OKO BANK

ANNUAL REPORT 2005

05

OKO Bank is a Finnish financial service company that provides banking, investment and non-life insurance services. Non-life insurances are provided with Pohjola brand. OKO Bank's customers are private persons, corporations and communities.

OKO Bank's business expanded to cover non-life insurance as the Bank acquired the majority of Pohjola Group plc in September 2005.

OKO Bank's Series A shares have been quoted on the Helsinki Stock Exchange since 1989. Overall, there are ca. 30,000 shareholders.

OKO Bank is a part of the OP Bank Group, a leading financial services group in Finland.

Contents

This publication together with the OKO Bank's Report of the Executive Board and the Financial Statements form the Annual Report for 2005. Also annexed to the Annual Report is the OP Bank Group's Corporate Responsibility Report.

RESULT 2005

OKO Bank's Business Expanded to Non-life Insurance

– In September, OKO Bank acquired a majority holding in Pohjola Group plc, which became OKO Bank's subsidiary in October. The acquisition expands OKO Bank's business into the non-life insurance market and reinforces the Bank's position as an asset manager. As a part of the financing of the transaction, OKO Bank sold its Retail Banking divison.

Earnings Doubled by the Sale of Retail Banking

– OKO Bank Group's earnings before tax, including the capital gains from Okopankki, amounted to €304 million (138)[1]. The capital gains from Okopankki shares amounted to €153 million. The consolidated share of Pohjola was €15 million. The profit for the fiscal period amounted to €271 million (108).

– The comparable earnings before tax increased by 17 per cent. In the calculation, the consolidated earnings share of Pohjola, non-recurring capital gains from shares, profit shares from sold affiliates and the earnings of Retail Banking for the November-December period in 2004 have been eliminated.

– Return on equity was 19.8 per cent (13.9).

– Earnings per share totalled €1.96 (0.86).

– The capital adequacy ratio was 12.8 per cent (11.0), while the Tier I ratio was 9.6 per cent (7.6). The capital adequacy ratio according to the Act on the Supervision of Financial and Insurance Conglomerates was 1.23.

– The Executive Board proposes a dividend of €0.60 for Series A shares and €0.57 for Series K shares. With the proposed dividend distribution, the effective dividend yield is 5.1 per cent.

Business Increased Rapidly

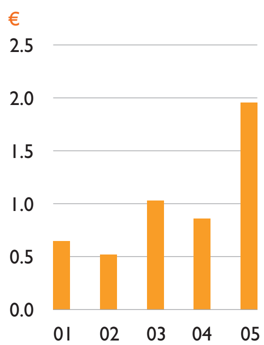
– The loan portfolio at the end of 2005 amounted to €6.8 billion (8.7).The sale of the Retail Banking reduced the loan portfolio by €2.9 billion. In Corporate Banking, the loan portfolio increased by 13 per cent and its position as a corporate bank was strengthened.

– The gross underwriting reserves of Non-life Insurance amounted to €1.9 billion, of which the share of pension-type liabilities was €1.2 billion.

– The amount of client funds under management was €27.5 billion (10.9) at the end of the year. Customer funds under management by Opstock Asset Management increased by 24 per cent to €13.6 billion. The client funds under management by Pohjola Asset Management were €14.0 billion.

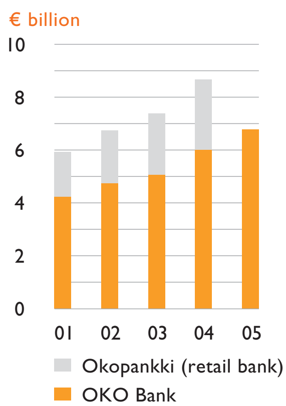
[1] The comparison figure for 2004 is included in brackets.

Earnings per Share*

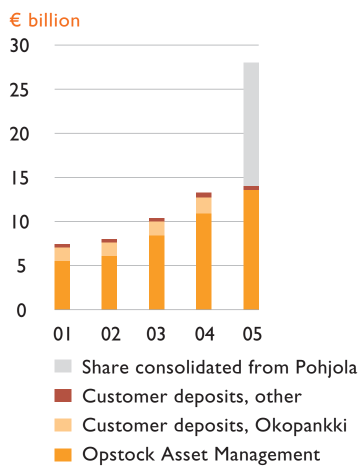


* Share issue adjusted

Loan Portfolio



Customer Funds



Financial Performance

€ million	Q1	Q2	Q3	Q4	2005	2004	Change, %
	2005				2005	2004	Change, %
Net interest income	38	40	38	26	143	147	-3
Impairment losses on receivables	1	0	1	2	4	1	-
Net interest income after impairment losses	37	40	38	24	139	145	-4
Net income from Non-life Insurance	-	-	-	69	69	-	-
Net income from Life Insurance	-	-	-	-2	-2	-	-
Net commissions and fees	24	24	24	24	96	85	13
Net trading income	3	-1	7	6	16	2	-
Net income from investments	11	7	3	-2	19	31	-40
Other operating income	2	3	2	16	23	7	-
Total income	77	73	74	135	360	271	33
Total expenses	38	38	34	100	211	139	51
Share of affiliate profits	0	1	0	0	1	6	-79
Earnings before tax	39	36	40	35	150	138	9
Income tax	8	9	11	5	33	30	8
Capital gains from discontinued operations after tax	-	-	-	153	153	0	-
Profit for the period	31	26	29	184	271	108	-

Operating Environment

Output growth slowed down in the western industrial countries in 2005. In the USA, growth nevertheless remained moderate. By contrast, economic growth in the eurozone was very modest, because exports were not able to offset sluggish domestic demand. The fastest growth was registered in Asia and eastern Europe.

The already low interest rates in the eurozone declined slightly in the first half of 2005. In the latter half of the year, euribor rates headed upwards, portending a tightening in monetary policy. For example, the 12-month euribor rose from 2.1 per cent in June to 2.8 per cent by the end of the year. The European Central Bank did raise its main lending rate in December, from 2.0 per cent to 2.25 per cent, citing inflationary pressures. Long interest rates nevertheless remained nearly unchanged because high oil prices were thought to slow down economic growth.

In Finland, output grew by just under 2 per cent. A factor that exerted a big drag on output growth was the labour dispute in the paper industry in the early summer. Growth in consumption expenditure held steady. Consumption was bolstered by the rise in disposable income and an improvement in employment. Capital expenditures decreased in the first half of the year, but rebounded in the latter part of the year thanks to brisk construction activity. The price level remained stable. Consumer prices rose on average by just under a per cent compared with the previous year. House prices, however, climbed by 9 per cent.

The robust demand for home mortgages that has continued for several years now gathered ever greater pace. The 17 per cent growth in the home mortgage portfolio was supported by the rise in incomes and low interest rates. As a counterweight to weak capital expenditure activity, M&A arrangements stoked the approximately 8 per cent growth in the corporate loan portfolio. Deposits increased by about 5 per cent, on a par with the figure a year earlier. The interest rate spread between loans and deposits narrowed to 2.4 percentage points. Buoyant equity prices increased the popularity of long-term saving. Mutual fund capital continued its 40 per cent-plus growth for the third year running.

KEY FIGURES

	2001 FAS	2002 FAS	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS	Long-term target [1)]
Earnings before tax, € million	79	62	126	102	108	271	
Return on equity, %	13.0	10.0	18.5	13.9	13.9	19.8	12.0
Return on assets, %	0.67	0.50	0.92	0.66	0.69	1.40	
Total income, € million	270	255	335	291	271	360	
Cost/income ratio in Banking and Investment Services, %	50	53	50	51	47	46	40
Balance sheet total, € billion	12.6	12.7	14.8	16.4	16.5	22.3	
Risk-weighted items, € billion	7.2	8.0	8.8	9.9	10.0	10.5	
Loan portfolio, € billion	5.9	6.7	7.4	8.7	8.7	6.8	
Proportion of problem receivables to loans and guarantees, %	0.3	0.2	0.2	0.2	0.2	0.3	
Proportion of impairment losses to loans and guarantees, %	-0.1	0.0	0.0	0.0	0.0	0.0	
Client funds, € billion [2)]	7.4	8.0	10.4	13.3	13.3	28.0	
Capital adequacy ratio, %	12.8	11.1	11.0	10.8	11.0	12.8	
Tier I ratio, %	7.4	7.0	7.0	7.1	7.6	9.6	
Insurance contract liabilities							
Gross, € million						1 883	
Net, € million						1 810	
Earnings per share, € [3)]	0.65	0.52	1.03	0.81			
Series A					0.86	1.96	
Series K					0.85	1.95	
Earnings per share, diluted, € [3)]	0.62	0.49	1.00	0.79			
Series A					0.84	1.95	
Series K					0.83	1.93	
Equity per share, € [3)]	5.15	5.27	5.93	5.84	6.15	8.76	
Dividend per share, € [3)]	0.43	0.29	0.85	0.40	0.40	0.59 [4)]	
Dividend payout ratio, %	65	55	82	50	48	30 [4)]	50
Effective dividend yield (OKO A), %	7.8	5.2	12.2	5.1	5.1	5.1 [4)]	
Market capitalisation (A and K), € million	659	675	871	1 022	1 022	2 386	
Average personnel	1 070	1 117	1 138	1 246	1 246	1 668	

OKO Bank's Ratings

Standard & Poor's upgraded OKO Bank's international ratings on July 27, 2005. The upgrade was based on the consistency of both revenues and earnings reported by OKO Bank supported by the well-entrenched market position of the OP Bank Group. The upgrade also acknowledged the fact that the succesfull trend in profitability has been achieved without jeopardizing OKO Bank's and OP Bank Group's moderate risk profile and conservative capital adequacy levels.

Rating Agency	Short-term debt	Long-term debt
Standard & Poor's	A-1+	AA-
Moody's	P-1	Aa2
Fitch	F1+	AA-

Following the acquisition of a majority in Pohjola on September 12, 2005, all of the above-mentioned credit rating agencies maintained OKO Bank's ratings unchanged. However, Standard & Poor's and Moody's put OKO Bank's credit rating under supervision and changed the outlook from stable to negative.

The rating which Pohjola Non-life Insurance Company received from Standard & Poor's on October 19, 2005, is A+ (with a negative outlook).

[1] Following the Pohjola transaction, OKO Bank published new financial targets:
– OKO Bank Group: ROE 12%.
– Banking and Investment Services: ROE 14% and C/I ratio below 40%
– Non-life Insurance: ROE 12% and COR below 99% in all phases of economic cycle.
[2] Client funds = deposits and amount of assets under management in Asset Management
[3] Per-share key ratios have been issue adjusted.
[4] Executive Board's dividend proposal: €0.60 for Series A shares and €0.57 for Series K shares.

OKO BANK AS A PART OF THE OP BANK GROUP

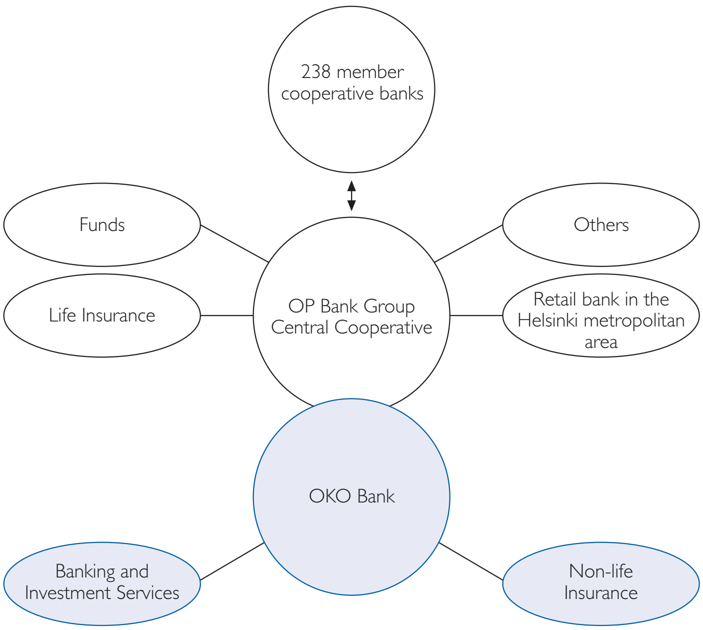
Following the Pohjola acquisition, the OP Bank Group handles the finances and insurances of ca. four million customers – including private persons, corporations and communities. The OP Bank Group comprises 238 member cooperative banks and their central institution OP Bank Group Central Cooperative. The Group is supervised on a consolidated basis, and the central institution and member banks are responsible for each other's liabilities and commitments.

The member cooperative banks are owned by their members, and they are engaged in retail banking in their own areas of operations. The OP Bank Group Central Cooperative acts as the Group's development and service centre as well as makes and holds strategic investments for the Group.

OKO Bank is the most significant subsidiary of the OP Bank Group Central Cooperative. The Bank provides banking, investment and non-life insurance services. It also acts as the central bank of the OP Bank Group and is responsible for the Group's liquidity management and international affairs. At the end of 2005, OKO Bank had total assets of €22.3 billion, or about 42 per cent of OP Bank Group's total assets.

OP Bank Group's Key Figures

	2005	2004
Total assets, € billion	52.8	41.5
Own funds, € billion	4.4	4.0
Earnings before tax, € million	579	511
Return on equity (ROE), %	11.2	12.0
Tier I ratio, %	13.1	14.1
Market share, %		
– loans, %	30.5	31.9
– deposits, %	30.4	32.3
Personnel	11 974	9 118



Sales adviser Pirkko Salonen, Pohjola's
Aleksanterinkatu branch office, Helsinki.

CHAIRMAN'S REVIEW

The most important event for OKO Bank and across the entire OP Bank Group over the past year was the acquisition of Pohjola Group – one of Finland's largest corporate deals. It was a move in line with our current growth-oriented objectives, and it also fits in with our traditional policy of continually improving our position within Finnish business life. Often in past years as well, we have pointed the way and been bold builders. This was and is the core idea.

The business combination between the OP Bank Group and Pohjola has been viewed as an initiative that strengthens Finnish capital, and there are multiple historical perspectives on the deal. The principal parties – OKO Bank, Pohjola and Suomi Mutual – are all more than one-hundred-year old companies which, at their birth, shared a Finnish identity and national culture, and took part in building a foundation for the national economy. The times and companies have changed, but domestic ownership is a value that is generally considered important for the future, as it has been heretofore.

With the Pohjola transaction, OKO Bank's operations expanded to a new area, non-life insurance, where OKO Bank is now the second-largest player in the market. Yet Pohjola's well-known emblem, rich in tradition, will not fade from the scene but will be retained within non-life insurance operations in the years ahead.

Bringing Pohjola on board also meant a big leap forward for OKO Bank as an asset manager serving Finnish households as well as companies and institutions because the amount of customer assets managed by the Bank doubled.

Pohjola, with its strong corporate insurance portfolio, will bring new customer potential to our banking operations. In return, the member banks of the OP Bank Group will provide Pohjola with new growth opportunities in insurance services for households. Now that the capital, know-how and clientele of two major players have been combined, all the parties will benefit. Cross-selling of non-life insurance and bank services to an expanded clientele will offer major growth opportunities for both OKO Bank and the OP Bank Group as a whole.

Via the rights issue that was arranged to finance the Pohjola transaction, OKO Bank gained 4,000 new shareholders. We now have nearly 30,000 owners, most of whom are private individuals. The equity market reacted positively to the Pohjola deal, and after mid-September, OKO Bank's share price headed upwards. At the end of the year, the share issue-adjusted price of the Series A share was over 40 per cent higher than a year earlier.

Economic growth in Europe was subdued last year, and it slowed down in the United States too. The US Federal Reserve raised its federal funds rate a number of times to curb inflationary pressures resulting from the escalating oil price. For the same reason, the European Central Bank moved to raise rates at the beginning of December for the first time in five years. The markets are forecasting a series of rate hikes, but economic growth in Europe is still so slow that I do not believe the ECB will tighten monetary policy markedly from the present stance.

The Finnish economy's growth was led by domestic demand and exports, outstripping the eurozone. The growth nonetheless did not stoke inflation, and the rise in prices was less than one per cent – lower than in the other EU countries. The confidence of industry and households in the future has held up well. As I see it, the Finnish economy is in fairly good shape going into this year. To be sure, the international economy faces risks, such as a sharp spike in the oil price or an abrupt correction in the United States' current account deficit.

In my review last year, I observed that one of OKO Bank's objectives, as a listed company, is to adhere to the Corporate Governance recommendations of the Helsinki Stock Exchange as closely and extensively as possible. Work on overhauling OKO Bank's Corporate Governance model has moved ahead at a good pace over the year. After the legislative amendment that came into force in April, a Supervisory Board is no longer a mandatory body for OKO Bank, and consequently a proposal will be made to the Annual General Meeting to be held in the spring that the Supervisory Board be abolished and that the internal Executive Board be replaced with a non-executive Board of Directors.

Bringing about the Pohjola transaction called for a sizeable effort on the part of all those involved. The post-acquisition arrangements are well on track and progressing in a good spirit according to plans. Yet there still remains a good deal of work to be done before the combined businesses are turned into a single, unified entity. It is up to us to make sure that all the possibilities which the transaction can offer both customers and shareholders are utilised to the fullest extent.

I wish to express my warm thanks for good co-operation over the past year to OKO Bank's and Pohjola's customers, personnel, administrative officers, shareholders and other stakeholders.

Helsinki, February 17, 2006

Antti Tanskanen

PRESIDENT'S REVIEW

Financial Performance Exceeded Expectations

OKO Bank's banking business proceeded well last year. The financial performance exceeded our targets and was also better than the previous year. The group's operating profit before tax amounted to €150 million and, taking the capital gains from the sale of Retail Banking into account, to slightly more than €300 million.

Corporate Banking, in particular, was at its best. It succeeded in increasing its business without compromising on margins – even in a fierce competition situation. The earnings result was the all-time high for Corporate Banking.

2005 was also a good year for Investment Banking. Business operations increased rapidly and earnings improved on the previous year.

The Acquisition of Pohjola Revolutionised the OKO Bank Structure

In the early part of 2005 it was still uncertain how many changes the year would bring. The opportunity to acquire Pohjola Insurance Company was unique. The strategic and economical grounds for the acquisition were so strong that we simply had to seize the opportunity.

With the acquisition OKO Bank acquired a new, profitable and well-managed business. Together with the rest of the OP Bank Group, OKO Bank can offer Pohjola many new customers and distribution channels. In addition, the purchase strengthens significantly OKO Bank in providing services for corporate customers. In asset management, OKO Bank's size and personnel resources doubled due to the acquisition of Pohjola. Profit and expense synergies before taxes are estimated to amount to ca. €50 million annually. These will be fully achieved within five years.

OKO Bank can now offer its personnel even more interesting tasks in banking, investment and insurance services.

Another major change last year was that OKO Bank abandoned Retail Banking division. Okopankki, a subsidiary of OKO Bank, operating in the Helsinki metropolitan area, was sold to OP Bank Group Central Cooperative as part of the financial package for the Pohjola acquisition. As a result of the transaction, Okopankki decided to change its name in accordance with the OP Bank Group brand. Retail Banking Operations were abandoned because it would have only formed less than 10 per cent of the earnings result of OKO Bank after the Pohjola transaction, and because we drew a price in accordance with the shareholders' interests.

Two Pillars for Making Profit

OKO Bank is now a bank and an insurance company. In future, Banking and Investment Services and Non-life Insurance will each generate about half of the group's earnings. In the new structure the accumulated earnings for the group are more diversified than earlier, but, due to the investment risks of Insurance business, earnings may vary more than we have been used to during the past few years. The importance of good risk management will be emphasised in the new business structure.

During this spring we will draw up a new strategy for the OKO Bank Group and confirm the long-term financial targets. These will be introduced to investors before the summer holiday season.

OKO Bank Will Keep on Paying Good Dividends

Both OKO Bank and Pohjola have a good reputation as dividend payers. We will continue on the same path, as a competitive dividend is a major part of the shareholder's overall profit. The Executive Board will propose at the Annual General Meeting that a dividend of €0.60 be paid on Series A shares and €0.57 on Series K shares for the fiscal year 2005.

Lots of Interesting Work Ahead

Nearly six months have passed since the Pohjola transaction. We have proceeded as planned and built new in good spirit with the Pohjola personnel. The greatest challenge for 2006 will be to integrate OKO Bank's and Pohjola's operations so that the whole functions seamlessly and efficiently for the benefit of customers and shareholders. There is a lot of work to do, but the starting points are good.

I wish to thank OKO Bank's and Pohjola's personnel for their excellent contributions in the midst of last year's changes. I also wish to thank our customers and shareholders for their confidence in OKO Bank!

Helsinki, February 17, 2006

Mikael Silvennoinen

POHJOLA ACQUISITION
– THE MOST IMPORTANT EVENT IN 2005

OKO Bank's Business Expands to Non-life Insurance:

September 12
OKO Bank acquired Suomi Mutual Life Insurance Company's and Ilmarinen Mutual Pension Insurance Company's shares in Pohjola insurance company at €1.2 billion. After the acquisition, OKO Bank owned 58.5 per cent of Pohjola's shares. In connection with the acquisition, OKO Bank announced its intention to make a public tender offer for Pohjola's remaining outstanding shares.

October 14
OKO Bank's Extraordinary General Meeting approved the Executive Board's proposals for raising the share capital and the amendments to Articles of Association in relation to Pohjola acquisition.

October 18
Pohjola became a subsidiary of OKO Bank as the acquisition was approved by authorities.

OKO Bank sold its 100% holding in Okopankki Oyj, operating in Helsinki metropolitan area, to the OP Bank Group Central Cooperative for €325 million as part of the financing of the Pohjola transaction.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Johtokunnan valtuuttamina - Befullmäktigade av styrelsen
A Sarja - Serie
1 Osake - Aktie

October 19
Public tender offer for Pohjola's shares started. OKO Bank offered a cash consideration of €13.35 per share. After the tender offer expired on November 18, 2005, OKO Bank owned 83 per cent of Pohjola's shares.

October 24
OKO Bank carried out a share issue between October 24 and November 15, 2005 directed to its own shareholders. The subscription price was €7.20 per share. The share issue was fully subscribed and OKO Bank accumulated funds worth €724 million.

November 2
OKO Bank published its new organisation and related appointments. New businesses are Banking and Investment Services and Non-life Insurance.

December 1
OKO Bank's redemption offer for Pohjola's shares and option rights started. As the redemption offer expired on January 5, 2006, OKO Bank owned 89.96 per cent of Pohjola's shares.

December 30
Pohjola sold Pohjola Fund Management Company for €73 million and Pohjolan Systeemipalvelu for €13 million to OP Bank Group Central Cooperative.

Events in 2006

January 10
OKO Bank's ownership of Pohjola's shares and votes exceeded 90 per cent. OKO Bank announced it would commence operations in accordance with the Companies Act in order to redeem the rest of Pohjola's shares and option rights.

January 16
Pohjola sold Pohjola Life Insurance Company for €281 million to Central Cooperative and Pohjola Asset Management for €118.5 million to OKO Bank.

February 6
Co-operation negotiations aimed at combining OKO Bank's and Pohjola's overlapping operations and increasing the efficiency of operations started. At OKO Bank the negotiations

concern Opstock Ltd, Pohjola Non-life Insurance Company and Pohjola Asset Management.

March 1
OKO Bank's and Pohjola's fund management operations were merged into one company which will be called OKO Asset Management Ltd.

March 10
Mr. Reijo Karhinen, the Central Cooperative's President, was appointed as Chairman and CEO of the OP Bank Group, effective January 1, 2007, when Mr. Antti Tanskanen, the current Chairman and CEO, retires, as previously announced.

Other Events in 2005

OKO Bank Sold its Holdings in Automatia and Suomen Asiakastieto
In February, OKO Bank sold its holdings in Automatia Pankkiautomaatit Oy, Suomen Asiakastieto Oy and certain other companies. Capital gains from the transactions totalled €4.7 million.

OKO Bank Continues as European Commission Primary Bank in Finland in 2005-2009
For the third time in a row, OKO Bank won a tight bidding competition between banks in April and continues as the European commission Primary Bank in Finland in 2005-2009. OKO Bank filled the tight criteria on service providers set by EU.

OKO Bank Sold its Arkadia Real Estates
In June, OKO Bank sold its real estate at Arkadiankatu 23, Helsinki, to OP Life Insurance Company Ltd for €25.5 million. The building was known as the OKO Bank head office until 1997.

Standard & Poor's Raised OKO Bank's Ratings
In July, Standard & Poor's credit rating company raised OKO Bank's long-term credit rating from A+ to AA- and short-term rating from A-1 to A-1+.

BUSINESS STRUCTURE

(January 1, 2006)

As a result of the Pohjola transaction, OKO Bank's business structure was changed at the beginning of 2006. The Bank's new business operations are Banking and Investment Services and Non-life Insurance.

Banking and Investment Services cover the following divisions:

– Corporate Banking
– Capital Markets
– Group Treasury
– Asset Management

The first three business areas report to First Executive Vice President Timo Ritakallio. The President of OKO Asset Management Ltd, Mikko Koskimies, is in charge of Asset Management.

Non-life Insurance is run by Pohjola Non-Life Insurance Company Ltd, with Tomi Yli-Kyyny as President. The operations are divided into two divisions:

– Corporate Customers and
– Private Customers

The transition to the new organisation will take place gradually during 2006. The organisational chart from early January is on page 52.

The members of the new Executive Committee are Mr. Timo Ritakallio (2nd row, left), Mr. Mikko Koskimies, Mr. Tomi Yli-Kyyny, Mr. Ilkka Salonen, Mr. Mikael Silvennoinen and Ms. Helena Walldén.

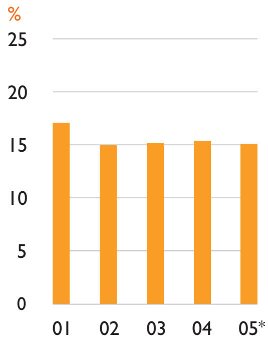
STRATEGIC TARGETS

OKO Bank's strategy will be updated during spring 2006 on the basis of the new business structure.

Preliminary long-term key targets were published on September 12, 2005 after the acquisition of a majority stake in Pohjola. The Bank has a strong focus on profitability and is committed to efficient capital management.

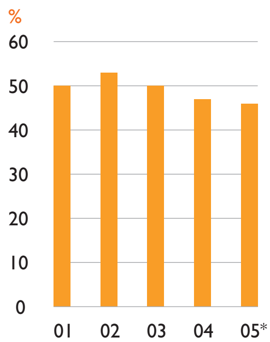
The Pohjola acquisition is expected to provide significant synergies to OKO Bank. They are estimated at €52 million per annum (pre-tax). The synergies are expected to take full effect within 5 years.

Return on Equity of Banking and Investment Services



* Including results from Retail Banking and Pohjola Asset Management

Cost/income Ratio of Banking and Investment Services



* Incl. results from Retail Banking and Pohjola Asset Management

Targets for market positions

Banking and Investment Services

– as a bank for large corporate customers 2nd (currently 3rd)

– as an asset manager 1st (currently 2nd)

Non-life Insurance

– target is to become the 1st (currently 2nd)

Financial targets**

OKO Bank Group

– ROE 12%

– Dividend payout ratio approx. 50%

Banking and Investment Services

– ROE 14%

– C/I ratio < 40 %

Non-life Insurance

– ROE of 12% (incl. goodwill)

– COR < 99% in all phases of economic cycle

** New revised targets (incl. solvency) will be published in June 2006.

OKO Bank's values are

Prospering Together

Responsibility

A People-first Approach

PROSPECTS

In 2006, the operating environment of Banking and Securities Services is estimated to remain as it was last year. The annual growth of the corporate credit market is estimated to continue at the same level. The interest rate level is expected to remain low, which will support the demand for loans. The financial situation of companies is expected to remain good. Competition will continue to be intense, but lending margins are no longer expected to decrease. However, competition may decrease the service fees.

The development of the equity and fixed income markets will have a significant effect on the earnings of capital market operations and Treasury. The rise in share prices is estimated to slow down. Investing in mutual funds is expected to remain popular, which will increase the amount of assets under management. The growth of lending of the OP Bank Group retail banks is expected to exceed the growth of deposits, which will increase the banks' funding need from OKO Bank.

OKO Bank's corporate loan portfolio is expected to continue to grow faster than the market. The objective is also to increase commissions and fees significantly, both in corporate banking and capital market operations and asset management, and deal with the control of growing of expenses. The risk situation will seemingly continue to be good, and the amount of loan losses is not expected to grow significantly. In 2006, the asset management operations of Pohjola and OKO Bank will be integrated, which will reinforce OKO Bank's position as an asset manager.

In 2006, the Retail Banking sold in the autumn of last year is no longer included in OKO Bank's Banking and Investment Services. The earnings of the Banking and Investment Services adjusted with the earnings of Retail Banking amounted to €137 million in 2005.The corresponding earnings before tax are expected to be at least at the same level in 2006 as in 2005.

Demand for Non-life Insurance cover is expected to increase by a growing number of storms and other natural catastrophes. Premiums written per capita from voluntary insurance policies in Finland and the Baltic States are still low compared with other neighbouring markets, which supports the growth in demand for protection and well-being services. Price competition is expected to remain unchanged. Developments in equity and bond markets will have a major impact on investment income in Non-life Insurance.

Cooperation with the other parts of the OP Bank Group will open up new opportunities for Pohjola especially to increase the number of household customers. Because of the changes in reserving bases last year and the rate decreases in statutory workers' compensation insurance effective as of 2006, the growth in insurance premium revenue is expected to remain at 2 to 4 per cent this year. Comparable growth in insurance premium revenue is forecast to exceed the GDP in 2006, as in the previous year. Operating expenses will increase because of the implementation of new basic systems, when maintenance and application costs and depreciation expenses increase before the retirement of old systems from production. The combined ratio is forecast at 90.0 to 95.0 per cent before amortisation of intangible assets. The effect which the unwinding of discount of insurance contract liabilities will have on profits is estimated to be about the same as in 2005.

The 2006 equity allocation target in Non-life Insurance is set at around 14 per cent. The overall return on the investment portfolio is expected to be less in 2006 than in 2005. The amount of realised gains and losses on disposals will have an

impact on investment income in the income statement. However, it has no effect on the amount of equity capital. In OKO Bank Group, the date of acquisition of the Pohjola investment portfolio was October 31, 2005, from which date Pohjola has been included in the consolidated accounts of the OKO Bank Group.

The financing costs for the acquisition of the Pohjola shares and amortisation of intangible assets will burden the OKO Bank Group's profits for 2006 by around €50 million in total.

The management of the Group has no influence on the general operating environment of business. However, the management may influence the effects of interest rate changes and the equity market on investments and trading by investing assets securely and diversifying risks and by taking care of the professional skill of its personnel and effective risk management. In addition, the management may influence the appropriate pricing of customer-specific risk and due to it the financial performance of the Group.

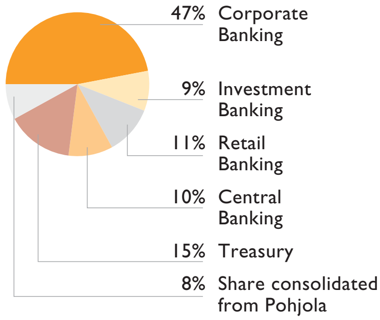
All of the forecasts and estimates presented are based on the understanding of the financial development of the OKO Bank Group and its different operations in mid-February; actual performance may vary significantly.

BUSINESS IN 2005

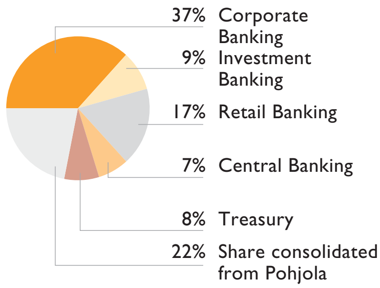
Until the end of 2005, OKO Bank's divisions included Corporate Banking, Investment Banking, Retail Banking and Group Treasury. The income, expenses, investments and equity that were not allocated to business divisions were integrated under Group Administration. Retail Banking (Okopankki) is included in the figures from January to October and OKO Bank's subsidiary Pohjola from November to December 2005.

The financial results of the divisions have been calculated by allocating the income and expenses to the division in question. Capital allocated to each division equals 7 per cent of the division's risk-weighted items. However, the equity for Investment Banking is equal to the equity indicated on the balance sheet of Opstock Ltd.

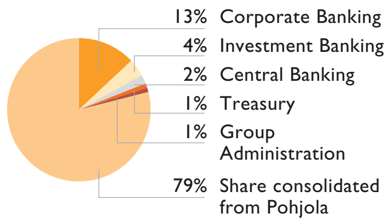
Earnings Before Tax by Division



Income by Division



Personnel by Division



Division

Earnings before tax, € million	2005	2004
Corporate Banking	81	68
Investment Banking	15	8
Retail Banking	20	21
Central Banking	17	15
Treasury	26	34
Group Administration	-23	-8
Total	**135**	**138**
Share consolidated from Pohjola	15	-
Capital gain from Okopankki	154	
Total	**304**	**138**


Urakointi
Entreprenörer
Rahoitus
Finansiering

BANKING
Corporate Banking

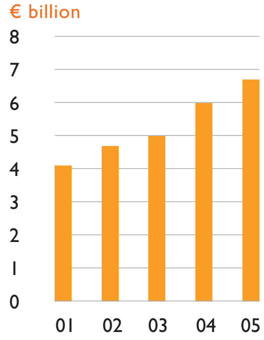
In 2005, Corporate Banking offered its corporate customers and institutions financing and cash management services, as well as money market, debt capital market and foreign exchange services. It granted loans, guarantees and leasing and factoring, arranged financing from the debt capital market and engaged in venture capital investment operations.

Its income was primarily generated from lending margins, trading in the money, foreign exchange and debt capital markets, and commissions and fees from financing and payment transfer services. The net interest margin from the lending is not sensitive to interest rate fluctuations because the funding of the lending is market rate-driven.

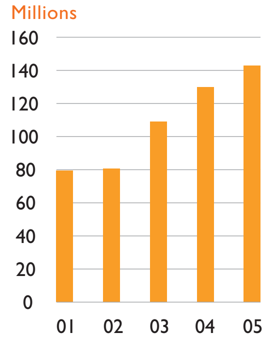
The tasks between OKO Bank's divisions was changed at the beginning of 2006. The most important change from the point of view of Corporate Banking was the transfer of money market, debt capital market and foreign exchange services to the new Capital Markets division.

OKO Bank's aim is to become the leading Finnish Corporate Bank by strengthening its market position as a bank for large and medium-sized companies, as a provider of financing in the capital market and as a corporate cash management and payment transfer services provider.

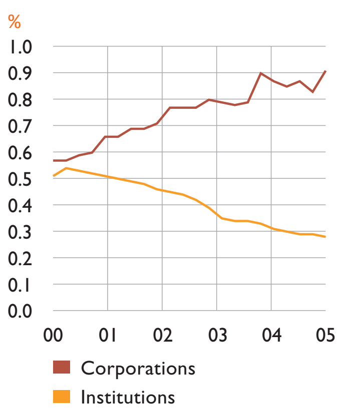
Loan Portfolio of Corporate Banking



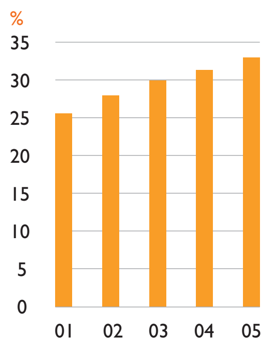
Payment Transfers of Corporate Banking



Average Margin of Loans to Customers



OKO Bank's Share of Leasing and Factoring



Source: Finnish Finance Houses Association

Significant Improvement in Financial Performance

€ million	2005 Q1	Q2	Q3	Q4	2005	2004	Change, %
Net interest income	19	22	21	22	85	75	14
Impairment losses on receivables	1	1	0	2	5	2	-
Net interest income after impairment losses	19	20	21	20	80	73	10
Net commissions and fees	9	10	10	11	39	36	10
Net trading income	2	0	6	4	11	3	-
Other operating income	2	1	1	3	7	3	-
Total income	31	31	38	37	137	115	19
Personnel costs	6	6	5	7	24	21	14
Other expenses	8	9	7	9	33	26	24
Total expenses	14	14	12	16	56	47	19
Earnings before tax	17	17	26	21	81	68	19

Key figures and ratios	2005	2004
Return on equity, %	11.8	10.9
Cost/income ratio, %	40	40

	31 Dec.	31 Dec.
Personnel	431	395

Important balance sheet items		
Receivables from customers, € million	6 672	5 931

Other items		
Unused standby credit facilities, € million	2 093	1 483
Guarantees, € million	1 222	1 199
Risk-weighted items, € million	7 766	6 699
Problem receivables, € million	17	13
Proportion of problem receivables to receivables from customers and quarantees, %	0.21	0.19

Average margins		
Margin on corporate loan stock, %	0.91	0.90
Margin on institutional loan stock, %	0.28	0.33

The earnings before tax amounted to €80.6 million, an increase of €12.9 million on the previous year. The considerable improvement in financial performance was due to the significant increase in net interest margin, and net trading income in particular. Income before impairment losses on receivables increased by €24.9 million, while expenses rose by €9.2 million. The impairment losses on receivables amounted to €4.7 million, compared to €1.9 million in the previous year. The return on equity improved from 10.9 per cent last year to 11.8 per cent.

Commitment Portfolio Exceeded €10 billion

OKO Bank's market position as a corporate bank is estimated to have strengthened. The aggregate amount of loans, binding standby credit facilities and guarantees increased by €1.4 billion, or 16 per cent, to slightly more than €10 billion.

The loan portfolio increased by slightly less than 13 per cent to €6.7 billion in a year. The leasing and factoring increased by 17 per cent, institutional loans by less than 14 per cent and corporate loans by 9 per cent. Unused binding standby credit facilities increased by more than 40 per cent, amounting to €2.1 billion. The guarantee portfolio was €1.2 billion, in other words on the same level as a year earlier. OKO Bank's market share of the corporate loan portfolio increased slightly.

Companies were provided with €2.2 billion (1.6) of new long-term financing and €1.1 billion (1.0) of new leasing and factoring. OKO Bank participated in financing a number of significant M&A arrangements and acted as the lead manager in seven substantial syndicated loans.

In spite of the intense price competition, the marginal level of OKO Bank's corporate loan portfolio was higher than last year on average. However, the margins on loans granted to municipalities and other institutions continued to decrease. Nearly 30 per cent more commissions and fees from lending were accumulated than in 2004.

The risk exposure remained good. The amount of problem receivables increased from the end of the previous year, but their share in the loan and guarantee portfolio was low. The earnings impact of the impairment losses on receivables was minor.

According to corporate image surveys, corporate customers perceive OKO Bank's strengths as high-quality services, skilled personnel and management commitment. The long-term management of customer relationships and reliability are also valued.

Corporate Banking division's Vice-Presidents at a weekly meeting.

The cooperation between OKO Bank and the member cooperative banks, as well as the versatile service network that covers the entire OP Bank Group, provide us with a significant competitive asset, particularly in the medium-sized enterprises sector and venture capital investment operations. The extensive service network also supports the sales of leasing and factoring services.

A Stable Position in the Debt Capital Market

OKO Bank's competitive strength as a provider of financing in the Finnish debt capital market is based on its high level of expertise and the extensive investor clientele of the OP Bank Group.

OKO Bank retained its position as a leading arranger of Finnish debt issues. The Bank acted as lead manager in six bond issues. These generated funding to clients totalling €375 million (404). Furthermore, the Bank issued ten structured index loans to an aggregate total of €26 million.

OKO Bank continued to be a major player in the trade carried out in the money and capital markets. The customer trading volume of money market products, bonds and foreign exchange products totalled €205 billion, or one-quarter up on the previous year. Operations in these markets were profitable, and the net trading income more than trebled on the previous year.

Payment Transfer Volumes Continued to Grow

The number of outgoing and incoming payment transfers was 142 million, which was 10 per cent more than in the previous year. Owing to the continuing intense price competition, growth in commissions and fees from payment transfers remained at 3 per cent. During the year, OKO Bank significantly strengthened its position as a financier of its customers' foreign trade.

For a third time in a row, OKO bank was the winner in competitive bidding arranged by the European Commission and will continue as the Commission's Primary Bank in Finland from 2005 to 2009. All of the Commission's money transactions directed towards Finland are arranged through OKO Bank, including, among other things, EU subsidies through Government agencies and salaries to personnel.

Investment Banking

In 2005, OKO Bank's Investment Banking services were provided by Opstock Ltd, which offered private and institutional investors individual asset management services and securities brokerage. In addition, Opstock carried out investment research, arranged equity financing and acted as an adviser in M&A transactions.

In partnership with member cooperative banks and Okopankki, Opstock offered retail customers high-quality banking and asset management services tailored to customers' needs.

Earnings consisted of portfolio management and trading fees and commissions of mutual fund trading, proceeds from Corporate Finance services, and securities brokerage commissions.

In 2006, Opstock's and Pohjola's asset management operations will be combined into a separate business division. Securities brokerage, investment research and Corporate Finance operations will be integrated with the Capital Markets division.

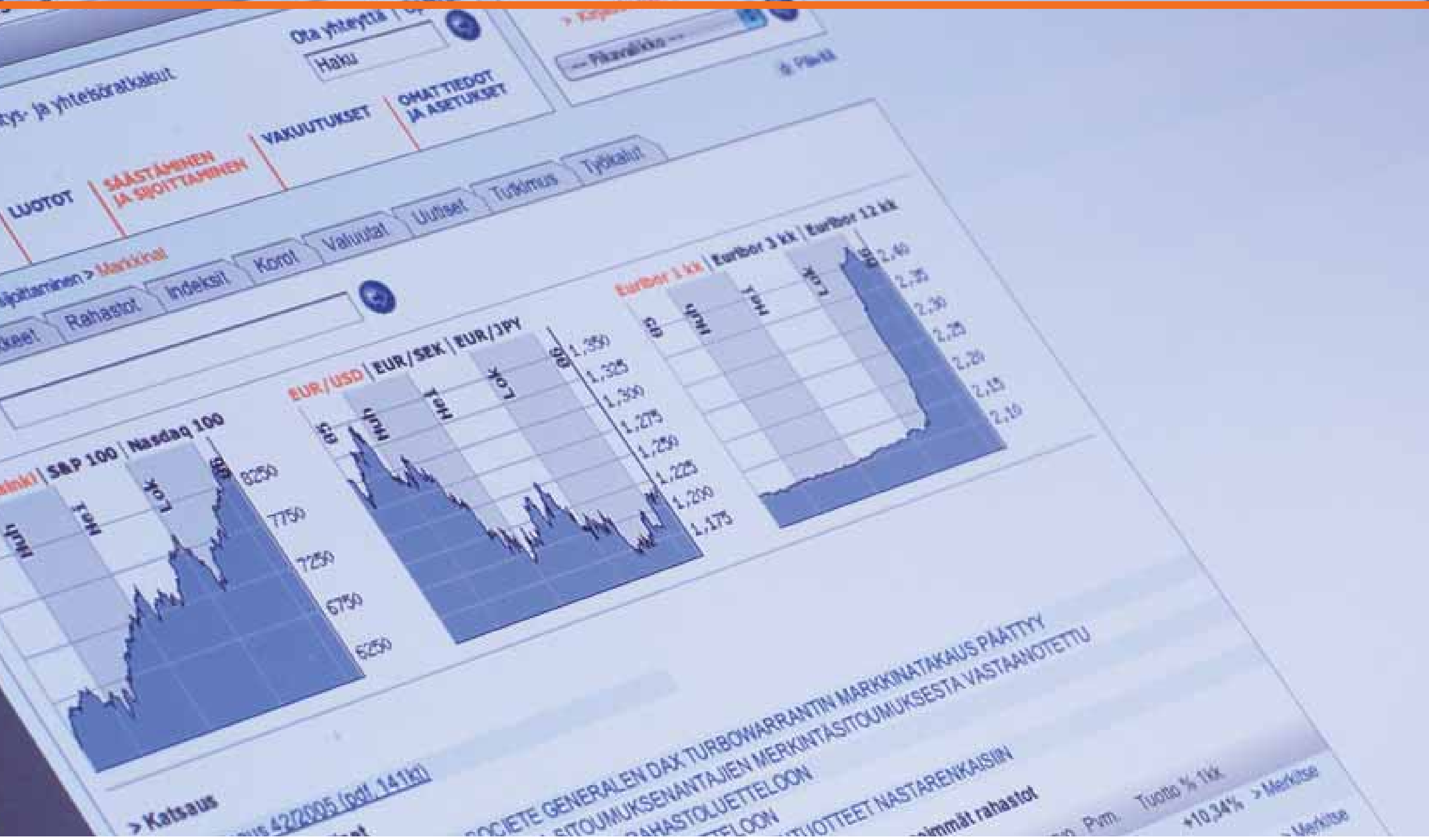
Earnings before tax amounted to €15.1 million (8.2). Income increased by €9.6 million in one year and expenses by

Earnings Almost Doubled

	2005				2005	2004	Change, %
€ million	Q1	Q2	Q3	Q4			
Total income	6	7	7	13	33	24	40
Personnel costs	2	2	2	3	9	8	12
Other expenses	2	2	2	3	9	7	23
Total expenses	4	4	4	6	18	16	17
Earnings before tax	2	3	3	8	15	8	84
Key figures and ratios							
Return on equity, %					60.2	40.3	
Cost/income ratio, %					55	66	
					31 Dec.	31 Dec.	
Personnel					131	134	
Other items							
Client funds under management*, € million					13 563	10 906	
Brokerage of international investment funds, € million					1 152	1 037	
Value of brokerage on the Helsinki Stock Exchange, € million					11 723	7 720	
Margins							
Margin on discretionary portfolios, %					0.14	0.14	

* Brokered international funds are not included


BÖRS
14
OMX



€2.7 million. The earnings performance of brokerage and Corporate Finance operations improved clearly on the previous year.

Client Funds under Management Continued to Increase

In asset management, OKO Bank's competitive strength is based on its high level of expertise, customer-oriented thinking and product development. The goal is to strengthen OKO Bank's market position and make the Bank the largest asset managers in Finland. The integration of Opstock and Pohjola Asset Management Ltd's operations will support the achievement of this goal.

Client funds managed by Opstock increased by 24 per cent in the period, amounting to €13.6 billion at year-end. Growth was strong for the third year in a row. The assets managed under full power of attorney amounted to €10 billion, most of which was made up of the capital of OP mutual funds.

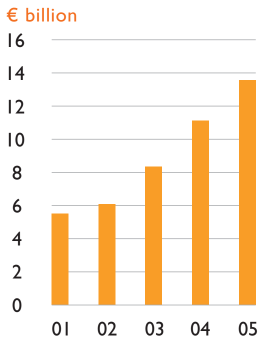
The capital of OP mutual funds administered by Opstock increased by €2.3 billion to €7.2 billion, or 50 per cent. The total capital of fund management companies operating in Finland saw an increase of 44 per cent. The majority of this increase was placed in fixed-income funds. Net subscriptions to mutual funds amounted to €1.8 billion, with fixed income funds representing almost 70 per cent of the amount. The combined market share of OP mutual funds was 17.2 per cent (16.5).

All of the OP mutual funds managed by Opstock achieved a positive income, judged by both three-year and one-year income. Investments in fixed-income funds paid off, as according to the Mutual Fund Report published by the Finnish Association of Mutual Funds, OP-High Yield was ranked number two in its group in the one-year yield comparison, and OP-Euro Bond Index number one in its group in the three and five-year yield comparison.

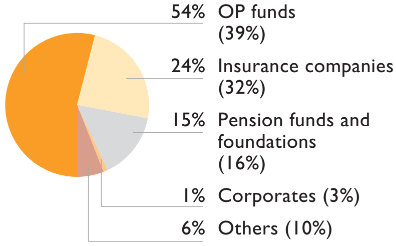
The range of foreign funds offered to institutional investors expanded as Opstock entered into cooperation agreements with three new parties. The capital for foreign funds brokered was €1.2 billion at year-end, or €0.2 billion more than a year earlier.

The assets managed by Pohjola Asset Management Ltd amounted to €14.0 billion at the end of 2005. Combined with assets managed by OKO Bank, the amount of client funds under management by OKO Bank increased to €27.5 billion.

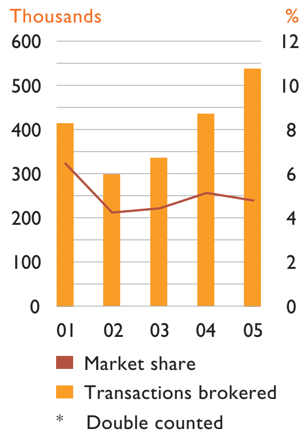
Customer Funds under Opstock's Management



Customer Funds by Customer Group in 2005 (2004)



Transactions Brokered*



Lively Brokerage

The amount in euro of equity trades brokered by Opstock increased by 52 per cent and their number by 24 per cent. The trading volume increased due to OKO Bank's acquisition of Pohjola, in connection with which Opstock managed several trading assignments, including OKO Bank's equity trades with Suomi Mutual and Ilmarinen on September 12. OKO Bank's tender offer and redemption offer for Pohjola's shares also increased the trading volume. The euro-denominated trading volume of other trades brokered by Opstock at the Helsinki Stock Exchange increased by 15 per cent. Opstock's market share of brokerage at the Helsinki Stock Exchange was 2.6 per cent (2.1) of the amount in euro and 4.8 per cent (5.1) of the number of trades. The number of equity trades brokered by Opstock in the autumn was a record-setting high.

The number of equity trades brokered for households was 409,000, which is 44 per cent more than a year earlier. Seventy-two per cent (68) of investors' assignments were handled through the Bank's online service.

Corporate Finance Operations on the Increase

Commission income from Opstock Corporate Finance increased substantially. The largest assignment of the year was related to OKO Bank's acquisition of Pohjola. Opstock acted as manager in OKO Bank's share issue, as financial advisor in the tender and redemption offer, together with JPMorgan, and as manager in the tender and redemption offer. The income also included commissions from Technopolis plc's share issue and sale, as well as the initial public offering of AffectoGenimap Oyj.

OKO Capital East, a subsidiary of OKO Bank, and its subsidiary ZAO OKO Capital Vostok, have been consolidated since the beginning of November. ZAO OKO Capital Vostok offers advisory services related to corporate arrangements and structured financing in Moscow, Russia.

Group Treasury

OKO Bank's central bank functions in the OP Bank Group and the Bank's own asset management have been centralised in the Group Treasury Division. The Group Treasury was reported separately for the first time in the interim report for the period January-March 2005.

As the central financial institution, OKO Bank is responsible for maintaining the liquidity of member cooperative banks and for accepting deposits. OKO Bank is also responsible for acquiring the collateral required by the payment transfer system and for providing the member cooperative banks with services associated with money, currency and capital markets. Central banking income originates in operations associated with maintaining the liquidity and funding of the OP Bank Group.

Treasury engages in fixed income, equity and real estate

Central Banking

	2005				2005	2004	Change, %
€ million	Q1	Q2	Q3	Q4			
Net interest income	5	5	5	6	20	19	4
Impairment losses on receivables	0	0	0	0	0	0	-
Net interest income after impairment losses	5	5	5	6	20	19	4
Net commissions and fees	0	1	1	1	2	1	52
Net trading income	0	0	0	1	2	2	-5
Other operating income	0	1	0	1	3	1	92
Total income	6	6	6	8	26	24	11
Personnel costs	1	1	1	1	3	4	-9
Other expenses	2	2	1	1	6	5	7
Total expenses	3	2	2	2	9	9	0
Earnings before tax	3	4	4	6	17	14	18

Key figures and ratios	2005	2004
Return on equity, %	14.5	14.0
Cost/income ratio, %	35	37

	31 Dec.	31 Dec.
Personnel	65	66

Other items		
Risk-weighted items, € million	1 371	1 122

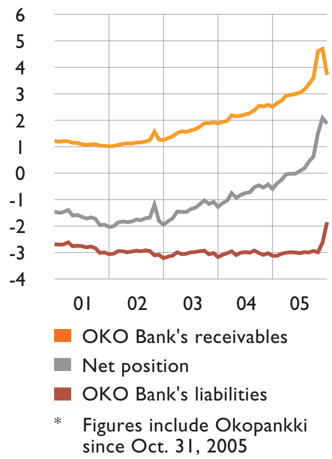
Average margins*		
Margin on loan stock, %	0.15	0.14
Margin on deposits, %	0.19	0.32

* The average margin on loans and deposits has been calculated on the basis of loans granted to member banks and member banks' deposits in OKO Bank. For comparability, the margins do not contain Okopankki's share.

investment activities. It is also responsible for the Group's long-term funding and relationships with banks and debt capital investors. The objective of the investment activities is to generate long-term benefit from the appreciation of interest rates, exchange rates and stock prices, as well as from dividends and other income. The funds are invested securely, aiming at maximum return. Investment portfolios are diversified by instrument, country and industry. Derivative agreements are used to hedge against market risks.

The Group Treasury's earnings before tax amounted to €42.9 million, a decrease of €5.8 million on the previous year. The figure for the comparison period included €10.4 million of capital gains from the Stock Exchange Group OMX AB shares.

Liabilities and Receivables between OKO Bank and Member Banks*



Earnings Before Tax Increased

Central Banking's earnings before tax amounted to €17.0 million, an increase of €2.5 million on the previous year. The targeted return on equity – 14 per cent – was achieved. The net interest income and the fees and commissions from custody services increased, while expenses remained at the level of the comparison period.

The Cash Reserve Deposit System was Abolished

The cooperative banks have taken care of their cash reserve requirement by making a cash reserve deposit with OKO Bank. The provisions on cash reserves were removed from the Credit Institution Act in the summer of 2004. However, a general provision remained in the Act by which the liquidity of a credit institution must be sufficiently secured with regard to its operations.

The Executive Boards of the OP Bank Group Central Cooperative and OKO Bank decided in June that the liquidity reserves of the OP Bank Group would be centralised to OKO Bank, which is ultimately responsible for the liquidity of the OP Bank Group and the member cooperative banks. The costs incurred by maintaining the liquidity reserves are divided between the OP Bank Group organisations as part of the new central bank service fee.

The cash reserve deposit system was abolished in November, which significantly reduced OKO Bank's receivables and debts from the member cooperative banks. OKO Bank repaid the cash reserve deposits of €2.1 billion to the member cooperative banks. With the funds received, the member cooperative banks prepaid €0.9 billion for the financing loans granted by OKO Bank.

The earnings effect of the dissolution of cash reserve deposits on OKO Bank is minor, as the central bank service fee will compensate for the cash reserve deposit margin lost. The central bank service fee was collected from the member cooperative banks for the first time in December.

Funding Requirements of the Member Cooperative Banks Continued to Increase

In spite of the liquid assets received in connection with the abolishment of the cash reserve deposit system, the financing needs of the member cooperative banks from OKO Bank continued to increase. OKO Bank's receivables from the member cooperative banks increased by €1.0 billion to €3.7 billion. The amount of member banks' deposits in OKO Bank decreased by €1.5 billion to €1.5 billion. At the end of December, OKO Bank's net receivables from the member cooperative banks amounted to €2.0 billion. A year earlier the situation was the opposite, that is to say OKO Bank's net debt to the member cooperative banks was €0.5 billion.

Treasury

€ million	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	2004	Change, %
Net interest income	2	2	2	1	8	8	-7
Impairment losses on receivables	0	-1	0	0	-1	0	-
Net interest income after impairment losses	2	3	2	1	9	8	3
Net trading income	2	-1	1	1	3	-4	-
Net income from investments	9	7	3	-3	16	31	-47
Other operating income	0	1	0	0	2	2	-35
Total income	13	11	6	-1	29	38	-23
Personnel costs	0	0	0	0	1	1	-3
Other expenses	1	1	0	1	2	2	-12
Total expenses	1	1	1	1	3	4	-9
Earnings before tax	12	10	6	-1	26	34	-24

Key figures and ratios

	2005	2004
Return on equity, %	69.8	66.1
Cost/income ratio, %	12	10

	31 Dec. 2005	31 Dec. 2004
Personnel	15	17

Important balance sheet items

	2005	2004
Trading assets, € million	716	405
Investment assets, € million	152	231
Debt securities issued to the public, € million	9 070	6 103
Subordinated liabilities, € million	534	390
of which capital loans, € million	215	72

Other items

	2005	2004
Risk-weighted items, € million	263	522

Earnings decreased from last year

Treasury's earnings before tax amounted to €25.9 million, a decrease of €8.3 million on the previous year. The income from trading and real estate investments increased, but the income from fixed income and equity investments remained lower than the previous year. Treasury's total income amounted to €29.3 million (37.9). Expenses remained at the level of the comparison period.

Income from Trading Increased – Income from Investments Diminished

Net income from trading amounted to €2.7 million. It increased by €6.5 million, mainly driven by the improved market valuations of securities and derivatives.

Investment income totalled €16.5 million (31.1). Capital gains on shares and dividend income amounted to €15.3 million (21.1). In February, the Bank sold its holdings in Suomen Asiakastieto Oy and a number of other companies, recognising capital gains of €4.5 million. A write-down of €3.2 million was booked for Realinvest shares on the basis of the company's further specified real-estate-specific values. The income from shares in the comparison period included €1.6 million of avoir fiscal tax credits and €10.4 million of capital gains on OMX shares.

Revenues from fixed income investments totalled €0.1 million (6.4). The earnings of the comparison period included €3.1 million of changes in the fair value of securities, which were no longer recorded in the income statement in 2005 but in the fair value reserve of shareholders' equity according to IFRS financial statement principles.

Income from real estate investments amounted to €4.3 million (3.7). When the dissolution of an impairment loss reserve of €0.8 million in connection with the sale of certain real estate is taken into account, income from real estate investments was €1.4 million greater than in the comparison period. Net income from real estate investments increased to 6.6 per cent (6.1) at the end of December.

Capital invested in real estate holdings decreased by €86 million to €48 million. The sale of Okopankki decreased the amount of capital invested in facilities in own use by €30 million. In June, the Bank sold the real estate company Kiinteistö Oy Dagmarinkatu 14. The effect of the sale on the financial performance of the Group was minor. In June, the Bank also sold the real estate company Kiinteistöosakeyhtiö Arkadiankatu 23 to OP Life Insurance Company Ltd. The calculated capital gain on the part in own use, €1.4 million, was recorded in other operating income, while the calculated capital gain on investment assets, €1.2 million, was recorded in net income from investments. In September, the Bank sold its shares in the investment property Kiinteistö Oy Lahden Trio and recorded €2.5 million in capital gains. The net capital gains from real estate investments totalled €2.5 million.

OKO Bank still intends to reduce the amount of real estate investments in a way that creates profit.

Growth was Financed by Increasing Long-term Funding

At the end of December, the amount of debt securities issued to the public was €9.1 billion, while it was €6.1 billion a year earlier. Long-term funding was increased by a total of €2.6 billion during the fiscal period.

Within the scope of its EMTN programme, OKO Bank issued a bond of €1 billion in March. Demand for the bond was record high. Towards the end of 2005, bonds of €1.1 billion were issued to finance growth and the Pohjola transaction.

During the fiscal period, three new capital loans were issued of an aggregate amount of €150 million. The book value of the capital loans was €215 million at year-end, compared to €72 million a year earlier. The loans of €100 million issued in the autumn were part of the financing of the Pohjola transaction.

Short-term bonds issued under the Euro Commercial Paper scheme and OKO Bank certificates of deposit increased to a total of €4.4 billion from the €3.1 billion of the previous year.

Retail Banking

OKO Bank sold its subsidiary Okopankki Oyj, engaging in Retail Banking operations, to the OP Bank Group Central Cooperative as part of the financing of the Pohjola transaction. The selling price was €325 million, for which OKO Bank recognised tax-free capital gains of €153 million as income. The sale of Okopankki was confirmed in October, at the same time that the regulatory approvals necessary for the Pohjola transaction were obtained. The earnings of Retail Banking operations were consolidated with the OKO Bank Group for the January-October period 2005.

The earnings before tax consolidated with the OKO Bank Group for the January-October period 2005 totalled €20 million (16). In spite of the low interest level and further decreased customer margins, the interest margin started to increase. Income from Retail Banking increased by €6 million and expenses by €2.4 million on the comparison period. The increase in commission income was the main reason for improved income. A major part of the increase in expenses was due to increased personnel costs. Rolling 12-month return on equity increased from 13.1 per cent to 14.3 per cent.

Continued Growth in Lending

Okopankki's loan portfolio has grown rapidly for many years. Growth slowed down to some extent in 2005. In the January-October period, the loan portfolio increased by 9 per cent. The loan portfolio amounted to €2.9 billion at the end of October. New lending totalled €1.0 billion.

The housing loan portfolio increased by 11 per cent in the January-October period. At the same time, the housing loan portfolio of deposit banks operating in Finland increased by 14 per cent. Okopankki's new housing loans amounted to €624 million, or almost 16 per cent more than during a corresponding period a year earlier. Housing loans made up two-thirds of the bank's total loan portfolio. The average margin of new loans granted in the January-October period was 0.55 per cent or 0.18 percentage points lower than a year earlier.

Okopankki's subsidiary Helsingin Seudun OP-Kiinteistökeskus Oy, a real estate brokerage company, supports the sales of housing loans. It sold 1,634 housing units in the January-October period, which is 40 per cent more than a year earlier. The income from real estate brokerage was slightly more than €7 million, a third more than a year ago.

Okopankki granted €202 million in corporate loans. The corporate loan portfolio increased by €37 million to €636 million.

The credit risk situation continued to be fair. The amount of problem receivables was 0.3 per cent (0.4) of all receivables.

Asset Management Another Focus Area

Client funds – deposits, insurance savings and mutual fund investments – increased by €0.3 billion to €2.7 billion from year-end. There was the same amount of deposits as at year-end, while the market value of brokered life insurance policies increased by 21 per cent and that of mutual funds by 55 per cent. In 2004, client funds increased by 16 per cent. The market value portfolio of brokered life insurance policies amounted to €0.3 billion at the end of October and that of mutual fund investments to €0.6 billion.

Improved Performance

€ million	2005 Q1	Q2	Q3	Q4	Jan.-Oct. 2005	Jan.-Dec. 2004
Net interest income	12	12	12	4	40	47
Impairment losses on receivables	0	0	0	0	0	0
Net interest income after impairment losses	12	12	12	4	40	47
Net commissions and fees	8	7	7	3	25	25
Other operating income	0	0	0	0	1	1
Total income	20	20	19	7	66	74
Personnel costs	6	6	5	2	20	22
IT expenses	2	2	2	1	8	9
Depreciation	1	1	1	0	2	2
Other expenses	5	5	5	2	17	20
Total expenses	14	14	13	5	46	52
Earnings before tax	6	6	6	2	20	21

Key figures and ratios	Jan.-Oct. 2005	Jan.-Dec. 2004
Return on equity, %	14.3	13.1
Cost/income ratio, %	69	71

	31 Oct.	31 Dec.
Personnel	661	585
Important balance sheet items		
Loan portfolio, € million	2 904	2 658
Liabilities to depositors, € million	1 829	1 822
Other items		
Customer funds, € million	2 718	2 449
Risk-weighted items, € million	1 949	1 760
Problem receivables, € million	8	11
Proportion of problem receivables to receivables from customers and quarantees, %	0.29	0.40
Number of customers, thousands	270	267
Margins		
Margin on corporate loan stock, %	0.75	0.81
Margin on loan stock to private customers, %	0.78	0.88
Margin on mortgage stock, %	0.69	0.78

INSURANCE

On October 18, 2005, Pohjola became a subsidiary of OKO Bank. The figures of Pohjola Group plc (excl. Pohjola Fund Management Company Limited and Pohjolan Systeemipalvelu Oy) were included in the consolidated accounts of the OKO Bank Group for November-December 2005. In January 2006, Pohjola sold Pohjola Life Insurance Company to OP Bank Group Central Cooperative and Pohjola Asset Management to OKO Bank.

Pohjola will publish its own annual report on week 11.

Net income from Non-life Insurance operations included €63 million in net income from insurance business and €6 million in net investment income. A change in reserving bases improved net income by nearly €9 million. Net loss from life insurance business was €2 million. The changed reserving bases impaired net income by €12 million.

Of the realised gains on available-for-sale financial assets included in investment income in both non-life and life insurance, that part of the November-December realised gains arising from the difference between the sales price and the fair value at the end of October was included in the OKO Bank consolidated accounts. Because OKO Bank acquired Pohjola at fair value, the unrealised gains in the fair value reserve were included in the transaction. The realisation of the unrealised gains which accumulated before the end of October does not, therefore, represent realised gains from OKO Bank's viewpoint.

Other operating income includes, for instance, fee income from reinsurance operations and income accumulated from the management of cooperating partners' distribution network and insurance portfolio.

At the end of 2005, Pohjola Asset Management had €14 billion in assets under management. When these assets are added to the assets managed by OKO Bank, the total amount of assets managed by the OKO Bank Group rose to nearly €27.5 billion.

Earnings of €15 million Consolidated from Pohjola from November-December

€ million	Nov.-Dec. 2005
Net interest income	0
Impairment losses on receivables	0
Net interest income after impairment losses	0
Net income from Non-life Insurance	69
Net income from Life Insurance	-2
Net commissions and fees	2
Net trading income	1
Net income from investments	0
Other operating income	12
Total income	82
Personnel costs	25
Other expenses	42
Total expenses	67
Earnings before tax	15

Key figures

€ million	Nov.-Dec. 2005
Non-life Insurance	
Insurance premium revenue, € million	133
Balance on technical account, € million	26
Risk ratio, %	51.5
Cost ratio, %	28.9
Combined ratio, %	80.4
Insurance contract liabilities	Dec. 31
Gross, € million	1 883
Net, € million	1 810
Asset Management	
Assets under management, € million	13 968
Margin on portfolios ,%	0.13
Average number of employees	2 570

Non-life Insurance

Pohjola is in charge of the non-life insurance business within the OKO Bank Group. Pohjola transacts non-life insurance business in Finland through three companies: Pohjola Non-Life Insurance Company Ltd is a composite insurer, A-Insurance Ltd focuses on non-life insurance for professional transport and Eurooppalainen Insurance Company Ltd on travel insurance. In addition, Pohjola underwrites non-life insurance business through Seesam companies in the Baltic States.

Pohjola is the second largest non-life insurer in Finland with over 80 branch offices all over Finland.

In the future, the majority of Pohjola branch offices will locate in the same premises with cooperative banks. Pohjola has around 1.5 million corporate and private customers in total. The number of loyal customer households that have pooled their insurance with Pohjola is around 340,000.

In Non-life Insurance, customers' risks are carried against a premium. The company's performance depends on risk selection, risk-specific rating, management of claims expenditure, and efficiency of operations.

Pohjola aims at becoming the leading non-life insurer in Finland. The focus of Non-life Insurance is to provide lifetime security and well-being for customers through profitable business operations.

Market Share on the Increase

Pohjola's insurance products provide extensive non-life insurance cover for both private and corporate customers. Pohjola's product range comprises both statutory and voluntary non-life insurances. In addition, Pohjola offers a wide range of services related to risk management and security. Insurance services for major clients are handled globally in cooperation with Royal & SunAlliance.

In Finland, Pohjola has increased its market share for several years. At the same time, the company is one of the most profitable non-life insurers in the Nordic countries, measured by combined ratio. Measured by premiums written, Pohjola's market share in non-life insurance business in the domestic market is 26 per cent. In statutory workers' compensation insurance, Pohjola is the market leader in Finland.

RISK EXPOSURE

Total Exposure, € billion

	31 Dec. 2005	31 Dec. 2004	Change, %
Claims on the public	6.9	6.1	13
Claims on credit institutions and central banks	5.1	4.7	9
Debt securities	3.8	3.1	22
Unused standby credit facilities	2.9	2.1	36
Guarantees and documentary credits	1.5	1.4	11
Derivative contracts	0.4	0.2	90
Other off-balance sheet items	0.3	0.3	0
Total	20.9	18.0	16

Total Exposure by Counterparty, € billion

	31 Dec. 2005	31 Dec. 2004	Change, %
Corporates	8.6	7.5	16
Finance and insurance	5.0	4.1	21
Cooperative banks and OP Bank Group			
Central Cooperative	4.6	4.0	13
Private customers	0.4	0.3	23
Non-profit institutions	1.6	1.4	14
Public entities	0.7	0.6	17
Total	20.9	18.0	16

Banking and Investment Services

Credit Risk Exposure

When reviewing credit risks, the focus is on the development of total exposure and the customers' creditworthiness. Total exposure means the total amount of off-balance sheet items and receivables vulnerable to credit risk. Total exposure includes both the interest and the principal adjusted with receivable- and receivable group-specific write-downs. In the following tables describing the risk exposure of Banking and Investment Services, comparable (pro forma) information has been used for 2004, which no longer includes the figures for Retail Banking sold in October.

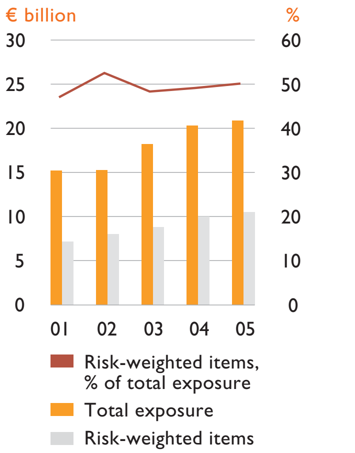
The Credit Ratings of Exposure Improved

In spite of the 16 per cent increase in total exposure, the credit risk exposure remained stable. The share of risk-weighted items used in capital adequacy calculations of the total exposure was 50 per cent. The relative share of investment-grade exposure – that is, ratings 1 to 4, excluding private customers – in total exposure was 72 per cent (67), the share of ratings 11-12 was 0.4 per cent (0.2) and that of non-rated exposure was 3 per cent (9).

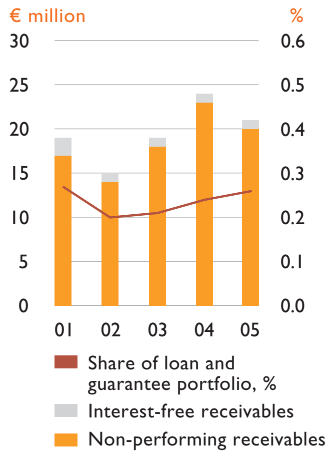
The credit ratings of corporate customers and the rating distribution of corporate exposure improved clearly during the year. The relative share of investment-grade corporate exposure in corporate exposure was 48 per cent or less than seven percentage points higher than a year earlier. The exposure of the two lowest ratings increased by €49 million due to the decrease of credit ratings, and they amounted to €80 million or 0.9 per cent of the corporate exposure.

The increase in corporate exposure originated in several different sectors, which further improved the extensive diversification of corporate exposure by industry. Corporate exposure is also well diversified in terms of amounts of exposure. The largest sector was the metal industry, the share of which increased by one percentage point to 15 per cent of corporate exposure during the year. Three other industries where exposure exceeded 10 per cent of corporate exposure were trade, the forest industry and the construction industry. The largest

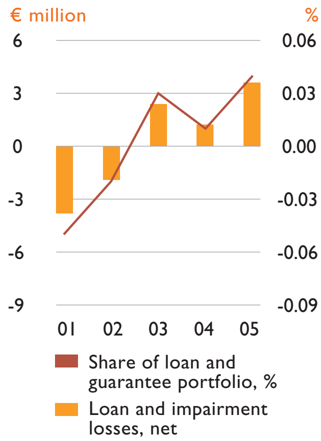
Total Exposure and Risk-weighted Items



Problem Receivables



Loan and Guarantee Losses



increases in euro were seen in the metal industry, energy production and trade.

The Relative Share of Problem Receivables Remained Small

Past due payments increased by €3 million to €10 million but represented 0.1 per cent of the total loan and guarantee portfolio as they did a year earlier. Problem receivables, or non-performing and interest-free receivables increased by €8 million to €21 million. In spite of the growth of problem receivables, their share of the loan and guarantee portfolio remains low, or 0.3 per cent (0.2).

A total of €9 million (5) worth of new loan and guarantee losses and impairment losses were recognised. The total amount of loan loss recoveries and adjustments of impairment losses was €6 million (3). The net impact of credit and guarantee losses and impairment losses on earnings was €3 million (1).

In 2006 the amount of loan losses and impairment losses is anticipated to remain minor in relation to the loan and guarantee portfolio if no sudden changes take place in the operating environment or the financial situation of customers. This forecast is based on the small number of non-performing loans, and the moderate credit risk level in terms of total exposure.

Moderate Market Risks

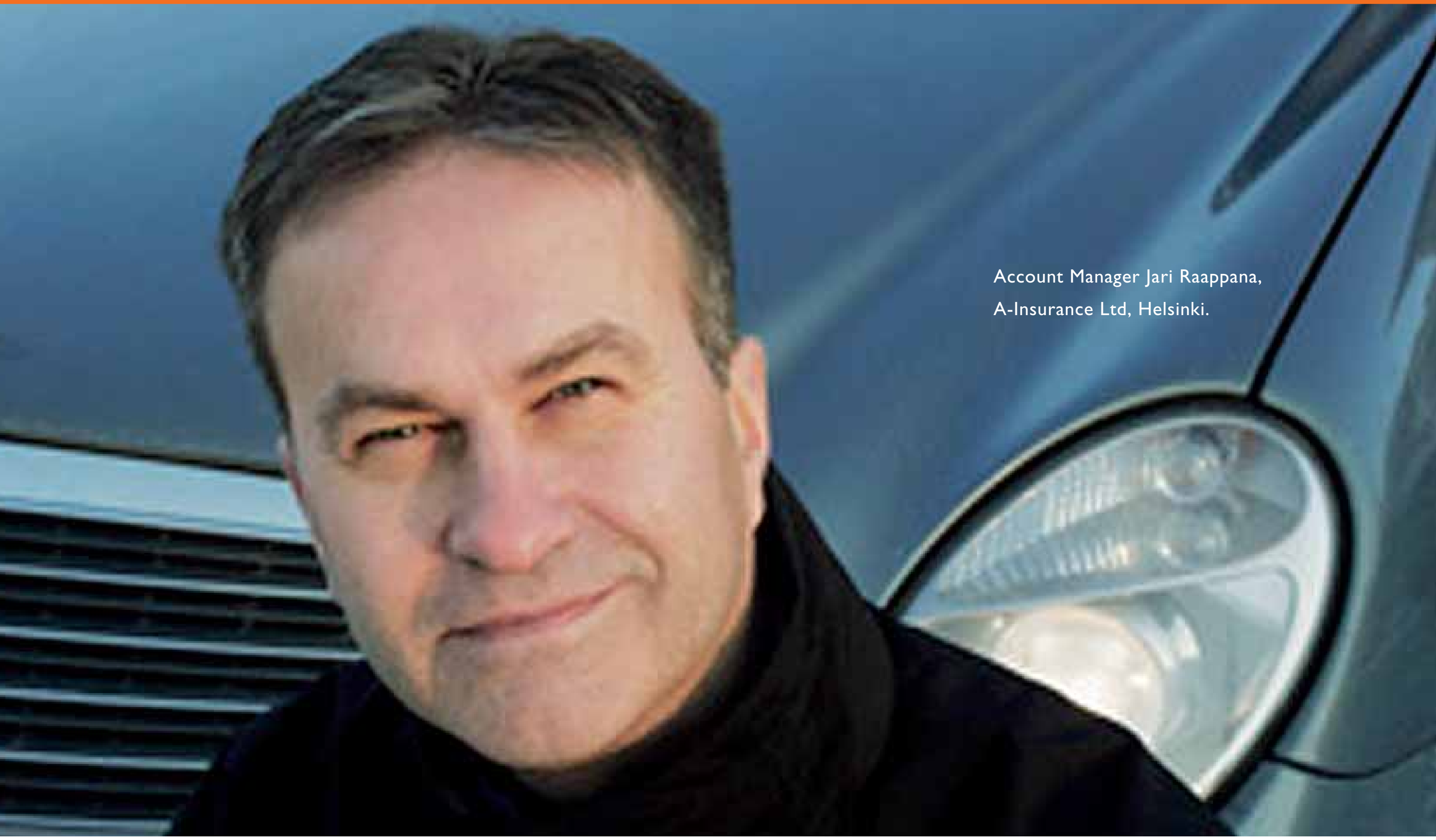
Market risks accounted for 8 per cent (6) of the risk-weighted items at year-end. The growth was attributable to the increase in the amount of notes and bonds. Market risks remained on a moderate level the whole year.

The market value of equity and venture capital funds was €80 million (84) at year-end, of which the equity portfolio formed €45 million and the venture capital funds with their investment commitments €35 million.

Capital invested in real estate holdings amounted to €48 million (134) at the end of 2005, with properties in own use representing €4 million (45). In addition, holdings in real estate investment companies totalled €20 million (24). Net income from real estate investments amounted to 6.6 per cent (6.1). According to our estimates, real estate risks are small.

The Earnings Impact of Operative Risks is Very Slight

The operative risks impaired earnings by €0.2 million (0.6) in 2005.



Account Manager Jari Raappana,
A-Insurance Ltd, Helsinki.

Insurance

Risk Carrying Capacity Strengthened

The risk carrying capacity of Non-life Insurance depends on the amount of solvency capital. In general, the risk carrying capacity is presented in proportion to insurance premium revenue or insurance contract liabilities.

The risk carrying capacity describes the amount of solvency capital which a company has in proportion to different profit and balance sheet items. Solvency capital proportioned to claims incurred and insurance premium revenue describes the company's ability to cope with underwriting risks.

The solvency capital of Non-life Insurance at the end of 2005 totalled €836 million (670), or in proportion to insurance premium revenue 112 per cent (104).

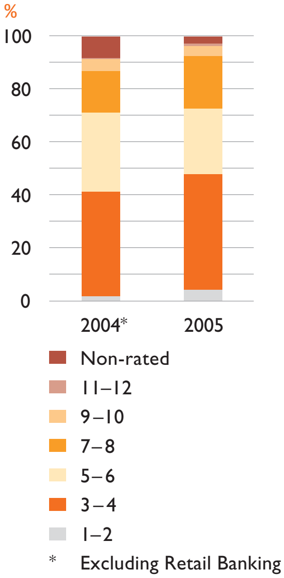
Insurance Risk Position

The reinsurance of Non-life Insurance has been arranged on a centralised basis. Pohjola's retention in risk-specific reinsurance is a maximum of €5 million and retention in catastrophe reinsurance a maximum of €7.5 million.

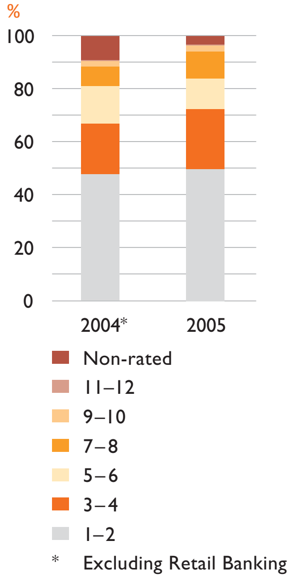
Proportion of Interest-bearing Instruments was Increased in Investment Allocation

The investment portfolio of Non-life Insurance totalled €2,562 million at the end of 2005, compared to €2,382 million a year earlier. The investment portfolio includes both the insurance contract liabilities and the solvency capital. The largest asset class consists of bonds, which account for 70 per cent of the investment portfolio of Non-life Insurance. Compared to the previous year, the proportion of bonds increased by nearly 10 percentage points when money-marked instruments were allocated to bonds. The proportion of shares was reduced by around four percentage points to 16 per cent.

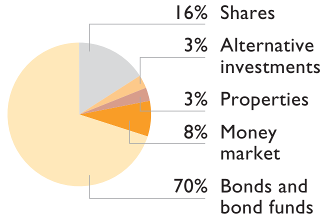
Banking and Investment Services,
Total Exposure (excl. Private Customers)



Banking and Investment Services,
Total Corporate Exposure by Rating



Allocation of investment portfolio
in Non-life Insurance



Return on the investment portfolio was good. In 2005, share prices rose and long-term interest rates fell, as a result of which return on investments was 8.5 per cent, compared to 8.7 per cent in 2004. Return on investments exceeded the expected long-term return requirement by three percentage points.

In addition, Pohjola Group plc has an investment portfolio not related to Non-life Insurance business (€131 million), consisting of money-market instruments (€78 million), equity investments (€52 million) and property investments (€1 million).

Credit risk of Bond Portfolio in Non-life Insurance is Fairly Conservative

The average credit rating of the fixed-income portfolio of Non-life Insurance in accordance with Standard & Poor's was AA, which is almost the same as a year earlier. In order to obtain extra return, loans rated under the level eligible for investment were increased by around €50 million in the portfolio, but they still accounted for a small portion, less than 4 per cent, in the fixed-income portfolio. The portion of non-rated investments in the fixed-income portfolio was around 10 per cent, most of them consisting of money-market investments in domestic companies.

Open Currency Risk Decreased

The open currency position in Non-life Insurance was €54 million or somewhat more than 2 per cent of the investment portfolio. The open currency risk was small compared to the solvency capital and the limit set by the authorities, which is 20 per cent of the insurance contract liabilities, i.e. around €400 million.

SHARES AND SHAREHOLDERS

The Number of Shares More than Doubled

OKO Bank's shares are divided into Series A and K. Series A shares are intended for the general public and are quoted on the Helsinki Stock Exchange, whereas the ownership of series K shares is restricted to companies and entities that are part of the OP Bank Group. The share series also differ in other respects: At shareholders' meetings, Series A shares entitle their holders to one vote while Series K shares carry five votes each. Furthermore, Series A shares entitle their holders to an annual dividend that is at least one percentage point higher than the dividend paid on Series K shares.

On October 14, 2005, the Extraordinary General Meeting decided on increasing the share capital through a new share issue according to the Executive Board's proposal, as part of the financing of the Pohjola transaction. The new shares were primarily offered for subscription by the company's shareholders so that one Series A or K share entitled to subscription of one corresponding new share. The subscription price was €7.20 per share. In the share issue all the shares offered, just over 100 million, were subscribed. The increase in the share capital of €211.5 million was registered with the Trade Register on November 23, 2005. In addition, €512.7 million were recorded in the share premium account, so a total of €724 million in funds was accumulated by the share issue.

The Extraordinary General Meeting also decided to change the terms and conditions of OKO Bank's option scheme of 1999 in order to ensure the equality of shareholders and owners of stock option rights so that one stock option right entitles to subscription of four Series A shares instead of the earlier two shares. The Executive Board decided that the subscription price of a share is €4.6525.

Slightly less than 2.6 million shares were registered of the Series A shares subscribed by share option rights. The 0.5 million shares subscribed in November and December were registered with the Trade Register on January 12, 2006. All the above-mentioned shares entitle to full dividend for 2005. The subscription price of a share was €2.485 until April 5, 2005 and after that €2.105 until the share issue.

In accordance with the conversion clause in OKO Bank's Articles of Association, the member cooperative banks converted

Average Price of A Shares*

* Share issue adjusted

83,600 Series K shares into an equivalent number of Series A shares. The share conversion did not have an effect on the share capital, the amount of which increased by a total of €217 million to €423 million in the year under review.

At the end of the year, there were a total of 201 million shares, or 103 million more than a year earlier. Series A shares represented 78.1 per cent of all shares.

At year-end, OKO bank had no own shares and the General Meeting has not given an authorisation to acquire own shares.

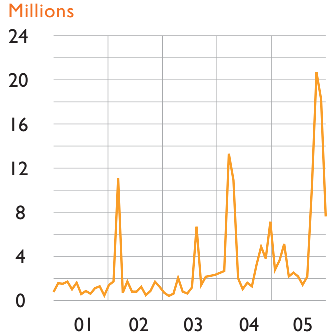
The Number of Shareholders Increased

OKO had about 29,700 registered shareholders at the end of the year. The number was 3,800 higher than a year earlier. About 95 per cent of the shareholders were private individuals. The largest individual shareholder was OKO Bank's parent corporation, the OP Bank Group Central Cooperative, which held 30.2 per cent of all shares and 57 per cent of the votes. The share of nominee registered shares among Series A shares decreased by slightly more than two percentage points to 19.5 per cent.

Increased Price and More Trading Volume

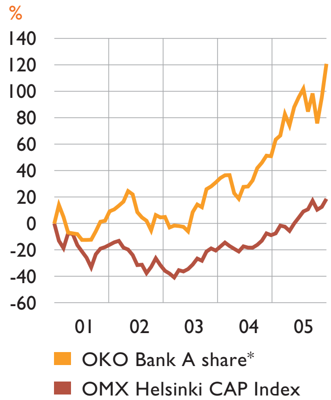
The weighted index of the Helsinki Stock Exchange (OMX Helsinki CAP) was up by 30 per cent in a year while the

Monthly Turnover of A Shares*



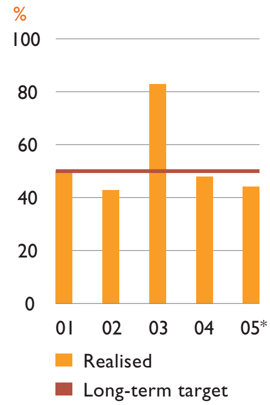
* Share issue adjusted

Proportional Change in OKO Bank A Share and OMX Index



* Share issue adjusted

Dividend Payout Ratio



* (Dividend proposal by the Executive Board / profit for the period) * 100

share-issue adjusted price of OKO Bank's Series A share rose by 46 per cent. The share price at year-end was €11.86 while the share-issue adjusted price was €8.11 a year earlier. The share price reached a high of €12.34 during the year and a low of €8.09.

Trading volume increased significantly. About 79 million shares changed owners during the year. In the previous year the corresponding number was 55 million.

The market value of the Series A stock more than doubled from €791 million at the end of 2004 to €1,864 million.

Information on OKO Bank's shares

Dec. 31, 2005	Series A	Series K
Number of shares	157 170 608	44 006 352
% of shares	78.1	21.9
% of votes	41.7	58.3
Trading code	OKOAS	
Lot, number of shares	100	

Major shareholders (Series A)

Dec. 31, 2005	% of Series A shares
OP Bank Group Central Cooperative	14.1
Suomi Mutual Life Insurance Company	13.3
Ilmarinen Mutual Pension Insurance Company	12.8
OP Bank Group Pension Fund	1.2
OP Bank Group Pension Foundation	1.1
Pohjola Finland Value Fund	0.9
Turun Seudun Osuuspankki	0.8
The State Pension Fund	0.7
Oulun Osuuspankki	0.6
Etelä-Karjalan Osuuspankki	0.5
Nominee-registered shareholders	19.5

Major shareholders

Dec. 31, 2005	% of shares	% of votes
OP Bank Group Central Cooperative	30.2	57.0
Suomi Mutual Life Insurance Company	10.4	5.5
Ilmarinen Mutual Pension Insurance Company	10.0	5.4
Oulun Osuuspankki	1.0	1.6
OP Bank Group Pension Fund	0.9	0.5
OP Bank Group Pension Foundation	0.9	0.5
Pohjola Finland Value Fund	0.7	0.4
Turun Seudun Osuuspankki	0.7	0.4
The State Pension Fund	0.6	0.3
Etelä-Karjalan Osuuspankki	0.4	0.2
Nominee-registered shareholders	15.3	8.1

PERSONNEL

OKO Bank Group employed 3,254 people (1,242) at the end of 2005. The significant growth in personnel was due to the Pohjola transaction. Pohjola Group's business and personnel were transferred as part of OKO Bank. On the other hand, a subsidiary of OKO Bank, Okopankki, was sold to OP Bank Group Central Cooperative, which meant a loss of 642 employees. Pohjola Fund Management Company Ltd and Pohjolan Systeemipalvelu Oy were also transferred to Central Cooperative in the transactions made at the end of the year.

In January 2006, Pohjola Non-life Insurance Company was transferred to the ownership of Central Cooperative. As a result, the number of personnel at OKO Bank was reduced from 3,254 to 3,106 employees.

Major challenges for 2006 regarding personnel are to reorganise operations after the Pohjola transaction and to finish the company arrangements.

The following information refers to OKO Bank without Pohjola Group:

Only Small Changes in Personnel

The personnel at OKO Bank are highly experienced, the average period of service being 12 years. The average age is 40.5 years. As an employer, OKO Bank values and supports commitment to long-term working in many ways, as it is seen as a success factor and a significant factor in increasing customer satisfaction.

70 new employees were hired during 2005. In addition, a group of students worked as summer trainees at OKO Bank during the summer holiday season. A majority of the new permanent employees were located in demanding expert duties. Most of the new employees came to OKO Bank from outside the OP Bank Group. In addition, temporary employees were needed as substitutes and for different projects.

32 people were transferred from OKO Bank outside the OP Bank Group. The majority of these transfers were due to the ending of temporary employment relationships – only nine were in permanent employment relationships.

OKO Bank's reputation as an employer was still good, particularly among university students. This group of employees of tomorrow has been the centre of our attention: events are organised for those at the end of their studies, in which they are told of OKO Bank as a company and of the career opportunities offered by the bank.

We want to support motivation, commitment and professional development in our personnel: the importance and challenge of the tasks and the opportunities for further education and professional growth play a decisive role.

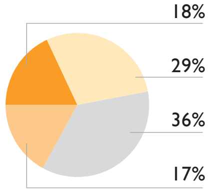
Equality as Reality

During the year a study was made on the realisation of equality at OKO Bank. A plan drawn up the previous year for the follow-up and development of equality – particularly between the sexes – remained in the background. The majority, over 60 per cent, of specialists at OKO Bank are men. Significantly more men than women work at management level. Women, on the other hand, form the majority of immediate superiors. The personnel in front and back office tasks are mainly women.

The division of men and women into different competence classifications follows the same line – men form the majority in high competence duties, whereas women form the majority in

Investment adviser Michaela Mattsson, OP Bank Group Contact Center, Helsinki.

Personnel by Age Group
in 2005 (2004)



lower competence duties. The equality study also included a report on wages between the sexes, in which the wage shares of men and women in accordance with competence classifications were looked into. The realisation of equality is followed annually with appropriate indicators.

The significance of holistic welfare was emphasised in developing OKO Bank's leadership operations. A comprehensive employee survey was not performed in 2005. It was postponed due to several organisational changes. Departments and units studied welfare and management atmosphere matters with individual work community indicators. On the basis of these studies the development of good atmosphere, work conditions and work communities were continued.

Special attention was paid to real-time and functional data transfer within units. Due to the Pohjola transaction and organisational changes within OKO Bank the particular challenge for superiors has been to attach the many new – mainly grand and unplanned – tasks to the personnel's operations.

Continuous Learning to Secure the Future

Working skills are developed from the strategic point of view at OKO Bank. Central methods are task rotation and learning by working. Coaching and different training programmes are naturally utilised by the side.

Central development procedures are planned in annual plans and sales project plans within units. Development needs are evaluated in development conversations with each person and the ways of improving these needs are agreed on. The focuses of skill development are the maintenance of the high professional skills required in the business, attention to customers, expertise and leadership.

€1.4 million was used on training (without wage expenses). This equals 2.6 per cent of all personnel expenses.

Stimulating Rewards

Stimulating good work performances and rewarding good results are part of OKO Bank's management system. Annual, short- and long-term rewards support the achievement of targets in accordance with the strategy.

Annual rewarding is based on the achievement of targets set for each year. Annual reward systems are tailored for each business area and the amount of the rewards is based on the results of each of these. Development conversations play a key role in the reward system. Work performances are compared with set goals and reward indicators in the conversations. OKO Bank rewards both team and individual performances.

In 2005, on the basis of the results from 2004, €3.7 million was paid to 574 employees – that is to 84 per cent of all personnel. The amount was ca. 7 per cent of all wages.

In the early 2005, OKO Bank also took the OP Bank Group personnel fund into use. With a few exceptions, the entire personnel were included. An instalment is transferred to the personnel fund as profit reward. The size of the instalment is based on the achieved results in comparison with the set objectives. The personnel fund invests a significant part of the annual profit rewards in OKO Bank's shares.

Profit rewards of €0.3 million were transferred to the personnel fund from the result of 2005. Separately appointed representatives of management are not involved in the personnel fund. Instead, they are part of a particular management reward system, in which rewards are compensated with OKO Bank's shares.

CORPORATE GOVERNANCE

In 2005 OKO Bank followed the recommendation of the Helsinki Stock Exchange on corporate governance for listed companies as comprehensively as possible. The central contents of the corporate governance from the year 2005 are collected into this chapter of the annual report. Additional information is available on the Bank's website (www.oko.fi/english).

The objective is that OKO Bank's shareholders' meeting, which will be held in March 2006, will decide on the amendments to Articles of Association, so that the Supervisory Board will be suppressed and a Board of Directors, that does not include persons from the company's active management will be elected. The Supervisory Board of OP Bank Group Central Cooperative, OKO Bank's main owner, decided on September 12, 2005 that they would support the change.

OKO Bank's risk management system is described in the financial statements, pages 57 - 71.

Annual General Meeting

In accordance with the Limited Liability Companies Act, shareholders exercise their power of decision at the Annual General Meeting, held in March or April. In addition to the Annual General Meeting, Extraordinary General Meetings can also be held if required. They are summoned by the Executive Board.

Matters concerning the election of members for the Supervisory Board and auditors, as well as their fees, are prepared for the Annual General Meeting by a Council that includes 16 members appointed by provincial Federations of the Cooperative Banks. Other matters are prepared by the Executive Board.

The Supervisory Board's Working Commitee of the Central Cooperative acts as the Nomination Comittee concerning the preparation for the election of the members of OKO Bank's Board of Directors, as well as their fees.

Shareholders who wish to attend the Meeting must be inscribed as a shareholder in the register of shareholders maintained by Finnish Central Securities Depository Ltd 10 days before the Annual General Meeting or as a nominee-registered shareholder temporarily inscribed in the Bank's register of shareholders on the day given, and who has informed the Bank on attendance no later than on the day mentioned in the notice of the meeting.

Supervisory Board

The Bank has a Supervisory Board, required by the Cooperative Bank Act, that monitors the way in which the Executive Board and the President manage the Bank. The Supervisory Board elects the members and deputy members for the Executive Board as well as the President and a deputy for the President and decides on their compensations. It also confirms the operating principles of the Executive Board.

The Supervisory Board shall include a minimum of 12 and a maximum of 30 members (the number at the end of 2005 was 29). According to legislation, the majority of members must also belong to the Supervisory Board of OKO Bank's parent institution, OP Bank Group Central Cooperative. The term of office is three years.

In 2005, the Supervisory Board convened five times. The inspection task assigned to it is carried out by an Inspection Committee, consisting of four ordinary members and two deputy members elected by the Board.

Matters of high importance presented to the Supervisory Board are prepared by the OP Bank Group Central Cooperative's working committee. Four of the committee members are members of the OKO Bank's Supervisory Board.

Following the decision on monthly compensations taken at the Annual General Meeting in the spring of 2005, the Chairman of the Supervisory Board was paid €1,500, the Vice-Chairmen received €750 and other members of the Supervisory Board were paid €200. In addition, the members of the Supervisory Board were paid €200 for each meeting, as well as the necessary travel and accommodation expenses.

Executive Board

The Bank's Board of Directors is called the Executive Board. It is the duty of the Executive Board to attend to the Bank's and its subsidiaries' administration and ensure the appropriate arrangement of operations. The Executive Board has general competence to decide on all matters related to the Bank's management and other issues, which, according to legislation or the Articles of Association, are not the domain of the Annual General Meeting, the Supervisory Board or the President.

The Executive Board decides on the Bank's and its subsidiaries' strategy and main business objectives as well as confirms the management structure and policies.

The Executive Board currently consists of seven ordinary members and two deputy members. The members and deputy members of the Board are not independent of the Bank or its major shareholders, as they are employed full-time at OKO Bank or OKO Bank's parent institution, OP Bank Group Central Cooperative. Five of the members also belong to the Executive Board of the Central Cooperative. The duties and responsibilities of the members and deputy members are confirmed by the Bank's Supervisory Board.

As specified in the guiding principles, the Executive Board convenes once a week or whenever necessary. In 2005, the Executive Board held 63 meetings. The average participation rate was 99.7 per cent.

The Executive Board has not appointed any committees from among its members for the preparation of matters to be handled. For the purpose of business management, there are permanent committees to make decisions on matters that concern the Bank and its subsidiaries, within the limits determined by the Executive Board, and report on their operations to the Board. The most significant of these include the Credit Committee and the Risk Management Committee.

The members and deputy members of the Executive Board and the President do not receive any separate compensation or other benefits (such as shares or equity derivative options) for Board work.

The Bank's President, and the members and deputy members of the Executive Board, receive a monthly salary confirmed by the Supervisory Board annually. In addition, they are included in the incentive system that covers the whole personnel and allows the payment of annual bonuses.

Members and deputy members of the Executive Board are also included in a long-term management incentive scheme according to which the incentives will be paid as shares in OKO Bank and the reward is based on the achievement of OKO Bank's strategic targets. The reward will be paid two years after the completion of the earning period. The incentive scheme will replace the option-based incentive scheme that will expire in October 2006 and in which the members and deputy members that were at the Executive Board in June 1999 take part.

President

The duty of the President is to administer the Bank's day-to-day administration in accordance with the rules and regulations set by the Executive Board. The President and a deputy for the President are appointed by the Bank's Supervisory Board, which also confirms the written terms of their working contracts.

President Mikael Silvennoinen's salary, performance bonus and fringe benefits totalled €351,760 in 2005. No bonus derived from the share options.

The President is also a member of OKO Bank's Executive Board. As part of the owner control of the Bank's subsidiaries the President acts as Chairperson of the Board of Directors in the most important subsidiaries.

The President is supported by the Management Committee, which includes executives responsible for the Bank's business divisions and for the risk management as well as OKO Bank's Head of Business Control and IR. The Management Committee does not have special powers of decision.

Auditing of the accounts

For the purpose of auditing the Bank's accounting, financial statements and administration, the Annual General Meeting shall, according to OKO Bank's Articles of Association, elect at least one and no more than three auditors, as well as one deputy auditor if none of the auditors is an audit firm authorised by the Central Chamber of Commerce.

In 2005, audit fees amounted to a total of €520,176 at OKO Bank. This amount includes the statutory auditing of the accounts of group companies for 2005 and the contract-based extended audits conducted during this period. The expenses regarding Pohjola Group are included in the amount from the ownership period.

Rewards to auditing communities from other services amounted to a total of €972,596 in 2005, of which the share of audits and other reports relating to the Pohjola transaction amounted to €892,986. The most significant of the procedures were those in connection with the raising of OKO Bank's share capital, as well as accounting and tax reports in relation to the allocation of the Pohjola purchase price and the integration of the businesses.

Internal Auditing

The duty of the Internal Auditing Unit is to assist the Bank's top management in controlling, supervising and securing operations by auditing them. The Unit evaluates the performance and efficiency of operations, the sufficiency of internal control and supervision, expediency of risk management and compliance with legislation, authority orders and internal guidelines. Internal auditing is subject to the Chief Executive Officer of the OP Bank Group, who acts as the Chairman of the Executive Boards of the OP Bank Group Central Cooperative and OKO Bank, and it is organised as an Internal Auditing Unit in the Central Cooperative.

Inspection by Authority

According to the Act on the Supervision of Financial and Insurance Conglomerates OKO Bank Group forms a conglomerate, which, as well as the financial institutions within the conglomerate, are supervised by the Financial Supervision Authority in the way provided for in the legislation concerning the financial market. The Financial Supervision Authority also supervises the activities of the investment service companies within the group. The Insurance Supervisory Authority supervises the activities, risk taking and risk carrying capacity of the insurance companies included in the group.

Insider guidelines

The Executive Board of OKO Bank confirmed a set of guidelines applicable to insider administration in December 2005. The guidelines are applicable to OKO Bank and all companies belonging to the same consolidated group (including the parent corporation, OP Bank Central Cooperative). The contents of the guidelines correspond to the Helsinki Stock Exchange's recommendation for insider guidelines applicable to listed companies.

The guidelines include information on public insider registers and company-specific insider registers maintained by OKO Bank. The public insider register comprises the members of the Supervisory Board, the Executive Board, the auditors and the Group Management Team of the listed company OKO Bank. The company-specific insider register is divided into the following partial registers: 1. Register of permanent insiders, 2. Project-specific registers and 3. Project-specific registers concerning client companies.

The register of permanent insiders includes officials and employees of OKO Bank Group and the OP Bank Central Cooperative who, on the basis of their position or tasks, have regular access to OKO Bank's insider information (particularly information on earnings development). These people include, among others, officials and managers of the OP Bank Central Cooperative, members of the Management Teams of subsidiaries and business operations controlled by the OP Bank Central Cooperative and OKO Bank, secretaries to senior management, internal audit officers and employees responsible for finances, risk management and communications. The register included a total of 254 people at the end of 2005.

OKO Bank has adopted a special restriction that disallows insider trading in the Bank's shares or any securities entitling to shares within 45 days before the publication of the annual report bulletin and within 30 days before the publication of an interim report.

OKO Bank's insider register is maintained by the Legal Unit of the OP Bank Group Central Cooperative. The register is available for viewing at Teollisuuskatu 1 b, Helsinki, Finland. The Legal Unit also supervises compliance with the insider guidelines by means of inspections regarding trading by insiders, as well as by regularly sending the insiders an extract of the insider register for review. Information on OKO Bank shares, as well as securities entitling to these, owned by members of OKO Bank's Supervisory Board, Executive Board, the auditors and their close affiliates is also available on the Bank's web site.

ORGANISATION*

January 1, 2006

Chairman and CEO
Mr Antti Tanskanen

President
Mr Mikael Silvennoinen **

BANKING AND INVESTMENT SERVICES	NON-LIFE INSURANCE	GROUP SERVICES
Mr Timo Ritakallio **	Mr Tomi Yli-Kyyny **	Ms Helena Walldén ** (until March 31,2006)
Corporate Banking Mr Jarmo Viitanen	**Corporate Customers** Ms Helena Walldén ** (as from April 1, 2006)	FINANCE AND RISK MANAGEMENT Mr Ilkka Salonen ** (as from April 1, 2006)
Capital Markets Mr Jorma Alanne	**Private Customers** Mr Pauli Sarelius	
Group Treasury Mr Reima Rytsölä	**Claims, Underwriting** Ms Eva Valkama	
Asset Management *** Mr Mikko Koskimies **	**Baltic States** Mr Ivo Kuldmäe	

* Without Pohjola Life Insurance Company Ltd
** Member of the Executive Committee
*** Reports to the President

SUPERVISORY BOARD

Members elected from among OP Bank Group Central Cooperative's Supervisory Board Members

Mr Ola Eklund (2000),
Product Director, Karjaa, 2003-2006
Mr Paavo Haapakoski,
Principal (1997)*, Pyhäjoki, 2003-2006, Deputy Chairman
Mr Mauri Hietala (2000),
Business Development Director, Seinäjoki 2004-2007
Mr Jukka Hulkkonen (2003),
Managing Director, Halikko, 2003-2006
Mr Jari Laaksonen (2003),
Managing Director, Asikkala, 2003-2006
Mr Erkki Laatikainen (1997),
Professor, Jyväskylä, 2005-2008
Mr Juhani Leminen (2004),
Managing Director, Polvijärvi, 2004-2007
Mr Heikki Oja (2001),
Farmer, Tervola, 2003-2006
Mr Jaakko Ojanperä (2000),
Managing Director, Kuopio, 2005-2008
Mr Seppo Penttinen (1996)**,
Professor, Savitaipale, 2005-2008, Chairman
Mr Jukka Ramstedt (1997),
Managing Director, Pori, 2004-2007
Mr Pertti Ruotsalainen (2003),
Hospital Physicist, Mynämäki, 2003-2006
Mr Tony Vepsäläinen (2005),
Managing Director, Tampere, 2005-2007
Mr Pekka Vilhunen (2003),
Managing Director, Varkaus, 2004-2007
Mr Keijo Väänänen (1995),
Professor, Vaala, 2004-2007

Other members

Ms Kaarina Aho (1997),
Managing Director, Tornio, 2003-2006
Mr Heikki Eteläaho (2002),
Managing Director, Ylitornio, 2005-2008
Mr Jussi Hautamäki (1997),
Lieutenant General, Kerava, 2005-2008
Mr Harri Kainulainen (2002),
Managing Director, Helsinki, 2005-2008
(asked for resignation as from Sept. 26, 2005)
Mr Eero Lehti (2002),
President, Kerava, 2005-2008
Ms Kati Myllymäki (1997),
Senior Medical Officer, Mikkeli, 2003-2006
Mr Ulf Nylund (2001),
Managing Director, Vaasa, 2005-2008
Mr Seppo Paatelainen (1997),
Managing Director, Seinäjoki, 2004-2007
Ms Leena Rantanen (2001),
Director for the Central Church Fund,
Helsinki, 2004-2007
Ms Valvatti Remes-Siik (1997),
M.Sc. (Agr.For), Oulu, 2005-2008
Ms Astrid Thors (1992),
Master of Laws, Helsinki, 2004-2007
Mr Timo Vallittu (2004),
Chairman, Helsinki, 2004-2006
Mr Erkki Vähämaa (1997),
Mayor, Kajaani, 2004-2007

Members on January 1, 2006
The year next to the name indicates since when the person has been a member of the Supervisory Board.

* Deputy Chairman
** Chairman

EXECUTIVE BOARD

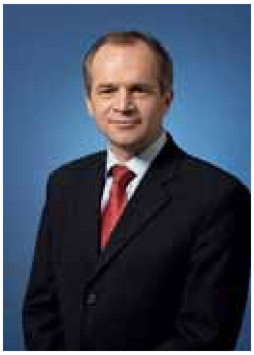
Chairman
Antti Tanskanen
b. 1946
Chairman and CEO
Member of the Board since 1996
- M-real Corporation, Member of the Board of Directors
- Unico Banking Group, Member of the Steering Committee
- The Central Chamber of Commerce of Finland, Chairman of the Board of Directors
- Confederation of Finnish Industries, EK, Member of the Board and its Working Committee
- Ilmarinen Mutual Pension Insurance Company, Member of the Board of Directors

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, Deputy Chairman of the Board of Directors
- The Finnish Housing Fair, Second Deputy Chairman of the Board of Directors
- The Finnish Bankers' Association, Second Deputy Chairman of the Board of Directors
- Holds 20,198 OKO Bank Series A shares.

Mikael Silvennoinen
b. 1956
President, OKO Bank
Member of the Board since 1994
- Federation of Finnish Insurance Companies, Member of the Board of Directors
- Finnish Foundation for Share Promotion, Member of the Board of Directors
- Unico Banking Group, Member of the Steering Committee
- Holds 4,800 OKO Bank Series A shares.

January 1, 2006

Timo Ritakallio
b. 1962
First Executive Vice President,
OKO Bank
Member of the Board since 1997
- OMX Exchanges Ltd, Member of the Board of Directors
- SSH Communications Security Corp., Member of the Board of Directors
- Stockholmsbörsen AB, Member of the Board of Directors
- Holds 19,200 OKO Bank Series A shares.
- Share options for 6,000 A shares.



Erkki Böös
b. 1953
Executive Vice President,
OP Bank Group Central Cooperative
Member of the Board since 2001
- The Finnish Bankers' Association, Chairman of the Banking Committee

Helena Walldén
b. 1953
Executive Vice President, OKO Bank
Member of the Board since 1994
- Metsähallitus, Member of the Board of Directors
- Finnish Fur Sales, Member of the Board of Directors
- Share options for 20,000 OKO Bank Series A shares.

Heikki Vitie
b. 1952
Executive Vice President, OP Bank Group Central Cooperative
Member of the Board since 1997
- European Association of the Cooperative Banks, Member of the Board of Directors
- The Finnish Bankers' Association, Member of the Board of Directors.

Raimo Tammilehto
b. 1943
Executive Vice President, OP Bank Group Central Cooperative
Member of the Board since 1985
- Holds 15,052 OKO Bank Series A shares.

Jarmo Viitanen
b. 1960
Executive Vice President, OKO Bank
Member of the Board since 2001
- Holds 15,000 OKO Bank Series A shares.
- Share options for 5,000 A shares.

Secretary of the Boards

Markku Koponen
b. 1957
Senior Vice President,
OP Bank Group Central Cooperative.

Auditors

Firm of authorised public accountants KPMG Oy Ab

Raimo Saarikivi, Authorised Public Accountant

INFORMATION FOR SHAREHOLDERS

Annual General Meeting and Dividend Payout

The Annual General Meeting of OKO Bank (OKO Osuuspankkien Keskuspankki Oyj) will be held in Finlandia Hall in Helsinki on Thursday, March 30, 2006, at 2.00 pm.

The Executive Board proposes that a dividend of €0.60 be paid on Series A shares and €0.57 on Series K shares. The dividend decided by the Annual General Meeting will be paid to shareholders who on the record date confirmed by the Executive Board for the dividend payout, April 4, 2006, have been entered in the Shareholders' Register kept by Finnish Central Securities Depository Ltd. It will be proposed to the Annual General Meeting that the dividend be paid on April 11, 2006.

Interim Reports in 2006

May 11 January-March
August 10 January-June
November 2 January-September

The interim reports will be published in Finnish, Swedish and English. The fastest way to access the reports in English is by visiting our website at the address www.oko.fi/english.

At the same address, you can order OKO Bank's Stock Exchange Releases (e.g. Interim reports) to your own e-mail.

Annual Report Orders and Changes of Address

OKO Bank and OP Bank Group:
IR@oko.fi, tel. +358 10 252 2765

Information for Investors at www.oko.fi/english

The address www.oko.fi/english offers information for example on the OKO Bank Share and its price development.

IR Contact Information

For equity investors:
Mr Ilkka Salonen, CFO, tel. +358 10 252 3146
(as from April 1, 2006)
Ms Marja Huhta, Head of IR, tel. +358 10 252 2037
Ms Tiina Hedberg, Secretary to the President,
tel. + 358 10 252 2314
IR@oko.fi
For debt investors:
Mr Timo Ritakallio, First Executive Vice President,
tel. +358 10 252 4322
Mr Reima Rytsölä, Senior Vice President,
tel. +358 10 252 4422
E-mail addresses: firstname.surname@oko.fi

Investment Analyses on OKO Bank

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

CAI Cheuvreux Nordic AB,
Stockholm tel. +46 8 723 51 00,
London tel. +44 20 7971 4000
Carnegie AB,
Finland Branch, tel. +358 9 618 711
Enskilda Securities AB,
Helsinki, +358 9 6162 8900
Evli Securities Ltd, tel. +358 9 476 690
eQ Bank Ltd, tel. +358 9 681 781
FIM Securities Ltd, tel. +358 9 613 4600
Fox-Pitt, Kelton Ltd., tel. +44 (0 20) 7377 8929
Goldman Sachs International,
London, tel. + 44 (0 20) 7552 1345
Handelsbanken Capital Markets,
Helsinki, tel. +358 10 444 2454
JPMorgan Securities Ltd., tel. +44 (0 20) 7451 8000
Standard & Poor's / Nordea Securities Ltd,
Stockholm, tel. +46 8 440 5900

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OKO BANK

REPORT OF THE EXECUTIVE BOARD
AND FINANCIAL STATEMENTS 2005

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Information for Shareholders

The Annual General Meeting of OKO Bank (OKO Osuuspankkien Keskuspankki Oyj) will be held in Finlandia Hall in Helsinki on Thursday, March 30, 2006, at 2.00 pm. The Executive Board proposes that a dividend of €0.60 be paid on Series A shares and €0.57 on Series K shares. The dividend decided by the Annual General Meeting will be paid to shareholders who on the record date confirmed by the Executive Board for the dividend payout, April 4, 2006, have been entered in the Shareholders' Register kept by Finnish Central Securities Depository Ltd. It will be proposed to the Annual General Meeting that the dividend be paid on April 11, 2006.

All figures in the Report of the Executive Board and in the Financial Statements have been expressed in round numbers. Consequently, the sum of single figures may differ from the presented total sum.

REPORT OF THE EXECUTIVE BOARD 2005

BUSINESS STRUCTURE CHANGED

In September, OKO Bank acquired a majority holding in the shares of Pohjola Group plc. As a result of the transaction, OKO Bank's operations expanded to non-life insurance, and the amount of customer funds managed by the Group doubled as Pohjola Asset Management joined with OKO Bank. Pohjola is the second largest non-life insurer in Finland. Pohjola's other business area, investment services, consists of life insurance, funds and asset management operations.

As part of the financing of the transaction, OKO Bank sold its subsidiary Okopankki Oyj, engaged in retail banking, to the OP Bank Group Central Cooperative.

In the future, OKO Bank Group's business will consist of Banking and Investment Services and Non-life Insurance.

EARNINGS

OKO Bank Group's earnings before tax, including the capital gains from the shares of Okopankki, the retail subsidiary, amounted to €304 million. Earnings before tax amounted to €150 million (2004: €138) without the capital gains. The earnings included €32 million from discontinued operations. Okopankki, sold in October 2005, and Non-life Insurance Company Pohjola, sold on January 16, 2006, have been reported as discontinued operations in the financial statements.

The financial period's profit amounted to €271 million (108), including €153 million in tax-free capital gains from the shares of Okopankki Oyj. The consolidated earnings of Pohjola for the November–December period were €15 million.

Quarterly Performance

€ million	2005				2005	2004	Change, %
	Q1	Q2	Q3	Q4			
Net interest income	38	40	38	26	143	147	-3
Impairment losses on receivables	1	0	1	2	4	1	-
Net interest income after impairment losses	37	40	38	24	139	145	-4
Net income from Non-life Insurance	-	-	-	69	69	-	-
Net income from Life Insurance	-	-	-	-2	-2	-	-
Net commissions and fees	24	24	24	24	96	85	13
Net trading income	3	-1	7	6	16	2	-
Net income from investments	11	7	3	-2	19	31	-40
Other operating income	2	3	2	16	23	7	-
Total income	77	73	74	135	360	271	33
Personnel costs	17	16	14	39	86	59	46
IT expenses	7	7	6	9	29	25	19
Depreciation	3	3	3	13	21	10	-
Other expenses	12	13	11	39	75	46	63
Total expenses	38	38	34	100	211	139	51
Share of affiliate profits	0	1	0	0	1	6	-79
Earnings before tax	39	36	40	35	150	138	9
Income tax	8	9	11	5	33	30	8
Capital gains from discontinued operations after tax	-	-	-	153	153	0	-
Profit for the period	31	26	29	184	271	108	-

The income statement has been divided into continuing and discontinued operations. The income statements of continuing and discontinued operations are formed so that only the profits and expenses from outside the Group have been taken into account. The eliminations included interest of €17.6 million paid by the subsidiary Okopankki, engaged in retail banking, to the parent company's Treasury. In 2006, these are the Group's external interest income and they are entered as earnings for OKO Bank's Central Banking operations.

The return on equity was 19.8 per cent (13.9) and the earnings per share €1.96 (0.86).

The income and expenses from Retail Banking for the January–October period and from the Pohjola Group since November 2005 were consolidated with the Group.

Pro Forma Statement

The following pro forma statement has been drawn up in order to make the comparison of earning items easier. The earning effects from the Pohjola transaction have been eliminated from the statement and the earnings from Retail Banking are included in both years only from the January-October period. In addition, the one-off capital gains and consolidated earning shares from the sold affiliates have been reduced from both periods.

Income

Income totalled €360 million (271). Income from continuing operations totalled €278 million (181). €82 million of the growth in the income of continuing operations were due to the consolidation of the Pohjola operations from the November-December period. The comparable income presented in the Pro forma statement increased by 14 per cent.

Net interest income before impairment losses amounted to €143 million (147). The net interest income included €7 million of financing costs from the Pohjola transaction. The comparable net interest income increased by almost 9 per cent, according to the Pro forma statement.

In Corporate Banking, net interest income increased by 14 per cent to €85 million. The increase was mainly attributable to the increased loan portfolio of Corporate Banking and wider loan margins. Even though price competition remained intense, the level of margins on corporate loans during the year under review was higher than the 2004 average. However, the margins on loans granted to municipalities, other institutions and private customers continued to decrease.

The net interest income from Treasury operations amounted to €22 million (23), resulting in a net interest income of €121 million (123) from operations other than Treasury.

Impairment losses on receivables were €3.6 million (1.2), thus the net interest income after impairment losses was €139 million (145).

Net income from Pohjola's Non-life Insurance consolidated with the Group amounted to €69 million for the November–December period. They included net income of €63 million from the insurance company and €6 million from

Pro Forma Income Statement

€ million	2005	2004	Change, %	Q4/2005	Q4/2004
Net interest income	150	138	9	33	31
Impairment losses on receivables	4	1	-	2	1
Net interest income after impairment losses	147	137	7	31	29
Net income from Non-life Insurance	-	-	-	-	-
Net income from Life Insurance	-	-	-	-	-
Net commissions and fees	94	79	18	22	20
Net trading income	15	2	-	5	-1
Net income from investments	14	21	-34	-3	4
Other operating income	11	7	57	4	4
Total income	280	247	14	59	56
Personnel costs	61	55	11	14	13
IT expenses	25	23	7	5	5
Depreciation	12	9	24	4	2
Other expenses	46	43	8	10	9
Total expenses	144	131	10	33	29
Earnings before tax	137	116	17	27	27
Cost/income ratio, %	51	53		54	50

asset management. The effect of the changes in the bases of calculation improving the net income amounted to €9 million. The net loss of Life Insurance was €2 million. The effect of the changes to the bases of calculation reducing the net income amounted to €12 million in Life Insurance.

Of the capital gains on assets available for sale included in the income from the investment activities of both non-life and life insurance, the part of the realised gains in the November–December period which has been calculated as a difference between the sale price and the fair value at the end of October has been consolidated in the earnings of the OKO Bank Group. OKO Bank acquired Pohjola at fair value, so the value increments in the fair value reserve from the end of October were included in the acquisition price. Hence, the realisation of the value increments prior to the end of October does not represent capital gain from the OKO Bank Group's point of view.

Net commission income, adjusted with commission expenses, rose by 13 per cent to €96 million. The share of continuing operations was €71 million (63). However, comparable net commission income increased by 18 per cent.

The increase in commission income was primarily generated from lending, securities brokerage and asset management.

Commission income from lending rose by 24 per cent to €22 million. Net income from securities brokerage rose by 32 per cent to €22 million. Customer funds, under the management of Opstock Asset Management, increased by 24 per cent to €13.6 billion. The capital of OP mutual funds increased by 50 per cent. Net commission income from asset management rose by 19 per cent to €14 million.

Payment transfer volumes continued to grow. The number of outgoing and incoming payment transactions in Corporate Banking was 10 per cent higher than a year earlier. Due to price competition, commission income from payment transactions increased by only 3 per cent from the comparison year in Corporate Banking. Net commission income from payment transactions decreased due to the sale of Okopankki.

Net commissions & fees, € million	2005	2004	Change, %
From lending	22	18	24
From payment transfers	16	17	-7
From securities brokerage	22	17	32
From securities issuance	4	5	-19
From asset management	14	12	19
From guarantees	5	5	-4
From insurance brokerage	4	4	5
From real estate brokerage	7	7	11
Customer bonus provision	-3	-4	8
Other fee income	4	4	6
Total	96	85	13

Net income from trading amounted to €16 million (2). The increase was mainly due to the results from transactions with securities and derivatives. In addition, the earnings from foreign exchange operations increased significantly.

Net income from investment operations decreased to €19 million (31). Income from equity investments amounted to €17 million (22), of which the share of dividend income was over €5 million (7). The income included €4.5 million of capital gains for certain usage shares. The income for 2004 included capital gains of €10.4 million for the shares of OMX Ab. In December, OKO Bank lowered the value of its shares in Oy Realinvest Ab by €3.2 million. Fixed-income operations recorded a net income of €1 million, a decrease of €5 million from the previous year. The earnings of the comparison year included €3.1 million of changes in the fair value of securities, which were no longer recorded in the income statement in 2005 but in the fair value reserve of shareholders' equity, according to IFRS financial statement principles.

Income from real estate investments amounted to €4 million (3). When the dissolution of an impairment loss reserve of €0.8 million in connection with the sale of certain real estate is taken into account, income from real estate investments was €1.7 million greater than in the comparison period. Net yield from real estate investments increased to 6.6 per cent (6.1) at the end of December.

Other operating income amounted to €23 million (7). €12 million was consolidated with other operating income from Pohjola. This includes commission income from reinsurance operations and income from the management of the partners' distribution networks and insurance portfolios.

Expenses

Expenses totalled €211 million (139). The consolidated expenses of Pohjola were €67 million. Comparable expenses increased by 10 per cent.

Personnel costs represented slightly more than 40 per cent of the expenses, amounting to €86 million (59). The consolidated personnel costs of Pohjola amounted to €25 million, and the personnel costs of Retail Banking to €20 million (22). Comparable personnel expenses increased by 11 per cent. This was due to the increased number of personnel, increased level of salaries and the accrual of costs for new incentive systems. OKO Bank Group employed 3,254 people (1,242) at the end of 2005. The comparable average number of employees increased by 8 per cent.

The share of IT-expenses was €29 million (25), ca. 14 per cent, of total expenses. The comparable increase was 7 per cent.

The amount of depreciation increased to €21 million (10). The consolidated depreciations of Pohjola were €9 million, including the depreciations of 6 million of intangible assets from the Pohjola transaction. A more precise report of the depreciations of the intangible assets from the Pohjola transaction will be presented in the section: 'Effects of the transaction on OKO Bank's financial position.' The amount of depreciation in Retail Banking was €2 million (2). Comparable depreciations totalled €12 million (9).

Other expenses totalled €75 million (46). Pohjola's other consolidated expenses amounted to €29 million and the other expenses of Retail Banking to €17 million (20). The comparable increase in other expenses was 8 per cent.

Share of Affiliate Earnings

The share of affiliate earnings totalled €1 million (6).

As a result of the sale of Okopankki, OKO Bank's share of OP-Kotipankki decreased to 16.9 per cent. Thus, its earnings have not been consolidated with those of the Bank Group since the beginning of November.

OKO Bank sold the shares of its affiliate, Automatia Pankkiautomaatit Oy, at the beginning of the year. In addition, Toimiraha Oy was dissolved in June. OKO Bank's share in both companies was one third.

Capital Gains from Discontinued Operations

As a part of the financing of the Pohjola transaction, OKO Bank sold the shares of Okopankki Oyj. The capital gain totalled €153 million.

BALANCE SHEET

Total assets were €22.3 billion (16.5) at the end of the year. The assets increased by new items of the Pohjola Group's consolidated funds from Non-life Insurance and Life Insurance, classified for sale, totalling €4.6 billion. In addition, the amount of intangible assets increased by €0.9 billion due to the Pohjola transaction. On the other hand, the sale of Okopankki Group decreased the total of balance sheet by €1.7 billion.

€ million	31 Dec. 2005	31 Dec. 2004	Change, %
Liquid assets	479	297	61
Receivables from financial institutions	4 617	3 548	30
Financial assets for trading (Note 11)	3 692	3 085	20
Derivative contracts	123	93	32
Receivables from customers	6 755	8 664	-22
Assets of Non-life Insurance (Note 12)	2 742	-	
Investment assets (Note 14)	326	339	-4
Investments in affiliates	7	25	-74
Intangible assets	942	10	
Tangible assets	89	64	40
Other assets	512	356	44
Tax receivables	33	7	
Assets of life insurance classified discontinued operations	1 873	-	
Other assets items classified available for sale	81	-	
Total assets	22 270	16 490	35
Liabilities to financial institutions	3 563	4 310	-17
Liabilities for trading	4	-	
Derivative contracts	123	99	25
Liabilities to customers	2 058	4 072	-49
Liabilities of non-life insurance (Note 15)	1 926	-	
Debt securities issued to the public (Note 16)	9 033	6 103	48
Reserves and other liabilities	827	578	43
Tax liabilities	371	88	
Subordinated liabilities (Note 17)	749	462	62
Liabilities of life insurance classified as discontinued operations	1 609	-	
Liabilities related to other asset items classified discontinued operations	48	-	
Total liabilities	20 310	15 713	29
Shareholders' equity			
Share of parent company's owners			
Share capital	423	206	
Share issue account	1	3	
Reserves	791	234	
Retained earnings	548	332	
Minority interest	199	2	
Total shareholders' equity	1 961	777	
Total liabilities and shareholders' equity	22 270	16 490	35

Receivables from Credit Institutions

The receivables from credit institutions – mainly from member cooperative banks – grew to €4.6 billion (3.5). The cash reserve deposit system of the OP Bank Group was abolished in November, thus OKO Bank repaid the member cooperative banks their cash reserve deposits. With the received assets, the member cooperative banks made a premature repayment of €0.9 million of the loans granted by OKO Bank. In spite of the liquid assets received in connection with the abolishment of the cash reserve deposit system, the funding requirements of the member cooperative banks from OKO Bank increased. At the end of the year, OKO Bank's receivables from the member cooperative banks amounted to €3.7 billion (2.7). At the end of the year, the share of the credit institution receivables from the balance sheet almost equalled that of the previous year, i.e. a little over 20 per cent (21).

OKO Bank still retains ultimate responsibility for maintaining the liquidity of the OP Bank Group and the member cooperative banks. In order to maintain liquidity, OP Bank Group's liquid assets are concentrated in OKO Bank. The costs incurred in maintaining the reserves are divided between the OP Bank Group organisations as part of the central banking service fee. The abolishment of the cash reserve deposit system does not affect OKO Bank's earnings much, as the earlier cash reserve deposit margin is replaced by the service fee.

Trading Assets

The financial assets for trading, which almost completely consisted of bonds and CPs, amounted to €3.7 billion (3.1), and made up 17 per cent (19) of the balance sheet.

Lending

Receivables from customers amounted to €6.8 billion at the end of the year. The year before they totalled €8.7 million. Okopankki's loan portfolio was €2.9 billion at the end of 2004, the comparable loan portfolio being €5.8 billion at the time. The comparable loan portfolio increased by 17 per cent. In Corporate Banking, the loan portfolio increased by 13 per cent. The loan portfolio's share of the total assets decreased to ca. 30 per cent due to the structural change in the Group's business.

The risk exposure was estimated to have remained good and the share of problem loans was low. The risk exposure will be described in more detail in the section: 'Risk exposure of Banking and Investment Services'.

Real Estate Investments

The book value of real estate holdings decreased to €35 million (82), and invested capital to €48 million (131). The sale of Okopankki decreased the amount of capital invested in properties in the Group's own use by €30 million. The holdings of Kiinteistö Oy Dagmarinkatu 14 and Kiinteistöosakeyhtiö Arkadiankatu 23 were sold in June and the holdings of Kiinteistö Oy Lahden Trio were sold in September. The capital invested in this real estate totalled €54 million.

Investments

Investments totalled in 2005 slightly over €13 million, of which slightly over €3 million consisted of the investments of the consolidated parts of Pohjola. The investments of Banking and Investment Services amounted to slightly less than €10 million, of which slightly less than one-third was used for renewing retail banking offices and improving the service level. Other investments in Banking and Investment Services were associated with IT system development in order to improve the efficiency of customer service and internal processes.

The book value of intangible assets was €942 million (10) at end of the year. It was increased by the allocation of the remainder of the share acquisition expense and Pohjola's own capital to brands by €179 million, customer relation value by €301 million and data systems by €60 million. €392 million of the remainder was left as unallocated business value. The share of operations to be sold has been reduced from these increments.

Funding

Liabilities to credit institutions decreased to €3.6 billion (4.3). Most of these – €1.5 billion – were member cooperative bank deposits with OKO Bank. The abolishment of the cash reserve deposit system decreased liabilities by €2.1 billion. However, the amount of member cooperative bank deposits decreased by only €1.5 billion. The liabilities to central banks increased by €0.6 billion and totalled a little less than €1.6 billion. The liabilities to Okopankki amounted to €0.2 billion. At the end of the year they were no longer eliminated in the Group's total assets. The share of credit institution liabilities made up 16 per cent (26) of the balance sheet.

The liabilities to customers were halved to €2.1 billion, mainly due to the sale of Okopankki (4.3).

The amount of bonds and notes issued to the public increased from €2.9 billion to €9 billion. The share of bonds was €2.1 billion. In March, a bond loan of €1 billion was issued, mostly in order to finance the growth in business and, at the end of the year, loans of €1.1 billion to finance the growth in business and the acquisition of Pohjola's shares. Bonds and notes issued to the public made up 40 per cent (37) of the balance sheet.

The amount of subordinated bonds was €0.7 billion (0.5). Three new capital loans were issued at a total value of €150 million during the fiscal period. The loans of €100 million issued at the end of the year were part of the financing of the Pohjola transaction.

Equity Capital

Equity capital amounted to €1,961 million (777) at the end of the year. The majority of the growth resulted from the share issue for the financing of the Pohjola transaction.

The Group's distributable equity amounted to €379 million. However, the profit distribution is limited by the parent company's distributable equity capital which amounted to €357 million at the end of the year.

OFF-BALANCE-SHEET ITEMS

The amount of guarantees and other off-balance-sheet commitments increased to little less than €4.7 billion (4.1). The amount of standby credit facilities was €2.6 billion (2.4). The amount of loan and other guarantees increased to €1.4 billion (1.3). The amount of other off-balance-sheet commitments was €0.5 billion (0.4).

The credit counter-value of derivative contracts stood at €387 million (234) at the end of the year. The increase was mainly due to the growth in the amount of interest derivatives.

ACQUISITION OF POHJOLA SHARES

On September 12, 2005, OKO Bank acquired the holdings of Pohjola's shares of Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company for the cash consideration of approximately €1.2 billion. After the acquisition, OKO Bank owned approximately 58.5 per cent of Pohjola's shares and votes. The realisation of the acquisition was conditional on OKO Bank's Extraordinary General Meeting approving the terms and conditions of the OKO Bank share issue associated with it and the necessary amendment to the Articles of Association, as well as on obtaining the regulatory approvals for the transaction. OKO Bank's Extraordinary General Meeting made the necessary decisions on October 14, 2005 and the regulatory approvals were received on October 18, 2005.

In connection with the acquisition, OKO Bank announced its intention to make a public tender offer for Pohjola's remaining outstanding shares. In connection with the arrangement, Pohjola's entire stock is estimated to be worth approximately €2.075 billion, while full dilution is taken into consideration. The next day, September 13, 2005, OKO Bank raised its holding of Pohjola's shares and votes to 64.5 per cent by purchasing shares through the Helsinki Stock Exchange.

On October 19, 2005, OKO Bank made a public tender offer for Pohjola's remaining shares at a price of €13.35 per share. The proportion of those accepting the offer of Pohjola's shares and votes was 13.1 per cent. After the tender offer expired on November 18, 2005, OKO Bank's share of the holding and votes had risen to 83 per cent.

On December 1, 2005, OKO Bank made a redemption offer according to Chapter 6, Section 6, of the Securities Markets Act for Pohjola's remaining outstanding shares and option rights. The offer expired on January 5, 2006. The share of those accepting the offer of Pohjola's shares and votes was 4.4 per cent. At that time, OKO Bank's share of the holding and votes had risen to 89.96 per cent. On January 10, 2006, OKO Bank announced that it had acquired a number of shares from the market that increased OKO Bank's share of the holding and votes to more than 90 per cent.

OKO Bank has expressed a demand to redeem the shares from other Pohjola shareholders. OKO Bank has started a redemption proceeding in accordance with the Companies Act in order to redeem the rest of Pohjola's shares.

Financing of the Transaction

The transaction was financed by a share issue, sale of asset items, debt issues and other liquid assets.

A share issue, directed to OKO Bank's old shareholders, began on October 24, 2005 and ended on November 15, 2005. All the shares, just over 100 million, were subscribed, and assets of €724.2 million were accumulated by the share issue.

€692 million of the transaction was financed by the sale of asset items. OKO Bank sold the entire stock of Okopankki Oyj to the OP Bank Group Central Cooperative for €325 million. In addition, Pohjola sold to the OP Bank Group Central Cooperative Pohjola Life Insurance Company Ltd, Pohjola Fund Management Ltd and Pohjolan Systeemipalvelu Oy included in the transaction. The aggregate sale price of the companies in question was €367 million. Of these, the sale of Pohjola Fund Management Company and Pohjolan Systeemipalvelu took place on December 30, 2005 and that of Pohjola Life Insurance Company on January 16, 2006.

OKO Bank issued capital loans of a total of €100 million and a bond of €150 million, which is considered Tier II funds, and financed the rest of the acquisition price by bonds and internal liquid assets.

Effects of the Acquisition on OKO Bank's Financial Position

Thanks to the Pohjola acquisition, the financial performance of the OKO Bank Group is estimated to improve significantly. The financial performance will be raised by the estimated result of Non-life Insurance, and by the expected revenue and cost synergies, which are estimated to amount to ca. €50 million before tax annually. It is predicted that the synergies will be gained in full in five years.

OKO Bank's holding of Pohjola was 86.3 per cent at the end of 2005. The acquisition price of the shares was a little over €1,773 million. At the end of 2005, the aggregate sale price of Pohjola Fund Management Company and Pohjolan Systeemipalvelut sold by OKO Bank was €86 million, with the net acquisition price of the Pohjola shares being €1,687 million at the end of the year. This was €780 million greater than the share of Pohjola's shareholders' equity corresponding to OKO Bank's holding on October 31, 2005, when Pohjola's figures were included in the consolidated financial statements. Of the difference between the net acquisition price and Pohjola's shareholders' equity corresponding to the holding, €11 million was allocated to real estate holdings, €335 million to intangible assets, and €435 million remained goodwill at the end of 2005. The intangible assets include the value of customer relationships, which will be depreciated in 10 to 13 years, and IT systems, which will be depreciated in 5 years. The amount of depreciations was €6 million in 2005.

In the capital adequacy calculation, the aggregate amount of intangible assets and goodwill, €770 million, is deducted from OKO Bank's own funds. The difference between fair value allocated to real estate and book value has not been taken into account in risk-weighted commitments and OKO Bank's own funds.

Handling of the Acquisiton Price of Pohjola Shares

€ million	Continuing operations	Operations to be sold *)	OKO Bank's balance sheet 31 Dec. 2005	Depreciation time	Depreciation 2005	Annual depreciation
Acquisition cost of Pohjola's shares (86.3% holding)	1451	236	1773			
Selling prices received from sales			-86			
Net acquisition price			1687			
OKO Bank's share (86.3%) of Pohjola's shareholders' equity						
on October 31, 2005	772	135	907			
Goodwill before allocation	679	101	780			
Allocation of goodwill						
- trademarks	179		179			
- customer relationships	301	7	309	10–13 yrs.	4.0	23.8
- insurance contracts		46	46			
- IT systems	61	14	75	5 yrs.	2.0	12.1
- valuation difference on real estate	11		11			
- tax liabilities and goodwill in Pohjola's balance sheet	-187	-32	-218			
Goodwill allocated in total	365	36	401			
OKO Bank's share (86.3%) of the allocated goodwill	315	31	346			
OKO Bank's share (86.3%) of Pohjola's shareholders' equity						
on December 31, 2005	772	135	907			
Acquired assets in total	1087	166	1253			
Net acquisition cost of Pohjola's shares (86.3% holding)	1451	236	1687			
Acquired assets in total	1087	166	1253			
Unallocated goodwill	365	70	435			
Depreciation in total					6.0	35.9
Depreciation taking into account deferred taxes					4.6	27.6
EPS effect, €					0.02	0.14

*) A capital loan of €45 million was included in the selling price of Pohjola Life Insurance Company.

Interest expenses totalling €7 million arose from the financing of the acquisition of Pohjola shares.

Progress of the Integration

The sales of Pohjola Fund Management Ltd, Pohjolan Systeemipalvelut Oy and Pohjola Life Insurance Company Ltd to the OP Bank Group Central Cooperative have been implemented according to the integration plan published in September. In addition, OKO Bank acquired Pohjola Asset Management Ltd in January. The transaction is related to the reorganisation of OKO Bank's asset management.

A cooperation negotiation proposal concerning overlapping asset management functions was given to the personnel of Opstock Ltd and Pohjola Asset Management Ltd on January 31, 2006. The negotiations started on February 6, 2006. The reduction need in these companies is estimated to concern about 30 people. The negotiations also concern about ten investment service sales persons working at Pohjola's offices. In addition, a negotiation proposal was issued in OKO Bank's and Pohjola's Group functions, aimed at the reorganisation of functions, which probably will not lead to any reduction of personnel in the negotiations now in progress.

After the transaction, before the negotiation proposal was issued in the Group functions, a net reduction of 18 people took place in asset management and the sales network.

The plan for combining Pohjola's sales offices with the offices of cooperative banks is ready. Integration into the same premises has already been implemented in fifteen localities. According to the plan, about 50 offices will be integrated by the end of June and more than 70 offices by the end of the year.

The earnings for 2005 included only a minor amount of integration costs.

CAPITAL ADEQUACY

Capital Adequacy Strengthened

OKO Bank's capital adequacy ratio according to the Credit Institutions Act was 12.8 per cent (11.0), while the statutory minimum requirement is 8 per cent. The Tier I ratio of OKO Bank's own funds on risk-weighted items was 9.6 per cent (7.6). The risk-weighted items increased from €9,951 million to €10,489 million, or by 5.4 per cent. OKO Bank's funds increased from €1,092 million to €1,339 million, or by 22.6 per cent.

The share issue of €724.2 million arranged for financing the Pohjola transaction, the capital loans of €100 million, the bond of €150 million (which is considered upper Tier II funds) and the capital gain of €153 million from the sale of Okopankki contributed significantly to the strengthening of capital adequacy and OKO Bank's own funds. In March, OKO Bank issued a capital loan of €50 million; in total capital loans increased by €150 million to €224 million during 2005, and their share of Tier I funds was 22 per cent (10).

OKO Bank's Tier I funds increased from €751 million to €1,002 million during the year, despite the fact that intangible assets and goodwill of a total of €794 million, which were almost entirely generated by the Pohjola transaction, were deducted from Tier I funds. The Pohjola holding was 86.3 per cent at the turn of the year, so the amount of intangible items will increase during 2006 when the holding rises to 100 per cent, but correspondingly the amount of intangible items decreased through the sale of Pohjola Life Insurance Company Ltd, implemented on January 16, 2006. The total amount of intangible items is anticipated to increase slightly during 2006, which will probably slightly decrease the amount of Tier I funds and capital adequacy.

The amount of Tier II funds was €550 million (356). At the end of the year, €48 million of unrealised appreciation, adjusted by calculated tax liability, recognised in the fair value reserve was included in Tier II funds. The fair value reserve was established for the first time at the beginning of 2005, and an adjustment caused by it has not been made in the comparison figures for 2004.

The amount of deductions made from OKO Bank's own funds increased from €15 million to €213 million due to the Pohjola transaction, as a share corresponding to the holding of the insurance companies' operating equity minimum must be deducted from the aggregate amount of own funds. The requirement for OKO Bank's own funds for covering market risk was €69 million (45). The growth of the loan portfolio and the acquisition of Pohjola increased the amount of risk-weighted receivables and investments, but correspondingly the sale of Retail Banking reduced them, so the amount of risk-weighted receivables and investments remained at the same level as a year earlier. The amounts of risk-weighted off-balance sheet items and risk-weighted market risk items increased due to the increase in unused loans and binding credit facilities and the increase in the amount of notes and bonds and derivatives contracts.

The shareholders' equity shown by OKO Bank's balance sheet amounted to €1,961 million (777), of which the share of the owners of the parent company was €1,762 million (775). The difference between the shareholders' equity shown by the balance sheet and the amount of Tier I funds used in the capital adequacy calculation is due to the fact that in the capital adequacy calculation, intangible assets must be deducted from Tier I funds and the minority interest generated from Pohjola and the unrealised appreciation recognised due to the transfer to IFRS reporting have not been included in Tier I funds. The dividend distribution proposed by the Executive Board has also been deducted from OKO Bank's own funds. OKO Bank's own funds include capital loans, which in financial statements have been presented as liabilities.

OKO Bank's Own Funds and Capital Adequacy

€ million	31 Dec. 2005	31 Dec. 2004	Change, € million
Own funds			
Equity capital	1 961	777	1 184
Pohjola's minority interest	-197	-	-197
Subordinated capital notes	224	74	150
Intangible assets	-794	-10	-784
Fair value reserve and excess margin on pension liabilities	-72	-38	-34
Dividend distribution proposed by the Executive Board	-120	- 52	-68
Tier I	1 002	751	251
Fair value reserve	48	-	48
Subordinated liabilities considered upper Tier II funds	200	50	150
Subordinated liabilities considered Tier II funds	302	306	-4
Tier II, total	550	356	194
Investments in insurance institutions	-202	-13	-189
Other mandatory adjustments	-11	- 2	-9
Mandatory adjustments, total	-213	- 15	-198
Own funds, total *	1 339	1 092	247
Risk-weighted receivables, investments and off-balance sheet items			
Receivables and investments	7 598	7 598	0
Off-Balance Sheet Items	2 024	1 788	236
Market risk	867	565	302
Risk-weighted receivables, investments and off-balance sheet items, total	10 489	9 951	538
Capital adequacy ratio, %	12.8	11.0	1.8**
Tier I ratio, %	9.6	7.6	2.0**

*) The following investments in venture capital funds, totalling €8 million and managed by OKO Venture Capital Ltd have not been deducted according to the exception provided by the Financial Supervision in line with the order in 75 §, clause 5 of the Credit Institution Act: Promotion Equity I Ky, Promotion Capital I Ky, Promotion Rahasto II Ky and Promotion Bridge I Ky.

**) Percentage points

The capital adequacy ratio of the OP Bank Group was 14.6 per cent, while it was 15.5 per cent at the end of 2004.

Due to the Pohjola transaction, the share of insurance operations of OKO Bank and the OP Bank Group increased significantly. OKO Bank is not supervised on the basis of the Act on the Supervision of Financial and Insurance Conglomerates; such supervision concerns the OP Bank Group. The OP Bank Group reports the capital adequacy ratio provided for in the Act in question for the first time at the end of 2005 calculated according to the consolidation method. OKO Bank has also calculated the corresponding capital adequacy ratio.

At the end of the year, OP Bank Group's own funds, calculated in accordance with the Act of the Supervision of Financial and Insurance Conglomerates, exceeded the minimum set in the Act, by €1,799 million. The ratio of OP Bank Group's own funds and the own fund minimum was 1.69. The corresponding figures regarding OKO Bank were €233 million and 1.23.

€ million	OP Bank Group Dec. 31, 2005	OKO Bank Dec. 31,2005
Equity capital	4 757	1 961
Business segment specific items	1 518	726
Goodwill and intangible assets	-1 059	-913
Items included in equity capital and in business segment specific items, which can not be included in conglomerate's own funds	-828	-544
Conglomerate's own funds, total	4 388	1 230
Minimum amount of conglomerate's own funds (= required own funds)	2 589	997
Solvency of the conglomerate	1 799	233
Solvency ratio of the conglomerate (own funds / required own funds)	1.69	1.23

RISK EXPOSURE

Risk Management

The purpose of risk management is to identify the threats and opportunities that affect the implementation of OKO Bank's strategy. The objective is to help OKO Bank achieve the targets set in its strategy by ensuring that risks are proportional to its risk bearing ability.

The major risks associated with OKO Bank's activities are credit risk, interest rate risk, foreign exchange risk, equity risk and liquidity risk arising from Banking and Investment Services and insurance risks and market risks arising from Insurance operations. Operational risks and various business risks such as changes in economic situation, competition or customer behaviour are inherent in Banking and Investment Services and in Insurance.

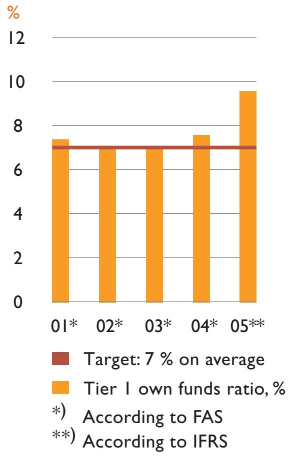
RISK EXPOSURE OF BANKING AND INVESTMENT SERVICES

Risk Tolerance

Risk bearing ability is measured by the ratio of consolidated Tier I funds to risk-weighted items.

Risk bearing ability at the end of the year stood at 9.6 per cent, which is significantly above the average target level of 7 per cent.

Risk Bearing Ability: Realised and Target



The principles of risk control are described in detail on pages 57–71 of the financial statement.

Credit Risk Exposure

When reviewing credit risks, the focus is on the development of total exposure and the customers' creditworthiness. Total exposure means the total amount of off-balance-sheet items and receivables vulnerable to credit risk. Total exposure includes both the interest and the principal, adjusted by receivable-specific write-downs.

The sale of Okopankki Oyj in October 2005 affected the risk exposure of banking and investment service operations. Pro forma figures, which do not include the responsibilities of Okopankki Oyj, have been used as 2004 comparison information on the risk exposure.

In spite of the 16 per cent increase in total exposure, the credit risk exposure has remained stable. The share of risk-weighted items used in capital adequacy calculations of the total exposure was 50 per cent.

The rating distribution of total exposure is based on the creditworthiness of the primary debtor or counterparty; no collateral or guarantees have been taken into account.

The relative share of investment-grade exposure – that is, ratings 1 to 4, excluding private customers – in total exposure was 72 per cent (67 per cent the previous year), the share of ratings 11–12 was 0.4 per cent (0.2) and that of non-rated exposure was 3 per cent (9).

Total exposure by Credit Rating,

€ billion *)	31 Dec. 2005	31 Dec. 2004	Change,%
1–2	10.2	8.4	1.8
3–4	4.7	3.4	1.3
5–6	2.4	2.5	-0.1
7–8	2.1	1.3	0.8
9–10	0.5	0.4	0.1
11–12	0.1	0.0	0.0
Non-rated	0.7	1.6	-1.0
Total	20.5	17.6	2.9

*) excl. private customers

Total Exposure

The total exposure at the end of 2005 amounted to €20.9 billion. Receivables from customers formed one-third of total exposure.

Total Exposure

€ billion	31 Dec 2005	31 Dec 2004	Change, %
Claims on the public	6.9	6.1	13
Claims on credit institutions and central banks	5.1	4.7	9
Debt securities	3.8	3.1	22
Unused standby credit facilities	2.9	2.1	36
Guarantees and documentary credits	1.5	1.4	11
Derivative contracts	0.4	0.2	90
Other off-balance sheet items	0.3	0.3	0
Total	20.9	18.0	16

Total Exposure by Counterparty

€ billion	31 Dec. 2005	31 Dec. 2004	Change, %
Corporate customers	8.6	7.5	16
Finance and insurance institutions	5.0	4.1	21
Cooperative banks and OP Bank Group Central Cooperative	4.6	4.0	13
Private customers	0.4	0.3	23
Non-profit institutions	1.6	1.4	14
Public entities	0.7	0.6	17
Total	20.9	18.0	16

In the review of counterparties, total exposure is divided into six customer groups, corporate customers being the largest group, representing over 40 per cent of the total exposure.

The year-on-year increase in corporate exposure was €1.2 billion, or 16 per cent. Loans and guarantees amounted to slightly less than 50 per cent of corporate exposure, receivable and security-backed financing amounted to 20 per cent, and unused credit facilities amounted to slightly more than 25 per cent. The rating and sector distribution of corporate exposure is analysed in more detail under Corporate Exposure.

Financial and insurance institutions were the second largest group of customers and made up 21 per cent of the total exposure. The exposure in financial and insurance institutions mostly comprised notes, bonds and deposits. Receivables from central banks are also included. Investment-grade exposure – that is, exposure with ratings 1 to 4 – made up 90 per cent of the €5.0 billion total financial and insurance institution exposure.

Group member banks and the Central cooperative with its subsidiaries are a significant customer group for OKO Bank as the central financial institution of the OP Group. A significant change regarding the exposure of group member banks took place at the end of 2005, as the funds deposit system was abolished. As a result of the credit repayment of group member banks, the exposure growth slowed from the previous year. The year-on-year increase of the exposure of group member banks and the OP Group Central Cooperative was €0.5 billion, or 13 per cent. The exposure of the member banks and the OP Bank Group Central Cooperative is investment-grade.

Non-profit organisations accounted for less than 10 per cent of the total exposure. 56 per cent of the exposure of the customer group was investment-grade. The credit risk associated with non-profit organisation exposure can be considered very low because 80 per cent of the exposure is covered by collateral.

Exposure in public sector entities increased by €0.1 billion during the year. Notes and bonds made up more than 50 per cent of the €0.7 billion exposure in this customer group. 12 per cent of the €0.7 billion exposure was in foreign public entities. More than 90 per cent of the exposure in public sector entities has the class-1 rating.

The sale of Okopankki affected the amount of private customer exposure significantly. The share of target collateral products from private customer exposure exceeded 90 per cent. The credit risk is diversified on the basis of the large number of customers. Less than 10 per cent of private customer exposure was such that the exposure exceeded €50,000. 64 per cent of the private customer exposure was covered with collateral value, hence the credit risk directed to private customers can be considered low.

Collateral

Receivables from financial and insurance institutions, member co-operative banks, the OP Bank Group Central Co-operative and public sector entities are generally not associated with collateral.

However, a substantial share of the credit risks arising from exposure in private customers and non-profit organisations is covered by collateral.

Collateral is used to reduce the credit risk associated with corporate customers with a rating clearly below investment grade.

When providing funding to companies with high ratings, covenants protecting the lender's position are actively used. Covenants are not collateral as such, but can be used to secure the preconditions for loan repayment. With regard to collateral associated with non-profit organisations, the share of guarantees granted by public sector entities was significant, slightly more than 60 per cent.

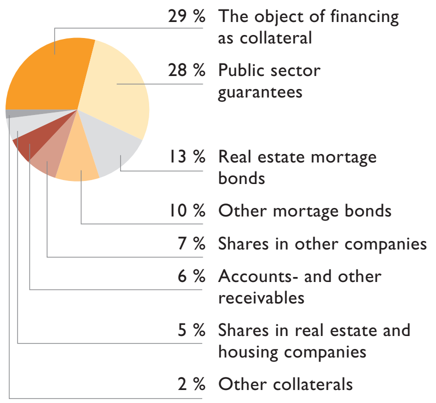
Collateral value refers to a percentage of the market value of a collateral object, determined by the type of collateral.

Significant Customer Exposure

Significant customer exposure refers to corporate and non-profit customers whose direct exposure exceeds 10 per cent of the Group's own funds. The Group's Own funds increased from €1,092 million to €1,339 million, or by 22.6 per cent.

The amount of significant customer exposure at the end of the year was €2.1 billion, which is €0.5 billion less than a year earlier. Significant customer exposure comprised 11 group customers, whose share of exposure from OKO Bank's own funds represented 158 per cent (238). More than 80 per cent of significant customer exposure was investment-grade.

Collateral Value by Collateral



Corporate Exposure

The credit ratings of corporate customers and the rating distribution of corporate exposure improved clearly during the year. The relative share of investment-grade corporate exposure in corporate exposure was 48 per cent, or almost seven percentage points higher than a year earlier.

The distribution of ratings is shown according to counterparty ratings. The collateral or guarantees received have not been taken into account.

Corporate Exposure by Credit Rating

€ million	31 Dec. 2005	31 Dec. 2004	Change
1–2	373	144	229
3–4	3 770	2 942	828
5–6	2 135	2 236	-99
7–8	1 718	1 163	553
9–10	328	341	-15
11–12	80	32	49
Non-rated	228	599	-371
Total	8 632	7 459	1 173

The growth in corporate exposure focused on investment-grade ratings 1–4 and 7–8.

The exposure of the two lowest ratings increased by €49 million due to the decrease of credit ratings, and they amounted to €80 million or 0.9 per cent of the corporate exposure. Companies in the foodstuffs, forestry and other industry sectors largely accounted for this exposure.

The amount of unclassified corporate exposure was €0.2 billion, or 3 per cent of the corporate exposure. The share of unclassified corporate exposure reduced significantly due to the increase in the covering of the rating. Unclassified customers' average exposure was less than €30,000.

The largest sector was the metal industry, the share of which increased by one percentage point to 15 per cent of corporate exposure during the year.

Three other sectors where exposure exceeded 10 per cent of corporate exposure were trade, the forest industry and the construction industry.

The largest euro increases were seen in the metal industry, energy production and trade sectors.

Corporate Exposure by Sector

€ million	31 Dec. 2005	31 Dec. 2004	Change
Metal industry	1 313	1 078	235
Trade	966	816	150
Forest industry	965	841	125
Construction	909	1 001	-92
Transport and traffic	683	573	110
Energy production	646	420	226
Other industry	557	469	88
Food industry	507	479	28
Management of other real estate	460	493	-33
Real-estate investment companies	420	291	129
Services	391	293	98
Telecommunications and electronics	330	241	90
Chemical industry	291	231	60
Communication and publishing	191	219	-28
Other sectors	3	14	-11
Total	8 632	7 459	1 173

The increase in corporate exposure originated in several different sectors, which further improved the extensive diversification of corporate exposure by industry.

Corporate exposure is also well diversified in terms of amounts of exposure.

Distribution of Corporate Exposure According to the Amount of the Customer's Exposure

The amount of exposure, € million	€ billion	%
0–1	1.2	13
1–10	1.5	17
10–50	2.1	24
50–100	2.4	27
100–	1.6	18
Total	8.6	100

Country Risk

The share of total exposure of foreign receivables was 12 per cent. Secondary country risk, excluding Finland, amounted to €2.6 billion at the end of the year; an increase of €0.6 billion from the previous year. The majority of country risk consisted of deposits in foreign banks and investments in foreign notes and bonds. Viewed by region, the majority of country risk originated in the EU countries; countries outside the EU accounted for 21 per cent of the country risk.

During the year, the country risk increased in country risk categories 1, 2 and 3. The increase in category 3 was almost solely caused by Russia, which transferred from country risk category 4 to 3 as a result of the improvement of its credit rating. Of the countries in country risk category 2, the Cayman Islands had the biggest country risk, €71 million. Country risk in category 4 consisted of 11 countries. The greatest country risks in category 4 were associated with Turkey, Iran and Brazil.

Secondary Country Risk by Country Risk Group, € million

Country risk group	Moody's	31 Dec. 2005	31 Dec. 2004	Change, € million
Group 1	Aaa	2 297	1 774	523
Group 2	Aa1 – A3	138	98	40
Group 3	Baa1 – Baa3	53	8	44
Group 4	Ba1 – B3	116	114	2
Group 5	Caa1 – C	5	5	0
Total		2 608	1 999	609

Past Due Payments and Non-Performing Loans

Past due payments increased by €3 million to €10 million and represented 0.1 per cent of the total loan and guarantee portfolio, the same propotion as a year earlier.

Problem receivables, or non-performing and interest-free receivables increased by €8 million to €21 million. In spite of the growth of problem receivables, their share of the loan and guarantee portfolio still remained low, or 0.3 per cent (0.2 per cent the previous year).

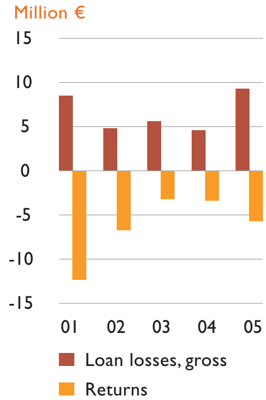
Non-performing Receivables

€ million	31 Dec. 2005	31 Dec. 2004	Change
Non-performing and interest-free receivables	21	13	8
%, of loan and guarantee portfolio	0.3	0.2	0.1
Impairment losses	25	23	2

Impairment losses that reduce receivables amounted to €25million at the end of the year (€23). €3 million of the impairment losses related to different receivable groups. €16 million (€12) of these involved non-performing receivables.

A total of €9 million (€5) of new loan and guarantee losses and impairment losses were booked. The total amount of loan loss recoveries and adjustments of specific impairment losses was €6 million (€3). The net impact of loan and guarantee losses and impairment losses on earnings was €3 million (€1).

Development of Loan and Impairment Losses



In 2005, the share of loan and guarantee losses and impairment losses from the loan and guarantee portfolio was 0.04 per cent (0.01).

Estimates of the Development of Credit Risk Position

This year, the amount of loan losses and impairment losses is anticipated to remain minor in relation to the loan and guarantee portfolio, if no sudden changes take place in the operating environment or the financial situation of customers. This forecast is based on the small number of non-performing receivables, and the moderate credit risk level in terms of total exposure.

Market Risk Exposure

Market risks accounted for 8 per cent (6) of the risk-weighted items at the end of the year. The growth was attributable to the increase in the amount of receivable certificates. Market risks remained at a moderate level the whole year.

Interest rate risk was kept moderate during 2005 both in trading and treasury. 98 per cent of the interest rate risk was in euro at the end of the year.

The market value of equity and venture capital funds was €80 million (84) at the end of the year, of which the equity portfolio formed €27 million, OMX shares €18 million and the venture capital funds with their investment commitments €35 million. The three proportionally largest industries in the equity portfolio were: basic industry 31 per cent, industrial products and services 13 per cent and community services 12 per cent.

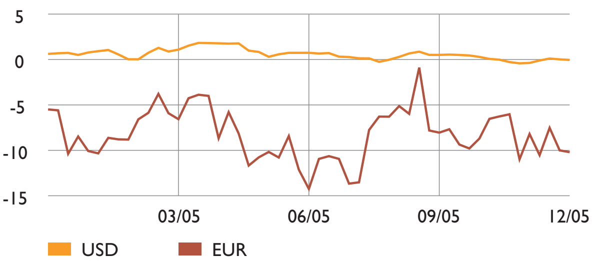
Investments in venture capital funds totalled €18.7 million (20.2), and binding unexecuted investment commitments €16.1 million (15.8).

OKO Bank's overnight currency exposure and the involved risks remained low throughout the year. At the turn of the year, net currency exposure amounted to €5.5 million. The currency trading focused mainly on intraday trading.

Market risks arising from the issuance of structured bonds were covered by derivative contracts corresponding to the earnings structure of the bonds. The volumes of option business increased, particularly with regard to interest rate options, but open option positions were kept minor.

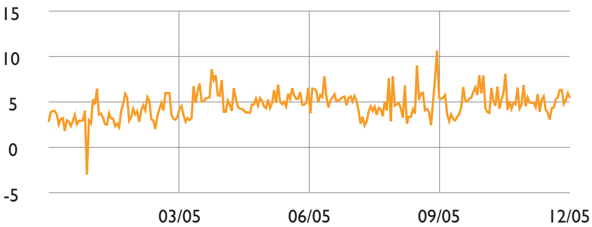
EUR and USD -domiated Interest Rate Risk of Banking and Investment Services

Million €



Overall Net Foreign Currency Exposure of Banking and Investment Services

Million €



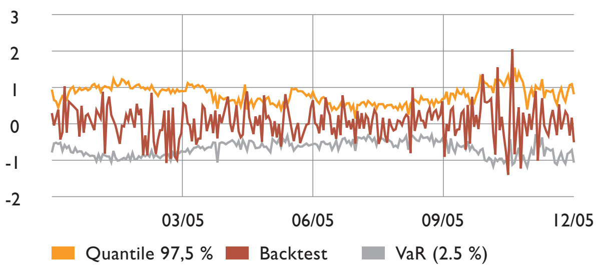
Market Risk Position

€ million	31 Dec. 2005	31 Dec. 2004
Interest rate risk *)	10.4	7.8
of which Treasury	10.7	9.7
Market value of the equity portfolio	26.6	32.6
OMX shares	18.5	15.1
Venture capital funds	34.8	36
Net currency exposure	5.5	3.6

*) The effect of a 1 percentage point change on the current values of cash flows (the aggregate absolute values of currencies)

The VaR of Banking and Investment Services2005

Million €



Overall currency risk exposure, including interest rate, currency and share risks, totalled € -0.7 million on average during 2005.

Derivatives

The derivatives have been specified according to their use in the attached information FAS 21 and IFRS 62 of the financial statement.

The amount of interest rate swaps made with the intention of providing protection, and the amounts of interest rate and currency swaps reduced during 2005. The amounts of equity, commodity and credit derivatives used to hedge the additional earnings linked to structured bonds increased following the issue of new bonds.

In trading operations, the significant growth in the volume of interest rate swaps and interest options was attributable to increased customer demand. In addition, the use of interest rate futures and forward exchanges increased. Trading in credit derivatives was low during 2005.

The credit counter-values of derivative contracts increased from €234 million to €380 million.

Credit Support Annex (CSA) agreements were signed with the most important counterparties in order to reduce the counterparty risk in OTC derivatives trading. The CSA agreement defines the contracting parties' obligations to supply collateral for covering open position risk.

Funding Risk

The maturity distribution of the balance sheet items, based on the remaining exercise period, has been presented in the attached information FAS 35 and IFRS 51 of the financial statement.

The increase in the balance sheet total of the Banking and Investment Services of €1.7 billion to €18.1 billion was mostly funded by debt securities. OKO Bank issued bonds to a total value of €2.6 billion in 2005, most of these with two- to three- year maturity. As a result of increased long-term funding, the share of debt securities increased from 37 per cent to 50 per cent of total funding.

A total of €300 million of subordinated loans were issued, of which €150 million of Tier 1 loans and €150 million of Tier 2 loans.

Structure of Funding, € million

	31 Dec. 2005	%	31 Dec. 2004	%
Liabilities to				
financial institutions	2 028	11	1 181	7
Liabilities to OP				
Bank Group	1 536	8	3 129	19
Financial liabilities				
held for trading	4	0	0	0
Derivatives	123	1	99	1
Liabilities to customers	2 066	11	4 072	25
Deposits	497	3	2 409	15
Other	1 569	9	1 663	10
Certificates of	9 121	50	6 103	37
deposit,	4 708	26	2 838	17
commercial papers				
and ECPs	4 413	24	3 265	20
Liabilities, deferred expenses				
and deferred taxes	750	4	666	4
Other liabilities				
Subordinated liabilities	755	4	462	3
Equity capital	1 750	10	777	5
Total	18 133		16 489	

The cash reserve deposit system of the OP Bank Group was abolished in November, thus the cash reserve deposits were repaid to the member cooperative banks. The member cooperative banks used the funds for premature repayment of financing credit drawn from OKO Bank. The debts to the member cooperative banks decreased from 19 per cent to 8 per cent. The significance of public deposits in funding grew smaller as their share decreased from 15 per cent to 3 per cent due to the sale of Retail banking.

OKO Bank's CD and Euro CP's Issue Volume by Buyer Group

€ million	31 Dec. 2005	31 Dec. 2004	Change, € million	Change, %
CD's and ECP's issued	4 413	3 265	1 148	35
- to banks	2 443	1 884	559	30
- to corporates	1 357	1 239	118	10
- to other customers	613	142	471	332

The principal funding currency is euro. Long-term bonds have also been issued in USD and to a smaller extent in Japanese Yen and other currencies. The exchange rate risk of debts in currency has been protected with interest rate and exchange swaps.

Receivables in liquidity reserves amounted to €4,115 million (3,363) at the end of the year, of which €1,400 million (959) was the guarantee for the liquidity credit from the Bank of Finland.

Real Estate Risk

Capital invested in real estate holdings amounted to €48 million (134) at the end of 2005, with properties in own use representing €4 million (45). In addition, holdings in real estate investment companies totalled €20 million (24).

The most significant real estates sold in 2005 were: Arkadiankatu 23, Dagmarinkatu 14 and Lahden Trio.

Net yield of the real estate investments was 6.6 per cent (6.1). In 2005, estimates for the current value of the real estates were acquired from an outside party, on the basis of which the aggregate amount represents the capital invested in the real estates. Real estate risks are expected to be low.

Operative Risk

We focused on reducing the most significant risks, recognised in connection with risk mappings, in operative exposure control.

The realisation of the risks is followed by compiling statistics on the damage caused by operative exposure.

The impaired earnings of the operative risks amounted to €0.2 million (0.6).

RISK POSITION OF INSURANCE OPERATIONS

The following is an analysis of the risk position of insurance operations after the disposals related to the restructuring process.

Risk Carrying Capacity

The solvency capital of Non-life Insurance at the end of 2005 totalled €836 million and the solvency ratio was 112 per cent. The Pohjola Board of Directors has set the credit rating class A as the target for Non-life Insurance. The insurance financial strength rating affirmed by Standard & Poor's for Pohjola Non-Life is A+ (19 October 2005).

The risk carrying capacity describes the amount of solvency capital which a company has in proportion to different profit and balance sheet items. Solvency capital proportioned to claims incurred and insurance premium revenue describes the company's ability to cope with underwriting risks. Solvency capital proportioned to insurance contract liabilities describes the company's ability to cope with errors in the estimation of insurance contract liabilities. Correspondingly, solvency capital proportioned to the investment portfolio describes the company's ability to cope with the risks related to investments.

	2005 € million	Risk carrying capacity %	2004 € million	Risk carrying capacity %
Solvency capital	836	-	670	-
Claims incurred*	532	157	453	148
Insurance premium revenue*	744	112**	643	104**
Insurance contract liabilities*	1 811	46	1 734	39
Investment portfolio	2 515	33	2 346	29

* Net of reinsurers' share (net business)

** Solvency ratio

Insurance Risk Position

The reinsurance of Non-life Insurance has been arranged on a centralised basis. Retention in risk-specific reinsurance is a maximum of €5 million and retention in catastrophe reinsurance cover €7.5 million.

The risk in property insurance can be described by estimated maximum loss (EML) defined for each object of insurance. The EML profile of an insurance portfolio indicates the amount of large risks which an insurance company has insured.

Premiums Written (Gross) by EML Class

Corporate Property Insurance

€ million	Under 5	5–20	20–50	50–100	100–300
2005	31	11	10	8	1
2004	29	7	11	10	2

In property and business interruption insurance, the insurance premium volume has risen especially for the smallest risks to be reinsured.

The risk in liability insurance is described by the total sum insured (TSI).

Premiums Written (Gross) by TSI Class

Corporate Liability Insurance

€ million	Under 2	2–4	4–10	10–30	30–90
2005	7	1	3	7	1
2004	9	1	4	2	1

Guarantee insurance comprises issue of contract guarantee, loan guarantee and statutory decennial (construction defects) insurance contracts. The liability amounts are as follows:

Liability Amounts in Guarantee and Decennial Insurance

€ million	Gross 2005	Gross 2004	Net* 2005	Net* 2004
Contract guarantees	107	116	106	114
Loan guarantees	95	92	95	92
Other	12	9	10	8
Total	213	218	211	214
Decennial insurance	848	620	680	452

* For insurance company's own account, net of reinsurers' share and counter guarantee

Decennial insurance has been on the market only for six years and the liability period is ten years. Therefore, the amount of liability in decennial insurance has grown and will continue to grow because all policies issued so far are still in force.

A large part of insurance contract liabilities in Non-life Insurance consists of annuities. Estimated mortality has an impact on the insurance contract liabilities arising from annuities. A decrease in mortality increases insurance contract liabilities. The table on the next page describes the effect of mortality on insurance contract liabilities and on the combined ratio.

Normal variation in business entails variations in the level of profits and solvency capital.
The table on the next page describes the effect of different risk parameters on profit and solvency capital.

Major losses have a material impact on variations in profit. The number and amount of losses vary annually. The table below shows the number and claims expenditure of detected major losses (in excess of €2 million) by year of detection and the combined claims expenditure over a period of five years.

Major losses

	2001 Number of losses	2002 Number of losses	2003 Number of losses	2004 Number of losses	2005 Number of losses	2001–2005 €million
Losses of €2–5 million:						
Gross business	2	6	4	6	6	70
Net business	2	3	4	2	6	55
Losses exceeding €5 million:						
Gross business	2	1	0	0	1	51
Net business	1	1	0	0	1	19

Total discounted insurance contract liabilities, € million	2005 1 172	2004 1 103
Effect of increase in longevity by a year		
On insurance contract liabilities	Increases by €27 million	Increases by €25 million
On combined ratio	Deteriorates by 3 %-points	Deteriorates by4 %-points

Risk parameter	Total in 2005 € million	Change in risk parameter	Effect on profit / solvency capital, € million	Effect on combined ratio
Insurance portfolio or premiums written	744	Increases by 1%	+ 7	Improves by 1 %-point
Claims incurred	532	Increases by 1%	-5	Deteriorates by 1 %-point
Major loss		1 major loss	-5	Deteriorates by 1 %-point
Staff expenses	95	Increases by 8%	-8	Deteriorates by 1 %-point
Expenses by function*	202	Increases by 4%	-8	Deteriorates by 1 %-point

* Expenses by function in Non-life Insurance excluding expenses for investment management and expenses for other services rendered

An outbreak of a pandemic would affect the financial position of Non-life Insurance through claims incurred and investment income, as claims expenditure in health and travel insurance would increase. Death cases could decrease the insurance contract liabilities for annuities in statutory lines of insurance.

When assessing the financial consequences of a pandemic, the following assumptions have been made for the whole of Finland: 1,000,000 people would fall ill, 100,000 people would need medical care and 10,000 people would die. Based on these assumptions, the claims expenditure at Pohjola is estimated to increase by €20 million. The impact of changes in share prices and interest rates on investments has been described in greater detail in the sensitivity tables for investments.

Investment Risk Position

The investment portfolio of Non-life Insurance (as per the allocation table) totalled €2 562 million at the end of 2005, compared to €2 382 million a year earlier. The investment portfolio includes both the insurance contract liabilities and the investments covering the solvency capital. The largest asset class in 2005 consisted of bonds, which accounted for 70 per cent of the investment portfolio of Non-life Insurance. Compared to the previous year, the proportion of bonds increased by nearly 10 percentage points when money-market instruments were allocated to bonds. The proportion of shares was reduced by around four percentage points to 16 per cent.

Return on the investment portfolio was good. In 2005, share prices rose and long-term interest rates fell, as a result of which return on investments was 8.5 per cent, compared to 8.7 per cent in 2004. Return on investments exceeded the expected long-term return requirement by three percentage points.

In addition, Pohjola Group Plc has an investment portfolio of €131 million not included in Non-life Insurance and consisting of €78 million in money-market instruments, €52 million in shares and €1 million in properties.

The table below describes the sensitivity of investment risks and their effect on solvency capital.

	Portfolio at fair values, € million		Risk parameter	Change	Effect on solvency capital, € million	
Non-life Insurance	**31 Dec. 2005**	**31 Dec. 2004**			**31 Dec. 2005**	**31 Dec. 2004**
Bonds and bond funds [1]	1 813	1 451	Interest rate	1 %-point	96	74
Shares [2]	448	492	Market rate	10%	45	49
Business premises [3]	43	45	Continuous income	+1 %-point	-4	-5
			requirement	-1 %-point	5	6

[1] Includes convertible bonds and derivatives
[2] Includes absolute return funds and commodities investments
[3] Premises leased to parties outside the group of companies

Allocation of Investment Portfolio

	Fair value 2005, € million*	%	Fair value 2004, € million*	%
Total money market	213	8	284	12
Money-market instruments and deposits **	220	9	284	12
Derivative instruments***	-7	0	-	-
Bonds and bond funds in total	1 788	70	1 438	60
Governments	1 224	48	1 112	47
Investment Grade	476	19	299	13
Emerging markets and High Yield	81	3	27	1
Derivative instruments***	7	0	-	-
Shares in total	407	16	470	20
Finland	112	4	177	7
Developed markets	150	6	163	7
Emerging markets	24	1	13	1
Unlisted shares	26	1	30	1
Private equity investments	95	4	87	4
Alternative investments in total	65	3	35	1
Absolute return funds	22	1	20	1
Commodities	18	1	3	0
Convertible bonds	25	1	13	1
Properties	88	3	154	6
Total	2 562	100	2 382	100

* Includes accrued interest income
** Includes settlement receivables and liabilities and market value of derivatives €+11.5 million (€+5.5 million in 2004)
*** Effect of derivatives on allocation of asset classes (delta counter value)

Equity Risk and Alternative Investments

The equity portfolio is well diversified. The largest single investments are investments of €12.3 million in Sanoma-WSOY and of €12.3 million in Rakentajain Konevuokraamo.

The proportion of commodities investments in the alternative investments portfolio was somewhat increased.

Credit Risk

The average credit rating of the fixed-income portfolio of Non-life Insurance in accordance with Standard & Poor's was AA, which was almost the same as a year earlier. The credit risk of the bond portfolio in Non-life Insurance is fairly conservative. In order to obtain extra return, loans under investment level were increased by around €50 million in the portfolio, but they still account for a small portion, less than 4 per cent, in the fixed-income portfolio. The portion of non-rated investments in the fixed-income portfolio was around 10 per cent, most of them consisting of money-market investments in domestic companies.

Credit rating distribution,

€ million*	2005	2004
AAA	975	1 013
AA	349	252
A	296	198
BBB	158	120
High Yield	75	25
Not Rated	214	177
Total	2 069	1 785

* Includes money-market instruments and deposits, bonds and bond funds, and reinsurance contract assets.

Duration of Fixed-income Portfolio and Insurance Contract Liabilities

At the end of 2005, the duration of the fixed-income portfolio in Non-life Insurance, i.e. the average duration of the cash flows from interest-bearing instruments, was 4.8 years. The fixed-income portfolio includes both bonds and money-market investments. Duration lengthened in 2005 by around six months but was still shorter than the duration of insurance contract liabilities. The current interest rate of the fixed-income portfolio at the turn of the year was 3.4 per cent.

Fair value as per duration or repricing date, € million	2005	2004
0-1 year	266	381
1-3 years	411	268
3-5 years	379	421
5-7 years	337	225
7-10 years	305	140
>10 years	292	281
Total	1 990	1 716
Duration	4.8	4.3
Effective interest rate, %	3.4	3.1

Of the insurance contract liabilities, €1 172 million has been discounted applying a discount rate of 3.3 per cent. The duration of the insurance contract liabilities is 11 years. The rest of the insurance contract liabilities (€639 million) are undiscounted and their duration is 1.7 years. In accordance with Finnish legislation, short-term insurance contract liabilities (duration of less than 4 years) must not be discounted in separate financial statements.

Sensitivity of discounted insurance contract liabilities to changes in discount rate	2005	2004
Total discounted insurance contract liabilities € million	1 172	1 103
Decrease in discount rate by 0.1 %-point		
Increases insurance contract liabilities, € million	13	11
Deteriorates combined ratio	2 %-points	2 %-points

Currency Risk

The open currency position in Non-life Insurance was €54 million or somewhat more than 2 per cent of the investment portfolio. The open currency risk was small compared to the solvency capital and the limit set by the authorities, which is 20 per cent of the insurance contract liabilities, i.e. around €400 million. The largest open currency position was in US dollars.

Currency position, € million	2005	2004
USD	39	12
SEK	10	-
JPY	7	2
GBP	6	17
Other*	-8	4
Total	54	35

*The group 'Other' includes €-10 million in EEK and LTL-denominated insurance contract liabilities covered in euros.

CHANGES IN GROUP STRUCTURE

In February, OKO Bank sold its holding in Automatia Pankkiautomaatit Oy. Toimiraha Oy was dissolved in June. Automatia Pankkiautomaatit and Toimiraha used to be associated companies included in the consolidated financial statements. OKO Bank owned one-third of both companies. The sale of Automatia shares had an effect of €0.3 million on consolidated earnings, while the dissolution of Toimiraha had no earnings effect.

In June, OKO Bank sold the stock of the real estate companies Kiinteistö Oy Arkadiankatu 23 and Kiinteistö Oy Dagmarinkatu 14, which were previously included in the consolidated financial statements. Approximately €2.7 million of capital gains were recognised in the Group on the sales of these shares. In September, OKO Bank sold its holding in the stock of Kiinteistö Oy Lahden Trio. The company used to be an associated company included in the consolidated financial statements. Approximately €2.5 million of capital gains were recognised on the sales of its shares.

In July, the name of the subsidiary OP-Sijoitus Oy, fully owned by OKO Bank, was changed to OKO Capital East Ltd. ZAO OKO Capital Vostok was established as its subsidiary. The domicile of the last-mentioned company is Moscow. The company offers services related to corporate arrangements and structured financing to Finnish companies in Russia. The OKO Capital East Subgroup has been consolidated with the OKO Bank Group since October.

In September, OKO Bank sold its 100 per cent holding in Okopankki Oyj to the OP Bank Group Central Cooperative for €325 million as part of the financing for the Pohjola transaction. The transaction was confirmed on October 18, 2005, when regulatory approvals were obtained for the Pohjola transaction. Okopankki was included in the consolidated financial statements until October 31, 2005. Capital gains of €153 million were recognised in the Group for the sale of Okopankki.

As a consequence of the sale of Okopankki shares, OKO Bank Group's holding in OP-Kotipankki Oyj decreased to 16.9 per cent of the shares and 8.9 per cent of the voting rights. This means that OP-Kotipankki is no longer an affiliate of OKO Bank and its share of profit will not be consolidated with the Group as of November 1, 2005. The consolidated share of profit of OP-Kotipankki in the OKO Bank Group was minor.

On October 18, 2005, Pohjola became a subsidiary of OKO Bank. On the balance sheet date, OKO Bank owned 86.3 per cent of Pohjola's shares and the book value of the shares was about €1.8 billion. Pohjola's earnings have been included in the consolidated income statement since the beginning of November. The consolidated earnings for the November–December period were €15 million.

In December, OKO Corporate Finance Ltd was established as OKO Bank's subsidiary, to which it is intended to transfer those of Opstock Ltd's Corporate Finance operations in which it engages in Finland as part of the rearrangement of OKO Bank Group's Investment Banking operations.

Just before year-end, Pohjola sold its 100 per cent holding in Pohjola Fund Management Company Ltd to the OP Bank Group Central Cooperative for €73 million and Pohjolan Systeemipalvelu Oy for €13 million. These transactions did not have an effect on the financial performance of the OKO Bank Group.

POST-FISCAL EVENTS

The redemption offer for Pohjola's remaining shares and the use of the redemption right has been accounted for in the section "Acquisition of Pohjola's shares" of this report.

According to what was announced in September, Pohjola sold Pohjola Life Insurance Company Ltd to the OP Bank Group Central Cooperative for €281 million on January 16, 2006. This transaction did not have an effect on the financial performance of OKO Bank Group. On the same day, Pohjola sold Pohjola Asset Management Ltd to OKO Bank for €118.5 million. The sale is part of the rearrangement of the investment service operations of the OKO Bank Group.

Pohjola's Extraordinary General Meeting held on January 19, 2006 approved the above-mentioned transactions.

The asset management operations of Opstock Ltd will be transferred to Pohjola Asset Management Ltd by a business operations transfer at the end of February, and the Corporate Finance operations to OKO Corporate Finance Ltd during the spring. Opstock Ltd, which only engages in securities brokerage after the business operations transfers, will be merged with its parent company, OKO Bank. The agreement on merger was signed on February 14, 2006. According to plan, the merger will enter into force at the end of September.

TRANSITION TO IFRS REPORTING

OKO Bank Group made the transition from Finnish accounting standards (FAS) to the international IFRS standard on January 1, 2005. The date of transition to the IFRS standard was January 1, 2004, although standards IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation) were adopted only on January 1, 2005.

The transition to IFRS reporting changed the accounting principles and financial statements. The most significant effects of the transition to IFRS were associated with defined-benefit pension plans (IAS 19, Employee Benefits); changes to the management of investment properties, which were due to the fair valuation of investments (IAS 40, Investment Properties); and changes to the method of combining mutual real estate companies (IAS 16, Property, Plant and Equipment, and IAS 31, Interests in Joint Ventures). Other adjustments had a negligible effect.

TRANSITION TO THE NEW CAPITAL ADEQUACY REGIME

In June 2004, the Basel Committee on Banking Supervision published the final version of the new recommendations on a framework for the calculation and supervision of the capital adequacy of credit institutions. The new capital adequacy directive based on the Basel recommendation was approved by the European Parliament and Council of Ministers in autumn 2005. 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 each 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 covering credit risk can be calculated according to the credit rating assigned by a bank or an external party. The new Framework furthermore sets a minimum capital requirement for operational risks.

OKO Bank Group's Preparations for the Reform

The starting point for the OKO 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, OKO Bank Group's Executive Board set out the 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 basic method for internal ratings and the capital requirement for operational risks by the standard method. The capital requirement for market risks will be calculated according to the standard method, as it is at present.

In February 2005, OKO Bank's Executive Board confirmed the previously formulated policy lines concerning the methods to be introduced and decided that the Bank would make use of the transitional provisions for the capital adequacy reform. OKO Bank will go over stage by stage to the 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 internal ratings-based approach as from the beginning of 2008.

OKO Bank participates in the OP Bank Group's capital adquacy project, which aims at ensuring that the Group and its member credit institutions fulfill the requirements of the new framework on given time. During 2005, preparations for the capital adequacy reform have continued. The main actions carried out during the year have been related to the information systems required by the reform, the development of credit risk models as well as to the expansion of credit ratings. In addition, the capital management process and the assessment methods of operative risks have been developed.

PROSPECTS OF THE GROUP

In 2006, the operating environment of Banking and Investment Services is estimated to remain as it was last year. The annual growth of the corporate credit market is estimated to continue at the same level. The interest rate level is expected to remain low, which will support the demand for loans. The financial situation of companies is expected to remain good. Competition will continue to be intense, but lending margins are no longer expected to decrease. However, competition may decrease the service fees.

The development of the equity and fixed income markets will have a significant effect on the earnings of capital market operations and Treasury. The rise in share prices is estimated to slow down. Investing in mutual funds is expected to remain popular, which will increase the amount of assets under management. The growth of lending of the OP Bank Group retail banks is expected to exceed the growth of deposits, which will increase the banks' funding need from OKO Bank.

OKO Bank's corporate loan portfolio is expected to continue to grow faster than the market. The objective is also to increase commissions and fees significantly, both in corporate banking and capital market operations and asset management, and deal with the control of growing of expenses. The risk situation will seemingly continue to be good, and the amount of loan losses is not expected to grow significantly. In 2006, the asset management operations of Pohjola and OKO Bank will be integrated, which will reinforce OKO Bank's position as an asset manager.

In 2006, the Retail Banking sold in the autumn of last year is no longer included in OKO Bank's Banking and Investment Services. The earnings of the Banking and Investment Services adjusted with the earnings of Retail Banking amounted to €137 million in 2005. The corresponding earnings before tax are expected to be at least at the same level in 2006 as in 2005.

Demand for Non-life Insurance cover is expected to increase by a growing number of storms and other natural catastrophes. Premiums written per capita from voluntary insurance policies in Finland and the Baltic States are still low compared with other neighbouring markets, which supports the growth in demand for protection and well-being services. Price competition is expected to remain unchanged. Developments in equity and bond markets will have a major impact on investment income in Non-life Insurance.

Cooperation with the other parts of the OP Bank Group will open up new opportunities for Pohjola especially to increase the number of household customers. Because of the changes in reserving bases last year and the rate decreases in statutory workers' compensation insurance effective as of 2006, the growth in insurance premium revenue is expected to remain at 2 to 4 per cent this year. Comparable growth in insurance premium revenue is forecast to exceed the GDP in 2006, as in the previous year. Operating expenses will increase because of the implementation of new basic systems, when maintenance and application costs and depreciation expenses increase before the retirement of old systems from production. The combined ratio is forecast at 90.0 to 95.0 per cent before amortisation of intangible assets. The effect which the unwinding of discount of insurance contract liabilities will have on profits is estimated to be about the same as in 2005.

The 2006 equity allocation target in Non-life Insurance is set at around 14 per cent. The overall return on the investment portfolio is expected to be less in 2006 than in 2005. The amount of realised gains and losses on disposals will have an impact on investment income in the income statement. However, it has no effect on the amount of equity capital. In OKO Bank Group, the date of acquisition of the Pohjola investment portfolio was October 31, 2005, from which date Pohjola has been included in the consolidated accounts of the OKO Bank Group.

The financing costs for the acquisition of the Pohjola shares and amortisation of intangible assets will burden the OKO Bank Group's profits for 2006 by around €50 million in total.

The management of the Group has no influence on the general operating environment of business. However, the management may influence the effects of interest rate changes and the equity market on investments and trading by investing assets securely and diversifying risks and by taking care of the professional skill of its personnel and effective risk management. In addition, the management may influence the appropriate pricing of customer-specific risk and due to it the financial performance of the Group.

All of the forecasts and estimates presented in this report are based on the current understanding of the financial development of the Group and its different operations; actual performance may vary significantly.

JOINT RESPONSIBILITY

OKO Bank is a subsidiary of the OP Bank Group Central Cooperative, which is based on the OP Bank Group's co-operation model. The Central Cooperative with its subsidiaries and 238 member cooperative banks form the amalgamation of the cooperative banks. Under the co-operation model, the resources of the OP Bank Group serve as a safety net for all the member banks because under the Cooperative Bank Act (Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative), the Central Cooperative and its member credit institutions are jointly responsible for one another's liabilities and commitments which cannot be met from the funds of the Central Cooperative or one member credit institution. If a member credit institution's own funds are depleted by losses such that its operations cannot be sustained, the Central Institution of the amalgamation, the OP Bank Group Central Cooperative, has the right to collect supplementary payments from the member credit institutions in proportion to their most recently confirmed balance sheets.

The Central Cooperative has an obligation to issue the member credit institutions instructions on safeguarding their activities, liquidity, capital adequacy and risk management. Furthermore, the Central Cooperative issues instructions on accounting principles and oversees the banks' operations. The monitoring task is supported by continuous inspections carried out by the Internal Audit.

DEPOSIT AND INVESTOR PROTECTION

According to the legislation concerning the Deposit Guarantee Fund the deposit banks must belong to the Deposit Guarantee Fund. In respect of deposit guarantee the deposit banks belonging to the OP Bank Group are considered as a single bank and depositors' claims on the member banks of the OP Bank Group are compensated from the Deposit Guarantee Fund up to a maximum amount of €25,000. The deposit banks within the OP Bank Group are the member cooperative banks, OKO Bank, Okopankki Oyj and OP-Kotipankki Oyj.

OKO Bank and its subsidiary Opstock Ltd belong to the Investor Compensation Fund. The Compensation Fund safeguards the payment of investors' uncontested and due receivables in the event that the investment service company or credit institution is not able, owing to a reason other than temporary insolvency, to pay the investors' receivables within a certain period. An investor is paid 90 per cent of his receivable, up to a maximum of €20,000. The Compensation Fund does not compensate losses due to a fall in share prices or incorrect investment decisions. The Compensation Fund only compensates the receivables of non-professional investors.

THE PARENT BANK OKO BANK

Share Capital and Share Series

OKO Bank's shares are divided into Series A and K. Series A shares are intended for the general public and are quoted on the Helsinki Stock Exchange, whereas the ownership of series K shares is restricted to companies and entities that are part of the OP Bank Group. The share series also differ in other respects: At shareholders' meetings, Series A shares entitle their holders to one vote while Series K shares carry five votes each. Furthermore, Series A shares entitle their holders to an annual dividend that is at least one percentage point higher than the dividend paid on Series K shares. At the end of the year, there were a total of 201 million shares. The amount of Series A shares was 157 million shares, or 78.1 per cent of all shares.

On October 14, 2005, the Extraordinary General Meeting decided on increasing the share capital through a new share issue according to the Executive Board's proposal, as part of the financing of the Pohjola transaction. The new shares were primarily offered for subscription by the company's shareholders so that one Series A or K share entitled to subscription of one corresponding new share. The subscription price was €7.20 per share. In the share issue all the shares offered, just over 100 million, were subscribed. The increase in the share capital of €211.5 million was registered with the Trade Register on November 23, 2005. In addition, €512.7 million were recorded in the share premium account.

The Extraordinary General Meeting also decided to change the terms and conditions of OKO Bank's option scheme of 1999 in order to ensure the equality of shareholders and owners of stock option rights so that one stock option right entitles to subscription of four Series A shares instead of the earlier two shares. The Executive Board decided that the subscription price of a share is €4.6525.

Slightly less than 2.6 million shares were registered of the Series A shares subscribed by stock option rights. The registrations raised OKO Bank's share capital by €5.4 million. In addition, slightly over €0.5 million was recorded in the share premium fund. The 468,200 million shares subscribed in November and December were registered with the Trade Register on January 12, 2006. All the above-mentioned shares entitle to full dividend for 2005. The subscription price of a share was €2.485 until April 5, 2005 and after that €2.105 until the share issue.

In accordance with the conversion clause in OKO Bank's Articles of Association, the member cooperative banks converted 83,600 Series K shares into an equivalent number of Series A shares. The share conversion did not have an effect on the share capital, the amount of which increased by a total of €217 million to €423 million in the year under review.

At year-end, OKO bank had no own shares and the General Meeting has not given an authorisation to acquire own shares.

The share series, share capital and increases in share capital registered in 2005 are described under Note 37 to the financial statements. The terms and conditions of the option-based personnel incentive programme and other long-term incentive systems, as well as the authorisations given to the Executive Board are explained in Note 37.

Shareholders

OKO had 29,713 registered shareholders at the end of the year. The number is some 3,800 higher than a year earlier. The majority of these or 28,100 were private individuals. The largest individual shareholder was OKO Bank's parent corporation, the OP Bank Group Central Cooperative, which held 30.2 per cent of all shares and 57 per cent of the votes. The share of nominee registered shares among Series A shares decreased by about two percentage points to 19.5 per cent.

Information regarding the breakdown of shareholdings is presented in Note 38 to the financial statements. The five-year time series for per-share key ratios are presented on page 30. In addition, the breakdown of share ownership as well as the share turnover and price trend of OKO Bank's A share are discussed in the Annual Report

Capital Adequacy

OKO Bank's capital adequacy ratio was 18.8 per cent (12.0) at the end of the year. Tier I ratio was 16.0 per cent (8.0). Own funds increased by €1,055 million. The increase was mainly due to the funds of € 724.2 million raised by the share issue. In addition, three new capital loans were issued of an aggregate amount of €150 million. Risk-weighted items increased by €2.5 billion, or 30 per cent.

Branch Offices and Representative Offices Abroad

OKO Bank has representative offices in St. Petersburg, Russia and in Tallinn, Estonia. The Bank has no branch offices abroad.

Administration

At the OKO Bank Annual General Meeting, held on March 31, 2005, the shareholders approved the Financial Statements of the year 2004 and discharged the members and deputy members of the Supervisory Board and the Executive Board, as well as the President from liability. In accordance with the proposal of the Executive Board, the shareholders approved the payment of a dividend totalling €0.53 on each Series A share and €0.50 on each Series K share.

In accordance with the Articles of Association, the shareholders elected new members to the Supervisory Board at the Annual General Meeting. At its meeting, held on the same day, the Supervisory Board re-elected Mr Seppo Penttinen as its chairman and likewise re-elected Mr Paavo Haapakoski as its vice-chairman. The members of the Supervisory Board are listed in the Annual Report. There is also a description of the Board's main duties.

The regular auditors elected were the firm of chartered public accountants KPMG Oy Ab and Mr Raimo Saarikivi, Authorised Public Accountant.

On October 14, 2005, the Extraordinary General Meeting decided to increase OKO Bank's share capital by a new share issue and to change the terms and conditions of the option scheme of 1999 in the way described above in the section "Share Capital and Share Series", in accordance with the proposal of the Executive Board. In addition, it decided on a change to OKO Bank's Articles of Association so that that a new paragraph, according to which the company may own and control shares and holdings in financing and insurance companies and other organisations, as well as engage in investment activities, be added to the "Line of Business" section.

Reform of Corporate Governance

OKO Bank's Executive Board initiated a survey of reforming the Bank's corporate governance in September 2004. The survey is based on the Corporate Governance recommendation for listed companies published in December 2003. The survey examined the possibility to abolish OKO Bank's Supervisory Board and replace the internal Board of Directors (Executive Board) with an external Board of Directors.

On April 15, 2005, an amendment to the Act on Cooperative Banks and Other Cooperative Credit Institutions was ratified. As a result of this, the Supervisory Board is no longer a mandatory body within OKO Bank. The Supervisory Board of the OP Bank Group Central Cooperative, the main owner of OKO Bank, decided on September 12, 2005 that the Central Cooperative will support the change of the administrative structure at the OKO Bank General Meeting to be held in spring so that the company's Supervisory Board be abolished and the internal Executive Board be replaced by an external Board of Directors. According to the plan, the new Board of Directors will be composed of ten members,

Executive Board

The tasks and composition of the Executive Board in accordance with the Articles of Association are discussed in the Annual Report, which also discloses the OKO Bank Series A shareholdings of the members and deputy members of the Executive Board as well as their share options.

The Chairman of the Executive Board and the CEO of the OP Bank Group, Mr Antti Tanskanen, has announced that he will retire as of the beginning of 2007.

Short-term and Long-term Incentives

OKO Bank Group applies short-term and long-term incentive systems.

Short-term incentives are based on the achievement of targets set for each year. The annual incentive systems are customised for each division. The total amounts of bonuses to be paid are based on the earnings of the divisions.

The long-term incentive system includes the stock option scheme that has been valid for five years and expires at the end of October 2006. A personnel fund has been established to replace the stock option scheme, and a new management incentive system with OKO Bank's shares paid out as bonuses has been confirmed. The incentives in both systems are based on the Bank's strategic targets. The incentive period in the personnel fund is 5 years and in the management system 3 years. Since the beginning of 2006 the management of Non-life Insurance operations has been associated with the management system. Strategic objectives of Non-life Insurance operations have been included in the meters of the system.

In the asset management company and OKO Corporate Finance Ltd the personnel has the possibility of becoming a shareholder in the company.

EXECUTIVE BOARD'S PROPOSAL FOR THE DISPOSAL OF DISTRIBUTABLE FUNDS

The equity of the parent bank OKO Bank on December 31, 2005 was €1,464,367,622.78 of which the distributable equity was €357,371,345.42.

The consolidated distributable equity on December 31, 2005 was €378,711,727.20.

The consolidated distributable equity does not restrict the dividend payout. At disposal of the Annual General Meeting is

	€
the profit for the financial year	264 773 424.28
profit brought forward	54 817 454.31
and non-restricted reserves	37 780 466.83
or a total of	357 371 345.42

It is proposed that the distributable funds of the parent bank be distributed as follows:

€0.60 on 157,638,808 Series A shares, or 94 583 284.80	
€0.57 on 44,006,352 Series K shares, or 25 083 620.64	119 666 905.44
Leaving in the parent bank's distributable equity capital	237 704 439.98
and in consolidated distributable equity capital	259 044 821.76

Helsinki, February 17, 2006

Antti Tanskanen

Reijo Karhinen

Mikael Silvennoinen
President

Erkki Böös

Timo Ritakallio

Heikki Vitie

Helena Walldén

FINANCIAL INDICATORS AND PER-SHARE RATIOS

Financial indicators for the OKO Bank Group

	2001	2002	2003	2004	2004	2005
	FAS	FAS	FAS	FAS	IFRS	IFRS
Return on equity, %	13.0	10.0	18.5	13.9	13.9	19.8
Return on assets, %	0.67	0.50	0.92	0.66	0.69	1.40
Capital adequacy, %	4.9	5.0	5.0	4.5	4.7	8.8
Average personnel	1 070	1 117	1 138	1 246	1 246	1 668
Cost/income ratio, %	51	56	45	56	51	58

Per-share ratios for the OKO Bank Group

	2001	2002	2003	2004	2004	2005
	FAS	FAS	FAS	FAS	IFRS	IFRS
Earnings per share €	0.65	0.52	1.03	0.81		
A-shares					0.86	1.96
K-shares					0.85	1.95
Earnings per share, diluted €	0.62	0.49	1.00	0.79		
A-shares					0.84	1.95
K-shares					0.83	1.93
Equity per share, €	5.15	5.27	5.93	5.84	6.15	8.76
Dividend per share, €	0.43	0.29	0.85	0.40	0.41	0.59*
Dividend payout ratio, %	64.6	55.2	82.4	50	47.5	30.3*
Effective dividend yield, % (OKO A)	7.8	5.2	12.2	5.1	5.1	5.1*
Price/earnings ratio	8.4	10.8	6.8	9.9	9.5	6.1
Share price development (OKO A)						
Average, €	5.19	6.04	5.95	7.31	7.31	10.19
Low, €	4.42	4.82	4.96	6.21	6.21	8.09
High,€	6.22	6.69	7.20	8.39	8.39	12.34
Year-end, €	5.48	5.62	7.04	8.11	8.11	11.86
Market capitalisation (OKO A),						
€ million	495.7	514.6	670.7	791.4	791.4	1864.0
Trading volume (OKO A)						
in thousands	13 514.3	24 494.6	22 539.5	55 304.5	55 304.5	79 279.4
as % of all shares	15.0	27.0	24.1	57.5	57.5	74.8
Total number of shares (all)						
Average during the						
fiscal period	120 065 384	120 065 384	122 020 971	124 552 885	124 552 885	136 048 529
At the end of fiscal period	120 065 384	120 065 384	123 745 174	126 009 771	126 009 771	201 176 960

Due to OKO Bank's share issue and the increase in share capital, entered in the Trade Register on November 23, 2005, the per-share key ratios have been adjusted retroactively by share issue ratio. In addition, the number of outstanding shares was doubled without changing the share capital pursuant to the decision made at Annual General Meeting of March 31, 2004. The amendment was entered to the Trade Register on April 30, 2004. The per-share key ratios have been adjusted retroactively.

* Executive Board's proposal: 0.60 for series A shares and 0.57 for series K shares.

CALCULATION OF FINANCIAL RATIOS

Return on equity, %

FAS:

$$\frac{\text{Operating profit/loss - taxes}}{\text{Equity capital + minority interests + voluntary provisions and the depreciation difference - imputed taxes due (at the beginning and end of the period)}} \times 100$$

IFRS:

$$\frac{\text{Profit for the period}}{\text{Shareholders' equity (average at the beginning and end of the period)}} \times 100$$

Return on assets, %

FAS:

$$\frac{\text{Operating profit/loss - taxes}}{\text{Average total assets (at the beginning and end of the period)}} \times 100$$

IFRS:

$$\frac{\text{Profit for the period}}{\text{Balance sheet total (average at the beginning and end of the period)}} \times 100$$

Equity/total assets ratio, %

FAS:

$$\frac{\text{Shareholders' equity + minority interest + voluntary reserves and excess depreciation less deferred taxes}}{\text{Balance sheet total}} \times 100$$

IFRS:

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total}} \times 100$$

Cost income ratio, %

FAS:

$$\frac{\text{Commission expenses + administrative expenses + depreciation + other operating expenses}}{\text{Net interest income + income from equity investments + commissions and fees + net income from securities transactions and foreign exchange dealing + other operating income}} \times 100$$

IFRS:

$$\frac{\text{Personnel costs + other administrative expenses + other operating expenses}}{\text{Net interest income + net income from non-life insurance + net income from life insurance + net commissions and fees + net trading income + net income from investments + other operating inctome}} \times 100$$

Earnings per share, €

FAS:

$$\frac{\text{Operating profit/loss -/+ the minority interest share of the profit for the financial period - taxes}}{\text{Share issue adjusted average number of shares during the financial period}}$$

IFRS: Profit adjusted by minority share of profit or loss / Adjusted number of shares on average during the report period

Earnings per share, diluted, € The denominator is the average share-issue adjusted number of shares during the period plus the number of shares which is obtained if all options are converted into shares. Subtracted from the figure thus obtained is the number of shares that can be obtained through the exercise of options multiplied by the share subscription price and divided by the average price of the share during the report period.

Equity per share, €

FAS: Equity capital and voluntary provisions and the depreciation difference - imputed taxes due and minority interest at the end of the financial period / Share issue adjusted number of shares at the end of the financial period.

IFRS: Equity attributable to equity holders of the parent at the end of the period / Average number of shares on the balance sheet date, adjusted for share issues

Dividend per share: Dividend distributed for the fiscal period / Adjusted number of shares on closing day

Dividend/earnings, %: Dividend per share / Earnings per share × 100

Effective dividend yield, %: Dividend/earnings / Share issue adjusted last share price of the fiscal period × 100

Price to earnings ratio (P/E): Share issue adjusted latest share price of the fiscal period / Earnings per share

Average price: Total share turnover in euros / Number of shares traded

Market capitalisation: Number of shares x latest share price on closing day

OKO BANK GROUP FINANCIAL STATEMENTS, IFRS

FINANCIAL STATEMENTS

Income Statement

€ million	Note	2005 Continued operations	2005 Discontinued operations	2005 Total	2004 Continued operations	2004 Discontinued operations	2004 Total	Change, %
Interest income	5	686	74	761	328	88	416	83
Interest expenses	5	600	18	618	248	21	269	
Net interest income		87	56	143	80	66	147	-3
Impairment losses on receivables	6	4	0	4	2	0	1	
Net interest income after impairment losses		83	56	139	79	66	145	-4
Net income from Non-life Insurance	7	69	0	69	-	-	-	
Net income from Life Insurance	8	0	-2	-2	-	-	-	
Net commissions and fees	9	71	25	96	63	23	85	13
Net trading income	10	16	0	16	2	0	2	
Net income from investments	11	18	0	19	31	1	31	-40
Other operating income	12	20	2	23	7	0	7	
Total income		278	82	360	181	90	271	33
Personnel costs	13	64	22	86	37	23	59	46
Other administrative expenses	14	54	18	72	32	17	49	46
Other operating expenses	15	41	11	52	21	9	31	70
Total expenses		159	52	211	90	49	139	51
Share of affiliate profits/losses		1	0	1	6	0	6	-79
Earnings before tax		120	30	150	98	40	138	9
Income tax	16	27	6	33	26	4	30	8
Capital gains from discontinued operations after tax	3	-	153	153	-	-	-	
Profit for the period		93	178	**271**	71	36	**108**	
Attributable to:								
Equity holders of the parent		89	178	267	70	36	107	
Minority interest		4	-	4	1	-	1	
Total		93	178	271	71	36	108	
Basic earnings per share, €								
Series A	17	0.65	1.31	1.96	0.57	0.29	0.86	
Series K	17	0.65	1.30	1.95	0.56	0.29	0.85	
Diluted earnings per share, €								
Series A	17	0.65	1.30	1.95	0.55	0.29	0.84	
Series K	17	0.64	1.29	1.93	0.55	0.28	0.83	

The figures for discontinued operations have been presented as eliminated.

Balance Sheet

€ million	Note	Dec. 31, 2005	Dec. 31, 2004	Change, %
Liquid assets	18	479	297	61
Receivables from financial institutions	19	4 617	3 548	30
Financial assets for trading	20	3 692	3 085	20
Derivative contracts	21	123	93	32
Receivables from customers	22	6 755	8 664	-22
Assets of Non-life Insurance	23	2 742	-	
Investment assets	24	326	339	-4
Investments in affiliates	25	7	25	-74
Intangible assets	26	942	10	
Tangible assets	27	89	64	40
Other assets	28	512	356	44
Tax receivables	29	33	7	
Assets of life insurance classified as held for sale	4	1 873	-	
Other assets classified held for sale	4	81	-	
Total assets		**22 270**	**16 490**	35
Liabilities to financial institutions	30	3563	4 310	-17
Financial liabilities for trading	31	4	-	
Derivative contracts	32	123	99	25
Liabilities to customers	33	2 058	4 072	-49
Liabilities of Non-life Insurance	34	1 926	0	
Debt securities issued to the public	35	9 033	6 103	48
Provisions and other liabilities	36	827	578	43
Tax liabilities	37	371	88	
Subordinated liabilities	38	749	462	62
Liabilities of life insurance classified as held for sale	4	1 609	-	
Liabilities associated with assets classified as held for sale	4	48	-	
Total liabilities		**20 310**	**15 713**	29
Shareholders' equity	39			
Share of parent company's owners				
Share capital		423	206	
Share issue account		1	3	
Reserves		791	234	
Retained earnings		548	332	
Minority interest		**199**	**2**	
Total shareholders' equity		**1 961**	**777**	
Total liabilities and shareholders' equity		**22 270**	**16 490**	35

Cash Flow Statement

€ million	2005	2004
Cash Flows from operating activities		
Profit for the period	267	107
Adjustments to reconcile profit for the period to cash used in operating activities	-62	31
Increase (+) or decrease (-) in operating assets	**-2849**	**-2266**
Receivables from financial institutions	-1089	-843
Financial assets for trading	-585	-440
Receivables from customers	-1007	-1144
Assets in Non-life Insurance	28	-
Assets in Life Insurance	-100	-
Investment assets	106	103
Other assets	-202	58
Increase (+) or decrease (-) in operating liabilities	**288**	**225**
Liabilities to financial institutions	167	-520
Financial liabilities for trading	3	-
Liabilities to customers	-167	765
Liabilities to Non-life Insurance	-1	-
Liabilities to Life Insurancet	17	-
Provisions and other liabilities	269	-20
Income taxes paid	-31	-18
A. Net Cash provided by (used in) operating activities	**-2387**	**-1921**
Cash Flows from investing activities		
Acquisition of subsidiaries net of cash acquired	-1675	0
Disposal of subsidiaries net of cash disposed of	402	4
Acquisition of tangible and intangible assets	-20	-10
Disposal of tangible and intangible assets	11	1
B. Net Cash provided by (used in) investing activities	**-1282**	**-5**
Cash Flow from financing activities		
Increase in subordinated loans	323	154
Decrease in subordinated loans	-6	-58
Increase in debt securities issued to the public	3310	23425
Decrease in debt securities issued to the public	-365	-22101
Increase in share capital	214	5
Decrease in share capital	-	-
Dividends paid	-52	-106
Increase in other items of share capital in cash	509	1
C. Net Cash provided by (used in) financing activities	**3933**	**1320**
Net increase/decrease in cash and cash equivalents (A+B+C)	**264**	**-606**
Cash and cash equivalents at the beginning of the period	350	956
Cash and cash equivalents at the end of the period	614	350
Interest recieved	**697**	**353**
Interest paid	**-560**	**-195**

€ million	2005	2004
Adjustments to profits for the period		
Items not associated with payment and other adjustments		
Impairment losses on receivables	4	3
Unrealised net earnings in Non-life Insurance	-55	-
Unrealised net earnings in Life Insurance	147	-
Change in fair value for trading	6	1
Unrealised net gains on foreign exchange operations	-23	1
Change in fair value of derivatives contracts	-5	-9
Change in fair value of investment properties	-2	-
Other impairment losses and their reversals	-	-2
Depreciations	21	10
Defined benefit plans	-4	3
Share in affiliate profits	-1	-6
Dividend income from affiliates	3	1
Income taxes	2	29
Items presented outside of cash flow from business		
Capital gains, share of cash flow from investing activities	-155	-
Adjustments, total	**-62**	**31**

Statement of Changes in Equity

€ million	Attributable to equity holders of the parent							
	Share capital	Translation differencies	Fair value reserve	Other reserves	Retained earnigns	Total	Minority interest	Total equity
Shareholders' equity on January 1, 2004	202			234	331	768	2	770
Profit for period					107	107	1	108
Total income and expenses for the period					107	107	1	108
Stock options exercised	4			3		7		7
Dividends paid*					-106	-106	-1	-107
Shareholders' equity on December 31, 2004	206			237	332	775	2	777
Shareholders' equity on January 1, 2005	206			237	332	775	2	777
Adoption of IAS 39/32 standards			13		2	14		14
Adjusted shareholders' equity on January 1 206	206		13	237	334	790	2	791
Financial assets available for sale								
Valuation gains and losses			54			54		54
Share transferred to the income statement			-7			-7		-7
Translation differences from foreign units		-1				-1		-1
Deferred taxes			-12			-12		-12
Net income recognised under shareholders' equity		-1	35			34		34
Profit for the period					267	267	4	271
Total income and expenses for the period		-1	35		267	301	4	305
Share issue	212			513		724		724
Share issue expenses				-6		-6		-6
Stock options exercised	5			0		6		6
Dividends paid*					-52	-52	-1	-53
Reserve transfers								
Share-based payment					0	0		0
Acquisitions of subsidiaries **							193	193
Shareholders' equity on December 31, 2005	423	-1	48	744	549	1 762	199	1 961

* dividend per share
**See note 3 "Business Operations Acquired and Sold during the Fiscal Period"

SEGMENT INFORMATION

The primary segment reporting is based on business segments according to which the internal reporting of the Group takes place. OKO Bank's divisions in 2005 were Corporate Banking, Investment Banking, Retail Banking and Group Treasury. When OKO Bank acquired the majority of Pohjola Group plc's shares, its business operations were expanded to Non-life Insurance operations.

In addition, the reporting for 2005 separately presents Pohjola's asset management, which in 2006 will form a new division, Asset Management, together with Opstock Ltd's asset management and Pohjola Life Insurance Ltd, which was sold to the OP Bank Group Central Cooperative on January 16, 2006, as a discontinued operation.

The income statement items were consolidated from the Pohjola Group for the November–December period according to OKO Bank's holding.

Accounting Principles Applied to Segment Reporting

Segment reporting complies with the accounting principles for the consolidated financial statements. To the divisions are allocated those income, expenses, assets and liabilities which are considered to directly belong or which can be allocated to the division on a reasonable basis. The income, expenses, investments and capital that have not been allocated to the divisions and the consolidated eliminations between the divisions are presented in Group Administration.The Group Administration's earnings before taxes comprise capital gains and dividends from investments, Group Administration expenses and shares in affiliate profits or losses. Tax receivables and liabilities have been allocated to the assets and liabilities of the Group Administration.

The transfer prices internal to the Group are based on market prices. The acquisition costs of intangible and tangible fixed assets are presented as investments. The investments are related to the development of IT systems and the renewal of retail banking offices and the improvement of the service level. The increases in intangible assets mainly arose from items allocated to intangible assets in connection with the corporate acquisition.
The Group does not have any geographical segments.

Corporate Banking

In 2005, Corporate Banking offered its corporate customers and institutions financing and cash management services, as well as money market, debt capital market and foreign exchange services. It granted loans, guarantees and leasing and factoring, arranged financing from the debt capital market and engaged in venture capital investment operations. Its income was primarily generated from lending margins, customer trading in the money, foreign exchange and debt capital markets, and commissions and fees from financing and payment transfer services. The net interest income from the lending was not sensitive to interest rate fluctuations because the funding of the lending was market rate-driven.

The lending and deposit margins of companies belonging to the OP Bank Group that are included in net interest income are presented as a deduction from the income between the divisions. Companies within the OP Bank Group include member cooperative banks and the subsidiaries of the OP Bank Group Central Cooperative. Margin income is presented in Central Banking.

The division of tasks between the divisions was changed at the beginning of 2006. The most important change from the point of view of Corporate Banking was the transfer of money market, debt capital market and foreign exchange services to the new Capital Markets Division.

Investment Banking

In 2005, OKO Bank's Investment Banking services were provided by Opstock Ltd, which offered private and institutional investors individual asset management services and securities brokerage. In addition, Opstock carried out investment research, arranged equity financing and acted as an adviser in M&A transactions. In partnership with member cooperative banks and Okopankki, Opstock offered retail customers banking and asset management services tailored to customers' needs. Operating income was generated from portfolio management and mutual fund trading, Corporate Finance services and securities brokerage. OKO Capital East, a subsidiary of OKO Bank, and its subsidiary ZAO OKO Capital Vostok have been consolidated with Investment Banking since the beginning of

November. ZAO OKO Capital Vostok offers advisory services related to corporate arrangements and structured financing in Moscow.

In 2006, Opstock's and Pohjola's asset management operations will be combined into a separate business division. Securities brokerage, investment research and Corporate Finance operations will be integrated with the Capital Markets Division.

Retail Banking

Retail Banking operations within OKO Bank were handled by Okopankki Oyj, which serves retail customers as well as small and medium-sized corporate customers in the Greater Helsinki area. Okopankki offers comprehensive financing, asset management and payment transfer services. The operating income is mainly generated from the interest rate difference between lending and deposits and commissions and fees from the arrangement of loans, payment transfer services, brokerage of investments and insurance products and housing brokerage operations. The amount of income is affected by the interest rate level, customer margins and the relationship between lending and deposit funding.

Okopankki Oyj's financing margins that are included in net interest income are presented as a deduction from the income between the divisions. Margin income is presented in Treasury.

OKO Bank sold Okopankki Oyj to the OP Bank Group Central Cooperative. More detailed information on sold operations can be found in note 3. The earnings of Retail Banking classified as a discontinued operation are presented for the January–October period 2005.

Group Treasury

OKO Bank's central bank functions in the OP Bank Group and the bank's own asset management have been centralised in the Group Treasury Division.

As the central financial institution, OKO Bank is responsible for maintaining the liquidity of member cooperative banks and for accepting deposits. OKO Bank is also responsible for acquiring the collateral required by the payment transfer system and for providing the member cooperative banks with services associated with money, currency and capital markets. Central banking income originates in operations associated with maintaining the liquidity and funding of the OP Bank Group.

Treasury engages in fixed income, equity and real estate investment activities. It is also responsible for the Group's long-term funding and relationships with banks and debt capital investors. The objective of the investment activities is to generate long-term benefit from the appreciation of interest rates, exchange rates and stock prices, as well as from dividends and other income. The funds are invested securely, aiming at maximum return. The investment portfolios are diversified as well as possible by instrument, country and sector. Derivative agreements are used to hedge against market risks.

In Treasury, the margin income from the subsidiaries' financing is presented as income between the divisions. In Central Banking the margin income of companies included in the OP Bank Group is presented as income between the divisions.

Non-Life Insurance

Non-life insurance operations are engaged in by three companies in Finland. Pohjola Non-Life Insurance Company is a general non-life insurance company, A-Vakuutus focuses on non-life insurance of professional traffic and Euroopalainen focuses on travel insurance. In the Baltic countries, non-life insurance operations are engaged in by the local Seesam insurance companies.

The products of non-life insurance operations include the non-life insurance policies sold to corporate and private customers. It also includes the terminated foreign insurance business (run off). The domestic service network also sells the products of Asset Management and Ilmarinen's employment pension insurance policies and deals with the customer service of the Suomi Mutual Life Assurance Company and Ilmarinen. In addition, commissions and fees are accumulated from dealing with certain statutory payments and risk management services.The asset and liability items of the run off business were classified as available for sale on December 22, 2005.

Pohjola Asset Management

Pohjola's asset management and life insurance business operations offer investment services to private customers and institutional investors. Pohjola offers individual asset management services in the area of saving and investment, which consist of its own mutual fund and life insurance products and the supplementary investment services of its cooperation partners. OKO Bank sold Pohjola Fund Management Company, engaging in administration of mutual funds, on December 30, 2005. The life insurance operations classified as a discontinued operation were sold to the OP Bank Group Central Cooperative on January 16, 2006.

The products of asset management include equity, fixed income and combination funds, portfolio management services and asset management. Its customers are Finnish and international institutions, private individuals and companies. Asset management sells its services to non-life insurance, life insurance and Suomi Mutual Life Assurance Company. The life insurance products include life insurance policies that can be linked to guaranteed interest or unit-linked. The products also include some investment contracts related to administration of investments. Life insurance also deals with Suomi Mutual Life Assurance Company's existing insurance portfolio.

Changes in the Group Divisions in 2006

On November 2, 2005, OKO Bank's Executive Board decided on the reorganisation of the Group's divisions. As of the beginning of 2006, segment reporting will present Non-Life Insurance and the following divisions of the Banking and Investment Services: Corporate Banking, Capital Markets, Group Treasury and Asset Management.

Segment information 2005

	Banking and investment service operations				Pohjola Non-life insurance operations	Pohjola Asset management	Discontinued operations		Group Administration		OKO Bank Group
	Corporate banking	Investment banking	Group treasury								
€ million	2005	2005	Central Banking 2005	Treasury 2005	11–12/-05	11–12/-05	Retail banking 1–10/–05	Pohjola life insurance 11–12/-05	Unallocated income and expenses 2005	Eliminations 2005	2005
Net interest income	85	0	20	8	0	0	40	-1	-10	1	143
Impairment losses on receivables	-5	0	0	1	0	0	0	0	1	0	-4
Net interest income after impairment losses	80	0	20	9	0	0	40	-1	-9	1	139
Net income from non-life insurance operations					68	0		0	0	0	69
Net income from life insurance operations					0	0		-2	0	0	-2
Net commission income and expenses	39	33	2	0	0	3	25	0	-1	-6	96
Net income from trading	11	0	2	3	0	1	0	0	0	0	16
Net income from investment operations	0	0	0	16	1	-1	0	0	2	0	19
Other operating income	7	1	3	2	15	4	0	3	1	-11	23
Total income	137	33	26	29	84	7	66	0	-7	-16	360
of which inter-segment income	-1		1	2	3	9	-2	0		-12	
Personnel costs	-24	-9	-3	-1	-21	-3	-20	-2	-4	0	-86
IT expenses	-8	-3	-3	-1	-2	-2	-8	0	-2	0	-29
Depreciation	-7	-1	-1	0	-5	-2	-2	-2	0	0	-21
Other expenses	-17	-5	-3	-1	-29	-5	-17	-4	-10	16	-75
Total expenses	-56	-18	-9	-3	-58	-11	-46	-8	-17	16	-211
Share in affiliates' profit or loss	0	0	0	0	0	0	0	0	1	0	1
Profit for the period before taxes	**81**	**15**	**17**	**26**	**26**	**-4**	**20**	**-8**	**-23**	**0**	**150**
Taxes											-33
Capital gains on discontinued operations after taxes							153				153
Profit for the period											271

€ million	Banking and investment service operations				Pohjola Non-Life insurance operations	Pohjola Asset management	Discontinued operations		Group Administration		OKO Bank Group
	Corporate banking	Investment banking	Group treasury								
			Central Banking	Treasury			Retail banking	Pohjola life insurance	Unallocated income and expenses	Eliminations	
	2005	2005	2005	2005	11-12/-05	11-12/-05	1-10/-05	11-12/-05	2005	2005	2005
Receivables from customers	6 672	0	69	16	0	0			0	-1	6 755
Receivables from financial institutions	649	20	4 413	5	17	12			0	-20	5 096
Assets of non-life insurance operations					2 756	0				-14	2 742
Assets of trading and investment property	1 031	1	1 974	868	163	32			30	-81	4 017
Investments in affiliates	0	0	0	0	9	-3			0	0	7
Other assets	437	15	71	71	920	142			49	-7	1 699
Non-life insurance assets classified as held for sale								1 894	3	-24	1 873
Other asset items held for sale					81						81
Total assets	**8 789**	**36**	**6 527**	**960**	**3 946**	**184**		**1 894**	**82**	**-147**	**22 270**
Liabilities to customers	1 836	0	206	24	1	28			0	-37	2 058
Liabilities to financial institutions	1 941	2	1 615	7	0	0			0	-2	3 563
Liabilities of non-life insurance operations					1 926	0					1 926
Debt securities issued to the public	0	0	0	9 070	0	0			0	-37	9 033
Subordinated liabilities	0	0	0	749	0	0					749
Other liabilities	628	9	62	118	81	9			438	-20	1 325
Liabilities of the life insurance operations classified as held for sale								1 635	21	-47	1 609
Liabilities associated with other assets classified as held for sale					48						48
Total liabilities	**4 405**	**11**	**1 882**	**9 968**	**2 056**	**37**		**1 635**	**459**	**-143**	**20 310**
Shareholders' equity											1 961
Total liabilities and shareholders' equity											22 270
Investments	4	2	0	6	826	120	3	112	0		1 074
Depreciation	-7	-1	-1	0	-5	-2	-2	-2	0		-21
Non-cash expenses other than depreciation	1	2	0	0	6	0	2	0	0		

Segment Information 2004

€ million	Corporate Banking 2004	Investment Banking 2004	Group Treasury: Central Banking 2004	Group Treasury: Treasury 2004	Retail Banking 2004	Group Administration: Income and expenses not allocated 2004	Group Administration: Eliminations 2004	OKO Bank Group 2004
Net interest income	75	0	19	8	47	-4	1	147
Impairment losses on receivables	-2	0	0	0	0	1		-1
Net interest income after impairment losses	73	0	19	8	47	-3	1	145
Net commissions and fees	36	23	1	0	25	0	0	85
Net trading income	4	0	2	-4	0	0	0	2
Net income from investments	-1	0	0	31	1	2	-1	31
Other operating income	3	0	1	3	0	1	-2	7
Total income	115	24	24	38	74	0	-2	271
of which inter-segment income	-1		1	2	-2			
Personnel costs	-21	-8	-4	-1	-22	-3		-59
IT expenses	-7	-3	-3	-1	-9	-3	0	-25
Depreciation	-5	-1	-1	0	-2	0		-10
Other expenses	-14	-4	-2	-1	-20	-7	2	-46
Total expenses	-47	-16	-9	-4	-52	-13	2	-139
Share of affiliate profits	0	0	0	0	0	6		6
Profit before tax	**68**	**8**	**14**	**34**	**21**	**-8**	**0**	**138**
Tax								-30
Profit for the period								**108**

€ million	Corporate Banking 2004	Investment Banking 2004	Group Treasury: Central Banking 2004	Group Treasury: Treasury 2004	Retail Banking 2004	Group Administration: Income and expenses not allocated 2004	Group Administration: Eliminations 2004	OKO Bank Group 2004
Receivables from customers	5 931	0	39	32	2 658	4	0	8 664
Receivables from financial institutions	394	12	3 435	812	92	0	-900	3 845
Trading and investment assets	651	4	1 970	636	200	-13	-24	3 425
Investments in affiliates	0	0	0	0	0	25		25
Other assets	324	29	62	33	67	21	-5	531
Total assets	**7 299**	**45**	**5 506**	**1 514**	**3 017**	**37**	**-929**	**16 490**
Liabilities to customers	1 917	0	296	0	1 862	0	-3	4 072
Liabilities to financial institutions	1 194	0	3 150	50	814	0	-898	4 310
Debt securities issued to the public		0		6 133		0	-30	6 103
Subordinated liabilities	0	0	0	462	23		-23	462
Other liabilities	432	29	59	117	39	89		765
Total liabilities	**3 543**	**29**	**3 505**	**6 762**	**2 738**	**89**	**-954**	**15 713**
Shareholders' equity								777
Total liabilities and shareholders' equity								**16 490**
Investments	3	1	0	1	5			11
Depreciation	-5	-1	-1	0	-2	0		-10
Non-cash expenses other than depreciation	1	1	0	1	1	0		

ACCOUNTING POLICIES AND NOTES

Content of the Notes

NOTE 1. Accounting Policies

GENERAL

OKO Osuuspankkien Keskuspankki Oyj (hereinafter OKO Bank) is a Finnish credit institution whose divisions in 2005 were Corporate Banking, Investment Banking, Group Treasury and Non-Life Insurance. OKO focuses on Finnish customers, but provides banking services to foreign customers to the extent required by their business related to Finland. OKO Bank engages in non-life insurance in Finland and the Baltic countries.

During the fiscal period, Retail Banking was sold to the OP Bank Group Central Cooperative (hereinafter OPK). This has been treated as discontinued operations in the financial statements. In addition, Pohjola Life Insurance Company Ltd, which was sold to OPK in January 2006, has been reported as discontinued operations.

OKO Bank is domiciled in Helsinki and its registered address is Teollisuuskatu 1b, P.O. Box 308, 00101 Helsinki.

OKO Bank's Executive Board approved the financial statements for publication on 17 February 2006.

BASIS OF PREPARATION

These are OKO Bank Group's first financial statements that are prepared in accordance with the IFRS. The preparation of financial statements is subject to the IAS and IFRS standards and SIC and IFRIC interpretations effective at the end of the financial period. International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in the IAS Regulation (EC) No 1606/2002. In addition to the IFRS, the preparation of OKO Bank Group's financial statements is subject to the Section 30(6) of the Finnish Credit Institutions Act.

OKO Bank Group adopted the IFRS as of the beginning of 2005. The IFRS 1 standard First-time Adoption of International Financial Reporting Standards was applied in connection with the adoption. The comparative information for 2004 was adjusted to comply with IFRS, with the exception of the treatment of financial instruments in accordance with IAS 32 and IAS 39, which is not required by the exemption provided in IFRS 1. Finnish GAAP has been applied to the recognition and measurement of financial instruments in the comparison year 2004, but the classification has been changed to comply with IFRS.

The consolidated financial statements have been presented in € million, and they have been prepared on the basis of original acquisition costs, with the exception of financial assets and liabilities held for trading, financial assets available for sale, derivative contracts, hedged items in fair value hedging and investment properties, which have been recognised at fair value.

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise discretion in the application of accounting policies. Accounting policies requiring management to make estimates and exercise discretion are addressed in more detail in the section "Accounting policies requiring discretion by management and crucial factors of uncertainty associated with estimates".

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the parent company OKO Bank and its subsidiaries where over 50 per cent of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company otherwise controls the company.

Associated companies, where OKO Bank holds voting rights of between 20 per cent and 50 per cent and in which OKO Bank has significant influence, but not control, are accounted for using the equity method.

Mutual real estate companies are consolidated like assets under joint control according to the IAS 31 standard.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealised losses are not eliminated if losses arise from impairment.

Acquired companies are accounted for under the purchase method and consolidated from their acquisition date and divested companies are included into the group financial statements to the date of disposal.

From the IFRS transition date goodwill represents the difference between the cost of the acquisition and the fair value of net identifiable assets acquired. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

In accordance with the exemption included in the IFRS 1, the acquisitions prior to the IFRS transition date 1 January 2004 have not been restated to comply with IFRS, but they correspond to Finnish GAAP. The companies that are acquired prior to the IFRS transition date but only consolidated after the transition have been accounted for as of the IFRS transition date.

Profit for the period and equity are allocated between the equity holders of the parent and the minority interest. The minority interest is presented as a separate item within equity. The minority interest in the companies acquired since the IFRS transition date is calculated using the fair values of the assets and liabilities of the consolidated company.

FOREIGN CURRENCY ITEMS

Assets, liabilities and other commitments denominated in a foreign currency are translated into euros at the exchange rate quoted by the European Central Bank on the balance sheet date. The exchange rate differences arising from the translation are recognised under "Net trading income" in the income statement.

The income statements of foreign subsidiaries are translated into euros using the average exchange rates for the financial period, while balance sheets are translated using the exchange rates ruling on the balance sheet date. The conversion of net profit or loss at different exchange rates on the income statement and balance sheet causes a translation difference that is recognised in equity. The translation differences arising from the use of the purchase method and from equity items accumulated after acquisition are recognised in equity. If a subsidiary is disposed of, related cumulative translation differences deferred in equity are recognised in the income statement as part of the gain or loss on sale.

FINANCIAL INSTRUMENTS

Determination of Fair Value

The fair value of a financial instrument is determined using either price quotations from an active market or own valuation technique where no active market exists. The valuation techniques include the discounted cash flow method, net present value techniques and comparison to similar instruments for which quotations in active market exists. The valuation techniques incorporate estimated credit risk, the applicable discount rates, the possibility of premature repayment and other such factors that affect the reliable determination of the fair value of a financial instrument.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are not offset unless a statutory right of offset exists and the intention is to exercise such a right. Offset was not applied in OKO Bank during the fiscal period.

Contracts on the Purchase and Resale of Securities

The purchase price of securities purchased under resale conditions binding on both parties is recognised on the balance sheet as a receivable under the balance sheet item determined by the counterparty. The difference between the purchase price and resale price is allocated as interest income over the term of the contract.

The sales price of securities sold under resale conditions binding on both parties is recognised on the balance sheet as a financial liability under the balance sheet item determined by the counterparty. The difference between the sales price and the resale price is allocated as interest expenses over the term of the contract. Securities sold with a resale obligation and the corresponding securities provided as margin collateral are included in the original balance sheet item despite the contract.

Classification and Recognition

Financial Assets and Liabilities Held for Trading

All financial assets and liabilities which are managed with the objective of short-term profit-taking from fluctuations in interest rates, prices and quotations or in which an embedded derivative contract cannot be separated from the host contract, are classified as held for trading. Financial assets and liabilities held for trading also include all derivative instruments, which are not used for hedging purposes.

Financial assets and liabilities classified as held for trading are recognised in the balance sheet at fair value, and subsequent changes in the fair value are immediately recognised in the income statement.

There are currently no other financial assets or liabilities classified as Fair Value through profit and loss.

Loans and Receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable cash flows that have been created by handing over funds or services. Loans and receivables are not quoted in an active market, and they are measured in accounting at acquisition cost. The financial assets classified in this category are recognised in the balance sheet under "Receivables from customers".

Impairment losses on loans and receivables are recognised either by item-by-item or portfolio basis. Impairment losses are assessed and recognised by item-by-item basis if the customer's total exposure is significant. In case of minor customer exposure, impairment losses are assessed and recognised by portfolio basis. Impairment losses are allocated to reduce the carrying amount of loans. Recognition of interest on the reduced amount continues after impairment.

Impairment losses will only be recognised when there is objective evidence of the deterioration of a customer's solvency occurred after the initial recognition. A receivable is impaired if the present value of estimated future cash flows, including the fair value of the collateral, is less than the aggregate carrying amount of the loan and the unpaid interest. Future estimated cash flows are discounted at the loan's original interest rate. In case of a variable interest rate loan, the discount rate is the rate in the agreement at the time of assessment. The difference between the carrying amount of the loan and a lower recoverable amount is recognised as an impairment loss in the income statement.

A portfolio-specific impairment loss is recognised for a portfolio if there is objective evidence that uncertainty is associated with the repayment of receivables included in the portfolio. The amount recognised as an impairment loss is based on experience of the extent to which delayed payments lead to credit losses and of the amount to which realisation of collateral will cover the incurred loss.

If there is subsequent objective evidence that the credit quality of a previously impaired loan has improved, the amount of impairment loss is reassessed and any change in the recoverable amount is recorded in the income statement.

Investments Held to Maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable cash flows, which have been acquired with the intention of holding them until maturity. Investments held to maturity are recorded in accounting at amortised cost. The difference between the nominal value and the acquisition value of bonds is allocated over the remaining term to maturity.

If the value of a receivable item held to maturity is found to be impaired, it is transferred to financial assets available for sale and included in fair valuation. The change in value is recognised under "Net investment income" in the income statement.

The financial assets classified in this category are recognised on the balance sheet under "Investment assets". At the moment there are no "investments held to maturity" in the balance sheet.

Financial Assets Available for Sale

Financial assets available for sale are non-derivative financial assets that have been classified directly as available for sale or which have not been included in the categories of financial assets mentioned above. Financial assets available for sale are recognised in the balance sheet at acquisition cost at the time of acquisition and valued at fair value.

Changes in value are recognised in the fair value reserve in shareholders' equity and transferred to the income statement when the asset is derecognised from the balance sheet or its value is found to be impaired. The financial assets categorised in this item are recognised on the balance sheet under "Investment assets".

Liquid Assets

Liquid assets comprise funds in cash and receivables from credit institutions repayable on demand.

Other Financial Liabilities

The category Other financial liabilities includes financial liabilities other than those held for trading. Other financial liabilities are initially recognised at the consideration received. Subsequent measurement is at amortised cost.

Derivative Contracts

A derivative is a financial instrument or other contract whose value changes in response to the change of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other underlying instrument. A derivative requires only minor initial net investment at the time of entering into the contract, and it will be settled on a specific date in the future.

Derivatives are always measured at their fair value in the balance sheet. The accrued interest on non-hedging interest rate swaps is recognised in interest income, and the corresponding amount is recognised in other assets and other liabilities. Changes in the fair value of non-hedging interest rate, currency and equity derivatives are recognised under "Net trading income" in the income statement. Positive changes in the value of derivative contracts are recognised in the balance sheet under "Derivative contracts, assets", while negative changes are recognised under "Derivative contracts, liabilities".

Embedded derivatives associated with structured bond issues and housing loans with an interest rate cap are separated from the host contract and valued at fair value on the balance sheet. Changes in the fair value of these embedded derivatives and derivatives designated as hedging instruments are recognised in interest income.

Hedge Accounting

OKO Bank Group enters into derivative transactions which in fact provide economic hedges for risk exposures but do not meet the current accounting requirements for hedge accounting. The Bank's risk management sets the method and internal rules for a financial instrument to be designated as a hedge in hedge accounting. Hedging is applied to reverse, fully or partially, any changes in the fair value of the hedged item.

Currently hedge accounting is applied for hedging interest rate risk and is designated as fair value hedges. Hedging of fair value is associated with long-term fixed-rate liabilities (own issues), individual bond and loan portfolios, as well as individual loans.

At the time a financial instrument is designated as a hedge, the relationship between the hedging instrument(s) and hedged item(s) is formally documented. Documentation includes its risk management objectives and its strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Effectiveness is formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been "highly effective" in offsetting changes in the fair value of the hedged items. A hedge is normally regarded as highly effective if, at inception and throughout its life, the changes in the fair value of the hedged item are effectively offset by the changes in the fair value of the hedging instrument, and actual results are within a range of 80 per cent to 125 per cent.

Contracts cannot be treated according to the rules of hedge accounting in accounting if the hedging relationship between the hedging instrument and the related hedged item required by IAS 39 no longer meets the criteria of the standard.

In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are recognised in the interest income (loans, own issues) and net income of investments (bond investments).

Derivative instruments entered into as economic hedges but not qualified for hedge accounting are treated in the same way as derivative instruments used for trading purposes.

INVESTMENT PROPERTY

Investment property is land area and/or building or part of building held in order to earn rental income or for capital appreciation or both. Investment property also includes owner-occupied properties of which a minor part is used by the owner company or its personnel.

Investment properties are initially recognised in the balance sheet at cost and subsequent to initial recognition they are carried at fair value. The changes in fair value are recognised presented under "Net income from investment properties" in the income statement.

The fair value of investment property is based on its market value. The basis for the fair value of significant items is a valuation made by independent external appraiser. The values of other items are based either on a valuation made by an independent expert, yield estimates based on market data or the management's own estimates of the market value of the item. The fair value of commercial, office and industrial premises is primarily determined using the income capitalisation approach. The fair value of residential buildings and land areas is primarily determined by the sales comparison approach.

INTANGIBLE ASSETS

Goodwill

Goodwill equals the part of acquisition cost exceeding the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of an entity acquired after 1 January 2004, at the time of acquisition. The goodwill of business combinations prior to this represents the amounts recorded (under previous GAAP) in accordance with previous accounting standards, as the treatment of these acquisitions has not been adjusted during the preparation of the Group's opening IFRS balance sheet. The goodwill relating to subsidiaries is presented in intangible assets, and the goodwill relating to associates is presented in investments in associates.

Goodwill is annually tested for impairment and measured at original acquisition cost deducted by accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units, which are either business segments or entities belonging to them.

Value of Acquired Insurance Portfolio

An intangible asset item corresponding to the value of an acquired insurance portfolio is recognised if the insurance portfolio is acquired directly from another insurance company or through the acquisition of a subsidiary. The fair value of acquired insurance policies is determined by estimating the present value of future cash flows in accordance with the insurance portfolio at the time of acquisition. Upon initial recognition, the fair value of acquired insurance policies is divided into two parts; a liability associated with insurance policies measured in accordance with the applicable principles, and an intangible asset item. After acquisition, the intangible asset item is recognised as an expense by straight-line amortisation over the estimated useful life of the acquired policies. The effective period is reviewed annually, and the value is amortised over 1 to 4 years for non-life insurance and 10 years for life insurance. The intangible asset item is tested annually in connection with testing the adequacy of the liability associated with the insurance policies.

Capitalised Acquisition Cost of Insurance Policies

Some subsidiaries of the OKO Bank Group continue to partially apply the previous accounting standards, capitalising a part of commission costs and other costs associated with the acquisition of new insurance policies or the renewal of existing policies. The intangible asset item arising from this is amortised using the straight-line method over the useful lives of the policies. The amortisation period is the insurance period for non-life insurance and five years for life insurance. The intangible asset item is tested annually in connection with testing the adequacy of the liability associated with the insurance policies.

Customer Relationships

Specifiable customer relationships acquired through business combinations are measured at fair value upon acquisition. The intangible asset item consisting of customer relationships is recognised as an expense by straight-line amortisation over the estimated useful life. The estimated useful life of acquired customer relationships in OKO Bank Group is 5 to 12 years. The value of customer relationships is tested for impairment.

Brands

The useful livesfe of brands acquired through business combinations are assessed to be indefinite as they affect the accrual of cash flows for an undetermined period. The value of brands is annually tested for impairment.

Other Intangible Assets

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognised as expenses over the estimated useful life, which is 2 to 5 years for computer software and licences, and generally 5 to 10 years for other intangible assets. The useful life of assets is reviewed upon each balance sheet date, and their value is tested for impairment as necessary.

Expenditure arising from the development of internally generated intangible assets (products or services) are capitalised starting from the time when it was determined that the product or service will generate future economic benefits.The asset item will be amortised starting from the time it is ready for use.The amortisation period is mostly 3 to 5 years. Any asset items not yet ready for use are tested for impairment annually.

TANGIBLE ASSETS

Property, plant and equipment items are measured at cost less accumulated depreciation and impairment losses. Straight-line depreciation is applicable to assets over the estimated useful life. Land areas are not depreciated. Expenses arising from an asset item after the original acquisition are onlyrecognised in the carrying amount of an item of property, plant and equipment if it is probable that it will produce greater economic benefit than originally estimated.

According to the exemption allowed by the IFRS 1 transition standard, revaluations of land areas and properties in own use in accordance with Finnish Accounting Standards have not been cancelled in the IFRS transition on 1 January 2004 but have been included in the deemed cost of the assets.

The estimated useful lives are mostly the following:

Buildings	30 to 50 years
Machinery and equipment	4 to 10 years
IT equipment	3 to 5 years
Automobiles	6 years
Other tangible assets	5 to 10 years

The residual value and useful life of assets are reviewed at each balance sheet date and adjusted if necessary to reflect any changes in the expected economic benefit.

Impairment of Tangible and Intangible Assets

At each balance sheet date, it shall be assessed whether there are any indications of impairment of asset values. If such indications exist, the amount recoverable from the asset is estimated. Regardless of the existence of such indications, the recoverable amount is estimated annually for intangible assets not yet available for use, goodwill and any intangible assets with an indefinite economic life (brands). If the carrying amount of an asset exceeds the estimated amount recoverable in the future, the excess is recognised as an expense.

The recoverable amount refers to the fair value less costs to sell of an asset or its value in use if this is higher. The starting point is to determine the recoverable amount through the fair value less costs to sell of the asset. If the fair value less costs to sell cannot be determined, the value of the asset in use is determined. The value in use refers to the present value of the future cash flows expected to be recoverable from the asset. The need for impairment of the annually tested assets specified above is always determined through the calculation of value in use.

If no fair value less costs to sell can be determined for an asset and it does not accumulate any cash flow independent of other items, the need for impairment is determined through the cash-generating unit. In this case, the carrying amounts of the assets included in the unit are compared to the amount recoverable from the entire cash generating unit.

An impairment loss is reversed if there is a change in the circumstances and the amount recoverable from the asset item has changed since the time the impairment loss was recognised. The reversal of impairment loss shall not exceed the amount that would be the carrying amount of the asset if the impairment loss was not recognised. Impairment loss recognised on goodwill will not be reversed under any circumstances.

LEASES

Leases are classified either as finance leases or operating leases in accordance with the substance of the transaction. A lease is a finance lease if substantially all risks and rewards characteristic of ownership are transferred to the lessee. Otherwise, the lease is classified as an operating lease. Leases are classified when they are signed, i.e. at their inception.

Assets leased out under finance lease are presented as receivables on the balance sheet. The amount recognised as a receivable equals the net investment in the lease. The finance income from the lease is recognised in interest income so that it provides a constant return on capital on the lessor's remaining net investment in each financial period.

Assets leased under a finance lease are recognised as tangible assets, and the corresponding finance lease liability is included in other liabilities. At the commencement of the lease term, finance leases are recognised in the balance sheet as assets and liabilities at amounts equal to the fair value of the leased asset or the lower present value of minimum lease payments. Assets recorded in tangible assets are depreciated over the economic life or a shorter lease period. Lease payments are apportioned between the finance charge and the reduction of the lease liability. Finance costs are recognised in interest expenses so that the interest rate on the remaining balance of the liability is constant in each financial period. Sales gains arising from sale and leaseback transactions are amortised over the lease term.

Assets leased out under operating leases are presented as tangible assets, and the rental income is recognised on a straight-line basis over the lease term. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

Pension Benefits

Statutory pension cover for the employees of OKO Bank Group companies is arranged either through the OP Bank Group Pension Fund or through insurance policies with insurance companies. Some OKO Bank Group companies have arranged supplementary pension cover for their employees either through OP Bank Group Pension Foundation or through an insurance company.

OP Bank Group has both defined benefit and defined contribution pension plans. The pension arrangements through the OP Bank Group Pension Fund, in so far as the funded parts of disability and old age pensions are concerned, are classified as defined benefit arrangements. Plans arranged through insurance companies may be either defined benefit or defined contribution plans. The plans arranged through the OP Bank Group Pension Foundation are defined benefit plans in their entirety.

The expenses arising from pension plans are recognised under "Personnel expenses" on the income statement. In defined contribution plans, contributions are paid to the insurance company and are recognised as an expense in the income statement in the year to which they relate. There are no other payment obligations under defined contribution plans.

Defined benefit plans with insurance companies, the Pension Fund and the Pension Foundation are financed by payments based on actuarial calculations.

In defined benefit plans, the present value of the obligations arising from the plan on the balance sheet date less the fair value of plan assets is presented as an asset. Actuarial gains and losses and past service costs are also taken into account.

The obligations from defined benefit pension plans are calculated separately for each plan. The calculation is performed using the project unit credit method. Pension expenses are recognised on the income statement over the expected working lives of the employees participating in the plan on the basis of calculations made by authorised actuaries. The obligation is discounted at its present value using the yield at the balance sheet date on government bonds in Germany and France that have maturity dates approximating to the terms of the Group's obligations.

The financial statements have utilised the exemption provided in IFRS 1, according to which there are no unrecognised actuarial gains or losses associated with defined benefit plans on the transition date. Assets in defined benefit plans have been valued at fair value on the transition date 1 January 2004, and the obligations have been valued at present value based on the assumptions valid at the transition date 1 January 2004. Actuarial gains and losses are recognised in the income statement over the expected average remaining working lives of the employees participating in the plan, to the extent that the cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of defined benefit obligation and the fair value of plan assets.

Share-Based Employee Benefits

Share-based employee benefits are measured at fair value at the time of granting and are recognised as expenses and an increase in shareholders' equity in equal instalments over the vestingperiod. Share-based benefits settled in cash and the corresponding liability are measured at fair value at the end of each period until the liability is settled.

Some OKO Bank Group companies have option-based employee incentive schemes. OKO Bank Group has applied the standard IFRS 2 Share-based Payment to all option schemes in which the options have been granted after 1 November 2002, and have not become vested before 1 January 2005. With regard to option schemes prior to this, only the social security costs payable by the employer will be recognised.

INSURANCE ASSETS AND LIABILITIES

Classification of Financial Assets in Insurance Operations

The financial assets of insurance operations are classified into the following categories: financial assets at fair value through income, loans and receivables and available-for-sale financial assets. The classification is done on the basis of the purpose for which the assets were initially acquired. In insurance operations, the classification differs somewhat from the classification of financial assets presented in 'Financial Instruments' above. However, the principles of recognition and measurement are the same as those presented above.

Financial assets at fair value through income

The category is divided into financial assets held for trading and financial assets designated at fair value through profit or loss at inception.

Financial assets held for trading have been acquired for the purpose of profit-taking in the short term from changes in market prices. All derivatives are classified as assets or as liabilities held for trading. Hedge accounting has not been applied.

The category of financial assets designated at fair value through profit or loss at inception includes hybrid (combined) instruments, investments related to unit-linked insurance policies, foreign-currency-denominated debt securities in run-off companies' portfolios, and investments in associates held by venture capital organisations.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market and which are not held for trading. Loans and receivables may include subordinated and other loans granted directly to companies and corporations. Receivables arising from insurance contracts, claims administration contracts and sale of investments are also classified in this category.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. Available-for-sale financial assets comprise equity securities and debt securities.

Insurance Contracts and Investment Contracts – Classification
Insurance contracts are contracts that transfer significant insurance risk. Insurance contracts are classified by contract or by contract type. If contracts are entered into simultaneously with a single counterparty or if contracts are otherwise interdependent, the significance of insurance risk is assessed as a whole.

Investment contracts are contracts that transfer financial risk with no significant insurance risk. Since capital redemption contracts do not include insurance risk, they are classified as investment contracts.

Insurance policies between Group companies are eliminated as they do not meet the criteria for an insurance policy.

Principle of Equity
With the exception of unit-linked insurance contracts, almost all life insurance contracts and some capital redemption contracts entitle to a discretionary share of surplus (customer bonus, discretionary participation feature, DPF), in addition to guaranteed benefits. The discretionary share is likely to be a significant portion of the total contractual benefits but its amount or timing is contractually at the discretion of the Group. Some unit-linked policies include an option for a discretionary share of surplus. This option can be exercised by transferring insurance savings to an interest-bearing portion.

The distribution of surplus is based on the Finnish Insurance Companies Act, which provides that an equitable part of the surplus generated by these contracts is to be refunded as bonuses to these policies, provided that the solvency requirements do not prevent such a procedure. As to the level of bonuses, continuity shall be aimed at. The principle of equity has an impact on how unrealised gains of investments are, in the long term, divided between owners and policyholders; however, without giving the individual persons in either group the right to claim these funds.

The insurance companies of the OKO Bank Group apply the principle of equity, but customers' share of future profits is not determined beforehand. A decision of customer bonuses is taken by the Boards of Directors of the subsidiaries.

Insurance Contracts

Classification of Insurance Contracts
Insurance contracts are classified into main categories based on differences either in the nature of the insured object or in the contract terms and conditions. These have a material impact on the nature of the risk. In addition, the classification takes into account differences in the duration of insurance contract periods or the average length of the period from the occurrence of a loss event to the date when the claim has been fully paid (speed of claims settlement).

Non-life Insurance Contracts

Short-term Non-life Insurance Contracts
The validity period of short-term insurance contracts is generally 12 months or less, very seldom over two years. Especially policies for private individuals, motor policies and statutory workers' compensation policies are usually continuous annual policies. The main categories of short-term non-life insurance contracts is as follows: statutory insurance; other accident and health insurance; hull (comprehensive motor vehicle, marine hull, aviation hull, railway stock) insurance and cargo insurance; property and business interruption insurance; and liability and legal expenses insurance.

Long-term Non-life Insurance Contracts
Long-term insurance contracts are contracts whose average period of validity is at least two years. Long-term non-life insurance contracts include decennial (construction defects) insurance, perpetual property insurance and guarantee insurance.

Life Insurance Contracts
Life insurance contracts include single and regular-premium endowment life insurance (life insurance with focus on savings); deferred annuity insurance (individual pension insurance); group pension insurance supplementing statutory pension cover; and term insurance issued mainly against death or disability.

The savings under life and pension insurance can be entitled to a guaranteed technical interest and a discretionary share of surplus (DPF, non-linked), or they can be unit-linked. For the time being, group pension policies are mostly non-linked and entitled to DPF. No insurance savings accrue under term insurance.

Measurement and Recognition of Insurance Contracts

Non-life Insurance Contracts

As a rule, premiums are recognised as revenue proportionally over the period of validity of the contract. In decennial and perpetual insurance, however, the recognition as revenue takes place in proportion to the distribution of insurance risk. The portion of premiums written allocated to the period after the balance sheet date is reported as provision for unearned premiums. If the provision for unearned premiums is not sufficient to cover future claims and expenses arising from in-force insurance contracts, a supplementary amount (provision for unexpired risks) corresponding to the difference is reserved in the provision for unearned premiums. Premiums written are reduced by insurance premium tax and the public charges collected on behalf of outside parties, but not by commissions or credit loss on premiums.

Claims paid to customers and direct and indirect loss adjustment expenses incurred by the Group are charged to income on the basis of the date of occurrence of the loss. The claims unsettled at the balance sheet date for losses that have already occurred and their loss adjustment expenses, also as regards the losses which have occurred but have not been reported to the Group (IBNR), are reserved in the provision for unpaid claims, which is composed of both claims reserved for individual cases and statistically reserved claims. The provision, included in the provision for unpaid claims, for loss adjustment expenses not yet realised for losses that have already occurred is based on estimated costs of loss adjustment.

The provision for unearned premiums for statutory decennial insurance and perpetual insurance and the provision for unpaid claims for annuities are discounted. The discount rate applied by the Group is a fixed discount rate, which is determined taking into account the prevailing interest rate level. The discount rate must not exceed the expected return on the assets covering the liability nor the level set by the authorities. An increase in insurance contract liabilities due to the passage of time (unwinding of discount) is presented in the income statement as a separate item in the group of finance costs.

Life Insurance Contracts

Premiums received are recognised in the income statement. A premium receivable is recognised only if the insurance cover is in force at the balance sheet date. In term insurance, premiums are recognised as revenue proportionally over the premium payment period of the contract. Commissions or credit losses are not deducted from premiums written.

Benefits based on insurance contracts are charged to income in the income statement. Insurance contract liabilities are determined by the capital value of future benefits, policy administration costs and future premiums. In the calculation, actuarial assumptions regarding the force of interest, mortality rate, disability rate and operating expenses are used. The liability is redetermined every balance sheet date using the assumptions applied in the rating of policies, including the discount rate. The change in future cash flows due to declared customer bonuses is included in insurance contract liabilities. Insurance contract liabilities for unit-linked policies are, however, measured at the fair value, like the assets covering the liability.

Liability Adequacy Test on Insurance Contracts

At the balance sheet date, the Group assesses whether the insurance contract liabilities recognised in the balance sheet are adequate. In the test, current estimates of future cash flows from insurance contracts are used. If the assessment shows that the carrying amount of the liability arising from insurance contracts, less intangible assets related to deferred policy acquisition costs and business acquired, is inadequate, the deficiency is charged to profit or loss primarily by making an additional write-off on intangible assets and secondarily by increasing insurance contract liabilities.

Reinsurance Contracts

A reinsurance contract refers to a contract which meets the classification requirements for insurance contracts and under which the Group is paid compensation by another insurer if the Group becomes liable to pay compensation on the basis of other insurance contracts (ceded reinsurance).

a. Non-life Insurance

The benefits to which the Group is entitled under reinsurance contracts held are recognised in the balance sheet either as 'Loans and receivables' or as 'Reinsurance contracts'. The latter receivables correspond to reinsurers' share of the provision for unearned premiums and provision for unpaid claims of the insurance contracts reinsured by the Group. The items recorded under 'Loans and receivables' are shorter-term receivables. Unpaid premiums to reinsurers are recognised as 'Trade and other payables'.

Reinsurance assets are tested for impairment in connection with the closing of the books. If there is objective evidence that the Group may not receive all amounts to which it is entitled on the basis of the contract terms, the carrying amount of the reinsurance asset is reduced to correspond to the recoverable amount and the impairment loss is recognised in the income statement.

b. Life Insurance
Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts.

Receivables and Payables Related to Insurance Contracts
Premium receivables in non-life insurance are recognised at the beginning of the insurance period as the right to the receivable arises. In life insurance, premium receivables are primarily recognised in connection with the closing of the books. Receivables are mainly receivables from policyholders and only to a minor extent from insurance intermediaries. Premiums paid beforehand are recognised in the balance sheet under ' Trade and other payables '.

Insurance receivables in non-life insurance are tested for impairment in connection with the closing of the books. If there is objective evidence that a receivable is impaired, the carrying amount of the receivable is reduced through profit or loss. Receivables are reduced by both final impairment (credit losses) and impairment established statistically on the basis of the collection phase of the charge.

Salvage and Subrogation Reimbursements
Under some insurance contracts, the Group becomes entitled to recover the damaged property in connection with the settlement of the claim. In liability policies and statutory policies, the Group may become entitled to recover part of the paid compensation from another insurance company if the insured event was also covered under an insurance policy issued by that other company. In some insurance contracts, the Group may also have the right of recovery against the party who caused the loss. In the case of guarantee insurance, counter security, e.g. a pledge or mortgage, is often used.

Damaged goods that have become the Group's property are recognised for their fair value as a deduction item in claims incurred and are recorded in the balance sheet under 'Other assets'. Subrogation reimbursements are taken into account as an item reducing the liability for unpaid claims for losses which have occurred.

When the claim is paid, the receivable is recognised in the balance sheet under 'Loans and receivables'. The counter security of guarantee insurance is measured at fair value and the portion of it corresponding to the liability for unpaid claims or to the claim paid is recognised under 'Loans and receivables' in the balance sheet.

A recovery from the guilty party is not recognised until the payment has been received or the receipt is otherwise practically certain.

Investment Contracts

Classification, Measurement and Recognition of Investment Contracts
The investment contracts of the insurance companies within the OKO Bank Group are so-called capital redemption contracts.

Investment contracts are presented in the balance sheet under financial liabilities and the benefits paid on the basis of them are presented in the income statement. Fees charged for management of investments are recognised as fee income.

Investment contracts with a DPF component (customer bonus) or which can be exchanged for such contracts are, however, subject to the option permitted in IFRS 4. Therefore, corporate capital redemption contracts are measured like insurance contracts

Financial Liabilities
Financial liabilities are recognised initially at fair value on the basis of the payment received. Any transaction costs are included in the original carrying amount of financial liabilities. Subsequently, financial liabilities are stated at amortised cost using the effective interest method. The difference is recognised in the income statement over the period of financial liability. Financial instruments can be with or without interest rate.

Derivatives are measured at fair value through profit or loss.

Provision for Joint Guarantee System
The provision for the joint guarantee system is recognised in the manner of other provisions. The Finnish Workers' Compensation Insurance Act, Motor Liability Insurance Act and Patient Injuries Act include provisions on joint liability on the basis of which the insurance companies transacting business in the line of insurance assume joint liability should one of them fail to pay claims in the event of liquidation or

bankruptcy. Insurers have a statutory obligation to recognise a provision for the joint guarantee system in their balance sheets. The joint guarantee provision can be decreased or abolished only for the above-mentioned reason or by transferring it to another insurance company in connection with an insurance portfolio transfer.

PROVISIONS

A provision is booked on the basis of an obligation if the obligation is based on a prior event and its realisation is probable but the time of realisation or the amount to be realised is uncertain. Furthermore, the obligation must be based on a present legal or constructive obligation towards a third party. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item, but only at the time the compensation becomes virtually certain.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset (or disposal group) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. It is measured at the lower of carrying amount and fair value less costs to sell. Such assets and associated liabilities are presented separately in the balance sheet.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The items of income and expense of discontinued operations are presented on a separate column on the income statement.

INCOME TAXES

The income taxes in the income statement include current taxes, i.e. taxes based on the taxable income of OKO Bank Group companies for the financial period and taxes for the prior financial periods as well as deferred tax expense or income.

Deferred tax liabilities are provided for all taxable temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the tax basis of assets and liabilities. Deferred tax assets are recognised for all deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts (for financial reporting purposes) as well as for carry-forward of unused tax losses to the extent that it is probable that taxable profit will be available against which they can be utilised. The consolidated financial statements also include deferred tax liabilities and assets arising from consolidation.

Deferred tax liabilities and assets are offset by company. Deferred tax liabilities and assets arising from consolidation are not offset. Deferred tax liabilities and assets are determined using enacted tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

REVENUE RECOGNITION

Commission income and expenses on services are recognised when the service is rendered. In case of non-recurring commissions related to a period covering several years that may possibly have to be returned later, only the part relating to the financial period is recognised.

Dividends are generally recognised once the General Meeting of the company distributing the dividend has decided on the distribution of dividend.

Interest income and expenses on interest-bearing assets and liabilities are recognised on accrual basis. Interest on receivables with non-serviced due payments is also recognised as income. Such an interest receivable is included in the impairment testing. The difference between the acquisition cost and the nominal value of a receivable is allocated in interest income, and the difference between the amount received and the nominal value of a liability is allocated in interest expenses.

SEGMENT REPORTING

The OP Bank Group reports segment-specific income statements and balance sheets for Corporate Banking, Investment Banking and Group Treasury Divisions and for Non-life Insurance. In the case of Retail Banking, treated as discontinued operations in the financial statements, an income statement has only been reported for the 2005 fiscal period. In the case of Pohjola Life Insurance Company Ltd, which has been treated as discontinued operations, assets and liabilities have been reported in addition to the income statement. Income, expenses, investment and capital that are not included in actual business operations are allocated to Group Administration.

The segments are defined so that the risks and accumulation of earnings of the different segments differ from other segments. The OKO Bank Group has no geographic segments.

ACCOUNTING POLICIES REQUIRING DISCRETION BY MANAGEMENT AND CRUCIAL FACTORS OF UNCERTAINTY ASSOCIATED WITH ESTIMATES

Estimates and assumptions regarding the future have to be made during the preparation of financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

The amount of liability arising from insurance policies involves several discretionary factors and factors of uncertainty. With regard to non-life insurance, the estimates are based on assumptions of the external operating environment as well as the actuarial analysis of the company's own damage statistics. The liability arising from life insurance policies is established using calculation bases that are compliant with Finnish regulations and based on the same assumptions of the future as the pricing. The appropriateness of the assumptions of the future is continuously monitored.

The values of insurance policies, customer relationships and brands acquired through business combinations are based on estimates of factors including future cash flows and the applicable discount rate.

Goodwill, and other assets with indefiniteuseful lives and intangible assets not yet available for use are annually tested for impairment. The recoverable amount determined in impairment testing is often based on the value in use, and its calculation requires estimates of future cash flows and the applicable discount rate.

Impairment testing of receivables is based on estimates of the amount recoverable from the receivable in the future. Recoverable cash flows are estimated separately for each loan in receivable-specific impairment testing. Impairment recognised for groups of receivables is based on an estimate of future losses based on historical information.

In defined benefit pension plans, the present value of the defined obligation of the obligations deducted by the fair value of any plan assets, unrecognised actuarial gains and lossess, and past service cost is presented as an asset. The calculation includes actuarial assumptions pertaining to the future, including the discount rate, the expected return on the assets, future increases in wages, salaries and pensions, the employee turnover rate and inflation.

The measurement of investment properties at fair value is partially based on the management's estimates of the market values of the items. Investment properties are also measured on the basis of a calculation model based on the income capitalisation approach utilising estimates of future net yield from the items.

NEW STANDARDS AND INTERPRETATIONS

OKO Bank Group will adopt the following standards and interpretations in 2006:

- Amendments to IAS 19 "Employee Benefits" issued in 2004, extending the requirements for notes to the financial statements.
- IFRS 7 "Financial Instruments: Disclosures". IFRS 7 will also result in the adoption of the Amendment to IAS 1: Capital Disclosures. The amendments will extend the requirements for the notes to the financial statements.
- IFRIC 4 "Determining Whether an Arrangement Contains a Lease". The interpretation has no significant effect on the amount of asset items classified as finance leasewithin OP Bank Group.
- Change "The fair value option" to IAS 39 "Financial instruments: Recognition and measurement".
- Change "Financial Guarantee Contracts" to IAS 4 "Insurance Contracts" and IAS 39.

NOTE 2. Principles of Risk Management

Risk Management in Banking and Investment Services

Risk management relies on values, strategic choices and long-term financial targets.

The purpose of risk management is to identify the threats and opportunities that affect the implementation of strategy. The objective is to help achieve the targets set in strategy by ensuring that risks are proportional to risk bearing ability.

Organisation of Risk Management

OKO Bank's Executive Board is the highest decision-making body in matters associated with risk management. The Executive Board's duties include deciding on the goals and the organisation of risk management, confirming the risk management strategy and risk policies, and supervising the implementation of risk management. The Executive Board also approves the decision-making system and decision-making authorisations.

The Risk Management Committee reports to the Executive Board and is in charge of co-ordinating and supervising overall risk management principles and operational policy guidelines. It also appoints the members of the Rating Committee. The Risk Management Committee is chaired by the OKO Bank Executive Board member responsible for Group Services to whom the Risk Management Department reports.

The Rating Committee is responsible for determining credit ratings for corporate customers. The Senior Credit Committee, operating within the framework of the authorisations confirmed by the Executive Board, takes exposure limit and credit approval decisions concerning customer, bank and country risks. The Senior Credit Committee is chaired by OKO Bank's President. The Credit Committees, the Bank Credit Committee and the department and unit-level decision-making bodies take decisions concerning credit risk within the framework of the confirmed decision-making authorisations.

The business units have primary responsibility for customer relations and risk-taking. Business units are entitled to take decisions concerning credit, market and funding risks within the framework of the approved authorisations and limits.

The Risk Management Department is responsible for developing and implementing an integrated risk management procedure. The Risk Management Department supervises and reports on any developments in terms of risk bearing ability, risk position and the implementation of risk management policies. The department is also responsible for preparing and maintaining the decision-making authorisations and the operational guidelines associated with risk management. Furthermore, the business units are actively involved in risk monitoring. In the credit approval process, the Risk Management Department supports decision-making and controls quality.

Risk Management Strategy

By submission of the Risk Management Committee, OKO Bank's Executive Board approves an annually revised risk management strategy, specifying the risk bearing ability, risk appetite and principles of risk management. The risk management strategy also describes the principles of capital management and a plan for maintaining capital adequacy.

Furthermore, the risk management strategy includes a description of the business risks and the organisation of risk management. It also describes the tasks and division of responsibilities between different decision-making levels and organisational units involved in risk management.

Risk Bearing Ability and Capital Management (ICAAP)

Risk bearing ability refers to the amount of own funds in proportion to risk-weighted commitments. The average capital adequacy target as calculated using Tier I capital is 7.0 per cent.

Business is steered and monitored according to business areas. Their results are compared with the Tier I capital bound to the operations in accordance with the 7 per cent target level calculated in accordance with Basel I. This is used to allocate capital to different businesses and calculate return on equity (ROE) specific to each business.

The capital management process creates a capital adequacy forecast and associated sensitivity analysis on the basis of earnings and growth trends. Furthermore, different threat scenarios are described and their impacts on capital adequacy are estimated. The process also surveys the measures that would be used to maintain the level of capital adequacy should a threat scenario be realised.

Risk Appetite

OKO Bank is a moderate risk taker. Operations are based on a calculated risk/ return approach that serves as a guideline for exploiting credit risk, market risk and funding risk.

Business activities also involve a strategic risk as well as operational risks.

The target is that the average net credit losses and reserves over the trend cycle should not exceed 0.35 per cent of the loan and guarantee portfolio.

Risk Policies

Annually formulated risk policies provide the guidelines for risk-taking. In the overall risk policy, the risk appetite is apportioned to various types of risks.

The overall risk policy is supplemented by specific risk type policies, namely credit, interest rate, foreign exchange, equity market, real-estate and funding risk policies, as well as the operational risk policy.

Credit Risk Management

Credit risk means risk arising from the inability of the bank's contracting parties to meet their obligations in cases where the collateral does not protect the bank's receivables. In addition to that, credit risk comprises country risk and settlement risk. Country risk is a credit risk associated with foreign receivables on a country-by-country basis. Settlement risk has to do with the clearing and settlement process and involves the risk of losing a receivable being settled.

The objective of credit risk management is to restrict losses from credit risks arising from customer exposure to an acceptable level whilst seeking to optimise the risk/return ratio. Credit approval and the quality of the credit approval process occupy a central position in the management of credit risks. The credit process is guided by confirmed credit risk policies, decision-making authorisations and operating guidelines.

In managing settlement risk, it is vital to ensure that the counterparties are reliable. To reduce settlement risk, standard-form agreements are used and settlements are processed by reliable clearing centres.

OKO Bank seeks to reduce credit risk by diversifying its loan portfolio, as well as by defining collateral and covenant policies on a customer-specific basis. To further limit credit risks, a maximum customer exposure limit has been defined on the basis of the Bank's risk bearing ability, and a limit system is in place. Credit derivatives have been used for credit risk management, but no asset securitisation.

Credit Risk Policy

Credit risk policy defines principles concerning the composition, diversification and customer selection in respect of total exposure, as well as the use of collateral and covenants. The objective is to ensure that OKO Bank does not develop excessive risk concentrations by country, industry, customer group, corporation or time period.

For the portfolio review, customers are divided into six groups: corporate customers, financial and insurance institutions, private customers, OP Bank Group member cooperative banks and companies; public entities, and non-profit institutions. Separate credit risk policies have been prepared for corporate customers and for financial and insurance institutions. Furthermore, a country risk policy has been drawn up.

The corporate customer credit risk policy involves determining a relative maximum exposure for industry and rating-specific risk.

Risks related to financial and insurance institutions have been diversified by credit rating, issuer and product. In addition, in order to ensure the liquidity of fixed income investments, minimum sizes have been defined for issues in which OKO Bank can invest.

The country risk policy allows risks to be diversified by setting maximum limits on exposure in individual groups of countries.

Credit Risk Limits

A risk limit is the maximum exposure or uncovered exposure set for a customer or a country. A limit may also include restrictions in terms of time or product, for example a maximum amount for short-term or long-term liabilities. For most corporate and institutional customers, a customer-specific risk policy has also been set, comprising the minimum amount of collateral and the covenants to be used.

The exposure limit is a euro-denominated ceiling on customer-specific exposure. The exposure limit is annually confirmed for those corporate customers whose actual or planned exposure exceeds €5 million.

The financial institution limit is specified for a specified time period and is a euro-denominated counterparty limit within which business is conducted with financial institutions. The limit is provided on condition that the financial institution is located in a country for which a country limit has been approved. The financial institution limit is reviewed annually.

The country limit is a euro-denominated ceiling for receivables from a given country. The amount of the country limit for each country and any related time limitation are defined in accordance with the country's credit rating and OKO Bank's risk bearing ability in such a way that it supports the approved business principles. Country limits are reviewed at least once a year.

Credit Process

The day-to-day credit process plays a crucial role in credit risk management. From the risk management perspective, the key stages are credit standing evaluation, decision-making and execution, which are separate processes. The Risk Management Department supervises the credit process flow and quality.

Credit Standing Evaluation

The credit standing of corporate customers is evaluated using OP Bank Group's internal 12-step credit rating system. The company's financial position as presented in its financial statements, with the key features being capital adequacy, profitability and liquidity, will affect its rating. Other elements to be taken into account include the company's market position, competitive strength, product quality, growth potential, and the general business outlook in the industry. If the company has a public credit rating, that will be considered when assessing creditworthiness.

The collateral or guarantees received for the customer's exposure are not taken into account in the credit standing evaluation. Risk assessment for each exposure is performed at the decision-making stage on the basis of the customer's credit standing, the proposed exposure and the collateral and guarantees presented; at this stage, the pricing of the exposure is also confirmed.

The purpose of the rating is to place all corporate customers into credit rating categories in such a way as to meet the needs of risk management and to fulfil the criteria the new capital adequacy framework (Basel II) sets for internal rating models. The two weakest credit ratings are reserved for defaulted customers, customers subject to corporate restructuring or customers declared bankrupt.

The internal credit rating is used in the pricing of exposure, the credit approval process and the calculation of risk adjusted capital requirements.

Determination of Credit Standing by Customer Group

Customer Group	*Determination of Credit Standing*
Corporate customers, liabilities exceeding €3 million	Credit rating by the Rating Committee
Corporate customers, liabilities less than €3 million	Credit rating based on financial statements and payment behaviour
Financial and insurance institutions	Credit rating by an external rating institution
Member banks and the Central Cooperative	Credit rating by the Rating Committee
Countries	Credit rating by an external rating institution
Private customers	Credit rating based on payment behaviour information and credit scoring

Countries are divided into five country risk categories on the basis of their Moody's credit rating. The lowest Investment Grade rating is Baa3, or countries in country risk category 3.

Correlation between Country Risk Categories and Moody's Credit Ratings

Country Risk	Moody's Equivalent
Category 1	Aaa
Category 2	Aa1–A3
Category 3	Baa1–Baa3
Category 4	Ba1–B3
Category 5	Caa1–C and non-rated

Decision-making

Credit proposals are made on the basis of the credit standing evaluation. Account managers prepare and present the exposure limit, credit limit and financing proposals to the decision-making bodies. The credit approval decision includes a report on the credit applicant, any credit previously granted to the customer and the related collateral and uncovered exposure. A credit proposal for a corporate customer also includes the collateral and covenant policy for short and long-term exposure, an analysis of the customer's creditworthiness, as well as a forecast of the development of the customer's financial position. For corporate customers, a financial statement analysis is always attached to the proposed exposure limit, and for new corporate customers, there is often also a business analysis. In most cases, credit proposals for corporate and institutional customers involve a position statement by the Risk Management Department concerning credit risk.

The decision-making bodies make decisions to accept risks within the framework of their authorisations and in compliance with the Bank's confirmed credit risk policies, limits and guidelines. The authorisations of each decision-making body have been scaled to the customer's credit rating, exposure and uncovered exposure. Small credit decisions for private customers are also made by an automatic credit decision system based on credit scoring.

Execution

The execution stage involves preparing the offer and contract documents based on the approved proposals. Before the customer is given access to any funds, the fulfilment of the drawing terms and conditions is verified. Furthermore, the fulfilment of contractual terms is monitored throughout the duration of the agreement.

Measuring, Monitoring and Reporting Credit Risk

Credit risk is measured on a customer-specific basis in terms of total exposure and uncovered exposure. Exposure means the total number of balance sheet and off-balance sheet items that the bank holds for a specific customer. Uncovered exposure is calculated as the difference between the exposure and the collateral value. Credit risk is also measured using a weighted collateral shortfall figure calculated by multiplying the customer-specific uncovered exposure against the probability of default corresponding to the customer's credit rating. Other indicators of credit risk include the proportion of non-performing loans and past due loan repayments of the loan and guarantee portfolio, as well as the proportion of credit losses to loan and guarantee portfolio.

Customer monitoring consists of an annual analysis of financial statements and interim reports, as well as continuous monitoring of the customer's credit record and the customer's business activities.

Customer credit record, past due payments and non-performing loans are monitored continuously on the basis of information obtained from both OP Bank Group's internal monitoring service, as well as from external services.

Customers whose financial status development, credit risk and credit record OKO Bank wants to examine in more detail are placed under special observation. In this context the need to change the customer's credit rating, the probability of a credit loss, as well as the need to make an impairment loss are also considered. This often means that the credit approval decision is made in a higher-level decision-making body.

The credit approval process involves monitoring the exposure limits of corporate customers and the total exposure limits of corporate customers and financial institutions. Furthermore, decision-making bodies supervise the credit approval decisions and always submit their minutes to the next decision-making level for consideration.

The Risk Management Department carries overall responsibility for reporting credit risks. It prepares a corporate risk analysis for the Executive Board. The analysis reviews the general compliance with the credit risk policy, and analyses the development of the amount, distribution and quality of total exposure, as well as the development of non-performing loans.

The use of limits, as well as any overdrafts, is reported regularly. In addition, the Risk Management Department prepares portfolio specific analyses.

Market Risk Management

Market risks include the impact of market prices (interest rates, foreign exchange and share prices) and volatility on the bank's financial performance. Market liquidity risk is one element of market risk. A risk arises if markets lack sufficient depth or cease to function due to disturbances, causing the bank to lose its ability to liquidate or cover its risks at prevailing market prices.

The objective of market risk management is to confine risks arising from price fluctuations in balance sheet and off-balance sheet items to an acceptable level and to promote healthy financial performance by optimising the risk/return ratio.

Both trading and treasury activities involve market risks. Trading activities are based on active short-term trading and market risk management. The objective of trading activities is to safeguard the OP Bank Group's liquidity while pursuing maximum profitability.

Treasury is responsible for ensuring OKO Bank's domestic and foreign funding and for managing the equity, credit and interest rate risks involved in investment activities, as well as the structural interest rate risk arising from the loan and deposit portfolio and other balance sheet items (such as shares, real estate holdings and shareholders' equity). The objective is to hedge the Group's net interest income against interest rate fluctuation. Treasury does not take foreign exchange risks.

OKO Bank's Executive Board approves the market risk management principles and risk policies. The Risk Management Committee coordinates and supervises overall risk management principles and supervises the use of limits. Market risks are centrally managed by the Divisions responsible for the risks in question. The Divisions are responsible for their own exposure, and the results within the framework of the set limits. The Risk Management Department monitors and reports market risks and their outcome to the Divisions and to the Executive Board. The principles and indicators used in managing the market risk involved in trading and treasury are largely the same.

Risk policies have been prepared for interest rate, foreign exchange, equity and real estate risks where the principles and limits regarding the structure and diversification of exposure have been defined. The objective of these policies is to ensure that market risks are proportional to risk bearing ability. Risk limits continue to be allocated between trading (interest rate, foreign exchange and volatility risk) and treasury (interest rate and equity risk).
Interest rate risk is diversified in terms of currency, product and maturity. Foreign currency risk is hedged by currency. Equity and capital investment risks are diversified by market area, sector and issuer. Risk involved in venture capital investments is diversified in accordance with the fund regulations. Specific limits have been set for options.

Continuous analysis of the structure of the risk position and the markets, as well as anticipating the impact of changes on the Bank's risk position and performance play a key role in market risk management. Effective market risk management requires current and accurate information on exposure and markets, and fast response to changes. Market risks are managed by adjusting the risk positions using both balance sheet and derivative instruments, in line with the current market views and within the risk limit framework. Market exposure or individual agreements can also be hedged with derivative instruments against changes in market value or to secure net financial income.

In addition, interest rate, currency and equity risks are measured using Value at Risk (VaR) analysis.

The VaR model is based on the historical development of interest and foreign exchange rates and share prices. This model is used to analyse changes in the market value of exposures over a one-day holding period, which is the time needed to unwind the position or to cover the risk. The model provides a loss forecast suggesting that the probability of the loss being less than or equal to the forecast is 97.5 per cent.

The VaR analysis is based on historical price changes (volatility) and offers a loss estimate in "normal" market conditions. Stress testing can be used to evaluate the impact of the most significant market changes during the review period on an open risk exposure. The forecasting accuracy of the model is monitored using a daily back testing method: the result of the test may exceed the loss estimate by an average of 2.5 times during a 100-day period.

The benefits of historical simulation include empirical, realised scatter and correlations. Its problematic features, however, include risk forecasting based on historical performance, the impact of the length of the selected time series on the risk indicator value, the discontinuity of extreme changes particularly in the loss tail, and autocorrelation associated with the time series.

The Risk Management Department monitors OKO Bank's interest rate, foreign exchange and equity risk limits daily and reports these to the divisions and Executive Board.

Interest Rate Risk

Interest rate risks arise from differences between balance sheet or off-balance sheet item maturities, interest rate reset dates or the bases of interest rates. In trading, interest rate risks materialise when a market rate fluctuation shows up as a security market value change. In Treasury, interest rate risk translates into a change in net interest income.

Only specifically named units and companies are allowed to take interest rate risk within the set limits.

Interest Rate Risk in Treasury

Interest rate risk in Treasury arises in connection with the repricing of balance sheet receivables and liabilities and is caused by changes in interest rates and the different resetting times of interest rate revisions. A rise in interest rates generates a loss for the bank, if investments are tied to rates for longer than funding.

The balance sheet also contains structural interest rate risks generated in retail borrowing and interest-free balance sheet items. Early repayment of customer agreements can also create interest rate risk. Treasury handles interest rate risks incurring from operations other than trading and manages the position within the authorised limits.

Treasury's interest rate risks are included in OKO Bank's total interest rate risk and are measured and reported using the same benchmarks and limitation principles as a trading portfolio. These are expected to render the net interest income more sensitive to interest rate fluctuations.

Foreign Exchange Risk

Foreign exchange risks arise when there is a gap between receivables and liabilities in the same currency.

Management of foreign exchange risk is carried out in the context of trading. Limits set on the total net foreign currency exposure and the par exposure of key currencies (USD, GDP, SEK) are used to restrict exposure. In addition, an alarm limit has been set on the VaR figure for foreign exchange risk. The risk is also constrained with stop/loss limits.

Equity Market Risk

Equity market risks arise from equity and venture capital investment activities. Equity investments include shares purchased for trading purposes as well as for long-term holding.

The principles regulating the composition of the equity portfolio and the selection of investments are defined in the equity market risk policy.

Treasury is responsible for the management of the equity portfolio recorded under items classified available for sale.

Volatility Risk

Interest rate and foreign exchange options and the repurchase of issued index loans create small-scale volatility risks.

These risks are measured using a simulated VaR-type maximum loss risk indicator for a position (spot/volatility matrix), the market price of the underlying instrument and the market price volatility of the derivative.

Real Estate Risk

Real estate risk refers to risks associated with the change in the value or in the return on real estate holdings.

The real estate risk policy sets out the principles providing guidelines for the composition of a real estate portfolio and the selection of investments. Individual assessments and action plans are prepared annually for real estate investments. Real estate risks are reported quarterly in the risk analysis.

Funding Risk Management

Funding risk refers to the risk associated with the availability of refunding and the impact of the bank's credit rating development on the price of funding. A deviation between the maturities of receivables and liabilities generates risks. Similarly, funding risks arise if either liabilities or receivables or both are concentrated in respect of counterparties, instruments or market segments. Changes in customer behaviour or in the business environment may also create funding risks.

Liquidity risk refers to the risk associated with the availability of funding when liabilities or other payments mature. Such a risk may materialise as a result of diminished market liquidity or the falling credit rating of a prospective borrower. Provisions for liquidity risks comprise a portfolio consisting of liquid notes and bonds.

Liquidity management is subject to the regulations of the European Central Bank's minimum reserve and liquidity credit systems.

Funding and liquidity risk management are critical to OKO Bank, as manifested by OKO Bank's Group Treasury duty to secure sufficient liquidity and reserves within the OP Bank Group. The liquidity reserve portfolio represents about one fourth of the Banking and Securities Services' balance sheet.

The purpose of funding risk management is to ensure that the capital structure is correctly proportioned to risk bearing ability, and to limit the funding or liquidity risk arising from the balance sheet structure. Funding risk is managed by planning liquidity and the balance sheet structure, by maintaining a sufficient liquidity reserve, and by diversifying funding risk on the basis of maturity, counterparty and instrument.

OKO Bank's Executive Board approves the funding and liquidity risk management principles and risk policies. The Risk Management Committee coordinates and supervises these principles and the use of limits. Group Treasury has the central responsibility for OKO Bank's funding risk and liquidity management, long-term funding as well as the maintenance of reserve portfolios. The Risk Management Department monitors and reports funding risks to the Divisions and the Executive Board.

Key sources of funding include issues of CDs and bonds, deposits from other banks and member co-operative banks, deposits from the public, and shareholders' equity. OKO Bank's credit rating affects the availability and price of funding in the international money and capital markets.

The principles and limits related to wholesale funding and its structure are defined in the funding risk policy. In addition, the funding risk policy includes a funding plan.

Measuring, Monitoring and Reporting Funding Risk

The funding risk is monitored on the basis of the balance sheet structure and the maturity distribution of receivables and liabilities. A significant part of the growth of the balance sheet is financed by wholesale funding, and the aim is to diversify it by maturity class so that the renewal of wholesale funding and additional funding can be implemented flexibly regardless of the market situation. In order to ensure the sufficient diversification of wholesale funding, the maturity distribution of wholesale funding is limited up to four years. The shortest maturity class is wholesale funding maturing within one month, the amount of which must not exceed the amount of liquidity reserves. In addition to this, a limit proportional to the balance sheet of OP Bank Group's banking business has been set for the amount of liquidity reserves.

Daily liquidity is monitored using calculations and forecasts for a 30-day period. They include the impact of internal transactions as well as forecasts of cash flows in interbank payment transfer services.

The Risk Management Department reports funding risks to the Divisions and the Executive Board monthly. Daily activities include the preparation of cash flow statements by currency and an estimate of the adequacy of liquidity reserve.

Derivative Activities

OKO Bank Group uses interest rate and currency derivatives actively, as well as equity, equity index and credit derivatives to a lesser amount. The underlying values and credit countervalues of these are itemised in Note 62 to the financial statements. Derivatives are used for trading and hedging purposes as a part of overall position management. Derivative risks are monitored as a part of the overall exposure in trading and asset management using the same benchmarks as for balance sheet exposure. The only exception is options, whose risk is measured as described above under section "Volatility Risk".

The counterparty risk involved in derivatives business is monitored using credit countervalues that are based on the repurchase cost of contracts (market value) and instrument-specific future credit risk factors.

The purpose of hedging credits and debt issues against interest rate risk is to lock the margin, or the interest rate difference between the hedged and hedging item. Hedge effectiveness is assessed by the ratio between the interest rate risk figures and market values of the hedged and hedging items.

Additional earnings components linked to the issued index loans have been hedged using derivative structures. The hedging derivatives are equity, equity index, currency, interest rate commodity and credit derivatives.

Managing Operational Risks

Operational risk refers to the risk that the operations create: as risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk, which includes legal risk but excludes strategic risk, may also lead to loss of reputation.

The business units are responsible for operational risk management. The Risk Management Department monitors the implementation of operational risk management, the risk level and losses caused by realised risks, and provides reports on these issues.

A corporate risk policy for operational risks has been prepared, defining the principles that guide the identification, assessment, monitoring and reporting of operational risks. It also defines the key objectives for operational risk management.

The objective is to establish a culture that helps prevent risks. The organisation's values as well as its management and business culture hold a crucial position in this effort. Risk management is founded on a systematic approach, caution and continuity, which are to be observed in all business sectors.

In managing operational risks, risk identification and assessment as well as the subsequent refining of operating procedures play a critical role.

To prevent risks, processes and personnel competence will be developed, and the decision-making, execution and supervision have to be separated. Before new products are released, they will be described, operating processes will be planned, guidelines will be prepared, and the product will be approved. For legal risk management, it is crucial to ensure the legal and binding nature of any contracts. The essential factors in information management include the management of risks related to the authenticity, availability and integrity of information; elements that are particularly important in electronic transactions. In development and implementation of information systems, particular attention is paid to the adequacy of specifications, expertise in terms of content and technology, testing, and pilot stages. The members of the OP Bank Group collaborate closely in the management of information and bank security and the prevention of money laundering and financing of terrorism.

Contingency plans and information technology recovery plans have been prepared in cases of emergency, which are developed and updated regularly. Studies carried out by the Internal Auditing Unit play an important role in the management of operational risks. Property, theft and liability insurance policies are also taken out to protect against losses due to operational risks.

Identifying, Monitoring and Reporting Operational Risks

Operational risks inherent in current activities are ordinarily identified for each process, crossing the organisational boundaries. With regard to significant risks, the probability of the risk and the potential earnings impact of its realisation are assessed. Risks are re-assessed regularly and always in connection with significant changes.

Accident statistics are compiled from the materialised operative risks, with the aim of understanding the causes leading to the events and thereby developing operations.

Risk Management regularly reports to corporate management on risk assessment results and aggregated group wide information on loss data, and recommends development projects or new procedures on the basis of these assessments.

Strategic Risk

Strategic risk refers to losses incurred as a result of an erroneous business strategy.

The threat and effect of strategic risks will be monitored and assessed annually in connection with updates to the risk management strategy. In the same context, any changes in the business environment and competitive conditions, as well as their effects on strategy implementation, will be assessed.

Risk Management Principles of Insurance Operations

In insurance operations, risk taking is part of the business mission and risk management is one of the core competences. The purpose of insurance operations is to carry risks on behalf of customers and to ensure that the value of their assets does not vanish or their livelihood is not jeopardised in unpredictable circumstances.

These services include both insurance technical and credit and market risks, which requires that risk management is integrated with day-to-day leadership and organisational procedures.

Organisation of Risk Management

The Boards of Directors of insurance companies have the ultimate responsibility for matters related to risk management. Risk management is based on confirmed common guidelines for the overall internal control. Internal control consists of a risk management system by which business risks can be identified and controlled. The Board of Directors has set targets for the return on equity, combined ratio and solvency capital of Non-life Insurance.

The Risk Control function is independent of the business function taking the risk. The Risk Management function coordinates and develops risk management and related reporting and prepares a risk management plan for the approval of the Board of Directors. The Internal Control function is responsible for the implementation of internal control in accordance with the guidelines approved by the Board of Directors. The Internal Control and Risk Management functions report regularly to the Board of Directors and the President. The Board of Directors evaluates the status of internal control at least once a year.

The Chief Actuary has a central role in the implementation of risk management. The duties of the Chief Actuary include monitoring the insurance contract liabilities, the adequacy of the premium bases and the reinsurance principles, as well as the issue of a statement on the investment plan.

Risk Carrying Capacity and Capital Management

In insurance operations, adequate capitalisation has a vital role. The licence of an insurance company demands that the regulatory solvency requirements are fulfilled. The amount of capital has an effect both on return on equity and on the risk carrying capacity. High profitability supports both targets. Financial standing ultimately sets the limits to the size of the risks that can be assumed.

The aim is to maintain the solvency of Non-life Insurance at a level which corresponds to an insurance financial strength rating of 'A' (in accordance with S&P).

The Non-life Insurance function has a probability model for the assessment of insurance and investment risks. By means of the model, an optimal structure for investment allocation, insurance portfolio and solvency is evaluated, so as to maximise the return on capital. The model also defines a target for solvency.

Concerning insurance risks, the model takes into account of the different nature of the insurance lines and the extent of reinsurance. The model applied to investment risks is based on classification in accordance with the nature of investment instruments. The model takes into account the expected return and the mix of the investment classes, as well as the correlation between the classes.

Insurance Risks

Insurance business is based on risk-taking and on the management of risks. The largest risks pertain to risk selection and rating, to the acquisition of reinsurance cover, and to the adequacy of insurance contract liabilities. The insurance contract liabilities risk is involved particularly in those insurance lines where the claims settlement period is long. In addition, a major insurance business risk consists of the investment risk related to the assets covering insurance contract liabilities.

Credit and market risk

Both the insurance and investment operations involve credit and market risks. These risks can materialise either

- as a market risk, whereby changes in market risk factors have a negative impact on assets and/or debts and liabilities,
- as a credit risk, which, if materialised, may cause financial losses as a result of the counterparty's insolvency, or
- as a liquidity risk, which, if materialised, can lead to a situation where assets may have to be realised at less than the fair value.

In insurance operations, the risks consist of a market risk related to the assets covering insurance contract liabilities, a counterparty risk or a credit risk. Investment risks can materialise as lower than expected returns or as a fall in the value of investments.

In insurance operations, special attention is paid to the diversification of market risks, to the liquidity of investments, and to the counterparty risk. In reinsurance, maximum liability limits are annually set for each reinsurer. In accordance with the business strategy, investments are made in fixed-income securities, shares and real estate both in Finland and abroad. The aim is to guarantee a good return in the long term. Investment operations are based on annually made investment plans and on investment powers.

Risk concentrations can arise, for example, from situations where insurance cover is granted to a customer in whom also investments have been made, either through equity or bond investments. This is taken into account in insurance and investment operations.

Operative risks

Insurance business also includes operative risks which may result in a direct or an indirect variation in profits. Operative risks are usually brought about by inefficiencies in internal processes or by an inability to manage unforeseeable external events or pressures for change. Insurance operations have a separate risk management function, which coordinates the development of risk management, together with officers responsible for risk management in different business functions.

The responsibility for the management of operative risks lies with the business functions. The impact of the risks on the entire risk profile of insurance operations is assessed regularly, and the risks are reported to the senior management, if necessary. The management of operative risks requires a professional staff and well-functioning IT systems. Unforeseeable external events are taken into account by means of business continuity and precautionary plans and by insurance.

All operations comply with valid legislation, official regulations and guidelines, and the self-regulatory norms of the insurance industry. In the insurance operations function, there are not any known pending or impending court or arbitration proceedings that could have any material impact on the financial position.

The insurance operations are heavily dependent on information systems and technology. Therefore, special emphasis has been laid on the management of risks related to data systems. The focus in information security development is on the prevention of the risks caused by viruses, on securing proper functioning of the data systems, and on protecting the data network.

Non-life insurance risks

With an insurance contract, the policyholder transfers the insurance risk to the insurer. The insurance risk of an individual non-life insurance contract is composed of two elements. The first one is the occurrence of one or more loss events coverable under the contract. The second one is the size of the coverable loss. Both the number of coverable losses and the size of each loss are random. The insurance terms and conditions require the occurrence of a coverable loss to be unpredictable. On the other hand, the size of a loss sustained by the insured object generally depends heavily for instance on the cause of the loss and on the circumstances at the time of loss as well as on the details of the occurrence. In addition, one insurance contract may cover objects whose nature and value vary.

The insurance portfolio comprises a very large number of non-life insurance policies. Because of the large size of the insurance portfolio, the expected number of claims is also great. If there is no connection between the loss events, the law of large numbers in probability calculation provides that the larger the number of insurance risks in the portfolio, the smaller the relative variation in claims expenditure.

Because, in reality, the lack of connection between insurance risks is never complete, the insurer's claims risk in proportion to the size of insurance portfolio never totally disappears, no matter how large the insurance portfolio. The remaining risk due to the connection between insurance risks is called non-diversifiable risk. Non-diversifiable risks usually relate to changes in external operating environment, such as variations in the economic cycle, which have a systematic effect on the incidence and size of loss in certain groups of insurance contracts. Inflation, for instance, can have an increasing effect on the size of loss simultaneously in a large part of the insurance portfolio. Changes in the population's general mortality rate again would be reflected in the whole annuity portfolio in statutory insurance lines. A non-diversifiable risk can sometimes also relate to yet unknown and latent risks of loss in a large number of insurance contracts. Among these are asbestos claims, which are the most well-known examples from the near past.

A risk type apart consists of a claim accumulation generated by natural catastrophes or large catastrophes caused by human activity. Here, one catastrophic event may give rise to practically simultaneously payable claims for a great number of insured risks at high amounts. As a result, the total claims expenditure arising from a catastrophe may be extremely large. However, this risk can be diversified because the company operates in an area where the risk of natural catastrophes is considered fairly low and protection against the risk can be acquired through reinsurance.

In the management of insurance risks, the most important tasks relate to risk selection and rating, the acquisition of reinsurance cover, the follow-up of claims expenditure and the evaluation of insurance contract liabilities.

The role of risk selection and rating is emphasised in operational models. Limits have been set for the size and extent of risk for each insurance line and risk concentration. A data warehouse and analysis applications supporting the underwriting function have been taken into use. Insurance terms and conditions are a vital tool in controlling risks. In addition, customer or insurance line specific risk analyses are performed to limit risks.

Guidelines have also been draw up for the reinsurance principles and the amount of risk to be retained for own account. The level of reinsurance protection has an impact on the need of solvency capital. Only companies with a sufficiently high insurance financial strength rating are accepted as reinsurers. Moreover, maximum limits have been confirmed for the amounts of risk that can be ceded to any one reinsurer. The limit depends on the nature of the risk involved and on the company's financial standing. The reinsurance agreements have mainly been placed with companies whose ratings are at least 'A' in accordance with Standard & Poor's.

The adequacy of insurance contract liabilities is monitored annually. The evaluation of insurance contract liabilities always involves uncertainty factors which may be due, for instance, to the prediction of the claims trend, to delays in verifying losses, to cost inflation, to legislative changes, and to general trends in the economy.

Statutory insurance contracts

The main part of claims expenditure in statutory lines of insurance consists of compensation for loss of income and for medical care and, in addition, in motor liability insurance, of compensation paid for material damage. Compensation for loss of income is tied to the injured party's earnings. No absolute upper limit has been set for compensation for loss of income. Permanent compensation for loss of income is paid in the form of lifetime annuity. The index increases in annuities do not fall within the scope of compensation under insurance contracts (see Pay-as-you-go system).

Medical treatment expenses are covered in full. As regards claims paid under statutory lines of insurance, the public sector also charges in accordance with actual costs incurred from medical care for losses that have occurred after 2004. However, the risk for medical treatment expenses is materially limited by the fact that medical treatment expenses for losses that have occurred more than 10 years ago do not fall within the scope of compensation payable under insurance contracts (see Pay-as-you-go system). In addition, the insurance company seeks actively to sign contracts with different medical care providers in order to minimise costs.

In addition to accidents, statutory workers' compensation insurance covers occupational diseases. Occupational diseases typically develop slowly. Therefore, the evaluation of claims expenditure for occupational diseases includes more uncertainty than in accident cases. An extreme example of this are latent occupational diseases in which the period from exposure to the actual outbreak of the disease may be even tens of years. Asbestos-induced diseases are such occupational diseases. The death rate among those suffering from the most severe asbestos diseases, i.e. mesothelioma or lung cancer, is very high.

Statutory workers' compensation insurance covers an employer's all employees. Therefore, a major loss may occur because a great number of insured employees may be working in a small area. In the case of a single traffic accident, there may be many casualties, in addition to material damage. An upper limit of €3.3 million has been set for compensation payable for material damage under one motor liability policy.

Since taking out insurance is compulsory in statutory lines of insurance, the law provides that insurers must, in their rating of insurance policies, aim at risk correlation, in such a way that premiums are reasonably proportioned to the costs incurred from the policies. Motor liability insurance has a bonus system under which a loss event raises the insurance premium. In statutory workers' compensation schemes for large companies, the policyholder has the option of experience rating, which means that premiums are tied to the policyholder's own claims experience. The larger the company the stronger the linkage, and the more reliable the estimation of the company's actual risk level, measured on the basis of the company's own loss experience. A corresponding principle also applies to the rating of the largest vehicle fleets of a single policyholder. By this means, the risk related to rating is limited because the rating of the insured risk follows automatically, if not fully, the policyholder's own loss experience.

The reinsurance of statutory workers' compensation insurance has been arranged through a national catastrophe pool. The company's share of the pool is determined by the market share in the insurance line concerned. The company's limit in the pool is €1.5 million and the retention limit in the catastrophe pool is €6 million. The pool has acquired reinsurance cover up to €150 million. In motor liability insurance, the retention is €3 million for any one loss event.

The provision for claims for annuities is mainly composed of annuities of statutory insurance lines. In the computation of the claims provision for annuities discounting is used. The discount rate chosen is of great significance.

It is typical of the statutory lines of insurance that the period from the occurrence of a loss to the date at which the claim is fully paid is often long. Such insurance business generates long-standing cash flow, on the evaluation of which cost inflation and the mortality of benefit recipients have the greatest impact. A downward trend in mortality increases cash flow related to claims because compensation for loss of income is mainly paid as lifetime annuity. A decrease in mortality has continued in Finland and other industrialised countries for several decades. The life expectancy of newborn babies has increased in Finland by around 1.5 years in ten years. This trend has been assumed to continue in the mortality model used by the company for calculating insurance contract liabilities. The estimation of medical expenses inflation also has a major role in the evaluation of cash flows. The developments in medicine and in living conditions have both decreased mortality and increased medical treatment expenses. In the estimation of future cash flows, the company has assumed medical expenses inflation to be two percentage points higher than the general inflation rate.

The scope of cover in statutory lines of insurance is fully regulated by legislation. Therefore, all parties are aware of the type of claims paid and of the size of compensation paid for each claim. This improves the predictability of future cash flows.

Pay-as-you-go system

The pay-as-you-go system is an arrangement based on the special laws of each statutory line of insurance. Under the system, the financing of certain benefits, so-called pay-as-you-go benefits, defined in these laws, has been arranged through the pay-as-you-go system. The system is based on the law and does not generate, for insurance companies, any economic benefit nor any harm that would lead to changes in equity.

Pay-as-you-go benefits include index increases in annuities, medical treatment expenses compensated under statutory workers' compensation insurance and motor liability insurance over ten years after the accident occurred, as well as certain other increases in benefits, as provided in special legislation regarding the different statutory lines of insurance.

In accordance with the above legislation, the pay-as-you-go benefits are financed by contributions collected by insurers from policyholders annually in connection with premium collection. The size of the contribution is determined on the basis of the insurance company's market share in the line of insurance concerned in the collection year. In particular, an insurance company which no longer underwrites that insurance line does not take part in the financing of the pay-as-you-go system. The amount collected through this contribution is forwarded annually to the central organisation for the particular insurance line, as provided by the law. The central organisation is in charge of distributing the funds in such a way that each company transacting, or which transacted previously, the insurance line concerned receives exactly the amount that corresponds to the claims it has paid that year in pay-as-you-go benefits.

Thus, future policyholder generations pay for the financing of future pay-as-you-go benefits. The obligation to insure regarding all statutory lines of insurance guarantees the financing basis for the system. For instance, in the case of statutory workers' compensation insurance, the contribution for the financing of the pay-as-you-go benefits payable any given year is collected from all those employers who, in that year, have employees in Finland or Finnish employees assigned abroad. Therefore, the financing of the pay-as-you-go system, based on special legislation governing statutory lines of insurance, could fail only in a case where doing work, motor traffic or medical care in Finland would cease altogether.

Other accident and health insurance

In other accident and health insurance, claims are usually small. Compensation is paid mainly for medical treatment expenses or permanent injury or handicap. In addition, lump-sum benefits are paid in case of death.

The largest claims may arise from catastrophes in which a great number of people are injured. In named crisis areas, insurance cover is not in force.

In insurance policies, an upper age limit has usually been set for insured persons with the aim to restrict the amount of claims paid under policies. Furthermore, in medical expenses insurance, a health declaration is requested from the person to be insured, on the basis of which the insured's right to compensation may be limited.

Insurers have the right to alter the price and terms and conditions of insurance annually when renewing continuous annual policies. However, the causes for altering the price and terms and conditions of insurance are restricted in insurance legislation and the causes have to be listed in the insurance contract. An insurance contract cannot be terminated because of a loss event.

In new medical expenses contracts written after 2004, the company has set a policy-specific upper limit of €50 000 for medical treatment expenses benefits.

The company has taken out reinsurance cover against catastrophe accumulation in the insurance class 'Other accident and health'. Retention under reinsurance is €2.5 million and claims are paid up to €25 million. In addition, the portion remaining for own account has been reinsured under general catastrophe cover. The reinsurance does not cover losses arising from contagious disease epidemics.

Medical expenses inflation has a major impact on forecasting cash flows in medical expenses insurance, as regards those illnesses for which compensation is paid for a long time. Medical expenses inflation is boosted by rapid developments in medicine and the rising cost of pharmaceuticals.

Future cash flows are also impacted by developments in public health care. If medical care services financed from public funds decrease, people will, to an increasing extent, start financing their medical care through medical expenses insurance.

Hull and cargo insurance

Hull and cargo insurance policies cover loss or damage sustained by motor vehicles, vessels, aircraft and railway rolling stock. Weather conditions have the greatest impact on the number and size of losses. Therefore, the claims expenditure is larger in the winter season than in the summer season.

The largest single claims may be incurred by the company from hull insurance, especially in cases where one and the same vessel also carries cargo insured by the company. The company does not insure large commercial airliners.

In the rating of motor vehicle insurance, a no-claims bonus system is applied, under which the occurrence of a loss event raises the premium. In addition, the company has the right to change the premium annually. However, if the policyholder is a private individual, the premium can be changed only if the conditions set out in the insurance contract are met.

The company has taken out a separate reinsurance cover against major loss or damage sustained by vessels and cargo. Retention under reinsurance is €4 million. In addition, losses for own account are reinsured under catastrophe cover under the same reinsurance agreement as property and business interruption policies. Retention under this catastrophe protection is €7.5 million for any one loss event.

Most of the motor vehicle insurance portfolio comprises private individuals' policies. Otherwise, the insurance risk in this class is mainly composed of insurance taken out by companies and corporations.

The estimation of future cash flows in private individual and motor vehicle insurance does not include any major uncertainty factors. Almost all claims have been paid within six months from the occurrence of the loss. For other policies, the claim settlement period is somewhat longer.

Property and business interruption insurance

In property and business interruption insurance, the largest single risks are fire, natural phenomenon and breakage risks at companies' production facilities and buildings, as well as related business interruption risks. Private households' single property risks are small and individual claims related to them have no material impact on the company's results. Most of the claims expenditure for private households is incurred from leakage, fire and burglary claims.

The risk of natural catastrophes has been considered minor in Finland and the Baltic States, but forest damage in Sweden has led to the reassessment of the risk. Pohjola has insured against storms around 5 per cent of all Finnish commercial forests. Geographically, these are dispersed all over

Finland. On the basis of general knowledge and clarifications made, it is still uncertain whether the recent storms are due to climatic changes or natural variations in climatic conditions. Clarifications have shown, however, that there are indications of a change in climatic conditions also in the area where the company operates, at least in the long term. The forecasted increase in temperature levels will probably be seen as changes in summer and winter conditions and, for instance, as an increased number of rainfalls. Although there is no clear proof of an increasing effect which rising temperatures may have on the severity of storms, the capacity of the catastrophe reinsurance cover has, from January 1, 2006, been increased by €30 million, to €80 million, just to be on the safe side. The capacity is nearly 10-fold compared to the largest realised catastrophe accumulations.

As a rule, flood damage is excluded from the insurance terms and conditions for property insurance covering buildings. In the selection of property and business interruption risks, guided procedures based on customer segments' different insurance needs and solutions are applied. The rating of major clients' policies takes place in accordance with a certified quality system. Rating is graded in accordance with the size and severity of the risk. In the rating process, resources and managerial decision-taking is increased as the size and severity grows.

In the rating of corporate customers, customer selection and discount guidelines apply. The customer selection guidelines include details on a potential customer's eligibility for becoming a customer, taking into account, for instance, payment delays. In sectors with large risks, risk selection is tightened. The discount guidelines define the seller's, risk manager's, underwriter's and supervisor's powers to grant discount by line of insurance and partly by customer segment. The rating of small enterprises is also guided by system authorisations.

The profitability of property and business interruption contracts is monitored by a varied follow-up and analysis system based on an insurance and loss data warehouse. Profitability analyses are carried out by line of insurance, by customer segment, by business sector and by customer care organisation.

The company has the right to re-rate policies in connection with renewal or to terminate a policy. However, when the customer is a private individual, the premium can only be changed on conditions specified in the insurance contract.

The insurance portfolio is reinsured under a non-proportional reinsurance treaty in which retention is €5 million by insurance risk. In addition, reinsurance protection has been taken out against catastrophe accumulation claims. Under this reinsurance cover, retention is €7.5 million for any one loss event.

The estimation of future cash flows in property and business interruption insurance does not involve any major difficulties. As a rule, claims are paid within a year from the occurrence of the loss and the amount of loss can be estimated reliably. Generally speaking, the largest uncertainty in claim-specific estimations appears in new business interruption and accumulation losses.

In the follow-up of the size of storm damage, the company monitors separately the damage caused by each storm. In each monthly report, the originally made overall loss estimate is compared with the established claim expenditure and the estimate is adjusted, where necessary.

Liability and legal expenses insurance

The number and size of liability claims are largely impacted by the legislation and legal practice governing the liability to pay damages.

Claims made by private individuals are usually small. In addition, the proportion of private individuals' risks of the total risk of the class is minor.

Most of corporate liability policies are product liability and commercial general liability policies. In the selection of insurance risk, the same guidelines apply as in property and business interruption insurance. For instance in product liability insurance, the risk of losses incurred from one and the same defect or act, so-called serial losses, has been reduced in such a manner that, for losses incurred at different times from the same defect, the aggregate maximum indemnity equals the sum insured for the period during which the first loss was detected.

In legal expenses insurance, the person insured is indemnified for expenses for legal proceedings. Since the insured person can have an impact on the cost of legal proceedings, for instance, by the choice of attorney, legal expenses insurance applies a proportional deductible, whereby the customer always pays a certain percentage of the overall loss.

The company's retention for the risks in this class is €4 million for any one loss event.

It is typical of liability insurance, that losses are revealed slowly. Once a loss has been reported, uncertainty may still prevail as regards the size of the loss. However, the most significant uncertainty factor relates to the evaluation of unknown losses.

In liability insurance, claims can be allocated either by the time at which the loss occurred (Occurrence) or by the time at which the claim was made (Claims made). From the viewpoint of the estimation of cash flows, this is of major significance. If it has been agreed under the insurance that the loss is to be allocated in accordance with the loss report, the policyholder no longer has an opportunity to file new claims after an agreed period of time from the expiry of the insurance contract.

The estimation of future cash flows from foreign reinsurance in run-off involves uncertainty factors. About a half of the insurance contract liabilities allocated to this business relate to APH business (Asbestos, Pollution, Health hazard). Of these liabilities, 70 per cent derive from the USA and 30 per cent from the UK. The liabilities from the APH business, as well as other liabilities, originate from the 1980s and from insurance contracts signed earlier.

No significant uncertainty factors relate to cash flows from legal expenses insurance because losses in this line are always reported promptly. Therefore, there is no major uncertainty about the size of the losses, either.

Long-term insurance contracts

Economic conditions have a material impact on the number of claims in guarantee insurance. During upturn, there are fewer guarantee claims and during downturn the number of claims is significantly larger. Guarantee insurance contracts are divided into loan guarantees and contract guarantees. The duration of loan guarantees is an average of 5 to 7 years and that of contract guarantees a maximum of 2 years. Over a half of the guarantee insurance portfolio consists of contract guarantees.

As a rule, the company has not taken out reinsurance cover for guarantee insurance, but part of the guarantee insurance liabilities are covered by sufficient security. In case of a loss, the company can realise the property held for security and thus reduce the loss. Guarantee insurance is long-term activity and, therefore, the insured's financial standing, the developments in the amount of liability and the adequacy of counter-security must be monitored on a regular basis. Most of the decennial policies are statutory construction defects insurance policies. In these policies regarding residential buildings, a condition for a loss event is that there is a construction defect and that the builder is insolvent. Since the liability period under the insurance is 10 years, the risk of serial loss is involved. For a builder with exceptionally many construction defects, the risk of insolvency increases materially.

In case of a serial loss, the company has a stop loss reinsurance treaty covering loss accumulation per underwriting year. Under the treaty, retention for each underwriting year is 400 per cent of premiums written, but not less than €6 million.

Perpetual insurance contracts are fire policies covering real estate and forests. The insurance covers the same fire and natural catastrophe damage as the annual policies for real estate and forests. Owing to the long-standing effect of inflation, the sums insured under perpetual insurance are small.

The largest problem with the forecasting of cash flows from long-term insurance contracts is that the amount of compensation materially depends on future years' economic conditions, which are hard to predict.

The greatest uncertainty related to cash flows from perpetual insurance resides in the amount of surrenders. Currently, there are very few surrenders, the greatest risk being that the number of surrenders increases markedly. The annual amount of surrenders has been €200 000. If all policies were to be surrendered immediately, the amount payable would be €15 million.

Investment Risks

Annually, an investment plan is drawn up, for which the following items are assessed:

- Operating environment and prospects for the future
- Investment risks regarding returns, security and currency business
- Requirements set by the nature of the insurance contract liabilities as regards investment returns, liquidity and currency business
- Risk carrying capacity as regards investments in the short and long term.

Investments are assets covering insurance contract liabilities and equity. By assuming well-managed investment risks, the aim is to obtain the best possible return on the investment portfolio. The structure of the investment portfolio by which a maximum return at the selected risk level is obtained on the portfolio is called basic allocation. The Non-life Insurance function applies the Asset/Liability Model (ALM) to determine the basic allocation. As a result of active investment operations and fluctuations in property values, deviations are, within certain limits, occasionally made from the basic allocation. In the investment plan, investment powers are determined for each asset class and for the internal diversification of asset classes.

Market risk

The market risk is composed of the price, interest rate and currency risk. Changes in share prices, interest rates and currencies have an impact on the value of investments. The relation between the investment risk and the solvency capital of Non-life Insurance is assessed by means of an internal ALM model and the sensitivity analysis of the market risk.

The maximum amount and number of equities, alternative investments and properties which include a price risk are limited in the basic allocation. The investment risk is also managed by diversifying investments in different instruments, geographically and by business sector.

For the management of the market risk, derivatives are also used. The principles of the use of derivatives are annually defined in the investment plan. Interest rate and equity derivatives can be used both for hedging and for increasing the risk level of the portfolio, within defined limits. Currency derivatives can be used only for hedging. Credit risk derivatives are not used. Derivative contracts can be signed on regulated markets or with a counterparty whose long-term credit rating is at least A3 (Moody's) or A- (Standard & Poor's).

Interest rate risk

In addition to the sensitivity analysis, the interest rate risk of fixed-income portfolios is monitored by means of modified duration. In the investment plan, the modified duration of fixed-income portfolios has been assigned variation ranges proportioned to the modified duration of a benchmark portfolio.

Currency risk

The currency risks in Non-life Insurance mainly relate to foreign equity investments. In the investment plan, a maximum limit has been set for the currency risk. The US dollar, the British pound and the Japan yen form the largest currency positions in the balance sheet. Currency risks are actively hedged against by derivative contracts.

Credit risk

Investments in bonds consist mainly of euro-denominated bonds issued by euro-area governments. The credit risk is managed by diversifying the portfolio and by limiting the proportion of weaker credit risk in the portfolio. The investment plan includes limitations regarding credit ratings. An internal credit risk assessment is made of non-rated issuers. On the basis of the assessment, an investment decision can be made.

Liquidity risk

The company's liquidity requirements are taken into account when building up the investment portfolio. The primary liquidity buffer is the money market portfolio. Investments in equities and bonds consist mainly of quoted and liquid equities and bonds.

NOTE 3. Business Operations Acquired and Sold during the Fiscal Period

On September 12, 2005, OKO Bank acquired the holdings in Pohjola plc's shares of Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company for €1,195 million. After the acquisition, OKO Bank owned approximately 58.5 per cent of Pohjola's shares and votes. The transaction was finally concluded on October 18, when OKO Bank obtained the regulatory approvals on which the transaction was conditiond. After the conclusion of the transaction, Pohjola plc became OKO Bank's subsidiary. By the end of the year, OKO Bank increased its holding in Pohjola plc's shares to 86.3 per cent.

The main business operations of the Pohjola Group acquired are non-life insurance, and investment services consisting of life insurance, mutual funds and asset management. Just before year-end, Pohjola sold its 100% holding in Pohjola Fund Management Company Ltd to the OP Bank Group Central Cooperative for € 73 million and Pohjola Systeemipalvelu Oy for € 13 million. These transactions did not have an effect on the financial performance of OKO Bank Group.

In the consolidation of the financial statements for 2005, the acquisition cost of Pohjola plc's shares according to the situation on December 31, 2005 added to the direct costs related to the acquisition of the shares has been used as the acquisition cost. The aggregate amount of the acquisition cost was €1,773 million, of which the acquisition cost of the shares was €1,766 million and the direct costs related to the acquisition were €7 million. The acquisition cost was paid in cash.

The goodwill arising as a result of consolidation is formed as the difference between the acquisition cost and the fair values of indentifiable assets and liabilities acquired. The indentifiable assets and liabilities acquired are formed of the net assets of Pohjola valued at fair value and those indentifiable assets identified in connection with the acquisition that are not included in the balance sheets of the Pohjola companies acquired. The goodwill describes income expectations and synergies of the acquisition.

OKO Bank Group's earnings for the fiscal period amounted to €271 million. Of the consolidated Pohjola companies, profit for the November–December period totalling €11 million has been taken into account in OKO Bank's consolidated financial statements. If the Pohjola companies had been acquired at the beginning of the fiscal period, the total profit for the fiscal period would have been consolidated with the OKO Bank Group's earnings, in which case OKO Bank Group's profit for the fiscal period would have been clearly greater. However, the impact of this consolidation on the earnings of the OKO Bank Group cannot be assessed in practice, as the adjustments required by the consolidation of Pohjola and OKO Bank Group have not been examined for the period preceding ownership.

	Values used in consolidation	Book values before consolidation
Tangible assets	55.3	52.0
Investment properties	66.0	58.4
Intangible assets		
Brands	179.1	
Customer relationships	314.5	20.6
Insurance contracts	46.3	2.0
Software	75.3	40.3
Goodwill	15.7	
Financial assets	4433.3	4433.3
Other assets	71.9	71.9
Liquid assets	99.5	99.5
Total assets	5341.2	4793.7

		Values used in consolidation	Book values before consolidation
Insurance liabilities		3268.0	3268.0
Financial liabilities		150.3	150.3
Deferred tax liabilities		261.6	120.8
Provisions		37.7	37.7
Pension obligations		9.3	4.5
Accounts payable and other liabilities		155.3	155.3
Total liabilities		3882.2	3736.6
Net assets		1459.0	1057.1
Holding in net assets acquired on December 31, 2005	86.3 %	1258.7	
Acquisition cost		1773.2	
Goodwill on the acquisition date*		514.5	
Acquisition price paid in cash		1773.2	
Liquid assets of the subsidiary acquired		99.5	
Cash flow impact		1673.7	

* A more detailed breakdown on goodwill can be found in Note 26 concerning intangible assets.

Business Operations Sold

In September, OKO Bank sold its 100% holding in Okopankki Oyj to the OP Bank Group Central Cooperative as part of the financing for the Pohjola transaction. The transaction was confirmed on October 18, 2005, when regulatory approvals were obtained for the Pohjola acquisition. Okopankki was included in the OKO Bank Group's consolidated financial statements until October 31, 2005. Capital gain of € 153 million was recognised in the Group´s profit.

As a consequence of the sale of Okopankki shares, OKO Bank Group's holding in OP-Kotipankki Oyj decreased to 16.9 per cent of the shares and 8.9 per cent of the voting rights. This means that OP-Kotipankki is no longer an affiliate of OKO Bank. The consolidated share of profit of OP-Kotipankki in the OKO Bank Group was minor.

Disposal of Assets	
Intangible assets	0.8
Tangible assets	38.1
Financial assets	2955.7
Other assets	35.2
Total	**3029.8**
Disposal of Liabilities	
Interest-bearing liabilities	2801.0
Other liabilities	75.3
Total	**2876.3**
Tranaction price received in cash	325.0
Half of asset transfer tax 1.6 per cent	2.6
Disposal of Liquid assets	15.2
Cash flow impact	307.2

NOTE 4. Discontinued Operations during the Fiscal Period and Asset Items Classified as Held for Sale

Of the sales of OKO Bank's subsidiaries, both Okopankki Oyj and its subsidiary Helsingin Seudun OP-Kiinteistökeskus Oy are presented as discontinued operations. The earnings of Retail Banking are presented in segment reporting separately from other discontinued operations.

The integration of the Pohjola Group into the OP Bank Group contained a plan, according to which Pohjola sold Pohjola Life Insurance Company Ltd, Pohjola Fund Management Company Ltd and Pohjola Systeemipalvelu Oy included in the transaction to the OP Bank Group Central Cooperative . Of these, the transactions of Pohjola Fund Management Company Ltd and Pohjola Systeemipalvelut Oy were concluded on December 31, 2005 and the transaction of Pohjola Life Insurance Company Ltd on January 16, 2006 at the agreed prices. Pohjola Life Insurance Company has been reported as a discontinued operation and the asset and liability items related to it has been classified as held for sale. In segment reporting, Pohjola Life Insurance Company is presented as a discontinued operation.

On December 22, 2005, Pohjola Group plc sold its 100% holding in the run-off companies Insurance Company Bothnia International and Moorgate Insurance Company Ltd to a buyer outside the Group. It is expected that the conditions of the sale will be finally met during the spring of 2006, if the necessary regulatory approvals are obtained and the other agreed conditions are met.

The discontinued Retail Banking's share of the cash flows

€ million	2005	2004
Cash flow from operating activities	61	35
Cash flow from investments	-3	-2
Cash flow from financing	-95	-35
Total cash flow	**-37**	**-2**

Assets and liabilities classified as held for sale

€ million	Life insurance	Run off	Total
Assets			
Assets of non-life insurance		80.4	80.4
Assets of life insurance	1754.7		1754.7
Intangible assets	109.7		109.7
Tangible assets	0.1		0.1
Other assets	5.6	-0.3	5.3
Tax receivables	2.7	0.7	3.4
Total assets	**1872.8**	**80.8**	**1953.6**
Liabilities			
Liabilities of non-life insurance		45.2	45.2
Liabilities of life insurance	1577.2		1577.2
Provisions and other liabilities	10.4	2.3	12.7
Tax liabilities	21.1		21.1
Total liabilities	**1608.7**	**47.5**	**1656.2**

Notes to the Income Statement

NOTE 5. Net interest income	2005	2004
Interest income		
Receivables from financial institutions	114.3	83.5
Receivables from customers	284.7	274.0
Loans	272.0	263.1
Finance lease receivables	11.7	10.9
Impaired loans and other commitments	1.0	-
Notes and bonds	98.7	89.4
Held for trading purposes	34.4	41.2
Available for sale	64.3	48.2
Derivative contracts	262.0	-31.2
Hedge accounting	-3	-17.1
Other	265.0	-14.1
Other interest income	1.2	-
Total	760.9	415.7
Interest expenses		
Liabilities to financial institutions	93.3	81.5
Liabilities to customers	51.5	40.3
Financial liabilities held for trading	0.4	0.5
Hedge accounting	-8.8	-
Other	276.5	-8.7
Notes and bonds issued to the public	181.2	139.0
Subordinated liabilities	21.8	14.5
Capital loans	7.1	1.6
Other	14.7	12.9
Derivative contracts	267.7	-8.7
Other interest expenses	2.1	2.0
Total	618.1	269.1
Net interest income before impairment losses	142.7	146.6

Due to changes in the recognition and presentation, interest income and expenses are not comparable in 2004 and 2005.

NOTE 6. Impairment losses on receivables		
Receivables eliminated as loan and guarantee losses	2.5	0.9
Recoveries of eliminated receivables	-0.6	-2.2
Increase in impairment losses	2.8	3.8
Reversal of impairment losses	-5.1	-1.1
Collective impairment losses	4.0	-
Impairment losses on interest receivables	-	-
Insurance payouts	0	0
Total	3.6	1.2

NOTE 7. Net income from Non-life Insurance	Nov.–Dec./05	2004
Insurance premium revenue, net	137.8	
Net investment income	12.1	
Claims incurred	-69.0	
Other items from Non-life Insurance	-12.2	
Net income from Non-life Insurance	68.7	
Insurance premium revenue and insurance premiums ceded to reinsurers		
Short-term insurance contracts		
Premiums written	67.0	-
Change in provision for unearned premiums	73.4	-
Change in provision for unexpired risks	0.3	-
Long-term insurance contracts		
Premiums written	1.2	-
Change in provision for unearned premiums	-1.0	-
Insurance premium revenue, gross	**140.9**	**-**
Reinsurers' shares of short-term insurance contracts		
Premiums written	-2.0	-
Change in provision for unearned premiums	-1.0	-
Reinsurers' share of long-term insurance contracts		
Premiums written	0	-
Change in provision for unearned premiums	-0.1	-
Reinsurers´share, total	-3.1	-
Insurance premium revenue, net	**137.8**	**-**
Total premiums written	68.2	
Total change in provision for unearned premiums	72.7	-
Total insurance premium revenue	**140.9**	-
Net investment income from Non-life Insurance		
Loans and receivables		
Interest income	-0.1	-
Net realised gains	-	-
Impairment losses	-	-
Total	-0.1	-
Net trading income		
Interest income		
Notes and bonds	-	-
Other	0.4	-
Net realised gains		
Notes and bonds	-	-
Equity securities	1.5	-
Other	-	-
Net unrealised gains		
Notes and bonds	-1.9	-
Equity securities	-2.2	-
Derivatives	-1.1	-
Other	-	-
Total	3.2	-

	Nov.–Dec./05	2004
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	10.5	-
Other income	0.3	-
Net realised gains	-0.1	-
Transferred from fair value reserve to financial period		-
Impairment losses and their reversals		-
Total	10.7	-
Equity securities		
Dividends	0.9	-
Other income		-
Net realised gains	3.1	-
Transferred from fair value reserve to financial period		-
Impairment losses		-
Total	4.0	-
Total	-14.7	-
Net income from investment property		
Rental income	1.2	-
Net realised gains	-0.1	-
Unrealised gains	0	-
Maintenance charges and expenses	-0.7	-
Other	0.2	-
Total	-0.6	-
Total net investment income from Non-life Insurance	-12.1	-
Non-life Insurance claims		
Claims incurred		
Claims paid (excl. loss adjustment expenses)	-67.6	-
Increase (decrease) in previous periods	3.2	-
Total claims incurred. gross	-64.4	-
Reinsurers' share	-4.6	-
Total claims incurred, net	-69.0	-

NOTE 8. Net income from Life Insurance

Premiums written	148.0	
Insurance premiums ceded to reinsurers	-	-
Net investment income	53.5	-
Claims incurred		
Benefits paid	-21.0	-
Change in provision for unpaid claims	-82.6	-
Reinsurers' share	-	-
Change in insurance contract liabilities		
Change in provision for unearned premiums	-98.1	-
Reinsurers' share	-	-
Other	-1.6	-
Total net income from Life Insurance	-1.8	-

	Nov.-Dec./05	2004
Premiums written in Life Insurance		
Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)		
Endowment life insurance	-5.3	-
Deferred annuity insurance	14.3	-
Group pension insurance	100.8	-
Term insurance		
Individual insurance	2.3	-
Supplementary group insurance	0.8	-
Employees' group life insurance	0.0	-
Premiums written from unit-linked insurance contracts		-
Endowment life insurance	22.1	-
Supplementary employee pension contracts	12.3	
Group pension contracts	0.7	-
Total direct insurance	148.0	-
Total premiums written	148.0	-
Regular premiums from insurance contracts	38.0	-
Single premiums from insurance contracts	110.0	-
Total	148.0	-
Net investment income from Life Insurance		
Loans and receivables		
Interest income	0.5	-
Net trading income		
Interest income		
Other	0.9	-
Net unrealised gains		
Derivatives	0	-
Total	0.9	
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	4.3	-
Net realised gains	-0.1	-
Equity securities		
Net realised gains	9.1	-
Total	13.3	
Net income from investment properties		
Rental income	0.2	-
Net realised gains		-
Unrealised gains	0.1	-
Maintenance charges and expenses. portion not accruing rental income	0	-
Other	0	-
Total	0.3	

	Nov.-Dec./05	2004
Assets covering unit-linked contracts		
Equity securities		
Net realised gains	5.5	-
Net unrealised gains	33.0	-
Other	0.0	-
Total	38.5	
Total net investment income from Life Insurance	**53.5**	
Benefits paid in Life Insurance		
Benefits paid from insurance contracts		
Benefits paid from insurance contracts entitling to a discretionary portion of surplus (DPF)		
Endowment life insurance		
Maturities	-5.0	-
Death benefits	-1.0	-
Surrenders	-4.0	-
Deferred annuity insurance		
Annuities	-1.0	-
Group pension insurance		
Annuities	-1.0	-
Lump-sum benefits		-
Term insurance		
Supplementary group insurance	-1.0	-
Benefits paid from unit-linked insurance contracts		
Endowment life insurance		
Death benefits	-1.0	-
Surrenders	-6.0	-
Benefits paid from investment contracts		
Benefits paid from investment contracts entitling to a discretionary postion of surplus (DPF)		
Capital redemption contracts		
Surrenders	-1.0	-
Benefits paid from unit-linked investment contracts		
Surrenders	-1.0	-
Total direct insurance	**-21.0**	**-**
Total benefits paid in Life Insurance	**-21.0**	**-**

NOTE 9. Net Commission and Fees

	2005	2004
Commissions and fees		
Lending	21.7	18.0
Deposits	0.4	0.5
Payment transfers	21.6	22.5
Securities brokerage	29.5	21.7
Mutual fund brokerage	1.9	-
Securities issuence	6.0	5.9
Asset management and legal services	16.9	13.8
Insurance policy brokerage	4.1	3.9
Guarantees	4.9	5.1

	2005	2004
Housing brokerage	7.2	6.5
Customer bonus provision	-3.3	-3.6
Others	3.2	4.8
Total	**114.4**	**99.2**
Commission expenses		
Payment transfers	5.6	5.1
Securities brokerage	7.0	4.7
Securities issuance	2.0	1.0
Asset management and legal assignments	2.9	2.1
Others	-1.0	1.3
Total	**24.9**	**14.1**
Net commissions and fees	**96.0**	**85.1**

NOTE 10. Net Income from Trading

Financial assets and liabilities held for trading		
Capital gains and losses and realised changes in value		
Notes and bonds	3.1	7.7
Shares and holdings	-1.2	-5.5
Derivatives	0.8	-11.8
Unrealised changes in value		
Notes and bonds	-6.0	-1.4
Shares and holdings	0.4	0.4
Derivatives	10.5	6.7
Dividend income	0	0.1
Net income from foreign exchange trading	8.2	5.8
Total	15.8	2.1

NOTE 11. Net Income from Investments

	2005	2004
Financial assets available for sale		
Notes and bonds and loans acquired		
Capital gains and losses	1.2	3.6
Transferred from the fair value reserve during the fiscal period	0.1	0
Changes in value	0.0	2.5
Shares and holdings		
Capital gains and losses	5.0	15.0
Transferred from the fair value reserve during the fiscal period	7.0	0
Write-downs	-4.2	-
Dividend income	5.4	7.3
Total	9.2	21
Investment properties		
Rental income	6.8	8.7
Capital gains and losses	2.5	-0.1
Gains from fair value adjustments	-0.7	-0.2
Facility and maintenance charges	-4.7	-6.1
Others	0.4	1.1
Total	4.3	3.4
Total net income from investments	18.9	31.4

NOTE 12. Other operating income	2005	2004
Rental income on real estate in own use	0.3	0.8
Sales gains on real estate in own use	1.4	0.4
Insurance payouts	0.1	0.1
Realisation of repossessed items	1.0	0.7
Rental income from assets rented by other rental contracts	5.1	2.1
Reinsurance commissions of non-life insurance	1.8	-
Others*	13.5	3.3
Total	23.1	7.3

* €9.8 million from Pohjola was consolidated under Other operating income, which includes income accrued from the management of the cooperation partners' distribution network and insurance portfolios.

NOTE 13. Personnel costs	2005	2004
Salaries and renumerations	72.7	51.1
Share-based payment	0.1	-
Pension costs	7.8	4.2
Defined contribution plans	9.4	4.8
Defined benefit plans	-1.6	-0.7
Other personnel related costs	5.5	4.0
Total	86.2	59.2

NOTE 14. Other administrative expenses		
Office expenses	15.3	9.0
IT expenses	29.2	24.6
Communication expenses	5.1	3.4
Marketing expenses	9	6.2
Other administrative expenses	13.8	6.3
Total	72.4	49.5

NOTE 15. Other operating expenses		
Rental expenses	0.3	1.3
Expenses from real estate and premises in own use	15.4	9.4
Capital losses on real estate in own use	0	0
Expenses from realisation of repossessed items	1.0	0.8
Reinsurance commissions of non-life insurance	0.2	-
Loan losses of non-life insurance	2.0	-
Change in the collective guarantee of non-life insurance	0.2	-
Depreciation		
Buildings	0.4	0.2
Machinery and equipment	4.2	2.1
Intangible assets	11.0	4.5
Other	5.1	2.9
Total	20.7	9.7

	2005	2004
Impairments		
Real estate in own use	0	-0,1
Goodwill	0	0
Other	-	-
Total	0	-0,1
Other	12.5	9.6
Total	52.4	30.7

NOTE 16. Income taxes

Taxes based on taxable income for the fiscal period	25.2	15.9
Taxes for previous fiscal periods	-6.6	0.6
Deferred taxes	14.1	13.9
Taxes on the income statement	32.7	30.4
Corporate income tax rate	26	29

A reconciliation between the tax expense in the income statement and the tax expense calculated by the applicable tax rate	**2005**	**2004**
Earnings according to accounts	303.5	138.0
Share of earnings corresponding to the tax rate	78.9	40.0
Taxes for previous fiscal periods	-6.6	0.6
Effect of tax-exempt income	-43.0	-2.0
Effect of non-deductible expenses	0.5	1.8
Unused losses/reconsideration	2.9	-0.7
Effect of change in tax rates	-	-9.3
Taxes on the income statement	32.7	30.4

NOTE 17. Earnings per share 2004 2005

Basic earnings per share

Earnings per share is calculated by dividing profit or loss for the fiscal period attributable to shareholders by the adjusted number of shares outstanding on average during the fiscal period.

	Continuing operations	Dis-continued operations	2005 Total	Continuing operations	Dis-continued operations	2004 Total
Profit for the period belonging to the parent company's owners (EUR)	89	178	267	70	36	107
Weighted average number of shares (1000)						
Series A shares	106 025	106 025	106 025	96 155	96 155	96 155
Series K shares	30 024	30 024	30 024	28 397	28 397	28 397
Total	136 049	136 049	136 049	124 553	124 553	124 553
Basic earnings per share (EUR/share)						
Series A shares	0.65	1.31	1.96	0.57	0.29	0.86
Series K shares	0.65	1.30	1.95	0.56	0.29	0.85

Diluted earnings per share

OKO Bank has dilutive options which increase the number of ordinary shares. Options have a dilutive effect when the subscription price of the options is lower than the market price of ordinary shares. The amount of dilution is calculated by adding to the adjusted number of shares on average the number of new shares if all options are converted to shares. From this total, the number of shares from full option conversion multiplied by the share subscription price and divided by the adjusted average share price during the fiscal period is deducted.

	Continuing operations	Dis-continued operations	2005 Total	Continuing operations	Dis-continued operations	2004 Total
Profit for the period belonging to the parent company's owners (EUR)	89	178	267	70	36	107
Weighted average number of shares (1000)						
Series A shares	106 025	106 025	106 025	96 155	96 155	96 155
Series K shares	30 024	30 024	30 024	28 397	28 397	28 397
Total	136 049	136 049	136 049	124 553	124 553	124 553
Effect of share options (1000)	1 191	1 191	1 191	3 139	3 139	3 139
Weighted average number of shares adjusted for dilution (1000	137 239	137 239	137 239	127 692	127 692	127 692
Earnings per share adjusted for dilution (EUR/share)						
Series A shares	0,65	1,30	1,95	0,55	0,29	0,84
Series K shares	0,64	1,29	1,93	0,55	0,28	0,83

Post-fiscal operations affecting the shares

In November and December 2005, a total of 468 200 Series A shares were subscribed for using the option rights. These shares were registered on January 12, 2006. Due to the registration, OKO Bank's share capital increased by slightly less than €1 million.

Notes to balance sheet

NOTE 18. Liquid assets	December 31, 2005	December 31, 2004
Cash	1.2	8.0
Deposits with central banks repayable on demand		
Overnight deposits	0	0
OKO Bank's minimum reserve deposit	115.7	84.0
Other	362.0	204.9
Total	478.9	296.9

According to the European Central Bank system, credit institutions are obliged to have a minimum reserve deposit with their national central bank. The primary purpose of the system is to stabilize money market rates and increase the need for structural central bank financing. Credit institutions within OP Bank Group place a reserve deposit with OKO Bank, which acts as an intermediary authorised by the OP Bank Group's credit institutions and is responsible for OP Bank Group's obligation to place a deposit with the Bank of Finland.

NOTE 19. Receivables from credit institutions	Dec. 31, 2005	Dec. 31, 2004
Deposits with central banks		
Other than repayable on demand	0	0
Minimum reserve deposit with the Bank of Finland		
Deposits		
Repayable on demand	76.6	52.9
Other	430.8	567.6
Total	507.3	620.5
of which receivables from credit institutions due in less than 3 months	507.3	609.5
Loans and other receivables		
Repayable on demand		
From member banks	0	0
From other credit institutions	0	0
Total	0	0
Other		
From member banks	2 677.7	2 566.5
From other credit institutions	1 432.3	361.5
Total	4 112.1	2 928.0
Receivables from financial institutions	4 619.4	3 548.5
Impairment losses		
From member banks	0.0	0.0
From other credit institutions	-2.0	-
Total	-2.0	-
Total receivables from credit institutions	4 617.4	3 548.5

Receivables from credit institutions include EUR 35.3 million (0) of repo receivables.

NOTE 20. Financial Assets Held for Trading	December 31, 2005	December 31, 2004
Government notes and bonds		
Treasury bills, maturity 3 months or less	0.0	59.3
Other Treasury bills	0.0	8.4
Government bonds. maturity 3 months or less	3.5	0.0
Other government bonds	261.7	253.4
Total	265.2	321.2
Other notes and bonds	3 480.3	2 775.5
Shares and holdings	5.8	2.4
Loans acquired and other receivables	-	-
Total	3 691.8	3 085.1

Other notes and bonds held for trading include €1,594.4 million (1,632.5) of certificates of deposit, €194.1 million (2.5) of commercial papers, €59.5 million (13.9) of debentures, €1,626.4 million (1,126.6) of bonds and €5.9 million (0) of other notes and bonds.

Breakdown of notes and bonds held for trading and shares and holdings by quotation and issuer

	December 31, 2005 Notes and bonds	Shares and holdings	December 31, 2004 Notes and bonds	Shares and holdings
Quoted				
From public sector entities	281.2		408.4	
From others	1 709.3	5.8	1039.3	2.4
Others				
From public sector entities	98.6		0.2	
From others	1 597.0	0	1634.8	0
Total	3 686.0	5.8	3082.7	2.4
Impairment losses				

Financial assets held for trading include €2,587.0 million of notes and bonds entitling to central bank financing. Financial assets held for trading include €59.5 million (13.9) of subordinated publicly-quoted notes and bonds from others and €1,507.6 million (1,287.6) of pledged notes and bonds.

NOTE 21. Derivative Contracts	December 31, 2005	December 31, 2004
Held for trading		
Interest derivatives	77.8	44.2
Currency derivatives	32.8	49.2
Equity derivatives	0	0
Credit derivatives	0	0
Others	0	0
Total	110.7	93.4
Hedging derivative contracts – hedging of fair value		
Interest rate derivatives	12.4	0
Currency derivatives	0	0
Equity derivatives	0	0
Credit derivatives	0	0
Others	0	0
Total	12.4	0
Total derivative contracts	123.1	93.4

The derivative contracts item includes positive changes in value.

NOTE 22. Receivables from Customers	December 31, 2005	December 31, 2004
Loans to the public and public sector entities	4 648.8	6 868.3
Finance lease receivables	370.4	314.2
Loans acquired and other receivables		
Others	1 754.6	1 503.7
Impairment losses on loans		
Based on credit risk	-19.0	-22.1
Total receivables from customers	6 754.8	8 664.1

Changes in impairments on loans and guarantees

	Loans	Bank guarantee receivables	Interest receivables	Total
Impairments on January 1, 2005	22.1	3.6	-0.9	24.8
Increases in impairments	3.7	0.5	0.0	4.3
Reversal of impairments	-2.5	-0.9	0.0	-3.4
Business operations sold	-2.0	-0.2	0.0	-2.2
Loans and guarantee receivables eliminated from the balance sheet.				
of which a receivable-specific impariments has been recognised	-1.2	0.0	0.0	-1.2
Impairments on December 31, 2005	20.0	3.0	-0.9	22.1

	Loans	Bank guarantee receivables	Interest receivables	Total
Imapairments on January 1, 2004	23.8	1.1	0.0	25.7
Increases in impairments	1.3	2.5	0.0	3.8
Reversal of impairments	-1.1	0.0	0.0	-1.1
Loans and guarantee receivables eliminated from the balance sheet.				
for which a receivable-specific impairments has been made	-1.9	0.0	0.0	-1.9
Impairments on December 31, 2005	22.1	3.6	0.0	25.7

Finance lease receivables

OKO Bank Group mainly offers transport equipment, industrial machines and equipment through finance leases.

The maturity periods of finance leases	December 31, 2005	December 31, 2004
Within one year	132.5	119.9
Within more than a year and at most within five years	204.6	192.5
Within more than five years	81.3	32.4
Gross investment in finance leases	418.4	344.8
Unearned finance income (–)	-48.0	-26.2
Present value of minimum lease payments receivable	370.4	318.6
Present value of minimum lease payments receivables		
Within one year	121.5	111.1
Within more than a year and at most within five years	188.7	179.3
Within more than five years	60.2	28.2
Total	370.4	318.6
Gross growth during the fiscal period	175.0	149.5

NOTE 23. Non-life Insurance assets	Dec. 31, 2005	Dec. 31, 2004
Investments		
Loans and receivables	67.5	-
Shares	407.0	-
Properties	62.7	-
Notes and bonds	1 626.0	-
Other	288.5	-
Total	2 451.7	-

	Dec. 31, 2005	Dec. 31, 2004
Other assets		
Prepayments and accrued income	0.1	
Other		
From direct insurance	184.1	-
From reinsurance	74.4	-
Cash at bank and in hand	32.0	-
Total	290.6	-
Total Non-life Insurance assets	2 742.4	-

Non-life Insurance investments

	Dec. 31, 2005	Dec. 31, 2004
Loans and receivables		
Loans and recevables	67.5	-
Deposits with ceding undertakings	3.2	-
Total	70.7	
Financial assets for trading		
Government bonds	-	-
Other notes and bonds	25.2	-
Equity securities	-	-
Derivative financial instruments		
Currency derivatives	-	-
Interest rate derivatives	-	-
Total	25.2	-
Available-for-sale financial assets		
Notes and bonds	1 658.2	-
Equity securities	407.0	-
Other	287.9	-
Total	2 353.2	-
Investment properties		
Land and water areas	5.8	-
Buildings	21.8	-
Shares in mutual property companies	35.1	-
Total	62.7	-
Total Non-life Insurance investments before transfers	2 511.8	-
Transfer to assets held for sale	-60.1	
Total Non-life Insurance investments	2 451.7	

Notes and bonds and equity securities held for trading in Non-life Insurance classified on the basis of quote and issuer 2005

	Notes and bonds	Equity securities
Quoted		
From public corporations	10.4	-
From others	11.8	-
Other		
From public corporations	3.0	-
From others		-
Total	25.2	-

Available-for-sale financial assets of Non-life Insurance December 31, 2005

	Available-for-sale notes and bonds At fair value	At cost	Total	Available-for-sale equity securities At fair value	At cost	Total*
Quoted						
From public corporations	1 099.6	-	1 099.6			
From others	470.8	-	470.8	578.1		578.1
Other						
From public corporations	3.8	-	3.8			
From others	84.0	-	84.0	115.2	1.7	116.9
Total	1 658.2	-	1 658.2	693.3	1.7	695.0
Impairment losses	-	-	-	2.6	-	2.6

Available-for-sale financial assets in Non-life Insurance include €4.5 million in pledged assets.
* Available-for-sale equity securities include EUR407.0 million in equity securities and EUR287.9 million in other financial assets.
Other financial assets include primarily interest rate, money market, commodities and absolute return funds.

Non-life Insurance investments in associates	Dec. 31, 2005	Dec. 31, 2004
Investments January 1	-	-
Business acquisitions	1.7	-
Share of profits for the period	0	-
Dividends	-	-
Investments December 31	1.7	-

Derivative contracts of Non-life Insurance

	Nominal values/term to maturity Under 1 year	>1–5 years	>5 years	Total	Fair values Assets	Liabilities	Credit counter values
Currency derivatives							
Currency forward contracts	71	-	-	71	0	0	0
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency options							
Purchased	63	-	-	63	0	-	1
Written	67	-	-	67	-	1	0
OTC currency derivatives in total	201	-	-	201	0	1	1
Currency futures contracts	-	-	-	-	-	-	-
Currency derivatives in total	201	-	-	201	0	1	1
Interest rate derivatives							
Interest rate futures contracts	6	-	-	6	0	-	-
Quoted derivatives in total	6	-	-	6	0	-	-
Interest rate derivatives in total	6	-	-	6	0	-	-

NOTE 24. Investment Assets

	December 31, 2005	December 31, 2004
Notes and bonds	140.1	166.5
Shares and holdings	150.3	90.9
Total	290.4	257.5
Investment properties		
Land and water areas	0.4	11.7
Buildings	34.7	70.1
Total	35.1	81.8
Total investment assets	325.5	339.4

The information of the comparison year has been valued according to the previous accounting standards.

Financial assets available for sale on December 31, 2005

	Notes and bonds available for sale			Shares and holdings available for sale		
	At fair value	At amortised cost	Total	At fair value	At acquisition cost	Total
Quoted						
From public sector entities		0	0			
From others	58.9	0	58.9	45		45
Others						
From public sector entities		0	0			
From others	81.2	0	81.2		105.3	105.3
Total	140.1	0	140.1	45	105.3	150.3
Impairment losses	-	-	-	-	4.5	4.5

The financial assets available for sale include €38.2 million (56.3) of subordinated publicly-quoted notes and bonds from others and €10.1 million (26.9) of other than publicly-quoted notes and bonds from others. Financial assets available for sale include €6.8 million (0) of pledged notes and bonds.

Investments in venture capital funds (€17 million) are valued at acquisition cost.The portfolio included €88 million of unquoted shares, which are also valued at acquisition cost. It is not possible to reliably define a fair value for investments.

Financial assets available for sale on December 31, 2004

	Notes and bonds available for sale			Shares and holdings available for sale		
	At fair value	At amortised cost	Total	At fair value	At aqcuisition cost	Total
Quoted						
From public sector entities	0.7	-	0.7			
From others	140.4	-	140.4	30.3		30.3
Others						
From public sector entities	0	-	0			
From others	25.4	-	25.4		60.7	60.7
Total	166.5	-	166.5	30.3	60.7	90.9
Impairment losses	0		0			

NOTE 25. Holdings in Affiliates

	December 31, 2005	December 31, 2004
Investments on January 1	25.4	20.6
Acquisitions of business operations	6.7	-
Share of the profit for the fiscal period	1.3	6.1
Dividends	-3.3	-1.4
Change in Group structure	-23.4	-
Investments on December 31	6.7	25.4

Holdings in affiliates included in the consolidated financial statements in 2005

Name	Domicile	Assets	Liabilities	Net sales	Profit/ Loss	Holding, %
Nooa Säästöpankki Oy	Helsinki	76.1	69.4	2.2	-0.5	25.0
Autovahinkokeskus Oy	Espoo	1.5	0.5	1	0	27.8
Vahinkopalvelu Oy	Loppi	1.4	0.7	1.5	0	46.7

Autovahinkokeskus Oy and Vahinkopalvelu Oy are included in the balance sheet item Assets of non-life insurance.

The affiliates are unquoted companies.

Holdings in affiliates included in the consolidated financial statements in 2004

Name	Domicile	Assets	Liabilities	Net sales	Profit/ Loss	Holding, %
OP-Kotipankki Oyj	Helsinki	247.2	197.5	37.1	7.3	20.8
Automatia Pankkiautomaatit Oy	Helsinki	348.9	310.1	70.1	4.8	33.3
Toimiraha Oy	Helsinki	11.6	0.2	2.3	7.2	33.3
Total		607.7	507.8	109.5	19.3	

The affiliates are unquoted companies.

NOTE 26. Intangible Assets

	Dec. 31, 2005					Dec. 31, 2004		
Changes in intangible assets	Goodwill	Brands	Customer relation-ships related to insurance contracts and acquitition costs of insurance policies	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Acquisition cost on January 1	-	-	-	33.4	33.4	-	32.5	32.5
increases*	-	-	-	9.3	9.3	-	4.0	4.0
decreases	-78.3		-6.0	-1.0	-85.3	-	-0.1	-0.1
transfers between items	-	-	-	-	-	-	-3.1	-3.1
transfer to asset items held for sale	-44.4	-	-53.4	-14.0	-111.8	-	-	-
business operations acquired	514.4	179.1	360.8	75.3	1129.6	-	-	-
Acquisition cost on December 31	391.7	179.1	301.4	103.0	975.2	-	33.4	33.4
Acc. depreciation and imapairments on January 1	-	-	-	-23.2	-23.2	-	-20.4	-20.4
depreciation during the fiscal period	-	-	-4.8	-7.4	-12.2	-	-4.3	-4.3
impairments during the fiscal period	-	-	-	0.0	0.0	-	-	-
reversals of impairments during the fiscal period	-	-	-	0.0	0.0	-	-	-
decreases	-	-	-	0.2	0.2	-	1.2	1.2
transfer to asset items held for sale	-	-	0.9	1.2	2.1	-	-	-
other changes	-	-	-	0.0	0.0	-	-	-
Acc. depreciation and impairments on Dec. 31	-	-	-4.8	-30.4	-33.1	-	-23.4	-23.4
Book value on December 31	391.7	179.1	296.6	72.6	942.1	-	10.0	10.0

* The share of internal development work is €1.2 million.

Other intangible assets include computer programs to a book value of €71.3 million and computer programs being developed to a value to €2.5 million. The intangible assets for 2004 mainly consist of computer programs to a value of €1.0 million and computer programs being developed to a value of €0.2 million.

Depreciation, impairment losses and their reversals are booked on the income statement under the item Other operating expenses.

Intangible assets with indefinite useful live

	December 31, 2005	December 31, 2004
Goodwill	391.7	-
Brands	179.1	-
Total	570.8	-

The useful lives of goodwill and brands acquired through business combinations is estimated to be indefinite as they affect the accrual of cash flows for an undetermined period.

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to cash generating units, which are either business segments or companies included in them. The goodwill of the Group has arisen in its entirety when the companies of the Pohjola Group have been included in the consolidated financial statements of the OKO Bank Group. The goodwill included in the balance sheet of OKO Bank is allocated between units as follows:

Non-life insurance	297.7
Pohjola Asset Management Ltd	94.0
Pohjola Life Insurance Company Ltd	44.4
Total	436.1
Transfer to asset items held for sale	-44.4
Total	391.7

The goodwill of the OKO Bank Group has arisen in its entirety from the acquisition of Pohjola's business operations. Goodwill was determined in the allocation process of the sale price, which was completed on December 31, 2005. Between the acquisition date and the balance sheet date no changes have taken place that would have had an effect on the amount of goodwill.

Other most significant intangible assets

	December 31, 2005		December 31, 2004	
	Book value	remaining depreciation time	Book value	remaining depreciation time
Customer relationships	297.4	10–13 years	-	-
Brands	179.1	-	-	-
Software	70.2	2–5 years	0.9	2–5 years
Software being developed	2.5	-	0.2	-

The goodwill, brands, customer relationships and a substantial part of software were acquired in connection with the acquisition of Pohjola's operations. More detailed information on the operations acquired during the financial period can be found in note 3.

NOTE 27. Tangible Assets

Real estate in own use		
Land and water areas	5.8	6.0
Buildings	21.1	36.5
Total	26.9	42.6
Machinery and equipment	16.3	4.9
Other tangible assets	6.9	1.6
Assets of lessee	38.8	14.5
Total tangible assets	88.9	63.5
of which not yet available for use	3.6	1.6

Changes in tangible assets and investment properties 2005

	Real estate in own use	Machinery and equipment	Other tangible assets	Assets of lessee	Total tangible assets	Investent properties
Acquisition cost on January 1	49.2	78.8	1.8	15.2	145.1	81.1
increases	5.0	0.5	0.5	29.6	35.6	1.3
decreases	-7.0	-0.7	0.0	-1.2	-8.9	-50.0
transfers between items	0.0	0.0	0.0	0.0	0.0	0.0
transfer to asset items held for sale	-	-0.1	-	-	-0.1	-
business operations acquired	16.0	16.2	5.7	-	37.9	0.0
business operations sold	-34.8	-12.0	-1.0	-	-47.8	0.0
Acquisition cost on December 31	28.4	82.7	7	43.5	161.6	32.4
Accumulated depreciation and						
Impairments on January 1	-6.6	-73.9	-0.3	-0.7	-81.5	0.0
depreciation during the fiscal period	-0.3	-3.2	0.0	-4.7	-8.2	0.0
imairments during the fiscal period	0.0	0.0	0.0	0.0	0.0	0.0
reversals of impairments						
during the fiscal period	2.3	0.0	0.0	0.0	2.3	0.0
decreases	0.0	0.6	0.0	0.6	1.2	0.0
transfer to asset items held for sale	0.0	0.1	0.0	-	0.1	-
business operations sold	3.3	9.9	0.3	-	13.5	-
other changes	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation and						
impairments on December 31	-1.3	-66.5	0.0	-4.8	-72.6	0.0
Acc. changes in fair value on January 1	0.0	0.0	0.0	0.0	0.0	0.8
changes in fair value dur. the fisc. period	0.0	0.0	0.0	0.0	0.0	-0.7
decreases	0.0	0.0	0.0	0.0	0.0	2.7
other changes	0.0	0.0	0.0	0.0	0.0	0
Acc. changes in fair value on December 31	0.0	0.0	0.0	0.0	0.0	2.7
Book value on December 31	27.0	16.2	6.9	38.8	88.9	35.1

Increases in investment properties include €0.3 million (0.1) of capitalised expenses materialised after the acquisition. Depreciation, impairment losses and their reversals are booked under Other operating expenses. The changes in the fair value of investment properties are booked under Net income from investments.

The Group has construction and repair obligations concerning investment properties based on contracts to the value of €1 million.

OKO Bank Group primarily offers passenger cars through operating leases.
OKO Bank Group has leased office facilities its does not need and such facilities are classified in the financial statements as investment properties.

The breakdown of investment properties leased out by other and tangible assets is in Note 64.

Changes in tangible assets and investment properties 2004

	Real estate in own use	Machinery and equipment	Other tangible assets	Assets of lessee	Total tangible assets	Investment properties
Acquisition cost on January 1	42.2	77.1	1.8	4.6	125.8	81.5
increases	3.8	2.1	0.1	11.3	17.2	1.3
decreases	-0.8	-0.4	0.0	-0.7	-1.9	-1.6
transfers between items	4	0.0	0.0	0.0	4	0.0
corporate acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost on December 31	49.2	78.8	1.8	15.2	145.1	81.1
Accumulated depreciation and impairments on January 1	-4.7	-72.1	-0.3	-0.4	-77.4	0.0
depreciation during the fiscal period	-0.9	-2.1	0.0	-1.7	-4.8	0.0
impairments during the fiscal period	0.0	0.0	0.0	0.0	0.0	0.0
reversals of impairments during the fiscal period	0.1	0.0	0.0	0.0	0.1	0.0
decreases	-1.2	0.2	0.0	0.1	-0.9	0.0
other changes	0.0	0.0	0.0	1.4	1.4	0.0
Accumulated depreciation and impairments on December 31	-6.6	-73.9	-0.3	-0.7	-81.6	0.0
Acc. changes in fair value on January 1	0.0	0.0	0.0	0.0	0.0	1.1
changes in fair value dur. the fiscal period	0.0	0.0	0.0	0.0	0.0	-0.2
decreases	0.0	0.0	0.0	0.0	0.0	-0.1
other changes	0.0	0.0	0.0	0.0	0.0	0.0
Acc. changes in fair value on December 31	0.0	0.0	0.0	0.0	0.0	0,8
Book value on December 31	42.6	4.9	1.6	14.5	63.5	81.9

NOTE 28. Other Assets	December 31, 2005	December 31, 2004
Payment transfer receivables	3.3	3.9
Guarantee receivables	7.0	2.4
Write-downs on guarantee receivables	-3.0	0.0
Pension assets	31.5	46.5
Accrued income		
Interest	206.4	143.0
Other accrued income	5.5	9.2
Others	266.3	151.1
Total	517.1	356.2
Transfer to assets held for sale	5.3	-
Total other assets	511.8	356.2

The item Others includes €81.1 million (85.4) of accounts receivable for securities, €86.0 million (0) of sale price receivables, €39.5 million (15.8) of premiums received, €26.0 million (0) of other derivatives receivables and €31.5 million (46.5) of pension receivables.

Defined benefit plans

The pension schemes of the OKO Bank Group have been arranged in the OP Bank Group Pension Fund, OP Bank Group Pension Foundation and insurance companies. The schemes related to supplementary pensions in the Pension Fund and insurance companies, as well as the TEL (Employees' Pensions Act) funded old age and disability pension schemes dealt with by the Pension Fund, have been handled as defined benefit schemes. The contributions to the TEL distribution system have been handled as defined contribution plan.

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Balance sheet values of defined benefit pension plans	December 31, 2005	December 31, 2004
Fair value of the assets	113.9	169.3
Present value of funded obligations (–)	-87.8	-121.9
Present value of unfunded obligations	-4.8	-1.0
Unrecognised actuarial gains (+) and losses (–)	1.8	-
Unrecongnised expenses based on retroactive work performance (–)	-	-
Net receivable (+) / liability (–) on the balance sheet	23.0	46.5
The assets of the pension plan include		
OKO Bank shares	3.5	2.1
Securities issued by companies included in the OP Bank Group	0.9	2.2
Other receivables from companies included in the OP Bank Group	2.1	4.2
Real estate used by the OP Bank Group Central Cooperative Group	1.1	7.7
Total	7.5	16.2
Defined benefit pension costs on the income statement		
Current service cost	1.8	2.5
Interest cost	3.8	5.8
Expected return on plan assets	-6.0	-9.0
Actuarial gains and losses	-	-
Transfer from TEL pooling liability	-1.2	-
Total income (–)/expenses (+) are included in personnel costs	-1.6	-0.7
Actual return on plan assets	**6.2**	**14.1**
Changes in the net defined benefit asset		
Asset item on January 1	46.5	44.0
Acquisitions of business operations	-8.3	1.8
Contributions paid	0.8	0.7
Pension costs on the income statement	1.6	0.7
Sales of subsidiaries	-17.6	-
Asset item on December 31	23.0	47.1

Principal actuarial assumptions	2005	2004
Discount rate of interest, %	4.50	5.00 – 5.25
Expected return on plan assets, %	5.12 – 5.40	5.25 – 5.77
Future salary increases, %	3.00 – 3.50	3.00
Future pension raises, %	1.30 – 2.10	1.80 – 2.30
Turnover rate, %	0.00 – 3.00	0.00 – 3.00
Inflation, %	2.00	2.00
Average remaining service time in years	2 – 16	9 – 16

NOTE 29. Tax Receivables	December 31, 2005	December 31, 2004
Income tax receivables	19.4	0
Deferred tax receivables	14.0	7.5
Total tax receivables	33.4	7.5
Breakdown of tax receivables and liabilities		
Deferred tax receivables		
From depreciation and impairments on tangible assets	2.4	0.2
From provisions and impairments on loans	4.5	1.4
From dissolution losses related to taxation	6.1	-
From allocation of GE insurance	-	2.6
From consolidated eliminations	2.2	2.0
From other items	2.5	1.2
Set-off from deferred tax liabilities	-3.7	-
Total	14.0	7.5
Deferred tax liabilities		
From appropriations	78.5	74.0
From financial assets available for sale	56.7	-
From elimination of the equalisation sum	64.3	-
From defined-benefit pension plan	8.9	12.2
From the valuation of investment property at fair value	0.9	1.5
From the allocation of the sale price of a corporate acquisition	131.2	-
From consolidated eliminations	2.5	-
From other items	0.8	-
Set-off from deferred tax receivables	-3.7	-
Total	340.1	88.1
Changes in deferred taxes		
Deferred tax receivables/liabilities on January 1	-80.6	-66.7
Total impact of changes to calculation principles	-5.0	-
Deferred tax receivables/liabilities on January 1	-85.6	-66.7
Recognised on the income statement		
Elimination of capital gainson securities from companies acquired	10.9	-
Provisions and impairments on receivables	0.6	0.8
Appropriations	-20.6	-23.5
Elimination of the equalisation sum	-6.9	-
Impact of the tax rate advantage	-	9.3
Others	1.8	-0.5
Recognised on the balance sheet		
Impact of corporate acquisitions and sales	-85.2	-
Allocation of sale price	-131.2	-
Booked in shareholders' equity		
Financial assets available for sale		
Changes in fair value	-11.8	-
Transfers to the income statement	1.9	-
Total deferred tax liabilities/receivables on December 31	-326.1	-80.6
Income tax receivables/liabilities	-11.4	0
Total tax receivables/liabilities	-337.5	-80.6

Deferred tax liabilities and receivables are set off by company. Deferred tax liabilities and receivables arising from consolidation are not set off.

Such losses related to taxation for which a deferred tax receivable has not been booked were €1.5 million (0) at the end of 2005. Of these losses, €1 million expires in 2006–2013. At the end of 2005, the Group had €63 million (0) of dissolution losses arising from the dissolution of subsidiaries undeducted in taxation. Of this €6 million of deferred tax receivables has been booked on the balance sheet. Deferred tax receivables from dissolution losses not booked on the balance sheet amounted to €10 million. Deferred tax liabilities have not been booked for €12 million (0) of the undistributed profits of the Baltic subsidiaries, as the assets have been invested permanently in the countries in question.

NOTE 30. Liabilities to Financial Institutions and Central Banks

	Dec. 31, 2005	Dec. 31, 2004
Liabilities to central banks	1562.5	959.5
Liabilities to financial institutions		
Repayable on demand		
Deposits	427	309.4
Other liabilities	0	0
Total	427	309.4
Other than repayable on demand		
Deposits	1573.6	3041.5
Other liabilities	0	0
Repo liabilities	0	0
Total	1573.6	3041.5
Liabilities to financial institutions and central banks	**3563.0**	**4310.4**

NOTE 31. Financial Liabilities Held for Trading

From short selling of securities	3.5	0
Others	0	0
Total financial liabilities held for trading	3.5	0

NOTE 32. Derivative contracts

Held for trading		
Interest rate derivatives	16.6	14.7
Currency derivatives	89.9	84.1
Equity and index derivatives	0	0
Credit derivatives	0	0
Others	0	0
Total	**106.4**	**98.8**
Hedging derivative contracts – fair value hedging		
Interest rate derivatives	13.8	0
Currency derivatives	3	0
Equity and index derivatives	0	0
Credit derivatives	0	0
Others	0	0
Total	**16.8**	**0**
Total derivative contracts	**123.2**	**98.8**

The derivative contracts item includes negative changes in value.

NOTE 33. Liabilities to Customers

	December 31, 2005	December 31, 2004
Deposits		
Repayable on demand		
Private	14.5	982.5
Companies and public sector entities	473.5	1026.3
Total	488.0	2008.8
Others		
Private	0.5	335.2
Companies and public sector entities	6.0	64.9
Total	6.5	400.1
Other financial liabilities		
Repayable on demand		
Private	0.2	0.3
Companies and public sector entities	0	21.4
Total	0.2	21.7
Others		
Private	0	0
Companies and public sector entities	1563.0	1641.7
Total	1563.0	1641.7
of which repo liabilities	0	0
of which finance lease liabilities	0	0
Total other financial liabilities	1563.2	1663.3
Total liabilities to customers	2057.7	4072.2

NOTE 34. Non-life Insurance Liabilities

Insurance contract liabilities	1843.9	-
Provision for joint guarantee system	34.9	-
Direct insurance liabilities	23.6	-
Reinsurance liabilities	23.7	-
Total Non-life Insurance liabilities	1926.1	-

Liabilities for Non-life Insurance contracts and reinsurers' share

		Dec. 31, 2005			Dec. 31, 2004	
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unpaid claims for annuities	982.3	0.0	982.3	-	-	-
Other provisions by case	122.7	-35.9	86.9	-	-	-
Special provision for occupational diseases	45.2	-	45.2	-	-	-
Collective liability (IBNR)	435.1	-7.1	428.0	-	-	-
Reserved loss adjustment expenses	48.6	-	48.6	-	-	-
Provision for unearned premiums	248.4	-29.0	219.4	-	-	-
Provision for unexpired risks	0.6	-	0.6	-	-	-
Total non-life insurance contracts before transfers	1882.9	-72.0	1811.0	-	-	-
Transfer to liabilities related to assets held for sale	39.1	-9.6	29.5	-	-	-
Total non-life insurance contracts	1843.9	-62.4	1781.5	-	-	-

Changes in insurance contract liabilites and reinsurance contract receivables

	2005 Gross	Reinsurance	Net	2004 Gross	Reinsurance	Net
Provision for unpaid claims						
Provision for known unpaid claims	1203.5	-32.5	1171.0	-	-	-
Collective liability (IBNR)	426.9	-9.0	417.9	-	-	-
Liability/reinsurers' share Nov. 1	1630.4	-41.5	1588.9	-	-	-
Claims paid in financial period	-67.6	-6.0	-73.6	-	-	-
Change in liability/receivable	64.4	4.6	69.0	-	-	-
Unwinding of discount	6.1	-	6.1	-	-	-
Foreign exchange gains (losses)	0.7	-0.1	0.6	-	-	-
Liability/reinsurers' share Dec. 31	1633.9	-43.0	1590.9	-	-	-
Provisions for known unpaid claims	1198.8	-35.9	1162.9	-	-	-
Collective liability (IBNR)	435.1	-7.1	428.0	-	-	-
Liability/reinsurers' share Dec. 31	1633.9	-43.0	1590.9	-	-	-
Provision for unearned premiums						
Liability/reinsurers' share Nov. 1	321.0	-30.0	290.9	-	-	-
Change in liability/receivable	-72.4	1.1	-71.3	-	-	-
Unwinding of discount	0.1	-	0.1	-	-	-
Foreign exchange gains (losses)	-0.3	0.0	-0.3	-	-	-
Liability/reinsurers' share Dec. 31	248.4	-29.0	219.4	-	-	-
Provision for unexpired risks						
Liability/reinsurers' share Nov. 1	0.9	-	0.9	-	-	-
Change in liability/receivable	-0.3	-	-0.3	-	-	-
Liability/reinsurers' share Dec. 31	0.6	-	0.6	-	-	-
Total non-life insurance contracts before transfers	1882.9	-72.0	1811.0	-	-	-
Transfer to liabilities related to assets held for sale	39.1	-9.6	29.5	-	-	-
Total non-life insurance contracts	1843.9	-62.4	1781.5	-	-	-

NOTE 35. Debt Securities Issued to the Public

	Average interest rate, %	Dec. 31, 2005	Average interest rate, %	Dec. 31, 2004	Change, %
Bonds	2.58	4567.9	2.24	2867.2	59
Others					
Certificates of deposit	2.36	3473.9	2.16	2775.4	25
Commercial papers	2.74	926.4	2.18	432.6	
Money market debt securities	0.00	0	0.00	0	
Others	1.04	124.6	1.50	57.3	
Included in own portfolio in trading (–)		-59.8		-29.5	
Total debt securities issued to the public		9033		6103	

Long-term loans and interest rate commitments	Nominal amount	Interest rate, %
OIP OKO- Investointiluottopankki Oyj Bond 1999 V	14,9	5 %
OP bond 2004 I	15,8	2,4 %
OP bond 2003 I	11,3	3,0 %
OP bond 2004 II	2,9	2,2 %
OP bond 2003 III	5,6	2,5 %
OP bond 2004 IV	5,1	2,4 %
OP bond 2005 I	3,8	2,35 %
OP bond 2005 II	6,4	2,4 %
OP bond 2004 III	14,1	3,0 %
OP bond 2005 III	2,1	2,3 %
OP-bond 2004 V	4,6	2,65 %
OP bond 2005 IV	8,4	2,70 %
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of AUD 80,000,000 Floating RateInstruments Due December 22, 2008	49,7	3-month BBSW LIBOR + 0.08%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of AUD 22,000,000 Floating Rate I nstruments Due February 18, 2009	13,7	3-month BBSW LIBOR + 0.17%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of CHF 50,000,000 1.50 per cent. Instruments 2005-2008	32,2	1,50 %
OKOBANK, Osuuspankkien Keskuspankki Oyj €400,000,000 Floating Rate Instruments Due January 2006	400,0	3-month Euribor + 0.10% p.a.
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of €10,000,000 Floating Rate Instruments Due November 2006	10,0	3-month Euribor + 0.07%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of €200,000,000 Floating Rate Instruments Due January 2007	200,0	3-month Euribor + 0.02%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of €200,000,000 Floating Rate Instruments Due February 2007	200,0	3-month Euribor + 0.02%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of €600,000,000 Senior Floating Rate Instruments Due November 2007	600,0	3-month Euribor + 0.02%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 1,000,000,000 Floating Rate Instruments Due 2008	1 000,0	3-month Euribor + 0.03%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of €50,000,000 Floating Rate Instruments Due 2007	50,0	3-month Euribor + 0.01%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of €15,000,000 Fixed Rate Instruments Due December 14, 2007	15,0	2,88 %
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of €600,000,000 Floating Rate Instruments Due March 2009	600,0	3-month Euribor + 0.10%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of HKD 100,000,000 3.40% Fixed Rate Instruments Due March 26, 2007	10,9	3,40 %
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of JPY 5,000,000,000 Floating Rate Instruments Due 2007	36,0	3-month JPY LIBOR
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of NOK 400,000,000 5.2% Fixed Rate Instruments Due June 2014	50,1	5,20 %
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of SEK 150,000,000 4.11% Notes Due October 22, 2009	16,0	4,11 %
OKOBANK, Osuuspankkien Keskuspankki Oyj Issue Of €500,000,000 Floating Rate Instruments Due December 2010	500,0	3-month Euribor + 0.075%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of USD 500,000,000 Floating Rate Instruments Due November 2009	423,8	3-month US dollar LIBOR + 0.075%
JPY 8,000,000,000 Term Loan Facility	57,6	0,85 %
JPY 2,000,000,000 Term Loan Facility	14,4	1,706 %
JPY 5,000,000,000 Term Loan Facility	36,0	1,41 %
JPY 3,000,000,000 Term Loan Facility	21,6	1,645 %

The interest rate percentage is the interest rate according to the issue currency. The euro equivalents have been calculated using the average rate of the European Central Bank on the balance sheet date. In addition, the nominal amount of structured bonds issued by OKO Bank was €290.2 million. The interest on the bonds is determined on the basis of interest, equity, equity index etc. underlying instruments. The possible additional return on the bonds to the investor is hedged by a corresponding derivative structure.

NOTE 36. Provisions and Other Liabilities	December 31, 2005	December 31, 2004
Provisions	13.7	1.9
Other liabilities		
Payment transfer liabilities	326.7	255.9
Finance lease liabilities	0	0
Accrued expenses		
Interest payable	187.5	130.0
Other accrued expenses	52.6	19.9
Others	246.5	170.7
Total	813.3	576.5
Total provisions and other liabilities	**827.0**	**578.4**

The Others item of other liabilities includes €97.4 million (83.9) of accounts payable for securities, €47.4 million (20.5) of premiums received, €55.7 million (32.9) of equity and derivatives liabilities and €8.5 million (0.0) of pension liabilities, among others.

Changes in provisions

	Onerous contracts	Other provisions	Total
January 1, 2005		1.9	1.9
Business operations acquired	1.1	5	6.1
Increases in provisions	6.1	0.5	6.6
Unused amounts reversed during the period		-0.9	-0.9
December 31, 2005	7.2	6.5	13.7

Onerous contracts

The Group has a number of leases that cannot be cancelled with facilities that the Group can no longer utilise in its operations.The Group has been able to lease some of the facilities further, but the leasing income received from the leases does not cover the rental costs paid by the Group. The provision concerning the onerous contracts fully covers the net loss from these contracts and the rental liability of other contracts.

Other provisions

Other provisions include the provision of €1 million made to cover the cleaning costs of contaminated soil in one real estate company owned by OKO Bank, which has been increased by €0.5 million in 2005. Of business operations acquired, the other provisons include a prosivision of €5.0 million made on loss arising from the sale of a terminated foreign insurance business.

NOTE 37. Tax Liabilities	December 31, 2005	December 31, 2004
Income tax liabilities	30.8	0
Deferred tax liabilities	340.1	88.1
Total tax liabilities	370.9	88.1

NOTE 38. Subordinated Liabilities

	Average interest rate, %	Dec. 31, 2005	Average interest rate, %	Dec. 31, 2004	Change, %
Capital loans	4.35	215.4	4.23	71.6	
Others					
Perpetual loans	4.41	199.3	6.00	50	
Debentures	3.36	334.5	3.23	340.3	-2
Others	0		0		
Total subordinated loans		749.1		461.8	62

Capital loans

Capital loans considered equal to Tier I funds

1) Capital loan 10 billion Japanese yen (euro equivalent 71.9 million)

The loan is a perpetual loan or a loan without a due date. The interest rate on the loan is fixed at 4.23% until June 18, 2034, and then variable 6-month Yen Libor + 1.58%. Interest will be payable on June 18 and December 18 annually. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2014. The loan can be repaid after 2014 on the due date of the interest on June 18 or December 18 annually. The entire principal of the loan must be repaid in one payment.

2) Capital loan of €50 million

The loan is a perpetual loan without interest gradation but it has an interest ceiling of 8 per cent. The loan was issued on March 31, 2005 and its interest is 6.5 per cent in the first year and after the first year CMS ten years + 0.1 per cent. The interest on the loan is paid annually on April 11. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. It is possible to call in the loan at the earliest in 2010, subject to authorisation by the Financial Supervision Authority. The entire principal of the loan must be repaid in one payment.

3) Capital loan of €60 million

The interest on the perpetual loan is a variable 3-month Euribor + 0.65%. The interest on the loan is paid quarterly on February 28, May 30, August 30 and November 30. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. It is possible to call in the loan at the earliest on November 30, 2015, subject to authorisation by the Financial Supervision Authority, and after that on the due dates of the interest. After 2015 the interest on the loan is variable 3-month Euribor +1.65% (step up). The entire principal of the loan must be repaid in one payment.

4) Capital loan of €40 million

The interest on the perpetual loan is a variable 3-month Euribor + 1.25%. The interest on the loan is paid quarterly on February 28, May 30, August 30 and November 30. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on October 30, 2010, subject to authorisation by the Financial Supervision Authority, and after that on the due dates of the interest. The entire principal of the loan must be repaid in one payment.

Of these loans, loans 1, 2 and 3 are hybrids.

The interest rate and exchange rate risk have been hedged against by derivatives. In the financial statements, a change in value of €–6.6 million has been booked for the hedging.

Perpetual loans and debentures

1. A perpetual loan of €50 million which can be called in at the earliest on June 19, 2007, subject to authorisation by the Financial Supervision Authority. A fixed 6 per cent interest is paid on the loan annually.

2. A perpetual loan of €150 million which can be called in at the earliest on November 30, 2012, subject to authorisation by the Financial Supervision Authority. A fixed 3.875 per cent interest is paid on the loan annually.

3. A debenture loan of €150 million which can be called in at the earliest on March 7, 2006, subject to authorisation by the Financial Supervision Authority. The interest on the loan is 3-month Euribor + 60 bps.
4. A debenture loan of €50 million which can be called in at the earliest on March 23, 2006, subject to authorisation by the Financial Supervision Authority. The interest on the loan is 3-month Euribor + 60 bps.
5. A debenture loan of €70 million which can be called in at the earliest on November 30, 2010, subject to authorisation by the Financial Supervision Authority. A fixed 3.5 per cent interest is paid on the loan annually.

Loans 1–5 have been issued in the international capital markets.

On December 31, 2005, there were a total of €64.8 million of fixed interest debenture loans issued in Finland.

Issue date	Book value €million	Interest rate, %	Due date
April 11, 2000	4.1	5.0	April 11, 2006
March 21, 2001	7.9	5.0	March 21, 2007
August 29, 2001	5.7	4.5	August 29, 2007
February 25, 2002	6.0	4.5	Febr. 25, 2008
September 12, 2002	11.0	4.5	Sept.12, 2008
June 4, 2003	5.4	3.4	June 4, 2009
November 19, 2003	6.8	3.9	Nov. 19, 2009
March 10, 2004	5.2	3.5	March 10, 2010
September 15, 2004	6.1	3.5	Sept. 15, 2010
March 16, 2005	5.2	3.3	March 16, 2011
November 30, 2005	1.4	3.2	Nov. 30, 2011

OKO Bank has no violations concerning the conditions of the loan contracts with respect to principal, interest and other conditions. In the financial statements, €0.1 million has been booked as the price difference of the loans.

NOTE 39. Shareholders' Equity

Share of the owners of the parent company	**December 31, 2005**	**December 31, 2004**
Share capital	423	206,2
Reserves		
Restricted reserves		
Share premium account	515.5	6.5
Reserve fund	203.3	203.3
Other restricted reserves	1.5	3.8
Non-restricted reserves		
Fair value reserve		
From translation differences	0	0
From valuation at fair value	47.7	0
Other nonrestricted reserves	23.4	23.4
Retained earnings		
Profit (loss) for previous fiscal periods	281	225.4
Profit (loss) for the fiscal period	266.7	106.7
Share of the owners of the OKO Bank Group	1 762.00	775.4
Minority interest	198.5	1.8
Total shareholders' equity	1 960.50	777.2

	Number of shares Series A	Series K	Share capital	Share premium account	Own shares	Total
January 1, 2004	37 059 707	11 076 718	202.4	5		207.4
Splitting of shares	37 059 707	11 076 718				
Share issue						
Exercise of stock options	1 761 840		3.7	1.5		5.2
Conversion of shares	66 660	-66 660				
Acquisition of own shares						
December 31, 2004	75 947 914	22 086 776	206.1	6.5		212.6
Share issue	78 585 304	22 003 176	211.5	506.4		717.9
Exercise of stock options	2 553 790		5.4	2.5		7.9
Conversion of shares	83 600	-83 600				
Acquisition of own shares						
December 31, 2005	157 170 608	44 006 352	423.0	515.4		938.4

Share Capital and Shares

The shares are divided into Series A and Series K shares. There are at least 94 million and at most 570 million Series A and Series K shares (in 2004 at least 52 million and at most 350 million). The shares have no nominal value. The counter value of each share is €2.10 (not an exact figure).
The minimum amount of the share capital is €200 million and the maximum amount €1.2 billion. The share capital can be increased or decreased within these limits without amending the Articles of Association.
All issued shares have been paid in full.

Series A shares are intended for the general public and are quoted on the Helsinki Stock Exchange. There are no purchase restrictions on Series A shares. Ownership of Series K shares is restricted to Finnish cooperative banks, cooperative bank companies, and the central entity of the coalition of cooperative banks, the OP Bank Group Central Cooperative. As far as shareowners' or nominee-registered shares are concerned, Series K shares can be converted into Series A shares at the written request of the asset manager registered with the book-entry register within the limits of the minimum and maximum numbers of the types of shares provided for in the Articles of Association.

If dividend is distributed, Series A shares entitle their holders to an annual dividend that is at least one (1) percentage point higher than the dividend paid on Series K shares.

Own Shares

At year-end, OKO Bank or its subsidiaries or affiliates did not possess OKO Bank's own shares. The General Meeting has not authorised OKO Bank to acquire own shares.

Proposed distribution of dividend

The Executive Board proposes to the General Meeting that dividend be distributed to each Series A share of €0.60 (0.53) and to each Series K share of €0.57 (0.50). The total amount of dividends distributed is €119.7 million (51.9).

Reserves

Share Premium Account

Items according to Chapter 12, Section 3a, of the Finnish Companies Act are booked in the share premium account. Such items include the amount exceeding the nominal value paid for shares in a new share issue, the amount paid for a subscription right based on a stock option right and a convertible bond, capital gains on own shares, the reduction amount of the share capital that is not used for covering confirmed loss, transferred to a reserve used according to a decision by the General Meeting or distributed to shareholders, compensations for unsubscribed shares paid in connection with the establishment of a limited liability company, compensations received by the company for shares that have been sold due to the shareholder not joining his/her shares with the book-entry system, payment that the company has received for a share not demanded in a bonus issue.

The share premium account can be used for covering the loss shown by the confirmed balance sheet unless the loss can be covered by unrestricted equity, for a bonus issue for raising the share capital, or for the same purposes as when share capital is decreased.

Reserve Fund

The reserve fund has been formed from profits transferred to it during previous fiscal periods and the loan loss reserves transferred to the reserve fund in 1990. The reserve fund can be used for covering such losses for which the unrestricted equity is not sufficient. The reserve fund can also be used for raising the share capital and it can be reduced in the same way as the share capital.

Other Restricted Reserves

The reserves have been formed from profits for previous fiscal periods based on the Articles of Association or rules in which their purpose has also been defined.

Translation Differences

Translation differences include the translation differences arising from the conversion of the financial statements of foreign subsidiaries.

Fair Value Reserve

The reserve includes the change in the fair value of financial assets available for sale. The items booked in the reserve are realised in the income statement when a impairment is booked for a security available for sale. In insurance companies, items booked in the fair value reserve are not distributable funds.

Other non-restricted Reserves

The reserves have been formed from the profits for previous fiscal periods based on decisions by the General Meeting.

Retained earnings

Retained earnings also include voluntary reserves and depreciation difference included in the separate financial statements of the Group companies and the equalisation sum of insurance companies, which have been booked in retained earnings less deferred taxes in the IFRS financial statements. These items are included in distributable profits. The unrealised appreciation of insurance companies' investment properties is not distributable funds either.

Notes to risk management

Banking and Investment Services (Notes 40–55 to the financial statements)

The items for Banking and Investment Services for 2005 contain consolidated items of Pohjola, whose significance is, however, minor. Okopankki is included in the figures for 2004 according to the financial statements information. The classifications used by Statistic Finland have been used in the divisions presented in the notes to the financial statements. The risk position of insurance operations has been presented in Note 56 to the financial statements.

NOTE 40. Assets and the impairment losses booked on them in the fiscal period

	Dec. 31, 2005 Book value	Dec. 31, 2005 Impairment losses	Dec. 31, 2004 Book value	Dec. 31, 2004 Impairment losses
Liquid assets	478.9		296.9	
Receivables from financial institutions	4619.4	-2	3548.5	0
Financial assets held for trading				
Notes and bonds	3686		3082.7	
Shares and holdings	5.8		2.4	
Other	0		0	
Derivative contracts				
Held for trading	110.7		93.4	
Hedging	12.4		0	
Loans and other receivables				
Loans granted	4648.8	-19	6866.9	-20.7
Financial leasing receivables	370.4	0	314.2	0
Repo contracts	0		0	
Guarantee receivables	7	-3	2.4	-3.6
Other receivables	1754.6		1503.7	
Financial assets available for sale				
Notes and bonds	140.1		166.5	
Shares and holdings	149.6		90.6	
Other	0	0	0	0
Investments held to maturity				
Notes and bonds	0		0	
Off-balance sheet commitments				
Bank guarantees	305.9		289.8	
Total	16289.6	-24	16258	-24.3

The book values do not contain impairments, but they are presented in their own column.

NOTE 41. Distribution of impairments by risk type

	December 31, 2005	December 31, 2004
Based on credit risk	-24.0	-24.3
Based on country risk	0	0
Other	0	0
Total	-24.0	-24.3

NOTE 42. Own funds and the risk-weighted balance sheet

Own funds

	December 31, 2005	December 31, 2004	Change, %
Tier I funds	1 001,9	751.4	33
of which capital loans	223.7	73.7	
Tier II funds	550.1	355.8	55
Decreases in own funds	-212.7	-15.1	
Total own funds	1 339.3	1092.1	23

Risk-weighted balance sheet

		Balance sheet items 2005		Balance sheet items 2004	
Risk category	Risk weight, %	Book value	Risk-weighted value	Book value	Risk-weighted value
Group I	0	5959.9		4944.3	
Group II	20	4552.2	910.4	3473.9	694.8
Group III	50	393.8	196.9	2158.9	1079.4
Group IV	100	6490.5	6490.5	5823.4	5823.4
Group V	10				
Total		17396.4	7597.8	16400.5	7597.6
Off-balance sheet commitments			2023.7		1788.2
Total risk-weighted receivables. investments and off-balance sheet commitments			9621.5		9385.9
Total risk-weighted value of market risk			867.6		564.8
Total risk-weighted items			10489.1		9950.7

The figures for the OKO Bank Group are presented in the above tables.

NOTE 43. Exposure by balance sheet item according to book values

December 31, 2005	Finland			Other countries		
	Book value	Impairments	Accrued interest	Book value	Impairments	Accrued interest
Assets						
Receivables from financial institutions	4041.7	0	17.7	575.7	-2	1.6
Receivables from customers	6218	-19	27.6	166.3	0	0.2
Finance leases	370.4	0	0	0.1	0	0
Notes and bonds	2827.5	0	14	998.6	0	6.4
Guarantee receivables	4	-3	0	0	0	0
Derivative contracts	0	0	0	0	0	0
Other	5.7	0	0	0	0	0
Total	13467.3	-22	59.3	1740.6	-2	8.2
Off-balance sheet commitments						
Unused standby credit facilities	2580.9	0	0	62	0	0
Guarantees and letters of credit	1370.6	0	0	177	0	0
	0	0	0	0	0	0
Derivative contracts	69.4	0	0	317.4	0	0
Other	134.1	0	0	340.9	0	0
Total	4155.1	0	0	897.4	0	0
Total exposure	17622.4	-22	59.3	2638	-2	8.2

December 31, 2004	Finland Book value	Impairments	Accrued interest	Other countries Book value	Impairments	Accrued interest
Assets						
Receivables from financial institutions	2887.2	0	13.5	661.3	0	0.7
Receivables from customers	8271.8	-19.8	30.8	78.2	-0.9	0.4
Finance leases	313.9	0	0	0.3	0	0
Notes and bonds	2641.7	0	20.6	607.5	0	3.8
Guarantee receivables	2.4	-3.6	0.2	0	0	0
Derivative contracts	0	0	0	0	0	0
Other	3.1	0	0	0	0	0
Total	14120.1	-23.4	65	1347.3	-0.9	4.8
Off-balance sheet commitments						
Unused standby credit facilities	2327	0	0	25.5	0	0
Guarantees and letters of credit	1281.9	0	0	127.9	0	0
	0	0	0	0	0	0
Derivative contracts	34.4	0	0	200.9	0	0
Other	31.4	0	0	336.6	0	0
Total	3674.8	0	0	690.9	0	0
Total exposure	17794.9	-23.4	65	2038.2	-0.9	4.8

Potential future exposure of derivatives contracts is presented, which includes the positive market value booked in accounting. The book value includes impairments.

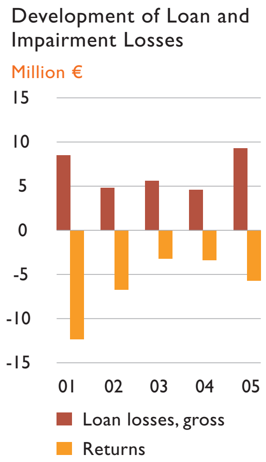
NOTE 44. Exposure by sector according to book values

December 31, 2005	Net exposure on the balance sheet Finnish	Foreign	Off-balance sheet Finnish	Foreign	Total
Companies	6010.8	138.0	3739.9	98.5	9987.2
Financial and insurance institutions	6158.7	1518.4	342.8	797.1	8817.0
Households	588.3	1.8	12.5	1.8	604.5
Non-profit organisations	154.4	0	23.4	0	177.8
Public sector entities	614.4	90.6	36.5	0	741.5
Total	13526.6	1748.8	4155.1	897.4	20328.0

December 31, 2004	Net exposure on the balance sheet Finnish	Foreign	Off-balance sheet Finnish	Foreign	Total
Companies	6040.3	87.4	3312.1	80.7	9520.6
Financial and insurance institutions	4842.3	1222	192.8	609.3	6866.3
Households	2551.4	2.2	143.2	1	2697.7
Non-profit organisations	154.7	0	19.2	0	173.8
Public sector entities	596.3	40.6	7.4	0	644.3
Total	14185	1352.1	3674.8	690.9	19902.8

The book values including impairments and accrued interest are presented as the net exposure on the balance sheet.

NOTE 45. Trend in loan and impairment losses



New loan and guarantee losses and impairments were booked for a total of €9 million (5). The aggregate amount of loan loss recoveries and decreases in impairments was €6 million (3). The net earnings impact of loan and guarantee losses and impairments was €3 million (1). In 2005, the share of loan and guarantee losses and impairments of the loan and guarantee portfolio was 0.04 per cent (0.01).

NOTE 46. Corporate exposure by sector

December 31, 2005	Balance sheet	Off-balance sheet	Net exposure Total	Percentage distribution
Metal industry	526	690.8	1216.8	12.18
Forest industry	492	392.7	884.8	8.86
Trade	556.7	422.3	978.9	9.8
Construction	308.4	258.9	567.3	5.68
Other industry	451.7	357.5	809.2	8.1
Food industry	219	304.2	523.2	5.24
Management of other real estate	1630.1	200.2	1830.2	18.33
Energy production	308	329.8	637.8	6.39
Transport and traffic	298.5	338.9	637.3	6.38
Services	649.5	315.5	964.9	9.66
Telecommunications and electronics	150.9	130.3	281.2	2.82
Communication and publishing	165.8	25.6	191.4	1.92
Other sectors	392.4	71.8	464.2	4.65
Total	6148.8	3838.4	9987.2	100.00

December 31, 2004	Balance sheet	Off-balance sheet	Net exposure Total	Percentage distribution
Metal industry	480.7	511.1	991.7	10.4
Forest industry	422.7	383.7	806.4	8.5
Trade	590.5	323.3	913.9	9.6
Construction	287.2	377.1	664.3	6.98
Other industry	360	294.8	654.8	6.88
Food industry	268.3	235.5	503.8	5.29
Management of other real estate	1794.1	252.5	2046.6	21.5
Energy production	197.1	221.4	418.5	4.40
Transport and traffic	303.6	252.5	556.1	5.84
Services	751.7	267.2	1018.8	10.7
Telecommunications and electronics	115.1	99	214.1	2.25
Communication and publishing	184.7	41.6	226.3	2.38
Other sectors	372	133.2	505.2	5.31
Total	6127.8	3392.8	9520.6	100.00

Housing companies are included in the above figures.

NOTE 47. Corporate exposure by rating

December 31, 2005 Rating	Exposure	%
1–2	442.4	4.43
3–4	4324.6	43.3
5–6	2513.5	25.17
7–8	1995.7	19.98
9–10	349.8	3.5
11–12	66.0	0.66
No rating	295.3	2.96
Total	9987.2	100

NOTE 48. Distribution of corporate exposure according to the amount of the customer’s exposure

December 31, 2005 The amount of exposure, € million €	Finland	Other countries	Total	%
0 – 1	905.7	18.2	923.9	9.25
1–10	2026.2	107.6	2133.8	21.37
10–50	2649.4	110.7	2760.1	27.64
50–100	2335.2	0	2335.2	23.38
100 –	1834.2	0	1834.2	18.37
Total	9750.7	236.5	9987.2	100.00

December 31, 2004 The amount of exposure, € million €	Finland	Other countries	Total	%
0–1	1253.6	14	1267.7	13.32
1–10	2181.2	77.1	2258.3	23.72
10–50	2596.8	77.8	2674.6	28.09
50–100	1721.2	0	1721.2	18.08
100–	1598.8	0	1598.8	16.79
Total	9351.6	168.9	9520.6	100.00

NOTE 49. Secondary country risk by country risk group

Country risk group	Moody's Equivalent	Dec. 31, 2005 Net exposure	%	Dec. 31, 2004 Net exposure	%
Group 1	Aaa	2292.3	88.05	1774.3	88.75
Group 2	Aa1–A3	137.8	5.29	97.7	4.89
Group 3	Baa1–Baa3	52.5	2.02	8.4	0.42
Group 4	Ba1–B3	115.5	4.44	113.9	5.7
Group 5	Caa1–C	5.1	0.2	5.0	0.25
Total		2603.3	100	1999.3	100

NOTE 50. Funding structure

	Dec. 31, 2005	Perc., %	Dec. 31, 2004	Perc.,%
Liabilities to financial institutions	3563	19.58	4310.4	26.44
Financial liabilities held for trading	3.5	0.02	0	0
Liabilities to customers				
Deposits	494.5	2.72	2408.9	14.78
Other	1563.2	8.59	1663.3	10.2
Debt securities issued to the public				
Certificates of deposit. commercial papers and ECPs	4395.3	24.16	3208	19.68
Bonds	4637.7	25.49	2895	17.76
Other liabilities	826	4.54	576.5	3.54
Subordinated liabilities	749.1	4.12	461.8	2.83
Equity capital	1960.5	10.78	777.2	4.77
Total	18192.8		16301.1	

NOTE 51. Maturity distribution of assets and liabilities according to the remaining term to maturity

December 31, 2005

	less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liquid assets	478.9					478.9
Financial assets held for trading						
Notes and bonds	876.6	1154.9	925.5	708.3	20.6	3686
Receivables from financial institutions	1149.2	958.3	2350.8	155.7	3.4	4617.4
Receivables from customers	945	1213.1	2869.9	868.4	858.4	6754.8
Investment assets						
Notes and bonds available for sale	0	0	88.3	51.2	0.5	140.1
Notes and bonds held to maturity	0	0	0	0	0	0
Liabilities to financial institutions	3336.5	138.5	60.9	27.1	0	3563
Financial liabilities held for trading	3.5	0	0	0	0	3.5
Liabilities to customers	1601.5	20.2	0.2	225.5	210.3	2057.7
Debt securities issued to the public	3025	1859.2	3912.8	236	0	9033
Subordinated liabilities	193.3	4.1	173.7	288	90	749.1

December 31, 2004

	less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liquid assets	296.9					296.9
Financial assets held for trading						
Notes and bonds	755	1214.4	725.8	368.7	18.8	3082.7
Receivables from financial institutions	698.5	974.2	1869.6	6.1	0	3548.5
Receivables from customers	832.3	1303.8	3570	709.8	2248.2	8664.1
Investment assets						
Notes and bonds available for sale	0	6.3	57.9	27.7	74.7	166.5
Notes and bonds held to maturity	0	0	0	0	0	0
Liabilities to financial institutions	1568.4	55.9	681.8	28.9	1975.4	4310.4
Financial liabilities held for trading	0	0	0	0	0	0
Liabilities to customers	3592.6	104.3	74.7	120.4	180.1	4072.2
Debt securities issued to the public	2338.1	1727.6	1872.6	164.8	0	6103
Subordinated liabilities	0	14.3	296.9	150.6	0	461.8

NOTE 52. Less than one year maturities for assets and liabilities according to maturity or repricing

December 31, 2005

Assets	1 month or less	>1–3 months	>3–12 months	1–2 years	2–5 years	more than 5 years	Total
Liquid assets	478.9						478.9
Financial assets held for trading							
Notes and bonds	720.1	969.5	1260.6	136.0	245.8	354.1	3686.0
Receivables from financial institutions	1413.7	1191.5	1741.6	71.9	198.0	0.4	4617.1
Receivables from customers	1588.1	1569.2	2147.3	296.6	608.9	544.7	6754.8
Financial assets available for sale							
Notes and bonds	20.2	39.4	71.0	4.2	4.8	0.5	140.1
Financial assets held to maturity							
Notes and bonds	0	0	0	0	0	0	0
Liabilities							
Liabilities to financial institutions	3183.4	154.7	138.5	29.2	27.4	29.8	3563.0
Financial liabilities held for trading	3.5	0	0	0	0	0	3.5
Liabilities to customers	1612.0	424.2	21.2	0	0.2	0	2057.6
Debt securities issued to the public	2219.2	4528.2	1974.3	70.0	59.8	181.5	9033.0
Subordinated liabilities	0	300.0	126.1	63.6	110.5	149.0	749.2

December 31, 2004

Assets	1 month or less	>1–3 months	>3–12 months	1–2 years	2–5 years	more than 5 years	Total
Liquid assets	296.9						296.9
Financial assets held for trading							
Notes and bonds	366.2	845.4	1871.1	0	0	0	3082.7
Receivables from financial institutions	1214.8	934.2	1169.8	102.0	125.3	2.3	3548.4
Receivables from customers	1931.6	1954.8	3300.8	278.4	684.9	513.4	8664.0
Financial assets available for sale							
Notes and bonds	5.0	53.7	107.8	0	0	0	166.5
Financial assets held to maturity							
Notes and bonds	0	0	0	0	0	0	0
Liabilities							
Liabilities to financial institutions	3923.5	230.1	49.2	31.3	45.3	31.0	4310.4
Financial liabilities held for trading	0	0	0	0	0	0	0
Liabilities to customers	3484.1	409.8	97.1	51.2	21.9	8.1	4072.2
Debt securities issued to the public	2104.1	2418.1	1568.1	0	12.7	0	6103.0
Subordinated liabilities	0	219.0	242.9	0	0	0.0	461.8

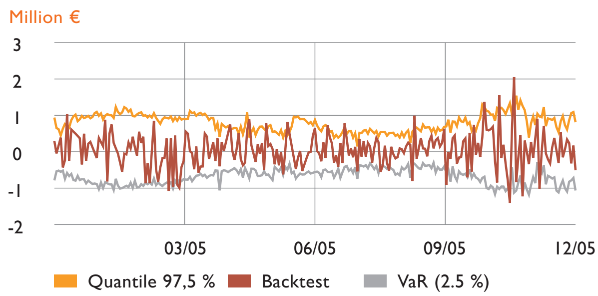
NOTE 53. Sensitivity analysis of the market risk

The share of market risks of the risk-weighted items was 8 per cent (6 per cent in 2004) at year-end.

million €	Dec. 31, 2005	Dec. 31, 2004
Interest rate risk *)	10.4	7.8
of which Treasury	10.7	9.7
Market value of the equity portfolio	26.6	32.6
OMX shares	18.5	15.1
Venture capital funds	34.8	36
Net currency exposure	5.5	3.6

*) The effect of a 1 percentage point change on the current values of cash flows (the aggregate absolute values of currencies)

The VaR of Banking and Investment Services2005



NOTE 54. Equity risk

The market values of equity and venture capital funds was €80 million (84) at year-end, of which the equity portfolio represented €27 million, OMX shares €18 million and the venture capital funds with their investment commitments €35 million. The three proportionally largest sectors in the equity portfolio were: basic industry 31 per cent, industrial products and services 13 per cent and community services 12 per cent.

Investments in venture capital funds totalled €18.7 million (20.2) and binding unexecuted investment commitments €16.1 million (15.8).

NOTE 55. Real estate risk

Capital invested in real estate holdings amounted to €48 million (134) at the end of 2005, with properties in own use representing €4 million (45). In addition, holdings in real estate investment companies totalled €20 million (24).

The most important real estate sold during 2005 was Arkadiankatu 23, Dagmarinkatu 14 and Lahden Trio.

Net yield on real estate investments stood at 6.6 per cent (6.1). In 2005, assessments of an outside party were obtained on the fair values of real estate, on the basis of which the aggregate amount of fair values corresponds to the capital invested in real estate. According to our estimates, real estate risks are small.

The changes in investment properties and real estate in own use in the fiscal period have been specified in Note 27 to the financial statements.

NOTE 56. Risk Position of Non-life Insurance

The non-life insurance business was consolidated in the OKO Bank Group's accounts as of October 31, 2005. Therefore, comparative information for 2004 is not presented.

Risk Carrying Capacity of Non-life Insurance

The solvency capital of Non-life insurance at the end of 2005 totalled €836 million and the solvency ratio was 112 per cent. The Pohjola Board of Directors has set the credit rating class A as the target for Non-life insurance. The insurance financial strength rating affirmed by Standard & Poor's for Pohjola Non-Life is A+ (October 19, 2005).

Risk carrying capacity	Dec. 31, 2005	
	€ million	Risk carryng capacity, %
Solvency capital	836	-
Claims incurred, net*	532	157%
Insurance premium revenue, net*	744	112% **
Insurance contract liabilities, net*	1 811	46%
Investment portfolio	2 515	33%

* Net of reinsurers' share; claims incurred and insurance premium revenue are for the whole of 2005.
** Solvency ratio

Sensitivity Analysis of Non-life Insurance

A large part of insurance contract liabilities in Non-life Insurance consists of annuities. Estimated mortality has an impact on the insurance contract liabilities arising from annuities. A decrease in mortality increases insurance contract liabilities.The table below describes the effect of mortality on insurance contract liabilities and on the combined ratio.

Sensitivity of insurance contract liabilities to changes in mortality assumption	Dec. 31, 2005
Total discounted insurance contract liabilities	€1 172 million
Effect of increase in longevity by a year:	
On insurance contract liabilities	€27 million
On combined ratio	Deteriorates by 3 %-points

The table below describes the effect of different risk parametres on profit and solvency capital:

Risk parameter	Total in 2005* million €	Change in risk parameter	Effect on profit/ solvency million €	Effect on combined ratio
Insurance portfolio or premiums written	€744 million	Increases by 1%	€+7 million	Improves by 1 %-point
Increase in claims incurred by 1%	€532 million	Increases by 1%	€-5 million	Detoriates by 1% -point
Major loss		1 major loss	€-5 million	Detoriates by 1% -point
Staff expenses	€95 million	Increases by 8%	€-8 million	Detoriates by 1% point
Expenses by function **	€202 million	Increases by 4%	€-8 million	Detoriates by 1% -point

* The figures are for the whole of 2005

** Expenses by function in Non-life Insurance excluding expenses for investment management and expenses for other services rendered

Risk position of investments in Non-life insurance

Allocation of investment portfolio	Fair value 2005, € million*	%
Total money market	213	8 %
Money-market instruments and deposits**	220	9 %
Derivatives adjustment	-7	0 %
Bonds and bond funds in total	1 788	70 %
Governments	1 224	48 %
Investment Grade	476	19 %
Emerging markets and High Yield	81	3 %
Derivatives	7	0 %
Shares in total	407	16 %
Finland	112	4 %
Developed markets	150	6 %
Emerging markets	24	1 %
Unlisted shares	26	1 %
Private equity investments	95	4 %
Alternative investments in total	65	3 %
Absolute return funds	22	1 %
Commodities	18	1 %
Convertible bonds	25	1 %
Properties	88	3 %
Total	2 562	100 %

* Includes accrued interest income

** Includes settlement receivables and liabilities and market value of derivatives €+11.5 million (2005)

Sensitivity Analysis of Investment Risks

The table below describes the sensitivity of investment risks by investment class.

Non-life insurance	Portfolio at fair values, € million 31.12.2005	Risk parameter	Change	Effect on solvency capital, € million Dec. 31, 2005
Bonds and bond funds *	1 813	Interest rate	1 %-point	96
Shares **	448	Market value	10%	45
Business premises ***	43	Continuous	+1 %-point	-4
		income requirement	-1 %-point	5

* Includes convertible bonds and derivatives

** Includes absolute return funds and commodities investments

*** Premises leased to parties outside the group of companies

Interest Rate Risk

At the end of 2005, the duration of the fixed-income portfolio in Non-life Insurance, i.e. the average duration of the cash flows from interest-bearing instruments was 4.8 years. The fixed-income portfolio includes both bonds and money-market investments.

Fair value as per duration or repricing date, € million	Dec. 31, 2005
0–1 year	266
1–3 years	411
3–5 years	379
5–7 years	337
7–10 years	305
>10 years	292
Total	1 990
Duration	4,8
Effective interest rate, %	3,4

Currency Risk

Currency position	Dec. 31, 2005
€ million	
USD	39
SEK	10
JPY	7
GBP	6
Other**	-8
Total *	54

* The currency position was 2.1 per cent of the investment portfolio.

** The group 'Other' includes €–10 million in EEK and LTL-denominated insurance contract liabilities covered in euros.

Credit Risk

Credit rating distribution, € million	Dec. 31, 2005
AAA	975
AA	349
A	296
BBB	158
High Yield	75
Non-rated	214
Total*	2 069

* Includes money-market instuments and deposits, bonds and bond funds, and reinsurance contract assets.

Others concerning the balance sheet, contingent liabilities and derivatives

NOTE 57. Fair Values of Assets and Liabilities

Financial assets on December 31, 2005	Average interest rate, %	Fair value	Book value
Liquid asses		478.9	478.9
Financial assets held for trading			
Notes and bonds			
Valued at fair value	2.97	3686	3686
Capitalisation contracts		0	0
Valued at amortised cost		0	0
Shares			
Valued at fair value		5.8	5.8
Valued at acquisition cost		0	0
Derivative contracts			
Valued at fair value		135.8	123.1
Valued at acquisition cost*		0	0
Receivables from financial institutions**	2.7	4617.4	4617.4
Receivables from customers **	3.47	6754.8	6754.8
Investments assets			
Financial assets available for sale			
Notes and bonds			
Valued at fair value	4.76	140.1	140.1
Valued at amortised cost		0	0
Shares			
Valued at fair value		45	45
Valued at acquisition cost		104.6	104.6
Total		15968.4	15995.7

Financial liabilities on December 31, 2005			
Liabilities to credit institutions	2.45	3563	3563
Financial liabilities held for trading			
Short sold securities		3.5	3.5
Derivative contracts			
Valued at fair value		113.7	123.2
Valued at acquisition cost*		0	0
Liabilities to customers	2.39	2057.7	2057.7
Debt securities issued to the public			
Hedged	3.65	781.6	781.6
Not hedged	2.38	8251.5	8251.5
Subordinated liabilities			
Hedged	4.33	438.3	438.3
Not hedged	3.35	310.8	310.8
Total		15520.1	15529.7

* unquoted equity instrument as the underlying instrument

** The fair values of the items “Receivables from credit institutions and from customers” include recognised impairments.

NOTE 58. Notes and Bonds Entitling to Central Bank Financing

	December 31, 2005	December 31, 2004
Financial assets held for trading	2587	1870.1
Held for trading, of which	0	0
valued at fair value	0	0
valued at acquisition cost	0	0
Held to maturity	0	0
Total notes and bonds entitling to central bank financing	2587	1870.1

NOTE 59. Collateral Given

Pledged on behalf of own liabilities and commitments		
Mortgages	0.6	0
Pledges	1517.6	1286.9
Others	15	15
Total	1533.2	1301.9
Pledged on behalf of affiliates		
Mortgages	0	0
Pledges	0	0
Total	0	0
Pledged on behalf of others		
Mortgages	0	0
Pledges	0	0.7
Total	0	0.7
Total collateral pledged		
Mortgages	0.6	0
Pledges	1517.6	1287.6
Others	15	15
Total	1533.2	1302.6
Total liabilities with collateral	1846.1	1285.6
Pledged financial assets included in the collateral pledged	1532.6	1302.6
of which pledged as collateral for conditional liabilities	0	0

NOTE 60. Financial Collateral Held

Fair values of collateral held		
Notes and bonds		
Shares		
Others	12.7	-
Total	12.7	-

The credit risk arising from derivatives is mitigated by collaterals, in which case an ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement is used. In the collateral system the counterparty delivers securities or cash as collateral for the receivable. The amount of collateral related to CSA contracts received in cash on the balance sheet date was €12.7 million. There were no securities received as collateral on the balance sheet date.

NOTE 61 Off-Balance Sheet Commitments

	December 31, 2005	December 31, 2004
Guarantees	309.7	293.5
Other guarantees	1107.6	1019
Letters of credit		
Pledges		
Loan commitments	2642.9	2352.5
Commitments related to short-term sale events	130.4	97.9
Others	475	367.5
Total off-balance sheet commitments	**4665.6**	**4130.3**

NOTE 62. Derivative Contracts

Derivatives held for trading on December 31, 2005

	Nominal values/remaining term to maturity Less than 1 year	>1–5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	7912.8	7325.4	1534.8	16773	85.4	-101.6	144.6
Forward rate agreements	2848.2	0	0	2848.2	1	-0.7	1
OTC interest rate options							
Call and caps							
Purchased	1278	1295.5	771	3344.6	18.7	-2.8	36.8
Written	1815	1418.7	762.8	3996.6	0	-17.9	0
Put and floors							
Purchased	308	594.5	90.5	993	3.9	-0.5	8.2
Written	965	784.8	62.1	1811.9	0	-1.6	0
Total OTC interest rate derivatives	15126.9	11418.9	3221.3	29767.2	109.0	-125.1	190.6
Interest rate futures	3535.2	0	0	3535.2	0.5	-0.9	0
Total stock exchange derivatives	3535.2	0	0	3535.2	0.5	-0.9	0
Total interest rate derivatives	18662.2	11418.9	3221.3	33302.4	109.5	-126.1	190.6
Currency derivatives							
Forward exchange agreements	2560.1	98.6	0	2658.7	15.6	-17.3	46.2
Interest rate and currency swaps	0	25.6	0	25.6	0	0	1.3
Currency options							
Call							
Purchased	3.1	0	0	3.1	0	0	0.1
Written	3.4	0	0	3.4	0	0	0
Put							
Purchased	13.1	0	0	13.1	0	0	0.2
Written	2.5	0	0	2.5	0	0	0
Total OTC currency derivatives	2582.3	124.2	0	2706.5	15.7	-17.4	47.7
Currency futures	0	0	0	0	0	0	0
Total currency derivatives	2582.3	124.2	0	2706.5	15.7	-17.4	47.7

Equity and index derivatives

	Nominal values/remaining term to maturity Less than 1 year	>1–5 years	>5 years	Total	Assets	Fair values Liabilities	Potential future exposure
Share index options							
Call							
Purchased	15.5	94.4	0	109.9	16.8	0	25.3
Written	0	0	0	0	0	0	0
Put							
Purchased	0	0	0	0	0	0	0
Written	0	0	0	0	0	0	0
Total OTC equity and index	15.5	94.4	0	109.9	16.8	0	25.3
Total equity and index derivatives	15.5	94.4	0	109.9	16.8	0	25.3
Credit derivatives							
Credit default swaps	0	129	0	129	0.2	0	3.1
Total credit derivatives	0	129	0	129	0.2	0	3.1
Others							
Other options							
Call							
Purchased	71.6	6.9	0	78.5	5.3	0	10.2
Written	0	0	0	0	0	0	0
Put							
Purchased	0	16.7	0	16.7	0.3	0	1,1
Written	0	0	0	0	0	0	0
Total other OTC derivatives	71.6	23.6	0	95.2	5.6	0	11.3
Other futures	0	0	0	0	0	0	0
Total other derivatives	71.6	23.6	0	95.2	5.6	0	11.3
Total derivatives held for trading	21331.6	11790.1	3221.3	36343	147.9	-143.5	278

Derivatives held for trading on December 31, 2004

	Nominal values/remaining term to maturity Less than 1 year	>1–5 years	>5 years	Total	Assets	Fair values Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	4341.2	3115.4	438.3	7894.9	59.5	-92.3	87.2
Forward rate agreements	1401	0	0	1401	0.2	-0.2	0.2
OTC interest rate options							
Call and caps							
Purchased	10	206.7	298	514.7	0.9	-2.8	6.3
Written	10	151.8	281.1	442.8	0.1	-0.5	0
Put and floors							
Purchased	0	132.9	248	380.9	2.7	-0.1	7
Written	0	135.9	248	383.9	0	0	0
Total OTC currency derivatives	5762.2	3742.7	1513.4	11018.2	63.3	-95.9	100.6
Interest rate futures	2600.4	146.8	0	2747.2	1.5	-0.4	0
Total stock exchange derivatives	2600.4	146.8	0	2747.2	1.5	-0.4	0
Total interest rate derivatives	8362.6	3889.5	1513.3	13765.4	64.8	-96.2	100.6

	Nominal values/remaining term to maturity Less than 1 year	>1–5 years	>5 years	Total	Assets	Fair values Liabilities	Potential future exposure
Currency derivatives							
Forward exchange agreements	1896.1	18.5	0	1914.5	43	-30.4	62.9
Interest rate and currency swaps	97.5	396.3	105.9	599.7	8.4	-36	37.1
Currency options							
Call							
Purchased	0.7	0	0	0.7	0	0	0
Written	0.9	0	0	0.9	0	0	0
Put							
Purchased	0	0	0	0	0	0	0
Written	0	0	0	0	0	0	0
Total OTC currency derivatives	1995.2	414.8	105.9	2515.8	51.4	-66.4	100
Currency futures	0	0	0	0	0	0	0
Total currency derivatives	1995.2	414.8	105.9	2515.8	51.4	-66.4	100
Equity and index derivatives							
Share index options							
Call							
Purchased	0	82.4	0	82.4	7.3	0	13.9
Written	0	0	0	0	0	0	0
Put							
Purchased	0	0	0	0	0	0	0
Written	0	0	0	0	0	0	0
Total OTC equity and index derivatives	0	82.4	0	82.4	0	0	13.9
Total equity and index derivatives	0	82.4	0	82.4	7.3	0	13.9
Credit derivatives							
Credit default swaps	5	61.4	0	66.4	0.5	-0.1	1.2
Total credit derivatives	5	61.4	0	66.4	0.5	-0.1	1.2
Others							
Other options							
Call							
Purchased	0	38.7	0	38.7	0.9	0	3.5
Written	0	0	0	0	0	0	0
Put							
Purchased	0	0	0	0	0		
Written	0	0	0	0	0	0	0
Total other OTC derivatives	0	38.7	0	38.7	0	0	3.5
Other futures	0	0	0	0	0	0	0
Total other derivatives	0	38.7	0	38.7	0.9	0	3.5
Total derivatives held for trading	10362.7	4486.8	1619.2	16468.7	124.8	-162.7	219.2

Derivative contracts held for hedging – fair value hedging on December 31, 2005

Interest rate derivatives							
Interest rate swaps	698.7	902.7	247.5	1848.9	6.4	-19.4	14.6
Total OTC interest rate derivatives	698.7	902.7	247.5	1848.9	6.4	-19.4	14.6
Interest rate futures	0	0	0	0	0	0	0
Total interest rate derivatives	698.7	902.7	247.5	1848.9	6.4	-19.4	14.6

	Nominal values/remaining term to maturity Less than 1 year	>1–5 years	>5 years	Total	Assets	Fair values Liabilities	Potential future exposure
Currency derivatives							
Forward exchange agreements	0	0	0	0	0	0	0
Interest rate and currency swaps	0	582.2	251.7	833.9	39	-9.7	87
Total OTC currency derivatives	0	582.2	251.7	833.9	39	-9.7	87
Currency futures	0	0	0	0	0	0	0
Total currency derivatives	0	582.2	251.7	833.9	39	-9.7	87
Credit derivatives							
Credit default swaps	0	31.4	0	31.4	0	-1.1	0.2
Total credit derivatives	0	31.4	0	31.4	0	-1.1	0.2
Total derivatives held for hedging	698.7	1516.3	499.2	2714.2	45.4	-32.2	101.7

Derivative contracts held for hedging – fair value hedging on December 31, 2004

Interest rate derivatives							
Interest rate swaps	1157	941.8	436	2534.8	5.3	-28.5	11
Total OTC interest rate derivatives	1157	941.8	436	2534.8	5.3	-28.5	11
Total interest rate derivatives	1157	941.8	436	2534.8	5.3	-28.5	11
Currency derivatives							
Forward exchange agreements	0	0	0	0	0	0	0
Interest rate and currency swaps	0	7.3	71.6	78.9	0	-8.5	5.7
Total OTC currency derivatives	0	7.3	71.6	78.9	0	-8.5	5.7
Currency futures	0	0	0	0	0	0	0
Total currency derivatives	0	7.3	71.6	78.9	0	-8.5	5.7
Total derivatives held for hedging	1157	949.1	507.6	2613.7	5.3	-37	16.8

Total derivatives held for trading and hedging in 2005

Interest rate derivatives	19360.9	12321.6	3468.8	35151.3	115.9	-145.5	205.2
Currency derivatives	2582.3	706.4	251.7	3540.4	54.7	-27.1	134.7
Equity and index-linked derivatives	15.5	94.4	0	109.9	16.8	0	25.3
Credit derivatives	0	160.4	0	160.4	0.2	-1.1	3.3
Other derivatives	71.6	23.6	0	95.2	5.6	0	11.3
Total derivatives	22030.3	13306.4	3720.5	39057.2	193.3	-173.7	379.7

Total derivatives held for trading and hedging in 2004

Interest rate derivatives	9519.6	4831.3	1949.3	16300.2	70.1	-124.7	111.6
Currency derivatives	1995.2	422.1	177.5	2594.7	51.4	-74.9	105.7
Equity and index-linked derivatives	0	82.4	0	82.4	7.3	0	13.9
Credit derivatives	5	61.4	0	66.4	0.5	-0.1	1.2
Other derivatives	0	38.7	0	38.7	0.9	0	3.5
Total derivatives	11519.7	5435.9	2126.8	19082.4	130.1	-199.7	236

NOTE 63. Contingent Assets and Liabilities

Insurance companies belonging to the Group record their insurance policies through pools. The pool members are primarily responsible for their own proportion. These proportions are based on contracts that are confirmed annually. In some pools, other members are responsible for liabilities of a member incapable of payment in proportion to their shares. Insurance companies will record the liabilities and receivables from joint responsibility if it is probable that joint responsibility will be realised.

Opstock Ltd has a receivable of €2.4 million from a private customer confirmed by the Helsinki Court of Appeal. The decision of the Court of Appeal is not legally valid. It is not possible to assess the financial impact of these assets as it depends on the solvency of the private customer, which is not certain.

NOTE 64. Operating leases

OKO Bank Group as the Lessee

Some of the Group companies have leased the office facilities they use. The lengths of the operating leases vary from one to ten years and normally they include an option to continue the contract after the original date of termination. The Group has leased a further part of the facilities leased. In addition, some Group companies have leased motor vehicles and office machines through operating leases. Leasing expenses of €1.3 million (1.3) have been booked under Other operating expenses for the above-mentioned items.

Minimum leases to be paid on the basis of uncancellable operating leases

	December 31, 2005	December 31, 2004
Within one year	9.3	-
Within more than a year and at most within five years	35.8	-
Within more than five years	57.0	-
Total	102.1	-
Expected future minimum leases from uncancellable subleases	26.4	-

OKO Bank Group as the Lessor

Companies within the OKO Bank Group have given on lease investment properties owned by them, for which leasing income of €6.8 million (8.7) was accumulated. In addition to investment properties, the Group has primarily given on lease passenger cars, which generated a leasing income of €5.5 million (3.0).

Minimum leases to be received on the basis of uncancellable operating leases

	December 31	December 31, 2004
Within one year	17.4	8.6
Within more than a year and at most within five years	31.1	21.7
Within more than five years	-	3.0
Total	48.5	33.3

NOTE 65. Asset Management

In the OKO Bank Group, Opstock Ltd and Pohjola Asset Management Ltd offer their customers asset management services based on portfolio management under full power of attorney and consultative portfolio management. Opstock Ltd has portfolio management responsibility for the majority of OP Fund Management Company's mutual funds. Customer funds in asset management totalled €27.6 billion on December 31, 2005.

NOTE 66. Holdings in Other Companies

The Group's parent company and subsidiary relationships concerning holdings in other companies are presented in Note 67 and the holdings in affiliates in Note 25.

Companies established during the fiscal period

During the fiscal period OKO Corporate Finance Ltd was established as OKO Bank's subsidiary to which the Corporate Finance operations in which Opstock Ltd engages in Finland will be transferred during the spring. The name of the subsidiary OP-Sijoitus Oy, fully owned by OKO Bank, was changed to OKO Capital East Ltd. ZAO OKO Capital Vostok was established as its subsidiary domiciled in Moscow. The company offers services related to corporate arrangements and structured financing to Finnish companies in Russia. The OKO Capital East Group has been consolidated with the OKO Bank Group since October.

Holdings in the most significant joint ventures included in the consolidated financial statements

2005

Name	Domicile	Holding
Kiinteistö Oy Kanta-Sarvis II	Tampere	100
Companies owned by Pohjola Non-life Insurance Company:		Pohjola's holding
Kiinteistö Oy Eteläesplanadi 12	Helsinki	27,2
Asunto Oy Helsingin Korppaanmäki	Helsinki	34,2
Tikkurilan Kauppatalo Oy	Vantaa	53,7

2004

Name	Domicile	Holding
Kiinteistö Oy Lahden Trio	Lahti	33,3
Oy Kaisaniemenkatu 1	Helsinki	22,4
Kiinteistö Oy Arkadiankatu 23	Helsinki	100
Kiinteistö Oy Dagmarinkatu 14	Helsinki	100
Kiinteistö Oy Kanta-Sarvis II	Tampere	100

Other notes

NOTE 67. Related Party Transactions

The affiliates of the OKO Bank Group are listed in Note 25. The management of the OKO Bank Group includes OKO Bank's President and deputy President, members and deputy members of the Board of Directors, members and deputy members of the Supervisory Board and their close family members. Normal loan terms and conditions are applied to loans granted to the management. The loans are tied to generally-used reference rates. The loans are repaid according to agreed repayment plans and they have normal collateral.

* Other insider corporations include OP Bank Group Pension Fund, OP Bank Group Pension Foundation and their sister companies within the OP Bank Group Central Cooperative Consolidated.

The Group's parent company and subsidiary relationships

Holding	Company Domicile/home country	Share of shares, %	Share of votes,%
OKO Osuuspankkien Keskuspankki Oyj:n tytäryhtiöt :			
Opstock Oy	Helsinki	85	85
OKO Venture Capital Oy	Helsinki	100	100
OKO Capital East Oy	Helsinki	100	100
ZAO OKO Capital Vostok	Venäjä	100	100
Pohjola-Yhtymä Oyj	Helsinki	86.3	86.3

		Pohjola's Share of shares	Pohjola's Share of votes, %
Subsidiaries of Pohjola Group plc:			
Pohjola Non-life Insurance	Helsinki	100	100
A-Vakuutus Oy	Helsinki	100	100
Seesam International Insurance Company Ltd	Viro	100	100
Joint Stock Insurance Company "Seesam Latvia"	Latvia	100	100
Joint Stock Insurance Company "Seesam Lithuania"	Liettua	100	100
Vakuutusosakeyhtiö Eurooppalainen	Helsinki	100	100
Vakuutusosakeyhtiö Bothnia International	Helsinki	100	100
Moorgate Insurance Company Limited	Iso-Britannia	100	100
Pohjola Life Insurance Company	Helsinki	100	100
Pohjola Asset Management Ltd	Helsinki	100	100
Pohjola Kiinteistösijoitus Oy	Helsinki	100	100
Pohjolan IT-Hankinta Oy	Helsinki	100	100
Conventum Venture Finance Oy	Helsinki	100	100
Kaivokadun PL-hallinto Oy	Helsinki	100	100

Related party transactions in 2005

	Parent company	Con-solidated affiliates	Admin-istrative personnel	Others*
Loans	50.1	0	0	1291.2
Other receivables	2.1	0	0	62.1
Deposits	6.3	0	0	119.6
Other liabilities	362.3	0	0	15
Interest income	0.9	0	0	35.4
Interest expenses	3.4	0	0	6.9
Dividend income	0	0	0	3.3
Commission income	0.4	0	0	4.2
Commission expenses	1.8	0	0	0.1
Other operating income	0.6	0	0	1.6
Impairments on loans	0	0	0	0
Impairments on loans at the end of the fiscal period	0	0	0	0
Off-balance sheet commitments				
Guarantees	0	0	0	6.6
Uncancellable commitments	8	0	0	0
Other off-balance sheet commitments	0	0	0	0

	Parent company	Con-solidated affiliates	Admin-istrative personnel	Others*
Salaries and remuneration and performance-related pay				
Salaries and remuneration	0	0	1.9	0
Performance-related pay	0	0	0	0
Owned by insiders				
Number of stock options	0	0	31000	0
Number of shares	60825897	0	85464	3680793
Number of holdings	0	0	0	0
Related party transactions in 2004				
Loans	13.5	287.5	1.1	81
Other receivables	0	1.1	0	2.5
Deposits	8.3	1.1	3.3	23.9
Other liabilities	8.8	0	0	29
Interest income	0.8	4.6	0	2
Interest expenses	2.2	0	0	0.4
Dividend income	0	1.4	0	0
Commission income	0.3	0.3	0	0.4
Commission expenses	1.7	0	0	0
Other operating income	0.4	0.4	0	0.1
Impairments on loans	0	0	0	0
Impairments on loans at the end of the fiscal period	0	0	0	0
Off-balance sheet commitments				
Guarantees	0	1.8	0	4.5
Uncancellable commitments	8.4	0	0	0
Other off-balance sheet commitments	0	0	0	0
Salaries and remuneration and performance-related pay				
Salaries and remuneration	0	0	2.4	0
Performance-related pay	0	0	0	0
Owned by insiders				
Number of stock options	0	0	66000	0
Number of shares	38586064	0	38688	1840000
Number of holdings	0	0	0	0

The members of the Supervisory Board were paid remuneration to a total of €127,800.
The monthly remuneration of the chairman was €1,500 and meeting remuneration €200, the monthly remuneration of the vice chairman was €750 and meeting remuneration €200, and the monthly remuneration of each member was €200 and meeting remuneration €200.

The remuneration paid to chairman Seppo Penttinen totalled €19,000.
The remuneration paid to vice chairman Paavo Haapakoski totalled €12,200.
The remuneration paid to the other members of the Supervisory Board varied between €400 and €6,200.

The salaries and performance-related payments paid to the members and deputy members of the Executive Board for the fiscal period that ended on December 31, 2005, including the income received from option rights, were as follows:
President Mikael Silvennoinen 351,760
Deputy President Timo Ritakallio 647,655
Member of the Executive Board Helena Walldén 567,687
Deputy member of the Executive Board Jarmo Viitanen 215,610

NOTE 68. Long-term Incentive Systems

Option Schemes

On June 30, 1999, OKO Bank's Extraordinary General Meeting decided according to the proposal of the Executive Board that an option-based incentive system concerning the whole personnel be taken into use in OKO Bank and the OP Bank Group Central Cooperative. An option loan was offered for subscription by the personnel of the OKO Bank Group, OP Bank Group Central Cooperative, OP Bank Group Mutual Insurance Company, OP Bank Group Pension Fund and OP Bank Group Research Foundation, and by OP-Sijoitus Oy, fully owned by OKO Bank. The amount of the option loan was €460,000. The interest-free loan was repaid in October 2002.

According to the terms and conditions of the option scheme, the subscription price of a share was €10.99. The subscription price is reduced by the amount of dividends distributed after the determination period of the subscription price and before the subscription of shares on each record date for dividends. However, the subscription price is always at least the counter value of the share, which was €2.105 at the end of 2005. The subscription period with A stock options began on October 1, 2002 and with B stock options on October 1, 2004. The stock options were listed on the Helsinki Stock Exchange when the subscription period began. Before the listing of the B stock options, they were combined with the A stock options and their name was changed to 1999 A/B stock option right.

Each stock option entitled to subscription of one OKO Bank's Series A share, or a total of 4,600,000 shares. With the share split (1:2) of OKO Bank shares registered with the Trade Register on April 30, 2004, the subscription ratio of the stock option scheme changed. From the beginning of May, two new Series A shares could be subscribed with one stock option right. In connection with the 2005 share issue, the subscription ratio was changed so that four new Series A shares can be subscribed with one stock option right. As a result of all subscriptions, the number of OKO Bank's shares may increase at most by a total of 9,370,320 new Series A shares and the company's share capital by €19.7 million.

As a result of the 2004 share split, the subscription price of the share was reduced by half. As a result of the change in the subscription ratio, the aggregate subscription price of four Series A shares was determined to be €4.21 added by an amount in euro that corresponded to the subscription price of two new Series A shares according to the conditions of the increase in share capital. The new subscription price thus confirmed is €4.6525 per share.

In 2005, the share-specific subscription price was €2.485 until April 5, 2005 and after that €2.105 until the share issue.

By the end of 2005 7,646,680 Series A shares had been subscribed with the stock options, of which 2,553,790 were registered in 2005.

The changes to and weighted average subscription prices of outstanding options are as follows:

	2005 Average subscription price, €/share	Option rights, 1000	2004 Average subscription price, €/share	Option rights, 1000
At the beginning of the fiscal period	2.49	1233	7.17	2 511
Lost stock options			2.79	-21
Exercised stock options	2.75	-802	2.64	-1 257
At the end of the fiscal period	4.65	431	2.49	1 233
Exercisable share options at the end of the fiscal period	4.65	431	2.49	1 233

The average price of stock options exercised in 2005 was €2.75 (€2.64 in 2004). The share-issue adjusted average price of OKO Bank's share was €10.19 (7.31) in 2005. The range of the exercise price of the stock options was €2.485–4.6525 (2.485–7.17) in 2005 and the range of the price of OKO Bank's share was €8.09–12.34 (6.21–8.39).

Long-term management incentive scheme

Under a decision taken by OKO Bank's Supervisory Board, the long-term management incentive scheme includes members of OKO Bank's Executive Board, heads of departments and directors in comparable positions in the subsidiaries as well as those managers who are members of the personnel fund and whose HAY rating is 9–11. A total of 27 people were included in the scheme on December 31, 2005.

Those included in the incentive scheme may receive OKO Bank's shares as annual rewards for 2005–2007. In 2005 the target meters applied in the management incentive scheme were: the ROE percentage of the OKO Bank Group (weight 50%), increase in the market share of the OKO Bank Group's core businesses (weight 35%), increase in the market share of the OP Bank Group's core businesses (weight 15%). The reward will be granted if the Bank meets at least 80% of these targets.

If the targets set are met, each person included in the scheme is entitled to a reward corresponding to his/her regular salary subject to withholding tax for the following period: the President – 4 months, members of the Executive Board – 3 months, heads of department and directors in corresponding positions in the subsidiaries – 2 months, and managers – 2 weeks. Managers are also entitled to a share in the profit-related payment paid into the personnel fund, the maximum amount of which corresponds to their salary for one month. The reward will be paid two years after the completion of the earning period.

The value of the reward paid as shares is recognised as personnel cost in equal instalments over the vesting period. Expenses of €0.1 million were recognised for the scheme during the fiscal period.

In 2006 the meter of increase in the market share of OKO Bank Group's core businesses, the weight of which was 35 per cent in 2005, has been replaced by the meters of increase in the net income of banking and investment service operations and increase in non-life insurance income. The weight of both of them is 17.5 per cent.

Personnel fund

OKO Bank joined the personnel fund for the OP Bank Group on October 26, 2004. 536 employees of OKO Bank were members of the fund on 31.12.2005. At the end of 2005, employees of OKO Bank Group's subsidiaries were not members of the personnel fund.

The amount of profit-related payments transferred into the personnel fund was based on the same target meters as the long-term management incentive scheme. €0.3 million of profit-related payments is paid to the personnel fund for 2005.

In 2006 the meter of increase in the market share of OKO Bank Group's core businesses has been replaced by the meter of increase in the net income from banking and investment service operations. If the targets are met, the amount of profit-related payments transferred to the personnel fund for 2006 will be 2.5 per cent of the aggregate payroll of the members of the fund in 2006, which was €25.5 million in 2005.

NOTE 69. Events occurring after the balance sheet date

In September, OKO Bank acquired a majority holding in the shares of Pohjola Group plc. In connection with the acquisition, OKO Bank announced its intention to make a public tender offer for Pohjola's remaining outstanding shares. After the tender offer expired on November 18, 2005, OKO Bank's share of the holding and votes had risen to 83 per cent.

On December 1, 2005, OKO Bank made a redemption offer according to Chapter 6, Section 6, of the Securities Markets Act for Pohjola's remaining outstanding shares and option rights. The offer expired on January 5, 2006. The share of those accepting the offer of Pohjola's shares and votes was 4.4 per cent. At that time, OKO Bank's share of the holding and votes had risen to 89.96 per cent. On January 10, 2006, OKO Bank announced that it had acquired a number of shares from the market that increased OKO Bank's share of the holding and votes to more than 90 per cent.

OKO Bank has expressed a demand to redeem the shares from other Pohjola shareholders. OKO Bank has started redemption proceedings in accordance with the Companies Act in order to redeem the rest of Pohjola's shares.

According to what was announced in September, Pohjola sold Pohjola Life Insurance Company Ltd to the OP Bank Group Central Cooperative for €281 million on January 16, 2006. This transaction did not have an effect on the financial performance of OKO Bank Group. On the same day, Pohjola sold Pohjola Asset Management Ltd to OKO Bank for €118.5 million. The sale was part of the rearrangement of the asset management operations of the OKO Bank Group.

Pohjola's Extraordinary General Meeting held on January 19, 2006 approved the above-mentioned transactions.

The asset management operations of Opstock Ltd will be transferred to Pohjola Asset Management Ltd by a business operations transfer at the end of February, and the Corporate Finance operations to OKO Corporate Finance Ltd during the spring. Opstock Ltd, which will only engage in securities brokerage after the business operations transfers, will be merged with its parent company, OKO Bank. According to the plan, the merger will enter into force at the end of September.

NOTE 70. Transition to IFRS Reporting

OKO Bank Group made the transition from Finnish accounting standards to the international IFRS standard on January 1, 2005. The date of transition to the IFRS standard was January 1, 2004, although standards IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation) were adopted on January 1, 2005 in accordance with IFRS 1.

OKO Bank Group has applied the following allowances by the IFRS 1 first-time adoption standard:

- the IFRS information for 2004 does not include the effects of IAS 39 (Financial Instruments), because the standard will be introduced in OKO Bank Group as of the beginning of 2005, and no comparison data is required,
- at the time of transition, funds in pension schemes were valued at fair value and obligations at present value based on the calculatory assumptions valid at the time of transition on January 1, 2004,
- with regard to Kiinteistö Oy Arkadiankatu 23, which was fully owned by OKO Bank, the deemed acquisition cost applicable to the part of the building in own use upon transition is the fair value, and

– the acquisition cost calculations of companies consolidated before the IFRS transition were not converted to IFRS but are still based on Finnish Accounting Standards.

The most significant effects of the transition to IFRS were associated with defined-benefit pension plans (IAS 19, Employee Benefits); changes to the management of investment properties, which were due to the fair valuation of investments (IAS 40, Investment Properties); and changes to the method of combining mutual real estate companies (IAS 16, Property, Plant and Equipment, and IAS 31, Interests in Joint Ventures). Other adjustments had a negligible effect.

Reconciliation of Profit for 2004

€ million	1.1.–31.12.2004
Share of profit attributable to equity holders of the parent, FAS	**101.5**
Defined benefit plans	3.3
Real estate	1.1
Adjustmets to non-recurring commisions paid on loan repayment insurance	-0.7
Deferred taxes	1
Impairment of assets	0.5
Other adjustments	0
Share of profit attributable to equity holders of the parent, IFRS	**106.7**

Reconciliation of Equity

OKO Bank Group´s shareholders' equity prepared in accordance with FAS was €733 million on December 31, 2003. Minority interest is included in shareholders' equity in accordance with the IAS 1 standard (Presentation of Financial Statements). This change in classification increased shareholders' equity according to FAS by €2 million.

OKO Bank Group´s shareholders' equity prepared in accordance with FAS was €807 million on December 31, 2004. According to the IAS 39 standard (Financial Instruments: recording and valuation) capital loans are recorded as debt. On the other hand, minority interest is included in equity. These changes in classification decreased shareholders' equity according to FAS by €70 million (net amount).

€ million	Dec. 31, 2004	Jan. 1, 2004
Equity in accordance with FAS (in IFRS format)	**738**	**735**
Defined benefit plans	47	44
Real estate	8	8
Adjustmets to non-recurring commisions paid on loan repayment insurance	-10	-9
Deferred taxes	-6	-8
Impairment of assets	-1	-1
Other adjustments	1	1
Equity in accordance with IFRS	**777**	**770**

OKO BANK GROUP'S IFRS OPENING BALANCE SHEET 2004

€ million	Note	FAS figures in IFRS format	IFRS adjust-ments IAS12	IAS17	IAS18	IAS19	IAS36	IAS40 16,31	Other	Total	IFRS
Assets											
Liquid assets	6	929						0		0	929
Receivables from financial insitutions	7	2 679							0	0	2 679
Financial assets for trading		2 647								0	2 647
Derivative contracts		141								0	141
Receivables from customers	2,6	7 250		285				0		285	7 535
Investment assets	6,7	442						2	0	2	444
Investments in affiliates		21								0	21
Intangible assets	5,6,7	13					-1	0	1	-1	12
Tangible assets	2,6,7	329		-286				5	0	-280	49
Other assets	2,4,6,7	303		0		44		1	0	45	348
Tax receivables	1	0	7							7	7
Total assets		**14 754**	**7**	**0**	**0**	**44**	**-1**	**8**	**1**	**59**	**14 813**
Liabilities											
Liabilities to financial institutions		4 831								0	4 831
Financial liabilities for trading		0								0	0
Derivative contracts		176								0	176
Liabilities to customers	6	3 307						0		0	3 307
Debt securities issued to the public		4 779								0	4 779
Reserves and other liabilities	3,4,6,7	500		0	9			0	1	10	510
Tax liabilities	1	59	14							14	74
Subordinated liabilities		366								0	366
Total liabilities		**14 019**	**14**	**0**	**9**	**0**	**0**	**0**	**1**	**24**	**14 043**
Shareholders' equity (excl. minority interests)		733	-7	0	-9	44	-1	8	1	35	768
Minority interests	7	2							0	0	2
Total liabilities and shareholders' equity		**14 754**									**14 813**

INCOME STATEMENT 2004

€ million	Note	FAS figures in IFRS format 1–12/-04	IFRS adjust-ments IAS12	IAS17	IAS18	IAS19	IAS36	IAS40 16,31	Other	Total	IFRS 1–12/-04
Net interest income	2	136		11						11	147
Impairment losses		-1								0	-1
Net interest income after impairment losses		**134**									**145**
Net commissions and fees	3	86			-1					-1	85
Net income from trading		2								0	2
Net income from investments	6	30						1		1	31
Other operating income	2,7	89		-82					0	-82	7
Personnel costs	4,7	-63				3			0	4	-59
Other administrative expenses		-49								0	-49
Other operating expenses	2,5,6,7	-102		71			1	0	0	71	-31

Share in affiliate profits/losses	6	6						0		0	6
Earnings before tax		**134**									**138**
Income tax	1	-31	1							1	-30
Profit (loss) for the period		**102**									**108**
Share of minority interests	7	-1							0	0	-1
Earnings for the period		102	1	0	-1	3	1	1	0	5	107

BALANCE SHEET ON 31 DECEMBER, 2004

€ million	**Note**	**FAS balance in IFRS format**	**IFRS adjust-ments IAS12**	**IAS17**	**IAS18**	**IAS19**	**IAS36**	**IAS40**	**Other 16,31**	**Total**	**IFRS**
Assets											
Liquid assets		297								0	297
Receivables from financial institutions		3 548								0	3 548
Financial assets for trading		3 085								0	3 085
Derivative contracts		93								0	93
Receivables from customers	2	8 319		345						345	8 664
Investment assets	6,7	338						1	0	1	339
Investments in affiliates		25								0	25
Intangible assets	5,6,7	10					-1	0	1	0	10
Tangible assets	2,6	402		-346				7		-339	64
Other assets	2,4,6	309		0		47		0		47	356
Tax receivables	1	0	7							7	7
Total assets		**16 428**	**7**	**0**	**0**	**47**	**-1**	**8**	**1**		**16 490**
Liabilities											
Liabilities to financial institutions		4 310								0	4 310
Financial liabilities for trading	0								0	0	
Derivative contracts		99								0	99
Liabilities to customers	6	4 072						0		0	4 072
Debt securities issued to the public		6 103								0	6 103
Reserves and other liabilities	2,3,4,6	570		0	10	-1		0		9	578
Tax liabilities	1	74	14							14	88
Subordinated liabilities		462								0	462
Total liabilities		**15 690**	**14**	**0**	**10**	**-1**	**0**	**0**	**0**	**23**	**15 713**
Shareholders' equity (excl. minority interests)		736								40	775
Minority interests	7	2							0	0	2
Total liabilities and shareholders' equity		**16 428**									**16 490**

Effects of the IAS 39 Standard on Shareholders' Equity January 1, 2005

Fair valuation was applied to notes, bonds and equities included in current and non-current assets under FAS and categorised as Financial assets available for sale. Under FAS, the valuation of current assets was adjusted only in cases of reduction in value or increase in value up to the acquisition price, and the valuation of non-current assets was adjusted only in cases of permanent reduction in value.

In fair value hedging calculations, changes in the value of the hedging and hedged instrument were recognised as an adjustment of retained earnings at the time of transition, but the entries had no effect on shareholders' equity.

Loan loss provisions under FAS were cancelled, and impairment losses specific to each receivable and group of receivables were booked in accordance with the new principles. The increase in impairment losses, which mostly comprised impairment losses specific to groups of receivables, was recognised as an adjustment of accrued earnings.

Effects of the IAS 39 Standard on Shareholders' Equity

Shareholders' equity under IFRS December 31, 2004, € million	**777**
Shares and holdings available for sale	16
Notes and bonds available for sale	1
Deferred tax	-4
Fair value reserve	13
Shares and holdings available for sale	2
Transfer of derivatives to non-hedging	-4
Categorisation of notes and bonds to assets held for trading	5
Impairment losses on receivables	-1
Retained earnings	2
Shareholders' equity January 1, 2005	**792**

More Information for Reconciliation

Format Changes

The greatest changes due to the new grouping are the following:

Net interest income includes interest on interest rate swaps for trading. In the FAS format these were included in Net income from securities trading. With regard to finance lease receivables, net interest income only includes interest income. In the FAS income statement, net income from leasing receivables were included in the item Net leasing income.

Impairment losses on receivables correspond to the FAS item Credit and guarantee losses.

Net commissions and fees include commissions and fees from real estate agency operations. In the FAS income statement they were booked in Other operating income.

Net trading income includes income and expenses on trading operations, excluding interest that is included in interest income. In the FAS income statement all these items were included in Net income from securities trading or in Income from equity investments.

Net income from investments includes income and expenses on financial assets available for sale, as well as from investment properties, excluding interest. In the FAS income statement income and expenses on financial assets were included in Net income from securities trading or in Income from equity investments, while income from investment properties was included in Other operating income and expenses in Other operating expenses or in Write-downs on securities held as non-current financial assets.

Other operating income on the IFRS income statement does not include income from investment properties or commissions and fees from real estate agency. Other operating income under IFRS includes income and expenses on other lease contracts under IAS 17 and income from finance lease contracts other than interest income.

Other operating expenses on the IFRS income statement do not include expenses on investment properties. The FAS income statement item Depreciation and write-downs is included in this item. With regard to the FAS item Leasing income, depreciation on objects leased out on other lease contracts as referred to in IAS 17 has been transferred to this item.

Receivables from customers include the FAS item Receivables from the public and public sector entities, as well as the contracts classified as finance lease contracts included in the FAS item Leasing assets.
Financial assets held for trading include notes, bonds and equities valued at fair value; the changes in value are recognised on the income statement. In the FAS format they were included in Notes and bonds or in Shares and holdings.

Derivative contracts include positive (in assets) and negative (in liabilities) changes in the value of derivative contracts; these were included in Other assets and liabilities in the FAS format.

Investment assets include financial assets available for sale, as well as investment properties.

Intangible assets include not only the FAS Intangible assets but also development-phase expenses capitalised for substantial development projects.

Tangible assets include FAS Tangible assets deducted by investment properties, as well as the objects of other lease contracts as referred to in IAS 17 included in the FAS item Leasing assets.

Other assets includes the FAS item Other assets deducted by receivables from derivative contracts and increased by an asset item calculated for defined-benefit pension plans in accordance with IAS 19.

Tax receivables are presented as a separate item on the IFRS balance sheet. On the FAS balance sheet tax receivables associated with income tax allocation were presented in Accrued expenses.

Financial liabilities held for trading include short selling of securities, which were included in Other liabilities in FAS.

Reserves and other liabilities include the FAS item Other liabilities deducted by liabilities on derivative contracts, Mandatory reserves and accrued expenses.

Tax liabilities are presented as a separate item on the IFRS balance sheet. The FAS balance sheet presented liabilities due to deferred taxes as a separate item, and liabilities due to income tax allocations were presented in Accrued expenses.

Subordinated liabilities include subordinated liabilities under FAS as well as capital loans, which used to be included in Shareholders' equity on the FAS balance sheet.

Effects of IFRS Transition on Income Statement and Balance Sheet (explanations to the notes shown in calculations)

1. IAS 12, Income Taxes

On the consolidated FAS balance sheet accumulated appropriations were divided into Shareholders' equity and Deferred tax liability, and on the income statement into Profit for the period and Change in deferred tax liability. The IFRS financial statements represent all deferred tax receivables and liabilities associated with temporary differences between accounting and taxation, as well as any changes in these, if the tax attributable to the difference is expected to be realised in the future.

2. IAS 17, Leases

Income on finance leases is divided into interest income and commission income. With regard to income on operating leases as referred to in IAS 17, commissions are entered in Commission income, other income in Other operating income, and depreciation in Other operating expenses. According to FAS, net income on all leasing contracts was entered in the item Leasing income.

3. IAS 18, Revenue

In its FAS financial statements 1995–2003 OKO Bank's subsidiary Okopankki Oyj recognised non-recurring commissions paid on loan repayment insurance and associated with several years as income on the cash basis. These commissions include a risk of being returned. In the IFRS transition these income recognitions were retroactively cancelled and recognised as liabilities. According to the IFRS principle, only the share of commissions attributable to the fiscal period shall be recognised as income.

4. IAS 19, Employee Benefits

On the date of transition, actuarial gains and losses have been recognised as Shareholders' equity. The Group used the option provided in IFRS 1, according to which funds in pension schemes were valued at fair value and the obligation at present value based on the calculatory assumptions valid at the time of transition on January 1, 2004. The difference between funds and obligations in pension schemes was entered in Other assets. The asset item in Other assets and the pension costs will be adjusted during the financial period on the basis of actuarial calculations

5. IAS 36, Impairment of Assets

Upon IFRS transition the minor goodwill included on the FAS balance sheet was recognised as expense and the goodwill depreciations included in the FAS financial statements were cancelled. The goodwill originated in the establishment of Okopankki Oyj.

6. IAS 40, 16, 31, Investment Property, Property, Plant and Equipment, Interests in Joint Ventures

Investment properties were valued at fair value upon transition, and changes in fair value after the transition will be entered in Net income from investments. In FAS financial statements investment properties were valued at acquisition cost deducted by depreciation and impairments.

The revaluation in the consolidated financial statements concerning Kiinteistö Oy Arkadiankatu 23, which is fully owned by OKO Bank and included in the Bank's consolidated financial statements, was cancelled at the time of transition January 1, 2004. The property is mostly classified as an investment property, but a part of it is in the company's own use. The fair value method in accordance with the IAS 40 standard was applied to the part in investment use. Fair value was used as the deemed acquisition cost for the part in own use within the scope of the allowance by the IFRS 1 first-time adoption standard. The value of the part in own use before revaluation was EUR 8.125 million, and the revaluated acquisition cost was EUR 6.161 million.

Mutual real estate companies in which OKO Bank or its subsidiaries have an ownership interest under 100 per cent are consolidated like assets under joint control as referred to in the IAS 31 standard. Entries associated with consolidation by the acquisition cost method were cancelled upon transition.

7. Other adjustments

IAS 38, Intangible Assets: In comparison with Finnish Accounting Standards, wage and salary costs capitalised in the acquisition cost of internally generated assets reduce personnel expenses and increase depreciation belonging to other operating expenses. Internally generated assets refer to computer software included in Intangible assets.

THE PARENT BANK
OKO BANK'S FINANCIAL STATEMENT, FAS

INCOME STATEMENT, € MILLION

				1.1.–31.12.2005				1.1.–31.12.2004
Interest income				692				338
Net leasing income				14				11
Interest expenses				-602				-249
NET INTEREST INCOME				**104**				101
Income from equity investments								
From subsidiaries			7				16	
From affiliates			3				2	
From other companies			5	16			7	25
Commissions & fees				47				41
Commission expenses			-8				-7	
Net income from securities and foreign exchange trading								
Net income from securities trading			7				-3	
Net income from foreign exchange trading			8	15			6	3
Net income from financial assets available for sale				9				20
Net income from hedge accounting								
Net income from investment properties				3				3
Other operating income				249				5
Administrative expenses								
Personnel costs								
Salaries and compensation		28				25		
Indirect personnel costs								
Pension costs	3				4			
Other indirect personnel costs	3	6	34		2	6	31	
Other administrative expenses			27	-62			25	-56
Depreciation and write-downs on tangible and intangible assets				-1				-4
Other operating expenses				-27				-12
Impairment losses on loans and other commitments				-3				-1
Impairment losses on other financial assets								
OPERATING PROFIT				**341**				117
Appropriations				-75				-65
Income taxes								
Taxes for the financial period			-2				17	
Taxes for previous financial periods								
Deferred taxes			1	-1				-18
PROFIT FROM OPERATIONS AFTER TAXES				265				35
PROFIT FOR THE PERIOD				**265**				35

BALANCE SHEET, € MILLION

ASSETS	December 31, 2005		December 31, 2004	
Liquid assets		479		290
Notes and bonds eligible for refinancing with central banks				
Treasury bills	192		292	
Others	2 395	2 587	1 578	1 870
Receivables from financial institutions				
Repayable on demand	48		43	
Others	4 541	4 589	4 308	4 351
Receivables from the public and public sector entities				
Repayable on demand				
Others	6 376	6 376	5 662	5 662
Leasing assets		419		360
Notes and bonds				
From public sector entities	99		112	
From others	1 128	1 227	1 145	1 256
Shares and holdings		110		87
Shares and holdings in affiliates				11
Shares and holdings in subsidiaries		1 780		95
Derivative contracts		123		95
Intangible assets		8		7
Tangible assets				
Investment properties and shares and holdings in investment properties	32		64	
Other properties and shares and holdings in real estate corporations	4		7	
Other tangible assets	1	38	2	73
Other assets		183		133
Deferred income and advances paid		223		143
Deferred tax receivables				
TOTAL ASSETS		**18 142**		14 434

BALANCE SHEET, € MILLION

LIABILITIES	December 31, 2005			December 31, 2004		
LIABILITIES						
Liabilities to financial institutions and central banks						
To central banks		1 562			959	
To financial institutions						
Repayable on demand	429			344		
Others	1 574	2 002	3 565	3 090	3 434	4 394
Liabilities to the public and public sector entities						
Deposits						
Repayable on demand	490			568		
Others	6	497		21	589	
Other liabilities						
Repayable on demand						
Others	1 569	1 569	2 066	1 624	1 625	2 213
Promissory notes issued to the public						
Bonds		4 588			2 867	
Others		4 542	9 130		3 160	6 028
Derivative contracts and other liabilities held for trading			123			100
Other liabilities						
Other liabilities		548			384	
Mandatory reserves		2	550		2	386
Deferred expenses and advances received			204			131
Subordinated liabilities						
Capital loans		215			72	
Others		534	749		390	462
Deferred tax liabilities			2			
TOTAL LIABILITIES			16 388			13 713
ACCUMULATED APPROPRIATIONS						
Depreciation difference		64			49	
Voluntary reserves		226	290		166	215
SHAREHOLDERS' EQUITY						
Share capital						
Share capital		423			206	
Share issue		1	424		3	209
Share premium fund			520			7
Other restricted reserves						
Reserve fund			164			164
Other funds						
Unrestricted reserves						
Fair value fund		14				
Other funds		23	38		23	23
Retained earnings			55			68
Profit for the period			265			35
TOTAL SHAREHOLDERS' EQUITY			1 464			505
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY			18 142			14 434
OFF-BALANCE SHEET ITEMS						
Commitments given to a third party on behalf of customers						
Guarantees and pledges		1 434			1 306	
Others		130	1 565		94	1 400
Irrevocable commitments given on behalf of a customer						
Others		3 024	3 024		2 389	2 389
			4 588			3 789

ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

GENERAL

OKO Osuuspankkien Keskuspankki Oyj (hereinafter OKO Bank) is a Finnish credit institution whose business divisions in 2005 were Corporate Banking, Retail Banking, Investment Banking, Group Treasury and Non-Life Insurance. OKO Bank focuses on Finnish customers, but provides banking services for foreign customers to the extent required by their business related to Finland. OKO Bank engages in non-life insurance directly and indirectly through subsidiaries owned by it in Finland and the Baltic countries.

OKO Bank belongs to the OP Bank Group, which is composed of 238 member cooperative banks and their central institution, OP Bank Group Central Cooperative with its subsidiaries. The OP Bank Group is supervised as a single entity and the OP Bank Group Central Cooperative and the member credit institutions are liable for each other's debts and commitments.

OKO Bank is domiciled in Helsinki and its registered address is Teollisuuskatu 1b, P.O. Box 308, 00101 Helsinki.

OKO Bank's Executive Board approved the financial statements for publication on February 17, 2006.

BASIS OF PREPARATION

OKO Banks financial statements based on national regulation are prepared and presented according to the Credit Institutions Act, the Ministry of Finance Decree on the Financial Statements and Consolidated Financial Statements of a Credit Institution and Investment Service Undertaking, the Accounting Act and the financial statement and report standard of the Financial Supervision Authority. In addition, the central institution of the group of cooperative banks, the OP Bank Group Central Cooperative, issues instructions for following unified accounting principles and preparing the financial statements.

OKO Bank's financial statements have been presented in € million and they have been prepared on the basis of original acquisition costs, with the exception of financial assets and liabilities held for trading, financial assets available for sale, derivative contracts and hedged items in fair value hedging.

The preparation of financial statements requires management to make estimates and exercise discretion in the application of accounting principles.

CHANGES TO THE FORMULA OF THE INCOME STATEMENT AND BALANCE SHEET

Due to the changes to the financial statement provisions concerning credit institutions, the formulae of the income statement and balance sheet were changed as of January 1, 2005. The most important changes to the income statement concerned the presentation of financial assets available for sale and investments properties as their own lines. The most important changes to the balance sheet concerned the grouping of real estate to investment properties and other properties, the presentation of derivatives contracts as their own item and presentation of capital loans as liabilities instead of an item of shareholders' equity. A fair value reserve is presented as a new item of shareholders' equity.

The items of the comparison fiscal period 2004 have been grouped to correspond to the new manner of presentation with the exception of differences due to the change of the valuation principles of financial instruments which were presented in shareholders' equity on January 1, 2005.

THE MOST IMPORTANT CHANGES TO THE ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

As of the beginning of the fiscal period, the provisions on categorisation and valuation of financial instruments were changed, in which case the valuation at fair value was expanded to concern financial assets available for sale as well.

The unrealised appreciation accrued on the financial assets available for sale until December 31, 2004 less deferred taxes were recognised in the fair value reserve included in shareholders' equity and as an addition to the balance sheet item in question at the beginning of the 2005 fiscal period. Realised write-downs were transferred from retained earning to the fair value reserve.

Other changes to the accounting principles were recorded on the balance sheet opening the 2005 fiscal period as an adjustment to retained earnings taking into account deferred tax as follows: Group-specific write-downs on loans and guarantee receivables allocated to previous fiscal periods were recorded as a reduction of retained earnings and the balance sheet item in question. As of the beginning of the 2005 fiscal period, deferred taxes began to be recognised on the balance sheet and their changes on the income statement. Deferred taxes on previous fiscal periods were recognised as an adjustment to retained earnings. The counter-entry was recognised on the balance sheet under "Deferred tax receivables" or "Deferred tax liabilities".

FOREIGN CURRENCY ITEMS

Assets, liabilities and other commitments denominated in a foreign currency are converted into euro at the exchange rate quoted by the European Central Bank on the balance sheet date. The exchange rate differences arising from the valuation are recognised on the income statement under "Net income from securities and foreign exchange trading".

FINANCIAL INSTRUMENTS

Determination of Fair Value

The fair value of a financial instrument is determined using either price quotations from an active market or own valuation technique where no active market exists. The valuation techniques include the discounted cash flow method, net present value techniques and comparison to similar instruments for which quatations in active market exists The valuation techniques incorporate estimated credit risk, the applicable discount rates, the possibility of premature repayment and other such factors that affect the reliable determination of the fair value of a financial instrument.

Set-off of Financial Assets and Liabilities

Financial assets and liabilities are not set off unless a statutory right of set-off exists and the intention is to exercise such a right. Set-off was not applied in OKO Bank during the fiscal period.

Contracts on the Purchase and Resale of Securities

The purchase price of securities purchased under resale conditions binding on both parties is recognised on the balance sheet as a receivable under the balance sheet item determined by the counterparty. The difference between the purchase price and resale price is allocated as interest income over the term of the contract.

The sales price of securities sold under resale conditions binding on both parties is recognised on the balance sheet as a financial liability under the balance sheet item determined by the counterparty. The difference between the sales price and the resale price is allocated as interest expenses over the term of the contract. Securities sold with a resale obligation and the corresponding securities provided as margin collateral are included in the original balance sheet item despite the contract.

Classification and Recognition

Financial assets and liabilities held for trading

All financial assets and liabilities which are managed with the objective of short-term profit-taking from fluctuations in interest rates, prices and quotations or in which an embedded derivative contract cannot be separated from the host contract, are classified held for trading. Financial assets and liabilities held for trading also include all derivative instruments, which are not used for hedging purposes.

Financial assets and liabilities classified as held for trading are recognised in the balance sheet at fair value, and subsequent changes in the fair value are recognised on the income statement under "Net income from securities and foreign exchange trading".

Loans and other receivables

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable cash flows that have been created by handing over funds or services. Loans and receivables are not quoted in an active market, and they are treated in accounting at acquisition cost. The financial assets categorised in this item are recognised in the balance sheet item determined by the counterparty, either under "Receivables from credit institutions" or "Receivables from the public and public sector entities".

Impairment losses on loans and receivables are recognised either by item-by-item or portfolio basis. Impairment losses are assessed and recognised by item-by-item basis if the customer's total exposure is significant. In the case of minor customer exposure, impairment losses are assessed and recognised by portfolio basis. Impairment losses are allocated to reduce the carrying amount of loans. Recognition of interest on the reduced amount continues after impairment.

Impairment losses will only be recognised when there is objective evidence of the deterioration of a customer's solvency occured after the initial recognition. A receivable is impaired if the present value of estimated future cash flows, including the fair value of the collateral, is less than the aggregate carrying amount of the loan and the unpaid interest. Future estimated cash flows are discounted at the loan's original interest rate. In the case of a variable interest rate loan, the discount rate is the rate in the agreement at the time of assessment. The difference between the carrying amount of the loan and a lower recoverable amount is recognised as an impairment loss in the income statement..

A portfolio-specific impairment loss is recognised for a portfolio if there is objective evidence that uncertainty is associated with the repayment of receivables included in the portfolio. The amount recognised as an impairment loss is based on experience of the extent to which delayed payments lead to credit losses and of the amount to which realisation of collateral will cover the incurred loss.

A loan is removed from the balance sheet once all collection actions have been completed or a separate decision on removal is made. Any payments received after removal from the balance sheet are booked as adjustments to write-downs on receivables.

If there is subsequent objective evidence that the credit quality of a previously impaired loan has improved, the amount of impairment loss is reassessed and any change in the recoverable amount is recorded in the income statement.

Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable cash flows, which have been acquired with the intention of holding them and ability to hold them until maturity. Investments held to maturity are treated in accounting at amortised cost. The difference between the nominal value and the acquisition value of bonds is allocated over the remaining term to maturity.

If the value of a receivable item held to maturity is found to be impaired, it is transferred to financial assets available for sale and included in fair valuation. The change in value is recognised under "Impairment losses of other financial assets" on the income statement.

At the moment there are no investments held to maturity on the balance sheet.

Financial assets available for sale
Financial assets available for sale are non-derivative financial assets which have been categorised directly as available for sale or which have not been included in the categories of financial assets mentioned above. Financial assets available for sale are recognised on the balance sheet at acquisition cost at the time of acquisition and valued at fair value. Changes in value are recognised in the fair value reserve in shareholders' equity and transferred to the income statement when the asset is derecognised from the balance sheet or its value is found to be impaired.

Liquid assets
Liquid assets comprise funds in cash and receivables from credit institutions repayable on demand.

Other financial assets

Premium payments received for derivatives have been included in other assets so that they are not included in the item "Derivative contracts".

Other financial liabilities
The category "Other financial liabilities" includes financial liabilities other than those held for trading. The premium payments paid for derivatives are included in the item so that they are not included in the item "Derivative contracts". After initial recognition, other financial liabilities are treated in accounting at acquisition cost.

Derivative contracts
A derivative is a financial instrument or other contract whose value changes in response to the change of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other underlying asset changes. A derivative requires only minor initial net investment at the time of entering into the contract, and it will be settled on a specific date in the future.

Both hedging and non-hedging derivatives are recognised on the balance sheet at fair value. The accrued interest from non-hedging interest rate swaps is recognised in interest and interest carried forward corresponding to them are recognised in other assets and other liabilities. Changes in the fair value of non-hedging interest rate, loan, currency and equity derivatives are recognised under "Net income from securities and foreign exchange trading" on the income statement. Positive value changes are recognised as assets under "Derivative contracts" and negative value changes under "Derivative contracts and other liabilities held for trading".

Embedded derivatives associated with structured bond issues and housing loans with an interest rate cap are separated from the host contract and valued at fair value on the balance sheet. Changes in the fair value of these embedded derivatives and derivatives designated as hedging instruments are recognised in interest.

Hedge Accounting
OKO Bank enters into derivative transactions which in fact provide economic hedges for risk exposures but do not meet the current requirements for hedge accounting and thus cannot be treated as hedging in accounting.
The risk management of the Bank has drawn up methods and internal rules for a financial instrument to be designated as a hedge in hedge accounting. Hedging is applied reverse, fully or partially, any changes in the fair value of the hedged item.

Currently hedge accounting is used for hedging interest rate risk and is designated as fair value hedges.. Hedging of fair value is associated with long-term fixed-rate liabilities (own issues), individual bond and loan portfolios, as well as individual loans.

When a financial instrument is designated as a hedge, the relationship between the hedging instrument(s) and the hedged item(s) is formally documented. The documentation includes its management objectives, and its strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Effectiveness is formally assessed, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been "highly effective" in offsetting changes in the fair value of the hedged items.. A hedge is normally regarded as highly effective if, at inception and throughout its life, the changes in the fair value of the hedged item are effectively offset by the changes in the fair value of the hedging instrument, and actual results are within a range of 80 per cent to 125 per cent.

Contracts cannot be treated according to the rules of hedge accounting in accounting if the hedging relationship between the hedging instrument and the related hedged object no longer meets the effectiveness criteria.

In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are recognised on the income statement under "Net earnings from hedge accounting".

Derivative instruments entered into as economic hedges but not qualified for hedge accounting are treated in the same way as derivative instruments used for trading purposes.

LEASING ASSETS

Property given on lease and the advance payments of leasing assets are recognised at non-depreciated acquisition cost and are presented on the balance sheet under "Leasing assets". As a rule, leasing assets are depreciated according to the annuity method.

INTANGIBLE ASSETS

Other intangible assets

Intangible assets are valued at acquisition cost deducted by depreciation and write-downs. Depreciation is recognised as expenses over the course of the estimated economic life, which is 3 to 5 years for computer software and licences, and generally 5 years for other intangible assets. The economic life of asset items is reviewed at each time of closing the accounts.

Intangible asset items that have been acquired against payment (software, for example) are capitalised. Depreciation according to plan is started when the asset item is ready for use.

TANGIBLE ASSETS

Investment Properties

An investment property refers to a land area and/or building or part of building that is held for the purpose of receiving rental income and/or increase in the value of assets. Investment properties also include properties where a minor part is used by the owner company or its personnel.

Investment properties are recognised on the balance sheet at acquisition cost deducted by depreciation according to plan.

Other Tangible Assets

Property, plant and equipment items are valued at original acquisition cost, deducted by depreciation and write-downs. Straight-line planned depreciation is applicable to assets over the estimated economic life. Planned depreciation is not applicable to land areas and shares in real estate corporations. Expenses arising from an asset item after the original acquisition are only capitalised in the book value of the asset if it is probable that it will produce greater economic benefit than originally estimated.

Revaluations can be made in land areas and shares and holdings in real estate corporations if the probable selling price on the balance sheet date is permanently and significantly higher than the original acquisition cost. The values of the land areas and shares in real estate corporations revalued are based on estimate documents.

The estimated economic lives are mostly the following:

Buildings	30 to 50 years
Machinery and equipment	4 to 10 years
IT equipment	3 to 5 years
Automobiles	6 years
Other tangible assets	5 to 10 years

The residual value and economic life of assets are reviewed at each time of closing the accounts and adjusted if necessary to reflect any changes in the expected economic benefit.

LEASE CONTRACTS

The leasing income from assets given on lease by lease contracts deducted by depreciation according to plan on the leasing assets are recognised on the income statement under "Net leasing income". In addition, impairment losses recognised on the leasing assets, capital gains and losses from the disposal of leasing assets, commissions collected from customers and other income and expenses directly caused by lease contracts are included in the item. Other income and expenses from leasing operations are included in that income statement item that corresponds to the nature of the income or expense item.

The leasing expenses of assets taken on lease are recognised on the income statement as fixed instalments over the lease period under "Other operating expenses".

EMPLOYEE BENEFITS

Pension benefits

The statutory pension cover for the employees of OKO Bank is arranged through the OP Bank Group Pension Fund and the supplementary pension cover through the OP Bank Group Pension Foundation. The Pension Foundation is closed to new employees as of July 1, 1991. The costs arising from pension schemes are recognised under "Personnel costs" on the income statement. The pension liabilities are fully covered.

Share-based employee benefits

OKO Bank has management incentive scheme on the basis of which a person included in the scheme can receive a reward partially settled in OKO Bank stock and partially in cash for services rendered during the "earning and commitment period". The fair value of the benefit with social security costs is allocated as cost in fixed instalments and as deferred expenses over the earning and commitment period.

For option-based incentive arrangements, the social costs payable by the employer in 2005 are recognised as cost. Due to a change in legislation, social costs are no longer collected for an employee option benefit nor salary paid as shares or a monetary payment determined according to the value of shares, as of 2006.

MANDATORY RESERVES

A mandatory reserve is booked on the income statement and balance sheet on the basis of an obligation if the obligation is based on a prior event and its realisation is probable but the time of realisation or the amount to be realised is uncertain. Furthermore, the obligation must be based on an actual or legal obligation towards a third party. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item, but only at the time when the compensation becomes practically certain.

CAPITAL LOANS

A subordinated capital loan is recorded as its own item on the balance sheet under "Liabilities". In the capital adequacy calculation, capital loans are included in Tier I funds. Interest on capital loans may be paid only within the limits of distributable funds.

Appropriations

The depreciation difference of the accumulated appropriations on the balance sheet includes the accumulated difference between depreciation made and depreciation according to plan. Voluntary reserves contain the voluntary appropriations made which are appropriations allowed by the tax legislation. Such a reserve is the loan loss reserve allowed by the Business Tax Act for deposit banks. According to the Act, a deposit bank may deduct a loan loss reserve made during the tax year, the amount of which is at most 0.6 per cent of the aggregate amount of receivables at the end of the tax year. The aggregate amount of non-dissolved loan loss reserves made during the tax year and earlier can be at most 5 per cent of the aggregate amount of receivables at the end of the tax year.

The increase and decrease of depreciation made and depreciation according to plan and voluntary reserves are recognised under appropriations on the income statement. The appropriations on the income statement and balance sheet also include deferred tax liabilities. The amount and change of voluntary reserves do not reflect the Bank's calculated risks.

INCOME TAXES

The income taxes on the income statement include taxes based on the taxable income of OKO Bank for the fiscal period, taxes for previous fiscal periods as well as deferred tax expense or in come..

The deferred tax liabilities are calculated on all temporary differences between book values and taxable values of assets and liabilities. Deferred tax receivables are calculated for tax-deductible temporary differences between accounting and taxable values included in the financial statements, as well as all losses confirmed in taxation. If the accumulation of taxable income is probable so that a receivable can be utilised, it will be recognised.

Deferred tax liabilities and receivables are set off. Deferred tax liabilities and receivables are calculated in accordance with the enacted tax rate that is anticipated to be valid when the temporary difference is dissolved. If a deferred tax item arises from balance sheet items that are not recognised on the income statement, the change in deferred tax is not recognised on the income statement but in shareholders' equity.

REVENUE RECOGNITION

Commission income and expenses on services are recognised when the service is rendered. Such single-payment commissions that concern several years and that include a potential repayment obligation are recognised as income on the cash basis and a mandatory reserve is booked on the repayment obligation.

Dividends are generally recognised once the General Meeting of the company distributing the dividend has decided on the distribution of dividend.

Interest income and expenses on interest-bearing asset and liability items are booked on an accrual basis. Interest on receivables with non-serviced due payments are also recognised as income. Such an interest receivable is included in impairment testing. The difference between the acquisition cost and nominal value of a receivable is allocated in interest income, and the difference between the amount received and nominal value of a liability is allocated in interest expenses.

NOTES

NOTE 1. Financial income and expenses 2005 2004

Interest income		
Receivables from financial institutions	132.2	102.1
Receivables from the public and public sector entities	206.4	179.8
Notes and bonds	96.7	86.7
Derivative contracts	255.8	- 30.7
Other interest income	1.2	0.6
Total	692.2	338.5
Of which interest income from impaired receivables 1.0		
Interest expenses		
Liabilities to financial institutions	94.1	82.6
Liabilities to the public and public sector entities	33.9	21.1
Promissory notes issued to the public	181.2	137.4
Derivative contracts and other liabilities held for trading	270.1	– 8.7
Subordinated liabilities	20.6	14.0
Other interest expenses	2.1	2.4
Total	602.0	248.8

Due to changes in recognition and presentation, the interest income and expenses from derivative contracts in 2004 and 2005 are not mutually comparable.

NOTE 2. Net leasing income

Leasing income	102.6	87.0
Planned depreciation	- 85.7	- 73.7
Impairment	0.0	0.0
Capital gains and losses (net) from the disposal of leasing assets	- 1.3	- 0.8
Commissions & fees	0.4	0.3
Other income	0.0	0.1
Other expenses	- 2.4	- 1.8
Total	13.6	11.1

NOTE 3. Income from equity investments

Available for sale	5.2	7.0
From subsidiaries	7.3	16.0
From affiliates	3.2	1.7
Total	15.7	24.7

NOTE 4. Commissions & fees	2005	2004
Commissions & fees		
From lending	18.8	14.6
From deposits	0.0	0.0
From payment transfer services	12.3	11.8
From asset management	6.0	4.2
From legal assignments	0.1	0.1
From brokerage	0.1	0.2
From securities issuance	4.4	4.7
From guarantees	4.6	4.7
From others	0.8	0.6
Total	47.1	41.0
Commission expenses		
Service fees paid	2.9	2.4
Others	5.3	4.1
Total	8.2	6.5

NOTE 5. Net income from securities trading		
Sales gains and losses		
Notes and bonds	3.0	7.6
Others	0.8	- 26.8
Total	3.8	- 19.2
Resulting from the change in fair value		
Notes and bonds	- 6.1	- 1.3
Shares and holdings	-	1.3
Derivative contracts	9.6	-
Others	-	16.6
Total	3.5	16.6
Total net income from securities trading	7.3	- 2.6

NOTE 6. Net income from financial assets available for sale		
Notes and bonds		
Sales gains and losses	0.0	5.9
Moved from fair value fund to the fiscal period	0.1	-
Total	0.1	5.9
Shares and holdings		
Sales gains and losses	4.8	13.7
Impairment losses	3.8	-
Total	8.6	13.7
Total net income from financial assets available for sale	8.7	19.6

NOTE 7. Net income from hedge accounting		
Net income from hedging instruments	8.9	-
Net income from hedged items	- 9.1	-
Total	- 0.2	-

NOTE 8. Net income from investment properties

	2005	2004
Rental and dividend income	6.8	9.2
Other income	0.0	0.0
Sales gains	7.5	0.0
Rental expenses	- 3.9	- 5.0
Sales losses	- 21.3	- 0.1
Impairment losses and their reversals	14.4	0.1
Other expenses	- 0.8	- 1.7
Total	2.7	2.6

NOTE 9. Other operating income

Rental income from properties in own use	0.6	0.8
Sales gains from properties in own use	0.2	0.4
Others	248.1	4.0
Total	248.9	5.2

NOTE 10. Depreciation and write-downs on tangible and intangible assets

Planned depreciation	3.7	4.2
Impairment	- 2.3	- 0.1
Total	1.4	4.0

NOTE 11. Other operating expenses

Rental expenses	4.5	5.0
Expenses from properties in own use	0.4	1.0
Sales losses from properties in own use	2.8	0.0
Others	19.0	6.1
Total	26.7	12.1

NOTE 12. Impairment losses on loans and other commitments and other financial assets

	Gross receivable -specific impairment losses	Gross group -specific impairment losses	Reductions	Recorded in income statement
Impairment losses on loans and other commitments				
Receivables from financial institutions	2.0	0.0	0.0	2.0
Receivables from the public and public sector entities	1.6	3.1	3.1	1.6
Guarantees and other off-balance sheet items	0.5	0.0	0.9	- 0.4
Total impairment losses	4.1	3.1	4.0	3.2

NOTE 13. Income taxes

	2005	2004
Income taxes from operations	2.3	17.6
Total income taxes	2.3	17.6

NOTE 14. Income and expenses other than those from operations

	2005	2004
Income other than that from operations	-	-
Expenses other than those from operations	-	-

NOTE 15. Income, operating profit or loss and assets and liabilities by Division, € million

	Corporate Banking	Group Treasury	Other	Total
Income	133.3	52.0	250.2	435.5
Operating profit	66.5	36.7	237.8	341.0
Assets	8808	7508	1826	18 142.0
Liabilities	4408	11695	285	16 388.0
Personnel	424	79	43	546

NOTE 16. Receivables from financial institutions

	31 Dec. 2005	31 Dec. 2004
Repayable on demand		
Deposits	35.3	25.1
Others	12.4	18.3
Total	47.7	43.4
Other than those repayable on demand		
Deposits	10.0	0.0
Others	4 530.8	4 307.6
Total	4 540.8	4 307.6
Total receivables from financial institutions	4 588.5	4 351.0

NOTE 17. Receivables from the public and public sector entities

Lending by sector		
Companies	5 118.0	4 737.7
Financial and insurance institutions	53.9	17.2
Public sector entities	302.6	209.5
Non-profit organisations serving households	150.7	124.0
Households	584.9	496.5
Foreign	166.4	77.5
Total	6 376.5	5 662.4
Write-downs on loans		
Impairment at the beginning of fiscal period	22.4	22.3
+ Receivable-specific write-down during the fiscal period	1.1	3.4
+/- Group-specific write-down during the fiscal period	3.1	-
- Receivable-specific impairment reversed during the fiscal period	- 3.4	- 1.0
- Actual impairment losses recorded during the fiscal period of which receivable-specific write-downs were made previously	- 1.2	- 1.1
Impairment at the end of fiscal period	22.0	23.5

NOTE 18. Leasing assets

	31 Dec. 2005	31 Dec. 2004
Advance payments	9.3	32.3
Machinery and equipment	347.6	299.7
Real property and buildings	59.3	27.7
Other assets	2.7	0.3
Total	418.9	360.1

NOTE 19. Notes and bonds

Notes and bonds eligible for refinancing with central banks and other notes and bonds

	Eligible for refinancing with central banks	Other notes and bonds	Total	Of which subordinated
Held for trading	2 587.0	1 158.2	3 745.2	70.6
Available for sale	0.0	69.0	69.0	48.3
Held to maturity	0.0	0.0	0.0	0.0
Total	2 587.0	1 227.2	3 814.2	118.9

Publicly-quoted and other notes and bonds

	Publicly-quoted	Others	Total
Held for trading	2 049.6	1 695.6	3 745.2
Available for sale	58.9	10.1	69.0
Held to maturity	0.0	0.0	0.0
Total	2 108.5	1 705.7	3 814.2

Notes and bonds by type

	2004	2005
Treasury bills	192.3	63.1
Municipal papers	100.4	0.2
Commercial papers	93.7	2.3
Certificates of deposit	1 594.4	1 443.3
Convertible bonds	0.5	0.0
Other bonds	1 706.1	1 537.2
Others	126.9	80.3
Total	3 814.2	3 126.4

NOTE 20. Shares and holdings

	Publicly quoted	Others	Total
Shares and holdings			
Held for trading	45.0	65.2	110.3
Shares in subsidiaries	1 774.0	5.6	1 779.6
Total	1 819.1	70.9	1 889.9

Shares and holdings other than those quoted publicly have been measured at acquisition cost.

	31.12.2005	31.12.2004
Shares and holdings by sector		
Companies and housing corporations	68.1	81.8
Financial and insurance institutions	1 801.5	112.5
Non-profit organisations serving households	0.0	0.0
Foreign entities	20.4	3.9
Total	1 889.9	198.2

NOTE 21. Derivative contracts

Derivative contracts made for hedging purposes

	Nominal values, the remaining maturity				Book values	
	Less than 1 year	1 to 5 years	More than 5 years	Total	Positive	Negative
Interest rate derivatives	733.5	984.1	298.6	2 016.2	23.8	37.8
Options	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate swaps	733.5	984.1	298.6	2 016.2	23.8	37.8
Currency derivatives	0.0	582.2	251.7	833.9	11.7	9.7
Options	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate and currency swaps		582.2	251.7	833.9	11.7	9.7

Derivative contracts held for trading

	Nominal values, the remaining maturity				Book values	
	Less than 1 year	1 to 5 years	More than 5 years	Total	Positive	Negative
Interest rate derivatives	18 627.4	11 323.1	3 184.6	33 135.1	220.5	232.5
Futures and forwards	6 383.4			6 383.4	1.0	0.7
Options	4 366.0	4 093.5	1 686.5	10 146.0	34.9	32.6
Called	1 586.0	1 890.0	861.5	4 337.6	30.8	2.4
Put	2 780.0	2 203.5	824.9	5 808.5	4.1	30.2
Interest rate swaps	7 878.0	7 229.6	1 498.1	16 605.7	184.6	199.2
Currency derivatives	2 604.5	124.2	0.0	2 728.7	15.8	20.4
Futures and forwards	2 560.1	98.6		2 658.7	15.6	17.3
Options	44.3	0.0	0.0	44.3	0.1	3.0
Called	22.2			22.2	0.1	0.0
Put	22.2			22.2	0.0	3.0
Interest rate and currency swaps	25.6		25.6	0.1	0.1	
Equity derivatives	15.5	94.4	0.0	109.9	19.4	0.1
Options	15.5	94.4	0.0	109.9	19.4	0.1
Called	15.5	94.4		109.9	19.4	0.1
Put						
Other derivatives	71.6	184.0	0.0	255.6	3.5	1.4
Options	71.6	23.6	0.0	95.2	3.2	0.1
Called	71.6	23.6		95.2	3.2	0.1
Put						
Credit derivatives		160.4		160.4	0.3	1.2

The underlying value for interest rate derivative contracts is the nominal value, and for currency derivative contracts the euro-denominated countervalue, of the purchased currency on the balance sheet date, and for equity derivative contracts, the probable value of the equities on the balance sheet date. The values are expressed in gross amounts.

Credit countervalues of contracts

	Made for hedging purposes	Held for trading
Interest rate derivatives	16.7	188.6
Futures and forwards		1.0
Options	0.0	45.0
Called		45.0
Interest rate swaps	16.7	142.6
Currency derivatives	87.0	47.7
Futures and forwards		46.2
Options	0.0	0.2
Called		0.2
Interest rate and currency swaps	87.0	1.3
Equity derivatives	25.3	0.0
Options	25.3	0.0
Called	25.3	
Other derivatives	11.5	3.1
Options	11.3	0.0
Called	1.3	
Credit derivatives	0.2	3.1

OKO Bank is the counterparty in all derivative contracts.

NOTE 22. Intangible assets

	31 Dec. 2005	31 Dec. 2004
IT costs	6.2	6.1
Other long-term expenditure	1.7	1.0
Total	8.0	7.1

NOTE 23. Tangible assets

		Investment properties	
	In own use	Book value	Fair value
Real-estate holdings			
Land and water	0.1	0.2	0.2
Buildings	0.2	-	-
Shares and holdings in real estate corporations	3.6	32.2	46.5
Total	3.9	32.4	46.6

NOTE 24. Changes in intangible and tangible assets during the fiscal period

	Intangible assets	Investment properties	Properties in own use	Other tangible assets
Acquisition cost at the beginning of the year	28.2	84.7	10.4	65.7
+ increases during the year	4.1	10.3	4.9	0.3
- decreases during the year	- 0.3	- 56.7	- 10.5	- 0.7
- planned depreciation	- 2.9	0.0	0.0	- 0.4
-/+ impairment losses and their reversals	-	14.4	-	-
+ Accumulated depreciations and write-downs on adjustments and transfers at the beginning of year	-	0.4	-	0.6
- accumulated depreciation at the beginning of the year	- 21.1	- 0.8	- 0.3	- 64.0
- accumulated impairment at the beginning of the year	-	- 19.9	- 2.8	-
+/- revaluations and their reversals during the year	-	-	2.3	-
= Book value at the end of the year	8.0	32.4	3.9	1.3

NOTE 25. Other assets

	31 Dec. 2005	31 Dec. 2004
Receivables from payment transfers	3.3	3.5
Receivables from guarantees	4.0	2.3
Others	175.9	127.3
Total	183.3	133.1

NOTE 26. Deferred income and advances paid

Interests		
Interest receivables	200.7	140.8
Interest advances paid	5.1	0.2
Total	205.8	141.1
Others		
Other advances paid	0.1	0.0
Other deferred income	17.3	1.5
Total	17.4	1.6
Total deferred income and advances paid	223.2	142.6

NOTE 27. Deferred tax receivables and liabilities

	Deferred tax receivables	Deferred tax liabilities	Net
From accrual differences	3.5	0.0	3.5
From temporary differences	0.0	5.0	- 5.0
Total	3.5	5.0	- 1.5

Deferred tax receivables include a total of EUR 0.00 of deferred tax receivables recorded from losses confirmed in taxation.

Deferred tax receivables and liabilities arising from temporary differences are based on the deferred tax receivables and liabilities recognised from the revaluation of assets available for sale recorded in the fair value fund under shareholders' equity.

Revaluations 31 December 2005

The balance sheet does not include any revaluation.

Accumulated appropriations

	Balance sheet value	Deferred tax liability	Net
Depreciation difference	63.8	16.6	47.2
Voluntary reserves	226.4	58.9	167.5
Total	290.2	75.4	214.7

Depreciation difference and voluntary reserves have been recorded at a value from which deferred taxes have not been deducted. In the own funds statement, the depreciation difference and voluntary reserves less deferred taxes have been treated as Tier I funds.

NOTE 28. Promissory notes issued to the public

	Book value 31 Dec.-05	Nominal value 31 Dec.-05	Book-value 31 Dec.-04	Nominal value 31 Dec.-04
Certificates of deposit	3 486.1	3 505.9	2 670.4	2 683.6
Bonds	4 587.9	4 587.9	2 867.4	2 879.3
Others	1 056.0	1 064.6	489.9	491.7
Total	9 130.0	9 158.4	6 027.8	6 054.5

NOTE 29. Other liabilities

	31 Dec. 2005	31 Dec. 2004
Payment transfer liabilities	327.9	253.1
Others	220.3	294.5
Total	548.2	547.7

NOTE 30. Mandatory reserves

	Pension reserves	Tax reserves	Guarantee liabilities	Leasing liabilities	Others	Total
Reserves 1.1.					1.9	1.9
+ increase in reserves					0.5	0.5
– used reserves						
– reversals					-0.9	-0.9
Reserves 31.12.	0.00	0.00	0.00	0.00	1.5	1.5

NOTE 31. Deferred expenses and advances received

	31 December, 2005	31 December, 2004
Interests		
Interest liabilities	185.4	120.8
Interest advances received	2.1	0.3
Total	187.5	121.1
Others		
Other advance payments received	1.4	0.9
Other deferred expenses	14.7	8.8
Total	16.1	9.7
Total deferred expenses and advances received	203.6	130.9

NOTE 32. Subordinated liabilities

Loan	Book value	Nominal value
Perpetual loans	199.3	200.0
Other loan commitments issued by the financial institution	334.5	270.0
Capital loans	215.4	222.0
	749.1	

Perpetuals and debentures

1. A perpetual loan of EUR 50 million that can be called in at the earliest on 19 June 2007 subject to authorisation by the Financial Supervision Authority. A fixed 6% annual interest is paid on the loan.
2. A perpetual loan of EUR 150 million that can be called in at the earliest on 30 November 2012 subject to authorisation by the Financial Supervision Authority. A fixed 3.875% annual interest is paid on the loan.
3. A debenture loan of EUR 150 million that can be called in at the earliest on 7 March 2006 subject to autho-isation by the Financial Supervision Authority. The interest on the loan is three-month Euribor + 60 bps.
4. A debenture loan of EUR 50 million that can be called in at the earliest on 27 March 2006 subject to author-isation by the Financial Supervision Authority. The interest on the loan is three-month Euribor + 60 bps.
5. A debenture loan of EUR 70 million that can be called in at the earliest on 30 November 2010 subject to authorisation by the Financial Supervision Authority. A fixed 3.5% annual interest is paid on the loan.

   Loans 1–5 were issued on the international capital markets.

On 31 December 2005, fixed-interest rate debenture loans issued in Finland totalled EUR 64.8 million.

Issue date	Book value EUR million	Interest %	Maturity
11.4.2000	4.1	5.0	11.4.2006
21.3.2001	7.9	5.0	21.3.2007
29.8.2001	5.7	4.5	29.8.2007
25.2.2002	6.0	4.5	25.2.2008
12.9.2002	11.0	4.5	12.9.2008
4.6.2003	5.4	3.4	4.6.2009
19.11.2003	6.8	3.9	19.11.2009
10.3.2004	5.2	3.5	10.3.2010
15.9.2004	6.1	3.5	15.9.2010
16.3.2005	5.2	3.3	16.3.2011
30.11.2005	1.4	3.2	30.11.2011

OKO Bank has not breached any terms of the loan agreements in terms of loan principal, interest, or other terms and conditions. The price difference between the loans recorded in the financial statements is EUR 0.1 million.

Capital loans 31 December 2005

Capital loans considered Tier I funds

1) Capital loan of 10 billion Japanese yen (euro equivalent 71.9 million)
This is a perpetual loan, in other words it has no maturity. Interest on the loan is fixed at 4.23% until 18 June 2034, and is then variable 6-month Yen LIBOR + 1.58%. Interest will be payable on 18 June and 18 December annually. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2014. After 2014, the loan can be repaid annually on the annual interest due dates 18 June or 18 December. The entire loan principal must be repaid in one payment.

2) Capital loan of EUR 60 million

The interest on the perpetual loan is variable three-month Euribor + 0.65%. Interest is paid quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on 30 November 2015, subject to authorisation by the Financial Supervision Authority, and subsequently on the interest due dates. After 2015, the interest on the loan is variable three-month Euribor + 1.65% (Step up).
The entire loan principal must be repaid in one payment.

3) Capital loan of EUR 50 million

This is a perpetual loan with no interest rate staggering, but an 8 per cent interest rate limit. The loan was issued on 31 March 2005 and its interest rate in the first year will be 6.5% and subsequently CMS 10 years + 0.1% The interest will be paid annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2010, subject to authorisation by the Financial Supervision Authority. The entire loan principal must be repaid in one payment.

4) Capital loan of EUR 40 million

The interest on the perpetual loan is variable three-month Euribor + 1.25%. Interest is paid quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on 30 October 2010, subject to authorisation by the Financial Supervision Authority, and subsequently on the interest due dates. The entire loan principal must be repaid in one payment.

Loans 1, 2 and 3 are hybrid.

NOTE 33. Shareholders' equity

Changes in shareholders' equity resulting from changes in accounting principles and adjustments of errors from previous fiscal periods

Retained earnings 1 January 2005	102.3
Changes in accounting principles	4.4
Retained earnings after adjustments 1 January 2005	106.7

	Shareholders' equity at the beginning of the year	Increases	Decreases	Transfers between items	Shareholders' equity at the end of the year
Total shareholders' equity	517.8	1 001.4	54.9		1 464.4
Share capital	206.2	216.9			423.0
Share issue	2.9	0.7	2.9		0.7
Share premium fund	6.5	513.2			519.7
Other restricted reserves	163.6				163.6
Reserve fund	163.6				163.6
Unrestricted funds	36.3	1.5			37.8
Fair value reserve	12.8	1.5			14.3
Other funds	23.4				23.4
Retained earnings or losses after adjustments	102.3	4.4	51.9		54.8
Profit or loss for the period		264.8			264.8

Changes in fair value reserve

	At the beginning of the year	Increases	Decreases	Transferred to income statement	At the end of the year
Notes and bonds	1.1	0.1		-0.1	1.1
Shares and holdings	11.8	8.5		-7.0	13.3
Total	12.8	8.6	0.0	-7.1	14.3

NOTE 34. Restricted and unrestricted equity and non-distributable equity items

Shareholders' equity 31 December 2005	
Restricted equity	1 107.0
Unrestricted equity	357.4
Total shareholders' equity	1 464.4
Distributable funds 31 December 2005	
Unrestricted equity	357.4
– non-distributable items	-
Distributable funds	357.4

NOTE 35. Breakdown of maturities of financial assets and liabilities 31 December 2005

Remaining maturity	Less than 3 months	3 to 12 months	1 to 5 years	5 to 10 years	More than 10 years
Notes and bonds eligible for refinancing with central banks	0.7	1.1	0.4	0.4	-
Receivables from financial institutions	1 120.3	958.3	2 350.8	155.7	3.4
Receivables from the public and public sector entities	914.6	1 123.2	2 672.1	808.2	858.4
Notes and bonds	907.7	1 153.9	1 000.8	728.1	21.1
Liabilities to financial institutions	3 338.1	138.5	60.9	27.1	-
Liabilities to the public and public sector entities	1 609.6	20.2	0.2	225.5	210.3
Promissory notes issued to the public	3 056.9	1 859.3	3 977.8	236.0	-
Subordinated liabilities	193.3	4.1	173.7	288.0	90.0

Deposits other than fixed-term deposits are included in the maturity class "less than 3 months".

NOTE 36. Assets and liabilities in domestic and foreign currencies on 31 December 2005

	Domestic currency	Foreign currency
Receivables from financial institutions	4 014.3	574.2
Receivables from the public and public sector entities	6 210.0	166.4
Notes and bonds eligible for refinancing with central banks and other notes and bonds	2 815.6	998.6
Derivative contracts	27.2	95.9
Other assets	3 217.8	22.1
Liabilities to financial institutions	3 096.1	468.4
Liabilities to the public and public sector entities	1 762.3	303.4
Promissory notes issued to the public	8 173.1	956.9
Derivative contracts and liabilities held for trading	121.6	1.6
Subordinated liabilities	677.1	72.0
Other liabilities	731.0	23.8

NOTE 37 Different shares at year-end and authorisations given to the executive Board and long-term incentive schemes

	Series A	Series K	Total
Share capital, €	330 507 004	92 538 979	423 045 982
No. of shares	157 170 608	44 006 352	201 176 960
Percentage of share capital	78.1	21.9	100.0
Votes per share	1	5	
Percentage of votes	41.7	58.3	100.0

The counter value of OKO Bank's share is €2.10. The counter value is not an exact value. The number of issued shares was doubled without altering the share capital under a decision made at the General Meeting of Shareholders on March 31, 2004.

Restrictions on share acquisition:

- Series A shares are intended for the general public and are quoted on the Helsinki Stock Exchange.
- There are no purchase restrictions on series A shares.
- Ownership of series K shares is restricted to Finnish cooperative banks, cooperative bank companies, and the central institution of the group of cooperative banks, the OP Bank Group Central Cooperative.
- As far as a shareholder's or nominee-registered shares are concerned, a Series K share can be converted to a Series A share at the written request of an asset manager registered with the book-entry register within the limits of the minimum and maximum numbers of the different shares.

If dividend is distributed, Series A shares entitle to an annual distribution of profit that is at least one (1) percentage point higher than the dividend distributed to Series K shares.

Increases in OKO Bank's share capital by the Series A shares subscribed on the basis of the 1999 option scheme **in 2005**

Registration date	No. of shares	Increase in share capital	To the share premium account
13.1.2005	1 184 300	2.5	0.5
12.4.2005	3 650	0.0	0.0
13.6.2005	1 134 740	2.4	0.0
12.9.2005	91 900	0.2	0.0
13.10.2005	139 200	0.3	0.0
Total	2 553 790	5.4	0.5

Increase in OKO Bank's share capital, Share issue October 24 – November 15, 2005

23.11.2005	100 588 480	211.5	512.7
Total	100 588 480	211.5	512.7

Authorisation granted to the Executive Board

On March 31, 2005 OKO Bank's Annual General Meeting authorised the Executive Board for a period of one year form the Annual General Meeting to decide on increasing the share capital through one or more new share issues, one or more issues of convertible bonds and/or the granting of stock options so that the the new shares to be subscribed for in the new share issues, exchanged for convertible bonds and subscribed for on the basis of the stock options must be Series A shares and their aggregate number can be a maximum total of 18,000,000. The bank's share capital can be increased by a maximum total of €37,851,390.54. The authorisation further confers the right to waive shareholders' pre-emptive rights to subscribe for new shares, convertible bonds and stock options.

Shareholders' pre-empitive subscription rights can only be waived in connection with corporate and cooperation arrangements if there are good financial reasons for this from the point of view of the bank. However, a decision cannot be taken on behalf of a party closely associated with the bank. For the total amount of the increases and the aggregate votes conferred by the shares issued, valid unused authorisations can correspond to at most one-fifth of the registered share capital and the aggregate votes conferred by the shares at the time of the authorisation decision by the General Meeting and the increase decision by the Executive Board.

On the basis of the authorisation, the Executive Board is entitled to decide on the determination criteria for the subscription price, the subscription price and the other subscription terms and conditions and the terms and conditions concerning the convertible bond and the stock option rights. The Executive Board is also entitled to decide that the shares issued in the new issue, the convertible bond or stock option rights can be subscribed for against capital contributed in kind, by using a set-off right or otherwise on certain conditions.

The authorisation granted to the Executive Board at the General Meeting of Shareholders on March 31, 2004 was cancelled because it had not been exercised. During the year under review the Executive Board did not exercise the authorisation granted.

Option schemes

On June 30,1999, OKO Bank's Extraordinary General Meeting decided according to the bank's Executive Board's proposal that an option-based incentive system concerning the whole personnel be taken into use in OKO Bank and the OP Bank Group Central Cooperative. An option loan was offered for subscription by the personnel of the OKO Bank Group, the OP Bank Group Central Cooperative and its other subsidiaries, the OP Bank Group Mutual Insurance Company, the OP Bank Group Pension Fund and the OP Bank Group Research Foundation, and by OP-Sijoitus Oy, fully owned by OKO Bank. The amount of the option loan was €460,000. The interest-free loan was repaid in October 2002.

The subscription price of a share was €10.99 according to the terms and conditions of the option scheme. The subscription price is reduced by the amount of dividends distributed after the determination period of the subscription price and before the subscription of shares on each record date for dividends. However, the subscription price is always at least the counter value of the share, which was €2.105 at the end of 2005. The subscription period began with the A options on October 1, 2002 and with the B options on October 1, 2004. The stock options were listed on the Helsinki Stock Exchange when the subscription period began. Before the listing of the B options they were combined with the A option rights and their name was changed to 1999 A/B option right.

Each option entitled to subscription for one OKO Bank's Series A share, or a total of 4,600,000 shares. With the share split (1:2) of OKO Bank's shares registered with the Trade Register on April 30, 2004, the subscription ratio of the option scheme changed. From the beginning of May, two new Series A shares could be subscribed for by one option right. In connection with the 2005 share issue, the subscription ratio was changed so that four new Series A shares can be subscribed for by one option right. As a result of all subscriptions, the number of OKO Bank's shares can be increased by at most a total of 9,370,320 of new Series A shares and the company's share capital by €19.7 million.

As a result of the 2004 share split, the subscription price of a share was reduced by half. As a result of the change in the subscription ratio in 2005, the aggregate subscription price of four Series A shares was determined to be €4.21 added by an amount in euro that corresponded to the subscription price of two new Series A shares according to the terms and conditions of the increase in share capital. The new subscription price thus confirmed is €4.6525 per share.

In 2005, the share-specific subscription price was €2.485 until April 5, 2005 and after that €2.105 until the share issue. By the end of 2005, 7,646,680 Series A shares had been subscribed for by the stock options, of which 2,553,790 were registered in 2005.

The changes and weighted average subscription prices for the outstanding shares are as follows:

	2005 Average subscription price €/share	Option rights 1000	2004 Average subscription price €/share	Option rights 1000
At the beginning of the fiscal period	2.49	1233	7,17	2 511
Lost stock options	2.79	-21		
Exercised stock options	2.75	-802	2,64	-1 257
At the end of the fiscal period	4.65	431	2,49	1 233
Exercisable stock options at the end of the fiscal period	4.65	431	2,49	1 233

The average price of stock options exercised in 2005 was €2.75 (€2.64 in 2004). The share-issue adjusted average price of OKO Bank's share was €10.19 (7.31) in 2005. The range of the exercise price of the stock options was €2.485–4.6525 (2.485–7.17) in 2005 and the range of the price of OKO Bank's share was €8.09–12.34 (6.21–8.39).

Long-term management incentive scheme

Under a decision taken by OKO Bank's Supervisory Board, the long-term management incentive scheme includes members of OKO Bank's Executive Board, heads of departments and directors in comparable positions in the subsidiaries as well as those managers who are members of the personnel fund and whose HAY rating is 9–11. A total of 27 people were included in the scheme on December 31, 2005.

Those included in the incentive scheme may receive OKO Bank's shares as annual rewards for 2005–2007.

In 2005 the target meters applied in the management incentive scheme were: the ROE percentage of the OKO Bank Group (weight 50%), increase in the market share of the OKO Bank Group's core businesses (weight 35%), increase in the market share of the OP Bank Group's core businesses (weight 15%).The reward will be granted if the Bank meets at least 80% of these targets.

If the targets set are met, each person included in the scheme is entitled to a reward corresponding to his/her regular salary subject to withholding tax for the following period: the President – 4 months, members of the Executive Board – 3 months, heads of department and directors in corresponding positions in the subsidiaries – 2 months, and managers – 2 weeks. Managers are also entitled to a share in the profit-related payment paid into the personnel fund, the maximum amount of which corresponds to their salary for one month. The reward will be paid two years after the completion of the earning period.

The value of the reward paid as shares is recognised as personnel cost in equal instalments over the vesting period. Expenses of €0.1 million were recognised for the scheme during the fiscal period.

In 2006 the meter of increase in the market share of OKO Bank Group's core businesses, the weght of which was 35 per cent in 2005, has been replaced by the meters of increase in the net income of banking and investment service operations and increase in non-life insurance income. The weight of both of them is 17.5 per cent.

Personnel fund

OKO Bank joined the personnel fund for the OP Bank Group on October 26, 2004. 536 employees of OKO Bank were members of the fund on 31.12.2005.

The amount of profit-related payments transferred into the personnel fund was based on the same target meters as the long-term management incentive scheme.

€0.3 million of profit-related payments is paid to the personnel fund for 2005. In 2006 the meter of increase in the market share of OKO Bank Group's core businesses has been replaced by the meter of increase in the net income from banking and investment service operations. If the targets are met, the amount of profit-related payments transferred to the personnel fund for 2006 will be 2.5 per cent of the aggregate payroll of the members of the fund in 2006, which was €25.5 million in 2005.

NOTE 38. Major shareholders and breakdown of shareholding

Major shareholders in terms of voting rights
(10 biggest shareholders according to the shareholder register on 31 December 2005)

		No. of shares	Total no. of shares	No. of votes	Share of votes, %
OP Bank Group Central Cooperative	A	22 236 657			
	K	38 589 240	60 825 897	215 182 857	57.0
Suomi Mutual Life Assurance Company	A	20 833 700			
	K	0	20 833 700	20 833 700	5.5
Ilmarinen Mutual Pension Insurance Company	A	20 191 400			
	K	0	20 191 400	20 191 400	5.4
Oulun Osuuspankki	A	1 000 000			
	K	1 012 000	2 012 000	6 060 000	1.6
Keski-Uudenmaan Osuuspankki	A	0			
	K	491 800	491 800	2 459 000	0.7
Keski-Suomen Osuuspankki	A	4 000			
	K	456 560	460 560	2 286 800	0.6
OP Bank Group Pension Fund	A	1 880 793			
	K	0	1 880 793	1 880 793	0.5
OP Bank Group Pension Foundation	A	1 800 000			
	K	0	1 800 000	1 800 000	0.5
Pohjolan Osuuspankki	A	395 220			
	K	255 220	650 440	1 671 320	0.4
Turun Seudun Osuuspankki	A	1 330 000			
	K	19 960	1 349 960	1 429 800	0.4
Total			110 496 550	273 795 670	72.6
Nominee-registered shares	A		30 691 789	30 691 789	8.1

Major shareholders in terms of share ownership
(10 biggest shareholders according to the shareholder register on 31 December 2005)

	No. of shares	% of shares
OP Bank Group Central Cooperative	60 825 897	30.2
Suomi Mutual Life Assurance Company	20 833 700	10.4
Ilmarinen Mutual Pension Insurance Company	20 191 400	10.0
Oulun Osuuspankki	2 012 000	1.0
OP Bank Group Pension Fund	1 880 793	0.9
OP Bank Group Pension Foundation	1 800 000	0.9
Pohjola Finland Value Mutual Fund	1 366 164	0.7
Turun Seudun Osuuspankki	1 349 960	0.7
The State Pension Fund	1 110 000	0.6
Etelä-Karjalan Osuuspankki	851 484	0.4
Total	112 221 398	55.8
Nominee-registered shares	30 691 789	15.3

Breakdown of shareholding by number of shares (According to the shareholder register on 31 December 2005)
Number of shares (A and K series)

	Shareholders	% of shareholders	No. of shares	% of shares
1–100	3 403	11.5	232 665	0.1
101–1 000	20 888	70.3	6 791 708	3.4
1 001–10 000	4 814	16.2	13 418 809	6.7
10 001–50 000	418	1.4	9 202 421	4.6
50 001–100 000	72	0.2	5 076 946	2.5
100 001–	118	0.4	166 454 411	82.7
Total	29 713	100.0	201 176 960	100.0

Breakdown of shareholding by sector (According to the shareholder register on 31 December 2005)

Shareholder type	Shareholders	% of shareholders	No. of shares	% of shares	No. of votes	% of votes
Corporate	934	3.1	7 059 934	3.5	7 059 934	1.9
OP Bank Group Central Cooperative						
and member cooperative banks	235	0.8	84 540 565	42.0	260 565 973	69.1
Other financial and insurance institutions	57	0.2	24 958 573	12.4	24 958 573	6.6
Public sector entities	40	0.1	27 059 330	13.5	27 059 330	7.2
Non-profit organisations	303	1.0	3 184 396	1.6	3 184 396	0.8
Households	28 100	94.6	23 509 615	11.7	23 509 615	6.2
Foreign	36	0.1	172 758	0.1	172 758	0.0
Nominee-registered shareholders	8	0.0	30 691 789	15.3	30 691 789	8.1
Total	29 713	100.0	201 176 960	100.0	377 202 368	100.0

NOTE 39. Assets given as collateral on 31 December 2005

	Pledges	Mortgages	Total
Collateral pledged on behalf of own debt			
Liabilities to financial institutions	1 401.6		1 401.6
Liabilities to the public and public sector entities	436.9		436.9
Other liabilities	15.0		15.0
Total	1 853.5	0.0	1 853.5
Other collateral given on own behalf	1 507.5		1 507.5
Total collateral given	3 361.0	0.0	3 361.0

NOTE 40. Pension liabilities

Direct liabilities from pension commitments	-
Share of the excess margin of pension liabilities on the pension fund and on other liabilities	-
Repayment of the excess margin of the pension fund recorded as pension cost adjustment	-

The statutory pension cover for OKO Bank employees is arranged through the OP Bank Pension Fund and the supplementary pension cover through the OP Bank Pension Foundation. The Foundation has not accepted new beneficiaries since 30 June 1991. The OKO Bank's pension liabilities are fully covered.

NOTE 41. Leasing and other rental liabilities

Payable in the following fiscal period	0.1
Payable later	0.1
Total	0.2

Material contractual terms and conditions regarding termination and redemption

OKO Bank has no significant leasing or other rental liabilities. The contracts primarily cover personnel leasing cars and their duration is 3 years.

NOTE 42. Off-balance sheet commitments

	On behalf of subsidiaries	On behalf of affiliates	On behalf of others	Total
Off-balance sheet commitments on 31 December 2005	0.0	0.0	4 588.3	4 588.3
Commitments given to a third party on behalf of customers	0.0	0.0	1 564.7	1 564.7
Commitments given				
Guarantees and pledges	0.0	0.0	1 434.3	1 434.3
Others	0.0	0.0	130.4	130.4
Irrevocable commitments given on behalf of customers	0.0	0.0	3 023.6	3 023.6
Securities repurchase commitments	0.0	0.0	0.0	0.0
Loan Commitments	0.0	0.0	2 662.9	2 662.9
Others	0.0	0.0	360.7	360.7

NOTE 43. Other contingent liabilities and commitments at the year-end

OKO Bank's commitments to venture capital funds at the year-end totalled EUR 15.7 million. These commitments are included in the commitments explained in note 42.

NOTE 44. Personnel and members of the Executive and Supervisory Boards

Average personnel in 2005	Average no.	Change during the period
Permanent full-time personnel	484	26
Permanent part-time personnel	0	
Fixed-term personnel	71	16
Total	555	42

Salaries and compensation paid to members of the Executive and Supervisory Boards in 2005	Salaries and compensation
Members of the Supervisory Board	0.1
Members and deputy members of the Executive Board and the President and his/her deputy	1.8

Salaries and compensation paid to members of the Supervisory Board in 2005 totalled EUR 127,800.

The Chairman received EUR 1,500 per month plus EUR 200 for each meeting.
The Vice Chairman received EUR 750 per month plus EUR 200 for each meeting.
Each member received EUR 200 per month plus EUR 200 for each meeting.
Compensation paid to the Chairman, Seppo Penttinen, totalled EUR 19,000.
Compensation paid to the Vice Chairman, Paavo Haapakoski, totalled EUR 12,200. Compensation paid to other members of the Supervisory Board ranged between EUR 400 and EUR 6200.

Salaries and compensation paid to the members and deputy members of the Executive Board for the fiscal period ending on 31 December 2005 including
income received from options were as follows:

President Mikael Silvennoinen,	351 760
President's deputy Timo Ritakallio,	647 655
Executive Board member Helena Walldén,	567 687
Executive Board deputy member Jarmo Viitanen,	215 610

Loans and guarantees granted to members of the Supervisory and Executive Boards
As at 31 December 2005 and 31 December 2004, OKO Bank had not granted any loans or guarantees to the members or deputy members of the Supervisory or Executive Boards.

Pension commitments

There are no pension commitments for members of the administrative and supervisory bodies. Furthermore, no pension commitments have been made for previous members of these bodies.

Management ownership

On 31 December 2005, members of OKO Bank's Supervisory Board, members and deputy members of the Executive Board, and the President owned a total of 84,664 A series shares representing 0.042% of all shares and 0.022% of all votes. Members and deputy members of the Executive Board and the President owned a portion of the bonds with warrants issued by OKO Bank that entitle them to subscribe a total of 124,000 A series shares. These shares represented 0.061% of all shares and 0.033% of the votes.

NOTE 45. Holdings in Other Companies, € million

Subsidiaries		Holding, %	Equity capital	Profit or loss for the fiscal period
Company name:	Opstock Ltd	85	17.5	10.5
Registered office:	Helsinki			
Company name:	OKO Venture Capital Ltd	100	1.5	0.5
Registered office:	Helsinki			
Company name:	Kiinteistö Oy Kanta-Sarvis II	100	8.0	- 0.3
Registered office:	Tampere			
Company name:	Pohjola Group plc	86.27	608.4	174.8
Registered office:	Helsinki			
Company name:	OKO Capital East Ltd	100	0.1	0.0
Registered office:	Helsinki			
Company name:	OKO Corporate Finance Ltd	100	0.3	
Registered office:	Helsinki			

OKO Bank has no holdings in affiliates or companies where OKO Bank would have unlimited liability.

NOTE 46. Trustee Services

OKO offers the public investment and asset management services.

Notes concerning an entity under the group's control

OKO Bank's parent company is OP Bank Group Central Cooperative. OKO Bank Group's information is included in its consolidated financial statements. Copies of the financial statements for OP Bank Group Central Cooperative Consolidated are available from OP Bank Group Central Cooperative, Teollisuuskatu 1b, FI-00510 Helsinki.

Financial income and expenses in relation to other group companies:	
Interest income	0.7
Interest expenses	20.9
Income from equity investments	7.5
Receivables from and payables to other group companies:	
Receivables from the public and public sector entities	1.4
Other assets	0.1
Deferred income and advances paid	0.0
Liabilities to the public and public sector entities	10.7
Debt securities issued to the public	37.2
Other liabilities	1.6
Deferred expenses and advances received	0.0

AUDITORS' REPORT

To the shareholders of OKO Bank
We have audited the accounting records, the report of the Executive Board, the financial statements and the administration of OKO Bank for the financial period 1 January – 31 December 2005. The Executive Board and the President have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Executive Board and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Executive Board, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Executive Board and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and 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. The purpose of our audit of the administration is to examine whether the members of the Supervisory Board and the Executive Board and the President of the parent company have complied with the rules of the Companies Act and the Finnish Act on Credit Institutions..

Consolidated financial statements
In our opinion, the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Report of the Executive Board, parent company's financial statements and administration
In our opinion, the report of the Executive Board and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Executive Board gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position. The parent company's financial statements can be adopted and the members of the Supervisory Board, as well as the Chief Executive Officer, the President and the other members of the Executive Board can be discharged from liability for the period audited by us. The proposal by the Executive Board regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki 17 February, 2006

KPMG OY AB

Hannu Niilekselä	Raimo Saarikivi
Authorized Public Accountant	Authorized Public Accountant

STATEMENT OF THE SUPERVISORY BOARD

At its meeting held today the Supervisory Board has examined the Bank's annual accounts and the Auditors' Report. As its statement to the 2006 Annual General Meeting, the Supervisory Board observes that the Bank has been managed in accordance with the legislation and regulations in force and the Supervisory Board does not have any remarks in respect of OKO Bank's financial statements for 2005 and the Auditors' Report.

The Supervisory Board concurs with the Executive Board's proposal concerning the disposal of distributable funds.

Helsinki, February 17, 2006

On Behalf of the Supervisory Board

Seppo Penttinen
Chairman

Markku Koponen
Secretary

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