OP BANK GROUP

ANNUAL REPORT 2005

05

Contents

Financial Information in 2006

The OP Bank Group and OKO Bank will publish three interim reports in 2006:

- for January – March on 11 May 2006
- for January – June on 10 August, 2006
- for January – September on 2 November, 2006.

The interim reports will be published in Finnish, Swedish and English. The interim reports are available on our website at the address www.op.fi/english. Paper copies can be ordered at the address OP Bank Group Central Cooperative, Corporate Communications, P.O. Box 308, FI-00101 Helsinki, telephone +358 10 252 2765, telefax +358 10 252 2298, e-mail: viestinta@op.fi.

This publication together with the OP Bank Group’s *Financial Statements* forms the Group’s Annual Report for 2005. Also annexed to the Annual Report is the OP Bank Group’s *Corporate Responsibility Repor*t. Should the Financial Statements and Corporate Responsibility Report not be enclosed with this Annual Report, they can be ordered at the above address.

CHAIRMAN'S REVIEW

The most important event for the 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 strengthening our position on the Finnish business scene. 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. The OP Bank Group's ownership is anchored in its more than one million Finnish owner-members.

The OP Bank Group's strategy has been growth-driven for years now. This year too the OP Bank Group, true to its ambitions, outpaced market growth in most of its core business areas. Our market share strengthened substantially, particularly within mutual fund investments and insurance saving, whilst we maintained our position in deposits and loans. Thanks to the Pohjola acquisition, we also gained a major position within non-life insurance.

The OP Bank Group's operational result came in again at the same stable level as we have come to expect in recent years. Despite the major acquisition, our capital adequacy remained excellent. We are well poised to forge ahead.

Bringing Pohjola on board meant a big leap forward for the OP Bank Group as an asset manager serving Finnish households as well as companies and institutions. We are already the market leader as the deposit bank and home mortgage bank for households, but we are still in second place as a corporate bank. Pohjola, with its strong corporate insurance portfolio, will now bring new customer potential to our banking operations. In return, the member banks of the OP Bank Group will provide Pohjola with new growth upside as a home insurer. Now that the capital, know-how and clientele of two major players have been combined, we as a joint force have risen to the forefront of the leading financial groups in Finland. As measured by personnel strength, we are a third larger than the number two in the market.

Economic growth in Europe was subdued last year, and it slowed down in the United States too. The US Federal Reserve Bank 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 substantially from the present level.

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.

For the Finnish banks, the past year was a time of strong growth, as it has been over the past years. Risks were nevertheless kept under control, both for customers and for the banks. On the stock market, prices headed upwards robustly. This boosted the popularity of long-term saving, and mutual fund and insurance savings grew considerably. The same trend will probably continue this year. I believe the housing and home mortgage market will even out slightly, though a minor rise in the level of interest rates should not cut into demand appreciably.

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 OP Bank Group and Pohjola are a single, unified entity. It behoves us to make sure that all the possibilities which the transaction can offer both shareholders and customers are utilised to the fullest extent.

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

Helsinki 17 February 2006

Antti Tanskanen

PRESIDENT'S REVIEW

The OP Bank Group's ability to produce genuine added value for its customers improved decisively last year. Combining a bank group with a fine heritage and an insurance group with an equally fine heritage was a well-considered and resolute deed. As a result of it, our palette of products and services widened greatly. For our customers, we are now in practice – and not only by dint of our objectives – more than a bank.

Underlying this M&A arrangement, which was in a class of its own in terms of its rigour and magnitude, were the strong knowledge, skill and financial resources that the OP Bank Group has built up over the years and decades. Also of decisive importance for completing the deal was the internal structural overhaul that the OP Bank Group carried out just under ten years ago. In my view, in the Pohjola transaction we succeeded, in an eminently natural and balanced way, in tapping into the structural strengths of the entire OP Bank Group, and especially of OP Bank Group Central Cooperative Consolidated.

Ahead of us we have a demanding and lengthy project: to fuse two strong Finnish players in their respective fields into a single entity. We are well placed to do this if we are able to utilise the new OP Bank Group's multidimensional structure and division of labour correctly. We will be aided in accomplishing this by our way of thinking about everything we do from the customer's perspective. I am happy that we were able, fairly soon after the deal was completed, to offer our customers a concrete benefit with a cash value for their patronage of our banking and insurance services. This will pave the way for the future. Our fundamental idea is to offer the best benefits in the sector to those owner-members and customers who make the OP Bank Group their all-round provider of banking and insurance services.

Operationally, the OP Bank Group performed well in 2005, and the successfully completed Pohjola transaction was the crowning achievement. Again last year, the bulk of the work done across the OP Bank Group was connected with providing services for customers. The indicator ratings for growth, profitability and risk management that we chalked up show that in our customers' opinion we have succeeded in further improving our performance.

Across the OP Bank Group Central Cooperative, the results posted by our consolidated companies were, at the very least, in line with objectives. The operational efficiency of the parent company, the Central Cooperative, was on a positive trend and on target. Despite the brisk growth in the volume of operations, both total invoicing of service sales to the member banks and expenses held steady at the previous year's level. At the same time, the Central Cooperative's role as the Group's strategic owner institution strengthened. Investments in our consolidated companies rose to well over a billion euros. Ensuring a sufficient and stable flow of dividends from OKO Bank and the other subsidiaries will be an increasingly essential part of the Central Cooperative's financial planning in coming years.

The OP Bank Group has a clear-cut strategy. It challenges the Central Cooperative and its member banks to continually renew themselves. We must ceaselessly position ourselves within society in a new way. An ageing population; growing affluence that is particularly noticeable among the older age brackets; changes in income distribution; regional development and urbanisation, even globalisation; citizens' increasing need to see to their well-being themselves; ever-expanding eBusiness – all these are changing our operating environment.

Customers are demanding ever more, and they have a broadening spectrum of service needs. Corporate customers are establishing an international presence, and companies are growing in size. EU regulatory activity is increasing and market convergence continues to unfold. Advancing information technology calls for building new services, despite the costs, and greater inputs must be made into data security year after year.

We must live with these and many other things and find in them our own route to success. They mean that our services and our Group structure must meet new requirements. The report of the Structural Working Group that was adopted by the Central Cooperative's Supervisory Board last summer emphasised the importance of competence. The well-received report gives the Executive Boards of the member cooperative banks a new tool for assessing the banks' service ability.

Ahead of us lies a challenging, continuous transformation. I believe we have what it takes to do this. I know from long experience, and especially from the events of last autumn, what our personnel and administrative officers are capable of in the face of great challenges. This confidence is reinforced by the knowledge, skills and enthusiasm which our new co-workers at Pohjola have brought to our joint endeavour. The will to prosper together with our customers is deeply ingrained in the credos of both the OP Bank Group and Pohjola, and our operational results demonstrate that both of them also have the ability to succeed.

I wish to thank all the member banks, the administrative officers and the entire personnel of the OP Bank Group Central Cooperative, Pohjola and the OP Bank Group for their good work and support during the past year. Let us turn the new OP Bank Group into a new Finnish success story together with our customers.

Helsinki 17 February 2006

Reijo Karhinen

OPERATING ENVIRONMENT

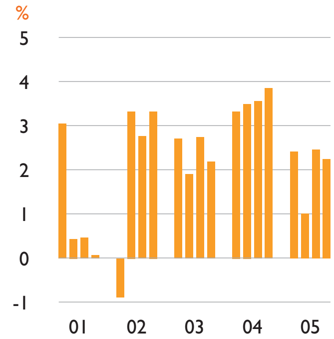
The international economy lost a bit of momentum in 2005. In Finland too, the growth in total output slowed down, but this was attributable to a large extent to the industrial dispute in the paper industry in the early summer. Major changes in interest rates did not take place, though towards the end of the year the money markets took a more cautious stance. The growth in banking activities continued at a fast rate in all the main segments.

The trend in the international economy in 2005 was nearly everywhere slightly more subdued than it was last year. In the USA, growth nonetheless remained moderate, though high oil prices and substantial indebtedness did cut into demand. Growth in the eurozone was very modest and depended largely on exports, which were supported by the weakening in the euro against the dollar. On the other hand, high unemployment dampened both consumption and investment. The fastest economic growth was again in the countries of Asia and eastern Europe.

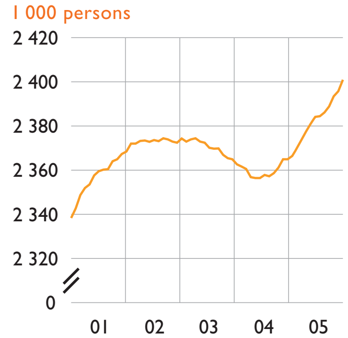
In Finland, the growth in total output slowed down and was about two per cent. The industrial dispute in the paper industry in the early summer, together with its knock-on effects, reduced total output by about one percentage point. Although the outlook for industry brightened after the industrial dispute ended, industrial production diminished nearly throughout the latter part of the year. In the service sector, however, and especially in the construction industry, the cyclical situation held up better than usual. It was not until the last months of the year, however, that brisk construction activity sent investments heading upward. Consumption was bolstered by an increase in income that was nearly as large as in the previous year. Apart from the rise in wage bill, property income grew substantially. Employment improved and the unemployment rate sank to 8.5 per cent.

Despite the high cost of energy, the general price level was comparatively stable all year long. Consumer prices were on average 0.9 per cent higher than last year. This was clearly less than the average for the other euro countries. On the other hand, housing prices rose markedly. Prices of old apartments rose by 9 per cent nationwide, and slightly more in the Greater Helsinki area. As in the previous year, house prices in relation to take-home pay nevertheless remained nearly unchanged. Households' indebtedness nonetheless increased further, because the ratio of loans to available income rose to 86 per cent. On an international yardstick, the degree of indebtedness is still not alarmingly large, but indebtedness is

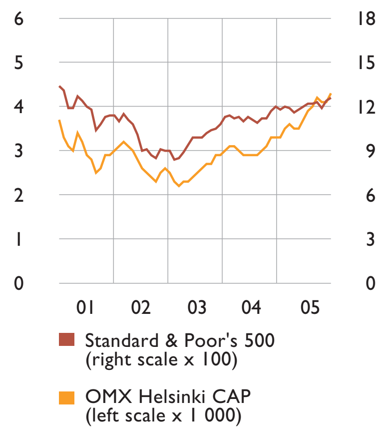
GDP in Finland, change from corresponding quarter previous year



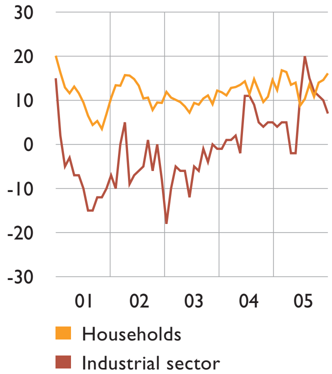
Employment, 12 month moving average



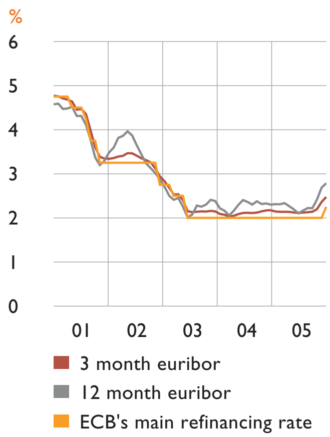
Stock Market Indices in Finland and in USA



Industrial Sector and Household Confidence Indicator, characteristic value



Euribor Rates and Official Interest Rate



distributed more unevenly among households than before.

Major changes did not take place in interest rates in 2005, though the money market began to move towards a tighter stance in the latter part of the year. The already low interest rates in the eurozone still declined slightly in the first half of 2005. Despite sluggish economic growth, euribor rates headed upwards in the latter half of the year, portending a tightening in monetary policy. 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 be more apt to slow down economic growth than to fuel inflation. The OP Bank Group's reference interest rate, OP-prime, remained unchanged at 2.5 per cent throughout the year.

The growth in banking activities continued at a fast rate in all the main segments. The growth in the home mortgage portfolio even accelerated last year, reaching a hefty 17 per cent at the end of the year. As in the previous year, the rise in incomes coupled with low interest rates maintained buoyant strong demand for family-owned housing. The average interest rate on the home mortgage portfolio continued to slide, though right at the end of the year the average rate ticked up slightly. The state of household finances improved, and a growing number of households reported that their possibilities of saving had improved. Net wealth grew in line with the rise in value of financial investments and housing.

Companies reported a rise in profitability too. In spite of weak capital investment activity, the growth in the corporate loan portfolio receded only slightly and was 8.5 per cent at the end of the year. The relatively fast growth was propped up by corporate deals and generational shifts. Deposits increased by 5 per cent, as they did a year ago, which meant a widening gap between the loan portfolio and total deposits. This, together with low interest rates and aggressive competition, exerted a drag on the banks' net interest income. The interest rate spread between loans and deposits narrowed to 2.4 per cent. The banks' euro-denominated interest margin did not weaken, however, owing to the brisk growth in loans and deposits.

Robust equity prices increased the popularity of long-term saving again last year. The HSE's capitalisation restricted share index rose by 30 per cent. Thanks to the rise in value of mutual funds and the highest-ever volume of net subscriptions, the capital invested in mutual funds rose by over 40 per cent for the third year in succession. Net inflows into mutual funds amounted to €7.3 billion. Premium income from life insurance, in turn, increased by 10 per cent. The growth in insurance savings, however, was only 5 per cent.

THE OP BANK GROUP IN 2005

• The most important event of the year for the OP Bank Group was the Pohjola transaction. In September, OKO Bank purchased from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company the shares they held in Pohjola Group plc for a price of about €1.2 billion, becoming Pohjola's principal shareholder. After the deal closed, Pohjola became an OKO Bank subsidiary.

The transaction was the largest in the OP Bank Group's history and one of the biggest M&A transactions ever done in Finland. This transaction and its effects are discussed in greater detail in the financial statements section of this Annual Report and in OKO Bank's own annual report.

The deal had a historical importance for the OP Bank Group. It expanded the Group's operations to non-life insurance, strengthened its position within asset management services and widened its clientele substantially. With the Pohjola transaction, the OP Bank Group became the leading financial services group in Finland.

• The OP Bank Group's online service was revamped. The OP Bank Group was the first bank in Finland to introduce an online bill-paying service for retail customers. Online bank statements gained in popularity.

• The systematic conversion of the Group's Kultakortti (Gold Card) Visa cards into OP Visa credit cards was continued. Concurrently, the process of incorporating a chip into the cards was continued in order to provide greater security and to facilitate payment.

• The OP Bank Group brought out on the market an interest-capped corporate loan. Retail customers had already been offered an interest-capped home mortgage since 2004. In the autumn, long fixed-rate home mortgages were also launched on the market.

• OKO Bank won the competitive bidding process among banks for the third time in a row and will continue as the European Commission's Primary Bank in Finland from 2005 to 2009.

• The Eurajoki, Kankaanpää, Porin Seutu and Rauman Seutu cooperative banks decided on a merger and the founding of a new Länsi-Suomen Osuuspankki (Western Finland Cooperative Bank). The new bank will begin operations during 2006.

• The OKO Bank Art Foundation placed the pearl of its collection of instruments, a Stradivarius dating from the year 1702, in the hands of Finnish violinist Réka Szilvay.

• The OP Bank Group Research Foundation and the OP Bank Group Kyösti Haataja Foundation made grants totalling €170 000 for scientific research.

• The main celebration of the OP Bank Group Week was held in Kuopio under the theme "Over 100 Years of Finnish Ownership." As part of the festivities, the OP Bank Group made a 40 000 euro donation to the Young Finland Association.

• Under the reformed Cooperative Bank Act, a supervisory board is no longer a mandatory body for OKO Bank. In spring 2006, OKO Bank's Executive Board will make a proposal to the Annual General Meeting to abolish the Supervisory Board and to replace the internal Executive Board with a non-executive Board of Directors.

• Mr Antti Tanskanen, Chairman and CEO of the OP Bank Group, announced his retirement effective 1 January 2007. At its meeting on 10 March 2006, the Supervisory Board of the OP Bank Group Central Cooperative appointed the Central Cooperative's president, Mr Reijo Karhinen (51), M Sc (Econ.), as new Chairman and CEO of the OP Bank Group, effective 1 January, 2007.

FINANCIAL REVIEW 2005

Summary

• The OP Bank Group's operations continued to grow strongly in 2005. The Group's market position strengthened, especially within asset management. Growth got a boost from the Pohjola transaction, but organic growth (excluding Pohjola) was also strong. Mutual fund capital (excluding Pohjola) increased by 50 per cent and insurance savings by 25 per cent. Premium income from life and pension insurance (excluding Pohjola) was up 34 per cent.

• In 2005 the OP Bank Group's market share of mutual fund capital grew by 5.8 percentage points and its share of insurance savings increased by 6.8 percentage points. Stripping out Pohjola, the corresponding growth figures were 0.7 and 1.2 percentage points. The market share of premium income from life and pension insurance grew by 13.9 percentage points in aggregate amount, and by 3.5 percentage points excluding Pohjola.

• The OP Bank Group's loan portfolio increased by 12 per cent and total deposits by 6 per cent. The market share of loans grew by 0.1 percentage point and was 30.5 per cent at the end of the year. The share of corporate loans was on a par with last year, but the share of home mortgages decreased. The market share of deposits declined by 0.4 percentage point from the end of 2004 and was 31.9 per cent.

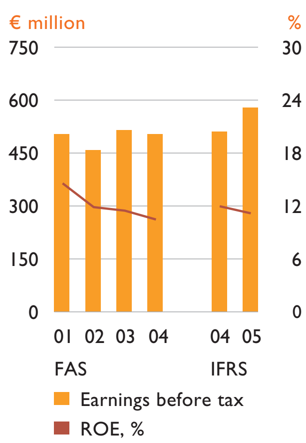
• The OP Bank Group's earnings also grew. Earnings before tax were €579 million, an increase of 13 per cent on the year-ago figure (511). Net interest income increased by 3 per cent and comparable commission income by 7 per cent, with personnel costs up just over one per cent. The result of Pohjola Group has been included in the OP Bank Group's result for November-December 2005. Taking into account the arranging and other expenses, Pohjola had minor impact on earnings in 2005.

• Despite the Pohjola transaction, the OP Bank Group's risk-bearing capacity remained strong. Capital adequacy as measured with Tier I own funds declined by one percentage point to 13.1 per cent. The risk position remained stable. The amount of non-performing loans decreased on the previous year.

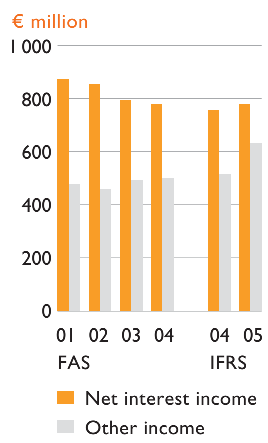
• In September, the OP Bank Group's central bank, OKO Bank, acquired a majority holding of the shares and votes in Pohjola Group. The transaction received the necessary regulatory approvals in October. The deal will expand the OP Bank Group's operations into non-life insurance and it will strengthen the Group's position within asset management, mutual funds and life insurance. After the Pohjola transaction, the OP Bank Group is the leading financial services group in Finland.

• The OP Bank Group's market position has strengthened for a number of years now. The Group's target is to reinforce its market position further. Following its expansion into the non-life insurance business, the OP Bank Group's earnings before tax for 2006 is estimated to be markedly higher than in 2005.

Earnings Before Tax and ROE



Net Interest Income and Other Income



Earnings up 13 per cent

The OP Bank Group's earnings before tax for 2005 were €579 million, an increase of 13 per cent on the figure last year (511)*. The result of Pohjola Group plc and its subsidiaries is included in the OP Bank Group's earnings for November-December 2005. The balance sheet of the Pohjola companies is included in its entirety in the OP Bank Group's year-end balance sheet. No Pohjola figures are included in the comparative figures for 2004. The Pohjola transaction had no effect on OP Bank Group's earnings before tax for 2005 when financing and other costs due to the transaction are reckoned with.

Net interest income grew by 3.1 per cent to €781 million (758) thanks to the increase in the loan portfolio and total assets as well as equity capital, though the spread between investment and funding narrowed further. Net interest income in the last quarter was €192 million, a 2.3 per cent decrease on the previous year. Stripping out the financing expenses for the acquisition of Pohjola Group shares, fourth-quarter net interest income would have been slightly greater than it was a year earlier.

Other income in the report year totalled €633 million, up €117 million on the figure a year ago. A significant portion of the growth in income was attributable to the Pohjola transaction.

Expenses grew by 9.9 per cent, reaching €776 million (706). Comparative expenses, stripping out Pohjola, were on a par with 2004. Companies belonging to the OP Bank Group recorded in the income statement for 2005 about €10 million of non-recurring expenses related to the Pohjola transaction.

Personnel costs were up 9.2 per cent to €387 million. Comparable personnel costs, excluding Pohjola, were up about 1.4 per cent. They were increased by the rise in the level of salaries and wages as well as the new long-term incentive schemes for the personnel.

Impairment losses recorded on receivables were down €1.4 million on 2004 despite the Group-specific impairment losses that have been recorded since the beginning of 2005. The corresponding entries in the income statement for 2005 amounted to €4.2 million.

Total assets almost €53 billion

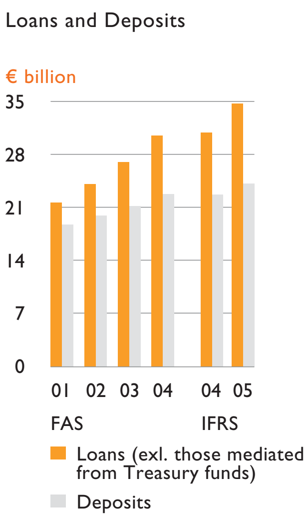
The OP Bank Group's total assets at the end of the year stood at €52.8 billion, an increase of €11.4 billion since the end of 2004. About half of the increase was due to the Pohjola transaction.

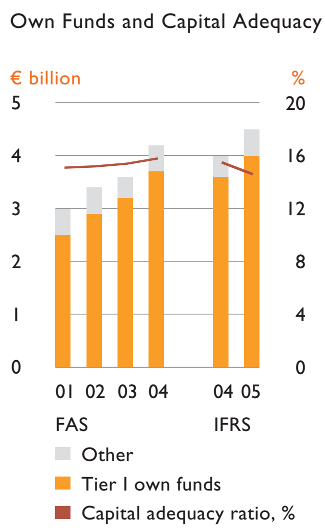
In the report period, the loan portfolio grew by €3.9 billion to €34.8 billion. The loan portfolio at the end of the year made up 66 per cent of the OP Bank Group's total assets (75). Non-life insurance assets totalled €2.7 billion (-) and life insurance assets €5.4 billion (2.9). Owing to the Pohjola transaction, intangible assets increased to €1.2 billion (0.1). During the report period the amount of debt securities issued to the public increased by €2.6 billion, deposits by €1.4 billion and liabilities to financial institutions by €0.8 billion.

Equity capital at the end of the year stood at €4.8 billion (3.3), of which the minority interest was just over €0.2 billion (0.0). Equity capital was increased by the arrangements connected with financing the Pohjola transaction, the €454 million net profit for the financial year as well as by the recording in the fair value reserve, in accordance with IFRS, of the difference between the historical cost and fair value of financial assets available for sale.

The cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner members totalled €717 million at the end of the year (717). According to advance information, the member banks' payment of interest on the cooperative capital for the 2005 financial year will total €16 million (16). The proposed dividend to be paid on OKO Bank shares for the 2005 financial year is a total of €120 million (52), of which €0.60 per share is to be paid on Series A shares (0.53) and €0.57 per share on Series K shares (0.50).

* The comparative figure for 2004 is given in brackets. For profit and loss account and other aggregated figures, the point of comparison is the figure for January-December 2004. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (31 December 2004).





Strong capital adequacy

The effects of the Pohjola transaction on the OP Bank Group's capital adequacy are fairly minor, given the proportions of the arrangement. Despite one of Finland's largest acquisitions, the OP Bank Group's capital adequacy at the end of the year was still markedly higher than the average for Nordic banks.

The OP Bank Group's capital adequacy according to the Credit Institutions Act was 14.6 per cent, or 0.9 percentage point lower than a year earlier. The ratio of Tier I own funds to risk-weighted receivables, investments and off-balance sheet items was 13.1 per cent at the end of the year, as against 14.1 per cent a year ago.

The OP Bank Group's risk position is stable. At the end of the year the key ratios for the risk position were substantially better than the risk limits set by the Group.

Non-performing and interest-free loans totalled €131 million at the end of December, a decrease of 13 per cent on the figure a year ago. Non-performing and interest-free loans are stated net of impairment losses on specific receivables, which amounted to €95 million at the end of December (91). The Group's credit risk position is stable according to other indicators of credit risk as well.

Outlook for 2006

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

The OP Bank Group's result from banking operations for 2006 is estimated to be on a par with the result for 2005. In 2006, non-life insurance operations will be consolidated within the OP Bank Group for the full year. As a result of this, earnings before tax is estimated to be markedly higher than in 2005.

All the forecasts and estimates presented here are based on the current view of the trend in the finances of the OP Bank Group and its different functions, and actual results may be significantly different.

THE OP BANK GROUP'S KEY FIGURES 2001–2005

	2001 FAS	2002 FAS	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS
Income statement, key items						
Net interest income	875	857	798	783	758	781
Net income from non-life insurance	-	-	-	-	-	68
Net income from life insurance	-	-	-	-	51	67
Net commissions and fees	245	245	275	284	314	340
Other income	192	129	222	203	151	158
Personnel costs	315	354	374	370	354	387
Other expenses	394	404	392	390	352	389
Impairment losses on receivables	12	13	9	7	7	6
Write-downs on securities held as non-current financial assets	88	1	4	0	-	-
Returns to owner-members	-	-	-	-	48	53
Earnings before tax	504	459	515	504	511	579
Balance sheet, key assets						
Receivables from financial institutions	366	350	486	681	681	666
Receivables from customers	21 946	24 319	27 206	30 645	30 952	34 807
Non-life insurance assets	-	-	-	-	-	2 742
Life insurance assets	-	-	-	-	2 867	5 385
Financial assets held for trading and investment assets	5 478	4 502	4 166	4 448	4 831	5 492
Tangible and intangible assets	1 301	1 259	1 177	1 140	707	1 890
Other assets	940	1 194	1 968	1 315	1 422	1 862
Total assets	30 031	31 625	35 002	38 229	41 460	52 845
Balance sheet, key liabilities						
Liabilities to financial institutions	1 774	949	1 566	1 181	1 184	2 025
Liabilities to customers	20 120	21 375	23 275	25 128	25 107	26 475
Debt securities issued to public	3 727	4 536	5 009	6 325	6 325	8 891
Subordinated liabilities	696	576	514	524	1 314	1 596
Other liabilities	1 016	1 140	1 198	1 204	4 194	9 100
Equity capital and minority interests	2 698	3 049	3 440	3 867	3 337	4 757
Total liabilities	30 031	31 625	35 002	38 229	41 460	52 845
Financial ratios, %						
Return on equity, ROE	14.6	11.9	11.5	10.5	12.0	11.2
Return on assets, ROA	1.3	1.1	1.1	1.0	1.0	1.0
Equity ratio	9.0	9.6	9.8	9.9	8.0	9.0
Cost / income ratio	55	61	62	62	55	55
Capital adequacy ratio	15.1	15.2	15.4	15.8	15.5	14.6
Tier I ratio	13.0	13.6	14.0	14.4	14.1	13.1

CORNERSTONES OF THE OP BANK GROUP'S OPERATIONS

Ideological Foundation

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

Strategy

The OP Bank Group's current strategy was confirmed by the OP Bank Group Central Cooperative's Supervisory Board in June, 2004. It does not change the basic policy lines that were set in the previous strategy but supplements and amplifies them. The same core policy will be re-adopted in the review of strategy preparatory to a strategy update to be confirmed by the Supervisory Board in June 2006.

Having achieved the targets for its level of earnings and capital adequacy, the OP Bank Group shifted its focus – in the previous strategy statement in 2002 – squarely to growth and strengthening the Group's market position. Thereafter the OP Bank Group, in line with its strategy, has strengthened its position in all its core business areas, whilst maintaining good profitability and capital adequacy.

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

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

Growth will be sought regionally by seeking to boost market share the most in areas where the Group's share is presently the lowest. All the member banks will seek to outpace the market in their own territory.

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

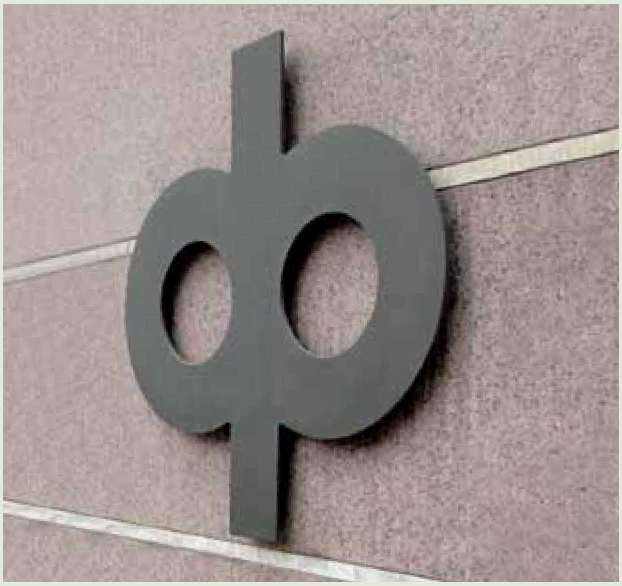
By means of well-developed risk management coupled with close internal oversight and monitoring, the Group is able to ensure that its growth is manageable and geared to the long term. The OP Bank Group takes a moderate stance on the assumption of risk.

The OP Bank Group's long-term financial targets are the following:

	Long-term target	Actual 2005	Actual 2004
Tier I ratio, %	Min. 11	13.1	14.1
Impairment losses within the loan and guarantee portfolio, %	Max. 0.25	0.02	0.02
Return on equity, %	Over 10	11.2	12.0
Cost/income ratio, %	Max. 55	55	55

OKO
OSUUSKASSAT

POHJOLA



CORE VALUES OF THE OP BANK GROUP

The OP Bank Group's distinctive and enduring set of values which springs from its business origins and traditional strengths also acts as a distinguishing feature and thereby adds a further dimension to the Group's mission by building competitive advantage. The OP Bank Group's way of working is based on shared values that have proved their vitality and competitiveness despite changes in the operating environment. The values guiding the OP Bank Group's operations are the following:

A People-first Approach

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

Responsibility

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

Prospering Together

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

STRUCTURE OF THE OP BANK GROUP

After the Pohjola transaction, the OP Bank Group handles the financial and insurance affairs of about four million customers – private individuals, companies and institutions. Almost a third of the customers are also owner-members of the cooperative banks. Furthermore, OKO Bank, which is listed on the Helsinki Stock Exchange, has about 30 000 shareholders, most of whom are private individuals.

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

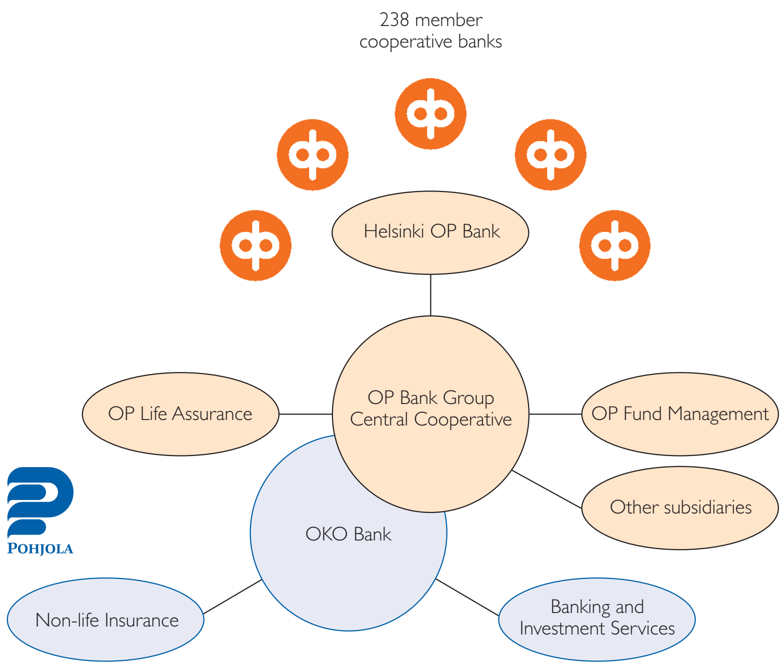
The Member Cooperative Banks

The cooperative banks are independent, local deposit banks that are engaged in retail banking. The member banks offer modern and competitive banking services to household customers, small and medium-sized business customers, agricultural and forestry customers and to the public sector in their area of operations. Corresponding retail banking operations in the Greater Helsinki area are the province of the Central Cooperative's wholly-owned subsidiary Okopankki Oyj (new name as from 3 March 2006: Helsinki OP Bank Plc).

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

The member banks have the corporate form of a cooperative, in which the basic values underlying decision making include the one member, one vote principle. A person can become an owner-member of a cooperative bank by paying a cooperative

The OP Bank Group



Customer service staffer Heidi Ruuska,
Helsinki OP Bank, Oulunkylä branch office.

contribution. The members, who are made up primarily of private individuals, elect from amongst their number their own bank's administrative staff.

The cooperative banks' basic capital consists of the cooperative capital and any supplementary cooperative capital. The total amount of cooperative capital investments by owner-members was €717 million at the end of 2005.

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

There were 238 member banks at the end of the year, one less than at the beginning of the year because Strömfors Andlesbank merged into Elimäen Osuuspankki in September. In January 2006, at the cooperative meetings of Eurajoen Osuuspankki, Kankaanpään Osuuspankki and Rauman Seudun Osuuspankki as well as at the representative assembly of Porin Seudun Osuuspankki, resolutions were passed on a merger and on founding the new Länsi-Suomen Osuuspankki. Länsi-Suomen Osuuspankki will start its operations during 2006. In addition, resolutions have been passed on merging Viekin Osuuspankki into Lieksan Osuuspankki and Hämeenkosken Osuuspankki into Päijät-Hämeen Osuuspankki. Both mergers are scheduled for completion during spring 2006.

In the summer, the OP Bank Group Central Cooperative's Supervisory Board approved the report on the long-term structural development of the OP Bank Group's member banks. Its central objective is to bring about an ongoing and constructive Group-wide dialogue on the structure which the member banks should adopt in order best to meet customers' service expectations. The preparatory stage involved consideration of this issue across the entire OP Bank Group, and the content of the report was discussed widely.

OP Bank Group Central Cooperative

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

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

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

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

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

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

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

The *Group Control's* task is to support the implementation of Group strategy across the member banks, to strengthen Group unity and to ensure continuous risk management and supervision when implementing the growth strategy. In addition, the task of Group Control is to monitor the OP Bank Group's best interests during the drafting of financial legislation and in the process of developing other standards both in Finland and internationally.

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

Programme for Developing Ways of Working and Processes

The Flexibility development programme that was launched last year was continued in the report year. The first stage of the development programme kicked off in autumn 2004, when it was decided to go over to the Central Cooperative's new steering model for information technology and telecommunications (ICT). Concurrently, the ICT function was reorganised.

The principles of promoting the OP Bank Group's internal mobility were confirmed in the second stage of the development programme in spring 2005. The objective is to make use of job rotation as a natural way of developing competence and as a means of making internal mobility within the organisation a part of the Central Cooperative's normal activities.

In the third stage of the development programme in autumn 2005, comprehensive real-time monitoring of job execution was introduced. The aim was to enable work efforts to be channelled towards the right things from the standpoint of the Central Cooperative's goals, to help even out work loads and to improve the way projects are managed.

Shareholding Structure

The Central Cooperative holds 30.2 per cent of the shares in its most important subsidiary, OKO Bank, giving the Central Cooperative 57.0 per cent of the voting rights in the Group's central bank. As part of the Pohjola transaction, in autumn the

Direct Shareholdings in the OP Bank Group

Shareholding, % 31 January 2006	Member cooperative banks	OKO Bank	OP Bank Group Central Cooperative	OP Bank Group total
OP Bank Group Central Cooperative	100.0			100.0
OKO Bank	11.7		30.2	42.2
Okopankki Oyj			100.0	100.0
OKO Venture Capital Ltd		100.0		100.0
Opstock Ltd		85.0		85.0
FD Finanssidata Oy			70.0	70.0
Pohjola Life Insurance Company Ltd			100.0	100.0
OP Bank Group Mortgage Bank plc	51.7		44.4	100.0
OP Life Assurance Company Ltd	27.2	15.0	57.8	100.0
OP-Kotipankki Oyj	60.7	16.9	18.5	100.0
OP Fund Management Company Ltd			100.0	100.0
OP Bank Group Mutual Insurance Company	78.5		14.9	100.0
Pohjola Asset Management Limited		100.0		100.0
Pohjola Fund Management Company Limited			100.0	100.0
Pohjolan Systeemipalvelu Oy			100.0	100.0
Pohjola Group plc		90.1		90.1

Central Cooperative purchased from OKO Bank the entire shares outstanding in Okopankki Oyj (new name as from 3 March 2006: Helsinki OP Bank Plc), which carries on retail banking in the Greater Helsinki area.

The Central Cooperative's holdings in the other principal companies belonging to the OP Bank Group are as follows: 70 per cent of FD Finanssidata Oy, 44.4 per cent of OP Bank Group Mortgage Bank plc, 57.8 per cent of OP Life Assurance Company Ltd, 18.5 per cent of OP-Kotipankki Oyj, 100 per cent of OP Mutual Fund Company Ltd, 100 per cent of Pohjola Fund Management Company Limited and 100 per cent of Pohjolan Systeemipalvelu Oy. In addition, the Central Cooperative owns 14.9 per cent of the OP Bank Group Mutual Insurance Company. Other shareholdings are set out in the accompanying table.

OKO Bank and its Subsidiaries

The OP Bank Group Central Cooperative's largest subsidiary, OKO Bank, is a commercial bank which acts as the OP Bank Group's central bank and is responsible for the Group's liquidity and for handling its international operations. OKO Bank's businesses as from the beginning of 2006 are Banking and Investment Services and Non-life Insurance. The four divisions of the banking and investment service business are Corporate Banking, Capital Markets, Group Treasury and Asset Management. Non-life insurance operations are carried on by Pohjola Non-Life Insurance Company Ltd.

OKO Bank's shares are divided into Series A and Series K shares. Series K shares can be owned solely by the OP Bank Group Central Cooperative as the Group's central institution as well as by cooperative banks and banks having the legal form of a limited company pursuant to the Cooperative Bank Act. The Series A shares are quoted on the Helsinki Stock Exchange.

Pohjola Group plc became a subsidiary of OKO Bank on October 18, 2005. Pohjola is one of Finland's leading non-life insurers, with a 26 per cent market share of premiums written. Pohjola transacts non-life insurance business in Finland through three companies. Pohjola Non-Life Insurance Company Ltd is a general life insurer, A-Insurance Ltd is specialised in non-life coverage for commercial carriers and Eurooppalainen focuses on travel insurance. In the Baltic countries, where Pohjola has a market share of about 6 per cent, non-life insurance is handled by the local Seesam subsidiaries.

Opstock Ltd, OKO Bank's subsidiary that carries on investment service operations, is to be merged into OKO Bank by the end of September, 2006. Opstock Ltd's asset management operations were combined in March with those of OKO Bank's wholly-owned Pohjola Asset Management Ltd, which then changed its name to *OKO Asset Management Ltd.* The corporate finance business that was previously carried on by Opstock Ltd is to be transferred later in spring 2006 to *OKO Corporate Finance Ltd* founded by OKO Bank.

OKO Venture Capital Ltd is engaged in the private equity business and manages venture capital funds.

Other OP Bank Group Central Cooperative's Major Subsidiaries

Helsinki OP Bank Plc (former name: Okopankki Oyj), is engaged in retail banking in the Greater Helsinki area. The Central Cooperative purchased Okopankki from OKO Bank as part of the Pohjola transaction in autumn 2005. At the end of the year, Okopankki and the Central Cooperative's wholly-owned Optum Oy were merged. On 3 March 2006, Okopankki changed its name to Helsinki OP Bank Plc.

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

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

OP Bank Group Mortgage Bank plc, acting via the member cooperative banks, grants long-term housing loans against full collateral. The Bank funds its operations by issuing OP Home Mortgage Bonds.

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

FD Finanssidata Oy handles the OP Bank Group's IT service-provision systems and support.

On December 30, 2005, the Central Cooperative purchased the entire shares outstanding in Pohjola Mutual Fund Company Ltd and Pohjolan Systeemipalvelu Oy, and on January 16, 2006, it purchased the entire shares outstanding in Pohjola Life Insurance Company. The functions of these companies will be combined in 2006 with the functions of the Central Cooperative's corresponding companies or will be merged directly into the Central Cooperative (Pohjolan Systeemipalvelu Oy).

Other Institutions

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

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

Corporate Governance of the OP Bank Group

The OP Bank Group is composed of two parts: the amalgamation of the cooperative banks and the rest of the OP Bank Group. Together they form a financial and insurance conglomerate.

The amalgamation of the cooperative banks includes the OP Bank Group Central Cooperative, which is the central institution, OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) and the other member credit institutions of the Central Cooperative as well as those credit and financial institutions and service companies in which the above-mentioned hold more than half of the voting rights. Under law the amalgamation of the cooperative banks is monitored as a single entity, and the central institution and its member credit institutions are ultimately responsible for each other's liabilities and commitments.

All in all, the OP Bank Group is comprised of the amalgamation of the cooperative banks and companies in which one or more company belonging to the OP Bank Group hold more than half of the total votes. Accordingly, the extent of the OP Bank Group differs from the extent of the amalgamation of the cooperative banks in that the OP Bank Group subsumes companies other than credit and financial institutions. The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate.

The legal structure of the OP Bank Group and the amalgamation of the cooperative banks is discussed in greater detail in the consolidated financial statements, which are annexed to this publication.

Within the member cooperative banks, the highest decision-making authority is exercised by the cooperative meeting or assembly, which elects a Supervisory Board for the Bank. The Supervisory Board in turn elects for the Bank an Executive Board whose members are made up of both owner-members and representatives who are Bank executives.

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

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

In April 2005 the Cooperative Bank Act was amended such that a supervisory board is no longer a mandatory body for OKO Bank. OKO Bank's Executive Board has prepared a proposal to the Annual General Meeting to be held in March 2006 on abolishment of the Supervisory Board and replacing the internal Executive Board with a non-executive Board of Directors.

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

OPERATIONS OF THE OP BANK GROUP

Owner-members

The number of the cooperative banks' owner-members continued to grow, registering an increase in the report year of 28 000 members and a total of 1 133 000 owner-members at the end of the year. Furthermore, the preferred customer clientele of Helsinki OP Bank plc (former name: Okopankki Oyj), which operates in the Greater Helsinki area, grew by 2 000, to total 130 000 preferred customers at the end of the year.

Customer-owners and preferred customers receive the same financial benefits, the most important of which are bonuses that customers earn for doing their banking with us. They are earned automatically each month when an owner-member of preferred customer – a bonus customer – has a transaction volume, personally or on a family basis, amounting to €5 000. Bonuses can be used to pay bank service charges and the bank pays the rest of the bonuses in cash. The bank handles all this automatically.

During the report year, bonus customers earned a total of €43 million in bonuses, and they used them for different services to a value of €34 million. In addition, they were paid cash bonuses totalling €8 million. A year ago, bonuses amounted to €39 million, of which €27 million was used to cover bank services.

When joining as an owner-member of a cooperative bank, the member pays the cooperative contribution which is set in the bank's statutes. Owner-members' cooperative capital investments remained at the same level as in 2004 and were €717 million. According to advance information, the member cooperative banks will pay a total of €16 million in interest on the cooperative capital.

Owner-members and spreferred customers are sent the quarterly OP magazine, which presents timely information on banking, financial and investment matters. According to the Customer Magazine Survey 2005, published by the Finnish Periodical Publishers' Association, OP is the best known customer magazine in the financial sector in Finland.

OP magazine is rounded out by the Mainio.net online portal, which offers information for a variety of needs, such as household matters and personal finances. Mainio.net's number of visitors has grown continuously and was on average 180 000 unique visitors monthly in 2005. Benefits offered by companies who are partners of the OP Bank Group are published in OP magazine and on Mainio.net.

Customers

The OP Bank Group's mission is to promote the sustainable prosperity and well-being of its owner-members, customers and the operating environment. This calls for a good knowledge of customers and in practice implies wide-ranging customer analysis together with active and correctly targeted contacts with customers, making use of the service channel that is best suited to each customer and each situation. Customer knowledge revolves around regular surveys of customer needs, on the basis of which suitable package solutions are offered to the customer. The objective is long-term total customer relationships, and a corollary aim is to increase the value of such relationships, both for the customer and the bank.

The Pohjola transaction increased the OP Bank Group's clientele substantially. At the end of the year, the OP Bank Group (excl. Pohjola) had 3.1 million customers, 21 000 more than a year earlier. At the end of the year, the Pohjola companies had more than 1.5 million customers, 45 per cent of whom were also customers of the rest of the OP Bank Group. Accordingly, the OP Bank Group's total number of customers was about 4 million. Boosted by the Pohjola transaction, the OP Bank Group is able to offer its customers better package solutions and customer benefits than before.

According to a change-of-bank survey conducted by TNS Gallup, 38 per cent of Finns are using the OP Bank Group as their main bank, a gain of one percentage point during the report year. The results of a nationwide survey which Add Value Research Finland Ltd made of small and medium-sized enterprises indicates that the corresponding proportion for SMEs is 36 per cent. According to the RISC Monitor 2005 survey that was conducted by MDC RISC International Oy, 19 per cent of Finns take out non-life policies with Pohjola.

With the Pohjola transaction, the OP Bank Group became a financial and insurance conglomerate, thereby making

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

possible efficient cross-selling of products. Being able to operate within the same group of companies will offer new potential to combine the best know-how and to make inputs into comprehensive co-operation across sectoral boundaries.

At the end of the year, the OP Bank Group and Pohjola announced a joint customer benefit: those customers who are both bonus customers of the OP Bank Group and Pohjola's preferred customers will receive a household contents policy for one year free of charge. About 71 000 households will be eligible for this full-patronage bonus, extending its scope to a total of about 180 000 people. In addition, the benefit will also be offered to those new households who concentrate their banking and insurance dealings with the OP Bank Group during 2006.

Long-term development of the OP brand continued in 2005. The results of this work are reflected in the strong corporate image indicated in surveys: there is a strong perception of a knowledgeable, reliable, successful and Finnish bank. According to a corporate image study commissioned by the OP Bank Group, the member banks again received better marks on the above-mentioned factors from their retail customers than did the main competitors from their own customers. The same survey indicated that for non-customers too, the perception of the OP banks was the best of all the Finnish banks. Amongst SME customers too, the OP Bank Group received better marks than competitors for the above corporate image factors.

In brand measurements of the insurance business that were made during 2005, the Pohjola brand ranked as the best-known insurance brand in Finland. Interest in Pohjola among people deciding on taking out an insurance policy also grew in 2005.

OP Visa and OP Visa Electron cards with a new look were introduced. At the same time, customers were able to choose their card's picture from four alternatives. The revamped cards convey the OP brand and Finnish design. The OP Bank Group took part in the Finnish Design Year 2005 project, which aimed to improve the profile of the design field and to expand the use of design in improving companies' competitiveness.

An international cooperative banks' visual arts competition was arranged for the 35th time. In 2005, a total of nearly 960 000 works from seven countries were submitted. Over 62 000 school children from more than 1 100 schools took part in the Finnish leg of the competition. This time Finnish school-agers won all the categories of the international competition in which Finland participated. The competition's theme this time round was outer space: "Let's Fly to the Stars".

More than 23 000 investors took part in the tenth NettiSijoittaja (Online Investor) competition that was organised jointly by the OP Bank Group and Kauppalehti, a financial daily, in October-November. There were two individual categories in the competition: General and Youth as well as an own team category for entrants from comprehensive schools, secondary schools, upper secondary schools and secondary level vocational institutes.

The OP Bank Group's annual charity donation in the report year was made to The Young Finland Association. The association will use the donated funds in its efforts to reduce and prevent children's weight, fitness and health problems by promoting all-round physical exercise.

Service Network

Bank customers continued to move en masse from a branch office to electronic services. Customers want a multichannel service network and high-quality service in each channel. A central requirement is that the service stays active anytime, anyplace, seamlessly and effectively, also when the customer moves from one channel to another during different stages of using the service. The channels of the OP Bank Group's multichannel service network are business locations, online services and Contact Centre activities.

Within its service offerings and sales, the OP Bank Group has for years now devoted resources to enhancing its multichannel service network and to developing a smooth and effective interplay between its individual component channels and the people who work in them. A guiding aim is to meet customers' expectations and to offer services more actively, efficiently and to higher standards of quality than ever before.

Follow-up development of advanced online services and the multichannel service model is one of the main priorities set out in the OP Bank Group's strategy. In the report year the member cooperative banks and the Central Cooperative moved ahead with the required development work and the introduction of new ways of working. Among the main thrusts were the development and implementation of multichannel sales management and service processes, the follow-up development of Contact Centre activities and a precise delineation of the tasks of the service channels and the division of labour. Towards the end of the year, the integration of Pohjola's functions within the multichannel service network was started.

Locations

At the end of 2005, the member banks had 680 locations, 30 less than a year earlier. At the end of the report year, Pohjola had over a hundred locations of its own. The revitalisation of the locations moved ahead and their functionality was developed energetically. By the end of the year, 120 member bank locations had been refurbished in line with the new branch office concept and the refurbishment of 30 locations had been started. Introduction of the new branch office model is moving ahead stage by stage as the member banks decide on the timetable for carrying out the refurbishment.

By the end of the report year, six joint branch offices of a member cooperative bank and Pohjola had been set up in the present premises of a member bank. During 2006, the vast majority of the remaining 102 Pohjola outlets will be converted to joint offices with a member bank.

At the end of the report year, the OP Bank Group had 606 payment ATMs, or 26 less than a year ago. OP Bank Group customers were also able to use Sampo Bank's 176 payment ATMs. As use of the Internet and mobile services spreads, payment ATMs will be used less. The volume of bills paid at payment ATMs during the report year was 18 per cent smaller than a year ago.

At the end of the year Automatia Pankkiautomaatit Oy, which is jointly owned by the OP Bank Group, Nordea and Sampo Bank, had 1 689 Otto. cash dispensers.

Online Services

The online service is the most important channel for handling daily banking. The number of online service contracts made with the OP Bank Group's banking customers grew by 10 per cent to 996 000 during the year. The number of online customer terminals in public facilities or at self-service outlets grew from 618 to 631.

At the end of 2005 already nearly 81 per cent of customers who had made an online service contract were using online services actively on a monthly basis. The widest use of the online bank is for paying bills, but there has also been a considerable increase in activity for investment, loan and information services.

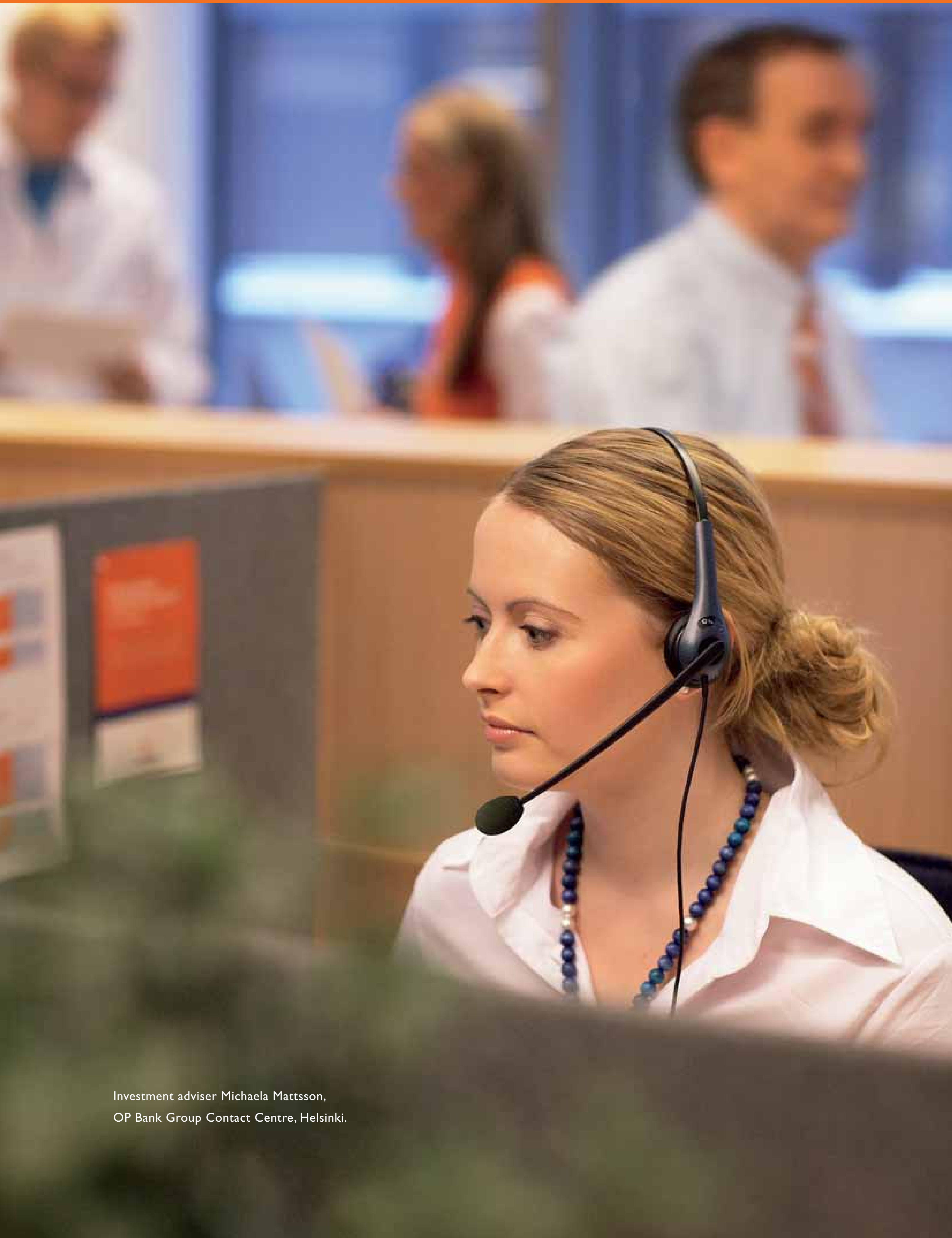
In 2005, paying bills over the Internet increased by 17 per cent compared with last year. Of all the bills paid by the OP Bank Group's customers, 68 per cent were handled via the Internet. Only about 5 per cent of bills were still paid using direct customer service at branch offices. The figure in 2004 was 6 per cent.

An online service contract activates all the electronic service channels for the customer with the same user ID. The **op.fi** online bank was overhauled completely in appearance, structure and technical characteristics during the year. The upgrade that has now been carried out offers customers clearly improved and more personal service on the Internet and at the same time paves the way for the development of online services over the years ahead.

Pohjola too has invested in improving the usability of its online service in recent years. More than 130 000 customers visited Pohjola's online service monthly in the report year, and the number of visitors grew by 25 per cent over the year. The volume of customer transactions doubled, reaching nearly 70 000 a month. Towards the end of the report year, work was started on combining the online services of the OP Bank Group and Pohjola. The integration is expected to deliver cost-effectiveness by moving to a joint ICT architecture.

Contact Centre Activities

Contact Centre activities form one of the OP Bank Group's three customer service channels. The purpose of the centre is to offer customers personal banking service over the telephone and by means of other electronic channels. Contact Centre activities consist of the member banks' online and Call Centre



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

units together with the "one-window" Call Centre, which operates in three localities: Helsinki, Joensuu and Vaasa.

The "one-window" Contact Centre rounds out the member cooperative banks' customer service and sales efforts. All the OP Bank Group's retail and corporate customers are covered by the services. During the report year, the Contact Centre handled 786 000 customer contacts by phone and over electronic channels. The volume of customer contacts was up 33 per cent on the previous year.

When getting in touch with customers, the Contact Centre focuses on selling the kinds of services which customers are familiar with and can easily be agreed during a telephone conversation. Such services include international cards, continuous saving, consumer loans as well as add-on online services. More demanding service needs that are connected with the customer's life situation are handled in face-to-face meetings at a bank location.

The Contact Centre is also responsible for offering customers expert support related to the use of online services and payment transfers for companies as well as to put the know-how of the OP Bank Group's staff at the customer's disposal.

The introduction of a reachability service at 14 member banks meant an especially big increase in the Contact Centre's volume of operations in the report year. The service enables member banks to expand their service times, to devote greater attention to personal customer contacts and to make sure that customers have good access to services over the telephone.

According to a survey carried out by the market research company Taloustutkimus Oy, the Contact Centre's OP 0100 0500 telephone number again racked up the best marks in the Finnish financial sector. The survey was carried out by measuring the customer perceptions of 78 call centres in 10 industries. Among all the Finnish call centres, the OP 0100 0500 call centre rose to fourth place, from eighth place in 2004.

Pohjola's Call Centre

Customers can handle all their insurance, claims and savings and investment transactions through Pohjola's Call Centre 0303 0303. The Call Centres are located in Helsinki, Tampere and Kuopio, and they are staffed by a total of 261 employees.

In the report year, 550 000 calls came in from private customers to Pohjola's Call Centre, and it received 57 000 emails. The Call Centre for corporate customers handled about 100 000 telephone contacts and received 10 000 emails. The telephone Claims Service answered about 300 000 calls. The Call Centre for savings and investment services handled over 100 000 customer contacts.

Pohjola's Call Centre has set the target of responding to a customer call in under a minute and giving the customer a pleasant service experience. The average waiting time for private customers' calls to the Contact Centre was 48 seconds in the report year, and the service quality ranked best in the insurance field, according to the Teleperformance CRM Grand Prix 2005 survey.

Deposits and Loans

Aggregate deposits with financial institutions in Finland increased by 6.9 per cent to €81.3 billion. The OP Bank Group's total deposits at the end of the year amounted to €24.2 billion, an increase of 6.3 per cent since the end of 2004. The OP Bank Group's market share of Finnish financial institutions' euro-denominated deposits was 31.9 per cent. At the end of 2004 it was 32.3 per cent.

A large number of customers still favour the ease and security of deposits as a form of investment, and deposits are likely to retain a significant degree of popularity as a stable and safe investment in coming years as well.

The OP Bank Group's investment deposits increased by 10 per cent to €9.5 billion. The bulk of this is households' investment deposits. Households' current and payment transfer account deposits totalled €10.7 billion at the end of the report year, up just over 4 per cent compared with the figure a year earlier.

In April the OP Bank Group brought out on the market a new target account for savings. It rewards the customer according to the amount saved and the time the savings are held. Since October, customers have been offered the option of opening a target account using the online service.

The aggregate loan portfolio of the financial institutions grew by 12 per cent to €113.5 billion. The OP Bank Group's loan portfolio grew by 12.5 per cent and stood at €34.8 billion at the end of the year. Households accounted for 59 per cent of the loan portfolio, companies and institutions for 35 per cent and rural entrepreneurs operating in agriculture and forestry for 6 per cent. The OP Bank Group's market share of financial institutions' euro-denominated loans was 30.5 per cent at the end of the year. A year earlier it was 30.4 per cent.

Asset Management

The growth in asset management services has been, as expected, faster than the overall growth in the bank market. The mutual fund market continued on a favourable trend and the insurance market recovered from the dip caused in 2004 by the Siva project on regulation of competition in insurance products, which was later dropped. The OP Bank Group's strategic objective is to become the market leader in all its main business areas. Growth will be sought both in mutual fund and insurance saving, which are classified as long-term saving, and in investment services connected with custody, stockbroking and individual asset management.

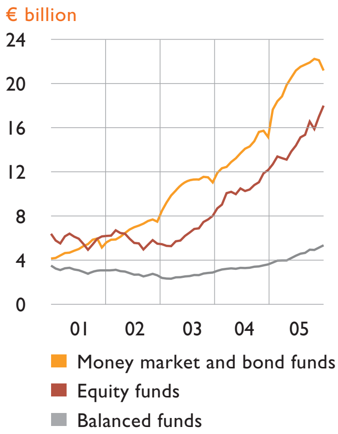
Active development in stockbroking and custodial services continued within the OP Bank Group. Among the priority areas in 2005 were services for active traders and an overhaul of pricing. A versatile analysis service was introduced within online services, and active investors were given a wider range of services by enabling them to do intra-day short selling. In pricing, the bank went over to tiered pricing in stockbroking and fixed pricing for custodial services. The new pricing provides an incentive for active traders and offers custodial services that allow the customer to diversify sensibly at no additional cost.

The OP-Private service for individual asset management is a fast-growing area of asset management. It is offered nationwide: 20 member banks have their own OP-Private unit, in addition to which a large number of member banks offer OP-Private investment consulting and full-mandate asset management in co-operation with Opstock Ltd and the OP-Private unit of another member bank.

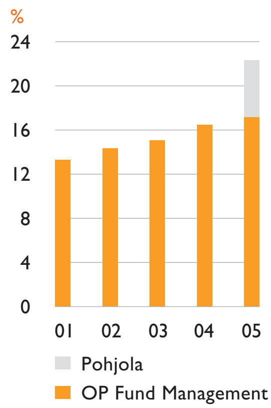
Mutual Funds

The total capital invested in mutual funds continued its robust growth. Over 7 billion euros of new capital was invested in funds registered in Finland in 2005. At the end of the year, the aggregate capital in Finnish mutual funds amounted to €44.7 billion, up 44 per cent on the previous year.

Mutual Fund Capital in Finland



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



Team leader Anu Hyrskyluoto,
Salon Seudun Osuuspankki

The Pohjola transaction made the OP Bank Group Finland's second-largest player in the mutual fund arena. At the end of the year, the aggregate capital in the OP Bank Group's mutual funds totalled €10.0 billion, an increase of €4.9 billion on the previous year. The Pohjola mutual funds contributed €2.3 billion to the growth figure.

The OP Bank Group's market share of the capital of mutual funds registered in Finland was 22.3 per cent at the end of the year, up 5.8 percentage points on the year-ago figure. The market share at the end of 2005 is the aggregate figure for the market shares of OP Fund Management Company Ltd and Pohjola Fund Management Company Limited.

At the end of the year, the OP Bank Group's share of mutual fund customers was 21.7 per cent. The Group had 71 mutual funds under management at the end of the year.

The capital managed by *OP Mutual Fund Company* increased by about 50 per cent to €7.7 billion in the report year. The Company's market share of mutual fund capital at the end of the year was 17.2 per cent, an increase of 0.7 percentage point since the end of 2004.

A net amount of €1.8 billion was invested in OP mutual funds during the year, as against €1.5 billion of net subscriptions in the previous year. In the report year, the OP Bank Group's mutual funds gained about 87 000 new unitholders, and at the end of the year there were about 377 000 unitholders in the different funds. OP Mutual Fund Company gained customer market share on its domestic competitors. The Company's customer market share rose to over 20 per cent, and it strengthened its position as Finland's second-largest mutual fund company by customer market share.

During 2005, OP Fund Management Company brought out on the market two new mutual funds. In May, the OP-Northern Europe fund and the Opstock Equity Hedge special investment fund were launched.

OP-Northern Europe is an equity fund that invests its assets in the shares of small and medium-sized companies that are quoted on the Nordic stock exchanges. Investments are made primarily in the equity markets of Finland, Sweden, Norway and Denmark. During the year, the fund's capital grew to about €100 million.

Opstock Equity Hedge is directed primarily at professional investors. The objective of the investment operations is to engage in active portfolio management in order to obtain a good absolute return in all market conditions, relative to risks taken by the fund.

At the end of the year, OP Fund Management Company Ltd had a total of 38 mutual funds under management.

Pohjola Fund Management Company Limited had €2.3 billion of capital under management at the end of the year and a 5.2 per cent market share of mutual fund capital. At the end of the year, the Company managed 33 mutual funds.

The operations of OP Fund Management Company Ltd and Pohjola Fund Management Company Limited will be combined during 2006. The companies' product ranges complement each other well and in future will offer a comprehensive spectrum of funds. Fewer funds will be offered, however, because some of them will be combined.

The assets of private and corporate customers managed by Opstock Ltd and Pohjola Asset Management Ltd and totalled €27.1 billion at the end of the year. Of customer assets under management, the proportion of investment assets of the OP Bank Group's mutual funds, life insurance companies and other companies belonging to OP Bank Group Central Cooperative Consolidated was €17.3 billion. Customer assets managed by Opstock Ltd grew by 24 per cent to €13.6 billion.

Insurance Saving

The life insurance industry saw favourable conditions in 2005, and the field's premium income grew by about 10 per cent on 2004. A major factor that increased premium income was a number of one-off dissolutions of pension funds. Premium income from savings and pension policies grew by just over 4 per cent. Sales of individual pension policies posted substantial growth, though they did not yet come up to the level seen in 2001–2003.

The Pohjola transaction reinforced the OP Bank Group's position a good deal within life and pension insurance. Customers' insurance savings with the OP Bank Group nearly

doubled on 2004 and totalled about €5 billion at the end of the report year. Pohjola's share of this growth was €1.5 billion. The OP Bank Group had a total of 409 000 policies under management.

During 2005 the OP Bank Group's market share of life and pension insurance savings grew by 6.8 percentage points to 17.8 per cent. The market share at the end of 2005 is the aggregate figure for the market shares of OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd.

OP Life Assurance Company's portfolio of products includes life, pension and investment policies as well as capitalisation agreements for companies. The Company's premium income hit an all-time high for its ten-year history, reaching €640 million, an increase of 34 per cent on the previous year. The bulk of the Company's premium income came from life insurance, amounting to €589 million. Premium income from pension insurance was €81 million. Unit-linked policies accounted for 53 per cent of total premiums written in pension insurance.

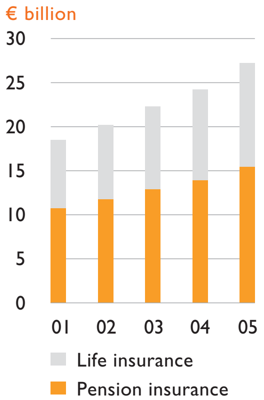
OP Life Assurance Company Ltd's market share of premium income from life and pension insurance increased from 16.5 per cent to 20.0 per cent. The Company's market share of life and pension insurance savings grew by 1.2 percentage points to 12.2 per cent.

Unit sales of pension policies climbed sharply, with the total sales figure reaching 15 300, a gain of 4 900 policies on the previous year. Unit sales of savings and investment policies were up 28 per cent. In 2005, OP Life Assurance Company was the market leader in unit new sales of both pension and savings policies. The market share of pension policies was 26 per cent, and it was 43 per cent for savings policies.

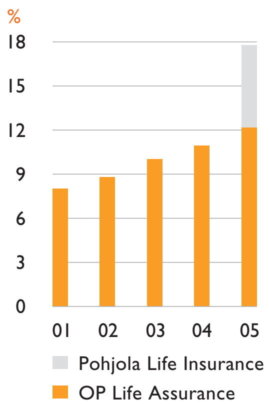
Pohjola Life Insurance Company's insurance savings totalled €1.5 billion in the report year and it had a market share of 5.6 per cent. The Company's premium income was €315 million and its market share of premium income was 10.4 per cent.

Pohjola Life Insurance Company will be merged into OP Life Assurance Company Ltd during 2006. The companies' product ranges complement each other. OP Life Assurance Company's present products are mainly savings and investment products, whereas Pohjola offers risk coverage and corporate insurance. When these products and services are combined, the result will be a company that can cater for private and corporate customers' life insurance needs all across the board.

Life and Pension Insurance Savings in Finland



OP Bank Group's Market Share of Insurance Savings



Non-life Insurance

With the Pohjola transaction, the OP Bank Group's operations expanded into non-life insurance. Pohjola is one of Finland's leading non-life insurers and it has a total of more than 100 customer service offices operating under the Pohjola or A-

Insurance brands. In future, most of these will be implanted in the branch offices of the member banks.

Pohjola's policies offer both private and corporate customers comprehensive non-life cover. In addition, Pohjola offers a wide spectrum of services connected with risk management and security. All in all, Pohjola has more than 1.5 million corporate and private customers. There are about 340 000 preferred customer households who take out their insurance with Pohjola. Some 45 per cent of Pohjola's customers are also customers of other OP Bank Group business areas. In future, synergy benefits will be sought, for example, through an increase in the joint customer base.

The OP Bank Group's objective is to become Finland's leading non-life insurer by means of an expanded service network, comprehensive financial services that are to be built for different customer groups as well as synergy benefits with the other main business areas.

Non-life insurance operations will be geared to profitable business by creating life-long security and well-being for customers. Apart from its market share target, Pohjola is aiming to be the leading innovator and personal security expert among Finnish providers of insurance services.

Premium revenue from non-life insurance in the report year was €744 million, an increase of 15.7 per cent. Premium income was €808 million. The full-year combined ratio for non-life insurance operations was 92.3 per cent. The return on equity was 24 per cent.

Pohjola has gained market share in Finland for a number of years now, and at the same time it is one of the most profitable non-life insurers in the Nordic countries, as measured by the combined ratio. Pohjola's market share of Finland's non-life insurance was 26 per cent in 2005.

Other Insurance Operations

To round out its own insurance business, the OP Bank Group has pursued co-operation with Genworth Financial, an internationally well-known insurer that is specialised in mortgage insurance, for nearly 12 years now. Genworth writes repayment insurance on the loans of private and business customers as well as grants long-term care insurance for private individuals, providing customers with financial security if a serious illness or accident should strike.

Following the Pohjola transaction, the OP Bank Group's co-operation with the Fennia Group and the Local Insurance Group was wound up at the end of the report year.

Housing Services

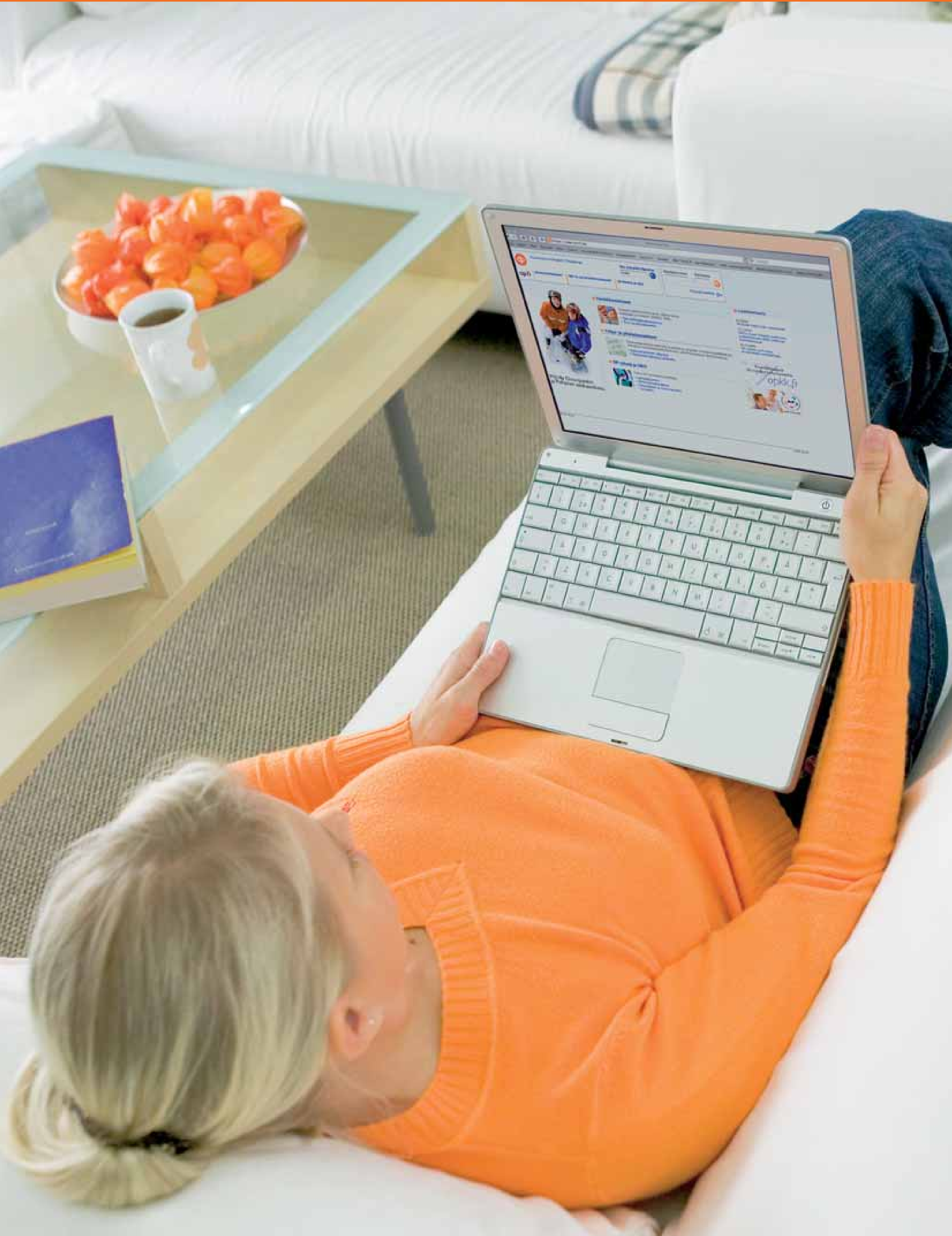
The low level of interest rates that has persisted for five years now maintained quite brisk house sales and home mortgage activity again in 2005. The booming demand for home mortgages was also attributable to continued strong consumer confidence and people's desire to upgrade to a better home. In recent years, the main reason for re-entering the home market has been that people want a more spacious and high-calibre home.

In the report year, Finnish households drew down nearly €19 billion in new home mortgages, on average more than one and a half billion a month. In June 2005, the aggregate amount of new home mortgages taken out with all Finnish financial institutions hit a record of over €1.9 billion. The slight uptick in interest rates that got started in September did not have a significant effect on home mortgage demand, and the aggregate euro-denominated home mortgage portfolio of financial institutions went over the 48 billion mark in December.

Households who are customers of the OP Bank Group drew down a total of €6.3 billion in new housing loans in the report year, an increase of 22 per cent on the previous year. The Group's portfolio of household mortgages grew by over 15 per cent to €16.4 billion in the report year. OP Bank Group's market share of financial institutions' euro-denominated housing loans was 34.0 per cent at the end of the year. At the end of 2004 it was 34.5 per cent.

In the mortgage market, the average margin on home loans declined on the previous year, and for the OP Bank Group too, the average margin on a home mortgage narrowed by 0.2 percentage point in December compared with the margin a year earlier.

The slight rise in interest rates in the second half of the year led to higher demand for interest-capped and fixed-rate mortgages. By the end of 2004 the OP Bank Group had brought out on the market an interest-capped home mortgage.



Towards the end of the report year, the number of these mortgages grew markedly more than in the first half. In autumn 2005 the OP Bank Group also brought out on the market long fixed-rate home mortgages. The customer can take out a mortgage or part of it such that the length of the fixed-interest period can be up to 20 years.

In the Finland Today survey carried out by Taloustutkimus Oy for 2005, the OP Bank Group's Home Buyer's Service was rated best by its customers for all four of the criteria studied: interest rate level, loan period, flexibility and expertise.

Home mortgage financing by OP Bank Group Mortgage Bank plc is a part of the OP Bank Group's housing services. Over a five year period, OP Mortgage Bank has granted loans to home-buying families and for new building and renovation projects by housing corporations. During the report year the Bank's loan portfolio increased by nearly 39 per cent and totalled €220 million at the end of the year. By the end of the year the Bank had issued €144 million of bonds and notes.

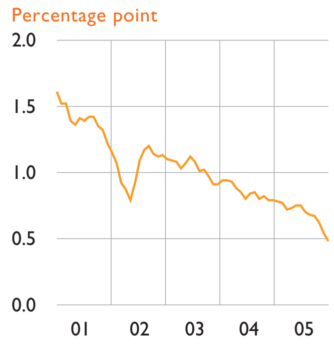
Insurance security is also part of the OP Bank Group's housing services. The bank takes an active part in offering home mortgage customers comprehensive payment protection insurance. This is an aid in repaying a loan if the customer's income suddenly drops, say, because of illness or unemployment. If the insured party dies or becomes seriously disabled, the payment protection insurance will be applied to the repayment of the entire remaining principal. Over 40 per cent of home mortgages eligible for repayment protection now have payment protection insurance coverage. The insurance is written by Genworth Financial. The OP Bank Group's Pohjola units offer home property insurance.

In the report year the member banks also took part in a nationwide home buyers expo in Oulu and in a leisure home expo in Parainen.

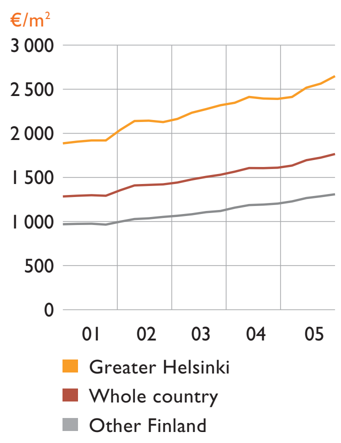
Property Brokerage

House prices rose substantially in 2005. Prices of old apartments were up 9 per cent nationwide. In the Greater Helsinki area, prices rose by 10.2 per cent, and elsewhere in Finland by 7.9 per cent. The difference per square metre of space between the metropolitan area and the rest of Finland has held steady at about 1 200 euros for a few years in succession. Especially in the housing market in the Greater Helsinki area, a factor that is still behind rising prices is the insufficiency of plot land need for building new houses and apartment buildings. House prices have nonetheless remained moderate in relation to household incomes, and Finns' degree of indebtedness is still one of the lowest in Europe.

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



Average House Prices



OP-Kiinteistökeskus was Finland's largest chain of estate agents again last year, as measured by the number of transactions completed. In 2005 the OP-Kiinteistökeskus outlets made a total of about 16 500 sales, an increase of 14 per cent on the figure a year ago. OP-Kiinteistökeskus opened 9 new locations and service outlets in 2005, and the number of staff grew by a good tenth.

The gentle uptick in interest rates in 2006 is likely to exert a drag on the record level of mortgage demand, but the volume of house sales is forecast to be roughly on a par with the figures over the last years. Population flows between provinces and within them are bringing a nearly stable number of home buyers and sellers into the real-estate market. The rise in house prices is expected to even out in 2006.

The Internet has firmly established its position as a channel for buying and financing a home. By now, three out of four customers mention the Internet as the most important source of information when they are in the process of buying a home. The development of electronic services alongside personal service will again be one of the main development areas for the OP Bank Group's Home Buyers' Services in 2006.

Consumer Finance

The low level of interest rates maintained brisk demand for consumer loans in 2005. Demand was also buoyed by consumers' increased purchasing of consumer goods. Indeed, a few new international players appeared on the Finnish consumer loan market during the year.

The OP Bank Group was able to meet this tougher competition and to increase its portfolio of consumer loans faster than the market average. All in all, the OP Bank Group's portfolio of consumer loans grew by 14 per cent to €2.5 billion. The bulk of the OP Bank Group's consumer loans consists of secured consumer loans. The portfolio of secured loans grew by 9 per cent to €1.8 billion during 2005.

Within the OP Bank Group, unsecured consumer credit is handled centrally by OP-Kotipankki, whose loan portfolio increased by 30.2 per cent to €317 million during the report year. Among the most important factors driving the strong growth were the launch of new products in spring 2005 as well as the good sales and active take-up of OP Visa credit cards.

The average prices of consumer loans fell during the report year compared with a year ago, and for the OP Bank Group too, the average margin narrowed slightly from 2004.

One of OKO Bank's priorities has been to develop and grow finance granted to consumers via retailers, and this line of business responded by rising 19 per cent in the report year. Finance for the motor trade was up 20 per cent.

Accounts, Cards and Payment

The OP Bank Group offers its customers a variety of tools for handling their daily finances. In the report year, customers who made use of online services again received new tools for paying bills and managing their own finances.

The online service that was overhauled in October brought users a new, easier way of paying bills. The OP Bank Group was the first bank in Finland to introduce an eBilling service for retail customers. It offers OP Bank Group online banking users the possibility of receiving eBills that conform to the banks' joint Finvoice standard. Previously, only companies have been able to receive invoices in conformity with this standard.

In eBilling, a paper bill is replaced by an electronic bill that is sent down the line to the online bank. The customer receives the bill directly to his or her online bank, where they can approve the bill for payment. Customers can also elect to receive an email message or a text message (SMS) to their mobile phone when a bill comes in. Bills are stored in the online bank for as long as the customer wishes. The customer can also opt for automatic payment, whereby the bills are debited from the person's account without separate approval. In coming years, the eBilling service is expected to replace direct debits and the vast majority of paper bills. At the end of December 2005, over 4 000 retail customers had begun using eBilling.

Another means of handling paperless transactions is by means of an online bank statement, which saw a 58 per cent gain in popularity from the previous year. An online statement makes it possible to follow account transactions via the online bank over a two-year period. Of all bank statements received by retail customers, 20 per cent were online bank statements at the end of the year.

Online banking is gathering pace as a service channel that gives customers broad scope in handling their banking needs and managing their personal finances. The My Finances service that was made available to customers in 2004 saw a big increase in its use. It enables customers to track their household income and expenses effortlessly, prepare their own budget and monitor the actual figures, pull income and expenses together into different categories and much more. The service automatically keeps tabs on transactions in the customer's accounts and prepares electronic reports on them as specified by the customer.

Cards

At the end of 2005, two million debit and credit cards had been issued to customers of the OP Bank Group. The total number of cards remained unchanged from 2004. The card mix emphasises the Group's policy of going over to the international cards in the Visa product family.

Towards the end of the year, payment-enabled cards accounted for 92 per cent of cards outstanding, as against 91 per cent a year earlier. The proportion of internationally accepted cards rose during the year from 51 per cent to 59 per cent of the cards outstanding. In numerical terms, there were over a million international cards in use at the end of the year. The number of Visa cards in issue grew by 151 000 during the year, whereas the number of cash cards for use at a cash dispenser and domestic debit cards decreased by about 172 000. The OP Bank Group's cards accounted for nearly half of all the Visa cards issued in Finland.

The volume of payments made by card increased by 14 per cent on the previous year. The volume of cash withdrawals, however, was down 9 per cent. Towards the end of the report year, the volume of card payments had already more than tripled compared with the volume of cash purchases.

Using the payment time facility provided with OP-Visa cards, the OP Bank Group's customers made an estimated 28 per cent more purchases and cash withdrawals than in 2004.

The Citizen Certificate that can be activated in an electronic identification card issued by the police authorities and in the OP Bank Group's OP-Visa Electron card makes possible the wide and secure use of all banking services and can also be used to make legally binding agreements at one's own computer without visiting a bank branch office. The card can also be used to pay other service providers, such as the authorities. Towards the end of the year, more than 20 public authority or business services were offering their customers the possibility of using the Citizen Certificate. Over 70 000 cards incorporating a Citizen Certificate had already been distributed in Finland.

Verified by Visa established its position as a secure system of making payments on the Internet. Towards the end of the year, 250 Finnish online merchants had introduced the system. At the time of purchase, the Verified by Visa system identifies reliably both the payer and the seller, thereby reducing considerably the possibilities of fraud in online shopping.

At the end of 2005, a total of 540 000 of the OP-Visa or OP-Visa Electron cards issued by the OP Bank Group had been converted to chip cards. The chip incorporates an EMV facility, which is a secure payment system that has been jointly developed by Europay, MasterCard and Visa. This allows the customer to acknowledge a purchase by keying in the four-digit PIN code instead of signing a chit.

During the year, work was started on bringing the card business in line with the requirements of the EU's SEPA (Single European Payment Area) system. It is a requirement for going over to debit cards in accordance with the SEPA standard that issuing cards intended solely for national use ceases after a specified transition period. All the cards issued in the SEPA area must be able to be used in the entire SEPA area just as they are in their home country.

Services for Corporate Customers

As set out in its strategy, the OP Bank Group is seeking to expand its market position, especially as the bank of small and medium-sized enterprises in all the subareas of corporate banking. A special priority for the OP Bank Group is payment services and asset management for companies and institutions, as well as the arranging of finance in the capital markets for large and medium-sized companies.

According to a nationwide SME survey, companies' general perception of the OP Bank Group ranks highest among the

Finnish banks. Companies consider the OP Bank Group a reliable and successful – as well as knowledgeable – Finnish partner. Customer satisfaction also shows up in the form of loyalty, which the SME survey showed to be strongest amongst the customers of the OP Bank Group.

At the end of 2005, the OP Bank Group had about 360 000 corporate customers. According to a nationwide survey of Finnish banks conducted by Add Value, 43 per cent of SMEs name a member bank of the OP Bank Group as their provider of finance. By this yardstick, the Group is the largest player in the market.

In November 2005 the OP Bank Group's long-term development work on managing customer relationships received international recognition. The Group's corporate banks received the CERS Best-in-Progress Award in recognition of the corporate banking division's achievements and as an incentive for carrying out further development work. The Centre for Relationship Marketing and Service Management (CERS) of the Svenska handelshögskolan (the Swedish School of Economics and Business Administration) conferred the award for the seventh time now. The award was granted on the basis of a statement made by an international jury.

The business combination of the OP Bank Group and Pohjola will also bring significant benefits for the corporate banking business. The OP Bank Group has the leading market share within small companies, whereas Pohjola has a strong market position amongst its clientele of larger SMEs. In future, the new, expanded OP Bank Group will be able to offer corporate and institutional customers considerably more comprehensive banking and insurance services.

Payment Transfers and Cash Management

In the markets, the OP Bank Group's competitiveness as a reliable and knowledgeable handler of payment transfers has strengthened further. The volume of domestic payment transfers grew by just over 8 per cent, and 358 million domestic payment events were processed in Finland in the report year. The OP Bank Group further increased its share of foreign payment transfers, with the volume up 24 per cent on the previous year.

During the report year, big strides were made in placing financial administration on an electronic footing. Notably, eBilling expanded considerably, and the use of chip payment terminals that provide greater safety for card payments also spread.


Sales associates Paula Lehto and Mika Lindfors, OP Bank Group Contact Centre, Helsinki.

Ever since 2004, the OP Bank Group has offered services for sending and receiving eBills. In 2005, thousands of companies joined the ranks of enterprises using eBilling. The volumes of invoices sent and received increased several fold on the previous year.

In October 2005 the OP Bank Group likewise expanded access to eBilling to retail customers. This was important for companies as well, because the participation of households in the system will enable companies to go over to a degree of electronic financial administration that is far wider in scope. The first company to begin eBilling for retail customers was Elisa Corporation, which introduced eBilling in mobile phone bills sent to the OP Bank Group's customers.

Corporate accounts were provided with expanded facilities in the report year. Various alternatives for interest calculation made it possible to tailor the accounts to the individual needs of customers. The corporate cash pool account was also renewed during 2005. A cash pool account can now also be opened in a foreign currency. The corporate cash pool service is a solution for corporate customers' cash management needs and for planning payment liquidity.

EMV chip payment terminals were introduced in Finland in thousands of businesses during 2005. The use of chip-on-a-card payment speeds up cashiers' work, and the terminals are also more secure than previous magnetic stripe cards.

The OP Bank Group's payment terminal customers have been able to make use of chip payment terminals ever since the end of 2004. EMV is a debit card standard developed by the international credit card companies MasterCard and Visa.

In 2005 work was also started on preparation for a single euro payment area. The EU Commission and European Parliament, together with the European Central Bank, are seeking to create a Single Euro Payment Area (SEPA). This will include the EU and ETA countries as well as Switzerland, a total of 29 countries. Common European payment transfer services will come out on the market beginning in 2008, when it will be possible to offer all customers in the SEPA area uniform account transfers and direct debiting.

During 2005, the banks participating in the payment transfer co-operation headed by the Finnish Bankers' Association have prepared a presentation of their views on the effects SEPA will have on banking in Finland. The OP Bank Group has participated actively in this work and is taking steps to offer its customers the benefits of future European payment transfer services.

Financing Services

The financial institutions' euro-denominated corporate loan portfolio increased by slightly less than 10 per cent to just over €39 billion during the report year. The OP Bank Group's euro-denominated corporate loan portfolio grew by €700 million, with the total portfolio rising to nearly €10 billion. The portfolio increased by nearly 8 per cent on the previous year. The OP Bank Group's market share of corporate loans was 24.9 per cent at the end of the report year, on a par with the figure a year earlier. New corporate loans were drawn down in the OP Bank Group to a total of €5.5 billion, or 16 per cent more than a year ago.

The OP Bank Group's market share of finance company products has risen by 8.5 percentage points in five years. At the end of the year, the portfolio of finance company products amounted to €2.1 billion and the market share of the aggregate loan portfolio of the Finnish Finance Houses Association members was 33 per cent. In 2004, the corresponding figure was 31 per cent. In investment finance the market share was 51 per cent, making OP Bank Group the market leader.

The OP Bank Group's development efforts in line with its strategy also extended to services. In June the OP Bank Group brought out on the market an interest-capped corporate loan for business and institutional customers. It brings significant advantages to the ways in which SMEs and institutions can manage interest rate risk. The OP Bank Group's position as an intermediary in carrying out ownership changes was strengthened when OKO Venture Capital Ltd brought out on the market a capital loan intended for SMEs' changes of owner. The needs of small companies can be met better by granting equity financing as part of a financing package.

As part of OKO Bank's leasing and hire-purchase credits, a new online service was opened for sales partner businesses, facilitating better co-operation between the OP Bank Group and retailers.

Asset Management Services

In the area of corporate asset management services, 2005 was a time of strong growth. Assets of corporate and institutional customers under management with the OP Bank Group grew by €830 million in the report year. The total amount of assets grew by 13 per cent to €7.2 billion. Corporate customers' financial assets consist of the aggregate amount of deposits, mutual fund units, insurance savings, equity and bond investments as well as money market investments.

Investing short-term excess cash funds is an essential part of a company's cash management. Money market funds gained in importance as an element of corporate and institutional customers' asset management. During 2005 more and more companies also began to automate the investment of their liquid funds by going over to the use of automatic liquidity transfer services. Online investment services for companies and institutions improved in 2005 when it became possible to monitor mutual fund subscriptions, redemption and exchange orders as well as holdings.

Pension insurance policies for companies grew in popularity in 2005. Company pension insurance was used to supplement entrepreneurs' pension security or to reward a company's key employees and cement their commitment.

Co-operation Abroad

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

OKO Bank belongs to the Unico Banking Group, which is composed of European cooperative banks. In 2005 the Unico Banking Group again comprised six full members and two associate members. The Unico banks are the central banks of major retail banking groups in their home countries. The Unico banks had aggregate total assets in 2004 of over €2 600 billion. The banks employed 475 000 people and had altogether more than 36 000 branch offices. The Unico member banks' aggregate market share of the European loan market is over 17 per cent, and it has 21 per cent of the deposit market.

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

The focus of Unico co-operation in 2005 was on the development of payment transfer and cash management services as well as international capital market and financing services and on offering these to companies. The Unico banks participated actively in harmonising the EU's payment transfers, one example of which was an extensive payment transfer conference that was arranged jointly in Paris by three cooperative banking groups (Unico, EACB and CIPB). The co-operation network for the UniCash cash management service expanded beyond Europe's borders when Bank of America joined it. The network comprises banks outside the Unico organisation as well: all in all, 27 banks in 24 European countries and one in the United States. The UniCash cash management service offers the OP Bank Group's corporate customers Europe-wide liquidity and cash management services via a single banker. Unico Carlease is an international co-operation body that is specialised in managing vehicle sale transactions. Apart from the Unico countries, the service also covers, notably, the UK, Russia, the Baltic countries and North America.

Co-operation under the agreement between OKO Bank and Bank of America within the OP Bank Group's cash management services for corporate customers has been intensified and expanded. Co-operation with this global bank will round out the UniCash service palette.

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

The EACB (European Association of Co-operative Banks), is another co-operation body in which the OP Bank Group has representatives (notably, chairmanship of the Payments System Working Group). Among the EACB's tasks is to inform its members on the EU's main development projects, to further the joint interests of its member banks in them and to take part actively in developing SEPA.

Co-operation between OKO Bank and the European Investment Bank continued. Up to now, OKO Bank has already served as an intermediary for EIB loans to municipalities and the subsidiaries of municipalities. Under the present agreement, OKO Bank will serve as an intermediary for EIB financing for the needs of SMEs as well.

Events and Co-operation in Finland

The OP Bank Group's co-operation and dialogue with prominent bodies in business life continued actively in the report year, as in previous years.

In February the OP Bank Group took part in a Municipal Sector Financing and Economic Forum that was organised by Efeko Oy and The National Research and Development Association of Finnish Local and Regional Authorities. In May, the OP Bank Group also took part in a Local Government Management seminar that was arranged by the Federation of Finnish Entrepreneurs and brought together not only municipal decision-makers but also the chairpersons of the Federation of Finnish Entrepreneurs' local associations. In October the OP Bank Group made its traditional Finnish Woman Entrepreneur of the Year Award, in which the choice was made in good co-operation with a working committee of the Central Association of Women Entrepreneurs in Finland.

The Future of Entrepreneurship 2005 seminar was arranged in Helsinki in November. The annual seminar was now held for the third time. One of its highlights was the Entrepreneur of the Year 2005 Award in a competition arranged jointly by the OP Bank Group and Kauppalehti, a Finnish business daily. This year the award went to the company Serres Oy of Kauhajoki, and Mr Ilpo Martikainen of Iisalmi, was elected Business Manager of the Year 2005. The participants in the competition were companies with revenue in the range of 2 – 50 million euros and whose financial statement information was available by the end of September. The candidates were screened from among 6 500 companies by Balance Consulting Oy on the basis of key figures used in financial statement analysis.

The OP Bank Group participated in the report year for the third time in the nationwide Productive Idea competition that was arranged by the Finnish Junior Chamber of Commerce in conjunction with the Ministry of Trade and Industry, the Central Chamber of Commerce of Finland, Kauppalehti, Finnish Industry Investment Ltd, Tamro Corporation, the Federation of Finnish Entrepreneurs and the Association of Finnish Work. The Productive Idea competition is the most important social project sponsored by the Finnish Junior Chamber of Commerce, and for 27 years now, it has brought forth hundreds of innovative business ideas and spawned Finnish success stories.

During the past year the OP Bank Group figured prominently at a number of trade fairs and training events. The Group took part in events such as Subcontracting 2005, northern Europe's largest trade fair for the subcontracting industry, as well as Account and Tax Days 2005, the year's prime event for the accounting field, which is targeted at financial professionals.

The OP Bank Group signed an agreement with Hewlett Packard, Microsoft and Elisa-Corporation on starting up the EUGA programme (EU Grant Advisor) in Finland. The aim of the programme is to get the EU's financing programmes and SMEs' needs to dovetail better by making public grant programmes more widely known. EUGA will be a means of making it easier for SMEs to seek out grant financing and thereby to develop their operations and improve their prospects of success.

Services for Farm and Forestry Customers

Farm and rural business income rose by about 5 per cent in 2005, mainly thanks to a good harvest. Production costs increased somewhat, particularly owing to higher energy prices.

Sales income from private forests decreased slightly compared with the previous year. This was due largely to the industrial dispute in the paper industry in the spring and to a sluggish timber market in the autumn.

Agricultural investments declined somewhat on the previous year because prices of machinery rose and investments in pig farming facilities decreased owing to production-related causes. On the other hand, investments were spurred by the entry into force at the beginning of the report year of new bases for granting subsidised financing.

A record amount of interest-subsidised loans for agricultural purposes was drawn down. Demand for normal loans was also brisk. The OP Bank Group's portfolio of loans in the agricultural and forest sector increased by 6 per cent. The Group's share of bank financing for rural businesses remained roughly unchanged at about 61 per cent.

In the summer, Parliament passed legislation on applying the EU's new system of production aid in Finland. This so-called farm support system may pose problems for loans to farms. Under the new system, farm support has been decoupled from cultivated acreage, and this might lead to uncertainty about the price of a field and its value as collateral.

Services for customers engaged in farming and forestry were made more versatile, notably by creating an advance financing system for projects receiving EU programme support. For forest owners, a special forest account intended for long-term saving was developed. In addition, a new system of advance financing for timber sales went into use for forest owners who come within the scope of area-based taxation. Furthermore, the Group brought out a number of useful aids, such as guides on forest taxation and generational shifts. According to a survey conducted at the end of the year, customers were very satisfied with the OP Bank Group's services for farm and forestry entrepreneurs.

The OP Bank Group's magazine for forestry customers is also an important channel for keeping in touch with customers. The Forest and Investment Market Survey that comes out three times a year has also gained wide popularity. The website for farm and forestry customers was also revamped. Furthermore, the Farmit co-operation portal benefited from development work during the year.

A large number of different local and regional events were arranged for customers, many of them being carried out in co-operation with partners. The national Forest Days were held in Oulu, and during them opera singer Jorma Hynninen and silviculturalist Veijo Tidenberg were chosen Forestry Opinion-formers of the Year. The Annual Harvest Session was organised in Tampere to coincide with the Farmari agricultural fair. The awards for the nationwide Pro Maaseutu (Pro Rural) contest were also made at the Harvest Session. The main award went to the company Biovatti Oy of Vehmaa.

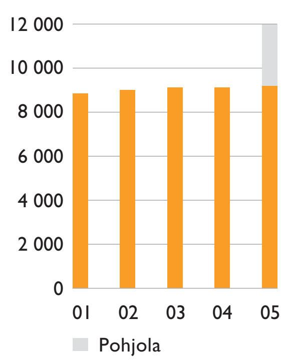
PERSONNEL

Structure of the Personnel

The OP Bank Group had a staff of 11 974 employees at the end of the report year, 2 788 of whom were Pohjola staff. At the end of the previous year, the OP Bank Group's personnel strength was 9 118. The increase in the total payroll was thus 2 856 employees, or 31.3 per cent. The staff of the Pohjola companies are not included in the comparative figures for 2004. Excluding Pohjola, the OP Bank Group's personnel grew by 68 employees. The member cooperative banks had a total payroll at the end of the year of 6 560 employees, the Central Cooperative Consolidated had 5 399 employees and OKO Bank, which belongs to it, had a staff of 3 254 employees.

At the end of the year, permanent staff made up 93 per cent of the personnel and full-time employees 95 per cent. During the year, the OP Bank Group had an average payroll (excluding Pohjola) of 9 341 employees, whereas Pohjola Group employed an average of 2 763 people. The average age of the OP Bank Group's personnel is 45.1 years. Women make up 76 per cent of the personnel. The Group's staff turnover is low. The average period of employment within the OP Bank Group (excl. Pohjola) is 19 years. The average service length of Pohjola Group's personnel has been 16.5 years. Employees who had been with the OP Bank Group for no more than three years made up 17 per cent of the total staff at the end of the year, against 14 per cent for Pohjola. More than 50 per cent of the OP Bank Group's personnel have more than 20 years of service, compared with 35 per cent of the personnel for Pohjola. It is estimated that over the next five years about 12 per cent of the staff will retire from the new OP Bank Group on an old age pension, and about 27 per cent over the next ten years.

Personnel



The member cooperative banks and the OP Bank Group Central Cooperative hired 238 permanent new employees in the report year. A total of 94 people were hired by Pohjola Group on permanent employment contracts. In the spring, ten people entered supervisor training at the Central Cooperative. During the approximately year-long training programme, versatile job tasks in combination with the OP Bank Group's own training packages provide a solid foundation for career development.

The OP Bank Group's personnel have the possibility of receiving profit-based bonuses and other incentives. In 2005, bonuses were paid to 7 363 employees, or 80 per cent of the personnel, within the OP Bank Group (excl. Pohjola). All Pohjola staff also are covered by incentive bonuses. At Pohjola, 2 396 employees received bonuses (90 per cent of the personnel).

The OP Bank Group Personnel Fund started up on January 1, 2005. Helena Reinikainen of Turku is serving as chairperson of the OP Personnel Fund's Council, and Sami-Pekka Ylikoski of Pori was elected chairman of the Executive Board. There were 259 OP Bank Group companies and about 9 000 members that had joined the personnel fund at the end of 2005, representing 93 per cent of the Group's personnel (excl. Pohjola). Alongside the OP Personnel Fund, the Group operates an equity bonus system for management. It has been introduced at 132 companies in the OP Bank Group.

In 2005 implementation of the Making Gender Equality a Reality in Enterprises project was continued in co-operation with National Research and Development Centre for Welfare and Health (STAKES) and Innotiimi Oy. The member cooperative banks and the Central Cooperative have made use of the practical models for equality planning that were formulated during the project when drawing up and putting into use equality plans and observing the long-term principles of developing equality based on them.

Investment adviser Janne Majander,
Helsinki OP Bank, Oulunkylä branch office.

Pension Security

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

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

The statutory pension security of the companies belonging to Pohjola Group has been arranged through pension insurance taken out with Ilmarinen Mutual Pension Insurance Company. Supplementary pension security has been arranged by means of voluntary pension insurance through Pohjola Life Insurance Company.

Developing Competence

Within the OP Bank Group, competence is developed from the perspective of strategy. The personnel are offered versatile training and development opportunities at the OP Academy, in their own workplaces and in the form of job rotation across the whole OP Bank Group. At the level of the individual employee, competence development is based on personal development plans that are drawn up during performance appraisal discussions.

The main competence development projects in 2005 were training courses for sales management and customer-oriented sales work. The OP Academy arranged sales and sales management training for 770 OP Bank Group executives and supervisors and about 2 000 salaried employees working in sales. In addition, the member banks organised their own sales training. The training programmes will continue in 2006. As in previous years, the development of competence connected with investment, financing and corporate services was continued, as was training for management and supervisors.

The OP Academy provides training that is tailored to the needs of the OP Bank Group's member banks. It accomplishes this using its own expert resources and by calling in external training partners. In 2005 the OP Academy arranged 369 training sessions in Helsinki and 437 in other parts of the country. About 21 000 people took part in them, and there were a total of 34 850 person training days. The OP Academy's online training has become increasingly popular in recent years, and in 2005 numerous new online courses reached completion for different subareas of banking.

In the report year, 123 people began a course of studies for managers and supervisors with the aim of earning an OP Academy diploma. Over a period of six years, a total of 1 144 people have studied for a diploma on these year-long courses. A course of studies leading to an OP Supervisor's diploma for new managers was started by 48 employees. The OP Successful Manager has a strong position as a basic diploma for the OP Bank Group's management. An OP-MBA diploma that has been tailored to the needs of the OP Bank Group has been completed or started by 141 managers or experts.

An investment industry diploma that is certified by the Finnish Association of Securities Dealers has been completed by 1 287 OP Bank Group employees. A total of 190 diplomas were earned in 2005. The OP Academy offers training to prepare for these examinations.

In addition to training for the personnel, the OP Academy arranges courses for the member cooperative banks' administrative officers. During 2005, the training was revamped, with a greater emphasis on good corporate governance and risk management. In addition, the member cooperative banks and the federations of cooperative banks arranged their own training sessions for the banks' administrative officers.

OP Bank Group companies (excl. Pohjola) spent 3.5 per cent of the personnel's total salary and wages on training expenses in 2005. The proportion showed an increase on the previous year owing to the Customer-oriented Sales and Managing Sales Training programmes that were carried out nationwide.

The priorities for competence development within Pohjola Group in 2005 were concerned with improving management and supervisor skills and training staff in dealing with new insurance products and systems. Thanks to the support of the information system that ties together competence management and training programmes and was introduced in 2004, Pohjola was able to target training and development measures effectively and precisely.

A total of nearly 200 training sessions on insurance, claims and systems were arranged. All in all, almost 1 500 people took part in them, or just over half of Pohjola's personnel. In the spring, the Management Development Programme was completed by 28 supervisors, and a new group of 30 supervisors started the programme in the autumn. The priority for other supervisor training was the development of interactive skills and human resources management.

There were a total of 13 200 training days, of which online study – an area that has grown strongly – accounted for just over 4 000. Each Pohjola staffer studied 6 working days on average. Pohjola invested 3.3 per cent of total salaries and wages on human resources development.

Well-being at Work

The furthering of job well-being continued in 2005 by developing work tasks and ways of working. A project that was carried out with the support of the National Workplace Development Programme (www.tykes.fi) and was launched in 2004 was seen to completion in June. The aim of the programme was to promote job performance and improve the quality of working life. The OP Bank Group's projects that tie in with the National Workplace Development Programme TYKES were carried out with experts from the Central Cooperative and Learning Systems Oy, a consultancy, as well as from three member banks and the Central Cooperative's Contact Centre. The development methods used in the projects were new for the participants. The process was felt to be stimulating and the results useful. The use of videos to analyse the present state in the workplace was an eye-opener and furnished skills for coping with changes and development measures. The concrete material that depicted practical situations and operating procedures quickly revealed development needs and ideas.

The job well-being of workplaces, salaried employees and supervisors was supported by means of various development, training and rehabilitation programmes as well as idea-swapping sessions, all of which aimed to provide new pointers on managing changes in work and ways of working, whilst also highlighting the development of one's own well-being.

Personnel surveys were carried out at 49 member cooperative banks and six outlets of the OP-Kiinteistökeskus real estate agents in the report year, and 2 619 people, or about 40 per cent of the member cooperative banks' staff, took part in them. The Resources Index, that measures ways of working, leadership, a customer-oriented employer image, the ability to change and the quality of job well-being remained at a good level. On the basis of the results of the personnel surveys, the necessary measures for developing workplaces and job well-being were started.

At Pohjola Group units, the personnel's job well-being has been measured by means of an annual survey that compiles and analyses indices for the employer image, job well-being and workloads. Development plans covering the entire company and all workplaces are prepared on the basis of the results, and their implementation is monitored regularly.

Pohjola has emphasised preventive actions in developing job well-being. In 2005 a model for managing working capacity risks was created and placed in use. It includes the early detection of risks and dealing with them, treating prolonged working capacity problems and ensuring a successful return to work after a long absence. Furthermore, programmes such as 50+ resource training sessions that strengthened the working capacity and professional self-esteem of ageing employees are arranged for the personnel. Because of the business combination with the OP Bank Group, training in coping with change was arranged for the entire personnel in autumn 2005.

THE CENTRAL COOPERATIVE'S CORPORATE GOVERNANCE

The Cooperative's Owners

The Central Cooperative's owners, i.e. its members, can be the credit institutions, pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions, whose Statutes or Articles of Association have been approved by the Central Cooperative. The Supervisory Board takes decisions on admitting new members.

A member is required to participate in the Central Cooperative by making a minimum of one hundred primary contributions of 170 euros to its cooperative capital. In addition, according to the Statutes, a member bears the obligation of making contributions for ordinary participations and supplementary participations on the basis of its capital adequacy calculation.

Under the Cooperative Bank Act, the OP Bank Group Central Cooperative is obligated to provide its members with instructions on how they should act in order to ensure liquidity, capital adequacy and comprehensive risk management as well as instructions for observing uniform accounting policies in preparing the consolidated financial statements of the amalgamation of the cooperative banks. The Financial Supervision Authority and the Central Cooperative supervise the amalgamation of the cooperative banks.

General Meeting of the Cooperative

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

If a member bank's Tier I own funds at the end of June of the previous calendar year – net of equity capital items originally provided by the State, the OP Bank Group Security Fund or the central institution as well as a subsidiary of the central institution or another member cooperative bank – are more than seven per cent of the risk-weighted total assets used in calculating the member bank's capital adequacy, the member bank receives additional votes such that the member has additional votes totalling double the number of votes accorded on the basis of its contributions. At the meeting no member, however, can cast more than two per cent of the votes represented at the meeting.

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

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

– a resolution on approval of the parent and consolidated income statement and balance sheet for the previous financial year
– a resolution on measures to be taken in respect of the profit or loss shown in the approved parent and consolidated balance sheets
– a resolution on the granting of discharge from liability to the members of the Supervisory Board, the members of the Executive Board and the president for the previous financial year
– a resolution on the number of members of the Supervisory Board and election of the required members of the Supervisory Board
– election of the auditor to audit the Central Cooperative's corporate governance and accounts as well as the consolidated financial statements of the amalgamation of the cooperative banks
– presentation and distribution of the consolidated financial statements of the amalgamation of the cooperative banks and the auditors' report
– confirmation if necessary of a supplementary payment to be collected from the members as specified in the Statutes.

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

Supervisory Board

The Central Cooperative's Supervisory Board has 36 members (according to the Statutes, a minimum of 32 and a maximum of 36). A minimum of 16 and a maximum of 20 members are elected to the Supervisory Board such that the Supervisory Board has at least one member from each of the 16 Cooperative Bank Federation areas. Of these members, a number that is closest to one third resigns each year. In addition, the Supervisory Board has 16 members elected from the territories of the Cooperative Bank

Federations such that the allotment of seats is determined among the Federations on the basis of the capital adequacy of their member banks. The term of office of these members is three years unless the term of office ends prior to this date due to a change in the allotment of seats among the Federations. An administrative officer or salaried employee may not be elected to the Supervisory Board from such a member credit institution which pursuant to Section 8 of the Cooperative's Statutes has only one vote at cooperative meetings, i.e. which has received the financial support set out in said section. The members of the Supervisory Board shall elect from amongst their number a chairman and two vice chairmen.

The task of the Supervisory Board is to oversee the corporate governance of the Cooperative as managed by the Executive Board and the president and to ensure that the Cooperative's operations are managed in an expert and prudent manner in accordance with the Cooperative Societies Act and in the best interests of the Cooperative and the OP Bank Group. In addition, the tasks of the Supervisory Board are, among other things

– to confirm the OP Bank Group's joint objectives and operational policy lines and principles
– to elect and dismiss the chief executive officer, the president and the other members and deputy members of the Executive Board as well as the director in charge of the audit function
– to decide on the division of responsibilities between the chairman of the Executive Board, the president and the other members of the Executive Board
– to have performed by auditors elected by them once a year an audit of the management and administration of the Central Cooperative
– to confirm the Cooperative's operational and budget targets
– to submit a statement on the parent and consolidated financial statements to the General Meeting of the Cooperative
– to decide on calling a meeting of the Cooperative.

The audit duty falling within the competence of the Supervisory Board is exercised by the Inspectorate Committee appointed by the Supervisory Board. It includes five members and two deputy members who can also be non-members of the Board. The Committee elects the chairman from amongst its members. The secretary is the head of the Central Cooperative's Internal Audit. The Committee holds two meetings annually or more frequently at the request of the Chairman.

Executive Board

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

The Executive Board is composed of a chairman who is called the Chief Executive Officer, the president, who acts as the Executive Board's vice chairman, as well as four other members (according to the Statutes, a minimum of two and a maximum of four) and two deputy members (according to the Statutes, a maximum of four).

The term of office of a member or deputy member of the Executive Board is for the time being, but for a maximum period up to the person's retirement age in accordance with the cooperative banks' pension system. The term of office can end prior to this date if the member or deputy member requests to resign or is dismissed from membership.

Management's Responsibility

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

Shareholdings in OKO Bank

On January 1, 2006, the members and deputy members of the Central Cooperative's Executive Board owned a total of 40 050 OKO Bank Series A shares. On the basis of the bond loan with equity warrants that was issued in 1999, the CEO originally was entitled to subscribe for 160 000 OKO Bank Series A shares, the presidents of OKO Bank and the OP Bank Group Central Cooperative for 120 000 shares, the other members of the Executive Board for 80 000 shares and the deputy members for 30 000 shares. According to the share option programme, half of said amounts was exercisable as from October 1, 2002, and the remainder as from October 1, 2004, and the period for exercising all the warrants will end on October 30, 2006.

THE CENTRAL COOPERATIVE'S SUPERVISORY BOARD 1 January, 2006

Regionally elected members (term of office three years) and members elected on the basis of capital adequacy of the member banks in the region* (terms of office at most three years). The year next to the name indicates since when the person has been a member of the Supervisory Board.

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

Etelä-Suomi
Mr Jari Laaksonen (2003), Managing Director, Asikkala, 2005-2008
***Mr Teuvo Mäkinen** (2003), Principal, Mäntsälä, 2003 – (2006)
***Mr Matti Niemelä** (2003), Chairman of the Board of Directors, Hämeenlinna, 2003 – (2006)

Kaakkois-Suomi
Mr Seppo Penttinen (1997), Professor, Savitaipale, 2003-2006, Chairman of the Supervisory Board
***Mr Paavo Aho** (1997), Colone (ret.), Elimäki, 2003 – (2006)
***Mr Risto Kiljunen** (1997), Managing Director, Lappeenranta, 2003 – (2006)

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

Keski-Pohjanmaa
Mr Tapio Kurki (2004), Director, Kokkola, 2004 – 2007

Keski-Suomi
Mr Erkki Laatikainen (1997), Professor, Jyväskylä, 2005 – 2008
***Mr Heikki Rosti** (2004), Managing Director, Jämsä, 2004 – (2006)

Lappi
Mr Heikki Oja (2001), Farmer, Tervola, 2004 – 2007
***Mr Erkki Alatalo** (1998), Engineer (forestry), Keminmaa, 2003 – (2006)

Pirkanmaa
Mr Tony Vepsäläinen (2005), Managing Director, Tampere, 2005 – 2008
***Mr Martti Talja** (1997), M.Sc. (Eng.), Mänttä, 2003 – (2006)

Pohjois-Karjala
Mr Juhani Leminen (2004), Managing Director, Polvijärvi, 2005 – 2008
***Mr Markku Lappalainen** (2003), County Manager, Rääkkylä, 2003 – (2006)

Pohjois-Pohjanmaa
Mr Paavo Haapakoski (1997), Principal, Pyhäjoki, 2004 – 2007
***Mr Timo Levo** (2004), Managing Director, Oulu, 2004 – (2006)

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

Satakunta
Mr Jorma Pere (1997), Managing Director, Eura, 2005 – 2008
***Mr Jukka Ramstedt** (1997), Managing Director, Pori, 2003 – (2006)
***Mr Juhani Suoramaa** (2003), Managing Director, Rauma, 2003 – (2006)

Suur-Savo
Mr Pekka Vilhunen (2003), Managing Director, Varkaus, 2003 – 2006
***Mr Erkki Rämö** (2003), Principal (ret.), Juva, 2003 – (2006)

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

Varsinais-Suomi
Mr Jukka Hulkkonen (2003), Managing Director, Halikko, 2003 – 2006
***Mr Pertti Ruotsalainen** (1997), Lic.Med. (ret.), Mynämäki, 2003 – (2006), Deputy Chairman and Chairman's first deputy
***Mr Pauli Salminen** (1997), Managing Director, Loimaa, 2003 – (2006)

Österbotten
Mr Bo Storsjö (2004), Farmer, Kristiinankaupunki, 2004 – 2007

Other members

Mr Esa Härmälä (1997), Chairman, Helsinki, 2005-2008
Mr Seppo Junttila (2000), General Secretary, Helsinki, 2003-2006
Mr Simo Kauppi (2000), Managing Director, Rauma, 2003-2006, Deputy Chairman
Ms Tuire Santamäki-Vuori (2002), President, Helsinki, 2005-2008

THE CENTRAL COOPERATIVE'S ORGANISATION

1 March, 2006

Chairman and CEO
Mr Antti Tanskanen

Business Control
Ms Seija Halme**

Business Planning
Mr Pasi Kämäri**

President, Vice Chairman
Mr Reijo Karhinen

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

Customer Function
Mr Erkki Böös

Products and services
Customer relationships

Payment Services
Ms Anne-Mari Tyrkkö

Marketing and Customer
Ms Stina Suominen

Credit Services
Mr Mikko Hyttinen

Asset Management Services
Mr Harri Nummela

OP Bank Group
Mortgage Bank plc
Mr Lauri Karvonen

OP Life Assurance
Company Ltd
Mr Jukka Ruuskanen

OP-Kotipankki Oyj
Mr Kai Patovirta

OP Fund Management
Company Ltd
Mr Harri Nummela

Service Function
Mr Heikki Vitie

ICT-services
Financial control
Administrative, legal and
pension services

Administrative and
Procurement Services
Ms Sirkka Hongell

ICT Service Development
Mr Pekka Sarvi-Peräkylä

ICT-Services
Mr Markku Mäkinen

Legal Services
Ms Taina Kallio

ICT Service Systems
Mr Ilpo Antikainen

ICT Banking and Insurance
Systems
Ms Arjaleena Smolander

Financial Administration
Services
Mr Harri Luhtala

ICT Management
Mr Marco Halén

Insurance and Pensions
Investments
Mr Magnus Backström

FD Finanssidata Oy
Mr Kari Katainen

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

Group Steering Function
Mr Pekka Jaakkola

Personnel
Service network
Risk management

Personnel Services
Ms Tarja Joensuu-Sarkio

Member Bank Steering
Mr Jari Himanen

Service Network
Development
Mr Matti Korkeela

Contact Centre
Mr Arto Smedberg

OP Bank Group Mutual
Insurance Company
Mr Tuomo Metsäaro

Audit Function
Mr Markku Niinikoski*

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

Cooperative Bank
Inspectorate
Mr Tapani Santala

Internal Audit
Mr Mauno Jokelainen*

Bank Security
Mr Reijo Lähde

Helsinki OP Bank Plc
Mr Hannu Tonteri**

Retail banking in the Greater
Helsinki area

* Reporting to the CEO
** Reporting to the President

THE CENTRAL COOPERATIVE'S 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 of Directors 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, 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

Secretary of the Boards
Mr Markku Koponen
b. 1957
Senior Vice President

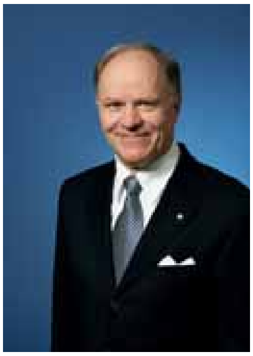
Auditor
KPMG Oy Ab

1 January, 2006

Erkki Böös
b. 1953
Executive Vice President
Member of the Board since 2001
The Finnish Bankers' Association, Chairman of the Banking Committee

Pekka Jaakkola
b. 1956
Executive Vice President
Member of the Board since 1998
Employers´ Association of the Finnish Financial Institutions, Deputy Chairman of the Board of Directors
Suomen Asiakastieto Oy, Member of the Board of Directors
Deposit Guarantee Fund, Member of the Board of Directors

Mikael Silvennoinen
b. 1956
President, OKO Bank
Member of the Board since 1997
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



Heikki Vitie
b. 1952
Executive Vice President
Member of the Board since 1994
European Association of the Co-operative Banks, Member of the Executive Committee
The Finnish Bankers' Association, Member of the Board of Directors

Markku Niinikoski
b. 1946
Chief Audit Executive
Attends the Executive Board's meetings.
Holds 1 600 OKO Bank Series A shares

Deputy Members

Mr Matti Korkeela, b. 1946, Executive Vice President
Member of the Board since 1997. Automatia Pankkiautomaatit Oy, Chairman of the Board of Directors
Mr Raimo Tammilehto, b. 1943, Executive Vice President
Member of the Board since 1991. Retired as from 1 March 2006.
Holds 15 052 OKO Bank Series A shares

CONTACT ADDRESSES

OP Bank Group Central Cooperative
Visiting address: Teollisuuskatu 1b,
Helsinki
Postal address: PO Box 308, FI-00101
Helsinki, Finland
Telephone +358 10 252 010
Telefax +358 10 252 3703
www.op.fi/english
firstname.lastname@op.fi

OKO Bank
Visiting address: Teollisuuskatu 1b, Helsinki
Postal address: PO Box 308, FI-00101
Helsinki, Finland
Telephone +358 10 252 011
Telefax +358 10 252 3646
www.oko.fi/english
firstname.lastname@oko.fi
SWIFT OKOYFIHH

FD Finanssidata Oy
PO Box 308
FI-00101 Helsinki
Telephone +358 10 252 010
Telefax +358 10 252 3050

OKO Bank St. Petersburg
Representative Office
36, nab.r.Moiki
3rd Floor, Office 333
R-191186 St. Petersburg
Postal address:
PO Box 301
FI-53501 Lappeenranta
Telephone +7 812 326 1891
Telefax +7 812 326 1890
firstname.lastname@okobank.spb.ru

OKO Bank Tallinn
Representative Office
Harju 6
EE-10130 Tallinn
Telephone +372 631 0590
Telefax +372 631 0594
firstname.lastname@okobank.com

Helsinki OP Bank Plc
Mikonkatu 13 A, Helsinki
PO Box 670, FI-00101 Helsinki
Telephone +358 10 255 900
Telefax +358 10 255 6265

OKO Venture Capital Ltd
PO Box 308
FI-00101 Helsinki
Telephone +358 10 252 011
Telefax +358 10 252 4209

OP Bank Group Mortgage Plc
PO Box 308
FI-00101 Helsinki
Telephone +358 10 252 010
Telefax +358 10 252 2620

OP Fund Management
Company Ltd
PO Box 308
FI-00101 Helsinki
Telephone +358 10 252 010
Telefax +358 10 252 2708

OP-Kotipankki Oyj
PO Box 1020
FI-00101 Helsinki
Telephone +358 10 252 010
Telefax +358 10 252 2716

OP Life Assurance Company Ltd
PO Box 308
FI-00101 Helsinki
Telephone +358 10 252 010
Telefax +358 10 252 3501

Pohjola Group Plc
Lapinmäentie 1, Helsinki
FI-00013 Pohjola
Telephone +358 10 559 11
Telefax +358 10 559 3066
firstname.lastname@pohjola.fi

20

OP BANK GROUP

FINANCIAL STATEMENTS 2005

05

CONTENTS

Financial information in 2006

The OP Bank Group and OKO Bank will publish three interim reports in 2006:
– for January-March on 11 May 2006
– for January-June on 10 August, 2006
– for January-September on 2 November, 2006.

The interim reports will be published in Finnish, Swedish and English. The interim reports are available on our website at the address www.op.fi/english. Paper copies can be ordered at the address OP Bank Group Central Cooperative, Corporate Communications, P.O. Box 308, FI-00101 Helsinki, telephone +358 10 252 2765, telefax +358 10 252 2298, e-mail: viestinta@op.fi.

Figures 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

The OP Bank Group in 2005

- The OP Bank Group's operations continued to grow strongly in 2005. The Group's market position strengthened, especially within asset management. Growth got a boost from the Pohjola transaction, but organic growth (excluding Pohjola) was also strong. Mutual fund capital (excluding Pohjola) increased by 50 per cent and insurance savings by 25 per cent. Premium income from life and pension insurance (excluding Pohjola) was up 34 per cent.
- In 2005 the OP Bank Group's market share of mutual fund capital grew by 5.8 percentage points and its share of insurance savings increased by 6.8 percentage points. Stripping out Pohjola, the corresponding growth figures were 0.7 and 1.2 percentage points. The market share of premium income from life and pension insurance grew by 13.9 percentage points in aggregate amount, and by 3.5 percentage points excluding Pohjola.
- The OP Bank Group's loan portfolio increased by 12 per cent and total deposits by 6 per cent. The market share of loans grew by 0.1 percentage point and was 30.5 per cent at the end of the year. The share of corporate loans was on a par with last year, but the share of home mortgages decreased. The market share of deposits declined by 0.4 percentage point from the end of 2004 and was 31.9 per cent.
- The OP Bank Group's earnings also grew. Earnings before tax were €579 million, an increase of 13 per cent on the year-ago figure (511). Net interest income increased by 3 per cent and comparable commission income by 7 per cent, with personnel costs up just over one per cent. The result of Pohjola Group has been included in the OP Bank Group's result for November-December 2005. Taking into account the arranging and other expenses, Pohjola had minor impact on earnings in 2005.
- Despite the Pohjola transaction, the OP Bank Group's risk-bearing capacity remained strong. Capital adequacy as measured with Tier I own funds declined by one percentage point to 13.1 per cent. The risk position remained stable. The amount of non-performing loans decreased on the previous year.
- In September, the OP Bank Group's central bank, OKO Bank, acquired a majority holding of the shares and votes in Pohjola Group. The transaction received the necessary regulatory approvals in October. The deal will expand the OP Bank Group's operations into non-life insurance and it will strengthen the Group's position within asset management, mutual funds and life insurance. After the Pohjola transaction, the OP Bank Group is the leading financial services group in Finland.
- The OP Bank Group's market position has strengthened for a number of years now. The Group's target is to reinforce its market position further. Following its expansion into the non-life insurance business, the OP Bank Group's earnings before tax for 2006 is estimated to be markedly higher than in 2005.

OP Bank Group Key Indicators

	2005	2004	Change	Long term target
Earnings before tax, € million	579	511	13.2*	
Cost/income ratio, %	55	55	-0.6	Max 55%
Impairment losses of loan and guarantee portfolio, %	0.02	0.02	-0.01	Max 0.25%
ROE, %	11.2	12.0	-0.8	Over 10%

	31 Dec. 2005	31 Dec. 2004	Change
Total assets, € billion	52.8	41.5	27.5*
Market share, %			
Loans	30.5	30.4	0.1
Deposits	31.9	32.3	-0.4
Mutual funds	22.3	16.5	5.8
Excluding Pohjola	17.2	16.5	0.7
Insurance savings	17.8	11.0	6.8
Excluding Pohjola	12.2	11.0	1.2
Tier I ratio, %	13.1	14.1	-1.0

* Percentages. Other change figures percentage points.

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 about 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 comparatively fast 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.

Result of the OP Bank Group

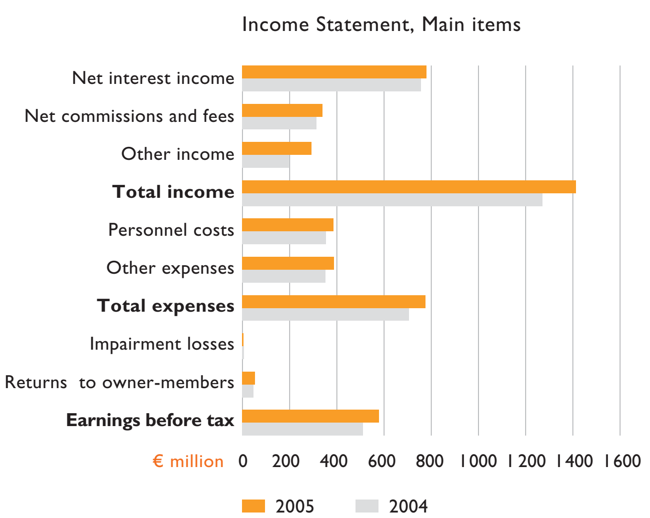
The OP Bank Group's earnings before tax for 2005 were €579 million, an increase of 13 per cent on the figure last year (511)*. The result of Pohjola Group plc and its subsidiaries is included in the OP Bank Group's earnings for November-December 2005. The balance sheet of the Pohjola companies is included in its entirety in the OP Bank Group's year-end balance sheet. No Pohjola figures are included in the comparative figures for 2004. Details of the acquisition of Pohjola shares and related arrangements are given on pages 17–19 of this report. The Pohjola transaction had no

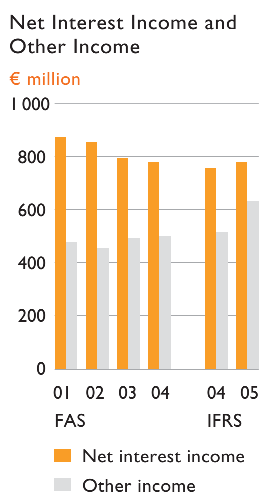
* The comparative figure for 2004 is given in brackets. For profit and loss account and other aggregated figures, the point of comparison is the figure for January-December 2004. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (31 December 2004).

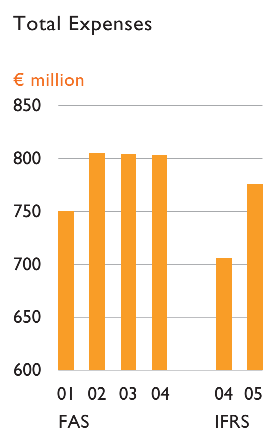
OP Bank Group Earnings Analysis

€ million	2005	2004	Change, %
Earnings before tax	**579**	**511**	**13.2**
ROE, %	**11.2**	**12.0**	**-0.8***
Income			
Net interest income	781	758	3.1
Net income from life insurance operations	68	-	
Net commissions and fees	67	51	32.4
Net commissions and fees	340	314	8.0
Net trading and investment income	90	100	-10.2
Other operating income	68	46	46.5
Share of affiliate profits/losses	0	5	-89.5
Other income, total	633	516	22.7
Total Income	**1 414**	**1 273**	**11.0**
Expenses			
Personnel costs	387	354	9.2
Muut hallintokulut	220	197	11.8
Other administrative expenses	169	155	9.1
Total expenses	**776**	**706**	**9.9**
Cost/income ratio, %	**55**	**55**	**-0.6***
Impairment losses			
Receivables	6	7	-19.5
Consolidated goodwill	-	-	
Total	**6**	**7**	**-19.5**
Returns to owner-members			
Bonuses	38	33	13.9
Interest on cooperative capital	15	15	1.5
Total	**53**	**48**	**10.0**

* Percentage points.







effect on OP Bank Group's earnings before tax for 2005 when financing and other costs due to the transaction are reckoned with. The transaction nevertheless had a considerable effect on the comparability of individual income statement and balance sheet items.

Net interest income up 3 per cent

Net interest income grew by 3.1 per cent to €781 million (758). Net interest income in the last quarter was €192 million, a 2.3 per cent decrease on the previous year. Net interest income contracted by nearly as much from the previous quarter as well. Stripping out the financing expenses for the acquisition of Pohjola Group shares, fourth-quarter net interest income would have been slightly greater in the above-mentioned comparative periods.

Full-year net interest income grew thanks to the increase in the loan portfolio and total assets as well as equity capital, though the spread between investment and funding narrowed further. The nominal spread between the loan portfolio and total deposits narrowed by 0.1 percentage point during 2005. Net interest income during the report year amounted to 1.7 per cent as a ratio of average total assets, as against 1.9 per cent a year earlier. Interest expenses included an €14 million contribution to the Deposit Protection Fund (15).

Commission and fee income rises

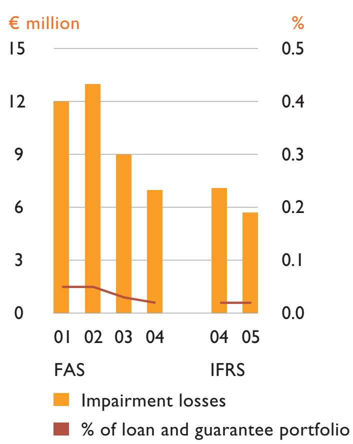
Other income in the report year totalled €633 million, up €117 million on the figure a year ago. A significant portion of the growth in income was attributable to the Pohjola transaction. Net income from non-life insurance operations, €68 million in total amount, was generated entirely by Pohjola Group. The consolidated of Pohjola's figures within the OP Bank Group's accounts also affected net income from life insurance and commission income. Its impact on commission and fee income was €3 million, and on net premium income from life insurance operations it was €2 million negative. Of the capital gains on the Pohjola companies' available-for-sale securities (AFS portfolio), only that portion is included in the OP Bank Group's consolidated net profit which is derived from the change in the fair value after the end of October.

The OP Bank Group's net income from life insurance amounted to €67million (51). It was reduced by the transfers which the Group's life insurance companies made to the supplementary benefit provision and supplementary provision to a total amount of nearly €40 million. Net commission and fee income increased by 8 per cent to €340 million. Commissions earned on mutual funds, insurance operations and lending showed especially good growth. Net investment income decreased by a fifth to €62 million. Income was reduced by the impairment loss recorded on Realinvest Oy shares, to a total amount of about €5 million, and the just over €10 million capital gain on the sale of shares in the securities marketplace OMX AB, which is included in the income for the comparison year. Rental income on investment properties also decreased in line with the lower volume of investment properties.

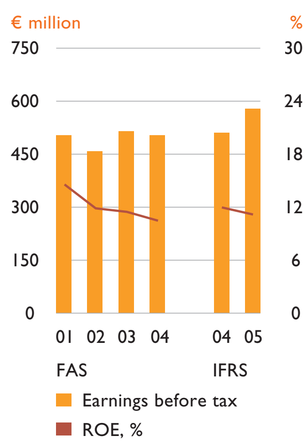
Expenses were up 10 per cent

The OP Bank Group's expenses grew by 9.9 per cent, reaching €776 million (706). Comparative expenses, stripping out Pohjola, were on a par with 2004. Companies belonging to the OP Bank Group recorded in the income statement for

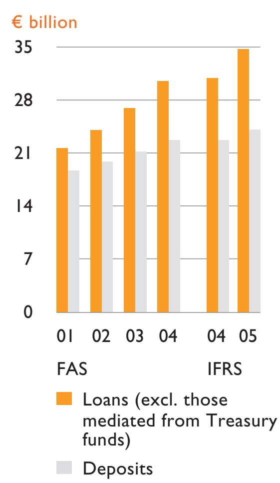
Impairment Losses



Earnings before Tax and ROE



Loans and Deposits



2005 about €10 million of non-recurring expenses related to the Pohjola transaction.

Personnel costs were up 9.2 per cent to €387 million. Comparable personnel costs, excluding Pohjola, were up about 1.4 per cent. They were increased by the rise in the level of salaries and wages as well as the new long-term incentive schemes for the personnel.

Comparative other administrative expenses increased by slightly less than 4 per cent. The cost/income ratio, net of the main effects of the Pohjola transaction, fell to 52 per cent.

Impairment losses on receivables still minor in amount

Impairment losses recorded on receivables were down €1.4 million on 2004 despite the Group-specific impairment losses that have been recorded since the beginning of 2005. The corresponding entries in the income statement for 2005 amounted to €4.2 million.

Earnings in October-December: €127 million

The OP Bank Group's earnings before tax in the fourth quarter was €127 million, a decrease of €32 million on the third quarter. Compared with a year earlier, earnings were up 19 per cent. Because of the Pohjola transaction, the income statement items for the last quarter or 2005 are not comparable in all respects with the figures for the comparative periods.

Total Assets and Off-balance Sheet Items

The OP Bank Group's total assets at the end of the year stood at €52.8 billion, an increase of €11.4 billion since the end of 2004. About half of the increase was due to the Pohjola transaction.

In the report period, the loan portfolio grew by €3.9 billion to €34.8 billion. The loan portfolio at the end of the year made up 66 per cent of the OP Bank Group's total assets (75). Non-life insurance assets totalled €2.7 billion (-) and life insurance assets €5.4 billion (2.9). Owing to the Pohjola transaction, intangible assets increased to €1.2 billion (0.1). During the report period the amount of debt securities issued to the public increased by €2.6 billion, deposits by €1.4 billion and liabilities to financial institutions by €0.8 billion.

Equity capital at the end of the year stood at €4.8 billion (3.3), of which the minority interest was just over €0.2 billion (0.0). Equity capital was increased by the arrangements connected with financing the Pohjola transaction, the €454 million net profit for the financial year as well as by the recording in the fair value reserve, in accordance with IFRS, of the

Income Statement, Main Items Quarterly

	2005				2005	2004	Change,
€ million	I	II	III	IV			%
Net interest income	194	200	195	192	781	758	3
Net income from non-life insurance operations				68	68		
Net income from life insurance operations	15	16	14	22	67	51	32
Net commissions and fees	91	79	81	88	340	314	8
Other income	43	37	43	34	158	151	5
Total income	**344**	**332**	**333**	**405**	**1 414**	**1 273**	**11**
Personnel costs	97	88	82	121	387	354	9
Other administrative expenses	49	51	42	78	220	197	12
Other expenses	37	33	35	63	169	155	9
Total expenses	**183**	**172**	**159**	**261**	**776**	**706**	**10**
Impairment losses	2	-1	2	3	6	7	-19
Returns to owner-members	13	13	14	14	53	48	10
Earnings before tax	**145**	**148**	**158**	**127**	**579**	**511**	**13**

difference between the historical cost and fair value of financial assets available for sale.

Important Balance Sheet and Liability Items

€ billion	31 Dec. 2005	31 Dec. 2004	Change, %
Total assets	52.8	41.5	27.5
Loan portfolio	34.8	31.0	12.5
Deposits	24.2	22.8	6.3
Non-life insurance liabilities	1.9	-	
Life insurance liabilities	4.9	2.7	84.4
Equity capital	4.8	3.3	42.6
Off-balance sheet items	8.0	6.3	26.9
Derivative contracts	39.4	19.0	

The cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner members totalled €717 million at the end of the year (717). According to advance information, the member banks' payment of interest on the cooperative capital for the 2005 financial year will total €16 million (16). The proposed dividend to be paid on OKO Bank shares for the 2005 financial year is a total of €120 million (52), of which €0.60 per share is to be paid on Series A shares (0.53) and €0.57 per share on Series K shares (0.50).

The OP Bank Group's consolidated financial statements include the 238 member cooperative banks, OP Bank Group Central Cooperative Consolidated and the OP Bank Group Mutual Insurance Company as well as four subsidiaries of the member banks.

Capital Adequacy

The effects of the Pohjola transaction on the OP Bank Group's capital adequacy are fairly minor, given the proportions of the arrangement. Despite one of Finland's largest acquisitions, the OP Bank Group's capital adequacy at the end of the year was still markedly higher than the average for Nordic banks.

The OP Bank Group's capital adequacy according to the Credit Institutions Act was 14.6 per cent, or 0.9 percentage point lower than a year earlier. The ratio of Tier I own funds to risk-weighted receivables, investments and off-balance sheet items was 13.1 per cent at the end of the year, as against 14.1 per cent a year ago.

The OP Bank Group's Tier I own funds grew by 9.3 per cent during the year to €4.0 billion despite the deduction from own funds of intangible assets and goodwill to an aggregate amount of about €860 million that arose on the allocation of Pohjola's acquisition cost. The increase in items deducted was offset by OKO Bank's share issue as well as by the fact that the OP Bank Group Central Cooperative and the cooperative banks sold some of the OKO Bank shares and subscription rights which they owned. These measures added about €650 million to the OP Bank Group's Tier I own funds. The profit for the financial year less the forecast dividend payout and with other adjustments has been included in Tier I own funds, resulting in an increase in own funds of €365 million.

In February, OKO Bank issued an €50 million capital loan. In addition, at the end of the year, OKO Bank carried out two that non-innovative Tier I loans to a total amount of €100 million that were connected with the Pohjola transaction. As a result of this issuance the amount of capital loans included in own funds increased to €224 million. At the end of 2005, the ratio of capital loans to Tier I own funds was 5.7 per cent, as against two per cent a year earlier. Own funds included €715 million of the member banks' cooperative capital, or the same amount as a year earlier. These amounts of cooperative capital included €88 million of terminated cooperative capital (90). The Group has not included in Tier I own funds the increase in equity capital resulting from the measurement, in line with IFRS, of pension liabilities and the assets covering them as well as from the measurement at fair value of investment real estate.

At the end of the year, the amount of Tier II own funds was €760 million, or €305 million greater than a year ago. In November OKO Bank issued €150 million of upper Tier II bonds. At the end of the year, Tier II own funds included €178 million of the unrealised increase in value that was recorded in the fair value reserve. The fair value reserve has been adjusted for deferred taxes. The fair value reserve was set up for the first time at the beginning of 2005, and an adjustment resulting from it has not been made to the comparative figures for 2004.

Because of the Pohjola transaction, investments in insurance companies, which are to be deducted from the aggregate amount of Tier I and Tier II own funds, increased to €290 million. The OP Bank Group has deducted, as insurance company investments, a portion corresponding to its holding from the minimum amount of the solvency margin of the insurance companies owned by the OP Bank Group.

Own Funds and Capital Adequacy

€ million	31 Dec. 2005	31 Dec. 2004	Change, %
Own funds			
Equity capital	4 757	3 337	43
Pohjola minority interest	-196	-	
Cooperative capital	715	716	0
Subordinated capital notes	224	74	
Intangible assets	-941	-90	
Fair value reserve and other reserves	-183	-43	
Proposed dividend and interest pay-out	-71	-48	47
Other items (eg. assets covering pension liabilities and fair value valuation of investment property)	-353	-329	7
Tier I own funds	**3 951**	**3 615**	**9**
Fair value reserve and other reserves	183	43	
Subordinated liabilities in upper Tier II own funds	203	50	
Subordinated liabilities in lower Tier II own funds	374	361	4
Tier II own funds	**760**	**455**	**67**
Investments in insurance institutions	- 290	- 89	
Other deductions	- 13	- 3	
Total deductions	**- 302**	**- 92**	
Own funds, total	**4 409**	**3 978**	**11**
Risk grouping of assets in capital adequacy calculation (before risk weight rates)			
Risk group I (risk weight 0%)	8 677	7 308	19
Risk group V (risk weight 10%	3	2	60
Risk group II (risk weight 20%)	680	732	- 7
Risk group III (risk weight 50%)	16 878	15 362	10
Risk group IV (risk weight 100%)	17 775	14 811	20
Deductions from own funds	302	92	
Other items (eg. insurance assets)	8 528	3 152	
Balance sheet, total	**52 845**	**41 460**	**27**
Risk-weighted receivables, investments and off-balance sheet items			
Receivables and investments	26 350	22 639	16
Off-balance sheet items	2 973	2 511	18
Market risk	871	567	54
Risk weighted receivables, investments and off balance sheet items, total	**30 194**	**25 718**	**17**
Capital adequacy ratio, %	**14.6**	**15.5**	**-0.9 ***
Tier I ratio, %	**13.1**	**14.1**	**-1.0 ***

* Percentage points.

As a result of the Pohjola transaction, the share of insurance business within the OP Bank Group's operations exceeded the threshold values set out in the Act on the Supervision of Financial and Insurance Conglomerates. The OP Bank Group will report the solvency ratio specified in this act for the first time as from the end of 2005. Solvency will be reported in accordance with the consolidation method. This requires adding to the equity capital according to the conglomerate's balance sheet those items which are included in own funds according to the regulations for the banking or insurance industry and are not included in equity capital. Equity capital may not, however, include items that are not available for covering the losses of other companies belonging to the conglomerate.

At the end of the year, the OP Bank Group's own funds calculated according to the Act on the Supervision of Financial and Insurance Conglomerates exceeded the minimum amount specified in the act by €1.8 billion. The ratio of the OP Bank Group's own funds to the minimum amount of own funds was 1.69.

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

Risk Management

The central goals and principles of risk management and the essential organisation

The primary objective of risk management within OP Bank Group is to secure the risk capacity of all entities belonging to the banking group and to ensure that they are not exposed to excessive risk that might endanger the profitability, solvency or continuity of the operations of an individual entity or the entire OP Bank Group. OP Bank Group is a moderate risk-taker. For OP Bank Group's main risk class, i.e. credit risk, the target is for the net amount of loan losses in the long term to not exceed 0.25 per cent of the loan and guarantee portfolio per year.

OP Bank Group Central Cooperative (OPK) is responsible for internal supervision and risk management, as well as for the adequacy and up-to-datedness of the OP Bank Group risk management system. OPK gives instructions on securing risk management to member entities and supervises the operations of the entities. Each OP Bank Group member entity is responsible for their own internal supervision and risk management within the framework of OPK instructions.

OP Bank Group's risk limit system has a key position in the Group's risk management. OPK's Supervisory Board defines risk limits for OP Bank Group's risk capacity, profitability and credit and market risks that limit OP Bank Group's risk-taking. Based on OP Bank Group's risk limits, OPK and its subsidiaries confirm their own risk limit systems. Based on OP Bank Group's risk limit system, member banks' (incl. Okopankki Oyj) control limits are defined. The control and supervision directed at OPK's member banks is mainly based on the control limit system. Member banks are classified in internal risk classes based on the number and nature of occurrences where control limits have been exceeded. Based on the control limits, member banks define tighter risk limits for their operations compared to the control limits.

Due to the Pohjola transaction, the share of the insurance business of the business operations of the OP Bank Group increased significantly. Non-life insurance became a new business area for OP Bank Group and the volume of life insurance also grew considerably. Because the transaction was completed late in 2005, the risk management systems of OP Bank Group and Pohjola have not been combined due to practical reasons.

OP Bank Group's current risk limit system is based on the business strategy approved in 2004. The system does not take into account the effects of the Pohjola transaction. The risk limit systems will be revised in this respect during 2006.

OP Bank Group's Risk Exposure

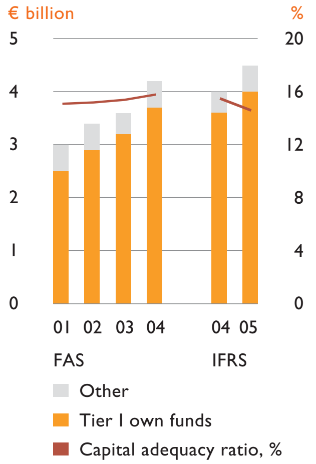
Risk capacity and profitability

OP Bank Group's risk capacity measure is core solvency, which is defined in accordance with credit institutions' capital adequacy provisions as the difference between primary own funds and adjustments to own funds in proportion to its risk-weighted commitments. When calculating the ratio, the additional equity investments made in member banks, the equity investments and terminated actual and supplementary capital is subtracted from own funds. Due to the Pohjola transaction, the core solvency decreased from 11.0 per cent to 9.3 per cent. OP Bank Group's risk limit for core

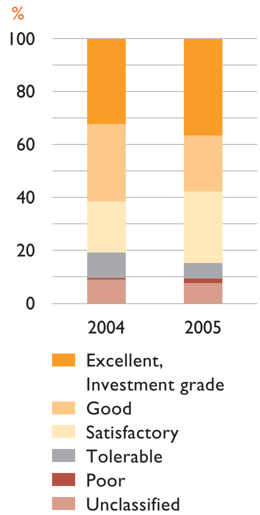
The OP Bank Group's Risk Limit System in Line with the OP 2004 Business Strategy

Measure		Risk limit	31 Dec. 2005	31 Dec. 2004
Risk capacity and profitability				
Core capital adequacy (capital adequacy ratio net of supplementary cooperative capital and Tier II own funds)	minimum	7	9.3	11.0
Basic profitability (earnings before tax and impairment losses / total assets, %)	minimum	1	1.2	1.3
Credit risks				
Largest individual customer risk / own funds, %	maximum	15	7.8	7.8
Total amount of large customer risks / own funds, %	maximum	100	0.0	0.0
Sectoral risk / own funds, %	maximum	50	38.5	35.0
Non-performing loans / loan and guarantee portfolio, %	maximum	2	0.4	0.5
Estimated impairment losses for the next three years / loan and guarantee portfolio, %	maximum	1.5	0.3	0.3
Market risks				
Funding risk / total assets, %	minimum	-3	1.1	-0.6
Interest rate risk / own funds, %		+/- 2	0.5	1.0
Foreign exchange risk / own funds, %	maximum	4	0.3	0.3
Equity risk / own funds, %	maximum	20	9.5	9.5
Real-estate risks				
Capital invested in real estate / total assets, %	maximum	5	2.4	3.2

Own Funds and Capital Adequacy

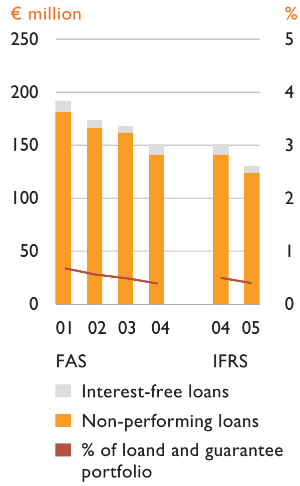


Corporate Liabilities by Rating Classes



Classification changed in 2005

Non-Performing Loans



solvency is 7 per cent. At the end of the year, OP Bank Group's own funds were €703 million higher than the Group's core solvency risk limit required. The year before, the corresponding figure was €1 037 million. A strong risk capacity acts as a buffer against unexpected losses and created preconditions for operational growth.

After the acquisition of Pohjola shares, OP bank Group became a conglomerate according to the Act on the Supervision of Financial and Insurance Conglomerates. OP Bank Group's own funds were €1.8 million higher than the minimum required by law. The proportion of own funds to the minimum was 1.69.

The risk limit indicator for profitability is basic profitability. Basic profitability is the Group's earnings before the impairment of receivable and taxes in proportion to the average balance sheet. In 2005, OP Bank Group's basic profitability was 1.2 per cent while it was 1.3 per cent the year before. OP Bank Group's risk limit is 1 per cent.

Banking operations' credit risks

OP Bank Group's banking operations loan and guarantee portfolio was €36.5 billion at the end of the period, i.e. 12 per cent higher than the year before (32.5). In the €3.9 billion growth in the loan and guarantee portfolio, loans to

Loan and Guarantee Portfolio by Sector

€ million	31 Dec. 2005	31 Dec. 2004	Change, %	31 Dec. 2005	Non-performing and interest-free loans % of loan and guarantee portfolio
Enterprises and housing companies	11 416	10 541	8	62	0.54
Industry	2 796	2 670	5	19	0.68
Construction	988	907	9	4	0.40
Trade and catering	1 383	1 326	4	13	0.94
Real-estate investment	2 418	2 267	7	11	0.45
Other enterprises	2 749	2 461	12	14	0.51
Housing companies	1 083	910	19	1	0.09
Finance and insurance	117	111	5	0	0.00
Public sector entities and non-profit organisations	673	510	32	0	0.00
Households	24 130	21 285	13	69	0.29
Housing loans	16 413	14 252	15	29	0.18
Foreign	240	147	63	0	0.00
Total	36 537	32 540	12	131	0.36

households represented €2.9 billion and corporate loans €1.0 billion. During 2005, private housing loans grew by 15.1 per cent to €16.4 billion and their share at the end of the year in OP Bank Group's combined loan and guarantee portfolio was 45 per cent. As a whole, households' share in the loan and guarantee portfolio was 66 per cent (65) and the corporate share was 31 (32).

OP Bank Group's loan and guarantee portfolio is diversified. At the end of 2005, OP Bank Group's biggest individual customer entity risk was 7.8 per cent of the Group's own funds. A year earlier, the figure was the same. OP Bank Group's risk limit is 15 per cent. OP bank Group's biggest industry-specific risk concentration is real estate business, where the total exposure was €1.7 billion, i.e. 38.5 per cent of own funds. OP Bank Group's internal sector risk's risk limit is set at 50 per cent of own funds.

OP Bank Group's credit rating system covers nearly all corporate customers. At the end of 2005, 95 per cent of these exposures had been rated. In rated exposures, 36 per cent was in the best "investment grade" class and 21 per cent in the next best class "good". A year earlier, the corresponding figures were 32 and 29 per cent. The share of customers with a weak rating remained unchanged. Renewal of the rating system and improved coverage weaken the comparability between the 2005 and 2004 figures.

At the end of 2005, OP Bank Group had non-performing and interest-free receivables in the amount of €131 million, i.e. 13 per cent less than a year before. €95 million in receivable-specific and receivable group-specific write-downs (91) has been subtracted from non-performing and interest-free receivables that is directed at them. The proportion of non-performing and interest-free receivables to the loan and guarantee portfolio was 0.4 per cent at the end of the period, i.e. 0.1 percentage points lower than a year before and 0.8 percentage points below the risk limit defined for the ratio. The write-downs from the receivables still remain low. In 2005, a net amount of €52 million (28) was entered, which was 0.14 per cent (0.08) of the loan and guarantee portfolio.

OP Bank Group's credit risk situation is still stable and the credit risks have remained low. The positive estimates are supported both by the single credit decisions handled by the Loan Portfolio Insurance Committee and Credit Risk Committee, as well as the analysis and reports regarding the loan portfolio. The small and continuously decreasing amount of non-performing and other problem receivables combined with the results of risk enquiries further strengthen the assessment of the quality of the loan portfolio.

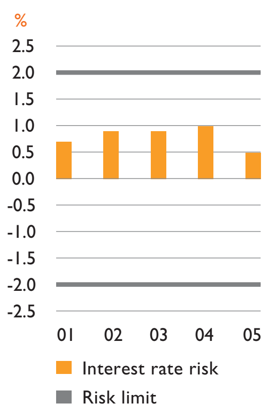
Banking operations' market risks

Quicker growth in the loan portfolio than in the deposit portfolio, as well as the financing of the Pohjola transaction, increased the amount of OP Bank Group's market-wholesale funding and its share in total funding. The risk limit indicator for OP Bank Group' banking operations level funding risk is the relative proportion of the difference between receivables and liabilities falling due during the next 12 months compared to the balance sheet total. The indicator does not take into account demand deposits because they are considered to be stable funding under normal circumstances. The value of OP Bank Group's funding risk's limit indicator at year end was 1.1 per cent (-0.6) which was 4.1 percentage points higher than the risk limit set for the funding risk.

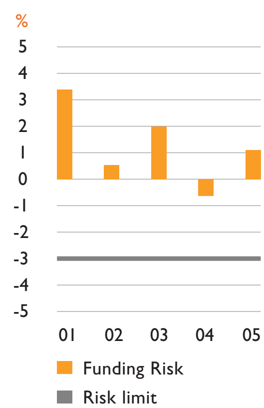
In the risk limit system, the interest rate risk is defined as a the effect of a 0.5 percentage point parallel rise in the yield curve on the current value of the interest rate risk exposure. The interest rate risk figures in the risk limit system also includes OP Life Assurance Company Ltd's operations. During the period, the interest rate risk, on average, was €31 million (37) and at the end of the year the interest rate risk was €23 million. In the risk limit indicator, the euro denominated interest rate risk is proportional to OP Bank Group's own funds. At the end of the year, the value of the interest rate risk indicator was 0.5 per cent (1.0). OP Bank Group's interest rate risk must remain within OP Bank Group's risk limit of ± 2 per cent. The banking operations' interest rate risk can be considered reasonable and it is directed at retail banking operations' structural interest rate risk, which in practice is caused by the average re-pricing delay in lending being shorter than that of deposits.

The market value of OP Bank Group's banking operations' and OP Life Assurance Company Ltd's publicly quoted

Interest Rate Risk / Own Funds



Funding Risk / Total Assets



equities and mutual fund units was €420 million (383). The proportion of share investments to shareholder equity was 9.5 per cent (9.5), i.e. 10.5 percentage points lower than the risk limit defined for the indicator.

OP Bank Group's interest rate risk indicator is the overall net exchange rate exposure's proportion to own funds. OKO Bank's exchange rate risk is also measured and limited by a VaR-based risk measure. OP Bank Group's banking operations' overall net exchange rate exposure at the end of the year stood at €13 million (11), while the average during the year was €12 million (11). In proportion to OP Bank Group's own funds the exchange rate risk was small, i.e. 0.3 per cent (0.3).

The amount of OP Bank Group's real estate holdings decreased further. At the end of the year, capital invested in real-estate was €1.2 billion, i.e. €91 million lower than the year before. The share of real estate holdings in the balance sheet was 2.4 per cent (3.2) which was 2.6 percentage points lower than the risk limit defined for real estate risk. OP Bank Group aims to further reduce the amount of banking operations' real estate holdings.

Non-life insurance

Non-life insurance operations is a new business area for OP Bank Group, formed in connection with the Pohjola transaction. Three of Pohjola Group plc's subsidiaries engage in non-life insurance operations. Pohjola's Board of Directors has confirmed the credit rating target of non-life insurance as A. In 2005, Standard & Poor's issued Pohjola Group plc's largest subsidiary engaged in non-life insurance operations, Pohjola Non-Life Insurance Company Ltd, an A+ credit rating.

Pohjola non-life insurance's solvency capital was €836 million (670) at year end. Solvency capital was 112 per cent (104) of premium written (net) and 46 per cent (39) of insurance policy debt (net). The solvency capital depicts Pohjola life insurance's risk capacity. Non-life insurance's solvency capital does not, in practice, strengthen OP Bank Group's risk capacity because non-life insurance is a new business area for the Group.

The insurance risks of non-life insurance were diversified. The reinsurance of non-life insurance is carried out centrally. Some of the risks have been transferred to reinsurers. The risk held as own risk is at most €5 million by risk and €7.5 million in catastrophe reinsurance.

A large share of exposure in non-life insurance is compensation paid as pensions based on statutory insurance. The amount of underwriting reserves from pension liabilities is affected considerably by estimated mortality. A one year increase in the average life expectancy increases the amount of underwriting reserves by approximately €27 million. In the so-called cohort model used by Pohjola, mortality depends, in addition to age and sex, on the year of birth. This model takes into account the fact that in younger generations, life expectancy is longer.

The result of non-life insurance is considerably affected by catastrophes. In 2001-2005, there have been 17 large €2-5 million damages at own risk (at average 3.4 per year) and 3 over €5 million damages at own risk (at average 0.6 per year).

The invested capital in non-life insurance was €2.6 million at the end of 2005. The largest type of property was bonds, representing 70 per cent of the invested capital. The share of fixed income instruments was increased by money market instruments with an 8 per cent share in invested capital. The average credit rating of non-life insurance's interest portfolio is AA according to S&P's rating. The share of interest investments with a rating below the investment grade is less than 4 per cent. The share of equities in the entire investment portfolio was 16 per cent, the share of real estate was 3 per cent and the share of alternative investments was 3 per cent. Non-life insurance's open foreign exchange exposure was slightly over 2 per cent of invested capital.

A more detailed account of non-life insurance's risk management principles and risk position can be found in Pohjola's and OKO's financial statements.

Life insurance

The significant risks in life insurance operations are associated with investment operations. Separate instructions and operating methods for risk management in investment operations have been confirmed. An annual investment plan has been confirmed for investment operations, which defines the financial targets of the investment operations and sets quantitative and qualitative limitations for investment operations.

The invested capital in life insurance was €3.9 million at the end of 2005. The share of fixed income instruments in invested capital was 76 per cent. 89 per cent of bonds were in the investment grade class. The share of equities in the entire invested capital was 19 per cent and the share of real estate was 5 per cent.

A more detailed account on OP Bank Group's risk management principles, organisation and risk exposure can be found in OP Bank Group's IFRS financial statements.

Credit Ratings

Of the international credit rating agencies, Fitch Ratings provides a rating for both the OP Bank Group and its central bank, OKO Bank. The OP Bank Group's financial position furthermore has a considerable impact on the credit ratings issued for OKO Bank alone.

In July, Standard & Poor's upgraded OKO Bank's credit ratings. The factors behind the improved rating were the stable trend in OKO Bank's income and earnings and the entire OP Bank Group's strengthened market position, plus the fact that the positive trend in profitability has been achieved without jeopardising OKO Bank's and the OP Bank Group's prudent risk exposure and strong capital adequacy.

The credit ratings are at present the following:

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

Following the acquisition of a majority holding in Pohjola (12 September 2005) all the above-mentioned credit rating institutions kept OKO Bank's ratings unchanged. Standard & Poor's and Moody's, however, placed OKO Bank's credit rating on Credit Watch and changed the outlook from stable to negative.

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

Owner-members and Customers

The number of the cooperative banks' owner-members grew by 28 000 from the end of 2004, reaching 1 133 000. In addition, metropolitan Helsinki-based Okopankki Oyj has 130 000 preferred customers.

The amount of the bonuses which owner-members and the preferred customers of Okopankki Oyj earned in 2005 for their patronage of the Group's banking services was €43 million (39), an increase of 12 per cent on the year-ago figure. In the OP Bank Group's income statement, bonuses earned by the owner-members have been booked under the item "Returns to Owner-Members". Owner-members and preferred customers used the bonuses to pay for bank services to a total amount of €34 million (27), and they received cash payments for bonuses earned in previous years to a total amount of €8 million (7).

At the end of the year, the OP Bank Group (excl. Pohjola) had 3.1 million customers, 21 000 more than a year earlier. At the end of the year, the Pohjola companies had a total of 1.6 million customers, 45 per cent of whom were also customers of the rest of the OP Bank Group. Accordingly, the OP Bank Group's total number of customers was about 4 million.

Market Shares

The OP Bank Group's market position strengthened further during 2005, spurred both by organic growth and the acquisition of Pohjola's businesses. The Pohjola businesses contributed to a significant increase in the OP Bank Group's market shares within asset management.

The OP Bank Group's market share of the capital of mutual funds registered in Finland was 22.3 per cent at the end of the year, up 5.8 percentage points on the year-ago figure. The market share at the end of 2005 is the aggregate figure for the market shares of OP Fund Management Company Ltd and Pohjola Fund Management Company Limited. At the end of the year, OP Fund Management Company's market share of mutual fund capital was 17.2 per cent (16.5) and Pohjola Fund Management Company's, 5.2 per cent (4.9).

During 2005, the OP Bank Group's market share of life and pension insurance savings grew by 6.8 percentage points to 17.8 per cent. The market share at the end of 2005 is the aggregate figure for the market shares of OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd. OP Life Assurance Company's market share grew from 11.0 per cent to 12.2 per cent. Pohjola Life Insurance Company, which began operations at the beginning of 2005, had a market share of 5.6 per cent at the end of the year.

OP Life Assurance Company Ltd's market share of premium income from life and pension insurance increased from 16.5 per cent to 20.0 per cent. Pohjola Life Insurance Company had a market share of 10.4 per cent for the full year in 2005.

The OP Bank Group's market share of loans grew by 0.1 percentage point and was 30.5 per cent at the end of the year. The market share of corporate loans was on a par with last year, but the share of home mortgages decreased. The decline in the market share of housing loans came to a halt in the latter half of the year. The OP Bank Group's market share of total deposits decreased by 0.4 percentage point to 31.9 per cent.

Market Shares	Date	Market share, %	12 month change
Loan portfolio	31 Dec. 2005	30.5	0.1
Housing loans	31 Dec. 2005	34.0	-0.5
Corporate loans	1 Dec. 2005	24.9	0.1
Deposit portfolio	31 Dec. 2005	31.9	-0.4
Mutual funds	31 Dec. 2005	22.3	5.8
OP Fund Management Company Ltd	31 Dec. 2005	17.2	0.7
Pohjola Fund Management Company Limited	31 Dec. 2005	5.2	0.3
Life insurance savings	31 Dec. 2005	17.8	6.8
OP Life Assurance Company Ltd	31 Dec. 2005	12.2	1.2
Pohjola Life Insurance Company Ltd	31 Dec. 2005	5.6	-
Life and pension insurance premium income	1–12/2005	30.4	13.9
OP Life Assurance Company Ltd	1–12/2005	20.0	3.5
Pohjola Life Insurance Company Ltd	1–12/2005	10.4	-

Changes expressed in percentage points.

Service Network

The OP Bank Group's multichannel service network comprises locations, online services and contact centre activities.

At the end of the year, the cooperative banks and Okopankki Oyj had a total of 680 locations, or 30 less than a year earlier. As a consequence of the Pohjola transaction, over a hundred Pohjola outlets were added to the OP Bank Group's network of outlets. During 2005 the functions of six Pohjola outlets were moved to a branch office of a member bank. At the end of the year, the OP Bank Group had a total of 782 locations.

The number of payment ATMs decreased by 26 to 606 and the number of Internet customer terminals grew by 13 to 631. The volume of bills paid at payment ATMs decreased by 18 per cent from 2004.

A further increase was registered in bank customers' online service agreements. Almost 81 per cent of online service contract customers use the service actively each month. In 2005, paying bills over the Internet increased by 17 per cent compared with last year. Of all the bills paid by the OP Bank Group's customers 68 per cent were handled via the Internet. Only about 5 per cent of bills were still paid using direct customer service at branch offices. The figure in 2004 was 6 per cent.

The Contact Centre is the OP Bank Group's centralised service channel offering personal service for customers and sales support for the member cooperative banks. The number of customer contacts handled by the Contact Centre by phone or over electronic channels grew by 33 per cent from the figure a year ago, rising to 786 000.

Pohjola's Call Centre offer corporate and retail customers comprehensive insurance and claims services. During 2005, Pohjola's Call Centre handled over a million customer contacts.

OP Bank Group Service Network	31 Dec. 2005	31 Dec. 2004	Change
Branch offices			
Member cooperative banks and Okopankki	680	710	-30
Pohjola Group	102	-	
Payment ATMs	606	632	-26
Internet client terminals	631	618	13
Cash dispensers	1 689	1 735	-46
Online service agreements	996 000	907 000	88 600

Personnel

At the end of the year, the OP Bank Group employed 11 974 staff (net of seasonal help), or 2 856 more than at the end of 2004. The figures include the staff of the Pohjola companies at the end of 2005: 2,788 employees. The staff of the Pohjola companies is not included in the comparative figures for 2004. Excluding Pohjola, the OP Bank Group's personnel grew by 68 employees.

The member cooperative banks had a total of 6 560 employees at year end. OP Bank Group Central Cooperative Consolidated employed 5 399 people and OKO Bank Group, which belongs to it, had a staff of 3 254 employees.

At the end of year, the OP Bank Group's personnel fund, which went into operation from the beginning of 2005, covered 259 OP Bank Group companies and had 9 000 members, or nearly about 93 per cent of the OP Bank Group's (excl. Pohjola) personnel. Likewise at the end of the year, 132 OP Bank Group companies had adopted the reward system for management that was introduced at the same time.

Joint Responsibility and Joint Security

Under the Cooperative Bank Act, the OP Bank Group (the amalgamation of the cooperative banks) is monitored on a consolidated basis, and the OP Bank Group Central Cooperative - the Group's central institution - and its 242 member banks are ultimately responsible for each others' liabilities and commitments. The Central Cooperative's members at the end of the year were the OP Bank Group's 238 member banks as well as OKO Bank, Okopankki Oyj, OP Bank Group Mortgage Bank plc and OP-Kotipankki Oyj.

Under the Credit Institution Act, the deposit banks must belong to the Deposit Protection Fund. In respect of deposit protection, the deposit banks belonging to the OP Bank Group are considered as a single bank. Depositors' claims on the member banks of the OP Bank Group are compensated from the Deposit Protection 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.

The Pohjola Transaction

The leading financial services group in Finland

In September the OP Bank Group's central bank, OKO Bank, acquired a majority holding in the shares of Pohjola Group plc. The transaction expanded the OP Bank Group's operations into the non-life insurance market and strengthened the Group's position within asset management, mutual funds and life and pension insurance. Pohjola is one of Finland's largest non-life insurers. Pohjola's other business area was investment services, consisting of life insurance, mutual funds and asset management services.

The Pohjola acquisition also expanded the OP Bank Group's clientele. The Group gained new resources particularly in the corporate sector, where Pohjola has traditionally been strong in non-life insurance. Retail banking will continue to be the most important business area in the overall OP Bank Group, followed by non-life insurance. The combined group has a strong and diversified business portfolio.

After these arrangements, the OP Bank Group is the leading financial services group in Finland. It has a strong market position in all its core business areas, it is clearly the largest in number of employees, and it has a comprehensive nationwide service network.

The OP Bank Group, Suomi Mutual and Ilmarinen Mutual have furthermore agreed to work closely together, leading to the creation of a major co-operation group in the Finnish financial markets.

Pohjola acquisition

On 12 September 2005, OKO Bank purchased from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company all the shares they held in Pohjola Group plc for a purchase price of about €1.2 billion. The consideration per share was €13.35 in cash. After the transaction, OKO Bank owned about 58.5 per cent of Pohjola's shares and voting rights. An extraordinary General Meeting of OKO Bank's shareholders on October 14, 2005, approved the share issue that was a condition of the transaction. The deal was closed on 18 October 2005, when OKO Bank received the required regulatory approvals. After the closing, Pohjola became an OKO Bank subsidiary.

In accordance with the agreement made with Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company, on 14 October 2005, the Central Cooperative sold to Suomi Mutual and Ilmarinen Mutual an amount of OKO Bank Series A shares that raised both purchasers' holding to 5.27 per cent of the shares and 2.81 per cent of the voting rights. After the deal was completed, both Suomi Mutual and Ilmarinen Mutual purchased additional OKO Bank shares. On 24 November 2005, Suomi Mutual announced that its holding of OKO Bank's shares had risen to 10.36 per cent and its voting rights had reached 5.52 per cent. Ilmarinen announced, on 1 December 2005, that its corresponding holdings in OKO Bank had risen to 10.04 per cent and 5.35 per cent.

In publishing the particulars of the purchase of Pohjola shares on 12 September 2005, OKO Bank announced that it was launching a public tender offer to Pohjola's other shareholders for the remaining Pohjola shares, with the intention of acquiring all of Pohjola's shares. The acquisition valued 100 per cent of Pohjola at €2 075 million on a fully diluted basis.

On 19 October 2005, OKO Bank's holding of Pohjola's shares and voting rights rose to over two thirds as a result of a series of stock exchange purchases. OKO Bank's public tender offer for Pohjola shares, which commenced on 19 October 2005, ended on 18 November 2005. The cash consideration offered by OKO Bank was €13.35 for each Pohjola share. Shareholders representing 13.1 per cent of Pohjola's shares and voting rights accepted the tender offer. Taking into account these shares and other tranches of OKO Bank's Pohjola acquisition, OKO Bank's shareholding and voting rights in Pohjola rose to 83 per cent.

An extraordinary general meeting of Pohjola, held on 23 November 2005, passed resolutions on the composition of Board of Directors, the auditor and lowering of the share capital. The number of members of the Board of Directors was set at five, and Mikael Silvennoinen, President of OKO Bank, was elected chairman.

On 1 December 2005, OKO Bank made a mandatory redemption offer, under the Securities Market Act, Chapter 6, Section 6, for Pohjola shares at the same price as in its previous tender offer. The offer ended on 5 January 2006, and the number of shareholders who accepted represented 4.4 per cent of Pohjola's shares and voting rights. Taking into account these shares and other tranches of OKO Bank's Pohjola acquisition, OKO Bank's shareholding and voting rights in Pohjola rose to 89.96 per cent. On 10 January 2006, OKO Bank announced that its holding in Pohjola had gone over 90 per cent. OKO Bank stated a demand to redeem the shares held by other Pohjola shareholders at a price of €13.35 per share. OKO Bank has launched arbitration proceedings under the Companies Act in order to redeem the remaining Pohjola shares. It is estimated that the shares of Pohjola Group plc will be delisted during the second quarter of 2006.

Because of the Pohjola transaction, co-operation in non-life insurance with the Fennia Group and Local Insurance Group was discontinued towards the end of the year.

Financing of the transaction

The entire OP Bank Group participated in financing the Pohjola acquisition. OKO Bank financed the acquisition primarily through a rights issue targeted at existing shareholders as well as through asset sales, debt financing and internal liquid resources. The OP Bank Group Central Cooperative financed its own share of the arrangement by raising its ordinary cooperative capital by about €300 million and by offering subscriptions for supplementary contributions to the cooperative capital, likewise about €300 million in amount. In addition, the Central Cooperative launched two €70 million bond issues.

OKO Bank's extraordinary general meeting held on 14 October 2005, approved the Executive Board's proposals on an increase in OKO Bank's share capital and amending of the Articles of Association in connection with the acquisition of the shares in Pohjola. The extraordinary cooperative meeting of the OP Bank Group Central Cooperative, which was held on the same day, approved the Executive Board's proposals on amendments to the Statutes, enabling the capital arrangements connected with the acquisition of the Pohjola shares.

A rights issue which began on 24 October 2005, and ended on 15 November 2005, was made to OKO Bank's existing shareholders. In the rights issue, all the 100-odd million shares that were offered were subscribed for. The subscription price of the new shares was €7.20 per share.

In a transaction carried out in September, OKO Bank sold the entire shares outstanding in Okopankki Oyj, which is engaged in retail banking in the Greater Helsinki area, to the OP Bank Group Central Cooperative. The operations of Okopankki and the Central Cooperative's wholly-owned Optum Oy were combined on 27 December 2005.

On 30 December 2005, Pohjola sold the entire shares outstanding in Pohjola Fund Management Company Limited to the Central Cooperative for €73.0 million and the entire shares of Pohjolan Systeemipalvelu Oy for €13.0 million. These companies will be integrated into companies that are already engaged in these lines of business within the OP Bank Group. On 16 January 2006, Pohjola sold the entire shares outstanding in Pohjola Life Insurance Company to the Central Cooperative for €281 million and the shares in Pohjola Asset Management Ltd to OKO Bank for €118.5 million.

Pohjola's extraordinary general meeting held on 19 January 2006, passed a resolution to amend the Articles of Association, approved the M&A arrangements between Pohjola and OKO Bank or the Central Cooperative and authorised the Executive Board, if necessary, to sell the remaining business of Pohjola Group plc, including its subsidiaries, either entirely or in part.

Business combinations

According to plans, Pohjolan Systeemipalvelu Oy will be merged into the Central Cooperative, Pohjola Fund Management Company Limited into OP Fund Management Company Ltd, Pohjola Life Insurance Company into OP Life Assurance Company Ltd and Opstock Ltd into OKO Bank during 2006. Prior to the mergers, Opstock Ltd's corporate finance operations will be transferred to a newly established company through a transfer of business operations, and the asset management functions will be transferred to Pohjola Asset Management Ltd, whose name will be changed to OKO Bank Asset Management Ltd.

Planning of the integration of the businesses of the OP Bank Group and Pohjola was started at the end of 2005. A negotiation proposal on overlapping functions in accordance with the Act on Cooperation within Undertakings was made at the beginning of February 2006. The staff reduction requirement for overlapping asset management, mutual fund and life insurance functions is estimated at 50 employees. The reduction requirement for other asset management and sales staff is estimated to affect about 30 employees. In other respects, the co-determination procedure is connected with combining and reorganising the Group functions of the OP Bank Group Central Cooperative and Pohjola.

The plan to merge Pohjola's sales offices into the member cooperative banks' branch offices has been completed. Accordingly, about 50 offices will be merged by the end of June, 2006, and more than 70 by the end of the year.

Effects of the transaction on the OP Bank Group's financial position

Thanks to the Pohjola transaction, the OP Bank Group's earnings are estimated to grow in coming years. Earnings will be boosted by the forecast operating profits of the companies belonging to the Pohjola Group as well as by the expected income and expense synergies. By contrast, growth in earnings will be retarded by the financial expenses of the transaction as well as amortisation recorded on the new intangible assets arising in connection with allocation of the acquisition cost.

At the end of 2005, the OP Bank Group's holding of Pohjola Group plc shares was 86.3 per cent. The acquisition cost of the shares was just over €1 770 million, which is a bit more than €860 million greater than the portion of the equity in Pohjola's consolidated balance sheet that corresponds to the OP Bank Group's holding. The difference between the acquisition cost of the shares and the net assets in the balance sheet, measured at fair value, has been allocated to the trademark, the value of the insurance portfolio, customer relationships and other intangible assets, taking into account deferred taxes, is slightly over €400 million. The difference between the unallocated acquisition cost and net assets - goodwill - amounted to about €515 million. Goodwill has been allocated separately to life insurance, mutual fund operations, asset management and non-life insurance.

Of the intangible assets thus arising, the portion allocated to the value of the insurance portfolio, customer relationships and information systems will be amortised over their useful lives. The intangible asset relating to the value of the insurance portfolio will be amortised over 10 years, that for customer relationships over 10-13 years and assets relating to information systems over 2-5 years. Amortisable intangible assets totalled €439 million. The amortisation entries will be the greatest in 2006 and 2007, when their annual amount, adjusted for deferred taxes, will be about €37 million. The intangible asset relating to the trademark as well as goodwill will be tested annually. If the value of the intangible asset or goodwill exceeds the estimated earnings from operations during the period under review, an impairment loss will be recorded on the above-mentioned items through the income statement. Under IFRS, the allocation of the acquisition cost can be revised 12 months after the acquisition of shares in subsidiaries.

The Pohjola acquisition is expected to provide significant synergies to OKO Bank and OP Bank Group. The OP Bank Group's total cost and revenue synergies are estimated at about €91 million per annum (pre-tax), of which OKO Bank's share is estimated at about €52 million. The synergies are expected to take full effect within 5 years.

The effect of the Pohjola transaction on capital adequacy at the end of 2005 is discussed in the section Risk management of this report. The exercise of mandatory redemption rights under the Companies Act will raise the OP Bank Group's holding in Pohjola 100 per cent. It is estimated that acquiring the remaining minority interest as a separate transaction will weaken the OP Bank Group's capital adequacy, as measured by Tier I own funds according to the Credit Institution Act, by about 0.5 percentage point compared with the situation at the end of 2005.

The Pohjola transaction will have a substantial effect on the OP Bank Group's risk position. Because of the increase in life insurance operations as well as the new non-life insurance business area, the sensitivity of the OP Bank Group's earnings and capital adequacy ratio to investment risks will increase. As a consequence of engaging in non-life insurance operations, the OP Bank Group's earnings will in future also be affected by the uneven periodisation of loss claims over different years. All in all, however, because of the spreading out of risks and the partial non-linkage of banking and insurance risks, the OP Bank Group's risk exposure is estimated to remain at low level, particularly if risks are evaluated in relation to the increased business volume or the Group's own funds.

Outlook for 2006

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

The OP Bank Group's result from banking operations for 2006 is estimated to be on a par with the result for 2005. In 2006, non-life insurance operations will be consolidated within the OP Bank Group for the full year. As a result of this, earnings before tax is estimated to be markedly higher than in 2005.

All the forecasts and estimates presented here are based on the current view of the trend in the finances of the OP Bank Group and its different functions, and actual results may be significantly different.

Divisions

The OP Bank Group's divisions are Retail Banking, Asset Management, Corporate Banking, Non-Life Insurance and Group Treasury. Retail Banking comprises the other customer business of the member banks and Okopankki Oyj (financing, payment transfers and cash management services) apart from asset management services. Retail Banking also includes the operations of OP-Kotipankki Oyj, OP Bank Group Mortgage Bank plc and the OP Bank Group Mutual Insurance Company in their entirety.

Asset Management includes the operations of the OP Bank Group's life insurance companies (OP Life Assurance Company Ltd and Pohjola Life Insurance Company), the mutual fund management companies (OP Fund Management Company Ltd and Pohjola Fund Management Company) and Pohjola Asset Management Ltd in their entirety, Opstock Ltd's asset management services as well as the asset management services of the member banks and Okopankki Oyj.

Corporate Banking embraces OKO Bank Consolidated's corporate banking operations and Opstock Ltd's corporate finance services. In practice, Corporate Banking comprises the services offered to the OP Bank Group's largest corporate customers as well as leasing and hire-purchase financing.

Non-life Insurance is a new business area that was created as a result of the Pohjola transaction. It encompasses the operations of the OP Bank Group's non-life insurance companies, i.e. Pohjola Non-Life Insurance Company Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies that operate in the Baltic area, the business of the run-off companies belonging to the Pohjola Group as well as the operations of service companies that support non-life insurance.

Group Treasury encompasses the proprietary investment activities of the Central Cooperative, OKO Bank, the member banks and Okopankki Oyj as well as operations in the capital and money markets. Of OKO Bank's divisions, Group Treasury covers central banking and treasury management.

Functions falling outside the divisions comprise the bulk of the Central Cooperative's operations, FD Finanssidata Oy and certain of Pohjola's service companies in their entirety, OKO Bank's Group Administration as well as the member co-operative banks' segment assets that are mainly attributable to the banks' administration and business support functions and which are not allocated to the divisions. The cost of the services which the Central Cooperative and FD Finanssidata Oy provide for the divisions is allocated to the divisions as internal service charges.

An amount of equity capital corresponding to 11 per cent of risk-weighted commitments according to the Credit Institution Act is allocated to banking operations. Unallocated equity capital is attributed to "Other operations" and is not included in the divisions.

Divisions Summary

€ million	Income	Expenses	Impairments	Other items
Retail Banking	883	379	2	27
Asset Management	190	142	0	12
of which life and pension insurance	60	34	0	0
Corporate Banking	156	58	5	0
Non-life Insurance	84	58	0	0
Group Treasury	78	16	-1	0
Others, incl. eliminations	22	123	-1	14
Total	1 414	776	6	53

Earnings before tax, € million	1–12/2005	1–12/2004	Change, %
Retail Banking	474	443	7.2
Asset Management	37	31	18.9
of which life and pension insurance	27	26	1.4
Corporate Banking	94	70	33.2
Non-life Insurance	27	0	
Group Treasury	63	65	-3.2
Others, incl. eliminations	-116	-98	18.4
Total	579	511	13.2

Growth in Retail Banking

Households who are customers of the OP Bank Group drew down €6.3 billion in housing loans in the report year, an increase of 22 per cent on the previous year. €1.5 billion in new loans was drawn down during the fourth quarter, an increase of 18 per cent on the figure a year earlier. The average margin on new home mortgages dropped further and was, on average, 0.2 percentage point lower during the report period than a year earlier. From the end of 2004, the portfolio of mortgages grew by 15 per cent to €16.4 billion. The number of sales brokered by the OP-Kiinteistökeskus estate agents in 2005 was 16 500, an increase of 14 per cent on 2004. Households' consumer loans increased by 14 per cent to €2.5 billion.

Households' current and payment transfer deposits increased by 4.3 per cent to €10.7 billion. At the end of the year, customers held 2 million cards. Cards with a payment facility accounted for 92 per cent of all cards. The share of international cards was 59 per cent.

The corporate loan portfolio, which is part of the Retail Banking division, amounted to €3.5 billion at the end of the year, an increase of 5.9 per cent year on year. Retail Banking's business customers drew down 13 per cent more new euro-denominated loans than a year ago. Corporate payment transfer deposits increased by 10 per cent to €2.4 billion at the end of the year.

Earnings before tax in Retail Banking were €474 million, an increase of 7.2 per cent on 2004. Income amounted to €883 million, rising 3.0 per cent on the previous year. Expenses diminished by 1.9 per cent.

The bulk of the member co-operative banks' earnings is derived from retail banking. All 238 member cooperative banks that are included in the OP Bank Group's financial statements reported an operating profit for 2005. Their aggregate operating profit calculated according to Finnish Accounting Standards (FAS) was €403 million (335). Net interest income was €618 million (604), commission and fee income €206 million (186) and other income €145 million (103). Other income includes capital gains and changes in value on OKO Bank shares and subscription warrants to a total amount of €51 million (7). Total expenses were €562 million (555). personnel costs were up 3.6 per cent and other administrative expenses 1.5 per cent. Impairment losses on loans and other commitments amounted to €4.0 million.

At the end of September, Strömfors Andelsbank merged into Elimäen Osuuspankki. In January 2006, at the cooperative meetings of Eurajoen Osuuspankki, Kankaanpään Osuuspankki and Rauman Seudun Osuuspankki as well as at the representative assembly of Porin Seudun Osuuspankki, resolutions were passed on a merger and on founding the new Länsi-Suomen Osuuspankki. Länsi-Suomen Osuuspankki will start its operations during 2006. In addition, resolutions have been passed on merging Viekin Osuuspankki into Lieksan Osuuspankki and Hämeenkosken Osuuspankki into Päijät-Hämeen Osuuspankki. Both mergers are scheduled for completion during spring 2006.

Retail Banking

€ million	1–12/2005	Change from a year earlier, %	10–12/2005
Earnings before tax	474	7.2	103
New housing loans	6 288	22.2	1 495
New corporate loans	1 515	12.8	413
Number of real estate transactions brokered	16 489	13.7	3 749
€ billion	31 Dec. 2005	31 Dec. 2004	Change, %
Loan portfolio			
Housing loans	16.4	14.3	15.1
Other household loans	7.1	6.5	9.1
Corporate loans	3.5	3.3	5.9
Other loans	1.0	0.8	15.4
Total	28.0	24.9	12.3
Guarantee portfolio	0.5	0.4	30.7
Current accounts and payment accounts			
Households	10.7	10.3	4.3
Businesses	2.4	2.2	9.5
Other	1.0	1.0	-0.6
Total	14.2	13.6	4.8

Asset Management reaches a higher volume

The OP Bank Group's asset management volume grew robustly in 2005. Both OP Life Assurance Company Ltd and OP Fund Management Company Ltd outpaced the average for their competitors. The Pohjola transaction brought a significant increase in the number of the OP Bank Group's asset management customers and the volume of operations.

Earnings Analysis of OP Bank Group's Life Insurance Companies (IFRS)

€ million	OP Life Assurance Company 2005	OP Life Assurance Company 2004	Change, %	Pohjola Life Insurance Company 11–12/2005
Premium income	640	478	33.7	148
Investment income	300	168	78.7	69
Compensation paid	-199	-161	23.1	-21
Change in technical provisions before supplementary benefits	-659	-410	60.5	-171
Supplementary benefits	-22	-25	-12.5	-9
Operating expenses	-25	-22	14.7	-6
Profit before tax	34	27	27.3	10

OP Life Assurance Company Ltd had premium income of €640 million in the report year, up 34 per cent on the previous year (478). Pohjola Life Insurance Company's premium income in 2005 was €315 million, of which the portion consolidated within the OP Bank Group for November-December was €148 million. At the end of the report period, the OP Bank Group's insurance savings totalled €4.8 billion, an increase of €2.2 billion since the end of 2004. Pohjola accounted for €1.5 billion of the increase.

Net inflows into the OP mutual funds amounted to €1.8 billion in the report year, an increase of 20 per cent on the previous year (1.5). Net inflows into Pohjola mutual funds were €486 million over the full year, of which the portion consolidated within the OP Bank Group for November-December was €62 million.

At the end of the year, the aggregate capital in the OP Bank Group's mutual funds totalled €10.0 billion, an increase of €4.9 billion on the previous year. The Pohjola mutual funds contributed €2.3 billion to the growth figure. At the end of the year, the OP Bank Group's share of mutual fund customers was 21.7 per cent. The OP Bank Group had 71 mutual funds under management at the end of the year, of which 38 were run by OP Fund Management Company Ltd and 33 by Pohjola Fund Management Company Limited. The number of funds will contract during 2006 owing to merging of the funds.

Pre-tax earnings generated by Asset Management totalled €37 million, as against €31 million in 2004. Income amounted to €190 million, rising by €30 million on 2004. Expenses were up 19 per cent.

OP Life Assurance Company Ltd, which is part of the division, posted earnings before tax of €34 million that were included in the OP Bank Group's IFRS financial statements (27). The discount rate on liabilities with a technical interest rate was lowered from 4.5 per cent to 3.0 per cent, as a result of which technical provisions were strengthened by an interest supplement totalling €12 million. In addition, a provision of €7.5 million was set up to cover future customer bonuses.

The Company's profit before taxes at fair values was €101 million and the return on equity was 32.7 per cent. The aggregate result at fair values, excluding the above-mentioned discretionary interest supplement and provision for future customer bonuses, would have been about €120 million. The unrealised change in value, after deduction of the tax liability, has been recorded in the fair value reserve under equity. At the end of the year the fair value reserve, taking into account the tax liability, was €106 million, of which €49 million came from the change in value in 2005.

OP Life Assurance Company Ltd's premium income increased by 34 per cent to €640 million. Premium income from life insurance was €589 million (401), from pension insurance €81 million (77), and from other policies less than a million euros (0). Unit-linked policies accounted for 53 per cent of total premiums written in pension insurance. The gross expense ratio calculated on the loading result was 84.0 per cent (85.3). Net investment income rose by 79 per cent to €300 million. The company's return on investment assets at fair values was 8.3 per cent, as against 7.6 per cent a year earlier.

Pohjola Life Insurance Company began operations at the beginning of 2005. The Company's profit before taxes calculated according to IFRS was €19.6 million. The Company's profit before taxes at fair values was €40 million. In December, the Company strengthened its technical provisions by an €12 million interest supplement and made a provision of €5 million for future customer bonuses. The Company's earnings before tax was just under €10 million in November-December, 2005. The result included capital gains on sales of securities totalling €16 million that are not included in OP Bank Group's result.

The aggregate technical provisions of the OP Bank Group's life insurance companies stood at 5.0 billion at the end of the year, an increase of €2.3 billion since the end of 2004. OP Life Assurance Company Ltd's technical provisions increased by 25 per cent to €3.4 billion. The technical provisions of Pohjola Life Insurance Company at the end of the year were €1.6 billion. The proportion of unit-linked policies within the OP Bank Group's technical provisions for life and pension insurance was 30.2 per cent. The companies' aggregate investment assets, excluding assets providing cover for unit-linked policies, was €3.9 billion, of which unit-linked policies accounted for 76 per cent at the end of the financial year, shares and equity funds for 12 per cent, real-estate investments for 5 per cent and alternative investments for 7 per cent.

The assets of private and corporate customers managed by Pohjola Asset Management Ltd and Opstock Ltd totalled €27.1 billion at the end of the year. Of customer assets under management, the proportion of investment assets of the OP Bank Group's mutual funds, life insurance companies and other companies belonging to OP Bank Group Central Cooperative Consolidated was €17.3 billion. Customer assets managed by Opstock Ltd grew by 24 per cent to €13.6 billion.

The volume of households' stockbroking grew by 44 per cent on the previous year, reaching 409 000 trades. Orders executed online accounted for 72 per cent of total stockbroking (68).

Asset Management

€ million	1–12/2005	Change from a year earlier, %	10–12/2005
Earnings before tax	37	18.9	22
Insurance premium income	788	65.0	353
Net subscriptions in mutual funds	1 845	19.9	427
€ billion	31 Dec. -05	31 Dec. -04	Change, %
Investment deposits	9.5	8.6	10.1
Endowment insurance	3.6	2.2	58.8
Pension insurance	1.1	0.3	
Capital redemption policies	0.2	0.1	86.3
Total insurance savings	4.9	2.7	83.7
of which unit-linked	1.3	0.6	
Equity and hedge funds	3.6	1.7	
Balanced funds	1.3	0.8	69.2
Bond funds	2.4	0.9	
Money market funds	2.7	1.8	56.4
Total value of mutual funds	10.0	5.1	94.6
Customer funds under management (excluding investment assets of mutual funds, life insurance companies and other companies)	9.9	3.8	

Corporate Banking strengthens

The Corporate Banking division reported an increase in its portfolio of loans and guarantees of 11 per cent from the end of 2004, to just under €7.95 billion. Corporate loans and deposits rose by 9 per cent and leasing and hiring purchase financing by about 17 per cent. During the report period, just under €2.6 billion of new long term financing and €1.1 billion of lease financing was arranged for companies and institutions. The OP Bank Group acted as the lead manager in seven syndicated loans and took part in financing certain major M&A arrangements. OKO Bank retained its position as the leading arranger of domestic debt issuance. OKO Bank has established a subsidiary in Russia providing corporate finance services.

Earnings before tax in Corporate Banking were €94 million, an increase of 33 per cent on 2004. Income amounted to €156 million, rising 30 per cent on the previous year. Expenses were up 21 per cent.

Corporate Banking

€ million	1–12/2005	Change from a year earlier, %	10–12/2005
Earnings before tax	94	33.2	27
€ billion	31 Dec. -05	31 Dec. -04	Change, %
Loan portfolio	6.7	5.9	12.5
Guarantee portfolio	1.2	1.2	1.9
Deposit portfolio	0.3	0.3	-0.5

Non-life insurance becomes a new business area

Following the Pohjola transaction, non-life insurance became a new business area for the OP Bank Group.

The Pohjola Group's non-life insurance companies had total premium income over the full year in 2005 of €808 million and posted profit before taxes of €183 million. The full-year combined ratio for Pohjola's non-life insurance operations was 92.3 per cent. A total of €68 million of premium income from non-life insurance has been consolidated within the OP Bank Group's financial statements. In November-December, the result of the non-life insurance business area was €27 million.

A more detailed discussion of non-life insurance operations and the trend in them has been given in the financial statement bulletin published by Pohjola Group plc on February 17, 2006.

Group Treasury posts higher earnings

In March, OKO Bank arranged a billion-euro debt issue targeted at the international capital markets. The notes have a maturity of three years. Debt securities issued to the public, which were allocated to Group Treasury, came to €8.9 billion in total amount, an increase of 42 per cent on the figure a year ago. The acquisition of Pohjola shares increased the amount of debt securities issued to the public.

The value of investment properties included in Group Treasury's operations at the end of the year was €508 million, down 15 per cent on the same period of last year. The net yield on capital invested in investment properties was 7.4 per cent and the properties had an occupancy rate of 89 per cent.

Notes and bonds allocated to Group Treasury amounted to €2.8 billion at the end of December (2.6) and shareholdings to €0.09 billion (0.05).

Earnings before tax in Group Treasury were €63 million, down 3 per cent on the previous year. Income was down 23 per cent to €78 million. Expenses were down 57 per cent.

OP Bank Group Central Cooperative Consolidated

OP Bank Group Central Cooperative Consolidated's earnings before tax as reported according to IFRS principles were €301 million (250). The Pohjola companies' profit for November-December has been included in the unit's consolidated financial statements.

Net interest income increased by 7.1 per cent to €169 million, driven above all by the growth in net interest income from corporate banking. In November-December, Central Cooperative Consolidated recorded €68 million of net income from non-life insurance operations. Net income from life insurance was €55 million. Within commission and fee income, the best growth came from commissions received on lending, mutual funds and securities brokerage. Other operating income amounted to €300 million (252), including a total of €75 million of capital gains on the sale of OKO Bank shares and subscription warrants. In 2004, other operating income included a gain of €49 million which the Central Cooperative recorded on the dissolution of the OP Bank Group Security Fund.

Total expenses increased by 25 per cent to €414 million. The comparable growth in expenses was 4.7 per cent. Stripping out Pohjola, personnel costs increased by 3.1 per cent. OP Bank Group Central Cooperative Consolidated had a payroll at the end of the year of 5 399 employees, or 2 892 more than at the end of the previous year. Net impairment losses on receivables were €2.0 million.

OP Bank Group Central Cooperative Consolidated Income Statement

€ million	2005	2004	Change, %
Interest income	792	436	81.9
Interest expenses	623	278	
Net interest income	169	158	7.1
Impairment losses on receivables	2	2	-17.4
Net interest income after impairment losses	167	156	7.5
Net income from non-life insurance	68		
Net income from life insurance	55	43	28.1
Net commissions and fees	105	88	18.3
Net trading income	16	8	100.0
Net investment income	13	34	-62.8
Other operating income	300	252	19.0
Personnel costs	156	125	25.1
Other administrative expenses	144	124	16.1
Other operating expenses	114	82	39.1
Returns to owner-members	10	5	95.7
Share of affiliate profits/losses	0	5	-89.5
Earnings before tax	301	250	20.2

From the turn of the year, total assets grew by 44 per cent to €28.5 billion. The growth in total assets was attributable mainly to the Pohjola transaction and to the growth in the loan portfolio, which increased by 13 per cent to €10.2 billion (9.1), and total deposits were up 1.7 per cent to €2.4 billion (2.4). Debt securities issued to the public totalled €8.9 billion (6.2). Equity capital at the end of the year stood at €2.2 billion (1.0). The OP Bank Group Central Cooperative's €0.7 billion in cooperative capital is for the time being ranked as borrowed capital.

Capital adequacy ratio at the end of the year was 14.7 per cent (11.5) and own funds totalled €1.9 billion (1.2). The net profit generated during the report period, less the estimated dividend payout, is included in own funds. The Central Cooperative's cooperative capital and the consolidation group's own funds do not include terminated cooperative contributions. The amount of the Central Cooperative Consolidated's risk-weighted loans, investments and off-balance sheet items grew by 22.6 per cent to €12.8 billion. Pohjola and the financing for acquiring its shares had a considerable effect on Central Cooperative Consolidated's capital adequacy, particularly on the amount of own funds and their composition.

The structure of OP Bank Group Central Cooperative Consolidated changed substantially in the report year. In the autumn, Pohjola Group plc and its subsidiaries became subsidiaries of the Central Cooperative's largest subsidiary, OKO Bank. As part of the arrangement, the Central Cooperative purchased from OKO Bank the entire shares outstanding in Okopankki Oyj. At the end of the year, Okopankki Oyj merged into the Central Cooperative's wholly-owned Optum Oy, which will continue its operations as a deposit bank under the name Okopankki Oyj. At the end of the year the Central Cooperative purchased from Pohjola Group plc the entire shares outstanding in Pohjola Fund Management Company Limited and Pohjolan Systeemipalvelu Oy.

The consolidated financial statements of OP Bank Group Central Cooperative Consolidated include the financial statements of the parent institution, the OP Bank Group Central Cooperative, as well as the financial statements of OKO Bank Consolidated, OP Life Assurance Company Ltd, OP-Kotipankki Oyj, OP Fund Management Company Ltd, FD-Finanssidata Oy, OP Bank Group Mortgage Bank plc and Okopankki Oyj. Furthermore, the financial statements of Pohjola Fund Management Company Limited and Pohjolan Systeemipalvelu Oy are included in the consolidated financial statements. Only the November-December portion of the earnings of the last-mentioned companies is included in OP Bank Group Central Cooperative Consolidated's result for 2005. In addition, the financial statements of the real-estate investment company Oy Realinvest Ab and cash dispenser company Automatia Pankkiautomaatit Oy are consolidated according to the equity method within the consolidated financial statements.

OP Bank Group Central Cooperative

OP Bank Group Central Cooperative Consolidated's parent institution, the OP Bank Group Central Cooperative, reported an operating profit of €179 million (111). The result for 2005 included €117 million of non-recurring capital gains on the sale of OKO Bank shares. A major non-recurring item that was included in the previous year's result was a gain of €49 million that arose on the dissolution of the OP Bank Group Security Fund. The comparable result, adjusted for these non-recurring items, was €58 million (61). The decrease in comparable earnings was attributable to the lower amount of dividend income. Owing to the reorganisation of ICT functions, 219 FD Finanssidata staff transferred to the employ of the Central Cooperative on March 1, 2005.

During 2005, OP-Kotipankki Oyj and Okopankki Oyj became members of the Central Cooperative, which had 242 members at the end of the year.

The Annual Cooperative Meeting of the OP Bank Group Central Cooperative was held on March 31, 2005. Of the members due to resign, the meeting re-elected Jari Laaksonen, Erkki Laatikainen, Juhani Leminen, Jorma Pere, Esa Härmälä and Tuire Santamäki-Vuori to seats on the Supervisory Board. Tony Vepsäläinen was elected a new member. The Supervisory Board has a total of 36 members.

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

At the Annual Cooperative Meeting, the firm of independent public accountants KPMG Oy Ab was elected auditor of the OP Bank Group Central Cooperative for the 2005 financial year.

In December 2005, the OP Bank Group's CEO, Mr Antti Tanskanen, announced his retirement at the beginning of 2007. A working group under the direction of Seppo Penttinen, chairman of the Supervisory Board, is preparing a proposal on Antti Tanskanen's successor prior to a decision by Central Cooperative's Supervisory Board.

OKO Bank

The Central Cooperative's most important subsidiary is OKO Bank, which together with its subsidiaries comprises OKO Bank Group. At the end of 2005, Pohjola Group plc became a subsidiary of OKO Bank. In September, OKO Bank sold its subsidiary Okopankki Oyj, which is engaged in retail banking in the Greater Helsinki area, to its parent institution, the OP Bank Group Central Cooperative.

OKO Bank Group's earnings before tax (including the capital gains from Okopankki Oyj) as calculated according to IFRS principles were €304 million, or more than double the previous year's result (138). The capital gains from Okopankki Oyj shares amounted to €153 million. The comparable earnings before tax increased by 17 per cent. In the calculation of comparable earnings, 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. Earnings per share were €1.96 (0.86). Loan portfolio contracted from €8.7 billion to €6.8 billion because the divestment of Okopankki Oyj reduced the loan portfolio by €2.9 billion. 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 under review.

Capital adequacy ratio as measured by Tier I own funds in accordance with the Credit Institution Act was 9.6 per cent at the end of the year (7.6). At the end of 2005, solvency was also calculated for the first time according to the Act on the Supervision of Financial and Insurance Conglomerates. Calculated in this way, the ratio of own funds to the minimum amount of own funds was 1.23. OKO Bank published its own financial statement bulletin for the financial year 2005 on 17 February 2006.

Transition to IFRS Financial Statements

The OP Bank Group adopted IFRS reporting standards from the beginning of 2005. In the financial information for 2005, the comparative data for 2004 have been adjusted in line with the information prepared in accordance with IFRS principles. On March 24, 2005, the OP Bank Group published a stock exchange release on the transition to IFRS. The bulletin discussed the main impacts of the transition to IFRS on the Group's financial information for 2004 and presented reconciliations between the financial statement information prepared according to Finnish Accounting Standards and IFRS. The IFRS Financial Statement later on presents updated reconciliations relating to the comparative information for the report period. The stock exchange release published in the spring also discussed the main changes to accounting policies resulting from the transition to IFRS.

Under the exemption permitted in making the transition to IFRS on January 1, 2005, the comparative information for 2004, has not been converted in line with IFRS in respect of IAS 39, Financial Instruments. The effects of introducing IAS 39 were taken into account in the equity capital items in the opening balance sheet at January 1, 2005.

Effects of IAS 39 on the OP Bank Group's equity capital

The overall euro-denominated effect of the transition on equity capital at January 1, 2005, was an increase of €77 million. The effect of category-specific impairment losses on receivables was €8 million negative. The measurement at fair value of financial assets available for sale was a gain of €80 million. In making the transition, certain financial assets were classified on a one-off basis as financial assets available for trading. This regrouping had only a minor effect on equity capital.

Category-specific impairment losses are booked on categories comprising receivables that are similar in terms of their credit risk and for which there are objective criteria for judging an impairment. The size of the impairment charged for categories of receivables is based on an empirical percentage share of the capital in each category. According to the main rule, impairment losses on receivables are still recorded for specific receivables, and category-specific impairments are booked on receivables that are either too small or which have otherwise not been subjected to an individual assessment. In connection with the transition to IAS 39, those category-specific impairment losses were charged to equity capital which, according to the principles now in use, would have been recorded as an expense prior to the commencement of the financial period.

Financial assets available for sale comprise financial assets other than those held for trading as well as loans and receivables or held-to-maturity investments. Under IFRS principles, they are measured at fair value. Shares, holdings and bonds and notes that were classified as financial assets available for sale were measured at the original or amortised cost less impairment charges in accordance with Finnish Accounting Standards. The positive difference at the time of transition between fair value and the values according to previous Finnish measurement practice was entered in the fair value reserve under equity capital.

Preparations for Capital Adequacy Reform

A change in the banks' capital adequacy regime

In June 2004 the Basel Committee on Banking Supervision published the final version of the new recommendations on 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.

The OP Bank Group's preparations for the reform

The starting point for the OP Bank Group's development of risk management methods and systems is primarily the Group's risk management needs and secondarily compliance with the requirements of the capital adequacy Framework. On this basis, at the end of 2003 the OP Bank Group Central Cooperative's Executive Board set out the OP Bank Group's objectives in calculating the minimum capital requirement. According to these policy lines, the minimum capital requirement for credit risks deriving from retail exposures is calculated using the internal ratings-based approach, the capital requirement for the credit risks of other exposures by means of the 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 the Central Cooperative's Executive Board confirmed the previously formulated policy lines concerning the methods to be introduced and decided that the OP Bank Group would make use of the transitional provisions for the capital adequacy reform. The OP Bank Group will go over stage by stage to the 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.

During 2005 the OP Bank Group has continued preparations for the capital adequacy reform. The main actions carried out during the year have been related to the information systems required by the reform, the collection of information that is critical to the timetable as well as to the development of credit risk models. Towards the end of the year the Group introduced a pricing model based on a credit rating assessment to be used when private individuals' home mortgage applications are in the initial stage, and the credit rating for corporate exposure was expanded to cover all corporate exposure.

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

Legal Structure of the Amalgamation of the Cooperative Banks and of the OP Bank Group

The amalgamation of the cooperative banks in its present form began operations on 1 July 1997. The amalgamation's operations are based on an amendment, which came into force in August 1996, to the Cooperative Bank Act (which has been renamed the Act on Cooperative Banks and Other Cooperative Credit Institutions, hereinafter referred to as the Cooperative Bank Act). The amendment to the Cooperative Bank Act permitted a sharper definition of the position of the Group in respect of financial monitoring. The amendment also strengthened the operational framework of the independent and local cooperative banks belonging to the Group, among other things, by permitting the banks certain flexible arrangements in applying the provisions of the Credit Institution Act.

The amalgamation of the cooperative banks does not form a corporate group as defined in the Accounting Act or a consolidation group as defined in the Credit Institution Act. In Finland, the amalgamation is a unique financial entity that has been created through special legislation.

The acts establishing the legal provisions for co-operative banking are the Credit Institution Act, the Cooperative Bank Act and the Cooperative Societies Act. The operations of the amalgamation of the cooperative banks are provided for in the Cooperative Bank Act. The rules concerning the amalgamation of the cooperative banks are set out in detail in Chapters 2 and 11 of the Cooperative Bank Act.

Extent of the Amalgamation of the Cooperative Banks and the OP Bank Group

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

The OP Bank Group comprises the central institution, the member credit institutions and the companies belonging to their groups as well as companies in which one or more companies belonging to the OP Bank Group holds a total of more than half of the voting rights. Accordingly, the extent of the OP Bank Group differs from the extent of the amalgamation of the cooperative banks in that the OP Bank Group subsumes companies other than credit and financial institutions or service companies as specified in the Credit Institution Act. The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate.

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

The Act on Cooperative Banks and Other Credit Institutions was amended in April 2005 such that a supervisory board is no longer a mandatory organ within OKO Bank's organisation. The Central Cooperative's Supervisory Board decided on September 12, 2005, that the Central Cooperative will, at the Annual General Meeting (AGM) to be held in the spring of 2006, support a reform of OKO Bank's corporate governance involving the abolishment of the Supervisory Board and the replacement of the internal board of directors (Executive Board) with an external Board of Directors.

Consolidated monitoring

Under law, the amalgamation of the cooperative banks is monitored on a consolidated basis in respect of capital adequacy, liquidity and customer risks. The central institution is responsible for issuing guidelines to its member credit institutions with the aim of ensuring their liquidity, capital adequacy and risk management. The central institution also has an obligation to monitor the operations of its member credit institutions and their consolidation groups. The obligation to issue guidelines and exercise supervision nevertheless does not give the central institution the power to dictate the course of the member credit institutions' business operations. Each member credit institution carries on its business independently within the scope of its own resources.

An institution belonging to the amalgamation of the cooperative banks may not, in the course of its activities, take on a risk of such magnitude that it constitutes a material danger to the capital adequacy of the institution or the amalgamation as a whole. The OP Bank Group Central Cooperative must have risk monitoring systems that are adequate in respect of the operations of the entire Group, and an individual credit institution must have similar systems covering its own operations. The principles of the Group's risk management are discussed in greater detail above.

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

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

The capital adequacy ratio calculated for the amalgamation of the cooperative banks must be at least 8 per cent. Should the Group's own funds fall below 8 per cent, the Financial Supervision Authority will set a period within which the minimum level of own funds specified in the relevant act must be reached. If the Group's capital adequacy is not restored within the fixed period, the Ministry of Finance, acting upon a proposal of the Financial Supervision Authority, can order the amalgamation of the cooperative banks to be dissolved. The Ministry of Finance also has the right to decide on dissolution of the amalgamation of the cooperative banks in other situations in which the amalgamation does not fulfil the prescribed requirements of Chapter 2 of the Cooperative Bank Act even after the setting of a specified period. The capital adequacy ratio calculated for the amalgamation of the cooperative banks is referred to as the OP Bank Group's capital adequacy.

Exemptions concerning member credit Institutions

The central institution can grant to any of its member credit institutions and its consolidation group permission to diverge from the maximum amount of large customer risks specified in the relevant act. With permission of the central institution, an individual member credit institution can assume a maximum of twice the maximum amount of customer risk stipulated in the Credit Institution Act. For customer risks less than €250 000, the central institution can grant an exemption without prejudice to the above restriction.

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

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

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

Joining the Amalgamation of the Cooperative Banks and withdrawal from its membership

Membership of the central institution can be applied for by cooperative banks, banks having the legal form of a limited company pursuant to the Cooperative Bank Act and the commercial bank acting as the central financial institution of the amalgamation of the cooperative banks as well as credit institutions in which said companies own, alone or jointly, more than half of the voting rights. Membership calls for changes in the statutes or Articles of Association as specified in the Cooperative Bank Act. Acceptance for membership calls for a two thirds majority of the votes cast at the Annual Meeting of the Cooperative or in the Representatives' Meeting of the bank or at a General Meeting of the shareholders.

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

Financial statements and audit of the Amalgamation of the Cooperative Banks

The financial statements of the central institution and member credit institutions as well as their consolidation groups are combined to form the consolidated financial statements of the amalgamation of the cooperative banks pursuant, as appropriate, to the provisions and regulations in effect for the consolidated financial statements of a credit institution. The consolidated financial statements also include the financial statements of subsidiaries other than credit and financial institutions and service companies. The combined financial statements are referred to as the OP Bank Group's financial statements. According to the Cooperative Bank Act, the OP Bank Group's financial statements must be prepared in compliance with International Financial Reporting Standards, as set out in the Accounting Act, no later than for the financial year beginning in 2007. The Financial Supervision Authority has issued more detailed regulations on the preparation of the OP Bank Group's financial statements. The accounting policies applied are presented in the Group's financial statements.

The central institution has a statutory obligation to issue instructions to the member credit institutions on observing uniform accounting policies in preparing the OP Bank Group's financial statements. The member credit institutions bear the obligation to provide the central institution with the information necessary for the OP Bank Group's consolidated financial statements and, furthermore, the central institution and its auditors are given the right to obtain a copy of the documents relating to a member credit institution's audit for carrying out the audit of the OP Bank Group's financial statements.

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

Supervision of the Amalgamation of the Cooperative Banks

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

As a consequence of an acquisition arrangement that is described in greater detail in this Annual Report, the share of insurance business within the OP Bank Group exceeded by a clear margin the threshold values set out in the Act on the Supervision of Financial and Insurance Conglomerates. Since the end of 2005, the OP Bank Group has been subject to the supervision specified in the act. The Financial Supervision Authority acts as the co-ordinating authority pursuant to the act. The insurance operations carried on by the OP Bank Group are supervised by the Insurance Supervision Authority.

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

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

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

Joint responsibility and joint security

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

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

Protection provided by the Deposit Guarantee Fund

According to the legislation concerning the Deposit Guarantee Fund, which came into force in January 1998, the deposit banks belonging to the amalgamation of the cooperative banks are considered to constitute a single bank in respect of deposit protection. The assets of the Deposit Guarantee Fund are applied to compensate a depositor's receivables from the deposit banks belonging to the amalgamation of the cooperative banks up to a maximum amount of €25 000.

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

Key Income Statement and Balance Sheet Items and Financial Ratios 2001–2005

	2001 FAS	2002 FAS	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS
Income statement, key items						
Net interest income	875	857	798	783	758	781
Net income from non-life insurance	-	-	-	-	-	68
Net income from life insurance	-	-	-	-	51	67
Net commissions and fees	245	245	275	284	314	340
Other income	192	129	222	203	151	158
Personnel costs	315	354	374	370	354	387
Other expenses	394	404	392	390	352	389
Impairment losses on receivables	12	13	9	7	7	6
Write-downs on securities held as non-current financial assets	88	1	4	0	-	-
Returns to owner-members	-	-	-	-	48	53
Earnings before tax	504	459	515	504	511	579
Balance sheet, key assets						
Receivables from financial institutions	366	350	486	681	681	666
Receivables from customers	21 946	24 319	27 206	30 645	30 952	34 807
Non-life insurance assets	-	-	-	-	-	2 742
Life insurance assets	-	-	-	-	2 867	5 385
Financial assets held for trading and investment assets	5 478	4 502	4 166	4 448	4 831	5 492
Tangible and intangible assets	1 301	1 259	1 177	1 140	707	1 890
Other assets	940	1 194	1 968	1 315	1 422	1 862
Total assets	30 031	31 625	35 002	38 229	41 460	52 845
Balance sheet, key liabilities						
Liabilities to financial institutions	1 774	949	1 566	1 181	1 184	2 025
Liabilities to customers	20 120	21 375	23 275	25 128	25 107	26 475
Debt securities issued to public	3 727	4 536	5 009	6 325	6 325	8 891
Subordinated liabilities	696	576	514	524	1 314	1 596
Other liabilities	1 016	1 140	1 198	1 204	4 194	9 100
Equity capital and minority interests	2 698	3 049	3 440	3 867	3 337	4 757
Total liabilities	30 031	31 625	35 002	38 229	41 460	52 845
Financial ratios, %						
Return on equity, ROE	14.6	11.9	11.5	10.5	12.0	11.2
Return on assets, ROA	1.3	1.1	1.1	1.0	1.0	1.0
Equity ratio	9.0	9.6	9.8	9.9	8.0	9.0
Cost/income ratio	55	61	62	62	55	55
Capital adequacy ratio	15.1	15.2	15.4	15.8	15.5	14.6
Tier I ratio	13.0	13.6	14.0	14.4	14.1	13.1

The effect of the transition to IFRS reporting was bigger on the Return on equity ratio and the Equity ratio than on other financial ratios. This is mainly due to changes in classification of balance sheet items. In the financial statements prepared under FAS-principles cooperative capital is classified as equity capital. In IFRS financial statements cooperative capital is classified as liability.

The presented FAS figures are equal to information presented in financial statements in years 2001–2004 with the difference that the FAS income statement and the balance sheet information is grouped into OP Bank Group's IFRS income statement and balance sheet formats. FAS Income statement information is regrouped with the following rules:

Income statement items according to IFRS	Income statement items according to FAS
net interest income	net interest income
net commisions and fees	commissions and fees less commission expenses
other income net trading income, net investment income, other operating income, share of affiliate profits /losses	other income income from equity investments, net income from securities and foreign exchange trading, other operating income, results accounted for using the equity method
personnel costs	personnel costs
other expenses other administrative expenses, other operating expenses	other expenses
impairment losses on receivables	loan and guarantee losses
-	write-downs on securities held as non-current financial assets
earnings before tax for the period	operating profit

Calculation of financial ratios

Return on equity (ROE), %

FAS:

$$\frac{\text{Operating profit/loss less taxes*)}}{\text{Equity capital + minority interest + voluntary reserves and excess depreciation less deferred taxes (average at the beginning and end of year)}} \times 100$$

*)Taxes related to extraordinary items are excluded

IFRS:

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

Return on assets (ROA), %

FAS:

$$\frac{\text{Operating profit or loss less taxes *)}}{\text{Balance sheet total on average (at the beginning and end of the year)}} \times 100$$

*)Taxes related to extraordinary items are excluded

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:

$$\frac{\text{Equity capital + minority interest}}{\text{Balance sheet total}} \times 100$$

IFRS:

$$\frac{\text{Equity capital}}{\text{Balance sheet total}} \times 100$$

Cost/income ratio, %

FAS:

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

IFRS:

$$\frac{\text{Personnel costs + other administrative expenses + other operating expenses}}{\text{Net interest income + net income from non-life insurance operations + net income from life insurance operations + net commissions and fees + net trading income + net income from investments + other operating income + share of affiliate profits/losses}} \times 100$$

Capital adequacy ratio, %

$$\frac{\text{Tier I own funds + Tier II own funds - mandatory adjustments}}{\text{Risk weighted receivables, investments and off-balance sheet items}} \times 100$$

Tier I ratio, %

$$\frac{\text{Tier I own funds}}{\text{Risk weighted receivables, investments and off-balance sheet items}} \times 100$$

OP BANK GROUP (AMALGAMATION OF THE COOPERATIVE BANKS)

IFRS FINANCIAL STATEMENTS 2005

CONTENTS

OP BANK GROUP INCOME STATEMENT

€ Million	Notes	2005	2004	Change, %
Interest income		1 575	1 185	33
Interest expenses		794	428	86
Net interest income before write-downs	5	**781**	**758**	**3**
Write-downs on receivables	6	6	7	-19
Net interest income after write-downs		**775**	**750**	**3**
Net income from non-life insurance operations	7	68	-	
Net income from life insurance operations	8	67	51	32
Net commissions and fees	9	340	314	8
Net trading income	10	27	20	34
Net investment income	11	62	79	-22
Other operating income	12	68	46	47
Personnel costs	13	387	354	9
Other administrative expenses	14	220	197	12
Other operating expenses	15	169	155	9
Returns to owner-members	16	53	48	10
Share in affiliate profits		0	5	-89
Earnings before taxes		**579**	**511**	**13**
Income taxes	17	125	131	-5
Earnings for the period		**454**	**380**	**19**
Attributable to				
OP Bank Group owners		450	379	19
Minority interest		4	1	
Total		**454**	**380**	**19**

Key Figures and Ratios	2005	2004
Return on equity, %	11.2	12.0
Return on assets, %	0.96	0.96
Cost/income ratio, %	55	55
Average personnel	9 839	9 327
full-time	9 446	8 971
part-time	393	356

OP BANK GROUP BALANCE SHEET

€ million	Notes	31 Dec. 2005	31 Dec. 2004	Change, %
Liquid assets	18	613	422	45
Receivables from financial institutions	19	666	681	-2
Financial assets held for trading	20	3 841	3 170	21
Derivative contracts	21	126	93	35
Receivables from customers	22	34 807	30 952	12
Funds held for non-life insurance operations	23	2 742	-	
Funds held for life insurance operations	24	5 385	2 867	88
Investment assets	25	1 652	1 660	0
Investments in affiliates	26	40	46	-14
Intangible assets	27	1 199	86	
Tangible assets	28	690	622	11
Other assets	29	886	780	14
Tax receivables	30	117	81	44
Assets held for sale		81	-	
Total assets		**52 845**	**41 460**	**27**
Liabilities to financial institutions	31	2 025	1 184	71
Financial liabilities held for trading	32	4	-	
Derivative contracts	33	124	99	26
Liabilities to customers	34	26 475	25 107	5
Liabilities for non-life insurance operations	35	1 924	-	
Liabilties for life insurance operations	36	4 918	2 667	84
Debt securities issued to the public	37	8 891	6 325	41
Provisions and other liabilities	38	1 280	1 030	24
Tax liabilities	39	801	398	101
Cooperative capital	40	717	717	0
Subordinated liabilities	41	879	597	47
Liabilities associated with assets held for sale		49	-	
Total liabilities		**48 087**	**38 124**	**26**
Equity				
OP Bank Group owners' share				
Share capital		244	78	
Share issue account		1	3	-76
Translation differences		-1	-	
Funds		2 423	1 532	58
Retained earnings		1 887	1 718	10
Minority interest		**203**	**6**	
Total equity	42	**4 757**	**3 337**	**43**
Total liabilities and equity		**52 845**	**41 460**	**27**

OP BANK GROUP CASH FLOW STATEMENT

€ Million	2005	2004
Cash flow from business operations		
Earnings for the period	454	380
Adjustments to earnings for the period	759	598
Increase (+) or decrease (-) in business assets	**-5 036**	**-4 301**
Receivables from financial institutions	40	-183
Financial assets held for trading	-642	-449
Receivables from customers	-3 905	-3 529
Assets in non-life insurance	28	-
Funds held for life insurance operations	-706	-319
Investment assets	280	111
Other assets	-131	68
Increase (+) or decrease (-) in operating liabilities	**2 488**	**1 391**
Liabilities to financial institutions	841	-384
Financial liabilities for trading	4	-
Liabilities to customers	1 367	1 915
Liabilities to non-life insurance	-1	-
Liabiilties for life insurance operations	14	-110
Provisions and other liabilities	263	-29
Income tax paid	-75	-91
A. Total cash flow from business operations	**-1 410**	**-2 024**
Cash flow from investments		
Increases in financial assets held until maturity	-127	-106
Decreases in financial assets held until maturity	143	221
Acquisition of subsidiaries net of cash acquired	-1 675	-
Disposal of subsidiaries net of cash disposed of	4	4
Investments in tangible and intangible assets	-96	-74
Surrender of tangible and intangible assets	11	12
B. Total cash flow from investments	**-1 740**	**56**
Cash flows from financing		
Increases in subordinated liabilities	295	185
Decreases in subordinated liabilities	-6	-124
Increases in debt securities issued to the public	2 918	25 131
Decreases in debt securities issued to the public	-365	-23 816
Increases in cooperative and share capital	481	82
Decrease in cooperative and share capital	-1	-59
Dividends paid and interest on cooperative capital	-36	-57
Returns to owner-members	-8	-7
Monetary increases in other equity items	151	6
C. Total cash flow from financing	**3 429**	**1 342**
Net change in liquid assets (A+B+C)	**279**	**-626**
Liquid assets at the beginning of the period	**450**	**1 076**
Liquid assets at the end of the period	**729**	**450**
Interest received	**1 495**	**1 138**
Interest paid	**-715**	**-355**

€ Million	2005	2004
Adjustments to earnings for the period		
Items not associated with payment		
Write-downs on receivables	12	14
Unrealised net earnings in non-life insurance	-55	-
Unrealised net earnings in life insurance	662	370
Change in fair value for trading	-2	-2
Unrealised net gains on foreign exchange operations	-23	-
Change in fair value of derivatives contracts	-4	-9
Change in fair value of investment properties	-14	-10
Write-downs on other investment operations and their recovery	-	-2
Depreciation	77	74
Defined benefit plans	27	17
Share in affiliate profits	-	-5
Dividend income from affiliates	2	1
Income taxes	58	130
Other	-4	-
Items presented outside cash flow from business operations		
Capital gains, share of cash flow from investing activities	-1	-2
Interest on cooperative capital	15	15
Other returns to owner-members	8	7
Total adjustments	**759**	**598**
Liquid assets		
Liquid assets	613	422
Receivables from financial institutions payable on demand	116	28
Total	**729**	**450**

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to OP Bank Group owners							
	Share capital	Trans-lation dif-ferences	Fair value reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Equity January 1, 2005	78	-	-	1 535	1 718	3 330	6	3 337
Application of IAS 39 and 32 standards	-	-	85	-	-8	77	-	77
Adjusted equity January 1	78	-	85	1 535	1 710	3 407	6	3 414
Financial assets available for sale								
Valuation gains and losses	-	-	98	-	-	98	-	98
Share transferred to the income statement	-	-	-6	-	-	-6	-	-6
Translation differences	-	0	-	-	-1	-1	-	-1
Net income recorded as equity	**-**	**0**	**93**	**-**	**-1**	**92**	**-**	**92**
Earnings for the period	-	-	-	-	450	450	4	454
Total income and expenses for the period	**-**	**0**	**93**	**-**	**449**	**541**	**4**	**545**
Share issue account	212	-	-	513	-	724	-	724
Share issue account expenses	-	-	-	-6	-	-6	-	-6
Exercised share options	5	-	-	0	-	6	-	6
Paid dividends	-	-	-	-	-21	-21	-1	-22
Fund transfers	-	-	-	53	-53	-	-	-
Share-based payment	-	-	-	-	-	-	-	-
Other	-51	-	-	152	-199	-97	193	96
Equity December 31, 2005	**244**	**0**	**178**	**2 247**	**1 886**	**4 555**	**203**	**4 757**
Equity January 1, 2004	74	-	-	1 475	1 434	2 983	7	2 990
Impact of adopting IFRS	-	-	-	-	-	-	-	-
Adjusted equity January 1	74	-	-	1 475	1 434	2 983	7	2 990
Financial assets available for sale								
Valuation gains and losses	-	-	-	-	-	-	-	-
Share transferred to the income statement	-	-	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	-	-
Net income recorded as equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Earnings for the period	-	-	-	-	379	379	1	380
Total income and expenses for the period	**-**	**-**	**-**	**-**	**379**	**379**	**1**	**380**
Share issue account	-	-	-	-	-	-	-	-
Share issue account expenses	-	-	-	-	-	-	-	-
Exercised share options	4	-	-	3	-	7	-	7
Paid dividends	-	-	-	-	-40	-40	-1	-42
Fund transfers	-	-	-	58	-58	-	-	-
Share-based payment	-	-	-	-	-	-	-	-
Other	0	-	-	-2	3	2	0	1
Equity December 31, 2004	**78**	**-**	**-**	**1 535**	**1 718**	**3 330**	**6**	**3 337**

NOTES TO THE FINANCIAL STATEMENTS

Contents of the Notes

NOTE 1 Accounting principles for IFRS financial statements

GENERAL

The amalgamation of cooperative banks engaging in banking and insurance operations in Finland (hereafter OP Bank Group) is a financial combination defined in the Act on Cooperative Banks and Other Cooperative Credit Institutions (hereafter the Cooperative Bank Act). Within the group, the OP Bank Group Central Cooperative (hereafter OPK) and its member credit institutions are ultimately jointly and severally responsible for each other's liabilities and commitments. OP Bank Group does not constitute a consolidated corporation as defined in the Accounting Act or a consolidation group as defined in the Credit Institutions Act. OPK and its member banks do not have control over each other as referred to in general consolidated accounting principles, and therefore the banking group has no designated parent company.

The Cooperative Bank Act requires OP Bank Group Central Cooperative, as the central institution, to prepare consolidated financial statements for OP Bank Group. The Executive Board of the OP Bank Group Central Cooperative is responsible for preparing the financial statements in accordance with applicable regulations. OPK's auditors audit the consolidated financial statements of OP Bank Group. In order to ensure uniformity in the accounting principles of entities belonging to the OP Bank Group, OPK is obliged to issue guidelines on the preparation of financial statements to its member credit institutions.

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

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

BASIS OF PREPARATION

OP Bank Group's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). International Financial Reporting Standards refer to the standards and interpretations approved in accordance with European Parliament and Council Regulation (EC) No 1606/2002. The preparation of financial statements is subject to the IAS and IFRS standards and supplementary SIC and IFRIC interpretations valid on December 31, 2005. OP Bank Group's obligation to prepare financial statements in accordance with IFRS is based on the Cooperative Bank Act. In addition to the IFRS standards, the preparation of OP Bank Group's financial statements is subject to Section 30(6) of the Credit Institutions Act.

OP Bank Group adopted the International Financial Reporting Standards as of the beginning of 2005. The IFRS 1 standard – First-time Adoption of International Financial Reporting Standards - was applied in connection with this transition. The comparison data for 2004 was converted to comply with IFRS, with the exception of the handling of financial instruments in accordance with IAS 32 and IAS 39, which is not required by virtue of IFRS 1. Finnish Accounting Standards have been applied to the valuation of financial instruments for the 2004 comparison year, but the categorisation has been changed to comply with IFRS.

OP Bank Group's consolidated financial statements have been prepared on the basis of original 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. The financial statement information is presented in millions of euro.

According to the Cooperative Bank Act and the IAS 8 standard on accounting policies, OPK's Executive Board must confirm any accounting principles for which no guidance is available in the International Financial Reporting Standards. According to this, OPK's Executive Board has confirmed a principle according to which internal holdings will be eliminated in a way deviating from general consolidation principles when forming the banking group's parent company in terms of accounting technique. The elimination of internal holdings is described in the section "Consolidation principles".

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

Technical parent company

For the purpose of consolidating the OP Bank Group, OPK, its member banks and OKO Bank are consolidated into a technical parent company. Within the technical parent company, mutual holdings, internal transactions, mutual receivables and liabilities, internal distribution of profits and internal margins are eliminated. Deviating from the acquisition cost method, OKO Bank shares held by OPK and the member banks are eliminated against OKO Bank's share capital to the extent of the share's par value, and the portion above or below par value is eliminated against the fair value reserve or accrued earnings, depending on valuation practices.

According to the Cooperative Bank Act, the banking group's equity consists of investments made in OKO Bank's share capital by shareholders external to the banking group, as well as cooperative capital investments made by members of the cooperative banks.

In an IFRS-compliant balance sheet, cooperative capital investments made by members of the cooperative banks are considered liabilities. OP Bank Group's share capital consists of investments made in OKO Bank's share capital by shareholders external to the banking group.

Subsidiaries, associates and joint ventures

The financial statements of OP Bank Group are created by line-by-line consolidation of the technical parent company and entities controlled by it. Associates in which the above entities have significant influence, are consolidated using the equity method. Mutual real estate companies are consolidated as jointly controlled assets in accordance with IAS 31.

Subsidiaries, associates or joint ventures acquired during the financial period are consolidated from the time of acquisition. Correspondingly, subsidiaries, associates or joint ventures divested during the financial period are consolidated up to the time of sale. OP Bank Group's internal transactions, internal margins, internal distribution of profits and mutual receivables and liabilities are eliminated.

OP Bank Group's internal holdings in consolidated subsidiaries are deducted by the acquisition cost method against shareholders' equity at the time of acquisition. As of the IFRS transition date January 1, 2004, goodwill is calculated by subtracting the fair value of the consolidated companies' net assets from the acquisition cost. The share of acquisition cost exceeding net assets is presented as goodwill. If the acquisition cost is lower than the fair value of net assets, the difference shall be recognised immediately.

According to the practice allowed in the IFRS 1 standard, the acquisition cost calculations of companies consolidated before the IFRS transition date January 1, 2004, have not been converted to comply with IFRS, but they do correspond to the Finnish Accounting Standards. The acquisition cost calculations of companies acquired before the IFRS transition date but only consolidated after the transition have been prepared as of the IFRS transition date.

Minority interests

Earnings and shareholders' equity are divided between the technical parent company's owners and the minority. The minority interest in shareholders' equity is presented as a separate item in shareholders' equity. Minority interest in companies acquired since the IFRS transition date is calculated using the fair values of the assets and liabilities of the consolidated company and presented as a separate balance sheet item.

FOREIGN CURRENCY ITEMS

Assets, liabilities and other commitments denominated in a foreign currency are converted into euros 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 under "Net trading income" on the income statement.

The income statements of foreign subsidiaries are converted into euros using the average exchange rates for the financial period, while balance sheets are converted using the exchange rates valid 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 shareholders' equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and translation differences of equity items accumulated after acquisition are recognised in shareholders' equity. When the subsidiary is divested, the accumulated translation differences are recognised on the income statement as part of the sales gain or loss.

FINANCIAL INSTRUMENTS

Determination of fair value

The fair value of a financial instrument is determined using either price quotations from an active market or, if there is no active market, using the company's own valuation methods. The valuation methods include the discounted cash flow method, net present value techniques and comparison with similar instruments quoted in active markets. The valuation methods account for estimated credit risk, the applicable discount rates of interest, 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 subtracted from each other unless a statutory right of set-off exists and the intention is to exercise such right.

Contracts on the purchase and resale of securities

The purchase price of securities purchased under resale conditions binding 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 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.

Categorisation and recognition

Financial assets and liabilities held for trading

All financial assets and liabilities from which yield originating in interest rates, prices and quotations is expected in the short term, or in which a embedded derivative contract cannot be separated from the main contract, are categorised as financial assets or liabilities held for trading. Financial assets and liabilities held for trading also include non-hedging derivative instruments, which are presented separately.

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

Loans and 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, goods or services. Loans and receivables are not quoted in an active market, and they are treated in accounting at acquisition cost.

Impairment of loans and receivables is recognised by receivable items and groups of receivables. Impairment is assessed and recognised by receivable item if the customer's total exposure is significant. Other impairment is assessed and recognised by groups of receivables. Impairment will only be recognised when there is objective evidence of the customer's impaired solvency after initial recognition of the receivable on the balance sheet. Impairments are booked as reductions in the balance sheet item for loans. Recognition of interest on the reduced amount continues after impairment.

The value of a receivable item is impaired if the future cash flows recoverable from it - including the fair value of the collateral - are less than the book value of the loan and the unpaid interest. Future 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 accordance with the contract at the time of assessment. The difference between the book value of the loan and a lower recoverable value of cash flow is booked as an impairment.

For the purpose of assessing impairment by groups of receivables, receivables are divided into groups with similar credit risk. A group-specific impairment is booked for a group if there is objective evidence that uncertainty is associated with the repayment of receivables included in the group. The level of impairment booked is based on an average empirical assessment of future losses.

Once all collection actions have been completed or management has otherwise made a decision to this effect, the loan is removed from the balance sheet. Any payments received after removal from the balance sheet are booked as adjustments to impairments on receivables.

If objective evidence has been received that the solvency of a customer has improved, the amount of previously booked impairments shall be reassessed and any change due to improved solvency shall be recognised on 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 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 "Net investment income" on the income statement.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets not included in the above categories of financial assets. 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 liabilities

The category "Other financial liabilities" includes financial liabilities other than those held for trading. After initial recognition, other financial liabilities are treated in accounting at amortised cost.

Derivative contracts

A derivative contract is a financial instrument or other contract whose value changes when the value of a specific interest rate, financial instrument or commodity price, foreign exchange rate, price or interest rate index, credit rating, credit index or other underlying instrument changes. A derivative requires only minor 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 fair value. The difference between interest received and paid on non-hedging interest rate swaps is recognised in interest, and the corresponding interest to be carried forward is recognised in other assets and other liabilities. Changes in the value of non-hedging interest rate, currency and equity derivatives are recognised under "Net trading income" on the income statement. Positive changes in the value of derivative contracts are recognised on 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 main contract and measured at fair value on the balance sheet. Changes in the value of these linked derivatives and any derivatives used to hedge them are recognised in interest.

Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument fully or partially cancel any changes in the fair value of the hedged item or in cash flow. OP Bank Group's hedge accounting includes the hedging of interest rate risk using the fair value method. Hedging of fair value is associated with long-term fixed-rate liabilities (own issues), individual bond and loan portfolios, as well as individual loans.

The connection between hedging and hedged instruments is documented in a specified form. The documentation includes information on risk management principles, the hedging strategy and the methods used for proving the effectiveness of hedging. The effectiveness of hedging is proven at the time of entering into a hedge and during the hedging period by mutually comparing the changes in the fair values of the hedging and hedged instruments. A hedge is usually considered effective if changes in the fair values cancel each other with a range of variation from 80 to 125 percent.

Contracts cannot be handled in accordance with the rules of hedge accounting if the hedging relationship between the hedging instrument and the hedged item required by IAS 39 no longer fulfils the criteria specified in the standard.

In the context of hedge accounting for fair value, changes in the values of the hedging and hedged instrument are recognised on the income statement under "Net income from investments" (bonds included in assets available for sale) and "Net interest income" (loans and own issues).

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 or increase in the value of assets. Investment properties also include properties of which a minor part is used by the owner company or its personnel. However, the part used by the owner or its personnel is not considered an investment property if this part can be separately sold.

Investment properties are initially recognised on the balance sheet at acquisition cost and measured at fair value after initial acquisition. Changes in fair value are recognised under "Net income from investment properties" on the income statement.

The fair value of investment properties is primarily based on their market value. The basis for the fair value of significant items is an assessment by an independent expert; the values of other items are based either on an assessment 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 assessed by the income capitalisation approach. The basis for determining productive value is a calculation model based on market yield requirements. The fair value of dwellings and land areas is primarily assessed by the market comparison method.

INTANGIBLE ASSETS

Goodwill

Goodwill equals the part of acquisition cost exceeding the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities acquired after January 1, 2004, at the time of acquisition. The goodwill of business combinations prior to this represent the amounts recorded under 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 lives of the acquired policies. The useful lives are 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 OP 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 lives. The estimated useful lives of acquired customer relationships in OP Bank Group are 5 to 12 years. The value of customer relationships is tested for impairment.

Brands

Identifiable brands acquired through business combinations are measured at fair value upon acquisition. The useful lives 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

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

Expenses 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 produce an economic benefit in the future. 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 lives. Land areas are not depreciated. Expenses arising from an asset item after the original acquisition are only recognised in the carrying amount of the asset if it is probable that it will produce greater economic benefit than originally estimated.

According to the excemption 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 lives 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

In connection with 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 useful 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 of an asset deducted by costs of sale (net sales price) or its value in use if this is higher. The starting point is to determine the recoverable amount through the net sales price of the asset. If the net sales price 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 net sales price 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 where the asset belongs. 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.

LEASE CONTRACTS

Lease contracts are categorised at the time they come into existence as finance lease contracts or operating lease contracts in accordance with the actual substance of the transaction. A lease contract is a finance lease contract if an essential part of the risks and benefits characteristic of ownership are transferred to the leaseholder. Otherwise the contract is categorised as an operating lease contract.

Assets leased out on finance lease contracts are represented as receivables from customers on the balance sheet. The amount recognised as a receivable equals the net investment of the lease contract. The financing income from the contract is recognised in interest income so that it provides equal return on capital on the lessor's remaining net investment for each financial period.

Assets leased on finance lease contracts are presented in tangible assets, and the corresponding finance lease liability is presented in other liabilities. At the commencement of the contract, leased assets are recognised on the balance sheet as assets and liabilities to an amount equal to the fair value of the leased asset or a lower present value of minimum rents. Depreciation on assets booked in tangible assets is applied over the economic life or a shorter lease period. Financing costs are booked in interest expenses so that the interest rate on the remaining debt is equal for each financial period. Sales gains in situations of sale and subsequent lease are allocated over the period of lease.

Assets leased out on operating lease contracts are presented in tangible assets, and rental income is recognised in equal instalments over the period of lease. Rents paid on leased assets are recognised as expenses on the income statement in equal instalments over the period of lease.

EMPLOYEE BENEFITS

Pension benefits

Statutory pension cover for the employees of OP Bank Group companies is arranged either through the OP Bank Group Pension Fund or through insurance policies with insurance companies. Some OP 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 funded portions of disability and retirement pensions arranged through OP Bank Group Pension Fund are considered defined benefit plans. Plans arranged through insurance companies may be either defined benefit or defined contribution plans. Plans arranged through 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, the insurance contributions are paid to the insurance company and 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 in 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 Groups 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 January 1, 2004, and the obligations have been valued at present value based on the assumptions valid at the transition date January 1, 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 vesting period. 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 OP Bank Group companies have option-based employee incentive schemes. OP Bank Group has applied the standard IFRS 2 Share-based Payment to all option schemes in which the options have been granted after November 1, 2002, and have not become vested before January 1, 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 OP 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 OP 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 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 on the income statement include taxes based on the taxable income of OP Bank Group companies for the financial period, taxes for previous financial periods and deferred tax expenses or income.

Deferred tax liabilities are calculated for all taxable temporary differences between accounting and taxation. Deferred tax receivables are calculated for all tax-deductible temporary differences between accounting and taxation, as well as all losses confirmed in taxation. If the accumulation of taxable income makes it probable that a receivable can be utilised, it will be recognised.

Deferred tax liabilities and receivables are set-off by company. Deferred tax liabilities and receivables arising from consolidation are not set-off. 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 several years that may possibly have to be refunded later, only the share applicable 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 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.

SEGMENT REPORTING

OP Bank Group provides segment-specific income statements and balance sheets for the following divisions: Non-Life Insurance, Asset Management, Retail Banking, Corporate Banking and Group Treasury. The business divisions are defined so that the risks and composition of earnings in each division differ from the other divisions.

OP Bank Group does not have any geographical division into 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, assets with an unlimited economic life and unfinished intangible assets 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 obligations arising from the plan deducted by the fair value of the plan assets, the unrecognised actuarial gains and losses, as well as past service costs, 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 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 productive value method utilising estimates of future net yield from the items.

NEW STANDARDS AND INTERPRETATIONS

OP 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 leased within OP Bank Group.
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" ("The Fair Value Option").
- Amendment to IAS 39 – and IFRS 4 "Insurance Contracts" ("Financial Guarantee Contracts").

NOTE 2 Principles of risk management in OP Bank Group

PRINCIPLES AND OBJECTIVES OF RISK MANAGEMENT

The primary objective of risk management within the OP Bank Group is to secure the risk capacity of all entities belonging to the group and to ensure that they are not exposed to excessive risk that might endanger the profitability, solvency or continuity of the operations of an individual entity or the entire OP Bank Group. The purpose of risk management within OP Bank Group is to identify the threats and opportunities that affect the implementation of the group's strategy. In its operations, the group takes into account the requirements of legislation and the instructions and regulations of the authorities, OP Group's general guidelines and guidelines on internal supervision and risk management, and the principles of internal supervision and risk management confirmed by the OP Bank Group Central Cooperative to the entities. It also takes into account good banking and insurance practices.

The OP Bank Group's risk management, its methods and information systems will be purposefully developed on the basis of the group's business needs, observing any changes in the operating environment and requirements imposed by official regulations.

RISK MANAGEMENT IN OP BANK GROUP'S STRATEGY

The strategy process includes the determination of risk management policies with regard to risk appetite, targets for different types of risk and the focal points for developing risk management.

In accordance with a strategy confirmed in 2004, the OP Bank Group shall reinforce its market position without compromising risk management, and will operate in compliance with the Group's risk management guidelines under all circumstances. Each entity is responsible for its own risk management, and independent operations are based on the member banks' own risk capacity and service ability.

The Group is a moderate risk taker: the most important type of risk within the OP Bank Group is credit risk. The strategy sets a target that the net amount of loan losses in the long term may not exceed 0.25 percent of the loan and guarantee portfolio per year. Another objective is that the amount of non-performing receivables may not exceed 1.2 percent of the loan and guarantee portfolio during the present strategy period.

ORGANISATION OF RISK MANAGEMENT

OP Bank Group

The OP Bank Group Central Cooperative (OPK) is responsible for internal supervision and risk management at the OP Bank Group level, as well as for the adequacy and up-to-datedness of the OP Bank Group risk management system. OPK issues Group entities with guidelines for ensuring risk management and ensures, through supervision, that the entities operate in accordance with official regulations, their own rules, guidelines issued by OPK, the OP Bank Group's internal procedures and procedures appropriate for customer relationships.

The central components of internal supervision are divided into three sections:

1. supervision of operations
2. risk management
3. compliance with external regulations and internal procedures, as well as procedures appropriate for customer relationships.

Entities belonging to the OP Bank Group are responsible for their own internal supervision and risk management, in accordance with the nature and extent of their operations. The role of OPK and the OP Bank Group's entities, like member banks, is depicted in the chart on page 54.

In the biggest OP Bank Group entities, risk management is independent of operational decision making. In small and medium-sized cooperative banks, the Managing Director is directly responsible for risk management. The role of risk management within a member bank and other OP Bank Group entities is to create a control system for risk-taking (targets for risk-taking, decision-making authorisations, pricing parameters and the capital management process), provide statements on proposed decisions and provide reports and analyses. Internal audit and Cooperative Banks' Supervision also supervise risk management.

OP Bank Group Central Cooperative

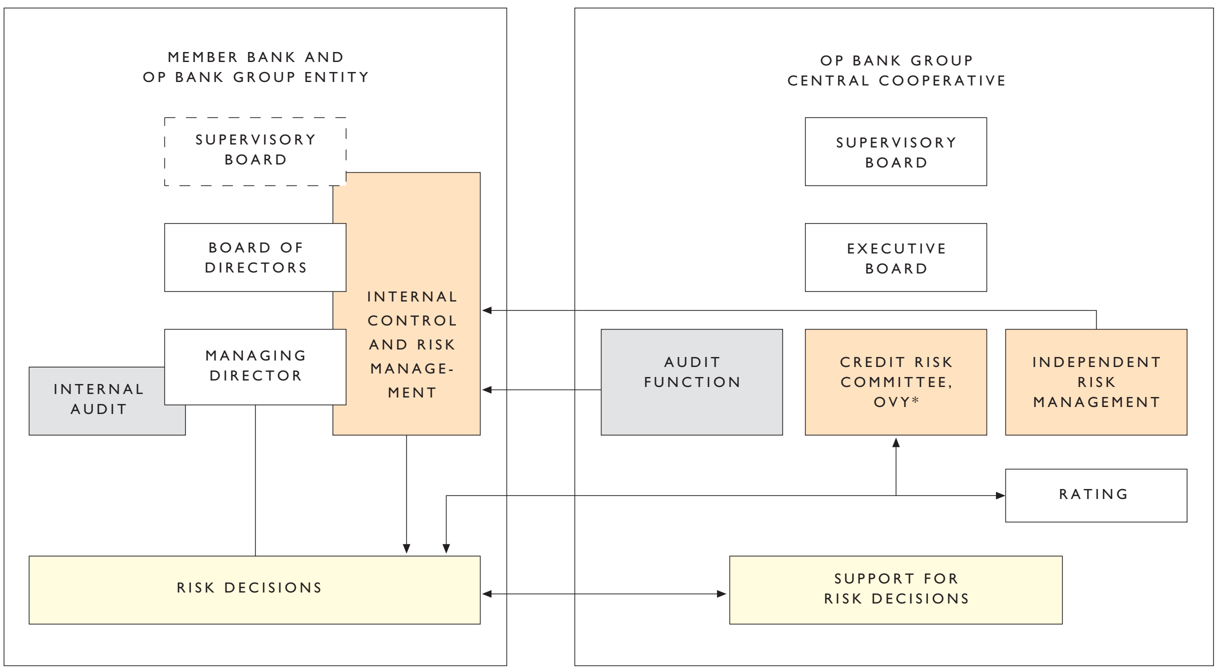
The Supervisory Board of the OP Bank Group Central Cooperative (OPK) confirms the principles for the OP Bank Group's internal supervision and risk management and Group level risk limits, and supervises risk management. The Supervisory Board of OPK is responsible for the adequacy and up-to-datedness of systems and procedures associated with the OP Bank Group's internal supervision and risk management. Furthermore, it confirms the internal supervision and risk management principles applicable to the Central Cooperative Consolidated, and supervises the operations of different entities within the OP Bank Group.

The Risk Management Steering Group, which reports to the Executive Board of OPK, is responsible for coordinating risk management objectives and guidelines with the OP Bank Group's business strategy and plans, monitoring the development of the group's risk capacity and risk exposure, and coordinating the development of risk management. The Chair and Vice-Chair of the Risk Management Steering Group are members of the Executive Board of OPK.

The Credit Risk Committee of OPK, authorised by the OPK Board, handles any significant customer exposure and real estate investments at the OP Bank Group level. The member banks must have valid permission granted by the Credit Risk Committee if, for example, the customer risk of a customer entity rises above 20 percent of the funds of the credit institution or consolidation group. A decision is required from the Committee when a cooperative bank's customer entity's exposure in the OP Bank Group exceeds five million euro, or when the bank wants to partake in a real estate project where the capital invested in the OP Bank Group is over five million euro.

The Rating Committee determines credit ratings for the OP Bank Group's corporate customers, or other customer entities with actual or planned exposure exceeding three million euro. The Rating Committee may also determine credit ratings for customer entities smaller than this, due to significant shortfalls in collateral, for example. Ratings are proposed and decided upon by members of OPK's and OKO Bank's risk management and corporate research units, who are independent of the granting of credit. The credit rating of medium-sized exposure is carried out by OPK's Corporate Research unit on the basis of corporate visits or financial statement and customer information.

The OP Bank Group Mutual Insurance Company (OVY) analyses the sufficiency of the customer's debt-servicing ability and the solidity of collateral for all loans for which a member bank's or Okopankki Oyj's exposure in an individual customer entity exceeds €0.25 million, or 10 percent of the bank's own funds. The processing of insurance decisions helps OPK receive detailed information on the risks of retail banking operations' largest customer entities and supports high-quality credit processes. The insurance decisions also guide bank-specific credit risk-taking.



* OVY = OP BANK GROUP MUTUAL INSURANCE COMPANY

OPK's risk management services comprise several different units that develop and implement comprehensive risk management at Group level. It maintains, develops and prepares risk management principles for confirmation by the Executive Board and Supervisory Board of OPK, and is responsible for the maintenance and development of risk management systems and methods used at Group level, and that are provided to member banks. Furthermore, risk management services report on risk capacity, risk exposure and the realisation of risk management policies, as well as providing different entities within the group with guidance on risk management.

OPK's Audit function supports internal supervision and risk management by ensuring that OP Bank Group entities operate in a profitable and secure manner, in accordance with official regulations, OPK's guidelines and their own rules and Articles of Association, and that the risk supervision systems correspond to the operational requirements.

Member banks, insurance institutions and OP Bank Group's other subsidiaries

The OP Bank Group's member banks, insurance institutions and other entities have organised their risk management as required by the nature and extent of their business.

The Supervisory Boards of the member banks confirm internal supervision and risk management principles, and the bank's Board of Directors confirms internal guidelines and procedures on the basis of these principles. The Board of Directors controls and supervises the bank's risk capacity and risk-taking. During 2005, the guidelines for cooperative banks' risk management was renewed. Based on the new guidelines, the cooperative banks have confirmed their own guidelines which cover the appropriate standards of the Financial Supervision Authority.

Within the OKO Bank Group, OKO Bank's Executive Board is the highest decision-making body in matters associated with risk management. The Risk Management Committee coordinates and guides risk management principles and policies. The Risk Management Department, which is independent of risk-taking and business operations, is responsible for monitoring and reporting the OKO Bank Group's risks and developing risk management. The principles of managing credit risk and other risks within OKO Bank are described in more detail in OKO Bank's financial statements.

The internal guidelines of each entity shall include the following:

- Crucial principles that guide lending, particularly the objectives of lending; decision-making authorisations and responsibilities; general requirements for collateral and self-financing; and the indicators and risk limits for credit risk monitoring.
- Balance management principles that guide business decisions, the asset/liability management organisation, the applicable market risk indicators and risk limits and reporting procedures.
- Policies for real estate holdings, such as targets for the volume and return on real estate and the categorisation of real estate into items that should be retained, improved or sold.
- Principles and procedures for management of operational risk.
- Capitalisation plan when necessary.

Risk taking is one of the basic tasks of both banking and insurance operations and risk management is one of the core competence areas.

In insurance operations the task is to carry risks directed at the customer on their behalf, and ensure that the value of their assets does not disappear or their livelihood become threatened in unexpected situations. Insurance operations include technical and investment operation risks, and their management requires the integration of risk management in daily management and organisation.

The basis for risk management in insurance operations is the principles of internal supervision confirmed by the Boards. Internal supervision includes a risk management system which helps identify and limit the risks directed at the operations. The risk management operations are independent of the risk-taking operations.

Correctly dimensioned capital holds a key role both in banking and insurance operations: the license requires fulfilment of capital adequacy requirements prescribed by law. The amount of capital affects both return on equity and risk capacity. Good profitability in turn supports both targets.

OPERATIONAL RISKS

The objective of operational risk management is to reduce the probability of losses arising from personnel, processes or systems associated with operations, or external factors. Operational risks are managed as a separate risk area. Skilled and well-trained personnel, up-to-date tools, comprehensive operating guidelines and internal supervision play crucial roles in operational risk management. Operational risks are usually created through inefficient internal operational processes or the inability to manage external pressure for change or surprising events. The management of operational risks requires skilled personnel and functional information systems.

In accordance with the structure and division of tasks within the OP Bank Group, OPK has a central position, particularly with regard to risks associated with centralised service production and the operation of information systems. In order to improve the management of operational risks, the procedures associated with risk identification and assessment, risk and damage monitoring and reporting, as well as continuity planning, have been developed further. OPK has also paid particular attention to designing and developing internal processes, and continuity planning so that risks can be minimised in advance to the possible extent that they can be managed. Some harmful financial consequences associated with operational risks have been transferred out of the OP Bank Group by means of insurance. Because both banking and insurance operations are highly dependent on information systems and technology, the OP Bank Group has invested in managing risks arising from these.

Risks associated with new business models, products and services are comprehensively assessed by OPK. The member banks and other OP Bank Group entities only use products and services compliant with OPK policies. The use of more complicated banking products is centralised in the OP Bank Group Central Cooperative Consolidated. The implementation of new products is always preceded by comprehensive planning, guidance and training that cover the entire operating process.

The management of operational risks is the responsibility of the business units and the effects of operational risks on the risk profile is assessed regularly. The risks are reported regularly and significant risks and damages are reported immediately to the Boards. By compiling statistics on the actual damage, a view on the sufficiency of risk analysis is formed (back testing).

The divisions have separate risk management operations that coordinate the development of risk management in cooperation with the division's person reponsible for risk management.

Valid legislation, authority regulations and instructions and the industry's self-regulation norms are followed in all operations.

STRATEGIC RISK

Strategic risk associated with the crucial focal points and development policies of OP Bank Group's business operations is reduced by continuous planning, based on analyses and forecasts of customer needs, the development of different sectors and market areas, and the competition situation. The strategic definitions of policy are extensively processed within the Group before being confirmed.

OP BANK GROUP'S RISK LIMITS

The Supervisory Board of OPK has determined risk limits for the OP Bank Group's risk capacity and profitability, as well as credit and market risks.

RISK MANAGEMENT IN BANKING OPERATIONS

System of risk and control limits

The Executive Board of OPK has determined control limits for the risk capacity, profitability and different types of risks for the member cooperative banks and Okopankki Oyj. They must not exceed these limits in their operations, and shall confirm their own risk limits on the basis of the control limits. The coverage of the indicators and any needs for development shall be regularly reviewed through the OP Bank Group's strategy processes. Similarly OPK's Executive Board has confirmed the risk limits for Central Cooperative Consolidated as a whole and the group companies have confirmed their own risk limits.

The member banks are controlled and supervised primarily on the basis of the control limit system. Different degrees of bank-specific controls may be applicable to member banks if control limits are exceeded. The member banks are rated into intra-Group risk categories. The categorisation observes the number of occurrences and the severity of exceeding the control limits. OPK analyses the risk exposure and revises the risk categorisation regularly as part of the supervision process. The assessment of the risk exposure also includes stress tests.

Credit risk

Objectives and general principles of credit risk management

Credit risk is managed through customer selection and the use of collateral. Risk concentration is to be avoided. Only 47 member banks are authorised to have bank-specific risk concentrations. The Group does not have any customer exposure exceeding 15 percent in relation to the Group's own funds.

Credit risk is the most significant source of risk in retail banking, and special attention is therefore paid to the development of credit risk management and monitoring within the OP Bank Group. The objective of credit risk management is to reduce the probability of loan losses before a credit decision, and to limit and prevent the actualisation of risks associated with existing credit decisions that might endanger the profitability or solvency of the OP Bank Group or any entity belonging to the Group.

The starting point for credit risk management, and a specific strength of banks within the OP Bank Group, is local, comprehensive knowledge of our customers. Lending will primarily be carried out on the basis of the customer's sufficient and verified credit servicing ability. In order to ensure the repayment of commitments, customer exposure must primarily have collateral security. In the case of the largest corporate customers, covenants in loan agreements are used in addition to collateral for the purpose of securing the bank's position.

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

In practice, the only entity taking foreign risk within the OP Bank Group is OKO Bank. OKO Bank's Executive Board confirms country limits on the basis of international credit ratings and the Bank's own analyses regarding the economic and political situation in different countries.

Credit risk management methods

The credit servicing ability and credit risk associated with both corporate and private customers is estimated on the basis of solvency assessments, financial statement analyses, corporate research, expert statements and the credit rating of businesses, as well as sector-specific reviews and financing recommendations prepared by OPK.

Consumption norm tables are maintained for assessing the credit servicing ability of households, and comparison calculations at different interest rate levels are used to ensure that the servicing of housing loans will not be endangered by changes in the interest rate level. In order to ensure the credit servicing ability of customers, insurance policies covering repayment in unexpected situations are offered in connection with credit negotiations. The insurance payouts are linked to loan instalments and their remaining principal. Approximately 35 percent of credit customers secure their repayment ability through insurance each year. In order to stabilise credit servicing costs upon a possible rise in the interest rate level, the OP Bank Group offers interest rate cap agreements for housing loans granted to households and for corporate loans.

A scoring and pricing model for housing loans for private customers based on a creditworthiness assessment in the application phase was brought into use in late 2005 to support the credit approval process. It takes into account the creditworthiness, i.e. solvency and risk position related to the financing decision using different variables (e.g. collateral).

To support corporate financing decisions, OPK made financial statement analyses of more than 22 000 corporate customers, covering 34 000 financial periods, in 2005. The total number of corporate researches and expert statements was 900, covering projects worth more than €1.2 billion. The Credit Risk Committee of OPK processed approximately 350 different applications during 2005. At the end of the year (December 31, 2005), there were 80 valid exceptions granted by the Committee for financing large customer entities. 47 banks had permissions. The number of applications processed by the Credit Risk Committee decreased compared to the previous year, thanks to the development of internal monitoring tools.

The use of the 12-step categorisation system for corporate customers has become established and its development has continued. The categorisation is based on a comprehensive analysis of the financial statements of corporate customers, information regarding their payment practices and other background information, supplemented by the credit rating issued by Corporate Research or the Rating Committee. A credit rating system covering all corporate customers was implemented during 2005. Credit decisions are made on the basis of the credit rating, customer history, survey of present state and needs, and information on collateral.

The member cooperative banks and Okopankki Oyj have a loan portfolio insurance policy with the OP Bank Group Mutual Insurance Company (OVY) covering the loan portfolio and bank guarantees. Insurance decisions associated with credits in excess of €0.25 million or 10 percent of a member bank's own funds are made separately. Commitments in a customer entity may be excluded from the scope of insurance due to excessive risks associated with the credit servicing ability or collateral. The separate processing of insurance decisions provides detailed information on the loans, credit servicing ability and collateral position of the largest retail banking customers. Insurance processing is a significant part of credit risk management within the OP Bank Group.

The OP Bank Group Mutual Insurance Company offers the OP Bank Group's companies loan, collateral, liability and security insurance. OVY's Board annually confirms the plans relating to internal supervision and risk management, as well as investment operations, to the company. These plans define the targets of the company's risk management and investment operations, and determine the operating methods required to manage the risks. The risk related to loan collateral operations is limited by risk selection based on the OP Bank Group's credit and collateral instructions. Loan collateral operations represent over 90 percent of OVY's technical provisions and insurance premiums, and are part of the group's internal credit risk management and balancing of loss procedure.

OVY's investment plan defines the basic allocations of the investment assets and the range of variation of the allocation, and other limitations relating to investment operations. The allocation of investment property takes into account the requirements set by the nature of the underwriting reserves and the company's risk capacity. The risks of investment operations are similar to the risks in insurance operations listed below.

The development of credit risks is monitored monthly at the OP Bank Group level. The objects being monitored include the development and distribution of the loan portfolio, the development of non-performing receivables and overdue payments, the amount of receivables for which OVY loan portfolio insurance has been declined, and other reports describing the quality and structure of loan portfolios. Credit risks are continuously monitored at the member bank level. Furthermore, the development of credit risks within the OP Bank Group is monitored by regular risk surveys. These measure credit risks on the basis of ratings and customer-specific shortfalls in collateral.

Credit risk stress tests

Stress testing of the loan portfolios of the member banks and Okopankki, as well as the OKO Bank Group, was introduced during 2005.

Market risks and balance management

The objective of hedging the interest rate risk on the loan and deposit portfolio is to secure the margin in different interest rate change situations. In the case of portfolios held for trading, the objective is to secure the development of the portfolio's market value.

Within the OP Bank Group, market risks include the financing and interest rate risks on all balance sheet items and off-balance-sheet items, as well as any exchange rate risks, equity price risks and real estate risks. The crucial task of market risk management is to identify and evaluate the market risks included in business operations, limit them to an acceptable level, and report on them regularly and efficiently. This ensures that changes in market prices or other external market factors will not hamper the long-term profitability or solvency of any individual unit belonging to the Group, or of the Group in its entirety.

Responsibility for asset/liability management at the bank level and the associated taking of market risks is mostly distributed within the group. The taking of market risks at the member bank level is controlled and limited by the principles of the OP Bank Group's internal supervision and risk management, OPK's risk management guidelines, and the risk and control limit system observed by the Group.

Each bank's Board has defined the applicable products and market instruments, the extent of business in foreign currency, the principles for funding and investment operations, the applicable market risk indicators and limits and the organisation of the bank's balance management.

In accordance with the division of tasks within the banking operations, the member banks focus on retail banking. Their active trading in the money and capital markets is restricted by a recommendation specifying that the value of a bank-specific trading portfolio may not exceed 5 percent of the aggregate amount of the balance sheet total, plus off-balance-sheet commitments. At the end of 2005, three member banks had a trading portfolio exceeding this recommendation. The number was equal to the end of the previous year.

Member banks carry out most of their money market and derivatives operations with OKO Bank.

As the central bank of the OP Bank Group, OKO Bank is responsible for the banking group's liquidity, payment transfers, exchange rate risks, long-term funding and international banking relationships. OKO Bank's asset/liability management and taking of market risks is controlled by the company's risk management strategy and overall risk policy, as well as risk policies specific to each type of market risk that determine the allowed maximum risk amounts, the principles applicable to the structure and diversification of the exposure, as well as the targets for risk and return. OKO Bank's market risk management is discussed in more detail in OKO Bank's annual report.

The extent and frequency of market risk reporting in OP Bank Group entities vary by the nature of their business. The monitoring and reporting of market risks within OKO Bank is carried out on a daily basis, partially in real-time, and in other entities regular reports are provided to management monthly, but monitoring is carried out daily if necessary. OPK's Risk Management Services provide monthly market risk reports for the member banks, and reports to OPK management on the development of the balance sheet structure and market risks of the entire OP Bank Group.

Banking operations' real estate and equity risks were evaluated with stress tests during the year. In addition, different funding risk scenarios and related recovery plans were made.

Funding risk

Funding risk refers to the risk that a corporate entity's ability to cover its payment obligations becomes endangered. The sources of the OP Bank Group's funding risks include risks arising from balance sheet structure, customer behaviour and risks associated with the economic environment. The actualisation of other business risks might also result in the realisation of funding risk. Funding risks associated with the balance sheet structure concern the refinancing risk of funding, the concentration of funding sources and the liquidity of reserves. The OP Bank Group also includes liquidity risk within funding risk. Liquidity risk arises if funding is not available when liabilities or other commitments fall due.

The funding risk is managed by liquidity planning at the member bank and Group levels, regulating the maturity structure of balance-sheet items, maintaining sufficient liquidity reserves and diversifying the structure of funding. Units within the Group are primarily responsible for their own funding risk, balancing their funding and liquidity positions with OKO Bank. OKO Bank is responsible for managing the entire Group's liquidity risk. OKO Bank monitors the development of the OP Bank Group's liquidity position on a daily basis, balancing it within the money market.

The funding risk of the OP Bank Group and its business units is monitored by different indicators describing the maturity structure of receivables and liabilities on the balance sheet, as well as the amount, structure and concentration of liquidity reserves and funding.

A separate liquidity strategy was completed during 2005 specifying the required level and quality of liquidity reserves, and amending the principle on which the Group's member banks contribute to the maintenance of reserves. In connection with this, the intra-Group balance deposit system that had been in use since 1920 was dismantled, and the maintenance of reserves became cost-based for member banks.

The risk limit indicator for OP Bank Group-level funding risk is the relative proportion of the difference between receivables and liabilities falling due during the next 12 months, compared to the balance sheet total. The indicator does not include current accounts or continuous return accounts that are considered to be stable funding under normal circumstances. However, the proportion of deposit funding on the balance sheet, the distribution of deposit products and their concentration are monitored using designated indicators.

Interest rate risk

Interest rate risk refers to the effect of interest rate changes on the bank's earnings and the current value of the risk exposure. Interest rate risk arises from differences between the interest rate bases or rate setting dates of receivables and liabilities.

The determination of interest rate risk includes all balance-sheet items and any interest-bearing off-balance-sheet items. The most significant source of interest rate risk for banking operations is retail banking, in which the dates of maturity and re-pricing differ between lending and borrowing. Furthermore, there are a variety of interest rate bases, some of which are administrative interest rates. Customer behaviour also affects the realisation of the interest rate risk in lending, as well as the acquisition of deposits. In order to calculate interest rate risk, the statistical re-pricing delay in administrative interest rates and interest rates for deposit funding is estimated in relation to changes in market interest rates. These repricing delays, equity and real estate investments and the bank's own funds are included in the determination of interest rate risk, in accordance with annually confirmed maturity assumptions.

When determining the interest rate risk of member banks, items sensitive to changes in interest rates are divided by re-pricing dates and interest rate bases for the purpose of cash flow analysis. The effects of changes in the interest rate level are assessed both in relation to the value of the bank's risk exposure and its earnings in the current financial period and the next twelve months. The assessment concerns the static balance sheet, however, observing the estimated re-pricing delays in administrative interest rates. Furthermore, the OKO Bank Group calculates its interest rate risks using the Value at Risk (VaR) methodologies.

The risk limit indicator for banking operations' interest rate risk was the effect of an 0.5 percentage point parallel increase in market rates on the current value of the risk exposure in proportion to the bank's own funds.

Exchange rate risk

Exchange rate risk refers to the risk to the bank's earnings or change in market value due to changes in exchange rates. Open foreign exchange exposure arises when there is a difference between receivables and liabilities in the same currency. Exchange rate risk within the OP Bank Group's banks is concentrated in OKO Bank, and the foreign exchange exposure of an individual member bank is practically limited to travel exchange cash.

Equity market risk

Equity market risk refers to the risk to earnings and risk of changes in market value arising from changes in the market values of publicly quoted equities and other similar instruments. In the OP Bank Group, the risk limit indicator for equity risk is the market value of publicly quoted equities, mutual fund units or other similar instruments in proportion to the bank's own funds. The calculation of the indicator excludes OKO Bank Series A shares, as well as items in OPK's and OKO Bank's portfolios that are separately designated as strategic investments by the Executive Board and monitored as separate entities. OKO Bank also uses VaR methodologies.

Real estate exposure

The objective of real estate risk management is to recognise, evaluate, limit and monitor the impairment risk, earnings risk and risk of damage associated with real estate holdings. In order to reduce risks associated with real estate holdings and improve the earnings level, member banks have confirmed principles and management systems for the management of real estate risk. The amount and earnings level of the member banks' and the OP Bank Group's real estate holdings are monitored quarterly.

Banks' capital adequacy reform

The Basel Committee on Banking Supervision published the final version of the new recommendations for the calculation and supervision of the capital adequacy of credit institutions in June 2004. The new Capital Adequacy Directive, based on the recommendations of the Basel Committee, was approved by the European Parliament and Council of Ministers in the autumn of 2005. The new capital adequacy regulations will come into force in the EU at the beginning of 2007.

The new capital adequacy regulations are based on generally used risk management methods and are divided into three pillars. Pillar I regulates the calculation of the banks' minimum capital and capital adequacy ratio. The objective of Pillar II is to ensure that banks have sufficient capital in relation to their risk profile and the level of their risk management systems and internal control. Pillar III regulates the disclosure of information pertaining to banks' risk and capital adequacy position.

The purpose of the reform is to increase stability in the financial market by improving the methods used to ensure banks' capital adequacy. The objective is to encourage banks to develop better risk management systems and to promote appropriate risk pricing. In the development of the new capital adequacy regulations, one of the objectives was that despite changes in the way minimum funds are determined, the average minimum capital requirement in the banking sector on the whole will not change.

Unlike the current regulations, the new capital adequacy regulations allow several methods for minimum capital requirement. In future, the capital requirement for credit risk may also be calculated on the basis of an external or the bank's own credit rating. The new regulations also stipulate a minimum requirement concerning own funds for operational risks.

OP Bank Group's preparations for the reform

The OP Bank Group's risk management methods and systems development is primarily based on risk management needs, and secondarily on the fulfilment of the capital adequacy regulations' requirements. From this starting position, OPK's Executive Board has spelled out the OP Bank Group's objectives for the calculation of minimum capital requirement: the minimum capital requirement for credit risks in retail exposure is calculated using the internal rating method, the capital requirement for credit risks in other exposure is calculated using the foundation internal rating method, and the capital requirement for operational risks is calculated using the standard method. The capital requirement for market risk is calculated using the basic method, as it is currently.

In February 2005, OPK's Executive Board confirmed the previous definitions of policy with regard to the methods to be implemented, and decided that the OP Bank Group will utilise the transitional provisions associated with the capital adequacy reform. The OP Bank Group will gradually migrate to the internal rating method of calculating the capital requirement for credit risks, so that the capital requirement for the first portfolios will be calculated in accordance with the internal rating method as of the beginning of 2008.

The OP Bank Group has continued preparations for the capital adequacy reform during 2005. Preparations during the year have focused on the information systems required by the reform, the collection of schedule-critical data and the development of credit risk models. A pricing model for housing loans for private customers based on a creditworthiness assessment in the application phase was brought into use in late 2005. The credit rating for corporate exposure was extended to cover all corporate exposure.

According to international surveys, the greatest benefit of the use of internal ratings in capital adequacy calculations is realised in banks like the OP Bank Group that focus on retail banking. The use of internal ratings increases, however, the sensitivity to the minimum own funds requirement for economic fluctuations.

Derivatives

The most active user of derivatives within the OP Bank Group is the central bank, OKO Bank, which uses derivatives for trading as well as hedging purposes. As all of OKO Bank's receivables and liabilities are either variable by interest rate periods, or have a fixed rate on market terms, economical locking of the interest rate margin is crucial for business as far as hedging operations are concerned. OKO Bank applies hedging calculations in accordance with IFRS 39, using generally applicable risk management indicators to assess the efficiency of hedging (see OKO Bank's financial statements for more detail). The focus of OKO Bank's trading operations has shifted to the use of options as the OP Bank Group has introduced maximum interest rates for housing loans as well as corporate loans.

The OP Bank Group applies the fair value hedging model in hedging calculations of interest risk.

The member cooperative banks do not use derivatives for trading purposes as far as risk management is concerned. The derivative business of member banks is very minor, limited to the hedging of the interest rate risk exposure of a few member banks using interest rate swaps, and the hedging of loans with interest rate caps with OKO Bank with reverse options. These options are accounted for as belonging to the trading portfolio, because IFRS 39 requires derivatives to be valued regardless of the financial purpose. The member banks have linked derivatives in their long-term investments, but these have generally not been separated as the instruments are valued at market value as part of the trading portfolio in accounting.

RISK MANAGEMENT OF INSURANCE OPERATIONS

Non-life insurance operations

Non-life uses a probabilistic model to evaluate insurance and investment risk. The model evaluates the optimal structure of investment allocation, insurance portfolio and capital adequacy so that the return on equity is maximised. The model is also used to define the target limits for capital adequacy.

In terms of insurance risk, the model takes into account the different nature of an insurance class and the level of reinsurance. In terms of investment, a classification model based on the quality of the investment instrument is used, which takes into account the expected return and dispersion of the investment classes and the correlation between the classes.

Insurance operations are based on risk taking and its management. The main risks are related to the selection and pricing of risks, acquisition of reinsurance cover and sufficient underwriting reserves. The underwriting reserve risk is particularly linked to insurance classes where the damage becomes evident slowly. Another significant insurance operations risk is derived from the investment risk related to the assets covering the underwriting reserves.

Non-life insurance risks

With the insurance contract the policyholder transfers his/her insurance risk to the insurer. In non-life insurance, the insurance risk of an individual insurance contract consists of two elements: the possibility that one or more damage claims compensable under the insurance contract occurs, and that each occurrence contains a risk related to the size of the compensation. Both the number of compensable damage claims and the size of each individual damage event are random. The insurance terms require that the occurrence of a compensable damage claim is an unexpected event. On the other hand, the size of the damage to the insured object usually depends heavily on, for example, the reason for the damage, the condition prevailing at the time of occurrence and the actual detailed events of the occurrence. In addition, one insurance contract may cover several objects that differ in quality and value.

The insurance portfolio consists of a large number of issued non-life insurance contracts. Due to the size of the insurance portfolio, the expected number of damage claims is also large. If the damage claims that occur are fully independent, the relative fluctuation in claims incurred will, according to the law of large numbers in probability calculus, be smaller the more insurance risk the insurance portfolio contains.

Because the independence of insurance risks from each other is never fully realised in reality, the insurance company's insurance risk in proportion to the size of the insurance portfolio will not fully disappear, regardless of how large the insurance portfolio is. This residual risk caused by the dependency between insurance risks is called non-diversifiable risk. It is usually related to changes in the external operating environment. For instance, economic fluctuations systematically affect the incidence of loss or amount of damage events of a certain group of insurance contracts. Inflation may increase the amount of damage events simultaneously in a large share of the company's insurance portfolio. Changes in the general mortality rate would be reflected in the company's entire portfolio of statutory pension insurance, but the non-diversifiable risk can also sometimes be connected to an unidentified, concealed damage risk that applies to a large portion of the insurance contracts. The best known example in recent history is asbestos.

One risk type is damage accumulation caused by natural catastrophes, or disasters caused by human activity. In this case a catastrophic event causes damage that in practice has to be compensated for simultaneously in a large number of insurance risks, which means that the total claims incurred caused by the catastrophe may be extremely high. This risk is, however, diversifiable as the non-life insurance operations of the OP Bank Group operate in an area where the risk of natural catastrophes is maintained at a low level, and thus it can be hedged with reinsurance.

The main tasks in insurance risk management are related to risk selection and pricing, the acquisition of reinsurance cover, the monitoring of claims expenditure development and the evaluation of underwriting reserves.

The importance of risk selection and pricing is emphasised in our operating models. Limitations regarding the amount and extent of the risk have been set by insurance class and risk concentration. Data storage and analysis applications that support this have been taken into use. The importance of insurance terms as a risk limitation tool is essential. In addition, customer and insurance class-specific risk analysis is performed to limit risks.

The non-life insurance operation decides on the reinsurance principles and on the risk held at their own risk. Reinsurance affects the need for solvency capital. Only a company with a sufficient capital adequacy is accepted as a reinsurer. In addition, maximum limits for how much risk can be given to one reinsurer have been confirmed. The maximum depends on the nature of the risk and the company's capital adequacy. Reinsurance is mainly placed in companies that have at least an A rating according to Standard & Poor's.

The sufficiency of capital adequacy is monitored annually. There are always uncertainties related to the evaluation of capital adequacy which may be due to the predictability of damage development, a delay in verification of damages, cost inflation, changes in legislation and general economic development, among other things.

Investment risks

Investment plans are compiled annually for which the state of the operating environment and the development outlook, the risks included in the investment in terms of returns, security and exchange rate fluctuations, the requirements set by the nature of the capital adequacy on investment returns, liquidity and exchange rate position, and the risk capacity of the investment in the short- and long-term are evaluated.

The investments are assets covering the capital adequacy and equity. Controlled investment risk taking is aimed at increasing the return from the investment portfolio. An investment portfolio structure where the return is maximised at the selected risk level is called basic allocation. In non-life insurance an Asset/Liability Management model (ALM model) is used to define the basic allocation. As a result of fluctuations in asset value and active investment operations, the basic allocation is deviated from at times, within the set limits. The investment plan defines the investment authorisation for different asset classes and the diversification within the asset class.

Market risk

The market risk consists of price, interest rate and currency risk. Changes in share prices, interest rates and currencies affect the value of investment property. The ratio between non-life insurance's investment risk and solvency capital is reviewed with an internal ALM model and market risk sensitivity analysis.

The maximum amount of equity, alternative investments and real estate containing price risk is limited in the basic allocation. The investment risk is also managed by through diversification into different investment instruments, geographically and by sector.

Use of derivatives

Derivatives are also used to control the market risk. The principles for using derivatives are defined annually in the investment plan. Interest rate and equity derivatives can be used both for hedging and to increase the risk level of the portfolio, within the set limits. Currency derivatives can only be used to hedge the portfolio. Credit risk derivatives are not used. Derivatives can be made on regulated markets or with a counterparty whose long-tem credit rating is at least A3 (Moody's) or A- (Standard & Poor's).

Credit risk

Bonds are mainly invested in euro-denominated bonds of euro countries. The credit risk is managed by diversifying the portfolio and restricting the amount of weaker credit ratings in the portfolio. The investment plan defines the credit rating limitations. An internal credit risk assessment is made on issuers that have no credit rating, based on which the investment decision can be made.

Liquidity risk

When compiling the investment portfolio, liquidity requirements are also taken into account. The money market portfolio is the primary liquidity buffer. Investments in shares and bonds are mainly publicly quoted and liquid.

Life insurance operations

Life insurance risk

Insurance risks refer to insurance risks taken in the insurance company's operations, the most significant of which are mortality and disability. Operating expense risk can also be considered a technical insurance risk. Unpredictable changes in technical insurance factors and catastrophes can endanger the risk bearing ability.

A situation in which the operating expenses exceed the burdens charged for insurance policies and force the insurance company to cover its operating expenses by means of investment income can constitute an operating expense risk.

Insurance risks are managed by defining the company's calculation bases to cover the risks, maintaining up-to-date instructions for selecting underwriting reserves, accumulating the equalisation sum and reinsuring the mortality reserves that exceed retention.

The range of life assurance products mainly includes products intended for long-term savings, which contain only a minor technical risk.

The most significant interest rate risk in the underwriting reserves is the technical interest requirement for interest-bearing insurance (binding income promise), and the return on investment property that covers it.

The portfolio operates at 4.5 per cent calculated interest, and some of its underwriting reserves are voluntarily supplemented at the lower discount rate.

The average remaining insurance periods with weighted underwriting reserves can be considered the duration of the insurance portfolio, which can be used to evaluate how much the underwriting reserves would change if the discount rate were to change. It must, however, be noted that the amount of underwriting reserves may not be reduced from the present repurchase level by changing the interest rate or other technical provisions. The sensitivity of underwriting reserves in the future is thus very small.

There is also the possibility of investment risk concerning repurchases: premature withdrawal of long-term assets reduces the earnings base. In conjunction with repurchasing, the insurance company may have to liquidate its investments in a poor market situation, or may not be able to amortise accelerated business expenses by the time of the repurchase.

Repurchase risk is managed by means of a suitable product structure, and by means of contract terms and sanctions. Savings insurance and capitalisation agreements are susceptible to repurchasing. On the other hand, repurchasing of pension insurance is only possible under exceptional circumstances.

Risk selection is used to limit the risks associated with mortality and permanent disability. Protective calculation bases are used to ensure that the burdens charged for insurance policies cover the company's operating expenses, the risk premiums charged for insurance policies cover insurance payouts, there are returns on its investment assets that can be used to pay the technical interest on insurance policies, and a competitive customer bonus is received. Because pricing may only be changed under exceptional circumstances after insurance has been granted, unfavourable fluctuation in pricing must be provided for. The amortisation of risk life assurance and savings life assurance policies is regularly examined in life insurance operations. If it becomes apparent that product pricing is unprofitable or underwriting reserves are too small, the pricing of its new policies is changed and the underwriting reserves are increased to a sufficient level.

The above applies to insurance in which the mortality payout exceeds insurance savings. In particular, pension insurance saving tends to exceed the mortality reserves, and a longer than expected lifespan of insured individuals may become a problem. However, this risk is monetarily very small in fixed-term insurance policies and does not give cause to suspect that underwriting reserves are too low. Lifetime pensions are mainly granted as group pensions; in this case increasing life expectancy could prove to be a problem. The assumed mortality used is quite new (from 2001) and studies support the assumption that it is sufficient.

Maintenance of liquidity is not a significant problem, because cash flow into the life assurance business exceeds that going out, and this situation is expected to continue.

Reinsurance is used to transfer some of the risk formed by individual policyholders to a reinsurer, which are Retro Life Assurance Company Ltd, Pohjola Non-Life Insurance Company Ltd and PartnerRe. Finnish life assurance companies own Retro Life Assurance Company Ltd, and its insurance operations include the reinsurance and further insurance required by the shareholder companies. PartnerRe is an international reinsurance company, the activities of which include reinsurance of non-life insurance and life assurance policies around the world. It has a credit rating of AA- from Standard & Poor's and Aa3 from Moody's.

Depending on the company, mortality reserve risk deduction for each insured party is held at €100 000 or €400 000. Disability risk retention is €300 000. Risks that exceed this amount are reinsured with Retro Life Assurance Company Ltd and Pohjola Non-Life Insurance Company Ltd.

Investment risks

The significant risks in life insurance operations are associated with investment operations. The Boards of the life insurance companies confirm separate instructions and operating policies related to the risk management of individual investments. Preparation for investment risks includes an annual investment plan that defines the method and personnel qualified to handle the risks. The investment plan addresses the desired level of risk and return, and specifies the annual distribution, range and comparison index for investment property, as well as other limitations on investments. The limitations of the investment plan and the observation of regulations are monitored and regularly reported to the investment committee and the Board of Directors.

Allocation of investment property takes into account the requirements for security, return and liquidity set by the nature of the underwriting reserves and the risk capacity. Achieving long-term return targets requires controlled risk-taking. The risk level of investment property is monitored by means of the realised standard deviation of returns.

Market risks

In terms of market risks, the risks associated with changes in value and interest rates have a particular effect on investment property. For this reason, investments are diversified into different property categories, or investment instruments, both geographically and by industry. The risk of change in value is measured in terms of the risk expectation for share and interest investments (ex ante volatility), and it is regularly reported to the investment committee. Interest rate risk is monitored by means of modified duration in relation to the duration of the comparison portfolio.

Credit risk in investments is minimised by limitations that are defined in the investment plan.

The liquidity risk is taken into account in the allocation distribution structure of the investment portfolio. Money market investments are mainly used to cover the liquidity needs. The cash flow analysis is based on the expected liquidity distribution of the bonds.

Use of derivatives

Foreign currency investments are partially hedged with derivatives. Foreign currency investments are monitored and regularly reported to the investment committee and the Board of Directors.

The investment plan makes it possible to use derivatives to protect the value of investment property. According to the investment plan, derivatives can also be used for non-protective purposes. There may be open foreign currency positions in life insurance operations, but a maximum limit has been set for them in the investment plan.

NOTE 3. Business operations acquired 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 at a sale price of €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, 2005 when OKO Bank obtained the regulatory approvals that were a condition for the transaction. 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. Pohjola plc and the companies included in its financial statements have been included in the consolidated financial statements of the OP Bank Group as of October 30, 2005.

The main business operations of the Pohjola Group acquired are non-life insurance, life insurance, funds and asset management. After the combination of business operations, Pohjola plc sold its funds business operations on December 31, 2005 and life insurance business operations on January 16, 2006 to the OP Bank Group Central Cooperative by internal transactions within the OP Bank Group.

In the consolidation of the 2005 financial statements the acquisition cost of Pohjola plc's shares according to the situation on December 31, 2005 has been used as the acquisition cost added to the direct costs related to the acquisition of the shares. The total amount of the acquisition cost was €1,776 million, of which the acquisition cost of the shares was €1,766 million and the share of other direct costs related to the acquisition was €9.9 million. The acquisition cost was paid in cash.

The goodwill arising from consolidation is formed of the difference between the acquisition cost and the fair values of the identifiable assets and liabilities. The specifiable assets and liabilities acquired are formed of of Pohjola's net assets valued at fair value and other specifiable asset items identified in connection with the acquisition. The goodwill describes other income expectations and synergies of the acquisition.

The earnings for the fiscal period of the OP Bank Group amounted to €454 million. Of the Pohjola companies, the financial statements of the OP Bank Group include the profit for the November-December period, a total of €11 million. If the Pohjola companies had been acquired at the beginning of the fiscal period, the profit for the whole fiscal period would have been consolidated with the earnings of the OP Bank Group, in which case the OP Bank Group's earnings would have been clearly greater. However, the impact of this consolidation cannot be assessed in practice, as the adjustments required for the consolidation of Pohjola and the OP Bank Group have not been examined for the period preceding ownership.

€ Million	Fair values used in consolidation	Book values before consolidation
Tangible assets	55	52
Investment properties	66	58
Intangible assets		
Brands	179	
Customer relationships	315	21
Insurance contracts	46	2
Software	75	40
Goodwill		16
Financial assets	4 433	4 433
Other assets	72	72
Liquid assets	100	100
Total assets	5 341	4 794
Liabilities of insurance operations	3 268	3 268
Financial liabilities	150	150
Deferred tax liabilities	262	121
Reserves	38	38
Pension obligations	9	5
Accounts payable and other liabilities	155	155
Total liabilities	3 882	3 737
Net assets	1 459	1 057
Holding in net assets acquired on December 31, 2005 (86.3%)	1 259	
Acquisition cost	1 776	
Goodwill*	517	
Sale price paid in cash	1 776	
Liquid assets of the subsidiary acquired	100	
Cash flow impact	1 677	

* A more detailed breakdown on goodwill is presented in Note 27.

NOTE 4. Assets classified as held for sale

On December 22, 2005, the Pohjola Group decided to sell its 100% holdings 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 finally be met during the spring of 2006 if the necessary regulatory approvals are obtained and the other agreed conditions are met.

NOTES TO THE INCOME STATEMENT

NOTE 5. Interest income and expenses

	2005	2004
Interest income		
Receivables from financial institutions	23	19
Receivables from customers		
Loans	1 158	1 066
Finance lease receivables	11	11
Loans and other commitments of decreased value	-1	-
Notes and bonds		
Trading	30	62
Available for sale	91	58
Held to maturity	-	-
Derivative contracts		
Hedge accounting	-4	-16
Other	264	-14
Other interest income	2	1
Total	**1 575**	**1 185**
Interest expenses		
Liabilities to financial institutions	38	25
Financial liabilities held for trading	0	0
Derivative contracts		
Hedge accounting	-10	-
Other	273	-9
Liabilities to customers	275	241
Notes and bonds issued to the public	185	144
Subordinated liabilities		
Capital loans	7	2
Other	20	20
Other interest expenses	6	5
Total	**794**	**428**
Net interest income	**781**	**758**

Due to changes in the recognition and presentation of interest income and expenses, the itemisations of interest income and expenses for 2005 and 2004 are not mutually comparable in the case of interest income and expenses from derivative contracts.

NOTE 6. Write-downs on receivables

Receivables eliminated as loan and guarantee losses	11	9
Recoveries of eliminated receivables	-6	-7
Increase in write-downs	37	18
Recovery of write-downs	-40	-13
Group-specific write-downs	4	-
Write-downs on interest receivables	-	-
Insurance payouts	0	0
Total write-downs on receivables	**6**	**7**

NOTE 7. Net income from non-life insurance operations	2005	2004
The OP Bank Group did not engage in non-life insurance operations in 2004.		
Net insurance premium revenue	138	-
Net investment income	12	-
Claims incurred	-69	-
Other non-life insurance items	-13	-
Net income from non-life insurance	**68**	**-**
Insurance premium revenue and insurance premiums ceded to reinsurers		
Short-term insurance contracts		
Premiums written	67	-
Change in provision for unearned premiums	73	-
Change in provision for unexpired risks	0	-
Long-term insurance contracts		
Premiums written	1	-
Change in provision for unearned premiums	-1	-
Insurance premium revenue, gross	**141**	**-**
Reinsurer's share of short-term insurance contracts		
Premiums written	-2	-
Change in provision for unearned premiums	-1	-
Reinsurer's share of long-term insurance contracts		
Premiums written	0	-
Change in provision for unearned premiums	0	-
Reinsurers' share	-3	-
Insurance premium revenue, net	138	-
Total premiums written	**68**	**-**
Total change in provision for unearned premiums	73	-
Total insurance premium revenue	**141**	**-**
Net income from non-life insurance investment operations		
Loans and other receivables		
Interest income	0	-
Gains and losses from sales	-	-
Write-downs	0	-
Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	-	-
Other	0	-
Total	0	-
Gains and losses from sales		
Notes and bonds	-	-
Shares and holdings	2	-
Other	-	-
Total	2	-

	2005	2004
Valuation gains and losses		
Notes and bonds	-2	-
Shares and holdings	-2	-
Derivatives	-1	-
Other	-	-
Total	-5	-
Dividend income	-	-
Other income	-	-
Total net income from financial assets recognised at fair value through profit or loss	-3	-
Net income from financial assets available for sale		
Notes and bonds		
Interest income	10	-
Other income	0	-
Gains and losses from sales	0	-
Transferred from fair value reserve during the period	-	-
Recovery of write-downs	-	-
Total	11	-
Shares and holdings		
Dividends	1	-
Other income	-	-
Gains and losses from sales	3	-
Transferred from fair value reserve during the period	-	-
Write-downs	-	-
Total	4	-
Net income from financial assets available for sale	15	-
Net income from investment property		
Rental income	1	-
Gains and losses from sales	0	-
Gains from fair value asset valuation	0	-
Facility and maintenance charges	-1	-
from which rental income is not accumulated	0	-
Other	0	-
Total net income from investment property	0	-
Exchange rate gains (losses)	**-2**	**-**
Total net income from non-life insurance investment operations	**12**	**-**

Non-life insurance claims

Claims incurred		
Claims paid (excluding loss adjustment expenses)	-68	-
Increase (decrease) in previous periods	3	-
Total claims incurred, gross	-64	-
Reinsurers' share	-5	-
Total claims incurred, net	**-69**	**-**

NOTE 8. Net income from life insurance operations	2005	2004
Premiums written	788	478
Insurance premiums ceded to reinsurers	-1	-1
Net investment income	351	164
Claims incurred		
Benefits paid	-214	-160
Change in provision for unpaid claims	-94	-5
Reinsurers' share	0	0
Other	-	0
Change in insurance contract liabilities		
Change in provision for unearned premiums	-741	-435
Reinsurers' share	2	0
Other	-23	10
Total net income from life insurance operations	**67**	**51**

In 2005 the insurance liablities were strengthened by interest supplements of a total of €24 million (-).
In addition, €13 million (€14 million) was reserved for future customer bonuses.

Premiums written in life insurance

Premiums written in life insurance		
Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)		
Endowment life insurance	298	263
Deferred annuity insurance	52	40
Group pension insurance	101	-
Term insurance		
Individual insurance	3	0
Supplementary group insurance	1	-
Employees' group life insurance	0	-
Total risk insurance	4	0
Total	455	303
Premiums written from unit-linked insurance contracts		
Endowment life insurance	262	127
Supplementary employee pension contracts	55	37
Group pension contracts	1	-
Total	318	164
Total	**773**	**468**
Premiums written from investment contracts		
Premiums written from investment contracts with entitlement to discretionary portion of surplus		
Capital redemption policies	12	8
Premiums written from investment contracts without entitlement to discretionary portion of surplus		
Capital redemption policies	-	-
Premiums written from unit-linked investment contracts		
Capital redemption policies	4	3
Total	**16**	**11**
Total original insurance	**788**	**478**
Incoming reinsurance	0	0
Total premium income	**788**	**478**

	2005	2004
Recurring premiums from insurance policies	377	259
Recurring premiums from investment contracts	-	-
Non-recurring premiums from insurance policies	395	209
Non-recurring premiums from investment contracts	16	11
Total	**788**	**478**

Net income from life insurance investment operations

	2005	2004
Loans and other receivables		
Interest income	-2	0
Gains and losses from sales	-	-
Write-downs	-	-
Total	-2	0
Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	0	0
Other	0	-
Total	1	0
Gains and losses from sales		
Notes and bonds	-	0
Shares and holdings	-	-
Other	-12	-
Total	-12	0
Valuation gains and losses		
Notes and bonds	0	-
Shares and holdings	0	-
Derivatives	6	2
Other	-	-
Total	5	2
Dividend income	1	-
Total net income from financial assets recognised at fair value through profit or loss	-5	2
Net income from financial assets available for sale		
Notes and bonds		
Interest income	58	55
Gains and losses from sales	40	15
Transferred from fair value reserve during the period	0	-
Recovery of write-downs	0	-
Total	99	70
Shares and holdings		
Dividends	6	8
Other income	-1	25
Gains and losses from sales	33	-
Transferred from fair value reserve during the period	-	-
Write-downs	-	0
Total	38	33
Total net income from financial assets available for sale	137	103

	2005	2004
Expenses from investment operations	**-**	**-3**
Net income from investment property		
Rental income	7	7
Gains and losses from sales	-	-
Gains from fair value asset valuation	5	0
Facility and maintenance charges	-1	-1
from which rental income is not accumulated	0	-
Other	-3	-4
Total	7	2
Property serving as margin for unit-linked policies		
Shares and holdings		
Gains and losses from sales	22	0
Valuation gains and losses	182	54
Other	9	6
Total	214	60
Exchange rate gains (losses)	**0**	**-**
Total net income from investment operations	**351**	**164**

Benefits paid in life insurance

	2005	2004
Benefits paid from insurance contracts		
Benefits paid from insurance contracts entitling to a discretionary portion of surplus		
Endowment life insurance		
Maturities	-86	-71
Death benefits	-49	-37
Surrenders	-33	-23
Total	-167	-131
Deferred annuity insurance		
Annuities	-7	-5
Death benefits	-1	0
Surrenders	0	0
Total	-8	-5
Group pension insurance		
Annuities	-1	-
Lump-sum benefits	0	-
Surrenders	0	-
Total	-1	-
Term insurance		
Individual insurance	0	-
Supplementary group insurance	-1	-
Total	-1	-
Benefits paid from unit-linked insurance contracts		
Endowment life insurance		
Maturities	-13	-10
Death benefits	-4	-4
Surrenders	-11	-6
Total	-28	-20

	2005	2004
Individual pension insurance		
Annuities	0	-
Death benefits	0	0
Surrenders	0	0
Total	-1	0
Group pension insurance		
Annuities	0	-
Death benefits	-	-
Surrenders	0	-
Total	0	-
Benefits paid from investment contracts		
Benefits paid from investment contracts entitling to a discretionary portion of surplus		
Capital redemption contracts		
Maturities	-4	0
Surrenders	-1	-2
Total	-5	-2
Benefits paid from investment contracts not entitling to a discretionary portion of surplus		
Capital redemption contracts		
Maturities	-	-
Surrenders	-	-
Total	-	-
Benefits paid from unit-linked investment contracts		
Maturities	-2	0
Surrenders	-1	0
Total	-3	0
Total direct insurance	**-214**	**-160**
Incoming reinsurance	0	0
Total benefits paid in life insurance	**-214**	**-160**

NOTE 9. Net commissions and fees

Commissions and fees		
Lending	89	84
Deposits	7	8
From payment transfers	103	108
From securities brokerage	26	17
From issue of securities	6	6
Mutual funds	48	34
Asset management and legal tasks	31	29
From insurance brokerage	38	31
From guarantees	10	10
Other	21	28
Total	**380**	**355**

	2005	2004
Commission expenses		
From financial management and money handling	-	-
From payment transfers	1	1
From securities	4	2
Other	35	37
Total	**40**	**40**
Net commissions and fees	**340**	**314**

The Other commission expenses item includes €4 million (€3 million) of commissions paid for asset management and legal assignments, €4 million (€4 million) of platinum bonuses granted to Okopankki Oyj's bonus customers and €26 million (€30 million) of other commissions paid.

NOTE 10. Net trading income

	2005	2004
Trading in financial assets and liabilities		
Gains and losses from sales		
Notes and bonds	4	14
Shares and holdings	3	-2
Derivatives	1	-12
Other	-	-
Total	7	0
Valuation gains and losses		
Notes and bonds	-4	-1
Shares and holdings	5	3
Derivatives	9	7
Other	-	-
Total	10	9
Dividend income	2	4
Net income from foreign exchange operations		
Exchange rate differences	24	0
Other	-15	8
Total	8	7
Total net trading income	**27**	**20**

NOTE 11. Net investment income

Net income from financial assets available for sale		
Notes and bonds and purchased loans		
Gains and losses from sales	7	6
of which those valued at their original amortised cost	-	-
Transferred from fair value reserve during the period	0	0
Recovery of write-downs	-	2
Total	7	8
Shares and holdings		
Gains and losses from sales	2	15
of which those valued at their acquisition cost	-	-
Transferred from fair value reserve during the period	11	-
Write-downs	-5	0
Total	8	16

	2005	2004
Dividend income	8	12
Net income from financial assets available for sale	23	36
Notes and bonds held to maturity		
Recovery of write-downs	-	0
Net income from investment property		
Rental income	61	75
Gains and losses from sales	8	1
Gains from fair value adjustment	6	10
Facility and maintenance charges	-37	-43
from which rental income is not accumulated	-	-
Other	2	1
Total	39	43
Total net income from investment operations	**62**	**79**

The information on the comparison year is valued according to the previous accounting standards.

NOTE 12. Other operating income

Rental income from real estate in Group use	11	2
Sales gains from real estate in Group use	1	8
Insurance payouts	0	0
Other	55	36
Total other operating income	**68**	**46**

The Other operating income item includes €2 million (€0 million) of other income from non-life insurance operations, €4 million (€1 million) of rental income from leasing objects, €8 million (€15 million) of IT income, €17 million (€17 million) of income from debt recovery operations and €23 million (€2 million) of other operating income.

NOTE 13. Personnel costs

Salaries and remunerations	348	310
Share-based payment	0	-
Pension costs		
Defined-contribution plans	36	31
Defined-benefit plans	-20	-6
Other personnel related costs	22	20
Total personnel costs	**387**	**354**

NOTE 14. Other administrative expenses

Office expenses	41	31
IT expenses	63	61
Telecommunications	31	32
Marketing	44	41
Research and development	1	-
Other	40	32
Total other administrative expenses	**220**	**197**

NOTE 15. Other operating expenses	2005	2004
Rental expenses	1	2
From real estate in Group use	60	53
Capital losses on real estate in Group use	0	1
Depreciation		
Buildings	11	12
Machinery and equipment	24	22
Intangible assets	31	26
Other	10	7
Total	76	67
Impairments		
From real estate in Group use	1	8
Goodwill	-	-1
Other	-	-
Total	1	7
Other	31	25
Total other operating expenses	**169**	**155**

The item Other in Other operating expenses includes €10 million (€8 million) of supervision, inspection and membership fees, €6 million (€4 million) of insurance and security expenses, €2 million (€0 million) of other non-life insurance operations expenses and €13 million (€13 million) of other operating expenses.

NOTE 16. Returns to owner-members		
Bonuses	38	33
Interest on cooperative capital	15	15
Total returns to owner-members	**53**	**48**

The returns to owner-members includes the interest on the cooperative capital to be paid to the members of the cooperative banks for the fiscal period and the bonuses to the owner-members for centralising the use of banking services.

NOTE 17. Income taxes		
Taxes based on taxable income for the financial period	102	106
Taxes from previous financial periods	-11	-7
Deferred taxes	35	32
Taxes on the income statement	**125**	**131**
Tax rate for the fiscal period	26	29
Comparison of taxes calculated in the income statement according to the valid tax rate with presented taxes		
Earnings before taxes	579	511
Share of earnings in accordance with the tax rate	150	148
Taxes from the previous financial periods	-11	-5
Effect of tax-exempt income	-2	-2
Effect of non-deductible expenses	5	8
Unused losses/reassessment	-30	-7
Effect of tax adjustments	-2	6
Effect of other changes in tax rate and tax law	-	-20
Other items	15	4
Taxes on the income statement	**125**	**131**

NOTES ON ASSETS

NOTE 18. Liquid assets	31 Dec. 2005	31 Dec. 2004
Cash	135	133
Deposits with central banks repayable on demand		
Overnight deposits	-	-
OKO's minimum reserve deposit	116	84
Other	362	205
Total liquid assets	**613**	**422**

According to the minimum reserve system of the euro system, financial institutions must keep minimum reserves (a reserve deposit) in national central banks. The reserve deposit is the share according to the obligation percentage of the reserve base notified by the European Central Bank. Deposits (extensive) and debt papers of at most two years are included in the reserve base. Deposits from others under a reserve obligation are not included in the reserve base. At the moment the reserve deposit is 2 per cent of the reserve base. In the OP Bank Group, the financial institutions make a reserve deposit with OKO Bank. OKO Bank acts as an authorised forwarder for the financial institutions in the Group, taking care of the Group's deposit obligation with the Bank of Finland.

NOTE 19. Receivables from financial institutions	31 Dec. 2005	31 Dec. 2004
Deposits with central banks		
Other than repayable on demand	-	-
Receivables from financial institutions		
Deposits		
Repayable on demand	52	28
Other	431	568
Total	483	596
Loans and other receivables		
Repayable on demand	0	0
Other	185	85
Total	185	85
Total	668	681
Write-downs	-2	-
Total receivables from financial institutions	**666**	**681**

The receivables from financial institutions include €483 million of deposits with a maturity of less than 3 months and €35 million of repo receivables.

NOTE 20. Financial assets held for trading	31 Dec. 2005	31 Dec. 2004
Government notes and bonds	365	330
Other notes and bonds	3 377	2 790
Shares and holdings	99	51
Purchased loans and other receivables	-	-
Total financial assets from trading	**3 841**	**3 170**

Other notes and bonds from trading include certificates of deposit 1 594 Meur (1 632 Meur), commercial papers 187 Meur (2 Meur), debentures 61 Meur (16 Meur), bonds 733 Meur (266 Meur), and other notes and bonds 801 Meur (874 Meur).

Notes and bonds from trading and the breakdown of shares and holdings on the basis of quote and issuer

	31 Dec. 2005 Notes and bonds	31 Dec. 2005 Shares and holdings	31 Dec. 2004 Notes and bonds	31 Dec. 2004 Shares and holdings
Quoted				
From public sector entities	386		417	
From others	1 728	99	1 070	51
Other				
From public sector entities	1 603		1 615	
From others	24	-	18	-
Total	3 742	99	3 120	51

The financial assets held for trading include €1,508 million (€1,288 million) of pledged notes and bonds.

NOTE 21. Derivative contracts

	31 Dec. 2005	31 Dec. 2004
Held for trading		
Interest rate derivatives	81	44
Currency derivatives	33	49
Share and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	114	93
Hedging derivative contracts – fair value hedging method		
Interest rate derivatives	12	-
Currency derivatives	-	-
Share and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	12	-
Total derivative contracts	**126**	**93**

The balance sheet item Derivative contracts includes positive changes in value.

NOTE 22. Receivables from customers

	31 Dec. 2005	31 Dec. 2004
Loans to the public and public sector entities	32 475	29 009
Finance leases	370	319
Purchased loans and other receivables	2 088	1 767
Total	34 933	31 095
Write-downs	-126	-143
Total receivables from customers	**34 807**	**30 952**

Changes in write-downs on loans and guarantee receivables

	Loans	Bank guarantee receivables	Interest receivables	Total
Write-downs January 1, 2005	150	11	-	161
Increase in write-downs	28	4	-	32
Recovery of write-downs	-28	-5	-	-33
Loan and guarantee receivables removed from the balance sheet				
and for which receivable-specific write-down has been performed	-23	-1	-	-23
Exchange rate difference adjustments	-	-	-	-
Write-downs December 31, 2005	128	8	-	136
Write-downs January 1, 2004	155	9	-	164
Increase in write-downs	18	3	-	21
Recovery of write-downs	-13	0	-	-13
Credit and guarantee receivables removed from the balance sheet ,				
and for which receivable-specific write-down has been performed	-17	-1	-	-19
Exchange rate difference adjustments	-	-	-	-
Write-downs December 31, 2004	143	10	-	153

Finance lease receivables

In the OP Bank Group, OKO Bank leases transport equipment and industrial machinery and equipment through finance lease contracts.

Finance lease receivables	31 Dec. 2005	31 Dec. 2004
Maturity of finance lease contracts		
In one year	133	120
In more than one year and less than five years	205	193
In more than five years	81	32
Gross investment in finance lease contracts	**418**	**345**
Unearned finance income (-)	-48	-26
Present value of minimum lease payment receivables	370	319
Present value of minimum lease payment receivables		
In one year	122	111
In more than one year and less than five years	189	179
In more than five years	60	28
Total	370	319
Gross increase during the financial period	175	150

NOTE 23. Non-life insurance assets

The OP Bank Group did not engage in non-life insurance operations in 2004.

	31 Dec. 2005	31 Dec. 2004
Investments		
Loans and other receivables	68	-
Shares	695	-
Investment property	63	-
Notes and bonds	1 626	-
Other	1	-
Total	2 452	-
Other assets		
Accrued income	-1	-
Other		
Original insurance operations	184	-
Reinsurance operations	75	-
Funds and bank receivables	32	-
Total	290	-
Total non-life insurance assets	**2 742**	**-**

Non-life insurance investments

	31 Dec. 2005	31 Dec. 2004
Loans and other receivables		
Loans	68	-
Reinsurance deposit receivables	1	-
Other receivables	-	-
Total	68	-
Financial assets recognised at fair value through profit or loss		
Government notes and bonds	-	-
Other notes and bonds	3	-
Shares and holdings	-	-
Derivative contracts		
Currency derivatives	0	-
Interest rate derivatives	0	-
Total financial assets recognised at fair value through profit or loss	3	-
Financial assets available for sale		
Notes and bonds	1 623	-
Shares and holdings	693	-
Total	2 316	-
From affiliates	2	-
Investment properties		
Land and water areas	6	-
Buildings	57	-
Total	63	-
Total investments	**2 452**	**-**

Breakdown of non-life insurance notes and bonds recognised at fair value through profit or loss and shares and holdings on the basis of quotation and issuer

	2005 Notes and bonds	2005 Shares and holdings
Quoted		
From public sector entities	-	-
From others	-	-
Other		
From public sector entities	3	-
From others	-	-
Total	3	-

Non-life insurance financial assets available for sale December 31, 2005

	Notes and bonds available for sale			Shares and holdings available for sale		
	Fair value	Amortised cost	Total	Fair value	At acquisition cost	Total
Quoted						
From public sector entities	1 100	-	1 100			
From others	436	-	436	578		578
Other						
From public sector entities	4	-	4			
From others	84	-	84	115	-	115
Total	1 623	-	1 623	693	-	693
Write-down losses	-	-	-	3	-	3

Non-life insurance financial assets available for sale include €4 million of pledged items.

Non-life insurance investments in affiliates	31 Dec. 2005	31 Dec. 2004
Investments on January 1	-	-
Acquisitions of business operations	2	-
Share of profit for the fiscal period	0	-
Dividends	-	-
Investments on December 31	2	-

Non-life insurance derivative contracts on December 31, 2005

	Nominal values/remaining term to maturity				Fair values		Credit
	Less than 1 year	1-5 years	>5 years	Total	Assets	Liabilities	counter-value
Currency derivatives							
Forward exchange agreements	71	-	-	71	0	0	4
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency options							
Purchased	63	-	-	63	0	-	1
Written	67	-	-	67	-	1	-
Total OTC currency derivatives	201	-	-	201	0	1	5
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	201	-	-	201	0	1	5
Interest rate derivatives							
Interest rate futures	6	-	-	6	0	-	-
Total stock exchange derivatives	6	-	-	6	0	-	-
Total interest rate derivatives	6	-	-	6	0	-	-

NOTE 24. Life insurance assets

	31 Dec. 2005	31 Dec. 2004
Investments		
Loans and other receivables	8	-
Shares	1 241	551
Investment property	100	69
Notes and bonds	2 419	1 585
Other	0	-
Total	3 768	2 205
Investments serving as margin for unit-linked policies		
Shares and holdings	1 539	614
Other assets		
Accrued income	52	34
Other		
Original insurance operations	1	1
Reinsurance operationsa	7	4
Funds and bank receivables	18	-
Other	-	10
Total	78	48
Total life insurance assets	**5 385**	**2 867**

Life insurance investments

	31 Dec. 2005	31 Dec. 2004
Loans and other receivables		
Loans	8	-
Reinsurance deposit receivables	-	-
Other receivables	-	-
Total	8	-
Financial assets recognised at fair value through profit or loss		
Government notes and bonds	-	-
Other notes and bonds	8	16
Shares and holdings	-	-
Derivative contracts	0	-
Total financial assets recognised at fair value through profit or loss	8	16
Financial assets available for sale		
Notes and bonds	2 411	1 569
Shares and holdings	1 241	551
Total	3 653	2 120
Investment properties		
Land and water areas	10	-
Buildings	22	-
Real-estate holdings	68	69
Total	100	69
Total investments	**3 768**	**2 205**

Breakdown of life insurance notes and bonds recognised at fair value through profit or loss and shares and holdings on the basis of quotation and issuer

	31 Dec. 2005 Notes and bonds	31 Dec. 2005 Shares and holdings	31 Dec. 2004 Notes and bonds	31 Dec. 2004 Shares and holdings
Quoted				
From public sector entities	-	-	-	-
From others	-	-	-	-
Other				
From public sector entities	-	-	5	-
From others	8	-	11	-
Total	8	-	16	-
Write-down losses	0	-	-	-

Life insurance financial assets available for sale 31 December 2005

	Notes and bonds available for sale			Shares and holdings available for sale		
	Fair value	Amortised cost	Total	Fair value	At acquisition cost	Total
Quoted						
From public sector entities	1 334	-	1 334			
From others	996	-	996	1 201		1 201
Other						
From public sector entities	-	-	-			
From others	80	-	80	40	-	40
Total	2 411	-	2 411	1 241	-	1 241
Write-down losses	-	-	-	-	-	-

Life insurance financial assets available for sale 31 December 2004

	Notes and bonds available for sale			Shares and holdings available for sale		
	Fair value	Amortised cost	Total	Fair value	At acquisition cost	Total
Quoted						
From public sector entities	807	-	807			
From others	755	-	755	529		529
Other						
From public sector entities	-	-	-			
From others	8	-	8	22	-	22
Total	1 569	-	1 569	551	-	551
Write-down losses	-	-	-	-	-	-

Life insurance derivative contracts on 31 December 2005

	Nominal values/remaining term to maturity Less than 1 year	1–5 years	5 years	Total	Fair values Assets	Liabilities	Credit counter-value
Currency derivatives							
Forward exchange agreements	37	-	-	37	-	0	2
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency options							
Purchased	22	-	-	22	0	-	0
Written	24	-	-	24	-	0	-
Total OTC currency derivatives	83	-	-	83	0	0	2
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	83	-	-	83	0	0	2
Interest rate derivatives							
Interest rate futures	34	-	-	34	-	0	-
Total stock exchange derivatives	34	-	-	34	-	0	-
Total interest rate derivatives	34	-	-	34	-	0	-

NOTE 25. Investment assets

	31 Dec. 2005	31 Dec. 2004
Financial assets available for sale		
Notes and bonds	660	642
Shares and holdings	285	199
Purchased loans	-	-
Total	945	842
Investments held to maturity	198	220
Investment property		
Land and water areas	49	104
Buildings	459	495
Total	508	599
Total investment property	**1 652**	**1 660**

Investments held to maturity include other bonds issued by the government 50 Meur (55 Meur), commercial papers 7 Meur (0), bonds 139 Meur (140 Meur), and other notes and bonds 0 Meur (25). The information on the comparison year has been valued according to the previous accounting standards.

Financial assets available for sale and investments held to maturity 31 December 2005

	Notes and bonds available for sale Fair value	Amortised cost	Total	Shares and holdings available for sale Fair value	At acquisition cost	Total	Investments held to maturity
Quoted							
From public sector entities	230	-	230				6
From others	343	-	343	178		178	147
Other							
From public sector entities	-	-	-				-
From others	88	-	88		107	107	45
Total	660	-	660	178	107	285	198
Write-downs	-	-	-	-	-	-	-

The financial assets available for sale include €5 (€0 million) million of subordinated publicly-quoted notes and bonds from others. The financial assets available for sale include €7 million (€0 million) of pledged notes and bonds.

Financial assets available for sale and investments held to maturity 31 December 2004

	Notes and bonds available for sale			Shares and holdings available for sale			
	Fair value	Amortised cost	Total	Fair value	At acquisition cost	Total	Investments held to maturity
Quoted							
From public sector entities	206	-	206				4
From others	429	-	429	140		140	140
Other							
From public sector entities	1	-	1				-
From others	7	-	7		59	59	75
Total	642	-	642	140	59	199	220
Write-downs	-	-	-	-	-	-	-

The information on the comparison year has been valued according to the previous accounting standards.

NOTE 26. Investments in affiliates

	31 Dec. 2005	31 Dec. 2004
Investments January 1	46	42
Acquisitions of business operations	7	-
Share of the result for the period	0	5
Dividends	-2	0
Write-downs	-4	-
Changes in Group structure	-7	-
Investments December 31	40	46

NOTE 27. Intangible assets

	2005					2004
Changes in intangible assets	Goodwill	Brands	Customer relationships related to insurance contracts and acquisition costs of insurance policies	Other intangible assets	Total	Intangible assets
Acquisition cost January 1	-	-	-	205	205	190
Business operations acquired	517	179	361	75	1 132	-
Increases*	-	-	-	20	20	26
Decreases	-	-	-	-1	-1	-5
Transfers between items	-	-	-	-11	-11	-7
Acquisition cost December 31	517	179	361	288	1 345	205
Accumulated depreciations and impairments January 1	-	-	-	-119	-119	-98
Depreciation for the period	-	-	-5	-26	-31	-25
Impairments for the period	-	-	-	-	-	-
Recovery of impairments during the period	-	-	-	-	-	-
Decreases	-	-	-	4	4	4
Other changes	-	-	-	-	-	0

Changes in intangible assets	Goodwill	Brands	2005 Customer relationships related to insurance contracts and acquisition costs of insurance policies	Other intangible assets	Total	2004 Intangible assets
Accumulated depreciations and impairments December 31	-	-	-5	-141	-146	-119
Book value December 31	517	179	356	147	1 199	86

* The share of internal development work is €9 million (€8 million). Other intangible assets include computer programs to a book value of €135 million and €19 million of computer programs being developed. The intangible assets for 2004 mainly consist of €48 million of computer programs and €18 million of computer programs being developed. Depreciation, impairment losses and their recovery have been booked under the income statement item Other operating expenses.

Intangible assets with indefinite useful life

	31 Dec. 2005	31 Dec. 2004
Goodwill	517	-
Brands	179	-
Total	**696**	**-**

In the consolidation of business operations the useful lives of goodwill and brands are assessed to be indefinite, as they affect the accumulation of cash flows for an undetermined period.

Other substantial intangible assets

	31 Dec. 2005 Book value	31 Dec. 2005 Remaining depreciation time	31 Dec. 2004 Book value	31 Dec. 2004 Remaining depreciation time
Customer relationships	314	12	-	-
Insurance contracts	46	10	-	-
Computer programs	135	1–8	48	1–5
Computer programs being developed	19	-	18	-

The goodwill, brands, customer relationships, insurance contracts and a significant part of the computer programs were acquired during the fiscal period as part of the acquisition of the Pohjola Group's business operations. The business operations acquired during the fiscal period have been described in more detail in Note 3.

Impairment test on goodwill

For the purpose of impairment testing goodwill is allocated to cash flow generating units, which are either business segments or companies included in them. The goodwill of the OP Bank Group has arisen in its entirety when the companies of the Pohjola Group have been included in the consolidated financial statements of the OP Bank Group. The goodwill included in the balance sheet of the OP bank Group is divided between units as follows:

Non-life insurance operations	298
Pohjola Asset Management Ltd	94
Pohjola Fund Management Ltd	71
Pohjola Life Insurance Company Ltd	46
Pohjolan Systeemipalvelu Oy	10
Total	517

The goodwill of the OP Bank Group has arisen in its entirety from the acquisition of Pohjola's business operations. The goodwill was determined in the allocation process of the sale price, which was concluded on December 31, 2005. No changes have taken place in the conditions between the acquisition and balance sheet dates that would affect the amount of goodwill.

NOTE 28. Tangible assets

	31 Dec. 2005	31 Dec. 2004
Real estate in Group use		
Land and water areas	61	107
Buildings	503	432
Machinery and equipment	67	55
Other tangible assets	20	14
Leased property	39	15
Total tangible assets	**690**	**622**
of which not yet available for use	10	-

Changes in tangible assets and investment properties

	31 Dec. 2005					
	Real estate in Group use	Machinery and equipment	Other tangible assets	Assets of a lessee	Total tangible assets	Investment property
Acquisition cost January 1	663	336	25	15	1 039	589
Business operations acquired	16	16	6	0	38	-
Increases	32	19	6	30	86	14
Decreases	-33	-3	0	-1	-37	-110
Transfers between items	46	1	0	-	47	-
Acquisition cost December 31	725	369	36	44	1 173	493
Accumulated depreciations and impairments January 1	-124	-281	-11	-1	-417	0
Depreciation for the period	-11	-24	-5	-5	-45	0
Impairments for the period	-1	-	-	-	-1	-
Recoveries of impairments during the period	3	-	-	-	3	-
Decreases	-23	3	0	1	-19	-
Other changes	-5	-	-	-	-5	-
Accumulated depreciations and impairments December 31	-161	-302	-16	-5	-484	0
Accumulated changes in fair value January 1						10
Changes in fair value for the period						10
Decreases						3
Other changes						-8
Accumulated changes in fair value December 31						14
Book value December 31	564	67	20	39	690	508

Increases include 6 million euro of activated expenses realised after the acquisition. Depreciations, impairment losses and their recovery from tangible assets are recorded in other operating expenses. Changes in fair value of investment real estate is recorded in net yield from investment operations.

The companies within the OP Bank Group own investment properties, for which there are restrictions on assignment and sale price according to the legislation on State-subsidised housing. The fair value of such objects was €9 million (€11 million). The companies within the OP Bank Group had €10 million of construction and repair obligations concerning the investment properties.

The OP Bank Group mainly offers on lease passenger cars through operating leases. The breakdown on tangible assets and investment properties given on lease through other leasing contracts is presented in Note 50.

	Real estate in Group use	Machinery and equipment	Other tangible assets	Assets of a lessee	Total tangible assets	Investment property
			31 Dec. 2004			
Acquisition cost January 1	634	319	23	5	980	631
Business operations acquired	-	-	-	-	-	-
Increases	26	21	2	11	60	9
Decreases	-4	-5	0	-1	-10	-53
Transfers between items	7	1	0	-	8	2
Acquisition cost December 31	663	336	25	15	1 039	589
Accumulated depreciations and impairments January 1	-108	-263	-7	0	-378	0
Depreciation for the period	-12	-22	-4	-2	-41	0
Impairments for the period	-	-	-	-	-	-
Recovery of impairments during the period	0	-	-	-	0	-
Decreases	-2	4	0	0	2	-
Other changes	-2	-	-	1	-1	-
Accumulated depreciations and impairments December 31	-124	-281	-11	-1	-417	0
Accumulated changes in fair value January 1						-
Changes in fair value for the period						12
Decreases						1
Other changes						-3
Accumulated changes in fair value December 31						10
Book value December 31	539	54	14	15	622	599

Assets leased by finance lease contract	31 Dec. 2005	31 Dec. 2004
Investment property	11	11
Real estate in Group use	-	84
Other	-	-
Total	**11**	**95**

Future minimum lease payments and their present value

	2005		2004	
	Minimum rents	Present values	Minimum rents	Present values
In one year	1	-	8	2
In more than one year and less than five years	16	11	30	6
In more than five years	-	-	186	88
Total	**17**	**11**	**224**	**97**

	31. Dec. 2005	31. Dec. 2004
Changing rents recorded as expenses during the period	0	5
Minimum rents expected from noncancellable subleases	4	5

The leasing contract on Kiinteistö Oy OKO-Vallila was handled as a sale and leaseback contract in the 2004 financial statements. The OP Bank Group Pension Foundation sold OKO-Vallila in 2005 to OP Life Assurance Company Ltd, included in the OP Bank Group, at which time the sale and leaseback arrangement was dissolved. In addition, Kiinteistö Oy Hämeenkivi, sold by Tampereen Seudun Osuuspankki, a member cooperative bank, to the Local Government Pensions Insititution and leased back from it, has been handled as a sale and leaseback contract.

NOTE 29. Other assets

	31. Dec. 2005	31. Dec. 2004
Receivables from payment transfers	4	13
Guarantee receivables	15	15
Write-downs on guarantee receivables	-8	-10
Pension funds	369	342
Accrued income		
Interests	278	198
Other accrued income	18	33
Other	210	189
Total	**886**	**780**

The Other item of Other assets includes €84 million (€0 million) of accounts receivable for securities, €76 million (€13 million) of derivative receivables and €49 million (€175 million) of other assets.

Defined-benefit pension arrangements

The pension arrangements of the OP Bank Group have been carried out in the OP Bank Group Pension Fund, the OP Bank Group Pension Foundation and insurance companies. The arrangements related to supplementary pensions as well as the TEL funded old-age pension arranged by the Pension Fund and the disability pension arrangements have been handled as defined-benefit pension arrangements. The contributions to the TEL pay-as-you-go system have been handled as a defined-contribution arrangement.

Balance sheet value of defined benefit pension plans	31 Dec. 2005	31 Dec. 2004
Fair value of assets	1 349	1 232
Present value of funded obligations (-)	-937	-887
Present value of unfunded obligations	-5	-
Unrecognised actuarial gains (+) and losses (-)	-47	-3
Unrecognised past service costs (-)	-	-
Net receivable (+)/liability (-) in the balance sheet	361	342
Receivables and liabilities on the balance sheet		
Assets	369	342
Obligations	-9	0
Net receivable	361	342
Pension arrangements include		
OKO Osuuspankkien Keskuspankki Oyj shares	42	19
Securities issued by companies belonging to OP Bank Group	13	17
Other receivables from companies belonging to OP Bank Group	33	38
Real estate used by the OP Bank Group	16	69
Total	104	142
Defined benefit pension costs in the income statement		
Current service costs for the period	18	17
Interest cost	44	42
Expected return on plan assets	-70	-65
Actuarial gains and losses	-	-
Transfer from TEL pooling liability	-11	-
Total income (-)expense (+) is included in personnel costs	-20	-6
Actual return on plan assets	**126**	**102**

	31 Dec. 2005	31 Dec. 2004
Changes in defined-benefit net asset		
Net asset item January 1	342	325
Acquisition of subsidiaries	-9	-
Contributions paid	7	11
Pension costs in the income statement	20	6
Net asset item December 31	361	342
Principal actuarial assumptions used	**2005**	**2004**
Discounting rate %	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 increases %	1.30–2.10	1.80–2.30
Turnover %	0.00–3.00	0.00–3.00
Inflation %	2.00	2.00
Average remaining service time in years	2–16	9–16

NOTE 30. Tax receivables

	31 Dec. 2005	31 Dec. 2004
Income tax receivables	25	4
Deferred tax receivables	92	77
Total deferred taxes	**117**	**81**
Deferred tax receivables and tax liabilities		
Deferred tax receivables		
From financial assets available for sale	5	-
From depreciation and write-downs	16	9
From provisions and write-downs on loans	12	5
From hedging of cash flow	-	-
From dissolution losses related to taxation	6	-
From allocation of GE insurance	27	24
From consolidated eliminations	11	22
From losses related to taxation	23	16
From other items	9	2
Set-off from deferred tax liabilities	-17	-
Total	**92**	**77**
Deferred tax liabilities		
From appropriations	324	285
From financial assets available for sale	112	-
From hedging of cash flow	-	-
From the equalisation sum	69	-
From defined-benefit pension plans	97	89
From valuation of investment property at fair value	18	18
From allocation of the sale price of corporate acquisitions	140	-
From consolidated eliminations	6	4
From other items	4	3
Set-off from deferred tax receivables	-17	-
Total	**754**	**398**
Net deferred tax receivable/liability	**-663**	**-321**

Changes in deferred taxes	31 Dec. 2005	31 Dec. 2004
Deferred tax receivables/liabilities January 1	-321	-287
Effect of changes in accounting principles	-16	-
Deferred tax receivables/liabilities January 1	-337	-287
Recorded in the income statement		
Elimination of the capital gains on securities of companies acquired	11	-
Internal sales gains	-2	15
Effect of losses	8	-8
Provisions and write-downs on receivables	2	1
From appropriations	-40	-55
Depreciation and impairments on tangible assets	2	-
From the equalisation sum	-7	-
Effect of other changes in tax rate and tax law	-	15
Other	-9	-5
Recognised on the balance sheet		
Effect of corporate acquisitions	-111	-
From allocation of sale price	-140	-
Financial assets available for sale		
Changes in fair value	-40	-
Transfers to the income statement	3	-
Other	-3	2
Total deferred tax receivables December 31	**-663**	**-321**
Income tax receivables	**-23**	**4**
Total deferred taxes	**-685**	**-317**

The deferred tax liabilities and receivables have been set off by company. Deferred tax liabilities and receivables arising from consolidation measures have not been set off.

Such losses related to taxation for which a deferred tax receivable has not been booked were €30 million (€180 million) at the end of 2005. €28 million of the losses expires in 2006-2009.

The Group had €63 million (€0 million) of dissolution loss incurred from the dissolution of a subsidiary undeducted in taxation at the end of 2005. Of this a deferred tax receivable of €6 million has been recognised on the balance sheet. The deferred tax receivable for the dissolution loss unrecognised on the balance sheet was €10 million.

A deferred tax liability has not been booked for the €12 million (€0 million) of undistributed profits of the Baltic subsidiaries, as the assets have been permanently invested in the countries in question.

NOTES ON LIABILITIES AND EQUITY

NOTE 31. Liabilities to financial institutions	31 Dec. 2005	31 Dec. 2004
Liabilities to central banks	**1 562**	**959**
Liabilities to financial institutions		
Repayable on demand		
Deposits	7	7
Other liabilities	0	-
Liabilities past due and in collection from other banks	-	-
Total	7	7
Other than repayable on demand		
Deposits	379	200
Other liabilities	76	17
Repurchasing liabilities	-	-
Total	456	217
Total liabilities to financial institutions and central banks	**2 025**	**1 184**

NOTE 32. Financial liabilities held for trading	31 Dec. 2005	31 Dec. 2004
Short selling of securities	4	-
Other	0	-
Total financial liabilities from trading	4	-

NOTE 33. Derivative contracts	31 Dec. 2005	31 Dec. 2004
Held for trading		
Interest rate derivatives	18	15
Currency derivatives	90	84
Share and index derivatives	0	-
Credit derivatives	-	-
Other	-	-
Total	108	99
Hedging derivative contracts – fair value hedging method		
Interest rate derivatives	14	-
Currency derivatives	3	-
Share and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	17	-
Total derivative contracts	**124**	**99**

The balance sheet item Derivative contracts includes negative changes in value.

NOTE 34. Liabilities to customers

	31 Dec. 2005	31 Dec. 2004
Deposits		
Repayable on demand		
Private	15 184	14 354
Companies and public sector entities	4 341	4 196
Total	19 525	18 550
Other		
Private	4 248	3 877
Companies and public sector entities	417	336
Total	4 665	4 213
Total deposits	24 190	22 763
Other financial liabilities		
Repayable on demand		
Private	0	0
Companies and public sector entities	48	26
Total	48	26
Other		
Private	3	3
Companies and public sector entities	2 235	2 316
Total	2 237	2 318
Total other financial liabilities	2 286	2 344
Total liabilities to customers	**26 475**	**25 107**

NOTE 35. Liabilities for non-life insurance operations

The OP Bank Group did not engage in non-life insurance operations in 2004.

	31 Dec. 2005	31 Dec. 2004
Insurance contract liabilities	1 842	-
Provision for joint guarantee system	35	-
Liabilities from direct insurance operations	24	-
Liabilities from reinsurance operations	24	-
Total liabilities from non-life insurance operations	**1 924**	**-**

Liabilities for non-life insurance contracts and reinsurers' share

	31 Dec. 2005		
	Gross	Reinsurers' share	Net
Provision for unpaid claims for annuities	982	0	982
Other provisions by case	123	-36	87
Special provision for occupational diseases	45	-	45
Collective liability (IBNR)	435	-7	428
Reserved loss adjustment expenses	49	-	49
Provision for unearned premiums	248	-29	219
Provision for unexpired risks	1	-	1
Total	1 883	-72	1 811
Transfer to liabilities related to assets held for sale	41	-10	31
Total non-life insurance contracts	**1 842**	**-62**	**1 780**

Changes in insurance contract liabilities and reinsurance contract receivables

	Gross	2005 Reinsurance	Net
Provision for unpaid claims			
Provision for known unpaid claims	1 203	-32	1 171
Collective liability (IBNR)	427	-9	418
Liability/reinsurers' share Nov. 1	1 630	-41	1 589
Claims paid in financial period	-68	-6	-74
Change in liability/receivable	64	5	69
Unwinding of discount	6	-	6
Foreign exchange gains (losses)	1	0	1
Liability/reinsurers's share Dec. 31	1 634	-43	1 591
Provisions for known unpaid claims	1 199	-36	1 163
Collective liability (IBNR)	435	-7	428
Liability/reinsurers' share Dec. 31	1 634	-43	1 591
Provision for unearned premiums			
Liability/reinsurers' share Nov. 1	321	-30	291
Change in liability/receivable	-72	1	-71
Unwinding of discount	0	-	0
Foreign exchange gains (losses)	0	0	0
Liability/reinsurers' share Dec. 31	248	-29	219
Provision for unexpired risks			
Liability/reinsurers' share Nov. 1	1	-	1
Change in liability/receivable	0	-	0
Liability/reinsurers' share Dec. 31	1	-	1
Total	1 883	-72	1 811
Transfer to liabilities related to assets held for sale	41	-10	31
Total non-life insurance contracts	**1 842**	**-62**	**1 780**

NOTE 36. Liabilities for life insurance operations

	31 Dec. 2005	31 Dec. 2004
Insurance liabilities	3 310	2 038
Insurance liabilities for unit-linked insurance policies	1 505	609
Other liabilities		
Accrued expenses	1	1
Other		
Original insurance operations	0	0
Reinsurance operations	0	0
Other	101	19
Total	102	20
Total liabilities for life insurance	**4 918**	**2 667**

Insurance liabilities and reinsurers' share

Insurance liabilities	1 Jan. 2005	Growth in liability arising from insurance premiums	Dis-charged liabilities	Approved interest and changes in value	Other charges and credits	Other items	31 Dec. 2005
Insurance policies with entitlement to discretionary portion of surplus	2 848	458	-181	89	-29	35	2 223
Unit-linked insurance policies	1 032	314	-31	200	-12	-9	999
Investment contracts with entitlement to discretionary portion of surplus	77	3	-2	2	0	1	81
Investment contracts without entitlement to discretionary portion of surplus	20	0	0	0	0	0	20
Unit-linked contracts	29	3	-1	3	0	0	33
Supplementary reserve and reserve for future additional benefits	14	-	-	-	-	21	35
Total original insurance	4 021	778	-216	294	-41	47	4 883
Incoming reinsurance	-	0	0	-	0	-	-
Total insurance liabilities, net	**4 021**	**778**	**-216**	**294**	**-41**	**47**	**4 883**

Insurance liabilities	1 Jan. 2004	Growth in liability arising from insurance premiums	Dis-charged liabilities	Approved interest and changes in value	Other charges and credits	Other items	31 Dec. 2004
Insurance policies with entitlement to discretionary portion of surplus	1 754	303	-139	74	-18	0	1 974
Unit-linked insurance policies	410	164	-21	52	-6	0	600
Investment contracts with entitlement to discretionary portion of surplus	43	6	-2	2	0	2	50
Investment contracts without entitlement to discretionary portion of surplus	-	-	-	-	-	-	-
Unit-linked contracts	8	1	0	1	0	-2	9
Supplementary reserve and reserve for future additional benefits	-	-	-	-	-	14	14
Total original insurance	2 215	475	-162	129	-24	14	2 647
Incoming reinsurance	-	0	0	-	0	-	-
Total insurance liabilities, net	**2 215**	**475**	**-162**	**129**	**-24**	**14**	**2 647**

NOTE 37. Debt securities issued to the public

	Average interest rate %	31 Dec. 2005	Average interest rate %	31 Dec. 2004
Bonds	2.61	4 692	2.31	2 988
Other				
Certificates of deposit	2.36	3 208	2.16	2 876
Commercial papers	2.74	926	2.18	433
Money market debt securities	-	-	-	-
Other	1.04	125	1.50	57
In trading from own portfolio (-)*		-60		-29
Total debt securities issued to the public		**8 891**		**6 325**

* Bonds held by OP Bank Group have been set-off against liabilities.

The most significant long-term loans issued by the companies within the OP Bank Group by issuer

	Nominal amount	Interest rate, %
OP Bank Group Central Cooperative		
OPK-joukkovelkakirjalaina 2003 I	40.0	3.75%
OPK-joukkovelkakirjalaina 2004 I/2005	46.0	3.15%
OPK-joukkovelkakirjalaina 2003 II/2005	70.0	2.92%
OP Bank Group Mortgage Bank plc		
OP-Asunto-obligaatio 2003 I	2.3	2.60%
OP-Asuntoobligaatio 2003 II	11.1	3.00%
OP-Asunto-obligaatio 2004 I	8.2	2.60%
OP-Asunto-obligaatio 2004 II	4.1	2.80%
OP-Asunto-obligaatio 2004 III	9.3	3.00%
OP-Asunto-obligaatio 2004 IV	6.1	2.70%
OP-Asunto-obligaatio 2005 I	15.5	2.60%
OP-Asunto-obligaatio 2005 II	7	2.60%
OP-Asunto-obligaatio 2005 III	5.5	2.45%
OPA Joukkovelkakirjalaina I/2005	20	3-month Euribor + 0.10%
OP-Asunto-obligaatio 2005 IV	11.1	2.40%
OPA Joukkovelkakirjalaina 2/2005	20	12-month Euribor + 0.10%
OPA Joukkovelkakirjalaina 3/2005	14	12-month Euribor + 0.10%
OP-Asunto-obligaatio 2005 V	10.5	2.85%
OKO Osuuspankkien Keskuspankki Oyj (OKO Bank)		
OIP OKO-Investointiluottopankki Oyj Obligaatiolaina 1999 V	14.9	5%
OKO Osuuspankkien Keskuspankki Oyj:n Credit Basket- joukkovelkakirjalaina 1/2003	31.4	Structured, formula
OKOn Indeksilaina Euro-Allokaatio IV/2005	2.2	Structured, formula
OKOn osakeindeksilaina Eurooppa Tuotto III/2003 Neutraali	4.7	Structured, formula
OKOn osakeindeksilaina Eurooppa Tuotto III/2003 Plus	2.6	Structured, formula
OKOn osakeindeksilaina Euro I/2004 Neutraali	6.1	Structured, formula
OKOn osakeindeksilaina Euro I/2004 Plus	2.3	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Global Shares Basket-joukkovelkakirjalaina 1/2004	15.7	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Indeksilaina Järjestö Joukkovelkakirjalaina 8/2004	3.3	Structured, formula
OKOn Kertyvä Korko V/2004	3.9	Structured, formula
OKOn Kertyvä Korko II/2005	2.8	Structured, formula
OKOn Kertyvä Korko V/2005	3.0	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Käänteinen Korkoporras- joukkovelkakirjalaina II/2004	20.0	Structured, formula
OKOn Kehittyvät Markkinat VI/2005 Neutraali	3.6	Structured, formula

	Nominal amount	Interest rate, %
OKOn Kehittyvät Markkinat VI/2005 Plus	2.2	Structured, formula
OKOn Osakeindeksilaina Kiina IV/2003 Neutraali	4.5	Structured, formula
OKOn Osakeindeksilaina Kiina IV/2003 Plus	4.4	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Korko 12 % Joukkovelkakirjalaina VI/2004	11.4	Structured, formula
OKOn Korko 13 III/2005	5.8	Structured, formula
OKOn Osakeindeksilaina Länsimaat II/2003 Neutraali	1.6	Structured, formula
OKOn Osakeindeksilaina Länsimaat II/2003 Plus	0.6	Structured, formula
OKOn Indeksilaina Maailma 7/2005	5.0	Structured, formula
OKOn Osakeindeksilaina Maailma IV/2004 Neutraali	2.7	Structured, formula
OKOn Osakeindeksilaina Maailma IV/2004 Plus	0.9	Structured, formula
OKOn Osakeindeksilaina Maailma I/2005 Neutraali	1.8	Structured, formula
OKOn Osakeindeksilaina Maailma I/2005 Plus	0.9	Structured, formula
OKOn Osakeindeksilaina Maailma II/2002 Neutraali	4.1	Structured, formula
OKOn Osakeindeksilaina Maailma II/2002 Plus	2.3	Structured, formula
OKOn Osakekorilaina II/2004 Neutraali	2.7	Structured, formula
OKOn Osakekorilaina II/2004 Plus	1.8	Structured, formula
OKOn Indeksilaina Optimi Allokaatio VII/2005 Neutraali	3.6	Structured, formula
OKOn Indeksilaina Optimi Allokaatio VII/2005 Plus	2.0	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Positiivinen Korkokäyrä-joukkovelkakirjalaina 5/2005	8.8	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n OP-Private Korkokäyrä joukkovelkakirjalaina 2/2005	7.0	Structured, formula
OKOn OP-Private Korkokäyrä I/2004	5.0	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Range Accrual-joukkovelkakirjalaina 6/2004	10.0	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Range Accrual-joukkovelkakirjalaina 1/2005	3.2	Structured, formula
OKO Osuuspankkien Keskkuspankki Oyj:n Range Accrual-joukkovelkakirjalaina 3/2004	18.0	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Range Accrual- joukkovelkakirjalaina 5/2004	9.1	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Järjestölaina Resetting Lift joukkovelkakirjalaina 10/2004	10.1	Structured, formula
OKOn Osakeindeksilaina Maailma TOP-4 I/2003 Neutraali	3.2	Structured, formula
OKOn Osakeindeksilaina Maailma TOP-4 I/2003 Plus	2.6	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj:n Target Redemption-joukkovelkakirjalaina 4/2004	14.4	Structured, formula
OKOn Osakeindeksilaina Eurooppa I/2002 Varovainen	15.8	Structured, formula
OKOn Osakeindeksilaina Eurooppa I/2002 Vipu	12.4	Structured, formula
OKOn Osakeindeksilaina Venäjä & Kaukoitä III/2004 Neutraali	4,0	Structured, formula
OKOn Osakeindeksilaina Venäjä & Kaukoitä III/2004 Plus	2,1	Structured, formula
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of AUD 80,000,000 Floating Rate Instruments Due 22 December 2008	49.7	3-month BBSW LIBOR + 0.08%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of AUD 22,000,000 Floating Rate Instrumets Due 18 February 2009	13.7	3-monthBBSW 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 EUR 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 EUR 10,000,000 Floating Rate Instruments Due November 2006	10.0	3-month Euribor + 0.07%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 200,000,000 Floating Rate Instruments Due January 2007	200.0	3-month Euribor + 0.02%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 200,000,000 Floating Rate Instruments Due February 2007	200.0	3-month Euribor + 0.02%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 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%

	Nominal amount	Interest rate, %
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 50,000,000 Floating Rate Instruments Due 2007	50.0	3-month Euribor + 0.01%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 15,000,000 Fixed Rate Instruments Due 14 December 2007	15.0	2.88%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 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 26 March 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 Notes Due June 2014	50.1	5.20%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of SEK 150,000,000 4.11% Notes Due 22 October 2009	16.0	4.11%
OKOBANK, Osuuspankkien Keskuspankki Oyj Issue Of EUR 500,000,000 Floating Rate Instruments Due December 2010	500.0	3-month Euribor + 0.075%
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of U.S.$ 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%
OP bonds issued by OKO Bank and cooperative banks		
OP-joukkovelkakirjalaina 2004 I	32.3	2.4%
OP-joukkovelkakirjalaina 2003 I	27.7	3.0%
OP-joukkovelkakirjalaina 2004 II	13.7	2.2%
OP-joukkovelkakirjalaina 2003 III	19.5	2.5%
OP-joukkovelkakirjalaina 2004 IV	19.1	2.4%
OP-joukkovelkakirjalaina 2005 I	15.1	2.35%
OP-joukkovelkakirjalaina 2005 II	16.3	2.4%
OP-joukkovelkakirjalaina 2004 III	31.5	3.0%
OP-joukkovelkakirjalaina 2005 III	10.4	2.3%
OP-joukkovelkakirjalaina 2004 V	20.8	2.65%
OP-joukkovelkakirjalaina 2005 IV	18.4	2.70%

NOTE 38. Provisions and other liabilities

	31 Dec. 2005	31 Dec. 2004
Reserves	16	9
Other liabilities		
Payment transfer liabilities	362	282
Accrued expenses		
Interest payable	461	334
Other accrued expenses	22	20
Other	419	385
Total	1 263	1 021
Total provisions and other liabilities	**1 280**	**1 030**

Other liabilities include Meur 100 million accounts payable on securities (Meur 87), Meur 9 pension liabilities (0 Meur), Meur 114 on derivative contracts (Meur 55), Meur 11 of finance lease liabilities (Meur 97) and Meur 185 of other accounts payable (Meur 146).

Changes in provisions

	Loss-making exposure	Other reserves	Total
1 Jan. 2005	1	7	9
Acquired business operations	2	5	7
Increases in provisions	6	0	6
Provisions used	0	-5	-5
Unused amounts reversed during the period	-	0	0
31 Dec. 2005	8	8	16

Onerous contracts

OP Bank Group companies have non-voidable lease contract on facilities they cannot utilise in their business operations. They have managed to lease some of the facilities, but the rental income on the contracts does not cover the rental expenses. The provision on loss-making contracts covers the net losses from these contracts and the rent liability of other contracts in full.

Other provisions

Other provisions include the Meur 5.0 provision on the loss arising from selling the redundant foreign insurance company and the Meur 1.5 provision on cleaning the soil owned by a real estate company owned by OP Bank Group.

NOTE 39. Tax liabilities

	31 Dec. 2005	31 Dec. 2004
Income tax liabilities	48	-
Deferred tax liabilities	753	398
Total tax liabilities	**801**	**398**

NOTE 40. Cooperative capital

	31 Dec. 2005	31 Dec. 2004
Cooperative capital	110	108
Additional cooperative capital	606	609
Total cooperative capital	**717**	**717**
of which cancelled equity	89	91

The share capital categorised as equity in the member banks' national financial statements is categorised as a liability in the IFRS financial statements, as the member banks do not have the absolute right to refuse from returning the co-operative capital to the members.

NOTE 41. Subordinated liabilities

	Mean interest rate %	31 Dec. 2005	Mean interest rate %	31 Dec. 2004
Capital loans	4.68	226	4,63	82
Other				
Perpetual loans	4.41	199	6,00	50
Debentures	3.44	454	3,46	465
Other	-	-1	-	0
Total subordinated liabilities		**879**		**597**

Capital loans

Some of the companies in the OP Bank Group have issued a total of EUR 226 million (82) of capital loans, of which EUR 216 million (72) can be considered Tier I funds.

The principal terms and conditions of the bonds are as follows:

Capital loans considered Tier I funds

1) Capital loan 10 billion Japanese yen (euro equivalent 71.9 million)

The loan is a perpetual loan. Interest on the loan is fixed at 4.23% until 18 June 2034, and 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 amount of the loan must be repaid in one payment.

2) Capital loan 50 million euro

The loan is a perpetual loan with no interest rate staggering but an 8 per cent interest rate limit. The loan was issued on March 31, 2005, and the interest rate for the first year is 6.5%. After this, the interest rate will be CMS 10 years + 0.1%. Interest will be payable on 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 amount of the loan must be repaid in one payment.

3) Capital loan 60 million euro

The interest on the perpetual loan is variable 3-month Euribor 0.65 %. Interest will be payable quarterly on 28.2., 30.5., 30.8. and 30.11. 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. After that it can be called in on annual interest due dates. After 2015, the interest on the loan is variable 3-month Euribor +1.65 %. (Step up). The entire amount of the loan must be repaid in one payment.

4) Capital loan 40 million euro

The interest on the perpetual loan is variable 3-month Euribor +1.25 %. Interest will be payable quarterly on 28.2., 30.5., 30.8. and 30.11. 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. After that it can be called in on annual interest due dates. The entire amount of the loan must be repaid in one payment.

Loans 1, 2, and 3 are hybrid loans.

The interest and exchange rate risk of the loans has been protected with derivatives. EUR -7 million change of value has been recorded in the financial statements for the protection.

Other capital loans

Capital loan of 10 million euro, date of issue 20 September 2001.

The loan is perpetual capital loan. Interest on the loan is fixed at 6.15% until 17 September 2011. For the first ten years, the Interest will be payable on annually on 17 September. After that, it will be paid semiannually on 17.3. and 17.9. The issuer has the right to call in the loan for the first time on 17 September 2011.

In addition, the companies in the OP Bank Group have issued a total of EUR 199 million (50) of perpetual loans, and EUR 454 (465) million of debenture loans. A total of EUR 577 (411) million of these loans are categorised as

Tier II funds. EUR 50 million of the perpetual loans can be called in at the earliest on 19.6.2007, subject to authorisation by the Financial Supervision Authority, and the rest on 30.11.2012. The debenture loans fall due in 2006 – 2011. The issuer's right to call in the loan is always subject to authorisation by the Financial Supervision Authority.

NOTE 42. Equity	31 Dec. 2005	31 Dec. 2004
Share of the owners of the OP Bank Group		
Share capital (incl. share issue)	245	81
Funds		
Restricted reserves		
Share premium account	681	20
Reserve fund	740	729
Reserves according to the Articles of Association/regulations	-	-
Other restricted reserves	6	13
Non-restricted reserves		
Fair value reserve		
Cash flow hedge	-	-
Translation differences	-	-
Valued at fair value	178	-
Other unrestricted reserves	820	770
Retained earnings		
Profit (loss) for the previous period	1 437	1 339
Profit (loss) for the period	450	379
OP Bank Group owners' share	4 555	3 330
Minority interests	203	6
Total equity	**4 757**	**3 337**

Share capital and shares

OP Bank Group's share capital consists of investments made in OKO Bank's Series A shares by shareholders external to the banking group. Shareholders external to the banking group can only own OKO Bank's Series A shares. The Series A share is quoted in the Helsinki Stock Exchange. The shares do not have a nominal value, their counter book value is EUR 2.10 (not an exact figure).

Changes in ownership of shares owned by external shareholders

	Number of shares (1000)
1 Jan. 2004	**17 632**
Splitting of shares	17 996
Share issue account	-
Use of share options	1 762
Equity trades with external parties	37
31 Dec. 2004	**37 426**
Share issue accounti	64 539
Use of share options	2 554
Equity trades with external parties	11 592
31 Dec. 2005	**116 111**

Share capital and reserves

Share capital
OP Bank Group's share capital consists of investments made in OKO Bank's share capital by shareholders external to the banking group.

Share premium account
Items stated in the Chapter 12, Section 3 a in the Companies Act are booked in the share premium account. These items include the difference between the amount paid for new shares in new share issues and their nominal value (when latter is smaller), the amount paid for right of subscription based on options and convertible bonds, capital gain on selling own shares, that part of the decreased share capital not used to cover the confirmed losses, not invested in a fund or paid as dividends to shareholders in accordance with a decision by the General Meeting, payouts on unsubscribed shares that must be paid when the limited company is established, any payouts to the company resulting from shares that have been sold because the shareowner has not associated the shares in the book-entry system, and payment received for a share that was not claimed at the capitalisation issue.

The share premium account can be used to cover the loss shown on the approved balance sheet, if the losses cannot be covered using unrestricted equity, to increase the share capital through capitalisation issue, or for purposes similar to lowering the share capital.

Reserve fund
Reserve fund consists of retained earnings from previous accounting periods. The reserve fund can be used to cover losses beyond unrestricted equity. The reserve fund can also be used to raise the share capital and it can also be lowered in the same way as the share capital. In cooperative financial institutions, the reserve fund can only be used to cover losses.

Other restricted reserves
The reserves consist of retained earnings based on the Articles of Association or other rules describing how reserved earnings should be used.

Translation differences
Translation differences include translation differences arising from converting the financial statements of foreign subsidiaries.

Fair value reserve
The reserve includes the valuation results of financial assets available for sale. The items registered in the fund will be realised in the income statement when the security available for sale is handed over. Items recognised in the fair value reserve are not part of distributable equity in insurance companies.

Other non-restricted reserves
The reserves consist of retained earnings based on the Articles of Association or other rules or decisions made by the General meeting, representatives, or the Cooperative's meeting.

Retained earnings
Retained earnings also include the voluntary reserves included in the Group's separate financial statements, and the depreciation difference, as well as the equalisation amount of the insurance companies, which less deferred tax, is recognised in the retained earnings. These items are not recognised as distributable equity. Neither are the unrealised appreciations of investment properties part of distributable equity in insurance companies.

OTHER NOTES TO THE BALANCE SHEET

NOTE 43. Notes and bonds eligible for refinancing with central banks	31 Dec. 2005	31 Dec. 2004
Financial assets held for trading	1 910	1 870
Available for sale, of which those		
valued at fair value	-	-
valued at acquisition cost	-	-
Held to maturity	-	-
Total notes and bonds eligible for refinancing with central banks	**1 910**	**1 870**

In the OP Bank Group, only OKO Bank is eligible for refinancing with central banks.

NOTE 44. Subordinated notes and bonds	31 Dec. 2005	31 Dec. 2004
Financial assets held for trading		
Publicly quoted		
From public sector entities	-	-
From others	56	16
Total	56	16
Other		
From public sector entities	-	-
From others	1	1
Total	1	1
Total included in financial assets held for trading	**57**	**16**
Investment assets		
Publicly quoted		
From public sector entities	-	-
From others	64	79
Total	64	79
Other		
From public sector entities	-	-
From others	51	61
Total	51	61
Total included in investment assets	**115**	**140**

NOTE 45. Collateral given	31 Dec. 2005	31 Dec. 2004
Given on behalf of own liabilities and commitments		
Mortgages	1	-
Pledges	1 534	1 303
Total	1 534	1 303
Given on behalf of affiliates		
Mortgages	-	-
Pledges	-	-
Total	-	-
Given on behalf of others		
Mortgages	-	-
Pledges	-	1
Total	-	-

	31 Dec. 2005	31 Dec. 2004
Total given as collateral		
Mortgages	1	-
Pledges	1 534	1 304
Total	**1 534**	**1 304**
Total collateralised liabilities	1 846	1 286
The collateral provided includes pledged financial assets	1 533	1 303
of which those pledged as collateral for contingent liabilities	-	-

NOTE 46. Financial collateral held

In OP Bank Group OKO has received collateral in accordance with the Financial Collateral Act which it may sell or further pledge.

Fair value of collateral received	31 Dec. 2005	31 Dec. 2004
Notes and bonds	-	-
Shares	-	-
Other	13	-
Total	**13**	**-**

The credit risk arising from derivatives is mitigated by collaterals, which means the use of ISDA Credit Support Annex (CSA) agreement connected to the ISDA general agreement. In this method the counterparty provides either securities or cash as collateral for the receivable. The amount of CSA related collaterals received in cash totalled Meur 13 at the on the balance sheet date. There were no securities given as collateral at the closing day.

NOTE 47. Fair value of financial assets and liabilities and average interest rates

Financial assets 31 December 2005

	Average rate	Fair value	Book value
Liquid assets		479	479
Financial assets held for trading			
Notes and bonds			
Valued at fair value	2.98	3 742	3 742
Capitalisation contracts	3.25	24	24
Valued at amortised cost	-	-	-
Shares			
Valued at fair value		99	99
Valued at acquisition cost		-	-
Derivative contracts			
Valued at fair value		136	126
Valued at acquisition cost*		-	-
Receivables from financial institutions	3.14	666	666
Receivables from customers	3.48	34 807	34 807
Investment assets			
Financial assets available for sale			
Notes and bonds			
Valued at fair value	4.82	660	660
Valued at amortised cost	-	-	-

	Average rate	Fair value	Book value
Shares			
Valued at fair value		96	96
Valued at acquisition cost		97	97
Other			
Valued at fair value		83	83
Valued at acquisition cost		-	-
Financial assets held to maturity			
Notes and bonds	5.78	198	198
Financial liabilities 31 December 2005			
Liabilities to financial institutions	2.7	2 025	2 025
Financial liabilities held for trading			
Short selling of securities		4	4
Derivative contracts			
Valued at fair value		112	124
Valued at acquisition cost*		-	-
Liabilities to customers	1.1	26 475	26 475
Debt securities issued to the public			
Hedged	3.7	782	782
Unhedged	2.5	8 110	8 110
Subordinated liabilities			
Hedged	4.3	438	438
Unhedged	3.6	441	441

* Equity-type instrument not quoted as an underlying instrument

NOTES ON CONTINGENT LIABILITIES AND DERIVATIVES

NOTE 48. Off-balance sheet items

	31 Dec. 2005	31 Dec. 2004
Guarantees	371	338
Guarantee liabilities	1 527	1 285
Bill liabilities	-	-
Letters of credit	146	104
Pledges	1	1
Loan commitments	5 598	4 194
Commitments related to short-term trade transactions	-	-
Other	516	417
Total off-balance sheet items	**8 158**	**6 340**

NOTE 49. Contingent liabilities and assets

Insurance companies belonging to the OP Bank Group record their insurance policies through pools. The pool member are primarily responsible for their own proportion. These proportion 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 Meur 2.4 account receivable from one of its customers, confirmed by the Helsinki Court of Appeal. The decision of the Helsinki Court of Appeal is not legally valid. The financial impact of the assets is impossible to evaluate, as it depends on the solvency of a private customer.

NOTE 50. Operating leases

OP Bank Group as the lessee

Some OP Bank Group's companies have rented their office premises. The length of the leases vary from one to ten years, usually with an option to continue the contract after its original expiration date. Some OP Bank Group's companies have subleased some of their leased premises. In addition, some companies have signed lease contracts on motor vehicles and office equipment. Other operating expenses include Meur 18 (Meur 17) of rental expenses.

Minimum leases to be paid on the basis of uncancellable leasing contracts

	31 Dec. 2005	31 Dec. 2004
In one year	12	2
In more than one year and less than five years	42	7
In more than five years	57	-
Total	**111**	**9**
Future minimum leases on uncancellable sublease contracts	33	7

OP Bank Group as the lessor

OP Bank Group's companies have leased their investment properties, and their rental income for 2005 amounted to Meur 61 (Meur 75). In addition, the Group has signed lease contract on mainly private cars, and their rental income stand at 5 million euros (3).

Future minimum leases on uncancellable lease contracts

	31 Dec. 2005	31 Dec. 2004
In one year	22	24
In more than one year and less than five years	53	59
In more than five years	45	26
Total	**120**	**109**

NOTE 51. Asset management

Opstock Ltd and Pohjola Asset Management Ltd provide their customers with financial management services based on a full power of attorney or consultative portfolio management. Opstock Ltd has the responsibility for the financial management of OP Fund Management Company's investment funds. The customer funds in asset management on 31 December 2005 totalled 27.6 billion euros.

NOTE 52. Derivative contracts

Derivatives held for trading 31 December 2005

	Nominal values/remaining maturity				Fair values		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	7 878	7 169	1 515	16 562	83	-101	141
Forward rate agreements	2 848	-	-	2 848	1	-1	1
OTC interest rate options							
Call and caps							
Purchased	1 278	1 296	771	3 345	19	-3	37
Written	1 815	1 333	694	3 842	-	-8	-
Put and floors							
Purchased	308	595	90	993	4	-1	8
Written	965	785	62	1 812	-	-2	-
Total OTC interest rate derivatives	15 092	11 177	3 132	29 401	107	-115	187
Interest rate futures	3 535	-	-	3 535	-	-1	-
Total exchange derivatives	3 535	-	-	3 535	-	-1	-
Interest rate derivatives, total	18 627	11 177	3 132	32 936	107	-116	187
Currency derivatives							
Forward exchange agreements	2 423	99	-	2 521	14	-17	43
Interest rate and currency swaps	-	26	-	26	0	0	1
Currency options							
Call							
Purchased	3	-	-	3	0	-	0
Written	3	-	-	3	-	0	-
Put							
Purchased	13	-	-	13	0	-	0
Written	3	-	-	3	-	0	-
OTC currency derivatives, total	2 445	124	-	2 569	14	-17	45
Currency derivatives, total	2 445	124	-	2 569	14	-17	45
Share and index derivatives							
Share index options							
Call							
Purchased	15	94	-	110	17	-	25
Share and index derivatives, total	15	94	-	110	17	-	25
Credit derivatives							
Credit default swaps	-	129	-	129	0	0	3
Credit derivatives, total	-	129	-	129	0	0	3
Other							
Other options							
Call							
Purchased	72	7	-	78	5	-	10
Put							
Purchased	-	17	-	17	0	-	1
Other derivatives, total	72	24	-	95	6	-	11
Trading derivatives, total	**21 159**	**11 548**	**3 132**	**35 840**	**144**	**-133**	**272**

Derivatives held for trading 31 December 2004

	Nominal values/remaining maturity				Fair values		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	4 309	3 055	438	7 802	59	-92	86
Forward rate agreements	1 401	-	-	1 401	0	0	0
OTC interest rate options							
Call and caps							
Purchased	10	207	298	515	1	-3	6
Written	10	146	279	435	0	0	-
Put and floors							
Purchased	-	133	248	381	3	0	7
Written	-	136	248	384	-	0	-
Total OTC interest rate derivatives	5 730	3 677	1 511	10 918	63	-95	100
Interest rate futures	2 600	147	-	2 747	2	0	-
Total exchange derivatives	2 600	147	-	2 747	2	0	.
Interest rate derivatives, total	8 330	3 824	1 511	13 665	64	-95	100
Currency derivatives							
Forward exchange agreements	1 818	18	-	1 836	43	-29	62
Interest rate and currency swaps	98	396	106	600	8	-36	37
Currency options							
Call							
Purchased	1	-	-	1	0	-	0
Written	1	-	-	1	-	0	-
OTC currency derivatives, total	1 917	415	106	2 437	51	-65	99
Currency derivatives, total	1 917	415	106	2 437	51	-65	99
Share and index derivatives							
Share index options							
Call							
Purchased	-	82	-	82	7	-	14
Share and index derivatives, total	-	82	-	82	7	-	14
Credit derivatives							
Credit default swaps	5	61	-	66	0	0	1
Credit derivatives, total	5	61	-	66	0	0	1
Other							
Other options							
Call							
Purchased	-	39	-	39	1	-	3
Other derivatives, total	-	39	-	39	1	-	3
Trading derivatives, total	**10 252**	**4 421**	**1 617**	**16 290**	**124**	**-160**	**217**

Derivative contracts held for hedging purposes – fair value hedging 31 December 2005

	Nominal values/remaining maturity				Fair values		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	699	903	248	1 849	6	-19	15
Total OTC interest rate derivatives	699	903	248	1 849	6	-19	15
Interest rate derivatives, total	699	903	248	1 849	6	-19	15
Currency derivatives							
Interest rate and currency swaps	-	582	252	834	39	-10	87
OTC currency derivatives, total	-	582	252	834	39	-10	87
Currency derivatives, total	-	582	252	834	39	-10	87
Credit derivatives							
Credit default swaps	-	31	-	31	-	-1	0
Credit derivatives, total	-	31	-	31	-	-1	0
Derivative contracts held for hedging purposes, total	**699**	**1 516**	**499**	**2 714**	**45**	**-30**	**102**

Derivative contracts held for hedging purposes – fair value hedging 31 December 2004

	Nominal values/remaining maturity				Fair values		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	1 157	942	436	2 535	5	-29	11
Total OTC interest rate derivatives	1 157	942	436	2 535	5	-29	11
Interest rate derivatives, total	1 157	942	436	2 535	5	-29	11
Currency derivatives							
Interest rate and currency swaps	-	7	72	79	-	-8	6
OTC currency derivatives, total	-	7	72	79	-	-8	6
Currency derivatives, total	-	7	72	79	-	-8	6
Share and index derivatives							
Share index options							
Call							
Purchased	-	-12	-	-12	-	-	-
Share and index derivatives, total	-	-12	-	-12	-	-	-
Derivative contracts held for hedging purposes, total	**1 157**	**938**	**508**	**2 602**	**5**	**-37**	**17**

Trading and hedging derivatives, 31 December 2005

Interest rate derivatives	19 326	12 080	3 380	34 785	114	-135	202
Currency derivatives	2 445	706	252	3 403	53	-27	132
Share and index-linked derivatives	15	94	-	110	17	-	25
Credit derivatives	-	160	-	160	0	-1	3
Other derivatives	72	24	-	95	6	-	11
Total derivatives	**21 858**	**13 064**	**3 632**	**38 554**	**189**	**-163**	**373**

Trading and hedging derivatives, 31 December 2004

	Nominal values/remaining maturity				Fair values		Potential
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	future exposure
Interest rate derivatives	9 487	4 765	1 947	16 200	70	-124	111
Currency derivatives	1 917	422	177	2 516	51	-73	105
Share and index-linked derivatives	-	71	-	71	7	-	14
Credit derivatives	5	61	-	66	0	0	1
Other derivatives	-	39	-	39	1	-	3
Total derivatives	**11 409**	**5 358**	**2 125**	**18 892**	**130**	**-197**	**234**

OTHER NOTES

NOTE 53. Holdings in other companies

Companies established during the financial year

OKO Corporate Finance Ltd was established as OKO Bank's subsidiary during the financial year. In the spring of 2006 Opstock Ltd's domestic Corporate Finance operations are transferred to the new subsidiary.

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

Relationships between OP Bank Group's parent companies and subsidiaries

Company	Domicile	Share of ownership, %	Share of votes, %
OP Bank Group Central Cooperative	Helsinki	100.0	100.0
Subsidiaries of OP Bank Group Central Cooperative			
OKO Osuuspankkien Keskuspankki Oyj (OKO Bank)	Helsinki	42.3	69.2
Okopankki Oyj	Helsinki	100.0	100.0
OP-Kotipankki Oyj	Helsinki	100.0	100.0
OP Bank Group Mortgage Bank plc	Helsinki	100.0	100.0
OP Fund Management Company Ltd	Helsinki	100.0	100.0
FD Finanssidata Oy	Helsinki	70.0	70.0
OP Life Assurance Company	Helsinki	100.0	100.0
Helsingin Seudun OP-Kiinteistökeskus Oy	Helsinki	100.0	100.0
Pohjola Fund Management Ltd	Helsinki	100.0	100.0
Pohjolan Systeemipalvelu Oy	Helsinki	100.0	100.0
Subsidiaries of OKO Bank			
Opstock Ltd	Helsinki	85.0	85.0
OKO Venture Capital Ltd	Helsinki	100.0	100.0
OKO Capital East Ltd	Helsinki	100.0	100.0
ZAO OKO Capital Vostok	Russia	100.0	100.0
Pohjola Group Plc	Helsinki	86.3	86.3

Company	Domicile	Pohjola's ownership of shares, %	Pohjola's share of votes, %
Subsidiaries of Pohjola Group Plc:			
Pohjola Non-Life Insurance Company Ltd	Helsinki	100	100
A-Insurance Ltd	Helsinki	100	100
Seesam International Insurance Company Ltd	Estonia	100	100
Joint Stock Insurance Company "Seesam Latvia"	Latvia	100	100
Joint Stock Insurance Company "Seesam Lithuania"	Lithuania	100	100
Eurooppalainen Insurance Company Ltd	Helsinki	100	100
Bothnia International Insurance Company Ltd	Helsinki	100	100
Moorgate Insurance Company Limited	UK	100	100
Pohjola Life Insurance Company	Helsinki	100	100
Pohjola Asset Management Limited	Helsinki	100	100
Pohjola Property Management Ltd	Helsinki	100	100
Pohjola IT Procurement Ltd	Helsinki	100	100
Conventum Venture Finance Ltd	Helsinki	100	100
Kaivokadun PL-hallinto Oy	Helsinki	100	100

Associated companies

Holdings in associated companies in 2005

Company	Domicile	Assets	Liabilities	Net sales	Profit/Loss	Share of ownership, %
Realinvest Oy	Helsinki	142	27	18	-3	25.3
Automatia Pankkiautomaatit Oy	Helsinki	353	320	66	3	33.3
Nooa Säästöpankki Oy	Helsinki	76	69	2	-1	25.0
Autovahinkokeskus Oy	Espoo	2	1	1	0	27.8
Vahinkopalvelu Oy	Loppi	1	1	2	0	46.7
Total		574	417	89	0	

Associated companies are unquoted companies.

Holdings in associated companies in 2004

Company	Domicile	Assets	Liabilities	Net sales	Profit/Loss	Share of ownership, %
Realinvest Oy	Helsinki	142	27	18	-3	25.3
Automatia Pankkiautomaatit Oy	Helsinki	349	310	70	5	33.3
Toimiraha Oy	Helsinki	12	0	2	7	33.3
Total		503	337	91	9	

Associated companies are unquoted companies.

Joint ventures

Joint ventures included in the consolidated financial statements in 2005

Name	Domicile	Sector	Share of ownerships
Kiinteistö Oy Arkadiankatu 23	Helsinki	Real-estate holding and management	100.0%
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Real-estate holding and management	22.4%
Kiinteistö Oy Kanta-Sarvis II	Tampere	Real-estate holding and management	100.0%
Kiinteistö Oy Säterinkatu 6	Espoo	Real-estate holding and management	100.0%
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Real-estate holding and management	100.0%
Kiinteistö Oy Pekurinkulma	Oulu	Real-estate holding and management	100.0%
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	Real-estate holding and management	49.4%
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Real-estate holding and management	100.0%
Kiinteistö Oy Vammalan Torikeskus	Vammala	Real-estate holding and management	100.0%
Kiinteistö Oy Biocity	Turku	Real-estate holding and management	30.5%
Kiinteistö Oy Turun Asemanseutu	Turku	Real-estate holding and management	56.9%
Companies owned by Pohjola Non-Life Insurance Company:			Pohjola's ownership
Kiinteistö Oy Eteläesplanadi 12	Helsinki	Real-estate holding and management	27.2%
Asunto Oy Helsingin Korppaanmäki	Helsinki	Real-estate holding and management	34.2%
Tikkurilan Kauppatalo Oy	Vantaa	Real-estate holding and management	53.7%

A share of assets, liabilities, income and expenses under joint control has been booked in the consolidated financial statements.

Joint ventures included in the consolidated financial statements in 2004

Name	Domicile	Sector	Share of ownerships
Kiinteistö Oy Arkadiankatu 23	Helsinki	Real-estate holding and management	100.0%
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Real-estate holding and management	22.4%
Kiinteistö Oy Kanta-Sarvis II	Tampere	Real-estate holding and management	100.0%
Kiinteistö Oy Säterinkatu 6	Espoo	Real-estate holding and management	100.0%
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Real-estate holding and management	100.0%
Kiinteistö Oy Lahden Trio	Lahti	Real-estate holding and management	44.4%
Kiinteistö Oy Pekurinkulma	Oulu	Real-estate holding and management	92.7%
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	Real-estate holding and management	49.4%
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Real-estate holding and management	100.0%
Kiinteistö Oy Vammalan Torikeskus	Vammala	Real-estate holding and management	100.0%
Kiinteistö Oy Biocity	Turku	Real-estate holding and management	30.5%
Kiinteistö Oy Turun Asemanseutu	Turku	Real-estate holding and management	56.9%

NOTE 54. Related party transactions

OP Bank Group's related parties:

OP Group affiliates are listed in Note 53.

The administrative personnel of OP Bank Group includes the OP Bank Group Chairman and CEO, the President of OP Bank Group Central Cooperative, members and deputy members of the Executive and Supervisory Board, and their close relatives. Other communities considered as related parties include OP Bank Group Pension Fund and Pension Foundation.

Standard terms and conditions for credits are applied to credit granted to the management. Loans are tied to generally used reference rates.

Related party transactions 2005

	Affiliates	Management	Other*
Credit	109	4	-
Other receivables	0	-	0
Deposits	8	6	28
Other liabilities	-	-	-
Interest income	0	0	-
Interest expense	0	0	1
Dividend income	-	-	-
Commissions and fees	3	0	2
Commission expenses	0	0	0
Other operating income	-	-	-
Write-downs	-	-	-
Write-downs at the end of the period	-	-	-
Off-balance sheet items			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance sheet commitments	-	-	-
Salaries and remuneration and result-based bonuses			
Salaries and remunerations	-	5	-
Result-based bonuses	-	-	-
Ownership of close affiliates			
Number of share options	-	31 000	-
Number of shares	-	121 335	3 680 793
Number of holdings	-	4 999	-

* Includes subsidiaries, OP Bank Group Pension Fund Pension Foundation

Last year, OP Life Assurance Company belonging the OP Bank group purchased the entire stock of Kiinteistö Oy OKO-Vallila for the price 80.9 million euros. The target is a property now used by OP Bank Group. OKO-Vallilla was included in the consolidated balance sheet of 2004 as an asset leased on finance lease terms.

Related party transactions 2004

	Affiliates	Management	Other
Credit	293	3	-
Other receivables	2	-	0
Deposits	2	9	38
Other liabilities	-	-	-
Interest income	5	0	-
Interest expenses	0	0	1
Dividend income	-	-	-
Commissions and fees	0	0	0
Commission expenses	0	0	0
Other operating income	0	-	-
Write-downs	-	-	-
Write-downs at the end of the period	-	-	-
Off-balance sheet items			
Guarantees	2	-	-
Irrevocable commitments	-	-	-
Other off-balance sheet commitments	-	0	-
Salaries and remuneration and result-based bonuses			
Salaries and remunerations	-	7	-

	Affiliates	Management	Other
Result-based bonuses	-	-	-
Ownership of related parties			
Number of share options	-	115 000	-
Number of shares	-	50 544	1 840 000
Number of holdings	-	3 154	-

NOTE 55. Long-term incentive system

Option arrangements

As of 30 June 1999, OP Bank Group Central Cooperative Consolidated and some of its related parties adopted an option based incentive system for all staff members. The objective of the system is to encourage staff members to long-term contribution to increase the owner value of the bank.

As a part of the system, on 15 October 1999 OKO issued a EUR 460,000 option loan designed for staff members' subscriptions. The A and B options of this loan can be used in 2002 – 2006 to subscribe OKO Bank's Series A shares. This interest-free loan was repaid in October 2002.

Based on the option scheme, the subscription price was EUR 10.99. The subscription price will be lowered after its determination period and before the subscription period by the amount of dividends paid on each record date. The cannot, however, be lower than the counter value of the share, which stood at EUR 2.105 at the end of 2005. The subscription period for A options started on 1 October 2002, followed by B options on 1 October 2004. Options were listed in the Helsinki Stock Exchange at the beginning of the subscription period. Before listing, the B options were combined with the A options and the name was changed to 1999 A/B option rights.

Each option entitled for a subscription of one OKO Bank's A Series share, i.e. a total of 4,600,000 shares. Due to the share split (1:2) recorded in the Trade Register on 30 April 2004, the subscription ratio of the option scheme changed so that one stock option entitled to the subscription of two new Series A shares instead of one. In the share issue of 2005, the subscription ratio was changed so that one stock option entitled to the subscription of four new Series A shares.

The subscription price of shares was cut in half as a result of the share split in 2004. As a result of the 2005 change in the subscription ratio the combined subscription price of four Series A shares was determined at 4.21 euros plus the amount with the subscription price of two new Series A shares determined after two increases in share capital. The resulting new and confirmed subscription price is EUR 4.6525 per share.

The subscription price of a share was EUR 2.485 until April 5, 2005 and after that EUR 2.105 until the share issue.

By the end of 2005, the options had been used to subscribe 7,646,680 Series A share, of which 2,553,790 were registered in 2005.

The changes in active options and the weighted average subscription prices are as follows:

	2005		2004	
	Average subscription price, euros per share	Option rights, 1000 pcs	Average subscription price, euros per share	Option rights, 1000 pcs
At the beginning of period	2.49	1 233	7.17	2 511
Lost options			2.79	-21
Exercised options	2.75	-802	2.64	-1 257
At the end of the period	4.65	431	2.49	1 233
Option that can be exercised at the end of the 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

As of the beginning of 2005, OP Bank Group has adopted a management incentive and commitment scheme. The employers of the Group nominate the persons belonging to the scheme and decide the annual objectives for being rewarded. Persons in the scheme can be rewarded with OKO Bank's Series A shares for three earning periods, each one calendar year in length, if they meet the objectives set for the earning period. The first three-year period comprises the years of 2005 – 2007. The annually set objectives are based on the strategic indicators for measuring success confirmed by the OPK Supervisory Board. The reward is determined by the degree of success with which the objectives of the earning period are met. The paid reward will be converted to shares be by dividing it with the weighted average price of the share in the Helsinki Stock Exchange during February-March period following the earning period. The reward will be paid two years after the completion of the earning period. The reward paid in shares will be allocated as personnel expenses in the earning and commitment periods. EUR 0.6 million of expenses were recorded on the scheme for the financial period.

Personnel fund

The OP Personnel fund established in 2004, consisted of 259 OP Group's companies and 8,931 members. The first objective levels for the success indicators of 2005 were confirmed. It is estimated that OP Bank Group's companies will pay a total of EUR 5.8 million of rewards to the personnel fund for the year of 2005.

NOTE 56. Events after the balance sheet date

OKO Bank's share of the holding and votes exceeded 90 per cent in January. OKO Bank has presented a demand to redeem the shares of other Pohjola's shareholders at a price of EUR 13.35 per share. OKO Bank has started the arbitration proceedings in accordance with the Companies Act in order to redeem the rest of Pohjola's shares. Pohjola Group Plc's stock exchange quotation is estimated to end in the second quarter of 2006. As of the beginning of 2006, Pohjola Group Plc will be included in the consolidated financial statement of OPK as a fully owned subsidiary

Pohjola sold the entire stock of Pohjola Life Insurance Company on 16 January 2006 for EUR 281 million to OP Bank Group Central Cooperative and the entire stock of Pohjola Asset Management Ltd to OKO Bank for EUR 118.5 million. Pohjola extraordinary General Meeting on 19 January 2006 decided on the changing to the Articles of Association, and approved the corporate acquisitions and arrangements between Pohjola and OKO Bank or OP Bank Group Central Cooperative, and authorised the Board to sell parts or all of the remaining business operations of Pohjola Group Plc's including its subsidiaries.

The planning on combining the business operations of OP Bank Group and Pohjola was started at the end of 2005. The proposal on co-operation negotiations on overlapping operations was given at the beginning of February 2006. The estimated need to reduce the number of workers in overlapping asset management, mutual fund and life insurance activities is 50 employees. For sales personnel on other asset management activities the corresponding need is estimated at 30 employees. In all other respects, the co-operation proceedings deal with combining and reorganising the Group operations of OP Bank Group Central Cooperative and Pohjola.

Pohjola Group Plc has received in writing an application on starting the arbitration proceedings on 15 February 2006. The 33 Savings Banks who have signed the application feel that Pohjola has substantially breached the provisions of Nooa Savings Bank's shareholders' agreement. The Savings Banks demand the arbitration court to order Pohjola to pay EUR 8.8 million in contractual penalties. Pohjola denies all of the claims and accusations of the Savings Banks as unfounded.

NOTE 57. Segment reporting

Information based on segments

The primary segment reporting of OP Bank Group is based on business segments. OP Bank Group does geographical segments. OP Bank Group's business segments are Retail Banking, Asset Management, Corporate Banking, Non-life Insurance, and Group Treasury. Non-life Insurance was adopted as a new business segment following the acquisition of Pohjola. The non-life insurance and other business operations of the Pohjola Group were included in the income statement only for November and December of 2005.

Principles of segment reporting

Segment reporting follows the accounting principles of the consolidated financial statements. Segments have been allocated with those income, expenses, assets, and liabilities that have been considered as part of the segment and that can justifiably allocated for the business segments. The income, expenses, investments and capital that are not allocated to business segments as well as eliminations between Group's segments will be reported in column "Other Operations and eliminations". Increases to tangible and intangible assets in the financial period, excluding increases in assets given on lease, will be presented as investments.

Equity allocated to banking operation to determine the interest income and expenses equals 11 per cent of the risk-weighted items prescribed in the Credit Institution Act. Unallocated equity will be associated outside the business segments in "other operations".

Retail Banking

Retail banking comprises most of the business operations of member cooperative banks and Okopankki Oyj, OP Bank Group Central Cooperative's subsidiary engaged in retail banking. Retail banking segment provides financial, payment cash management services for private customers, corporations, and organisations. The biggest corporate and organisation customers of OP Bank Group are however included in Corporate Banking. The business segment also includes the business operations of OP Bank Group Central Cooperative's subsidiaries supporting retail banking, i.e. OP-Kotipankki Oyj and OP Bank Group Mortage Bank plc as well as all business operations of the OP Bank Group Mutual Insurance Company. Approximately 90 per cent of business operations of OP Bank Group Mutual Insurance Company consists of credit insurances given to OP Bank Group's retail banks.

The most significant source of income in retail banking is the interest margin. Income also includes fees and commissions. Expenses comprise mostly personnel and other administrative costs and expenses arising from the retail bank network. The most significant risk in retail banking is the credit risk. The structural credit risk of retail banking has been moved to Group Treasury for the most part.

Asset Management

Asset management includes all operations of OP Bank Group's life insurance companies (OP Life Assurance Company Ltd and Pohjola Life Insurance Company), fund management companies (OP Fund Management Company Ltd and Pohjola Fund Management Ltd), and Pohjola Asset Management, and the asset management services of Opstock Ltd, cooperative member banks and Okopankki Oyj.

Most of the income of this segment come from fees and commissions. The income of life insurance companies consists of the difference between insurance premiums, paid compensations, and change in underwriting reserves, as well net income of investment activities. The most significant risk in the life insurance business is the investment risk. The most significant insurance risks are mortality and disability. In other respects, the risk associated with asset management are mostly operative risks or business risks associated with decrease in income.

Corporate Banking

Corporate Banking includes the OP Bank Group's corporate banking and Opstock Ltd's Corporate Finance services. Corporate Banking provides corporate customers and organisations with financing and cash management services, as well as money market, capital market and foreign exchange services. It also grants loans, guarantees, and security and receivable-backed financing. Corporate banking also provides financing in the debt capital market, engages in venture capital investments, and offers Corporate Finance services. Most of the income generates from lending margins, trading in the money, foreign exchange and debt capital markets, and commissions and fees from financing, Corporate Finance services, and and payment transfer services.

The most important single risk of the segment is the credit risk. The net interest income from lending is not so sensitive to fluctuations in the interest rate.

Non-life insurance

Non-life insurance operations is a new business area for OP Bank Group, formed in connection with the Pohjola transaction. It includes the operations of OP Bank Group's non-life insurance companies, i.e. Pohjola Non-Life Insurance Company Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, and Seesam companies in the Baltic countries, the business operations of Pohjola Group's run-off companies as well as the operations of service companies supporting the non-life insurance sector.

The non-life insurance products also include the non-life insurances sold to the corporate and private customers. Most of the income generates from insurance premiums and investment incomes. The most significant risks in the segment are the insurance risks and investment risks.

Group Treasury

Treasury includes the propriate investment operations of OP Bank Group Central Cooperative, OKO Bank, the group member cooperative banks and Okopankki Oyj, as well as operations in money and capital markets. Group Treasury covers the Central Banking and Treasury segments of OKO Bank. Group treasury engages in fixed income, equity and real estate investment activities. OP Bank Group's Central Banking focuses mainly on clients within the Op Bank Group. The transfer pricing of central banking services is based on market-rates. A significant part of interest risks in other business segments has been centralised in Group Treasury.

Investment operations generate a considerable share of the income. The OP Bank Group's internal income from equity investments have been eliminated. The most significant risks of the segment are associated with investment operations and their income.

Other operations

Functions falling outside the divisions comprise the bulk of the Central Cooperative's operations, FD Finanssidata Oy and certain of Pohjola's service companies in their entirety, OKO Bank's Group Administration as well as the member cooperative banks' segment assets that are mainly attributable to the banks' administration and business support functions and which are not allocated to the divisions. The cost of the services which the Central Cooperative and FD Finanssidata Oy provide for the divisions is allocated to the divisions as internal service charges. Service charges are invoiced mainly at cost price or slightly above that.

Result and balance sheet of the segments in 2005

	Asset Management	Retail Banking	Non-Life Insurance	Corporate Banking	Group Treasury	Other Operations and Eliminations	OP Bank Group
Income statement for 1 January – 31 December 2005							
Net interest income	38	656	0	93	-5	-1	781
Other income	152	227	84	64	83	23	632
of which intersegment	200	-260	3	-67	116	8	-
Total income	**190**	**883**	**84**	**156**	**78**	**22**	**1 413**
Depreciation	-10	-24	-5	-7	0	-30	-76
Impairment losses	0	-3	-	-5	1	1	-6
Share of affiliate earnings	-	-	0	-	1	0	0
Other expenses	-144	-382	-53	-50	-17	-107	-752
Total expenses	**-154**	**-409**	**-58**	**-62**	**-15**	**-137**	**-835**
of which expenses with no associated payment transaction	3	14	6	2	1	8	-
Earnings before tax	37	474	27	94	63	-116	579
Income taxes							-125
Profit for the period							**454**
Balance sheet 31 December 2005							
Loans	192	28 425	17	6 848	350	-358	35 473
Other financial assets	1	159	1	1 602	3 447	-121	5 088
Shares in associated companies	-	-	9	-	10	21	40
Other assets	6 003	974	3 865	402	2 866	-1 865	12 244
Total assets	**6 196**	**29 558**	**3 891**	**8 852**	**6 672**	**-2 324**	**52 845**
Deposits	9 410	15 039	1	3 792	639	-380	28 501
Other liabilities	5 176	579	2 327	628	10 224	651	19 587
Total liabilities	**14 586**	**15 618**	**2 328**	**4 420**	**10 863**	**271**	**48 087**
Equity capital							**4 757**
Expenditure in tangible and intangible assets	374	13	826	4	13	30	1 260

Result and balance sheet of the segments in 2004

	Asset Management	Retail Banking	Non-Life Insurance	Corporate Banking	Group Treasury	Other Operations and Elimi- nations	OP Bank Group
Income statement for 1 January – 31 December 2004							
Net interest income	48	626	-	76	2	5	758
Other income	112	231	-	44	101	23	511
of which intersegment	186	-226	-	-64	82	22	-
Total income	**160**	**858**	**-**	**120**	**103**	**28**	**1 269**
Depreciation	-7	-23	-	-5	-6	-26	-67
Impairment losses	0	-5	-	-2	-7	0	-15
Share of affiliate earnings	0	0	-	0	0	5	5
Other expenses	-123	-387	-	-43	-24	-104	-680
Total expenses	**-129**	**-415**	**-**	**-50**	**-37**	**-126**	**-757**
of which expenses with no associated payment transaction	2	6	-	1	0	6	-
Earnings before tax	**31**	**443**	**-**	**70**	**65**	**-98**	**511**
Income taxes							-131
Profit for the period							**380**
Balance sheet 31 December 2004							
Loans	906	26 557	-	6 033	1 264	-3 126	31 633
Other financial assets	3	156	-	930	3 196	0	4 285
Shares in associated companies	-	-	-	-	-	46	46
Other assets	3 019	934	-	340	1 763	-561	5 496
Total assets	**3 928**	**27 647**	**-**	**7 303**	**6 222**	**-3 641**	**41 460**
Deposits	8 501	14 434	-	3 111	3 235	-2 989	26 291
Other liabilities	2 762	497	-	682	7 009	882	11 832
Total liabilities	**11 263**	**14 930**	**-**	**3 793**	**10 244**	**-2 107**	**38 124**
Equity capital							**3 337**
Expenditure in tangible and intangible assets	8	16	-	3	32	25	84

NOTE 58. Adoption of IFRS reporting

OP Bank Group migrated from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS) on 1 January 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 1 January 2005, when they entered into force in the European Union.

The transition to IFRS reporting changed the accounting principles and financial statements. OP Bank Group has provided the following information on the changes:

– 24 March 2005, a bulletin providing information on the essential effects of the IFRS transition to OP Bank Group's financial information for 2004.

– Interim reports have included information on the effects of the IAS 39 on equity on 1 January 2005. The interim reports of 2005, have also included the reconciliation of net income and equity on compared periods.

.

In adopting the IFRS 1 standard (First-time Adoption of International Financial Reporting Standards) OP Bank Group applied the following easements:

– IFRS information on 2004 did not include the effects of the IAS 39 standard (Financial Instruments), because the standard was introduced into use in OKO Bank Group as of the beginning of 2005, and no comparison data is required

– funds in pension schemes were valued at fair value at the time of transition, and obligations were valued at present value based on the calculatory assumptions valid at the time of transition on 1 January 2004

– some real estate properties in own use were valued at default acquisition cost at the time of transition, which was based either on fair value or revaluated acquisition cost in accordance with the FAS financial statements

– 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, fair valuation of investments, categorisation of Co-operative capital and capital equity under liabilities, and changes to the method of combining subsidiaries operating deviating sectors and mutual real estate companies.

FAS/IFRS Reconciliation of Profit	1 Jan. – 31 Dec. 2004
Profit for the period, FAS	**381**
Recording defined-benefit pension plans employing IFRS principles	17
Fair valuation of investment property	11
Allocation of repayment security charges employing IFRS principles	-8
Deferred taxes	-4
Other changes	-16
Profit for the period, IFRS	**380**

Reconciliation of equity calculated for the comparison period employing FAS and IFRS principles

Equity, FAS, 31 December 2004	**3 868**
Recording defined-benefit pension plans employing IFRS principles	342
Fair valuation of investment property	57
Allocation of repayment security charges employing IFRS principles	-93
Deferred taxes	-32
Transferring capital loans to liabilities	-72
Transferring co-operative capital to liabilities	-717
Other changes	-16
Equity, IFRS, 31 December 2004	**3 337**

Reconciliation of equity calculated at the adoption date employing FAS and IFRS principles

Equity, FAS, 1 January 2004	**3 467**
Recording defined-benefit pension plans employing IFRS principles	325
Fair valuation of investments	52
Allocation of repayment security charges employing IFRS principles	-85
Deferred taxes	-28
Transferring capital loans to liabilities	-27
Transferring co-operative capital to liabilities	-698
Other changes	-16
Equity, IFRS, 1 January 2004	**2 990**

Effects of IFRS Transition on Income Statement and Balance Sheet

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 lease contracts is divided into interest income and commission income. With regard to income on other lease contracts 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

OP Bank Group has recognised in FAS-compliant financial statements for the years 1995 to 2003 commissions and fees associated with repayment security insurance which includes a risk of reversal. 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 financial period without a risk of reversal shall be recognised as income.

4. IAS 19 Employee Benefits

OP Bank 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 were based on the calculatory assumptions valid at the time of transition on 1 January 2004. The difference between the 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 27 Consolidated and Separate Financial Statements

OP Life Assurance Company Ltd has been consolidated using the equity method in accordance with Finnish Accounting Standards, because it is a subsidiary functionally different from the others. In IFRS financial statements, OP Life Assurance Company will be consolidated on a row-by-row basis using the acquisition cost method.

6. IAS 36 Impairment of Assets

Upon IFRS transition the minor goodwill included on the FAS balance sheet was recognised as an expense and the goodwill depreciations included in the FAS financial statements were cancelled. The goodwill originated in the establishment of Okopankki Oyj.

7. 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.

8. 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 the FAS financial statements investment properties were valued at acquisition cost less depreciation and write-downs.

Mutual real estate companies in which OP Bank Group companies have substantial influence or control are consolidated as 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.

9. IAS 32 Financial Instruments: Disclosure and Presentation

Cooperative capital is categorised under liabilities. Under FAS, cooperative capital was categorised as equity capital. Cooperative capital meets the definition in the IAS 32 standard according to which an instrument is considered as liability when its holder has the right to have it redeemed by the issuer for cash or another financial assets.

The effects of the IAS 39 standard on equity on 1 January 2005

The effects of the IAS 39 Standard (Financial Instruments) were taken into account in equity of the opening balance on 1 January 2005. The total effects of adopting the IAS 39 standard on equities on 1 January 2005 was EUR 77 million in the positive. The effect of group-specific impairment losses on receivables was EUR 8 million in the negative. The effect of fair valuation of financial assets for sale was EUR 80 million in the positive. Some financial assets were categorised for this one time as financial assets held for trading. This recategorisation had little effect on equity.

NOTES TO RISK MANAGEMENT

NOTE 59. OP Bank Group's risk limit system based on the OP-2004 business strategy and the values of risk indicators

The Supervisory Board of OPK ratifies risk limits for the OP Bank Group's risk capacity and profitability as well as credit and market risks that limit OP Bank Group's risk-taking. OP Bank Group's current risk limit system is based on the business strategy confirmed in 2004, and it does not take into account the effects of the Pohjola transaction.

Indicator	Risk limit	31 Dec. 2005	31 Dec. 2004
Risk capacity and profitability			
Core solvency (capital adequacy ration without supplementary capital and Tier II funds)	no less than 7	9.3	11.0
Basic profitability (Group's earnings before taxes and impairment of receivables / balance sheet, %)	no less than 1	1.2	1.3
Credit risk			
Biggest single customer risk / own funds, %	no more than 15	7.8	7.8
Total of big customer risks / own funds, %	no more than 100	0.0	0.0
Segment risk / own funds, %	no more than 50	38.5	35.0
Non-performing loans as % of loan and guarantee portfolio	no more than 2	0.4	0.5
Estimated impairment losses for the next three years as % of loan and guarantee portfolio	no more than 1.5	0.3	0.3
Market risks			
Funding risk / balance sheet, %	no less than -3	1.1	-0.6
Interest rate risk / own funds, %	+/- 2	0.5	1.0
Exchange rate risk / own funds, %	no more than 4	0.3	0.3
Equity market risk / own funds, %	no more than 20	9.5	9.5
Real estate risks			
Capital invested in real-estate / balance sheet, %	no more than 5	2.4	3.2

NOTE 60. OP Bank Group's risk capacity

OKO Bank's own funds and capital adequacy according to the Credit Institutions Act

€ million	31 Dec. 2005	31 Dec. 2004
Own funds		
Equity capital	4 757	3 337
Pohjola's minority interest	-196	-
Cooperative capital	715	716
Capital loans	224	74
Intangible assets	-941	-90
Fair value reserve and other reserves	-183	-43
Planned dividend distribution	-71	-48
Other items (e.g.. excess margin on pension liabilities and fair valuation of investment property)	-353	-329
Tier I own funds	**3 951**	**3 615**
Fair value reserve and other reserves	183	43
Subordinated liabilities considered upper Tier II funds	203	50
Subordinated liabilities considered Tier II funds	374	361
Tier II own funds	**760**	**455**
Investments in insurance institutions	-290	-89
Other adjustments	-13	-3
Total adjustments	**-302**	**-92**
Own funds, total	**4 409**	**3 978**
Risk categorisation of balance sheet in capital adequacy calculation (before risk weighting coefficients)		
Risk category I (risk weight 0%)	8 677	7 308
Risk category V (risk weight 10%)	3	2
Risk category II (risk weight 20%)	680	732
Risk category III (risk weight 50%)	16 878	15 362
Risk category IV (risk weight 100%)	17 775	14 811
Adjustments from own funds	302	92
Other items (such as insurance assets)	8 528	3 152
Balance sheet total	**52 845**	**41 460**
Risk-weighted receivables, investments and Off-balance-sheet commitments		
Receivables and investments	26 350	22 639
Off-Balance Sheet Items	2 973	2 511
Market risk	871	567
Risk-weighted receivables, investments and total off-balance-sheet commitments	**30 194**	**25 718**
Capital adequacy ratio, %	**14,6**	**15,5**
The Tier I ratio to total risk-weighted items, %	**13,1**	**14,1**

Own funds and capital adequacy calculated in accordance with the Act of the Supervision of Financial and Insurance Conglomerates

€ million	31 Dec. 2005
OP Bank Group's equity	4 757
Industry-specific items	1 518
Goodwill and intangible assets	-1 059
Equity items and industry-specific items that cannot be considered part of the conglomerate's own funds	-828
Total own funds of the conglomerate	4 388
Minimum amount of the conglomerate's own funds (=requirement for own funds)	2 589
Capital adequacy of the conglomerate	1 799
Capital adequacy ratio of the conglomerate (own funds / requirement for own funds)	1,69

After the acquisition of Pohjola shares, OP bank Group became a conglomerate according to the Act on the Supervision of Financial and Insurance Conglomerates. OP Bank Group's capital adequacy was calculated at the end of 2005 for the first time in accordance to the Act.

Risk capacity and profitability

OP Bank Group's risk capacity measure is core solvency, which is defined in accordance with credit institutions' capital adequacy provisions as the difference between primary own funds and adjustments to own funds in proportion to its risk-weighted commitments. When calculating the ratio, the additional equity investments made in member banks, the equity investments and terminated actual and supplementary capital is subtracted from own funds. Due to the Pohjola transaction, the core solvency decreased from 11.0 per cent to 9.3 per cent. OP Bank Group's risk limit for core solvency is 7 per cent. OP Bank Group's equity at the year-end were EUR 703 million higher than the Group's core solvency risk limit required. The year before, the corresponding figure was EUR 1,037 million. A strong risk capacity acts as a buffer against unexpected losses and created preconditions for operational growth.

The risk limit measure for profitability is basic profitability. Basic profitability is the Group's earnings before the impairment of receivable and taxes in proportion to the average balance sheet. In 2005, OP Bank Group's basic profitability was 1.2 per cent while it was 1.3 per cent the year before. OP Bank Group's risk limit is 1 per cent.

NOTE 61. Financial assets and the write-downs recorded for them during the period

	31 Dec. 2005		31 Dec. 2004	
	Book value	Write-down losses	Book value	Write-down losses
Liquid assets	613	-	422	-
Receivables from financial institution	666	2	681	-
Financial assets held for trading				
Notes and bonds	3 742	-	3 120	-
Shares and holdings	99	-	51	-
Other	-	-	-	-
Derivative contracts				
For trading purposes	114	-	93	-
Hedged	12	-	-	-
Loans and other receivables				
Loans granted	34 437	126	30 638	135
Finance lease receivables	370	-	314	-
Repurchase agreements	-	-	-	-
Bank guarantee receivables	7	8	5	9
Other receivables	-	-	-	-
Financial assets available for sale				
Notes and bonds	660	-	642	-
Shares and holdings	276	-	190	-
Other	-	-	-	-
Investments held to maturity				
Notes and bonds	198	-	220	-
Off-balance sheet items				
Bank guarantees	1 723	-	1 582	-
Total financial assets	**42 916**	**136**	**37 958**	**144**

Book values do not include impairment losses which have been presented in a separate column.

NOTE 62. Liabilities by balance sheet items in accordance with the accounting balances

	Domestic			Foreign		
31 Dec. 2005	Book balance	Write-downs	Transferable interest	Book balance	Write-downs	Transferable interest
Financial assets						
Receivables from financial institutions	90	-	0	576	-2	2
Receivables from customers	34 261	-126	184	175	0	0
Finance lease	370	-	-	0	-	-
Notes and bonds	3 352	-	27	1 248	-	10
Bank guarantee receivables	7	-8	10	-	-	-
Derivative contracts	-	-	-	-	-	-
Other	6	-	-	0	-	-
Total	38 086	-134	221	1 999	-2	12
Off-balance sheet items						
Unused credit and limits	5 507	-	-	62	-	-
Guarantees	1 687	-	-	179	-	-
Letters of credit	-	-	-	-	-	-
Derivative contracts	62	-	-	317	-	-
Other	180	-	-	341	-	-
Total	7 436	-	-	899	-	-
Total exposure, total	**45 522**	**-134**	**221**	**2 898**	**-2**	**12**

31 Dec. 2004	Domestic Book balance	Domestic Write-downs	Domestic Transferable interest	Foreign Book balance	Foreign Write-downs	Foreign Transferable interest
Financial assets						
Receivables from financial institutions	20	-	0	661	-	1
Receivables from customers	30 551	-134	175	86	-1	0
Finance lease	314	-	-	0	-	-
Notes and bonds	3 124	-	32	858	-	8
Bank guarantee receivables	5	-9	11	-	-	-
Derivative contracts	-	-	-	-	-	-
Other	3	-	-	0	-	-
Yhteensä	34 017	-143	217	1 606	-1	10
Off-balance sheet items						
Unused credit and limits	4 140	-	-	26	-	-
Guarantees	1 553	-	-	130	-	-
Letters of credit	-	-	-	-	-	-
Derivative contracts	32	-	-	201	-	-
Other	85	-	-	337	-	-
Total	5 810	-	-	694	-	-
Total exposure, total	**39 827**	**-143**	**217**	**2 299**	**-1**	**10**

The tables shown the credit countervalue of derivative contracts, which include positive market value booked in accounting. Accounting balance includes impairment losses.

NOTE 63. Liabilities by sectors in accordance with the accounting balances

31 Dec. 2005	Net balance sheet exposure Domestic	Net balance sheet exposure Foreign	Off-balance sheet Domestic	Off-balance sheet Foreign	Total
Companies	10 840	201	4 884	100	16 024
Financial and insurance institutions	2 190	1 571	348	797	4 906
Households	24 193	10	2 064	2	26 269
Non-profit organisations	309	0	48	-	357
Public sector entities	776	230	93	-	1 099
Total	**38 308**	**2 011**	**7 436**	**899**	**48 655**

31 Dec. 2004	Net balance sheet exposure Domestic	Net balance sheet exposure Foreign	Off-balance sheet Domestic	Off-balance sheet Foreign	Total
Companies	9 925	137	4 202	83	14 348
Financial and insurance institutions	1 998	1 259	171	609	4 037
Households	21 312	9	1 343	1	22 666
Non-profit organisations	254	0	34	-	288
Public sector entities	745	210	60	-	1 015
Total	**34 235**	**1 615**	**5 810**	**694**	**42 354**

NOTE 64. Loan and guarantee portfolio by sectors, and non-performing and interest-free loans

31 Dec. 2005	Loan and guarantee portfolio	Nonperforming and interest-free	as % of loan and guarantee portfolio
Companies and housing corporations	11 416	62	0.54
Industry	2 796	19	0.68
Construction	988	4	0.40
Trade and nutritional activities	1 383	13	0.94
Real estate investment activities	2 418	11	0.45
Other companies	2 749	14	0.51
Housing corporations	1 083	1	0.09
Financial and insurance institutions	117	-	
Serving public sector entities and non-profit organisations	673	-	
Households	24 130	69	0.29
Houses (excl. Holiday houses)	16 413	29	0.18
Foreign	240	-	
Total	**36 537**	**131**	**0.36**

31 Dec. 2004	Loan and guarantee portfolio	Nonperforming and interest-free	as % of loan and guarantee portfolio
Companies and housing corporations	10 541	56	0.53
Industry	2 670	15	0.56
Construction	907	6	0.66
Trade and nutritional activities	1 326	12	0.90
Real estate investment activitie	2 267	7	0.31
Other companies	2 461	16	0.65
Housing corporations	910	1	0.11
Financial and insurance institutions	111	-	
Serving public sector entities and non-profit organisations	510	-	
Households	21 285	94	0.44
Houses (excl. Holiday houses)	14 252	33	0.23
Foreign	147	-	
Total	**32 540**	**150**	**0.46**

OP Bank Group's banking operations loan and guarantee portfolio was EUR 36.5 billion at the end of the period, i.e. 12 per cent higher than the year before (32.5). In the 3.9 billion euro growth in the loan and guarantee portfolio, loans to households represented 2.9 billion and corporate loans 1.0 billion euro. During 2005, private housing loans grew by 15.1 per cent to 16.4 billion euro and their share at the end of the year in OP Bank Group's combined loan and guarantee portfolio was 45 per cent. As a whole, households' share in the loan and guarantee portfolio was 66 per cent (65) and the corporate share was 31 per cent (32).

NOTE 65. Impairment losses on receivables

	31 Dec. 2005	31 Dec. 2004
Impairment losses on receivable	48	28
Reversals of impairment losses	-40	-13
Payments on eliminated receivables	-6	-7
Net change in group-specific impairment losses	4	-
Total	**6**	**7**
Impairment losses (net) as % of loan and guarantee portfolio	0.02	0.02

OP Bank Group's objective is that the net amount of loan losses in the long term may not exceed 0.25 per cent of the loan and guarantee portfolio per year.

NOTE 66. Corporate exposure by sector

	Net exposure			
31 Dec. 2005	Balance sheet	Off-balance sheet	Total	% distribution
Metal industry	856	757	1 613	10.1
Forest industry	653	415	1 067	6.7
Trade	1 169	563	1 731	10.8
Construction	645	600	1 246	7.8
Other industry	618	406	1 023	6.4
Food industry	279	320	599	3.7
Other real estate management	2 159	238	2 397	15.0
Energy production	375	339	714	4.5
Transportation and communications	568	378	946	5.9
Services	1 384	423	1 806	11.3
Telecommunications and electronics	217	145	362	2.3
Communications and publishing	210	31	240	1.5
Other sectors	1 908	370	2 278	14.2
Total	**11 040**	**4 984**	**16 024**	**100.0**
31 Dec. 2004				
Metal industry	799	562	1 361	9.5
Forest industry	567	411	978	6.8
Trade	1 125	437	1 562	10.9
Construction	582	649	1 231	8.6
Other industry	507	340	847	5.9
Food industry	326	254	580	4.0
Other real estate management	1 979	189	2 168	15.1
Energy production	246	226	472	3.3
Transportation and communications	542	286	828	5.8
Services	1 335	348	1 683	11.7
Telecommunications and electronics	171	111	282	2.0
Communications and publishing	222	47	269	1.9
Other sectors	1 662	426	2 088	14.5
Total	**10 062**	**4 285**	**14 348**	**100.0**

NOTE 67. Corporate exposure by rating

		31 Dec. 2005	
Rating	S & P Equivalent	Exposure	%
1–2	AAA - A-	490	3.0
3–4	BBB+ - BBB-	5 376	33.4
5–6	BB+ - BB	3 404	21.1
7–8	BB- - B+	4 366	27.1
9–10	B - C	934	5.8
11–12	D	274	1.7
	Unclassified	1 259	7.8
Total		**16 104**	**100.0**

NOTE 68. Distribution of corporate exposure according to size of customer exposure

31 Dec. 2005 Amount of exposure, € million	Domestic	Foreign	Total	%
0–1	4 735	47	4 782	29.7
1–10	3 791	133	3 924	24.4
10–50	2 792	121	2 913	18.1
50–100	2 495	-	2 495	15.5
100–	1 989	-	1 989	12.4
Total	**15 803**	**301**	**16 104**	**100.0**

31 Dec. 2004 Amount of exposure, € million	Domestic	Foreign	Total	%
0–1	4 512	36	4 549	31.5
1–10	3 418	95	3 513	24.3
10–50	2 683	90	2 772	19.2
50–100	1 797	-	1 797	12.4
100–	1 812	-	1 812	12.5
Total	**14 222**	**221**	**14 443**	**100.0**

NOTE 69. Country risk by country risk category

		31 Dec. 2005		31 Dec. 2004	
Country risk category	Moody's Equivalent	Net exposure	%	Net exposure	%
Category 1	Aaa	2 550	88.9	2 034	89.8
Category 2	Aa1 – A3	140	4.9	98	4.3
Category 3	Baa1 – Baa3	53	1.8	9	0.4
Category 4	Ba1 – B3	116	4.0	114	5.0
Category 5	Caa1 – C	11	0.4	10	0.5
Total		**2 869**	**100.0**	**2 265**	**100.0**

NOTE 70. Banking operations' risk limit for credit risks

OP Bank Group's loan and guarantee portfolio is diversified. At the end of 2005, OP Bank Group's biggest individual customer entity risk was 7.8 per cent of the Group's own funds. A year earlier, the figure was the same. OP Bank Group's risk limit is 15 per cent. OP bank Group's biggest industry-specific risk concentration is the real estate business, where the total exposure was EUR 1.7 billion, i.e. 38.5 per cent of own funds. OP Bank Group's internal sector risk's risk limit is set at 50 per cent of own funds.

At the end of 2005, OP Bank Group had non-performing and interest-free receivables in the amount of EUR 131 million, i.e. 13 per cent less than a year before. EUR 95 million in receivable-specific and receivable group-specific write-downs (91) has been subtracted from non-performing and interest-free receivables that is directed at them. The proportion of non-performing and interest-free receivables to the loan and guarantee portfolio was 0.4 per cent at the end of the period, i.e. 0.1 percentage points lower than a year before and 0.8 percentage points below the risk limit defined for the ratio. The write-downs from the receivables still remain low. In 2005, a net amount of EUR 52 million (28) was entered, which was 0.14 per cent (0.08) of the loan and guarantee portfolio.

NOTE 71. Structure of OP Bank Group funding

	31 Dec. 2005	Share, %	31 Dec. 2004	Share, %
Liabilities to financial institutions	2 025	4.5	1 184	3.1
Financial liabilities held for trading	4	0.0	-	
Liabilities to customers				
Deposits	24 190	53.7	22 763	59.4
Other	2 286	5.1	2 344	6.1
Debt securities issued to the public				
Investment and commercial papers and ECPs	4 259	9.5	3 366	8.8
Bonds	4 633	10.3	2 958	7.7
Other liabilities	1 281	2.8	1 030	2.7
Subordinated liabilities	879	2.0	597	1.6
Cooperative capital	717	1.6	717	1.9
Equity	4 757	10.6	3 337	8.7
Total	**45 029**	**100.0**	**38 296**	**100.0**

NOTE 72. The maturity distribution of the financing assets and liabilities based on the remaining exercise period

31 Dec. 2005	<3 months	3-12 months	1-5 years	5-10 years	More than 10 years	Total
Financial assets						
Liquid assets	613					613
Financial assets held for trading						
Notes and bonds	875	1 149	982	715	22	3 742
Receivables from financial institutions	483	64	59	56	3	666
Receivables from customers	1 966	3 970	12 735	7 960	8 176	34 807
Investment assets						
Notes and bonds available for sale	25	99	349	169	19	660
Notes and bonds held until maturity	18	97	40	29	15	198
Total	**3 979**	**5 380**	**14 164**	**8 928**	**8 235**	**40 685**
Financial liabilities						
Liabilities to financial institutions	2 012	0	0	13	-	2 025
Financial liabilities held for trading	4	-	-	-	-	4
Liabilities to customers	22 837	1 680	1 486	228	244	26 475
Debt securities issued to the public	2 815	1 910	3 860	306	-	8 891
Subordinated liabilities	193	22	236	303	126	879
Total	**27 861**	**3 613**	**5 581**	**850**	**370**	**38 275**

31 Dec. 2004						
Financial assets						
Liquid assets	422					422
Financial assets held for trading						
Notes and bonds	755	1 241	730	372	22	3 119
Receivables from financial institutions	585	54	43	-	0	681
Receivables from customers	1 650	3 348	12 252	6 759	6 942	30 952
Investment assets						
Notes and bonds available for sale	9	28	377	114	114	642
Notes and bonds held until maturity	2	6	140	56	16	220
Total	**3 422**	**4 678**	**13 542**	**7 301**	**7 093**	**36 036**

	<3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial liabilities						
Liabilities to financial institutions	1 164	7	-	13	-	1 184
Financial liabilities held for trading	-	-	-	-	-	-
Liabilities to customers	21 996	1 613	1 171	117	209	25 107
Debt securities issued to the public	2 387	1 857	1 916	165	-	6 325
Subordinated liabilities	-	50	343	169	35	597
Total	**25 547**	**3 526**	**3 430**	**464**	**244**	**33 213**

NOTE 73. Funding risk

Quicker growth in the loan portfolio than in the deposit portfolio, as well as the financing of the ohjola transaction, increased the amount of OP Bank Group's market wholwsale funding and its share in total funding. The value of measure for OP Bank Group' banking operations level funding risk is the relative proportion of the difference between receivables and liabilities falling due during the next 12 months compared to the balance sheet total. The indicator dos not take into account demand deposits because they are considered to be stable funding under normal circumstances. The value of OP Bank Group's funding risk's limit measure at year end was 1.1 per cent (-0.6) which was 4.1 percentage points higher than the risk limit set for the funding risk.

NOTE 74. Under one-year maturities of financial assets and liabilities distributed by repricing date or their maturity

31 Dec. 2005	1 month or less	1–3 months	3–12 months	over 1 year	Total
Financial assets					
Liquid assets	613				
Financial assets held for trading					
Notes and bonds	729	1 053	1 338	622	3 742
Receivables from financial institutions	518	32	57	58	666
Receivables from customers	10 538	5 421	16 614	2 234	34 807
Financial assets available for sale					
Notes and bonds	61	114	352	133	660
Financial assets held until the due date					
Notes and bonds	10	12	82	93	198
Total	**12 470**	**6 633**	**18 443**	**3 140**	**40 072**
Financial liabilities					
Liabilities to financial institutions	1 857	53	0	115	2 025
Financial liabilities held for trading	4	-	-	-	4
Liabilities to customers	22 157	1 065	1 434	1 819	26 475
Debt securities issued to the public	1 940	4 556	2 097	299	8 891
Subordinated liabilities	-	270	324	285	879
Total	**25 957**	**5 945**	**3 855**	**2 518**	**38 275**

31 Dec. 2004	1 month or less	1–3 months	3–12 months	over 1 year	Total
Financial assets					
Liquid assets	422				
Financial assets held for trading					
Notes and bonds	366	845	1 871	37	3 119
Receivables from financial institutions	605	32	45	-	681
Receivables from customers	11 328	4 873	12 317	2 433	30 952
Financial assets available for sale					
Notes and bonds	38	107	258	240	642
Financial assets held until the due date					
Notes and bonds	10	12	82	115	220
Total	**12 769**	**5 870**	**14 573**	**2 825**	**35 614**
Financial liabilities					
Liabilities to financial institutions	976	186	13	9	1 184
Financial liabilities held for trading	-	-	-	-	-
Liabilities to customers	21 793	897	1 334	1 082	25 107
Debt securities issued to the public	2 183	2 474	1 589	78	6 325
Subordinated liabilities	2	234	278	83	597
Total	**24 954**	**3 791**	**3 215**	**1 252**	**33 213**

NOTE 75. Interest rate risk

In the risk limit system, the interest rate risk is defined as a the effect of a 0.5 percentage point parallel rise in the interest rate yield curve on the present value of the interest rate risk exposure. The interest rate risk figures in the risk limit system also includes OP Life Assurance Company Ltd's operations. During the period, the interest rate risk, on average, was EUR 31 million (37) and at the year-end the interest rate risk was EUR 23 million. In the risk limit measure, the euro denominated interest rate risk is proportional to OP Bank Group's own funds. At the end of the year, the value of the interest rate risk measure was 0.5 per cent (1.0). OP Bank Group's interest rate risk must remain within OP Bank Group's risk limit of ± 2 per cent. The banking operations' interest rate risk can be considered reasonable and it is directed at retail banking operations' structural interest rate risk, which in practice is caused by the average re-pricing delay in lending being shorter than that of deposits.

NOTE 76. Exchange rate risk

OP Bank Group's interest rate risk measure is the overall net exchange rate exposure's proportion to own funds. OKO Bank's exchange rate risk is also measured and limited by a VaR-based risk measure. OP Bank Group's banking operations' overall net exchange rate exposure at the end of the year stood at 13 million euro (11), while the average during the year was 12 million euro (11). In proportion to OP Bank Group's own funds the exchange rate risk was small, i.e. 0.3 per cent (0.3).

NOTE 77. Equity market risk

The market value of OP Bank Group's banking operations' and OP Life Assurance Company Ltd's publicly quoted equities and mutual fund units was 420 million euro (383). The proportion of equity investments to shareholder equity was 9.5 per cent (9.5), i.e. 10.5 percentage points lower than the risk limit defined for the measure.

NOTE 78. Real estate exposure

The amount of OP Bank Group's real estate holdings decreased further. At the end of the year, capital invested in real-estate was 1.2 billion euro, i.e. 91 million euro lower than the year before. The share of real estate holdings in the balance sheet was 2.4 per cent (3.2) which was 2.6 percentage points lower than the risk limit defined for real estate risk. OP Bank Group aims to further reduce the amount of banking operations' real estate holdings.

NOTE 79. Derivatives

OP Bank Group's derivative contracts have been specified in note 52.

NOTE 80. Risk exposure of non-life insurance

The non-life insurance activities were combined in the OP Bank Group Central Cooperative figures as of 31 October 2005 and therefore no comparison data is presented.

Risk tolerance of non-life insurance Pohjola non-life insurance's solvency capital was 836 million euro at year-end and its risk tolerance stood at 112 per cent. Board of Directors has confirmed the credit rating target of non-life insurance as A. Standard & Poor's issued Pohjola Non-Life Insurance Company Ltd, an A+ credit rating (19 October 2005). Non-life insurance's solvency capital does not strengthen OP Bank Group's risk tolerance considerably, because non-life insurance is a new business area for the Group.

	2005	
	€ million	Risk tolerance, %
Solvency capital	836	
Compensation expenses*	532	157
Income on insurance premiums*	744	112**
Liabilities on insurance policies*	1 811	46
Investment portfolio	2 515	33

* Less the reinsurers' share Compensation expenses and income on insurance premiums account for all of 2005.
** Risk carrying capacity.

Risk liability of non-life insurance

Most of non-life insurance underwriting reserves consist of pension liabilities, the amount of which is affected by estimates on mortality. If mortality goes down, it increases underwriting reserves. The effects of mortality on underwriting reserves and combined expense ratio are illustrated in the chart below.

€ million	2005
Total amount of discounted underwriting reserves	1 172
Effect of one year increase in the average life expectancy:	
on underwriting reserves increases by	27
on combined expense ratio	declines by 3 percentage points

Normal fluctuation in business operations results in fluctuation in profit and capital adequacy. The following chart illustrates the effects of different risk variables on profit and capital adequacy.

Risk factor € million	Total amount 2005	Change in risk factor	Effect on profit / solvency capital	Effect on combined expense ratio
Insurance portfolio or				
insurance premium income	744	increases by 1%	+ 7	improves by 1 percentage point
Compensation expenses	532	increases by 1%	- 5	declines by 1 percentage point
Catastrophe		1 event	- 5	declines by 1 percentage point
Personnel costs	95	increases by 8%	- 8	declines by 1 percentage point
Function-specific expenses*	202	increases by 4%	- 8	declines by 1 percentage point

* Function-specific non-life insurance expenses without investment management fees and expenses arising from producing

Risks associated with non-life insurance investment operations

Sensitivity analysis for investment risks

Allocation distribution 31 December 2005	Fair value*	Per cent	Risk coefficient, %	Risk	Risk-%
Money market, total	213	8.3		1	0.4
Money market investments and deposits**	220	8.6	0.3	1	0.4
Derivative adjustment	-7	-0.3	0.3	0	0.0
Bonds and fixed income funds, total	1 788	69.8		73	41.0
Governments	1 224	47.8	4.0	49	27.5
Investment Grade	476	18.6	4.0	19	10.7
Emerging markets and High Yield	81	3.2	6.0	5	2.7
Derivatives	7	0.3	4.0	0	0.2
Total shares	407	15.9		87	49.0
Finland	112	4.4	20.0	22	12.6
Developed markets	150	5.9	20.0	30	16.8
Emerging markets	24	0.9	25.0	6	3.3
Property, plant and equipment and unquoted shares	26	1.0	20.0	5	2.9
Equity investments	95	3.7	25.0	24	13.3
Total alternative investments	65	2.6		9	5.2
Absolute return funds	22	0.9	10.0	2	1.2
Raw materials	18	0.7	25.0	5	2.5
Convertible bonds	25	1.0	10.0	3	1.4
Real estate	88	3.4	9.0	8	4.4
Total* **	**2 562**	**100**		**178**	**100.0**

* Includes interests to be carried forward
** Includes sales price receivables and liabilities and 12 million euro of market capitalisation of the derivatives
*** Includes 63 million euro of run-off assets categorised as for sale

Sensitivity analysis for investment risks

The following table describes the sensitivity of investment risks by investment categories.

Non-life insurance € million	Portfolio at fair value 31 Dec. 2005	Risk parameter	Change	Effect on solvency capital 31 Dec. 2005
Bonds and fixed income funds*	1 813	Interest	1 % point	96
Shares*	448	Market value	10%	45
Business premises***	43	Cash return requirement	+1% point	-4
			-1% point	5

* Includes convertible bonds and derivatives
** Includes absolute return funds and investments in raw materials
*** Premises rented out to third-party businesses

Interest rate risk

Fair value based on the remaining exercise period or repricing date, € million	31 Dec. 2005
0 to 1 years	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 rate, %	3.4

At the end of 2005 the duration of non-life insurance's interest portfolio, i.e. the average length of interest investments' cash flows was 4.8 years. The interest portfolio includes both bonds and money market investments.

Foreign Exchange Risk

Foreign exchange exposure, € million	31 Dec. 2005
USD	39
SEK	10
JPY	7
GBP	6
Other**	-8
Total*	**54**

* The foreign exchange exposure amounted to 2.1 per cent of the investment portfolio.
** Group "Other" includes - MEUR 10 underwriting reserves taken in EEK and LTL, but covered in euros.

Credit risk

Credit rating distribution, € million	31 Dec. 2005
AAA	975
AA	349
A	296
BBB	158
High Yield	75
Not Rated	21
Total*	**2 069**

* Money market investments and deposits, bonds and fixed income funds, as well as the reinsurers' share in underwriting reserves and receivables from reinsurers.

NOTE 81. Risk exposure of life insurance

Analyses performed within life insurance indicate that underwriting reserves are sufficient for mortality. The same applies to permanent disability insurance.

Insurance and capitalisation portfolio of life insurance

	Technical rate of interest	Insured individuals or contracts, pcs	Exposure 31 December 2005	Average duration in years*
Life Insurance/Savings				
Technical rate of interest	4.50%	15 228	296	4.4
Technical rate of interest	3.50%	103 700	1 581	10.9
Technical rate of interest	2.50%	79 187	628	11.1
Technical rate of interest	1.50%	383	1	18.5
Investment-linked		incl. above	1 075	
		198 498		3 580
Individual pension insurance				To the beginning of pension entitlement
Technical rate of interest	4.50%	15 494	208	5.6
Technical rate of interest	3.50%	57 624	252	8.9
Technical rate of interest	2.50%	56 353	46	12.2
Technical rate of interest	1.50%	527	-	7.5
Investment-linked		incl. above	412	
		129 998	918	
Group pension insurance				
Voluntary employee pension	3.50%	14 700	183	
Technical rate of interest 3.5%	3.50%	234	2	7.6
Technical rate of interest 2.5%	2.50%	170	1	7.2
Technical rate of interest 1.5%	1.50%	22	-	19.6
Investment-linked		incl. above	7	
		15 126	193	
Risk insurances				
Individual insurances	-	95 698	6	
Group insurances	-	16 155	23	
		111 853	30	
Capital redemption policies				
Private customers				
Corporate CRP's	4.50%	-	-	
Corporate CRP's	3.50%	192	56	2.25
Corporate CRP's	2.50%	158	34	3.74
Investment-linked		incl. above	18	
		350	108	
Equalisation reserve	2.50%		5	
Other items in underwriting reserves			34	
Total		**455 825**	**4 867**	

Risks associated with life insurance investment operations

Distribution of investment property

	31 Dec. 2005 Portfolio	Distribution-%	31 Dec. 2004 Portfolio	Distribution-%
Interest investments[1]				
Bonds	2 405	61.3	1 665	71.2
Other money market instruments	140	3.6	71	3.1
Mutual funds	442	11.3	82	3.5
Shares and holdings				
Shares and mutual funds	455	11.6	261	11.2
Alternative investments[2]	287	7.3	190	8.1
Real estate[3]	192	4.9	69	2.9
Total	**3 921**	**100.0**	**2 338**	**100.0**

[1] Incl. accrued interest

[3] Incl. investments in hedge funds, and funds investing in unquoted real estate companies

[3] Only direct investments in real estate

Sensitivity analysis on investment property 31 December 2005

	Portfolio at fair value	Risk parameter	Change	Effect on operating equity
Bonds and fixed income funds	2 847	interest	1% point	166
Shares	455	market value	10% points	46
Real estate	192	market value	15% points	29

Interest rate risk on 31 December 2005

Interest investments	Distribution-%	Mod. duration
Bonds	94.2	5.90
Money market instruments	5.8	0.18

Repricing dates or securities maturing in less than one year

	Average rate	1 month or less	Average rate	1–3 months	Average rate	3–12 months
Notes and bonds	2.42	34	2.73	60	4.47	28

Interest bearing investments by credit rating on 31 December 2005

	Distribution-%
AAA - A-	83.6
BBB+ - BBB-	5.7
BB+ or lower rating	7.3
Not rated	3.4

Expected cash flow analysis for interest rate investments

	0–1 year	1–5 year	5–10 year	10–20 year	More than 20 years
Bonds	202	1 225	681	247	51

Foreign currency investments on 31 December 2005

	USD	JPY	GBP	SEK	Other
Total	**176**	**40**	**26**	**29**	**48**

Net investment on investment property 1 January – 31 December 2005

	Net income from investment operations calculated with fair values	Invested capital	Return percentage on invested capital
Bonds	114	2 261	5.0
of which fixed income funds	19	266	7.1
Other financial market instruments and deposits	10	490	2.1
of which fixed income funds	1	69	2.1
Shares and holdings	136	595	22.9
Real estate investments	9	95	9.1
of which mutual funds and joint investment companies	-	1	0.0
Other investments	-	-	-
Total investments	**269**	**3 440**	**7.8**
Income, expenses, operating expenses not allocated by type of investment	-8	-	-
Net income from investments calculated using fair values	**261**	**3 440**	**7.6**

STATEMENT CONCERNING THE FINANCIAL STATEMENTS

We have adopted the Report of the Executive Board and the consolidated Financial Statements of the Amalgamation of the Cooperative Banks (OP Bank Group) specified in the Act on Cooperative Banks and Other Cooperative Credit Institutions for the financial year 1 January to 31 December 2005. The Report and the Financial Statements are presented to, and passed out at, the General Meeting of the OP Bank Group Central Cooperative.

Helsinki 28 February 2006

Executive Board of the OP Bank Group Central Cooperative

Antti Tanskanen

Reijo Karhinen

Erkki Böös

Pekka Jaakkola

Mikael Silvennoinen

Heikki Vitie

AUDITORS' REPORT
(Translation)

To the General Meeting of the OP Bank Group Central Cooperative

We have audited the report of the Executive Board and the consolidated financial statements for the financial year 1 January - 31 December 2005, of the amalgamation of the cooperative banks (the OP Bank Group) pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions. The Executive Board and the President of the OP Bank Group Central Cooperative, which is the OP Bank Group's central institution, have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU in a manner explained in more detail in the notes to the financial statements. The financial statements contain the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements of the OP Bank Group. Based on our audit, we express an opinion on the consolidated financial statements and on the report of the Executive Board.

We conducted our audit of the consolidated financial statements in accordance with Finnish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance 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. In carrying out the audit, we also acquainted ourselves with the financial statement policies adopted by the Group's member institutions, as well as the auditors' reports and other related reporting submitted by their auditors.

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

Helsinki 28 February 2006

KPMG OY AB
(signed)

Hannu Niilekselä
Authorized Public Accountant

The OP Bank Group Central Cooperative
Postal address: P.O. Box 308, FI-00101 Helsinki
Visiting address: Teollisuuskatu 1b, Helsinki
Telephone +358 10 252 010, telefax +358 10 252 3703
www.op.fi, firstname.lastname@op.fi

20