor did it have non-performing or interest-free loans at the end of the year. During the report year the Bank issued four new secured bonds. At the close of the financial year there were ten bonds in issue, and they had a total book value of € 73 million (65). The Bank had a payroll of 4 employees at the end of the year (4).

The low level of interest rates is estimated to support demand for home mortgages also in 2005, and OP Bank Group Mortgage Bank's loan portfolio is expected to grow more than the home mortgage market on average. The Bank's operating profit for 2005 is estimated to be on a par with 2004, or only slightly better at most. The volume and performance estimate is based on the assumption that major changes do not take place in the equity market.

#### ***Optum Oy***

Optum Oy began operations at the turn of the year 2003-2004, when Osuuspankki Realum, which concentrated on managing problem loans and distressed real estate within the OP Bank Group, relinquished its operating licence and was converted to Optum Oy. The Company's entire shares outstanding are owned by the OP Bank Group Central Cooperative. The Company handles the OP Bank Group's centralised collection services and post-collections. In addition, it will continue carrying out disposals of the real-estate assets owned by Realum. At the end of 2004, Optum's collection services were used by 113 cooperative banks and other corporations within the OP Bank Group. In March, Optum purchased the post-collection portfolios of OP Bank Group Mutual Insurance Company and the OP Bank Group Security Fund as well as a collection lot of customer receivables from OKO Bank.

Optum posted operating profit of € 8.6 million for its first financial year. Turnover amounted to € 19 million, which was comprised in its entirety of collection income. Total assets at the end of the year stood at € 89 million, and the Company had a staff of 56 employees.

In 2005, the Company will continue its operations in the form that became established in the report year. The aim is to increase the number of customers for collection services. The result of post collections is forecast to be smaller than in 2004.

#### **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, the Company pays particular attention to receivables involving a greater than normal risk owing to weakened debt-servicing ability or insufficient collateral.

The Company's premium income totalled € 13 million (17), 91 per cent of which came from credit insurance operations. The loan portfolio covered by credit insurance amounted to € 21 billion (18). Claims paid totalled € 5.2 million (8.2). The result of investment operations was € 13 million (16). Net profit for the financial year was € 4.1 million (5.9).

The Company's total assets decreased to € 308 million (310). Technical provisions at the close of the year were € 240 million (217). The Company's capital adequacy is strong. The Company had a staff at the end of



the year of 19 employees (18).

The Company's earnings trend is forecast to remain stable providing that the investment market develops in line with the long-term trend.

### ***OP Bank Group Security Fund***

In accordance with the plan that was adopted in 1998, the Security Fund's operations were wound down in 2004 after the member banks had paid their share of the Fund's liabilities. The Central Cooperative remained liable for the winding-down costs and received the surplus arising on dissolution of the Security Fund.

In March, the Security Fund sold its post-collection portfolio to Optum Oy. In May 2004, the last 18 of the Security Fund's member banks paid off their share of the outstanding liabilities in full. At the beginning of June, the Security Fund sold the capital investments it had made in the cooperative banks, to a nominal value of € 54 million, to the Central Cooperative. Concurrently, the Central Cooperative assumed liability for the interest payment guarantees for € 144 million of subordinated capital notes. In addition, the Central Cooperative took on € 60 million of redemption commitments for these loans. Thereafter, the Security Fund no longer had any obligations at the end of June and it became a voluntary fund in accordance with the Credit Institution Act. On June 16, 2004, the Security Fund's Supervisory Board approved the Fund's new statutes and decided to dissolve the Fund. The Ministry of Finance confirmed the amended statutes on August 4, 2004.

In its last financial period that ended on August 16, 2004, the Security Fund paid € 4.3 million in interest on capital investments on the basis of guarantees it had given (5.6). The result of the last financial period was a net profit of € 8.6 million, including non-recurring gains and losses resulting from the winding down. In the financial statements, the Security Fund's equity capital was € 49 million, and an amount corresponding to this was transferred to the Central Cooperative as a surplus arising on dissolution.

## **Pension Institutions**

### ***OP Bank Group Pension Fund***

The OP Bank Group Pension Fund attends to the statutory pension security of the OP Bank Group staff. At the end of the year, the Pension Fund had 350 employer members (354). The number of insured salaried employees at the close of the year was 9 493 (9 529).

In 2004 the Pension Fund collected € 60 million in insurance premiums (63), which fell below the general Employment Pension Insurance payment level by 3.4 percentage points. The net yield on investment operations was € 50 million (36). The Pension Fund posted a net profit for the financial year of € 3.8 million (8.0). Technical provisions were € 661 million (615).

The Pension Fund's capital adequacy strengthened further. The Fund's solvency margin was more than three times the statutory solvency ratio limit. The solvency ratio was 36 per cent of technical provisions (32). The Fund had a payroll of 33 employees at the end of the year (33). The 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 of the OP Bank Group personnel. The number of employer members in the Pension Foundation at the end of the year was 328 (329) and the Foundation had 5 269 employee members (5 526). The Pension Foundation was closed to new members in 1991.

The Pension Foundation did not collect contributions in 2004. In the previous year, € 8.5 million in contributions was collected. The net yield on investment assets was € 43 million (31). The Pension Foundation's result for the financial year was € 1.1 million, calculated in accordance with the regulations in force at the end of 2004 (2.1). The Foundation's technical provisions totalled € 482 million (468). The technical provisions will diminish when they begin to be calculated according to the regulations that came into force at the beginning of 2005. The change in the regulations is due to the effect of changes in the Employees' Pensions Act (TEL) on the Pension Foundation's liabilities and the trend in them.

The Foundation's pension liabilities are fully covered and its investment assets amount to 121 per cent of the technical provisions that must be covered (116). The Pension Foundation does not have its own staff, but its tasks and duties are handled by the OP Pension Fund's staff. The Foundation's figures are not included in the OP Bank Group's consolidated financial statements.

## **OUTLOOK FOR 2005**

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The OP Bank Group's market position has strengthened for a number of years now. The Group's target is to strengthen its market position further.

The OP Bank Group's profit before taxes for 2005 is estimated to be on a par with 2004. The performance estimate is 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

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The most important objective of the Group's risk management is to safeguard the risk-bearing capacity of all the enterprises belonging to the Group and to ensure that in their operations they do not assume such a large risk as would jeopardise the profitability, capital adequacy or continuity of operations of the enterprise or the entire OP Bank Group. The task of the OP Bank Group's risk management is to identify the threats and opportunities that affect the implementation of the strategy.

The OP Bank Group's risk management as well as its risk management methods and information systems are developed purposefully on the basis of the Group's business needs, taking into account changes in the operating environment and regulatory requirements.

### **Risk Management in the Group's Strategy**

In the strategy process, risk-management policy lines are formulated for the risk appetite, targets for different specific types of risk and priorities for the development of risk management.

In line with the new strategy adopted in 2004, the Group will strengthen its market position without compromising on risk management and in observance of the Group's risk management instructions in all conditions. Each member bank is responsible for its own risk management and its independent operations are based on its own risk-bearing and service capability.

The Group's risk-taking is moderate. The OP Bank Group's major risk is credit risk. The strategy defines the net amount of credit losses over the long term to be a maximum of 0.25 per cent of the loan and guarantee portfolio annually. It has furthermore been set as the target that the amount of non-performing loans in the current strategy period shall not exceed 1.2 per cent of the credit portfolio and total guarantees.

### **Organisation of Risk Management**

The OP Bank Group Central Cooperative is responsible for the internal control and risk management at the OP Bank Group level as well as for the Group's risk management system's adequacy and modernity. The Central

Cooperative issues the Group's companies instructions for safeguarding their risk management and oversees that they operate in accordance with the regulatory regime, their own rules and statutes, the instructions issued by the Central Cooperative as well as the procedures that are appropriate for each customer relationship.

The companies belonging to the OP Bank Group are responsible for their own internal control and risk management.

### **OP Bank Group Central Cooperative**

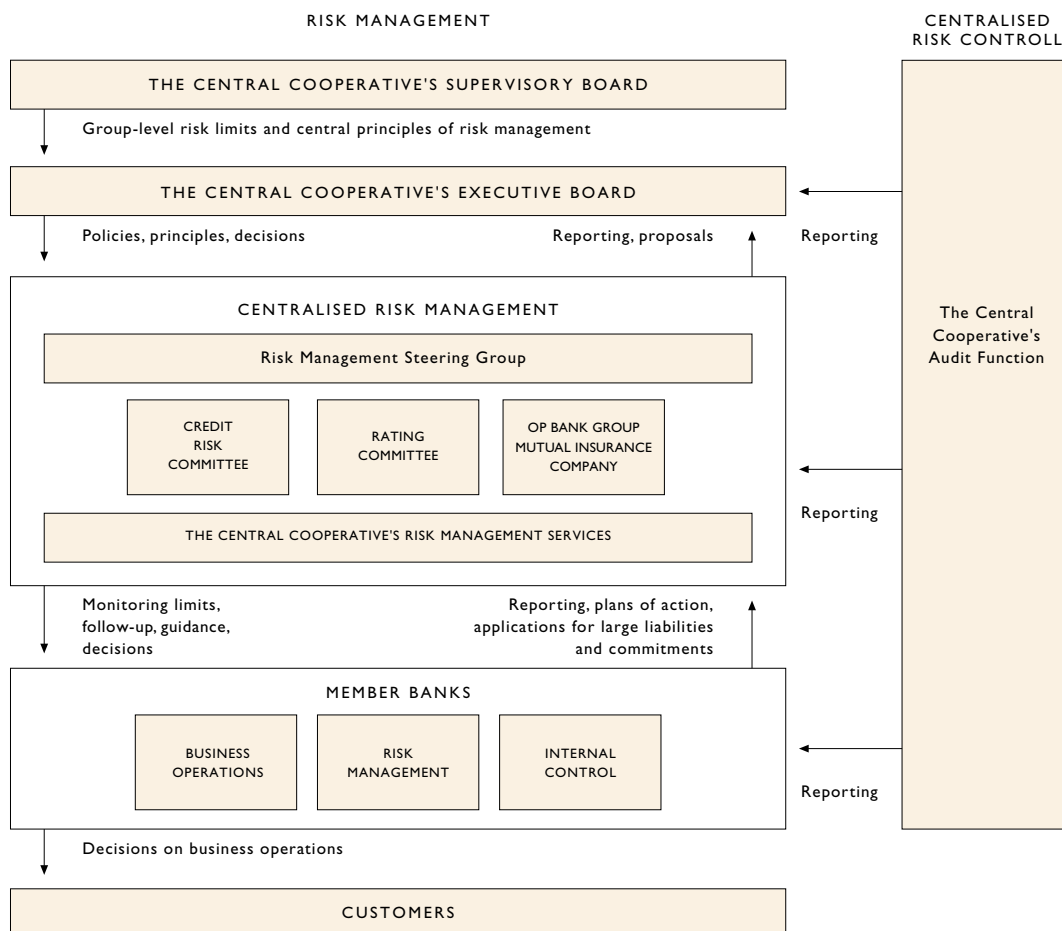
The OP Bank Group Central Cooperative's Supervisory Board confirms the principles of the OP Bank Group's internal control and risk management and the Group-level risk limits and it oversees risk management. The Central Cooperative's Executive Board is responsible for ensuring that the systems and procedures connected with the OP Bank Group's internal control and risk management are adequate and up to date. In addition, it confirms the principles underlying OP Bank Group Central Cooperative Consolidated's risk management and monitors the operations of the OP Bank Group's different companies.

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.

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 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 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 five million euros.

The Rating Committee determines credit ratings for the OP Bank Group's corporate customers or other customer entities whose liabilities or planned liabilities exceed 5 million euros. The Rating Committee can also designate

## Organisation of Risk Management and Monitoring in OP Bank Group



credit ratings for customer entities smaller than this, for example, owing to significant collateral shortfalls. The presentation and decision-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 lending. 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 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 decisions guide the assumption of credit risk by individual member banks.

Comprised of several different units, the Central Cooperative's Risk Management Services develop and

implement integrated risk management at the Group level. They maintain, develop and prepare risk management principles for confirmation by the Central Cooperative's Executive Board and Supervisory Board and are responsible for maintaining and developing risk management systems and methods at the Group level and for the member banks. In addition, Risk Management Services reports on the risk-bearing capacity, risk position and implementation of risk management policies as well as oversees the risk management of the Group's individual companies.

The Central Cooperative's Audit Function supports internal control and risk management by ensuring that the OP Bank Group's companies operate profitably and prudently in accordance with the regulatory regime, the instructions issued by the Central Cooperative as well as its statutes and Articles of Association, and that the risk monitoring systems are in line with the requirements set for operations.

### Member Banks

The Group's member banks and other institutions have organised their risk management in the manner required by the type and extent of their business operations.

Within the member banks, the supervisory boards confirm the principles of internal control and risk management that the Bank applies, on the basis of which the Bank's Executive Board confirms internal instructions and procedures. The Executive Board oversees and monitors the Bank's risk-bearing capacity and assumption of risk.

Within OKO Bank Consolidated, OKO Bank's Executive Board is the highest decision-making body in matters connected with risk management. The Risk Management Committee, which reports to it, co-ordinates and oversees the principles and guidelines of risk management. The Risk Management Department is a unit that is independent from activities involving risk-taking and from business operations. It is responsible for OKO Bank Consolidated'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 OKO Bank's financial statements.

In the 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 measures and risk limits used in monitoring credit risks
- the asset and liability management principles governing business decision-making, the market 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 return targets of the holdings and the breakdown of the portfolio into properties that are to be held, developed and sold off
- the principles of and procedures for managing operational risks.

### 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 Group-level risk limit system, the Central Cooperative and its subsidiaries confirm their own risk limits in line with the nature of their operations. In addition, within the framework of this risk limit system at the Group level, the Central Cooperative's Executive

Board has set for the risk-bearing ability, profitability and various types of risks of the member cooperative banks monitoring limits which they must not exceed in their operations and in the limits of which they confirm their own risk limits. The comprehensiveness of the measures and their development needs are reviewed regularly as part of the OP Bank Group's strategy.

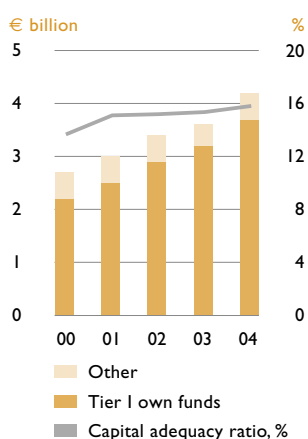
During 2004 and at the end of the year the Group's key indicators of risk-bearing ability and profitability were substantially inside the risk limits set by the Central Cooperative's Supervisory Board. During 2004 not a single risk limit for credit or market risks was exceeded. Details of the principles of calculating risk indicators and the trend in them during 2004 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 undergo various degrees of control over their operations. The member cooperative banks are rated 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

Despite the vigorous growth in the loan portfolio, the OP Bank Group's risk-bearing capacity strengthened further. At the end of 2004 the OP Bank Group's capital adequacy ratio was 15.8 per cent, or half a percentage point higher than at the end of the previous year (15.4). The measure used as the risk limit of the Group's risk-bearing ability is core capital adequacy, which is a clearly more stringent measure than the regulatory capital adequacy. At the end of the year the core capital adequacy was 11.4 per cent (10.9), or 4.4 percentage points higher than the risk limit which the Central Cooperative's Supervisory Board has set for the Group. The Group's own funds, which are included in core capital adequacy, increased by 15 per cent in the report year, exceeding by 5.1 percentage points the growth in risk-weighted commitments. A strong risk-bearing capacity acts as a buffer against unexpected losses and creates a basis for the growth of business operations. At the close of the year the Group's own funds exceeded by € 1 119 million (898) the minimum amount of own funds according to the risk limit set for the risk-bearing capacity.

The strengthening in risk-bearing capacity was due to

**Own Funds and Capital Adequacy**

satisfactory basic profitability and the low level of loan losses. During the report year the Group's basic profitability was 1.3, or slightly lower than a year earlier (1.5). Basic profitability exceeded the risk limit set for the Group by 0.3 percentage point. The Group's profitability was burdened by the structural interest rate risk inherent in the balance sheet and the continued low level of interest rates. The decrease in net interest income was offset by the growth in other income. Basic profitability was also weakened by the increase in total assets. The Group's net loan and guarantee losses amounted to only € 6.8 million (9.1).

**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 associated with existing credit decisions from materialising in a way that would jeopardise the profitability or capital adequacy of the OP Bank Group or one of its units.

The starting point for credit risk management and the strength of the OP Bank 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 Bank's position.

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

Within the OP Bank Group's credit institutions, foreign risk is centralised to 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. In addition, the Group's insurance and pension companies take on foreign risk within the framework of their investment plans.

***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 risk ratings of companies as well as sectoral surveys and financing recommendations prepared by the Central Cooperative.

Norms of average consumption 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 stabilise debt servicing costs, when changes occur in the level of interest rates, the OP Bank Group offers interest rate caps for home mortgages.

To support its corporate financing decisions, the Central Cooperative carried out a financial statement analysis of more than 20 000 corporate customers and a total of over 30 000 financial periods. All in all, 920 company analyses and statements were prepared and these analysed projects amounted to more than 400 million euros. In 2004 the Central Cooperative's Credit Risk Committee dealt with about 430 different applications. At the end of the year the committee granted 92 exemptions for the financing of large customer entities. The number of applications processed by the Credit Risk

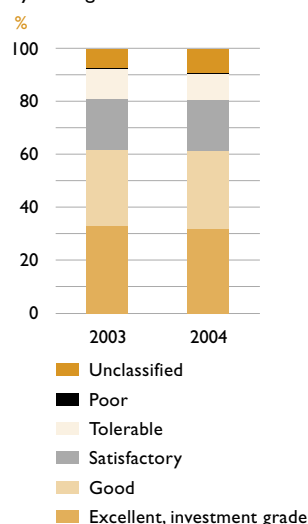
## The OP Bank Group's Risk Limit System in Line with the OP 2004 Business Strategy

Measure	Risk limit	Dec. 31, 2004	Dec. 31, 2003
<b>Risk-bearing capacity and profitability</b>			
Core capital adequacy (capital adequacy ratio net of supplementary cooperative capital and Tier II own funds)	minimum 7	11.4	10.9
Basic profitability (profit before loan losses / total assets, %)	minimum 1	1.3	1.5
<b>Credit risks</b>			
Largest individual customer risk / own funds, %	maximum 15	7.8	8.3
Total amount of large customer risks / own funds, %	maximum 100	0	0
Sectoral risk / own funds, %	maximum 50	35.0	30.2
Non-performing loans/loans and commitments, %	maximum 2	0.5	0.6
Estimated credit loss for the next three years / loans and commitments, %	maximum 1.5	0.3	0.3
<b>Market risks</b>			
Funding risk / total assets, %	minimum -3	-0.8	+2.0
Consolidated cash reserves, %	minimum 11	12.0	14.3
Interest rate risk / own funds, %	+/-2	+0.9	+0.9
Foreign exchange risk / own funds, %	maximum 4	0.3	0.3
Equity risk / own funds, %	maximum 20	9.5	7.5
<b>Real-estate risks</b>			
Capital invested in real estate / total assets, %	maximum 5	3.3	3.7

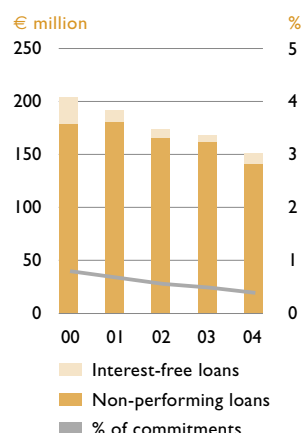
Loan Portfolio by Sector € million	Dec. 31, 2004	Dec. 31, 2003	Change, %	Non-performing and interest-free loans	
				Dec. 31, 2004	% of loan portfolio
<b>Enterprises and housing companies</b>	<b>10 541</b>	<b>9 157</b>	<b>15</b>	<b>56</b>	<b>0.5</b>
Industry	2 670	2 682	0	15	0.5
Construction	907	781	16	6	0.7
Trade and catering	1 326	1 329	0	12	0.9
Real-estate investment	2 267	1 709	33	7	0.3
Other enterprises	2 461	1 814	36	16	0.6
Housing companies	910	842	8	1	0.1
<b>Finance and insurance</b>	<b>111</b>	<b>119</b>	<b>-7</b>	<b>0</b>	<b>0.0</b>
<b>Public sector entities and non-profit organisations</b>	<b>510</b>	<b>599</b>	<b>-15</b>	<b>0</b>	<b>0.0</b>
<b>Households</b>	<b>21 285</b>	<b>18 854</b>	<b>13</b>	<b>94</b>	<b>0.4</b>
Housing loans	14 252	12 403	15	33	0.2
<b>Foreign</b>	<b>147</b>	<b>141</b>	<b>4</b>	<b>0</b>	<b>0.1</b>
<b>Total</b>	<b>32 593</b>	<b>28 871</b>	<b>13</b>	<b>150</b>	<b>0.5</b>



### Corporate Liabilities by Rating Classes



### Non-Performing and Interest-Free Loans



Committee declined compared with the previous year due to the development of internal monitoring tools.

Use of a 12-grade rating system for corporate customers has become well established and it is being developed further. The ratings are based on a comprehensive analysis of corporate customers' financial statements and supplemented by a rating provided by the Company Analysis unit or the Rating Committee. For smaller corporate customers, ratings based on financial statements are not made comprehensively. Credit decisions for this customer group are made on the basis of other assessments of payment ability, 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 OKO Bank Group Mutual Insurance Company. Insurance decisions are taken separately in respect of loans in excess of € 0.25 million or which are more than 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 retail banking. Analysis of insurance coverage is a significant part of the OP Bank Group's credit risk management.

The trend in credit risks is monitored monthly at the OP Bank 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, the amount of receivables rejected for coverage under the OP Bank Group Security Fund's credit portfolio insurance as well as other reports describing the quality and structure of loan portfolios. Monitoring of credit risks is continuous at the member bank level. In addition, the trend in the OP Bank 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 13 per cent to € 32.6 billion in the report year (28.9). The bulk of the € 3.5 billion growth in the loan portfolio, or € 2.4 billion, was attributable to loans to households. Corporate credits accounted for € 1.2 billion. At the end of the year the household sector accounted for 69 per cent of the loan portfolio (68), companies for 30 per cent (29) and other sectors for 2 per cent (3). Housing loans represented € 14.3 billion of the € 21.3 billion loan portfolio for households.

Total corporate credits at the end of the year amounted to € 9.1 billion (8.0). Lending is diversified across both sectors and customer entities. The Group's largest sectoral risk concentration was the real-estate business (real-estate development as well as the buying and selling of the Group's own properties and housing, excluding housing corporations), for which the total liabil-

ities at the end of the year were € 1.4 billion, or 35 per cent of own funds. The OP Bank 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 € 150 million of non-performing and interest-free loans (168). The ratio of non-performing and interest-free loans to the credit portfolio and total guarantees was 0.5 per cent at the end of the year. At the end of 2003 the ratio was 0.6 per cent. During 2004 the Group booked gross loan losses to a total of € 28 million (29), which was 0.08 per cent of the loan portfolio and total guarantees (0.10). Specific loan-loss provisions of € 91 million (104) 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 € 61 million.

The OP Bank Group's internal rating system covers corporate and small business customers whose liabilities to the OP Bank Group are over 100 000 euros. Of these liabilities, 91 per cent had been classified at the end of 2004. Of the classified liabilities, 32 per cent (33) fell in the best or "investment grade" class and 29 per cent were rated "good" (28). Liabilities classified as poor accounted for 11 per cent of classified liabilities.

Information on the quality of loan portfolios is obtained when processing loan portfolio insurance, in the deliberations of the Credit Risk Committee and by means of various reports on the portfolio and clientele. In combination with the small amount of non-performing and other problem loans and the results of risk surveys, the Group's credit risk situation is estimated to still be at a good level and stable.

### **Market Risk and Asset and Liability Management**

The OP Bank Group regards market risks as including all funding, interest rate and real-estate risks as well as foreign exchange and equity risks of balance- and off-balance sheet items. The aim 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 guided and limited by

the principles of the OP Bank Group's internal control and risk management, the Central Cooperative's risk management guidelines and the Group's risk and 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 of funding and investment activities, the market risk measures 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. 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 balance- and off-balance sheet items.

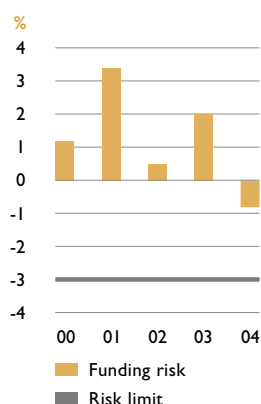
The member cooperative banks handle most of their money market dealing with OKO Bank. The member banks' derivatives operations are very minor in amount. The value of the underlying assets of the interest rate swaps and interest rate option contracts made by the member banks at the end of the year was € 44.2 million (24.5).

OKO Bank, as the OP Bank Group's central bank, manages the Group's liquidity, payment transfers, foreign exchange risks, long-term funding and international 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 return objectives.

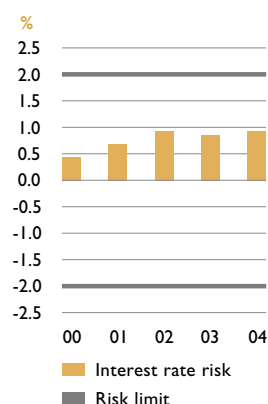
The principles of managing the market risks of the insurance companies belonging to the OP Bank Group (OP Life Assurance Company Ltd, the OP Bank Group Mutual Insurance Company, the OP Bank Group Pension Fund and the OP Bank Group Pension Foundation) are defined in the risk management and investment 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 market risk monitoring and reporting is a daily and partly real-

Funding Risk / Total Assets



Interest Rate Risk / Own Funds



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 OP Bank 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 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 the OP Bank Group's funding risk. Liquidity risk arises if financing is not available when liabilities or other commitments fall due.

The Group's funding risk is managed by means of liquidity planning at the member bank and Group level as well as by managing 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 posi-

tion 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 Group and its business units is measured by maturity gap structure of assets and liabilities as well as by the measures describing 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 assets and liabilities falling due during the 12 months after the time of performing the analysis. In calculating key ratios, current and cheque 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 monitored with their own indicators.

During 2004 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 60 per cent at the end of the year (61). During the year the value of the risk limit measure for funding risk decreased by about 2.8 percentage points. At the end of the year, the value of the funding risk measure was -0.8 per cent. Note 33 to the financial statements shows a breakdown of assets and liabilities by maturity for specific balance sheet items at the end of the year.

### **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 differing interest rate indexes or interest rate reprising periods applied to assets and liabilities.

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 Group's interest rate risk is retail banking, in which there is a gap in the maturity and reprising periods of lending and borrowing. In addition, various interest rate indexes 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 measuring interest rate risk, an estimate is made of the statistical reprising 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 reprising period assumptions that are confirmed annually.

In the member banks' interest rate risk analysis, items sensitive to interest rate changes are broken down in the cash flow analysis in accordance with reprising periods and also by maturities. 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 is based on the static balance sheet, nevertheless taking into account the assumed reprising lags for administrative interest rates. OKO Bank Consolidated and the OP Bank Group's insurance companies furthermore measure their interest rate risks with Value at Risk (VaR) method.

The risk limit 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 Bank's risk position as a ratio of own funds.

At the end of 2004, 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 € 38.1 million (31.7). On average the Group's interest rate risk during 2004 was € 36.9 million (22.9). 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 in retail banking, i.e. it takes account of the fact that

the average reprising lag for lending is shorter than the reprising 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 assets 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 position in relation to own funds. In addition, OKO Bank's foreign exchange risk is measured and limited by means of a risk measure based on VaR analysis. The OP Bank Group's net foreign exchange exposure at the end of the financial year was € 11.1 million (11.4) and during the year it was on average € 10.6 million (10.5). The foreign exchange risk as a ratio of the Group's own funds was small: 0.3 per cent (0.3).

### **Equity Risk**

Equity risk refers to the risk of a change in earnings and market value caused by changes in the market price of listed shares and other instruments. Within the OP Bank Group the risk limit measure used for equity risk is the ratio to own funds of the market value of listed shares, mutual funds or other similar instruments. Not included in calculating this measure are the OKO Bank's Series A share and 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, which are monitored as separate entities. OKO Bank and the OP Bank Group's insurance companies furthermore employ allocation monitoring and VaR measures.

The listed shares and mutual funds included in the Group's risk limit measure for equity risk had a market value at the end of the year of € 383 million (276), which was 9.5 per cent of the Group's own funds (7.5). The risk limit measure and limit were changed during 2004 by including in them also, of the OP Bank Group's insurance companies, OP Life Assurance Company Ltd and the OP Bank Group Mutual Insurance Company. The biggest factor affecting the value of equity risk was the increase in

equity investments of OP Life Assurance Company as well as the general rise in equity prices during the year. The value of the risk limit at the end of the year was 10.5 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, return 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 6.8 per cent (7.0). 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 € 1.2 billion, a decrease of € 43 million on the figure a year earlier. Of this amount, properties not in own use accounted for € 772 million (826). The amount of the Group's real-estate holdings at the end of 2004 was 3.3 per cent of total assets (3.7), which is 1.7 percentage points below the risk limit set for the maximum amount of capital invested in real estate (5.0%). In the new strategy that was confirmed in summer 2004, the risk limit was lowered from six per cent to five per cent. The OP Bank Group's objective is to trim the amount of capital tied up in real estate further and to maintain its good yield level.

### **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 plays a key role, especially in respect of risks connected with the centralised provision of services and operation of the information systems. To enhance the management of operational risks, procedures connected with identifying and assessing risks, tracking and reporting on risks and damage/losses as well as 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 financial consequences of operational risks has 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 that are in harmony with the Central Cooperative's policy lines. The Central Cooperative is responsible for the centralised use of the most complex banking products across the OP Bank Group. The introduction of new products is always preceded by thorough planning, guidelines and training covering the entire process.

### **Strategic Risk**

Strategic risk connected with the central 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 Group's strategic policy lines are discussed widely within the Group before they are adopted.

### **Investment Risks 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 cooperative 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. Furthermore, no risk limit has been set for actuarial risks at the OP Bank Group level. Actuarial risk is limited through 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 the 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 confirms an investment plan that sets out both the company's position regarding the long-term objectives and principles of investment activities and defines the annual basic allocations of investment assets and allocation limits of variation as well as other investment restrictions. The compliance of the restrictions and rules set out in the investment plan is monitored and reported on a regular basis in the Company's Investment Committee and the Executive Board.

Factors taken into account in the investment asset allocation are inherent requirements set by technical provisions in respect of security, the required return and liquidity as well as the company's risk-bearing ability. Achieving long-term return targets calls for well-controlled risk-taking.

The market risks most apt to affect the Company's investment assets are the risk of changes in value and interest rate risk. Risk is reduced by diversifying investments across asset classes, investment instruments and countries. Currency exposure is hedged with derivatives. The maximum open foreign currency position is defined in the Company's investment plan.

OP Life Assurance Company Ltd's investment assets, excluding assets covering unit-linked policies, had a total value of € 2.3 billion (1.9) at the end of the year. The allocations of investment assets at the end of the year are shown in the table below. The return on investment assets in the report year was 0.5 percentage point more than the reference portfolio. The actual volatility of investment income in 2004 was 2.3 per cent, which was below the volatility of the reference portfolio.

#### Allocation of OP Life Assurance Company's Investment

##### Assets at Dec. 31, 2004

Money market investments	3.1%
Bonds	74.7%
Equities	11.2%
Hedge funds	7.0%
Private equity investments	1.1%
Real estate	2.9%

The product range of OP Life Assurance Company Ltd consists primarily 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.

OP Life Assurance Company's interest-yielding technical provisions amount to € 2.0 billion, and they are divided among different types of insurance as follows: life assurance, € 1 790 million; pension insurance, € 194 million; and capitalisation agreements, € 80 million. Unit-linked technical provisions were € 614 million and were divided as follows: life assurance, € 474 million; pension insurance, € 126 million; and capitalisation agreements, € 14 million. A provision of € 14 million has been made for future supplementary benefits.

The most important risk connected with technical provisions is the technical interest rate requirement for interest-yielding policies and the related interest rate risk. In policies sold before October 1, 1998, the calculated interest is a fixed 4.5 per cent. In policies sold between October 1, 1998 and February 28, 2003, the calculated interest is a maximum of 3.5 per cent. The maximum amount of calculated interest on policies sold after March 1, 2003, is 2.5 per cent. The maturity of the interest-yielding technical provisions is about 10 years.

The OP Bank Group Mutual Insurance Company offers the companies in the OP Bank Group credit, guarantee, liability and premises security insurance. The Mutual Insurance Company's Executive Board confirms the company's annual plans concerning internal control and risk management as well as investment activities. The objectives of the Company's risk management and investment activities and the procedures required for managing risks are defined in the annual plans. 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 more than 90 per cent of the OP Bank Group Mutual Insurance Company's technical provisions and premiums written, is part of the Group's internal credit risk management and loss equalisation mechanism.

The OP Bank Group Mutual Insurance Company's investment activities and risk management are carried out according to principles similar to those applied by OP Life Assurance Company Ltd. The Company's investment plan



sets out the basic allocations of investment assets, the limits of variation in the allocation as well as other limitations connected with investment activities. Factors taken into account in the investment asset allocation are inherent requirements set by technical provisions and the Company's risk-bearing ability. The investment allocation at the end of 2004 is shown in the table below.

**Allocation of OP Bank Group Mutual Insurance Company's Investment Assets at Dec. 31, 2004**

Money market investments	4.2%
Bonds	76.1%
Equities	7.1%
Hedge funds	6.9%
Real estate	5.7%

**CAPITAL ADEQUACY REFORM**

**A change in the banks' capital adequacy regime**

In June 2004 the Basel Committee on Banking Supervision published the final version of the new recommendations on calculation of the capital adequacy of credit institutions and their supervision. Changes may still be made to some designated sections, but for the most part the Framework is in its final form. The European Commission has drafted a new capital adequacy directive based on the Basel recommendation, and it is to be approved by the European Parliament and Council of Ministers during 2005. As plans now stand, the new Framework will come into force in the EU at the beginning of 2007.

The capital adequacy Framework 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 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 Framework 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 capital adequacy Framework that is under preparation 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 Framework 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 Framework. 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 internal ratings-based approach, the capital requirement for the credit risks of other exposures by means of the foundation internal 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 standardised approach, as it is at present.

In February 2005 the Central Cooperative's Executive Board confirmed the previously formulated policy lines concerning the methods to be introduced and decided that the OP Bank Group would make use of the transitional provisions for the capital adequacy reform. The OP Bank Group will go over stage by stage to the foundation internal ratings-based approach in calculating the capital requirement for credit risks such that the capital requirement for the first portfolios will be calculated using the foundation internal ratings-based approach as from the beginning of 2008.

During 2004 the OP Bank Group has continued preparations for the capital adequacy reform. The main actions carried out during 2004 have been related to the information systems required by the reform, the collection of information that is critical to the timetable as well as to the development of credit risk models.

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.

## IFRS REPORTING

### 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. The European Commission has approved the existing IAS/IFRS standards for application within the European Union with the exception of the standard concerning the measurement and recording of financial instruments (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 legal amendments were reviewed by the Finnish Parliament in autumn 2004 and the amendments concerning the accounting regulations were adopted at the end of 2004.

### Adoption of IFRS Reporting by the OP Bank Group

In 2005, the OP Bank Group will prepare four separate financial statements according to IFRS. Consolidated IFRS financial statements will be prepared for the OP Bank Group, OP Bank Group Central Cooperative Consolidated and OKO Bank. In addition, OP Bank Group Mortgage Bank plc will draw up separate financial statements in compliance with IFRS. The interim reports of the OP Bank Group and OKO Bank Consolidated for 2005 will be prepared in accordance with the new policies. The cooperative banks belonging to the OP Bank Group will continue to prepare their financial statements in accordance with the provisions of the Credit Institution Act.

Described in the following are the effects of the transition to IFRS on the OP Bank Group's reporting, the presentation of financial statements as well as the equity capital items at the time of transition. The estimates of the effect of the transition phase are preliminary and they do not include estimates of the effects of the IAS 39 standard (Financial Instruments), because the standard does

not require a change in comparative information and because the standard will be introduced within the OP Bank Group from the beginning of 2005. Final transition calculations for the balance sheets at the end of 2003 and the quarters in 2004 as well as quarterly results will be published at the end of March 2005.

### Effects of the Transition to IFRS on Reporting and the Presentation of Financial Statements

The presentation of financial statements will change and, among other things, the formats of the income statement and balance sheet will differ from the present formats. The reporting on the OP Bank Group's four business segments – Asset Management, Retail Banking, Corporate Banking and Group Treasury – constitutes new financial information.

The scope of the Group's financial statements will remain nearly unchanged. The OP Bank Group's wholly-owned subsidiary OP Life Assurance Company Ltd is consolidated according to the equity method in accordance with Finnish practice, but in IFRS financial statements the income statement and balance sheet are consolidated line by line.

Assets leased under a finance lease agreement are presented as receivables from customers in the Group's balance sheet. Leased assets under other lease agreements are stated in tangible assets. In the opening balance sheet (January 1, 2004), the amount of finance lease agreements was € 285 million and the amount of other lease agreements € 5 million.

The OP Bank Group has leased real-estate properties under finance lease agreements. These properties are entered in the Group's balance sheet, thereby increasing total assets by nearly € 90 million.

### Effects on the OP Bank Group's Own Capital at the Time of Transition, January 1, 2004

IFRS standards define the policies of recording income in greater detail than Finnish Accounting Standards (FAS). In financial statements prepared in accordance with the national financial statements norms during 1995-2003, the OP Bank Group has recognised on a cash basis the commission income connected with payment protection insurance, for which there is a risk of said payments being returned. The commissions recognised as income by the beginning of 2004 which are not considered to meet the criteria for recognition as income according to IFRS standards amounted to about € 85 million, which has been transferred to liabilities. After taking deferred taxes

into account, the transfer reduces equity capital by € 60 million.

Within the OP Bank Group, pension security is as a rule arranged through the Group's own pension fund and pension foundation. The OP Bank Group's pension arrangements are classified as defined-benefit arrangements. On the basis of calculations prepared by authorised actuaries, the assets in the pension plans exceed the obligations arising from the pension plans by € 340 million. The item is entered as an asset item in the opening balance sheet. The counterentry is booked as an increase in equity capital, taking into account deferred taxes. The increase in equity capital arising from the pension arrangements is not counted in own funds in the capital adequacy calculation.

In the OP Bank Group's IFRS financial statements, the fair value principle will begin to be applied in measuring investment real-estate properties. According to estimates that have been made, the fair values of the Group's investment real-estate properties exceed the amount of capital invested in said properties by € 47 million. The item is booked to assets in the balance sheet and the counterentry is made to equity capital less the tax liability.

According to Finnish Accounting Standards (FAS), the member banks' cooperative capital of € 698 million, which is included in equity capital, is classified as borrowed capital in the IFRS financial statements. In the capital adequacy calculation, the cooperative capital is still to be included in Tier I own funds.

The other changes in accounting policies at the beginning of 2004 will have only minor effect on the Group's equity capital.

According to the financial statements for 2003, the OP Bank Group's equity capital was € 3 436 million. The transition to IFRS financial statements is estimated to reduce the equity capital by about € 432 million. Excluding the change in the classification of cooperative capital, the Group's equity capital would have increased by € 266 million in the IFRS financial statements. The transition to IFRS is estimated to have a minor effect on the OP Bank Group's capital adequacy.

## LEGAL STRUCTURE OF THE OP BANK GROUP

The amalgamation of the cooperative banks in its present form (OP Bank Group) began operations on July 1, 1997. The Group's operations are based on an amendment, which came into force in August 1996, to the Cooperative Bank Act (which has been renamed the Act on

Cooperative Banks and Other Cooperative Credit Institutions, hereinafter referred to as the Cooperative Bank Act). The amendment to the Cooperative Bank Act, 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 co-operative 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 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.

In September 2004 OKO Bank's Executive Board decided to undertake a study on reforming the Bank's corporate governance structure. The examination will be based on the recommendation on the corporate governance of listed companies, which was published in Decem-

ber 2003. The study will look into the possibility of abolishing OKO Bank's Supervisory Board and replacing the internal Executive Board based on the previous Commercial Bank Act with an external Board of Directors.

The abolishment of OKO Bank's Supervisory Board calls for an amendment to the Cooperative Bank Act. In February 2005, the Government submitted to Parliament a bill on amendment of the Act on Cooperative Banks and Other Cooperative Credit Institutions such that a Supervisory Board is no longer a mandatory administrative body of OKO Bank. Changing OKO Bank's administrative model will furthermore require a resolution passed by a general meeting of shareholders on amendment of the Articles of Association and other necessary measures.

### **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.

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 and the activities of an individual credit institution itself. The principles of the Group's risk management are discussed in greater detail above.

According to Section 7 of the Credit Institutions Act, the OP Bank Group's consolidated liquidity must be safeguarded adequately in view of the Group's operations.

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 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 OP Bank Group does not fulfil the prescribed requirements of Chapter 2 of the Cooperative Bank Act even after the setting of a specified period.

Following the amendments that came into force in 2004, the Act on the Supervision of Financial and Insurance Conglomerates will be applied to the OP Bank Group if the Group fulfils the requirements specified in the Act. The Financial Supervision Authority has granted the OP Bank Group an exemption from the requirements of said act up to the end of 2005.

### **Exemptions 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 for 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 institution if the member credit institution's capital adequacy ratio is at least 10 per cent. If the capital adequacy ratio is below this, the Financial Supervision Authority will set the deadline.

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

### **Joining the OP Bank Group and Withdrawing from It**

Membership of the central institution can be applied for by 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. Membership calls for changes in the statutes or Articles of Association as specified in the Cooperative Bank Act. 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 Cooperative Societies Act. The credit institution which has withdrawn or been expelled is responsible for the liabilities and commitments of another member credit institution belonging to the 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 with-

drawn or been expelled is also liable to pay the extra contributions collected for the purpose of preventing another member credit institution of the central institution 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 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 institution and its own statutes and Articles of Association. A member credit institution and the companies belonging to its consolidation group are responsible for supplying the Central Cooperative with all the information and reports which it requires and are necessary to enable the Central Cooperative to carry out its monitoring duties.

The audit of the Central Cooperative and its member credit institutions is carried out by the Audit Function, which reports to the chairman of the Cooperative's Executive Board. Its tasks include auditing the central institution's member credit institutions and their consolidation groups as well as the internal audit of the central institution and its subsidiaries. Additionally, the member credit institutions can have their own internal audit.

The Audit Function ensures that the member credit institutions, including their consolidation groups, comply

with the relevant acts, decrees, instructions and regulations issued by the authorities, instructions of the central institution as well as their own statutes or Articles of Association and that they operate in a profitable and prudent manner. The Audit Function also ensures that the administration and business operations of the member credit institutions and their consolidation groups are handled appropriately and efficiently and that the monitoring systems for their risks are in line with the requirements of their operations. The audits are conducted in the manner required for effective supervision and in accordance with accepted auditing practice.

In accordance with the Standing Orders decided by the Supervisory Board, the Audit Function has the authorisations under Section 52 of the Act on Cooperative Banks and Other Cooperative Credit Institutions.

### **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 institution and the member credit institutions are jointly and severally responsible for the debts of the central institution 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 Cooperative Bank Act in Respect of Preparation of the OP Bank Group's Financial Statements**

According to the amendments to the Cooperative Bank Act that were adopted at the end of 2004, the OP Bank Group's financial statements must be prepared in compliance with International Financial Reporting Standards, as set out in the Accounting Act, no later than for the financial year beginning in 2007. In the same connection, the norms governing the preparation of the OP Bank Group's financial statements were further specified. The central institution was given a statutory obligation to issue instructions to the member credit institutions on observing uniform accounting policies in preparing the OP Bank Group's financial statements. Similarly, it was also specified in the legislation that the member credit institutions bear the obligation to provide the central institution with the information necessary for the OP Bank Group's consolidated financial statements and, furthermore, the central institution and its auditors were given the right to obtain a copy of the documents relating to a member credit institution's audit for carrying out the audit of the OP Bank Group's financial statements.



# 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 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 Credit Institutions 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 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 Authority. The consolidation of the financial statements also complies with, as appropriate, the regulations of Chapter 4 of the Credit Institution Act, the decree 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 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 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 OP Bank 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 average 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 a decrease in the acquisition cost of the liability during its maturity.

Loan losses and specific loan loss provisions due to write-downs on loans have been booked as a reduction in the balance sheet value of the loan.

### **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 selling price on the balance sheet date, whichever is lower.

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

Gains and losses on the transfer of securities held as current assets as well as write-downs on these securities and reversals of the write-downs have been entered in net income from securities 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 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 non-current financial 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 non-current financial 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 the respective securities pledged as marginal collateral 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 depreciated over 30-40 years depending on their usage purpose and the construction materials. Machinery and equipment, EDP equipment, computer software and vehicles are depreciated over 3-6 years and other tangi-

ble 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 probable 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 2004 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 non-current financial 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 interest rate swaps made to hedge receivables and debt securities held as non-current financial 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 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 hedging balance sheet item. The income, expenses and changes in value of interest rate, currency and equity derivatives taken out for purposes other than hedging have been entered in the income statement item Net income from securities trading and foreign exchange dealing. The items entered in the balance sheet for derivative contracts have been entered in Other assets or Other liabilities.

Premiums paid on options are valued at the acquisition cost or the probable selling 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 loan has been classified as non-performing when its interest, principal or a part thereof has fallen due and is unpaid for 90 days. Loans on 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 loans 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 as loan losses 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.

### **Pension Expenditures**

The staff's pension security arrangements and the pension liabilities of Group companies are presented in Note 38 to the accounts.

### **Capital Loans**

The capital loans pursuant to the Credit Institutions Act are entered in the equity capital item Capital loans. In capital adequacy calculations, these are accounted as Tier I own funds. Interest on capital loans is paid only as

permitted in view of the strictures on the use of distributable funds. The Bank has periodised payable interest as an expense and an accrued liability.

### **Mandatory Reserves**

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

### **Taxes**

In the separate 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 2004 and 2003 Financial Statements**

During 2004 no changes took place in the Group's structure, which might have affected the comparability of the 2004 and 2003 financial statements.

# OP BANK GROUP INCOME STATEMENT

	Jan. 1 – Dec. 31, 2004				Jan. 1 – Dec. 31, 2003			
€ million								
Interest income	1 206				1 231			
Interest expenses	424				433			
<b>Net interest income</b>	<b>783</b>				<b>798</b>			
Income from equity investments	16				14			
Commissions and fees	328				312			
Commission expenses	43				38			
Net income from securities and foreign exchange trading								
Net income from securities trading	10				3			
Net income from foreign exchange trading	7	17			8	11		
Other operating income	143				159			
Administrative expenses								
Personnel costs								
Salaries and compensation	309				299			
Indirect personnel costs								
Pension costs	41				54			
Other indirect personnel costs	19	61	370		21	75	374	
Other administrative expenses	193				192			
563					566			
Depreciation and write-downs on tangible and intangible assets	70				70			
Other operating expenses	127				130			
Loan and guarantee losses	7				9			
Write-downs on securities held as non-current financial assets	0				4			
Results accounted for using the equity method	27				39			
<b>Operating profit</b>	<b>504</b>				<b>515</b>			
<b>Profit before appropriations and taxes</b>	<b>504</b>				<b>515</b>			
Income taxes								
Taxes for the financial period	98				86			
Taxes for previous financial periods	-3				3			
Change in deferred taxes	28	122			53	141		
Share of minority interests	1				1			
<b>Profit for the financial period</b>	<b>380</b>				<b>373</b>			



# OP BANK GROUP BALANCE SHEET

ASSETS	December 31, 2004		December 31, 2003	
€ million				
Liquid assets		422		1 060
Notes and bonds eligible for refinancing with central banks				
Treasury bills		68		57
Other	2 260	2 328	2 230	2 287
Receivables from financial institutions				
Repayable on demand		28		16
Other	653	681	470	486
Receivables from the public and public sector entities		30 645		27 206
Leasing assets		360		291
Notes and bonds				
From public sector entities		119		88
From others	1 569	1 688	1 421	1 509
Shares and holdings		234		195
Shares and holdings in affiliates		49		44
Shares in subsidiaries		148		130
Intangible assets				
Consolidated goodwill		-		0
Other long-lived assets		77	77	82
Tangible assets				
Real estate and real-estate holdings		993		1 023
Other tangible assets		70	1 063	71
Other assets		355		437
Accrued income and advances paid		178		180
		<b>38 229</b>		<b>35 002</b>

LIABILITIES	December 31, 2004			December 31, 2003		
€ million						
<b>Liabilities</b>						
Liabilities to financial institutions and central banks						
Central banks	959			1 330		
Financial institutions						
Repayable on demand	7			18		
Other	214	221	1 181	218	236	1 566
Liabilities to the public and public sector entities						
Deposits						
Repayable on demand	18 556			17 530		
Other	4 228	22 783		3 713	21 243	
Other liabilities	2 344 25 128			2 032 23 275		
Notes and bonds issued to the public						
Bonds	2 958			1 503		
Other	3 366	6 325		3 506	5 009	
Other liabilities	640			665		
Accrued expenses and advances received	271			269		
Mandatory reserves						
Other mandatory reserves	9 9			6 6		
Subordinated liabilities	524			514		
Deferred taxes	285			257		
Minority interests	4			4		
	<b>34 366</b>			<b>31 566</b>		
<b>Equity</b>						
Share and cooperative capital	798			774		
Share premium account	16			12		
Revaluation reserve	43			45		
Other restricted reserves						
Reserve fund	686			710		
Other restricted items	7	693		7	717	
Unrestricted reserves						
Other unrestricted items	770	770		728	728	
Retained earnings	1 092			787		
Profit for the financial period	380			373		
	<b>3 863</b>			<b>3 436</b>		
	<b>38 229</b>			<b>35 002</b>		
<b>Off-balance sheet commitments</b>						
Commitments given to a third party on behalf of customers						
Guarantees and pledges	1 687			1 459		
Irrevocable commitments given on behalf of a customer	4 584	6 271		4 035	5 494	
	<b>6 271</b>			<b>5 494</b>		

## OP BANK GROUP KEY FIGURES

€ million

INCOME STATEMENTS	2000	2001	2002	2003	2004
Net interest income	801	875	857	798	783
Other income	681	481	459	496	504
Other expenses	629	674	731	734	733
Depreciation and write-downs	91	76	74	70	70
Loan and guarantee losses	5	12	13	9	7
Write-downs on securities held as non-current financial assets	99	88	1	4	0
Results accounted for using the equity method	7	-2	-38	39	27
<b>Operating profit</b>	<b>664</b>	<b>504</b>	<b>459</b>	<b>515</b>	<b>504</b>
Profit before appropriations and taxes	664	504	459	515	504
Taxes	159	138	117	141	122
Minority interest	2	1	1	1	1
<b>Profit for the financial period</b>	<b>504</b>	<b>365</b>	<b>342</b>	<b>373</b>	<b>380</b>
<b>BALANCE SHEETS</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Assets</b>					
Receivables from financial institutions	803	366	350	486	681
Receivables from the public and public sector entities	20 260	21 946	24 319	27 206	30 645
Notes and bonds	3 021	5 146	4 202	3 796	4 016
Shares and holdings	461	332	300	370	432
Tangible and intangible assets	1 374	1 301	1 259	1 177	1 140
Other items	1 166	940	1 194	1 968	1 315
<b>Total</b>	<b>27 086</b>	<b>30 031</b>	<b>31 625</b>	<b>35 002</b>	<b>38 229</b>
<b>Liabilities</b>					
Liabilities to financial institutions and central banks	1 164	1 774	949	1 566	1 181
Liabilities to the public and public sector entities	18 312	20 120	21 375	23 275	25 128
Notes and bonds issued to the public	3 629	3 727	4 536	5 009	6 325
Subordinated liabilities	670	696	576	514	524
Other items	860	853	935	941	919
Deferred taxes	132	163	205	257	285
Minority interest	5	4	4	4	4
Equity	2 314	2 694	3 045	3 436	3 863
<b>Total</b>	<b>27 086</b>	<b>30 031</b>	<b>31 625</b>	<b>35 002</b>	<b>38 229</b>

# NOTES TO THE FINANCIAL STATEMENTS

(€ million)

## NOTES TO THE INCOME STATEMENT

	2004	2003	Note 1
Interest income			Breakdown of
Receivables from financial institutions	19	26	Interest Income
Receivables from the public and public sector entities	1 066	1 066	and Expenses by
Notes and bonds	124	141	Balance Sheet Item
Other interest income	-12	-12	
Net leasing income	10	10	
<b>Total</b>	<b>1 206</b>	<b>1 231</b>	
Interest expenses			
Liabilities to financial institutions and central banks	25	30	
Liabilities to the public and public sector entities	241	242	
Notes and bonds issued to the public	144	137	
Subordinated liabilities	21	24	
Other interest expenses	-8	1	
<b>Total</b>	<b>424</b>	<b>433</b>	
Net trading income from notes and bonds	-12	-10	Note 2
Net income from equity trading	22	13	Breakdown of
<b>Total</b>	<b>10</b>	<b>3</b>	Net Income from
			Securities Trading
Notes and bonds			Note 3
Securities purchased	37 153	21 970	Total Value of
Securities sold	29 847	16 885	Securities Held as
Shares			Current Assets
Securities purchased	4 593	1 673	Purchased and Sold
Securities sold	4 579	1 656	during the Financial
			Period

Note 4		2004	2003
<b>Breakdown of Other Operating Income and Expenses</b>	Other operating income		
	Rental and dividend income from real-estate holdings	77	84
	Capital gains on the sale of real-estate holdings	9	21
	Other income	57	54
	<b>Total</b>	<b>143</b>	<b>159</b>

	Other operating expenses		
	Rental expenses	24	22
	Expenses from real-estate holdings	78	84
	Capital losses on the sale of real-estate holdings	2	2
	Other expenses	23	23
	<b>Total</b>	<b>127</b>	<b>130</b>

Note 5			
<b>Depreciation and Write-Downs on Tangible and Intangible Assets</b>	Planned depreciation	62	64
	Write-downs	8	7
	Recoveries on write-downs	0	-1
	<b>Total</b>	<b>70</b>	<b>70</b>

Note 6			
<b>Loan and Guarantee Losses and Write-Downs on Securities Held as Non-Current Financial Assets</b>	Receivables from financial institutions	0	0
	Receivables from the public and public sector entities	29	33
	Leasing assets	-	-
	Guarantees and other off-balance sheet items	0	0
	Other	1	2
	Gross loan and guarantee losses	31	36
	Adjustments to loan and guarantee losses	-24	-27
	<b>Loan and guarantee losses recorded in the income statement</b>	<b>7</b>	<b>9</b>

Breakdown of total loan and guarantee losses:

	Actual total loan losses during the period	29	56
	Actual loan losses provisioned earlier	-19	-44
	Recoveries of loan losses in previous years	-9	-9
	Specific loan loss provisions during the period	18	19
	Revaluations of specifically provisioned loan losses	-13	-13
	<b>Loan and guarantee losses in the income statement</b>	<b>7</b>	<b>9</b>

Write-downs on securities held as non-current financial assets:

	Gross write-downs	1	5
	Revaluation of write-downs	0	1
	<b>Total</b>	<b>0</b>	<b>4</b>

## Note 7

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 income 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 2004 and 2003 income statements all the income and expenses booked to the extraordinary items on the separate companies have been transferred to Other income and expenses.

**Extraordinary  
Income and  
Expenses during  
the Financial Period**

## Note 8

	2004	2003
Pension provisions	-	0
Tax provisions	0	-
Other	2	0
<b>Total</b>	<b>3</b>	<b>0</b>

**Changes in  
Compulsory  
Provisions during  
the Financial Period**

## Note 9

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.

**Breakdown of  
Combined Items**

## Note 10

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 and  
Market Area**

	Income by division		Average number of personnel	
	2004	2003	2004	2003
Banking	1 249	1 285	7 672	7 691
Mortgage banking	2	1	4	4
Finance company operations	35	31	158	147
Investment services	30	26	132	125
Common fund operations	39	28	27	29
Real-estate holding and management	7	11	12	16
Other	481	403	1 322	1 222
<b>Total</b>	<b>1 842</b>	<b>1 785</b>	<b>9 327</b>	<b>9 234</b>

	Income by market area		Average number of personnel	
	2004	2003	2004	2003
Finland	1 842	1 785	9 327	9 233
Sweden	-	0	-	1
<b>Total</b>	<b>1 842</b>	<b>1 785</b>	<b>9 327</b>	<b>9 234</b>

## NOTES TO THE BALANCE SHEET

Note 11		2004	2003
<b>Breakdown of Notes and Bonds Eligible for Refinancing with Central Banks</b>	Treasury bills	68	57
	Government bonds	491	547
	Bank certificates of deposit	1 615	1 471
	Other	154	212
	<b>Total</b>	<b>2 328</b>	<b>2 287</b>

## Note 12

<b>Receivables from Central Banks</b>	At the year-end, the balance sheet item Receivables from Financial Institutions did not include receivables from central banks.
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## Note 13

<b>Receivables from the Public and Public Sector Entities by Sector and the Specific Loan Loss Provisions</b>	Companies	8 802	7 703
	Financial and insurance institutions	14	15
	Public sector entities	244	364
	Non-profit organisations	251	221
	Households	21 248	18 813
	Foreign	86	89
	<b>Total</b>	<b>30 645</b>	<b>27 206</b>
	Specific loan loss provisions at the beginning of the period	155	189
	New provisions made during the period (+)	18	19
	Provisions revaluated during the period (-)	-13	-13
	Loan losses during the period for which specific loan loss provisions have been made (-)	-17	-41
	<b>Specific loan loss provisions at the end of the period</b>	<b>143</b>	<b>155</b>

## Note 14

<b>Non-Performing Loans and Other Interest-Free Receivables</b>	Non-performing loans	141	162
	Other interest-free receivables	9	6
	<b>Total</b>	<b>150</b>	<b>168</b>

## Note 15

<b>Book Value of Assets Pledged as Collateral for Non-Performing Loans and Assets Purchased to Restructure Customer Businesses</b>	Assets pledged as collateral		
	Real estate and real-estate holdings	18	41
	Other shares and holdings	2	3
	Other assets	-	-
	<b>Total</b>	<b>20</b>	<b>44</b>
	Shares and holdings purchased to restructure customer businesses	2	2



	2004	2003	Note 16
Receivables from the public and public sector entities	21	23	Subordinated Liabilities
Notes and bonds	180	165	
<b>Total</b>	<b>201</b>	<b>188</b>	

			Note 17
Advance payments	32	16	Breakdown of Leasing Assets
Machinery and equipment	300	250	
Real estate and buildings	28	24	
Other assets	0	0	
<b>Total</b>	<b>360</b>	<b>291</b>	

			Note 18
Publicly quoted and private notes and bonds as well as notes and bonds eligible for refinancing with central banks at the year-end			Notes and Bonds
	Quoted	Others	
Held as current assets	1 613	1 980	
Held as non-current assets	46	377	
<b>Total</b>	<b>1 659</b>	<b>2 357</b>	

The total amount of differences between the probable market value and the lower book value of notes and bonds held as current assets  
Figures are presented without eliminations

	2004	2003
Notes and bonds eligible for refinancing with central banks	2	3
Notes and bonds	10	9
<b>Total</b>	<b>13</b>	<b>12</b>

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

The difference between the nominal value and the lower book value		
Notes and bonds	3	4
Receivables from financial institutions	-	-
Receivables from the public and public sector entities	-	-
<b>Total</b>	<b>3</b>	<b>4</b>

The difference between the book value and the lower nominal value		
Notes and bonds	11	12
Receivables from financial institutions	-	-
Receivables from the public and public sector entities	-	-
<b>Total</b>	<b>11</b>	<b>12</b>

## Notes and bonds by type at the year-end

<b>Book value</b>	<b>2004</b>	2003
Treasury bills	68	62
Municipal papers	1	8
Commercial papers	11	40
Certificates of deposit	1 632	1 475
Convertible bonds	1	2
Other bonds	2 183	2 012
Other bonds and notes	119	197
<b>Total</b>	<b>4 016</b>	<b>3 796</b>

## Note 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

	<b>Quoted</b>	<b>Others</b>
Held as current assets	179	28
Held as non-current assets	4	23
<b>Total</b>	<b>183</b>	<b>51</b>

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

	<b>2004</b>	2003
Held under current assets	11	32
Held under non-current assets	11	22
<b>Total</b>	<b>23</b>	<b>54</b>

OP Bank Group was not involved in any securities lending at the end of 2004.

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

## Shares and holdings in affiliates

In financial institutions	0	0
In others	49	44
<b>Total</b>	<b>49</b>	<b>44</b>

Shares and holdings in subsidiaries <sup>1)</sup>

In financial institutions	0	0
In others	148	130
<b>Total</b>	<b>148</b>	<b>130</b>

<sup>1)</sup> 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.

## Note 20

	2004	2003	Breakdown of Intangible Assets
Establishment costs	-	0	
Goodwill	0	0	
Other long-term expenditure	77	82	
<b>Total</b>	<b>77</b>	<b>82</b>	

## Note 21

a) Breakdown of land and water as well real-estate holdings recorded under the balance sheet item Tangible Assets at the year-end <sup>1)</sup>	Book value	Capital invested	Breakdown of Real-Estate Holdings
Land, water and buildings			
In own use	152	152	
Other	204	204	
<b>Total</b>	<b>356</b>	<b>356</b>	
Real-estate holdings			
In own use	232	284	
Other	406	566	
<b>Total</b>	<b>638</b>	<b>850</b>	

b) Breakdown of real estate and real-estate holdings  
in other than own use at the year-end<sup>1)</sup>

Type of property	Surface area in square metres	Capital invested	Net yield, %	Vacancy rate, %
Dwellings and residential properties	163 538	98	6,7	8,9
Offices and business premises	765 219	593	6,8	11,6
Industrial properties	95 091	27	7,2	12,4
Land, water and forest (undeveloped)	10 476	43	0,0	69,3
Unfinished buildings	6 653	3	3,4	32,6
Financial leasing properties	41 527	23	2,9	1,4
Other domestic properties	6 115	7	1,0	23,5
Non-domestic real estate	-	-	-	-
<b>Total real estate</b>	<b>1 088 619</b>	<b>792</b>	<b>6,3</b>	<b>11,0</b>

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<sup>1)</sup>

Yield rate, %	Capital invested
negative	71
0–3	76
3–5	63
5–7	272
over 7	310
<b>Total</b>	<b>792</b>

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

Note 22		2004	2003
<b>Breakdown of Other Assets</b>	Receivables from payment transfers	13	18
	Guarantee receivables	5	3
	Derivative contracts	159	139
	Other	178	277
	<b>Total</b>	<b>355</b>	<b>437</b>

Note 23		2004	2003
<b>Breakdown of Deferred Income and Advances Paid</b>	Interest	145	149
	Other	33	31
	<b>Total</b>	<b>178</b>	<b>180</b>

Note 24		2004	2003
<b>Breakdown of the Combined Balance Sheet Items under Assets</b>	The asset items in OP Bank Group's balance sheet are presented in accordance with the formula approved by the Financial Supervision Authority.		

Note 25		2004	2003
<b>Difference between the Nominal Value and Book Value of Liabilities</b>	Figures are presented without eliminations		
	Difference between the nominal and lower book value		
	Liabilities to financial institutions and central banks	0	0
	Liabilities to the public and public sector entities	0	-
	Notes and bonds issued to the public	26	25
	Other	3	-
	Subordinated liabilities	2	2
	<b>Total</b>	<b>31</b>	<b>27</b>
	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	2	3
	Other	-	-
	Subordinated liabilities	0	0
	<b>Total</b>	<b>2</b>	<b>3</b>

	2004	2003	Note 26
Certificates of deposit	2 876	3 101	<b>Breakdown of Notes and Bonds Issued to the Public by Type</b>
Bonds	2 958	1 503	
Other	490	405	
<b>Total</b>	<b>6 325</b>	<b>5 009</b>	

			Note 27
Payment transfer liabilities	282	277	<b>Breakdown of Other Liabilities</b>
Derivative contracts	218	175	
Other	140	214	
<b>Total</b>	<b>640</b>	<b>665</b>	

			Note 28
Interest	163	154	<b>Breakdown of Deferred Expenses and Advances Received</b>
Other	107	115	
<b>Total</b>	<b>271</b>	<b>269</b>	

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

			Note 29
Pension reserves	-	-	<b>Mandatory Reserves at the End of Period</b>
Tax reserves	0	-	
Other	9	6	
<b>Total</b>	<b>9</b>	<b>6</b>	

Of the mandatory reserves, € 3.4 million derives from the credit risk for loans sold by Optum Oy, for which Optum is liable, and € 1.0 million derives from OKO Bank's provisioning for covering the clean-up costs for the polluted soil of a property company it owns.

			Note 30
Liabilities with a book value exceeding 10 per cent of the total subordinated liabilities:			<b>Breakdown of Subordinated Liabilities</b>
EUR 150 million. The interest rate was 2.774 per cent on December 31, 2004. 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.			

EUR 70 million. The interest rate was 3.500 per cent on December 31, 2004. The loan will mature in November 2015. With the prior consent of the Financial Supervision Authority, all the bonds may be redeemed on any interest payment date falling in or after November 2010, 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 € 304 million as at December 31, 2004. Creditors do not have a put option. These liabilities include € 50 million perpetual bonds.

Loans to subsidiaries and affiliates:

The Group's internal loans, € 40 million, have been eliminated. The Group has no loans targeted at affiliates.

## Note 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	698	77	-59	717
Share capital	74	4	0	78
Share issue account	2	1	0	3
Share premium account	12	16	-12	16
Revaluation reserve	45	0	-2	43
Reserve fund	717	22	-46	693
Subordinated capital notes	-	72	-	72
Unrestricted reserves	728	42	0	770
Retained earnings	1 160	-	-68	1 092
Profit for the period		380	-	380
<b>Total equity capital</b>	<b>3 436</b>	<b>614</b>	<b>-187</b>	<b>3 863</b>

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.

## Note 32

<b>Combined Liabilities in the Balance Sheet</b>	Liabilities in the balance sheet are presented in accordance with the formula approved by the Financial Supervision Authority.
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## Note 33

Breakdown of Maturities of Assets 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		717	1 094	344	172
Receivables from financial institutions		623	47	11	0
Receivables from the public and public sector entities		1 738	3 232	12 045	13 630
Notes and bonds		59	169	1 052	408
Liabilities to financial institutions and central banks		1 181	0	0	0
Liabilities to the public and public sector entities		21 543	1 613	1 168	804
Notes and bonds issued to the public		2 275	1 814	2 075	161

Receivables from the public and public sector entities do not include any repayables on demand. Deposits other than fixed-term deposits were included in the maturity class "Less than 3 months".

## Note 34

	Domestic currency	Foreign currency	Assets and Liabilities in Domestic and Foreign Currencies at the Year-End
Notes and bonds eligible for refinancing with central banks	2 328	-	
Receivables from financial institutions	743	226	
Receivables from the public and public sector entities	30 520	125	
Notes and bonds	1 482	206	
Other assets	2 572	26	
<b>Total</b>	<b>37 646</b>	<b>583</b>	
Liabilities to financial institutions and central banks	1 119	62	
Liabilities to the public and public sector entities	24 875	253	
Notes and bonds issued to the public	5 615	709	
Subordinated liabilities	524	-	
Other liabilities	1 187	22	
<b>Total</b>	<b>33 320</b>	<b>1 046</b>	

## Note 35

	2000	2001	2002	2003	2004	Financial Indicators
Net sales, € million	2 086	2 022	1 915	1 793	1 784	
Operating profit, € million	664	504	459	515	504	
% of net sales	31.9	24.9	24.0	28.7	28.2	
Profit before appropriations and taxes, € million	664	504	459	515	504	
% of net sales	31.9	24.9	24.0	28.7	28.2	
Return on equity, %	24.9	14.6	11.9	11.5	10.5	
Return on assets, %	1.9	1.3	1.1	1.1	1.0	
Equity/total assets ratio, %	8.6	9.0	9.6	9.8	9.9	
Cost/income ratio, %	49	55	61	62	62	

## CALCULATION OF FINANCIAL INDICATORS

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

## NOTES CONCERNING INCOME TAXES

## Note 36

**Income Taxes**

Distribution of income taxes between ordinary operations and extraordinary items:  
The OP Bank Group's financial statements do not include extraordinary income or expenses.

Deferred taxes and tax liabilities:

The OP Bank Group's balance sheet included € 285 million of deferred taxes that were based on appropriations. Other deferred taxes and tax liabilities were not recorded in the balance sheet for 2004 and 2003. The deferred tax liabilities consisted mainly of losses that were confirmed in the tax statements. Other deferred tax liabilities were minor in amount.

	2004	2003
Deferred tax liabilities likely to materialise	30	39

Impact of revaluations on income taxes:

Revaluations totalling € 84 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 € 22 million.



## NOTES CONCERNING COLLATERAL AND CONTINGENT LIABILITIES AS WELL AS DERIVATIVE CONTRACTS

			Note 37
	2004	2003	<b>Assets Given as</b>
Assets pledged as collateral for own liabilities and commitments			<b>Collateral on Own</b>
Pledges	1 288	1 455	<b>and Others' Behalf as</b>
Mortgages	-	-	<b>well as Liabilities and</b>
Other	15	15	<b>Commitments for</b>
			<b>which They Were</b>
			<b>Pledged</b>
Collateralised liabilities			
Liabilities to financial institutions and central banks	961	1 201	
Liabilities to the public and public sector entities	325	239	
Notes and bonds issued to the public	-	-	
Collateral pledged on behalf of others			
Pledges	1	1	
Mortgages	-	0	
Other	-	-	

## Note 38

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 and FD Finanssidata Oy, been arranged through the OP Bank Group Pension Foundation. The Foundation has not accepted new beneficiaries since June 30, 1991.

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

## Pension Liabilities

			Note 39
Leasing payments in 2005	3		<b>Leasing Liabilities</b>
Leasing payments after 2005	12		

## Note 40

	2004	2003	<b>Breakdown of</b>
Guarantees	338	383	<b>Off-Balance Sheet</b>
Guarantee commitments	1 244	987	<b>Commitments</b>
Pledges and mortgages	-	0	<b>at the Year-End</b>
Other commitments given to a third party on behalf of customers	104	89	
Unused standby credit facilities	4 166	3 613	
Pledges given	1	1	
Other irrevocable commitments given on behalf of a customer	417	420	
<b>Total commitments</b>	<b>6 271</b>	<b>5 494</b>	

## Note 41

2004 2003

**Derivative Contracts**   **Values of underlying instruments**  
**at the Year-End**

Contracts made for hedging purposes

## Interest rate derivatives

Futures and forwards	29	24
Options	-	-
Interest rate swaps	2 643	2 027

## Currency derivatives

Futures and forwards	8	7
Options	-	-
Interest rate and currency swaps	679	100

## Equity derivatives

Futures and forwards	-	-
Options		
Purchased	71	45
Written	-	-

## Other derivatives

Futures and forwards	-	-
Options		
Purchased	39	-
Written	-	-
Credit derivatives	31	31
Equity swaps	-	-

<b>Total</b>	<b>3 500</b>	<b>2 234</b>
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Contracts made for purposes other than hedging

## Interest rate derivatives

Futures and forwards	4 148	1 009
Options		
Purchased	903	50
Written	827	50
Interest rate swaps	7 694	8 127

## Currency derivatives

Futures and forwards	1 906	956
Options		
Purchased	1	26
Written	1	26
Interest rate and currency swaps	-	-

	2004	2003
Equity derivatives		
Futures and forwards	-	1
Options	-	-
Other derivatives		
Futures and forwards	-	-
Options	-	-
Credit derivatives	35	-
Equity swaps	-	-
<b>Total</b>	<b>15 515</b>	<b>10 245</b>
Credit countervalues of contracts		
Interest rate derivative contracts	111	78
Currency derivative contracts	105	65
Other derivatives	18	9
<b>Total</b>	<b>233</b>	<b>152</b>

## Note 42

Accounts receivable	52	12	<b>Accounts Receivable and Payable from Sale or Purchase of Assets on Behalf of Customers</b>
Accounts payable	57	15	

## Note 43

OP Bank Group's commitments to venture capital funds at the end of the year were € 47.0 million. These commitments are included in commitments in Note 40.

The companies included in the OP Bank Group's consolidated financial statements had contingent liabilities which resulted from their normal business operations and were minor in importance. These are not included in commitments in Note 40.

**Other Contingent  
Liabilities and  
Commitments**

## NOTES CONCERNING PERSONNEL AND MEMBERS OF EXECUTIVE AND SUPERVISORY BOARDS

## Note 44

Personnel and Members of Executive and Supervisory Boards	Average personnel in 2004	During the period	Change
	Full-time personnel	8 971	78
	Part-time personnel	356	-45
	<b>Total personnel</b>	<b>9 327</b>	<b>33</b>

Salaries and compensation paid to members of executive and supervisory boards

	2004	2003
Members and deputy members of the Supervisory Board	2	1
Members and deputy members of the Executive Board as well as the President	36	30
<b>Total</b>	<b>38</b>	<b>32</b>

Salaries and compensation based on a financial institution's financial performance - -

## Note 45

Name and Domicile of Companies Consolidated in the Financial Statements	Company name Consolidated line by line	Domicile
	Member cooperative banks, (listed on pages 64–68)	
	OP Bank Group Central Cooperative	Helsinki
	OKO Bank	Helsinki
	Okopankki Oyj	Helsinki
	Opstock Ltd	Helsinki
	OKO Venture Capital Ltd	Helsinki
	Kiinteistö Oy Arkadiankatu 23	Helsinki
	Kiinteistö Oy Dagmarinkatu 14	Helsinki
	Kiinteistö Oy Kanta-Sarvis II	Helsinki
	Helsingin Seudun OP-Kiinteistökeskus Oy LKV	Helsinki
	OP Bank Group Mortgage Bank plc	Helsinki
	OP-Kotipankki Oyj	Helsinki
	OP Fund Management Company Ltd	Helsinki
	FD Finanssidata Oy	Helsinki
	Optum Oy	Helsinki
	OP Bank Group Security Fund	Helsinki
	OP Bank Group Mutual Insurance Company	Helsinki
	Jyväskylän Kassatalo Oy	Jyväskylä
	Keski-Suomen Tila- ja Kiinteistöpalvelu Oy	Jyväskylä
	Kiinteistö Oy Pekurinkulma	Oulu
	Kiinteistö Oy Vammalan Torikeskus	Vammala

**Consolidated using the equity method**

OP Life Assurance Company Ltd	1)	Helsinki
Automatia Pankkiautomaatit Oy	2)	Helsinki
Toimiraha Oy	2)	Helsinki
Realinvest Oy	2)	Helsinki
Kiinteistö Oy Lahden Trio	2)	Lahti
Oy Kaisaniemenkatu I	2)	Helsinki

1) Consolidated as an insurance company according to the equity method

2) Consolidated as an associated company according to the equity method

Osuuspankki Realum gave up its banking licence at the beginning of January 2004. At the same time, Realum was changed into a limited company and named Optum Oy.

A resolution was passed on merging Suodenniemen Osuuspankki into Vammalan Seudun Osuuspankki at the Cooperative Meetings of the banks in April 2004, and the merger was entered in the Trade Register on September 30, 2004.

In December 2002, a resolution was passed on merging Iitin Osuuspankki into Päijät-Hämeen Osuuspankki. The opposing opinions that delayed the merger were dealt with and resolved during the financial year, and the merger was entered in the Trade Register on October 31, 2004.

OP-Kiinteistöt Oy was dissolved during the financial year.

Sufficient information for assessing the relationships of a company which is consolidated in the financial statement and is not a credit or financial institution or a service company, and other companies belonging to the Group:

OP Life Assurance Company Ltd is a company that is wholly owned by the OP Bank Group Central Cooperative and its member banks and the Company is engaged in life and pension insurance operations. The Group's life and pension insurance operations are centralised into the Company.

The Group's financial statements have omitted 96 companies that are included in the consolidated financial statements of its member credit institutions. These companies had aggregate total assets of about € 0.2 billion. The effect of consolidating the companies on the Group's equity capital would have been about € 62 million and on the capital adequacy ratio 0.16 percentage point.

## Note 46

	2004	2003	The Amount of
Non-paid cooperative capital investments, total	0	0	<b>Non-Paid Cooperative</b>
Cooperative capital investments, notice of withdrawal given	4	4	<b>Capital Investments</b>
Supplementary cooperative capital investments, notice of withdrawal given	88	79	<b>and the Number of</b>
			<b>Cooperative Bank's</b>
Individual members	1 104 742	1 072 431	<b>Members at the</b>
			<b>Year-End</b>

## Note 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, 2004			Jan. 1–Dec. 31, 2003	
Premium income					
Gross premium income		478		530	
Reinsurer's share		-1	478	-1	529
Investment income		176			231
Claims incurred					
Claims paid	-161			-159	
Reinsurer's share	0	-161		0	-159
Change in provision for outstanding claims	-5			-5	-164
Reinsurer's share	0	-5	-166		
Change in provision for unearned premiums					
Change in provision for unearned premiums		-431		-457	
Reinsurer's share		0	-431	4	-453
Net operating expenses			-22		-23
Investment expenses			-25		-84
Investment revaluation adjustment			16		
Balance on technical account			25		36
Non-technical account					
Direct taxes on ordinary operations					
Taxes for the year and previous years			-4		0
<b>Profit for the year</b>			<b>21</b>		<b>36</b>

ASSET AND LIABILITY STATEMENT  
OF INSURANCE BUSINESS

	Dec. 31, 2004			Dec. 31, 2003		
<b>Assets</b>						
Intangible assets						
Other long-term expenditure			1			2
Investments						
Real-estate investments						
Real estate and real-estate shares	44			44		
Loan receivables in Group companies	12	56		14	58	
Investments in Group companies and participating interest companies						
Shares and participations in Group companies	4			5		
Debt securities and loan receivables in Group companies	10	14		5	10	
Other investments						
Shares and participations	548			416		
Debt securities and other fixed-income securities	1 585			1 336		
Deposits	15	2 148	2 219	53	1 804	1 872
Assets covering unit-linked policies			614			422
Debtors						
Arising from direct insurance operations						
Arising from policyholders		1			0	
Arising from reinsurance operations		0			0	
Other debtors		14	15		212	213
Other assets						
Tangible assets		0			0	
Cash in hand and at bank		6	6		30	30
Accrued income						
Accrued interest and rent		30			30	
Other prepayments and accrued income		4	34		2	32
<b>Total assets</b>			<b>2 889</b>			<b>2 571</b>
<b>Liabilities</b>						
Equity capital						
Share capital		47			47	
Reserves		72			72	
Profit carried forward		4			-32	
Profit for the year		21	143		36	122
Subordinated loans			45			65
Technical provision						
Provision for unearned premiums	2 044			1 805		
Reinsurer's share	-4	2 041		-4	1 801	
Claims outstanding	24			19		
Reinsurer's share	0	24	2 064	0	19	1 820
Provisions for unit-linked policies						
Technical provision			614			422
Creditors						
Arising from direct insurance operations		0			0	
Arising from reinsurance operations		0			0	
Other creditors		21	21		133	133
Deferred income			1			9
<b>Total liabilities</b>			<b>2 889</b>			<b>2 571</b>

**The Member Cooperative Banks of the OP Bank Group Central Cooperative**

Total assets Dec. 31, 2004, operating profit Jan. 1 – Dec. 31, 2004. Preliminary figures.

Name	Domicile	Managing director	Total assets, € million	Operating profit, € million
Alajärven Osuuspankki	Alajärvi	Pentti Mäkelä	136	2.65
Alastaron Osuuspankki	Alastaro	Petri Antila	41	0.46
Alavieskan Osuuspankki	Alavieska	Ismo Talus	33	0.41
Alavuden Seudun Osuuspankki	Alavus	Jussi Ruuhela	111	1.45
Andelsbanken för Åland	Maarianhamina	Håkan Clemes	114	0.51
Andelsbanken Raseborg	Karjaa	Lars Björklöf	198	1.60
Artjärven Osuuspankki	Artjärvi	Reijo Hurskainen	37	0.60
Askolan Osuuspankki	Monninkylä	Irja Mäittälä	45	0.98
Auran Osuuspankki	Aura	Sauli Nuolemo	47	0.53
Elimäen Osuuspankki	Elimäki	Pertti Olander	121	1.68
Enon Osuuspankki	Eno	Ari Karhapää	75	0.98
Etelä-Karjalan Osuuspankki	Lappeenranta	Risto Kiljunen	713	8.37
Etelä-Pohjanmaan Osuuspankki	Seinäjoki	Markku Perälä	536	5.24
Etelä-Päijänteen Osuuspankki	Asikkala	Jari Laaksonen	90	1.09
Etelä-Savon Osuuspankki	Mikkeli	Kari Manninen	441	4.74
Eurajoen Osuuspankki	Eurajoki	Harri Hiitiö	41	0.63
Euran Osuuspankki	Eura	Lenni Kankaanpää	68	1.32
Forssan Seudun Osuuspankki	Forssa	Jouni Hautala	197	2.00
Haapajärven Osuuspankki	Haapajärvi	Kari Ahola	65	0.64
Haapamäen Seudun Osuuspankki	Haapamäki	Tauno Vuorenmaa	38	0.37
Haapaveden Osuuspankki	Haapavesi	Timo Suhonen	68	1.14
Hailuodon Osuuspankki	Hailuoto	Veijo Nissilä	21	0.26
Halsuan Osuuspankki	Halsua	Tapio Jokela	18	0.23
Haminan Seudun Osuuspankki	Hamina	Markku Vanhala	139	2.25
Harjavalan Osuuspankki	Harjavalta	Jarmo Tuovinen	77	1.89
Hartolan Osuuspankki	Hartola	Tuulikki Kyyhkynen	40	0.58
Hauhon Osuuspankki	Hauho	Timo Metsola	32	0.52
Haukivuoren Osuuspankki	Haukivuori	Seppo Laurila	34	0.45
Heinäveden Osuuspankki	Heinävesi	Jukka Tuomisto	47	0.95
Himangan Osuuspankki	Himanka	Kalevi Humalajoki	47	0.27
Hinnerjoen Osuuspankki	Hinnerjoki	Kaija Marttala	17	0.35
Hirvensalmen Osuuspankki	Hirvensalmi	Sakari Kangas	29	0.33
Honkilahden Osuuspankki	Honkilahti	Olavi Juhola	23	0.48
Huhtamon Osuuspankki	Huhtamo	Päivikki Järvinen	12	0.14
Huittisten Osuuspankki	Huittinen	Olli Näsi	81	1.48
Humppilan Osuuspankki	Humppila	Jari Salokangas	41	0.67
Hämeenkosken Osuuspankki	Hämeenkoski	Pekka Vastamäki	27	0.25
Hämeenlinnan Seudun Osuuspankki	Hämeenlinna	Olli Liusjärvi	423	5.33
Iisalmen Osuuspankki	Iisalmi	Eero Mähönen	206	2.24
Ikaalisten Osuuspankki	Ikaalinen	Antero Sorri	62	0.73
Ilomantsin Osuuspankki	Ilomantsi	Kalevi Hämäläinen	64	1.11
Janakkalan Osuuspankki	Turenki	Vesa Lehtikoinen	207	3.89
Joensuun Osuuspankki	Joensuu	Antti Heliövaara	251	4.13
Jokioisten Osuuspankki	Jokioinen	Vesa Rantanen	59	0.91
Juuan Osuuspankki	Juuka	Tuomo Mustonen	68	1.20
Juvan Osuuspankki	Juva	Risto Rouhiainen	96	1.28



Name	Domicile	Managing director	Total assets, € million	Operating profit, € million
Jämsän Seudun Osuuspankki	Jämsä	Heikki Rosti	144	2.97
Kainuun Osuuspankki	Kajaani	Kari Sissala	252	3.82
Kalajoen Osuuspankki	Kalajoki	Pertti Sarkkinen	112	1.19
Kalkkisten Osuuspankki	Kalkkinen	Heikki Leppähaara	12	0.14
Kangasalan Osuuspankki	Kangasala	Veikko Poranen	123	1.70
Kangasniemen Osuuspankki	Kangasniemi	Leo Pakkanen	89	2.12
Kankaanpään Osuuspankki	Kankaanpää	Teuvo Pakkala	78	0.70
Kannuksen Osuuspankki	Kannus	Juha Lundström	58	0.52
Karjalan Osuuspankki	Mynämäki	Pentti Laaksonen	22	0.27
Karkun Osuuspankki	Karkku	Raimo Virtanen	13	0.22
Karunan Osuuspankki	Karuna	Pertti Peura	12	0.07
Karvian Osuuspankki	Karvia	Antti Suomijärvi	40	0.49
Kaustisen Osuuspankki	Kaustinen	Asko Ahonen	50	0.50
Keikyän Osuuspankki	Äetsä	Jyrki Suoja	21	0.39
Kemin Seudun Osuuspankki	Kemi	Pertti Stöckel	180	2.33
Kerimäen Osuuspankki	Kerimäki	Jarmo Kaivonurmi	40	0.60
Keski-Suomen Osuuspankki	Jyväskylä	Keijo Manner	1 270	13.64
Keski-Uudenmaan Osuuspankki	Järvenpää	Leif Laine	804	12.68
Kestilän Osuuspankki	Kestilä	Hans Aikio	24	0.27
Kesälahden Osuuspankki	Kesälahti	Erkki Kukkonen	39	0.69
Kihniön Osuuspankki	Kihniö	Ari Heinonen	21	0.29
Kiihtelysvaaran Osuuspankki	Kiihtelysvaara	Pasi Leppänen	46	0.58
Kiikalan Rekijoen Osuuspankki	Rekijoki	Eero Lahti	20	0.21
Kiikoisten Osuuspankki	Kiikoinen	Pertti Kärki	17	0.27
Kiskon Osuuspankki	Kisko	Pekka Anttonen	31	0.41
Kiteen Seudun Osuuspankki	Kitee	Pentti Hämäläinen	179	2.98
Kiukaisten Osuuspankki	Kiukainen	Jari Valonen	23	0.39
Koillis-Savon Osuuspankki	Kaavi	Asko Impola	108	1.52
Koitin-Pertunmaan Osuuspankki	Koitti	Unto Aikasalo	43	0.71
Kokemäen Osuuspankki	Kokemäki	Jari Luukkanen	92	1.64
Kokkolan Osuuspankki	Kokkola	Aatto Ainali	388	3.00
Kontiolahden Osuuspankki	Kontiolahti	Esko Mononen	73	0.80
Korpilahden Osuuspankki	Korpilahti	Kyösti Myller	53	0.89
Korsnäs Andelsbank	Molpe	Jan-Erik Westerdahl	45	0.60
Kotkan Seudun Osuuspankki	Kotka	Pentti Leisti	224	2.58
Kouvolan Seudun Osuuspankki	Kouvola	Marjo Partio	311	3.04
Kronoby Andelsbank	Kronoby	Sten-Ole Nybäck	76	1.32
Kuhmalahden Osuuspankki	Pohja	Risto Mattila	21	0.40
Kuhmoisten Osuuspankki	Kuhmoinen	Heikki Vilppala	30	0.35
Kuhmon Osuuspankki	Kuhmo	Erkki Airaksinen	102	1.60
Kuopion Osuuspankki	Kuopio	Jaakko Ojanperä	539	4.84
Kuortaneen Osuuspankki	Kuortane	Markku Jaatinen	40	0.43
Kurun Osuuspankki	Kuru	Marja-Leena Siuro	32	0.55
Kuusamon Osuuspankki	Kuusamo	Kari Kivelä	99	0.91
Kuusjoen Osuuspankki	Kuusjoki	Eero Kaskela	20	0.29
Kymijoen Osuuspankki	Anjalankoski	Pekka Raivisto	102	1.42
Kärkölän Osuuspankki	Järvelä	Petri Hokkanen	44	0.70
Kärsämäen Osuuspankki	Kärsämäki	Mikko Ruusunen	30	0.34
Käylän Osuuspankki	Käylä	Kaisa Kurtti	16	0.25

Name	Domicile	Managing director	Total assets, € million	Operating profit, € million
Köyliön Osuuspankki	Köyliö	Jorma Pohjus	52	0.59
Lapin Osuuspankki	Lappi	Vesa Parkkali	52	0.73
Lappo Andelsbank	Lappo	Torsten Nordberg	7	0.05
Lehtimäen Osuuspankki	Lehtimäki	Veli-Jussi Haapala	25	0.08
Lemin Osuuspankki	Lemi	Eero Innanen	40	0.45
Leppävirran Osuuspankki	Leppävirta	Ilkka Martikainen	89	1.53
Lieksan Osuuspankki	Lieksa	Jorma Lehikoinen	125	2.45
Limingan Osuuspankki	Liminka	Ari Pohjola	45	0.34
Liperin Osuuspankki	Liperi	Jalo Lehtovaara	105	1.50
Loimaan Osuuspankki	Loimaa Kk	Heimo Kortnesniemi	91	1.27
Loimaan Seudun Osuuspankki	Loimaa	Juha Pullinen	74	0.92
Lokalahden Osuuspankki	Lokalahti	Irma Sirén	19	0.29
Lopen Osuuspankki	Loppi	Keijo Bragge	74	0.84
Lounais-Suomen Osuuspankki	Paimio	Vesa Viitaniemi	141	1.40
Luhangan Osuuspankki	Tammijärvi	Pekka Pietilä	20	0.13
Luopioisten Osuuspankki	Luopioinen	Esa Jokinen	24	0.25
Luumäen Osuuspankki	Taavetti	Eero Kettunen	49	0.76
Luvian Osuuspankki	Luvia	Hannu Kyrövaara	41	0.39
Länsi-Uudenmaan Osuuspankki	Lohja	Jukka Karasjärvi	541	6.10
Maaningan Osuuspankki	Maaninka	Ari Väänänen	52	0.85
Marttilan Osuuspankki	Marttila	Matti Vahalahti	50	1.02
Maskun Osuuspankki	Masku	Jarmo Nurmi	62	0.70
Mellilän Seudun Osuuspankki	Mellilä	Jouko Rinne	26	0.55
Merimaskun Osuuspankki	Merimasku	Mikko Seppänen	18	0.25
Metsämaan Osuuspankki	Metsämaa	Jussi Nieminen	20	0.26
Miehkälän Osuuspankki	Miehkälä	Kalevi Salonen	36	0.72
Miettilän Osuuspankki	Miettilä	Kaarina Sacklén	5	0.01
Mouhijärven Osuuspankki	Mouhijärvi	Esko Heinonen	37	0.51
Mynämäen Osuuspankki	Mynämäki	Kimmo Ranta	86	1.53
Myrskylän Osuuspankki	Myrskylä	Jorma Rouhiainen	14	0.14
Mäntsälän Osuuspankki	Mäntsälä	Heikki Kananen	112	1.40
Mäntän Seudun Osuuspankki	Mänttä	Erkki Lauronen	136	1.99
Nagu Andelsbank	Nauvo	Johan Broos	21	0.18
Nakkilan Osuuspankki	Nakkila	Jussi Kuvaja	78	1.36
Niinijoen Osuuspankki	Niinijoki	Timo Seikkula	24	0.42
Nilsian Osuuspankki	Nilsia	Seppo Pääkkö	91	1.75
Nivalan Osuuspankki	Nivala	Markku Niskala	100	0.70
Nousiaisten Osuuspankki	Nousiainen	Ville Aakula	113	1.50
Nurmeksien Osuuspankki	Nurmes	Mikko Vepsäläinen	93	1.72
Orimattilan Osuuspankki	Orimattila	Veli-Matti Onnela	106	2.36
Oripään Osuuspankki	Oripää	Jouko Rekolainen	32	0.32
Oriveden Seudun Osuuspankki	Orivesi	Pertti Pyykkö	99	1.47
Osuuspankki Kantrisola	Inkere	Bo Hellen	64	0.90
Oulaisten Osuuspankki	Oulainen	Jari Anttila	99	1.38
Oulun Osuuspankki	Oulu	Timo Levo	138	11.06
Outokummun Osuuspankki	Outokumpu	Eero Eskelinen	57	1.09
Paattisten Osuuspankki	Paattinen	Eero Koskinen	60	0.31
Paltamon Osuuspankki	Paltamo	Jorma Niemi	39	0.63
Parikkalan Seudun Osuuspankki	Parikkala	Tuomo Liukka	73	1.41

Name	Domicile	Managing director	Total assets, € million	Operating profit, € million
Parkanon Osuuspankki	Parkano	Aarre Saranpää	55	0.71
Pedersörenejdens Andelsbank	Pietarsaari	Ulf Löf	215	2.34
Perhon Osuuspankki	Perho	Pekka Pajula	35	0.53
Perniön Osuuspankki	Perniö	Risto Lehtinen	55	0.82
Peräseinäjoen Osuuspankki	Peräseinäjoki	Juha Mäki	63	0.98
Pieksämäen Seudun Osuuspankki	Pieksämäki	Seppo Vanninen	148	0.63
Pielaveden Osuuspankki	Pielavesi	Pertti Rautaparta	64	0.85
Pihtiputaan Osuuspankki	Pihtipudas	Erkki Niemelä	35	0.71
Pohjolan Osuuspankki	Rovaniemi	Markku Salomaa	443	4.08
Polvijärven Osuuspankki	Polvijärvi	Juhani Leminen	68	1.19
Porin Seudun Osuuspankki	Pori	Jukka Ramstedt	656	8.50
Porvoon Osuuspankki	Porvoo	Pertti Hellqvist	328	3.84
Posion Osuuspankki	Posio	Martti Varanka	62	0.96
Pudasjärven Osuuspankki	Pudasjärvi	Urpo Ojala	99	2.42
Pukkilan Osuuspankki	Pukkila	Ari Talkara	36	0.77
Pulkkilan Osuuspankki	Pulkkila	Eero Keskitalo	24	0.43
Punkalaitumen Osuuspankki	Punkalaidun	Tapio Laine	66	0.92
Puolangan Osuuspankki	Puolanka	Jouni Ahokumpu	47	0.39
Purmo Andelsbank	Pietarsaaren mlk	Stig-Göran Jansson	22	0.13
Pyhäjärven Osuuspankki	Pyhäsalmi	Matti Martikainen	74	1.33
Pyhännän Osuuspankki	Pyhäntä	Viljo Lotvonen	25	0.32
Päijät-Hämeen Osuuspankki	Lahti	Timo Laine	623	1.60
Pälkäneen Osuuspankki	Pälkäne	Jari Linjala	41	0.85
Pöytyän Osuuspankki	Riihikoski	Tuomo Jokinen	54	0.66
Raahan Seudun Osuuspankki	Raaha	Seppo Rytivaara	191	2.04
Rantasalmen Osuuspankki	Rantasalmi	Vesa Auvinen	83	1.00
Rantsilan Osuuspankki	Rantsila	Ismo Välijärvi	30	0.45
Rauman Seudun Osuuspankki	Rauma	Simo Kauppi	352	7.15
Rautalammin Osuuspankki	Rautalampi	Esko-Pekka Markkanen	43	0.73
Riihimäen Seudun Osuuspankki	Riihimäki	Seppo Runsamo	193	2.70
Riistaveden Osuuspankki	Riistavesi	Pauli Kröger	41	0.59
Ruhtinansalmen Osuuspankki	Ruhtinansalmi	Helena Juntunen	8	0.13
Ruoveden Osuuspankki	Ruovesi	Alpo Porila	71	0.62
Ruukin Osuuspankki	Ruukki	Kalle Arvio	64	1.08
Rymättylän Osuuspankki	Rymättylä	Antero Nikki	38	0.62
Rääkkylän Osuuspankki	Rääkkylä	Olli Koivula	45	0.70
Sallan Osuuspankki	Salla	Veikko Nissi	41	0.33
Salon Seudun Osuuspankki	Salo	Jukka Hulkkonen	383	4.24
Sauvon Osuuspankki	Sauvo	Pasi Virtanen	32	0.54
Savitaipaleen Osuuspankki	Savitaipale	Martti Valtonen	57	0.91
Savonlinnan Osuuspankki	Savonlinna	Merja Auvinen	245	3.88
Sideby Andelsbank	Sideby	Johan Ingves	10	0.06
Siikajoen Osuuspankki	Siikajoki	Pentti Keränen	27	0.31
Simpeleen Osuuspankki	Simpele	Kalevi Lehti	32	0.82
Somerniemen Osuuspankki	Somerniemi	Pertti Kujala	17	0.22
Someron Osuuspankki	Somero	Kari Raikkonen	91	1.25
Sonkajärven Osuuspankki	Sonkajärvi	Esko Nissinen	59	0.87
Sotkamon Osuuspankki	Sotkamo	Juhajouni Karttunen	70	1.21
Strömfors Andelsbank	Ruotsinpyhtää	Mats Majander	5	0.01

Name	Domicile	Managing director	Total assets, € million	Operating profit, € million
Sulkavan Osuuspankki	Sulkava	Kari Haverinen	34	0.42
Suomussalmen Osuuspankki	Suomussalmi	Timo Polo	58	0.54
Suonenjoen Osuuspankki	Suonenjoki	Antti Hult	62	0.84
Sysmän Osuuspankki	Sysmä	Heikki Kuurne	65	1.23
Säkylän Osuuspankki	Säkylä	Markku Perttuli	46	0.69
Taivalkosken Osuuspankki	Taivalkoski	Riitta-Liisa Ahokumpu	34	0.36
Taivassalon Osuuspankki	Taivassalo	Markku Kraama	28	0.26
Tampereen Seudun Osuuspankki	Tampere	Tony Vepsäläinen	1 354	11.17
Tarvasjoen Osuuspankki	Tarvasjoki	Esa Hentula	34	0.48
Tervolan Osuuspankki	Tervola	Hannu Neuvonen	41	0.66
Tervon Osuuspankki	Tervo	Seppo Vehniäinen	26	0.41
Toholammin Osuuspankki	Toholampi	Lauri Keski-Rahkonen	61	0.72
Toijalan Osuuspankki	Toijala	Heikki Teräväinen	94	1.49
Tornion Osuuspankki	Tornio	Pentti Alaperä	158	1.00
Turun Seudun Osuuspankki	Turku	Risto Korpela	1 464	12.27
Tuupovaaran Osuuspankki	Tuupovaara	Jaana Reimasto-Heiskanen	34	0.47
Tyrnävän Osuuspankki	Tyrnävä	Eero Ylilauri	42	0.48
Ullavan Osuuspankki	Ullava	Veikko Väisälä	18	0.31
Urjalan Osuuspankki	Urjala	Janne Nuutinen	78	1.17
Utajärven Osuuspankki	Utajärvi	Raimo Tuovinen	80	1.45
Uukuniemen Osuuspankki	Niukkala	Pauli Loikkanen	9	0.13
Vakka-Suomen Osuuspankki	Uusikaupunki	Juha-Pekka Nieminen	207	2.53
Valkeakosken Osuuspankki	Valkeakoski	Juha Luomala	117	1.42
Valtimon Osuuspankki	Valtimo	Heikki Myller	36	0.46
Vammalan Seudun Osuuspankki	Vammala	Jari Pimiä	132	0.64
Vampulan Osuuspankki	Vampula	Kari Hänti	43	0.63
Varkauden Osuuspankki	Varkaus	Pekka Vilhunen	145	1.72
Varpaisjärven Osuuspankki	Varpaisjärvi	Seppo Riekkinen	53	0.79
Vasa Andelsbank	Vaasa	Ulf Nylund	412	4.37
Vehmersalmen Osuuspankki	Vehmersalmi	Heikki Väisänen	34	0.68
Vesannon Osuuspankki	Vesanto	Esa Keränen	36	0.48
Vetelin Osuuspankki	Veteli	Jarmo Lehojärvi	19	0.25
Vetelin Ylipään Osuuspankki	Räyrinki	Jari Siirilä	20	0.24
Viekin Osuuspankki	Viekkijärvi	Esko Pyykkö	9	0.03
Vihannin Osuuspankki	Vihanti	Olavi Rasi	63	0.89
Vimpelin Osuuspankki	Vimpeli	Simo Ilomäki	38	0.48
Virolahden Osuuspankki	Virolahti	Jyrki Gerlander	40	0.51
Virtain Osuuspankki	Virrat	Ari Kakkori	87	1.24
Ylitornion Osuuspankki	Ylitornio	Heikki Eteläaho	54	0.84
Ylivieskan Osuuspankki	Ylivieska	Jarmo Somero	111	0.92
Yläneen Osuuspankki	Yläne	Heikki Eskola	46	0.92
Ypäjän Osuuspankki	Ypäjä	Kirsi-Marja Hiidensalo	50	0.78
Ähtärin Osuuspankki	Ähtäri	Esko Kokkila	37	0.57
Östnylands Andelsbank	Porvoo	Arto Nurmi-Aro	167	1.05
Östra Korsholms Andelsbank	Mustasaari	Jussi Lahti	4	0.04
Övermark Andelsbank	Närpiö	Mårten Vikberg	18	0.22

# 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 2004. The financial statements are presented to, and passed out at, the General Meeting of the OP Bank Group Central Cooperative.

Helsinki, March 2, 2005

Executive Board of the OP Bank Group Central Cooperative

Antti Tanskanen

Reijo Karhinen

Erkki Böös

Pekka Jaakkola

Mikael Silvennoinen

Heikki Vitie

# AUDITORS' REPORT

(Translation)

## ***To the General Meeting of the OP Bank Group Central Cooperative***

We have audited the consolidated financial statements for the financial year 1 January – 31 December 2004, 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 profit and loss account, balance sheet and notes to the annual accounts. Based on our audit we express an opinion on these financial statements.

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

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

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

Helsinki 2 March 2005

KPMG OY AB

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