OKO BANK

ANNUAL REPORT 2006

06

Contents

The Report by the Board of Directors and Financial Statements of OKO Bank for 2006 can be viewed at www.oko.fi/english. The Corporate Responsibility Report of the OP Bank Group is also found at the same address.

OKO BANK IN BRIEF

OKO Bank plc is a Finnish financial service company providing banking, investment and non-life insurance services. Non-life insurance policies are provided by Pohjola. The Group's customers include companies, organisations and private individuals.

OKO Bank Series A shares have been quoted on the Helsinki Stock Exchange since 1989. The bank has approximately 32 000 shareholders.

According to the new strategy confirmed in May 2006, OKO Bank lays strong emphasis on the profitability of its operations. The company is also committed to efficient management of capital and a shareholder-friendly dividend policy.

OKO Bank is part of the OP Bank Group, a leading Finnish financial group. The Group has approximately four million customers.

The OKO Bank Group comprises the parent company OKO Bank plc and its subsidiaries. The most significant subsidiaries engaged in business operations include Pohjola Non-Life Insurance Company Ltd, A-Insurance Ltd, Eurooppalainen Insurance Company Ltd, Pohjola Property Management Ltd, OKO Asset Management Limited and OKO Venture Capital Ltd, as well as the Seesam non-life insurance companies operating in Estonia, Latvia and Lithuania.

OKO Bank structure

OKO Bank

Banking and Investment Services

Corporate Banking
Markets
Group Treasury
Asset Management

Non-life Insurance

Private Customers
Corporate Customers
Baltics

OKO Bank Group

	2006	2005*
Earnings before tax, EUR million	223	120
Return on equity (at fair values), %	9.5	22.3
Capital adequacy, %	12.9	12.8
Earnings per share (at fair values), EUR	0.89	0.85
Proposed dividend per share (Series A), EUR	0.65	0.60
Number of personnel at year-end	2 918	3 254

* Year 2005 comparative figures are for the Group's continuing operations.

Inspiring challenges to my work are brought by continual development of insurance legislation and cooperation with partners operating in different cultures.

Katriina Tala
Vice President
Pohjola, International Services

EARNINGS IN 2006

Year of integration for OKO Bank and Pohjola

- The year 2006 was the first full financial year of the OKO Bank Group with a new business structure comprising the Banking and Investment Services and the Non-life Insurance business lines.
- The integration of OKO Bank's and Pohjola's business operations proceeded as planned.
- The Group reached all main business targets with the exception of the combined ratio in Non-life Insurance, which was deteriorated by the unfavourable trend in major losses in the latter half of the year.

Strong growth in both business lines

- In the OKO Bank Group, earnings before tax amounted to EUR 223 million (continuing operations 120).
- Earnings per share (at fair values) for continuing operations were EUR 0.89 (0.85).
- Return on equity stood at 9.5% (22.3).
- In Banking and Investment Services, earnings were record high and the market share strengthened in all business areas. Earnings before tax totalled EUR 163 million (136).
- In Non-life Insurance, canvassing for new customers was at a record level, growth in insurance premium revenue strong and performance in investment operations on a par with the targets. Earnings before tax totalled EUR 78 million. The net number of Pohjola's loyal customer households increased by 34 500.
- The capital adequacy ratio at the end of 2006 was 12.9% (12.8) and the Tier 1 ratio was 8.2% (9.6).
- The Board of Directors' proposal for dividend distribution is EUR 0.65 per Series A share (0.60) and EUR 0.62 per Series K share (0.57).

Earnings by quarter

		2006			2006	2005*
EUR million	1–3	4–6	7–9	10–12	1–12	1–12
Net interest income	26	25	22	23	96	87
Impairment losses on receivables	-1	0	2	0	1	4
Net interest income after impairment losses	**27**	**25**	**20**	**23**	**94**	**83**
Net income from Non-life Insurance	86	90	68	84	328	69
Net commissions and fees	26	23	25	29	102	71
Net trading income	3	2	6	9	20	16
Net investment income	20	9	2	7	37	18
Other operating income	12	13	11	13	50	21
Total net income	**173**	**163**	**131**	**165**	**632**	**278**
Personnel costs	42	45	36	42	165	64
IT expenses	11	11	10	10	42	21
Amortisation and depreciation	15	14	14	15	57	17
Other expenses	**37**	**35**	**32**	**41**	**144**	**58**
Total expenses	104	105	92	108	409	159
Share of associates' profits/losses	0	0	0	0	0	1
Earnings before tax	69	57	40	57	223	120
Income tax	16	15	-4	15	42	27
Profit for the period	**53**	**42**	**44**	**41**	**180**	**93**
Change in fair value reserve	-15	-33	36	12	-1	34
Earnings for the period at fair values	**38**	**9**	**80**	**53**	**180**	**127**

* Continuing operations.

Operating environment

The Finnish economic cycle has continued to be favourable for both companies and private households. International outlook is also more positive than what was estimated in the autumn.

In December, companies' confidence indicators were above the long-term average in all business sectors. In the industrial sector, the economic outlook even strengthened slightly at the end of the year, and the production volumes are expected to grow further. Moreover, consumer confidence in the economic growth strengthened.

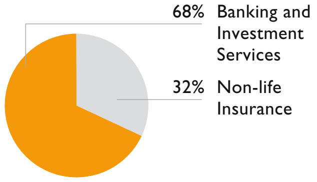
The Finnish GNP grew by 5.2% in January-November from the corresponding period a year earlier. In 2007, the growth in GNP is expected to slow down to a long-term average of approximately 3%.

In the banking and investment services sector, the most significant change in the operating environment occurred when the Sampo Group's banking business was sold to Danske Bank in November 2006. Competition will be tightened in certain product areas, but OKO Bank's possibilities to stand out from its own segment will remain good and thus, OKO Bank's role as the provider of corporate banking services is expected to strengthen further. This is supported by OKO Bank's operating methods based on long-standing and thorough knowledge of its customer base.

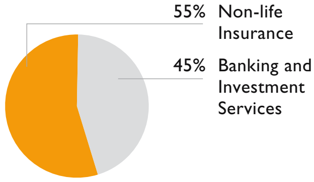
One of the most significant changes in the operating environment of non-life business was the increased networking of Finnish insurance companies with other service providers. All the major non-life insurers had cooperation with the banking sector, which was based either on ownership or cooperation agreements. Other forms of cooperation have also been explored with business partners outside the financial sector.

Percentage of business lines in...

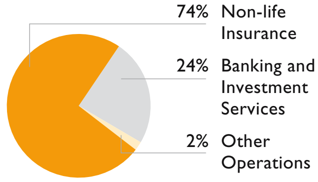
earnings before tax



income



personnel



KEY FIGURES

	2002	2003	2004	2004	2005	2006
	FAS	FAS	FAS	IFRS	IFRS	IFRS
Earnings before tax, EUR million	96	174	134	138	150	223
Profit for the period, EUR million	62	126	102	108	271	180
Return on equity, %	10.0	18.5	13.9	13.9	19.8	9.5
Return on equity at fair values, %					22.3	9.5
Balance sheet total, EUR billion	12.7	14.8	16.4	16.5	22.3	24.2
Loan portfolio, EUR billion	6.7	7.4	8.7	8.7	6.8	7.9
Assets under management, EUR billion	6.1	8.4	10.9	10.9	27.5	31.3
Non-life Insurance premium revenue, EUR million					138	788
Capital adequacy ratio, %	11.1	11.0	10.8	11.0	12.8	12.9
Tier 1 ratio, %	7.0	7.0	7.1	7.6	9.6	8.2
Earnings per share, EUR	0.52	1.03	0.81			
Series A share				0.86	1.96	0.90
Series K share				0.85	1.95	0.89
Earnings per share, diluted, EUR	0.49	1.00	0.79			
Series A share				0.84	1.96	0.90
Series K share				0.83	1.95	0.89
Earnings per share incl. change in fair value, EUR					2.22	0.89
Equity per share, EUR	5.27	5.93	5.84	6.15	8.76	8.99
Dividend per share, EUR						
Series A share	0.75	1.60	0.53	0.53	0.60	0.65*
Series K share	0.70	1.55	0.51	0.51	0.57	0.62*
Dividend payout ratio, %	55	82	50	48	30	72*
Effective dividend yield (OKO A), %	5.2	12.2	5.1	5.1	5.1	5.1*
Price to earnings ratio	5.3	5.9	5.8	6.1	6.1	14.2
Market capitalisation (A and K), EUR million	675	871	1 022	1 022	2 386	2 583
Share turnover (OKO A), millions of shares	24.5	22.5	55.3	55.3	79.3	104.0
% of total shares outstanding (OKO A)	27	24	57	57	75	66
Number of shares (A and K)						
Average during the financial period	120	122	125	125	136	202
At the end of the financial period	120	124	126	126	201	203
Average personnel	1 117	1 138	1 246	1 246	1 668	3 030

* As proposed by the Board of Directors.

OKO Bank's credit ratings

Credit rating agency	Short-term funding	Long-term funding
Standard & Poor's	A-1+	AA-
Moody's	P-1	Aa2
Fitch	F1+	AA-

Standard & Poor's changed its evaluation of the outlook for OKO Bank from negative to stable on 7 September 2006. According to the rating agency, the change in outlook reflects the notable progress in the merger of Pohjola with OKO Bank. According to the Moody's evaluation, the credit rating outlook for OKO Bank continues to be stable.

The insurance financial strength rating of Pohjola Non-life Insurance Company Ltd received from Standard & Poor's is A+ (outlook stable).

In my work as a broker, sales with a particular outlook, or differentiation from other brokers on the Finnish market, is important. It is most rewarding to communicate my view in a way that benefits the customer.

Mikko Heinonen
Institutional Equity Sales
OKO Investment Banking

OKO BANK AS PART OF THE OP BANK GROUP

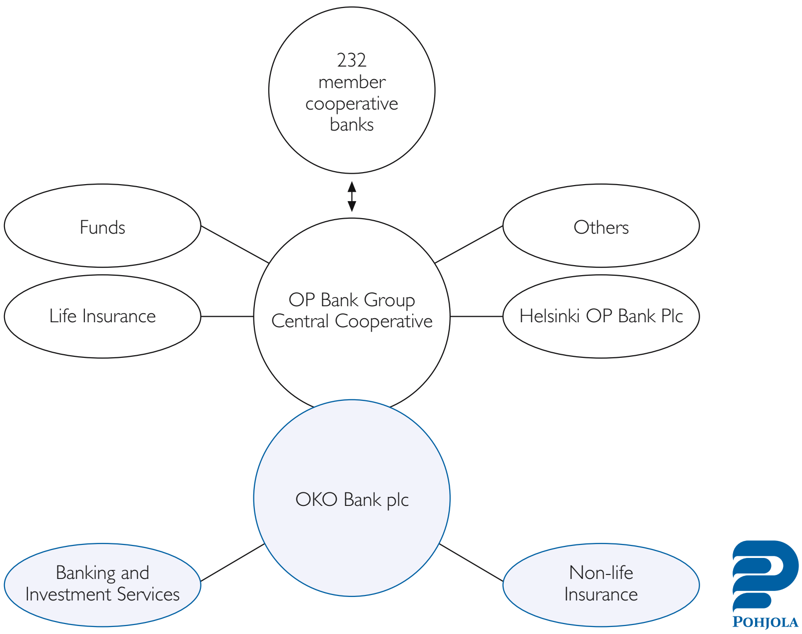
The OP Bank Group is the largest financial services group in Finland, handling the banking and insurance matters of about four million customers – including private persons, companies and organisations. The Group comprises 232 independent member cooperative banks and their central institution, OP Bank Group Central Cooperative, with its subsidiaries. The OP Bank Group is supervised on a consolidated basis, and the central institution and member banks (incl. OKO Bank) are responsible for each other's liabilities and commitments.

The member cooperative banks are owned by their members and engage in retail banking within their respective areas of operation. The OP Bank Group Central Cooperative serves as the Group's development and service centre, as well as a strategic holding entity.

OKO Bank plc is the most significant subsidiary of the OP Bank Group Central Cooperative. The bank provides its customers with banking, investment and non-life insurance services. It also serves as the central bank of the OP Bank Group and is responsible for the Group's liquidity management and international affairs. At the end of 2006 OKO Bank had total assets of EUR 24.2 billion, representing about 41% of the OP Bank Group's total assets, and earnings before tax of EUR 223 million, representing about 28% of the OP Bank Group's earnings.

The OKO Bank Group and the OP Bank Group retail banks work closely together in the service of customers. The most important areas of co-operation are non-life insurance services to private households and small and medium-sized companies, banking services to SME companies and asset management services to investors. Seamless and confidential co-operation within the OP Bank Group provides a strong foundation for the success of both the OKO Bank Group and the member banks.

OP Bank Group structure



OP Bank Group key indicators

	2006	2005
Earnings before tax, € million	800	579
Cost/income ratio, %	55.4	55.3
Impairment losses on the loan and guarantee portfolio, %	0.02	0.02
Return on equity, %	12.1	11.2
Return on equity at fair values, %	11.4	13.5
Average personnel	12 148	9 839

	31 Dec.	31 Dec.
Total assets, € billion	59.5	52.8
Capital adequacy		
Ratio of own funds to the minimum amount of own funds*	1.56	1.69
Tier 1 ratio, %**	12.7	13.1
Market share, %		
Of total loans	31.1	30.5
Of total deposits	32.7	31.9
Of capital invested in mutual funds	21.8	22.3
Insurance savings through life and pension policies	19.1	17.8

* Pursuant to the Act on the Supervision of Financial and Insurance Conglomerates.

** Pursuant to the Credit Institutions Act.

The ordering address for the OP Bank Group Annual Report 2006 can be found on page 56.

OVERVIEW FOR SHAREHOLDERS

Combination of banking and insurance operations creates added value

The most important issue in 2006 was the rapid integration of Pohjola's operations with OKO Bank and the rest of the OP Bank Group. The integration was carried out very successfully. The number of Pohjola branch offices more than doubled during the year, and most of them were combined with the branches of our member banks. Customers are now able to reach Pohjola's service personnel at more than 200 locations.

With regard to customer relationships, co-operation between Pohjola and our member banks was fruitful. We gained approximately 35 000 new household customers who pooled their business with Pohjola during 2006. The number increased manifold on previous years. The profit synergies promised to our shareholders are being realised according to plan.

The combination of banking and insurance operations also aims for cost savings. Of the annual EUR 35 million cost savings target, about EUR 25 million was individualised in 2006. EUR 13 million of the total was realised in 2006 earnings.

Earnings at the expected level

Consolidated earnings last year were in line with our expectations, EUR 223 million before tax. Earnings per share at fair values stood at EUR 0.89 compared to EUR 0.85 for continuing operations a year earlier. We are satisfied with the fact that the new OKO Bank Group was already able to improve its EPS during the first year of operation.

The earnings of Banking and Investment Services were excellent, and strong growth was observed. The loan and guarantee portfolio increased by 20% in a year, which reflects a clearly strengthened position as a corporate bank. Growth was also strong in Asset Management. The amount of assets under management exceeded EUR 31 billion. Despite major changes within the Group, we were able to maintain customer focus in our operations and ways of thinking.

Premium revenue from Non-life Insurance increased by some 6% due to a substantial increase in the customer base. The balance on technical account was hampered by the unfavourable trend in large claims in 2006. However, the operative combined ratio of 95.4% is one of the best in the history of Pohjola's operations. Return on investments was 5.2%, which was in line with our expectations.

Personnel plays a key role

Last year our personnel worked under exceptional circumstances: many saw their tasks change, many got new colleagues, and many were transferred to a new employer or a new site. In the middle of a major change, our personnel had the desire, competence and resources to successfully carry out their tasks associated with customer service and the integration of organisations. We are very proud of this! We are also very glad that we were able to carry out the required adaptation measures last year according to plan, without any redundancies.

Historic reform of governance model

The year was also marked by the reform of OKO Bank's governance model. The General Meeting in spring 2006 no longer elected a Supervisory Board but rather a Board of Directors independent of the executive management. The initiative was taken by the main shareholder of OKO Bank, the OP Bank Group Central Cooperative when the corporate governance model was changed to conform to the stock exchange recommendations. On the basis of experience gained in 2006, we believe that the change serves the benefit of the company and its shareholders.

Competitive environment under constant change

We ourselves changed the competitive environment in the financial sector in the autumn of 2005 by acquiring the Pohjola insurance company, while our competitors in the sector were taking active restructuring measures in the autumn of 2006. After the changes seen last year, OKO Bank is the country's only large commercial bank with a Finnish majority holding. Competitive pricing and quality of services and products always play a key role in the financial sector. Our intention is to ensure that these things continue to be in order. Furthermore, we seek a competitive advantage through the long-spanning manner of our operations enabled by stable ownership and rapid decision-making close to the customer.

Reijo Karhinen

Mikael Silvennoinen

Competitive dividend

OKO Bank has a reputation of good dividend payments. We intend to ensure this also in the future, as a competitive dividend is a major part of the shareholder's overall profit. In fact, the Board of Directors proposes to the General Meeting that the dividend for 2006 should be EUR 0.05 more than a year earlier. The Board of Directors proposes that the dividend to be paid on Series A shares should be EUR 0.65 and on Series K shares EUR 0.62.

Looking forward with confidence

The OKO Bank Group is positioned for 2007 as a clearly larger bank and asset manager than a year earlier. The customer base of our non-life insurance operations is also clearly larger than a year ago. Our financial position is strong and our risk exposure is good. The sound basis of our business combined with close co-operation between OKO Bank, Pohjola and the member banks, as well as customer confidence, provide favourable conditions for improving our performance in 2007. This is definitely our target.

We wish to thank our shareholders and customers for their confidence in OKO Bank. We also wish to express our gratitude towards the Group's personnel for the excellent work done last year.

Helsinki, 15 February 2007

Reijo Karhinen
Chairman of the Board

Mikael Silvennoinen
President and CEO

EVENTS DURING THE YEAR

10 JANUARY
OKO Bank's ownership of Pohjola shares and votes exceeded 90%. OKO Bank announced it would commence operations in accordance with the Companies Act in order to redeem the rest of Pohjola shares and option rights. OKO Bank offered a redemption price of EUR 13.35 per share.

16 JANUARY
Pohjola's General Meeting of Shareholders decided to sell the entire stock of Pohjola Life Insurance Company Ltd for EUR 281 million to the OP Bank Group Central Cooperative, and Pohjola Asset Management for EUR 118.5 million to OKO Bank.

1 MARCH
OKO Bank's and Pohjola's asset management operations were merged into one company, which is called OKO Asset Management Limited. The company is a leading Finnish asset manager. The Corporate Finance business was transferred to OKO Corporate Finance Ltd.

30 MARCH
OKO Bank's Supervisory Board was abolished and a Board of Directors that does not include persons from the company's active management was elected. The number of members of the Board of Directors was confirmed to be 10.

1 JUNE
The company's official business name in Finnish was shortened from OKO Osuuspankkien Keskuspankki Oyj to OKO Pankki Oyj (OKO Bank plc in English).

13 JUNE
OKO Bank gained possession of a 100% holding of Pohjola shares, which resulted in delisting of Pohjola Group plc from the Helsinki Stock Exchange.

The main objective of OKO Research is to provide a justified opinion to support customers' investment decisions. My work as an analyst emphasises expertise, the ability to simplify things and knowledge of customers.

Sampo Brisk
Analyst
OKO Research

7 SEPTEMBER

The credit rating agency Standard & Poor's amended its assessment of OKO Bank's outlook from negative to stable. According to S&P, the amended outlook reflects the substantial progress of the Pohjola integration.

30 SEPTEMBER

Opstock Ltd merged with its parent company OKO Bank which will continue Opstock's previous securities brokerage and investment research operations. OKO Bank operates as a broker on the Helsinki and Stockholm stock exchanges and the Eurex derivatives exchange.

30 OCTOBER

OKO Bank's 1999 stock option scheme for the entire personnel expired.

31 DECEMBER

Pohjola Group Ltd, a fully-owned subsidiary of OKO Bank, merged with its parent company. The merger will clarify the Group's corporate structure, improve business efficiency and reduce administrative expenses.

Mr Antti Tanskanen, who served as the Chairman and CEO of the OP Bank Group for ten years, retired.

Events in early 2007

1 JANUARY

Mr Reijo Karhinen assumed his duties as Chairman of OKO Bank's Board of Directors and as Executive Chairman of the OP Bank Group.

STRATEGY

A new strategy was confirmed for OKO Bank in May 2006. The strategy was drawn up on the basis of new business structure following the Pohjola acquisition. The financial targets were also redefined.

Vision

Mission

We create financial benefits for our customers and shareholders.

Key strategic messages

- OKO Bank strongly emphasises the profitability of its operations and efficient management of capital.
- The Group seeks growth in all of its business areas – but not at the expense of profitability. The growth is supported by the OP Bank Group's broad clientele and Finland's most renowned banking and insurance brands.

Business focus areas and market position targets

Banking and Investment Services

As a corporate and investment bank, OKO Bank aims at strengthening its current second place in the market while intending to further its market position as the banker of large and medium-sized businesses in particular. In the SMB sector, the bank strives for market leadership together with the rest of the OP Bank Group.

For domestic customers, OKO Bank offers versatile financing, investment and payment transfer solutions locally as well as internationally. For foreign customers, the bank offers banking services that address business needs relating to both Finland and the neighbouring countries.

The growth in banking operations will be boosted by OKO Bank's in-depth knowledge of the customer base, flexible service, rapid decision-making, sustained business operations, and high credit ratings.

In Asset Management, the bank aims to attain the leading market position in Finland. The company is already Finland's leading service provider in asset management for institutions.

Non-life Insurance

The Non-life Insurance services of the OKO Bank Group are provided by Pohjola. In Non-life Insurance, the objective is to rise to the position of market leader in Finland from the present 2nd place. The aim is to increase the number of loyal customer households from the current 367 000 to 500 000 by the year 2010.

The growth target for Non-life Insurance is underpinned by close co-operation with OP Bank Group member retail banks. Further growth is sought from among household customers, small and medium-sized companies as well as from the agriculture and forestry sectors. The strategy is to lay emphasis on risk-based premium rating.

The strategic and financial targets of OKO Bank's business divisions are described in more detail in the respective sections below.

Financial targets for the strategy period 2006–2009

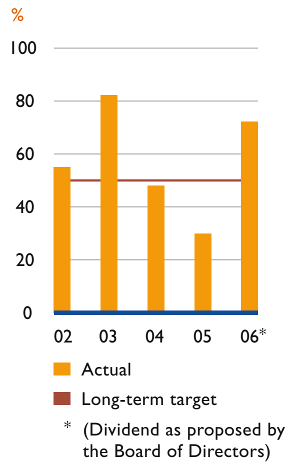
	2006	Target by 2009
Group		
Return on equity, %	9.5	13.0
Tier 1 ratio, %	8.2	at least 8.0
Banking and Investment Services		
Operative return on equity, %	18.2	> 18
Operative cost/income ratio, %	41.5	40
Non-life Insurance		
Operative return on equity, %	20.9	> 20
Operative combined ratio, %	95.4	< 94

OKO Bank's targeted credit rating is AA. (See page 9.)

Dividend policy

The annual amount of dividend will be impacted by the Group's operational profitability, growth and capitalisation needs. OKO Bank aims to distribute at least 50% of earnings per share in dividend to shareholders, provided that the minimum target for capital adequacy is met.

Dividend payout ratio



Means for attaining the strategic targets:

- customer-oriented, sustained business operations
- utilising the customer information shared by banking and insurance operations in order to improve service
- best loyal customer benefits for household customers
- OP Bank Group's versatile and extensive service network
- competent personnel satisfied with their work
- high-quality, proactive risk management

I openly discuss the problems and viewpoints associated with claims settlement decisions with customers. Our experience is utilised in the development of claims services and product development.

Katja Parkkonen
Customer Ombudsman
Pohjola, Claims Settlement

CORE VALUES

In its business operations, the OKO Bank Group is:

RESPONSIBLE

Our customer relationships are long-lasting and based on mutual trust.
We keep what we promise.
Our business operations are generally acceptable.
We promote the economic well-being and sustainable development of society.

STRAIGHTFORWARD

Our service is friendly, fast and people-oriented.
We avoid unnecessary bureaucracy and are easy to approach.
We operate and communicate in an open and transparent manner.

PROGRESSIVE

We address the challenges of the changing operating environment.
We anticipate the needs of our customers.
We adopt the best operating practices and develop our competencies systematically.

SUCCESSFUL

We prosper together with our customers.
We provide reliable and competitive returns on the investments of our shareholders.
We create an inspiring work community. We offer attractive career prospects and reward good work performance.

OUTLOOK

Financial targets for 2007

OKO Bank's Board of Directors has set the year 2007 financial targets for the company's business lines and the whole Group, as follows:

- In Banking and Investment Services, earnings before tax at the same or higher level than in 2006.
- In Non-life Insurance, the combined ratio excluding changes in reserving bases and the amortisation of intangible assets arising from the acquisition below 94.0%.
- In Non-life Insurance, return on the investment portfolio in accordance with the investment plan where the long-term return expectation is 5.2%.
- Growth in the consolidated earnings before tax at fair values a minimum of 10%.

Future outlook

In Banking and Investment Services, growth in the corporate loan market is estimated to slow down in 2007. The interest rate level will probably increase slightly but remain low. The financial situation of companies is estimated to remain good. Lending margins are not expected to decrease significantly. OKO Bank's corporate loan portfolio is expected to grow faster than the market. The risk exposure is forecast to remain good and the amount of impairment losses on receivables at a lower level than normally.

Although changes in the competitive environment may lower the level of service fees, OKO Bank's commission income is expected to increase as a result of growing demand for structured product and service packages.

In Asset Management, the amount of assets under management is estimated to increase further. Consequently, the earnings of Asset Management are forecast to increase as a result of income growth and materialised cost synergies.

Demand for insurance products and more comprehensive cover is estimated to increase along with natural catastrophes and the low level of premiums written per capita in Finland. In addition to the market growth, an increase in Pohjola's insurance premium revenue is impacted by cooperation with the retail banks within the OP Bank Group, which is estimated to boost Pohjola's market position especially in the household customer base. In Non-life Insurance, price competition is expected to remain the same as in 2006, whereas premium rating is expected to move increasingly towards customer-specific and risk-based rating. Growth in Pohjola's insurance premium revenue is forecast to exceed the GNP growth this year. The incidence of major losses is expected to normalise from the unfavourable trend in 2006. Operating expenses will increase owing to an increased insurance portfolio but the growth is estimated to be more moderate than that of insurance premium revenue.

The development of the equity and fixed income markets will have an impact on the earnings of both Banking and Investment Services and Non-life Insurance.

The earnings from other operations are expected to be at the same level as in 2006.

BUSINESS LINES

BANKING AND INVESTMENT SERVICES

Market position of OKO Bank Corporate Banking business increasingly stronger despite intense competition

The rapid growth of OKO Bank's Banking and Investment Services continued in all business divisions in 2006, while profitability and risk exposure remained at a good level. The earnings performance reached a new record level. I am indeed very happy with our results: we have clearly progressed on the path set out in OKO Bank's strategy by substantially increasing our market share in several sectors.

OKO Bank's market share in corporate loans has more than doubled in less than ten years, already amounting to over 17%. At the same time, we have, together with the rest of the OP Bank Group, reached our targeted market leadership in the SMB sector. Our position as the banker of large businesses has continuously strengthened and, measured with different indicators, we are today clearly the second largest bank in this customer segment. I am particularly satisfied with our ability to profitably strengthen our position in an increasingly intense competitive environment. In my opinion, this indicates that our customer service, products and pricing have been competitive.

Our position as a provider of versatile corporate banking services was clearly strengthened last year. Another area in which we have made dramatic progress is domestic and international payment transfer services for companies. An increasing number of large and medium-sized businesses have selected OKO Bank as their payment-transfer bank, centralising their cash management with us.

The derivatives market is one of the fastest-growing markets in the finance industry. In line with its strategy, OKO Bank wants to increase its market share in this business. Companies make increasingly frequent use of derivative, instruments to hedge against a variety of interest rate, foreign exchange and other price risks. Derivatives are also found in the background of many familiar bank products, such as interest rate limit or index loans.

In March 2006, the asset management operations of OKO Bank and Pohjola were combined into an Asset Management business division. Assets under management at year-end exceeded EUR 31 billion. The portion of Asset Management in the earnings of Banking and Investment Services increased.

Our goal is to become the most attractive and most successful corporate and investment bank in Finland. Reaching this goal requires profound understanding of our customers' needs and sustained business operations, as well as consistent and prompt decision-making. We have received a lot of praise on the above from our customer companies, and I believe these factors will also guarantee our success in the increasingly fierce international competition.

Timo Ritakallio
Deputy CEO, Head of Banking and Investment Services

Banking and Investment Services comprises four divisions: Corporate Banking, Markets, Group Treasury and Asset Management.

Financial targets

	2006	2009
Operative return on equity, %	18.2	> 18
Operative cost/income ratio, %	41.5	40

Market position targets

	2001	Now	2009
Bank for large enterprises	3rd	2nd	2nd
Bank for SMEs*	2nd	1st	1st
Financing service provider in capital markets	3rd	2nd	1st

* Together with other parts of the OP Bank Group.

Corporate Banking

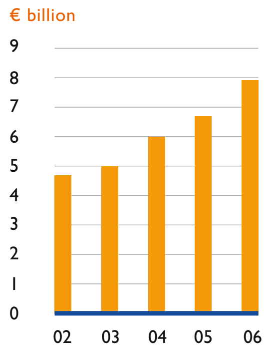
Corporate Banking offers corporate customers and institutions financing, payment transfer and cash management services, as well as financing and risk management services for foreign trade. Among other things, it grants loans and guarantees as well as leasing and factoring services, and engages in venture capital investments.

OKO Bank's aim is to become the leading Finnish corporate bank by strengthening its market position as a bank for large and medium-sized companies and as a corporate cash management services and payment transfer services provider. The target with large enterprises is to maintain the number two position in the market. With regard to financing, the Bank aims to strengthen its position particularly among businesses in the Greater Helsinki area, as well as in vehicle financing and consumer financing through co-operation with retailers.

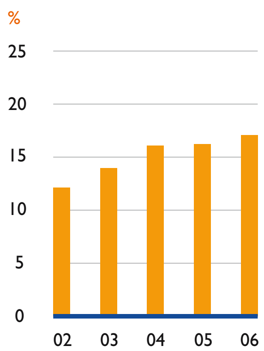
During 2006, OKO Bank's market share in corporate loans increased to 17.2% (16.3), while the corresponding figure for finance company products was 34.2% (33.0). OKO Bank was active in financing mergers and acquisitions and clearly strengthened its market position as the lead manager for syndicated loans. Towards the end of the year, OKO Bank launched new derivative products in the form of corporate loans linked to an interest rate ceiling or interest rate band.

Corporate Banking's loan portfolio increased by 17% to EUR 7.9 billion. Companies were provided with EUR 2.0 billion (2.2) of new long-term financing and EUR 1.2 billion (1.1) of new financing related to leasing and factoring. Despite intense price competition, the margins on OKO Bank's corporate loan portfolio remained at the previous year's level. However, the margins on loans and guarantees granted to municipalities and other institutions decreased slightly. The guarantee portfolio increased by 50% to EUR 1.8 billion. Corporate Banking's risk exposure remained good.

Loan portfolio of Corporate Banking



OKO Bank market share of corporate loans



* Since beginning of 2003 according to the new statistics of the Bank of Finland

As a payment transfer and cash management services provider, OKO Bank has been successful in achieving larger and more demanding customer relationships, which provides good preconditions for expanding the business. The number of outgoing and incoming payment transfers in 2006 was 152 million (142 million). The market share of the OP Bank Group in payment transfer services is about one third. OKO Bank also strengthened its position as a provider of financing for foreign trade.

Venture capital investments are the responsibility of OKO Bank's subsidiary OKO Venture Capital Ltd, which manages venture capital funds worth approximately EUR 121 million and has invested in more than 50 companies. The focus of the company's investments is on mergers, acquisitions and the expansion of small and medium-sized enterprises.

According to corporate image surveys, corporate customers perceive high-quality services, skilled personnel and committed management as OKO Bank's strengths. Customers also appreciate the long-term management of customer relationships and reliability.

OKO Bank is a member of the Unico Banking Group comprised of European co-operative banks. Unico's member banks are significant banks in their respective countries, including Crédit Agricole in France, DZ BANK in Germany, Rabobank in the Netherlands and RZB in Austria. The branches of the Unico banks form an extensive international service network that also serves as a sales channel for the equity and bond issues of OKO Bank's corporate customers and other similar services. In 2006, the Unico co-operation continued to focus on the development of payment transfer and cash management services, as well as the international capital market, financing and leasing services for corporate customers.

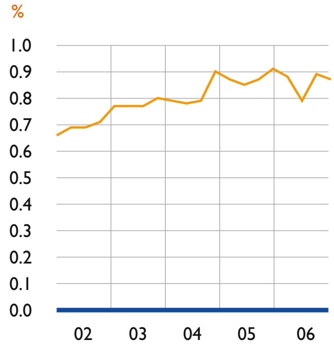
Markets

The different sectors of investment banking are now for the first time in OKO Bank's history centralised in the same division under the name Markets. Its service offering includes the arrangement of debt issues, corporate finance services, equity, foreign exchange, money market and derivative products, as well as research. The customers are Finnish and international companies and organisations.

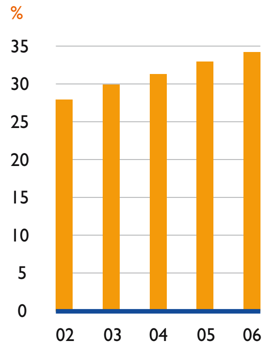
The aim of Markets is to maintain OKO Bank's leading position as an arranger of debt issues, as well as achieve growth particularly in the derivatives business by expanding the product range and utilising different sales channels. Other targets include increasing equity brokerage and the sales of money market and foreign exchange products, as well as further strengthening OKO Bank's share of securitised financing for Finnish companies. OKO Bank has the facilities for providing its customers with integrated comprehensive investment and financing solutions.

OKO Bank is the leading arranger of debt issues for Finnish companies within Finland. In 2006, OKO Bank acted as lead manager in six bond emissions that accumulated a total of EUR 450 million (375) of funding for customers. Furthermore, OKO Bank issued structured index loans to an aggregate total of EUR 91 million (119).

Average margin of corporate loan portfolio

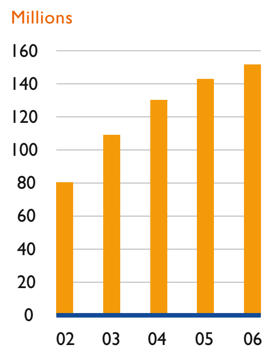


OKO Bank market share of loan portfolio of finance company products



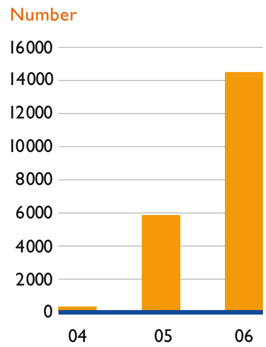
Source: Federation of Finnish Financial Services

Payment transfers of Corporate Banking



The derivatives business is one of the focal points of the OKO Bank Group's strategy, as companies are increasingly utilising derivatives to hedge against interest rate risk, foreign exchange risk and other price risks. The Markets division works in close co-operation with Corporate Banking by providing corporate customers with alternatives to direct loans, such as debt issue arrangements. The aggregate turnover of customer trading in fixed income, derivative and foreign exchange products in 2006 increased by 17% to more than EUR 239 billion.

Derivatives trading



OKO Bank's market share of brokerage on the OMX Helsinki Stock Exchange in 2006 was 1.9% of the value in euro and 3.7% of the number of trades.

Our 14-member research team is one of the largest in Finland. The monitoring list includes approximately 90 Finnish listed companies. In a StarMine study measuring the accuracy of forecasts and recommendations, OKO Research performed well. It was the best among Finnish teams in terms of the accuracy of forecasts concerning OMXH25 stocks. OKO Research's investment recommendations on Nokia were assessed as the best in the world. Research is actively utilised as a support for sales within the entire division.

OKO Bank's subsidiary OKO Corporate Finance Ltd provides services for share issues and sales as well as mergers and acquisitions in Finland. In Russia, services associated with mergers, acquisitions and structured financing are provided by OKO Bank's subsidiary ZAO OKO Capital Vostok. In 2006, OKO Bank acted as lead manager in one share issue, as well as manager in one share issue and several mergers and acquisitions.

Group Treasury

The Group Treasury division is responsible for the OP Bank Group's central financial institution duties, the OKO Bank Group's long-term funding, as well as fixed income, equity and property investments. It is also responsible for the OP Bank Group's relations with banks and debt capital investors, as well as international funding.

As the central financial institution, OKO Bank is responsible for maintaining the liquidity of the OP Bank Group's retail banks and for accepting deposits. OKO Bank is also responsible for acquiring the collateral required by the payment transfer system and provides the retail banks with services associated with the money, foreign exchange and capital markets.

The objective of Group Treasury is to manage the cash assets of the OP Bank Group and to secure its financial position as cost-efficiently as possible, and to invest OKO Bank's own funds safely and lucratively.

The crucial points of the Central Banking function include cost-efficiency and the development of electronic transactions on the basis of the service needs of the OP Bank Group's retail banks. The objective is to provide the retail banks with central banking services of a high quality at a competitive cost.

The funding requirement of OP Bank Group retail banks continued to increase in 2006. At the end of the year, OKO Bank's receivables from the retail banks amounted to EUR 4.7 billion (3.7). The amount of retail banks' deposits in OKO Bank stood at EUR 1.3 billion (1.6).

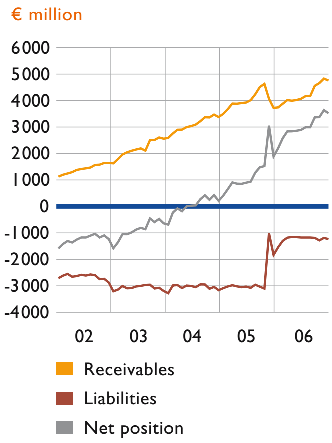
Treasury engages in fixed income, equity and property investment activities. It is also responsible for the Group's long-term funding and relationships with banks and debt capital investors. OKO Bank's objective is to maintain an AA credit rating with at least two credit rating agencies.

Long-term funding was increased during 2006, and the amount of debt securities issued to the public increased to EUR 14 billion (9.0). OKO Bank issued a total of EUR 3.6 billion of long-term bonds to the international markets. The amount of certificates of deposit issued by OKO Bank stood at EUR 4.3 billion (3.5) at the end of the year, while the amount of Euro Commercial Paper was EUR 1.9 billion (0.9).

The liquidity portfolio established to ensure the solvency of the OP Bank Group stood at EUR 1.8 billion at year-end. The aggregate amount of investments in equity and venture capital funds was EUR 53 million (74).

Capital invested in property holdings decreased to EUR 38 million (48), with properties in own use representing EUR 4 million.

Receivables and liabilities between OKO Bank and OP Bank Group retail banks



Asset Management

The Asset Management division was created in March 2006 through the combination of OKO Bank's and Pohjola's asset management functions. The combination clearly strengthened OKO Bank's market position in asset management and expanded the range of services offered to customers. Cost synergies from the combination will amount to EUR 5 million and are expected to be realised by the end of 2007. The Asset Management division comprises OKO Asset Management Limited and Pohjola Property Management Ltd.

OKO Asset Management has a strong position as an asset manager for Finnish institutions and wealthy individuals. Furthermore, portfolio management for OP Fund Management Company Ltd's mutual funds is mostly centralised in OKO Asset Management. Assets under management increased by 14% during 2006 and stood at EUR 31.3 billion at the end of the year. The assets are managed by more than 120 investment professionals.

In Asset Management, OKO Bank aims for the leading position in Finland. Other objectives include an annual earnings improvement of more than 15% and a cost-income ratio of less than 50%. Growth is sought particularly in the institutional and private customer bases, as well as portfolio management for mutual funds.

The earnings of the Asset Management division before the amortisation of intangible assets arising from the acquisition of Pohjola Asset Management Limited stood at almost EUR 14 million. Asset Management's share of the earnings of Banking and Investment Services increased.

Strong growth continued in institutional asset management during 2006. The most intense demand was seen in the category of alternative investments, in which products and

The most challenging and also rewarding part of our work is to respond to the developing service needs of customer corporations. This is teamwork in which we seek solutions in collaboration with the customer and the bank's experts.

Maritta Sintonen
Finance Manager
OKO Corporate Banking

Titta Karhunen
Finance Assistant
OKO Corporate Banking

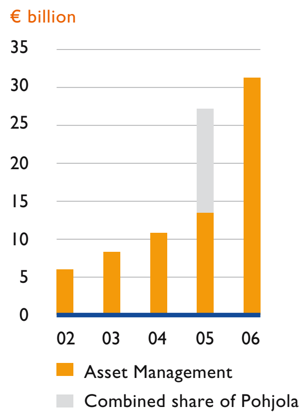
service concepts aiming for absolute returns were particularly appealing to investors. Institutional customer assets under management stood at EUR 17.6 billion at the end of the year, and institutional customers have also invested substantial amounts in OP mutual funds and the mutual funds of Asset Management's international partners. The total number of institutional customers is almost 400.

OKO Private, which is responsible for asset management services for individuals, focuses on customer entities worth more than EUR 1 million in the Greater Helsinki area, as well as services for the executive management of OKO Bank's corporate customers. OKO Private specialises in discretionary asset management, particularly using service concepts aiming for absolute returns. The amount of customer assets grew rapidly: at the turn of the year, there were more than one thousand customer portfolios amounting to a total of more than EUR 0.7 billion.

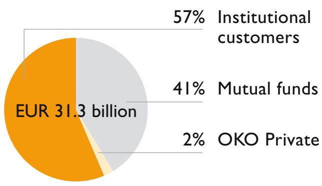
About one third of the customer assets managed by Asset Management consists of the capital of OP mutual funds. The aggregate market share of OP mutual funds was 21.8% (17.2) at the end of the year. Growth was strong and the number of funds increased significantly through the combination of Pohjola's and OP Fund Management Company's product ranges. After the combination, portfolio management and value calculation of the funds were transferred to a common portfolio management system. In addition to extensive portfolio management of its own, OKO Asset Management has 16 international partners offering mutual funds for the needs of institutional as well as private customers.

The division also covers Pohjola Property Management Ltd, which focuses on real estate investments in Finland and the selection of real estate funds in the international markets. The first real estate fund aimed at professional investors, REFF1 Ky, was established in October 2006. It makes investments in the Finnish real estate market in the Greater Helsinki area and regional growth centres. The fund aims at a maximum investment capacity of EUR 250 million with EUR 100 million in shareholders' equity.

Assets under management



Assets under management
31 December 2006



Performance of Banking and Investment Services

	2006				2006	2005
	1–3	4–6	7–9	10–12	1–12	1–12
Income statement, EUR million						
Net interest income	30	28	27	29	113	112
Impairment losses on receivables	-1	0	2	0	1	4
Net interest income after impairment losses	30	28	25	28	112	108
Net commissions and fees	23	22	26	29	99	77
Net income from trading	3	2	6	9	19	16
Net investment income	14	8	2	6	29	16
Other operating income	7	7	4	7	24	13
Total net income	76	67	62	79	284	230
Total operating expenses	29	29	27	36	118	94
Amortisation on intangible assets arising from acquisition	1	1	1	1	3	0
Earnings before tax	47	37	35	43	163	136
Change in fair value reserve	-4	-7	2	2	-7	2
Earnings before tax at fair values	43	30	37	45	156	138

	31 Dec.	31 Dec.
Volume data, EUR billion		
Receivables from customers	7.9	6.8
Unused standby credit facilities	3.6	2.6
Guarantees	1.9	1.4
Assets under management	31.3	27.5
Notes and bonds	4.9	3.7
Receivables from OP Bank Group retail banks	4.7	3.7
Liabilities to OP Bank Group retail banks	1.3	1.6
Risk-weighted commitments	11.1	9.5
Debt securities issued to the public	13.9	9.1
Proportion of problem receivables in loans and guarantees, %	0.2	0.2
Personnel	718	752
Price data, %		
Average margin on corporate loan portfolio	0.87	0.91
Average margin on loans to municipalities and institutions	0.24	0.28
Average margin on loans to OP Bank Group retail banks	0.12	0.15
Average margin on deposits from OP Bank Group retail banks	0.11	0.19

Customer service is the undisputed cornerstone of our operations in addition to successful investment operations and solid professional skill. The constantly developing global investment market offers new challenges every day and makes my work interesting.

Pasi Vuorinen
Investment Director
OKO Asset Management Limited

In Banking and Investment Services, earnings before tax stood at EUR 163 million (136). Income before impairment losses on receivables increased by EUR 51 million and expenses by EUR 28 million from the year 2005.

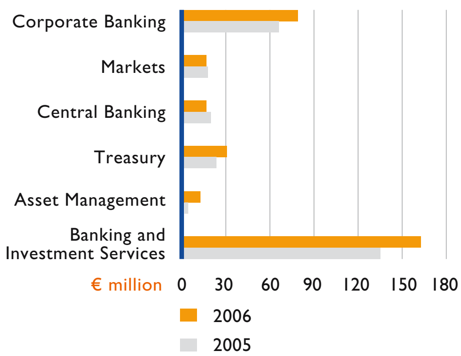
Net interest income before impairment losses on receivables was EUR 113 million (112). The abolishment of the cash reserve deposit system in November 2005 and the allocation of interest expenses of capital loans to business lines, which corresponded to the strategy confirmed in the spring of 2006, impaired the net interest income by a total of around EUR 13 million. The net interest income, adjusted by these factors, increased mainly owing to the strong growth in the loan portfolio.

Net commission income increased to EUR 99 million (77). Growth in the commission income was mainly due to an increase in the earnings of OKO Asset Management.

Net investment income amounted to EUR 29 million (16).

Operative return on equity was 18.2% and the cost/income ratio 41.5%.

Banking and Investment Services
Earnings before tax by division



NON-LIFE INSURANCE

Market position strengthened in Non-life Insurance

2006 was the first full year of the 115-year-old Pohjola as part of OKO Bank and the OP Bank Group. Most Pohjola branch offices moved to the premises of OP Bank Group member banks, and most IT and administrative services were combined with the corresponding functions of the OP Bank Group. The structural changes did not affect operational activity.

I am very satisfied with the development of insurance premium revenue. In the rapidly growing insurance market of the Baltic countries, Pohjola grew by as much as 53%. It is particularly gratifying to note that our reformed service offering resulted in increased sales of statutory and voluntary motor insurance policies. The market share calculated from vehicle registrations increased by almost two percentage points.

The number of loyal customer households increased by 34 500 on the previous year, and the number of households who have pooled their insurance policies with Pohjola exceeded 367 000. The growth rate of the private customer base was at an all time best. Joint loyal customer benefits offered by the OP Bank Group, as well as the expansion of Pohjola's branch office network to several member banks, significantly contributed to the increase in loyal customer households. There has also been growth in the number of corporate customers. According to our estimate, we maintained market leadership as a corporate insurer. Through co-operation with OP Bank Group member banks, we were able to increase our share particularly among small companies, start-up companies and farms.

Cross sales between Pohjola and the other parts of the OP Bank Group gained good momentum. The cross sales potential will also be substantial in upcoming years as the share of customers who have pooled their banking and insurance services in the OP Bank Group is only slightly more than 20%.

The incidence of loss was divided during the year. In the first half of the year, the amount of large and medium-size losses was below the previous year's level, but poor development in large losses in the second half resulted in Pohjola's balance on technical account dropping below the target. Return on investments in Non-life Insurance amounted to 5.2% at fair values, which is in line with the long-term target level.

One of the most important changes in the operating environment in 2006 was that networking between Finnish non-life insurance companies and other service providers became more intense. All major non-life insurance companies co-operated with the banking sector through ownership or agreements.

The search for safety is increasing among the customer base. Concern about one's own well-being and safety increases the demand for insurance. Premiums written from voluntary insurance policies per capita is low in Finland and the Baltic States compared to other nearby markets, which contributes to growth potential.

POHJOLA

Tomi Yli-Kyyny
President
Pohjola

Non-life Insurance covers three business divisions, which are Private Customers, Corporate Customers and the Baltic States.

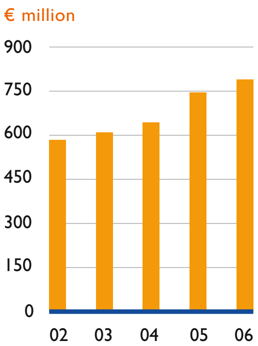
Financial targets

	2006	2009
Operative combined ratio, %	95.4	< 94
Operative return on equity, %	20.9	> 20

Market position targets

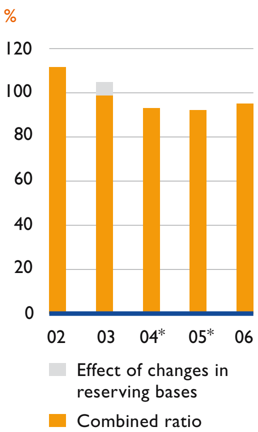
	Now	2009
Private Customers	3rd	1st
Corporate Customers	1st	1st

Insurance premium revenue (IFRS)



The figures for 2002–2005 are figures for Pohjola non-life insurance segment before acquisition by OKO Bank

Combined ratio



* One-off IFRS adjustments included

The figures for 2002–2005 are figures for Pohjola non-life insurance segment before acquisition by OKO Bank

Comprehensive non-life insurance cover is offered to private, corporate and institutional customers under the Pohjola, A-Vakuutus (A-Insurance), Eurooppalainen and Seesam brands. Pohjola Non-Life Insurance Company Ltd is a non-life insurance company, A-Insurance Ltd focuses on insurance for professional transport, and Eurooppalainen Insurance Company Ltd focuses on travel insurance. Local Seesam companies are responsible for non-life insurance operations in the Baltic States.

Non-life insurance refers to bearing the customer's risk against insurance premium. Claims service is a central part of the operations through which insurance cover becomes concrete for the customers. Furthermore, customers are provided with a wide range of services and advice associated with risk management and safety.

The operating profit of Non-life Insurance comprises the balance on technical account and investment income. The balance on technical account refers to insurance premium revenue deducted by claims incurred and operating expenses. The most important profitability indicator is the combined ratio indicating the proportion of claims incurred and operating expenses to insurance premium revenue.

The operative combined ratio of Non-life Insurance in 2006 was 95.4% (92.3). The combined ratio is improved through correct pricing and risk selection, reinsurance and proactive loss prevention, as well as by automation of processes and improvement of their efficiency.

Pohjola is Finland's second largest non-life insurer with an approximate market share of one quarter (26% in 2005). It has more than 1.6 million customers in Finland and about 200 000 in the Baltic States. Pohjola's objective is to become the leading non-life insurance company in Finland. The company is already the leading insurer in sectors such as statutory workers' compensation insurance, insurance for professional transport and travel insurance. The market share data for 2006 will become available in the spring of 2007.

Pohjola is also a crucial sales and customer service channel for statutory employment pension insurance policies provided by Ilmarinen Mutual Pension Insurance Company.

Customer service by telephone is interesting and rewarding. In my work, the slogan "Live Your Life" means that I concentrate on the customer so that I can find the correct solutions for her needs.

Raija Peltonen
Customer Service Adviser, Call Centre
Pohjola, Private Customers
Tampere

Ilmarinen is responsible for insuring the pension cover of almost 390 000 employees and 50 000 entrepreneurs.

Pohjola's insurance financial strength rating is A+ (stable outlook), Standard & Poor's (7 September 2006). The objective is to maintain the solvency capital at a level corresponding to an A insurance financial strength rating. The solvency capital of Non-life Insurance calculated from the IFRS balance sheet was EUR 592 million (836) at the end of 2006, and the solvency ratio was 75% (112).

Pohjola's market position is expected to strengthen in the long-term. The growth in premiums written is expected to continue due to an increasing customer base. Operating as part of the OP Bank Group provides Pohjola with new opportunities for increasing its customer base among private customers, small enterprises and farms in particular.

Private customers

Pohjola has more than 367 000 loyal customer households in Finland who have pooled their insurance policies with Pohjola. The objective is to have 500 000 loyal customer households by 2010. The number of loyal customer households increased by 34 500 in 2006, clearly more than in the previous years (6 400 in 2005 and 4 200 in 2004. These figures do not include customers transferred from A-Insurance.)

Insurance premium revenue excluding extraordinary items amounted to EUR 308 million (283), an increase of 9.1%. Growth was faster than expected and the targets were clearly exceeded. The most intense growth was seen in motor liability and comprehensive motor vehicle insurance, with the new Motor Vehicle Cover (Autoturva) product concept supporting growth.

As a substantial new benefit, Pohjola, jointly with the OP Bank Group member banks, offered one year of insurance for home contents free of charge to existing and new customers who pooled their banking and insurance affairs with the OP Bank Group in 2006. The stronger loyal customer relationship and the new Motor Vehicle Cover concept have increased the number of customers.

The most important types of policies for private customers are: motor vehicle insurance, home insurance, accident and medical expenses insurance, travel insurance (Eurooppalainen) and animal insurance.

The major products providing insurance cover for private customers are the Extrasure contract (Mittaturva) and the Motor Vehicle Cover. The Extrasure contract provides flexible insurance cover for the family and home. The Motor Vehicle Cover, which was launched in late 2005, includes insurance for motor vehicles and has provided substantial added value to our co-operation partners in the vehicle trade. Our market share of the registrations of all vehicles increased by 1.85 percentage points.

Pohjola co-operates with approximately 50 different sports federations. The insurance policy linked to a sports licence and sold through sports federations is called Sports Cover (Sporttiturva). It has been developed jointly with the Finnish Olympic Committee, the Finnish Sports Federation, the most important sport-specific federations and medical experts. The total number of Sports Cover policies is approximately 500 000.

Starting in the autumn of 2007, OP bonus customers can use their bonuses to pay for Pohjola products. Furthermore, they will receive an additional discount of 3% on insurance premiums in addition to the 7% loyal customer discount.

Corporate and institutional customers

Pohjola maintained its strong position as an insurer of enterprises and public corporations in 2006. According to our estimate, we remain the market leader in statutory workers' compensation insurance (market share 34% in 2005) and are also a leading insurer in customer segments requiring special competence, such as large enterprises. The target set for the increase in insurance premium revenue was clearly exceeded. Insurance premium revenue without extraordinary items amounted to EUR 434 million (417), an increase of 4.3%.

Insurance premium revenue from statutory workers' compensation insurance declined as expected due to tariff cuts. Furthermore, the number of accidents among large customers was substantially lower than in 2005, which decreased insurance premium

We help companies find the most suitable insurance solution – the one that best covers the risks associated with their business.

Harri Kortemäki
Account Manager
Pohjola, Corporate Customers
Jyväskylä

On the right, Managing Director
Esa Muilu of Sähkökymppi Oy

revenue from this customer group in statutory workers' compensation insurance. Growth in other corporate insurance was faster than expected, particularly in corporate motor liability and comprehensive motor vehicle insurance.

The most important types of policies for corporate and institutional customers are statutory workers' compensation, property, business interruption, liability, motor vehicle, cargo, marine hull, guarantee and decennial (construction defects) insurance. Risk management services comprise methods and training for risk surveying, assessment and management.

A-Insurance specialises in insurance for professional transport and its customers include goods and passenger transport as well as earth construction and machinery enterprises. In addition to insurance policies, A-Insurance provides its customers with the Aateli risk management service and other extensive expert services associated with occupational safety, the prevention of transport risks and the planning of corporate security.

Pohjola invested substantial effort in the development of information systems for the corporate business and the processes are expected to become streamlined in the upcoming years. A complete reform was also carried out in the e-service for corporate customers.

Farm and forest insurance policies were also reformed to better match our targets in these customer groups. The significant improvement of Pohjola's position as an agricultural and forestry insurer was established as a long-term target, and training for personnel and new insurance agents was initiated.

During the year, Pohjola and the member banks also started to develop joint banking and insurance products and services. The first completed product was the financing and insurance package Kohdeturva aimed at transport, machine contracting and earth construction enterprises.

I meet people from all walks of life, who have a common need to know how their matter is progressing. A loss surveyor must be able to take fair and just decisions swiftly.

Timo Impinen
Motor Claims Adjuster
A-Insurance/Pohjola

Service network

The network serving our customers comprises Pohjola and A-Insurance branches, the national 0303 0303 call centre, online service, partners and insurance agents.

Pohjola's and the OP Bank Group member banks' joint branch offices provide customers with insurance and banking services under one roof. Co-operation with the member banks has clearly expanded Pohjola's network: at the end of the year, Pohjola had a service location or agency on shared premises at 175 OP Bank Group member bank offices, and there were 29 separate Pohjola or A-Insurance branches (109 at the end of 2005). The objective is to increase the number of branches offering joint services to approximately 250 during 2007. In addition, Pohjola's agency services are available on the premises of 26 bank offices by separate agreement.

Non-life Insurance employed a total of 2 154 people at the end of 2006, which is approximately 75% of OKO Bank's personnel. Pohjola's agency network has also expanded: there were 170 sales agents at the end of 2006 (110). In order to intensify co-operation with the OP Bank Group, Pohjola introduced a new field organisation in October 2006. It comprises six areas that mostly correspond to the boundaries of the OP Federations. The field organisation is responsible for the sales and customer service for non-life insurance covering private as well as corporate customers.

With regard to corporate customers operating in international markets, Pohjola's partner providing insurance services in foreign locations is the worldwide insurance company Royal & SunAlliance.

Claims service

Pohjola was notified of 321 000 new loss events during the year. The share of claims made through the telephone and online services increased substantially and represented about one third of all claims.

Through partnership agreements, Pohjola has been able to improve the uniform quality, speed and cost structure of claims services. Partnership agreements have been signed with enterprises such as health service providers, vehicle repair shops, building repair services and home appliance dealers.

Of loss reports, 95% lead to a positive claims settlement decision. Pohjola customers also have the opportunity of bringing a negative claims settlement to customer ombudsmen independent of the claims department. In 2006, the three customer ombudsmen handled 886 applications.

Performance of Non-life Insurance

	2006				2006	2005[*]
	1–3	4–6	7–9	10–12	1–12	1–12
Income statement, EUR million						
Insurance premium revenue	187	200	196	204	788	744
Claims incurred	129	129	141	137	536	490
Loss adjustment expenses	10	11	10	12	44	42
Operating expenses	45	43	39	45	172	155
Amortisation/adjustment of intangible assets related to acquisition	7	6	6	6	25	0
Balance on technical account	-4	11	0	3	10	57
Net investment income	36	28	23	28	115	151
Other income and expenses, net	1	-4	1	0	-2	14
Operating profit	33	35	24	32	124	223
Unwinding of discount	9	9	9	9	36	37
Finance costs	1	2	3	2	8	0
Earnings before tax	23	24	11	20	78	184
Change in fair value reserve	-5	-38	46	14	17	53
Earnings at fair values before tax	18	-14	58	34	96	236
Key figures, %						
Operative return on equity					20.9	
Return on equity at fair values						24.0
Operative combined ratio					95.4	92.3
Return on investments					5.2	8.5
					31 Dec.	31 Dec.
Volume data, EUR million						
Insurance contract liabilities						
Discounted insurance contract liabilities					1 223	1 172
Other insurance contract liabilities					746	711
Investment portfolio						
Bonds					1 752	1 697
Money market instruments					22	195
Equities					447	406
Investment property					56	55
Alternative investments					87	65
Average personnel					**2 154**	**2 063**

[*] Non-life insurance of Pohjola group of companies before inclusion in OKO Bank Group consolidated figures.

Insurance premium revenue increased by 5.9% to EUR 788 million (744). This was largely due to a strong growth in comprehensive motor vehicle and motor liability insurance portfolios especially in the last quarter of 2006.

In domestic non-life business, insurance premium revenue increased by 3.3% to EUR 721 million (698). Premium revenue generated by the Baltic business increased by 53.3% to EUR 47 million (31). Premium revenue generated by other foreign insurance business increased to EUR 21 million (16).

Claims incurred and operating expenses

The operative combined ratio was 95.4% (92.3), of which claims incurred represented 67.2 percentage points (65.1) and operating expenses including loss adjustment expenses (cost ratio) 28.2 percentage points (27.2).

Claims incurred (excluding loss adjustment expenses) increased to EUR 536 million (490). Operating expenses were EUR 172 million (155) and loss adjustment expenses EUR 44 million (41). Sales and marketing measures, the introduction of new basic systems, and growth in the Baltic business increased expenses. Operating expenses include integration expenses totalling EUR 2.5 million (2.9).

Investment operations

In Non-life Insurance, the fair value of investments at the end of December was EUR 2.4 billion (2.4), of which equities accounted for 18% (16).

Return on investments at fair values was 5.2%. Net investment income entered in earnings was EUR 115 million. Net investment income at fair values was EUR 133 million.

RISK EXPOSURE

The major risks associated with the OKO Bank Group activities are credit risk, interest rate risk, currency risk, equity risk and liquidity risk arising from Banking and Investment Services, and insurance risks and market risks of investments arising from Non-life Insurance. Strategic and operative risks, such as changes in the economic and competitive situation, or in customer behaviour are inherently related to both business lines.

Risk exposure in Banking and Investment Services

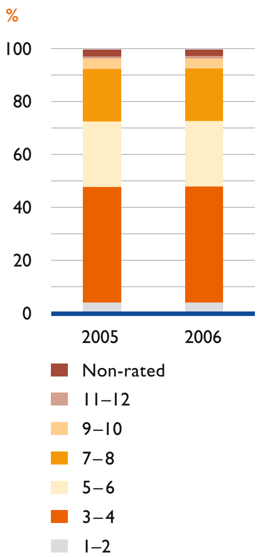
Credit risk exposure stable despite strong growth in liabilities

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

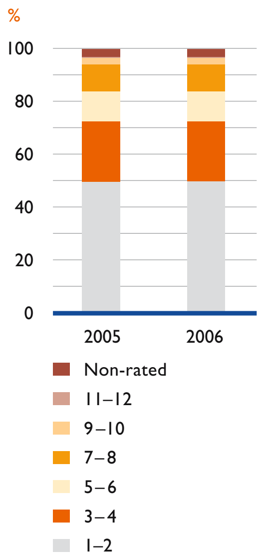
In spite of the 26% increase in total exposure, the credit risk exposure remained stable. The credit ratings of both the total exposure and corporate exposure improved. The relative share of investment-grade exposure – that is, ratings 1 to 4, excluding private customers – in total exposure was 75% (72), the share of ratings 11–12 was 0.3% (0.4) and that of non-rated exposure was 3% (3).

The amount of corporate exposure increased by EUR 2.0 billion, or 23%, and the growth originated in several different sectors. The relative share of investment-grade corporate exposure in corporate exposure was 51% or over 3 percentage points higher than a year earlier. The exposure of the lowest rating classes decreased significantly owing to the increase in credit ratings and owing to the repayment of liabilities. The exposure of the two lowest ratings amounted to EUR 64 million (80) or 0.6% (0.9) of the corporate exposure.

Banking and Investment Services:
Corporate exposure by rating class



Banking and Investment services: Total exposure
by rating class (excl. Private Customers)



Amounts of problem receivables and loan and guarantee losses remained low

Past due payments increased by EUR 13 million to EUR 23 million but their proportion of the total loan and guarantee portfolio continued to be low, 0.2% (0.1). Problem receivables, or non-performing, interest-free and under-priced receivables decreased by EUR 1 million to EUR 20 million. The proportion of problem receivables of the loan and guarantee portfolio was still low, at 0.2% (0.3).

A total of EUR 7 million (9) of new loan and guarantee losses and impairment losses were booked. The total amount of loan loss recoveries and adjustments of impairment losses was EUR 6 million (6). The net impact of loan and guarantee losses and impairment losses on earnings was EUR 1 million (3).

In 2007, the amount of loan losses and impairment losses is anticipated to remain minor in relation to the loan and guarantee portfolio, if no sudden changes take place in the operating environment or the financial situation of customers. This forecast is based on the small number of non-performing receivables, and the moderate credit risk level in terms of total exposure.

Market risks at a moderate level

Market risks accounted for 9% (8) of the risk-weighted items. The derivatives business went up significantly in 2006, which was mainly attributable to increased customer demand for interest rate swaps, interest-rate options and currency forward contracts. Despite the growth in the derivatives business, market risks (interest rate, currency, equity and real estate risks) remained at a moderate level.

The amount of capital invested in equity and venture capital funds and in property holdings was lowered further. The market value of the equity and venture capital funds was EUR 52 million (80) at the end of 2006. Capital invested in property holdings amounted to EUR 38 million (48), with properties in own use representing EUR 3 million (4). In addition, holdings in real estate investment companies totalled EUR 14 million (20).

Portion of long-term funding was raised

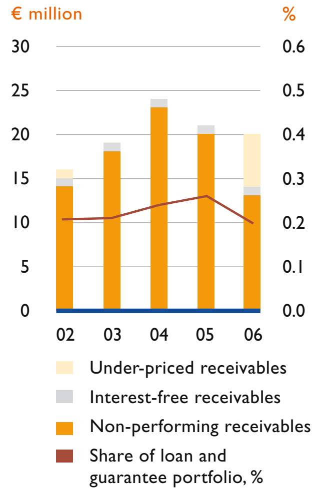
The increase in the balance sheet total of Banking and Investment Services of EUR 4.0 billion to EUR 20.5 billion was mostly funded by debt securities issued to the general public. The portion of long-term funding was raised by issuing bonds to a total value of EUR 4.2 billion, most of these with 3 to 5-year maturity.

At the end of 2006, receivables in liquidity reserves amounted to EUR 5 684 million (4 115), of which EUR 400 million (1 400) was the guarantee for the liquidity credit from the Bank of Finland.

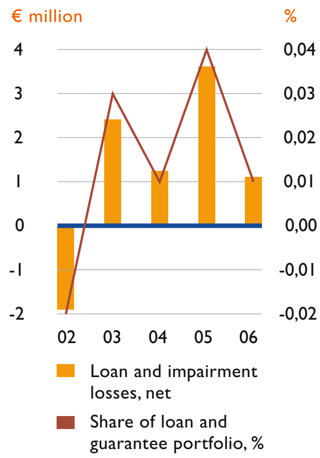
Earnings impact of operative risks very slight

Operative risks impaired earnings by EUR 0.2 million (0.2) in 2006.

Problem receivables



Loan and impairment losses



Risk exposure of Non-life Insurance

The solvency capital of Non-life Insurance at the end of 2006 totalled EUR 592 million (836), or 75% (112) in relation to insurance premium revenue. The capitalisation of non-life business was brought closer to the 70% target level through the Group's internal dividend distribution decisions.

Insurance risk exposure

The number and size of claims vary annually. Of the annual variation in earnings generated by the insurance business, a significant portion is explained by the claims incurred from major losses. In 2006, there were 11 (7) major losses in excess of EUR 2 million, whose net claims incurred totalled EUR 35 million (31). In 2006, claims incurred of major and medium-size losses retained for own account totalled EUR 80 million, which was EUR 18 million more than in 2005.

The reinsurance of Non-life Insurance has been arranged on a centralised basis. Retention in risk-specific reinsurance is a maximum of EUR 5 million and retention in catastrophe reinsurance EUR 7.5 million. In 2007, the retention limit of catastrophe reinsurance was reduced to EUR 5 million and the capacity was raised from EUR 80 million to EUR 100 million.

Risk management is like a pilot who navigates the ship to its destination and avoids the shallows. Successful risk management requires knowledge of the operating environment, anticipation of situations and quick reactions to change.

Arto Korkama
Senior Credit Officer
OKO Bank, Finance and Risk Management

In Non-life Insurance, a large part of insurance contract liabilities consists of annuities. Estimated mortality has an impact on the amount of these annuities. At the end of 2006, the effect of a one-year increase in the average life expectancy on the aggregate amount of annuity-type insurance contract liabilities was EUR 28 million (27) and the lowering effect on the combined ratio was 4 percentage points (3).

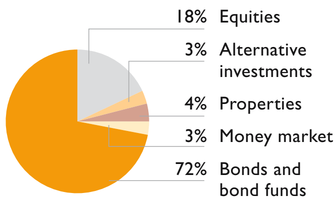
The annuity-type insurance contract liabilities, EUR 1 205 million (1 172), with a duration of 12 years (11) were discounted using a 3.3% interest rate. The remainder of the insurance contract liabilities totalling EUR 682 million (639) is undiscounted with a duration of 2.0 years (1.7).

No significant changes in the investment allocation

The investment portfolio of Non-life Insurance totalled EUR 2 490 million at the end of 2006. The investment portfolio includes investments covering the insurance contract liabilities and the solvency capital. The largest asset class consisted of bonds, which accounted for 72% of the investment portfolio of Non-life Insurance. The proportion of equities was increased by 2 percentage points to 18%.

Return on investments at fair values was 5.2% (8.5), which corresponded to the long-term return expectations. The fixed-income portfolio of Non-life Insurance was relatively conservative in terms of credit exposure. The average credit rating of the fixed-income portfolio of Non-life Insurance in accordance with Standard & Poor's was AA, which was the same as a year earlier. The average duration of the fixed-income portfolio was 4.8 years (4.8). The open currency position was EUR 31 million (54), or somewhat over 1% of the investment portfolio.

Allocation of Non-life Insurance investment portfolio



PERSONNEL

Joint personnel policy defined for the OKO Bank Group

The purpose of the personnel policy confirmed for the OKO Bank Group is to support its business operations and steer its human resources management and development. The personnel policy is based on the Group's strategic personnel policy outlines as well as on its vision, mission and values. The aim of the personnel policy is that

• the Group has motivated, satisfied and competent personnel committed to shared objectives
• the Group is a stimulating and progressive employer providing a variety of opportunities

The personnel policy emphasises proactive human resources planning, which ensures the appropriate level of competence and the control of changing situations in all circumstances. A growing number of front and back office employees will be retiring over the next few years, and this change is being prepared for in an organised manner. A positive employer image is crucial for OKO Bank to maintain its status as an attractive employer.

The competence of the personnel is maintained by versatile development activities. A business-driven approach and versatility are in a key position in this effort. Incentive schemes will also be developed to stimulate good work performance. As a good working atmosphere has an increasingly pronounced significance, the working atmosphere is regularly surveyed to support the development of work communities.

Challenges to personnel from the Pohjola acquisition

The OKO Bank Group employed 2 918 people (3 254) at the end of 2006. Major challenges for 2006 regarding personnel were related to the reorganisation of operations and corporate arrangements following the Pohjola acquisition. The majority of Pohjola's customer offices were transferred to the branches of the OP Bank Group member banks. Pohjola's life insurance, mutual fund and asset management as well as group functions were integrated as part of the functions of the OP Bank Group Central Cooperative and OKO Bank as planned. The statutory cooperation negotiations relating to the reorganisation of operations and corporate arrangements were conducted during the spring. The merger was carried out in accordance with our publicly declared principles: openness, respect for one another, equality, identification and application of best practices, deployment of best competencies, and shared mission. The merger was supported by change counselling sessions.

The personnel at the OKO Bank Group are highly experienced, the average period of service being 15 years. The average age is 43 years. The group values and supports commitment to long-term working in many ways, seeing it as one of the success factors and as a significant factor contributing to customer satisfaction.

During 2006, a total of 380 new employees were hired. A majority of the new permanent employees took up a position with demanding expert duties. In addition, temporary employees were needed as substitutes and for different projects. In addition to the above, more than 200 summer trainees were employed with the OKO Bank Group during the summer holidays.

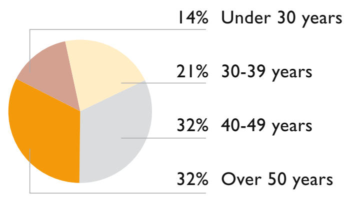
New professionals from training programmes

An application process for new training programmes, OKO Bank's expert training and Pohjola's sales manager training, started at the end of 2006. OKO Bank's expert training is a programme lasting for approximately one year, the purpose of which is to train new experts for OKO Bank's Banking and Investment Services. The purpose of Pohjola's sales manager training, on the other hand, is to train new professionals for challenging corporate sales duties. The programmes aim at expanding the recruitment of experts and ensuring first-rate competence even in the future.

The realisation of equality is a part of a responsible personnel policy. The realisation of equality plans is monitored annually and they are reported to the management and personnel.

Competencies are developed persistently and from a strategic point of view. The central methods are on-the-job learning and task rotation, as well as different kinds of coaching and training programmes. Development needs are evaluated in development conversations with each person and the ways of improving these needs are agreed on. Competence development focuses on maintaining the high level of professional skill required in the business as well as on customer care, expertise and leadership. To support the merger, the personnel were provided with induction sessions in banking and non-life insurance business. A total of EUR 2.4 million was used on training (excluding wage expenses). This equals 1.7% of all personnel expenses.

Personnel by age group in 2006



Positive results from personnel surveys

The well-being of work communities, employees and managers is supported by a variety of development, coaching and rehabilitation programmes and recreational events that aim at providing new points of view and means for managing the changes in work and operating practices. The integration of Pohjola's group functions with the OP Bank Group Central Cooperative and OKO Bank and the transfer of Pohjola's personnel to branch offices shared with the member banks were supported by change counselling.

In 2006, Banking and Investment Services carried out a personnel survey, the response rate of which was 69%. Personnel satisfaction was at a good level. The content of work and the immediate work community were praised most. Internal communication was considered adequate, and the company image was felt to be strong. Following the organisational changes, the clarity of division of tasks and the organisation of work were seen as having room for improvement.

Non-life Insurance carried out a separate personnel survey, the response rate of which was 79%. The personnel were most satisfied with the content and rewarding nature of their work and the work done by supervisors. Work atmosphere and team spirit improved on the previous year. The respondents showed strong confidence in the success of the OP Bank Group integration, although the integration process was also seen as a source of uncertainty among personnel.

Rewarding as part of the management system

Within the OKO Bank Group, rewarding is part of the management system that encourages and rewards excellence in work performance. The incentives of the Group were harmonised during the course of 2006, and a uniform incentive scheme became effective as of the beginning of 2007. Long and short-term incentive schemes at the OKO Bank Group constitute a system that includes the majority of the personnel. The personnel fund serves as the long-term incentive scheme. People working at Non-life Insurance were included within the scope of the fund from the beginning of 2007. The objectives of the personnel fund are based on strategic targets, and the applicable indicators are shared by all. The same indicators also apply to the long-term management incentive scheme. The objectives of the short-term incentive scheme are based on objectives derived from annual plans. In Banking and Investment Services and Finance and Risk Management, the short-term incentive scheme was focused on personal performance. The performance bonus for people working at Non-life Insurance was determined on the basis of company-specific, unit-specific and personal performance. The separate incentive schemes used in Markets and Asset Management have been designed in view of the special characteristics of these divisions to support reaching the targets set for them.

In 2006, performance bonus of approximately EUR 12.9 million, based on the result of 2005, was paid to 3 023 people, which amounts to 89% of the personnel. The amount was approximately 8% of all wages. Profit rewards of about EUR 643 000 will be transferred to the personnel fund from the result of 2006.

CORPORATE RESPONSIBILITY

Responsibility for the society around us is an essential part of the OKO Bank Group's operations. Corporate responsibility is underpinned by the Group's core values. Banking and Investment Services occupy a central position in creating a sound economic environment for society and our customers. Non-life Insurance, in turn, offers a means of providing protection against risks and thus safeguarding the customer's financial position. Banking and Investment Services as well as Non-life Insurance are governed by the laws in force and the divisions' internal operating principles.

Corporate responsibility is developed as part of OKO Bank's daily work. The company takes part in the activities of the OP Bank Group's Corporate Responsibility Steering Group, which is made up of members of the Central Cooperative, the OKO Bank Group and the member banks. The OP Bank Group works in co-operation with a number of organisations that are active in the field of corporate responsibility, and it is a member of Finnish Business & Society, a registered association. The OP Bank Group has its own Audit function which oversees the operations of the banks and other companies belonging to the Group. Corporate responsibility is taken into account as part of other audit activities.

OKO Bank's corporate responsibility is monitored as part of the OP Bank Group's corporate responsibility reporting. The OP Bank Group reports on corporate responsibility actions and implementation annually in a separate Corporate Responsibility Report. The objective is reporting in accordance with the Global Reporting Initiative.

Economic responsibility
Economic responsibility is a central part of financial operations. Matters related to economic responsibility have traditionally been discussed extensively in OKO Bank's Financial Statements and Annual Reports. The Corporate Responsibility Steering Group also monitors the economic responsibility aspect of operations as required.

Environmental responsibility
The OKO Bank's environmental responsibility encompasses the taking into account of environmental aspects in its ways of working, in its services and in the choice of partners in co-operation. The main environmental responsibility issues for the financial sector are related to an indirect responsibility for the impacts of customers' operations. Lending for corporate customers' investment projects figures prominently in attending to environmental responsibility: industrial investments often result in environmental impacts. On the other hand, these projects also offer possibilities for improving the environmental soundness of processes. Banking and Investment Services assess the environmental risks and corporate responsibility of corporate customers' operations as part of the customer's overall risk assessment.

In 2006, corporate customers were offered an e-billing service, enabling companies to enhance their billing operations and to achieve a considerable reduction in the paper consumption and mailing load connected with bills that are sent out.

Within Non-life Insurance, customers' environmental risks and how responsibly their companies operate are examined as part of the total assessment of the customer. In certain sectors, especial caution and a careful approval process are nevertheless observed in making insurance contracts, owing to the environmental risks connected with the industry involved. Sectors of this type are, for example, operations connected with recycling and waste processing.

Pohjola offers its customers statutory environmental liability insurance in co-operation with other insurance companies. For the companies in industries specified in law, the policy provides cover against long-term slowly arising environmental damage. All companies are offered voluntary liability policies that can indemnify them against a sudden occurrence of environmental damage that is detected over a short period of time. The company seeks to recycle or utilise

damaged goods for which insurance customers have received compensation. Pohjola is a shareholder in Vahinkopalvelu Oy, a company that is specialised in salvaging and reconditioning damaged goods. Vahinkopalvelu endeavours to sell reconditioned goods on for further use, thus ensuring efficient recycling of damaged goods.

Paper used in customer magazines and documents mailed to customers occupies an important role in the direct environmental impacts of financial sector companies themselves. Paper consumption of this kind is connected particularly with the services and customer communications of Non-life Insurance.

Corporate social responsibility

Corporate social responsibility is related to the personnel, customers, administration and other stakeholders. Personnel activities are guided by the principles of responsible human resources management and by Gender Equality Plans.

Pohjola has an extensive service network that is developed in co-operation with the member banks. In developing the service network, account is also taken of special groups such as senior citizens and people with impaired vision and mobility. For over 10 years now, Banking and Investment Services have devoted major resources to developing versatile online services. In overall functionality, Pohjola's online services too have long been ranked among Finland's very best.

In 2006, Pohjola made its traditional Christmas donation to the Finnish Federation of the Visually Impaired. In addition, Pohjola supported the Mannerheim League for Child Welfare, made its annual Medical Award together with Suomi Mutual Life Assurance Company and continued The Pohjola Young Talents programme and also supported the Pohjola Camp together with the Finnish Ice Hockey Association.

The OKO Bank Art Foundation is also part of the bank's social sponsorship activities. The Art Foundation owns a collection of valuable string instruments, which are lent to talented young musicians. The foundation also supports the graphic arts by purchasing works, primarily by modern artists.

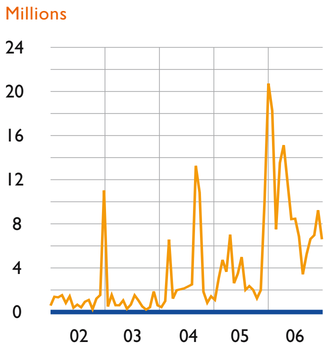
The most exhilarating part of my work is to reach the representative of my counterparty bank despite cultural differences and find a service solution that is feasible for both banks. It is most rewarding to see that a service creates benefit for our shared corporate customers.

Eeva Niemistö
Senior Relationship Manager
OKO Bank, Group Treasury

The OP Bank Group has reported on its corporate responsibility since 2003. A separate OP Bank Group Corporate Responsibility Report, which also covers OKO Bank's corporate responsibility activities, has been published for the 2006 financial year. The report is available on the internet at the address www.oko.fi/english.

SHARES AND SHAREHOLDERS

Monthly turnover of A shares*

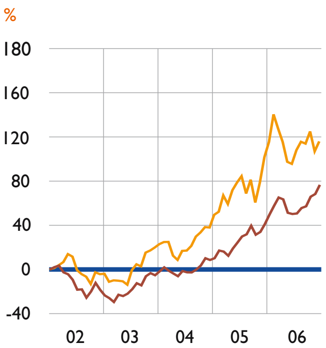


* Share issue adjusted

Average price of A shares*

* Share issue adjusted

Proportional change in OKO Bank A share and OMX Index



* Share issue adjusted

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

The 1999 option scheme concluded

In 1999, OKO Bank's Extraordinary General Meeting decided to introduce an option scheme concerning the personnel of the entire Group at that time. The scheme expired at the end of October 2006, and its purpose was to serve as a long-term incentive securing the commitment of personnel, to increase OKO Bank's shareholder value as a collective result of the work of the entire personnel as well as to increase the number of shares and equity.

An option loan was offered for subscription by the personnel of the OKO Bank Group, OP Bank Group Central Cooperative and its other subsidiaries, OP Bank Group Mutual Insurance Company, OP Bank Group Pension Fund and OP Bank Group Research Foundation, as well as by OP-Sijoitus Oy, a subsidiary fully owned by OKO Bank. The interest-free loan of EUR 460 000 was repaid in October 2002. The option rights entitled their holders to subscribe for OKO Bank A shares during the period between 1 October 2002 and 30 October 2006. With OKO Bank's shareholder value substantially increased during the option scheme, the scheme succeeded in supporting the bank's shareholder value increasing measures as desired. OKO Bank's market value increased from EUR 0.5 billion at the end of 1999 to EUR 2.6 billion at the end of October 2006. With the amount of dividends paid during that period totalling EUR 423 million, the increase in shareholder value, excluding the share issue carried out in 2005, amounted to more than EUR 1.7 billion. The adjusted number of shares was increased by 9.3 million shares, while the increase in equity exceeded EUR 30 million.

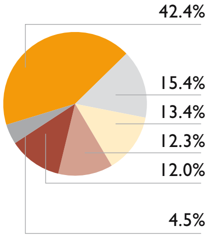
During 2006, nearly 2.2 million of the A shares subscribed with stock options were registered. All the above-mentioned shares entitle to full dividend for 2006. The share subscription price was EUR 4.6525 until 4 April 2005 and after that EUR 4.0525. The trading in options ended on 23 October 2006 and the subscription period on 30 October 2006.

Series K shares converted to Series A shares

In accordance with the conversion clause in OKO Bank's Articles of Association, the member cooperative banks converted 25 000 Series K shares into an equivalent number of Series A shares. The share conversion did not have an effect on the share capital, the amount of which increased by a total of EUR 4 million to EUR 428 million in the year under review.

At the end of the year, the total number of shares was slightly more than 203 million, which is 2 million more than a year earlier. Series A shares represented 78.4% of all

Breakdown of shareholdings



shares. In January 2007, a total of 81 720 Series K shares were converted into Series A shares.

At year-end, OKO Bank held no treasury shares and the General Meeting has not given an authorisation to acquire treasury shares.

The number of private investors increasing

OKO Bank had about 32 200 registered shareholders at the end of the year. The number was 2 500 higher than a year earlier. In particular, the interest of private investors towards OKO Bank clearly increased. At year-end, approximately 30 500 private individuals held OKO Bank shares. The largest individual shareholder was OKO Bank's parent entity, the OP Bank Group Central Cooperative, which held 29.9% of all shares and 56.7% of the votes. The portion of nominee-registered shares among Series A shares was 19.7%, which is nearly the same as a year earlier.

Trading volume increased by one-third

OKO Bank's share price strengthened by 7% during the year, while the weighted index of the Helsinki Stock Exchange (OMX Helsinki CAP) rose by 25%. The price of the OKO Bank share at year-end was EUR 12.70 compared to EUR 11.86 a year earlier. The highest price during the year was EUR 14.91, while the lowest price was EUR 11.10.

Trading volume increased substantially. About 104 million shares changed owners during the year. In the previous year the corresponding number was 79 million. The market capitalisation of Series A stock increased from EUR 1 864 million at the end of 2005 to EUR 2 032 million.

Major shareholders

31 December 2006	% of shares	% of votes
OP Bank Group Central Cooperative	29.9	56.7
Ilmarinen Mutual Pension Insurance Company	10.4	5.6
Suomi Mutual Life Assurance Company	10.2	5.5
Oulun Osuuspankki	1.3	1.8
OP Bank Group Pension Fund	0.9	0.5
OP Bank Group Pension Foundation	0.9	0.5
Varma Mutual Pension Insurance Company	0.5	0.3
Länsi-Suomen Osuuspankki	0.5	0.5
Turun Seudun Osuuspankki	0.4	0.4
OP-Finland Value Fund	0.2	0.2
Nominee-registered shareholders	15.4	8.2

Major shareholders (Series A)

31 December 2006	% of Series A shares
OP Bank Group Central Cooperative	14.0
Ilmarinen Mutual Pension Insurance Company	13.2
Suomi Mutual Life Assurance Company	13.1
OP Bank Group Pension Fund	1.2
OP Bank Group Pension Foundation	1.1
Oulun Osuuspankki	1.0
Varma Mutual Pension Insurance Company	0.7
Turun Seudun Osuuspankki	0.6
OP-Finland Value Fund	0.5
Etelä-Karjalan Osuuspankki	0.5
Nominee-registered shareholders	19.7

Information on OKO Bank share series

31 December 2006	Series A	Series K
Number of shares	159 369 548	43 981 352
% of shares	78.4	21.6
% of votes	42.0	58.0
Trading code	OKOAS	

CORPORATE GOVERNANCE

In 2006 OKO Bank observed the Corporate Governance Recommendation for Listed Companies issued by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. However, for reasons attributable to the Group structure, OKO Bank's management and control system approved by the General Meeting of Shareholders and the Board of Directors on 30 March 2006 deviates from the following recommendations: Recommendations 10 and 12 (election and term of the directors), Recommendation 17 (independence of directors), Recommendation 29 (independence of the members of the audit committee) and Recommendation 31 (establishment of the nomination committee).

More information on OKO Bank's risk management system is contained in the financial statements available at www.oko.fi/english.

General Meeting of Shareholders

The most significant matters dealt with at the General Meeting of Shareholders are: deciding on the number of members of the Board of Directors, electing the members (except the Chairman and Vice Chairman) and deciding on their remuneration, electing the auditor or auditors and deciding on their remuneration, approval of the financial statements, distribution of profits, as well as amendments to the Articles of Association and increasing the share capital or giving authorisation to that effect.

The Annual General Meeting must be held within six months of the termination of the accounting period. An Extraordinary General Meeting is convened, if necessary, to deal with certain proposals made to the General Meeting of Shareholders.

General Meetings are open to all shareholders registered in the company's register of shareholders maintained by the Finnish Central Securities Depository Ltd ten days in advance of the meeting or holders of nominee-registered shares temporarily registered in the company's register of shareholders on said day, and registered for the General Meeting as specified in the notice of meeting. The company's Articles of Association contain no provisions limiting the number of votes.

Board of Directors and its committees

According to the Articles of Association, OKO Bank's Board of Directors comprises a minimum of five and a maximum of ten members. According to the Articles of Association, at least half of the members of the Board of Directors have to be members of the Executive Board of the Central Cooperative. According to the Act on Cooperative Banks and Other Cooperative Credit Institutions, the Chairman of the Executive Board of the Central Cooperative serves as the Chairman of the Board of Directors. According to the Articles of Association, the Vice Chairman of the Executive Board of the Central Cooperative serves as the Vice Chairman of the Board of Directors.

OKO Bank does not have a nomination committee within the Board of Directors as required by the Corporate Governance recommendation. Proposals to the General Meeting concerning the election of the Board of Directors are prepared by the parent institution, the Central Cooperative. According to an agreement between the Central Cooperative, Suomi Mutual and Ilmarinen on the preconditions stated in the agreement, one of the members of the Board of Directors must primarily be a representative of Suomi Mutual and secondarily a representative of Ilmarinen.

According to the Corporate Governance recommendations, the Board of Directors of OKO Bank evaluated the independence of the members of the Board of Directors in relation to the company and its shareholders on 30 March 2006. On the basis of the evaluation, Ms Satu Lähteenmäki and Mr Tom von Weymarn are independent of the company and of its major shareholders.

The Board of Directors is responsible for the administration of the company and proper arrangement of its operations and ensures that the supervision of the company's accounting and financial management is duly arranged. The Board of Directors deals with far-reaching and principally important matters from the point of view of the operation of the company and its consolidated group. On 30 March 2006 the Board of Directors confirmed a written charter defining the duties and meeting procedures of the Board of Directors.

The Board of Directors and the President have to manage the company and its consolidated group professionally in accordance with sound and prudent business practices. The duty of the Board of Directors is to promote the interests of the company and all of its shareholders. To carry out its duties, the Board of Directors:

- decides on Group strategy and confirms the business strategies
- confirms the values to be adhered to with regard to the operations of the company and its consolidated group
- approves an annual business plan and investment plan and supervises their topicality and implementation
- decides on the crucial organisational structure and management system for the Group and its functions
- discusses and approves the consolidated financial statements and interim reports
- determines the company's dividend policy and presents a proposal to the General Meeting for the amount of dividend to be paid
- appoints the company's President and deputy to the President and decides on their salaries and the terms and conditions of office
- decides on the appointment of members to the Group Executive Committee and their salaries
- confirms the principles and procedures for ensuring the trustworthiness, suitability and professional skill of people responsible for the management of the company and its consolidated group
- decides on the Group's management incentive schemes and the principles of incentive schemes for other personnel
- decides on strategically or economically significant individual investments and any corporate acquisitions, divestments and arrangements
- annually confirms the Group's risk management strategy, risk policies, investment plan and significant operating principles concerning risk management
- decides on the Group's capital structure of the Group and approves the Group's annual funding plan
- confirms the operating principles and plans for internal supervision and internal audit
- confirms a continuity plan and IT strategy for crucial areas of operation
- is responsible for any other duties of the Board of Directors prescribed in the Companies Act or elsewhere.

The Board of Directors convenes once a month on average. There were 15 meetings between March and December, and the average attendance was 96%. According to a decision by OKO Bank's General Meeting of Shareholders, the Chairman of the Board was paid EUR 5 000 per month, the Vice Chairman EUR 4 000 per month, and other Board members EUR 3 500 per month. In addition, the Board members receive an attendance fee of EUR 400 for each meeting.

The Board of Directors prepares an annual operating plan to cover the period between Annual General Meetings and evaluates its operations and procedures as annual self-assessment.

On 30 March 2006 the Board of Directors appointed an Audit Committee, a Compensation Committee and a Risk Management Committee for the purpose of preparing tasks that belong to the responsibility of the Board of Directors. The committees do not have any independent power of decision but the Board of Directors makes decisions based on preparations made by the committees. The committees must provide regular reports of their operations to the Board of Directors.

The duty of ***the Risk Management Committee*** is to assist the company's Board of Directors in ensuring that the company and its consolidated group have a sufficient risk management system covering its entire operations and that the company and its consolidated group do not take risks great enough to cause a substantial danger to the capital adequacy, consolidated capital adequacy or liquidity of the company. To carry out its duties, the Committee monitors the preparation of and compliance with risk management principles and other general risk management guidelines for the company and its consolidated group, supervises the risks, risk concentrations, and the quality and coverage of risk management, as well as monitors the implementation of risk-taking policies, the use of credit limits and the development of earnings. The Committee convened five times in 2006.

The duty of ***the Audit Committee*** is to assist the company's Board of Directors in ensuring that the company has a sufficient internal supervision system covering its entire operations and that the supervision of the company's accounting and financial management is duly arranged. The Committee is also responsible for ensuring that the company's operations and internal supervision are arranged in a manner required by laws, regulations and the corporate governance system, as well as supervising the operations of the internal audit. The Committee convened four times in 2006.

The Compensation Committee assists the Board of Directors in attending to matters associated with the terms of employment and salaries of the company's and the Group's top management, as well as the reward and incentive schemes for management and personnel. The Committee convened four times in 2006.

President and Group Executive Committee

OKO Bank has a President who is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board of Directors and ensures that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. The President's duties include the management and supervision of the business of the Group, the preparation of matters to be dealt with in the Board of Directors, and the execution of the decisions of the Board of Directors.

The Board of Directors appoints the President of the company and decides on the terms and conditions of his/her office. President and CEO Mikael Silvennoinen was paid EUR 389 129 in salary, EUR 94 796 in performance bonus and EUR 23 540 in fringe benefits or a total of EUR 507 462 in 2006. The CEO is involved in the share-based incentive scheme for management.

The President's allowed and required retirement age is 63 years. The pension benefits are determined in accordance with pension legislation and the OP Bank Group's own pension systems. The President's period of notice is six months, and the severance pay equals 12 months' pay in addition to the salary for the period of notice.

With regard to the operational management of the company, the President is assisted by the Group Executive Committee. It convenes weekly, summoned by the Chairman. Its duty is to support the company's President in preparing any strategic issues related to the company and its consolidated group, coordinating the operations of the Group, preparing and implementing any operational issues of great significance or principal nature, as well as ensuring internal cooperation and the flow of information.

Internal supervision and internal audit

The Board of Directors of OKO Bank is responsible for organising and maintaining adequate and functional internal supervision. Internal supervision is carried out by top and executive management.

The task of the internal audit function is to assist the company's Board of Directors and other management in the control and supervision of operations by carrying out operational audits. At the Group level, internal audit is organised as an internal audit unit within OKO Bank's parent institution, the OP Bank Group Central Cooperative, managed by the Chief Audit Executive.

According to the Securities Markets Act, OKO Bank's statutory public insiders include the members of the company's Board of Directors, the President and his deputy, the auditors, including the auditor in charge within an audit firm, as well as the members of OKO Bank's Group Executive Committee. A list of the company's statutory insiders, as well as shares and other securities held by parties closely related to the insiders, is available on the company's web pages.

The total number of persons belonging to company-specific non-public permanent insiders was 306 at the end of 2006.

The company has adopted a special restriction that disallows insider trading in the company's shares or any securities entitling to shares within 45 days before the publication of the financial statements bulletin and within 30 days before the publication of an interim report. Insiders are also disallowed from making opposite trades in the company's shares or any securities entitling to shares within one month.

OKO Bank's insider register is maintained by the Legal Services department of the Central Cooperative. The company's insider register is available for viewing on the department's premises at Teollisuuskatu 1 b, Helsinki. The department also supervises compliance with the insider guidelines by means of inspections regarding trading by permanent insiders, as well as by regularly sending the insiders an extract of the insider register for review.

We implement flexible financing solutions for consumers together with our customer companies.

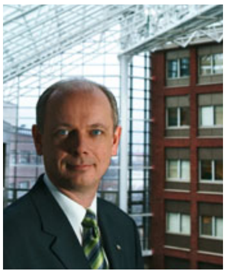
Katja Kopra-Kullas
Finance Manager
OKO Bank, Retail and Wholesale
Industry Financing Services

BOARD OF DIRECTORS

1 January 2007

Chairman
Reijo Karhinen, b. 1955
Executive Chairman of the OP Bank Group
Chairman of the Compensation Committee, Chairman of the Risk Management Committee
Other principal positions: • Federation of Finnish Financial Services: Deputy Chairman of the Board of Directors • Ilmarinen Mutual Pension Insurance Company: Member of the Board of Directors • Central Chamber of Commerce: Member of the Board of Directors • OP Bank Group Central Cooperative: Chairman of the Executive Board • Unico Banking Group: Member of the Steering Committee

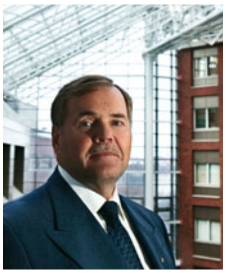
• Holds a total of 20 198 OKO Bank Series A shares



Vice Chairman
Tony Vepsäläinen, b. 1959
President of the OP Bank Group Central Cooperative
Deputy Chairman of the Compensation Committee
Other principal positions: • OP Bank Group Central Cooperative: Vice Chairman of the Executive Board • Luottokunta: Member of the Board of Directors

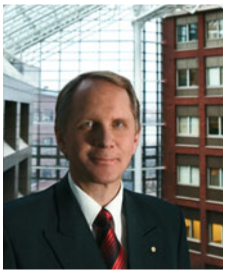
Merja Auvinen, b. 1960
Managing Director, Savonlinnan Osuuspankki
Member of the Audit Committee

Erkki Böös, b. 1953
Senior Executive Vice President of the OP Bank Group Central Cooperative,
Head of Customer Care Services and Sales Channels
Member of the Audit Committee
Other principal positions: • OP Bank Group Central Cooperative: Member of the Executive Board

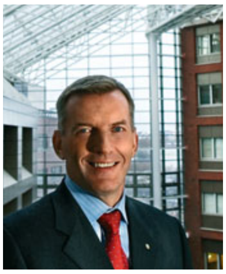


Eino Halonen, b. 1949
President and CEO, Suomi Mutual Life Assurance Company
Member of the Risk Management Committee
Other principal positions: • Cramo Plc: Member of the Board of Directors • Ilmarinen Mutual Pension Insurance Company: Member of the Board of Directors • Metsäliitto Cooperative: Member of the Board of Directors • Sato Corporation: Member of the Board of Directors • YIT Corporation: Deputy Chairman of the Board of Directors

• Holds a total of 6 000 OKO Bank Series A shares



Pekka Jaakkola, b. 1956
Executive Vice President, Head of Member Bank Steering of the OP Bank Group Central Cooperative
Member of the Risk Management Committee
Other principal positions: • OP Bank Group Central Cooperative: Member of the Executive Board



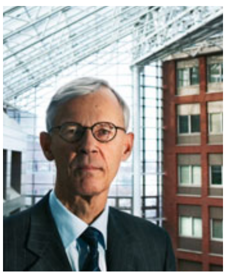
Simo Kauppi, b. 1954
Deputy Managing Director, Länsi-Suomen Osuuspankki
Member of the Risk Management Committee
Other principal positions: • Lännen Puhelin Oy: Member of the Board of Directors

• Holds a total of 480 OKO Bank Series A shares

Satu Lähteenmäki, b. 1956
Professor, Vice Rector of Turku School of Economics and Business Administration
Member of the Compensation Committee
Other principal positions: • Alko Inc: Member of the Board of Directors • Raisio plc: Member of the Board of Directors • SITRA: Member of the Board of Directors • Turku School of Economics and Business Administration: Member of the Board of Directors

Heikki Vitie, b. 1952
Deputy to the President of the OP Bank Group Central Cooperative, Head of ICT and Human Resources Services
Chairman of the Audit Committee
Other principal positions: • OP Bank Group Central Cooperative: Member of the Executive Board

• A total of 4 000 OKO Bank Series A shares held by related parties



Tom von Weymarn, b. 1944
Member of the Audit Committee
Other principal positions: • Boardman Ltd: Partner and Member of the Board of Directors • CPS Color Oy: Member of the Board of Directors • Industri Kapital Ab: Member of the Advisory Board • Kauko-Telko Ltd: Member of the Board of Directors • Lännen Tehtaat plc: Chairman of the Board of Directors • Sibelius Academy: Member of the Board of Directors • TeliaSonera AB: Chairman of the Board of Directors • Turku Science Park Ltd: Chairman of the Board of Directors

• Holds a total of 1 050 OKO Bank Series A shares

Secretary to the Board of Directors
Markku Koponen, b. 1957

GROUP EXECUTIVE COMMITTEE

1 January 2007

Chairman
Mikael Silvennoinen, b. 1956
President and CEO of OKO Bank
Other principal positions: • Unico Banking Group: Member of the Steering Committee

• Holds 4 800 OKO Bank Series A shares
• On the basis of the management incentive scheme: 3 298 OKO Bank Series A shares in 2008

Vice Chairman
Timo Ritakallio, b. 1962
Deputy CEO of OKO Bank
Other principal positions: • OMX Exchanges Ltd: Member of the Board of Directors • SSH Communications Security Corp: Member of the Board of Directors • Stockholmsbörsen AB: Member of the Board of Directors • TKK Executive School of Business: Member of the Board of Directors

• Holds 19 200 OKO Bank Series A shares
• On the basis of the management incentive scheme: 1 749 OKO Bank Series A shares in 2008

Mikko Koskimies, b. 1967
President, OKO Asset Management Limited

• Holds 2 000 OKO Bank Series A shares

Ilkka Salonen, b. 1965
CFO of OKO Bank

Helena Walldén, b. 1953
Senior Executive Vice President, Pohjola Non-Life Insurance Company Ltd
Other principal positions: • Metsähallitus: Member of the Board of Directors • Turkistuottajat Oyj: Member of the Board of Directors • Nordic Nuclear Insurers: Member of the Board of Directors

• On the basis of the management incentive scheme: 1 534 OKO Bank Series A shares in 2008

Tomi Yli-Kyyny, b. 1962
President, Pohjola Non-Life Insurance Company Ltd
Other principal positions: • The Federation of Accident Insurance Institutions: Chairman of the Board of Directors

• Holds 6 000 OKO Bank Series A shares

ORGANISATION

1 February 2007

President and CEO
Mr Mikael Silvennoinen*

Banking and Investment Services
Mr Timo Ritakallio*

Corporate Banking
Mr Reima Rytsölä

Markets
Mr Jorma Alanne

Group Treasury
Mr Hanno Hirvonen

*Asset Management***
Mr Mikko Koskimies*

Non-life Insurance
Mr Tomi Yli-Kyyny*

Corporate Customers
Ms Helena Walldén*

Private Customers
Mr Pauli Sarelius

Field
Mr Olli Latola

Claims, Underwriting
Ms Eva Valkama

Baltic States
Mr Ivo Kuldmäe

Finance and Risk Management
Mr Ilkka Salonen*

* Member of the Group Executive Committee of OKO Bank.
** Reports to the President and CEO.

INFORMATION FOR SHAREHOLDERS

Annual General Meeting and dividend payout

The Annual General Meeting of OKO Bank plc will be held in the Congress Wing of the Finlandia Hall (Mannerheimintie 13, Helsinki) on Tuesday 27 March 2007, at 2.00 pm.

The Board of Directors proposes that a dividend of EUR 0.65 be paid on Series A shares and EUR 0.62 on Series K shares for the financial year 2006. The dividend decided by the Annual General Meeting will be paid to shareholders who, on the record date for the dividend payout, 30 March 2007, have been entered in the Shareholder Register kept by Finnish Central Securities Depository Ltd. It will be proposed to the Annual General Meeting that the dividend be paid on 10 April 2007.

Interim Reports in 2007

10 May	January – March
9 August	April – June
8 November	July – September

The Interim Reports will be published in Finnish, Swedish and English. The quickest way to access the reports in English is by visiting our website at www.oko.fi/english. At the same address you can also order OKO Bank's stock exchange releases (including Interim Reports) to be delivered to your personal e-mail.

Annual Report orders

OKO Bank and OP Bank Group: www.oko.fi / english > Press room > Annual report orders
tel. +358 10 252 2053

Information for investors at www.oko.fi / english

OKO Bank's website provides a variety of information for investors, such as information about the OKO Bank share and its price development.

IR contact information

For equity investors:
Mr Ilkka Salonen, CFO, tel. +358 10 252 3146
Ms Marja Huhta, Senior Vice President,
Head of IR, tel. +358 10 252 2037
Ms Raila Rissanen, IR Controller, tel. +358 10 252 3224

For debt investors:
Mr Timo Ritakallio, Deputy CEO, tel. +358 10 252 4322
Mr Hanno Hirvinen, Executive Vice President,
tel. +358 10 252 2221
E-mail addresses: firstname.lastname@oko.fi

Investment analysis on OKO Bank

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

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Carnegie AB, Finland Branch, tel. +358 9 618 712 33
Skandinaviska Enskilda Banken AB (publ),
tel. +358 9 616 287 18
Evli Bank Plc, tel. +358 9 476 697 73
eQ Bank Ltd, tel. +358 9 681 786 10
FIM Securities Ltd, tel. +358 9 613 463 76
Handelsbanken Capital Markets, Helsinki,
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JPMorgan Securities Ltd., tel. +44 20 7325 6868
Standard & Poor's / Nordea Securities Ltd,
Stockholm, tel. +46 8 545 069 61

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Telefax: +358 10 252 2771

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www.seesam.ee
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OKO BANK PLC

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2006

06

CONTENTS

Since all figures in the Report by the Board of Directors and in the Financial Statements are expressed in round numbers, the sum of single figures may differ from the total sum presented.

Financial information in 2007

OKO Bank plc will issue three Interim Reports in 2007: for January–March on 10 May 2007, for January–June on 9 August 2007 and for January–September on 8 November 2007.

REPORT BY THE BOARD OF DIRECTORS

Year of integration and growth

The year 2006 was the first full financial year of the OKO Bank Group with a new business structure comprising the Banking and Investment Services and the Non-life Insurance business lines. The integration of OKO Bank and Pohjola has proceeded as planned, which is supported by strong achievements in 2006. In Banking and Investment Services, earnings were record high and the market position strengthened in all business areas. In Non-life Insurance, canvassing for new customers was at a record level, growth in insurance premium revenue strong and performance in investment operations in line with the targets.

The Group's financial targets set for 2006 were reached with the exception of the balance on technical account which was deteriorated by the unfavourable trend in major losses in the latter half of the year.

Earnings

The OKO Bank Group's earnings before tax from continuing operations totalled EUR 223 million (120).

At the end of 2006, the capital adequacy ratio stood at 12.9% (12.8) and the Tier 1 ratio was 8.2% (9.6).

In Banking and Investment Services, earnings before tax amounted to EUR 163 million (136). The loan portfolio of Corporate Banking increased by 17.2% and stood at EUR 7.9 billion at the end of the period. The level of margins remained stable and the risk exposure good. In Asset Management, the amount of assets under management increased by 13.7% to EUR 31.3 billion.

In Non-life Insurance, earnings before tax stood at EUR 78 million. Insurance premium revenue increased to EUR 788 million. Unfavourable trend in major and medium-size claims impaired the balance on technical account by EUR 17 million and the combined ratio by 2 percentage points compared to the year 2005. Return on investments at fair values was 5.2%.

Cooperation with the OP Bank Group's retail banks increased the number of household customers in non-life business. In 2006, the net number of new loyal customer households increased by 34 500 households of which 31 900 households were obtained through cooperation within the OP Bank Group.

Other operations showed a negative result of EUR 19 million (EUR 25 million negative), consisting of Group administrative expenses, cost of financing the acquisition of the Pohjola shares and of net income from investments and services sold by Pohjola Group to related party companies.

Earnings per share were EUR 0.89 (0.85). The Group's deferred tax assets not entered in the balance sheet totalled around EUR 14.5 million, which mainly resulted from the dissolution of a subsidiary. In the third quarter of the year, the tax receivable was entered in the profit and loss account after the Appeals Board of the Tax Office for Major Corporations had rejected the tax agent's claim for rectification regarding the allocation of the dissolution loss. The effect of this one-off item on earnings per share was EUR 0.07.

Shareholders' equity per share was EUR 8.99 (8.76) after the distribution of EUR 0.59 dividend in March.

Return on equity stood at 9.5% (22.3).

Operating environment

The Finnish economic cycle has continued to be favourable for both companies and private households. International outlook is also more positive than what was estimated in the autumn.

In December, companies' confidence indicators were above the long-term average in all business sectors. In the industrial sector, the economic outlook even strengthened slightly at the end of the year, and the production volumes are expected to grow further. Furthermore, consumer confidence in the economic growth strengthened in December.

The Finnish GNP grew by 5.2% in January-November from the corresponding period a year earlier. In 2007, the growth in GNP is expected to slow down to a long-term average of approximately 3%. Unemployment went down to 6.7% in November 2006.

In the banking and investment services sector, the most significant change in the operating environment occurred when the Sampo Group's banking business was sold to Danske Bank in November 2006. Competition will be tightened in certain product areas, but OKO Bank's possibilities to stand out from its own segment will remain good and thus, OKO Bank's role as the provider of corporate banking services is expected to strengthen further. This is supported by OKO Bank's operating methods based on long-standing and thorough knowledge of its customer base.

In 2006, one of the most significant changes in the operating environment of non-life business was the increased networking of Finnish insurance companies with other service providers. All the major non-life insurers had cooperation with the banking sector, which was based either on ownership or cooperation agreements. Other forms of cooperation have also been explored with business partners outside the financial sector. As an example of this, Pohjola together with the OP Bank Group signed a cooperation agreement on insurance benefits included in the K-plus programme of the Kesko Corporation.

Events after the balance sheet date
Mr Reijo Karhinen, former President of the OP Bank Group Central Cooperative (the Central Cooperative), who assumed the post of Executive Chairman of the OP Bank Group at the beginning of 2007, has acted as the Chairman of the Board of Directors of OKO Bank since 1 January 2007. Mr Tony Vepsäläinen, the new President of the Central Cooperative, assumed the duties of Vice Chairman of the Board of Directors of OKO Bank. These changes are based on the Articles of Association of OKO Bank, according to which the Chairman of the Executive Board of the parent entity, the Central Cooperative, acts as the Chairman of the Board of Directors of OKO Bank, and the Vice Chairman of the Executive Board of the Central Cooperative acts as the Vice Chairman of the Board of Directors of OKO Bank. Chairman and CEO Antti Tanskanen, the former Chairman of the Executive Board of the Central Cooperative and the Board of Directors of OKO Bank, retired from his post on 31 December 2006. Following the changes in the composition of the Board of Directors, Mr Karhinen was appointed the Chairman and Mr Vepsäläinen the Vice Chairman of the Compensation Committee from the beginning of 2007. No changes were made in the composition of the other Committees.

Financial targets for 2007
In its meeting of 15 February 2007, the company's Board of Directors set the year 2007 financial targets for the company's business lines and the whole Group, as follows:

– In Banking and Investment Services, earnings before tax at the same or higher level than in 2006.
– In Non-life Insurance, the combined ratio excluding changes in reserving bases and the amortisation of intangible assets arising from the acquisition below 94.0%.
– In Non-life Insurance, return on the investment portfolio in accordance with the investment plan where the long-term return expectation is 5.2%.
– Growth in the consolidated earnings before tax at fair values a minimum of 10%.

Outlook for 2007
In Banking and Investment Services, growth in the corporate loan market is estimated to slow down in 2007. The interest rate level will probably increase slightly but remain low. The financial situation of companies is estimated to remain good. Lending margins are not expected to decrease significantly. OKO Bank's corporate loan portfolio is expected to grow faster than the market. The risk exposure is forecast to remain good and the amount of impairment losses on receivables at a lower level than normally.

Although changes in the competitive environment may lower the level of service fees, OKO Bank's commission income is expected to increase as a result of growing demand for structured product and service packages.

In Asset Management, the amount of assets under management is estimated to increase further. Consequently, the earnings of Asset Management are forecast to increase as a result of income growth and materialised cost synergies.

The development of the equity and fixed income markets will have an impact on the earnings of Banking and Investment Services.

Demand for insurance products and more comprehensive cover is estimated to increase along with natural catastrophes and the low level of premiums written per capita in Finland. In addition to the market growth, an increase in Pohjola's insurance premium revenue is impacted by tight cooperation with the retail banks within the OP Bank Group, which is estimated to boost Pohjola's market position especially in the household customer base. In Non-life Insurance, price competition is expected to remain the same as in 2006, whereas premium rating is expected to move increasingly towards customer-specific and risk-based rating. Growth in Pohjola's insurance premium revenue is forecast to exceed the GNP growth this year. The incidence of major losses is expected to normalise from the unfavourable trend in 2006. Operating expenses will increase owing to an increased insurance portfolio but the growth is estimated to be more moderate than that of insurance premium revenue.

The trends in the equity and fixed income markets will have a significant impact on the return on investments at fair values in Non-life Insurance.

The earnings from other operations are expected to be at the same level as in 2006.

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

All of the forecasts and estimates presented in these Financial Statements are based on the current view of the financial development of the Group and its different operations; actual performance may vary significantly.

Integration

The combining of OKO Bank's and Pohjola's business operations proceeded according to plan in 2006. The results so far support earlier estimates of revenue and cost synergies, the annual amount of which is estimated to increase to a good EUR 50 million before tax by 2010.

Decisions made thus far result in annual savings of approximately EUR 25 million, of which EUR 13 million were gained in 2006. Proactive decisions on savings which can be carried out quickly have mainly been taken. The aggregate savings totalling EUR 25 million comprise EUR 5 million from Asset Management, EUR 5 million from Non-life Insurance and EUR 15 million from Pohjola Group plc and reorganisation of the corporate structure. Of the year 2006 savings, the majority arose from Pohjola Group plc and reorganisation of the corporate structure. The achieved savings do not yet include much of the synergies from ICT functions, which are estimated to materialise in three years.

The amount of revenue synergies in the review period was minor so far. In Non-life Insurance, the number of loyal customer households increased by 34 500 households, of which 31 900 households were obtained through cooperation within the OP Bank Group. At the end of December, the number of loyal customer households was over 367 000, while the target by 2010 is 500 000. The average annual premiums written per loyal customer household were over EUR 600 in 2006.

By the end of 2006, the operations of 77 Pohjola branch offices had been transferred to the branches of OP Bank Group retail banks, and the operations of one member bank service outlet had been transferred to a Pohjola branch office. In addition, Pohjola had built three new joint branch offices with cooperative banks and established 94 new insurance agent outlets at member bank branches.

Integration expenses allocated to the financial period amounted to approximately EUR 4 million.

The goodwill and the value of brand names generated by the acquisition of Pohjola's business operations have been tested for impairment. The testing did not result in impairment losses.

Personnel

At the end of 2006, the Group had 2 918 employees, which is 336 employees less than at the end of 2005. In Banking and Investment Services, the number of personnel was 718 employees (752) and in Non-life Insurance 2 154 employees (2 063). In Group Administration, the number of personnel was 46 employees (43). The reduction in the number of personnel is due to the sale of subsidiaries and to the outsourcing of certain Group administrative functions to the OP Bank Group Central Cooperative (the Central Cooperative).

In the spring, statutory negotiations were launched in the Group in connection with the reorganisation of overlapping operations in OKO Bank, Pohjola and the Central Cooperative. As a result of the statutory negotiations, 11 permanent employment relationships were terminated at OKO Asset Management. Statutory negotiations were also extended to the personnel specialised in investment product sales and to the asset management telesales personnel (totalling 30 employees) at Pohjola Non-Life Insurance Company Ltd and Pohjola Asset Management Limited. The majority of the personnel specialised in investment product sales transferred to similar positions in member cooperative banks. No employees were made redundant as a result of the statutory negotiations.

Environmental responsibility

The OKO Bank Group's environmental responsibility encompasses the taking into account of environmental aspects in its ways of working, in services offered and in selection of cooperation partners.

Environmental responsibility issues are largely related to indirect responsibility for the environmental considerations resulting from customers' actions and for the Group's possibilities to exercise influence over these actions. The investment projects of corporate customers are emphasised in OKO Bank's environmental responsibility issues related to the bank's financing decisions. In its insurance business, Pohjola takes account of the environmental considerations related to customers' actions – through preventive measures and ultimately through financial risk bearing when handling environmental losses sustained by customers.

In OKO Bank's operations, reduction in paper consumption and development of electronic services play an important role.

Group restructuring

OKO Bank's holding in Pohjola shares and votes exceeded 90% in January 2006. Immediately after this, OKO Bank made an offer as per the Finnish Companies Act to redeem the Pohjola shares held by other shareholders at the price of EUR 13.35 per share and initiated arbitral proceedings for the purpose of redeeming the Pohjola shares.

In order to streamline the corporate structure and to combine overlapping business functions, Pohjola Group plc in January 2006 sold the share stock of Pohjola Life Insurance Company Ltd and the capital loan issued by it to the OP Bank Group Central Cooperative. The aggregate sale price was EUR 281 million. In that connection, OKO Bank acquired from Pohjola Group plc the share stock of Pohjola Asset Management Limited at a price of EUR 118.5 million. The Pohjola Extraordinary Meeting of Shareholders held on 19 January 2006 approved these transactions. The transactions had no effect on the earnings of the OKO Bank Group.

The Arbitral Tribunal appointed by the Redemption Committee of the Central Chamber of Commerce on 13 June 2006 confirmed that OKO Bank has the right to obtain the title to the minority shares by setting a security. OKO Bank set the security on the same date, after which the listing of Pohjola shares and stock options ended on the Helsinki Stock Exchange. The undisputed portion of the redemption price (EUR 13.35 per share + interest) was paid to the minority shareholders on 30 June 2006. The Arbitral Tribunal will take a decision on the final redemption price of the Pohjola shares held by the minority shareholders who did not approve OKO Bank's redemption offer. The acquisition price of these shares used in the accounting and capital adequacy calculations is the above share price (EUR 13.35 per share).

The securities brokerage company Opstock Ltd, a subsidiary of OKO Bank, merged with its parent company OKO Bank at the end of September 2006. The asset management business earlier transacted by Opstock was moved through business transfer to Pohjola Asset Management Limited on 1 March 2006. In that connection, the company's name was changed to OKO Asset Management Limited. The corporate finance business of Opstock was combined as a business transfer to OKO Corporate Finance Ltd established by OKO Bank in December 2005.

The Boards of Directors of OKO Bank plc and Pohjola Group plc approved a merger plan on 17 August 2006. The merger of Pohjola Group plc with its parent company OKO Bank plc was entered in the Finnish Trade Register on 31 December 2006. The merger aimed to streamline the corporate structure of the OKO Bank Group, to increase the efficiency of business and to decrease administrative costs. As an internal restructuring within the Group, the merger had no impact on the amount of OKO Bank's equity or distributable funds or on the Group's capital adequacy or earnings. Following the merger, Pohjola Non-Life Insurance Company Ltd, A-Insurance Ltd, Eurooppalainen Insurance Company Ltd and the Seesam insurance companies in the Baltic States continue operations as OKO Bank's subsidiaries and together form the Non-life Insurance business line of the OKO Bank Group.

OKO Bank's holding in OKO Asset Management Limited decreased to 86.5% and in OKO Corporate Finance Ltd to 76.0% after OKO Bank had, in December, sold shares of these companies to the key staff members of the said companies.

Investments

Total investments amounted to EUR 21 million in 2006. Of the total investments, EUR 9 million was attributable to Banking and Investment Services and EUR 10 million to Non-life Insurance. Of the investments, EUR 15 million represented IT investments used for the development of network services and for increasing efficiency of internal processes.

Capital adequacy

OKO Bank's capital adequacy ratio according to the Credit Institutions Act remained strong despite brisk growth. The capital adequacy ratio was 12.9% (12.8), whereas the statutory minimum requirement is 8%. The Tier 1 ratio of OKO Bank's own funds on risk-weighted items was 8.2% (9.6). The risk-weighted items increased from EUR 10 489 million to EUR 11 627 million, i.e. by 10.8%. Growth in the risk-weighted items was mainly due to an increase in the loan and guarantee portfolio and in the standby credit facilities.

OKO Bank's own funds increased from EUR 1 339 million to EUR 1 504 million mainly due to a bond issue under Tier 2 funds. The amount of Tier 1 funds was EUR 948 million (1 002). Of the Tier 1 funds, capital loans represented EUR 224 million, which is 23.6% (22.4). The amount of own funds required for covering market risks was EUR 81 million (69). At the end of 2006, the amount of fair value reserve was EUR 47 million (48).

The Arbitral Tribunal appointed by the Redemption Committee of the Central Chamber of Commerce will take a decision on the redemption price of Pohjola shares for the previous minority shareholders of Pohjola who did not accept OKO Bank's redemption offer. The acquisition price of these shares used in the accounting and capital adequacy calculations is the share price as per OKO Bank's purchase offer (EUR 13.35 per share).

Own funds and capital adequacy

EUR million	*31 Dec. 2006*	*31 Dec. 2005*
Own funds		
Shareholders' equity	1 828	1 961
Minority interest	1	-197
Capital loans	224	224
Intangible assets	-859	-794
Fair value reserve, excess funding of pension liability, change in equalisation provisions and change in fair value of investment properties	-115	-72
Profit distribution proposed by the Board of Directors	-131	-120
Planned dividend distribution	-	-
Tier 1	**948**	**1 002**
Fair value reserve	47	48
Subordinated liabilities considered upper Tier 2 funds	200	200
Subordinated liabilities considered lower Tier 2 funds	474	302
Tier 2, total	**721**	**550**
Investments in insurance institutions	-157	-202
Other mandatory adjustments	-8	-11
Mandatory adjustments, total	**-165**	**-213**
Own funds, total	**1 504**	**1 339**
Risk-weighted receivables, investments and off-balance sheet items		
Loan and guarantee portfolios excl. inter-group items of OP Bank Group	7 635	6 233
Binding standby credit facilities	1 408	1 149
Inter-group items of OP Bank Group	1 169	1 105
Market risk	1 007	867
Other items (equities incl. Pohjola, properties, other assets etc.)	407	1 135
Risk-weighted receivables, investments and off-balance sheet items, total	11 627	10 489
Capital adequacy ratio, %	12.9	12.8
Tier 1 ratio, %	8.2	9.6
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.13	1.23

The capital adequacy ratio of the OP Bank Group as per the Credit Institutions Act was 14.3% (14.6) and the Tier 1 ratio was 12.7% (13.1). The capital adequacy ratio of the OP Bank Group calculated by the consolidation method as per the Act on the Supervision of Financial and Insurance Conglomerates was 1.56 (1.69).

Risk exposure

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

The major risks associated with the OKO Bank Group activities are credit, interest rate, currency, equity and liquidity risks arising from Banking and Investment Services, and insurance and market risks arising from insurance operations in Non-life Insurance. Strategic and operative risks, such as changes in the economic environment, competitive situation or customer behaviour are inherent in the banking and investment services business and in insurance operations.

A detailed description of risk management principles can be found in the Financial Statements (note 2, Risk management principles).

Risk exposure in Banking and Investment Services

Credit risk exposure

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

In spite of the 26% increase in total exposure, the credit risk exposure has remained stable. The share of risk-weighted items used in capital adequacy calculations of the total exposure was 45% (50).

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

The relative share of investment-grade exposure – that is, ratings 1 to 4, excluding private customers – in total exposures was 75% (72), the share of ratings 11–12 was 0.3% (0.4) and that of non-rated exposure was 3% (3).

Total exposure by credit rating*), EUR billion

Rating	31 Dec. 2006	31 Dec. 2005	Change, EUR billion
1 – 2	13.6	10.2	3.4
3 – 4	5.7	4.7	1.0
5 – 6	2.9	2.4	0.5
7 – 8	2.6	2.1	0.5
9 – 10	0.3	0.5	-0.2
11 – 12	0.1	0.1	0.0
Non-rated	0.8	0.7	0.1
Total	25.9	20.5	5.4

*) excl. private customers

Total exposure
The total exposure at the end of 2006 amounted to EUR 26.3 billion. Receivables from customers formed around one-third of the total exposure.

Total exposure, EUR billion

	31 Dec. 2006	31 Dec. 2005	Change, %
Claims on the public	7.6	6.9	10
Claims on credit institutions and central banks	6.9	5.1	36
Debt securities	4.8	3.8	28
Unused standby credit facilities	4.0	2.9	37
Guarantees and documentary credits	2.0	1.5	35
Derivative contracts	0.6	0.4	71
Other off-balance sheet items	0.3	0.3	0
Total	**26.3**	**20.9**	**26**

Total exposure by counterparty, EUR billion

	31 Dec. 2006	31 Dec. 2005	Change, %
Corporate customers	10.6	8.6	23
Finance and insurance institutions	6.7	5.0	35
Cooperative banks and Central Cooperative	6.0	4.6	31
Non-profit institutions	1.7	1.6	8
Public entities	0.8	0.7	14
Private customers	0.5	0.4	17
Total	**26.3**	**20.9**	**26**

In the review of counterparties, total exposure is divided into six customer groups, corporate customers being the largest group, representing over 40% (41) of the total exposure.

The year-on-year increase in corporate exposure was EUR 2.0 billion, or 23%. Loans and guarantees amounted to slightly less than 50% of corporate exposure, receivables and security-backed financing amounted to 18% and, and unused standby credit facilities to 28%. The rating and sector distribution of corporate exposure is analysed in more detail under Corporate exposure.

Financial and insurance institutions were the second largest group of customers and made up 26% (24) of the total exposure. The exposure in financial and insurance institutions mostly comprised notes, bonds and receivables from central banks. Investment-grade exposure – that is, exposure with ratings 1 to 4 – made up over 90% of the EUR 6.7 billion total financial and insurance institution exposure.

Group member banks and the Central Cooperative with its subsidiaries are a significant customer group for OKO Bank as the central financial institution of the OP Group. The year-on-year increase in the exposure of Group member banks and the Central Cooperative was EUR 1.4 billion, or 31%, which resulted from strong growth in lending operations by the member banks. The exposure of the member banks and the Central Cooperative is investment-grade.

Significant customer exposure

Significant customer exposure refers to corporate customers and non-profit customers whose direct exposure exceeds 10% of the Group's own funds. The Group's own funds increased from EUR 1 339 million to EUR 1 504 million, or by 12%.

The amount of significant customer exposure at the end of 2006 was EUR 3.0 billion, which is EUR 0.9 billion more than a year earlier. Significant customer exposure comprised 15 group customers (11), whose share of exposure from OKO Bank's own funds represented 197% (158). Of the significant customer exposure, 79% (81) was investment-grade.

Corporate exposure

The credit ratings of corporate customers and the rating distribution of corporate exposure improved clearly during the year. The relative share of investment-grade corporate exposure was 51%, or over 3 percentage points higher than a year earlier. The distribution of ratings is shown according to counterparty ratings. The collateral or guarantees received have not been taken into account.

Corporate exposure by credit rating, EUR million

Rating	31 Dec. 2006	31 Dec. 2005	Change, EUR million
1-2	511	373	138
3-4	4 929	3 770	1 159
5-6	2 320	2 135	185
7-8	2 213	1 718	494
9-10	221	328	-106
11-12	64	80	-16
Non-rated	364	228	136
Total	**10 622**	**8 632**	**1 990**

Growth in corporate exposure focused on investment-grade ratings 3-4 and 7-8.

The exposure of the four lowest ratings decreased by a total of EUR 122 million owing to an increase in credit ratings and to the payback of the exposure. The exposure of the two lowest ratings amounted to EUR 64 million, or 0.6% of the corporate exposure. The share of unclassified corporate exposure was EUR 0.4 billion, which is 3% of the corporate exposure.

The largest sector was the metal industry, the share of which increased by slightly over 2 percentage points to 17.5% during the year. Three other sectors where exposure exceeded 10% of corporate exposure were the trade sector, the forest industry and the construction industry. The largest euro increases were seen in the metal industry and the trade and real estate investment sectors. The increase in corporate exposure originated in several different sectors, which further improved the extensive diversification of corporate exposure by industry.

Country risk
The share of foreign receivables in total exposure was 15% (12). Secondary country risk, excluding Finland, amounted to EUR 4.1 billion at the end of 2006, an increase of EUR 1.5 billion from the previous year. The majority of the increased country risk consisted of bonds. Investments in foreign bonds increased for the purpose of maintaining the liquidity reserve of the OP Bank Group.

Viewed by region, the majority of country risk originated in the EU countries. Countries outside the EU accounted for 22% (21) of the country risk.

Past due payments and non-performing loans
Past due payments increased by EUR 13 million to EUR 23 million but their proportion of the total loan and guarantee portfolio continued to be low, 0.2% (0.1).

Problem receivables, or non-performing, interest-free and under-priced receivables decreased by EUR 1 million to EUR 20 million. The proportion of problem receivables of the loan and guarantee portfolio was still low, i.e. 0.2% (0.3).

Impairment losses that reduce receivables amounted to EUR 21 million (25) at the end of the year. Of the impairment losses, EUR 4 million (3) was related to different receivable groups, and EUR 12 million (16) involved non-performing receivables.

A total of EUR 7 million (9) of new loan and guarantee losses and impairment losses were booked. The total amount of loan loss recoveries and adjustments of impairment losses was EUR 6 million (6). The net impact of loan and guarantee losses and impairment losses on earnings was EUR 1 million (3).

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

Market risk exposure
Market risks accounted for 9% (8) of the risk-weighted items at the end of 2006. The growth was attributable to the increase in the amount of debt securities and derivative contracts. Market risks remained at a moderate level the whole year.

Interest rate risk was kept moderate during 2006 both in trading and treasury. Of the interest rate risk, 96% was in euro at the end of 2006.

The market value of the equity and venture capital funds was EUR 52 million (80) at the end of the year, of which the equity portfolio formed EUR 15 million (27), OMX shares EUR 8 million (18) and venture capital funds with their investment commitments EUR 29 million (35). The three proportionally largest industries in the equity portfolio were: industrial products and services 33%, consumer products and services 25% and health care services 17%.

Investments in venture capital funds totalled EUR 19 million (19), and binding unexecuted investment commitments EUR 10 million (16).

OKO Bank's overnight currency exposure and the involved risks remained low throughout the year. At the turn of the year, net currency exposure amounted to EUR –12 million. The currency trading focused mainly on intraday trading.

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

Market risk, EUR million

	31 Dec. 2006	31 Dec. 2005
Interest rate risk*)	12.1	10.4
of which Treasury	8.7	10.7
Market value of the equity portfolio	15.5	26.6
OMX shares	7.7	18.5
Venture capital funds	28.4	34.8
Net currency exposure	-12.4	5.5

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

Derivatives
The derivatives have been specified according to their use in the attached information FAS 21 and IFRS 63 of the Financial Statements.

The derivatives business went up significantly in 2006, which was mainly attributable to increased customer demand for interest rate swaps, interest options and currency forward contracts. In addition, the amount of interest rate swaps and the amounts of interest rate and currency swaps, made with the intention of providing protection, increased during 2006. Following the business growth, the credit counter values of derivative contracts increased from EUR 380 million to EUR 639 million.

The market risk exposure of the derivatives business was kept at a moderate level throughout the year. Credit Support Annex (CSA) agreements were signed with the most important counterparties in order to reduce the counterparty risk in OTC derivatives trading.

Funding risk and funding structure
The maturity distribution of the balance sheet items, based on the remaining exercise period, has been presented in the attached information FAS 35 and IFRS 52 of the Financial Statements.

The increase in the balance sheet total of Banking and Investment Services of EUR 4.0 billion to EUR 20.5 billion was mostly funded by debt securities. The portion of long-term funding was raised by issuing bonds to a total value of EUR 4.2 billion, most of these with 3 to 5-year maturities. As a result of increased long-term funding, the share of debt securities increased from 50% to 60%. The principal funding currency is euro. The exchange rate risk of loans denominated in foreign currencies has been hedged through interest rate and currency swaps.

The amount of subordinated Tier 2 loans issued in March 2006 totalled EUR 150 million, and the amount issued in September 2006 totalled USD 325 million. The amount of subordinated Tier 2 loans redeemed in March 2006 totalled EUR 200 million.

At the end of 2006, receivables in liquidity reserves amounted to EUR 5 684 million (4 115), of which EUR 400 million (1 400) was the guarantee for the liquidity credit from the Bank of Finland.

Real estate risk
At the end of 2006, capital invested in real estate holdings amounted to EUR 38 million (48), with properties in own use representing EUR 3 million (4). In addition, holdings in real estate investment companies totalled EUR 14 million (20).

The most significant real estate property sold in 2006 was Kiinteistö Oy Kalkkipellontie 6.

Net return on the real estate investment portfolio was 7.8% (6.6). In 2006, estimates for the current value of the real estate properties were acquired from an outside party, on the basis of which the aggregate amount represents the capital invested in the real estate properties. Real estate risks are expected to be low.

Operative risks

The focus of operative risk management was on reducing the most significant risks recognised in connection with risk mappings. The realisation of risks is followed by compiling statistics on the damage caused by operative risks. The resulting effect, which impaired earnings, was in 2006 EUR 0.2 million (0.2).

Risk exposure of insurance operations

The solvency capital of Non-life Insurance at the end of 2006 totalled EUR 592 million (836), or 75% (112) in relation to insurance premium revenue. In Non-life Insurance, capitalisation was brought closer to the 70% target level through the dividend distribution decisions taken at the end of the year. The Pohjola Board of Directors has set the credit rating class A as the target for Non-life Insurance. The insurance financial strength rating affirmed by Standard & Poor's for Pohjola Non-Life is A+ (7 September 2006).

The debts and risk exposure of Non-life Insurance has been presented in notes 34 and 57 of the Financial Statements.

Insurance risk exposure

The reinsurance of Non-life Insurance has been arranged on a centralised basis. Retention in risk-specific reinsurance is a maximum of EUR 5 million and retention in catastrophe reinsurance EUR 7.5 million. The capacity of catastrophe reinsurance providing cumulative cover totals EUR 80 million. In 2007, the retention limit of catastrophe reinsurance was reduced from EUR 7.5 million to EUR 5 million.

In Non-life Insurance, a large part of insurance contract liabilities consists of annuities. Estimated mortality has an impact on the insurance contract liabilities arising from annuities. At the end of 2006, the effect of a one-year increase in the average life expectancy on the aggregate amount of annuity-type insurance contract liabilities was EUR 28 million (27) and the one-off lowering effect on the combined ratio was 4 percentage points (3).

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

Risk parameter	Total amount 31 Dec. 2006 EUR mill.	Change in risk parameter	Effect EUR mill.[1)]	Effect on combined ratio
Insurance portfolio or insurance premium revenue	788	Increases by 1%	+ 8	Improves by 1%-point
1% increase in claims incurred	579	Increases by 1%	- 6	Deteriorates by 1%-point
Major loss		1 major loss	- 5	Deteriorates by 1%-point
Personnel expenses	100	Increases by 8%	- 8	Deteriorates by 1%-point
Expenses by function [2)]	223	Increases by 4%	- 9	Deteriorates by 1%-point

1) Effect on solvency and the balance on technical account
2) Non-life insurance expenses by function, excluding investment expenses and expenses related to the provision of other services

The number and size of claims vary annually. Of the annual variation in earnings generated by the insurance business, a significant portion is explained by the claims incurred from major losses. In 2006, there were 11 (7) major losses in excess of EUR 2 million, whose net claims incurred totalled EUR 35 million (31). In 2006, claims incurred of major and medium-size losses retained for own account totalled EUR 80 million, which was EUR 18 million more than in 2005.

Investment risk exposure

The investment portfolio of Non-life Insurance totalled EUR 2 490 million at the end of 2006, which was slightly less than a year earlier. The investment portfolio includes investments covering both the insurance contract liabilities and the solvency capital. The largest asset class consisted of bonds, which accounted for 72% of the investment portfolio of Non-life Insurance. The proportion of equities was increased by 2 percentage points to 18%.

Allocation of investment portfolio in Non-life Insurance, EUR million

Allocation	Fair value 31 Dec. 2006, EUR million	%	Fair value 31 Dec. 2005, EUR million	%
Money market	69	3	220	8
Bonds and bond funds	1 798	72	1 782	70
Equities	448	18	407	16
Alternative investments	87	3	65	3
Real estate properties	88	4	88	3
Total	2 490	100	2 562	100

The average credit rating of the fixed-income portfolio of Non-life Insurance in accordance with Standard & Poor's was AA, which was the same as a year earlier.

The average duration of the fixed-income portfolio was 4.8 years (4.8) and the current interest rate at the turn of the year was 4.2% (3.4). The annuity-type insurance contract liabilities, EUR 1 205 million (1 172), with a duration of 12 years (11) were discounted using a 3.3% interest rate. The remainder of the insurance contract liabilities totalling EUR 682 million (639) is undiscounted with a duration of 2.0 years (1.7).

The open currency exposure in Non-life Insurance was EUR 31 million (54), or somewhat over 1% of the investment portfolio. The largest open currency exposure was in US dollars.

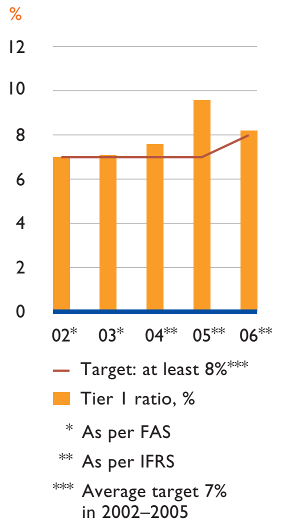
In 2006, increasing interest rates impaired the return on fixed-income investments. On the other hand, an upward trend in share prices generated a 5.2% return (8.5) on the investment portfolio, which corresponds to the long-term return expectations.

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

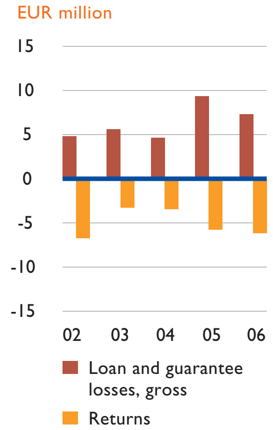
Non-life Insurance	Portfolio at fair values, EUR million		Risk parameter	Change	Effect on solvency capital EUR million	
	31 Dec. 2006	31 Dec.2005			31 Dec. 2006	31 Dec. 2005
Bonds and bond funds[1)]	1 834	1 813	Interest	1%-point	90	96
Equities[2)]	499	448	Market value	10%-points	50	45
Business premises	55	55	Market value	15%-points	8	8

1) Includes convertible bonds and derivatives
2) Includes absolute return funds and commodities investments

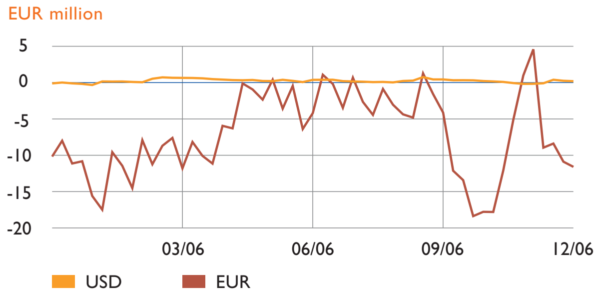
Actualised and target risk-bearing capacity



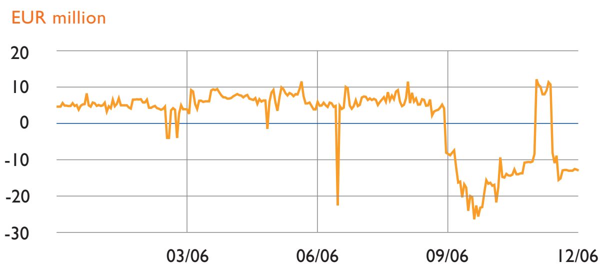
Development of loan losses



EUR and USD-denominated interest risk of OKO Bank



Overall net foreign currency exposure of OKO Bank



Decisions taken by the Annual General Meeting
The year 2005 annual accounts of OKO Osuuspankkien Keskuspankki Oyj were approved at its Annual General Meeting held on 30 March. Those accountable were granted release from liability. A desicion was taken to distribute a dividend of EUR 0.60 per Series A share and EUR 0.57 per Series K share. In addition, the AGM approved the Executive Board's proposal for the amendment of the company's Articles of Association.

The company's business name was changed to OKO Bank plc. The change was effective as of 1 June 2006. As part of the amendment to the Articles of Association, the company's Supervisory Board was abolished and a new Board of Directors, excluding any people belonging to the company's executive management was elected for the company. The number of Board members was confirmed at 10. According to the new Articles of Association, the company's Board of Directors comprises at least five and no more than ten members, at least half of whom shall be members of the Executive Board of the company's parent entity OP Bank Group Central Cooperative. The Chairman of the company's Board of Directors is the Chairman of the Central Cooperative's Executive Board and the Vice Chairman of the Board of Directors is the Vice Chairman of the Central Cooperative's Executive Board. The AGM elects the other members of the Board of Directors for a one-year term of office.

Furthermore, the AGM approved the merger plan signed on 14 February 2006 between the company and Opstock Ltd. The AGM also approved the Executive Board's proposal to authorise the Board of Directors to increase the share capital. The authorisation was not used in 2006.

KPMG Oy Ab, Authorised Public Accountants, was elected as the company's principal auditor, with Hannu Niilekselä, Authorised Public Accountant, as the chief auditor, and Raimo Saarikivi, Authorised Public Accountant. It was resolved that the remuneration paid to the auditors is based on a reasonable invoice presented.

The resolutions passed by the AGM and the amendments to the Articles of Association of OKO Bank have been described in more detail in a Stock Exchange Release issued on 30 March 2006.

Management and administration
At the AGM held on 30 March 2006, the following persons were elected as members of the company's Board of Directors: Ms Merja Auvinen, Mr Erkki Böös, Mr Eino Halonen, Mr Pekka Jaakkola, Mr Simo Kauppi, Ms Satu Lähteenmäki, Mr Heikki Vitie and Mr Tom von Weymarn. The Board of Directors assesses that the Board members Mr Tom von Weymarn and Ms Satu Lähteenmäki are independent of the company and its major shareholders.

According to the company's Articles of Association, Chairman and CEO Antti Tanskanen, Chairman of the Executive Board of the OP Bank Group Central Cooperative acted as the Chairman of the Board of Directors and President Reijo Karhinen, Vice Chairman of the Executive Board of the OP Bank Group Central Cooperative acted as the Vice Chairman of the Board of Directors.

In 2006, the composition of the Committees of the Board of Directors was as follows:

Members of the Audit Committee: Mr Heikki Vitie (Chairman), Mr Erkki Böös, Ms Merja Auvinen and Mr Tom von Weymarn.

Members of the Risk Management Committee: Mr Reijo Karhinen (Chairman), Mr Eino Halonen, Mr Pekka Jaakkola and Mr Simo Kauppi.

Members of the Compensation Committee: Mr Antti Tanskanen (Chairman), Mr Reijo Karhinen and Ms Satu Lähteenmäki.

Mr Mikael Silvennoinen acted as the company's President and CEO.

Shares and share capital
OKO Bank's shares are divided into Series A and Series K shares. Series A shares are intended for the general public and are quoted on the Helsinki Stock Exchange, whereas the ownership of Series K shares is restricted to entities within the OP Bank Group. In a General Meeting of Shareholders, one Series A share entitles its holder to one vote while Series K shares carry five votes each. Series A shares entitle their holders to an annual dividend that is at least 1 percentage point higher than the dividend paid on Series K shares. At the end of 2006, the number of shares totalled over 203 million, of which Series A shares represented 78.4%, or 159.4 million shares.

In 2006, slightly less than 2.2 million shares were registered of the Series A shares subscribed by the option rights of the year 1999 stock option programme. Following the registration, OKO Bank's share capital increased by EUR 4.6 million to almost EUR 428 million. In addition, EUR 4.5 million was entered in the share premium account. The subscription price of a share was EUR 4.6525 until 4 April 2006 and after that EUR 4.0525. Trading in the option rights terminated on 23 October 2006 and the share subscription period on 30 October 2006.

On the basis of the conversion clause included in the Articles of Association of OKO Bank, cooperative member banks in 2006 converted a total of 25 000 Series K shares into the same number of Series A shares. The share conversions had no effect on the share capital. In addition, the conversion of 81 720 Series K shares into Series A shares was registered in January 2007.

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

Shareholders, share price and trading volume
At the end of 2006, OKO Bank had 32 218 registered shareholders. The number was around 2 500 higher than a year earlier. The majority of the shareholders, i.e. 30 500 shareholders, were private individuals. The largest shareholder was OKO Bank's parent entity, the OP Bank Group Central Cooperative, which held 29.9% of all shares and 56.7% of the votes. The proportion of nominee registered shares of all Series A shares was 19.7%, which is almost the same as at the end of 2005.

The price of OKO Bank's Series A share increased by 7% in a year, whereas the weighted index of the Helsinki Stock Exchange (OMX Helsinki CAP) went up by 25% in a year. The share price at year-end was EUR 12.70 whereas a year earlier it was EUR 11.86. During the year, the share price reached a high of EUR 14.91 and a low of EUR 11.10. Trading volume increased significantly. Around 104 million shares changed owners during 2006. In the previous year, the corresponding number was 79 million.

Information on the breakdown of shareholdings is presented in note 38 to OKO Bank's Financial Statements. The five-year time series for per-share key ratios are presented on page 25. In addition, the breakdown of shareholdings as well as the price trend and trading volume of the OKO Bank Series A share are discussed in the Annual Report.

Branch offices and representative offices abroad
OKO Bank has representative offices in St. Petersburg, Russia and Tallinn, Estonia. The bank has no branch offices abroad. In addition, OKO Bank has subsidiaries transacting non-life insurance business in Estonia, Latvia and Lithuania, and a company engaged in corporate finance business in Russia.

Joint responsibility
OKO Bank is a subsidiary of the OP Bank Group Central Cooperative, which is based on the OP Bank Group's cooperation model. The Central Cooperative with its subsidiaries and 232 member cooperative banks form the amalgamation of the cooperative banks. Under the cooperation model, the resources of the OP Bank Group serve as a safety net for all the member banks because under the Cooperative Bank Act (Act on Cooperative Banks and Other Credit Institutions), the Central Cooperative and its member credit institutions are jointly responsible for one another's liabilities and commitments which cannot be met from the funds of the Central Cooperative or one member credit institution. If a member credit institution's own funds are depleted by losses such that its operations cannot be sustained, the central institution of the amalgamation, the OP Bank Group Central Cooperative, has the right to collect supplementary payments from the member credit institutions in proportion to their most recently confirmed balance sheets.

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

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

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

OKO Bank Group's preparation for capital adequacy reform
The new capital adequacy framework entered into force in the EU at the beginning of 2007. The implementation of the capital adequacy reform in the Finnish legislation takes place at three stages: in 2006, the Finnish Cabinet submitted a bill to the Parliament on the amendment to the Credit Institutions Act, on the basis of which a decree by the Finnish

Ministry of Finance and standards by the Finnish Financial Supervision Authority will be issued. The new Credit Institutions Act was confirmed on 9 February 2007 and it entered into force on 15 February 2007.

Deviating from the present rules, the new capital adequacy framework permits the calculation of minimum capital using several different methods. In future, the capital adequacy requirement for covering credit risk can be calculated according to the credit rating assigned by a bank or an external party. Furthermore, the new framework sets a minimum requirement of own funds for operative risks.

With regard to the methods to be applied, OKO Bank makes use of the transitional provisions for the capital adequacy reform. In 2007, OKO Bank's capital adequacy is calculated in accordance with the rules valid at the beginning of the year, i.e. in the same way as in 2006. OKO Bank aims to go over, stage by stage, to the internal ratings-based approach in the calculation of the capital adequacy requirement for credit risk such that the capital adequacy requirement for the first liability groups, such as corporate liabilities, will be calculated using the internal ratings-based approach from the beginning of 2008. The capital adequacy requirement for operative risks will be calculated using the basic method as of the year 2008.

OKO Bank has actively participated in the capital adequacy project of the OP Bank Group. The purpose of the project is to ensure that the OP Bank Group and its member credit institutions fulfil the requirements of the new capital adequacy framework within the transition period. During 2006, preparations for the capital adequacy reform continued, with a focus on further development of information systems, credit risk models, and capital adequacy management processes required by the reform, as well as on drawing up of an application for a user permit of credit ratings to the Finnish Financial Supervision Authority. The application for a permission to use the internal credit ratings of the OP Bank Group, including OKO Bank as a member credit institution, was sent to the Financial Supervision Authority in December 2006.

On the basis of the parallel calculations made, the capital adequacy requirement for OKO Bank's credit risks should, when using the internal ratings-based approach, decrease from the present level, provided that the Financial Supervision Authority approves the company's user permit application. The use of the internal ratings-based approach in capital adequacy calculations is increasingly more sensitive to changes in the risk profile and the economic trend, which will increase fluctuation in the minimum requirement of own funds from the current level.

Business operations

Strategic targets

In May 2006, OKO Bank's Board of Directors confirmed new strategic targets for the Group. The aim is to reach the targets by 2009. As part of the strategy, so-called operative efficiency targets and return targets based on operative capital were set for business segments. A more detailed description of the principles used in the calculation of operative key figures can be found under segment-specific information in the notes to the Financial Statements.

The emphasis of the strategy continues to be strongly on operational profitability and efficient capital management. In all business lines of the Group, the aim is to generate organic growth in a profitable manner. In Corporate Banking, the aim is to strengthen the bank's position as the second largest player in the market. As a non-life insurer and asset manager, OKO Bank aims at being the largest player in the market.

The following table describes the Group's financial targets and the operative targets of business segments by 2009, and the materialised targets in 2006.

	2006	Target 2009
Group		
Return on equity at fair values, %	9.5	13.0
Tier 1 ratio, %	8.2	8.0
Banking and Investment Services		
Operative return on equity, %	18.2	> 18
Operative cost/income ratio, %	41.5	40
Non-life Insurance		
Operative return on equity, %	20.9	> 20
Operative combined ratio, %	95.4	< 94

Banking and Investment Services

Banking and Investment Services cover the following divisions:

- Corporate Banking
- Markets
- Group Treasury
- Asset Management

	2005	*2006*
Income statement, EUR million		
Net interest income	112	113
Impairment losses on receivables	4	1
Net interest income after impairment losses	**108**	**112**
Net commissions and fees	77	99
Net trading income	16	19
Net investment income	16	29
Other operating income	13	24
Total net income	**230**	**284**
Total operating expenses	**95**	**121**
Amortisation on intangible assets from acquisition	0	4
Earnings before tax	**136**	**163**
Change in fair value reserve	2	-7
Earnings before tax at fair values	**138**	**155**
Key figures, %		
Operative return on equity (ROE) p.a.		18.2
Operative cost/income ratio		41.5
Proportion of problem receivables to receivables from customers and guarantees, %	0.21	0.14
	31 Dec.	*31 Dec.*
Information on volumes, EUR billion		
Receivables from customers	6.8	7.9
Unused standby credit facilities	2.6	3.6
Guarantees	1.4	1.9
Assets under management	27.5	31.3
Notes and bonds	3.7	4.9
Receivables from member cooperative banks	3.7	4.7
Liabilities to member cooperative banks	1.6	1.3
Risk-weighted items	9.5	11.1
Debt securities issued to the public	9.1	13.9
Average personnel	752	718
Average margins, %		
Margin on corporate loan stock	0.91	0.87
Margin on institutional loan stock	0.28	0.24
Margin on member cooperative banks' loan stock	0.15	0.12
Margin on member cooperative banks' deposits	0.19	0.11

Earnings
In Banking and Investment Services, earnings before tax stood at EUR 163 million (136). Income before impairment losses on receivables increased by EUR 51 million and expenses by EUR 26 million from the year 2005.

Net interest income before impairment losses on receivables was EUR 113 million (112). The abolishment of the cash reserve deposit system in November 2005 and the allocation of interest expenses of capital loans to business lines, which corresponded to the strategy confirmed in the spring of 2006, impaired the net interest income by a total of around EUR 13 million. The net interest income, adjusted by these factors, increased mainly owing to the strong growth in the loan portfolio. The impairment losses on receivables amounted to EUR 1 million (4).

Of the net interest income of Banking and Investment Services, the net interest income of the Treasury division was EUR 26 million (25). In the Treasury division, net trading income was EUR 20 million (17).

Net commission income increased to EUR 99 million (77). Growth in the commission income was mainly due to an increase in the earnings of OKO Asset Management.

Net investment income amounted to EUR 29 million (16).

Operative return on equity was 18.2% and the cost/income ratio 41.5%.

Corporate Banking

OKO Bank's market position in Corporate Banking strengthened further. In Corporate Banking, the aggregate amount of loans, binding standby credit facilities and guarantees increased by 20% to EUR 12.0 billion from the end of 2005.

The loan portfolio of Corporate Banking increased by 17% and stood at EUR 7.9 billion. At the end of 2006, OKO Bank's market share in corporate loans was 17.2%, whereas a year earlier the respective figure was 16.3%. The amount of binding standby credit facilities increased by 10% to EUR 2.3 billion. In 2006, the guarantee portfolio increased by 50% to EUR 1.8 billion. New long-term funding totalling EUR 3.7 billion was arranged for customers. In addition, OKO Bank acted as the lead manager in Finnish companies' six bond issues, which generated funds for customers totalling almost EUR 450 million.

The level of margins in the corporate loan portfolio, on average, was the same as in 2005. The margins of institutional loans continued to decline slightly.

Despite long-lasting and brisk growth in the loan portfolio, the risk exposure is still considered to be good.

The growth in funding of retail banks within the OP Bank Group accelerated in the latter half of 2006. OKO Bank's net receivables from these banks increased by 65% to EUR 3.3 billion.

Markets
The turnover of trading in fixed income, derivative and currency products increased by 17% and stood at EUR 239 billion (205). Trading in derivatives increased, in particular, as a result of strong growth in the volumes of structured financing and investment products offered to customers.

Investment operations
Net investment income totalled EUR 29 million (16). OKO Bank sold OMX AB shares and recognised on them a capital gain totalling EUR 12 million in February-May.

Funding
Growth in the loan portfolio was mainly funded from the markets. The amount of debt securities issued to the public grew to EUR 13.3 billion (9.0). The amount of long-term notes and bonds increased by EUR 3.6 billion.

In March, OKO Bank prematurely paid back debenture loans under lower Tier 2 own funds totalling EUR 200 million and issued two new similar loans: a EUR 150 million debenture loan maturing in 2011 and a USD 325 million loan with a par value of EUR 257 million maturing in the same year.

Asset Management
In Asset Management, the amount of assets under management increased by 13.7% to EUR 31.3 billion. Of the amount, institutional customers accounted for EUR 17.6 billion, OP mutual funds for EUR 12.4 billion and OKO Private for EUR 0.7 billion. The earnings of Asset Management doubled after combination of the asset management functions of OKO Bank and Pohjola and as a result of business growth and materialised cost synergies. In addition, the portion of earnings in Banking and Investment Services increased markedly.

Non-life Insurance

Non-life Insurance consists of the following divisions: Corporate Customers, Private Customers and Baltics.

The year 2005 comparative figures for Non-life Insurance are data on Pohjola's non-life insurance segment before the company was acquired by OKO Bank.

	2006	*2005*
	1-12	*1-12*
Income statement, EUR million		
Insurance premium revenue	788	744
Claims incurred	536	490
Loss adjustment expenses	44	42
Operating expenses	172	155
Amortisation/adjustment of intangible assets	0	
related to acquisition	25	0
Balance on technical account	**10**	**57**
Net investment income	115	151
Other income and expenses, net	-2	14.4
Operating profit	**124**	**223**
Unwinding of discount	36	37
Finance costs	8	0
Earnings before tax	**78**	**184**
Change in fair value reserve	17	53
Earnings at fair values before tax	**96**	**236**
Key figures, %		
Operative return on equity	20.9	
Return on equity at fair values		24.0
Loss ratio	73.5	71.5
Expense ratio	21.8	20.8
Operative combined ratio	95.4	
Combined ratio	98.7	92.3
Return on investments	5.2	8.5
	31 Dec.	*31 Dec.*
Volume data, EUR million		
Insurance contract liabilities		
Discounted insurance contract liabilities	1 223	1 172
Other insurance contract liabilities	746	711
Investment portfolio		
Bonds	1 752	1 697
Money market instruments	22	195
Equities	447	406
Investment property	56	55
Alternative investments	87	65
Average personnel	2 154	2 063

Earnings

Earnings before tax amounted to EUR 78 million (184).

Insurance premium revenue
Insurance premium revenue increased by 5.9% to EUR 788 million (744). This was largely due to a strong growth in comprehensive motor vehicle and motor liability insurance portfolios especially in the last quarter of 2006. Growth in the operative premium revenue where one-off items and changes in reserving bases have been eliminated, was 8.2%.

In domestic non-life business, insurance premium revenue increased by 3.3% to EUR 721 million (698). Following the OP Bank Group cooperation and revised service provision, growth in premium revenue of comprehensive motor vehicle and motor liability insurance in the private customer segment clearly exceeded the market growth. In the corporate customer segment as well, the largest monetary and proportional growth was obtained in premium revenue of comprehensive motor vehicle and motor liability insurance. Premium revenue in statutory workers' compensation insurance declined owing to premium rate adjustments carried out at the beginning of 2006. In addition, the favourable trend in statutory workers' compensation claims lowered the premium revenue of insurance contracts with deductibles. Premium revenue generated by the Baltic business increased by 53.3% to EUR 47 million (31). Premium revenue generated by other foreign insurance business increased to EUR 21 million (16).

Claims incurred and operating expenses
The operative combined ratio was 95.4% (92.3), of which claims incurred represented 67.2 percentage points (65.1) and operating expenses including loss adjustment expenses (cost ratio) 28.2 percentage points (27.2). Excluded from the operative combined ratio, the effect of reserving base changes and other one-off items on the balance on technical account was minor (EUR 1.0 million).

Claims incurred (excluding loss adjustment expenses) increased to EUR 536 million (490). The claims trend in major and medium-size claims (losses of more than EUR 0.1 million) was divided in the review period. In the first half of 2006, claims incurred of these losses retained for own account (i.e. claims incurred after reinsurers' share) totalled EUR 28 million (36), which represented the normal incidence of major losses. In the latter half of 2006, the claims trend in major losses was exceptionally unfavourable and the claims incurred from major losses retained for own account totalled EUR 52 million (27). In the latter half of 2006, the number of major losses of over EUR 2 million retained for own account was 8 (3). Claims incurred from small losses (losses of less than EUR 0.1 million) grew in the proportion of the increase in the insurance portfolio.

Operating expenses and loss adjustment expenses increased by EUR 19 million and stood at EUR 216 million (197). Operating expenses were EUR 172 million (155) and loss adjustment expenses EUR 44 million (42). Sales and marketing measures, the introduction of new basic systems, and growth in the Baltic business increased expenses. Operating expenses include integration expenses totalling EUR 2.5 million (2.9).

Investment operations
In Non-life Insurance, the fair value of investments at the end of December was EUR 2.4 billion (2.4), of which equities accounted for 18% (16). Owing to the Group's internal dividend distributions in December, the portion of money market instruments was only 3% (9).

Return on investments at fair values was 5.2%. Net investment income entered in earnings was EUR 115 million. Net investment income at fair values was EUR 133 million.

The discount rate for the EUR 1.2 billion annuities was 3.3% (3.3). The unwinding of discount is entered as a post-balance-on-technical-account item.

Other operations
The earnings of other operations consist of Group administrative expenses, funding costs of Pohjola shares, net income from the operations of Pohjola Group and Group eliminations.

Earnings before tax showed a loss of EUR 19 million (EUR 25 million negative). Earnings were burdened by financial costs of just under EUR 27 million for the acquisition of Pohjola shares. On the other hand, earnings were improved by the net investment income of EUR 17 million from Pohjola Group.

Proposal by the Board of Directors for the disposal of distributable funds
The equity of the parent company OKO Bank plc on 31 December 2006 was EUR 1 378 111 558.91, of which distributable equity was EUR 253 884 596.99.

The consolidated distributable equity on 31 December 2006 was EUR 316 259 205.89.

At disposal of the Annual General Meeting is

	EUR
profit for the financial year	30 511 151.53
profit brought forward	199 923 973.15
and non-restricted reserves	23 449 472.31
or a total of	253 884 596.99

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

EUR 0.65 on 159 451 268 Series A shares, or EUR 103 643 324.20 and
EUR 0.62 on 43 899 632 Series K shares, or EUR 27 217 771.84
Thus, the proposed total amount of dividend distribution is EUR 130 861 096.04.

Leaving in the parent company's distributable equity	123 023 500.95
and in consolidated distributable equity	185 398 109.85

No significant changes have occurred in the company's financial position after the financial period. The company's liquidity is good and it will not, according to the Board of Directors, be jeopardised as a result of the proposed dividend distribution.

Helsinki, 15 February 2007

Signatures for the Report by the Board of Directors and Financial Statements

Reijo Karhinen

Merja Auvinen　　Erkki Böös

Eino Halonen　　Pekka Jaakkola

Simo Kauppi　　Satu Lähteenmäki

Tony Vepsäläinen　　Heikki Vitie

Tom von Weymarn

Financial indicators and per-share ratios

Financial indicators for the OKO Bank Group

	2002 FAS	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS	2006 IFRS
Return on equity (ROE), %	10.0	18.5	13.9	13.9	19.8	9.5
Return on equity at fair values (ROE), %					22.3	9.5
Return on assets (ROA), %	0.50	0.92	0.66	0.69	1.40	0.78
Equity ratio, %	5.0	5.0	4.5	4.7	8.8	7.6
Average personnel	1 117	1 138	1 246	1 246	1 668	3 030
Cost/income ratio, %	56	45	56	51	58	65

Per-share ratios for the OKO Bank Group

	2002 FAS	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS	2006 IFRS
Earnings/share (EPS), EUR	0.52	1.03	0.81			
Series A shares				0.86	1.96	0.90
Series K shares				0.85	1.95	0.89
Earnings/share (EPS), diluted EUR	0.49	1.00	0.79			
Series A shares				0.84	1.95	0.90
Series K shares				0.83	1.93	0.89
Earnings/share (EPS) at fair values					2.22	0.89
Equity/share, EUR	5.27	5.93	5.84	6.15	8.76	8.99
Dividend/share, EUR	0.29	0.85	0.40	0.41	0.59	0.64*
Dividend payout ratio, %	55.2	82.4	50	47.5	30.3	72.0*
Effective dividend yield, % (OKO A)	5.2	12.2	5.1	5.1	5.1	5.1*
Price/earnings ratio (P/E)	10.8	6.8	9.9	9.5	6.1	14.2
Share price development (OKO A)						
Average, EUR	6.04	5.95	7.31	7.31	10.19	12.87
Low, EUR	4.82	4.96	6.21	6.21	8.09	11.10
High, EUR	6.69	7.20	8.39	8.39	12.34	14.80
Year-end, EUR	5.62	7.04	8.11	8.11	11.86	12.70
Market capitalisation (OKO A), EUR million	514.6	670.7	791.4	791.4	1 864.0	2 024.0
Trading volume (OKO A), in thousands	24 494.6	22 539.5	55 304.5	55 304.5	79 279.4	103 972.5
as % of all shares	27.0	24.1	57.5	57.5	74.8	65.8
Total number of shares (all)						
Average during the financial period	120 065 384	122 020 971	124 552 885	124 552 885	136 048 529	202 043 534
At the end of the financial period	120 065 384	123 745 174	126 009 771	126 009 771	201 176 960	203 350 900

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

* Board of Directors' proposal: EUR 0.65 for Series A share and EUR 0.62 for Series K share.

Calculation of key ratios

Return on equity (ROE), %

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

Return on equity (ROE) at fair values

$$\frac{\text{Profit for the period + change in fair value reserve after tax}}{\text{Shareholders' equity (average of the beginning and end of the financial period)}} \times 100$$

Return on assets (ROA), %

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

Equity ratio, %

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

Cost/income ratio, %

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

Earnings/share (EPS)

$$\frac{\text{Parent company owners' share of profit for the financial period}}{\text{Share-issue adjusted average number of shares during the financial period}}$$

Earnings/share (EPS), diluted

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

Earning/share (EPS) at fair values

$$\frac{\text{Parent company owners' share of profit for the financial period + change in fair value reserve}}{\text{Share-issue adjusted average number of shares during the financial period}}$$

Equity/share

$$\frac{\text{Shareholders' equity}}{\text{Share-issue adjusted number of shares on the balance sheet date}}$$

Dividend/share

$$\frac{\text{Dividend payout for the financial period}}{\text{Share-issue adjusted number of shares on the balance sheet date}}$$

Dividend/earnings, %

$$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

Effective dividend yield, %

$$\frac{\text{Dividend/share}}{\text{Share-issue adjusted last share price of the financial period}} \times 100$$

Price/earnings ratio (P/E)

$$\frac{\text{Share-issue adjusted last share price of the financial period}}{\text{Earnings/share}}$$

Average share price

$$\frac{\text{Total share turnover in euros}}{\text{Number of shares traded}}$$

Market capitalisation

Number of shares x last share price on the balance sheet date

Key ratios in Non-life Insurance

The key ratios of Non-life Insurance have been calculated in accordance with the regulations issued by the Insurance Supervisory Authority for insurance companies using, where applicable, the corresponding IFRS information.

The key ratios have been calculated using non-life insurers' function-specific expenses, which are not presented on the same principle as in the consolidated income statement.

Loss ratio (excl. unwinding of discount)

$$\frac{\text{Claims and loss adjustment expenses}}{\text{Insurance premium revenue (net)}} \times 100$$

Expense ratio

$$\frac{\text{Operating expenses}}{\text{Insurance premium revenue (net)}} \times 100$$

Risk ratio (excl. unwinding of discount)

$$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Insurance premium revenue (net)}} \times 100$$

Cost ratio

$$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Insurance premium revenue}} \times 100$$

Combined ratio (excl. unwinding of discount)

Loss ratio + expense ratio
Risk ratio + cost ratio

Operative key ratios

Operative return on equity, %

Banking and Investment Services:

+ Profit for the period
+ Amortisation and write-downs on intangible assets and goodwill related to acquisition of Pohjola Asset Management, and their tax effects
+ Change in fair value reserve after tax ——— x 100
+ 7% of risk-weighted commitments
+ Shareholders' equity of OKO Asset Management and Pohjola Property Management
– Capital loans allocated to business line (average of the beginning and end of the financial period)

Non-life Insurance

+ Profit for the period
+ Amortisation and write-downs on intangible assets and goodwill related to acquisition of non-life insurance business, and their tax effects
+ Change in fair value reserve after tax ——— x 100
+ 70% solvency ratio
– Capital loans allocated to business line (average of the beginning and end of the financial period)
or
– Minimum capital requirement by the authorities, if this is larger

Operative cost/income ratio

+ Personnel costs
+ Other administrative expenses
+ Other operating expenses, excl. amortisation on intangible assets and goodwill related to Pohjola acquisition ——— x 100
+ Net interest income
+ Net income from Non-life Insurance
+ Net commissions and fees
+ Net trading income
+ Net investment income
+ Other operating income

Operative combined ratio

Loss ratio + expense ratio, excl. amortisation and write-downs on intangible assets and goodwill arising from the acquisition of the non-life insurance business.

CONSOLIDATED FINANCIAL STATEMENTS, IFRS
FINANCIAL STATEMENT CALCULATIONS

Consolidated income statement

EUR million	Note	2006 Continuing operations	2006 Discon-tinued operations	2006 Total	2005 Continuing operations	2005 Discon-tinued operations	2005 Total
Interest income	5	1270		1 270	686	74	761
Interest expenses	5	1 175		1 175	600	17	617
Net interest income before impairment losses		96		96	87	57	144
Impairment losses on receivables	6	1		1	4		4
Net interest income after impairment losses		94		94	83	57	140
Net income from Non-life Insurance	7	328		328	69		69
Net income from Life Insurance	8					-2	-2
Net commissions and fees	9	102		102	71	25	96
Net trading income	10	20		20	16		16
Net investment income	11	37		37	18		19
Other operating income	12	50		50	21	2	23
Total income		632		632	278	83	361
Personnel costs	13	165		165	64	22	86
Other administrative expenses	14	133		133	54	18	72
Other operating expenses	15	111		111	41	12	54
Total expenses		409		409	159	53	212
Share of associates' profits/losses					1		1
Earnings before tax		223		223	120	30	150
Income tax	16	42		42	27	6	33
Capital gains from discontinued operations after tax	3					153	153
Profit for the period		180		180	93	178	271
Attributable to:							
Equity holders of the parent		181		181	89	178	267
Minority interest of profit for the period					4		4
Total		180		180	93	178	271
Basic earnings per share, EUR							
Series A	17	0.90		0.90	0.66	1.31	1.96
Series K	17	0.89		0.89	0.65	1.30	1.95
Diluted earnings per share, EUR							
Series A	17	0.90		0.90	0.65	1.30	1.95
Series K	17	0.89		0.89	0.64	1.29	1.93

The figures for discontinued operations have been presented as eliminated.

Consolidated balance sheet

EUR million	Note	31 Dec. 2006	31 Dec. 2005
Liquid assets	18	907	479
Receivables from financial institutions	19	5 546	4 617
Financial assets for trading	20	4 801	3 692
Derivative contracts	21	320	163
Receivables from customers	22	7 864	6 759
Non-life Insurance assets	23	2 766	2 740
Investment assets	24	225	326
Investments in associates	25	8	8
Intangible assets	26	1 020	942
Tangible assets	27	95	89
Other assets	28	633	468
Tax receivables	29	12	33
Life Insurance assets classified as held for sale	4		1 873
Other assets classified as held for sale	4		81
Total assets		**24 196**	**22 270**
Liabilities to financial institutions	30	2 390	3 563
Financial liabilities for trading	31		4
Derivative contracts	32	331	171
Liabilities to customers	33	1 994	2 058
Non-life Insurance liabilities	34	2 099	1 926
Debt securities issued to the public	35	13 263	9 033
Provisions and other liabilities	36	1 010	780
Tax liabilities	37	355	371
Subordinated liabilities	38	924	749
Life Insurance liabilities classified as held for sale	4		1 609
Liabilities associated with assets classified as held for sale	4		48
Total liabilities		**22 368**	**20 310**
Shareholders' equity	39		
Share of parent company's owners			
Share capital		428	423
Share issue account			1
Reserves		793	791
Retained earnings		607	548
Minority interest			**199**
Total shareholders' equity		**1 828**	**1 961**
Total liabilities and shareholder's equity		**24 196**	**22 270**

Consolidated cash flow statement

EUR million	2006	2005
Cash flow from operating activities		
Profit for the period	181	267
Adjustments to reconcile profit for the period to cash used in operating activities	155	-72
Increase (-) or decrease (+) in operating assets	**-3 203**	**-2 849**
Receivables from financial institutions	-810	-1 089
Financial assets held for trading	-1 102	-585
Derivative contracts	-31	
Receivables from customers	-1 125	-1 007
Non-life Insurance assets	-68	28
Life Insurance assets		-100
Investment assets	102	106
Other assets	-169	-202
Increase (+) or decrease (-) in operating liabilities	**-899**	**288**
Liabilities to financial institutions	-1 173	167
Financial liabilities held for trading	-4	3
Derivative contracts	25	
Liabilities to customers	-64	-167
Non-life Insurance liabilities	101	-1
Life Insurance liabilities		17
Provisions and other liabilities	215	269
Income tax paid	-49	-31
Dividends received	37	10
A. Net cash provided by (used in) operating activities	**-3 780**	**-2 387**
Cash flow from investing activities		
Acquisition of subsidiaries net of cash and cash equivalents acquired	-303	-1 675
Disposal of subsidiaries net of cash and cash equivalents disposed of	219	402
Acquisition of tangible and intangible assets	-21	-20
Disposal of tangible and intangible assets	5	11
B. Net cash provided by (used in) investing activities	**-101**	**-1 282**
Cash flow from financing activities		
Increases in subordinated loans	407	323
Decreases in subordinated loans	-177	-6
Increases in debt securities issued to the public	30 435	3 310
Decreases in debt securities issued to the public	-26 180	-365
Increases in share capital	4	214
Decreases in share capital		
Dividends paid	-120	-52
Increase in other items of share capital in cash	5	509
C. Net cash provided by (used in) financing activities	**4 374**	**3 933**
Net increase/decrease in cash and cash equivalents (A+B+C)	**493**	**264**

Cash and cash equivalents at the beginning of the period	**614**	**350**
Cash and cash equivalents at the end of the period	**1 107**	**614**
Interest received	**1 117**	**697**
Interest paid	**-1 041**	**-560**

EUR million		
Adjustments to profits for the period		
Items not associated with payment and other adjustments		
Impairment losses on receivables	2	4
Unrealised net earnings in Non-life Insurance	107	-55
Unrealised net earnings in Life Insurance		147
Change in fair value for trading	22	1
Unrealised net gains on foreign exchange operations	-36	-23
Change in fair value of investment properties	-1	-2
Scheduled amortisation/depreciation	57	21
Share in associates' profits		-1
Other	7	-9
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-3	-155
Capital losses, share of cash flow from investing activities	1	
Total adjustments	**155**	**-72**

Statement of changes in consolidated equity

EUR million	Attributable to equity holders of the parent							
	Share capital	Translation differences	Fair value reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Shareholders' equity 1 January 2005	206			237	332	775	2	777
Adoption of IAS 39 and 32 standards			13		2	14		14
Adjusted shareholders' equity	206		13	237	334	790	2	791
Available-for-sale financial assets								
Valuation gains and losses			54			54		54
Share transferred to income statement			-7			-7		-7
Translation differences from foreign units		-1				-1		-1
Deferred taxes			-12			-12		-12
Net income recognised under shareholders' equity		-1	35			34		34
Profit for the period					267	267	4	271
Total income and expenses for the period		-1	35		267	301	4	305
Share issue account	212			513		724		724
Share issue expenses				-6		-6		-6
Stock options exercised	5			0		6		6
Dividends paid					-52	-52	-1	-53
Reserve transfers								
Equity-settled share-based payment transactions								
Acquisitions of subsidiaries *							193	193
Shareholders' equity 31 December 2005	423	-1	48	744	549	1 762	199	1 961

EUR million	Attributable to equity holders of the parent							
	Share capital	Trans-lation diffe-rences	Fair value reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Shareholders' equity 1 January 2006	**423**	**-1**	**48**	**744**	**549**	**1762**	**199**	**1961**
Adoption of IAS 39 and 32 standards								
Adjusted shareholders' equity 1 January	423	-1	48	744	549	1762	199	1961
Available-for-sale financial assets								
Valuation gains and losses			16			16		16
Share transferred to income statement			-17			-17		-17
Translation differences from foreign units		1				1		1
Net income recognised under shareholders' equity		1	-1		-1			
Profit for the period					181	181		181
Total income and expenses for the period					180	180		180
Share issue expenses				-1		-1		-1
Stock options exercised	5			4		8		8
Dividends paid					-121	-121		-121
Equity-settled share-based payment transactions								
Acquisitions of subsidiaries *							-198	-198
Shareholders' equity 31 December 2006	428		47	747	607	1828		1828

*** See note 3 "Business operations acquired and sold during the financial period"**

SEGMENT INFORMATION

Primary segment reporting is based on business segments, according to which the internal reporting of the Group takes place. OKO Bank's business segments were reorganised at the beginning of 2006. The new business segments are Banking and Investment Services and Non-life Insurance. Banking and Investment Services include the following business divisions: Corporate Banking, Markets, Group Treasury and Asset Management. In Non-life Insurance, Corporate Customers, Private Customers and the Baltic States are presented separately. Their results are followed up to the balance on technical account. The comparative figures have been changed to conform to the new grouping.

Retail Banking has, in the comparative information of the financial statements, been presented as a discontinued operation. In addition, Life Insurance, which was sold in January 2006 to the OP Bank Group Central Cooperative, has been presented as a discontinued operation.

Accounting policies of segment reporting
Segment reporting conforms to the accounting policies applied to the consolidated financial statements. Those income, expense, asset and liability items which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Those income, expense, investment and capital items which have not been allocated to segments are reported under 'Other Operations'.

Eliminations between segments, also those regarding discontinued operations, have been presented in the 'Eliminations' column.

The intra-group transfer prices are based on market prices. The acquisition costs of intangible and tangible fixed assets are presented as investments.

Equity allocated to Banking and Investment Services amounts to 7% of risk-weighted commitments increased by the amount of intangible assets and goodwill related to the acquisition of Pohjola Asset Management Limited. Equity allocated to Non-life Insurance totals 70% of insurance premium revenue increased by the amount of intangible assets and goodwill related to business acquisition; however, not less than the minimum capital requirement set by the authorities.

When calculating the operative return on equity of business lines, amortisation on intangible assets related to the Pohjola transaction is not taken into account in earnings. In the calculation of operative shareholders' equity, the capital allocated to business lines is reduced by intangible assets and goodwill related to the Pohjola acquisition and by the parent's capital loans allocated to business lines in proportion to the capital tied by them.

The Group does not have geographical segments.

Banking and Investment Services

Corporate Banking

Corporate Banking offers corporate and institutional customers financing and cash management services and loan, guarantee and leasing and factoring services, and engages in venture capital investment operations. Income for Corporate Banking derives mainly from lending margins and from commissions and fees from financing and payment transfer services. Net interest income from lending is not sensitive to interest rate fluctuations because the funding of lending is market-rate driven.

Markets

The Markets business division consists of the securities brokerage, investment research and corporate finance of Opstock Ltd, which constituted Investment Banking, and of OKO Bank money market, foreign exchange market and debt capital market services. Corporate Finance operations are carried out by OKO Corporate Finance Ltd and ZAO OKO Capital Vostok, which are subsidiaries of OKO Bank. ZAO OKO Capital Vostok provides Finnish corporate customers with services related to M&As and structured financing in Russia.

The range of services of Markets includes arrangement of debt issues; corporate finance services; equity, foreign exchange, money market and derivative products; and research. The clientele consists of Finnish and international corporations and institutions. Income for the segment derive from net commissions and fees from trading.

Group Treasury

The Central Banking function within the OP Bank Group and the bank's own Treasury function are centralised in the Group Treasury division.

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

Treasury engages in fixed-income, equity and property investment operations. It is also responsible for the Group's long-term funding and relationships with banks and debt investors. The objective of the investment activities is to derive long-term benefit from appreciation resulting from changes in interest rates and share prices and to benefit from dividend and other income in the long-term. The assets are invested securely, aiming at a maximum return. The investment portfolios are diversified, as far as possible, by instrument, country and industry sector. Derivative contracts are used for hedging against market risks. In 2006, a new company, Conventum Venture Finance Ltd transacting venture capital business, was added to Treasury.

In Central Banking, intra-segment income is the margin income of the retail banks within the OP Bank Group. In Treasury, the intra-segment income is the margin income from the subsidiaries' financing.

Asset Management

The Asset Management division consists of OKO Asset Management Limited and Pohjola Property Management Ltd. OKO Asset Management Limited was formed in March 2006 when the asset management business of Opstock Ltd was transferred, as a business transfer, to Pohjola Asset Management Limited and the name of Pohjola Asset Management Limited was changed to OKO Asset Management Limited.

Asset Management provides Finnish institutional customers and wealthy private individuals with discretionary and consultative asset management services. Furthermore, the portfolio management of the mutual funds of OP Fund Management Company Ltd is mainly centralised in the Asset Management division. In addition to the management of the division's own portfolio, Asset Management has 16 international partners in cooperation, whose range of funds includes mutual funds for the needs of both institutional and private customers.

Pohjola Property Management Ltd focuses on property investments in Finland and on the selection of real estate funds on international markets. In October 2006, the first real estate fund designed for professional investors, REFF1 Ky, was established. It invests in the domestic property market in the Greater Helsinki area and in growth centres.

Income for the Asset Management division was generated mainly by asset management commissions and fees. The asset management commissions and fees collected from Non-life Insurance and other operations are presented as intra-segment income.

Non-life Insurance

Non-life insurance business is transacted in Finland by three companies. Pohjola Non-Life Insurance Company Ltd is a general non-life insurance company. A-Insurance Ltd focuses on non-life insurance for professional transport and Eurooppalainen Insurance Company Ltd on travel insurance. In the Baltic States, the local Seesam subsidiaries transact non-life insurance business.

The range of Non-life Insurance products includes non-life products sold to corporate and private customers. In addition, the domestic service network provides customers with life and pension policies issued by the OP Bank Group life and pension companies and employment pension policies issued by Ilmarinen Mutual Pension Insurance Company. The domestic service network is also in charge of customer service for customers of Suomi Mutual Life Assurance Company and Ilmarinen. Furthermore, commission and fee income is generated from administering certain statutory charges and from risk management services.

The asset and liability items of the run-off business were reclassified as held for sale in 22 December 2005.

Other Operations

Other Operations include those income, expense, investment and capital items that have not been allocated to the business segments. The most significant change in Other Operations in 2006 was that Pohjola Group plc, Pohjola IT Procurement Ltd, which transacts machinery and equipment rental, and the associated undertaking Nooa Savings Bank Ltd were allocated to Other Operations. The earnings of Other Operations consist of the earnings of the above-mentioned companies; of capital gains and dividends received from investments; of Group administrative costs; and of shares of associates' profits and losses. Tax receivables and liabilities are allocated to assets and liabilities under Other Operations.

Intra-segment income comprises income from services rendered to other segments.

Financial performance from January to December	**Banking and Investment Services**											
EUR million	Corporate Banking		Markets		Group Treasury				Asset Management		**Total**	
					Central Banking		Treasury					
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income	86	75	12	5	12	22	5	10	-2	0	113	112
Impairment losses on receivables	1	5						-1			1	4
Net interest income after impairment losses	85	71	12	5	12	22	5	11	-2	0	112	108
Income from Non-life Insurance												
Net income from Life Insurance												
Net commissions and fees	35	35	22	23	0	1	-1	0	43	19	99	77
Net trading income	2	0	13	13	1	1	3	1		0	19	16
Net investment income	0	0	0	0	0		29	16		0	29	16
Other operating income	14	7	0	0	9	2	1	2	1	1	24	13
Total income	**136**	**113**	**47**	**42**	**23**	**26**	**37**	**30**	**41**	**19**	**284**	**230**
of which inter-segment income			0	0	0	1	0	2	6	2	7	5
Personnel costs	-22	-19	-15	-11	-2	-2	-2	-2	-15	-7	-56	-40
IT expenses	-6	-6	-5	-5	-1	-1	-1	-1	-2	-1	-15	-15
Amortisation on intangible assets from acquisition									-3	0	-3	0
Other amortisation and depreciation	-13	-7	-1	-1			0	0	0	0	-15	-9
Other expenses	-15	-14	-7	-5	-3	-2	-2	-2	-7	-6	-33	-30
Total expenses	**-56**	**-46**	**-28**	**-23**	**-5**	**-5**	**-5**	**-5**	**-27**	**-16**	**-121**	**-95**
Share of associates' profits/losses												
Earnings before tax *)	**80**	**67**	**18**	**19**	**18**	**21**	**32**	**25**	**14**	**4**	**163**	**136**
Income tax												
Capital gains on discontinued operations after tax												
Profit for the period												

Key figures, %												
Operative cost/income ratio									59		41	
Operative return on equity											18.2	
Return on equity at fair values					15.0	17.5						

Financial performance from January to December EUR million	Non-life Insurance		Discon-tinued Operations *)		Other Operations		Eliminations		OKO Bank Group	
	2006	11-12/ 2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income	-8	-1		41	-13	-9	3	1	96	144
Impairment losses on receivables				0		-1			1	4
Net interest income after impairment losses	-8	-1		41	-13	-8	3	1	94	140
Income from Non-life Insurance	332	69				0	-3	0	328	69
Net income from Life Insurance				-2				0	0	-2
Net commissions and fees	6	0		25	-1	-1	-2	-6	102	96
Net trading income					0	0	0	0	20	16
Net investment income	-1	1			9	2	0	0	37	19
Other operating income	18	6		3	40	17	-33	-16	50	23
Total income	**347**	**75**		**67**	**35**	**9**	**-34**	**-21**	**632**	**361**
of which inter-segment income	0	1		0	28	3	-35	-9	-	-
Personnel costs	-99	-16		-21	-11	-9		0	-165	-86
IT expenses	-13	-1		-8	-15	-5	0	0	-42	-29
Amortisation on intangible assets from acquisition	-33	-6		-2					-36	-8
Other amortisation and depreciation	-2	0		-2	-4	-1			-21	-13
Other expenses	-122	-24		-22	-24	-21	34	21	-144	-76
Total expenses	**-268**	**-47**		**-55**	**-54**	**-36**	**34**	**21**	**-409**	**-212**
Share of associates' profits/losses	0				0	1			0	1
Earnings before tax *)	**78**	**27**		**12**	**-19**	**-25**	**0**	**0**	**223**	**150**
Income tax									-42	-33
Capital gains on discontinued operations after tax										153
Profit for the period									**180**	**271**

*) Okopankki 1-10/2005 and Pohjola Life Insurance 11-12/2005

Key figures, %										
Return on equity at fair values									9.5	22.3

Balance sheet 31 December 2006	**Banking and Investment Services**					**Banking and Investment Services, total**	**Non-life Insurance, total**	**Other Operations, total**	**Eliminations**	**OKO Bank Group**
	Corporate Banking	Markets	Group Treasury		Asset Management					
EUR million			Central Banking	Treasury						
Receivables from customers	7 788	12	58	9		7 868			-4	7 864
Receivables from financial institutions	300	58	5 785	463	1	6 607		66	-220	6 453
Non-life Insurance assets							2 824		-58	2 766
Financial assets for trading and investment assets	336	851	2 284	1 512	23	5 006	0	687	-666	5 026
Investments in associates							2	7		8
Other assets	177	563	51	75	128	994	901	298	-113	2 079
Total assets	**8 602**	**1 484**	**8 177**	**2 059**	**152**	**20 475**	**3 726**	**1 058**	**-1 061**	**24 196**
Liabilities to customers	358	5	981	839		2 184		140	-330	1 994
Liabilities to financial institutions		259	1 752	381		2 391		-1	0	2 390
Non-life Insurance liabilities							2 099			2 099
Debt securities issued to the public				13 898		13 898			-635	13 263
Subordinated liabilities				924		924	40		-40	924
Other liabilities	406	475	35	284	14	1 214	156	384	-57	1 697
Total liabilities	**764**	**740**	**2 767**	**16 327**	**14**	**20 611**	**2 295**	**523**	**-1 062**	**22 368**
Shareholders' equity										1 828
Total liabilities and shareholders' equity										**24 196**
Investments	5	1	0	2	1	9	10	3		21
Amortisation and depreciation in the period	-13	-1	0	0	-3	-18	-35	-4		-57
Expenses without payment other than amortisation and depreciation	1	4	0	0	3	8	0	0		8

Balance sheet 31 December 2005	Banking and Investment Services					Banking and Investment Services, total	Non-life Insurance, total	Other Operations, total	Eliminations	Discontinued Operations	OKO Bank Group
EUR million	Corporate Banking	Markets	Group Treasury		Asset Management						
			Central Banking	Treasury							
Receivables from customers	6 674	1	70	15		6 760			-1		6 759
Receivables from financial institutions	113	972	4 001	8	1	5 097		20	-20		5 096
Non-life Insurance assets							2 756		-16		2 740
Financial assets for trading and investment assets	268	2 738		885	9	3 901		234	-118		4 017
Investments in associates								8			8
Other assets	120	374	23	71	123	711	787	187	-9	20	1 695
Life Insurance assets classified as held for sale									-24	1 896	1 873
Other assets classified as held for sale							81				81
Total assets	**7 176**	**4 086**	**4 094**	**979**	**133**	**16 469**	**3 626**	**448**	**-188**	**1 916**	**22 270**
Liabilities to customers	288	1 103	206	484		2 081		14	-37		2 058
Liabilities to financial institutions		1 897	1 477	191		3 565			-2		3 563
Non-life Insurance liabilities							1 926		0		1 926
Debt securities issued to the public				9 070		9 070			-37		9 033
Subordinated liabilities				749		749	40		-85	45	749
Other liabilities	337	352	9	119	5	822	47	480	-27	2	1 325
Life Insurance liabilities classified as held for sale										1 609	1 609
Liabilities related to other assets classified as held for sale							48				48
Total liabilities	**624**	**3 352**	**1 691**	**10 615**	**5**	**16 288**	**2 060**	**494**	**-188**	**1 656**	**20 310**
Shareholders' equity											1 961
Total liabilities and shareholders' equity											**22 270**
Investments	4	2	0	6	120	133	826	1		115	1 074
Amortisation and depreciation in the period	-7	-1	0	0	-1	-10	-6	-1		-4	-21
Expenses without payment other than amortisation and depreciation	1	1	0	0	1	3	3	4		2	
*) Okopankki 1-10/2005 and Pohjola Life Insurance 11-12/2005											

NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

Contents of the notes

Other notes to the balance sheet, contingent liabilities and derivatives

Notes to contingent liabilities and derivatives

Other notes

NOTE 1. Accounting policies

GENERAL

OKO Bank plc (hereinafter OKO Bank) is a Finnish credit institution whose business lines are Banking and Investment Services and Non-life Insurance. The divisions included in Banking and Investment Services are Corporate Banking, Markets, Group Treasury and Asset Management. Banking and Investments Services of OKO Bank focus on domestic customers, but provide banking services to foreign customers to the extent required by their business related to Finland. OKO Bank engages in non-life insurance business in Finland and the Baltic countries.

In the comparative information of the financial statements, Retail Banking has been treated as a discontinued operation. Furthermore, Life Insurance, sold to the OP Bank Group Central Cooperative in January 2006, has been reported as a discontinued operation.

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

The OKO Bank Board of Directors approved the financial statements for publication on 15 February 2007.

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS standards (International Financial Reporting Standards). The preparation of financial statements complies with the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31 December 2006. International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in European Parliament and Council Regulation (EC) No 1606/2002. In addition to IFRSs, the preparation of the OKO Bank Group's financial statements is subject to Section 30(6) of the Finnish Credit Institutions Act. (The references in the financial statements to the Finnish Credit Institutions Act relate to the Act in force on 31 December 2006. The new Credit Institutions Act took effect on 15 February 2007.) The effect of the IFRSs and interpretations adopted by OKO Bank in 2006 is not significant.

The consolidated financial statements have been presented in millions of euro.

Use of estimates

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

CONSOLIDATION PRINCIPLES

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

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

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

Intragroup transactions, receivables, liabilities and profit distribution are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are not eliminated if losses arise from impairment.

Companies acquired during the financial period are consolidated from their acquisition date and divested companies until the date of disposal. The acquired companies are accounted by the purchase method.

From the IFRS transition date, 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of net identifiable assets acquired. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

In accordance with the exemption included in IFRS 1, the acquisition cost calculations for companies acquired prior to the IFRS transition date 1 January 2004 have not been changed to comply with IFRS, but they correspond to Finnish Accounting Standards. These acquisition costs have been used as deemed acquisition cost at the date of transition. The acquisition cost calculations for companies that were acquired prior to the IFRS transition date but only consolidated after the transition have been made as of the IFRS transition date.

Profit for the period and shareholders' equity are allocated between the equity holders of the parent and the minority interest. The minority interest is presented as a separate item within equity. On the acquisition cost calculation, the minority interest in the companies acquired since the IFRS transition date is calculated using the fair values of the assets and liabilities of the consolidated company and it is presented as a separate item on the balance sheet.

Minority interests which include OKO Bank's absolute liability to redeem the minority shareholders' investments have been treated as debt instruments.

FOREIGN CURRENCY ITEMS

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

The income statements of foreign subsidiaries are translated into euros using the average exchange rates for the financial period, while balance sheets are translated using the exchange rates ruling on the balance sheet date. The conversion of net profit or loss at different exchange rates on the income statement and balance sheet causes a translation difference that is recognised in equity. For foreign subsidiaries, the translation differences arising from the use of the purchase method and from equity items accumulated after acquisition are recognised in equity. If a subsidiary is disposed of, related cumulative translation differences deferred in equity are recognised on the income statement as part of the capital 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 own valuation technique where no active market exists. The valuation techniques include the discounted cash flow method, net present value techniques and comparison to similar instruments for which quotations in active market exist. The valuation techniques incorporate estimated credit risk, the applicable discount rates, the possibility of premature repayment and other such factors that affect the reliable determination of the fair value of a financial instrument.

Offsetting financial assets and liabilities

Financial assets and liabilities are not offset unless a statutory right of offset exists and unless the intention is to exercise such a right.

Contracts on purchase and resale of securities

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

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

Classification and recognition and location on the consolidated balance sheet

Financial assets and liabilities held for trading

The assets held for trading include securities which have been acquired for the purpose of selling or repurchasing in the near term. The assets held for trading also include derivative contracts other than derivatives destined for efficient hedging and guarantee contract derivatives. In insurance operations, no hedge accounting has been used.

Financial assets designated at fair value through profit or loss at inception

Financial assets at fair value through profit or loss include such combined instruments where the fair value of an embedded derivative cannot be determined separately and, in insurance operations, such investments in associates where the investors are venture capital investors, investments in unit-linked policies, and foreign-currency-denominated financial instruments in run-off companies' portfolios.

Financial assets and liabilities held for trading and financial assets at fair value through profit or loss are measured at fair value and any changes in fair value are recognised on the income statement. On the consolidated balance sheet, such financial assets are presented under financial assets held for trading, as Non-life Insurance assets and Life Insurance assets.

Loans and receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable cash flows that have been created by handing over funds or services. Receivables related to insurance contracts, claims administration contracts and disposal of investments are presented in this group. Loans and receivables are not quoted on an active market, and they are measured at acquisition cost in accounting. In the consolidated balance sheet, such financial assets are recognised under 'Receivables from customers', Non-life Insurance assets and Life Insurance assets.

Impairment losses on loans and receivables are recognised either on an item-by-item or portfolio basis. Impairment losses are assessed and recognised on an item-by-item basis if the customer's total exposure is significant. Otherwise, impairment losses are assessed and recognised on a portfolio basis. Impairments are booked as reductions in the balance sheet item for loans. Recognition of interest on the reduced amount continues after impairment.

Impairment losses are only recognised when there is objective evidence of the deterioration of a customer's solvency after the initial recognition. A receivable is impaired if the present value of estimated future cash flows, including the fair value of the collateral, is less than the aggregate book value of the loan and the unpaid interest. Future estimated cash flows are discounted at the original interest rate of the loan. In case of a variable interest rate loan, the discount rate is the rate in the agreement at the time of assessment. The difference between the book value of the loan and a lower recoverable amount is recognised as an impairment loss on the income statement. In the case of portfolio-specific impairment loss assessment, receivables are divided into groups with similar credit risk. Impairment loss is recognised for a group if there is objective evidence that uncertainty prevails about the recovery of receivables included in the group. The impairment loss to be recognised is based on an experience-based average estimate of future losses.

Once all collection measures have been completed, or otherwise at the management's decision, the loan is derecognised from the balance sheet. After the derecognition, the payments received are recognised as recovery of impairment loss on receivables.

If there is subsequent objective evidence that the customer's solvency has been restored, the amount of impairment loss recognised earlier is reassessed and any change in the recoverable amount is recorded in the income statement.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable cash flows, which have been acquired with the intention of holding them until maturity. Investments held to maturity are recorded in accounting at amortised cost. On the consolidated balance sheet, such financial assets are presented under Investment assets. 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 available-for-sale financial assets and measured at fair value. Changes in the fair value are recognised under 'Net investment income' on the income statement.

There are no held-to-maturity investments on the balance sheet of the financial statements.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are not included in the categories of financial assets mentioned above. Available-for-sale financial assets are recognised on the balance sheet at acquisition cost at the time of acquisition and measured at fair value. On the consolidated balance sheet, such financial assets are presented as investment assets, Non-life Insurance assets and Life Insurance assets. 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.

Cash and cash equivalents

Cash and cash equivalents comprise funds in cash and receivables from financial institutions repayable on demand.

Other financial liabilities

The category Other financial liabilities includes financial liabilities other than those held for trading. Other financial liabilities are recognised on the balance sheet at the settlement date and are, after initial recognition, accounted for at amortised cost.

In the consolidated financial statements, key personnel's shareholdings in subsidiaries have, on the basis of the terms and conditions of the shareholder agreements, been classified as financial liability in accordance with IAS 32. The portion of dividend corresponding to the financial liability has been treated as interest expense.

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 initial net investment at the time of entering into the contract, and it will be settled on a specific date in the future.

Derivatives are always measured at fair value. The difference between interest received and paid on non-hedging interest rate swaps is recognised in interest income, and the corresponding interest to be carried forward is recognised in other assets and other liabilities. Changes in the fair value of non-hedging interest rate, currency and equity derivatives are recognised under 'Net trading income' 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 host contract and valued at fair value on the balance sheet. Changes in the fair value of these embedded derivatives and derivatives designated as hedging instruments are recognised in interest income.

Hedge accounting

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 or in cash flow of the hedged item. At the OKO Bank Group, hedge accounting is applied for hedging against the interest rate risk by 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 relationship between hedging instruments and hedged items is formally documented. The documentation includes information on the risk management principles, the hedging strategy and the hedging methods that will be used to demonstrate the effectiveness of the hedging relationship. Effectiveness is formally assessed, both at the inception of the hedge and on an ongoing basis, by comparing the respective changes in the fair value of the hedging and hedged instrument. Hedging is considered effective if the changes in the fair values offset one another within a range of 80% to 125%.

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

In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are, on the income statement, recognised under net investment income (bonds included in available-for-sale financial instruments) and net interest income (loans and own issues).

INVESTMENT PROPERTY

Investment property is a land area and/or a building or part of a building held in order to earn rental income or for capital appreciation or both. Investment property also includes owner-occupied properties of which a minor part is used by the owner company or its personnel. However, a part of property used by the owner company or its personnel is not regarded as investment property if the part can be sold separately. On the consolidated balance sheet, investment property is presented under investment assets, Non-life insurance assets and Life Insurance assets.

Investment properties are initially recognised on the balance sheet at cost and subsequent to initial recognition they are carried at fair value. The changes in fair value are presented in the income statement under net income from investment properties of Non-life Insurance, Life Insurance or investment operations.. The fair value of investment property is primarily based on its market value. The basis for the fair value of significant items is a valuation made by independent external appraiser. The values of other items are based either on a valuation made by an independent expert, yield estimates based on market data or the management's own estimates of the market value of the item. The fair value of commercial, office and industrial premises is primarily determined using the income capitalisation approach. The yield value is determined on the basis of market yield requirements. The fair value of residential buildings and land areas is primarily determined by the sales comparison approach.

INTANGIBLE ASSETS

Goodwill

Goodwill equals the part of acquisition cost which, at the time of acquisition, exceeds the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of an entity acquired after 1 January 2004. The goodwill of business combinations prior to this represents the book value recorded in accordance with previous accounting norms and which has been used as deemed acquisition cost, as permitted under the exemption of IFRS 1. 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 contracts 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 effective lives of the acquired contracts. The effective life of an intangible asset recognised from the Life Insurance portfolio is reviewed annually, and the value is amortised over 10 years. The intangible asset item is tested annually in connection with testing the adequacy of the liability associated with the insurance contracts.

Deferred acquisition costs of insurance contracts

Some subsidiaries of the OKO Bank Group continue to partially apply the previous accounting norms, deferring a part of commission costs and other costs associated with the acquisition of new insurance contracts or the renewal of existing contracts. The intangible asset item arising from this is amortised using the straight-line method over the effective lives of the contracts. 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 contracts.

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 life. The estimated useful life of acquired customer relationships in the OKO Bank Group is 5 to 13 years. The value of customer relationships is tested for impairment.

Brands

Specifiable brands acquired through business combinations are measured at fair value upon acquisition. The economic lives of brands acquired through business combinations are assessed to be indefinite as they impact the accrual of cash flows for an undetermined period. The value of brands is annually tested for impairment.

Other intangible assets

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

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

TANGIBLE ASSETS

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

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

The estimated useful lives are mostly the following:

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

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

Depreciation of an item of property, plant and equipment is discontinued when the item is reclassified as available for sale in accordance with the Standard 'IFRS 5 Non-current Assets Held for Sale and Discontinued Operations'.

Impairment of tangible and intangible assets

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

The recoverable amount refers to the fair value less costs to sell of an asset (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 respective cash-generating unit. In this case, the book values 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 book value of the asset had the impairment loss not been recognised. Impairment loss recognised on goodwill is not reversed under any circumstances.

LEASES

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

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

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

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

EMPLOYEE BENEFITS

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

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

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

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

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

The obligations from defined benefit pension plans are calculated separately for each plan. The calculation is performed using the project unit credit method. Pension expenses are recognised on the income statement over the expected working lives of the employees participating in the plan on the basis of calculations made by authorised actuaries. The obligation is discounted at its present value using the yield on government bonds in Germany and France with the longest maturities.

At the transitions date, 1 January 2004, the financial statements applied the exemption provided in IFRS 1, according to which there were, at that date, no unrecognised actuarial gains or losses associated with defined benefit plans. Actuarial gains and losses after this 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%t of the greater of the present value of defined benefit obligation or the fair value of plan assets.

Share-based employee benefits
Equity-settled 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.

INSURANCE ASSETS AND LIABILITIES

Classification of financial assets in insurance operations
The classification of financial assets of insurance operations has been presented in the section Classification and recognition of financial instruments and location on the consolidated balance sheet

Classification of insurance contracts
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. As a rule, guarantee contracts are classified as insurance contracts or, if there is no major transfer of insurance risk, as financial instruments at fair value through income.

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 contracts between Group companies are eliminated as they do not meet the criteria for an insurance contract.

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 life insurance companies of the 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 Board of Directors of the company concerned.

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).

Descriptions of the insurance contracts are given in the Risk management principles, in section Risk management of insurance operations

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.

Long-term non-life insurance contracts

Long-term insurance contracts are contracts whose average period of validity is at least two years.

Life insurance contracts
Life insurance contracts include single and regular-premium life insurance contracts with focus on savings; 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 (construction defects) 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 on the balance sheet. 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 on the income statement as a separate item under net income from Non-life Insurance 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 on 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 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 book value 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 an additional amortisation on intangible assets and secondarily by increasing insurance contract liabilities.

Reinsurance contracts
A reinsurance contract refers to a contract that 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).

The benefits received under reinsurance contracts held are recognised on the balance sheet under Non-life Insurance assets either as 'Loans and receivables' or as receivables 'From reinsurance' under 'Other assets'. 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 under Non-life Insurance liabilities as 'Reinsurance liabilities'.

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 book value of the reinsurance asset is reduced to correspond to the recoverable amount and the impairment loss is recognised in the income statement.

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 in Non-life Insurance are recognised on the balance sheet under Non-life Insurance liabilities as 'Direct insurance liabilities'.

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 book value 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
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 on the balance sheet under 'Non-life Insurance assets'. Subrogation reimbursements are taken into account as an item reducing the provision for unpaid claims for losses which have occurred. When the claim is paid, the receivable is recognised on the balance sheet under 'Non-life Insurance assets'. The counter security of guarantee insurance is measured at fair value and the portion of it corresponding to the provision for unpaid claims

or to the claim paid is recognised under 'Non-life Insurance assets' on 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.

Coinsurance and pools

The Group participates in some coinsurance arrangements together with other insurers. Of coinsurance contracts, the Group treats as insurance contracts only the Group's own share of the contract, and the Group's liability is limited to that share.

The Group also underwrites shares of insurance contracts through pools. The pool members are responsible primarily for their own proportionate share of the insurance risk. The shares are based on contracts which are confirmed annually. The Group treats as insurance contracts its own proportionate share of the direct insurance business managed by the pool and of the reinsurance business coming from the pool to the members. The pool's share of these insurance contracts is treated as ceded reinsurance. In certain pools, pool members are responsible for an insolvent member's liabilities in the proportion of their shares in the pool. The Group recognises the liabilities and receivables based on joint liability when joint liability is likely to materialise.

Investment contracts

Classification, measurement and recognition of investment contracts

The investment contracts of the insurance companies within the OKO Bank Group are so-called capital redemption contracts.

Investment contracts are presented on the balance sheet under financial liabilities of Life Insurance liabilities and the benefits paid on the basis of them are presented on the income statement. Fees charged for management of investments related to investment contracts 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 and recognised 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 book value 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 concerned assume joint liability should one of them fail to pay claims in the event of liquidation or bankruptcy. Insurers have a statutory obligation to recognise a provision for the joint guarantee system in their balance sheets. The joint guarantee provision can be decreased or abolished only for the above-mentioned reason or by transferring it to another insurance company in connection with an insurance portfolio transfer.

PROVISIONS

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset (or disposal group) is classified as held for sale when its book value will be recovered principally through a sale transaction rather than through continuing use. It is measured at the lower of book value or 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 disposed of or which has been classified as held for sale. The items of income and expense of discontinued operations are presented in a separate column on the income statement.

INCOME TAXES

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

Deferred tax liabilities are calculated for all taxable temporary differences between the book values of assets and liabilities and the tax basis of assets and liabilities. Deferred tax assets are recognised for deductible temporary differences between the tax bases of assets and liabilities and their book values, as well as for 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 assets are offset by company. Deferred tax liabilities and assets arising from consolidation are not offset. Deferred tax liabilities and assets are determined using enacted tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. If deferred tax originates from balance sheet items whose changes have no impact on the income statement, any change in deferred tax is not recognised in the income statement either but it is recognised in equity.

REVENUE RECOGNITION

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

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

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

SEGMENT REPORTING

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

The OKO Bank Group reports segment-specific income statements and balance sheets for the Corporate Banking, Markets, Group Treasury and Asset Management divisions included in the Banking and Investment Services business line, and for Non-life Insurance. For the Non-life Insurance divisions Corporate Customers, Private Customers and the Baltics, earnings are presented separately up to the balance on technical account. Income, expenses, investments and capital that are not included in actual business operations are allocated to Other operations. The comparative figures have been changed to correspond to the new segment division.

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 made. Furthermore, the application of accounting policies requires consideration.

The amount of liability arising from insurance contracts 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 claims statistics. The appropriateness of the assumptions of the future is continuously monitored. The uncertainty factors of estimates related to insurance contracts and the impact of these uncertainty factors are discussed in Note34.

The values of insurance contracts, customer relationships and brands acquired through business combinations are based on estimates of factors including future cash flows and the applicable discount rate. The effects if these assumptions and estimates are discussed in Note 26.

Goodwill, assets with indefinite useful lives and intangible assets not yet available for use are annually tested for impairment. The recoverable amount determined in impairment testing is often based on the value in use, and its calculation requires estimates of future cash flows and the applicable discount rate. The impact of these assumptions and estimates is discussed in Note 26.

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

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

NEW STANDARDS AND INTERPRETATIONS

The OKO Bank Group will adopt in 2007 the following standards and interpretations:

- 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.
- IFRS 8 Operating Segments. The time of adoption of this Standard will depend on the approval by the EU.
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 11 Group and Treasury Share Transactions

The application of the new IFRIC interpretations will not materially change the present content of the financial statements.

NOTE 2. Risk management principles

Risk management principles

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

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

In the OKO Bank Group, the main operative risks of Banking and Investment Services are credit, interest rate, currency, equity and liquidity risks, and in Non-life Insurance, insurance risks and market risks related to investments. Strategic and operative risks as well as changes in the economic environment, competitive situation or customer behaviour are also inherently related to the banking and investment services business as well as to the insurance business.

Organisation of risk management

The OKO Bank Board of Directors is the highest decision-making body in matters associated with risk management. The Board of Directors' duties include deciding on the goals and the organisation of risk management, confirming the risk management strategy, risk policies, investment plan and the main principles of risk management. In addition, the Board of Directors supervises the implementation of risk management. The Board of Directors also approves the decision-making system and appoints the OKO Bank Group's risk management executives and the members of the Senior Credit Committee.

The Board of Directors has appointed the Risk Management Committee for the purpose of preparing the risk management duties for which the Board is responsible. The Risk Management Committee assists the company's Board of Directors to ensure that the company and the whole Group have a sufficient risk management system covering all operations and that the company and the whole Group do not take excessive operative risks which would materially jeopardize the company's or the Group's capital adequacy or the company's liquidity.

To carry out its duties, the Risk Management Committee undertakes, among other things, to monitor the preparation of and compliance with the company's and the whole Group's risk management principles and other general guidelines related to risk management, to monitor the company's and the whole Group's risks and risk concentrations as well as the quality and scope of risk management, and to follow the implementation of risk-taking policies, the use of limits, and the development of earnings. The Risk Management Committee reports to the Board of Directors.

The risk management executives coordinate and supervise overall risk management principles and operational policy guidelines and appoint the members of the Rating Committee. In addition, the risk management executives approve the methods and indicators used in risk monitoring, as well as new business models and products.

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

Consolidated risk management principles apply to Banking and Investment Services as well as to Non-life Insurance, which bear the main responsibility for risk-taking, earnings and the compliance with the principles of risk management and internal control. The business lines are entitled to take risk management decisions within the approved decision-making authorisations and limits in compliance with the Group's risk policies and guidelines.

The Boards of Directors of subsidiaries bear the primary responsibility for the subsidiaries' compliance, where applicable, with the risk management principles of the OKO Bank Group and ensure that the company has a sufficient internal control function and risk management systems in view of the quality and scope of business operations.

The Risk Management Department is responsible for developing and implementing an integrated risk management procedure in the OKO Bank Group. The Risk Management Department reports on any developments in terms of risk bearing capacity, risk exposure and the implementation of risk management policies. The department is also responsible for preparing and maintaining the decision-making authorisations and the operational guidelines associated with risk management. In the credit approval process, the Risk Management Department supports decision-making and controls quality. The Risk Management Department coordinates the compliance function and supports business lines in the management of their compliance risks. The coordination, monitoring and reporting related to the identification and assessment of strategic risks, business risks and operative risks are carried out in the Risk Management Department.

The department also evaluates risks pertaining to the introduction of new products and business models. Furthermore, the department is also responsible for the coordination of process development and for the setup, maintenance and development of systems used.

Risk management strategy
The Board of Directors of OKO Bank approves an annually revised risk management strategy for the OKO Bank Group, specifying the risk bearing capacity, risk appetite and principles of risk management. The risk management strategy also describes the principles of capital adequacy management and a plan for maintaining capital adequacy.

Furthermore, the risk management strategy includes a description of the business risks and the organisation of risk management. It also describes the tasks and division of responsibilities between different decision-making levels and organisational units involved in risk management. The risk management strategy also includes a description of risk management methods and indicators and the principles related to risk monitoring and reporting.

Risk bearing capacity and capital adequacy management (ICAAP)
The OKO Bank Group's risk bearing capacity consists of own funds, profitability and qualitative factors including, among other things, reliable administration, internal control and risk management as well as capital adequacy management. The minimum capital adequacy target as calculated using Tier 1 capital is 8.0%.

Business is steered and monitored according to business lines. Capital is allocated to business lines on the basis of risks. Their earnings are compared with the capital allocated to business lines. The operative return on equity of business lines is monitored against the set targets.

Capital adequacy management is part of comprehensive risk management and it aims to ensure the efficient use of capital and the sufficient amount and quality of capital to secure uninterrupted operations in the event of unexpected losses. Capital adequacy management is based on proactive approach and it is based on the Group's business strategy and plans. In addition to the capital adequacy target, the capital adequacy management process defines capitalisation targets by business line, capital adequacy forecasts and sensitivity analyses, as well as a plan for maintaining the capital adequacy target while taking into account all material risks related to the business.

Well-balanced risk taking and capital structure as well as strong performance and proactive risk management ensure the risk bearing capacity of the OKO Bank Group.

Risk appetite
The OKO Bank Group is a moderate risk taker. Operations are based on a calculated risk/ return approach that serves as a guideline for exploiting credit risks, market risks, funding risks as well as insurance and investment risks. Business activities also involve strategic, business and operative risks.

In Banking and Investment Services, the target is that the amount of credit losses and impairment losses over the trend cycle should not exceed 0.30% of the loan and guarantee portfolio.

In Non-life Insurance, the target is that the risk ratio between claims incurred (excluding loss adjustment expenses) and insurance premium revenue does not exceed 70%.

The Group's risk appetite is reviewed annually and specified by type of risk. Target values are set for risk- specific indicators while taking into account the trend cycle and market outlook.

Risk policies
Annually formulated risk policies provide the guidelines for risk-taking. In the overall risk policy, the risk appetite is apportioned to various types of risks in such a manner that the Group's business targets can be reached without jeopardising its risk bearing capacity and capital adequacy targets.

As regards Banking and Investment Services, the overall risk policy is supplemented by specific risk type policies, and as regards Non-life Insurance, by specific reinsurance and underwriting principles and by investment plans guiding investments in the non-life business.

Compliance risk management
The compliance function is part of a process for organising a reliable administration. The target for compliance risk management is to ensure that the Group's overall functions comply with external regulations and internal procedures and that appropriate methods are used in customer relationships.

The OKO Bank Group's compliance function supports business lines in their compliance risk management, for instance, by informing those responsible for business lines of any material changes in regulations and of any effects they may have on the business lines, by drawing up guidelines supporting the implementation of the regulations, by identifying and evaluating proactively any significant negative consequences resulting from failure to comply with these regulations. In addition, the compliance function monitors and ensures that the regulations are followed. This is done by evaluating e.g. the internal processes and methods ensuring compliance with the regulations, and by making any necessary improvement suggestions.

Those responsible for the compliance function of OKO Bank's subsidiaries ensure that the consolidated guidelines, operating instructions, regulations etc. are also followed in the subsidiaries.

Management of strategic, business and operative risks
The purpose of the management of strategic, business and operative risks is to create a corporate culture where risks are prevented in advance. Risk management is based on orderly planning, diligence and continuity in all areas of business operations. The aim is to prevent the materialisation of risks by developing processes through which potential risks can be identified and evaluated increasingly better and through which measures taken to control risks can be steered more efficiently.

Strategic risks

Strategic risks and business risks arise from competition, internal pressures or market forces which cause unexpected fluctuation in volumes, margins or costs and thus have an effect on the volatility of earnings and on the attainment of long-term business targets. Strategic risks and business risks may also arise from choosing a wrong strategy and from insufficient leadership and monitoring or from slow reaction to changes in the operating environment.

Methods and measuring of the management of strategic and business risks

The aim is to control strategic risks through continuous planning which is based on analyses and forecasts on the development of market areas, on the competitive situation and on the customers' future needs. The OKO Bank Group's strategy by business line is revised annually. Strategic risks are monitored by business line and business risks by business area.

Risks and their significance are annually monitored and evaluated in connection with updating business strategies and plans. In the same connection, changes in the operating environment and competitive situation as well as their effect on the implementation of the strategy are evaluated and the identified risk factors are linked to the planned strategic projects.

Operative risks

Operative risks refer to risks resulting from insufficiently functioning internal processes, private individuals, systems or external events which cause direct or indirect losses. The definition includes legal risks but not strategic risks. Operative risks may also materialise as a lost reputation.

Methods and measuring of the management of operative risks

The management of operative risks is based on the identification and analysis of risks and reasons for their materialisation. Risks are surveyed at different operational levels in cooperation with business lines and the risk management function. The aim is to prevent the materialisation of risks by taking into account factors contributing to their materialisation. Measures for doing this include, among other things, developing working methods, systems and expertise and enhancing any controls that support risk management.

Before new products are introduced, the products are described, operational processes are planned, guidelines are defined and products are approved. In the main business lines, the company uses continuity plans, which are updated regularly, to prepare for unexpected situations. In the management of information and banking security and in the prevention of illegal use of the banking system (e.g. money laundering and financing of terrorism), cooperation within the OP Bank Group is tight. In addition, the Group has taken out property, crime and liability insurance to provide partial cover for losses caused by operative risks. An important part of operative risk management also includes reports drawn up by the internal control function and the handling of communications and information flow in the agreed manner.

Operative risks cannot be fully hedged against and they occur from time to time. Operative risks are measured by estimating probabilities for their materialisation and by estimating their effects on earnings in the same way as evaluating strategic and business risks. In addition to operative risks, losses caused by materialised risks are monitored in Banking and Investment Services. Risk assessments are also used for evaluating the sufficiency of insurance cover.

Monitoring and reporting of strategic, business and operative risks

Strategic, business and operative risks and the related risk management measures are monitored by using risk maps and risk registers where identified and evaluated risks have been registered.

Strategy and business risk reviews are drawn up biannually. In addition, reports are drawn up regularly on the strategies and business risks of business lines and business areas, as well as on the related risk management methods.

In Banking and Investment Services, loss statistics are compiled on materialised operative risks. The purpose of these statistics is to understand the reasons which have led to the events and to develop operations. Materialised losses are reported to the executive management regularly. In addition to normal risk reporting, significant changes in the risk profile, functionality of controls, or in the materialisation of risks are reported to the executive management as soon as these changes have been detected.

Risk management in Banking and Investment Services

Credit risk management

Credit risk means risk arising from the inability of the bank's contracting parties to meet their obligations in cases where the collateral does not protect the bank's receivables. In addition to that, credit risk comprises country risk and settlement risk. Country risk is a credit risk associated with foreign receivables on a country-by-country basis. Settlement risk has to do with the clearing and settlement process and involves the risk of losing a receivable being settled.

The objective of credit risk management is to restrict losses from credit risks arising from customer exposure to an acceptable level whilst seeking to optimise the risk/ return ratio. Credit approval and the quality of the credit approval process occupy a central position in the management of credit risks. The credit process is guided by confirmed credit risk policies, decision-making authorisations and operating guidelines.

In managing settlement risk, it is vital to ensure that the counterparties are reliable. To reduce settlement risk, standard-form agreements are used and settlements are processed by reliable clearing centres.

OKO Bank seeks to reduce credit risk by diversifying its loan portfolio, as well as by defining collateral and covenant policies on a customer-specific basis. To further limit credit risks, a maximum customer exposure limit has been defined on the basis of the bank's own funds, and a limit system is in place. Credit derivatives have been used for credit risk management, but no asset securitisation.

Credit risk policy

Credit risk policy defines principles concerning the composition, diversification and customer selection in respect of total exposure, as well as the use of collateral and covenants. The objective is to diversify the credit portfolio sufficiently in order to ensure that OKO Bank does not develop excessive risk concentrations by country, customer group, line of business, credit rating, customer group of companies or time period.

For the portfolio review, customers are divided into six groups: corporate customers, financial and insurance institutions, private customers, OP Bank Group member cooperative banks and the Central Cooperative, public entities, and non-profit institutions. Separate credit risk policies have been prepared for corporate customers and for financial and insurance institutions. Furthermore, a country risk policy has been drawn up.

The corporate customer credit risk policy involves determining a relative maximum exposure for industry and rating-specific risk.

Risks related to financial and insurance institutions have been diversified by credit rating, issuer and product. In addition, in order to ensure the liquidity of fixed income investments, minimum sizes have been defined for issues in which OKO Bank can invest.

The country risk policy allows risks to be diversified by setting maximum limits on exposure in individual groups of countries.

Credit risk limits

A risk limit is the maximum exposure or uncovered exposure set for a customer or a country. A limit may also include restrictions in terms of time or product, for example a maximum amount for short-term or long-term liabilities. For most corporate and institutional customers, a customer-specific risk policy has also been set, comprising the minimum amount of collateral and the covenants to be used.

The exposure limit is a euro-denominated ceiling on customer-specific exposure. The exposure limit is annually confirmed for those corporate and financial institution customers whose actual or planned exposure exceeds EUR 5 million.

The financial institution limit is specified for a specified time period and is a euro-denominated counterparty limit within which business is conducted with financial institutions. The limit is provided on condition that the financial institution is located in a country for which a country limit has been approved.
The financial institution limit is reviewed annually.

The country limit is a euro-denominated ceiling for receivables from a given country. The amount of the country limit for each country and any related time limitation are defined in accordance with the country's credit rating and OKO Bank's risk bearing capacity in such a way that it supports the approved business principles. Country limits are reviewed at least once a year.

Credit process

The day-to-day credit process plays a crucial role in credit risk management. From the risk management perspective, the key stages are credit standing evaluation, decision-making and execution, which are separate processes. The Risk Management Department supervises the credit process flow and quality.

<u>Credit standing evaluation</u>
The credit standing of corporate customers is evaluated using the OP Bank Group's internal 12-step credit rating system. The company's financial position as presented in its financial statements, with the key features being capital adequacy, profitability and liquidity, will affect its rating. Other elements to be taken into account include the company's market position, competitive strength, product quality, growth potential, and the general business outlook in the industry. If the company has a public credit rating, that will be considered when assessing creditworthiness.

The collateral or guarantees received for the customer's exposure are not taken into account in the credit standing evaluation. Risk assessment for each exposure is performed at the decision-making stage on the basis of the customer's credit standing, the proposed exposure and the collateral and guarantees presented; at this stage, the pricing of the exposure is also confirmed.

The purpose of the rating is to place all corporate customers into credit rating categories in such a way as to meet the needs of risk management and to fulfil the criteria the new capital adequacy framework (Basel II) sets for internal rating models. The two weakest credit ratings are reserved for defaulted customers, customers subject to corporate restructuring or customers declared bankrupt.

The internal credit rating is used in the pricing of exposure, the credit approval process and the calculation of risk-adjusted capital requirements.

Determination of credit standing by customer group

Customer group	*Determination of credit standing*
Corporate customers, liabilities exceeding EUR 3 million	Credit rating by the Rating Committee
Corporate customers, liabilities less than EUR 3 million	Credit rating based on financial statements and payment behaviour
Financial and insurance institutions	Credit rating by an external rating institution
Member banks and the Central Cooperative	Credit rating by the Rating Committee
Countries	Credit rating by an external rating institution
Private customers	Credit rating based on payment behaviour information and credit scoring

Countries are divided into five country risk categories on the basis of their Moody's credit rating. The lowest Investment Grade rating is Baa3, or countries in country risk category 3.

Correlation between country risk categories and Moody's credit ratings

Country risk	*Moody's equivalent*
Category 1	Aaa
Category 2	Aa1–A3
Category 3	Baa1–Baa3
Category 4	Ba1–B3
Category 5	Caa1–C and non-rated

Decision-making
Credit proposals are made on the basis of the credit standing evaluation. Account managers prepare and present the exposure limit, credit limit and financing proposals to the decision-making bodies. The credit approval decision includes a report on the credit applicant, any credit previously granted to the customer and the related collateral and uncovered exposure. A credit proposal for a corporate customer also includes the collateral and covenant policy for short and long-term exposure, an analysis of the customer's creditworthiness, as well as a forecast of the development of the customer's financial position. For corporate customers, a financial statement analysis is always attached to the proposed exposure limit, and for new corporate customers, there is often also a business analysis. In most cases, credit proposals for corporate and financial institution customers involve a position statement by the Risk Management Department concerning credit risk.

The decision-making bodies make decisions to accept risks within the framework of their authorisations and in compliance with the bank's confirmed credit risk policies, limits and guidelines. The authorisations of each decision-making body have been scaled to the customer's credit rating, exposure and uncovered exposure. Small credit decisions for private customers are also made by an automatic credit decision system based on credit scoring.

Execution
The execution stage involves preparing the offer and contract documents based on the approved proposals. Before the customer is given access to any funds, the fulfilment of the drawing terms and conditions is verified. Furthermore, the fulfilment of contractual terms is monitored throughout the duration of the agreement.

Measuring, monitoring and reporting credit risk

Credit risk is measured on a customer-specific basis in terms of total exposure and uncovered exposure. Exposure means the total number of balance sheet and off-balance sheet items that the bank holds for a specific customer. Uncovered exposure is calculated as the difference between the exposure and the collateral value. Credit risk is also measured using a weighted collateral shortfall figure calculated by multiplying the customer-specific uncovered exposure against the probability of default corresponding to the customer's credit rating. Other indicators of credit risk include the proportion of non-performing loans and past due loan repayments of the loan and guarantee portfolio, as well as the proportion of credit losses to loan and guarantee portfolio. The credit risk of a loan portfolio is also measured by the amount of expected loss and its development in relation to the loan and guarantee portfolio. Various stress tests are also run on the amount of the expected loss.

Customer monitoring consists of an annual analysis of financial statements and interim reports, as well as continuous monitoring of the customer's credit record and the customer's business activities.

Customer credit record, past due payments and non-performing loans are monitored continuously on the basis of information obtained from both the OP Bank Group's internal monitoring service, as well as from external services.

Customers whose financial status development, credit risk and credit record OKO Bank wants to examine in more detail are placed under special observation. In this context the need to change the customer's credit rating, the probability of a credit loss, as well as the need to make an impairment loss are also considered. This often means that the credit approval decision is made in a higher-level decision-making body.

The credit approval process involves monitoring the exposure limits of corporate customers and the total exposure limits of consolidated financial institutions. Furthermore, decision-making bodies supervise the credit approval decisions and always submit their minutes to the next decision-making level for consideration.

The Risk Management Department carries overall responsibility for reporting credit risks. It prepares a corporate risk analysis for the Risk Management Committee of the Board of Directors. The analysis also contains information on e.g. the development of the amount, distribution and quality of total exposure, as well as on the development of non-performing loans.

The use of limits, as well as any overdrafts, is reported regularly. In addition, the Risk Management Department prepares portfolio-specific analyses.

Market risk management

Market risks include the impact of market prices (interest rates, currency rates and share prices) and volatility on the bank's financial performance. Market liquidity risk is one element of market risk. A risk arises if markets lack sufficient depth or cease to function due to disturbances, causing the bank to lose its ability to liquidate or cover its risks at prevailing market prices.

The objective of market risk management is to confine risks arising from price fluctuations in balance sheet and off-balance sheet items to an acceptable level and to promote healthy financial performance by optimising the risk/return ratio.

Both trading and treasury activities involve market risks. Trading activities are based on active short-term trading and market risk management.

Treasury is responsible for ensuring OKO Bank's domestic and foreign funding and for managing the equity, credit and interest rate risks involved in investment activities, as well as the structural interest rate risk arising from the loan and deposit portfolio and other balance sheet items (such as shares, real estate holdings and shareholders' equity). The objective is to hedge the Group's net interest income against interest rate fluctuation and to maintain the OP Bank Group's liquidity reserves while pursuing maximum profitability. Treasury does not take currency risks.

The Board of Directors of OKO Bank approves the market risk management principles and risk policies. The Risk Management Committee coordinates and steers the overall principles of market risk management and supervises the use of limits. Market risks are centrally managed by the divisions responsible for the risks in question. The divisions are responsible for their own exposure, and the results within the framework of the set limits. The Risk Management Department monitors and reports market risks and their outcome to the divisions and to the executive management. The principles and indicators used in managing the market risk involved in trading and treasury are largely the same.

Risk policies have been prepared for interest rate, volatility, currency, equity and real estate risks where the principles and limits regarding the structure and diversification of exposure have been defined. The objective of these policies is to ensure that market risks are proportional to risk bearing capacity. Risk limits continue to be allocated between trading (interest rate, currency and volatility risk) and treasury (interest rate, volatility and equity risk).

Interest rate risk is diversified in terms of currency, product and maturity. Foreign currency risk is hedged by currency. Equity and capital investment risks are diversified by market area, sector and issuer. Risk involved in venture capital investments is diversified in accordance with the fund rules and regulations. Specific limits have been set for options.

Continuous analysis of the structure of the risk exposure and the markets, as well as anticipating the impact of changes on the bank's risk exposure and performance play a key role in market risk management. Effective market risk management requires current and accurate information on exposure and markets, and fast response to changes. Market risks are managed by adjusting the risk exposure using both balance sheet and derivative instruments, in line with the current market views and within the risk limit framework. Market exposure or individual agreements can also be hedged with derivative instruments against changes in market value or to secure net financial income.

Measuring, monitoring and reporting market risks

OKO Bank monitors market risks by using the indicators specified in the table below.

Type of risk	Risk indicator	Result indicator	Frequency
Interest rate risk / trading portfolios	Effect of 1 percentage point increase on the current value of future cash flows Value at Risk (VaR) analysis	Change in market value	Daily
Interest rate risk / funding	Effect of 1 percentage point increase on the current value of future cash flows	Change in market value, net financial income	Daily
Currency risk	Total net exposure, currency pair exposures	Change in market value	Daily
Equity risk	20 percentage points change in market value	Change in market value	Weekly
Volatility risk	Effect of 1 percentage point volatility change on the current value of the exposusre Delta position	Change in market value	Daily
Real estate risk	Capital tied in real estate properties available for lease and the under-use ratio of the properties	Net earnings	Quartely

The Risk Management Department monitors OKO Bank's interest rate, volatility, currency and equity risk limits daily and reports these to the divisions and the executive management.

Interest rate risks

Interest rate risks arise from differences between balance sheet or off-balance sheet item maturities, interest rate reset dates or the bases of interest rates. In trading, interest rate risks materialise when a market rate fluctuation shows up as a change in market values of securities and derivative contracts. In Treasury, interest rate risk translates into a change in net financial income.

Only specifically named units are allowed to take interest rate risk within the set limits.

Trading-related interest rate risk arises from balance sheet products and derivate contracts, which are used for analysing market changes.

Other than trading-related interest rate risk is centralised under Treasury. Interest rate risk in Treasury arises in connection with the re-pricing of balance sheet receivables and liabilities and is caused by changes in interest rates and the different resetting times of interest rate revisions. The balance sheet also contains structural interest rate risks generated in retail borrowing and interest-free balance sheet items. Early repayment of customer agreements can also create interest rate risk.

Interest rate risks pertaining to trading and treasury are measured and reported daily using the same benchmarks and limitation principles as a trading portfolio. These are expected to render the net financial income more sensitive to interest rate fluctuations. In addition, trading-related interest rate risk is monitored by means of the Value at Risk (VaR) analysis.

Currency risks

Currency risks arise when there is a gap between receivables and liabilities in the same currency.

Management of currency risk is carried out in the context of trading. Limits set on the total net foreign currency exposure, on the par exposure of key currencies (USD, GBP, SEK) and on individual currencies are used to restrict exposure. The risk is also constrained with stop/loss limits.

Foreign currency exposures are reported daily.

Equity risks

Equity risks arise from equity and venture capital investment activities. Equity investments include shares purchased for trading purposes as well as for long-term holding.

The principles regulating the composition of the equity portfolio and the selection of investments are defined in the equity risk policy.

Treasury is responsible for the management of the equity portfolio recorded under items classified available for sale. Equity investment risk is measured as an impact of a 20% change in share prices on the market value of an equity exposure. Equity risks are reported weekly.

Volatility risks

Volatility risks arise from uncovered option exposure. Interest rate and currency options and, to some extent, the repurchase of issued index loans create volatility risks.

Interest rate and foreign currency volatility risks are reported daily.

Real estate risks

Real estate risks refer to risks associated with the change in the value or in the return on real estate holdings.

The real estate risk policy sets out the principles providing guidelines for the composition of a real estate portfolio and the selection of investments. Individual assessments and action plans are prepared annually for real estate investments. Real estate risks are reported quarterly in the Group's risk analysis.

Funding risk management

Funding risks refer to risks associated with the availability of refunding and the impact of the bank's credit rating development on the price of funding. A deviation between the maturities of receivables and liabilities generates risks. Similarly, funding risks arise if either liabilities or receivables or both are concentrated in respect of counterparties, instruments or market segments. Changes in customer behaviour or in the business environment may also create funding risks.

Liquidity risks refer to risks associated with the availability of funding when liabilities or other payments mature. Such a risk may materialise as a result of diminished market liquidity or the falling credit rating of a prospective borrower. Provisions for liquidity risks comprise a portfolio consisting of liquid notes and bonds.

Liquidity management is subject to the regulations of the European Central Bank's minimum reserve and liquidity credit systems.

Funding and liquidity risk management are critical to OKO Bank, as manifested by OKO Bank's Group Treasury duty to secure sufficient liquidity and reserves within the OP Bank Group.

The purpose of funding risk management is to ensure that the capital structure is correctly proportioned to risk bearing capacity, and to limit the funding or liquidity risk arising from the balance sheet structure. Funding risk is managed by planning liquidity and the balance sheet structure, by maintaining a sufficient liquidity reserve, and by diversifying funding risk on the basis of maturity, counterparty, product and market area.

The Board of Directors of OKO Bank approves the funding and liquidity risk management principles and risk policies. The Risk Management Committee coordinates and supervises these principles and the use of limits. Group Treasury has the central responsibility for OKO Bank's funding risk and liquidity risk management, long-term funding as well as the maintenance of reserve portfolios. The Risk Management Department monitors and reports funding risks to the divisions and the executive management.

Key sources of funding include issues of CDs and bonds, deposits from other banks and member co-operative banks, deposits from the public, and shareholders' equity. OKO Bank's credit rating affects the availability and price of funding in the international money and capital markets.

The principles and limits related to wholesale funding and its structure are defined in the funding risk policy. In addition, the funding risk policy includes a funding plan.

Measuring, monitoring and reporting funding risk

The funding risk is monitored on the basis of the balance sheet structure and the maturity distribution of receivables and liabilities. A significant part of the growth of the balance sheet is financed by wholesale funding, and the aim is to diversify it by maturity class so that the renewal of wholesale funding and additional funding can be implemented flexibly regardless of the market situation. In order to ensure the sufficient diversification of wholesale funding, the maturity distribution of wholesale funding is limited up to four years. The shortest maturity class is wholesale funding maturing within one month, the amount of which must not exceed the amount of liquidity reserves. In addition to this, a limit proportional to the balance sheet of OP Bank Group's banking business has been set for the amount of liquidity reserves.

Daily liquidity is monitored using calculations and forecasts for a 30-day period. They include the impact of internal transactions as well as forecasts of cash flows in interbank payment transfer services.

The Risk Management Department reports funding risks to the divisions and the executive management monthly. Daily activities include the preparation of cash flow statements by currency and an estimate of the adequacy of liquidity reserves.

Derivatives business

The OKO Bank Group uses interest rate and currency derivatives actively, as well as equity, equity index and credit derivatives to a lesser amount. The underlying values and credit countervalues of these are itemised in Note 63 to the financial statements. Derivatives are used for trading and hedging purposes as part of overall exposure management. Derivative risks are monitored as part of the overall exposure in trading and treasury using the same benchmarks as for balance sheet exposure. The only exception is options, whose risk is measured as described above under section 'Volatility risk'.

The counterparty risk involved in derivatives business is monitored using credit countervalues that are based on the repurchase cost of contracts (market value) and product-specific future credit risk factors.

The purpose of hedging credits and debt issues against interest rate risk is to lock the margin, or the interest rate difference between the hedged and hedging item. Hedge effectiveness is assessed by the ratio between the interest rate risk figures and market values of the hedged and hedging items.

Additional earnings components linked to the issued index loans have been hedged using derivative structures. The hedging derivatives are equity, equity index, currency, interest rate, commodity and credit derivatives.

Risk management of insurance operations

Risks of insurance operations

Insurance business is based on risk-taking and on the management of risks. The largest risks pertain to risk selection and rating, to the acquisition of reinsurance cover, and to the adequacy of insurance contract liabilities. In Non-life Insurance, the insurance contract liabilities risk is involved particularly in those insurance lines where the claims settlement period is long. In addition to insurance risks, a major insurance business risk consists of the investment risk related to the assets covering insurance contract liabilities.

Insurance risks

With an insurance contract, the policyholder transfers insurance risks to the insurer. The insurance risk of an individual non-life insurance contract is composed of two elements. The first one is the occurrence of one or more loss events coverable under the contract. The second one is the size of the coverable loss. Both the number of coverable losses and the size of each loss are random. The insurance terms and conditions require the occurrence of a coverable loss to be unpredictable. On the other hand, the size of a loss sustained by the insured object generally depends heavily for instance on the cause of the loss and on the circumstances at the time of loss as well as on the details of the occurrence. In addition, one insurance contract may cover objects whose nature and value vary.

The insurance portfolio comprises a very large number of non-life insurance contracts. Because of the large size of the insurance portfolio, the expected number of claims is also great. If there is no connection between the loss events, the law of large numbers in probability calculation provides that the larger the number of insurance risks in the portfolio, the smaller the relative variation in claims expenditure.

Because, in reality, the lack of connection between insurance risks is never complete, the insurer's claims risk in proportion to the size of insurance portfolio never totally disappears, no matter how large the insurance portfolio. The remaining risk due to the connection between insurance risks is called non-diversifiable risk. Non-diversifiable risks usually relate to changes in external operating environment, such as variations in the economic cycle, which have a systematic effect on the incidence and size of loss in certain groups of insurance contracts. Inflation, for instance, can have an increasing effect on the size of loss simultaneously in a large part of the insurance portfolio. Changes in the population's general mortality rate again would be reflected in the whole annuity portfolio in statutory insurance lines. A non-diversifiable risk can sometimes also relate to yet unknown and latent risks of loss in a large number of insurance contracts. Among these are asbestos claims, which are the most well-known examples from the near past.

A risk type apart consists of a claim accumulation generated by natural catastrophes or large catastrophes caused by human activity. Here, one catastrophic event may give rise to practically simultaneously payable claims for a great number of insured risks at high amounts. As a result, the total claims expenditure arising from a catastrophe may be extremely large. However, this risk can be diversified because the company operates in an area where the risk of natural catastrophes is considered fairly low and protection against the risk can be acquired through reinsurance.

Management of insurance risks

In the management of insurance risks, the most important tasks relate to risk selection and rating, the acquisition of reinsurance cover, the follow-up of claims expenditure and the evaluation of insurance contract liabilities.

Risk selection and premium rating

The role of risk selection and rating is emphasised in operational models. Limits have been set for the size and extent of risk for each insurance line and risk concentration. A data warehouse and analysis applications supporting the underwriting function have been taken into use. Insurance terms and conditions are a vital tool in controlling risks. In addition, customer or insurance line specific risk analyses are performed to limit risks.

Reinsurance

The reinsurance principles and the amount of risk retained for own account are annually approved by the Board of Directors. The level of reinsurance protection has an impact on the need of solvency capital. Only companies with a sufficiently high insurance financial strength rating are accepted as reinsurers. Moreover, maximum limits have been confirmed for the amounts of risk that can be ceded to any one reinsurer. The limit depends on the nature of the risk involved and on the company's financial standing. The reinsurance agreements have mainly been placed with companies whose ratings are at least 'A' in accordance with Standard & Poor's.

Evaluation of insurance contract liabilities

The adequacy of insurance contract liabilities is monitored annually. The evaluation of insurance contract liabilities always involves uncertainty factors which may be due, for instance, to the prediction of the claims trend, to delays in verifying losses, to cost inflation, to legislative changes, and to general trends in the economy.

Statutory insurance contracts

According to law, statutory insurance is mandatory for the policyholder. On the other hand, an insurance company is obliged to grant statutory insurance. The indemnification regulations and the amounts of compensation are prescribed in detail in legislation. In addition, statutory lines of insurance have joint bodies which supervise the compliance with uniform claims principles and claims norms. Of the Group's motor liability insurance portfolio, the portion of motor vehicles owned by private individuals is larger than that of companies. Otherwise, statutory insurance is mainly taken out by companies or other corporations.

In statutory workers' compensation insurance, the employer takes out insurance for the benefit of its employees to provide cover for occupational injuries and diseases. Motor liability insurance covers all bodily injuries resulting from the use of a motor vehicle in road traffic and, with certain restrictions, bodily injuries sustained by the driver who caused the accident, and material damage caused to third parties. Patient insurance covers bodily injuries caused to patients as a result of medical treatment.

Number and size of claims

The majority of claims expenditure in statutory lines of insurance for bodily injuries consists of compensation for loss of income and for medical care, which are covered in full. As an exception to the above, loss of income indemnities in statutory workers' compensation insurance are, before the age of 65 years, only covered up to 85% of the full compensation. Compensation for permanent loss of income is paid in the form of a lifetime annuity. In case of death, survivors' pension is paid to the insured's widow(er) and children. No upper monetary limit has been set for the amount of pension paid. In statutory workers' compensation insurance and motor liability insurance, the insurance company is not, however, liable for the index increases of loss of income indemnities nor for any medical expenses which are paid for over ten years after the loss occurred. These are financed through a so-called pay-as-you-go system (see Pay-as-you-go system).

As regards claims paid under statutory lines of insurance, the public sector also charges in accordance with actual costs incurred from medical care for losses that have occurred after 2004. However, the risk for medical treatment expenses is materially limited by the fact that medical treatment expenses for losses that have occurred more than 10 years ago do not fall within the scope of compensation payable under insurance contracts (see Pay-as-you-go system). In addition, the insurance company seeks actively to sign contracts with different medical care providers in order to minimise costs.

In statutory workers' compensation insurance, a major loss may occur because a large number of those insured may be working in a small area. In the case of a traffic accident, there may be many casualties and injured persons, in addition to material damage. An upper limit of EUR 3.3 million has, however, been set for compensation payable for material damage under one motor liability policy.

In addition to accidents, statutory workers' compensation insurance covers occupational diseases. Occupational diseases typically develop slowly. Therefore, the evaluation of claims expenditure for occupational diseases includes more uncertainty than in accident cases. An extreme example of this are latent occupational diseases in which the period from exposure to the actual outbreak of the disease may be even decades. Asbestos-induced diseases are such occupational diseases. The death rate among those suffering from the most severe asbestos diseases, i.e. mesothelioma or lung cancer, is very high.

Since taking out insurance is compulsory in statutory lines of insurance, the law provides that insurers must, in their rating of insurance policies, aim at risk correlation, in such a way that premiums are reasonably proportioned to the costs incurred from the policies. Motor liability insurance has a bonus system under which a loss event raises the insurance premium. In statutory workers' compensation schemes for large companies, the policyholder has the option of experience rating, which means that premiums are tied to the policyholder's own claims experience. The larger the company the stronger the linkage, and the more reliable the estimation of the company's actual risk level, measured on the basis of the company's own loss experience. A corresponding principle also applies to the rating of the largest vehicle fleets of a single policyholder. By this means, the risk related to rating is limited because the rating of the insured risk follows automatically, if not fully, the policyholder's own loss experience.

The reinsurance of statutory workers' compensation insurance has been arranged through a national catastrophe pool. The company's share of the pool is determined by the market share in the insurance line concerned. The pool has acquired reinsurance cover up to EUR 150 million and the retention limit after the pool's share is EUR 4 million. In motor liability insurance, the retention is EUR 3 million for any one loss event.

The provision for claims for annuities is mainly composed of annuities of statutory insurance lines. In the computation of the claims provision for annuities discounting is used. The discount rate chosen is of great significance for the claims provision.

Uncertainties related to future cash flows

It is typical of the statutory lines of insurance that the period from the occurrence of a loss to the date at which the claim is fully paid is often long. Such insurance business generates long-standing cash flow, on the evaluation of which cost inflation and the mortality of benefit recipients have the greatest impact.

A downward trend in mortality increases cash flow related to claims because compensation for loss of income is mainly paid as lifetime annuity. A decrease in mortality has continued in Finland and other industrialised countries for several decades. The life expectancy of newborn babies has increased in Finland by around 1.5 years in ten years. This trend has been assumed to continue in the mortality model used by the company for calculating insurance contract liabilities. The estimation of medical expenses inflation also has a major role in the evaluation of cash flows. The developments in medicine and in living conditions have both decreased mortality and increased medical treatment expenses. In the estimation of future cash flows, the company has assumed medical expenses inflation to be two percentage points higher than the general inflation rate.

Because the index increases in annuities under statutory workers' compensation insurance lines and the medical expenses paid in excess of ten years after occurrence of a loss event are excluded from the scope of cover of an insurance contract (see Pay-as-you-go system), the provision for unpaid claims contains practically no inflation risk in this respect. Instead, the medical expenses inflation risk related to statutory lines of insurance concerns the company's insurance contract liabilities for the first ten years after occurrence of the loss.

Losses coverable as occupational diseases and resulting from exposure to asbestos are, almost without an exception, occupational diseases which are covered under statutory workers' compensation insurance. The compensation paid mainly includes medical expenses and loss of income indemnities as well as survivors' pensions. The evaluation of liabilities arising from asbestos losses is difficult because the latent period of various asbestos-induces diseases, i.e. a symptom-free phase from asbestos exposure to the outbreak of an occupational disease, is long. Depending on the type of asbestos disease, the period may vary from 15 to 40 years on average. In Finland, the use of asbestos was terminated mainly in the 1980's and it was forbidden entirely in 1994. The peak years of asbestos use was in the 1960's and 1970's. The estimate on liabilities resulting from asbestos losses is based on the average claim amounts and on the estimated number of losses which, on the other hand, is based on national statistics on the use of asbestos as a raw material in Finland since 1905, on the assumed latent periods of different asbestos diseases, and on the statistical data on asbestos claims reported. The sufficiency of claims provisions and the correctness of assumptions are reviewed annually.

The scope of cover in statutory lines of insurance is fully regulated by legislation. Therefore, all parties are aware of the type of claims paid and of the size of compensation paid for each claim. This improves the predictability of future cash flows.

Pay-as-you-go system

The pay-as-you-go system is an arrangement based on the special laws of each statutory line of insurance. Under the system, the financing of certain benefits, so-called pay-as-you-go benefits, defined in these laws, has been arranged through the pay-as-you-go system. The system is based on the law and does not generate, for insurance companies, any economic benefit nor any harm that would lead to changes in equity.

Pay-as-you-go benefits include index increases in annuities, medical treatment expenses compensated under statutory workers' compensation insurance and motor liability insurance over ten years after the accident occurred, as well as certain other increases in benefits, as provided in special legislation regarding the different statutory lines of insurance.

In accordance with the above legislation, the pay-as-you-go benefits are financed by contributions collected by insurers from policyholders annually in connection with premium collection. The size of the contribution is determined on the basis of the insurance company's market share in the line of insurance concerned in the collection year. In particular, an insurance company which no longer underwrites that insurance line does not take part in the financing of the pay-as-you-go system. The amount collected through this contribution is forwarded annually to the central organisation for the particular insurance line, as provided by the law. The central organisation is in charge of distributing the funds in such a way that each company transacting, or which transacted previously, the insurance line concerned receives exactly the amount that corresponds to the claims it has paid that year in pay-as-you-go benefits.

Thus, future policyholder generations pay for the financing of future pay-as-you-go benefits. The obligation to insure regarding all statutory lines of insurance guarantees the financing basis for the system. For instance, in the case of statutory workers' compensation insurance, the contribution for the financing of the pay-as-you-go benefits payable any given year is collected from all those employers who, in that year, have employees in Finland or Finnish employees assigned abroad. Therefore, the financing of the pay-as-you-go system, based on special legislation governing statutory lines of insurance, could fail only in a case where doing work, motor traffic or medical care in Finland would cease altogether.

<u>Other accident and health insurance</u>

Under these lines of voluntary insurance, compensation is paid for medical expenses incurred from treatment of an injury or illness. In addition, lump-sum benefits are paid in case of handicap or death caused by injury or illness. The policyholder may be either a private individual or a company. The actual insurance risk between the two does not materially differ.

Number and size of claims

In other accident and health insurance, claims are usually small. The largest claims may arise from catastrophes in which a great number of people are injured. In named crisis areas, insurance cover is not in force.

In insurance policies, an upper age limit has usually been set for insured persons with the aim to restrict the amount of claims paid under policies. Furthermore, in medical expenses insurance, a health declaration is requested from the person to be insured, on the basis of which the insured's right to compensation may be limited.

Insurers have the right to alter the price and terms and conditions of insurance annually when renewing continuous annual policies. However, the causes for altering the premium and terms and conditions of insurance are restricted in insurance legislation and the causes have to be listed in the insurance contract. An insurance contract cannot be terminated because of a loss event.

In new medical expenses contracts written after 2004, the company has set a policy-specific upper limit of EUR 50 000 for medical treatment expenses benefits.

The company has taken out reinsurance cover against catastrophe accumulation in the insurance class 'Other accident and health'. Retention under reinsurance is EUR 2.5 million and claims are paid up to EUR 25 million. In addition, the portion remaining for own account has been reinsured under general catastrophe cover. The reinsurance does not cover losses arising from contagious disease epidemics.

Uncertainties related to future cash flows

Medical expenses inflation has a major impact on forecasting cash flows in medical expenses insurance, as regards those illnesses for which compensation is paid for a long time. Medical expenses inflation is boosted by rapid developments in medicine and the rising cost of pharmaceuticals.

Future cash flows are also impacted by developments in public health care. If medical care services financed from public funds decrease, people will, to an increasing extent, start financing their medical care through medical expenses insurance.

<u>Hull and cargo insurance</u>

Hull insurance policies cover loss or damage sustained by insured motor vehicles, vessels, aircraft and railway rolling stock. Cargo insurance covers loss of or damage to transported cargo. The largest lines of insurance in this group are the comprehensive motor vehicle insurance, cargo insurance and hull insurance for vessels. The two latter lines of insurance are mainly for corporate customers. Furthermore, this group contains luggage and yacht insurance where the policyholder is mainly a private individual, as well as small aircraft hull insurance and corporate rail traffic hull insurance.

Number and size of claims

Weather conditions have the greatest impact on the number and size of losses. Therefore, the claims expenditure is larger in the winter season than in the summer season.

The largest single claims may be incurred by the company from hull insurance, especially in cases where one and the same vessel also carries cargo insured by the company. The company does not insure large commercial airliners.

In the rating of motor vehicle insurance, a no-claims bonus system is applied, under which the occurrence of a loss event raises the premium. In addition, the company has the right to change the premium annually. However, if the policyholder is a private individual, the premium can be changed only if the conditions set out in the insurance contract are met.

The company has taken out a separate reinsurance cover against major loss or damage sustained by vessels and cargo. Retention under reinsurance is EUR 4 million. In addition, losses for own account are reinsured under catastrophe cover under the same reinsurance agreement as property and business interruption policies. Retention under this catastrophe protection is EUR 5 million for any one loss event.

Most of the motor vehicle insurance portfolio comprises private individuals' policies. Otherwise, the insurance risk in this class is mainly composed of insurance taken out by companies and corporations.

Uncertainties related to future cash flows

The estimation of future cash flows in private individual and motor vehicle insurance does not include any major uncertainty factors. Almost all claims have been paid within six months from the occurrence of the loss. For other policies, the claim settlement period is somewhat longer.

<u>Property and business interruption insurance</u>

Property insurance covers loss caused to the insured property, excluding property coverable under hull or cargo insurance. Companies and other corporations account for over half of the property insurance portfolio. This group also comprises corporate business interruption insurance which covers financial losses arising from interrupted business operations causing damage to the company's property.

Number and size of claims

In property and business interruption insurance, the largest single risks are fire, natural phenomenon and breakage risks at companies' production facilities and buildings, as well as related business interruption risks. Private households' single property risks are small and individual claims related to them have no material impact on the company's earnings. Most of the claims expenditure for private households is incurred from leakage, fire and burglary claims.

The risk of natural catastrophes has been considered minor in Finland and the Baltic States, but forest damage in Sweden has led to the reassessment of the risk. Pohjola has insured against storms around 5% of all Finnish commercial forests. Geographically, these are dispersed all over Finland. On the basis of general knowledge and clarifications made, it is still uncertain whether the recent storms are due to climatic changes or natural variations in climatic conditions. Clarifications have shown, however, that there are indications of a change in climatic conditions also in the area where the company operates, at least in the long term. The forecasted increase in temperature levels will probably be seen as changes in summer and winter conditions and, for instance, as an increased number of rainfalls. Although there is no clear proof of an increasing effect which rising temperatures may have on the severity of storms, the capacity of the catastrophe reinsurance cover totals EUR 80 million. The capacity is 10-fold compared to the largest realised catastrophe accumulations.

As a rule, flood damage is excluded from the insurance terms and conditions for property insurance covering buildings.

In the selection of property and business interruption risks, guided procedures based on customer segments' different insurance needs and solutions are applied. The rating of major clients' policies takes place in accordance with a certified quality system. Rating is graded in accordance with the size and severity of the risk. In the rating process, resources and managerial decision-taking is increased as the size and severity grows.

In the rating of corporate customers, customer selection and discount guidelines apply. The customer selection guidelines include details on a potential customer's eligibility for becoming a customer, taking into account, for instance, payment delays. In sectors with large risks, risk selection is tightened. The discount guidelines define the seller's, risk manager's, underwriter's and supervisor's powers to grant discount by line of insurance and partly by customer segment. The rating of small enterprises is also guided by system authorisations.

The profitability of property and business interruption insurance contracts is monitored by a varied follow-up and analysis system based on an insurance and loss data warehouse. Profitability analyses are carried out by line of insurance, by customer segment, by business sector and by customer care organisation.

The company has the right to re-rate policies in connection with renewal or to terminate a policy. However, when the customer is a private individual, the premium can only be changed on conditions specified in the insurance contract.

The insurance portfolio is reinsured under a non-proportional reinsurance treaty in which retention is EUR 5 million by insurance risk. In addition, reinsurance protection has been taken out against catastrophe accumulation claims. Under this reinsurance cover, the amount of retention was reduced from EUR 7.5 million to EUR 5 million at the beginning of 2007.

Uncertainties related to future cash flows

The estimation of future cash flows in property and business interruption insurance does not involve any major difficulties. As a rule, claims are paid within a year from the occurrence of the loss and the amount of loss can be estimated reliably. Generally speaking, the largest uncertainty in claim-specific estimations appears in new business interruption and accumulation losses.

In the follow-up of the size of storm damage, the company monitors separately the damage caused by each storm. In each monthly report, the originally made overall loss estimate is compared with the established claim expenditure and the estimate is adjusted, where necessary.

Liability and legal expenses insurance

The lines of statutory insurance which comprise liability insurance elements are not included in this group. Pure liability insurance covers loss provided that the insured is liable to pay damages to a third party for a loss caused. Corporate insurance accounts for the majority of the insurance risk of this group. Legal expenses insurance covers financial loss resulting from legal expenses. Private individuals' insurance cover forms the majority of the insurance risk of this group.

Number and size of claims

The number and size of liability claims are largely impacted by the legislation and legal practice governing the liability to pay damages.

Claims made by private individuals are usually small. In addition, the proportion of private individuals' risks of the total risk of the class is minor.

Most of corporate liability policies are product liability and commercial general liability policies. In the selection of insurance risk, the same guidelines apply as in property and business interruption insurance. For instance in product liability insurance, the risk of losses incurred from one and the same defect or act, so-called serial losses, has been reduced in such a manner that, for losses incurred at different times from the same defect, the aggregate maximum indemnity equals the sum insured for the period during which the first loss was detected.

In legal expenses insurance, the person insured is indemnified for expenses for legal proceedings. Since the insured person can have an impact on the cost of legal proceedings, for instance, by the choice of attorney, legal expenses insurance applies a proportional deductible, whereby the customer always pays a certain percentage of the overall loss.

The company's retention for the risks in this class is EUR 4 million for any one loss event.

Uncertainties related to future cash flows

It is typical of liability insurance, that losses are revealed slowly. Once a loss has been reported, uncertainty may still prevail as regards the size of the loss. However, the most significant uncertainty factor relates to the evaluation of unknown losses.

In liability insurance, claims can be allocated either by the time at which the loss occurred or by the time at which the claim was made. From the viewpoint of the estimation of cash flows, this is of major significance. If it has been agreed under the insurance that the loss is to be allocated in accordance with the loss report, the policyholder no longer has an opportunity to file new claims after an agreed period of time from the expiry of the insurance contract.

No significant uncertainty factors relate to cash flows from legal expenses insurance because losses in this line are always reported promptly. Therefore, there is no major uncertainty about the size of the losses, either.

Long-term insurance contracts

Long-term insurance contracts refer to contracts with an average validity of two years at the minimum. These types of insurance include guarantee insurance, decennial insurance and perpetual insurance.

Number and size of claims

The risk related to loan guarantees is that the debtor is insolvent. In delivery guarantee, the risk is related to the supplier's incapacity to deliver. The policyholders are mainly companies. Economic conditions have a material impact on the number of claims in guarantee insurance. During upturn, there are fewer guarantee claims and during downturn the number of claims is significantly larger. Guarantee insurance contracts are divided into loan guarantees and contract guarantees. The duration of loan guarantees is an average of 5 to 7 years and that of contract guarantees a maximum of 2 years. Over a half of the guarantee insurance portfolio consists of contract guarantees.

As a rule, the company has not taken out reinsurance cover for guarantee insurance, but part of the guarantee insurance liabilities are covered by sufficient security. In case of a loss, the company can realise the property held for security and thus reduce the loss. Guarantee insurance is long-term activity and, therefore, the insured's financial standing, the developments in the amount of liability and the adequacy of counter-security must be monitored on a regular basis.

Most of the decennial policies are statutory construction defects insurance policies. In these policies regarding residential buildings, a condition for a loss event is that there is a construction defect and that the builder is insolvent. Since the liability period under the insurance is 10 years, the risk of serial loss is involved. For a builder with exceptionally many construction defects, the risk of insolvency increases materially.

In case of a serial loss, the company has a stop loss reinsurance treaty covering loss accumulation per underwriting year. Under the treaty, retention for each underwriting year is 300–400% of premiums written.

The underwriting of perpetual insurance was terminated in the 1970's. The object of insurance may be a building or a forest. The policyholder has paid a lump-sum premium for the entire insurance period. The unlimited cover is valid until the sum insured has been indemnified. The policyholder is entitled to surrenders. Owing to the effect of inflation, the sums insured under perpetual insurance are small. The policyholders are mainly private individuals.

Uncertainties related to future cash flows

The largest problem with the forecasting of cash flows from long-term insurance contracts is that the amount of compensation materially depends on future years' economic conditions, which are hard to predict.

The greatest uncertainty related to cash flows from perpetual insurance resides in the amount of surrenders. Currently, there are very few surrenders, the greatest risk being that the number of surrenders increases markedly. The annual amount of surrenders has been EUR 200 000. If all policies were to be surrendered immediately, the amount payable would be EUR 15 million.

Investment risks

In insurance business, investments are assets covering insurance contract liabilities and equity. Through controlled investment risks, the aim is to obtain the best possible return on the investment portfolio at an acceptable risk level while taking into account the structure of insurance contract liabilities and the capital adequacy targets.

The most significant investment risks are market, credit and liquidity risks which can materialise in lower than expected return on investments or a decrease in the value of investments. Investment risks are sought to limit by diversifying investments as efficiently as possible by property class, counterparty, sector, geographical area and by ensuring that the investment portfolio is as liquid as possible.

In Non-life Insurance, investment operations are based on investment plans and investment authorisations, confirmed annually by the Board of Directors, in which the investment organisation, decision-making and operational authorities, as well as basic allocation and variation of investments by property class are defined. When determining the basic allocation of investments, account is taken of the operational environment and development outlook, investment risks related to earnings, protection and currency rate fluctuations, the structure and requirements of insurance contract liabilities, risk bearing capacity, requirements set by the authorities, rating targets and risk appetite.

The Non-life Insurance function applies the Asset/Liability Model (ALM) to determine the basic allocation. As a result of active investment operations and fluctuations in property values, deviations are, within defined limits, occasionally made from the basic allocation.

Investment operations are reported monthly to the risk management executives and to the Boards of Directors of non-life insurance companies. The report specifies the materialised earnings and the size of investments by investment class. In addition, the report includes the investment allocation and the duration of investments in interest-bearing instruments in relation to the basic level and variation range of the investment plan. The report specifies the amount of investments covering insurance contract liabilities, and changes in the values of investments after a stress test where interest rates are assumed to increase and the value of equity investments to decrease.

<u>Market risk</u>

The market risk is composed of the price, interest rate and currency risk. Changes in share prices, interest rates and currencies have an impact on the value of investments and annual earnings. The relation between the investment risk and the solvency capital of Non-life Insurance is assessed by means of an internal ALM model and the sensitivity analysis of the market risk.

The maximum amount and number of equities, alternative investments and properties which include a price risk are limited in the basic allocation. The investment risk is also managed by diversifying investments in different instruments, geographically and by business sector.

In addition to the sensitivity analysis, the interest rate risk of fixed-income portfolios is monitored by means of modified duration. In the investment plan, the modified duration of fixed-income portfolios has been assigned variation ranges proportioned to the modified duration of a benchmark portfolio. In Non-life Insurance, currency risks mainly arise from foreign equity investments. In the investment plan, a maximum limit has been set for the currency risk.

Use of derivatives

For the management of the market risk, derivatives are also used. The principles of the use of derivatives are annually defined in the investment plan. Interest rate and equity derivatives can be used both for hedging and for increasing the risk level of the portfolio, within defined limits. Currency derivatives can be used only for hedging. Credit risk derivatives are not used. Derivative contracts can be signed on regulated markets or with a counterparty whose long-term credit rating is at least A3 (Moody's) or A– (Standard & Poor's).

Credit risk

In investment operations, credit risks arise from the issuer's credit risk and from the counterparty risk of derivative contracts. The credit risks are managed by diversifying the portfolio and by limiting the proportion of weaker credit risk in the portfolio. The investment plan includes limitations regarding credit ratings and maximum investment limits regarding any single counterparty. An internal credit risk assessment is made of non-rated issuers. On the basis of the assessment, an investment decision can be made.

Liquidity risk

The company's liquidity requirements are taken into account when building up the investment portfolio. The primary liquidity buffer is the money market portfolio. Investments in equities and bonds consist mainly of quoted and liquid equities and bonds.

NOTE 3. Business operations acquired and sold during the financial period

OKO Bank acquired on 12 September 2005 from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company the shares they held in Pohjola Group plc, at a sales price of EUR 1 195 million. After the transaction, OKO Bank held around 58.5% of Pohjola shares and votes. The deal was finalised on 18 October 2005 when OKO Bank received the regulatory approvals of the authorities for the deal. Upon the completion of the deal, Pohjola Group plc became a subsidiary of OKO Bank. By the end of 2005, OKO Bank increased its holding of Pohjola Group plc shares to 86.3%. Pohjola Group plc and the companies included in its consolidated financial statements have been included in the consolidated financial statements of the OP Bank Group from 30 October 2005. In January 2006, OKO Bank's shareholding and voting rights in Pohjola exceeded 90% and OKO Bank initiated the arbitration proceedings, as required by the Finnish Companies Act, for the redemption of the Pohjola shares. From the beginning of 2006, Pohjola has been included in the financial statements of OKO Bank as a fully-owned subsidiary.

The most important acquired business operations of the Pohjola group of companies are the non-life insurance, life insurance, mutual fund and asset management business. In December 2005, Pohjola sold totally owned Pohjola Fund Management Company Ltd at EUR 73 million and Pohjolan Systeemipalvelu Oy at EUR 13 million to the OP Bank Group Central Cooperative. In January 2006 Pohjola sold Pohjola Life Insurance Company Ltd to the Central Cooperative at a total sales price of EUR 281 million. The transactions did not have any impact on OKO Bank's earnings.

In the group consolidation of the 2005 financial statements, the acquisition cost applied was the acquisition cost of the Pohjola shares as at 31 December 2005 increased by direct costs related to the acquisition. The total amount of the acquisition cost was EUR 1 773 million, in which the acquisition cost of shares was EUR 1 767 million and other costs directly related to the acquisition were EUR 6 million. The acquisition cost was paid in cash.

In the group consolidation of the 2006 financial statements, the acquisition cost applied was the acquisition cost of the Pohjola Group plc shares as at 31 December 2005 increased by direct costs related to the acquisition. The total amount of the acquisition cost was EUR 2 074 million, in which the acquisition cost of shares was EUR 2 062 million and other costs directly related to the acquisition were EUR 12 million. The acquisition cost was paid in cash.

Goowill resulting from the consolidation is composed of the difference between the acquisition cost and the fair values of the acquired identifiable assets and liabilities. The acquired identifiable assets and liabilities comprise the net assets of Pohjola measured at fair value and Pohjola's other identifiable asset items recognised at the acquisition. Goodwill corresponds to the other earnings expectations and synergies related to the acquisition.

EUR million		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		71	71
Cash and cash equivalents		100	100
Total assets		5 340	4 793
Insurance liabilities		3 268	3 268
Financial liabilities		150	150
Deferred tax liabilities		262	121
Provisions		38	38
Pension obligations		9	5
Accounts payable and other liabilities		155	155
Total liabilities		3 882	3 737
Net assets		1 458	1 057
Holding in net assets acquired on 31 December 2006	100 %	1 458	
Acquisition cost		2 074	
Goodwill		616	
Goodwill of sold companies		123	
Goodwill on 31 December 2006*		494	
Acquisition price paid in cash		2 074	
Cash and cash equivalents of acquired subsidiary		100	
Cash flow impact		1 975	

*A more precise specification of goodwill is given in Note 26.

Business operations sold

Year 2006

Pohjola Life Insurance Company Ltd was sold to the Central Cooperative on 16 January 2006 at a total sales price of EUR 281 million. The company was included in the consolidated financial statements as a discontinued operation until 31 December 2005. The sale had no impact on OKO Bank's earnings.

Pohjola Group plc sold its totally owned run-off companies Bothnia International Insurance Company Ltd. at EUR 8 million and Moorgate Insurance Company Limited at EUR 2 million to an external buyer on 22 December 2005. The transaction was finalised on 1 June 2006. The deals did not have any major impact on OKO Bank's earnings. The companies were included in the consolidated accounts until 31 May 2006.

Disposal of assets	Life-Pohjola	Bothnia	Moorgate	Total
Non-life Insurance assets		43	9	52
Life Insurance assets	1 755			1 755
Intangible assets	110			110
Tangible assets	0			0
Other assets	6	0	0	6
Tax receivables	3	0		3
Total	1 873	43	9	1 925
Disposal of liabilities				
Non-life Insurance liabilities		32	11	43
Life Insurance liabilities	1 577			1 577
Provisions and other liabilities	10	0	0	10
Tax liabilities	21	1	1	23
Total	1 609	33	12	1 654
Transaction price received in cash	236	8	2	246
Disposal of cash and cash equivalents	23	2	7	32
Cash flow impact	213	6	-5	214

Year 2005

In September, OKO Bank sold the shares of fully-owned Okopankki Oyj to the Central Cooperative as part of the financing of the Pohjola transaction at a price of EUR 325 million. The deal was confirmed on 18 October 2005, when the regulatory approvals of the authorities were obtained for the Pohjola transaction. Okopankki was included in the consolidated financial statements until 31 October 2005. A capital gain of EUR 153 million was recognised as income for the Group.

As a result of the sale of the Okopankki shares, the OKO Bank Group's holding decreased to 1% on 16 Septemberof OP-Kotipankki Oyj shares and to 8.9% of votes. Therefore, OP-Kotipankki was no longer an associated company of OKO Bank, nor has the portion of its profits or losses been included in the consolidated accounts since 1 November 2005. The consolidated share of Kotipankki's profits or losses in the Group accounts was small.

Disposal of assets	
Intangible assets	1
Tangible assets	38
Financial assets	2 956
Other assets	35
Total	3 030

Disposal of liabilities	
Interest-bearing liabilities	2 801
Other liabilities	75
Total	2 876

Transaction price received in cash	325
Half of asset transfer tax 1.6%	3
Disposal of cash and cash equivalents	15
Cash flow impact	307

NOTE 4. Operations discontinued and asset items classified as held for sale during the financial period

Year 2006

There were no discontinued operations or asset items classified as held for sale on 31 December 2006.

Year 2005

Of the disposal of OKO Bank subsidiaries, Okopankki Oyj and its subsidiary Helsingin Seudun OP-Kiinteistökeskus Oy were presented as discontinued operations. The earnings of Retail Banking were presented separately from other discontinued operations in segment reporting.

The integration of the Pohjola group of companies in the OP Bank Group included a plan under which Pohjola sold Pohjola Life Insurance Company Ltd, Pohjola Fund Management Company Ltd and Pohjolan Systeemipalvelu Oy, incluced in the deal, to the Central Cooperative. Of these, the deals related to Pohjola Fund Management Company Ltd and Pohjolan Systeemipalvelu Oy were closed on 30 December 2005 and the deal related to Pohjola Life Insurance Company Ltd on 16 January 2006, at the agreed prices. Pohjola Life Insurance Company Ltd was reported as a discontinued operation and its transferred asset and liability items were reclassified as held for sale. In segment reporting, Pohjola Life Insurance Company Ltd was presented as a discontinued operation.

Pohjola Group plc on 22 December 2005 sold its wholly owned run-off companies Bothnia International Insurance Company Ltd. and Moorgate Insurance Company Limited to an external buyer. The deal was confirmed on 1 June 2006, when the regulatory approvals of the authorities were obtained and the conditions of the transaction were met.

The share of discontinued Retail Banking of the cash flows

EUR million	2005
Cash flow from operating activities	61
Cash flow from investing activities	-3
Cash flow from financing activities	-95
Total cash flow	**-37**

NOTES TO THE INCOME STATEMENT

NOTE 5. Net interest income	2006	2005
Interest income		
Receivables from financial institutions	181	114
Receivables from customers	272	285
Loans	256	272
Finance lease receivables	15	12
Impaired loans and other commitments	0	1
Notes and bonds	174	99
Held for trading purposes	151	34
Available for sale	23	64
Derivative contracts	641	262
Hedge accounting	16	-3
Other	625	265
Other interest income	2	1
Total	**1 270**	**761**
Interest expenses		
Liabilities to financial institutions	106	93
Liabilities to customers	53	50
Financial liabilities held for trading	1	0
Debt securities issued to the public	356	181
Subordinated liabilities	23	22
Capital loans	0	7
Other	23	15
Derivative contracts	629	268
Hedge accounting	22	-9
Other	606	277
Other interest expenses	6	2
Total	**1 175**	**617**
Net interest income before impairment losses	**96**	**144**

NOTE 6. Impairment losses on receivables	2006	2005
Receivables eliminated as loan and guarantee losses	5	3
Recoveries of eliminated receivables	-1	-1
Increase in impairment losses	4	3
Reversal of impairment losses	-8	-5
Group-specific impairment losses		4
Impairment losses on interest receivables	0	0
Insurance claims and benefits		0
Total	**1**	**4**

NOTE 7. Net income from Non-life Insurance	2006	11-12/05
Insurance premium revenue		
Premiums written	877	68
Change in provision for unearned premiums	-35	73
Gross insurance premium revenue	842	141
Reinsurers' share	-53	-3
Total	788	138
Net investment income	112	12
Claims incurred		
Claims paid (excl. loss adjustment expenses)	470	68
Change in provision for unpaid claims	51	-3
Gross total claims incurred	521	64
Reinsurers' share	15	5
Total	536	69
Other items from Non-life Insurance	36	12
Net income from Non-life Insurance	**328**	**69**

Insurance premium revenue and insurance premiums ceded to reinsurers		
Short-term insurance contracts		
Premiums written	870	67
Change in provision for unearned premiums	-33	73
Change in provision for unexpired risks	1	0
Long-term insurance contracts		
Premiums written	7	1
Change in provision for unearned premiums	-3	-1
Gross insurance premium revenue	**842**	**141**
Reinsurers' shares of short-term insurance contracts		
Premiums written	-55	-2
Change in provision for unearned premiums	2	-1
Reinsurers' share of long-term insurance contracts		
Premiums written	0	
Change in provision for unearned premiums	0	0
Total reinsurers´ share	-53	-3
Net insurance premium revenue	**788**	**138**
Total premiums written	877	68
Total change in provision for unearned premiums	-35	73
Total insurance premium revenue	**842**	**141**

Net investment income from Non-life Insurance		
Loans and receivables		
Interest income	2	0
Total	**2**	**0**
Net income from financial assets recognised at fair value through proft or loss		
Interest income		
Notes and bonds	0	
Derivatives		
Other	-2	0
Capital gains and losses		
Notes and bonds		
Shares and participations	0	2
Derivatives	10	
Other	-2	
Valuation gains and losses		
Notes and bonds	-1	-2
Shares and participations	0	-2
Derivatives	-1	-1
Total	**5**	**-3**
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	72	10
Other income and expenses	-4	0
Capital gains and losses	-24	0
Total	43	11
Shares and participations		
Dividends	22	1
Other income and expenses	-3	
Capital gains and losses	38	3
Impairment losses	-1	
Total	56	4
Total	**99**	**15**
Net income from investment property		
Rental income	8	1
Capital gains and losses	1	0
Gains on fair value measurement	2	0
Maintenance charges and expenses	-4	-1
Other	-1	0
Total	**6**	**1**
Total net investment income from Non-life Insurance	**112**	**12**

Unwinding of discount, Non-life Insurance

The increase in the discounted insurance contract liabilities of Non-life Insurance due to the passage of time (Note 34) (unwinding of discount) totals EUR 37 million (2005: 6). Unwinding of discount is computed monthly applying the discount rate at the end of the previous month and the insurance contract liabilities at the beginning of the current month. The discount rate was 3.7% from 31 December 2003 to 30 November 2004, 3.5% from 31 December 2004 to 30 November 2005 and 3.3% from 31 December 2005 to 31 December 2006.

NOTE 8. Net income from Life Insurance	2006	11-12/05
Premiums written		148
Net investment income		54
Claims incurred		
Benefits paid		-21
Change in provision for unpaid claims		-83
Change in insurance contract liabilities		
Change in life insurance provision		-98
Other		-2
Total net income from Life Insurance		**-2**

Premiums written in Life Insurance

Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)		
Savings insurance		-5
Personal pension insurance		14
Group pension insurance		101
Term insurance		
Individual insurance		2
Supplementary group insurance		1
Premiums written from unit-linked insurance contracts		
Savings insurance		22
Personal pension insurance		12
Group pension insurance		1
Total direct insurance		**148**
Total premiums written		**148**
Regular premiums from insurance contracts		38
Single premiums from insurance contracts		110
Total		**148**

Net investment income from Life Insurance

Loans and receivables	
Interest income	1
Net income from financial assets recognised at fair value through profit or loss	
Interest income	
Other	1
Valuation gains and losses	
Derivatives	0
Total	**1**
Net income from available-for-sale financial assets	
Notes and bonds	
Interest income	4
Capital gains and losses	0
Shares and participations	
Capital gains and losses	9
Total	**13**
Net income from investment property	
Rental income	0
Gains on fair value measurement	0
Maintenance charges and expenses	0
Other	0
Total	**0**
Assets covering unit-linked contracts	
Shares and participations	
Capital gains and losses	6
Valuation gains and losses	33
Other	0
Total	**39**
Total net investment income from Life Insurance	**54**

Benefits paid in Life Insurance

Benefits paid from insurance contracts	
Benefits paid from insurance contracts entitling to a discretionary portion of surplus (DPF)	
Savings insurance	
Maturities	-5
Death benefits	-1
Surrenders	-4
Personal pension insurance	
Annuities	-1
Group pension insurance	
Annuities	-1
Term insurance	
Supplementary group insurance	-1
Benefits paid from unit-linked insurance contracts	
Savings insurance	
Death benefits	-1
Surrenders	-6
Benefits paid from investment contracts	
Benefits paid from investment contracts entitling to a discretionary portion of surplus (DPF)	
Capital redemption contracts	
Surrenders	-1
Benefits paid from unit-linked investment contracts	
Surrenders	-1
Total direct insurance	-21
Total benefits paid in Life Insurance	**-21**

NOTE 9. Net commissions and fees	2006	2005
Commissions and fees		
Lending	16	22
Deposits	0	0
Payment transfers	12	22
Securities brokerage	21	29
Mutual fund brokerage	2	2
Securities issuance	5	6
Asset management and legal services	53	17
Insurance operations	4	4
Guarantees	6	5
Residential brokerage		7
Customer bonus provision		-3
Other	4	3
Total	**123**	**114**
Commission expenses		
Payment transfers	3	6
Securities brokerage	8	7
Securities issuance	1	2
Asset management and legal assignments	8	3
Other	2	1
Total	**21**	**18**
Net commissions and fees	**102**	**96**

NOTE 10. Net trading income	2006	2005
Financial assets and liabilities held for trading		
Capital gains and losses and realised changes in value		
Notes and bonds	-9	3
Shares and participations	1	-1
Derivatives	10	1
Unrealised changes in value		
Notes and bonds	-27	-6
Shares and participations	-1	0
Derivatives	35	11
Dividend income	0	0
Net income from foreign exchange operations	12	8
Total	**20**	**16**

NOTE 11. Net investment income	2006	2005
Available-for-sale financial assets		
Notes and bonds and loans acquired		
Capital gains and losses		1
Transferred from fair value reserve during the financial period		0
Shares and participations		
Capital gains and losses	4	5
Transferred from fair value reserve during the financial period	17	7
Impairment losses	-1	-4
Dividend income	14	5
Total available-for-sale financial assets	35	15
Investment property		
Rental income	4	7
Capital gains and losses	0	2
Gains and losses from fair value measurement	1	-1
Maintenance charges and expenses	-2	-5
Other	0	0
Total investment property	2	4
Total net investment income	**37**	**19**

NOTE 12. Other operating income	2006	2005
Rental income on properties in own use	0	0
Capital gains on properties in own use	1	1
Insurance claims and benefits		0
Central banking service fees	9	1
Realisation of repossessed items	2	1
Rental income from assets rented under operating lease	12	5
Reinsurance commissions of Non-life Insurance	3	2
Other *	24	13
Total	**50**	**23**

* In 2006, EUR 21 million (10) of Pohjola's income was included in 'Other operating income' representing income accrued from management of the distribution network of partners in cooperation and from administration of insurance portfolios.

NOTE 13. Personnel costs	2006	2005
Salaries and remunerations	135	73
Share-based payments		0
Pension costs	19	8
Defined contribution plans	22	9
Defined benefit plans	-4	-2
Other personnel related costs	11	5
Total	**165**	**86**

NOTE 14. Other administrative expenses	2006	2005
Office expenses	51	15
IT expenses	42	29
Communication expenses	11	5
Marketing expenses	13	9
Other administrative expenses	15	14
Total	**133**	**72**

NOTE 15. Other operating expenses	2006	2005
Rental expenses	0	0
Expenses from properties and business premises in own use	22	15
Capital losses on properties in own use		0
Expenses from realisation of repossessed items	2	1
Reinsurance commissions of Non-life Insurance	2	0
Credit losses of Non-life Insurance	7	2
Change in collective guarantee item of Non-life Insurance	1	0
Depreciation and amortisation		
Buildings	1	0
Machinery and equipment	6	4
Intangible assets related to company acquisition	36	8
Other intangible assets	5	3
Other	10	5
Total	57	21
Impairments		
Properties in own use		0
Total		0
Other	19	14
Total	**111**	**54**

NOTE 16. Income tax

	2006	2005
Current tax	53	25
Tax for previous financial periods	-21	-7
Deferred tax	10	14
Tax on the income statement	**42**	**33**
Corporate income tax rate	26	26
Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate		
Earnings for the financial period	223	304
Share of earnings corresponding to the tax rate	58	79
Taxes for previous financial periods	-21	-7
Effect of tax-exempt income	-3	-43
Effect of non-deductible expenses	2	1
Re-evaluation of unused losses	1	
Tax adjustments	6	3
Tax on the income statement	**42**	**33**

NOTE 17. Earnings per share

Earnings per share is calculated by dividing profit or loss for the financial period attributable to shareholders by the adjusted number of shares outstanding on average during the financial period.

	2006			2005		
	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Profit for the period attributable to the parent company's owners (EUR million)	181		181	89	178	267
Weighted average number of shares (1000)						
Series A shares	158 051		158 051	106 025	106 025	106 025
Series K shares	43 992		43 992	30 024	30 024	30 024
Total	202 044		202 044	136 049	136 049	136 049
Basic earnings per share (EUR/share)						
Series A shares	0.90			0.66	1.31	1.96
Series K shares	0.89			0.65	1.3	1.95

Diluted earnings per share

OKO Bank has dilutive stock options which increase the number of shares. The subscription period for the year 1999 option rights of the option loan ended on 30 October 2006. Options have a dilutive effect when the subscription price of the options is lower than the market price of ordinary shares. The amount of dilution is calculated by adding to the weighted average of the adjusted number of shares the number of shares obtained if all options are converted to shares. This total is reduced by the number of shares from full option conversion multiplied by the share subscription price and divided by the adjusted average share price during the financial period.

	2006			2005		
	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Profit for the period attributable to the parent company's owners (EUR million)	181		181	89	178	267
Weighted average number of shares (1000)						
Series A shares	158 051		158 051	106 025	106 025	106 025
Series K shares	43 992		43 992	30 024	30 024	30 024
Total	202 044		202 044	136 049	136 049	136 049
Effect of stock options (1000)				1 191	1 191	1 191
Weighted average number of shares adjusted for dilution (1000)				137 239	137 239	137 239
Earnings per share adjusted for dilution (EUR/share)						
Series A shares	0.90		0.9	0.65	1.3	1.95
Series K shares	0.89		0.89	0.64	1.29	33970,00

Transactions after balance sheet date regarding ordinary shares

A total of 81 720 OKO Bank plc Series K shares held by member cooperative banks were converted into Series A shares. The conversions were entered in the Finnish Trade Register on 5 January 2007. The number of Series K shares decreased from 43 981 352 shares to 43 899 632 shares, and the number of Series A shares increased from 159 369 548 shares to 159 451 268 shares. The conversions did not have any impact on the total number of shares, nor on the share capital.

NOTES TO THE BALANCE SHEET

NOTE 18. Liquid assets	31 Dec. 2006	31 Dec. 2005
Cash	2	1
Deposits with central banks repayable on demand		
OKO Bank's minimum reserve deposit	139	116
Other	766	362
Total liquid assets	**907**	**479**

In accordance with the minimum reserve system under the euro system, credit institutions are obligated to have a minimum reserve deposit with their national central bank. The reserve deposit equals the required percentage of the reserve base, as specified by the European Central Bank. The reserve base includes deposits (extensive) and a maximum of two years' debt securities. The reserve base does not include deposits from other parties subject to reserve deposit obligation. The reserve deposit is currently 2 per cent of the reserve base. Credit institutions within the OP Bank Group place a reserve deposit with OKO Bank plc, which acts as an intermediary authorised by the OP Bank Group credit institutions and is responsible for the OP Bank Group's obligation to place a deposit with the Bank of Finland.

NOTE 19. Receivables from financial institutions	31 Dec 2006	31 Dec 2005
Receivables from financial institutions		
Deposits		
Repayable on demand	195	77
Other	152	431
Total	347	507
of which receivables from financial institutions due in less than 3 months	347	507
Loans and other receivables		
Repayable on demand		
From other financial institutions	0	0
Total	0	0
Other		
From OP Bank Group retail banks	4 545	3 636
From other financial institutions	654	474
Total	5 202	4 112
Total receivables from financial institutions	5 549	4 619
Impairment losses		
From other financial institutions	-2	-2
Total	-2	-2
Total receivables from financial institutions	**5 546**	**4 617**
Receivables from financial institutions include repo receivables.		35
Receivables from financial institutions include subordinated receivables	30	183

NOTE 20. Financial assets held for trading	31 Dec 2006	31 Dec 2005
Government notes and bonds		
Other Treasury bills	3	
Government bonds, maturity 3 months or less	1	3
Other government bonds	285	262
Total	289	265
Other notes and bonds	4 507	3 421
Shares and participations	6	6
Total financial assets held for trading	**4 801**	**3 692**

Other notes and bonds include EUR 1 632 million (1 594) in certificates of deposit, EUR 33 million (194) in municipal and commercial paper holdings, EUR 42 million (59) in debentures, EUR 2 794 million (1 568) in bonds and EUR 6 million (6) in other notes and bonds.

Breakdown of notes and bonds held for trading and shares and participations by quotation and issuer

	31 Dec. 2006		31 Dec. 2005	
EUR million	Notes and bonds	Shares and participa-tions	Notes and bonds	Shares and participa-tions
Quoted				
From public corporations	289		281	
From others	2 605	6	1 709	6
Other				
From public corporations	101		99	
From others	1 801		1 597	
Total	4 795	6	3 686	6
Impairment losses				

Financial assets held for trading include EUR 3 873 million (2 587) in notes and bonds entitling to central bank refinancing. Financial assets held for trading include EUR 42 million (59) in subordinated publicly-quoted notes and bonds from others and EUR 2 515 million (1 507) in pledged notes and bonds.

NOTE 21. Derivative contracts	31 Dec. 2006	31 Dec. 2005
Held for trading		
Interest rate derivatives	262	89
Currency derivatives	3	62
Equity derivatives	33	
Credit derivatives	0	
Other		
Total	299	151
Hedging derivative contracts – fair value hedging		
Interest rate derivatives	16	12
Currency derivatives	5	
Total	21	12
Total derivative contracts	**320**	**163**

NOTE 22. Receivables from customers	31 Dec. 2006	31 Dec. 2005
Loans to the public and public corporations	5 556	4 649
Finance lease receivables	414	370
Loans acquired and other receivables		
Purchased loans	44	
Other	1 867	1 759
Impairment losses on loans		
Based on credit risk	-18	-19
Total receivables from customers	7 864	6 759

Changes in impairments on loans and guarantees

EUR million	Loans	Bank guarantee receivables	Interest receivables	Total
Impairments 1 January 2006	20	3	-1	22
Increases in impairments	5			5
Reversal of impairments	-4	-2		-6
Business operations sold				
Loans and guarantee receivables eliminated from balance sheet, of which a receivable-specific impairment has been recognised	-3			-3
Impairments 31 December 2006	18	1	-1	18

EUR million	Loans	Bank guarantee receivables	Interest receivables	Total
Impairments 1 January 2005	22	4	-1	25
Increases in impairments	4	1		4
Reversal of impairments	-3	-1		-3
Loans and guarantee receivables eliminated from balance sheet,	-2			-2
of which a receivable-specific impairment has been recognised	-1			-1
Impairments 31 December 2005	20	3	-1	22

Finance lease receivables

The OKO Bank Group mainly offers transport equipment and industrial machines and equipment through finance leases.

EUR million	31 Dec. 2006	31 Dec. 2005
Maturity periods of finance leases		
Within one year	159	133
Within more than a year and at most within five years	224	205
Within more than five years	109	81
Gross investment in finance leases	491	418
Unearned finance income (–)	-77	-48
Present value of minimum lease payment	414	370
Present value of minimum lease payment receivables		
Within one year	143	122
Within more than a year and at most within five years	199	189
Within more than five years	72	60
Total	414	370
Gross growth during the financial period	165	175

NOTE 23. Non-life Insurance assets	31 Dec. 2006	31 Dec. 2005
Investments		
Loans and other receivables	67	68
Equities	447	406
Properties	56	63
Notes and bonds	1 541	1 626
Other	320	289
Total	2 431	2 451
Other assets		
Prepayments and accrued income	-2	0
Other		
From direct insurance	241	184
From reinsurance	90	74
Cash at bank and in hand	5	32
Total	335	291
Total Non-life Insurance assets	**2 766**	**2 740**

Non-life Insurance investments	31 Dec. 2006	31 Dec. 2005
Loans and other receivables		
Loans and other receivables	67	68
Deposits with ceding undertakings	1	3
Total	68	71
Financial assets recognised at fair value through profit or loss		
Government bonds		
Other notes and bonds	3	25
Total	3	25
Available-for-sale financial assets		
Notes and bonds	1 538	1 658
Shares and participations	447	406
Other	319	288
Total	2 304	2 352
Investment properties		
Land and water areas	6	6
Buildings	12	22
Shares and participations in mutual property companies	38	35
Total	56	63
Non-life Insurance investments before transfers	2 431	2 511
Transfer to assets related to assets held for sale		-60
Total Non-life Insurance investments	2 431	2 451

Notes and bonds and shares and participations held for trading in Non-life Insurance classified on the basis of quote and issuer.

EUR million	31 Dec. 2006 Notes and bonds	31 Dec. 2006 Shares and participa-tions	31 Dec. 2005 Notes and bonds	31 Dec. 2005 Shares and participa-tions
Quoted				
From public corporations			10	
From others	2		12	
Other				
From public corporations			3	
From others	1			
Total	3		25	

Available-for-sale financial assets in Non-life Insurance on 31 December 2006

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	At fair value	At amortised cost	Total	At fair value	At acquisition cost	Total *
Quoted						
From public corporations	1 050		1 050			
From others	481		481	611		611
Other						
From public corporations						
From others	7		7	154		154
Total	1 538		1 538	766		766
Impairment losses				4		4

The available-for-sale financial assets of Non-life Insurance include EUR 4 million (7) in pledged items. The items consist mainly of notes and bonds in collateral for foreign insurance operations and of collateral for derivatives trading.

* Available-for-sale shares and participations include equities and mutual funds with equity risk to a total of EUR 447 million (406) and other participations totalling EUR 319 million (288). The other participations include mainly units in bond, money market, convertible bond, commodities and absolute return funds.

Available-for-sale financial assets of Non-life Insurance on 31 December 2005

EUR million	Available-for-sale notes and bonds At fair value	At amortised cost	Total	Available-for-sale shares and participations At fair value	At acquisition cost	Total *
Quoted						
From public corporations	1 100		1 100			
From others	471		471	578		578
Other						
From public corporations	4		4			
From others	84		84	115		115
Total	1 658		1 658	693		693
Impairment losses				3		3

Derivative contracts of Non-life Insurance on 31 December 2006

EUR million	Nominal values/term to maturity Under 1 year	1-5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Currency derivatives							
Currency forward contracts	98			98	0	0	2
Currency options							
Purchased	20			20	0		
Written	20			20		0	
Total OTC currency derivatives	139			139	0	0	2
Total currency derivatives	**139**			**139**	**0**	**0**	**2**
Interest rate derivatives							
Interest rate futures contracts	42			42	0		
Interest rate options							
Purchased	1 583			1 583	0		
Written	1 583			1 583		0	
Total quoted derivatives	3 208			3 208	0	0	
Total interest rate derivatives	**3 208**			**3 208**	**0**	**0**	

Derivative contracts of Non-life Insurance on 31 December 2005

	Nominal values/term to maturity				Fair values		Potential future
EUR million	Under 1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Currency derivatives							
Currency forward contracts	71			71	0		0
Currency options							
Purchased	63			63	0		1
Written	67			67		1	
Total OTC currency derivatives	201			201	0	1	1
Total currency derivatives	201			201	0	1	1
Interest rate derivatives							
Interest rate futures contracts	6			6	0		
Total quoted derivatives	6			6			
Total interest rate derivatives	6			6	0		

Changes in Non-life Insurance investment properties	2006	2005
Acquisition cost 1 January	63	
Increases	5	
Decreases	-9	-1
Transfers between items	-4	-5
Business operations acquired		68
Acquisition cost 31 December	55	63
Accumulated changes in fair value 1 January		
Changes in fair value during financial period	2	
Accumulated changes in fair value 31 December	1	
Book value 31 December	56	63

Construction and repair obligations regarding investment properties totalled EUR 14 million.

NOTE 24. Investment assets	31 Dec. 2006	31 Dec. 2005
Available-for-sale financial assets		
Notes and bonds	94	140
Shares and participations	101	150
Total	194	290
Investment properties		
Land and water areas		0
Buildings	29	35
Total	29	35
Total investment assets	**225**	**326**

Available-for-sale financial assets on 31 December 2006

EUR million	Available-for-sale notes and bonds At fair value	At amortised cost	Total	Available-for-sale shares and participations At fair value	At acquisition cost	Total *
Quoted						
From public corporations						
From others	52		52	23		23
Other						
From public corporations						
From others	42		42		78	78
Total	94		94	23	78	101
Impairment losses						

Available-for-sale financial assets include EUR 16 million (38) in subordinated publicly-quoted notes and bonds from others and EUR 33 million (10) in other than publicly-quoted notes and bonds from others. Investments in venture capital funds, totalling EUR 21 million (17), are valued at cost. The portfolio includes unquoted equities also valued at cost and totalling EUR 57 million (88), of which shares in subsidiaries and associates not included in the consolidated accounts amounted to EUR 1 million (1). No fair value could reliably be determined for investments valued at cost.

Available-for-sale financial assets on 31 December 2005

EUR million	Available-for-sale notes and bonds At fair value	At amortised cost	Total	Available-for-sale shares and participations At fair value	At acquisition cost	Total *
Quoted						
From public corporations						
From others	59		59	45		45
Other						
From public corporations						
From others	81		81		105	105
Total	140		140	45	105	150
Impairment losses					5	5

NOTE 25. Investments in associates

	31 Dec. 2006	31 Dec. 2005
Investments 1 January	8	25
Acquisitions of business operations		8
Share of the profit for the financial period		1
Dividends		-3
Changes in Group structure		-23
Investments 31 December	8	8

Holdings in associates included in 2006 consolidated financial statements

Name	Domicile	Assets	Liabilities	Net sales	Profit/ Loss	Holding, %
Nooa Savings Bank Ltd	Helsinki	82	76	3		25.0
Autovahinkokeskus Oy	Espoo	2	1	1		27.8
Vahinkopalvelu Oy	Loppi	1	1	1		46.7

Holdings in associates included in 2005 consolidated financial statements

Name	Domicile	Assets	Liabilities	Net sales	Profit/ Loss	Holding, %
Nooa Savings Bank Ltd	Helsinki	76	69	2	-1	25.0
Autovahinkokeskus Oy	Espoo	2	1	1		27.8
Vahinkopalvelu Oy	Loppi	1	1	2		46.7

NOTE 26. Intangible assets

31 Dec. 2006

Changes in intangible assets	Goodwill	Brands	Customer relation-ships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 January	392	179	301	103	975
Increases*	102			14	116
Decreases				0	0
Transfers between items				4	4
Acquisition cost 1 December	494	179	301	121	1 095
Acc. amortisation and impairments 1 January			-4	-29	-33
Amortisation during the financial period			-24	-16	-40
Decreases				-2	-2
Acc. amortisation and impairments 31 December			-28	-47	-75
Book value 31 December	494	179	273	74	1 020

*The share of internal development work is EUR 1 million.

Other intangible assets include computer software to a book value of EUR 65 million and computer software being developed to a total of EUR 6 million.
Amortisation, impairment losses and their reversals are recognised on the income statement under the item Other operating expenses.

Changes in intangible assets	Goodwill	Brands	31 Dec. 2005 Customer relation-ships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 January				33	33
Increases*				9	9
Decreases	-78		-6	-1	-85
Transfers between items					
Transfer to asset items held for sale	-44		-53	-14	-112
Business operations acquired	514	179	361	75	1 130
Acquisition cost 1 December	392	179	301	103	975
Acc. amortisation and impairments 1 January				-23	-23
Amortisation during the financial period			-5	-7	-12
Impairments during the financial period					
Reversals of impairments during the financial period					
Decreases				0	0
Transfer to asset items held for sale			1	1	2
Other changes					
Acc. amortisation and impairments 31 December			-5	-30	-33
Book value 31 December	392	179	297	73	942

*The share of internal development work is EUR 1 million.

Other intangible assets include computer software to a book value of EUR 70 million and computer software being developed to a total of EUR 3 million.

Amortisation, impairment losses and their reversals are recognised on the income statement under the item Other operating expenses.

Intangible assets with indefinite economic lives

EUR million	31 Dec. 2006	31 Dec. 2005
Goodwill	494	392
Brands	179	179
Total	673	571

The economic lives of goodwill and brands acquired through business combinations are estimated to be indefinite as they impact the accrual of cash flows for an undetermined period.

Other most significant intangible assets

	31 Dec. 2006		31 Dec. 2005	
	Book value EUR million	Remaining amor-tisation period	Book value EUR million	Remaining amor-tisation period
Customer relationships	274	10-13 y.	297	10-13 y.
Software	65	2-5 y.	70	2-5 y.
Software being developed	6		3	

Goodwill, brands, customer relationships, insurance contracts and a substantial part of computer software were acquired in the financial period 2005 in connection with the acquisition of Pohjola Group operations. More detailed information on the acquisitions in the financial period can be found in Note 3.

Impairment testing of goodwill

	2006	2005
Non-life Insurance	398	298
Pohjola Asset Management Limited	96	94
Total	494	392

Goodwill of OKO Bank originates entirely from the acquisition of the business operations of Pohjola Group plc. Goodwill was determined by the so-called Purchase Price Allocation process (PPA). The resulting goodwill was allocated to the cash-generating units (CGUs), which were either business segments or entities included in them. The impairment testing of goodwill was carried out in accordance with IAS 36 on those CGUs for which acquisition cost calculations in accordance with PPA were made, i.e for the Non-life Insurance and Asset Management business.

The value of the CGUs of OKO Bank was, for the goodwill testing, determined by the 'Excess Returns' method. Accordingly, the profits for the current and future periods were reduced by the return requirement on shareholders' equity. Any excess return was discounted by a discount rate corresponding to the return rate on shareholders' equity in order to determine the present value of cash flows.

The testing period was determined to be the whole period of PPA amortisation increased by one year free of PPA amortisation.

The forecasts used in cash flow calculations are based on 2007-2009 strategy figures and on post-strategy-period expectations derived from them regarding business trends. Growth in cash flows in periods after the forecast period ranged from 2 to 4%.

The discount rate used in the calculations was the market-based equity cost, which is in line with the applied value determination methods (i.e. through cash flows, only the value of equity belonging to investors was determined and the value was discounted by the return requirement rate on shareholders' equity). The discount rate used in the calculations before tax (i.e IFRS WACC) varied from 10 to 12%.

The impairment testing of goodwill did not lead to recognition of impairment losses.

A sensitivity analysis was carried out separately on each CGU on the basis of essential parameters of each CGU. Major parameters by CGU are:

Non-life Insurance

- Discount rate, combined ratio and net investment income percentage
- 3 %-point growth in combined ratio throughout the testing period, while other parameters remain unchanged, would entail an impairment risk
- 20% decrease in net investment income percentage throughout the testing period, while other parameters remain unchanged (incl. discount rate for insurance contract liabilities, would entail an impairment risk.

Asset Management

- Discount rate, increase in assets under management and in expenses
- Zero growth in assets under management throughout the testing period, while other parameters remain unchanged, would entail an impairment risk.

Impairment testing of brands

The brands of OKO Bank originate entirely from the acquisition of the Pohjola Group plc business operations. Impairment testing has been carried out separately for the Pohjola, Eurooppalainen, A-Vakuutus (A-Insurance) and Seesam brands, in accordance with IAS 36.

The value of the brands was determined by the 'Relief from Royalty' method. Accordingly, the value of the brands was determined to be the royalty savings accrued in the future from owning the brands, discounted to the present. The discount rate used in the calculations was the market-based equity cost defined for Non-life Insurance, increased by a commodity-specific risk premium. In the test, the same premium and the corresponding royalty percentages as in the PPA procedure were applied.

For brands, the testing period was set at 5 years, as per IAS 36. For the Seesam brand, the testing period used was 7 years because of the different nature of the Baltic market.

The forecasts used in the cash flow calculations are based on the 2007–2009 strategy figures and post-strategy-period expectations on business trends derived from them. The growth in cash flows in periods after the forecast period was determined to correspond to 2% inflation expectation.

The impairment testing of goodwill did not lead to recognition of impairment losses.

Impairment testing of other essential intangible assets

The Pohjola customer relationships and a major part of computer software were acquired as part of the acquisition of the Pohjola Group plc business operations. The intangible assets originating from customer relationships and computer software are recognised as an expense by straight-line amortisation over their estimated economic lives. No indications of need for impairment recognition has been discovered.

NOTE 27. Tangible assets	**31 Dec. 2006**	**31 Dec. 2005**
Properties in own use		
Land and water areas	6	6
Buildings	23	21
Total	28	27
Machinery and equipment	14	16
Other tangible assets	6	7
Assets of lessee	47	39
Total tangible assets	95	89
of which not yet available for use	0	4

Changes in tangible assets and investment properties

31 December 2006	Properties in own use	Machinery and equipment	Other tangible assets	Assets of lessee	Total tangible assets	Investment properties
Acquisition cost 1 January	28	83	7	46	163	32
Increases	8	4		21	33	2
Decreases	-2	-2	-1	-8	-11	-7
Transfers between items	-4	2			-2	
Acquisition cost 31 December	30	86	6	59	183	27
Accumulated depreciation and impairments 1 January	-1	-67	0	-7	-75	
Depreciation during the financial period	-1	-6		-11	-17	
Decreases	1			6	5	
Accumulated depreciation and impairments 31 December	-2	-74	0	-12	-88	
Accumulated changes in fair value January 1						3
Changes in fair value during financial period						1
Decreases						-1
Accumulated changes in fair value 31 December						3
Book value 31 December	28	14	6	47	95	29

Increases in investment properties include EUR 2 million (0) of capitalised expenses materialised after the acquisition. Depreciation, impairment losses and their reversals are recognised under Other operating expenses. Changes in the fair value of investment properties are recognised under Net investment income.

The OKO Bank Group primarily offers passenger cars through operating leases.
The OKO Bank Group has leased out office facilities its does not need. Such facilities are classified as investment properties in the financial statements.

A breakdown of investment properties leased out under operating lease and of tangible assets is in Note 65.

31 December 2005	Properties in own use	Machi-nery and equip-ment	Other tangible assets	Assets of lessee	Total tangible assets	Invest-ment properties
Acquisition cost 31 December	49	79	2	17	147	81
Increases	5	1	1	30	36	1
Decreases	-7	-1		-1	-9	-50
Business operations acquired	16	16	6		38	
Business operations sold	-35	-12	-1		-48	
Acquisition cost 31 December	28	83	7	46	164	32
Accumulated depreciation and impairments 1 January	-7	-74		-3	-85	
Depreciation during the financial period		-3		-4	-7	
Reversals of impairments during the financial period	2				2	
Decreases		1			1	
Business operations sold	3	10			14	
Accumulated depreciation and impairments 31 December	-1	-67		-7	-75	
Accumulated changes in fair value 1 January						1
Changes in fair value during financial period						-1
Decreases						3
Accumulated changes in fair value 31 December						3
Book value 31 December	27	16	7	39	89	35

NOTE 28. Other assets	31 Dec. 2006	31 Dec. 2005
Payment transfer receivables	7	3
Pension assets	33	32
Accrued income		
Interest	360	206
Other accrued income	11	6
Other	223	226
Total	633	473
Transfer to assets held for sale	0	5
Total other assets	633	468

The item Other includes e.g. EUR 46 million (81) in capital gains on securities and EUR 127 million (0) in guarantee set on the basis of the decision by the Arbitral Tribunal for an extra sales price and interest on it that may have to paid to minority shareholders for Pohjola shares.

Defined benefit plans

The pension schemes of the OKO Bank Group have been arranged with OP Bank Group Pension Fund, OP Bank Group Pension Foundation and insurance companies. The schemes related to supplementary pensions in the Pension Foundation and insurance companies, as well as the TEL (Employees' Pensions Act) funded old age and disability pension schemes dealt with by the Pension Fund, have been handled as defined benefit schemes. The contributions to the TEL pay-as-you-go system have been handled as defined contribution plans.

Balance sheet values of defined benefit pension plans	31 Dec. 2006	31 Dec. 2005
Fair value of assets	130	119
Present value of funded obligations (–)	-100	-86
Present value of unfunded obligations	-5	-5
Unrecognised actuarial gains (+) and losses (–)	-2	-5
Net receivable (+) / liability (–) on the balance sheet	23	23
Assets and liabilities recognised on the balance sheet		
Assets	32	32
Liabilities	-9	-9
Net assets	**23**	**23**
Plan assets include		
OKO Bank plc shares	4	4
Securities issued by companies included in the OP Bank Group	1	1
Other receivables from companies included in the OP Bank Group	2	2
Properties used by OP Bank Group Central Cooperative Consolidated		1
Total	7	8
Defined benefit pension costs on the income statement		
Current service cost	3	2
Interest cost	4	4
Expected return on plan assets	-6	-6
Transfer from TEL pooling liability		-1
Past service cost	-1	
Effect of curtailment of plans or settlements	0	
Change in division ratio	-4	
Total income (–)/expenses (+) included in personnel costs	**-4**	**-2**
Actual return on plan assets	**8**	**6**

Description of bases on which expected total return on assets was determined, including effect of most important groups of plan assets

Changes in present value of obligations	31 Dec. 2006	31 Dec. 2005
Present value of obligation 1 January	91	87
Current service cost	3	2
Interest cost	4	4
Actuarial gains and losses	5	1
Benefits paid	-3	-2
Past service cost	-1	
Change in division ratio	5	
Present value of obligation 31 December	**104**	**92**

Changes in fair value of assets	31 Dec. 2006	31 Dec. 2005
Fair value of assets 1 January	119	108
Expected return on plan assets	6	6
Actuarial gains and losses	2	5
Contributions by the employer	-2	1
Benefits paid	-3	-2
Change in division ratio	8	
Transfer to TEL pooling liability		1
Fair value of assets 31 December	**130**	**119**

The amount of contributions payable to the defined benefit plan in 2007 is estimated at EUR 3 million.

Proportion of most important asset groups of total fair value of plan assets, %	31 Dec. 2006	31 Dec. 2005
Shares and participations	25	21
Notes and bonds	43	47
Properties	22	22
Other assets	10	10

Principal actuarial assumptions used	2006	2005
Discount rate, %	4.50-4.75	4.5
Expected long-term return on plan assets, %	5.89-6.50	5.12-5.40
Assumed future salary increases, %	3.00-3.50	3.00-3.50
Future pension increases, %	1.90-2.10	1.30-2.10
Turnover rate, %	0.50-3.00	0.00-3.00
Inflation, %	2.00	2.00
Average remaining service time in years	2 - 16	2 - 16

Surplus of defined benefit pension plans and experience adjustments	31 Dec. 2006	31 Dec. 2005
Present value of obligation	104	92
Fair value of assets	-130	-119
Surplus or deficit	**-26**	**-27**
Experience adjustments of liabilities	3	2
Experience adjustments of assets	2	5

NOTE 29. Tax receivables	31 Dec. 2006	31 Dec. 2005
Income tax receivables	8	19
Deferred tax receivables	4	14
Total tax receivables	12	33

Breakdown of tax receivables and liabilities	31 Dec. 2006	31 Dec. 2005
Deferred tax receivables		
From depreciation and impairments on tangible assets	2	2
From provisions and impairments on loans	3	5
From dissolution losses related to taxation		6
From consolidated eliminations	2	2
From other items	2	3
Set-off against deferred tax liabilities	-5	-4
Total	4	14
Deferred tax liabilities		
From appropriations	99	79
From available-for-sale financial assets	34	57
From elimination of equalisation provision	73	64
From deferral of pension liability	8	9
From fair value measurement of investment property	8	1
From allocation of sale price of a corporate acquisitions	121	131
From consolidated eliminations	3	3
From other items	1	1
Set-off against deferred tax receivables	-5	-4
Total	342	340

Changes in deferred taxes	31 Dec. 2006	31 Dec. 2005
Deferred tax receivables/liabilities 1 January	-326	-81
Total impact of changes to calculation principles		-5
Deferred tax receivables/liabilities 1 January	-326	-86
Recognised on the income statement		
Elimination of capital gains on securities from companies acquired	20	11
Provisions and impairments on receivables	-1	1
Appropriations	-21	-21
Elimination of equalisation provision	-4	-7
Other	-4	2
Recognised on the balance sheet		
Impact of corporate acquisitions and disposals		-85
Allocation of sale price		-131
Recognised in shareholders' equity		
Available-for-sale financial assets		
Changes in fair value	-4	-12
Transfers to the income statement	4	2
Other	-3	
Total deferred tax liabilities/receivables 31 December	**-338**	**-326**
Income tax receivables/liabilities	**-5**	**-11**
Total tax receivables/liabilities	**-343**	**-338**

Deferred tax liabilities and receivables have been set off by company. Deferred tax liabilities and receivables arising from consolidation have not been set off.

Such tax losses for which a deferred tax receivable has not been recognised were EUR 1 million (2) at the end of 2006. The losses will expire before 2010.

A deferred tax liability has not been recognised for the EUR 15 million (12) of undistributed profits of the Baltic subsidiaries, as the assets have been permanently invested in the countries concerned.

NOTE 30. Liabilities to financial institutions and central banks	31 Dec. 2006	31 Dec. 2005
Liabilities to central banks	445	1562
Liabilities to financial institutions		
Repayable on demand		
Deposits	368	427
Total	368	427
Other than repayable on demand		
Deposits	1577	1574
Other liabilities	0	
Total	1578	1574
Total liabilities to financial institutions and central banks	**2390**	**3563**

NOTE 31. Financial liabilities held for trading	31 Dec. 2006	31 Dec. 2005
From short selling of securities		4
Other		0
Total financial liabilities held for trading		**4**

NOTE 32. Derivative contracts	31 Dec. 2006	31 Dec. 2005
Held for trading		
Interest rate derivatives	285	33
Currency derivatives	3	121
Equity and index derivatives	0	
Credit derivatives	1	
Total	290	154
Hedging derivative contracts – fair value hedging		
Interest rate derivatives	31	14
Currency derivatives	11	3
Total	41	17
Total derivative contracts	**331**	**171**

The derivative contracts item includes negative changes in value.

NOTE 33. Liabilities to customers	31 Dec. 2006	31 Dec. 2005
Deposits		
Repayable on demand		
Private	12	15
Companies and public corporations	637	474
Total	650	488
Other		
Private	1	1
Companies and public corporations	3	6
Total	3	6
Other financial liabilities		
Repayable on demand		
Private	0	0
Total	0	0
Other		
Private		
Companies and public corporations	1 341	1 563
Total	1 341	1 563
Total other financial liabilities	1 341	1 563
Total liabilities to customers	1 994	2 058

NOTE 34. Non-life Insurance liabilities	31 Dec. 2006	31 Dec. 2005
Insurance contract liabilities	1 969	1 844
Provision for joint guarantee system	36	35
Direct insurance liabilities	69	24
Reinsurance liabilities	25	24
Derivatives	1	
Total Non-life Insurance liabilities	2 099	1 926

Non-life Insurance contract liabilities and reinsurers' share

EUR million	Gross	31 Dec. 2006 Reinsu-rers' share	Net	Gross	31 Dec. 2005 Reinsu-rers' share	Net
Provision for unpaid claims for annuities	989		989	982	0	982
Other provisions by case	137	45	92	123	-36	87
Special provision for occupational diseases	43		43	45		45
Collective liability (IBNR)	464	6	458	435	-7	428
Reserved loss adjustment expenses	50		50	49		49
Provision for unearned premiums	285	31	254	248	-29	219
Provision for unexpired risks				1		1
Total Non-life Insurance contract liabilities before transfers	1 969	82	1 887	1 883	-72	1 811
Transfer to liabilities related to assets held for sale				39	-10	29
Total Non-life Insurance contract liabilities	1 969	82	1 887	1 844	-62	1 781

Changes in insurance contract liabilities and reinsurance contract receivables

EUR million	Gross	2006 Reinsurance	Net	Gross	2005 Reinsu-rance	Net
Provision for unpaid claims						
Provision for known unpaid claims	1 199	-36	1 163	1 203	-32	1 171
Collective liability (IBNR)	435	-7	428	427	-9	418
Liability/reinsurers' share 1 January (1 November)	1 634	-43	1 591	1 630	-41	1 589
Claims paid in financial period	-554	11	-544	-68	-6	-74
Change in liability/receivable	606	-26	579	64	5	69
Current period claims	641	-30	610			
Increase(decrease) in previous periods	-50	4	-46			
Other change in reserving basis	15		15			
Unwinding of discount	36		36	6		6
Liabilities related to assets sold	-38	9	-29			
Foreign exchange gains (losses)	0	-1	-1	1	0	1
Liability/reinsurers' share 31 December	1 683	-51	1 632	1 634	-43	1 591
Case-specific provision for unpaid claims	1 219	-45	1 174	1 199	-36	1 163
Collective liability (IBNR)	464	-6	458	435	-7	428
Liability/reinsurers' share 31 December	1 683	-51	1 632	1 634	-43	1 591

Provision for unearned premiums						
Liability/reinsurers' share						
1 January (1 November)	248	-29	219	321	-30	291
Increase	306	-21	285			
Decrease	-276	19	-257			
Change in reserving basis	6		6			
Change in liability/receivable				-72	1	-71
Unwinding of discount	1		1	0		0
Foreign exchange gains (losses)	0		0	0	0	0
Liability/reinsurers' share 31 December	285	-31	254	248	-29	219
Provision for unexpired risks						
Liability/reinsurers' share						
1 January (1 November)	1		1	1		1
Increase						
Decrease	-1		-1			
Change in liability/receivable	-1		-1	0		0
Liability/reinsurers' share 31 December				1		1
Total Non-life Insurance contract liabilities before transfers	1 969	-82	1 886	1 883	-72	1 811
Transfer to liabilities related to assets held for sale				39	-10	29
Total Non-life Insurance contract liabilities	1 969	-82	1 886	1 844	-62	1 781

The provision for unearned premiums represents obligations relating to insurance cover which has not yet expired at year-end. The provision for unexpired risks relates to such motor vehicle insurance contracts in which the insurance period is an average of 3 years and for which claims are expected to be paid in excess of the related provision for unearned premiums.

Valuation of Non-life Insurance contract liabilities

a) Methods and assumptions used

The liabilities arising from insurance contracts are determined on the basis of estimated future cash flows. The cash flows comprise paid claims and loss adjustment expenses.
The amount of liability has been estimated in such a way that it is, with reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been done by estimating an expected value for the liability and, after that, by determining a safety loading based on the degree of uncertainty related to the liability.

For corporate insurance contracts, the provision for unearned premiums has been determined by contract in accordance with the pro rata parte temporis rule. The same rule has also been applied to private customers' insurance contracts, but this has been technically carried out by using factors which are derived statistically from the Group's own insurance portfolio and which are tied to insurance premium revenue.
The provision for unpaid claims for annuities corresponds to the discounted present value of cash flow of compensation for loss of income payable as continuous annuity. The discount rate used is decided taking into account the prevailing interest rate level, security required by law and the upper limit of the discount rate set by the authorities. At the end of 2006, the discount rate used was 3.3% (31 Dec. 2005: 3.3%). The mortality model applied is the cohort mortality model which is based on Finnish demographic statistics and which assumes the current increase in longevity to continue.

The provision for unpaid claims includes asbestos liabilities, most of which arise from occupational diseases coverable under statutory workers' compensation insurance. The forecasted cash flow of these claims is based on an analysis made in 2001, which takes account to what extent asbestos was used annually as raw material in Finland and how the latency periods of different asbestos diseases are distributed. The trends in asbestos-related claims are monitored annually and the outcome has corresponded well to the forecast.

Information describing nature of liability	2006	2005
Insurance contract liabilities (net, EUR million)		
Latent occupational diseases	43	45
Run-off business (included in assets held for sale in 2005)		31
Other	1 844	1 734
Total (before transfers)	1 887	1 811
Percentage of liability turning into cash flow during the year	16%	16%
Duration of liability (in years)		
Statutory lines	12.2	11
Other lines	2.0	1.7
Total	8.6	7.4
Amount of discounted liability (net, EUR million)		
Provision for known unpaid claims for annuities	989	982
Collective liability (IBNR)	185	162
Unearned premium provision	31	27
Total	1 205	1 172
Duration of discounted liability (in years)	12.2	11

The valuation of collective liability is based on different statistical methods: Bornhuetter-Ferguson, Chain Ladder, Hovinen, PPCI and the average payment method. When applying these methods, other selections must also be made beside the selection of method, such as deciding to how many occurrence years' statistics the methods will be applied.

Bornhuetter-Ferguson

The Bornhuetter-Ferguson (BF) method is based on the assumption that, in each development year, a certain portion of claims are paid of the measure of exposure of the occurrence year. This measure of exposure can, for instance, be the number of policy years or insurance premium revenue adjusted by the loss ratio assumption. BF reacts slowly to changes in the development triangle of claims. In addition, BF is sensitive to the selection of the measure of exposure.

Chain Ladder

In the Chain Ladder (CL) method, the total claims expenditure for each occurrence year is determined by annual development factors. A development factor describes the relation between the successive development years in the cumulative claims development triangle. CL is sensitive to the observations in the first development years.

Hovinen

In the Hovinen method, the collective liability is based on the weighted average of the evaluations provided by the BF and CL methods. The Hovinen method takes account of how much information has accumulated on the occurrence year to date and, accordingly, weights the estimate obtained on liability between BF and CL.

PPCI

The PPCI (Payments per Claim Incurred) method corresponds to the BF method but the risk measure is the number of claims which have occurred. To be able to apply the PPCI method, the estimates of the number of claims must be known by occurrence year.

Average payment

The average payment method (AP) corresponds to the BF method, but the claims paid in the development year are assumed to be comparable with the number of losses detected in the development year concerned. To be able to use the AP method, the numbers of detected claims for previous development years must be known. In addition, estimations of future detected claims must be available. The AP method functions well in insurance lines where the cash flows of paid claims have a long maturity, because, in that case, the average payment can be stabilised and it is possible to concentrate on the development of the number of paid claims.

In the valuation of collective liability, the largest risks relate to
- estimating future rate of inflation (excl. compensation for loss of income)
- adjustment of changes due to changed compensation practices and legislation in the development triangle of claims (i.e. whether history provides a correct picture of the future)
- adequacy of historical information over tens of years.

When evaluating the amount of collective liability, the development triangles of claims have been inflation adjusted. For historical data, the level of inflation has been estimated at 3% and, for future medical expenses benefits, at 4%, and elsewhere at 2%. Of the collective liability, only the liability for annuities has been discounted.

When evaluating the collective liability, the Group's portfolio of non-life insurance contracts has been divided into 41 classes based on the risks involved and the maturity of the cash flow of paid claims. In each class, the collective liability has been evaluated using the five above-mentioned statistical methods. Of these evaluations, the one which is best suited for the class concerned is chosen. The choice has been based on how well the model would have forecasted previous years' developments. Another basis for the choice has been the sensitivity of the estimations provided by the method to the number of statistical years used. A 2 to 10% safety loading has been added to the expected value given by the selected method. At the Group level, the safety loading is 6.4% of the amount of the collective liability. The safety loading is impacted by the nature of historical data, the sensitivity of the value to the number of history years and the spread of the estimates given by the different methods.

In the valuation of the collective liability, account has been taken of the fact that historical data do not, in all circumstances, provide any information at all regarding long-distance future. In those cases, attempts have been made to estimate safely the behaviour of the distribution of cash flows from paid claims in areas from where there are no observations and which are in a distant future (over 15 years).

When estimating the collective liability for medical expenses and rehabilitation expenses benefits in statutory workers' compensation and motor liability insurance, it has been taken into account that the claims paid for losses which have occurred more than 10 years ago are financed by the pay-as-you-go system.

b) Changes in assumptions

In 2006, the projection of the collective liability for loss of income under statutory workers' compensation insurance and of individual medical expenses insurance was revised. The change in the method of projection of the collective liability increased the insurance contract liabilities by a total of EUR 15 million.

The projection of the provision for unearned premiums was specified further in 2006. The parameters for the collectively calculated items were adjusted but the basic assumptions in projection remained unchanged.

Effect of changes in methods and assumptions on amount of liability	2006	2005
EUR million (increase +/decrease - in liability)		
Change in discount rate		24
Change in reserving basis of collective liability	15	-19
Adjustment to calculation of unearned premium provision	6	-16
Other change in reserving basis	0	
Total	21	-11

c) **Sensitivity analysis**

Collective liability

Sensitivity of collective liability to inflation assumptions:

0.25 %-point change in claims inflation increases collective liability by EUR 2.0 million.

Increase in medical expenses inflation from 4% to 5% increases collective liability by EUR 5.8 million.

The sensitivity of collective liability to selected statistical methods and to the number of history years used:

The below table gives examples of how the selected method and number of statistical years impact the total amount of the collective liability. The group-specific percentages of the total sensibility is also given.

Sensitivity of collective liability

		Method		
	Number of years	BF	CL	HOVI-NEN
Total provision for unpaid claims				
	6	107%	102%	104%
	9	102%	96%	99%
	All	105%	93%	99%
Finnish customers' foreign policies (proportion: 1%)				
	6	103%	99%	101%
	9	102%	99%	100%
	All	104%	99%	101%
Annuities (proportion: 37%)				
	6	104%	101%	103%
	9	101%	96%	99%
	All	100%	92%	97%
Other provision for unpaid claims (proportion: 62%)				
	6	100%	101%	100%
	9	99%	100%	99%
	All	101%	102%	101%

Provision for unpaid claims for annuities

The sensitivity of the provision for unpaid claims for annuities has been evaluated in relation to changes in mortality and interest rate:

- Expected increase in longevity by one year increases the provision for unpaid claims by EUR 28 million.
- Decrease in discount rate by 0.1 %-point increases the provision for unpaid claims by EUR 15 million.

d) **Claims development**

The claims triangle compares the actual claims incurred with previous estimates. The triangles describing claims development have been drawn up by occurrence year.

With the exception of long-term liabilities, claims development for the gross business has been presented over a period of five years. The capital value of finalised annuities has been treated as if the annuities had been paid at the capital amount in connection with confirmation as final. For long-term liabilities, i.e. annuities confirmed final and asbestos-related claims, information on the adequacy of insurance contract liabilities has been provided. The provision for unpaid claims relating to the portfolio held for sale has been excluded from the claims triangle. As regards the net business, information has been given for 2004 to 2006 because this information was not earlier entered in statistics by occurrence year.

Claims triangles, gross business (EUR million)

Occurrence year	2002	2003	2004	2005	2006	Total
Estimated total claims expenditure						
At end of occurrence year	496	520	523	540	603	2 682
1 year later	469	493	528	540		
2 years later	456	471	521			
3 years later	447	471				
4 years later	449					
Current estimate of accumulated claims expenditure	449	471	521	540	603	2 585
Accumulated claims paid	-414	-418	-437	-402	-285	-1 956
Provision for unpaid claims for 2002-2006	36	53	85	138	318	629
Provision for unpaid claims for previous years						289
Provision for unpaid claims for confirmed annuities						734
Collective liability for asbestos claims						32
Provision for unpaid claims, gross 31 December 2006 (before transfers)						1 683

Development of asbestos claims (EUR million)

Financial period	Collective liability	Known liabilities for annuities	Claims paid	Claims incurred	Changes in reserving bases*	Adequacy
2002	46	26	-3	-1		-1
2003	42	27	-3	0		0
2004	39	32	-3	-4	2	-3
2005	35	32	-3	1	1	2
2006	32	33	-3	-1		-1

* Changes in mortality basis and discount rate in 2004 to 2005.

Development of annuities confirmed final (EUR million)

Financial period	At beginning of year	At end of year	New annuity capital	Annuities paid	Changes in reserving bases*	Adequacy
2004	613	664	43	26	28	-6
2005	664	711	64	27	14	4
2006	687	734	77	26		4

* Effect of changes in mortality basis (2004) and discount rate (2004 and 2005) on final annuity capital.

Claims triangles, net business (EUR million)

	Occurrence year			
	2004	2005	2006	Total
Estimated total claims expenditure				
At end of occurrence year	504	525	575	1 604
1 year later	509	522		
	503			
Current estimate of accumulated claims expenditure				
Accumulated claims paid	503	522	575	1 600
	-422	-395	-282	-1 099
Provision for unpaid claims for 2004-2006				
Provision for unpaid claims for previous years	81	127	293	501
Provision for unpaid claims for portfolio held for sale (Note 5)				366
Provision for unpaid claims for confirmed annuities				734
Collective liability for asbestos claims				32
Provision for unpaid claims, net at 31 Dec. 2006 (before transfers)				1 632

Provision for joint guarantee system

Special legislation regarding statutory lines of insurance includes provisions on joint liability on the basis of which the insurance companies transacting business in these lines of insurance assume joint liability should one of them fail to pay claims in the event of liquidation or bankruptcy. The uncovered part is financed by collecting annually a contribution to the guarantee scheme from the insurers which grant policies in these lines of insurance. The contribution is collected from the companies in proportion to the premiums written in the said lines of insurance. The companies may, in turn, collect the incremental expense due to the contribution in connection with the collection of their own premiums, in the manner prescribed by the authorities; however, not in excess of 2% of annual premiums written.

When the joint guarantee system was taken into use in the past, companies, in accordance with the legislation and official regulations governing joint guarantee, collected the joint guarantee provision in the form of insurance premiums in their balance sheets. This provision corresponds to the contribution for the guarantee scheme, collected in advance and meant to remove the company's liquidity risk in a case where the claims uncovered by another company in liquidation or bankruptcy fall due faster than it would be possible to collect the contribution for the claims in the form of premiums.

The amount of the joint guarantee provision is increased annually by a rate of interest of 4%; however, in such a way that the amount is not, because of the interest, more than 3% of the gross insurance liabilities of the line concerned. The joint guarantee provision cannot be decreased or abolished for other than to finance the joint guarantee contribution. For the joint guarantee system, a joint guarantee amount has been included in the provisions, but no other provision because there are no signs of a situation where a company covered by the joint guarantee system is about to be or has been placed in liquidation or has been declared bankrupt.

Claims administration contracts

Liabilities related to claims administration contracts at 31 December 2006 totalled EUR 46 million (51).

Claims administration contracts are contracts which are not insurance contracts, but on the basis of which claims are paid on behalf of another party. Among these contracts, the most important are such captive arrangements in which the insured risk is reinsured in a captive company belonging to the same group of companies with the customer; index increases in annuities of statutory workers compensation, motor liability and patient insurance policies; certain other increases in benefits; and medical treatment indemnities payable over ten years after the occurrence of the accident; as well as public sector patient insurance.

NOTE 35. Debt securities issued to the public

EUR million	Average interest rate, %	31 Dec. 2006	Average interest rate, %	31 Dec. 2005
Bonds	3.7	7 704	2.58	4 568
Other				
Certificates of deposit	3.52	3 617	2.36	3 474
Commercial paper holdings	4.09	1 901	2.74	926
Other	1.23	115	1.04	125
Included in own portfolio in trading (–)		-74		-60
Total debt securities issued to the public		13 263		9 033

Long-term loans and interest rate commitments	Nominal amount	Interest rate, %	Maturity
OP bond 2005 II	2.6	2.4%	16 March 2007
OP bond 2004 III	9.8	3.0%	26 May 2007
OP bond 2005 IV	1.7	2.7%	30 Nov. 2007
OP-bond 2006 I	11.3	2.8%	25 Jan. 2008
OP-bond 2006 III	8.6	3.4%	14 June 2008
OP-bond 2006 VI	8.9	3.6%	20 Sept. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of AUD 80,000,000 Floating Rate Instruments Due December 22, 2008	47.9	3mth BBSW LIBOR + 0.08%	22 Dec. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of AUD 22,000,000 Floating Rate Instruments Due February 18, 2009	13.2	3mth BBSW LIBOR + 0.17%	18 Feb. 2009

OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of CHF 50,000,000 1.50 per cent. Instruments 2005-2008	31.1	1.5%	23 June 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 200,000,000 Floating Rate Instruments Due January 2007	197.0	3mth Euribor + 0.02%	29 Jan. 2007
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 200,000,000 Floating Rate Instruments Due February 2007	200.0	3mth Euribor + 0.02%	14 Feb. 2007
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 600,000,000 Senior Floating Rate Instruments Due November 2007	599.8	3mth Euribor + 0.02%	15 Nov. 2007
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 1,000,000,000 Floating Rate Instruments Due 2008	994.0	3mth Euribor + 0.03%	18 March 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 50,000,000 Floating Rate Instruments Due 2007	50.0	3mth Euribor + 0.01%	14 Dec. 2007
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 15,000,000 Fixed Rate Instruments Due 14 December 2007	15.0	2,88 %	14 Dec. 2007
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 600,000,000 Floating Rate Instruments Due March 2009	599.6	3mth Euribor + 0.10%	18 March 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of HKD 100,000,000 3.40% Fixed Rate Instruments Due 26 March 2007	9.8	3.4%	26 March 2007
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of JPY 5,000,000,000 Floating Rate Instruments Due 2007	31.9	3mth JPY LIBOR	17 Jan. 2007
OKO Osuuspankkien Keskuspankki Oyj "OKO Bank") Issue Of NOK 400,000,000 5.2% Fixed Rate Notes Due June 2014	48.6	5.2%	16 June 2014
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of SEK 150,000,000 4.11% Notes Due 22 October 2009	16.6	4.11%	22 Oct. 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of EUR 500,000,000 Floating Rate Instruments Due December 2010	484.5	3mth Euribor + 0.075 %	2 Dec. 2010
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue Of U.S.$ 500,000,000 Floating Rate Instruments Due November 2009	379.6	3mth US dollar LIBOR + 0.075%	18 Nov. 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 100,000,000 Senior Floating Rate Instruments Due 8 February 2008	100.0	EUB3M +0.01	8 Feb. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of NOK 1,000,000,000 Fixed Rate Notes Due 15 February 2016	121.4	Fixed 4.185%	15 Feb. 2016
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 30,000,000 Floating Rate Notes Due 2008	30.0	EUB3M +0.01	13 Feb. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of HKD 300,000,000 4.59% Fixed Rate Notes due 21 February 2008	29.3	Fixed 4.59%	21 Feb. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 1,000,000,000 Floating Rate Instruments Due March 2010	970.3	EUB3M +0,05	8 March 2010

OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 50,000,000 5 Year Floating Rate Instruments Due March 2011	50.0	EUB3M +7bp	8 March 2011
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of HKD 150,000,000 4.500 Per Cent. Fixed Rate Instruments Due 2008	14.6	Fixed 4.5%	10 March 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 40,000,000 Floating Rate Notes Due 10 March 2008	40.0	EUB3M +0	10 March 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 50,000,000 Floating Rate Instruments Due17 March 2008	50.0	EUB3M +0.02	17 March 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 100,000,000 Floating Rate Instruments Due 3 April 2009	100.0	EUB3M +0.04	3 Apr. 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 50,000,000 Floating Rate Notes Due April 2008	50.0	EUB3M +0.02	4 Apr. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of JPY 5,450,000,000 Floating Rate Notes Due 21 April 2008	34.7	3 mth JPY libor	21 Apr. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of JPY 5,000,000,000 Floating Rate Instruments Due 2008	31.9	6mth Yen libor+1bp	19 June 2008
OKO Bank Plc ("OKO BANK") Issue of EUR 750,000,000 Floating Rate Instruments Due June 2011	750.0	EUB3m +0.08	21 June 2011
OKO Bank Plc ("OKO BANK") Issue of EUR 75,000,000 Floating Rate Instruments Due September 2008	75.0	EUB12M flat	30 Sept. 2008
OKO Bank Plc ("OKO BANK") Issue of JPY 5,000,000,000 Floating Rate Notes Due 25 February 2008	31.9	pmth Yen Libor flat	25 Feb. 2008
OKO Bank Plc ("OKO BANK") Issue of EUR 300,000,000 Extendible Floating Rate Instruments November 2011	300.0	EUB1M +2.0	11 Nov. 2011
OKO Bank Plc ("OKO BANK") Issue of CHF 250,000,000 Floating Rate Notes Due November 2009	155.6	CHL3M +0.0000	2 Nov. 2009
OKO Bank Plc ("OKO BANK" or The "ISSUER") Issue of GBP 250,000,000 Floating Rate Notes Due 21 November 2011	372.3	3mth GBP libor +5	21 Nov. 2011
OKOBank Plc ("OKO BANK" or The "ISSUER") Issue of GBP 50,000,000 Floating Rate Notes Due 21 November 2011	74.5	3mth GBP libor +5	21 Nov. 2011
OKO BANK PLC ("OKO BANK" or The "ISSUER") Issue of EUR 50,000,000 Floating Rate Notes Due November 2008	50.0	3mth euribor +2	24 Nov. 2008
OKO BANK PLC ("OKO BANK" or The "ISSUER") Issue of JPY 5,000,000,000 Floating Rate Instruments Due 27 November 2008	31.9	3mth JPY libor	27 Nov. 2008
OKO BANK PLC ("OKO BANK" or The "ISSUER") Issue of EUR 100,000,000 Floating Rate Notes Due December 2008	100.0	3mth euribor +2	22 Dec. 2008
JPY 8,000,000,000 Term Loan Facility	51.0	0.85%	9 July 2012
JPY 2,000,000,000 Term Loan Facility	12.7	1.706%	30 Nov. 2015
JPY 5,000,000,000 Term Loan Facility	31.9	1.41%	7 Sept. 2012
JPY 3,000,000,000 Term Loan Facility	19.1	1.645%	17 Nov. 2014

The interest rate percentage is the interest rate according to the issue currency. The euro equivalents have been calculated using the average rate of the European Central Bank on the balance sheet date. In addition, the nominal amount of structured bonds issued by OKO Bank was EUR 317 million (290). The interest on the bonds is determined on the basis of interest, equity, equity index etc. underlying instruments. The possible additional return on the bonds to the investor is hedged by a corresponding derivative structure.

NOTE 36. Provisions and other liabilities	**31 Dec. 2006**	**31 Dec. 2005**
Provisions	4	14
Other liabilities		
Payment transfer liabilities	421	327
Accrued expenses		
Interest payable	321	188
Other accrued expenses	118	53
Other	147	200
Total	1 006	766
Total provisions and other liabilities	**1 010**	**780**

The item Other under Other liabilities includes e.g. EUR 25 million (97) in accounts payable on securities, EUR 68 million (56) in liabilities for equities and derivative contracts and EUR 9 million (9) in pension liabilities.

Changes in provisions

	Onerous contracts	Other provisions	Total
1 January 2006	7	7	14
Provisions used	-2	-5	-7
Reversal of unused provisions	-3	0	-3
31 December 2006	3	2	4

Onerous contracts

The Group has a number of non-cancellable lease contracts on facilities that the Group can no longer utilise in its operations. The Group has been able to lease some of the facilities further, but the rental income received from the leases does not cover the rental expenses paid by the Group. The provision on onerous contracts fully covers the net loss from these contracts and the rental liability of other contracts.

Other provisions

Other provisions include a provision of EUR 1 million made in 2004 to cover the costs of cleaning the soil of a property company owned by OKO Bank. The provision was increased by EUR 0.5 million in 2005.

The loss provision of EUR 5 million made for the disposal of foreign insurance business in run-off and included in the previous financial statements under Other provisions was realised as a result of the sale of Bothnia International Insurance Company Ltd. and Moorgate Insurance Company Limited on 1 June 2006.

NOTE 37. Tax liabilities	31 Dec. 2006	31 Dec. 2005
Income tax liabilities	13	31
Deferred tax liabilities	342	340
Total tax liabilities	355	371

A specification of deferred tax liabilities is given in Note 29.

NOTE 38. Subordinated liabilities

	Average interest rate, %	31 Dec. 2006	Average interest rate, %	31 Dec. 2005
Capital loans	4.4	198	4.4	215
Other				
Perpetual loans	4.4	199	4.4	199
Debentures	4.6	527	3.4	334
Total subordinated liabilities		924		749

Capital loans

Capital loans considered equal to Tier 1 funds

1) Capital loan 10 billion Japanese yen (euro counter value 63.7 million)
The loan is a perpetual loan or a loan without a due date. The interest rate on the loan is fixed at 4.23% until 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. The loan can be repaid after 2014 on the due date of the interest on 18 June or 18 December annually. The entire principal of the loan must be repaid in one payment.

2) Capital loan of EUR 50 million
The loan is a perpetual loan without interest gradation but it has an interest ceiling of 8%. The loan was issued on 31 March 2005 and its interest is 6.5% in the first year and after the first year CMS ten years + 0.1%. The interest on the loan is paid annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. It is possible to call in the loan at the earliest in 2010, subject to authorisation by the Financial Supervision Authority. The entire principal of the loan must be repaid in one payment.

3) Capital loan of EUR 60 million
The interest on the perpetual loan is a variable 3-month Euribor + 0.65%. The interest on the loan is paid quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. It is possible to call in the loan at the earliest on 30 November 2015, subject to authorisation by the Financial Supervision Authority, and after that on the due dates of the interest. After 2015 the interest on the loan is variable 3-month Euribor +1.65% (step up). The entire principal of the loan must be repaid in one payment.

4) Capital loan of EUR 40 million
The interest on the perpetual loan is a variable 3-month Euribor + 1.25%. The interest on the loan is paid quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on 30 October 2010, subject to authorisation by the Financial Supervision Authority, and after that on the due dates of the interest. The entire principal of the loan must be repaid in one payment.

Of these loans, loans 1, 2 and 3 are hybrids.

The interest rate and exchange rate risk have been hedged against by derivatives. In the financial statements, a change in value of EUR –16,1 million has been booked for hedging.

Perpetual loans and debentures

1. A perpetual loan of EUR 50 million which can be called in at the earliest on 19 June 2007, subject to authorisation by the Financial Supervision Authority. A fixed 6% interest is paid on the loan annually.

2. A perpetual loan of EUR 150 million which can be called in at the earliest on 30 November 2012, subject to authorisation by the Financial Supervision Authority. A fixed 3.875% interest is paid on the loan annually.

3. A debenture loan of EUR 70 million which can be called in at the earliest on 30 November 2010 subject to authorisation by the Financial Supervision Authority. A fixed 3.5% interest is paid on the loan annually.

4. A debenture loan of EUR 150 million which can be called in at the earliest on 21 March 2011 subject to authorisation of the Financial Supervision Authority. The interest on the loan is 3-month Eurobor + 17.5 bps.

5. A debenture loan of USD 325 million which can be called in at the earliest on 13 September 2011 subject to authorisation of the Financial Supervisions Authority. The interest on the loan is 3-month USD Libor + 20 bps.

Loans 1–5 have been issued in the international capital markets.

Fixed-rate debentures issued in Finland totalled EUR 61.1 million on 31 December 2006.

	Book value		
Issue date	EUR million	Interest rate, %	Due date
21 March 2001	7.9	5.0%	21 March 2007
29 August 2001	5.7	4.5%	29 August 2007
25 February 2002	5.9	4.5%	25 February 2008
12 September 2002	11.0	4.5%	12 September 2008
4 June 2003	5.4	3.4%	4 June 2009
19 November 2003	6.8	3.9%	19 November 2009
10 March 2004	5.2	3.5%	10 March 2010
15 September 2004	6.1	3.5%	15 September 2010
16 March 2005	5.2	3.3%	16 March 2011
30 November 2005	1.4	3.2%	30 November 2011
8 March 2006	0.2	3.25%	8 March 2012
20 September 2006	0.2	3.85%	20 September 2012

OKO Bank has no violations concerning the conditions of the loan contracts with respect to principal, interest and other conditions. In the financial statements, EUR 0.2 million has been booked as the price difference of the loans.

NOTE 39. Shareholders' equity	31 Dec. 2006	31 Dec. 2005
Share of the owners of the parent company		
Share capital	428	423
Reserves		
Restricted reserves		
Share premium account	519	515
Reserve fund	203	203
Other restricted reserves	1	1
Non-restricted reserves		
Fair value reserve		
From measurement at fair value	47	48
Other non-restricted reserves	23	23
Retained earnings		
Profit (loss) for previous periods	427	281
Profit (loss) for the period	181	267
Share of the owners of the parent company	1 828	1 762
Minority interest		199
Total shareholders' equity	**1 828**	**1 961**

	Number of shares					
	Series A	Series K	Share capital	Share premium account	Treasury shares	Total
1 January 2005	75 947 914	22 086 776	206	7		213
Share issue	78 585 304	22 003 176	212	506		718
Exercise of stock options	2 553 790		5	2		8
Conversion of shares	83 600	-83 600				
31 December 2005	157 170 608	44 006 352	423	515		938
Share issue				-1		-1
Exercise of stock options	2 173 940		5	5		9
Conversion of shares	25 000	-25 000				
Acquisition of treasury shares						
31 December 2006	159 369 548	43 981 352	428	519		946

Share capital and shares

The shares are divided into Series A and Series K shares. There are at least 94 million and at most 570 million Series A and Series K shares (the same as at the end of 2005). The shares have no nominal value. The accounting par value of each share is EUR 2.10 (not an exact figure). The minimum amount of the share capital is EUR 200 million and the maximum amount EUR 1.2 billion. The share capital can be increased or decreased within these limits without amending the Articles of Association. All issued shares have been paid in full.

Series A shares are intended for the general public and are quoted on the Helsinki Stock Exchange. There are no purchase restrictions on Series A shares. Ownership of Series K shares is restricted to Finnish cooperative banks, cooperative bank companies, and the central entity of the amalgamation of cooperative banks, the OP Bank Group Central Cooperative. Series K shares can be converted into Series A shares at the written request of the shareholder or, in case of nominee-registered shares, at the written request of the asset manager registered with the book-entry register, within the limits of the minimum and maximum numbers of the share types provided for in the Articles of Association.

If dividend is distributed, Series A shares entitle their holders to an annual dividend that is at least one (1) percentage point higher than the dividend paid on Series K shares.

Treasury shares

At year-end, OKO Bank or its subsidiaries or associates did not possess OKO Bank treasury shares. The General Meeting has not authorised OKO Bank to acquire treasury shares.

Proposed distribution of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.65 (0.60) be distributed on each Series A share and EUR 0.62 (0.57) on each Series K share. The total amount of dividends proposed to be distributed is EUR 131 million (120).

Reserves

Share premium account

The share premium account was formed during the validity of regulations in force before 1 September 2006. The items entered in the share premium account included amounts exceeding the accounting par value paid for shares in a new issue of shares and amounts exceeding the accounting par value of a share and paid for share subscription on the basis of option rights.

The share premium account can be lowered complying with the regulations on decreasing the share capital and it can be used to increase the share capital. The amount of the subscription price exceeding the accounting par value of shares subscribed with option rights in September and November was entered in the share premium account because the decision by the General Meeting on issuing option rights had been taken before the entry into force of the new Companies Act. Otherwise, it has no longer been possible to increase the share premium account since 1 September 2006.

Reserve fund

The reserve fund has been formed from profits transferred to it during previous periods and the loan loss reserves transferred to the reserve fund in 1990. The reserve fund can be used for covering such losses for which the non-restricted equity is not sufficient. The reserve fund can also be used for increasing the share capital and it can be reduced in the same way as the share capital. Since 1 September 2006, it has no longer been possible to increase the reserve fund.

Other restricted reserves

The reserves have been formed from profits for previous periods based on the Articles of Association or rules in which their purpose has also been defined.

Translation differences

Translation differences include the translation differences arising from the conversion of the financial statements of foreign subsidiaries.

Fair value reserve

The reserve includes the change in the fair value of available-for-sale financial assets. The items booked in the reserve are realised in the income statement when an available-for-sale financial asset is disposed of or an impairment is recognised on it. Items entered in the fair value reserve are not distributable funds.

Other non-restricted reserves

The reserves have been formed from the profits for previous periods based on decisions by the General Meeting.

Retained earnings

Retained earnings also include untaxed reserves (voluntary provisions and accelerated depreciation) included in the separate financial statements of Group companies and the equalisation provision of insurance companies, which have been booked in retained earnings less deferred tax in the IFRS financial statements. These items are not included in distributable funds. Unrealised fair value gains on insurance companies' investment properties are not distributable funds either.

NOTES TO RISK MANAGEMENT

Banking and Investment Services (Notes 40-56)

For the distributions in the notes, the distributions of Statistics Finland have been used. These deviate partly from the distributions used in the risk exposure section of the Report by the Board of Directors.

Risk exposure of Non-life Insurance has been explained in Note 57.

NOTE 40. Assets and impairment losses recognised on them in the financial period

	31 Dec. 2006		31 Dec. 2005	
EUR million	Balance sheet value	Impair-ment losses	Balance sheet value	Impair-ment losses
Liquid assets	907		479	
Receivables from financial institutions	5 549	-2	4 619	-2
Financial assets held for trading				
Notes and bonds	4 795		3 686	
Shares and participations	6		6	
Derivative contracts				
Held for trading	299		151	
Hedging	21		12	
Loans and other receivables				
Loans granted	5 556	-18	4 649	-19
Finance lease receivables	414		370	
Guarantee receivables	1	-1	7	-3
Other receivables	1 911		1 755	
Available-for-sale financial assets				
Notes and bonds	94		140	
Shares and participations	100		150	
Off-balance sheet commitments				
Bank guarantees	532		306	
Total	20 185	-21	16 330	-24

NOTE 41. Distribution of impairments by risk type	31 Dec. 2006	31 Dec. 2005
Based on credit risk	-21	-24
Total	-21	-24

NOTE 42. Own funds and risk-weighted balance sheet

Own funds

EUR million	31 Dec. 2006	31 Dec. 2005
Own funds		
Tier I funds	948	1 002
of which capital loans	224	224
Tier 2 funds	721	550
Decreases in own funds	-165	-213
Total own funds	1 504	1 339

Risk-weighted balance sheet

		Balance sheet items 31 Dec. 2006		Balance sheet items 31 Dec. 2005	
Risk category	Risk weight, %	Book value	Risk-weighted value	Book value	Risk-weighted value
Group I	0	7 866		5 960	
Group II	20	5 677	1 135	4 552	910
Group III	50	458	229	394	197
Group IV	100	6 674	6 674	6 491	6 491
Group V	10				
Total		20 675	8 039	17 396	7 598
Off-balance sheet commitments			2 580		2 024
Total risk-weighted receivables, investments and off-balance sheet commitments			10 619		9 622
Total risk-weighted value of market risk			1 008		868
Total risk-weighted items			11 627		10 489

The figures for the OKO Bank Group are presented in the above tables.

NOTE 43. Exposure by balance sheet item

	Finland			Other countries		
31 December 2006	Balance sheet value	Impair-ments	Accrued interest	Balance sheet value	Impair-ments	Accrued interest
Assets						
Receivables from financial institutions	5 373		18	173	-2	1
Receivables from customers	7 038	-19	42	411		1
Finance leases	414			0		
Notes and bonds	2 614		14	2 275		21
Other	0			39		
Total	15 440	-19	74	2 899	-2	24
Off-balance sheet commitments						
Unused standby credit facilities	3 497			66		
Guarantees and letters of credit	1 661			422		
Derivative contracts	32			250		
Other	64			357		
Total	5 254			1 094		
Total exposure	20 694	-19	74	3 993	-2	24

	Finland			Other countries		
31 December 2005	Balance sheet value	Impair-ments	Accrued interest	Balance sheet value	Impair-ments	Accrued interest
Assets						
Receivables from financial institutions	4042		18	576	-2	2
Receivables from customers	6222	-22	28	166		
Finance leases	370					
Notes and bonds	2827		14	999		6
Other	6			20		
Total	13467	-22	60	1761	-2	8
Off-balance sheet commitments						
Unused standby credit facilities	2 581			62		
Guarantees and letters of credit	1 371			177		
Derivative contracts	36			164		
Other	134			341		
Total	4 122			744		
Total exposure	17 589	-22	60	2 505	-2	8

Of derivatives contracts potential future exposure is presented, which includes the positive market value recognised in accounting.

NOTE 44. Exposure by sector

31 December 2006	Balance sheet values Finnish	Foreign	Off-balance sheet Finnish	Foreign	Total
Companies	6 686	221	4 818	341	12 066
Financial and insurance institutions	7 310	2 589	344	751	10 993
Households	672	3	19	2	695
Non-profit organisations	175		37		211
Public corporations	672	110	36		818
Total	15 514	2 923	5 254	1 094	24 784

31 December 2005	Balance sheet values Finnish	Foreign	Off-balance sheet Finnish	Foreign	Total
Companies	6 011	138	3 716	98	9 963
Financial and insurance institutions	6 159	1 538	337	643	8 677
Households	588	2	13	2	605
Non-profit organisations	154		23		177
Public corporations	614	91	33		738
Total	13 527	1 769	4 122	743	20 161

The balance sheet values are accounting balances including impairments and accrued interest income.

NOTE 45. Loan and guarantee receivables and problem receivables

31 December 2006	Loan and guarantee portfolio Not impaired (gross)	Impaired (gross)	Total	Total impair-ments	Balance sheet value
Loan and guarantee receivables					
Receivables from financial institutions	5 546	2	5 549	-2	5 546
Receivables from customers	7 438	29	7 467	-19	7 449
Bank guarantee receivables	0	1	1	-1	
Finance leases	414		414		414
Overdrafts	0		0		
Total	13 399	32	13 430	-21	13 410
Loan and guarantee receivables by sector					
Companies	6 399	29	6 429	-17	6 412
Financial and insurance institutions	5 768	2	5 771	-2	5 768
Households	676		676	-1	675
Non-profit organisations	173	0	173	0	173
Public corporations	382		382		382
Total	13 399	32	13 430	-21	13 410

31 December 2005	Loan and guarantee portfolio Not impaired (gross)	Impaired (gross)	Total	Total impair-ments	Balance sheet value
Loan and guarantee receivables					
Receivables from financial institutions	4 617	3	4 619	-2	4 617
Receivables from customers	6 371	40	6 410	-22	6 388
Bank guarantee receivables	2	5	7	-3	4
Finance leases	370		370		370
Overdrafts	6		6		6
Total	11 363	42	11 406	-24	11 382
Loan and guarantee receivables by sector					
Companies	5 597	40	5 637	-21	5 616
Financial and insurance institutions	4 705	3	4 708	-2	4 706
Households	591		591	-1	590
Non-profit organisations	153		153		153
Public corporations	317		317		317
Total	11 363	43	11 406	-24	11 382

31 December 2006	Problem receivables Not impaired (gross)	Impaired (gross)	Total	Arrears	Impair-ments
Problem receivables					
Receivables from financial institutions		2	2	3	2
Receivables from customers	16	29	46	15	19
Bank guarantee receivables		1	1	1	1
Finance leases	0		0	1	
Overdrafts	0		0		
Total	16	32	48	18	21
Problem receivables by sector					
Companies	9	29	38	12	17
Financial and insurance institutions		2	2	3	2
Households	7		7	3	1
Non-profit organisations	0	0	1	0	0
Public corporations	0		0	0	
Total	16	32	48	18	21

31 December 2005	Problem receivables Not impaired (gross)	Impaired (gross)	Total	Arrears	Impair-ments
Problem receivables					
Receivables from financial institutions	0	3	3	3	2
Receivables from customers	20	40	60	18	22
Bank guarantee receivables	2	5	7	0	3
Finance leases	0		0	0	
Overdrafts	6		6		
Total	26	42	68	21	24
Problem receivables by sector					
Companies	15	40	55	15	21
Financial and insurance institutions	6	3	8	3	2
Households	5		5	3	1
Non-profit organisations	0		0	0	0
Public corporations				0	
Total	26	42	68	21	24

31 December 2006	Total portfolio	Impair-ments	Balance sheet value
Problem receivables			
1. Non-performing	21	8	13
2. Zero-interest	2	1	1
3. Under-priced	9	2	7
4. Other	15	9	6

31 December 2005	Total portfolio	Impair-ments	Balance sheet value
Problem receivables			
1. Non-performing	26	10	16
2. Zero-interest	2	1	1
3. Under-priced	0		0
4. Other	39	13	27

NOTE 46. Trend in loan and impairment losses

Trend in loan and impairment losses*)

EUR million	2000	2001	2002	2003	2004	2005	2006
Gross loan and impairment losses	1	7	3	5	4	8	7
Recoveries	-11	-12	-6	-3	-3	-5	-6
Net loan and impairment losses	-11	-5	-3	2	1	3	1

*)The 2000-2005 figures have been reduced by the share of Retail Banking sold in 2005.

New loan and guarantee losses and impairments were booked to a total of EUR 7 million (8). The aggregate amount of loan loss recoveries and decreases in impairments was EUR 6 million (5). The net earnings impact of loan and guarantee losses and impairments was EUR 1 million (3).

In 2006, loan and guarantee losses and impairments accounted for 0.01% (0.04) of the loan and guarantee portfolio.

NOTE 47. Corporate exposure by sector

	Net exposure			
31 December 2006	Balance sheet	Off-balance sheet	Total	Percentage distribution
Metal industry	504	1 163	1 667	13.8
Forest industry	484	465	950	7.9
Trade	771	567	1 338	11.1
Construction	326	403	729	6.0
Other industry	451	366	817	6.8
Food industry	196	375	571	4.7
Management of other real estate	1 812	360	2 172	18.0
Energy production	323	365	688	5.7
Transport and traffic	325	306	631	5.2
Services	962	292	1 255	10.4
Telecommunications and electronics	185	156	340	2.8
Communication and publishing	114	95	209	1.7
Other sectors	455	245	700	5.8
Total	6 906	5 159	12 066	100.0

31 December 2005	Net exposure Balance sheet	Off-balance sheet	Total	Percentage distribution
Metal industry	526	689	1 215	12.2
Forest industry	492	390	882	8.9
Trade	557	420	977	9.8
Construction	308	259	567	5.7
Other industry	452	353	805	8.1
Food industry	219	304	523	5.2
Management of other real estate	1 630	199	1 829	18.4
Energy production	308	325	633	6.4
Transport and traffic	298	339	637	6.4
Services	649	313	963	9.7
Telecommunications and electronics	151	129	280	2.8
Communication and publishing	166	26	191	1.9
Other sectors	392	69	462	4.6
Total	6 149	3 814	9 963	100.0

Condominiums are included in the above figures.

NOTE 48. Corporate exposure by rating class

Rating	31 Dec. 2006 Net exposure	%	31 Dec. 2005 Net exposure	%
1 - 2	766	6.35	442	4.4
3 - 4	5 492	45.52	4 320	43.4
5 - 6	2 588	21.45	2 512	25.2
7 - 8	2 494	20.67	1 995	20.0
9 - 10	248	2.05	349	3.5
11 - 12	60	0.50	71	0.71
No rating	418	3.46	273	2.7
Total	12 066	100	9 963	100.0

NOTE 49. Distribution of corporate exposure according to amount of the customer's exposure

31 December 2006

Amount of net exposure, EUR million	Finland	Other countries	Total	%
0 - 1	925	29	954	7.9
1 - 10	2 053	132	2 185	18.1
10 - 50	3 206	249	3 454	28.6
50 - 100	2 443		2 443	20.3
100 -	2 877	152	3 029	25.1
Total	11 504	562	12 066	100.0

31 December 2005

Amount of net exposure, EUR million	Finland	Other countries	Total	%
0 - 1	906	18	924	9.3
1 - 10	2 026	108	2 134	21.4
10 - 50	2 625	111	2 736	27.5
50 - 100	2 335		2 335	23.4
100 -	1 834		1 834	18.4
Total	9 726	237	9 963	100.0

NOTE 50. Secondary country risk by country risk group

		31 Dec. 2006		31 Dec. 2005	
Country risk	Moody's equi-valent	Net exposure	%	Net exposure	%
Group 1	Aaa	3 330	87.7	2 159	87.4
Group 2	Aa1 - A3	236	6.2	138	5.6
Group 3	Baa1 - Baa3	124	3.3	53	2.1
Group 4	Ba1 - B3	101	2.7	116	4.7
Group 5	Caa1 - C	6	0.2	5	0.2
Total		3 796	100.0	2 470	100.0

NOTE 51. Funding structure

	31 Dec. 2006	%	31 Dec. 2005	%
Liabilities to financial institutions	2 390	11.2	3 563	19.6
Financial liabilities held for trading			4	0.0
Liabilities to customers				
Deposits	653	3.1	494	2.7
Other	1 341	6.3	1 563	8.6
Debt securities issued to the public				
Certificates of deposit and and ECPs	5 519	25.8	4 395	24.2
Bonds	7 745	36.2	4 638	25.5
Other liabilities	1 006	4.7	826	4.5
Subordinated liabilities	924	4.3	749	4.1
Shareholders' equity	1 828	8.5	1 961	10,8
Total	21 406		18 193	100.0

NOTE 52. Maturity distribution of assets and liabilities in accordance with remaining term to maturity

31 December 2006	Less than 3 months	3 - 12 months	1 - 5 years	5 - 10 years	More than 10 years	Total
Liquid assets	907					907
Financial assets held for trading						
Notes and bonds	1 766	244	1 293	1 361	131	4 795
Receivables from financial institutions	2 375	1 263	1 647	251	10	5 546
Receivables from customers	1 342	1 295	3 023	1 070	1 133	7 864
Investment assets						
Available-for-sale notes and bonds	4	19	35	36		94
Total assets	6 394	2 821	5 998	2 718	1 274	19 206
Liabilities to financial institutions	2 208	106	54	22		2 390
Liabilities to customers	1 487	17	5	198	287	1 994
Debt securities issued to the public	3 959	2 712	6 274	319		13 263
Subordinated liabilities	25	56	496	263	85	924
Total liabilities	7 679	2 892	6 829	801	371	18 572

31 December 2005	Less than 3 months	3 - 12 months	1 - 5 years	5 - 10 years	More than 10 years	Total
Liquid assets	479					479
Financial assets held for trading						
Notes and bonds	877	1 155	925	708	21	3 686
Receivables from financial institutions	1 149	958	2 351	156	3	4 617
Receivables from customers	949	1 213	2 870	868	858	6 759
Investment assets						
Available-for-sale notes and bonds			88	51	1	140
Held-to-maturity notes and bonds						
Total assets	**3 454**	**3 326**	**6 234**	**1 783**	**883**	**15 681**
Liabilities to financial institutions	3 337	138	61	27		3 563
Financial liabilities held for trading	4					4
Liabilities to customers	1 602	20		225	210	2 058
Debt securities issued to the public	3 025	1 859	3 913	236		9 033
Subordinated liabilities	193	4	174	288	90	749
Total liabilities	**8 161**	**2 021**	**4 148**	**776**	**300**	**15 406**

NOTE 53. Maturities of assets and liabilities in accordance with due date and repricing

31 December 2006	1 month or less	>1 - 3 months	>3 - 12 months	>1 - 2 years	>2 - 5 years	>5 years	Total
Liquid assets	907						907
Financial assets held for trading							
Notes and bonds	1 927	1 718	296	130	212	513	4 795
Receivables from financial institutions	1 534	2 247	1 509	121	129	7	5 546
Receivables from customers	2 184	1 994	2 201	340	557	587	7 864
Available-for-sale financial assets							
Notes and bonds	20	51	15	5	2	1	94
Total assets	6 572	6 010	4 021	596	900	1 108	19 206
Liabilities to financial institutions	2 031	177	106	30	24	22	2 390
Financial liabilities held for trading							
Liabilities to customers	1 446	531	17		0		1 994
Debt securities issued to the public	3 093	7 373	2 247	134	132	285	13 263
Subordinated liabilities	521	100			100	203	924
Total liabilities	7 091	8 182	2 370	163	256	509	18 572

31 December 2005	1 month or less	>1 - 3 months	>3 - 12 months	>1 - 2 years	>2 - 5 years	>5 years	Total
Liquid assets	479						479
Financial assets held for trading							
Notes and bonds	720	970	1 261	136	246	354	3 686
Receivables from financial institutions	1 414	1 192	1 742	72	198	0	4 617
Receivables from customers	1 592	1 569	2 147	297	609	545	6 759
Available-for-sale financial assets							
Notes and bonds	20	39	71	4	5	1	140
Total assets	**4 225**	**3 770**	**5 221**	**509**	**1 058**	**900**	**15 681**
Liabilities to financial institutions	3 183	155	138	29	27	30	3 563
Financial liabilities held for trading	4						4
Liabilities to customers	1 612	424	21		0		2 058
Debt securities issued to the public	2 219	4 528	1 974	70	60	182	9 033
Subordinated liabilities		300	126	64	111	149	749
Total liabilities	**7 018**	**5 407**	**2 259**	**163**	**198**	**360**	**15 406**

NOTE 54. Sensitivity analysis of market risk

The share of market risks of the risk-weighted items was 9% (8% in 2005) at year-end.

EUR million	31 Dec. 2006	31 Dec. 2005
Interest rate risk *	12	10
of which Treasury	9	11
Market value of the equity portfolio	15	27
OMX shares	8	18
Venture capital funds	29	35
Net currency exposure	-12	6

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

NOTE 55. Equity risk

The market values of equity and venture capital funds was EUR 52 million (80) at year-end, of which the equity portfolio represented EUR 15 million, OMX equities EUR 8 million and the venture capital funds with their investment commitments EUR 29 million. The three proportionally largest sectors in the equity portfolio were industrial products and services 33%, consumer goods and services 25% and health care services 17%.

Investments in venture capital funds totalled EUR 19 million (19) and binding unexecuted investment commitments EUR 10 million (16).

NOTE 56. Real estate risk

Capital invested in property holdings amounted to EUR 38 million at the end of 2006 (48), with properties in own use representing EUR 3 million (4). In addition, holdings in property investment companies totalled EUR 14 million (20).

The most significant property sold in 2006 was Kiinteistö Oy Kalkkipellontie 6.

Net yield on property investments stood at 8% (7). In 2006, assessments of an outside party were obtained on the fair values of properties, on the basis of which the aggregate amount of fair values corresponds to the capital invested in properties. According to our estimates, real estate risks are small.

The changes in investment properties and properties in own use in the financial period are specified in Note 27.

NOTE 57. Risk exposure of Non-life Insurance

Risk bearing capacity

The solvency capital of Non-life Insurance at the end of 2006 totalled EUR 592 million (836) and the solvency ratio was 75% (112). The solvency capital decreased following the 2006 dividend distribution, through which the capitalisation of Non-life Insurance operations was brought closer to the target solvency level, which is 70% of insurance premium revenue for own account. The Pohjola Board of Directors has set the credit rating class A as the target for Non-life Insurance. The insurance financial strength rating affirmed by Standard & Poor's for Pohjola Non-Life is A+ (7 September 2006).

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

	31 Dec. 2006		31 Dec. 2005	
	EUR million	Risk bearing capacity, %	EUR million	Risk bearing capacity, %
Solvency capital	592		836	
Claims incurred*	579	102	532	157
Insurance premium revenue*	788	75**	744	112**
Insurance contract liabilities*	1 887	31	1811	46
Investment portfolio	2 490	24	2515	33

* Decreased by reinsurers' share (net business)

** Solvency ratio

Sensitivity analysis of Non-life Insurance

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

Sensitivity of insurance contract liabilities to changes in mortality assumption, EUR million	31 Dec. 2006
Total discounted insurance contract liabilities	1 205
Effect of increase in longevity by a year:	
On insurance contract liabilities	Increases by 28
On combined ratio	Deteriorates by 4 %-points

The table below describes the effect of different risk parameters on profit and solvency capital:

Risk parameter	Total in 2006, EUR million	Change in risk para-meter	Effect on profit/solvency, EUR million	Effect on combined ratio
Insurance portfolio or insurance premium revenue	788	Increases by 1%	8	Improves by 1 %-point
Increase in claims incurred by 1%	579	Increases by 1%	-6	Deteriorates by 1 %-point
Major loss		1 major loss	-5	Deteriorates by 1 %-point
Personnel costs	100	Increases by 8%	-8	Deteriorates by 1 %-point
Expenses by function *	223	Increases by 4%	-9	Deteriorates by 1 %-point

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

Insurance risk exposure

Premiums written by EML* class in corporate property insurance

The degree of risk in property insurance can be evaluated by dividing risks into classes by their EML* amounts. The table below shows premiums written calculated for each risk class.

EUR million	5-20	20-50	50-100	100-300
2006	9	13	6	2
2005	11	10	8	1

*EML = Estimated Maximum Loss per object of insurance

Division of premiums written by TSI* class in corporate liability insurance

The degree of risk in liability insurance can be evaluated by dividing risks into classes by their TSI* amounts. The table below shows premiums written calculated for each risk class.

EUR million	2-4	4-10	10-30	30-90
2006	2	6	7	4
2005	1	3	7	1

*TSI = Total Sum Insured

Sums insured in guarantee and decennial insurance

The volume of guarantee and decennial insurance (construction defects insurance) is described by the sum insured of insurance contracts. The gross and net amounts of the sum insured have been itemised in the table below by contract type. The liability period of decennial insurance is 10 years but the product has been on the market for only somewhat more than seven years. Therefore, the sum insured increases annually.

	Gross		Net*	
EUR million	2006	2005	2006	2005
Contract guarantees	78	107	78	106
Loan guarantees	69	95	69	95
Other	11	12	9	10
Guarantee insurance	**158**	**213**	**156**	**211**
Decennial insurance	**1 156**	**848**	**964**	**680**

* For insurance company's own account after reinsurers' share and counter guarantee

Number of detected major losses by year of detection for 2002-2006

In Non-life Insurance, the claims expenditure arising from major losses is monitored carefully. The claims expenditure explains a significant part of the annual fluctuation in the underwriting result. In addition, follow-up of the claims expenditure arising from major losses helps detecting any changes in risks or risk selection. In this evaluation, major losses are losses with a gross amount exceeding EUR 2 million. Most major losses occur in property and business interruption insurance. In statutory policies, the risk of major loss is small compared to the large volume of the line of business.

Gross amount

Number of EUR 2-5 million losses	Statutory lines	Other accident and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2002			3	3		
2003				3	1	
2004			4	1		
2005	1			5		
2006	1			9		
			Total claims, EUR million		82	
Number of losses exceeding EUR 5 million						
2002				1		
2003						
2004						
2005				1		
2006				3		
			Total claims, EUR million		53	
Gross amount, total claims, EUR million						
2002-2006	7		19	108	2	

Net amount

Number of EUR 2-5 million losses	Statutory lines	Other accident and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2002				3		
2003				3	1	
2004				1		
2005	1			5		
2006	1			10		
			Total claims, EUR million		78	

Number of losses exceeding EUR 5 million					
2002			1		
2003					
2004					
2005			1		
2006					
		Total claims, EUR million			14
Net amount, total claims, EUR million					
2002-2006	**7**	**83**		**2**	

Trends in insurance premium revenue (gross and net) and combined ratio (net)

Insurance premium revenue describes the volume of an insurance class. With insurance premium revenue, the importance of the insurance class can be evaluated compared to the whole portfolio. Correspondingly, the combined ratio (CR) is used to evaluate fluctuations in the results of the insurance class and the profitability of the class. The combined ratio is presented separately adjusted by one-off items which relate to previous insurance periods

2006 EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	335	330	94%	93%
Other accident and health	70	69	103%	109%
Hull and cargo	190	177	94%	94%
Property and business interruption	189	161	105%	103%
Liability and legal expenses	54	47	75%	74%
Long-term	4	3	33%	33%
Total	842	788	96%	95%

2005 EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	325	320	97%	92%
Other accident and health	67	67	136%	118%
Hull and cargo	172	156	83%	97%
Property and business interruption	183	158	78%	91%
Liability and legal expenses	46	41	76%	69%
Long-term	4	3	12%	12%
Total	798	744	92%	93%

* The combined ratio is calculated by dividing the sum of claims incurred (net) and operating expenses of insurance business by insurance premium revenue (net)
** One-off changes impacting the balance on technical account have been eliminated.

Evaluation of Non-life Insurance contract liabilities

The liabilities arising from insurance contracs are determined on the basis of estimated future cash flows. The cash flows comprise paid claims and loss adjustment expenses.

The amount of liability has been estimated in such a way that it is, with reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been done by estimating an expected value for the liability and, after that, by determining a safety loading based on the degree of uncertainty related to the liability. More detailed specifications and descriptions of the methods used and their sensibility are provided in Note 34.

Risk exposure of Non-life Insurance investments

	31 Dec. 2006		31 Dec. 2005***	
Allocation of investment portfolio	**Fair value EUR million***	**%**	**Fair value EUR million***	**%**
Money market instruments and deposits**	69	3%	220	9%
Total bonds and bond funds	1 798	72%	1 782	70%
Governments	1 189	48%	1 224	48%
Investment Grade	441	18%	476	19%
Emerging markets and High Yield	168	7%	81	3%
Total equities	448	18%	407	16%
Finland	102	4%	112	4%
Developed markets	170	7%	150	6%
Emerging markets	22	1%	24	1%
Unlisted equities	27	1%	26	1%
Private equity investments	128	5%	95	4%
Total alternative investments	87	4%	65	3%
Absolute return funds	31	1%	22	1%
Commodities	20	1%	18	1%
Convertible bonds	36	1%	25	1%
Properties	88	4%	88	3%
Total	**2 490**	**100 %**	**2 562**	**100 %**

* Includes accrued interest income

** Includes settlement receivables and liabilities and market value of derivatives EUR -0.3 million (11.5)

*** Includes EUR 63 million in run-off assets classified as held for sale.

Sensitivity analysis of investment risks

The table below describes the sensitivity of investment risks by investment class.

Non-life Insurance	Portfolio at fair values, EUR million 31 Dec. 2006	Risk parameter	Change	Effect on solvency capital, EUR million 31 Dec. 2006
Bonds and bond funds *	1 834	Interest rate	1 %-point	90
Equities **	499	Market value	10 %-points	50
Investment properties	55	Market value	15 %-points	8

* Includes convertible bonds and derivatives

** Includes absolute return funds and commodities investments

Interest rate risk

The market risk arising from changes in interest rates is monitored by classifying investments, by instrument, in accordance with duration. The table below does not indicate the balancing effect which the insurance contract liabilities have on the interest rate risk because only some of the insurance contract liabilities have been discounted by an administrative interest rate (Note 34)

Fair value as per duration or repricing date, EUR million	31 Dec. 2006	31 Dec. 2005
0-1 year	189	266
>1-3 years	521	411
>3-5 years	252	379
>5-7 years	383	337
>7-10 years	239	305
>10 years	282	292
Total	**1 867**	**1 990**
Modified duration	4.8	4.8
Effective interest rate, %	4.2	3.4

At the end of 2006, the duration of the Non-life Insurance fixed-income portfolio, i.e. the average duration of the cash flows from interest-bearing instruments, was 4.8 years. The fixed-income portfolio includes both bonds and money market investments.

Currency risk

Currency exposure, EUR million	31 Dec. 2006	31 Dec. 2005
USD	36	39
SEK	-7	10
JPY	7	7
GBP	15	6
Other **	-20	-8
Total *	31	54

Total net currency exposure

* The currency exposure was 1.2% (2.1) of the investment portfolio.

** The group 'Other' includes EUR -23 million (- 10) in EEK, LVL ja LTL-denominated insurance contract liabilities covered in euros.

*** The 2005 currency exposure includes EUR 9 million in run-off assets classified as held for sale and EUR 19 million in liabilities.

Credit risk

Credit rating distribution, EUR million	31 Dec. 2006	31 Dec. 2005
AAA	903	975
AA	197	349
A	475	296
BBB	172	158
BB+ or lower	137	75
Not Rated	67	214
Total *	**1 951**	**2 069**

* Includes money market investments and deposits, bonds and bond funds, the reinsurers' share of insurance contract liabilities, and receivables from reinsurers.

OTHER NOTES TO THE BALANCE SHEET

NOTE 58. Fair values of assets and liabilities

Financial assets	31 Dec. 2006			31 Dec. 2005		
EUR million	Average interest rate, %	Fair value	Book value	Average interest rate, %	Fair value	Book value
Liquid asses		907	907		479	479
Financial assets held for trading						
Notes and bonds						
Measured at fair value	3.8	4 795	4 795	3.0	3 686	3 686
Equities						
Measured at fair value		6	6		6	6
Derivative contracts						
Measured at fair value		320	320		163	163
Receivables from financial institutions *	3.7	5 546	5 546	2.7	4 617	4 617
Receivables from customers *	4.4	7 864	7 864	3.5	6 759	6 759
Investment assets						
Available-for-sale financial assets						
Notes and bonds						
Measured at fair value	4.7	94	94	4.8	140	140
Equities						
Measured at fair value		23	23		45	45
Measured at cost		77	77		105	105
Total financial assets 31 December		19 632	19 632		15 999	15 999

Financial liabilities

Liabilities to financial institutions	3.5	2 390	2 390	2.5	3 563	3 563
Financial liabilities held for trading						
Short sold securities					4	4
Derivative contracts						
Measured at fair value		331	331		171	171
Liabilities to customers	3.4	1 994	1 994	2.4	2 058	2 058
Debt securities issued to the public						
Hedged	3.6	1 207	1 207	3.7	782	782
Unhedged	3.7	12 057	12 057	2.4	8 251	8 251
Subordinated liabilities						
Hedged	4.7	613	613	4.3	438	438
Unhedged	4.1	311	311	3.4	311	311
Total financial liabilities 31 December		18 903	18 903		15 578	15 578

* The fair values of the items of Receivables from financial institutions and Receivables from customers include impairments recognised on the balance sheet.

NOTE 59. Notes and bonds eligible for central bank refinancing	31 Dec. 2006	31 Dec. 2005
Financial assets held for trading	3 873	2 587
Total notes and bonds eligible for central bank refinancing	3 873	2 587

NOTE 60. Collateral given	31 Dec. 2006	31 Dec. 2005
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	2 520	1 518
Other	31	15
Total	2 552	1 533
Total collateral given		
Mortgages	1	1
Pledges	2 520	1 518
Other	31	15
Total	2 552	1 533
Total collateralised liabilities	894	1 846
Pledged financial assets included in the collateral given	2 551	1 533

NOTE 61. Financial collateral held	31 Dec. 2006	31 Dec. 2005
Fair values of collateral held		
Other	4	13
Total	4	13

The credit risk arising from derivatives is mitigated by collateral, in which case an ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement is used. In the collateral system, the counterparty delivers securities or cash as collateral for the receivable. The amount of CSA-related collateral received in cash totalled EUR 4 million at the balance sheet date. There were no securities held as collateral at the closing date.

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

NOTE 62. Off-balance sheet commitments	31 Dec. 2006	31 Dec. 2005
Guarantees	534	310
Other guarantee liabilities	1 384	1 108
Loan commitments	3 563	2 643
Commitments related to short-term trade transactions	165	130
Other	421	475
Total off-balance sheet commitments	**6 066**	**4 666**

NOTE 63. Derivative contracts

Derivatives held for trading 31 December 2006

EUR million	Nominal values/ remaining term to maturity <1 year	1-5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	13 499	11 054	2 771	27 324	140	-140	236
OTC interest rate options							
Call and caps							
Purchased	859	2 558	1 213	4 630	56	0	88
Written	592	2 794	1 283	4 669	0	-51	
Put and floors							
Purchased	334	891	159	1 384	5	-4	11
Written	856	857	150	1 862		-3	
Total OTC interest rate derivatives	16 140	18 154	5 575	39 869	201	-198	334
Interest rate futures	1 515			1 515	2	-1	
Interest rate options							
Call							
Purchased	1 583			1 583	0		
Written							
Put							
Purchased							
Written	1 583			1 583		0	
Total stock exchange derivatives	4 682			4 682	2	-1	
Total interest rate derivatives	20 822	18 154	5 575	44 551	203	-198	334

Currency derivatives							
Forward exchange agreements	5 882	123		6 004	31	-42	95
Interest rate and currency swaps		24	454	478	3	-2	38
Currency options							
Call							
Purchased	93	0		94	1		2
Written	98	0		99		-1	
Put							
Purchased	71	0		72	0		1
Written	98	0		99		0	
Total OTC currency derivatives	6 243	148	454	6 845	35	-46	136
Currency futures							
Total currency derivatives	6 243	148	454	6 845	35	-46	136
Equity and index derivatives							
Forward equity agreements	1			1	0	0	1
Equity index options							
Call							
Purchased	27	135		162	32		45
Written							
Put							
Purchased		1		1	0		0
Written							
Total OTC equity and index derivatives	28	136		164	32	0	45
Total equity and index derivatives	28	136		164	32	0	45
Credit derivatives							
Credit default swaps		131		131	0	-1	1
Total credit derivatives		131		131	0	-1	1
Other							
Other options							
Call							
Purchased		7		7	1		2
Written							
Put							
Purchased	8	8		15	0		0
Written							
Total other OTC derivatives	8	15		22	1		2
Total other derivatives	8	15		22	1		2
Total derivatives held for trading	**27 100**	**18 584**	**6 029**	**51 713**	**271**	**-246**	**519**

Derivatives held for trading 31 December 2005

EUR million	Nominal values/ remaining term to maturity <1 year	1-5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	7 913	7 325	1 535	16 773	85	-102	145
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	1815	1419	763	3997	0	-18	
Put and floors							
Purchased	308	595	90	993	4	-1	8
Written	965	785	62	1 812		-2	
Total OTC interest rate derivatives	15 127	11 419	3 221	29 767	109	-125	191
Interest rate futures	3 535			3 535	0	-1	
Total stock exchange derivatives	3 535			3 535	0	-1	
Total interest rate derivatives	18 662	11 419	3 221	33 302	109	-126	191
Currency derivatives							
Forward exchange agreements	2 560	99		2 659	16	-17	46
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	
Total OTC currency derivatives	2 582	124		2 707	16	-17	48
Total currency derivatives	2 582	124		2 707	16	-17	48
Equity and index derivatives							
Equity index options							
Call							
Purchased	15	94		110	17		25
Written							
Put							
Purchased							
Written							
Total OTC equity and index derivatives	15	94		110	17		25
Total equity and index derivatives	15	94		110	17		25

Credit derivatives							
Credit default swaps		160		160	0	-1	3
Total credit derivatives		160		160	0	-1	3
Other							
Other options							
Call							
Purchased	72	7		78	5		10
Written							
Put							
Purchased		17		17	0		1
Written							
Total other OTC derivatives	72	24	0	95	6		11
Total other derivatives	72	24		95	6		11
Total derivatives held for trading	**21 332**	**11 822**	**3 221**	**36 374**	**148**	**-145**	**278**

Derivative contracts held for hedging – fair value hedging 31 December 2006

	Nominal values/ remaining term to maturity				Fair values		Potential future
EUR million	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	1 065	798	272	2 134	11	-17	19
Total OTC interest rate derivatives	1 065	798	272	2 134	11	-17	19
Total interest rate derivatives	1 065	798	272	2 134	11	-17	19
Currency derivatives							
Interest rate and currency swaps	42	1 512	348	1 902	2	-85	104
Total OTC currency derivatives	42	1 512	348	1 902	2	-85	104
Total currency derivatives	42	1 512	348	1 902	2	-85	104
Total derivatives held for hedging	**1 106**	**2 310**	**620**	**4 036**	**13**	**-102**	**123**

Derivative contracts held for hedging – fair value hedging 31 December 2005

EUR million	Nominal values/ remaining term to maturity <1 year	1-5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
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
Total interest rate derivatives	699	903	248	1 849	6	-19	15
Currency derivatives							
Interest rate and currency swaps		582	252	834	39	-10	87
Total OTC currency derivatives		582	252	834	39	-10	87
Total currency derivatives	0	582	252	834	39	-10	87
Total derivatives held for hedging	699	1 485	499	2 683	45	-29	102

Total derivatives held for trading and hedging 31 December 2006

EUR million	Nominal values/ remaining term to maturity <1 year	1-5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives	21 886	18 952	5 847	46 685	213	-215	353
Currency derivatives	6 284	1 660	802	8 746	37	-131	241
Equity and index-linked derivatives	28	136		164	32	0	45
Credit derivatives	0	131		131	0	-1	1
Other derivatives	8	15		22	1		2
Total derivatives	**28 206**	**20 894**	**6 649**	**55 749**	**284**	**-347**	**642**

Total derivatives held for trading and hedging 31 December 2005

EUR million	Nominal values/ remaining term to maturity <1 year	1-5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives	19 361	12 322	3 469	35 151	116	-145	205
Currency derivatives	2 582	706	252	3 540	55	-27	135
Equity and index-linked derivatives	15	94		110	17		25
Credit derivatives		160		160	0	-1	3
Other derivatives	72	24		95	6	0	11
Total derivatives	**22 030**	**13 306**	**3 720**	**39 057**	**193**	**-174**	**380**

NOTE 64. Contingent liabilities and assets

Insurance companies belonging to the Group underwrite insurance policies through pools. The pool members are primarily responsible for their own proportionate share of the risk. The proportionate shares are based on contracts that are confirmed annually. In certain pools, pool members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. Insurance companies recognise the liabilities and receivables based on joint liability when joint liability is likely to materialise.

The Arbitral Tribunal appointed by the Redemption Committee of the Central Chamber of Commerce will take a decision on the redemption price of Pohjola shares for those former minority shareholders of Pohjola who did not accept OKO Bank's redemption offer. The acquisition price of these shares in the accounts and capital adequacy calculations is the price as per OKO Bank's purchase offer (EUR 13.35 per share).

After the combination of the OP Bank Group and Pohjola operations, the co-operation between Pohjola and savings banks has ceased. The ensuing legal proceedings are not expected to have any major impact on the Group's financial standing.

Pohjola Non-Life Insurance Company Ltd has signed an agreement with the City of Helsinki on a change in the city plan for one of the sites owned by the company. Under the agreement, Pohjola Non-Life has undertaken to pay the City of Helsinki a maximum of EUR 1 million for an improvement in the conditions for construction on the site. The last possible point of time when the payment can be made is at the end of 2010.

OKO Bank plc has a receivable of EUR 2 million from a private customer confirmed by the Helsinki Court of Appeals. Owing to the solvency situation of the private customer, no major amounts can be expected from the customer.

NOTE 65. Operating leases

OKO Bank Group as the lessee

Some of the Group companies have taken their office premises on lease. The lengths of the leases vary from one to ten years, usually with an option to continue the contract after the original expiry date. The Group has subleased part of the leased premises. In addition, some Group companies have leased motor vehicles and office machines through operating leases. Leasing expenses of EUR 6 million (1) have been booked under Other operating expenses for the above-mentioned items.

Minimum lease payments to be made on the basis of non-cancellable operating leases

EUR million	31 Dec. 2006	31 Dec. 2005
Within one year	14	9
Within more than one year and at most within five years	34	36
Within more than five years	27	57
Total	75	102
Expected future minimum rents from non-cancellable subleases	25	26

OKO Bank Group as the lessor

Companies within the OKO Bank Group have given on lease investment properties owned by them, for which leasing income of EUR 11 million (8) was accumulated. In addition to investment properties, the Group has primarily given on lease passenger cars, which generated a leasing income of EUR 13 million (6).

Minimum lease payments to be received on the basis of non-cancellable operating leases

EUR million	31 Dec. 2006	31 Dec. 2005
Within one year	27	22
Within more than one year and at most within five years	42	41
Within more than five years	9	6
Total	79	70

NOTE 66. Asset management

Within the OKO Bank Group, OKO Asset Management Limited transacts asset management business and provides institutional customers and wealthy private individuals with discretionary and consultative portfolio management services. OKO Asset Management Limited has the responsibility for the financial management of most of OP Fund Management Company's mutual funds.

OKO Asset Management Limited's discretionary asset management portfolio at 31 December 2006 totalled EUR 28.3 billion and consultative asset management portfolio EUR 2.5 billion

NOTE 67. Holdings in other companies

The Group's parent and subsidiary relations have been described in Note 68 and holdings in associates in Note 25.

Companies established during the financial period

During the financial period, the name of OKO Osuuspankkien Keskuspankki Oyj was changed to OKO Pankki Oyj in Finnish (OKO Bank plc in English).

In the financial period, Real Estate Fund Finland Oy was established as a subsidiary of Pohjola Property Management Ltd. The subsidiary acts as a general partner of Real Estate Fund Finland I ky.

Opstock Ltd transferred, through a business transfer, its asset management business to Pohjola Asset Management Limited, whose name was changed to OKO Asset Management Limited. Opstock transferred its domestic corporate finance operations to OKO Corporate Finance Ltd. Opstock merged with OKO Bank on 30 September 2006.

Pohjola Group Ltd merged with OKO Bank on 31 December 2006.

Holdings in joint ventures included in consolidated financial statements

2006

Name	Domicile	Holding, %
Kiinteistö Oy Kanta-Sarvis II	Tampere	100
Companies owned by Pohjola Non-Life Insurance Company Ltd:		
Asunto Oy Helsingin Korppaanmäki	Helsinki	34.2
Tikkurilan Kauppatalo Oy	Vantaa	53.7

The consolidated financial statements include the share of asset items and related liabilities under joint control.

2005

Name	Domicile	Holding, %
Kiinteistö Oy Kanta-Sarvis II	Tampere	100
Companies owned by Pohjola Non-Life Insurance Company Ltd:		
Kiinteistö Oy Eteläesplanadi 12	Helsinki	27.2
Asunto Oy Helsingin Korppaanmäki	Helsinki	34.2
Tikkurilan Kauppatalo Oy	Vantaa	53.7

OTHER NOTES

NOTE 68. Related party transactions

The associates of the OKO Bank Group are listed in Note 25. The related parties of the OKO Bank Group comprise the parent company, associates, administrative personnel and other related party companies.

The parent of the OKO Bank Group is Osuuspankkikeskus Osk (OP Bank Group Central Cooperative).

The administrative personnel of the OKO Bank Group includes OKO Bank's President and CEO, deputy to the President and CEO (Deputy CEO), members of the Board of Directors and their close family members. Information of the members of the Supervisory Board as well as their close family members is included in related party transactions until 30 March 2006, when the Supervisory Board was abolished. Normal loan terms and conditions are applied to loans granted to the management. The loans are tied to generally applied reference rates. The loans are repaid according to agreed repayment plans and they have normal collateral.

* Other related party entities include OP Bank Group Pension Fund, OP Bank Group Pension Foundation and the sister companies within OP Bank Group Central Cooperative Consolidated.

Group companies

Company	Company domicile/ home country	Percentage of shares held	Percentage of votes
Subsidiaries of OKO Bank plc:			
OKO Asset Management Limited	Helsinki	86.50	86.50
OKO Corporate Finance Ltd	Helsinki	76	76
OKO Venture Capital Ltd	Helsinki	100	100
OKO Capital East Ltd	Helsinki	70	70
ZAO OKO Capital Vostok	Venäjä	100	100
Pohjola Non-Life Insurance Company Ltd	Helsinki	100	100
A-Insurance Ltd	Helsinki	100	100
Seesam International Insurance Company Ltd	Viro	100	100
Joint Stock Insurance Company "Seesam Latvia"	Latvia	100	100
Joint Stock Insurance Company "Seesam Lithuania"	Liettua	100	100
Eurooppalainen Insurance Company Ltd	Helsinki	100	100
Pohjola Property Management Ltd	Helsinki	100	100
Pohjolan IT Procurement Ltd	Helsinki	100	100
Conventum Venture Finance Oy	Helsinki	100	100
Kaivokadun PL-hallinto Oy	Helsinki	100	100
Real Estate Fund Finland Oy	Helsinki	100	100

Related party transactions in 2006

EUR million	Parent company	Consoli-dated associates	Adminis-trative personnel	Others *
Loans	27			1 741
Other receivables	8			70
Deposits				108
Other liabilities	4			135
Interest income	2			53
Interest expenses	4			11
Dividend income				3
Commission income	1			21
Commission expenses	2			2
Other operating income	1			13
Off-balance sheet commitments				
Guarantees				36
Irrevocable commitments	8			62
Salaries and remunerations and performance-related pay				
Salaries and remunerations			3	
Holdings of related parties				
Number of stock options				
Number of shares	60 825 897		55 728	4 205 946

Related party transactions in 2005

EUR million	Parent company	Consoli-dated associates	Adminis-trative personnel	Others *
Loans	50			1 291
Other receivables	2			62
Deposits	6			132
Other liabilities	362			15
Interest income	1			35
Interest expenses	3			7
Dividend income				3
Commission income				13
Commission expenses	2			
Other operating income	1			2
Off-balance sheet commitments				
Guarantees				7
Irrevocable commitments	8			
Salaries and remunerations and performance-related pay				
Salaries and remunerations			2	
Holdings of related parties				
Number of stock options			31 000	
Number of shares	60 825 897		85 464	4 205 946

NOTE 69. Long-term incentive schemes

Option schemes

On 30 June 1999, the OKO Bank Extraordinary General Meeting decided, according to the proposal of the bank's Executive Board, that an option-based incentive scheme concerning the whole personnel be taken into use at OKO Bank and the OP Bank Group Central Cooperative. An option loan was offered for subscription by the personnel of the OKO Bank Group, OP Bank Group Central Cooperative and its other subsidiaries, OP Bank Group Mutual Insurance Company, OP Bank Group Pension Fund and OP Bank Group Research Foundation, and by OP-Sijoitus Oy, fully owned subsidiary of OKO Bank. The amount of the option loan was EUR 460 000. The interest-free loan was repaid in October 2002.

According to the terms and conditions of the option scheme, the subscription price of a share was EUR 10.99. The subscription price is reduced by the amount of dividends distributed after the determination period of the subscription price and before the subscription of shares on each record date for dividends. However, the subscription price is always at least the accounting par value of the share, which was EUR 2.105 at the end of October 2006. The subscription period with A stock options began on 1 October 2002 and with B stock options on 1 October 2004. The stock options were listed on the Helsinki Stock Exchange when the subscription period began. Before the listing of the B stock options, they were combined with the A stock options and their name was changed to 1999 A/B stock option right.

Each stock option entitled to subscription of one OKO Bank Series A share, or a total of 4 600 000 shares. With the share split (1:2) of OKO Bank shares registered with the Trade Register on 30 April 2004, the subscription ratio of the stock option scheme changed. From the beginning of May, two new Series A shares could be subscribed with one stock option right. In connection with the 2005 share issue, the subscription ratio was changed so that four new Series A shares can be subscribed with one stock option right. As a result of all subscriptions, the number of OKO Bank shares may increase at most by a total of 9 370 320 new Series A shares and the company's share capital by EUR 19.7 million.

As a result of the 2004 share split, the subscription price of the share was reduced by half. As a result of the change in the subscription ratio, the aggregate subscription price of four Series A shares was determined to be EUR 4.21 added by an amount in euro that corresponded to the subscription price of two new Series A shares according to the conditions of the increase in share capital. The new subscription price thus confirmed is EUR 4.6525 per share.

In 2006, the per-share subscription price was EUR 4.6525 until 3 April 2006 and after that EUR 4.0525 until the end of October.

In 2006, a total of 1 705 740 A shares were subscribed with stock options. By 30 October 2006, in all 9 352 430 shares were subscribed and the share capital was raised by a total of EUR 19.7 million.

The changes to and weighted average subscription prices of outstanding options are as follows:

	2006 Average subscription price, EUR/share	Option rights, 1000	2005 Average subscription price, EUR/share	Option rights, 1000
At the beginning of the financial period	4.65	431	2.49	1 233
Forfeited stock options	4.05	-5		
Exercised stock options	4.05	-426	2.75	-802
At the end of the financial period			4.65	431
Exercisable stock options at the end of the financial period			4.65	431

The average price of stock options exercised in 2006 was EUR 4.05 (2.75 in 2005). The average price of the OKO Bank share in January-October 2006 was EUR 12.86 (10.19 for the whole of 2005). The range of the exercise price of the stock options in 2006 was EUR 4.0525-4.6525 (2.485–4.6525) in 2005 and the range of the price of the OKO Bank share was EUR 11.10-14.91 (8.09–12.34).

Long-term management incentive scheme

The long-term management incentive scheme includes the President and CEO of OKO Bank, OKO Bank Group Executive Committee members, heads of the business divisions, heads of departments and officers in charge of separately defined managerial, supervisory and expert duties. On 31 December 2006, the scheme covered in all 58 people. The Board of Directors confirms the inclusion of the President and CEO and the members of the Group Executive Committee in the scheme. The inclusion of other officers in the scheme is confirmed by the Group Executive Committee.

Those included in the incentive scheme can receive OKO Bank plc shares for 2005-2007 as an annual reward.

In 2006, target indicators for the management incentive scheme were as follows:

- ROE of banking and investment services operations, weight 25%
- Combined ratio of insurance operations, weight 25%
- Growth of net income from banking and investment services, weight 17.5%
- Growth in income from non-life insurance operations, weight 17.5%
- Growth in market share of core business areas of OP Bank Group, weight 15%.

The reward will be paid when at least 80% of the targets are met.

If the targets are met, each person included in the scheme is entitled to a reward corresponding to his/her regular salary subject to withholding tax for the following periods: the President and CEO – 4 months; OKO Bank Group Executive Committee members - 3 months; heads of business divisions and heads of department – 2 months; and other persons covered by the scheme – 2 weeks. Persons in the last-mentioned group are also entitled to a share in the profit-related payment paid into the Personnel Fund, the maximum amount of which corresponds to their salary for one month. The reward will be paid two years after the completion of the vesting period.

The value of the reward paid as shares is deferred over the vesting period as personnel costs. In the financial period, a total of EUR 0.2 million was recognised as costs for the incentive scheme.

In 2007, the weight of the growth indicator for net income from Banking and Investment Services was lowered to 15% and the weight of the growth indicator for net income from Non-life Insurance was lowered to 10%. The indicator for growth in the core business areas of the OP Bank Group was replaced by two new indicators: proportion of joint customers among OP Bank Group private customers, weight 15%, and growth in the market share of the OP Bank Group banking operations, weight 10%.

Personnel fund

On 26 October 2004, OKO Bank joined the OP Bank Group Personnel Fund. On 31 December 2006, the Fund had 538 OKO Bank employees. At the end of 2006, no members of the staffs of OKO Bank subsidiaries were not included in the Fund.

In 2006, the amount of profit-related payment transferred to the Personnel Fund was based on the following targets indicators:

- ROE of banking and investment services operations, weight 50%
- Growth in net income from banking and investment services operations, weight 35%
- Growth of market share of OP Bank Group core business areas, weight 15%.

For 2006, EUR 0.8 million was allocated to the Personnel Fund in profit-related payment.

In 2007, the amount of the profit-related payment into the Personnel Fund will be based on the same target indicators as those for the long-term management incentive scheme. If the targets are met, the amount of profit-related payment transferred to the Personnel Fund for 2007 will be 2.5% of the aggregate payroll of the members of the Fund in 2007.

NOTE 70. Events after the balance sheet date

Mr Reijo Karhinen, who earlier acted as the President of the OP Bank Group Central Cooperative and who assumed the duties of Executive Chairman of the OP Bank Group from the beginning of 2007, has acted as the Chairman of the OKO Bank Board of Directors since 1 January 2007. The new President of the Central Cooperative, Mr Tony Vepsäläinen, started as the Vice Chairman of the OKO Bank Board of Directors on 1 January 2007.

THE PARENT BANK
OKO BANK'S FINANCIAL STATEMENT, FAS

EUR million	2006	2005
Interest income	1 236	692
Net leasing income	18	14
Interest expenses	-1 186	-602
Net interest income	**68**	**104**
Income from equity investments	19	16
From subsidiaries	10	7
From affiliates	0	3
From other companies	9	5
Commissions & fees	54	47
Commission expenses	-11	-8
Net income from securities and foreign exchange trading	34	15
Net income from securities trading	8	7
Net income from foreign exchange trading	26	8
Net income from financial assets available for sale	21	9
Net income from hedge accounting	0	0
Net income from investment properties	2	3
Other operating income	22	249
Administrative expenses	-71	-62
Personnel costs	-41	-34
Salaries and compensation	-34	-28
Indirect personnel costs	-8	-6
Pension costs	-4	-3
Other indirect personnel costs	-3	-3
Other administrative expenses	-30	-27
Depreciation and write-downs on tangible and intangible assets	-4	-1
Other operating expenses	-15	-27
Impairment losses on loans and other commitments	-1	-3
Impairment losses on other financial assets		
Operating profit	**118**	**341**
Appropriations	-82	-75
Income taxes	-6	-1
Taxes for the financial period	-5	-2
Taxes for previous financial periods	0	0
Change in deferred taxes	0	1
Profit from operations after taxes	**31**	**265**
Profit for the period	**31**	**265**

BALANCE SHEET

ASSETS

EUR million	31 Dec. 2006	31 Dec. 2005
Liquid assets	**907**	**479**
Notes and bonds eligible for refinancing with central banks	**3 873**	**2 587**
Treasury bills	3	
Other	3 870	2 587
Receivables from financial institutions	**5 546**	**4 589**
Repayable on demand	195	48
Other	5 351	4 541
Receivables from the public and public sector entities	**7 483**	**6 380**
Repayable on demand	5	
Other	7 478	6 380
Leasing assets	**486**	**419**
Notes and bonds	**1 081**	**1 227**
From public sector entities	101	99
From other	980	1 128
Shares and holdings	**87**	**110**
Shares and holdings in affiliates	10	
Shares and holdings in subsidiaries	1 204	1 780
Derivative contracts	**320**	**163**
Intangible assets	**17**	**8**
Tangible assets	**33**	**38**
Investment properties and shares and holdings in investment properties	27	32
Other properties and shares and holdings in real estate corporations	3	4
Other tangible assets	3	1
Other assets	**336**	**140**
Deferred income and advances paid	**373**	**223**
Deferred tax receivables	**1**	
Total assets	**21 756**	**18 142**

LIABILITIES

EUR million	31 Dec. 2006	31 Dec. 2005
Liabilities		
Liabilities to financial institutions and central banks	**2 391**	**3 565**
To central banks	**445**	**1 562**
To financial institutions	**1 946**	**2 002**
Repayable on demand	368	429
Other	1 577	1 574
Liabilities to the public and public sector entities	**2 101**	**2 066**
Deposits	712	497
Repayable on demand	709	490
Other	3	6
Other liabilities	1 388	1 569
Repayable on demand	0	0
Other	1 388	1 569
Promissory notes issued to the public	**13 373**	**9 130**
Bonds	7 704	4 588
Other	5 669	4 542
Derivative contracts and other liabilities held for trading	**331**	**171**
Other liabilities	**537**	**502**
Other liabilities	534	501
Mandatory reserves	3	2
Deferred expenses and advances received	**349**	**204**
Subordinated liabilities	**924**	**749**
Capital loans	198	215
Other	727	534
Deferred tax liabilities		**2**
Total liabilities	**20 006**	**16 388**
Accumulated appropriations	**372**	**290**
Depreciation difference	71	64
Voluntary reserves	301	226

Shareholders' equity		
Share capital	**428**	**424**
Share capital	428	423
Share issue		1
Share premium fund	**524**	**520**
Other restricted reserves	**164**	**164**
Reserve fund	164	164
Non-restricted reserves	**32**	**38**
Fair value reserve	9	14
Other funds	23	23
Retained earnings	**200**	**55**
Profit for the period	**31**	**265**
Total shareholders' equity	**1 378**	**1 464**
Total liabilities and shareholders' equity	**21 756**	**18 142**
Off-balance sheet items	**6 011**	**4 588**
Commitments given to a third party on behalf of customers	**2 077**	**1 565**
Guarantees and pledges	1 913	1 434
Other	165	130
Irrevocable commitments given on behalf of a customer	**3 933**	**3 024**
Other	3 933	3 024

OKO BANK PLC'S ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

GENERAL

OKO Bank plc is a Finnish credit institution whose consolidated business lines in 2006 were Banking and Investment Services and Non-life Insurance. The Banking and Investments business line incorporates the following business divisions: Corporate Banking, Markets, Group Treasury and Asset Management. OKO Bank plc focuses on Finnish customers, but provides banking services for foreign customers to the extent required by their business related to Finland. OKO Bank plc engages in non-life insurance directly and indirectly through subsidiaries owned by it in Finland and the Baltic countries.

OKO Bank plc belongs to the OP Bank Group, which is composed of 236 member cooperative banks and their central institution, OP Bank Group Central Cooperative with its subsidiaries. The OP Bank Group is supervised as a single entity and the OP Bank Group Central Cooperative and the member credit institutions are liable for each other's debts and commitments.

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

BASIS OF PREPARATION

OKO Bank plc's financial statements based on national regulation are prepared and presented according to the Credit Institutions Act, the Ministry of Finance Decree on the Financial Statements and Consolidated Financial Statements of a Credit Institution and Investment Service Undertaking, the Accounting Act and the financial statement and report standard of the Financial Supervision Authority. In addition, the central institution of the amalgamation of cooperative banks, the OP Bank Group Central Cooperative, issues instructions for following unified accounting principles and preparing the financial statements.

OKO Bank plc's financial statements have been presented in EUR million and they have been prepared on the basis of original acquisition costs, with the exception of financial assets and liabilities held for trading, financial assets available for sale, derivative contracts and hedged items in fair value hedging.

The preparation of financial statements requires management to make estimates and exercise discretion in the application of accounting principles.

FOREIGN CURRENCY ITEMS

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

FINANCIAL INSTRUMENTS

Determination of fair value

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

Set-off of financial assets and liabilities

Financial assets and liabilities are not set off unless a statutory right of set-off exists and the intention is to exercise such a right. Set-off was not applied in OKO Bank during the financial period.

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

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

Classification and recognition

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

Financial assets and liabilities classified as held for trading are recognised in the balance sheet at fair value, and subsequent changes in the fair value are recognised on the income statement under 'Net income from securities and foreign exchange trading'.

Loans and other receivables
Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable cash flows that have been created by handing over funds or services. Loans and receivables are not quoted in an active market, and they are treated in accounting at acquisition cost. The financial assets categorised in this item are recognised in the balance sheet item determined by the counterparty, either under 'Receivables from credit institutions' or 'Receivables from the public and public sector entities'.

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

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

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

A loan is removed from the balance sheet once all collection actions have been completed or a separate decision on removal is made. Any payments received after removal from the balance sheet are booked as adjustments to write-downs on receivables.

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

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

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

At the moment there are no investments held to maturity on the balance sheet.

Financial assets available for sale
Financial assets available for sale are non-derivative financial assets which have been categorised directly as available for sale or which have not been included in the categories of financial assets mentioned above. Financial assets available for sale are recognised on the balance sheet at acquisition cost at the time of acquisition and valued at fair value. Changes in value are recognised in the fair value reserve in shareholders' equity and transferred to the income statement when the asset is derecognised from the balance sheet or its value is found to be impaired.

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

Other financial assets
Premium payments previously included in other assets have, in accordance with the standard on the submission of financial statement and accounting information issued by the Financial Supervision Authority, been transferred under item 'Derivative contracts'. The year 2005 comparative figures have been changed correspondingly.

Other financial liabilities
The category 'Other financial liabilities' includes financial liabilities other than those held for trading. The premium payments received, which were previously included in other liabilities, have, in accordance with the standard on the submission of financial statement and accounting information issued by the Financial Supervision Authority, been transferred under item 'Derivative contracts'. The year 2005 comparative figures have been changed correspondingly.

After initial recognition, other financial liabilities are treated in accounting at acquisition cost.

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

Both hedging and non-hedging derivatives are recognised on the balance sheet at fair value. The accrued interest from non-hedging interest rate swaps is recognised in interest and interest carried forward corresponding to them are recognised in other assets and other liabilities. Changes in the fair value of non-hedging interest rate, loan, currency and equity derivatives are recognised under 'Net income from securities and foreign exchange trading' on the income statement. Positive value changes are recognised as assets under 'Derivative contracts' and negative value changes under 'Derivative contracts and other liabilities held for trading'.

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

HEDGE ACCOUNTING

OKO Bank plc enters into derivative transactions which in fact provide economic hedges for risk exposures but do not meet the current requirements for hedge accounting and thus cannot be treated as hedging in accounting. The risk management of the Bank has drawn up methods and internal rules for a financial instrument to be designated as a hedge in hedge accounting. 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 or in cash flow of the hedged item.

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

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

Contracts cannot be treated according to the rules of hedge accounting in accounting if the hedging relationship between the hedging instrument and the related hedged object no longer meets the effectiveness criteria.

In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are recognised on the income statement under 'Net earnings from hedge accounting'.

Derivative instruments entered into as economic hedges but not qualified for hedge accounting are treated in the same way as non-hedging derivative instruments.

LEASING ASSETS

Property given on lease and the advance payments of leasing assets are recognised at non-depreciated acquisition cost and are presented on the balance sheet under 'Leasing assets'. As a rule, leasing assets are depreciated according to the annuity method.

INTANGIBLE ASSETS

Other intangible assets
Intangible assets are valued at acquisition cost deducted by depreciation and write-downs. Depreciation is recognised as expenses over the course of the estimated economic life, which is 3 to 5 years for computer software and licences, and generally 5 years for other intangible assets. The economic life of asset items is reviewed at each time of closing the accounts.

Intangible asset items that have been acquired against payment (software, for example) are capitalised. Depreciation according to plan is started when the asset item is ready for use.

TANGIBLE ASSETS

Investment properties
An investment property refers to a land area and/or building or part of building that is held for the purpose of receiving rental income and/or increase in the value of assets. Investment properties also include properties where a minor part is used by the owner company or its personnel.

Investment properties are recognised on the balance sheet at acquisition cost deducted by depreciation according to plan.

Other tangible assets
Property, plant and equipment items are valued at original acquisition cost, deducted by depreciation and write-downs. Straight-line planned depreciation is applicable to assets over the estimated economic life. Planned depreciation is not applicable to land areas and shares in real estate corporations. Expenses arising from an asset item after the original acquisition are only capitalised in the book value of the asset if it is probable that it will produce greater economic benefit than originally estimated.

Revaluations can be made in land areas and shares and holdings in real estate corporations if the probable selling price on the balance sheet date is permanently and significantly higher than the original acquisition cost. The values of the land areas and shares in real estate corporations revalued are based on estimate documents.

The estimated economic lives are mostly the following:

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

The residual value and economic life of assets are reviewed at each time of closing the accounts and adjusted if necessary to reflect any changes in the expected economic benefit.

LEASE CONTRACTS

The leasing income from assets given on lease by lease contracts deducted by depreciation according to plan on the leasing assets are recognised on the income statement under 'Net leasing income'. In addition, impairment losses recognised on the leasing assets, capital gains and losses from the disposal of leasing assets, commissions collected from customers and other income and expenses directly caused by lease contracts are included in the item. Other income and expenses from leasing operations are included in that income statement item that corresponds to the nature of the income or expense item.

The leasing expenses of assets taken on lease are recognised on the income statement as fixed instalments over the lease period under 'Other operating expenses'.

EMPLOYEE BENEFITS

Pension benefits
The statutory pension cover for the employees of OKO Bank plc is arranged through the OP Bank Group Pension Fund and the supplementary pension cover through the OP Bank Group Pension Foundation. The Pension Foundation is closed to new employees as of 1 July 1991. The costs arising from pension schemes are recognised under 'Personnel costs' on the income statement. The pension liabilities are fully covered.

Share-based employee benefits
OKO Bank plc has a management incentive scheme on the basis of which a person included in the scheme can receive a reward partially settled in OKO Bank plc's stock and partially in cash for services rendered during the 'earning and commitment period'. The fair value of the benefit with social security costs is allocated as cost in fixed instalments and as deferred expenses over the earning and commitment period.

For option-based incentive arrangements, the social costs payable by the employer in 2005 are recognised as cost. Due to a change in legislation, social costs are no longer collected for an employee option benefit nor salary paid as shares or a monetary payment determined according to the value of shares, as of 2006.

MANDATORY RESERVES

A mandatory reserve is booked on the income statement and balance sheet on the basis of an obligation if the obligation is based on a prior event and its realisation is probable but the time of realisation or the amount to be realised is uncertain. Furthermore, the obligation must be based on an actual or legal obligation towards a third party. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset item, but only at the time when the compensation becomes practically certain.

CAPITAL LOANS

A subordinated capital loan is recorded as its own item on the balance sheet under 'Liabilities'. In the capital adequacy calculation, capital loans are included in Tier 1 funds. Interest on capital loans may be paid only within the limits of distributable funds.

APPROPRIATIONS

The depreciation difference of the accumulated appropriations on the balance sheet includes the accumulated difference between depreciation made and depreciation according to plan. Voluntary reserves contain the voluntary appropriations made which are appropriations allowed by the tax legislation. Such a reserve is the loan loss reserve allowed by the Business Tax Act for deposit banks. According to the Act, a deposit bank may deduct a loan loss reserve made during the tax year, the amount of which is at most 0.6% of the aggregate amount of receivables at the end of the tax year. The aggregate amount of non-dissolved loan loss reserves made during the tax year and earlier can be at most 5% of the aggregate amount of receivables at the end of the tax year.

The increase and decrease of depreciation made and depreciation according to plan and voluntary reserves are recognised under appropriations on the income statement. The appropriations on the income statement and balance sheet also include deferred tax liabilities. The amount and change of voluntary reserves do not reflect the Bank's calculated risks.

INCOME TAXES

The income taxes on the income statement include taxes based on the taxable income of OKO Bank plc for the financial period, taxes for previous financial periods as well as deferred tax expense or income.

The deferred tax liabilities are calculated on all temporary differences between book values and taxable values of assets and liabilities. Deferred tax receivables are calculated for tax-deductible temporary differences between accounting and taxable values included in the financial statements, as well as all losses confirmed in taxation. If the accumulation of taxable income is probable so that a receivable can be utilised, it will be recognised.

Deferred tax liabilities and receivables are set off. Deferred tax liabilities and receivables are calculated in accordance with the enacted tax rate that is anticipated to be valid when the temporary difference is dissolved. If a deferred tax item arises from balance sheet items that are not recognised on the income statement, the change in deferred tax is not recognised on the income statement but in shareholders' equity.

REVENUE RECOGNITION

Commission income and expenses on services are recognised when the service is rendered. Such single-payment commissions that concern several years and that include a potential repayment obligation are recognised as income on the cash basis and a mandatory reserve is booked on the repayment obligation.

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

Interest income and expenses on interest-bearing asset and liability items are booked on an accrual basis. Interest on receivables with non-serviced due payments are also recognised as income. Such an interest receivable is included in impairment testing.

The difference (price difference) between the acquisition cost and nominal value of a receivable is allocated in interest income, and the difference between the amount received and nominal value of a liability is allocated in interest expenses.

NOTES

Notes to the Income Statement

1. Interest income and expenses
2. Net leasing income
3. Income from equity investments
4. Commissions & fees
5. Net income from securities trading and currency operations
6. Net income from financial assets available for sale
7. Net income from hedge accounting
8. Net income from investment properties
9. Other operating income
10. Depreciation and write-downs on tangible and intangible assets
11. Other operating expenses
12. Impairment losses on loans and other commitments
13. Income taxes
14. Income and expenses other than those from operations
15. Income, operating profit and assets and liabilities by Division

Notes to the Balance Sheet

16. Receivables from financial institutions
17. Receivables from the public and public sector entities
18. Leasing assets
19. Notes and bonds
20. Shares and holdings
21. Derivative contracts
22. Intangible assets
23. Tangible assets
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Other notes

NOTES TO THE INCOME STATEMENT

NOTE 1. Interest income and expenses	2006	2005
Interest income		
Receivables from financial institutions	180	132
Receivables from the public and public sector entities	274	206
Notes and bonds	171	97
Derivative contracts	608	256
Other interest income	2	1
Total	**1 236**	**692**
Of which interest income from impaired receivables	0	1
Interest expenses		
Liabilities to financial institutions	106	94
Liabilities to the public and public sector entities	53	34
Debt securities issued to the public	395	181
Derivative contracts and other liabilities held for trading	595	270
Subordinated liabilities	33	21
Other interest expenses	4	2
Total	**1 186**	**602**

NOTE 2. Net leasing income	2006	2005
Leasing income	127	103
Planned depreciation	-103	-86
Capital gains and losses (net) from the disposal of leasing assets	-1	-1
Commissions & fees	1	0
Other income	0	0
Other expenses	-5	-2
Total	**18**	**14**

NOTE 3. Income from equity investments	2006	2005
Available for sale	9	5
From subsidiaries	10	7
From affiliates		3
Total	**19**	**16**

NOTE 4. Commissions & fees	2006	2005
Commissions & fees		
From lending	16	19
From deposits	0	0
From payment transfer services	12	12
From asset management	7	6
From legal assignments	0	0
From brokerage	6	0
From securities issuance	2	4
From guarantees	6	5
From other	4	1
Total	**54**	**47**
Commission expenses		
Service fees paid	3	3
Other	8	5
Total	**11**	**8**

NOTE 5. Net income from securities trading and currency operations	2006	2005
Sales gains and losses		
Notes and bonds	-9	3
Shares and holdings	0	
Other	0	1
Total	**-9**	**4**
Resulting from the change in fair value		
Notes and bonds	-27	-6
Derivative contracts	45	10
Total	**17**	**3**
Total net income from securities trading	**8**	**7**
Net income from currency operations	26	8
Total net income from securities trading and currency operations	34	15

NOTE 6. Net income from financial assets available for sale	2006	2005
Notes and bonds		
Sales gains and losses		0
Moved from fair value reserve to the financial period		0
Total		0
Shares and holdings		
Sales gains and losses	4	5
Impairment losses		-3
Moved from fair value reserve to the financial period	17	7
Total	21	9
Total net income from financial assets available for sale	**21**	**9**

NOTE 7. Net income from hedge accounting	2006	2005
Net income from hedging instruments	-16	9
Net income from hedged items	16	-9
Total	**0**	**0**

NOTE 8. Net income from investment properties	2006	2005
Rental and dividend income	4	7
Other income	0	0
Sales gains	1	7
Rental expenses	-2	-4
Sales losses	-1	-21
Impairment losses and their reversals	1	14
Other expenses	0	-1
Total	**2**	**3**

NOTE 9. Other operating income	2006	2005
Rental income from properties in own use	0	1
Sales gains from properties in own use	0	0
Other	22	248
Total	**22**	**249**

NOTE 10. Depreciation and write-downs on tangible and intangible assets	2006	2005
Planned depreciation	4	4
Impairment	0	-2
Total	**4**	**1**

NOTE 11. Other operating expenses	2006	2005
Rental expenses	4	4
Expenses from properties in own use	0	0
Sales losses from properties in own use		3
Other	11	19
Total	**15**	**27**

NOTE 12. Impairment losses on loans and other commitments

	Gross receivable -specific impairment losses	Gross group -specific impairment losses	Reductions	Recorded in income statement
Impairment losses on loans and other commitments				
Receivables from financial institutions	0			0
Receivables from the public and public sector entities	6	0	4	2
Guarantees and other off-balance sheet items			2	-2
Total	**7**	**0**	**6**	**1**
Total impairment losses	**7**	**0**	**6**	**1**

NOTE 13. Income taxes	2006	2005
Income taxes from operations	6	2
Total income taxes	**6**	**2**

NOTE 14. Income and expenses other than those from operations	2006	2005

OKO Bank plc has none.

NOTE 15. Income, operating profit or loss and assets and liabilities by Division

	Corporate Banking	Markets	Group Treasury	Other	Total
Income	144	37	28	9	218
Operating profit	88	18	18	-6	118
Assets	8 603	1 546	10 199	2 214	22 563
Liabilities	763	701	19 211	508	21 184
Personnel	378	121	52	45	596

NOTES TO THE BALANCE SHEET

NOTE 16. Receivables from financial institutions	31 Dec. 2006	31 Dec. 2005
Repayable on demand		
Deposits	175	35
Other	20	12
Total	**195**	**48**
Other than those repayable on demand		
Deposits	128	10
Other	5 224	4 531
Total	**5 351**	**4 541**
Total receivables from financial institutions	**5 546**	**4 589**
of which subordinated receivables	**30**	**183**

OKO Bank plc has no other receivables than those payable on demand by the Bank of Finland.

NOTE 17. Receivables from the public and public sector entities	31 Dec. 2006	31 Dec. 2005
Receivables from the public and public sector entities by sector		
Companies	5 803	5 122
Financial and insurance institutions	68	54
Public sector entities	360	303
Non-profit organisations serving households	170	151
Households	669	585
Foreign	412	166
Total	**7 483**	**6 380**
of which subordinated receivables	**43**	**4**

Write-downs on loans		
Impairment at the beginning of financial period	22	22
+ Receivable-specific write-down during the financial period	4	1
+/- Group-specific write-down during the financial period	0	3
- Receivable-specific impairment reversed during the financial period	-6	-3
- Actual impairment losses recorded during the financial period of which receivable-specific write-downs were made previously	-3	-1
Impairment at the end of financial period	**18**	**22**

NOTE 18. Leasing assets	31 Dec. 2006	31 Dec. 2005
Advance payments	45	9
Machinery and equipment	375	348
Real property and buildings	58	59
Other assets	8	3
Total	**486**	**419**

NOTE 19. Notes and bonds

Notes and bonds eligible for refinancing with central banks and other notes and bonds

	Eligible for refinancing with central banks	Other notes and bonds	Total	Of which subordinated
Held for trading	3 873	996	4 869	57
Available for sale		85	85	49
Total	**3 873**	**1 081**	**4 954**	**105**

Publicly-quoted and other notes and bonds

	Publicly quoted	Other	Total
Held for trading	2 962	1 907	4 869
Available for sale	52	33	85
Total	**3 014**	**1 940**	**4 954**

Notes and bonds by type	2006	2005
Treasury bills	3	
Municipal papers	33	100
Commercial papers		94
Certificates of deposit	1 632	1 594
Convertible bonds	0	0
Other bonds	3 274	2 004
Others	11	21
Total	**4 954**	**3 814**

On 31 December 2006, OKO Bank plc had no such notes and bonds which were not subject to interest income accrual in the accounting.

NOTE 20. Shares and holdings

	Publicly-quoted	Other	Total
Shares and holdings			
Held for trading	0		0
Available for sale	25	62	87
Shares in affiliates		10	10
Shares in subsidiaries		1 204	1 204
Total	**25**	**1 276**	**1 301**

Shares and holdings other than those quoted publicly have been measured at acquisition cost.

	2006	2005
Shares and holdings by sector		
Companies and housing corporations	42	68
Financial and insurance institutions	1 234	1 801
Public sector entities		
Non-profit organisations serving households		0
Households		
Foreign entities	25	20
Total	**1 301**	**1 890**

NOTE 21. Derivative contracts

Derivative contracts made for hedging purposes in 2006

	Nominal values, the remaining maturity				Fair value	
	1 year	1-5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**1 065**	**798**	**272**	**2 134**	**11**	**17**
Interest rate swaps	1 065	798	272	2 134	11	17
Currency derivatives	**42**	**1 512**	**348**	**1 902**	**2**	**85**
Interest rate and currency swaps	42	1 512	348	1 902	2	85
Equity derivatives						
Other derivatives						

Derivative contracts held for trading in 2006

	Nominal values, the remaining maturity Less than 1 year	1-5 years	>5 years	Total	Fair value Positive	Negative
Interest rate derivatives	**17 614**	**18 154**	**5 575**	**41 343**	**202**	**198**
Futures and forwards	1 474			1 474		
Options	**2 641**	**7 100**	**2 805**	**12 545**	**63**	**58**
Called	1 193	3 449	1 372	6 014	61	4
Put	1 448	3 651	1 433	6 531	0	54
Interest rate swaps	13 499	11 054	2 771	27 324	140	140
Currency derivatives	**6 104**	**148**	**454**	**6 706**	**35**	**47**
Futures and forwards	5 783	123		5 906	30	43
Options	**321**	**1**		**322**	**2**	**2**
Called	144	1		145	2	
Put	176	1		177		2
Interest rate and currency swaps	0	24	454	478	3	2
Equity derivatives	**28**			**28**	**32**	**0**
Futures and forwards	1			1	0	0
Options	**27**	**136**		**163**	**32**	
Called	27	136		163	32	
Put	0	0			0	
Other derivatives	**39**	**115**		**154**	**1**	**1**
Futures and forwards	0	0				
Options	**8**	**15**		**22**	**1**	
Called	8	15		22	1	
Put						
Credit derivatives		131		131	0	1

The underlying value for interest rate derivative contracts is the nominal value, and for currency derivative contracts the euro-denominated countervalue, of the purchased currency on the balance sheet date, and for equity derivative contracts, the probable value of the equities on the balance sheet date. The values are expressed in gross amounts.

Credit countervalues of contracts in 2006

	Made for hedging purposes	Held for trading
Interest rate derivatives	**19**	**334**
Options		**99**
Called		99
Put		
Interest rate swaps	19	236
Currency derivatives	**104**	**134**
Futures and forwards		93
Options		**3**
Called		3
Put		
Interest rate and currency swaps	104	38
Equity derivatives		**45**
Futures and forwards		1
Options		**45**
Called		45
Put		
Other derivatives		**2**
Options		**2**
Called		2
Put		
Credit derivatives		1

Derivative contracts made for hedging purposes in 2005

	Nominal values, the remaining maturity				Fair value	
	1 year	1-5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**734**	**984**	**299**	**2 016**	**24**	**38**
Interest rate swaps	734	984	299	2 016	24	38
Currency derivatives	**0**	**582**	**252**	**834**	**12**	**10**
Interest rate and currency swaps		582	252	834	12	10
Equity derivatives						
Other derivatives						

Derivative contracts held for trading in 2005

	Nominal values, the remaining maturity				Fair value	
	I year	I-5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**18 627**	**11 323**	**3 185**	**33 135**	**220**	**233**
Futures and forwards	6 383			6 383	1	1
Options	**4 366**	**4 094**	**1 686**	**10 146**	**35**	**33**
Called	1 586	1 890	862	4 338	31	2
Put	2 780	2 203	825	5 808	4	30
Interest rate swaps	7 878	7 230	1 498	16 606	185	199
Currency derivatives	**2 604**	**125**		**2 729**	**16**	**20**
Futures and forwards	2 560	99		2 659	16	17
Options	**44**			**44**	**0**	**3**
Called	22			22	0	0
Put	22			22	0	3
Interest rate and currency swaps		26		26	0	0
Equity derivatives	**15**	**94**		**110**	**19**	**0**
Options	**15**	**94**		**110**	**19**	**0**
Called	15	94		110	19	0
Put						
Other derivatives	**72**	**184**		**256**	**4**	**1**
Options	**72**	**24**		**95**	**3**	**0**
Called	72	24		95	3	0
Put						
Credit derivatives		160		160	0	1

The underlying value for interest rate derivative contracts is the nominal value, and for currency derivative contracts the euro-denominated countervalue, of the purchased currency on the balance sheet date, and for equity derivative contracts, the probable value of the equities on the balance sheet date. The values are expressed in gross amounts.

Credit countervalues of contracts in 2005

	Made for hedging purposes	Held for trading
Interest rate derivatives	**15**	**189**
Futures and forwards		1
Options		**45**
Called		45
Put		
Interest rate swaps	15	143
Currency derivatives	**87**	**48**
Futures and forwards		46
Options		**0**
Called		0
Put		
Interest rate and currency swaps	87	1
Equity derivatives		**25**
Futures and forwards		
Options		**25**
Called		25
Put		
Other derivatives		**15**
Options		**11**
Called		11
Put		
Credit derivatives	0	3

NOTE 22. Intangible assets	31 Dec. 2006	31 Dec. 2005
IT costs	14	6
Other long-term expenditure	3	2
Total	17	8

NOTE 23. Tangible assets

		Investment properties	
	In own use	Book value	Fair value
Real-estate holdings			
Land and water	0	0	0
Buildings	0		
Shares and holdings in real estate corporations	2	27	36
Total	3	27	36

NOTE 24. Changes in intangible and tangible assets during the financial period

	Intangible assets	Invest-ment proper-ties	Proper-ties in own use	Other tangible assets
Acquisition cost at the beginning of the year	32	38	5	65
+ increases during the year	10	2	0	2
- decreases during the year		-8	-1	0
+/- transfers between items	3		0	1
- planned depreciation	-5		0	-2
-/+ impairment losses and their reversals		1	0	
+ accumulated depreciations and write-downs on adjustments and transfers at the beginning of the year				0
- accumulated depreciation at the beginning of the year	-24	0	0	-64
- accumulated impairment at the beginning of the year	0	-5	-1	0
+ accumulated revaluations at the beginning of the year				
+/- revaluations and their reversals during the year				
Book value at the end of the year	**17**	**27**	**3**	**3**

NOTE 25. Other assets

	31 Dec. 2006	31 Dec. 2005
Sales receivables from securities	42	79
Margin receivables related to derivative contracts	5	5
Receivables from payment transfers	7	3
Other	282	52
Total	**336**	**140**

The item 'Other' under Other assets includes EUR 108 million in dividend receivables and EUR 127 million in guarantee set on the basis of the decision by the Arbitral Tribunal for an extra sales price and interest on it that may have to be paid to minority shareholders for Pohjola shares.

Guarantee receivables have been transferred to item 'Receivables from the public and public sector entities'. The comparative figures for 2005 have been adjusted correspondingly.

NOTE 26. Deferred income and advances paid	31 Dec. 2006	31 Dec. 2005
Interests		
Interest receivables	356	201
Interest advances paid	5	5
Total	**361**	**206**
Other		
Other advances paid	0	0
Other deferred income	12	17
Total	**12**	**17**
Total deferred income and advances paid	**373**	**223**

NOTE 27. Deferred tax receivables and liabilities

	Deferred tax receivables	Deferred tax liabilities	Net
From accrual differences	4		4
From other temporary differences		3	3
Total	**4**	**3**	**1**

Deferred tax receivables include a total of EUR 0.00 of deferred tax receivables recorded from losses confirmed in taxation.

Deferred tax receivables and liabilities arising from other temporary differences are based on the deferred tax receivables and liabilities recognised from the revaluation of assets available for sale recorded in the fair value reserve under shareholders' equity.

Revaluations on 31 December 2006

The balance sheet does not include any revaluation.

Accumulated appropriations

	Balance sheet value	Deferred tax liability	Net
Depreciation difference	71	18	53
Voluntary reserves	301	78	223
Total	**372**	**97**	**276**

Depreciation difference and voluntary reserves have been recorded at a value from which deferred taxes have not been deducted. In the own funds statement, the depreciation difference and voluntary reserves less deferred taxes have been treated as Tier I funds.

NOTE 28. Debt securities issued to the public

	Book value 31 Dec. 2006	Nominal value 31 Dec. 2006	Book value 31 Dec. 2005	Nominal value 31 Dec. 2005
Certificates of deposit	3 653	3 687	3 486	3 506
Bonds	7 704	7 740	4 588	4 588
Other	2 016	2 037	1 056	1 065
Total	**13 373**	**13 463**	**9 130**	**9 158**

NOTE 29. Other liabilities

	31 Dec. 2006	31 Dec. 2005
Payment transfer liabilities	421	328
Securities purchase liabilities	24	96
Margin liabilities related to derivative contracts	4	13
Other	88	66
Total	**537**	**502**

The item 'Other' under Other liabilities includes EUR 68 million (55) in equity and derivative liabilities.

NOTE 30. Mandatory reserves

	Pension reserves	Tax reserves	Guarantee liabilities	Leasing liabilities	Other	Total
Reserves on 1 January					2	2
+ increase in reserves				2		2
- used reserves						
- reversals						
Reserves on 31 December				**2**	**2**	**3**

NOTE 31. Deferred expenses and advances received

	31 Dec. 2006	31 Dec. 2005
Interests		
Interest liabilities	318	185
Interest advances received	1	2
Total	**318**	**188**
Other		
Other advance payments received	5	1
Other deferred expenses	25	15
Total	**30**	**16**
Total deferred expenses and advances received	**349**	**204**

NOTE 32. Subordinated liabilities

	Book value	Nominal value
Perpetual loans	199	200
Other loan commitments issued by the financial institution	527	528
Capital loans	198	214
Total	**924**	**942**

Perpetuals and debentures

1. A perpetual loan of EUR 50 million that can be called in at the earliest on 19 June 2007 subject to authorisation by the Financial Supervision Authority. A fixed 6% annual interest is paid on the loan.
2. A perpetual loan of EUR 150 million that can be called in at the earliest on 30 November 2012 subject to authorisation by the Financial Supervision Authority. A fixed 3.875% annual interest is paid on the loan.
3. A debenture loan of EUR 70 million that can be called in at the earliest on 30 November 2010 subject to authorisation by the Financial Supervision Authority. A fixed 3.5% annual interest is paid on the loan.
4. A debenture loan of EUR 150 million that can be called in at the earliest on 21 March 2011 subject to authorisation by the Financial Supervision Authority. A three-month EURIBOR + 17.5 bps interest is paid on the loan.
5. A debenture loan of USD 325 million that can be called in at the earliest on 13 September 2011 subject to authorisation by the Financial Supervision Authority. A three-month USD LIBOR + 20 bps interest is paid on the loan.

Loans 1–5 were issued on the international capital markets.

On 31 December 2006, fixed-interest rate debenture loans issued in Finland totalled EUR 61.1 million.

Issue date	Book value, EUR million	Interest, %	Maturity
21.3.2001	7.9	5,0%	21.3.2007
29.8.2001	5.7	4,5%	29.8.2007
25.2.2002	5.9	4,5%	25.2.2008
12.9.2002	11.0	4,5%	12.9.2008
4.6.2003	5.4	3,4%	4.6.2009
19.11.2003	6.8	3,9%	19.11.2009
10.3.2004	5.3	3,5%	10.3.2010
15.9.2004	6.1	3,5%	15.9.2010
16.3.2005	5.2	3,3%	16.3.2011
30.11.2005	1.4	3,2%	30.11.2011
8.3.2006	0.3	3,3%	8.3.2012
20.9.2006	0.3	3,9%	20.9.2012

OKO Bank has not breached any terms of the loan agreements in terms of loan principal, interest, or other terms and conditions. The price difference between the loans recorded in the financial statements is EUR 0.2 million.

Capital loans

Capital loans considered Tier I funds

1) Capital loan of 10 billion Japanese yen (equivalent to EUR 63.7 million)

This is a perpetual loan, in other words it has no maturity. Interest on the loan is fixed at 4.23% until 18 June 2034, and is then variable 6-month Yen LIBOR + 1.58%. Interest will be payable on 18 June and 18 December annually. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2014. After 2014, the loan can be repaid annually on the annual interest due dates 18 June or 18 December. The entire loan principal must be repaid in one -payment.

2) Capital loan of EUR 50 million

This is a perpetual loan with no interest rate staggering, but an 8 per cent interest rate limit. The loan was issued on 31 March 2005 and its interest rate in the first year will be 6.5% and subsequently CMS 10 years + 0.1% The interest will be paid annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2010, subject to authorisation by the Financial Supervision Authority. The entire loan principal must be repaid in one payment.

3) Capital loan of EUR 60 million
The interest on the perpetual loan is variable three-month Euribor + 0.65%. Interest is paid quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on 30 November 2015, subject to authorisation by the Financial Supervision Authority, and subsequently on the interest due dates. After 2015, the interest on the loan is variable three-month Euribor + 1.65% (Step up). The entire loan principal must be repaid in one payment.

4) Capital loan of EUR 40 million
The interest on the perpetual loan is variable three-month Euribor + 1.25%. Interest is paid quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on 30 October 2010, subject to authorisation by the Financial Supervision Authority, and subsequently on the interest due dates. The entire loan principal must be repaid in one payment.

The interest on the perpetual loan is variable three-month Euribor + 1.25%. Interest is paid quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest on 30 October 2010, subject to authorisation by the Financial Supervision Authority, and subsequently on the interest due dates. The entire loan principal must be repaid in one payment.
Loans 1, 2 and 3 are hybrid.

The interest rate and currency risks of the loans have been hedged through derivatives. In the financial statement, amortisation of EUR -16.1 million has been recognised for hedging.

NOTE 33. Shareholders’ equity

Changes in shareholders’ equity resulting from changes in accounting principles and adjustments of errors from previous financial periods

Retained earnings on 1 January 2006	**320**
Changes in accounting principles	
Retained earnings after adjustments on 1 January 2006	**320**

	Shareholders' equity at the beginning of the year	Increases	Decreases	Transfers between items	Shareholders' equity at the end of the year
Total shareholders’ equity	**1 464**	**11**	**128**		**1 378**
Share capital	423	5	1		428
Share issue	1		1		
Share premium fund	520	5			524
Other restricted reserves	**164**				**164**
Reserve fund	164				164
Non-restricted funds	**38**	**2**	**7**		**32**
Fair value reserve	14	2	7		9
Other funds	23				23
Retained earnings or losses after adjustments	320		120		200
Profit or loss for the period		31			31

Changes in fair value reserve

	At the beginning of the year	Increases	Decreases	Trans-ferred to income state-ment	At the end of the year
Notes and bonds	1	0		0	1
Shares and holdings	13	1		7	8
Total	**14**	**2**		**7**	**9**

NOTE 34. Restricted and non-restricted equity and non-distributable equity items

Shareholders’ equity 31 December 2006	
Restricted equity	1 115
Non-restricted equity	263
Total shareholders’ equity	**1 378**
Distributable funds 31 December 2006	
Non-restricted equity	263
– non-distributable items	9
Distributable funds	**254**

Owing to the amendments to the Credit Institutions Act of 2007, the fair value reserve as at 31 December 2006 is classified under restricted equity when calculating the amount of distributable funds. In the year 2006 financial statement, the fair value reserve was included in the non-restricted equity.

NOTE 35. Breakdown of maturities of financial assets and liabilities on 31 December 2006

Remaining maturity	Less than 3 months	3-12 months	1-5 years	5-10 years	over 10 years
Notes and bonds eligible for refinancing with central banks	1 706	66	930	1 057	115
Receivables from financial institutions	2 375	1 263	1 647	251	10
Receivables from the public and public sector entities	1 333	1 236	2 789	1 037	1 088
Notes and bonds	68	190	468	341	15
Liabilities to financial institutions	2 209	106	54	22	
Liabilities to the public and public sector entities	1 593	17	6	198	287
Debt securities issued to the public	3 994	2 712	6 348	319	
Subordinated liabilities	9	56	496	274	90

Deposits other than fixed-term deposits are included in the maturity class 'less than 3 months'.

NOTE 36. Assets and liabilities in domestic and foreign currencies on 31 December 2006

	Domestic currency	Foreign currency
Receivables from financial institutions	5 427	119
Receivables from the public and public sector entities	7 212	271
Notes and bonds eligible for refinancing with central banks and other notes and bonds	4 797	158
Derivative contracts	306	13
Other assets	3 427	27
Liabilities to financial institutions	2 106	285
Liabilities to the public and public sector entities	1 812	289
Debt securities issued to the public	10 776	2 597
Derivative contracts and liabilities held for trading	314	17
Subordinated liabilities	614	310
Other liabilities	846	40

OTHER NOTES

NOTE 37. Shares of different share series at year-end and authorisations given to the Board of Directors and long-term incentive schemes

	Series A	Series K	Total
Share capital, EUR	335131056	92486407	427617463
No. of shares	159369548	43981352	203350900
Percentage of share capital	78.4	21.6	100.0
Votes per share	1	5	
Percentage of votes	42.0	58	100.0

The counter value of OKO Bank's share is EUR 2.10. The counter value is not an exact value. The number of issued shares was doubled without altering the share capital under a decision made at the General Meeting of Shareholders on 31 March 2004.

Restrictions on share acquisition:

- Series A shares are intended for the general public and are quoted on the Helsinki Stock Exchange.
- There are no purchase restrictions on series A shares.
- Ownership of series K shares is restricted to Finnish cooperative banks, cooperative bank companies, and the central institution of the group of cooperative banks, the OP Bank Group Central Cooperative.
- As far as a shareholder's or nominee-registered shares are concerned, a Series K share can be converted to a Series A share at the written request of an asset manager registered with the book-entry register within the limits of the minimum and maximum numbers of shares in different share series, as specified in the company's Articles of Association.

If dividend is distributed, Series A shares entitle to an annual distribution of profit that is at least one (1) percentage point higher than the dividend distributed to Series K shares.

Increases in OKO Bank's share capital by the Series A shares subscribed on the basis of the year 1999 option scheme in 2006

Registration date	No. of shares	Increase in share capital	To the share premium account
12 January 2006	468200	1	1
12 April 2006	6100	0	0
12 June 2006	116800	0	0
12 September 2006	727600	2	1
10 November 2006	855240	2	2
Total	2173940	5	5

Authorisations granted to the Board of Directors

On 30 March 2006, OKO Bank's Annual General Meeting authorised the company's Board of Directors for a period of one year from the Annual General Meeting to decide on increasing the share capital through one or more new share issues, on one or more issues of convertible bonds and/or the granting of stock options so that the new shares to be subscribed for in the new share issues, exchanged for convertible bonds and subscribed for on the basis of the stock options must be Series A shares and their aggregate number can be a maximum total of 36 000 000. The company's share capital can be increased by a maximum total of EUR 75 702 781.08. The authorisation further confers the right to waive shareholders' pre-emptive rights to subscribe for new shares, convertible bonds and stock options.

Shareholders' pre-emptive subscription rights can only be waived in connection with corporate and cooperation arrangements if there are good financial reasons for this from the point of view of the company. However, a decision cannot be taken on behalf of a party closely associated with the company. For the total amount of the increases and th
can correspond to at most one-fifth of the registered share capital and the aggregate votes conferred by the shares at the time of the authorisation decision by the General Meeting and
the increase decision by the Board of Directors.

On the basis of the authorisation, the Board of Directors is entitled to decide on the determination criteria for the subscription price, the subscription price and the other subscription terms and conditions and the terms and conditions concerning the convertible bond and the stock option rights. The Board of Directors is also entitled to decide that the shares issued in the new issue, the convertible bond or stock option rights can be subscribed for against capital contributed in kind, by using a set-off right or otherwise on certain conditions.

The authorisation granted to the Executive Board at the General Meeting of Shareholders on 31 March 2005 was cancelled because it had not been exercised. During the year under review, the Board of Directors did not exercise the authorisation granted.

Option schemes

On 30 June 1999, OKO Bank's Extraordinary General Meeting decided according to the bank's Executive Board's proposal that an option-based incentive system concerning the whole personnel be taken into use in OKO Bank and the OP Bank Group Central Cooperative. An option loan was offered for subscription by the personnel of the OKO Bank Group, the OP Bank Group Central Cooperative and its other subsidiaries, the OP Bank Group Mutual Insurance Company, the OP Bank Group Pension Fund and the OP Bank Group Research Foundation, and by OP-Sijoitus Oy, fully owned by OKO Bank. The amount of the option loan was EUR 460,000. The interest-free loan was repaid in October 2002.

The subscription price of a share was EUR 10.99 according to the terms and conditions of the option scheme. The subscription price was reduced by the amount of dividends distributed after the determination period of the subscription price and before the subscription of shares on each record date for dividends. However, the subscription price is always at least the counter value of the share, which was EUR 2.105 at the end of 2006. The subscription period began with the A options on 1 October 2002 and with the B options on 1 October 2004. The stock options were listed on the Helsinki Stock Exchange when the subscription period began. Before the listing of the B options they were combined with the A option rights and their name was changed to 1999 A/B option right.

The subscription price of a share was EUR 10.99 according to the terms and conditions of the option scheme. The subscription price was reduced by the amount of dividends distributed after the determination period of the subscription price and before the subscription of shares on each record date for dividends. However, the subscription price is always at least the counter value of the share, which was EUR 2.105 at the end of 2006. The subscription period began with the A options on 1 October 2002 and with the B options on 1 October 2004. The stock options were listed on the Helsinki Stock Exchange when the subscription period began. Before the listing of the B options they were combined with the A option rights and their name was changed to 1999 A/B option right.

Each option entitled to subscription for one OKO Bank's Series A share, or a total of 4 600 000 shares. With the share split (1:2) of OKO Bank's shares registered with the Trade Register on 30 April 2004, the subscription ratio of the option scheme changed. From the beginning of May, two new Series A shares could be subscribed for by one option right. In connection with the 2005 share issue, the subscription ratio was changed so that four new Series A shares can be subscribed for by one option right. As a result of all subscriptions, the number of OKO Bank's shares can be increased by at most a total of 9 370 320 of new Series A shares and the company's share capital by EUR 19.7 million.

As a result of the 2004 share split, the subscription price of a share was reduced by half. As a result of the change in the subscription ratio in 2005, the aggregate subscription price of four Series A shares was determined to be EUR 4.21 added by an amount in euro that corresponded to the subscription price of two new Series A shares according to the terms and conditions of the increase in share capital. The new subscription price thus confirmed was EUR 4.6525 per share.

In 2006, the share-specific subscription price was EUR 4.6525 until 3 April 2006 and after that EUR 4.0525 until the end of October 2006.

In 2006, a total of 1 705 740 Series A shares were subscribed with the option rights. The aggregate number of shares subscribed by 30 October 2006 was 9 352 430. The share capital was increased by a total of EUR 19.7 million.

The changes and weighted average subscription prices for the outstanding shares are as follows:

	2006 Average subscription price EUR/share	Option rights 1000	2005 Average subscription price EUR/share	Option rights 1000
At the beginning of the financial period	4.65	431	2.49	1233
Lost stock options	4.05	-5	0.00	0
Exercised stock options	4.05	-426	2.75	-802
At the end of the financial period		0	4.65	431
Exercisable stock options at the end of the financial period	0.00		4.65	431

The average price of stock options exercised in 2006 was EUR 4.05 (EUR 2.75 in 2005). The share-issue adjusted average price of OKO Bank's share was EUR 12.86 in January-October 2006 (10.19 in 2005). The range of the exercise price of the stock options was EUR 4.0525–4.6525 (2.485–4.6525) in 2006 and the range of the price of OKO Bank's share was EUR 11.10–14.91 (8.09–12.34).

Long-term management incentive scheme

The long-term management incentive scheme of OKO Bank includes the President and CEO, OKO Bank Group Executive Committee members, heads of business divisions, heads of departments, and separately specified employees in managerial and expert positions. On 31 December 2006, the scheme incorporated a total of 58 people of whom 28 were employed by the parent company. The Board of Directors confirms the inclusion of the President and CEO and the members of the Executive Committee to the scheme. Other persons to be included in the scheme are confirmed by OKO Bank's Executive Committee.

Those included in the incentive scheme may receive OKO Bank's shares as annual rewards for 2005–2007.

In 2006 the target indicators applied to the management incentive scheme were as follows:

- ROE percentage in Banking and Investment Services (weight 25%)
- Combined ratio in Non-life Insurance (weight 25%)
- Increase in net earnings in Banking and Investment Services (weight 17.5%)
- Increase in insurance premium revenue (weight 17.5%)
- Increase in the market share of the OP Bank Group's core businesses (weight 15%)

The reward will be granted if the Bank meets at least 80% of these targets.

If the targets are met, each person included in the scheme is entitled to a reward corresponding to his/her regular salary subject to withholding tax for the following periods: the President and CEO – 4 months; OKO Bank Group Executive Committee members - 3 months; heads of business divisions and heads of department – 2 months; and other persons covered by the scheme – 2 weeks. Persons in the last-mentioned group are also entitled to a share in the profit-related payment paid into the Personnel Fund, the maximum amount of which corresponds to their salary for one month. The reward will be paid two years after the completion of the vesting period.

The value of the reward paid as shares is deferred over the vesting period as personnel costs. In the financial period, a total of EUR 0.2 million was recognised as costs for the incentive scheme.

In 2007, the weight of the growth indicator for net income from Banking and Investment Services was lowered to 15% and the weight of the growth indicator for net income from Non-life Insurance was lowered to 10%. The indicator for growth in the core business areas of the OP Bank Group was replaced by two new indicators: proportion of joint customers among OP Bank Group private customers, weight 15%, and growth in the market share of the OP Bank Group banking operations, weight 10%.

Personnel fund

OKO Bank joined the personnel fund of the OP Bank Group on 26 October 2004. A total of 538 employees of OKO Bank were members of the fund on 31 December 2006.

The amount of profit-related payments transferred to the personnel fund was based on the following target indicators in 2006:

- ROE in Banking and Investment Services, weight 50%
- Increase in net earnings in Banking and Investment Services, weight 35%
- Increase in the market share of the OP Bank Group's core businesses, weight 15%.

A total of EUR 0.8 million in profit-related payments for 2006 was recognised for the personnel fund.

In 2007, the amount of profit-related payments transferred to the personnel fund are based on the same target indicators as those set for the long-term management incentive scheme.

If the targets are met, the amount of profit-related payments transferred to the personnel fund for 2007 will be 2.5% of the aggregate wage bill of the members of the fund in 2007.

NOTE 38. Major shareholders and breakdown of shareholding

Major shareholders in terms of voting rights

(10 largest shareholders according to the shareholder register on 31 December 2006)

		No. of shares	Total No. of shares	% of shares	No. of votes	% of votes
OP Bank Group Central Cooperative	A	22236657				
	K	38589240	60 825 897	29.9	215 182 857	56.7
Ilmarinen Mutual Pension Insurance Company	A	21111700				
	K		21 111 700	10.4	21 111 700	5.6
Suomi Mutual Life Assurance Company	A	20833700				
	K		20 833 700	10.2	20 833 700	5.5
Oulun Osuuspankki	A	1 600 000				
	K	1 012 000	2 612 000	1.3	6 660 000	1.8
Keski-Uudenmaan Osuuspankki	A					
	K	491 800	491 800	0.2	2 459 000	0.6
Keski-Suomen Osuuspankki	A					
	K	456 560	456 560	0.2	2 282 800	0.6
Länsi-Suomen Osuuspankki	A	699 204				
	K	251 820	951 024	0.5	1 958 304	0.5
OP Bank Group Pension Fund	A	1 880 793				
	K		1 880 793	0.9	1 880 793	0.5
OP Bank Group Pension Foundation	A	1 800 000				
	K		1 800 000	0.9	1 800 000	0.5
Pohjolan Osuuspankki	A	499 720				
	K	255 220	754 940	0.4	1 775 820	0.5
Total			111 718 414	54.9	275 944 974	72.7
Nominee-registered shares	A		31 334 700	15.4	31 334 700	8.3

Total number of shareholders	**32218**

Major shareholders in terms of share ownership
(10 largest shareholders according to the shareholder register on 31 December 2006)

	No. of shares	% of shares
OP Bank Group Central Cooperative	60 825 897	29.9
Ilmarinen Mutual Pension Insurance Company	21 111 700	10.4
Suomi Mutual Life Assurance Company	20 833 700	10.2
Oulun Osuuspankki	2 612 000	1.3
OP Bank Group Pension Fund	1 880 793	0.9
OP Bank Group Pension Foundation	1 800 000	0.9
Varma Mutual Pension Insurance Company	1 087 000	0.6
Länsi-Suomen Osuuspankki	951 024	0.5
Turun Seudun Osuuspankki	900 680	0.4
OP Finland Value mutual fund	864 564	0.4
Total	**112 867 358**	**55.5**
Nominee-registered shares	31 334 700	15.4

Breakdown of shareholding by number of shares (According to the shareholder register on 31 December 2006)

Number of shares (Series A and K shares)

	No. of share-holders	% of share-holders	No. of shares	% of shares
1 -100	4 188	13.0	295 804	0.1
101 - 1000	22 470	69.7	7 621 441	3.7
1001 - 10 000	4 957	15.4	13 827 482	6.8
10 001 - 50 000	416	1.3	8 858 735	4.4
50 001 - 100 000	72	0.2	5 056 854	2.5
100 001-	115	0.4	167 690 584	82.5
In joint account				
Total	**32 218**	**100**	**203 350 900**	**100**

Breakdown of shareholding by sector (According to the shareholder register on 31 December 2006)

Shareholder type	Share-holders	% of share-holders	No. of shares	% of shares	No. of votes	% of votes
Corporate	1 027	3.2	5 692 156	2.8	5 692 156	1.5
OP Bank Group Central Cooperative and member cooperative banks	231	0.7	86 242 540	42.4	262 167 948	69.1
Other financial and insurance institutions	55	0.2	24 307 615	12.0	24 307 615	6.4
Public sector entities	35	0.1	27 248 178	13.4	27 248 178	7.2
Non-profit organisations	329	1.0	3 078 503	1.5	3 078 503	0.8
Households	30 498	94.7	25 078 445	12.3	25 078 445	6.6
Foreign	33	0.1	368 763	0.2	368 763	0.1
Nominee-registered shareholders	10	0.0	31 334 700	15.4	31 334 700	8.3
In joint account						
Total	**32 218**	**100**	**203 350 900**	**100**	**379 276 308**	**100**

NOTE 39. Assets given as collateral on 31 December 2006

	Pledges	Mort-gages	Total
Collateral pledged on behalf of own debt			
Liabilities to financial institutions	400		
Liabilities to the public and public sector entities	491		
Debt securities issued to the public			
Debt securities and liabilities held for trading			
Other liabilities	31		
Subordinated liabilities			
Total	922		
Other collateral given on own behalf	2 515		
Given on behalf of the Group			
Given on behalf of others			
Total collateral given	3 437		

NOTE 40. Pension liabilities

Direct liabilities from pension commitments	-
Share of the excess margin of pension liabilities on the pension fund and on other liabilities	-
Repayment of the excess margin of the pension fund recorded as pension cost adjustment	-

The statutory pension cover for OKO bank employees is arranged through the OP Bank Pension Fund and the supplementary pension cover through the OP Bank Pension Foundation. The Foundation has not accepted new beneficiaries since 30 June 1991. The OKO Bank's pension liabilities are fully covered.

NOTE 41. Leasing and other rental liabilities

Payable in the following financial period	0
Payable later	0
Total	**0**

Material contractual terms and conditions regarding termination and redemption
OKO Bank has no significant leasing or other rental liabilities. The contracts primarily cover personnel leasing cars and their duration is 3 years.

NOTE 42. Off-balance sheet commitments

	On behalf of subsidia-ries	On behalf of affiliates	On behalf of others	Total
Off-balance sheet commitments on 31 December 2006			**6 011**	**6 011**
Commitments given to a third party on behalf of customers			**2 077**	**2 077**
Guarantees and pledges			1 913	
Other			165	
Irrevocable commitments given on behalf of customers			**3 933**	**3 933**
Loan commitments			3 563	
Other			370	

NOTE 43. Other contingent liabilities and commitments at the year-end

OKO Bank's commitments to venture capital funds at the year-end totalled EUR 8.7 million. These commitments are included in the commitments explained in note 42.

The company has granted its subsidiary (Pohjola Non-Life Insurance Company Ltd) an option to EUR 50 million capital loan. The subsidiary may exercise the option right if its solvency ratio falls below 50%. On 31 December 2006, the solvency ratio was 73%. The option is valid until 1 July 2008.

Customer funds related to brokerage totalled EUR 2 million which are included in the item

Liabilities to the public and public sector entities.

Purchase liabilities related to brokerage totalled EUR 69 million and sales receivables EUR 72 million.

NOTE 44. Personnel and members of the administrative bodies

Average personnel in 2006	Average No.	Change during the period
Permanent full-time personnel	503	34
Permanent part-time personnel		
Fixed-term personnel	64	17
Total	567	51

Salaries and compensation paid to members of administrative bodies in 2006	Salaries and compensation
Members of the Supervisory Board	0.0
Members of the Board of Directors, President and CEO, and Deputy CEO	1.5

The Chairman of the Supervisory Board received EUR 1 500 per month, the Vice Chairman EUR 750 per month and each member EUR 200 per month. In addition, the members of the Supervisory Board received EUR 200 for each meeting. In 2006, the Supervisory Board convened once. The Annual General Meeting held on 30 March 2006 abolished the Supervisory Board and elected a Board of Directors for the company.

The AGM confirmed the salaries and compensation paid to the members of the Board of Directors as follows: Salaries and compensation paid to the members of the Board of Directors in 2006 totalled EUR 428 500. EUR 3 500 per month. An attendance fee of EUR 400 was paid to all Board members for each meeting.

Salaries and compensation paid to the President and CEO and the Deputy CEO for the financial period ending on 31 December 2006, including income received from options, were as follows:

President and CEO Mikael Silvennoinen	EUR 507 462
Deputy CEO Timo Ritakallio	EUR 527 702

Loans and guarantees granted to members of the administrative bodies

As at 31 December 2006 and 31 December 2005, OKO Bank had not granted any loans or

Pension commitments

There are no pension commitments for members of the administrative and supervisory bodies. Furthermore, no pension commitments have been made for previous members of these bodies.

Management ownership

On 31 December 2006, the members of the OKO Bank Board of Directors, the President and CEO, and the Deputy CEO owned a total of 51 728 Series A shares, which represented 0.025% of all shares and 0.014% of all votes in OKO Bank.

NOTE 45. Holdings in other companies, EUR million

Subsidiaries		Holding, %	Equity capital	Profit or loss for the financial period
Company name:	OKO Asset Management Limited	85	5	2
Registered office:	Helsinki			
Company name:	OKO Venture Capital Ltd	100	1	0
Registered office:	Helsinki			
Company name:	OKO Capital East Ltd	70	0	0
Registered office:	Helsinki			
Company name:	OKO Corporate Finance Ltd	60	1	1
Registered office:	Helsinki			
Company name:	Kiinteistö Oy Kanta-Sarvis II	100	8	0
Registered office:	Tampere			
Company name:	Avainholdco Oy	100	3	2
Registered office:	Helsinki			
Company name:	Pohjola Non-Life Insurance Company Ltd	100	80	107
Registered office:	Helsinki			
Company name:	A-Insurance Ltd	100	43	5
Registered office:	Helsinki			
Company name:	Pohjola Property Management Ltd	100	1	1
Registered office:	Tampere			
Company name:	Pohjola IT Procurement Ltd	100	5	0
Registered office:	Helsinki			
Company name:	Kaivokadun PL-Hallinto Oy	100	5	0
Registered office:	Helsinki			
Company name:	Seesam Latvia	100	5	1
Registered office:	Latvia			
Company name:	Seesam Lithuania	100	4	0
Registered office:	Lithuania			
Company name:	Seesam International Insurance Company Ltd.	100	16	5
Registered office:	Estonia			
Company name:	Eurooppalainen Insurance Company Ltd	100	6	8
Registered office:	Helsinki			
Company name:	Conventum Venture Finance Ltd.	100	2	12
Registered office:	Helsinki			
Company name:	Tikkurilan kauppatalo Oy	100	10	0
Registered office:	Helsinki			

OKO Bank has no holdings in affiliates or companies where OKO Bank would have unlimited liability.

NOTE 46. Trustee services

OKO Bank offers investment, asset management and custodian services to the public.

Notes concerning an entity under the Group's control

OKO Bank's parent company is the OP Bank Group Central Cooperative. The OKO Bank Group's information is included in its consolidated financial statements. Copies of the financial statements for OP Bank Group Central Cooperative Consolidated are available from the OP Bank Group Central Cooperative, Teollisuuskatu 1b, FI-00510 Helsinki.

Financial income and expenses in relation to other group companies:

Interest income	0
Interest expenses	0
Income from equity investments	10

Receivables from and payables to other group companies:

Receivables from the public and public sector entities	1
Other assets	0
Liabilities to the public and public sector entities	59
Debt securities issued to the public	15
Other liabilities	0
Deferred expenses and advances received	0

AUDITORS´ REPORT

(Translation)

To the shareholders of OKO Bank

We have audited the accounting records, the report of the Executive Board, the financial statements and the administration of OKO Bank for the financial period 1 January – 31 December 2006. The Executive Board and the President have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Executive Board and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Executive Board, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Executive Board and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Supervisory Board and the Executive Board and the President of the parent company have complied with the rules of the Companies Act and the Finnish Act on Credit Institutions..

Consolidated financial statements

In our opinion, the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Report of the Executive Board, parent company's financial statements and administration

In our opinion, the report of the Executive Board and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company´s financial statements can be adopted. The members of the Supervisory Board, the President and the members of the Executive Board can be discharged from liability for the period audited by us. The proposal by the Executive Board regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki 16 February, 2007

KPMG OY AB

Hannu Niilekselä	Raimo Saarikivi
Authorized Public Accountant	Authorized Public Accountant

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