OP BANK GROUP

ANNUAL REPORT 2006

Contents

Financial publications

This publication together with the OP Bank Group's Financial Statements forms the financial and insurance conglomerate's Annual Report for 2006. The OP Bank Group's Corporate Responsibility Report is enclosed with the Annual Report. The Financial Statements are available on our website at op.fi/english, in the Press section. Annual Reports can be ordered from the address www.op.fi/english > Press > Annual report orders.

Since all the figures in the Annual Report have been rounded off, adding up individual figures may yield a different result from the sum presented.

OKO Bank plc, the Central Cooperative's subsidiary which is listed on the Helsinki Stock Exchange, publishes its own Annual Report in Finnish, Swedish and English.

Interim Reports in 2007

The OP Bank Group and OKO Bank plc each will publish three Interim Reports in 2007:
for January–March on 10 May 2007
for January–June on 9 August 2007
for January–September on 8 November 2007

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

OP BANK GROUP IN BRIEF

The OP Bank Group is Finland's largest financial services group. It is made up of independent member cooperative banks and the Group's central institution, the OP Bank Group Central Cooperative with its subsidiaries and closely-related companies, the largest of which is the listed company OKO Bank plc. The OP Bank Group offers a comprehensive range of banking, investment and insurance services for both private and corporate customers.

The OP Bank Group's guiding ideology is the cooperative movement. The Group has over four million customers, nearly a third of whom, or more than 1 160 000, are at the same time owner-members of the cooperative banks. The OP Bank Group's mission is to promote the sustainable prosperity as well as well-being and security of its owner-members, customers and the operating environment. Owner-membership is discussed on pages 18-19.

The OP Bank Group has a payroll of over 12 000 employees. The OP Bank Group's total assets at the end of 2006 stood at EUR 59.5 billion. The Group's area of operations covers all of Finland. The Group has a total of some 670 locations. The OP Bank Group's Internet service portal is op.fi.

The OP Bank Group has a history extending over 100 years. It began on 14 May 1902, when the Central Lending Fund of Cooperative Credit Societies Ltd was founded. The first local credit societies were founded in autumn 1902. The credit societies changed into cooperative banks in 1970. OKO Bank became a listed company in 1989. The OP

OP Bank Group key indicators

	2006	2005	Change*
Earnings before tax, € million	800	579	38
Cost/income ratio, %	55.4	55.3	0.1
Impairment losses on the loan and guarantee portfolio, %	0.02	0.02	0.0
Return on equity, %	12.1	11.2	0.9
Return on equity at fair values, %	11.4	13.5	-2.1
Average personnel	12 148	9 839	23

	31 Dec. 2006	31 Dec. 2005	Change*
Total assets, € billion	59.5	52.8	13
Capital adequacy			
Ratio of own funds to the minimum amount of own funds**	1.56	1.69	-0.13
Tier 1 ratio, %***	12.7	13.1	-0.4
Market share, %			
Of total loans	31.1	30.5	0.6
Of total deposits	32.7	31.9	0.8
Of capital invested in mutual funds	21.8	22.3	-0.5
Insurance savings through life and pension policies	19.1	17.8	1.3

* Percentage point change, except for earnings before tax, total assets and average number of personnel, for which the change is stated in per cent, as well as the ratio of own funds to the minimum amount of own funds, for which the change is stated as a change in the ratio.

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

*** Pursuant to the Credit Institutions Act.

Bank Group's present co-operation model and the OP Bank Group Central Cooperative with the tasks it now has took shape in 1997. Non-life insurance became a new business area with the acquisition of Pohjola in 2005.

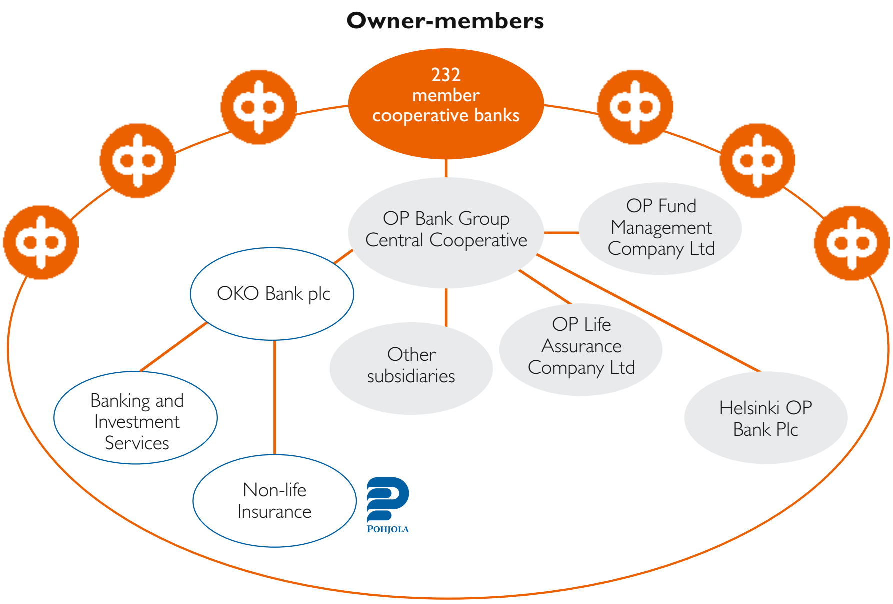
The OP Bank Group's business segments are Banking and Investment Services, Life Insurance and Non-life Insurance. These are discussed on pages 31-43.

The cooperative banks are independent, local deposit banks that are engaged in retail banking. The member banks offer modern and competitive banking services to household customers, small and medium-sized business customers, agricultural and forestry customers and to the public sector. Corresponding retail banking operations in the Greater Helsinki area are the province of the Central Cooperative's subsidiary Helsinki OP Bank Plc.

The OP Bank Group Central Cooperative (the Central Cooperative) is the OP Bank Group's development and service centre, and its strategic owner institution. The Central Cooperative is owned by the member banks. As a central institution, it is in charge of Group steering and control. In addition to OKO Bank plc, the Central Cooperative's subsidiaries are, among others, Helsinki OP Bank Plc, OP Life Assurance Company Ltd and OP Fund Management Company Ltd.

OKO Bank plc is the Central Cooperative's principal subsidiary. OKO Bank is a financial services group that offers banking, investment and non-life insurance services. OKO Bank plc acts as the OP Bank Group's central bank and is responsible for the Group's liquidity as well as for handling the Group's international operations. OKO Bank's Series A share is quoted on the Helsinki Stock Exchange, and the company has more than 30 000 shareholders. OKO Bank is discussed as a portfolio investment on pages 44-45.

Pohjola Non-Life Insurance Company Ltd is a subsidiary of OKO Bank. It carries on non-life insurance operations in Finland. Through the policies it writes, Pohjola offers comprehensive security for both private and corporate customers.



EXECUTIVE CHAIRMAN'S REVIEW

The OP Bank Group is in very good shape. We have risen to become Finland's largest financial services group and the leading player in our industry. Our capital adequacy and our corporate image reflecting our customers' perception of us are the best in our history. Our domestic ownership is anchored in our more than 1.1 million Finnish owner-members. These are factors that lay a firm foundation for the long-term development of our operations now and in the future.

The Finnish economy was robust in 2006. The OP Bank Group's growth outstripped the market average in deposits, loans and life and pension insurance. Particular bright spots were residential lending and the strong growth in the number of Pohjola's loyal customer households. Within mutual fund saving, we did not quite reach our targets, and our market share decreased slightly. Our financial result was good and very satisfactory.

We can be genuinely proud of our Finnish roots. The OP Bank Group's sharply defined strategic mindset and the clarity of our goal will be of heightened importance amidst the changes taking place in the financial sector. The OP Bank Group's direction is clear. We are continuing along the growth path we have pursued throughout our history. Our cooperative heritage gives us a distinct competitive edge and our Finnish identity is a strength that bolsters it. We are genuinely nearby.

We offer a full range of banking and insurance services for both private and corporate customers. Alongside the push to increase the number of joint customers for our banking and insurance operations, it is at least equally important to see to it that our customers are satisfied. It is the customer's expectations that guide our operations and the development of our products and services in all situations. This is the only enduring policy for a financial group whose customers are ultimately also its owners.

Benefits for living. In our strategy, the OP Bank Group's customer promise is formulated for the first time: "We offer the best loyal customer benefits." This is an important promise and a great challenge to us ourselves. Our objective is to provide the best package of loyal customer benefits in the sector. We have strong financial resources. However, carrying through our programme of loyal customer benefits is only in its first stages. We have given our commitment to increase the amount of bonuses substantially and at the same time to keep our pricing transparent and competitive, even without loyal customer benefits. Improving our cost-effectiveness still more will give us further scope for accomplishing this.

A key objective for us is to exploit fully the potential offered by the inclusion of Pohjola within the OP Bank Group. The integration process has gone very smoothly: both the member banks and Pohjola have already brought in plenty of new customers. We face increasing competition with all seriousness. I believe nonetheless that our ever-evolving system of loyal customer benefits and the cross-selling opportunities offered by the tie-up with Pohjola will contribute to propelling us towards success even in the face of keen competition.

Most of all, we want to gain market share in the business and geographical areas where the Group's share is lowest at present. The Greater Helsinki area in particular will play a major role in realising our growth strategy. We are also taking into account that for the customer, asset management services are more and more frequently a criterion for choosing a financial services group.

Prospering together is one of our core values. The OP Bank Group's strategic mindset calls for ensuring that services of consistent quality are offered throughout the country. This is possible only by operating as a closely-knit group, whilst unfailingly developing our know-how. The structure of our Group enables us to be local, but at the same time it hinges on continuous development. An internal dialogue is one of our strengths that has helped to cement the commitment of OP Bank Group staffers to our shared strategy, objectives and operational models.

The readiness and ability of both our personnel and administrative officers and management to pull together amidst ongoing changes has been an important factor in building our success. The OP Bank Group is clearly the largest financial sector employer in Finland. The possibilities for development that we offer our present and new employees are a central element in making us an attractive workplace and for our job well-being. It is likewise of cardinal importance to continue developing our comprehensive reward systems in ways that further enhance the motivation of our people and guide the Group's operations in line with our strategy.

As a listed company, OKO Bank plays its own important part in building the OP Bank Group's success. Within corporate banking, OKO Bank has achieved excellent results in blazing a path for the entire OP Bank Group. Apart from a completely new division – Non-life Insurance – asset management has also gained greatly in importance for OKO Bank. The new corporate governance model that OKO Bank has put in place stresses OKO Bank's significance and need for its further development from the perspective of a listed company.

With gratitude. As the new chief executive, I am in a privileged position in being able, on behalf of the entire OP Bank Group, to warmly thank my predecessor, Minister Antti Tanskanen. During his decade-long tenure as Chairman and CEO, the OP Bank Group moved up into an entirely new league in terms of its financial clout as well as its corporate image and respect. We are today a significantly different-looking and different-sized outfit than we were ten years ago. Minister Tanskanen's resolute and clear-cut actions have benefited Finnish society as a whole.

I wish to thank all our owner-members and other customers and stakeholders for your confidence in us. At the same time, a vote of thanks goes to all of you across the OP Bank Group, both staff and administrative officers, for the good work you have done as a team. The OP Bank Group's achievements, historical and recent, both impose upon us an obligation and make us splendidly positioned to seek out places were we can excel once again in 2007.

Helsinki, 15 February 2007

Reijo Karhinen

CORE VALUES AND STRATEGY

Ideological foundation

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

Mission

We promote the enduring prosperity, well-being and security of our owner-members, our customers and our operating environment.

Core values

A people-first approach

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

Responsibility

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

Prospering together

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

Goal

We are the market leader in all our core business areas and the leading financial services group in Finland.

By leading financial services group, we mean not only the leading market position, but also the best corporate image in the sector and the best know-how along with the country's most comprehensive service network.

The OP Bank Group has always been able to offer its customers high-quality payment transfer services and products. In today's sales work, core values are also continually gaining in importance.

Aija Kärkkäinen
Payment Services Specialist
Helsinki OP Bank Plc

Core business areas and business segments

The core business areas defined in the OP Bank Group's strategy are

- Asset Management
- Lending Services
- Payment Services
- Non-life Insurance

The business segments that are reported in the Financial Statements are

- Banking and Investment Services
- Life Insurance
- Non-life Insurance

Distinguishing factor

We are close to the customer.

We know our customers and we have a better understanding of their needs than others do. We take decisions quickly, in a flexible manner and locally. We have a wide-ranging presence in Finland. The starting point for everything we do is genuine interest and care. It is easy to approach us. Responsibility and community spirit can be seen clearly in every aspect of our operations. We are committed to development that is both active in furthering customer relationships and responsible in our own area of operations.

Customer promise

We offer the best loyal customer benefits.

Our co-operative heritage obliges us to reward our customers. Owner-members are customers who use the Group's services. The OP Bank Group's objective is to offer the best and most versatile package of loyal customer benefits, which provide financial upside and convenience for customers. Loyal customer benefits are a central part of the Group's distribution of profits.

Strategic objectives

The OP Bank Group's excellent capital adequacy and good profitability enable it to gear its operations towards growth and strengthening its market position. The OP Bank Group offers comprehensive financial services in Finland for both private and corporate customers. Growth in the number of customers and business volume will enable the OP Bank Group to provide high-quality multichannel customer service at competitive prices, to offer good training and development opportunities for its staff, and improved patronage-based financial benefits for its owner-members.

The most ambitious growth targets for market shares are in business areas where the Group's share is lowest at the present time, i.e. within asset management services, consumer lending, corporate banking and payment services. The targets are the most ambitious in geographical areas where the Group's market share is lowest at the present time. One of the priority areas is Greater Helsinki.

For all the member banks, the OP Bank Group's growth priority is achieving an increase, among their own clientele, in the volume of operations and in the extent of services provided. The emphasis over the next few years will be on selling banking and asset management products to Pohjola customers and on selling non-life insurance products to the present customers of the member cooperative banks and OKO Bank.

The OP Bank Group will maintain its strong market position within its traditional customer groups. It will shore up its position in areas such as private banking. In the corporate and institutional sector, growth will be sought above all within medium-sized companies as well as in serving public-sector enterprises and condominiums. The OP Bank Group's success in customer service and operations is based on the member banks' entrepreneurial local work. The member banks' offerings are rounded out by the services of the OP Bank Group's jointly owned companies and the services provided by the OP Bank Group Central Cooperative.

The key starting points for operations are maintaining the good level of capital adequacy and profitability. In the area of cost-effectiveness, the objective of the OP Bank Group and its member banks is to be at least at the same level as its main competitors. By means of well-developed risk management coupled with close internal oversight and monitoring, the Bank is able to ensure that its growth is manageable and geared to the long term. The OP Bank Group takes a moderate stance on the assumption of risk.

Long-term performance indicators

	Indicator of the OP Bank Group	Target	Actual 2006
Risk-bearing capacity	Non-current own funds/ economic capital	Minimum of 1.0	1.10
Profitability	Return on economic capital	Minimum of 17%	20.1%
Risk appetite	Impairment losses on receivables/ loan and guarantee portfolio	Maximum of 0.25%	0.02%
Efficiency	Cost/income ratio	Maximum of 52% (banking operations maximum of 50%)	55% (banking operations 52%)

Descriptions for the formulae for the figures in the table are given in the 2006 Report by the Executive Board and in the Financial Statements Bulletin.

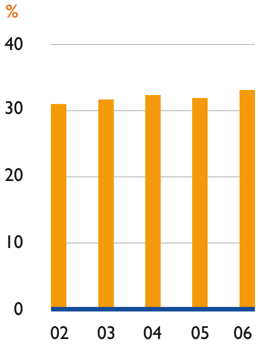
The OP Bank Group carries on a continuous strategy process. It includes an extensive survey of the operating and competitive environment and an analysis of the Group's development. The process involves a systematic, concept-guided discussion within the Group. In it, the Central Cooperative's Supervisory Board plays a central role. The active participation of representatives of the member banks and the Central Cooperative promotes the understanding and approval of the strategy and thereby commitment to it, whilst bringing multiple viewpoints to the process.

MARKET POSITION

The OP Bank Group has a strong market position in all its main business areas. Success is measured by reference to the trend in market shares of deposits, loans, life and pension insurance, mutual funds, payment services and non-life insurance.

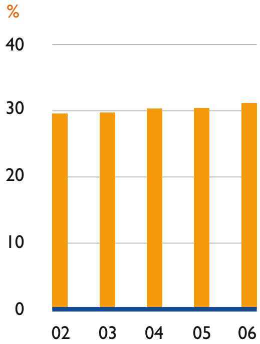
Priority areas are discussed in the section on Strategy on pages 8 – 10 and an overview of the business segments is given on pages 31 – 43.

OP Bank Group's market share of eurodeposits



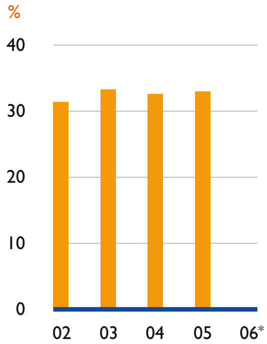
Source: Bank of Finland

OP Bank Group's market share of euroloans



Source: Bank of Finland

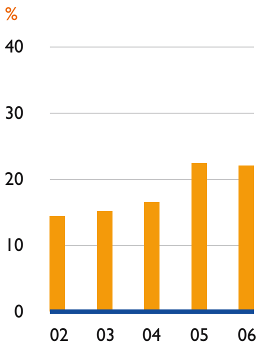
OP Bank Group's market share of payment transfer business in Finland, domestic and foreign outgoing payments (number of claims)



* Year 2006 figure not yet available

Source: Federation of Finnish Financial Services

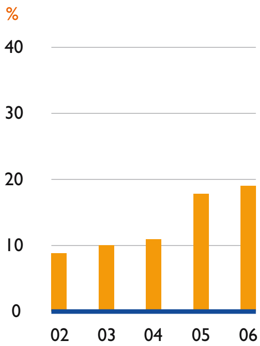
OP Bank Group's* market share of capital in mutual funds registered in Finland



* Pohjola included from 2005

Source: The Finnish Association of Mutual Funds

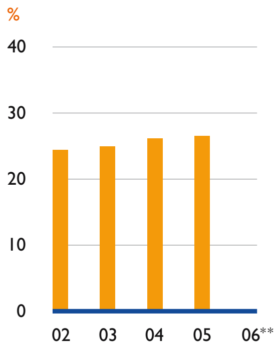
OP Bank Group's* market share of insurance savings in life and pension insurance



* Pohjola included from 2005

Source: Federation of Finnish Financial Services

OP Bank Group's* (Pohjola) market share of premiums written in non-life insurance



* In 2002-2004, Pohjola was not part of the OP Bank Group

** Year 2006 figure not yet available

Source: Federation of Finnish Financial Services

OPERATING ENVIRONMENT

The OP Bank Group's environment was favourable in 2006. An upbeat economy bolstered customers' finances and this translated into strong demand for banking and insurance services. The business cycle is forecast to weaken slightly in 2007. The growth in demand for financial services, however, is not set to slow down significantly.

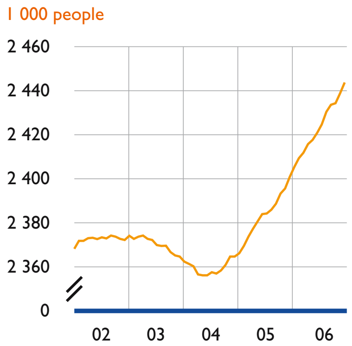
In 2006, the global economy grew at a slightly faster pace than in the previous year. In the eurozone and in other EU countries, growth accelerated a bit, in step with an uptick in exports and private consumption. The rise in interest rates in the United States began to damp down the housing market and indebted households' rate of consumption, but growth remained moderate. Russia and the emerging Asian economies enjoyed further brisk growth. The outlook for the economy has deteriorated nearly everywhere in the world. The global economy is nevertheless expected to make a soft landing rather than head into a steep decline.

Boom times are over

The Finnish economy was robust in 2006. Total output grew by more than 5%. Growth was spurred by buoyant exports which rose by a tenth, thanks to international demand and a starting level that was lowered by the dispute in the paper industry in 2005. There was strong demand in the domestic market as well. Investment was boosted above all by brisk residential construction and procurements of machinery and equipment. Private consumption was fuelled by the positive trend in household income. Households' disposable income strengthened following a general rise in take-home pay and receding unemployment.

Boom times are over. In 2007, growth is expected to revert to the long-term average. This means, among other things, a slowdown that will gradually affect the improving employment situation and rises in wage and salary earners' overall income.

Employment in Finland,
12-month moving average



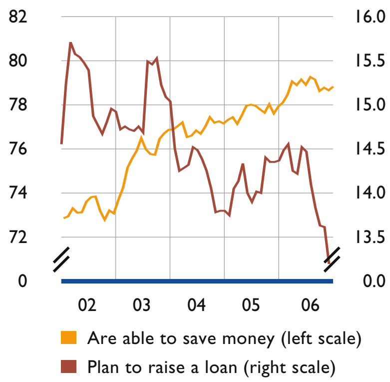
Source: Statistics Finland

A bright near-term outlook for Finnish companies

The business cycle remained better than average in all the main sectors in 2006. To be sure, within industry the rate of production growth slowed down in the latter part of the year. Industry's order books and capacity utilisation rates showed continued strength. Construction companies rode the boom. Capacity was in full use and a shortage of manpower curbed the expansion of production. The situation remained bright for service companies too. Sales growth was steady, and the number of personnel increased more than expected.

According to polls of companies, the economic expansion is estimated to continue at least in the first half of 2007. Growth in production and exports is nevertheless expected to slow in the latter months of the year. Growth in private consumption will likewise tail off.

Households' spending in Finland,
percentage of households



Source: Statistics Finland

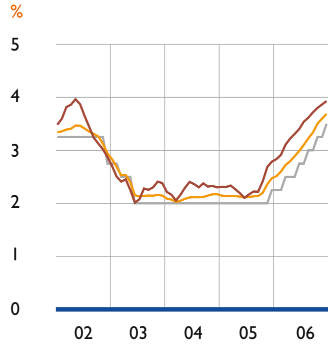
Consumer confidence holds up well

Finnish consumer confidence has held up well for quite some time now. In 2006, already four households out of five reported that they were able to save from their income.

The rise in consumer prices has been moderate, though it did speed up slightly in 2006. The rise in interest rates and higher house prices were the biggest factor that lifted prices. If there is a rise in the general price level, it is forecast to be moderate in the current year as well. The rise in house prices is expected to taper off.

Interest rates rose slightly. The European Central Bank (ECB) raised its main lending rate five times in 2006, citing a quicker rate of growth and above-target inflation as the grounds for the hikes. As a consequence of tighter monetary policy, the Euribor rate rose by just over 1 percentage point, but long market interest rates by only half of this. At the end of the year, the 12-month Euribor was at 4.03%. The OP Bank Group's OP Prime rate rose four times during the year and was 3.50% at the end of the year. The ECB is expected to raise its main lending rate sometime in the first half of the current year, after which rates are estimated to reach a plateau.

Euribor rates and ECB main refinancing operations rate

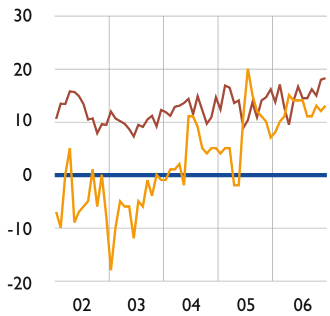


3-month Euribor
12-month Euribor
ECB main refinancing rate

Banking and insurance operations enjoy further growth

Banking operations have been in a vigorous mode for the fourth year running. Growth is not estimated to slow down appreciably in 2007. The loan portfolio of financial institutions increased by 12% in 2006. Despite the rise in interest rates, demand for home mortgages remained strong and the home mortgage portfolio grew by 14%. The rise in house prices was offset partly by the narrowing in margins on loans as well as by the growth in households' income and wealth. The indebtedness ratio of households nevertheless continued to grow. The ratio of credit to disposable income rose to nearly 100%.

Industrial sector and household confidence indicator in Finland, characteristic value

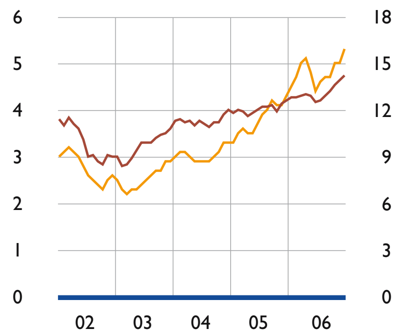


Industrial sector
Households

Source: Statistics Finland,
Confederation of Finnish Industries EK

The growth in the corporate loan portfolio accelerated to 9% in 2006, and there were still plenty of M&A transactions and generational shifts. Companies' profitability improved and higher investment was financed largely from cash flow. The increase in deposits with financial institutions, in turn, slowed down to 3%, and total deposits fell further behind the loan portfolio. The spread between loans and deposits rose after several years of contraction, and the banks' net interest income improved.

Stock market indices in Finland and the United States



OMX Helsinki CAP
(left scale, x 1,000)

Standard & Poor's 500
(right scale, x 100)

Source: OMX, Standard & Poor's

The capital markets had a comparatively favourable run, and the fundamentals are in place for continuing strength in the near future. The equity markets remain bullish. In 2006, the OMX Helsinki Cap index that measures the prices of listed shares in Finland rose by 25% as the market recovered in the latter part of the year from the dip that occurred in the spring. Capital invested in mutual funds grew by 36% on the tails of rising values and a record EUR 12 billion in net subscriptions. Premiums written in life insurance were down 4.7% on the figure last year. Insurance savings nevertheless increased by nearly a tenth. Because of tough competition, the growth in premiums written in non-life insurance trailed the economy's growth and was about 4%. Growth was affected by the discounts on premiums which the insurance companies gave their customers as well as by changes in tariffs.

THE OP BANK GROUP IN 2006

In 2006, the OP Bank Group reported the best annual earnings in its history – by a clear margin: earnings before tax grew by 38% to EUR 800 million. At the same time, the OP Bank Group's market position continued strengthening.

Growth outpaces the industry average

- The market share of euro-denominated loans grew by 0.6 percentage point and in deposits it was up 0.8 percentage point.
- Market shares increased within both home mortgages and corporate loans.
- The market share of insurance savings in life and pension insurance rose by 1.3 percentage point, but the market share of mutual funds decreased by 0.5 percentage point.
- The number of customers grew by 82 000 or clearly more than comparable growth a year earlier.

A record result

- Earnings before tax grew by 38% to EUR 800 million.
- Both income and expenses increased by 37%.
- Of income items, net interest income was up 11% and other income rose by 69%.

Strong risk-bearing capacity and a stable risk exposure

- Own funds were 1.6 times the statutory minimum.
- Non-performing receivables declined to a historically low level, or 0.3% of the loan and guarantee portfolio.

The OP-Pohjola integration rolls ahead smoothly

- Overlapping operations were combined and the Group structure was streamlined.
- At the end of the year, 175 OP Bank Group locations were offering both banking and non-life insurance services.
- Cross-selling of bank and insurance services had a promising start.
- The number of joint customers in banking and insurance operations grew by 98 000 to 803 000 and the number of Pohjola's loyal customer households increased by more than 34 000 to 367 000.

Year 2007

- The OP Bank Group's earnings before tax in 2007 are estimated to be on a par with 2006.

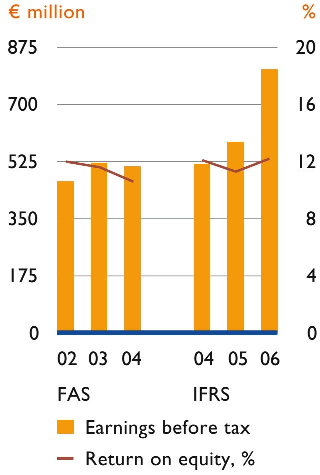
Result and total assets

In 2006, the OP Bank Group reported the highest earnings in its over 100 year history. Earnings before tax in 2006 were EUR 800 million, up 38% on the figure a year ago. Although a significant portion of the earnings improvement is attributable to the Pohjola transaction, the OP Bank Group's like-for-like earnings (excl. Pohjola) increased markedly on the figure a year earlier. Net interest income in the report period was EUR 883 million, up 11% on the figure a year earlier, in spite of the costs of financing the Pohjola transaction. Impairment losses on receivables increased by 62% to EUR 9.3 million, but still remained at a very low level. Income grew by 37% to EUR 1 956 million. Other income, excluding net interest income, increased by 69% to EUR 1 073 million. Net income from non-life insurance operations was EUR 328 million and net income from Life Insurance operations came to EUR 110 million. Net commission and fee income was EUR 396 million. Expenses were EUR 1 083 million, up 37% on the figure a year earlier. Other operating expenses totalled EUR 267 million. These include EUR 49 million of amortisation of intangible assets arising in connection with the Pohjola transaction. The OP Bank Group's total assets at the end of the year stood at EUR 59.5 billion, an increase of EUR 6.7 billion since the end of 2005. The largest increase was in receivables from customers and debt securities issued to the public. Receivables from customers increased by EUR 4.8 billion and debt securities issued to the public rose by EUR 4.6 billion from the end of 2005. Receivables from customers, i.e. the loan portfolio, grew by 14% to EUR 39.6 billion. The loan portfolio accounted for 67% of total assets. Life insurance assets were up 13% to EUR 6.1 billion. Non-life insurance assets were EUR 2.8 billion at the end of the year, or slightly more than a year earlier. The aggregate amount of the most liquid assets – cash and cash equivalents, receivables from financial institutions and financial assets held for trading – grew by 1.1 billion to EUR 6.2 billion. Equity capital topped the five billion euro mark during the year and stood at EUR 5.1 billion at the end of the year. From the end of 2005, the OP Bank Group's equity capital grew by EUR 366 million. The ordinary and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 696 million at the end of the year.

Capital adequacy

At the end of the year, the OP Bank Group's capital adequacy according to the Credit Institutions Act was 14.3%. The capital adequacy ratio as measured with Tier 1 own funds was 12.7%, or 0.3 percentage point lower than at the end of 2005. Capital adequacy fell in the early part of the year but headed back upwards in the latter half. In spite of the decrease in the capital adequacy ratio, the OP Bank Group's risk-bearing capacity remained strong. The OP Bank Group's ratio of own funds to the minimum amount according to the Act on the Supervision of Financial and Insurance Conglomerates, was 1.56, compared with 1.69 at the end of the previous year. The OP Bank Group's own funds at the end of the year were EUR 1 682 million greater than the statutory limit.

Earnings before tax and ROE



Business segments

The OP Bank Group's new business segments that are reported for the first time in the 2006 Financial Statements are Banking and Investment Services, Non-life Insurance and Life Insurance.

Banking and Investment Services: The operating fundamentals for Banking and Investment Services were good in 2006. In nearly all product areas, the OP Bank Group's growth outstripped that of its competitors on average. The OP Bank Group's loan portfolio at the end of the year stood at EUR 39.6 billion, and the guarantee portfolio totalled EUR 2.2 billion. The OP Bank Group's portfolio of home mortgages increased by more than

Following the Pohjola merger, we have a very comprehensive range of mutual funds. Our task is to ensure daily that the NAV of the funds is correct.

Paula Vilhonen
Middle Office Specialist
OP Fund Management Company Ltd,
Products and Services

15% to EUR 18.9 billion. The total amount of households' consumer loans increased by 12.3% and amounted to EUR 2.8 billion at the end of the year. The OP Bank Group's corporate loan portfolio grew by 10% to EUR 9.7 billion and total guarantees were up 23% to EUR 1.9 billion.

The capital invested in the OP Bank Group's mutual funds totalled EUR 13.3 billion at the end of the year, an increase of 33% on the aggregate capital of OP Fund Management Company Ltd and Pohjola Fund Management Company Ltd a year earlier. The volume of assets managed by OKO Bank's asset management function was EUR 31.3 billion at the end of the year. The OP Bank Group's deposits at the end of the year totalled EUR 25.8 billion, an increase of 6.5% on the previous year. The growth in total deposits took place mainly in investment deposits, which grew by 14.0% to EUR 10.8 billion.

Earnings before tax from Banking and Investment Services were EUR 643 million, an increase of 24% on the figure a year ago.

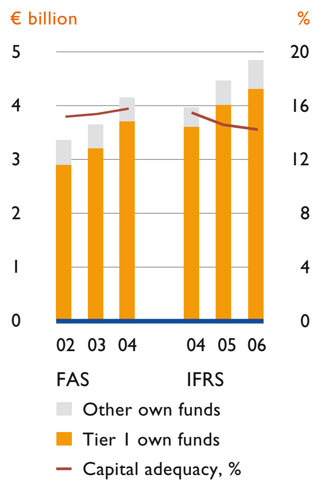
Non-life Insurance: Year 2006 was the first full year for Non-life Insurance as an OP Bank Group business segment. Insurance premium revenue from non-life insurance totalled EUR 788 million, representing an increase of 5.9% on comparable revenue a year earlier. Claims incurred (excluding loss adjustment expenses) amounted to EUR 536 million, or 9.3% more than comparative claims incurred for the full year in 2005. The growth in claims incurred was attributable in particular to the exceptionally weak trend in large and medium-size losses (losses in excess of EUR 0.1 million).

The return on non-life insurance investments at fair values was 5.2%, the comparative return a year earlier being 8.5%. At the end of the year, the fair value of investments was EUR 2.4 billion. Earnings before tax from Non-life Insurance were EUR 78 million. The combined ratio, excluding the amortisation of intangible assets arising in the Pohjola transaction and attributed to the business segment, was 95.4%.

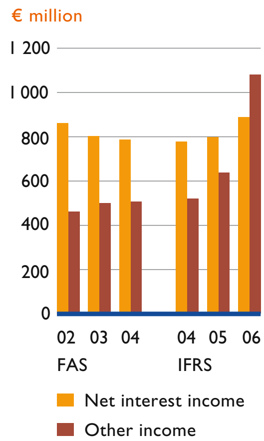
Life Insurance: The OP Bank Group's premiums written in life and pension insurance was EUR 866.5 million. Premiums written were 11% smaller than the aggregate premiums written of OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd a year earlier. Although the growth in premiums written has slowed from 2005, it has nevertheless outpaced the industry average.

Benefits paid in Life Insurance totalled EUR 437.5 million, of which surrenders accounted for EUR 139 million. The return on income from investment assets at fair values was 4.0%. Pre-tax earnings generated by life insurance operations totalled EUR 68 million, as against EUR 27 million a year earlier. The aggregate insurance contract liabilities of the OP Bank Group's life insurance operations stood at EUR 5.7 billion at the end of the year, an increase of 15.9% since the end of 2005. Unit-linked policies accounted for 37% of insurance contract liabilities in life and pension insurance. Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.1 billion at the end of the year.

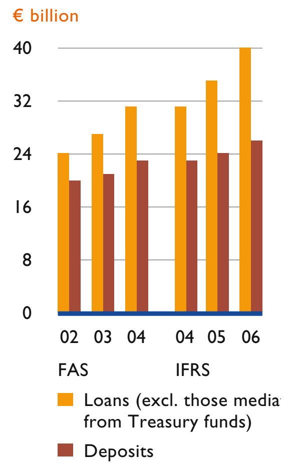
Own funds and capital adequacy



Net interest income and other income



Loans and deposits



Highlights 2006

- In September 2005 OKO Bank plc (at the time OKO Osuuspankkien Keskuspankki Oyj), acquired a majority holding of the shares in Pohjola Group plc. On ***10 January 2006***, OKO Bank's proportion of Pohjola's shares and voting rights exceeded 90%. In June, the Arbitration Tribunal confirmed that OKO Bank had an undisputed right to redeem Pohjola's minority shares. Pohjola's share and option rights were delisted from the Helsinki Stock Exchange in June 2006. Pohjola Group Ltd merged into OKO Bank on ***31 December 2006***. Pohjola Non-Life Insurance Company Ltd, A-Insurance Ltd, Eurooppalainen Insurance Company Ltd and the Seesam companies are continuing their operations as part of the OKO Bank Group.
- The co-determination negotiations that were started within the life insurance, mutual fund and asset management functions of OP Bank Group Central Cooperative Consolidated and the OKO Bank Group in February were seen to completion on ***19 April 2006***. The co-determination negotiations were held in connection with the reorganisation of overlapping functions. All in all, 20 permanent employment relationships came to an end, but redundancies were averted.
- On ***30 March 2006***, OKO Bank's Annual General Meeting amended the company's Articles of Association. As part of the change, the company's Supervisory Board was abolished and a new non-executive Board of Directors was elected for the company. The change in the business name of OKO Osuuspankkien Keskuspankki Oyj to OKO Pankki Oyj (OKO Bank plc) was entered in the Trade Register on ***1 June 2006***.
- The OP Bank Group Central Cooperative's Supervisory Board reformulated the OP Bank Group's operational principles and revised the OP Bank Group's business strategy on ***14 June 2006***. The new strategy puts a sharper emphasis on the OP Bank Group's cooperative roots. The cooperative heritage and the aim of promoting customers' prosperity are crystallised in the new customer promise of delivering the best loyal customer benefits in the marketplace. OKO Bank likewise updated its strategy in line with the new divisional structure.
- On ***20 June 2006*** the Central Cooperative and Kesko Corporation agreed on wide-ranging co-operation in areas such as card development, payment services, cash services and customer credit. In coming years, the co-operation will be expanded to include Pohjola's insurance products.
- The one-millionth customer signed on to the OP Bank Group's online service on ***23 August 2006***. The number of online service agreements reached about 1.1 million at the end of 2006.
- On ***5 September 2006*** the OP Bank Group signed an agreement with Equens of Germany (the former name was Transaktionsinstitut) concerning a processing system for the OP Bank Group's foreign payments. The agreement is part of an arrangement under which preparations will be made for the changes to be ushered in by the Single Euro Payment Area (SEPA).
- On ***21 November 2006*** the OP Bank Group announced it was doubling the bonuses to be paid to OP bonus customers by the beginning of 2008. The target will be met step by step, and the amount of bonuses to be paid from the beginning of 2007 will be increased by 50%. From autumn 2007, it will also be possible to use bonuses to pay for Pohjola's non-life insurance products.
- Mr Antti Tanskanen, Chairman and CEO of the OP Bank Group, retired ***31 December 2006***. Mr Reijo Karhinen, who since 1997 was President of the Central Cooperative and deputy to the OP Bank Group's CEO, took over as the new chief executive under the title Executive Chairman. Mr Tony Vepsäläinen, who since 1998 was Managing Director of Tampereen Seudun Osuuspankki, started in his post as the Central Cooperative's new President on 1 January 2007.

All the stock exchange and press releases published by the OP Bank Group and OKO Bank during 2006 as well as their interim reports can be accessed on their website at the address op.fi/english.

OWNER-MEMBERS

The OP Bank Group's objective is to provide the services required by its owner-members and other customers as competitively as possible. At the end of 2006, there were over 1 160 000 owner-members.

Owner-membership is a distinctive feature of the cooperative bank customer relationship. It offers a chance to participate in the bank's administration and decision making. This gives members a say in promoting the business life and well-being of the entire community. In addition, owner-membership brings benefits for doing the bulk of one's banking with a member cooperative bank. One of the core values of decision making in a cooperative is the one member – one vote principle. The members elect from amongst their number the administrative officers of their own bank. At the member banks, the highest decision making authority is exercised by the cooperative meeting or assembly.

In 2006 the number of the member banks' owner-members grew by more than 30 000. Owing to its company form, Helsinki OP Bank Plc, which operates in the Greater Helsinki area, does not have owner-members. An important financial benefit is bonuses that customers earn for doing their banking with us. They are earned automatically each month when an owner-member or a customer of Helsinki OP Bank Plc has a transaction volume, personally or on a family basis, amounting to EUR 5 000. Bonuses can be used to pay for the bank's service charges, and from autumn 2007 also for Pohjola's non-life policies.

There were over 950 000 OP bonus customers at the end of 2006. Bonus customers earned a total of EUR 48 million of bonuses in 2006 (42 million), and they applied EUR 36 million of bonuses to pay for various services (34 million). In addition, they were paid EUR 9 million of bonuses in cash (8 million).

When joining as an owner-member of a cooperative bank, the member pays the cooperative contribution, which is set out in the bank's statutes and is generally 100 euros. Owner-members' cooperative capital investments and supplementary cooperative capital investments totalled EUR 695 million at the end of 2006 (717 million). According to advance information, the member banks will pay a total of EUR 20 million in interest on the cooperative capital and supplementary cooperative capital (20 million).

Bonuses double

The prices of the member banks' products and services are competitive and transparent for all customers. OP bonuses are a further benefit of continuous patronage.

The OP Bank Group's good earnings trend will enable the member banks to return, in future, a greater proportion of their earnings to their owner-members. The amount of bonuses paid out will be doubled by the beginning of 2008. From the beginning of autumn 2007, bonuses can also be used to pay for Pohjola's non-life insurance products and

bonus customers receive extra discounts on Pohjola's insurance premiums. The revamped bonus system will furthermore make it possible for individual member banks to pay additional bonuses.

In 2006, households that were loyal customers for both banking and insurance services at the OP Bank Group were offered a home contents policy free of charge.

The most benefits from patronage of the OP Bank Group go to those customers who are both OP loyal customers and also handle their insurance dealings through Pohjola. They are eligible for Pohjola's loyal customer benefits when they take out insurance in two product groups, whereas normally being a Pohjola loyal customer calls for holding a policy in three product groups. All Pohjola's loyal customers receive a 7% discount on home, property, motor liability, accident, travel and comprehensive motor vehicle insurance policies. To receive a discount, there is no need to be a customer of an OP Bank Group member bank. On these bonuses, OP bonus customers receive a further 3% additional bonus as a special benefit.

OP magazine and OP Channel

Owner-members and OP bonus customers are sent the quarterly OP magazine, which presents timely information on banking, insurance, investment and financial matters. According to a study carried out by Kansallinen Mediatutkimus (National Media Research) in 2006, the OP magazine has risen to become Finland's fifth most-read periodical. The magazine has more than a million readers, and it is also the best-known customer magazine in the financial services field.

The OP magazine is rounded out by the OP Channel online service (formerly known as Mainio.net). It offers information on subjects such as housing and personal finances. The number of unique visitors has grown continually, reaching an average of nearly 200 000 unique visitors monthly in 2006.

I've followed developments in banking for a long time. Many things have changed, but customer focus still ranks tops.

Kristina Pihlflyckt
Service Sales Representative
Östnylands Andelsbank

PERSONNEL

The OP Bank Group's values are a people-first approach, reliability and prospering together. They underpin customer service, management and interpersonal relationships among the staff.

Principles of human resources management

The principles of responsible human resources management are observed across the OP Bank Group, and a set of best practices has been put in place to support them. Responsible human resources policy and management are a central part of the social responsibility aspect of corporate social responsibility.

The content of human resources management is subdivided into five categories. Guiding principles and a set of best practices have been defined for each of them.

- Human resources planning
- Development of job well-being
- Personnel development
- Compensation and rewards
- Internal communications

Applying the principles of human resources management is supported by means of training programmes for management and supervisors and through numerous development projects and up-to-date tools. The OP Bank Group management culture is traditionally ethical, responsible and shows respect for people. The principles are intended to clarify and enhance human resources management as well as to maintain and strengthen a good corporate and employer image. Responsible human resources management involves devoting resources to long-term and sustainable top performance. It means bearing responsibility for the personnel in both good and more difficult times. For the personnel it means predictability, reliability and openness.

Within the OP Bank Group, ensuring equality is part of responsible human resources policy. The practical implementation of equality is monitored annually and the results are reported to management and the personnel. The objective of promoting equality is that employees are treated equally in areas such as professional development, career advancement, fair pay and rewards as well as in accommodating the demands of one's job and various life situations.

Structure of the personnel

The OP Bank Group had a payroll of 12 139 employees at the end of 2006 (11 974 in 2005). The member banks had a total payroll of 6 661 employees (6 560), OP Bank Group Central Cooperative Consolidated had 5 459 employees (5 399) and the OKO Bank Group, which belongs to it, had a staff of 2 919 employees (3 254). By far the largest personnel category in the OP Bank Group was permanent employees (92%) and full-time employees (90%). The average age of the OP Bank Group's personnel was 44.6 years. Women made up 76% of the personnel. More detailed information on the structure of the staff is given in the Corporate Social Responsibility Report for 2006.

The integration of Pohjola's functions within the OP Bank Group moved ahead in 2006. Most of Pohjola's locations have been moved to branch offices of the member banks. Pohjola's life insurance, mutual fund, asset management and Group functions were combined as planned as part of the Central Cooperative's and OKO Bank's functions. The integration was carried out in observance of the announced principles of the business combination: openness, respect for each other, equality, finding and introducing the best practices, putting the best skills to work and a shared mindset. The integration process was supported by training people to cope with change.

Skilled staff

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

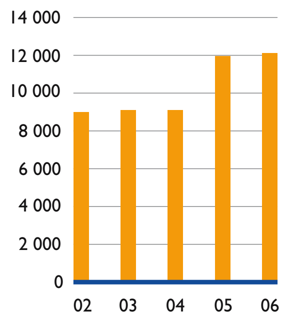
The largest projects aimed at developing human resources management and the staff within the OP Bank Group are connected with the retirement of a sizeable group of employees over the next few years. An important challenge is to ensure that there is a pool of skilled and motivated new people ready to work in positions with the OP Bank Group. Proactive human resources planning is being furthered by carrying out a project targeted at outlining job roles and competence requirements within the OP Bank Group in coming years. In addition, the member banks' tools for competence management were upgraded to meet demands in the years ahead.

In 2006, the OP Academy arranged a total of 817 training sessions in which about 18 391 people participated. Online training has become increasingly popular in recent years, and in 2006 numerous new online courses reached completion for different subareas of banking and insurance operations. In 2006, Pohjola's personnel training was integrated as part of the OP Academy's offerings.

The focus of competence development has been customer-oriented sales work and managing sales training. Nearly 5 000 OP Bank Group staff have developed these skills in training programmes carried out over the past two years. The OP Academy also offers training for investment, financing, insurance and corporate services as well as training for management and supervisors.

For seven years now, the OP Academy has arranged one-year training programmes leading to a degree for management and supervisors, and already more than 1 300 people have completed such a diploma. A newcomer to the range of diplomas offered is the Sales

OP Bank Group personnel at year-end



Working at OP Private gives a good vantage point on trends in asset management. The customer always comes first. Our policy is to treat each person as an individual – genuinely.

Outi Lakka
Portfolio Assistant
Keski-Suomen Osuuspankki,
OP Private Central Finland

The most challenging thing about my job – and the most rewarding – is sales management. Every customer encounter is important.

Sirpa Louhi
Branch Director
Tampereen Seudun Osuuspankki,
Kauppahalli (Market Hall) branch office

Manager diploma that is intended to enhance the work of sales management and supervisors. The OP Successful Manager degree has a strong position as a basic diploma for the OP Bank Group's management. An OP-MBA diploma that has been tailored to the needs of the OP Bank Group has been completed or started by 175 managers or experts.

In addition to training for the personnel, the OP Academy arranges courses also for the member banks' administrative officers. To supplement this training, a package for developing Board work was built to enable the member banks' Executive Boards to develop their operations, either independently or with guidance, in line with good corporate governance.

Well-being at work

The well-being of workplaces is supported by means of development, training and rehabilitation programmes as well as creative recreation. These measures are designed to provide new perspectives and pointers for managing changes in work and ways of doing things.

Personnel surveys were carried out at 47 member banks, OKO Bank (incl. Pohjola) and the Central Cooperative in 2006. The Organisation's Resources index is measured in the member banks' personnel survey and reflects indicators such as resources, the aptness for co-operation and goal orientation of ways of working, supervisors' work and sales management, the employer image, ability to cope with change and the level of well-being at work. All these indicators improved slightly on the previous year and were still at a good level. The job satisfaction measured in the personnel survey conducted at OKO Bank and the Central Cooperative was likewise at a good level. There was strong commitment to the workplace and co-workers. As the integration-related organisational changes moved ahead, development needs were identified in areas such as clarifying the division of labour and organising tasks. According to the survey carried out at Pohjola, the areas of greatest job satisfaction were the content of one's own work, motivation and incentives and leadership. The workplace atmosphere and team spirit saw a further improvement. There was strong belief that the newly merged OP Bank Group will be a success.

Rewards that build motivation

The OP Bank Group makes use of both long and short-term incentive systems that support the achievement of strategic objectives by increasing the staff's motivation and commitment to shared objectives. Personnel have the possibility of receiving profit-based bonuses and other incentives. About 81% of the personnel received bonuses in 2006.

The OP Bank Group Personnel Fund started up on 1 January 2005. The personnel fund comprised 278 OP Bank Group companies at the end of 2006. At the beginning of 2007, the personnel of Pohjola Non-Life and A-Insurance also joined the personnel fund, which then covered about 94% of the OP Bank Group's personnel. Alongside the OP Personnel Fund, the Group operates an equity bonus system for management.

Pension security

For the most part, the employers belonging to the OP Bank Group have arranged the pension security of the personnel under the Employees' Pensions Act (TEL) comprehensively within the OP Bank Group Pension Fund, which operates as an employment pension institution in accordance with the Employee Benefit Funds Act. Part of the OP Bank Group's personnel are also covered by the OP Bank Group Pension Foundation.

The statutory pension security for the OKO Bank Group's non-life insurance personnel and for part of the personnel of OKO Asset Management Limited has been arranged through pension insurance taken out with Ilmarinen Mutual Pension Insurance Company. Supplementary pension security has been arranged by taking out custom-built pension policies of varying content with OP Life Assurance Company Ltd.

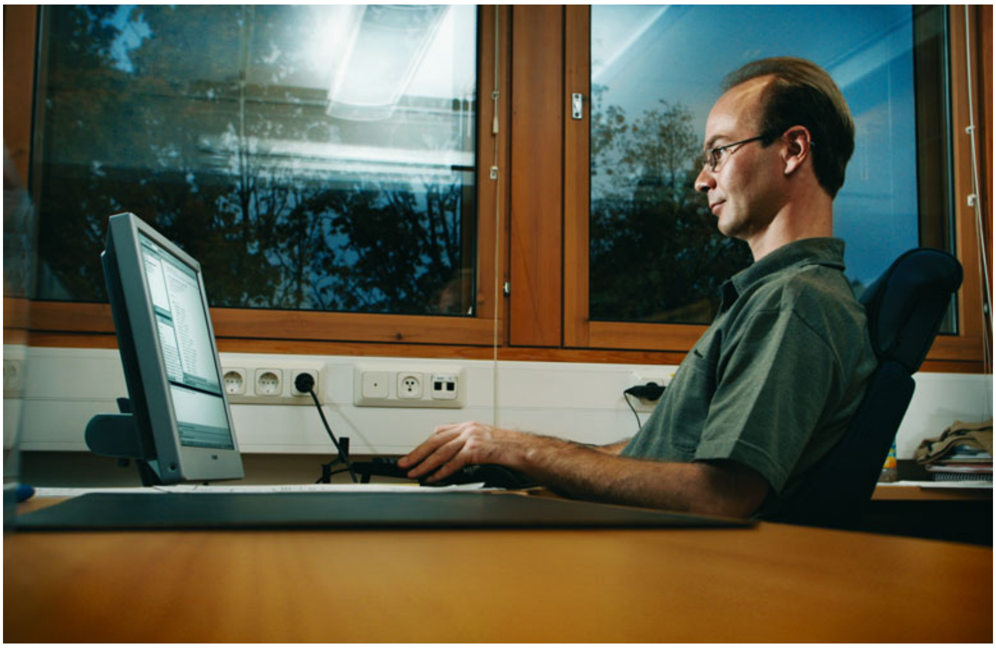
Challenges of the future

Obtaining skilled staff is becoming an increasingly challenging task as baby-boomers reach retirement. In addition to proactive human resources planning, the OP Bank Group has prepared for the future by cultivating both its external and internal employer image. The external employer image is monitored each year in various ways, notably by means of the Universum survey. The OP Bank Group has placed well: in 2006 it ranked 11th and in 2005 it was in 7th place. In addition, the companies in the OP Bank Group have ranked high up in the Best Workplaces survey. Pohjola placed 5th in the large organisation category in 2006.

The OP Bank Group takes part in recruitment fairs around Finland and engages in co-operation with different educational institutions. The OP Bank Group offers summer jobs to about 700 young people. In addition, once a year the Group recruits "builders of the future" for a supervisor training programme lasting about a year.

Ongoing technical advances and the complexity of environments make my work challenging and interesting.

Timo Ruusuvuori
System Expert
OP Bank Group Central Cooperative,
ICT Service Systems, Channels



CORPORATE RESPONSIBILITY

Responsibility for the society around us is an essential part of the OP Bank Group's operations. For as long as it has been in existence, the Group has had close ties to Finnish society. The OP Bank Group's concern for corporate responsibility springs from its ideological foundations – its cooperative heritage – and its core values.

The OP Bank Group reports on corporate responsibility actions and implementation in a separate Corporate Responsibility Report. The objective is to arrive at a reporting system in accordance with the GRI guidelines. GRI (Global Reporting Initiative) is a joint development project and independent organisation comprising a number of stakeholders. It develops internationally approved guidelines for reporting on social responsibility.

Economic responsibility

Matters related to economic responsibility have been discussed extensively in the OP Bank Group's financial statements and annual reports. Economic responsibility is a central part of operations across the OP Bank Group.

Being local is a main focus of the OP Bank Group. The Group's member banks play a leading role in supporting economic activity in their own territories. The OP Bank Group is a major provider of employment and taxpayer. Both locally and nationwide, the Group also promotes development by making donations and offering other financial support. The OP Bank Group rewards its own owner-members and loyal customers by means of bonuses and loyal customer benefits.

Environmental responsibility

The OP Bank Group'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. Paper plays an important part through its use in various customer magazines as well as documents that are mailed to customers. The key actions in reducing paper consumption are projects aiming at extending and enhancing electronic services.

The most important environmental responsibility issues for the financial services sector are connected with the indirect responsibility for the impacts of its customers' operations. An important aspect of environmental responsibility issues related to financing decisions is corporate customers' investment projects. Apart from its actual indirect responsibility, the OP Bank Group seeks to take into account the possibilities of voluntarily influencing customers' operations.

The OP Bank Group's range of services includes the OP Sustainable Development mutual fund. Via the fund, the OP Bank Group offers its customers the possibility of extending their social responsibility ethic to the investment sphere. Within non-life insurance operations, environmental responsibility is connected, for example, with handling claims. Pohjola endeavours to weigh up environmental considerations in its claims processing and in developing its activities.

Corporate social responsibility

The OP Bank Group's corporate social responsibility concerns administrative officers, the personnel, customers and other stakeholders. The OP Bank Group serves its customers through Finland's widest network. A comprehensive and versatile service network is one of the Group's strengths. In developing the service network, account is also taken of special groups such as senior citizens and people with impaired vision and mobility. A good example is helppo.op.fi, which is targeted at customers who have difficulty using the ordinary online service.

An important element of the OP Bank Group's operations is active participation in the ongoing social dialogue and society-related activities. The Group is involved in arranging various discussion and development forums. Amongst

such events are the OP Bank Group Research Foundation's theme day, the OP Wage and Salary-Earners' Forum, the OP Housing Seminar, the OP Forest Day, the OP Harvest Session and the Future of Entrepreneurship event. In addition, the member banks and Pohjola play an active part in social affairs at the local level and participate in the development of their own localities in many ways.

The OP Bank Group's considerable annual charity donation in the report year was made to the Federation of Mother and Child Homes and Shelters. 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. More than 55 000 school pupils took part in the OP Bank Group's nationwide art competition.

Nationwide support activities also include the activities of the OKO Bank Art Foundation as well as the OP Bank Group Research Foundation and the Kyösti Haataja Foundation. In addition to direct charity actions, the OP Bank Group also uses sponsorship as a further means of supporting socially responsible initiatives. The activities chosen for nationwide sponsorship in 2006 were the Savonlinna Opera Festival, the Kuhmo Chamber Music Festival, the Helsinki Festival, the Workers' Music Festival in Valkeakoski, Art Centre Salmela and the Finnish National Theatre.

Corporate Responsibility Steering Group

Corporate responsibility is developed as part of the daily work of the OP Bank Group's member companies. The Corporate Responsibility Steering Group guides and tracks the corporate responsibility efforts. The steering group comprises representatives from the member banks, OKO Bank, the Central Cooperative and Pohjola.

The OP Bank Group has reported on its corporate responsibility since 2003.
A separate Corporate Responsibility Report has also been published for 2006.

For me, personnel development means helping people and workplaces grow. To accomplish this, you need a long-term perspective and you've got to be "in sync" with the times.

Jukka Tanskanen
Development Manager
OP Bank Group Central Cooperative,
HR Services, Personnel Development

REVIEW OF PRODUCT AND SERVICE DEVELOPMENT

Over four million Finns use the OP Bank Group's products and services. The task of our product and service development is to ensure that our customers have constant access to the best services on the market – be they daily basic services or special services required by a small group.

Within the OP Bank Group, the Central Cooperative is in charge of product and service development. Its task is to create competitiveness and build a foundation for the success of the entire Group. The promises we make to our customers, including our most recent promise of the best loyal customer benefits on the market, are a binding and stimulating obligation in shaping the way we operate.

Highlighting a proactive stance and an understanding of customer needs. The OP Bank Group's product and service development rests on an understanding of customer needs and the Group's strategic choices. Developing a product from idea to day-to-day use is a time-consuming process. This makes it imperative to foresee changes in the operating environment when carrying out the development work and to exploit future opportunities to the full extent.

Population ageing, customers' growing affluence, regional development and changes in the way customers transact their business are examples of unfolding trends that also impact service offerings in the financial sector. Only by forecasting these trends can we ensure that the OP Bank Group's service offerings remain competitive in coming years, as in the past.

Customers' opinions and feedback are an essential starting point for our development work. Each year we bring out on the market numerous new products and services that have been developed through the collective effort of hundreds of professionals. By the same token, our old products and services that may have been in use for years undergo continuous development. Many of the improvements are virtually invisible to the customer, but they underpin the security and competitiveness of our products and services throughout their life cycle.

Swift integration of member bank and Pohjola branch offices. 2006 was a year of combining know-how across the Central Cooperative's product and service development. With the Pohjola transaction, we combined the companies' separate life insurance, mutual fund and asset management functions. The integration has moved ahead as planned and has already yielded important benefits for customers.

The member banks and Pohjola have also combined their branch offices swiftly. By now, 175 locations offer both banking and non-life insurance services. Customers' feedback on the joint branch offices has been very positive, and it is our objective to increase the number of locations offering banking and non-life insurance services to about 250. At the same time, we are pushing ahead with the development of unified service procedures.

Giving all our customers access to a professional investor's tools. In addition to combining the OP and Pohjola mutual funds, we rounded out our family of funds in 2006 by launching a new capital-protected fund and three new fixed-income funds. The more than half a billion euros in capital that the new funds have garnered attests to the appeal of these products.

All in all, our range of 57 mutual funds now meets the needs of the most discerning mutual fund investors. A testimonial to this is that both consumers and institutional investors chose OP Fund Management Company Ltd for the second time in succession as Finland's most highly regarded fund manager.

Our stockbroking services at the op.fi online site have likewise been improved and expanded so that they now cover trading on the Stockholm Stock Exchange. In a few months, we will also offer our customers the possibility of trading on the European and United States stock markets. Our online service for investors now includes the full breadth of our investment research, which a number of times has been rated Finland's best, as well as a wide assortment of various tools for the saver and the investor. They give every OP Bank Group customer the opportunity to participate in the markets on equal terms with professional investors.

A pioneer in electronic services. The OP Bank Group is a pioneer in the development of electronic services. The Group has become Finland's largest online bank by market share. In 2006, the number of the Group's customers who use the online service went over a million, and over 70% of all bills are now paid online. At present, the OP Bank Group offers its customers electronic banking services that are among the world's most progressive.

Our customers can elect to handle a significant part of their banking services electronically. Among the latest steps forward have been online tools for managing one's personal finances, a dedicated online service for mobile devices, interactive stockbroking backed by versatile information services, electronic bills and an easy-to-use online service for people with impaired vision and older users.

The OP Bank Group is continuing to roll out a multichannel service network encompassing the Internet, a Call Centre and physical locations. They have been combined into a seamless entity that provides customers with the services they require in the channel of their choice or in a combination of channels. The multichannel service offerings will improve further when non-life insurance services too are made an integral part of the multichannel operational model.

Big outlays; responsibility for the future. The OP Bank Group has made large-scale inputs into product and service development in all its different forms. This is to ensure that we are able to meet our customers' every service need, now and in coming years. As Finland's leading financial services group, we also bear responsibility for the future of the entire sector and for the development of service offerings. The OP Bank Group's objective is to see to it that Finns are continuously able to use the world's most progressive banking services for decades ahead.

Helsinki, 15 February 2007

Tony Vepsäläinen
President, OP Bank Group Central Cooperative

CUSTOMERS AND SERVICE NETWORK

The OP Bank Group has a total of over 4 million customers in Finland. There were about 3.2 million banking customers and about 1.6 million Pohjola insurance customers. The number of customers grew strongly in 2006. The number of joint customers for banking and insurance operations is rising smartly and stands at about 0.8 million.

The OP Bank Group's leading position in the Finnish banking market has strengthened. According to the annual survey of bank-switching conducted by TNS Gallup Oy, 38.7% of Finns are patrons of the OP Bank Group as their main bank (37.5% in 2005). The results of a survey by Add Value Research Finland Ltd on small and medium-sized enterprises indicates that the corresponding proportion for SMEs is 39% (35%). According to the Risc Monitor 2006 survey, 20% (19%) of Finns take out non-life policies with Pohjola.

The OP Bank Group's objective is to cultivate full-spectrum and enduring customer relationships in which the customer's patronage extends to both the banking and insurance services offered by the OP Bank Group. Owner-members are discussed on pages 18-19. Helsinki OP Bank plc, which operates in the Greater Helsinki area, is a subsidiary of the Central Cooperative and owing to its company form, it does not have owner-members, but has just over 105 000 OP bonus customers.

Of Pohjola's more than a million customer households, about 367 000 were loyal customer households. The OP Bank Group's target is to increase Pohjola's number of loyal customer households to 500 000 by 2010. In addition, Pohjola has subsidiaries in the Baltic countries, where there are a total of about 200 000 customers.

The objective of customer care services is to give the OP Bank Group a competitive edge. A knowledge of customers revolves around regularly surveying the customer's needs. The aim of getting in touch is to find the most appropriate total solutions for the customer. Via the Pohjola transaction, the OP Bank Group became a financial and insurance conglomerate, giving it increased scope to offer customers total solutions efficiently.

Strong brands

The OP Bank Group has a unified brand architecture. Both Osuuspankki (OP bank) and Pohjola are strong brands. In 2006, the Group introduced new brand guidelines designed to keep the OP and Pohjola brands separate. The OP Kiinteistökeskus estate agents, which celebrated 60 years in business in 2006, are an OP subbrand. Pohjola's subbrands are Eurooppalainen and A-Vakuutus (A-Insurance).

The loyal customer benefits slogan that the OP Bank Group launched in early 2007 is "Benefits for life." This means that the OP banks always offer benefits worth money, which customers find attractive. Pohjola is continuing its product advertising under the slogan "Live Your Life."

The banks of the OP Bank Group are known as being expert, reliable, prosperous and distinctly Finnish banks. According to a corporate image study commissioned by the OP Bank Group, the OP banks receive better marks on the above-mentioned factors from both their customers and non-customers than their main competitors. In the survey of the Most Highly Regarded Brands, the OP Bank Group is the only bank that places within the top 100 most highly regarded brands; it ranks 71st. In brand measurements of the insurance business that were made during 2006, Pohjola ranked as the best-known insurance brand in Finland.

A multichannel service network

The OP Bank Group's multichannel service network comprises locations, the online service and Contact Centre activities. Customers' main channel for doing their banking is the online service, but customers are offered high quality services in every channel. Developing a multichannel service network is one of the top priorities for the OP Bank Group's strategy.

Locations

At the end of 2006, the OP Bank Group had a total of 670 locations (783). 175 of these offered both banking and non-life insurance services. The objective is to increase the number of locations offering banking and non-life insurance services to about 250. The network of locations is rounded out by Pohjola's rapidly evolving network of agents. Among the reasons for the decrease in the total number of locations is that in a number of localities a member bank and Pohjola have moved into joint premises.

The OP Kiinteistökeskus estate agents are subsidiaries of the member banks. The chain has a total of 174 outlets.

As online services have gained in popularity, the use of ATMs has fallen for several years now. In 2006 less than 10% of all the bills of OP Bank Group customers were paid using payment ATMs.

The OP Bank Group's service network

	31 Dec. 2006	31 Dec. 2005	Change from beginning of year, no.
Banking and insurance locations	670	783	-113
offering banking services only	466	674	
offering insurance services only	29	103	
offering banking and insurance services	175	6	
OP-Kiinteistökeskus outlets	174	165	9
Online customer terminals	603	631	-28
Payment ATMs	555	606	-51
Online service contracts	1 094 000	996 000	97 900

Online services

Online services are reinforcing their position as the most important channel for doing one's banking. The number of customers who have made an online service agreement with the OP Bank Group was about 1.1 million at the end of 2006. The online service is used mainly for paying bills, but the usage for investment, loan and information services is also on the rise. In 2006, about 70% of customers' bills were handled over the Internet. Only about 4% were still paid directly through a teller. The primary project for enhancing the online service is the addition of non-life insurance as a natural part of the basic offerings of the op.fi online service.

Contact Centre activities

The OP Bank Group's centralised Contact Centre, the member banks' customer care management units and Pohjola's Contact Centres together make up the OP Bank Group's

For over 25 years now I've enjoyed my job serving people in different stages of their lives.

Jukka Varesto
Real Estate Agent
Päijät-Hämeen OP-Kiinteistökeskus Oy LKV

Contact Centre function. They offer customers personal service over the phone and by means of other electronic channels. The aim is to make service availability easier – anytime, any place.

The Group-level Contact Centre is a centralised service channel for banking that offers service for customers and sales support for the member cooperative banks. Its role becomes all the more important in handling high-volume, demanding contacts that require real-time special expertise. The centralised Contact Centre furthermore offers customers expert service for using online services, companies' payment transfers and tapping the know-how of the OP Bank Group's staff. The Contact Centre operates in Helsinki, Joensuu and Vaasa, and it employs about 190 people. Matters that customers are familiar with are agreed over the phone. More demanding service needs are dealt with by making an appointment at a branch office.

In 2006 the centralised Contact Centre handled about 888 000 customer contacts (786 000). The volume was increased, among other things, by the loyal customer benefits offered by the member banks and Pohjola. In 2006, for the 8th time running, the OP 0100 0500 Call Centre received the best marks within the financial services sector in the survey conducted by Taloustutkimus Oy.

Pohjola's Call Centres for private and corporate customers attended to a total of about 1 085 000 customer contacts in 2006. The Call Centres operated in Helsinki, Tampere and Kuopio and were staffed by about 230 employees. The principle is to resolve the customer's service request during the call. The Call Centres also obtained new loyal customers for Pohjola and handled companies' annual inspections.

Via ***Pohjola's Call Centre for claims service***, the customer can report loss or damage that has occurred. In 2006, about 400 000 calls were answered and about 60 000 notifications of loss came in. The service employs about 75 claims handlers in Helsinki and Tampere.

BANKING AND INVESTMENT SERVICES

Banking and Investment Services is the largest of the OP Bank Group's business segments. It covers lending, payment services and asset management for both private and corporate customers.

The starting point for banking and investment services is products and services that are competitive in quality and price. The division has a strong market position in nearly all its subareas of operations, its forte being lending and deposits. The most ambitious growth targets are within asset management, consumer lending and corporate banking as well as payment services. As a rule, OKO Bank is in charge of the largest corporate customers, OKO Bank or a member cooperative bank for medium-sized customers and a member bank for small customers. The melding of Pohjola into the OP Bank Group offers growth potential in services for corporate and institutional customers. Outside Finland, services are offered in co-operation with strong local banks. OKO Bank belongs to the Unico Banking Group, which is composed of European cooperative banks, and forms a worldwide service network for the customers of OKO Bank and the member banks.

ASSET MANAGEMENT

Asset management is one of the OP Bank Group's priorities. The OP Bank Group offers a comprehensive range of asset management products and services. Apart from deposits, mutual funds, insurance saving, stock broking and debt issuance, the OP Bank Group has increased its market share within private banking focused on discretionary asset management. The OP Bank Group's online service offers the most comprehensive investment tools and investment research on the market. In addition to Finnish equities, customers have been able to use the online service to trade in Swedish shares, and the spectrum of choices is now being expanded. The number of customers who save regularly through an account, a mutual fund or an insurance policy was about 316 000 (about 263 000).

Investing short-term excess funds is an essential part of a company's cash management. Apart from investment alternatives in account form, the OP Bank Group offers a variety of money-market mutual fund alternatives and a broad range of money market investments. OKO Asset Management Limited is responsible for the asset management services of the largest corporate and institutional customers. It has a significant position, especially as an asset manager for institutions. Assets under management amounted to more than EUR 30 billion at the end of 2006, and over 100 investment professionals were engaged in managing these assets. In addition to its own portfolio management, the company has 16 international partners. Pohjola Property Management Ltd specialises in property investment in Finland and in selecting indirect international real estate funds.

Deposits

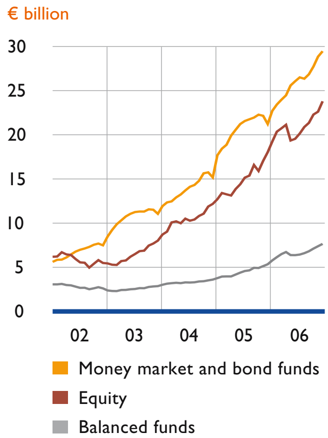
Deposits have retained their position as a vehicle for saving and investment. They appeal to customers because they are trouble-free and secure. The OP Bank Group's market share of financial institutions' euro-denominated deposits in Finland was 32.7% (31.9%) at the end of 2006. Total deposits amounted to EUR 25.8 billion (24.2 billion).

Nearly every adult Finn has a ***current account***, for which a debit or cash dispenser card can be taken out as a means of using the account. The ***Flexible Target Account*** has firmly established its position as an account for long-term saving. Other alternatives include ***continuous and fixed-term high-yield, ASP (Home Savers' Bonus system), mutual fund and foreign exchange accounts***. At the end of 2006 there was EUR 10.6 billion of households' funds in OP Bank Group current accounts (10.7 billion). There were a total of about EUR 10.8 billion of investment deposits (9.5 billion), most of which were made by households.

Mutual funds

OP Fund Management Company Ltd manages the OP Bank Group's mutual funds. Capital invested in mutual funds amounted to EUR 13.3 billion at the end of 2006 (10.0 billion) and the market share of capital invested in mutual

Mutual fund capital in Finland



Source: The Finnish Association of Mutual Funds

funds registered in Finland was 21.8% (22.3%), with a 21.5% share of customers (21.7%). Over EUR 12 billion of new capital was invested in funds registered in Finland in 2006. A net amount of just over EUR 2.4 billion was invested in OP mutual funds in 2006 and they had a total of about 492 000 unitholders.

OP Fund Management Company has a comprehensive range of ***money market and fixed-income funds, balanced funds, equity and hedge funds***. In addition, OKO Bank Securities Ltd offers JPMorgan funds, which make possible efficient investment in foreign equities and fixed-income instruments. In addition to a comprehensive assortment and wide expertise, the OP Bank Group's strengths are an extensive distribution network and strong inputs into product development. The mutual funds are sold by investment professionals at the member banks. Portfolio management is handled either by OKO Asset Management Limited's professionals, JPMorgan or some other international partner in co-operation.

Stockbroking and securities custody

The OP Bank Group's ***Custody Services*** for investment assets have garnered customers at a faster rate than the market average. At present, the Group has about 240 000 custody services customers. The good trend has been supported by changes in service and pricing as well as active sales efforts. Use of the ***Market Information Service*** that is intended as an investment aid has grown rapidly. The daily number of visitors has tripled in two years, to about 60 000 visitors. The service now also offers international portfolio investments and news items.

Private banking

One of the Group's growth areas is private banking, which offers discretionary, agreement-based asset management. At the OP Bank Group, it is offered nationwide: 20 major member banks have their own ***OP Private unit***. The service is suited to individuals who have at least EUR 100 000 of assets to invest. As part of the ***Investment Consultancy*** service, an OP Private specialist makes suggestions for changes in the content of the portfolio, but the client is the one who decides on buy and sell orders. Under ***Discretionary Asset Management***, a bank expert manages the client's assets and takes investment decisions in accordance with a jointly agreed strategy. In addition to the OP Private units, similar services are offered by ***OKO Private***, an arm of OKO Asset Management Limited, which attends to private customers in the Greater Helsinki area who have customer assets in excess of EUR 1 million. Elsewhere in Finland, the unit manages the assets of the owners and top management of OKO Bank's corporate and institutional customers.

LENDING

The OP Bank Group's market share of financial institutions' euro-denominated loans in Finland was 31.1% (30.5%) at the end of 2006. The market share of home mortgages was 34.4% (34.0%) and for corporate loans it was 25.8% (24.9%). The OP Bank Group's entire loan portfolio totalled EUR 39.6 billion (34.8 billion), of which the corporate loan portfolio amounted to EUR 11.0 billion (10.0 billion).

Residential lending and brokerage services

The OP Bank Group offers services for buyers and sellers of permanent and leisure time residences, as well as for builders, tenants and landlords. The residential lending and brokerage services work in a way that revolves around co-operation between the member banks and the OP Kiinteistökeskus estate agents and is supplemented by Pohjola's insurance policies.

Residential lending

The OP Bank Group is the biggest player in Finland's home mortgage market. The portfolio of home mortgages stood at EUR 18.9 billion (16.4 billion). In 2006, the Group's private customers drew down EUR 6.9 billion in new loans (6.3 billion). The growth in the OP Bank Group's loan book outpaced the market. The housing market is expected to hold up well in 2007 too, though the period of peak growth has probably been passed.

The most widely used reference interest rate for ***home mortgages*** is the 12-month Euribor, though more than half of new home mortgages were linked to the OP Prime. The average interest rate on new loans grew by about 0.9 percentage point in 2006. Various ***interest rate hedged products*** have had ever-wider appeal and there has been increased demand for interest-capped loans. The interest rate spread has narrowed and was on average 0.7 percentage point across the OP Bank Group at the end of 2006. At OP Bank Group units, loans can be granted with a fixed interest period of up to 20 years. Customers who take out an interest-capped loan can set an upper limit on the rate. In autumn 2006, the Group launched its own product on the market alongside State-guaranteed home mortgages.

In my job, I can help companies and entrepreneurs with their daily business dealings. It's important to build trust and to find just the right solutions together with each customer.

Mikko Ruokoniemi
Finance Manager
Salon Seudun Osuuspankki,
Corporate Bank

Insurance coverage is also part of the OP Bank Group's residential lending and brokerage services. Home property insurance is available through Pohjola. About a third of home mortgages are covered by repayment protection insurance. The insurance is written by Genworth Financial. OP Mortgage Bank obtains its funding by issuing mortgage-backed bonds. Via OP Mortgage Bank, the member banks grant loans to home-buying families and for new building and renovation projects carried out by housing corporations.

In a survey carried out by Taloustutkimus Oy, the OP Bank Group's residential lending service was rated best, for the eighth time running, for all of the criteria studied: interest rate level, loan period, flexibility and expertise.

Property brokerage

The OP Kiinteistökeskus estate agents are subsidiaries of the member banks. Gauged by transaction volume, they are Finland's largest chain operating under one business emblem. The chain is also Finland's oldest, and in 2006 it celebrated 60 years in business. The OP Kiinteistökeskus estate agents brokered about 16 000 home purchases (16 500). The chain has a total of 174 outlets.

House prices in Finland kept rising in 2006. Prices of old apartments rose nearly by 8%. Prices vary increasingly in relation to the location and condition of the home. Competition amongst estate agents has become keener, especially now that new players are entering the market. They have also brought new wrinkles to the brokerage process. In 2007, house prices are likely to tail off, though the rise in interest rates may also come to a halt. The number of homes bought and sold will probably remain at the level of recent years. The demographic shift to growth centres and the relative growth of small households will bolster home sales.

Consumer lending

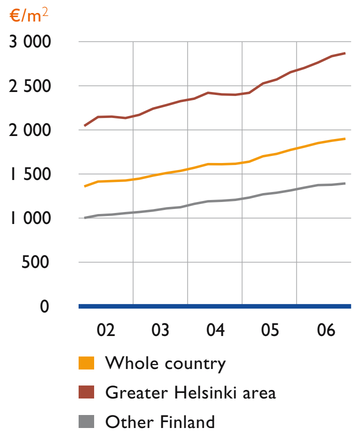
The OP Bank Group's consumer lending services cover ***secured and unsecured consumer loans***, which can be either for ***continuous use or one-time purchases***. The portfolio of consumer loans was EUR 2.8 billion at the end of 2006 (2.5 billion). About 84% of this figure consisted of secured loans. The average rate spreads declined somewhat.

Unsecured consumer loans are the province of OP-Kotipankki Oyj, whose prime distribution network is the member banks and the online service. At the end of 2006, the company had a loan portfolio of EUR 435 million (317 million). Growth was fuelled, notably, by the good demand for new products and the increased number of ***OP Visa cards***. Another factor supporting growth is the ease of use of self-service functions, including the ***FlexiLoan*** and the ***Target Loan***, which can be applied for via the op.fi online bank. Already more than half of the approved consumer loan applications are filled in on the Internet. The OP Visa combines credit card and loan facilities. Of Finland's Visa cards, the OP Bank Group's share is about 50%, and in 2006 it racked up a whopping 70% of the cards granted.

Each customer has different loan requirements. The best part of my job is finding the optimal solution for everyone. That's what responsibility day-by-day means to me.

Aulikki Nuutila
Home Mortgage Adviser
Turun Seudun Osuuspankki
Kaarina branch office

Nominal prices of flats in Finland



Source: Statistics Finland

The OP Bank Group and the Kesko Group agreed on long-term co-operation within card development, payment transfers, cash services and customer credit. The objective is to develop a wide array of new products and services for the customers of both groups.

Within the OP Bank Group, OKO Bank is responsible for consumer lending services via a retail intermediary. One of OKO Bank's priorities has been ***vehicle and consumer financing services***. OKO Bank's consumer loans include K-rauta Rahoitus (hardware), Puustelli-Rahoitus (furniture) and Marimekko MasterCard (garments and designer accessories). The financing services loan portfolio of OKO Bank Retail and Wholesale Industry Financing was EUR 709.1 million at the end of 2006 (647.5 million).

Corporate banking

The OP Bank Group offers a variety of alternatives for the daily liquidity management of companies and institutions, for investments and for other financing needs. In 2006, EUR 5.8 billion in new corporate loans was drawn down (5.5 billion).

The OP Bank Group supports its customers in ***financial planning*** and in developing their finance structure. One of the focus areas is arranging finance in the capital markets for large and medium-sized companies. ***Finance company products*** serve to support customers' business operations and are generally used for funding a given project. The security for the loan is most often the asset to be financed. The OP Bank Group's loan portfolio for finance company products amounted to EUR 2.4 billion at the end of 2006 (2.1 billion) and it had a market share of 34% (33%).

To maintain liquidity, the OP Bank Group has several forms of financing, including an ***overdraft corporate account***. Protection against risks is offered through facilities such as ***repayment protection insurance on corporate loans and interest-capped loans***. The solutions offered to customers are often a combination of the services of a member bank, OKO Bank, Pohjola and Ilmarinen Mutual Pension Insurance Company.

OKO Bank offers finance and cash management as well as money, currency and debt market services. It grants loans and guarantees as well as leasing and factoring services, arranges financing on the debt market and engages in venture capital activities. ***Equity financing*** within the OP Bank Group is offered via the mutual funds run by OKO Venture Capital Ltd. Its investing operations are geared to the M&A arrangements of small and medium-sized companies. Advisory services for corporate financing are offered by OKO Corporate Finance. OKO Bank also has co-operation with the European Investment Bank (EIP).

Services for agricultural and forestry customers

The OP Bank Group has a strong position as a provider of services for agricultural and forestry customers. The market share of loans extended to the sector is over 60%. The services cover banking, investment and insurance solutions. Asset management has gained in importance. Farm and rural business income declined in Finland by about 7% in 2006, owing to the poor harvest and the rise in production costs. Capital investments have for the most part had good momentum. The OP Bank Group's portfolio of loans in the agricultural and forest sector increased by 4.5% in 2006. Investments by livestock farms and greenhouse companies have been spurred by an investment subsidy that will be granted with an increase up to the end of 2007. A setting-up aid for changes in farm ownership supports young people who continue to run a farm. The inclusion of Pohjola within the OP Bank Group has also opened up new possibilities in the agricultural and forest sector. In 2006 the OP Bank Group revamped and developed two fast-growing forest services: legal services and forest insurance. They are an increasingly important part of the member banks' services for forest owners.

PAYMENT SERVICES

The OP Bank Group's market share of transaction volumes in domestic and foreign payment services in 2005 was 33.0%. The figure for 2006 is not yet available. The weighting given to payment services within the Group's strategy was raised. In the corporate and institutional sector, the greatest growth will be sought within payment services for medium-sized and large customers.

The OP Bank Group offers its private customers a variety of tools for handling their daily finances. As much as 93% of the total cards issued are payment-enabled, and only 7% are plain cash dispenser cards. The volume of ***card payments*** is already nearly four times the volume of cash withdrawals made with a card. Of the OP Bank Group's roughly 2.0 million ***debit and credit cards***, some 70% are now international cards. All the cards granted in 2006 for international use incorporated a chip.

For companies and institutions, the OP Bank Group offers tools for managing domestic and foreign payment transfers, communicates information on money transfers and makes possible disbursements and transfers of information directly from a ledger. A company can handle its banking securely online or by means of a data link via a batch transfer and it can furthermore expand its trading to the Internet.

The Single Euro Payment Area (SEPA) calls for changes in a number of services. At the beginning of 2008, Europe-wide payment transfer services will be offered in areas such as wire transfers, direct debiting and payment cards. Before the close of the transition period at the end of 2010, it will be possible to use all the OP Bank Group's cards in all the SEPA countries just as in Finland.

E-billing is a service package for e-billing between companies and private customers. The sending of e-bills has increased significantly. Towards the end of 2005, the OP Bank Group was the first in Finland to bring out on the market an e-billing service for private customers. This has also supported growth of them in the corporate and institutional sector. Some 21 000 corporate customers have made an agreement for the service. Nearly 70 companies offered their private customers the possibility of receiving e-bills, and the service was activated by about 20 000 people.

Towards the end of 2006, about a third of the OP Bank Group's ***bank statements*** were delivered online, whereas a year earlier the volume was only about 20%. Some 770 000 people wished to receive their bank statement on the Internet. The spread of e-commerce has brought a marked increase in the use of ID and online payment services. There were about 5.0 million transactions (2.8 million).

The ***corporate cash pool service*** offered by the member banks is a solution for corporate customers' cash management needs and for planning payment liquidity. The OP Bank Group also offers comprehensive international cash management services. Furthermore, the OP Bank Group's clientele includes about 400 municipalities. In this way too, OP services are close to all Finns.

The OP Bank Group carries on co-operation with the other European cooperative banks, especially through two organisations. The European Association of Co-operative Banks participates in the creation of the Single Euro Payment Area. The Unico Banking Group, which is made up of six cooperative banks, focuses on developing payment transfer and cash management services. Bank of America is also part of the network. In addition, OKO Bank has co-operation agreements with Bank of America and a number of other foreign banks, enabling it to provide competitive cash management services for the OP Bank Group's corporate customers.

LIFE INSURANCE

The OP Bank Group's comprehensive range of life insurance products includes pension policies, savings and unit-linked policies as well as term life insurance and capital redemption contracts for companies.

OP Life Assurance Company Ltd is the OP Bank Group's life insurance company that is specialised in product development and insurance production. Sales are handled primarily via the member banks, and for corporate customers, Pohjola's network is also used. The OP Bank Group is going after strong growth in the life insurance business. At the same time, preparations are being made for possible changes in the operating environment, such as changes in pension savings plans and in the taxation of pension insurance.

The OP Bank Group's life insurance operations expanded after Pohjola became a part of the OP Bank Group in 2005. The range of products broadened, and it now covers both policies for private individuals and group pension policies and other life insurance which businesses need.

Suomi Mutual Life Assurance Company purchases its policy management services from OP Life Assurance Company. The insurance portfolio contains the agreements of some 300 000 customers.

Finland's aggregate premiums written in the life insurance sector decreased from the previous year. As recently as 2006, the aggregate premiums written of OP Life Assurance Company and Pohjola Life, both of which operated separately, was EUR 867 million at the end of the year (974 million) and they had a combined market share of 28.3% (30.4%). The market share of insurance savings rose to 19.1% (17.8%). Of the companies' premiums written, about 87% came from policies written for private customers and 13% from policies written for companies and institutions.

The life insurance companies have responded by directing their efforts towards selling and developing unit-linked policies, which already accounted for 55% of the OP Bank Group's premiums written from life insurance at the end of 2006 (41%) and for 37% of insurance savings (32%).

The merger of the two companies also means a major overhaul of the information systems. Over the next few years this will make it possible to bring numerous new products out on the market. A further aim of product development is to simplify pricing structures and to improve transparency.

Private customers

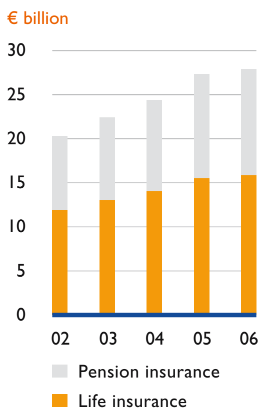
Insurance for private customers is sold by the member banks. Customers are also served through Pohjola, selected external sales channels, the Call Centres or the Internet. Private customers' insurance savings amounted to about EUR 4.9 billion at the end of 2006 (4.3 billion).

Savings and unit-linked policies

OP Savings Insurance is a savings life policy that is intended for continuous saving or for a one-time investment. It is taken out for a fixed period and can be in effect even up to the time when the beneficiary reaches the age of 100.

OP Unit-linked Insurance is targeted at the active investor. It is a means of bundling a number of mutual funds that can be switched without an extra charge. The return on the savings is not taxed until the agreement comes to an end. The policy is very suitable for long-term saving and investment.

Life and pension insurance savings in Finland



Source: Federation of Finnish Financial Services

An Insurance Adviser's work revolves around keeping in touch with people. A flow of new products makes the work interesting.

Anne Heinonen
Insurance Adviser
OP Life Assurance Company Ltd

Pension policies

The OP Bank Group's market share of new pension policies sold during 2006 (unit amounts) was 31% (33%). The OP Bank Group is the market leader in sales of new policies. A total of about 150 000 customers have a pension policy with the OP Bank Group.

In 2006 there was lively discussion in Finland of the need to save for one's own pension. The dialogue nevertheless did not lead to a rise in premiums written from the present form of individual pension insurance. At present, individual pension insurance is the only tax-subsidised form of voluntary pension saving. A person who has taken out an OP pension insurance policy can retire at the age of 62 or improve his or her level of statutory pension security, or else opt for both alternatives. The strong points of the OP pension policies are competitive administrative expenses, a simple cost structure, clear-cut terms and a flexible payment schedule.

Term life policies

Term life policies have long been part of Pohjola Life's product range. These policies can now be offered via the member banks' extensive network. By international standards, the level of Finns' term life insurance is comparatively low. The OP Bank Group's premiums written from term life insurance in 2006 was EUR 34.6 million (47.7 million). In the space of about a year, the Group will offer a policy covering serious illness and cover for permanent disability as well as a renewed term life policy.

In the area of risk term insurance, the OP Bank Group has supplemented its own products through partnership with Genworth Financial, an insurance company specialised in loan repayment cover policies. The products offered are repayment cover insurance for both private and corporate customers as well as a serious illness policy for private individuals. In 2006, repayment cover insurance was added to about 33% of new loans. A policy that can be taken out to cover a serious illness provides customers financial security and freedom of choice. The policy is the most comprehensive on the market. Customers can also buy fixed-period travel coverage either at a bank branch office or online.

Corporate and institutional customers

Group and corporate pension policies are sold through both the member banks and Pohjola. Various corporate products and sales of them to the OP Bank Group's extensive corporate customer base are one of the priority areas for OP Life Assurance Company.

Group pension policies

Group pension insurance is supplementary pension insurance for companies, by means of which an employer can supplement the statutory pension security of employees or a specific group of employees. The employer and employee can together participate in building up insurance savings.

The OP Bank Group is Finland's second-largest player in the group pension insurance market. The objective is to achieve market share gains, for example, by offering modern products. The member banks provide a good sales channel for doing this. Defined contribution based, unit-linked ProFundia is a fairly new product. In a defined benefit plan, the beneficiary is promised a given level of benefits, whereas in defined contribution policies the employer decides on the level of the annual premium. Apart from ProFundia, which is a new-concept product, the product range includes tailor-made, defined benefit group pension solutions. At the end of 2006, the entire portfolio of group pension policies comprised about 550 insurance agreements with about 15 000 beneficiaries. Assets invested in group pension policies totalled about EUR 228 million.

Other insurance for businesses

Statutory insurance for a company's personnel provides basic security, which can be improved by taking out voluntary supplementary policies. These are pension, term and accident policies. Term policies are a means of preparing for the main human resources risks from the standpoint of the operational continuity, and motivating the staff at the same time. OP Personal Pension Insurance for Corporate Customers is a well-yielding alternative as a means of commitment-building and rewards for key employees, or as a way supplementing an entrepreneur's pension security. Pohjola writes accidents policies.

OP Life Assurance company's portfolio contains individual pension policies that have been granted to about 20 000 companies. The companies have taken out term life insurance for some 25 000 employees.

By means of repayment cover for a corporate loan, a company can prepare for the main personnel risks to operational continuity. It is written by Genworth Financial.

Capital redemption contracts

The OP Capital Redemption Contract is a way of tying together the benefits of both mutual fund and insurance investing. Through it, portfolio choices for assets invested in the insurance can be switched in accordance with the company's needs. The asset classes are the money markets, long-term fixed-income investments, domestic equities and global equities.

The OP Capital Redemption Contract is a single-premium savings contract that is designed particularly for the investment needs of companies, municipalities, congregations and other institutions. There are just over 500 such contracts in effect.

NON-LIFE INSURANCE

The OP Bank Group offers comprehensive non-life insurance coverage for both private and corporate customers. For customers, operations are mirrored through the Pohjola, A-Vakuutus (A-Insurance), Eurooppalainen and – in the Baltic countries – Seesam brands. The main policies for private customers are motor liability policies, household policies, accident and medical expenses policies and travel policies. Companies and corporations are offered all statutory and voluntary policies as well as extensive risk management services.

In Finland, insurance operations are handled via three companies: Pohjola Non-Life Insurance Company Ltd is a non-life insurer, A-Insurance Ltd is specialised in coverage for commercial carriers and Eurooppalainen focuses on travel insurance. The local Seesam companies attend to non-life insurance in the Baltic countries.

A central part of operations is the claims service, which for customers is the essence of insurance coverage. In addition, customers are offered a wide spectrum of services connected with risk management and security.

The OP Bank Group is Finland's second-largest non-life insurer, with a market share of about a quarter (26% in 2005). Pohjola has more than 1.6 million customers in Finland. The objective is to become Finland's leading non-life insurer. Pohjola is at present the leading insurer, in areas such as statutory workers' compensation insurance, insurance for professional transport and travel insurance. The market share figures for 2006 will come out in spring 2007. In addition, Pohjola has about 200 000 customers in the Baltic countries.

Pohjola is furthermore the main sales and customer service channel for Ilmarinen Mutual Pension Insurance Company's statutory employment pension policies. Ilmarinen carries pension policies for nearly 390 000 employees and provides pension security for 50 000 self-employed persons.

Non-life insurance involves bearing a customer's risk in exchange for charging an insurance premium. In non-life insurance, operating profit results from the balance on technical account and the return on investments. The balance on technical account is arrived at by subtracting claims incurred and operating expenses from premiums written. The most important indicator of profitability is the combined ratio, which is the ratio of premiums written to claims incurred and operating expenses. Pohjola's combined ratio in 2006 was 95.4% (92.3%). The combined ratio can be improved through measures such as the correct pricing of risks and risk selection, reinsurance, loss prevention work and automating and raising the efficiency of processes.

Pohjola's market position is expected to strengthen in the long term. Premiums written are set to increase further thanks to the growth in the company's clientele. Operating as part of the OP Bank Group will open up new opportunities for Pohjola to increase its business volume, particularly in insuring private customers and small companies. Our customers are becoming increasingly security-minded. Concern about one's own well-being and security is lifting demand for insurance coverage. Premiums written from voluntary policies per head of population is low in Finland and the Baltic countries compared with other nearby markets. This too is creating potential for growth. With a normal claims trend, profitability is anticipated to show favourable growth.

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

Timo Impinen
Motor Claims Adjuster
A-Insurance/Pohjola

Service network

Customers are served through a network consisting of the Pohjola and A-Insurance branch offices, the nationwide 0303 0303 Call Centre, the online service, partners in co-operation and insurance agents.

The customers of the combined Pohjola and OP Bank Group member bank offices have easy access to insurance and banking services, all under one roof. Developing a multichannel service network is one of the priority areas in the OP Bank Group's strategy. Pohjola's network has grown markedly through combination with the OP member banks: at the end of 2006, there were already 175 Pohjola and A-Insurance branch offices or insurance agent outlets operating at OP Bank Group member banks. There were 29 separate branch offices. The insurance agent network has shown particularly robust growth, with 170 insurance agents operating at the end of 2006. The objective is to increase the number of locations offering banking and non-life insurance services to about 250. Customers and the service network are also discussed on pages 28 – 30.

A total of 2 183 people were employed in non-life insurance operations at the end of 2006, making up about 75% of the OKO Bank Group's payroll. To make co-operation with the OP Bank Group more closely knit, Pohjola introduced a new field organisation in October 2006. It consists of six territories that correspond largely to the boundaries of the federations of cooperative banks. The field organisation is in charge of non-life sales and customer service for the private and corporate functions.

In insurance services for corporate customers operating in international markets, Pohjola's partner in co-operation in insuring assets and functions abroad is Royal & SunAlliance.

Private customers

In Finland, Pohjola has a total of 367 000 loyal customer households who are insured on a package basis through Pohjola. The objective is to reach 500 000 loyal customer households by 2010.

The main policies for private customers are motor liability policies, household policies, accident and medical expenses policies, travel insurance (Eurooppalainen) and pension insurance.

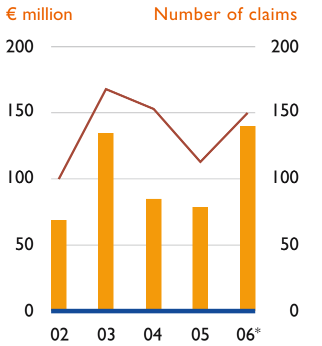
The main products for insuring private customers are ***the Motor Vehicle Cover*** and ***the Extrasure contract***. The Motor Vehicle Cover, which was launched at the end of 2005, provides motor insurance cover. The policy has brought a good deal of added value to Pohjola as a partner in co-operation in the motor trade. Insurance security for the family and home, in turn, is provided flexibly through the Extrasure contract.

Pohjola carries on co-operation with about 50 different national sports federations. ***The Sports Cover*** is a policy that is added to a sports licence and sold through sports associations. It has been developed in co-operation with the Finnish Olympic Committee, the Finnish Sports Federation, the most important national sports federations and medical experts. All in all, there are about 500 000 Sport Cover policies.

Stimulating challenges come my way through working with partners operating in different cultures.

Katriina Tala
Vice President
Pohjola, International Services

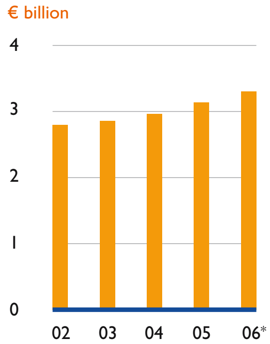
Large claims (exceeding €200 000) paid by non-life insurance companies in Finland



€ million (left scale)
Number of claims (right scale)
* Estimate

Source: Federation of Finnish Financial Services

Non-life insurance premiums written in Finland, total



* Forecast

Source: Federation of Finnish Financial Services

Together with the member banks, Pohjola offered an important new benefit. All the old and new customers who handled their banking and insurance needs through the OP Bank Group in 2006 were eligible to receive a home contents policy for one year free of charge. Reinforced customer loyalty together with the new Motor Vehicle Cover has boosted customer volumes.

From autumn 2007, OP bonus customers can also apply their bonuses towards paying for Pohjola's products. In addition, they receive a further 3% discount on their insurance premiums, in addition to a 7% loyal customer bonus.

Corporate and institutional customers

Pohjola has a strong position as a business and public-sector insurer. The product range covers all statutory and voluntary policies as well as extensive risk management services. Within statutory workers' compensation insurance, Pohjola is, according to its own estimate, still the market leader (with a market share of 35% in 2005). Pohjola is also the leading insurer in demanding customer segments calling for special expertise, such as in underwriting insurance for large corporations. A-Insurance writes policies for professional carriers.

The most important policies for corporate and institutional customers are statutory workers' compensation insurance, property, business interruption, liability, motor, cargo and marine hull insurance, as well as guarantee and decennial (construction defects) insurance.

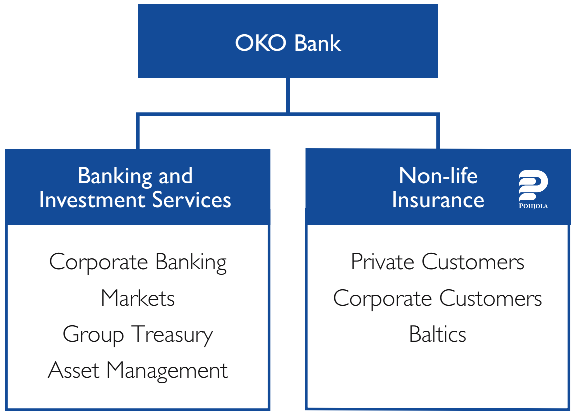
During 2006, Pohjola revamped its farm and forest coverage. In both, Pohjola's market share is still low, but during the year the training of new agents was started, and the OP Bank Group has set the long-term target of strengthening significantly Pohjola's position as an insurer of farms.

OKO BANK AS A PORTFOLIO INVESTMENT

OKO Bank plc is a financial services company which offers banking, investment and non-life insurance services. Non-life insurance policies are written by Pohjola. OKO Bank Group customers are companies, corporations and private individuals. The OKO Bank Series A share has been quoted on the Helsinki Stock Exchange since 1989. The company has around 32 000 shareholders.

Business lines

The business lines of OKO Bank are Banking and Investment Services and Non-life Insurance. The new business structure took effect at the beginning of 2006, following the Pohjola transaction.



Strategy

The key strategic messages of OKO Bank are:

- OKO Bank strongly emphasises the profitability of its operations and efficient management of capital.
- OKO Bank 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.

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 SME sector, the bank strives for market leadership together with the rest of the OP Bank Group. 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.

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 as the insurer of 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.

Shares and shareholders

OKO Bank 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. 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.

At the end of 2006, OKO Bank had around 32 200 registered shareholders, which is 2 500 shareholders more 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 share of nominee-registered shares among Series A shares was 19.7%, which is nearly the same as a year earlier.

Share performance, trading volume and market capitalisation

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 OKO Bank's share at the 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 (79 million). The market capitalisation of the entire share stock increased from EUR 2 386 million at the end of 2005 to EUR 2 583 million.

The annual amount of dividend will be impacted by the operational profitability, growth and capitalisation needs of the Group. 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.

Year 2006 earnings

The OKO Bank Group's earnings before tax totalled EUR 223 million (continuing operations 120 million). At the end of 2006, the capital adequacy ratio stood at 12.9% (12.8%) and the Tier I ratio was 8.2% (9.6%).

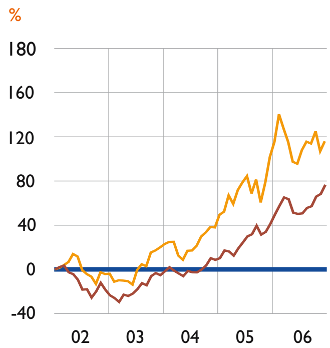
In Banking and Investment Services, earnings before tax amounted to EUR 163 million (136 million). The loan portfolio of Corporate Banking increased by 17.2% and stood at EUR 7.9 billion at the end of 2006. The level of margins remained stable and the risk exposure good. In Asset Management, the amount 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.

Average price of A shares*

* Share issue adjusted

Proportional change in OKO Bank A share and OMX Index



OKO Bank A share*
OMX Helsinki CAP Index
* Share issue adjusted

Key figures

OKO Bank Group	2005*	2006	Target by 2009
Earnings before tax, € million	120	223	
Return on equity at fair values, %	22.3	9.5	13.0
Tier I ratio, %	9.6	8.2	at least 8.0
Earnings/share at fair values, €	0.85	0.89	
Proposed dividend/share (Series A), €	0.60	0.65	
Market capitalisation, € billion	2.4	2.6	
Personnel at the end of year	3 254	2 918	

* Continuing operations.

The ordering address for the OKO Bank year 2006 Annual Report is found on page 3. The OKO Bank Annual Report and the Report by the Board of Directors and Financial Statements 2006 can also be viewed on the Internet at www.oko.fi/english.

STRUCTURE AND GOVERNANCE OF THE OP BANK GROUP

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

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

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

The legal structure of the amalgamation of the cooperative banks and the rest of the OP Bank Group is discussed in greater detail in the Group's financial statements.

The member cooperative banks

The member banks have the corporate form of a cooperative, in which the basic values underlying decision making include the one member, one vote principle. Within the member cooperative banks, the highest decision-making authority is exercised by the cooperative meeting or assembly, which elects a Supervisory Board for the bank. The Supervisory Board in turn elects for the bank an Executive Board whose members comprise representatives of the owner-members and the bank's managing director. The member cooperative banks' owner-members are described on pages 18 – 19. There were 232 member cooperative banks at the beginning of 2007.

Cooperative bank federations

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

OP Bank Group Central Cooperative

Within the OP Bank Group's central institution, the OP Bank Group Central Cooperative, the highest decision-making authority rests with the Cooperative Meeting and the Supervisory Board elected by it. Operational decision-making authority is exercised by the Executive Board, which is elected by the Supervisory Board and is made up of management executives. The Central Cooperative is owned by the member banks.

Cooperative Meeting

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

Member banks with sound capital adequacy shall have additional votes as described in greater detail in the Central Cooperative's Statutes. At the meeting no member, however, can cast more than two per cent of the votes represented at the meeting. At the Annual Cooperative Meeting, a member shall have only one vote if, due to its own financial difficulties, the member has received financial support based on a resolution passed by the cooperative, which fulfils the characteristics specified in Section 8 of the Central Cooperative's Statutes.

The Annual Cooperative Meeting deals with issues mentioned in Section 7 of the Central Cooperative's Statutes, such as the approval of the parent and consolidated income statement and balance sheet for the previous financial year, and election of the members of the Supervisory Board and an auditor.

Supervisory Board

According to the Statutes, the Central Cooperative's Supervisory Board has a minimum of 32 and a maximum of 36 members. A minimum of 16 and a maximum of 20 members are elected to the Supervisory Board such that the Supervisory Board has at least one member from each of the 16 cooperative bank federation areas. Of these members, a number that is closest to one third resigns each year. In addition, the Supervisory Board has 16 members elected from the territories of the cooperative bank federations such that the allotment of seats is determined among the Federations on the basis of the capital adequacy of their member banks. The term of office of these members is three years unless the term of office ends prior to this date due to a change in the allotment of seats among the Federations.

An administrative officer or salaried employee may not be elected to the Supervisory Board from such a member bank which pursuant to Section 8 of the Cooperative's Statutes has only one vote at meetings of the Cooperative, i.e. which has received the financial support set out in said section. The members of the Supervisory Board shall elect from amongst their number a chairman and two vice chairmen.

Working at the Contact Centre gives one a bird's eye view of the entire OP Bank Group. Each bank is just as important to me.

Anssi Ryökäs
Co-operation Facilitator – Sales Associate
OP Bank Group Central Cooperative,
Contact Centre

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

In addition, the tasks of the Supervisory Board are, among other things, to confirm the OP Bank Group's joint objectives and operational policies and principles, to elect and dismiss the Executive Chairman, the President and the other members and deputy members of the Executive Board as well as the head of the Audit function, to decide on the division of responsibilities between the Executive Board Chairman, the President and the other members, and to confirm the Cooperative's operational and budget targets as well as to decide on calling a meeting of the Cooperative.

The audit duty falling within the competence of the Supervisory Board is exercised by the Inspectorate Committee appointed by the Supervisory Board. It includes five members and two deputy members who can also be non-members of the Board.

Executive Board

The Central Cooperative's corporate governance is exercised by the Executive Board, whose task is to direct the Central Cooperative's operations in accordance with the relevant Acts and the Central Cooperative's Statutes. The Executive Board is composed of a chairman who is called the Executive Chairman, the President, who acts as the Executive Board's Vice Chairman; and, in accordance with the Statutes, a minimum of two and a maximum of four members and a maximum of four deputy members.

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

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

Executive Board members' share and option holdings are discussed in greater detail on pages 52 – 53.

OKO Bank plc

OKO Bank plc is a subsidiary of the central institution, the OP Bank Group Central Cooperative. OKO Bank's highest decision-making authority rests with the Annual General Meeting and the Board of Directors elected by it. At the end of 2006, the Board of Directors was comprised of ten members, five of whom, including the Chairman and Vice Chairman, were members of the Central Cooperative's Executive Board. The OKO Bank operations are led by the President, assisted by the Group Executive Committee, which is made up of heads of key business and other operations.

OKO Bank's corporate governance is discussed in greater detail in its own annual report for 2006.

Breakdown of direct shareholdings in the OP Bank Group at 31 December 2006

Shareholding, %	Member cooperative banks	OKO Bank Group	OP Bank Group Central Cooperative	Group total
OP Bank Group Central Cooperative	100.0			100.0
OKO Bank	12.5		29.9	42.7
Pohjola Non-Life Insurance Company Ltd		100.0		100.0
Eurooppalainen Insurance Company Ltd		100.0		100.0
A-Insurance Ltd		100.0		100.0
Seesam companies		100.0		100.0
OKO Asset Management Limited		86.5		86.5
OKO Corporate Finance Ltd		76.0		76.0
Pohjola Property Management Ltd		100.0		100.0
OKO Venture Capital Ltd		100.0		100.0
OKO Capital East Ltd		70.0		70.0
Pohjola IT Procurement Ltd		100.0		100.0
OP Life Assurance Company Ltd	16.4	9.0	74.6	100.0
Helsinki OP Bank Plc			100.0	100.0
OP-Kotipankki Oyj	60.7	16.9	18.5	100.0
OP Mortgage Bank			100.0	100.0
OP Fund Management Company Ltd			100.0	100.0
FD Finanssidata Oy			70.0	70.0
OP IT Procurement Ltd			100.0	100.0
OP Bank Group Mutual Insurance Company	78.5		14.9	100.0

The Central Cooperative's other major subsidiaries

- **Helsinki OP Bank Plc** is engaged in retail banking in the Greater Helsinki area.
- The OP Bank Group's life and pension insurance operations and their development have been centralised within **OP Life Assurance Company Ltd**. The company's product portfolio includes life, pension, insurance-related investment and risk insurance services.
- **OP Fund Management Company Ltd** manages the OP Bank Group's mutual funds. When selling mutual fund units, the company makes use of the service network of the member banks and Helsinki OP Bank Plc, as well as the OP Bank Group's Internet services.
- **OP Mortgage Bank**, acting via the member cooperative banks, grants long-term housing loans against full collateral. The bank funds its operations by issuing OP Home Mortgage Bonds.
- **OP-Kotipankki Oyj** specialises in the sale and management of unsecured consumer credits. The bank's main products are forms of credit via the OP Bank Group's cards.
- **FD Finanssidata Oy** handles the OP Bank Group's IT service-provision systems and support.

Other institutions

- **OP Pension Fund** sees to the OP Bank Group's statutory pension security and **OP Pension Foundation** handles the supplementary pension security for persons covered by it.
- **OP Bank Group Mutual Insurance Company** is the OP Bank Group's internal insurance company. It is part of the Group's internal risk management system.

THE CENTRAL COOPERATIVE'S SUPERVISORY BOARD

1 January 2007

Etelä-Pohjanmaa

Mr Keijo Sulkko, CFO, Seinäjoki, 2006 – 2009

* **Mr Pentti Mäkelä**, Managing Director, Alajärvi, 2006 – (2009)

Etelä-Suomi

Mr Jari Laaksonen, Managing Director, Asikkala, 2005 – 2008

* **Mr Teuvo Mäkinen**, Principal, Mäntsälä, 2006 – (2009)

* **Mr Matti Niemelä**, Chairman of the Board of Directors, Hämeenlinna, 2006 – (2009)

Kaakkois-Suomi

Mr Seppo Penttinen, Professor, Savitaipale, 2006 – 2009, *Chairman of the Supervisory Board*

* **Mr Kyösti Harju**, Agrologist, Lappeenranta, 2006 – (2009)

* **Ms Marjo Partio**, Managing Director, Jaala, 2006 – (2009)

Kainuu

Mr Keijo Väänänen, Professor, Vaala, 2004 – 2007

Keski-Pohjanmaa

Mr Tapio Kurki, Director, Kokkola, 2004 – 2007

Keski-Suomi

Mr Erkki Laatikainen, Professor, Jyväskylä, 2005 – 2008

* **Mr Heikki Rosti**, Managing Director, Jämsä, 2006 – (2009)

Lappi

Mr Heikki Oja, Farmer, Tervola, 2004 – 2007

* **Mr Markku Salomaa**, Managing Director, Rovaniemi, 2006 – (2009)

Pirkanmaa **

* **Mr Timo Viitanen**, Principal, Pälkäne, 2006 – (2009)

Pohjois-Karjala

Mr Juhani Leminen, Managing Director, Polvijärvi, 2005 – 2008

* **Mr Markku Lappalainen**, County Manager, Rääkkylä, 2006 – (2009)

Pohjois-Pohjanmaa

Mr Paavo Haapakoski, Principal, Pyhäjoki, 2004 – 2007, *Deputy Chairman of the Supervisory Board and Chairman's first deputy*

* **Mr Timo Levo**, Managing Director, Oulu, 2006 – (2009)

Pohjois-Savo

Ms Päivi Nerg, Director of Administration, Kuopio, 2006 – 2009

* **Mr Antti Hult**, Managing Director, Kuopio, 2006 – (2009)

Satakunta

Ms Marita Marttila, Senior Nursing Officer, Vampula, 2006 – 2008

* **Mr Jukka Ramstedt**, Managing Director, Pori, 2006 – (2009)

* **Mr Juhani Suoramaa**, Managing Director, Rauma, 2006 – (2009)

Suur-Savo

Mr Pekka Vilhunen, Managing Director, Varkaus, 2006 – 2009

* **Mr Markku Lehtosaari**, Tourism Entrepreneur, Savonlinna, 2006 – (2009)

Sydkusten

Mr Ola Eklund, Product Director, Karjaa, 2004 – 2007

Varsinais-Suomi

Mr Jukka Hulkkonen, Managing Director, Halikko, 2006 – 2009, *Deputy Chairman of the Supervisory Board*

* **Ms Irja Hirsinummi**, Managing Director, Tarvasjoki, 2006 – (2009)

* **Mr Mauri Kontu**, Entrepreneur, Uusikaupunki, 2006 – (2009)

Österbotten

Mr Bo Storsjö, Farmer, Kristiinankaupunki, 2004 – 2007

Other members

Mr Esa Härmälä, Director General, Helsinki, 2005 – 2008

Mr Seppo Junttila, General Secretary, Helsinki, 2006 – 2009

Mr Kari Puro, President and CEO, Helsinki, 2006 – 2009

Ms Tuire Santamäki-Vuori, President, Helsinki, 2005 – 2008

The term of office of members elected from the Cooperative Bank Federation areas is three years. The OP Bank Group's corporate governance, including the Central Cooperative's Supervisory Board, is discussed on pp. 46 – 49 of this Annual Report.

* The term of office of members elected from each Cooperative Bank Federation area on the basis of the capital adequacy of their member banks is a maximum of three years. The term of office may end before this due to a change in the allotment of seats among the Federations.

** On 1 October 2006, Tony Vepsäläinen resigned after having been elected a member of the Central Cooperative's Executive Board.

OP BANK GROUP CENTRAL COOPERATIVE

1 February 2007

Executive Chairman
Chairman of the Executive Board
Reijo Karhinen

Corporate Communications
Markku Koponen

Strategic Planning
Pasi Kämäri

President
Vice Chairman of the Executive Board
Tony Vepsäläinen

Banking and Investment Services
Harri Nummela[*]

Payment Services
Anne-Mari Tyrkkö

Lending Services
Mikko Hyttinen

Asset Management Services
Timo Liukkonen

OP Fund Management Company Ltd
Mika Kivimäki

OP Life Assurance Company Ltd
Jukka Ruuskanen

Customer Care Services and Sales Channels
Erkki Böös[*]

Customer Care Services and Loyal Customer Benefits
Hanna Hartikainen

Marketing
Stina Suominen

Sales Channels and Sales Support
Jari Himanen

Card Services and Consumer Lending
Matti Korkeela[**]

OP-Kotipankki Oyj
Kai Patovirta

Contact Centre
Arto Smedberg

ICT and HR Services
Heikki Vitie[*]

ICT Management
Marco Halén

ICT Services
Markku Mäkinen

ICT Service Development and Support
Pekka Sarvi-Peräkylä

Service Systems
Ilpo Antikainen

Banking and Insurance Systems
Arjaleena Smolander

HR Services
Tarja Joensuu-Sarkio

OP Pension Fund
OP Pension Foundation
Pekka Korhonen

Legal Services
Taina Kallio

Insurance and Pension Investments
Magnus Backström

Finance and Risk Management
Harri Luhtala[1]

Financial Administration Services
Harri Luhtala (acting)

Member Bank Steering
Pekka Jaakkola[2]

Risk Management and Financial Steering Support
Eva Tüll

Audit
Markku Niinikoski

Internal Audit of Member Banks
Timo Valkama

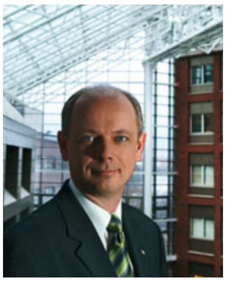
Internal Audit of OP Bank Group Central Cooperative
Mauno Jokelainen

[*] Member of the Executive Board.
[**] Deputy member of the Executive Board.
[1] Deputy member of the Executive Board as of 1 January 2007 and a member of the Executive Board as of 1 April 2007.
[2] Member of the Executive Board up to 31 March 2007, reports to the President.

THE CENTRAL COOPERATIVE'S EXECUTIVE BOARD 1 January 2007

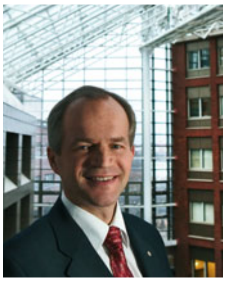
Chairman
Reijo Karhinen, b. 1955
Executive Chairman of the OP Bank Group,
Member of the Board since 1994
Other important positions:
OKO Bank plc: Chairman of the Board of Directors, Ilmarinen Mutual Pension Insurance Company: Member of the Board of Directors, Federation of Finnish Financial Services: Vice Chairman of the Board of Directors, Central Chamber of Commerce: Member of the Board of Directors, Unico Banking Group: Member of the Steering Committee, The Finnish Housing Fair: Chairman of the Supervisory Board
Holdings of OKO Bank shares and option rights at 1 January 2007:
20 198 OKO Bank Series A shares

On the basis of the management incentive scheme: 5 805 OKO Bank Series A shares in 2008.



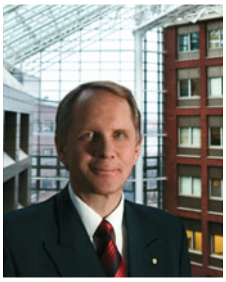
Vice Chairman
Tony Vepsäläinen, b. 1959
President of the OP Bank Group Central Cooperative
Member of the Board since 2006
Other important positions:
OKO Bank plc: Vice Chairman of the Board of Directors
Luottokunta: Member of the Executive Board
Holdings of OKO Bank shares and option rights at 1 January 2007: –

On the basis of the management incentive scheme: 844 OKO Bank Series A shares in 2008.



Member
Erkki Böös, b. 1953
Senior Executive Vice President, Head of Customer Care Services and Sales Channels, OP Bank Group Central Cooperative
Member of the Board since 2001
Other important positions:
OKO Bank plc: Member of the Board of Directors
Luottokunta: Member of the Supervisory Board,
Pellervo Economic Research Institute, PTT Sponsors' Association: Member of the Board of Directors
Holdings of OKO Bank shares and option rights at 1 January 2007: –

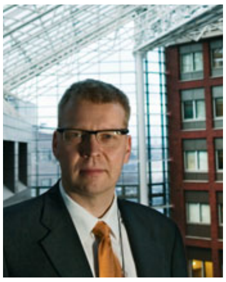
On the basis of the management incentive scheme: 2 349 OKO Bank Series A shares in 2008.



Member
Pekka Jaakkola, b. 1956
Executive Vice President, Head of Member Bank Steering, OP Bank Group Central Cooperative
Member of the Board since 1998 (until 31 March 2007)
Other important positions:
OKO Bank plc: Member of the Board of Directors
Deposit Guarantee Fund: Chairman of the Board of Directors
Holdings of OKO Bank shares and option rights at 1 January 2007: –

On the basis of the management incentive scheme: 2 229 OKO Bank Series A shares in 2008.

CEO of the OP Bank Group, Chairman of the Central Cooperative's Executive Board **Antti Tanskanen** (b. 1946) retired on 31 December 2006.



Member

Harri Luhtala, b. 1965
Executive Vice President, Head of Finance and Risk Management, OP Bank Group Central Cooperative
Member of the Board since 2007 (deputy member as of 1 January, ordinary member as of 1 April)
Other important positions: -
Holdings of OKO Bank shares and option rights at 1 January 2007:
240 OKO Bank Series A shares

On the basis of the management incentive scheme: 904 OKO Bank Series A shares in 2008.

Member

Harri Nummela, b. 1968
Executive Vice President, Head of Banking and Investment Services, OP Bank Group Central Cooperative
Member of the Board since 2007
Other important positions: -
Holdings of OKO Bank shares and option rights at 1 January 2007: –

On the basis of the management incentive scheme: 907 OKO Bank Series A shares in 2008.

Member

Heikki Vitie, b. 1952
Deputy to the President of the OP Bank Group Central Cooperative, Head of ICT and Human Resources Services,
Member of the Board since 1994
Other important positions:
OKO Bank plc: Member of the Board of Directors,
European Association of Co-operative Banks: Member of the Executive Committee
Deposit Guarantee Fund, Chairman of the Delegation
Holdings of OKO Bank shares and option rights at 1 January 2007:
Related parties hold 4 000 OKO Bank Series A shares

On the basis of the management incentive scheme: 2 267 OKO Bank Series A shares in 2008.

Chief Audit Executive

Markku Niinikoski, b. 1946
Attends Executive Board meetings
Holdings of OKO Bank shares and option rights at 1 January 2007:
1 600 OKO Bank Series A shares

On the basis of the management incentive scheme: 1 031 OKO Bank Series A shares in 2008.

Deputy member

Matti Korkeela, b. 1946
Executive Vice President, Head of Card Services and Consumer Lending, OP Bank Group Central Cooperative
Member of the Board since 1997
Other important positions:
Automatia Pankkiautomaatit Oy: Member of the Board of Directors.
Holdings of OKO Bank shares and option rights at 1 January 2007: –

On the basis of the management incentive scheme: 1 180 OKO Bank Series A shares in 2008.

Secretary to the Executive Board and the Supervisory Board

Markku Koponen, b. 1957
Senior Vice President, Head of Corporate Communications
Holdings of OKO Bank shares and option rights at 1 January 2007: –

On the basis of the management incentive scheme: 920 OKO Bank Series A shares in 2008.

CONTACT INFORMATION

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Call Centre for private customers
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Pohjola +358 10 55 88 130

The member banks' contact information can be found on the OP Bank Group website at www.op.fi

OP Bank Group Central Cooperative subsidiaries

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firstname.lastname@oko.fi

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OP BANK GROUP

FINANCIAL STATEMENTS 2006

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Financial information in 2007

The OP Bank Group and OKO Bank will publish three Interim Reports in 2007:
- for January–March on 10 May 2007
- for January–June 9 August 2007
- for January–September 8 November 2007

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

Since all the figures in the Financial Statements have been rounded off, adding up individual figures may yield a different result from the sum presented.

REPORT BY THE EXECUTIVE BOARD 2006

The OP Bank Group in 2006 / The year 2006 in brief

In 2006, the OP Bank Group reported the best annual earnings in its history – by a clear margin: earnings before tax grew by 38% to EUR 800 million. At the same time, the OP Bank Group's market position continued strengthening. Market share gains were registered within loans, deposits and life and pension insurance. Within mutual funds, market share declined slightly. Cross-selling of bank and insurance services got off to an excellent start.

Growth outpaces the industry average

- The market share of euro-denominated loans grew by 0.6 percentage point and in deposits it was up 0.8 percentage point.
- Market shares increased within both home mortgages and corporate loans.
- The market share of insurance savings in life and pension insurance rose by 1.3 percentage point, but the market share of mutual funds decreased by 0.5 percentage point.
- The number of customers grew by 82 000 or clearly more than comparable growth a year earlier.

A record result

- Earnings before tax grew by 38% to EUR 800 million.
- Both income and expenses increased by 37%.
- Of income items, net interest income was up 11% and other income rose by 69%.

Strong risk-bearing capacity and a stable risk exposure

- Own funds were 1.6 times the statutory minimum.
- Non-performing receivables declined to a historically low level, or 0.3% of the loan and guarantee portfolio.

The OP-Pohjola integration rolls ahead smoothly

- Overlapping operations were combined and the Group structure was streamlined.
- At the end of the year, 175 OP Bank Group locations were offering both banking and non-life insurance services.
- Cross-selling of bank and insurance services had a promising start.
- The number of joint customers in banking and insurance operations grew by 98 000 to 803 000 and the number of Pohjola's loyal customer households increased by more than 34 000 to 367 000.

Year 2007

- The OP Bank Group's earnings before tax in 2007 are estimated to be on a par with 2006.

OP Bank Group key indicators

	2006	*2005*	*Change**
Earnings before tax, EUR million	800	579	38
Cost/income ratio, %	55.4	55.3	0.1
Impairment losses on the loan and guarantee portfolio, %	0.02	0.02	0.0
Return on equity, %	12.1	11.2	0.9
Return on equity at fair values, %	11.4	13.5	-2.1
Average personnel	12 148	9 839	23

	31 Dec. 2006	*31 Dec. 2005*	*Change**
Total assets, EUR billion	59.5	52.8	13
Capital adequacy			
Ratio of own funds to the minimum amount of own funds**	1.56	1.69	-0.13
Tier 1 ratio, %***	12.7	13.1	-0.4
Market share, %			
Of total loans	31.1	30.5	0.6
Of total deposits	32.7	31.9	0.8
Of capital invested in mutual funds	21.8	22.3	-0.5
Insurance savings through life and pension policies	19.1	17.8	1.3

* Percentage point change, except for earnings before tax, total assets and average number of personnel, for which the change is stated in per cent, as well as the ratio of own funds to the minimum amount of own funds, for which the change is stated as a change in the ratio.

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

*** Pursuant to the Credit Institutions Act.

Operating environment

The OP Bank Group's environment was favourable in 2006. An upbeat economy bolstered customers' finances and this translated into strong demand for banking and insurance services. The business cycle is forecast to weaken slightly in 2007. The growth in demand for financial services, however, is not set to slow down significantly.

In 2006, the global economy grew at a slightly faster pace than in the previous year. In the eurozone and in other EU countries, growth accelerated a bit, in step with an uptick in exports and private consumption. The rise in interest rates in the United States began to damp down the housing market and indebted households' rate of consumption, but growth remained moderate. Russia and the emerging Asian economies enjoyed further brisk growth. The outlook for the economy has deteriorated nearly everywhere in the world. The global economy is nevertheless expected to make a soft landing rather than head into a steep decline.

The Finnish economy was robust in 2006. Total output grew by more than 5%. Growth was spurred by buoyant exports which rose by a tenth, thanks to international demand and a starting level that was lowered by the dispute in the paper industry in 2005. There was strong demand in the domestic market as well.

Boom times are over. In 2007, growth is expected to revert to the long-term mean. This means, among other things, a slowdown that will gradually affect the improving employment situation and rises in wage and salary earners' overall income.

The business cycle remained better than average in all the main sectors in 2006. To be sure, within industry the rate of production growth slowed down in the latter part of the year. According to polls of companies, the economic expansion is estimated to continue at least in the first half of 2007. Growth in production and exports is nevertheless expected to slow in the latter months of the year. Growth in private consumption will likewise tail off.

Finnish consumer confidence has held up well for quite some time now. In 2006, already four households out of five reported that they were able to save from their income. The rise in consumer prices has been moderate, though it did speed up slightly in 2006. The rise in interest rates and higher house prices were the biggest factor that lifted prices. If there is a rise in the general price level, it is forecast to be moderate in the current year as well. The rise in house prices is expected to taper off.

Interest rates rose slightly. The European Central Bank (ECB) raised its main lending rate five times in 2006, citing a quicker rate of growth and above-target inflation as the grounds for the hikes.

Banking operations have been in a vigorous mode for the fourth year running. Growth is not estimated to slow down appreciably in 2007. The loan portfolio of financial institutions increased by 12% in 2006. Despite the rise in interest rates, demand for home mortgages remained strong and the home mortgage portfolio grew by 14%. The rise in house prices was offset partly by the narrowing in margins on loans as well as by the growth in households' income and wealth.

The growth in the corporate loan portfolio accelerated to 9% in 2006, and there were still plenty of M&A transactions and generational shifts. Companies' profitability improved and higher investment was financed largely from cash flow.

The capital markets had a comparatively favourable run, and the fundamentals are in place for continuing strength in the near future. The equity markets remain bullish. Capital invested in mutual funds grew by 36% on the tails of rising values and a record 12 billion euros in net subscriptions. Premiums written in life insurance fell by 4.7% on the previous year. Insurance savings nevertheless increased by nearly a tenth. Because of tough competition, the growth in premiums written in non-life insurance trailed the economy's growth and was about 4%. Growth was affected by the discounts on premiums which the insurance companies gave their customers as well as by changes in tariffs.

Result and total assets of the OP Bank Group

In 2006, the OP Bank Group reported the highest earnings in its over 100 year history. Earnings before tax in 2006 were EUR 800 million (579 million*), up 38% on the figure a year ago. A major factor behind the growth was the Pohjola transaction that was carried out in autumn 2005, because the Pohjola companies are included only for two months in the figures for the 2005 comparison year. Although a significant portion of the earnings improvement is attributable to the Pohjola transaction, the OP Bank Group's like-for-like earnings (excl. Pohjola) increased markedly on the figure a year earlier.

The OP Bank Group's return on equity rose to 12.1% from 11.2% in the previous year. Taking into account the change in the fair value reserve, the return on equity nevertheless declined by 2.1 percentage points to 11.4%. The cost/income ratio was 55%, or on a par with the previous year.

Net interest income

Net interest income in the report period was EUR 883 million (794 million), up 11% on the figure a year earlier, in spite of the costs of financing the Pohjola transaction, which slowed the growth in net interest income by about 4 percentage points. Net interest income grew sequentially in every quarter of 2006. In the fourth quarter, net interest income was 24% greater than it was a year ago.

The trend in net interest income was buoyed especially by the growth in business operations. In 2006, the loan portfolio increased on average by 14% and total deposits by 6.9% on the same period a year ago. The nominal spread between the loan and deposit portfolios widened during the year. At the end of the year, the average spread was 0.14% percentage point higher than the average level for the year, which points to continued strong net interest income in 2007. Growth in net interest income will nonetheless be retarded by the contraction in customer margins and the increased share of wholesale funding on market terms to support the loan portfolio.

Impairment losses on receivables increased by 62% to EUR 9.3 million (5.7 million), but still remained at a very low level. In spite of the increase in them, they amounted to only 0.02% of the loan and guarantee portfolio at the end of the year. EUR 39 million of new impairment losses were booked on receivables (52 million) and reversals and returns on previously recorded losses came to 30 million (46 million). Net interest income after impairment losses was EUR 874 million, as against EUR 789 million a year earlier.

* The comparative figure for 2005 is given in brackets. For income statement and other aggregated figures, the point of comparison is the figure for January-December 2005. For balance sheet and other cross-sectional figures, the point of comparison is the figure at the previous balance sheet date (31 December 2005).

Earnings analysis

EUR million	*I–12/ 2006*	*I–12/ 2005*	*Change, EUR million*	*Change, %*
Earnings before tax	**800**	**579**	**221**	**38.2**
Return on equity, %	**12.1**	**11.2**		**0.9***
Income				
Net interest income	883	794	89	11.2
Net income from non-life insurance operations	328	68	259	
Net income from life insurance operations	110	67	43	64.7
Net commissions and fees	396	340	57	16.7
Net trading and investment income	144	90	55	60.9
Other operating income	92	68	24	36.1
Share of associates' profits/losses	2	0	2	
Other income, total	1 073	633	440	69.5
Total	**1 956**	**1 427**	**529**	**37.0**
Expenses				
Personnel costs	527	387	140	36.2
Other administrative expenses	290	220	69	31.5
Other operating expenses	267	183	84	46.1
Total	**1 083**	**790**	**294**	**37.2**
Cost/income ratio, %	**55.4**	**55.3**		**0.1***
Impairment losses on receivables	**9**	**6**	**4**	**62.3**
Returns to owner-members and OP bonus customers				
Bonuses	48	42	6	13.6
Interest on ordinary and supplementary cooperative capital	21	15	6	36.8
Total	**69**	**57**	**11**	**19.8**

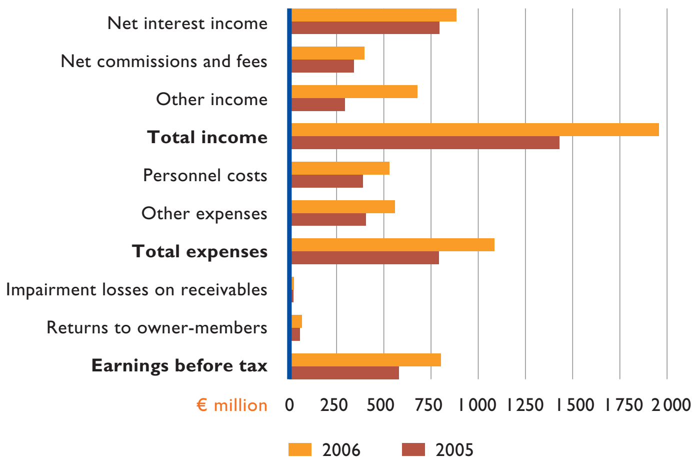
* Percentage points.

Other income and expenses
Income grew by 37% to EUR 1 956 million (1 427 million). Other income, excluding net interest income, increased by 69% to EUR 1 073 million. The rate of growth in expenses was the same as that for income: 37%. Income and expenses for the Pohjola companies are included in income and expenses only for November–December of the comparison year.

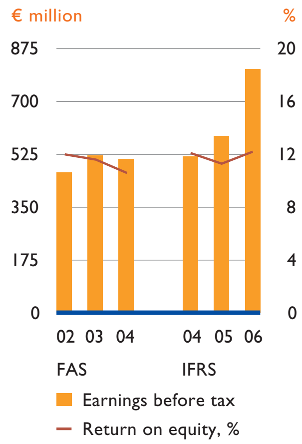
Net income from non-life insurance operations was EUR 328 million (68 million) and net income from Life Insurance operations came to EUR 110 million (67 million). Net commission and fee income was EUR 396 million (340 million), or 17% more than a year ago. A major growth item within commission and fee income was commissions and fees earned in mutual fund operations and asset management. Net trading income was EUR 32 million (27 million) and net investment income EUR 112 million (62 million). Net investment income was increased by the total of more than EUR 10 million of capital gains booked by OKO Bank plc (OKO Bank) on the sale of shares in the OMX Group, which operates Nordic stock exchanges, and in Eurocard Oy as well as by the EUR 15 million capital gain which OP Bank Group Central Cooperative Consolidated recorded on the disposal of shares in Suomen Asiakastieto Oy, a business and credit information company. Net investment income was furthermore increased by an unrealised EUR 25 million appreciation in the value of investment properties.

Expenses were EUR 1 083 million (790 million), up 37% on the figure a year earlier. Personnel costs came to EUR 527 million (387 million) and other administrative expenses to EUR 290 million (220 million). Other operating expenses totalled EUR 267 million (183 million). These include EUR 49 million of amortisation of intangible assets arising in connection with the Pohjola transaction.

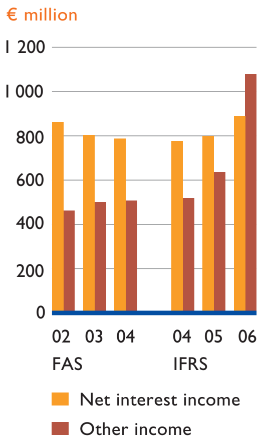
Income statement, main items



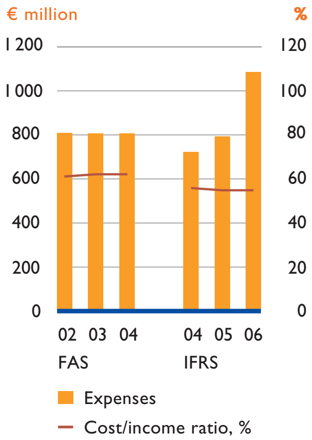
Earnings before tax and ROE



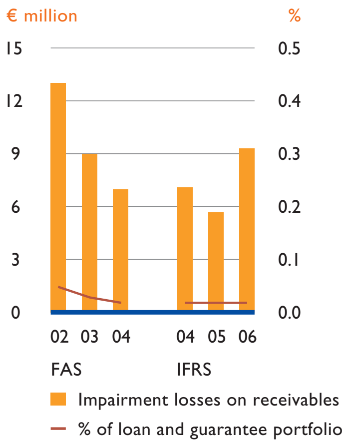
Net interest income and other income



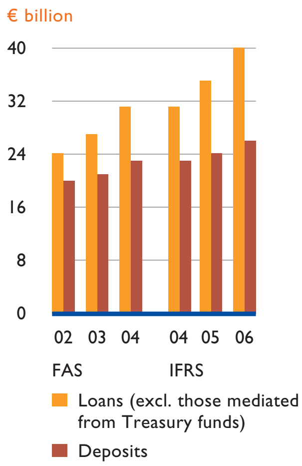
Total expenses



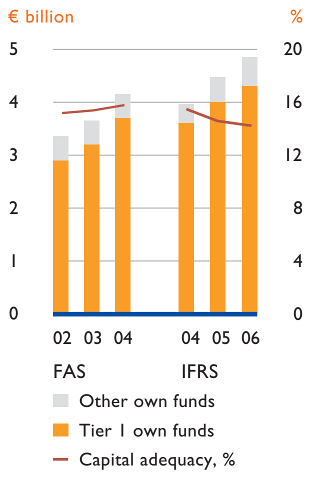
Impairment losses on receivables



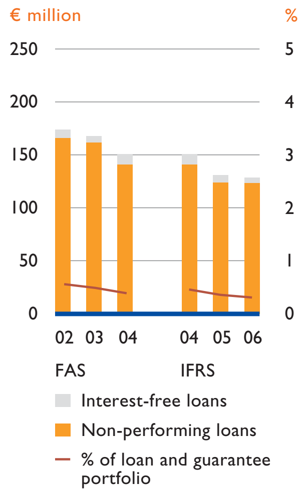
Loans and deposits



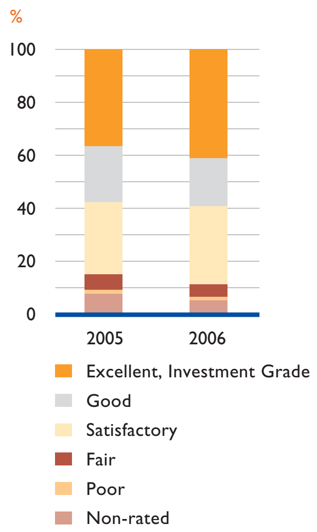
Own funds and capital adequacy



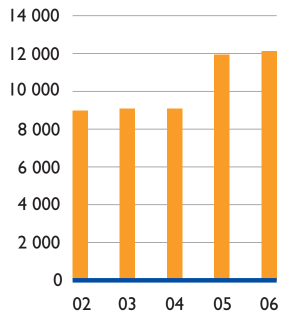
Non-performing loans



Breakdown of corporate exposure by rating



OP Bank Group personnel at year-end



Key income statement items by quarter

				2006	2006	2005	Change
EUR million	I	II	III	IV			%
Net interest income	202	214	226	241	883	794	11.2
Net income from non-life insurance operations	86	90	67	85	328	68	
Net income from life insurance operations	34	26	20	30	110	67	64.7
Net commissions and fees	110	92	92	101	396	340	16.7
Other income	70	45	63	61	238	158	51.0
Total income	502	467	469	519	1 956	1 427	37.0
Personnel costs	134	129	115	149	527	387	36.2
Other administrative expenses	72	76	62	80	290	220	31.5
Other operating expenses	72	66	62	66	267	183	46.1
Total expenses	278	271	239	295	1 083	790	37.2
Impairment losses on receivables	-2	3	3	5	9	6	62.3
Returns to owner-members and OP bonus customers	14	15	18	18	64	53	20.3
Earnings before tax	211	178	209	202	800	579	38.2

Total assets and off-balance sheet items

The OP Bank Group's total assets at the end of the year stood at EUR 59.5 billion (52.8 billion), an increase of EUR 6.7 billion since the end of 2005. The largest increase was in receivables from customers and debt securities issued to the public. Receivables from customers increased by EUR 4.8 billion and debt securities issued to the public rose by EUR 4.6 billion from the end of 2005.

Receivables from customers, i.e. the loan portfolio, grew by 14% to EUR 39.6 billion (34.8 billion). The loan portfolio accounted for 67% of total assets (66 billion). Life insurance assets were up 13% to EUR 6.1 billion. Non-life insurance assets were EUR 2.8 billion at the end of the year, or slightly more than a year earlier. The aggregate amount of the most liquid assets – cash and cash equivalents, receivables from financial institutions and financial assets held for trading – grew by 1.1 billion to EUR 6.2 billion.

Investment assets at the end of the year totalled EUR 1.4 billion (1.7 billion). Real estate properties held as investment assets amounted to EUR 0.5 billion, on a par with the figure a year earlier. The amount of available-for-sale financial assets diminished by nearly EUR 0.2 billion to EUR 0.8 billion. Intangible assets totalled EUR 1.3 billion (1.2 billion). They included EUR 1.2 billion of goodwill and other intangible assets arising on the elimination of the purchase price of the Pohjola transaction (1.1 billion).

Liabilities to customers at the end of the year were EUR 27.7 billion, an increase of EUR 1.2 billion on the figure a year earlier. Deposits accounted for EUR 25.8 billion of liabilities to customers and increased by EUR 1.6 billion from the figure a year ago. Debt securities issued to the public increased from EUR 8.9 billion to EUR 13.5 billion. The amount of bonds and notes counted as debt securities issued to the public increased by EUR 2.9 billion to EUR 7.6 billion.

Equity capital topped the five billion euro mark during the year and stood at EUR 5.1 billion at the end of the year. From the end of 2005, the OP Bank Group's equity capital grew by EUR 366 million. The growth in equity was slowed down by the increase in the OP Bank Group's holding in Pohjola Group plc to 100%, which lowered the minority interest segment of equity by nearly EUR 200 million.

The increase in equity came primarily from earnings of EUR 598 million for the financial year. The rise in market interest rates as well as realisations of assets decreased the fair value reserve, which diminished by EUR 34 million to EUR 144 million. EUR 99 million in the member bank's co-operative capital was included in the OP Bank Group's own funds at the end of the year, whereas a year earlier cooperative capital was not included at all in own funds. It has been possible to count a member bank's ordinary cooperative capital as the OP Bank Group's equity capital in compliance with IFRS after the member bank has made the required amendments to its statutes. The process of amending the statutes was still uncompleted at a few of the member cooperative banks at the end of the year.

Important balance sheet and liability items

EUR billion	*31 Dec. 2006*	*31 Dec. 2005*	*Change, %*
Total assets	59.5	52.8	12.7
Loan portfolio	39.6	34.8	13.7
Deposits	25.8	24.2	6.5
Non-life insurance liabilities	2.1	1.9	9.1
Life insurance liabilities	5.7	4.9	15.2
Equity capital	5.1	4.8	7.7
Off-balance sheet commitments	10.3	8.0	29.3
Derivative contracts	55.3	38.7	42.8

The ordinary and supplementary cooperative capital investments of the member cooperative banks' owner members totalled EUR 696 million at the end of the year (717 million). According to advance information, the member banks will pay a total of about EUR 21 million in interest on the ordinary and supplementary cooperative capital for the 2006 financial year. The proposed dividend to be paid on OKO Bank shares for the 2006 financial year is a total of EUR 131 million (120 million), of which EUR 0.65 per share is to be paid on Series A shares (0.60) and EUR 0.62 per share on Series K shares (0.57).

Changes in the OP Bank Group's structure

The OP Bank Group's consolidated financial statements include the 232 member cooperative banks, OP Bank Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company as well as six subsidiaries of the member banks.

In 2006, the number of member banks belonging to the OP Bank Group decreased by six to 232 as a consequence of mergers. Hämeenkosken Osuuspankki merged into Päijät-Hämeen Osuuspankki and Viekin Osuuspankki merged into Lieksan Osuuspankki. In September 2006, Eurajoen Osuuspankki, Kankaanpään Osuuspankki, Porin Seudun Osuuspankki and Rauman Seudun Osuuspankki merged into the new Länsi-Suomen Osuuspankki, operating in western Finland. At the end of the year, Loimaan Seudun Osuuspankki and Loimaan Osuuspankki merged into the new Loimaan Seudun Osuuspankki. In addition, in September the cooperative meeting of Pyhännän Osuuspankki and the representative assembly of Oulun Osuuspankki approved the merger of Pyhännän Osuuspankki into Oulun Osuuspankki. The merger will be carried out in spring 2007.

The integration of Pohjola's operations into the OP Bank Group changed the structure of OP Bank Group Central Cooperative Consolidated significantly during 2006. In order to streamline the Group structure and combine overlapping functions, in January the Central Cooperative purchased from Pohjola Group plc the entire shares outstanding in Pohjola Life Insurance Company Ltd and the capital loan that had been issued by the company. The total purchase price was EUR 281.0 million. At the end of the year, Pohjola Life Insurance Company Ltd merged into OP Life Assurance Company Ltd.

In January, OKO Bank purchased the total shares in Pohjola Asset Management Limited from Pohjola Group plc for a price of EUR 118.5 million. The company's name was changed to OKO Bank Asset Management Ltd. Opstock, OKO Bank's subsidiary that engaged in investment banking, moved its corporate finance operations to the newly established OKO Corporate Finance Ltd and its asset management operations were transferred to OKO Asset Management Limited. The remainder of Opstock Securities was merged into OKO Bank in September.

In spring 2006, Pohjola Fund Management Company Limited transferred its business operations and the management of its mutual funds to OP Fund Management Company Ltd. The name of Pohjola Fund Management Company Limited was changed to OR-Holding Ltd and it was merged into OP Fund Management Company Ltd in October. Pohjolan Systeemipalvelu Oy was merged into the Central Cooperative at the end of the year. In December 2006, the OP Bank Group's internal service company OP IT-hankinta Oy, which is wholly-owned by the Central Cooperative, started its operations.

At the end of the year, Pohjola Group Ltd merged into OKO Bank plc. Following the merger, the OKO Bank Group's other non-life insurance companies, with the exception of Eurooppalainen Insurance Company Ltd, are direct subsidiaries of OKO Bank.

In June, the Central Cooperative purchased from the member banks the shares in OP Mortgage Bank which they owned. Following the transaction, the Central Cooperative's shareholding in the bank rose to 100%.

Capital adequacy

Two sets of capital adequacy regulations
Two sets of capital adequacy ratios are calculated for the OP Bank Group. The OP Bank Group operates in compliance with the Act on Cooperative Banks and Other Cooperative Institutions. Because of the regulations on joint responsibility and security conditions prescribed in the Act, a minimum amount of own funds has been set for the amalgamation of the cooperative banks. This is calculated according to the regulations for capital adequacy specified in the Credit Institutions Act. The amalgamation of the cooperative banks comprises its central institution (the OP Bank Group Central Cooperative), the central institution's member credit institutions and the companies belonging to their consolidation groups. Although the OP Bank Group's insurance companies do not belong to the amalgamation of the cooperative banks, the investments made in them nonetheless have a major impact on the capital adequacy that is calculated in accordance with the capital adequacy regulations for credit institutions. This capital adequacy figure is called the OP Bank Group's capital adequacy according to the Credit Institutions Act.

Following the Pohjola transaction, the OP Bank Group became a financial and insurance conglomerate pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate is subject to the provisions of the capital adequacy requirement specified for it. The OP Bank Group reported the capital adequacy ratio specified in the Act for the first time as from the end of 2005.

Capital adequacy according to the Credit Institutions Act
At the end of the year, the OP Bank Group's capital adequacy according to the Credit Institutions Act was 14.3% (14.6%). The capital adequacy ratio as measured with Tier 1 own funds was 12.7%, or 0.3 percentage point lower than at the end of 2005. Capital adequacy fell in the early part of the year but headed back upwards in the latter half. In spite of the decrease in the capital adequacy ratio, the OP Bank Group's risk-bearing capacity remained strong.

Tier 1 own funds at the end of the year amounted to EUR 4 271 million (3 951 million). Earnings for the period less the estimated dividend payout has been included in Tier 1 own funds. The amount of Tier 1 own funds was reduced by the increase in OKO Bank's shareholding in Pohjola Group plc and the resultant increase in intangible assets that are deducted from Tier 1 own funds as well as by the EUR 21 million decrease in cooperative capital – which is counted as part of own funds – to EUR 693 million. The cooperative capital included EUR 83 million in terminated cooperative capital (88 million).

OKO Bank's holding in Pohjola Group plc rose from 86.3% to 100% at the beginning of 2006. The arbitration tribunal appointed by the Redemption Committee of the Finnish Central Chamber of Commerce will decide on the redemption price of the shares in respect of those of Pohjola's former minority shareholders who did not accept OKO Bank's tender offer. The cost of these shares in the Group's accounts and in the capital adequacy calculations has been taken to be the price indicated in OKO Bank's tender offer (EUR 13.35 per share). The rise in the shareholding from 86.3% to 100% has increased the amount of intangible assets to be deducted from Tier 1 own funds by about EUR 140 million as well as the amount of insurance company investments to be deducted from the aggregate amount of Tier 1 and Tier 2 own funds by about EUR 30 million.

At the end of 2006, the ratio of capital loans to Tier 1 own funds was 5.3% (5.6%). The Group has not included in Tier 1 own funds the increase in equity capital resulting from the measurement, in line with IFRS, of pension liabilities and the assets covering them as well as from the measurement at fair value of investment properties. In March, OP Pension Foundation returned a total of EUR 56 million of excess funding to the companies included in the OP Bank Group's consolidated financial statements. The return of the excess funding reduced the above-mentioned asset item that arose on the measurement, according to IFRS, of pension liabilities and the assets covering them and, correspondingly, it increased the amount of equity capital included in own funds.

The amount of Tier 2 own funds increased by 17% to EUR 885 million (760 million). Tier 2 own funds were increased by the issuance of a 325 million US dollar note that is included in OKO Bank's lower Tier 2 own funds. At the end of the year, Tier 2 own funds included EUR 144 million of an unrealised increase in value that was booked to the fair value reserve, whereas the corresponding figure was EUR 34 million greater at the end of 2005.

Investments in insurance companies, which are to be deducted from the aggregate amount of Tier 1 and Tier 2 own funds, totalled EUR 339 million at the end of the year (290 million). From the minimum amount of the solvency margin of the insurance companies it owns, the OP Bank Group has deducted a portion corresponding to its ownership stake and representing insurance company investments.

Risk-weighted commitments grew by 12% during the year, totalling EUR 33.7 billion at the end of the year (30.1 billion).

The OP Bank Group's own funds and capital adequacy according to the Credit Institutions Act

EUR million	*31 Dec. 2006*	*31 Dec. 2005*	*Change, EUR million*	*Change, %*
Own funds				
Equity capital	5 124	4 757	366	8
Pohjola's minority interest		-196		
Cooperative capital, not included in equity capital	595	715	-120	-17
Capital loans	224	224	0	0
Intangible assets	-1 064	-941	-123	13
Fair value reserve and other reserves	-144	-183	39	-21
Planned dividend payout	-75	-71	-5	7
Other items (incl. excess funding of pension liability and measurement of investment properties at fair value)	-388	-353	-34	10
Tier 1 own funds	**4 271**	**3 951**	**320**	**8**
Fair value reserve and other reserves	144	183	-39	-21
Subordinated liabilities included in upper Tier 2 own funds	210	203	7	3
Subordinated liabilities included in lower Tier 2 own funds	532	374	158	42
Tier 2 own funds, total	**886**	**760**	**125**	**17**
Investments in insurance institutions	-339	-290	-49	17
Other deduction items	-10	-13	3	-23
Deduction items, total	**-349**	**-302**	**-46**	**15**
Own funds, total	**4 808**	**4 409**	**399**	**9**
Balance sheet risk grouping in capital adequacy calculation (before risk-weighting factors)				
Risk group I (risk weight 0%)	10 560	8 677	1 883	22
Risk group V (risk weight 10%)	3	3	-1	-20
Risk group II (risk weight 20%)	586	680	-94	-14
Risk group III (risk weight 50%)	19 629	16 878	2 752	16
Risk group IV (risk weight 100%)	18 872	17 775	1 097	6
Deduction items from own funds	349	302	46	15
Other items (incl. insurance assets)	9 535	8 528	1 007	12
Balance sheet, total	**59 535**	**52 845**	**6 690**	**13**
Risk-weighted receivables, investments and off-balance sheet items				
Receivables and investments	28 804	26 350	2 454	9
Off-balance sheet items	3 904	2 973	931	31
Market risk	1 010	871	140	16
Risk-weighted receivables, investments and off-balance sheet items, total	**33 718**	**30 194**	**3 524**	**12**
Capital adequacy ratio, %	**14.3**	**14.6**		**-0.3***
Ratio of Tier 1 own funds to the aggregate amount of risk-weighted items, %	**12.7**	**13.1**		**-0.4***

* Percentage points.

Capital adequacy according to the Act on the Supervision of Financial and Insurance Conglomerates
The OP Bank Group's capital adequacy pursuant to the Act on the Supervision of Financial and Insurance Conglomerates is calculated in accordance with the consolidation method. This requires adding to the own funds according to the conglomerate's balance sheet those items which are included in equity capital according to the regulations for the banking or insurance industry and are not included in equity capital. Own funds may not include items that are not available for covering the losses of other companies belonging to the conglomerate.

At the end of the year, the OP Bank Group's own funds calculated according to the Act on the Supervision of Financial and Insurance Conglomerates exceeded the minimum amount specified in the Act by EUR 1 682 million (1 799 million). The ratio of the OP Bank Group's own funds to the minimum amount of own funds was 1.56.

EUR million	*31 Dec. 2006*	*31 Dec. 2005*	*Change, EUR million*	*Change*
OP Bank Group's equity capital	5 124	4 757	366	7.7
Business segment-specific items	1 577	1 518	59	3.9
Goodwill and intangible assets	-1 133	-1 059	-74	7.0
Items included in equity capital and business segment-specific items, which cannot be included in the conglomerate's own funds	-883	-828	-55	6.7
Conglomerate's own funds, total	**4 685**	**4 388**	**296**	**6.8**
Minimum amount of the conglomerate's own funds (= own funds requirement)	**3 002**	**2 589**	**413**	**16.0**
Conglomerate's capital adequacy	**1 682**	**1 799**	**-117**	**-6.5**
Conglomerate's capital adequacy ratio (own funds / minimum amount of own funds)	**1.56**	**1.69**		**-0.13***

* Change in ratio.

Risk management

The main objectives and principles of risk management and how they are organised
The most important objective of the Group's risk management is to safeguard the risk-bearing capacity of all the enterprises belonging to the Group and to ensure that in their operations they do not assume such a large risk as would jeopardise the profitability, capital adequacy or continuity of operations of the enterprise or the entire OP Bank Group. The OP Bank Group has a moderate attitude to risk-taking. In respect of the OP Bank Group's most significant type of risk – credit risk – the target set is that impairment losses on receivables of the Group over the long term do not exceed 0.25% of the loan and guarantee portfolio in a given year.

The OP Bank Group Central Cooperative is responsible for the internal control and risk management at the OP Bank Group level as well as for the adequacy and up-to-datedness of the OP Bank Group risk management system. The Central Cooperative issues instructions to Group entities on secure risk management and oversees the entities' operations. Each entity belonging to the OP Bank Group is responsible for its own internal control and risk management within the framework defined by the Central Cooperative.

The OP Bank Group's risk limit system occupies an important position in the Group's risk management. In determining the OP Bank Group's risk-bearing capacity, the Central Cooperative's Supervisory Board sets the risk limits for both credit and market risks so as to circumscribe the OP Bank Group's risk-taking. On the basis of the OP Bank Group's risk limits, the Central Cooperative and its subsidiaries confirm their own risk limit systems. The OP Bank Group's risk limit system furthermore serves as a basis for defining the risk limits for the member cooperative banks (incl. Helsinki OP Bank Plc). The steering and control for the Central Cooperative's member banks are based to a significant extent on the risk limit system. The member banks are categorised within internal risk categories on the basis of the amount and nature of risk limit overruns. With reference to the risk limits, these are set by the member banks for their operations, and they are more stringent than the risk limits.

Amongst the main tasks of the OP Bank Group's risk management during 2006 was the integration of the risk management for non-life and life insurance operations as part of the Group's overall risk management.

The OP Bank Group's present risk management system is based on the business strategy approved in 2006. Non-life and life insurance operations have been taken into account in the system.

The OP Bank Group's risk exposure

Risk-bearing capacity
The indicator used for the OP Bank Group's risk-bearing capacity is the ratio of own funds to the minimum amount of own funds as defined in the Act on the Supervision of Financial and Insurance Conglomerates. The OP Bank Group's risk limit for this capital adequacy ratio is 1.2, whereas the Act specifies a minimum level of 1. At the end of the year, the ratio of own funds to the minimum amount was 1.56, compared with 1.69 at the end of the previous year. The OP Bank Group's own funds at the end of the year were EUR 1 082 million greater than the Group's risk limit would have required, and EUR 1 682 million greater than the statutory limit. A year earlier the corresponding figures were EUR 1 281 million and EUR 1 799 million. A strong risk-bearing capacity acts as a buffer against unexpected losses and creates a basis for the growth of business operations.

OP Bank Group's risk limits

Risk-bearing capacity	2005	2006	Risk limit
Capital adequacy ratio, % (Act on the Supervision of Financial and Insurance Conglomerates)	1.69	1.56	1.20
Credit risks			
Largest single customer risk/own funds, %	7.8	10.0	15.0
Total of large customer risks/own funds, %	0.0	20.1	100.0
Industry risk/own funds, %	38.5	44.3	50.0
Non-performing receivables/loan and guarantee portfolio, %	0.36	0.31	2.00
Market risks			
Financing risk, cumulative financing position/total assets of banking operations, %			
≤ 12 months	-40.7	-38.4	-50
≤ 3 years	-30.3	-27.0	-40
≤ 5 years	-18.6	-21.5	-30
Liquidity reserve/total assets of banking operations, %	6.1	10.4	6
Interest rate risk* /economic capital, %	-0.5	0.1	+/-10
Currency risk** /economic capital, %	9.0	8.8	20
Equity risk*** /economic capital, %	30.3	31.0	50
Capital invested in properties/economic capital, %	46.2	38.8	70

* Effect of 100 basis points increase in interest rate on present value of future cash flows.
** Total net currency position as per Financial Supervision Authority standard 106.12.
*** Market value.

Credit risks
The OP Bank Group's loan and guarantee portfolio within banking operations stood at EUR 41.8 billion at the end of the report year, an increase of 14% on the figure a year earlier (36.5 billion). Households accounted for EUR 3.3 billion of the EUR 5.3 billion growth in the loan and guarantee portfolio, and companies and housing corporations made up EUR 1.5 billion of the increase. During 2006, home mortgages grew by 15% to EUR 18.9 billion, making up 45% of the OP Bank Group's aggregate loan and guarantee portfolio at the end of the year. All in all, households' share of the loan and guarantee portfolio was 65% (66%) and companies and housing corporations accounted for 31% (31%).

The OP Bank Group's loan and guarantee portfolio is diversified. At the end of 2006, the Group's largest single counterparty-related customer risk was 10% of the OP Bank Group's own funds (7.8%). The OP Bank Group's risk limit for a single customer exposure is 15%. The Group's largest industry risk concentration is real estate operations, for which the total liabilities were EUR 2.1 billion, or 44.3% of own funds. The OP Bank Group's internal industry risk limit has been set at 50% of own funds.

Nearly all the customers who operate as companies fall within the scope of the OP Bank Group's categorisation system for corporate customers. At the end of 2006, 95% of these customers' liabilities had been categorised. Of the categorised liabilities, 41% fell within the "investment grade" category and 18% were in the next best category (corresponding to grade BB in the S&P ratings). A year earlier the corresponding figures were 37% and 21%, respectively. The proportion of liabilities of customers having a weak loan servicing capacity remained unchanged.

At the end of 2006, the OP Bank Group had a total of EUR 128 million of non-performing and zero-interest loans, or 2.7% less than a year ago. Non-performing and interest-free loans are stated net of impairment losses on specific receivables and groups of receivables, which amounted to EUR 91 million (95 million). The ratio of non-performing and interest-free receivables to the loan and guarantee portfolio was 0.3% at the end of the report year, or 0.1 percentage point smaller than a year earlier and 1.7 percentage point smaller than the risk limit defined for the ratio. Impairment losses on receivables again remained at a low level, and were recorded to a gross amount of EUR 39 million in 2006, which was 0.09% of the loan and guarantee portfolio.

The OP Bank Group's credit risk situation is stable, and credit risks have remained at a low level. The positive assessment is supported by both the individual loan decisions that were up before the Loan Portfolio Insurance and Credit Committee and the analyses and reports concerning the loan portfolio. The small amount of non-performing and other problem receivables, which decreased further, in combination with the results of risk surveys provides additional confirmation of the estimate of the loan portfolio's quality.

Loan and guarantee portfolio by sector

EUR million	31 Dec 2006	31 Dec 2005	Change, %	Non-performing and interest-free loans 31 Dec 2006	Percentage of loan and guarantee portfolio, %
Enterprises and condominiums	12 975	11 416	14	49	0.4 %
Industry	2 970	2 796	6	11	0.4 %
Construction	1 161	988	18	6	0.5 %
Trade and catering	1 685	1 383	22	12	0.7 %
Property investment	2 905	2 418	20	9	0.3 %
Other companies	2 960	2 749	8	9	0.3 %
Condominiums	1 294	1 083	20	2	0.2 %
Finance and insurance	77	117	-34		
Public corporations and non-profit organisations	774	673	15	1	0.1 %
Households	27 392	24 130	14	78	0.3 %
Home mortgages	18 953	16 413	15	36	0.2 %
Foreign	704	240	194	0	0.0 %
Total	41 826	36 537	15	128	0.3 %

Market risks

The growth in the loan portfolio at a faster rate than total deposits coupled with the financing requirement for the Pohjola transaction increased the OP Bank Group's amount of wholesale market funding on market terms as well as its proportion of this in total funding. The risk limit measure for the OP Bank Group's funding risk in banking operations was the ratio, calculated cumulatively up to the reporting check date, of the difference of receivables and liabilities falling due to total assets in periods of a maximum of one year, a maximum of three years and a maximum of five years. The revamped system also includes estimates of the dates when current account deposits fall due. The deposit funding proportion of total assets and the breakdown of deposits by product were furthermore tracked separately by means of their own key ratios.

The measure for interest rate risk in the risk limit system is defined as the effect of a 1.0 percentage point parallel rise in the level of interest rates on the present value of the interest rate risk exposure. The insurance business is also included in the risk limit system's analysis of market risk. The euro-denominated interest rate risk in the risk limit system is gauged as a proportion of the OP Bank Group's economic capital. At the end of the year, the interest rate risk benchmark stood at 0.1% (-0.5%). The OP Bank Group's interest rate risk must remain within the range of ±10% of the OP Bank Group's risk limits. In banking operations, interest rate risk can be considered moderate, and it derives from the structural interest risk in retail banking, which in practice is due to the fact that the average repricing delay in lending is shorter than the repricing delay for deposits. The OP Bank Group's most significant interest rate risk is related to the investment activities of its insurance companies.

The market value of the OP Bank Group's publicly quoted shares and mutual fund units was EUR 1 037 million at the end of the year (882 million). The ratio of equity investments to economic capital was 31% (30%), or 19 percentage points lower than the risk limit defined for the key ratio.

The measure for the OP Bank Group's currency risk is the ratio of the overall net currency position to economic capital. The ratio of currency risk to the OP Bank Group's economic capital was 8.8% (9.0%).

The amount of property assets tied up in the OP Bank Group's banking operations diminished further. At the end of the year, the total capital invested in properties as part of banking operations amounted to EUR 1.3 billion, or EUR 45 million less than a year earlier. Within insurance investment activities, the market value of property investments was EUR 300 million (289 million). Property investments within insurance operations are expected to increase in line with growing life and non-life insurance operations. The ratio of the amount of property assets to economic capital was 38.8% (46.2%), which was 31.2 percentage points smaller than the risk limit defined for real-estate risk.

Non-life insurance

Non-life solvency capital at the end of the year stood at EUR 592 million (874 million). Solvency capital was 75% (112%) of insurance premium revenue (net). Solvency capital was brought closer to the 70% target level through the OKO Bank Group's internal distribution of profits. Solvency capital is eliminated nearly in its entirety at the Op Bank Group level.

OKO Bank's Board of Directors has confirmed an insurance financial strength rating target of A for non-life insurance. Standard & Poor's gave Pohjola Non-Life Insurance Company Ltd an insurance financial strength rating of A+ in 2005.

Insurance risks in Non-life Insurance are diversified. Non-life reinsurance is handled on a centralised basis. Part of the risks have been transferred to re-insurers. Risk-specific retention was a maximum of EUR 5 million, and in catastrophe reinsurance it was a maximum of EUR 7.5 million.

A large portion of non-life liabilities consists of compensation that is paid out in the form of annuities on the basis of statutory insurance. Estimated mortality has a significant effect on the amount of underwriting reserves for pension liabilities. A lengthening in the average life expectancy by one year increases the amount of underwriting reserves by about EUR 28 million (27 million). In the so-called cohort model that is used in non-life insurance, the force of mortality depends not only on age and gender but also on the year of birth. This model takes into account the longer life expectancy in younger age brackets.

During 2006, there were 11 (7) major losses of over EUR 2 million, for which net claims incurred totalled EUR 35 million (31 million). In 2006, the division's claims incurred for large and medium-sized losses retained for own account was EUR 80 million, or EUR 18 million greater than in 2005.

Non-life investment assets amounted to EUR 2.5 billion at the end of 2006 (2.6 billion). Fixed-income was the largest asset class. Fixed-income instruments made up 75% of investment assets (78%). The average credit rating of the non-life fixed-income portfolio according to the S&P classification is AA (AA). Fixed-income under "investment grade" accounted for less than 9% of the fixed-income portfolio (4%). Equities made up 18% of the entire investment portfolio (16%), with properties accounting for 4% (3%) and alternative investments for 4% (3%). The overall net currency exposure in non-life insurance was slightly over 1% of investment assets (2%).

Life insurance

The principal risks within life insurance operations are connected with investment activities. Separate instructions and procedures concerning risk management have been confirmed for investment activities. An annual investment plan is adopted for investment activities, and it defines the economic objectives of investment operations and sets quantitative and qualitative limits for them.

Investment assets in life insurance totalled EUR 4.1 billion at the end of 2006 (3.9 billion). Fixed-income instruments accounted for 71% of investment assets (76%). A significant portion of fixed-income investments was in bond funds. Of bonds and notes, 81% were investment grade (89%). Equities made up 15% of the entire investment assets (12%), with properties accounting for 5% (5%) and alternative investments for 8% (7%). The overall net currency exposure in Life Insurance was slightly over 7% of investment assets (4%).

Pension institutions

The investment activities of the OP Bank Group's pension institutions (the OP Pension Fund and the OP Pension Foundation) involved market risks. The pension institutions have a strong risk-bearing capacity, which has enabled them to make larger investments in shares and other equity instruments than have the other companies in the Group. The return on investment activities has been good, leading to a lower-than-average level of pension expenses for the OP Bank Group's employer entities.

Operational risks and litigation

Financial losses resulting from operational risks were minor in amount. Nearly all the losses were connected with mistakes occurring in the operations process or in management of it.

The major pending litigation cases were the arbitration proceedings concerning the redemption price of Pohjola Group plc and the dispute concerning the dissolution of Pohjola's savings bank co-operation.

Credit ratings

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

The credit ratings at the end of 2006 were the following:

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

Following the acquisition of a majority holding in Pohjola, all the above-mentioned credit rating institutions kept OKO Bank's ratings unchanged. Standard & Poor's and Moody's, however, placed OKO Bank's credit rating on Credit Watch and changed the outlook from stable to negative. In September 2006, Standard & Poor's changed its estimate of OKO Bank's outlook from negative back to stable.

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

Owner-members and customers

The member banks had 1 163 000 owner-members at the end of the year. The number grew by 30 500 during 2006. The growth a year earlier was 28 200. Of the member banks' owner-members, 805 000 were OP bonus customers who were granted bonuses during 2006. At the end of 2006, Helsinki OP Bank Plc, which operates in the Greater Helsinki area and in accordance with its company form does not have owner-members, had 105 000 OP bonus customers.

The value of the loyal customer bonuses earned by OP bonus customers was EUR 48 million, an increase of 14% on the figure a year earlier. In the OP Bank Group's income statement, bonuses earned by the owner-members have been booked under the item "Returns to owner-members". In 2006, OP bonus customers used the bonuses to pay for bank services to a total amount of EUR 36 million (34 million), and they received cash payments for bonuses earned in previous years to a total amount of EUR 9 million (8 million).

The OP Bank Group's number of customers grew by 82 000 and totalled 4 046 000 at the end of the year. The number of joint banking and insurance customers increased by 98 000 to 803 000 as a consequence of cross-selling. At the end of the year, the OP Bank Group had 3 198 000 banking customers and 1 651 000 Pohjola insurance customers. In addition, in the Baltic countries, the OP Bank Group has a total of about 200 000 non-life insurance customers.

The number of Pohjola's loyal customer households grew by more than 34 000 from the end of the previous year and was 367 000 at the end of 2006. The OP Bank Group's target is to increase Pohjola's number of loyal customer households to 500 000 by 2010.

Market shares

2006 saw a continuation of the strengthening market position of the OP Bank Group, building on the trend in recent years. The OP Bank Group's market share of the main banking as well as life and pension insurance products (loans, deposits, mutual funds and life and pension insurance savings) was 28.5% at the end of the year, registering an increase of 0.2 percentage point on the figure a year earlier. Market share gains were registered within loans, deposits and life and non-life insurance. The market share of mutual fund investments diminished somewhat.

The OP Bank Group's market share of loans grew by 0.6 percentage point to 31.1%. Market shares increased within both home mortgages and corporate loans. The market share of home mortgages increased by 0.4 percentage point and the market share of euro-denominated loans to companies was up 0.9 percentage point.

The market share of deposits was 32.7% at the end of the year, an increase of 0.8 percentage point since the end of 2005. The OP Bank Group's market share of the capital of mutual funds registered in Finland was 21.8% at the end of the year, down 0.5 percentage point on the figure at the end of 2005. The OP Bank Group's market share of insurance savings through life and pension insurance policies increased by 1.3 percentage point to 19.1%.

The market share of premiums written in life and pension insurance was 28.3%, or 2.1 percentage points smaller than the aggregate market share of OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd a year earlier.

Market shares of non-life premiums written are obtained only once a year after the financial statements have been prepared. Pohjola's market share of premiums written in non-life insurance in 2005 was 26.0%. The market share information for 2006 was not available at the time of preparing this report.

Market shares

	31 Dec. 2006	*31 Dec. 2005*	*Change*
Of total loans	31.1	30.5	0.6
Of home mortgages	34.4	34.0	0.4
Of corporate loans	25.8	24.9	0.9
Of total deposits	32.7	31.9	0.8
Of capital invested in mutual funds	21.8	22.3	-0.5
Of life and pension insurance savings	19.1	17.8	1.3
	1-12/2006	1-12/2005	
Of premiums written in life and pension insurance	28.3	30.4	-2.1
Non-life premiums written, Pohjola*		26.0	

Change figures stated as percentage points.
* Information for 2006 not yet available.

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

At the end of the year, the OP Bank Group had 670 locations (783). A major factor behind the decrease in the number of locations is that in many localities a member bank and Pohjola have moved into joint premises. At the end of the year, the number of locations offering banking and non-life insurance services reached 175, as against 6 a year earlier. More than every fourth OP Bank Group location offered both banking and non-life insurance services at the end of the year.

The number of locations was also reduced by the fact that the member banks combined many of the functions of their branch offices. The number of branch offices of the member banks and Helsinki OP Bank Plc decreased by 39 to 640 during the year. The OP-Kiinteistökeskus estate agents operate from 174 outlets.

The number of online service agreements with banking customers increased further. At the end of the year, there were 1 094 000 online service agreement customers (996 000). The number of bills paid on the Internet increased by 12% on the previous year. Already more than 71% of all the bills paid by the OP Bank Group's customers were handled via the Internet. Only about 4% of bills were still paid using direct customer service at branch offices.

The Group-level Contact Centre is the OP Bank Group's centralised service channel for banking customers. It offers personal service for customers and sales support for the member cooperative banks. There were 888 000 customer contacts that were handled via the Contact Centre by phone or using electronic channels, an increase of 13% on the figure a year earlier.

Pohjola's Call Centre offers corporate and private customers comprehensive insurance and claims services. During the year Pohjola's Call Centre handled about 1 299 000 customer contacts, or 10% more than a year earlier.

The OP Bank Group's service network

	31 Dec. 2006	*31 Dec. 2005*	*Change from beginning of year, no.*
Banking and insurance locations	670	783	-113
offering banking services only	466	674	
offering insurance services only	29	103	
offering banking and insurance services	175	6	
OP-Kiinteistökeskus outlets	174	165	9
Online customer terminals	603	631	-28
Payment ATMs	555	606	-51
Online service contracts	1 094 000	996 000	97 900

Personnel and rewards

At the end of the year, the OP Bank Group employed 12 139 staff (net of seasonal help), or 165 more than at the end of 2005. The member banks' number of employees grew by 101 to 6 661 and OP Bank Group Central Cooperative Consolidated's payroll (incl. OP Bank Group Mutual Insurance Company) grew by 64 employees to 5 478. The number of people employed by OKO Bank Group, which belongs to OP Bank Group Central Cooperative Consolidated, decreased by 335 to 2 919. The lower number of staff was attributable to changes in OP Bank Group Central Cooperative Consolidated's internal division of labour.

At the end of 2006, the OP Bank Group's personnel fund, which went into operation from the beginning of 2005, had about 9 200 members, or about 93% of the OP Bank Group's (excl. Pohjola) personnel. Bonuses paid to the personnel fund for its first year in operation amounted to about EUR 6.0 million. The Pohjola companies became part of the personnel fund at the beginning of 2007, raising the membership to about 11 600, or 94% of the entire OP Bank Group personnel.

At the end of December, a total of 134 OP Bank Group companies had adopted the reward system for management that was introduced in 2005. Bonuses for 2005 under the system totalled EUR 2.2 million at companies belonging to the OP Bank Group. The bonuses will be paid in spring 2008 to those persons entitled to a bonus who are still in the employ of an OP Bank Group company at the time when the bonus is paid. The final amount of the bonus is dependent on the trend in the price of OKO Bank's Series A share.

The Central Cooperative's corporate governance

The OP Bank Group Central Cooperative is the central institution of the amalgamation of the cooperative banks, the parent company of OP Bank Group Central Cooperative Consolidated and the company at the head of the financial and insurance conglomerate formed by the OP Bank Group. The Central Cooperative operates as the entire OP Bank Group's development and service centre, and is a strategic owner institution. The Central Cooperative has a pivotal role in developing and steering the OP Bank Group's operations.

The Annual Cooperative Meeting of the OP Bank Group Central Cooperative was held on 30 March 2006. Of the Supervisory Board's members due to resign, the meeting re-elected for the term of office 2006–2009 Mr Seppo Penttinen, Mr Pekka Vilhunen, Mr Jukka Hulkkonen, Mr Seppo Junttila, Mr Markku Lappalainen, Mr Timo Levo, Mr Pentti Mäkelä, Mr Teuvo Mäkinen, Mr Matti Niemelä, Mr Jukka Ramstedt, Mr Heikki Rosti and Mr Juhani Suoramaa.

The new members who were elected to the Supervisory Board for the term office 2006–2009 were Mr Keijo Sulkko, Ms Päivi Nerg, Mr Kari Puro, Mr Kyösti Harju, Mr Markku Salomaa, Ms Marjo Partio, Mr Antti Hult, Mr Mauri Kontu, Mr Markku Lehtosaari, Ms Irja Hirsinummi and Mr Timo Viitanen. Ms Marita Marttila was elected in place of Jorma Pere – who had tendered his resignation – for the term of office 2006-2008. The Supervisory Board has a total of 36 members.

At its organisation meeting, the Supervisory Board re-elected Mr Seppo Penttinen chairman. Mr Paavo Haapakoski and Mr Jukka Hulkkonen were elected as the vice chairmen.

At the Annual Cooperative Meeting, the firm of authorised public accountants KPMG Oy Ab was elected auditor of the OP Bank Group Central Cooperative for the 2006 financial year.

On 10 March 2006, the Central Cooperative's Supervisory Board appointed the Central Cooperative's then President, Mr Reijo Karhinen, Executive Chairman of the OP Bank Group, effective 1 January 2007, when Chairman and CEO Antti Tanskanen retired, as previously announced. On 14 June 2006, the Supervisory Board appointed Mr Tony Vepsäläinen President of the OP Bank Group Central Cooperative, effective 1 January 2007, and a member of the Central Cooperative's Executive Board as of 1 October 2006. Previously, Tony Vepsäläinen served as the Managing Director of Tampereen Seudun Osuuspankki.

In December, the Central Cooperative's Supervisory Board appointed Executive Board members Mr Heikki Vitie and Mr Erkki Böös as Senior Executive Vice Presidents. Mr Vitie acts as President Tony Vepsäläinen's deputy. Appointed as new members of the Executive Board at the same meeting were the Central Cooperative's department heads Mr Harri Nummela as from 1 January 2007 and Mr Harri Luhtala 1 April 2007. Executive Board member Mr Pekka Jaakkola will move to a position as head of the Member Bank Steering department as of1 April 2007.

Review of the OP Bank Group's business strategy

The OP Bank Group's excellent capital adequacy and good profitability enable it to gear its operations towards growth and strengthening its market position. The OP Bank Group offers comprehensive financial services in Finland for both private and corporate customers. Growth in the number of customers and business volume will enable the OP Bank

Group to provide high-quality multichannel customer service at competitive prices, to offer good training and development opportunities for its staff, and improved patronage-based financial benefits for its owner-members.

The most ambitious growth targets for market shares are in business areas where the Group's share is lowest at the present time, i.e. within asset management services, consumer lending, corporate banking and payment transfer services. The targets are the most ambitious in geographical areas where the Group's market share is lowest at the present time. One of the priority areas is Greater Helsinki.

For all the member banks, the OP Bank Group's growth priority is achieving an increase, among their own clientele, in the volume of operations and in the extent of services provided. The emphasis over the next few years will be on selling banking and asset management products to Pohjola's customers and on selling non-life insurance products to the present customers of the member cooperative banks and OKO Bank.

The OP Bank Group will maintain its strong market position within its traditional customer groups. It will shore up its position in areas such as private banking. In the corporate and institutional sector, growth will be sought above all within medium-sized companies as well as in serving public-sector enterprises and condominiums. The OP Bank Group's success in customer service and operations is based on the member banks' entrepreneurial local work. The member banks' offerings are rounded out by the services of the OP Bank Group's jointly owned companies and the services provided by the OP Bank Group Central Cooperative.

The key starting points for operations are maintaining the good level of capital adequacy and profitability. In the area of cost-effectiveness, the objective of the OP Bank Group and its member banks is to be at least at the same level as its main competitors. By means of well-developed risk management coupled with close internal oversight and monitoring, the bank is able to ensure that its growth is manageable and geared to the long term. The OP Bank Group takes a moderate stance on the assumption of risk.

Long-term performance indicators

	Indicator of the OP Bank Group	Target	Actual 2006
Risk-bearing capacity	Non-current own funds/economic capital	Minimum of 1.0	1.10
Profitability	Return on economic capital	Minimum of 17%	20.1%
Risk appetite	Impairment losses on receivables/loan and guarantee portfolio	Maximum of 0.25%	0.02%
Efficiency	Cost/income ratio	Maximum of 52% (banking operations maximum of 50%)	55% (banking operations 52%)

The OP Bank Group's objective is that its non-current own funds (Tier 1 own funds as calculated according to the Credit Institutions Act and excluding cooperative capital counted as a liability in the IFRS financial statements) are greater than the economic capital requirement defined for the OP Bank Group. Economic capital is the imputed amount of capital which the OP Bank Group estimates it will need to cover the risks of its operations. For the time being, economic capital is derived from the regulatory requirements for banking and insurance operations. In 2006 the OP Bank Group's risk-bearing capacity was 1.10.

The OP Bank Group's profitability target is a return on economic capital of at least 17%. The bonuses accruing to the members of the cooperative banks and Helsinki OP Bank Plc are interpreted as being a return of surplus funds, for which reason the bonuses, adjusted for tax, are credited to earnings before tax in calculating the return on economic capital. In 2006 the OP Bank Group's return on economic capital was 20.1%.

The indicator for risk appetite is defined as the ratio of net impairment losses recorded on receivables to the final loan and guarantee portfolio at the reporting date. The OP Bank Group's objective is that impairment losses on receivables over a business cycle do not exceed 0.25% of the loan guarantee portfolio. In 2006, impairment losses on receivables came to 0.02% of the loan and portfolio.

The OP Bank Group is targeting a cost/income ratio not to exceed 52%. In 2006, the Group's cost/income ratio was 55%. The cost/income ratio within Banking and Investment Services operations was 52%, the long-term target being 50%.

Pohjola transaction and combining of operations

OKO Bank's shareholding in Pohjola rises to 100 per cent
In September 2005 the OP Bank Group's central bank, OKO Bank plc (at the time OKO Osuuspankkien Keskuspankki Oyj), acquired a majority holding of the shares in Pohjola Group plc. In January 2006, OKO Bank's proportion of Pohjola's shares and voting rights exceeded 90%. In June, the Arbitration Tribunal appointed by the Redemption Committee of the Finnish Central Chamber of Commerce confirmed that OKO Bank had an undisputed right to redeem Pohjola's minority shares. At the end of June, OKO Bank paid the undisputed portion of the redemption price to the minority shareholders (EUR 13.35/share and the interest payable on said amount). OKO Bank has lodged a bond approved by the Arbitration Tribunal as security for payment of any remaining portion of the redemption price that may be set subsequently by the tribunal.

Pohjola Group plc's share and option rights were delisted from the Main List of the Helsinki Stock Exchange in June 2006.

Cross-selling off to a good start
The integration of operations is moving ahead according to plans. The results achieved so far are encouraging and support the previously given estimates of the attainability of revenue and cost synergies that are expected to reach more than EUR 91 million before taxes by 2010.

The asset management and mutual fund functions of the OP Bank Group and Pohjola have been combined. The combining of life insurance operations has also been carried out. Group functions were reorganised during 2006. By the end of the year, the functions of 77 Pohjola locations had been transferred to the OP Bank Group's retail branch offices and the functions of one member bank service outlet were moved to a Pohjola location. In addition, Pohjola had built three new joint branch offices with the member banks as well as established 94 new insurance agent outlets at branch offices of the member banks.

It is estimated that cost savings of EUR 18 million were achieved in 2006. The decisions taken by the end of 2006 are estimated to bring cost savings of substantially more than EUR 35 million in 2007. The cost savings decisions that have been carried out so far include hardly any synergies that can be obtained from information technology, which are estimated to be realised over three years. The integration costs allocated to 2006 were about EUR 10 million.

Cross-selling of banking and insurance services has got off to a good start. Above all, the number of Pohjola's non-life insurance customers has grown at a clearly faster rate than a year ago. The number of Pohjola's loyal customer households in 2006 grew by a net 34 500 households. The OP Bank Group's banking operations registered a net gain of more than 33 000 new customers from Pohjola's insurance clientele.

Revenue synergies that were reached by the end of the year are estimated to be over EUR 10 million annually. During 2006 the effect of these synergies was nevertheless significantly smaller.

The OP Bank Group and the K-Group agree on co-operation

In June, the OP Bank Group and Kesko Corporation, a retail and wholesale chain, agreed on long-term and extensive co-operation covering, among other things, card development, payment transfers, cash services and customer financing. In coming years, the co-operation will be expanded to include Pohjola's insurance products.

The OP Bank Group's preparations for capital adequacy reform in the banking sector

The new framework came into force in the EU at the beginning of 2007. The capital adequacy reform was implemented in Finnish legislation at three levels: the amendments to the Credit Institutions Act pertaining to the capital adequacy reform were adopted in February 2007. In the same month, the Ministry of Finance issued a decree setting out more detailed provisions concerning capital adequacy calculations. These provisions concern primarily the use of the national options set out in the directive. In addition, the Financial Supervision Authority has issued numerous standards concerning capital adequacy calculation and setting out more explicit regulations and instructions on application of the Act.

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

The starting point for the OP Bank Group's development of risk management methods and systems is primarily the risk management needs and secondarily compliance with the requirements of the capital adequacy framework.

During 2006, the OP Bank Group has continued preparations for the capital adequacy reform. During the year, further inputs have been made into changes to information systems as required by the reform, into the development of credit risk models and for the further development of home mortgage categorisation: the development work has continued in respect of loans to consumers, the agricultural sector and companies. An important priority has been mobilising the capital adequacy reform across the member banks. The Central Cooperative is monitoring the utilisation rate of the member banks' loan categorisation, the breakdown of the loan portfolio by different loan categories and the effects of loan categorisation on the setting of targets, decision making and pricing. The Central Cooperative furthermore provides guidance to the member banks on the active utilisation of loan categorisation.

The OP Bank Group makes use of the transitional provisions for the capital adequacy reform in respect of methods to be introduced. In accordance with the policy lines laid down by the Central Cooperative's Executive Board, the objective is to make a stage-by-stage transition to the internal ratings approach in calculating the capital adequacy requirements for credit risks such that the capital adequacy requirement for the first groups of liabilities will be calculated according to the internal ratings approach as from the beginning of 2008. In respect of corporate and retail exposures, a complete transition to the internal ratings approach will be made by 2011. The capital adequacy requirement for operational risks will be calculated using the standard method as from the beginning of 2008. The objective is to go over to use of the standard method in 2010.

According to the bank's own estimates, the use of internal ratings in capital adequacy calculations yields the most benefit to banks that concentrate on retail operations, as the OP Bank Group does. The use of internal ratings, however, increases the sensitivity of the own funds' minimum capital requirement to fluctuations in the business cycle.

Capital expenditures

The Central Cooperative, together with its subsidiaries, is responsible for developing the OP Bank Group's service activities. Information technology investments and related specification work makes up a significant part of the costs of developing service activities. In 2006, information technology investments of EUR 37 million were activated in the balance sheet of OP Bank Group Central Cooperative Consolidated. Of these investments, EUR 25 million were connected with banking and investment operations, EUR 2 million with life insurance operations and EUR 10 million with non-life insurance operations.

Environment

The OP Bank Group'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.

Environmental responsibility issues are connected for the most part with each bank's indirect responsibility for the environmental impacts of its customers' operations and with the bank's possibilities of influencing them. Particularly within corporate lending, customers' investment projects figure prominently in the environmental responsibility issues involved in lending decisions. In non-life insurance operations, the environmental impacts of the customer's operations are appraised from an integrated perspective – through preventive measures and ultimately by bearing financial risk in the aftercare of environmental damage which customers have suffered.

In the Group's own operations, reducing paper consumption by developing electronic services plays an important role. By making services electronic, the OP Bank Group will also be able to offer its customers the possibility of reducing paper consumption and mailings.

During week 11, the OP Bank Group will publish its Corporate Responsibility Report 2006, which presents a more detailed account of the practices and objectives of the OP Bank Group's environmental management.

Events after the close of the financial year

The changes that have taken place in the Central Cooperative's Executive Board are discussed in section "The Central Cooperative's corporate governance".

Outlook for 2007

The OP Bank Group's market position has strengthened for a number of years now. The Group's target is to reinforce its market position further. Earnings before tax in 2007 are estimated to be on a par with 2006.

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

Business segments
The OP Bank Group's new business segments that are reported for the first time in the 2006 Financial Statements are Banking and Investment Services, Non-life Insurance and Life Insurance. Other operations not belonging to the business segments are presented in the group "Other operations." Segment reporting is prepared in accordance with the accounting policies applied in the OP Bank Group's financial statements. Amortisation of intangible assets arising in connection with the Pohjola transaction is allocated to the business segments.

Of the previously reported business segments, the OP Bank Group's new Banking and Investment Services business segment includes Retail Banking and Corporate Banking as well as Asset Management in its entirety. Life insurance operations have been separated out from the previously reported Asset Management segment to form a business segment of its own, but in other respects it is now part of Banking and Investment Services.

The companies included in the Banking and Investment Services business segment are the member banks, Helsinki OP Bank Plc, OP Kotipankki Oyj, OP Mortgage Bank, OP Fund Management Company Ltd, OKO Asset Management Limited, OKO Corporate Finance Ltd, OKO Venture Capital Ltd as well as certain smaller companies that support banking and investment services in their entirety. OKO Bank plc's operations, with the exception of Group Administration, are also included in the Banking and Investment Services business segment. The operations of the OP Bank Group Mutual Insurance Company are also included in the Banking and Investment Services business segment because the bulk of the company's operations consist of credit insurance granted to the OP Bank Group's retail banks.

The Life Insurance business segment comprises the OP Bank Group's life and pension insurance business. In 2006, two companies made up the business segment: OP Life Assurance Company Ltd as well as Pohjola Life Insurance Company Ltd, which was merged into OP Life Assurance Company Ltd at the end of 2006.

The Non-life Insurance business segment encompasses the operations of the OP Bank Group's non-life insurance companies, i.e. Pohjola Non-Life Insurance Company Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies that operate in the Baltic area as well as the operations of service companies that support non-life insurance.

The entities remaining outside the business segments are the corporate administration of the Central Cooperative, FD Finanssidata Oy (FD), and the OKO Bank Group as well as the operations of Pohjolan Systeemipalvelu, which were merged into the Central Cooperative at the end of 2006. The cost of the services which the Central Cooperative and FD provide for the business segments is allocated to the business segments in the form of internal service charges.

Earnings by business segment, summary

EUR million	*Income*	*Expenses*	*Impairment losses*	*Other items*	*Earnings before tax*
Banking and Investment Services	1 495	779	9	-64	643
Non-life Insurance	347	268	0	0	78
Life Insurance	131	63	0	0	68
Other operations	281	272	0	2	11
Eliminations	-296	-298	1	-2	0
Total	**1 956**	**1 083**	**9**	**-64**	**800**

Banking and Investment Services
The operating fundamentals for Banking and Investment Services were good in 2006. In nearly all product areas, the OP Bank Group's growth outstripped that of its competitors on average. The market position strengthened, particularly within home mortgages and corporate loans as well as within deposits.

The OP Bank Group's loan portfolio at the end of the year stood at EUR 39.6 billion (34.8 billion), and the guarantee portfolio totalled EUR 2.2 billion (1.7 billion). The growth in the loan portfolio accelerated further. In 2006, the loan portfolio grew by 14%, or 1.3 percentage point more than a year earlier. The OP Bank Group's portfolio of home mortgages increased by more than 15% to EUR 18.9 billion (16.4 billion). The OP Bank Group's portfolio of home mortgages has seen continued fast growth for a number of years now: in five years, total home mortgages have more than doubled. The average margin on the home mortgage portfolio contracted further: at the end of the year, the average margin on home mortgages tied to the Euribor and prime rates was 0.15 percentage point lower than a year earlier.

Households who are customers of the OP Bank Group drew down EUR 6.9 billion (6.3 billion) in new home mortgages during the year, an increase of 9.0% on the figure a year earlier. The average margin on new variable rate home mortgages was 0.13% lower than a year ago. The proportion of loans tied to the OP prime rate within new loans that were drawn down grew to 52% from 9% in the previous year. Euribor-linked loans accounted for 44% of new home mortgages. The main reference interest rate on these loans was the 12-month euribor. OP-Kiinteistökeskus estate agents, which form part of the OP Bank Group's residential lending and brokerage services, brokered a total of 16 031 realty transactions, or 2.8% less than a year ago.

The total amount of households' consumer loans increased by 12.3% and amounted to EUR 2.8 billion at the end of the year.

The OP Bank Group's corporate loan portfolio grew by 10% to EUR 9.7 billion (8.9 billion) and total guarantees were up 23% to EUR 1.9 billion. Corporate customers drew down a total of EUR 5.0 billion in new euro-denominated loans in 2006, an increase of 3.3% on the figure a year earlier. During 2006, the OP Bank Group arranged EUR 3.7 billion of new long-term financing for corporate customers.

The capital invested in the OP Bank Group's mutual funds totalled EUR 13.3 billion at the end of the year, an increase of 33% on the aggregate capital of OP Fund Management Company Ltd and Pohjola Fund Management Company Ltd a year earlier (10.0 billion). Net subscriptions to the OP Bank Group's mutual funds totalled EUR 2 392 million, up 5.4% on the aggregate net subscriptions to mutual funds managed by OP Fund Management Company Ltd and Pohjola Fund Management Company Ltd a year earlier (2 270 million). The OP Bank Group's range of mutual funds was developed significantly during 2006 by combining the overlapping funds of the OP and Pohjola fund management companies. At the end of the year, the OP Bank Group had a total of 57 mutual funds, 14 fewer than at the end of 2005.

The volume of assets managed by OKO Bank's asset management function was EUR 31.3 billion at the end of the year (27.5 billion). Of this amount, EUR 12.4 billion was invested in the OP Bank Group's mutual funds. EUR 2.1 billion of assets were under management in accordance with the OP Private operational model. Stockbroking for households amounted to 467 000 trades, or 17% more than a year earlier. Orders executed over the Internet accounted for 76% of total stockbroking (69%).

The OP Bank Group's deposits at the end of the year totalled EUR 25.8 billion (24.2 billion), an increase of 6.5% on the previous year. The growth in total deposits took place mainly in investment deposits, which grew by 14.0% to EUR 10.8 billion.

Corporate payment transfer deposits increased by 5.4% from the end of 2005 an totalled EUR 2.8 billion at the end of 2006. Households' total amount of current account and payment transfer deposits declined by 1.8% to EUR 10.6 billion (10.7 billion). The breakdown of cards in use with customers changed significantly in 2006: the number of debit cards has decreased by 25%, and the number of international cards grew by 18%. At the end of December, cards with a payment facility accounted for 93% of all cards. International cards accounted for 69%, compared with 59% a year earlier.

Earnings before tax from Banking and Investment Services were EUR 643 million, an increase of 24% on the figure a year ago. Net interest income was up 12% to EUR 899 million, and commission and fee income increased by 14.1% to EUR 404 million. Staff costs rose by 11% and other expenses by 1.0%. EUR 9 million of impairment losses were recorded on receivables. The cost/income ratio in Banking and Investment Services operations was 52%.

Banking and Investment Services

EUR million	*I–12/ 2006*	*I–12/ 2005*	*Change, %*
Net interest income	899	803	12.0
Impairment losses on receivables	9	6	47.9
Other income	596	511	16.6
Personnel costs	334	300	11.3
Other expenses	446	441	1.0
Returns to owner-members	64	50	28.2
Earnings before tax	**643**	**517**	**24.4**
Home mortgages drawn down	6 856	6 288	9.0
Corporate loans drawn down	5 098	4 933	3.3
Net subscriptions to mutual funds	2 392	1 845	29.6
Brokered property transactions, figures in units	16 031	16 489	-2.8
EUR billion	*31 Dec. 2006*	*31 Dec. 2005*	*Change, %*
Loan portfolio			
Home mortgages	18.9	16.4	15.5
Other loans to households	8.8	7.7	13.9
Corporate loans	9.7	8.9	10.0
Other loans	2.1	1.8	15.7
Total	39.6	34.8	13.7
Guarantee portfolio	2.2	1.7	29.5
Deposits			
Current and payment transfer deposits			
Households	10.6	10.7	-1.8
Companies	2.8	2.6	5.4
Others	1.6	1.3	21.9
Current and payment transfer deposits, total	14.9	14.7	1.6
Investment deposits	10.8	9.5	14.0
Deposits, total	25.8	24.2	6.5
Equity and hedge funds	4.4	3.6	23.3
Balanced funds	2.1	1.3	61.3
Bond funds	3.5	2.4	46.7
Money market funds	3.3	2.7	21.7
Value of mutual funds, total	13.3	10.0	33.3

Non-life Insurance

Non-life Insurance is the OP Bank Group's newest business segment, which came into being in autumn 2005 after OKO Bank had acquired a majority holding in Pohjola Group plc. 2006 was thus the first full year for Non-life Insurance as an OP Bank Group business segment. The 2005 earnings figures for the Non-life Insurance business segment include only the income and expenses for November–December. For certain income statement items, the comparative figure for 2005 is also stated in order to depict the overall trend. This refers to actual income, expenses and other corresponding figures for Non-life Insurance for the full year in 2005, and the figures furthermore include the cumulative amounts for the period prior to the Pohjola transaction.

The growth in the number of non-life insurance customers accelerated when co-operation with the Group's member banks got started. At the end of the year the segment had 367 000 loyal customer households, 34 500 more than a year earlier. The objective is to reach 500 000 loyal customer households by the end of 2010.

Insurance premium revenue from non-life insurance totalled EUR 788 million, representing an increase of 5.9% on comparable revenue a year earlier. The growth in non-life underwriting, eliminating changes in reserving bases was 8.2%. Growth was attributable in particular to the increase in the comprehensive motor vehicle and motor liability insurance portfolio which, as a result of the start-up of co-operation with the member banks and renewed service offerings, clearly exceeded the market growth within the private customer segment. For corporate customers too, growth was the fastest within comprehensive motor vehicle and motor liability insurance. Premiums written in statutory workers' compensation insurance decreased owing to the tariff changes that were carried out at the beginning of the year and the favourable trend in claims within policies with a deductible. Premiums written in domestic non-life insurance were up 3.3% and rose by 53% in the Baltic countries.

Claims incurred (excluding loss adjustment expenses) amounted to EUR 536 million, or 9.3% more than comparative claims incurred for the full year in 2005. The growth in claims incurred was attributable in particular to the exceptionally weak trend in large and medium-size losses (losses in excess of EUR 0.1 million). Over the full year, there were eleven major losses of over EUR 2 million that were retained for own account, and eight of them occurred in the latter half of the year. Claims incurred for small losses of less than EUR 0.1 million increased in proportion to the growth in insurance the portfolio.

Stripping out the amortisation of intangible assets arising in the Pohjola transaction, operating expenses and loss adjustment expenses totalled EUR 216 million, an increase of 9.8% on comparative expenses for the full year in 2005. The increase in expenses was due to outlays for sales and marketing, for placing in use new basic systems and as a result of the growth in operations in the Baltic countries.

The return on non-life insurance investments at fair values was 5.2%, the comparative return a year earlier being 8.5%. At the end of the year, the fair value of investments was EUR 2.4 billion (2.4 billion). Of investments at the end of the year, equities made up 19% (17%), fixed-income instruments 75% (78%) and investment properties 2% (2%).

Earnings before tax from Non-life Insurance were EUR 78 million. The effect of unwinding of discount on segment earnings was EUR 37 million negative. The discount rate applied to the EUR 1.2 million of pension liabilities is 3.3%.

The combined ratio, excluding the amortisation of intangible assets arising in the Pohjola transaction and attributed to the business segment, was 95.4%. Claims incurred accounted for 67.2% and operating expenses as well loss adjustment expenses (cost ratio) for 28.2%. The comparative combined ratio for the full year in 2005 was 92.3%, of which claims incurred made up 65.1% and cost ratio 27.2%.

Non-life Insurance

EUR million	*1–12/ 2006*	*11–12/ 2005*	
Insurance premium revenue	788	138	
Insurance claims and benefits	536	69	
Net investment income	115	12	
Unwinding of discount and other items	-36	-12	
Net income from non-life insurance	332	69	
Other income	24	7	
Personnel costs	99	16	
Other expenses	179	33	
Earnings before tax	**78**	**27**	
Insurance premium revenue			
Private persons	308	53	
Corporations and institutions	434	78	
Baltic countries	47	7	
Insurance premium revenue, total	788	138	
EUR billion	*31 Dec. 2006*	*31 Dec. 2005*	*Change, %*
Insurance contract liabilities			
Discounted insurance contract liabilities	1 223	1 172	4
Other insurance contract liabilities	746	711	5
Total	1 969	1 883	5
Investment portfolio			
Bonds	1 752	1 697	3
Money market debt	22	195	-89
Equities	447	407	10
Investment properties	57	55	4
Alternative investments	87	65	34
Total	2 365	2 419	-2

Life Insurance
With the Pohjola transaction, the OP Bank Group's life and pension insurance expanded significantly. Pohjola Life Insurance Company Ltd's income statement items are included in the comparative figures for the 2005 income statement only for November-December. For certain income statement items, the comparative figure for 2005 is also stated in order to depict the overall trend. This refers to the aggregate figures of OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd for 2005.

The OP Bank Group's premiums written in life and pension insurance were EUR 866.5 million. Premiums written were 11% smaller than the aggregate premiums written of OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd a year earlier. Although the growth in premiums written has slowed from 2005, it has nevertheless outpaced the industry average. Premiums written from savings life insurance policies were EUR 635 million, from pension insurance EUR 185 million, and from other policies 45.8 million. Compared with the aggregate premiums written for 2005 of OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd, premiums written in savings life insurance remained at the previous year's level and premiums written in pension insurance diminished by 32%. Premiums written in unit-linked policies accounted for 54.4% of total premiums written. Unit-linked policies accounted for 45% of premiums written in pension insurance.

Benefits paid in Life Insurance totalled EUR 437.5 million, of which surrenders accounted for EUR 139 million. Benefits paid were 104% greater than the aggregate claims paid by OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd a year earlier. During 2006, EUR 26 million in pensions was paid out.

The return on income from investment assets at fair values was 4.0%. The unrealised change in the value of available-for-sale financial assets has been entered in the fair value reserve under equity capital after deduction of deferred tax liability. At the end of the year, the fair value reserve, taking into account the tax liability, was EUR 52 million, a decrease of EUR 45 million since the end of 2005.

Pre-tax earnings generated by life insurance operations totalled EUR 68 million, as against EUR 27 million a year earlier. Net income from life insurance operations was EUR 119 million (58 million). Net income from life insurance operations included provisions for future customer bonuses of EUR 49 million. EUR 22 million of the previously made provision for customer bonuses was discharged. Personnel costs rose to EUR 8.4 million (3.6 million) and other administrative expenses increased to EUR 54 million (30 million).

The aggregate insurance contract liabilities of the OP Bank Group's life insurance operations stood at EUR 5.7 billion at the end of the year, an increase of 15.9% since the end of 2005. Unit-linked policies accounted for 37% of insurance contract liabilities in life and pension insurance (32%). Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.1 billion at the end of the year (3.9 billion), of which fixed-income investments made up 71.6% (76.2%), equities and equity funds 15.1% (11.6%), property investments 4.9% (4.9%) and alternative investments 8.4% (7.3%).

Life Insurance

EUR million	*1–12/2006*	*1-12/2005*	*Change, %*
Premiums written	857	787	8.9
Net investment income	463	354	30.9
Claims incurred	448	219	104.4
Change in insurance contract liabilities	750	861	-13.0
Other items	-4	-2	149.2
Net income from life insurance operations	119	58	103.3
Other income	12	2	479.1
Personnel costs	8	4	132.3
Other expenses	54	30	80.2
Earnings before tax	**68**	**27**	**154.1**
Savings life insurance*	635	637	-0.2
Pension insurance*	185	272	-32.0
Term life insurance*	35	48	-27.6
Capital redemption contracts*	11	17	-34.1
Premiums written, total*	867	974	-11.0
of which unit-linked	472	400	18.0
EUR billion	*31 Dec. 2006*	*31 Dec. 2005*	*Change, %*
Savings life insurance	4.0	3.6	13.6
Pension insurance	1.3	1.1	21.9
Capital redemption contracts	0.2	0.2	-1.7
Insurance savings, total	5.6	4.8	14.9
of which unit-linked	2.1	1.5	36.1

* 2005: Aggregate premiums written by OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd.

Other operations

Earnings from other operations are derived from the operations of the corporate administration of the Central Cooperative, FD Finanssidata Oy (FD), and the OKO Bank Group as well as the operations of Pohjola Systeemipalvelu, which were merged into the Central Cooperative at the end of 2006. Other operations benefit from the positive impact on earnings of the OP Bank Group's capital adequacy ratio, which is higher than the target level for banking operations.

Earnings before tax from Other operations amounted to EUR 11 million in 2006. The result includes an EUR 15 million capital gain on the sale of shares in Suomen Asiakastieto Oy.

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

The amalgamation of the cooperative banks does not form a corporate group as defined in the Accounting Act or a consolidation group as defined in the Credit Institutions Act. In Finland, the amalgamation is a unique financial entity that is governed according to special legislation.

The principal Acts establishing the legal provisions for co-operative banking are the Credit Institutions Act, the Cooperative Banks Act and the Cooperative Societies Act. The operations of the amalgamation of the cooperative banks are set out in the provisions of the Cooperative Banks Act. The rules concerning the amalgamation of the cooperative banks are spelt out in detail in Chapters 2 and 11 of the Cooperative Banks Act.

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

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

The OP Bank Group's central bank, OKO Bank plc (OKO Bank), is both a subsidiary of the central institution and a member of it. According to OKO Bank's Articles of Association, at least half of the members of OKO Bank's Board of Directors must be members of the Central Cooperative's Executive Board. The chairman of the Central Cooperative's Executive Board also acts as the chairman of OKO Bank's Board of Directors.

Consolidated supervision of the amalgamation of the cooperative banks
Under the Cooperative Banks Act, the amalgamation of the cooperative banks is monitored on a consolidated basis in respect of capital adequacy, liquidity and customer risks. The central institution is responsible for issuing instructions to its member credit institutions concerning their internal control and risk management, their procedures for ensuring liquidity and capital adequacy as well as for the observance of harmonised accounting policies in the preparation of the amalgamation's consolidated financial statements. The central institution also has an obligation to monitor the operations of its member credit institutions and their consolidation groups. The obligation to issue guidelines and exercise supervision nevertheless does not give the central institution the power to dictate the course of the member credit institutions' business operations. Each member credit institution carries on its business independently within the scope of its own resources.

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

The liquidity of the central institution and the credit institutions belonging to the amalgamation must be safeguarded in accordance with Chapter 5 of the Credit Institutions Act.

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

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

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

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

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

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

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

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

Financial statements and audit of the amalgamation of the cooperative banks
The financial statements of the central institution and member credit institutions as well as their consolidation groups are combined to form the consolidated financial statements of the amalgamation of the cooperative banks pursuant, as appropriate, to the provisions and regulations in effect for the consolidated financial statements of a credit institution. The consolidated financial statements also include the financial statements of subsidiaries other than credit and financial

institutions and service companies. The consolidated financial statements are referred to as the OP Bank Group's Financial Statements, because they represent a consolidation of the financial statements of all the significant companies belonging to the OP Bank Group. According to the Cooperative Banks Act, the OP Bank Group's financial statements must be prepared in compliance with International Financial Reporting Standards, as set out in the Accounting Act, no later than for the financial year beginning in 2007. The Financial Supervision Authority has issued more detailed regulations on the preparation of the OP Bank Group's financial statements. The accounting policies applied are presented in the OP Bank Group's financial statements.

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

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

Supervision of the amalgamation of the cooperative banks

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

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

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

In accordance with the rules of procedure decided by the Supervisory Board, the Audit function has the authorisations according to Section 52 of the Cooperative Banks Act.

Joint responsibility and joint security within the amalgamation of the cooperative banks.

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

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

Protection afforded by the Deposit Protection Fund and the Investor Compensation Fund

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

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

Financial and insurance conglomerate
As a result of the Pohjola transaction, the share of insurance business within the OP Bank Group' exceeded the threshold values set out in the Act on the Supervision of Financial and Insurance Conglomerates. Since the end of 2005, the OP Bank Group has thus been subject to the supervision specified in the Act. The Financial Supervision Authority acts as the co-ordinating authority. The insurance operations carried on by the OP Bank Group are supervised by the Insurance Supervisory Authority. The amalgamation's central institution operates as the company at the head of the amalgamation pursuant to Section 3 of the Act on the Supervision of Financial and Insurance Conglomerates.

The Act stipulates a specific capital adequacy requirement for a financial and insurance conglomerate. The OP Bank Group's capital adequacy is stated as the amount of its own funds in excess of the minimum capital requirement and as a ratio of the total amount of own funds to the minimum amount of own funds.

The Act furthermore sets out the maximum limits for customer risks of a financial and insurance conglomerate. An individual customer risk outside the conglomerate must not exceed 25% of the conglomerate's own funds, nor can the total amount of large customer risks exceed 800% of the conglomerate's own funds. Large customer risks are considered to be customer risks exceeding 10% of the conglomerate's own funds. Under the Act, the amalgamation's central institution must report to the co-ordinating regulatory authority the real-estate holdings and shareholdings of the financial and insurance conglomerate formed by the OP Bank Group as well as other information that is necessary in order to monitor concentrations of risks.

The body of norms governing financial statements under the Act on the Supervision of Financial and Insurance Conglomerates is not applied to the OP Bank Group pursuant to Section 30 of the Act, because the OP Bank Group prepares financial statements in compliance with International Financial Reporting Standards (IFRS).

Key income statement and balance sheet items, and financial indicators 2002–2006

	2002 FAS	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS	2006 IFRS
Key income statement items, EUR million						
Net interest income	857	798	783	772	794	883
Net income from Non-life Insurance	-	-	-	-	68	328
Net income from Life Insurance	-	-	-	51	67	110
Net commissions and fees	245	275	284	314	340	396
Other income	129	222	203	151	158	238
Personnel costs	354	374	370	354	387	527
Other expenses	404	392	390	367	403	556
Impairment losses on receivables	13	9	7	7	6	9
Impairments on securities held as non-current assets	1	4	0	-	-	-
Returns to owner-members and OP bonus customers	-	-	-	48	53	64
Earnings before tax	459	515	504	511	579	800
Key balance sheet items – assets, EUR million						
Receivables from financial institutions	350	486	681	681	666	344
Receivables from customers	24 319	27 206	30 645	30 957	34 814	39 595
Non-life Insurance assets	-	-	-	-	2 740	2 761
Life Insurance assets	-	-	-	2 867	5 385	6 061
Assets held for trading and investment assets	4 502	4 166	4 448	4 831	5 492	6 229
Tangible and intangible assets	1 259	1 177	1 140	707	1 890	1 957
Other items	1 194	1 968	1 315	1 417	1 857	2 588
Assets, total	31 625	35 002	38 229	41 460	52 845	59 535
Key balance sheet items – liabilities and equity, EUR million						
Liabilities to financial institutions and central banks	949	1 566	1 181	1 184	2 025	1 088
Liabilities to customers	21 375	23 275	25 128	25 107	26 475	27 715
Debt securities issued to the public	4 536	5 009	6 325	6 325	8 891	13 500
Subordinated liabilities	576	514	524	1 314	1 596	1 660
Other liability items	1 140	1 198	1 204	4 194	9100	10 448
Equity capital and minority interest	3 049	3 440	3 867	3 337	4 757	5 124
Total liabilities	31 625	35 002	38 229	41 460	52 845	59 535
Financial ratios, %						
Return on equity	11.9	11.5	10.5	12.0	11.2	12.1
Return on equity at fair values	-	-	-	-	13.5	11.4
Return on assets	1.1	1.1	1.0	1.0	1.0	1.1
Equity ratio	9.6	9.8	9.9	8.0	9.0	8.6
Cost/income ratio	61	62	62	55	55	55
Capital adequacy ratio	15.2	15.4	15.8	15.5	14.6	14.3
Capital adequacy ratio with own funds (Tier 1 ratio)	13.6	14.0	14.4	14.1	13.1	12.7

The changes in the return on equity and equity ratio that were made in connection with the adoption of IFRS and are greater than other key ratios have resulted to a significant extent from the change in the balance sheet categorisation of the member banks' cooperative capital. In the Financial Statements prepared in accordance with Finnish Accounting Standards (FAS), cooperative capital is equity capital, but in the Financial Statements prepared in accordance with IFRS, cooperative capital was classified as a liability.

The presented FAS figures are equal to information presented in financial statements in years 2002-2004 with the difference that the FAS income statement and the balance sheet information is grouped into OP Bank Group's IFRS income statement and balance sheet formats. FAS Income statement information is regrouped with the following rules:

According to IFRS format	**FAS item combined with the IFRS item**
Interest income	Net interest income
Net commissions and fees	Commission and fee income less commission and fee expenses
Other income	Other income
Net trading income, net investment income, other operating income, share of associates' profits/losses	Income from equity investments, net income from securities trading and foreign exchange trading, other operating income and interests in the profits or losses of companies consolidated according to the equity method
Personnel costs	Personnel costs
Other expenses	Other expenses
Other administrative expenses and other operating expenses	Other administrative expenses, depreciation/amortisation and impairments on tangible and intangible assets and other operating expenses
Impairment losses on receivables	Loan and guarantee losses
-	Write-downs on securities held as non-current assets
Earnings before tax	Operating profit

Calculation of key ratios

Return on equity, %		
FAS:	Operating profit/loss - taxes / Equity capital + minority interest (average of beginning and end of the year)	x 100
IFRS:	Profit for the financial year / Equity capital (average of beginning and end of the year)	x 100
Return on equity at fair values, %	Profit for the financial year + change in the fair value reserve less deferred taxes (difference between start and end of the year) / Equity capital (average of beginning and end of the year)	x 100
Return on assets, %		
FAS:	Operating profit/loss - taxes / Balance sheet total (average of beginning and end of the year)	x 100
IFRS:	Profit for the financial year / Balance sheet total (average of beginning and end of the year)	x 100
Equity ratio, %		
FAS:	Equity capital + minority interest / Balance sheet total	x 100
IFRS:	Equity capital / Balance sheet total	x 100
Cost/income ratio, %		
FAS:	Commission and fee expenses + administrative expenses + depreciation/amortisation + other operating expenses / Net interest income + income from equity investments + commission and fee income + net income from securities and foreign exchange trade + other operating income	x 100
IFRS:	Personnel costs + other administrative expenses + other operating expenses / Net interest income + net income from Non-life Insurance + net income from Life Insurance + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses	x 100
Capital adequacy ratio, %	Tier 1 own funds + Tier 2 own funds – deduction items / Risk-weighted receivables, investments and off-balance sheet items	x 100
Tier 1 ratio, %	Tier I own funds / Risk-weighted receivables, investments and off-balance sheet items	x 100

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OP BANK GROUP INCOME STATEMENT

EUR million	Notes	2006	2005	Change, %
Interest income		2 340	1 575	49
Interest expenses		1 457	780	87
Net interest income before impairments	5	**883**	**794**	**11**
Impairment losses on receivables	6	9	6	62
Net interest income after impairments		**874**	**789**	**11**
Net income from Non-life Insurance	7	328	68	
Net income from Life insurance	8	110	67	65
Net commissions and fees	9	396	340	17
Net trading income	10	32	27	16
Net investment income	11	112	62	81
Other operating income	12	92	68	36
Personnel costs	13	527	387	36
Other administrative expenses	14	290	220	31
Other operating expenses	15	267	183	46
Returns to owner-members	16	64	53	20
Share of associates' profits/losses		2	0	
Earnings before tax		**800**	**579**	**38**
Income tax	17	202	125	61
Profit for the period		**598**	**454**	**32**

Attributable to			
OP Bank Group owners	598	450	33
Minority interest	0	4	-96
Total	**598**	**454**	**32**

Key figures and ratios	2006	2005
Return on equity, %	12.1	11.2
Return on equity at fair values, %	11.4	13.5
Return on assets, %	1.06	0.96
Cost/income ratio, %	55	55
Average personnel	12 148	9 839
Full-time	10 988	9 446
Part-time	1 160	393

OP BANK GROUP BALANCE SHEET

EUR million	Notes	31 Dec. 2006	31 Dec. 2005	Change, %
Liquid assets	18	1 041	613	70
Receivables from financial institutions	19	344	666	-48
Financial assets held for trading	20	4 816	3 841	25
Derivative contracts	21	319	155	
Receivables from customers	22	39 595	34 814	14
Non-life Insurance assets	23	2 761	2 740	
Life Insurance assets	24	6 061	5 385	13
Investment assets	25	1 413	1 652	-14
Investments in associates	26	35	42	-16
Intangible assets	27	1 255	1 199	5
Tangible assets	28	702	690	2
Other assets	29	1 104	850	30
Tax receivables	30	90	117	-23
Assets held for sale		-	81	
Total assets		**59 535**	**52 845**	**13**
Liabilities to financial institutions	31	1 088	2 025	-46
Financial liabilities held for trading	32	0	4	
Derivative contracts	33	340	167	
Liabilities to customers	34	27 715	26 475	5
Non-life Insurance liabilities	35	2 099	1 924	
Life Insurance liabilities	36	5 667	4 918	15
Debt securities issued to the public	37	13 500	8 891	52
Provisions and other liabilities	38	1 508	1 237	22
Tax liabilities	39	834	801	4
Cooperative capital	40	597	717	-17
Subordinated liabilities	41	1 063	879	21
Liabilities associated with assets held for sale		-	49	
Total liabilities		**54 411**	**48 087**	**13**
Equity capital				
OP Bank Group owners' share				
Share and cooperative capital		344	244	41
Share issue account		-	1	
Translation differences		0	-1	
Reserves		2 295	2 249	2
Retained earnings		2 483	2 061	20
Minority interest		2	203	-99
Total equity capital	42	**5 124**	**4 757**	**8**
Total liabilities and equity capital		**59 535**	**52 845**	**13**

OP BANK GROUP CASH FLOW STATEMENT

EUR million	2006	2005
Cash flow from operating activities		
Profit for the period	598	454
Adjustments to profit for the period	963	742
Increase (-) or decrease (+) in operating assets	**-6 228**	**-5 036**
Receivables from financial institutions	312	40
Financial assets held for trading	-964	-642
Derivative contracts	-23	-
Receivables from customers	-4 809	-3 905
Non-life Insurance assets	-64	28
Life Insurance assets	-529	-706
Investment assets	139	280
Other assets	-290	-131
Increase (+) or decrease (-) in operating liabilities	**711**	**2 488**
Liabilities to financial institutions	-937	841
Financial liabilities held for trading	-4	4
Derivative contracts	29	-
Liabilities to customers	1 240	1 367
Non-life Insurance liabilities	101	-1
Life Insurance liabilities	36	14
Provisions and other liabilities	246	263
Income tax paid	-140	-75
Dividends received	57	17
A. Total cash flow from operating activities	**-4 039**	**-1 410**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-201	-127
Decreases in held-to-maturity financial assets	274	143
Acquisition of subsidiaries net of cash and cash equivalents acquired	-299	-1 675
Disposal of subsidiaries net of cash and cash equivalents disposed of	15	4
Investments in tangible and intangible assets	-98	-96
Surrender of tangible and intangible assets	18	11
B. Total cash flow from investing activities	**-291**	**-1 740**
Cash flow from financing activities		
Increases in subordinated liabilities	508	295
Decreases in subordinated liabilities	-315	-6
Increases in debt securities issued to the public	32 843	2 918
Decreases in debt securities issued to the public	-28 209	-365
Increases in cooperative and share capital	185	481
Decrease in cooperative and share capital	-206	-1
Dividends paid and interest on cooperative capital	-92	-36
Returns to owner-members	-9	-8
Other monetary increases in equity items	5	151
Other	-11	-
C. Total cash flow from financing activities	**4 699**	**3 429**
Net change in cash and cash equivalents (A+B+C)	**369**	**279**
Cash and cash equivalents at the beginning of the period	**729**	**450**
Cash and cash equivalents at the end of the period	**1 098**	**729**

EUR million	2 006	2 005
Interest received	**2 148**	**1 495**
Interest paid	**-1 266**	**-715**
Adjustments to profit for the period		
Items not associated with payment and other adjustments		
Impairment losses on receivables	9	12
Unrealised net earnings in Non-life Insurance	109	-55
Unrealised net earnings in Life Insurance	559	662
Change in fair value for trading	17	-6
Unrealised net gains on foreign exchange operations	-36	-23
Change in fair value of investment properties	-30	-14
Amortisation and depreciation	130	77
Share of associates' profits/losses	-1	-
Other	180	66
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-3	-1
Interest on cooperative capital	21	15
Other returns to owner-members	9	8
Total adjustments	**963**	**742**
Cash and cash equivalents		
Liquid assets	150	199
Receivables from financial institutions payable on demand	948	530
Total	**1 098**	**729**

STATEMENT OF CHANGES IN OP BANK GROUP EQUITY

	Equity capital belonging to OP Bank Group owners							
	Share and co-operative capital	Translation differences	Fair value reserve	Other reserves	Retained earnings	Total	Minority interests	Total equity
Equity capital 1 Jan. 2006	244	0	178	2 072	2 061	4 555	203	4 757
Available-for-sale financial assets								
Valuation gains and losses	-	-	-16	-	0	-16	-	-16
Share transferred to income statement	-	-	-18	-	-	-18	-	-18
Translation differences	-	0	-	-	1	1	-	1
Net income recorded as equity	-	0	-34	-	0	-33	-	-33
Profit for the period	-	-	-	-	598	598	0	598
Total income and expenses for the period	-	0	-34	-	598	565	0	565
Share issue account	-	-	-	-	-	0	-	0
Share issue account expenses	-	-	-	-1	-	-1	-	-1
Exercised stock options	5	-	-	4	-	8	-	8
Paid dividends	-	-	-	-	-77	-77	-1	-78
Reserve transfers	-	-	-	79	-79	0	-	-
Equity-settled share-based payment transactions	-	-	-	-	0	0	-	0
Other	95	-	-	-3	-19	73	-200	-127
Equity capital 31 Dec. 2006	344	0	144	2 151	2 483	5 122	2	5 124
Equity capital 1 Jan. 2005	78	-	-	1 535	1 718	3 330	6	3 337
Application of IAS 39 and 32 standards	-	-	85	-	-8	77	-	77
Adjusted equity capital 1 Jan.	78	-	85	1 535	1 710	3 407	6	3 414
Available-for-sale financial assets								
Valuation gains and losses	-	-	101	-	-	101	-	101
Share transferred to income statement	-	-	-8	-	-	-8	-	-8
Translation differences	-	0	-	-	-1	-1	-	-1
Net income recorded as equity	-	0	93	-	-1	92	-	92
Profit for the period	-	-	0	-	450	450	4	454
Total income and expenses for the period	-	0	93	-	449	541	4	545
Share issue account	212	-	-	513	-	724	-	724
Share issue account expenses	-	-	-	-6	-	-6	-	-6
Exercised stock options	5	-	-	0	-	6	-	6
Paid dividends	-	-	-	-	-21	-21	-1	-22
Reserve transfers	-	-	-	53	-53	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	-	-	-	-
Other	-51	-	-	152	-199	-97	193	96
Equity capital 31 Dec. 2005	244	0	178	2 072	2 061	4 555	203	4 757

On the opening balance sheet of 1 January 2006, the division of equity capital has, in these financial statements, been changed in such a way that the amount of Retained earnings is EUR 174 million larger and the amount of Other reserves is correspondingly EUR 174 million smaller than in the financial statements 31 December 2005. The total amount of equity capital remains unchanged. The change is due to improved elimination procedures within the OP Bank Group.

NOTES TO OP BANK GROUP FINANCIAL STATEMENTS

Contents of the notes

Notes to the income statement

Notes on assets

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Note 1 Accounting policies for OP Bank Group IFRS financial statements

GENERAL

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

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

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

The Executive Board of the Central Cooperative approved the financial statements for publication on 15 February 2007.

BASIS OF PREPARATION

The OP Bank Group's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). 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 interpretations approved in accordance with European Parliament and Council Regulation (EC) No 1606/2002. OP Bank Group's obligation to prepare financial statements in accordance with IFRS is based on the Cooperative Banks Act. In addition to the IFRS standards, the preparation of the OP Bank Group's financial statements is subject to Section 30(6) of the 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 the OP Bank Group in 2006 is not significant.

The OP Bank Group's consolidated financial statements have been prepared on the basis of original costs with the exception of financial assets and liabilities held for trading, available-for-sale financial assets, derivative contracts, hedged items in fair value hedging and investment properties, which have been recognised at fair value.
The financial statements information is presented in millions of euro.

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

Use of estimates

The preparation of financial statements in accordance with 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

Technical parent company

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

In the IFRS financial statements, the OP Bank Group's share and cooperative capital consists of investments made in OKO Bank's share capital by shareholders external to the OP Bank Group, as well as of such investments in cooperative capital made by members of the cooperative banks which the bank has an absolute right to refuse to redeem.

Subsidiaries, associates and joint ventures

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

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

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

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

Minority interests

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

Minority interests with the OP Bank Group'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 converted into euros at the exchange rate quoted by the European Central Bank on the balance sheet date. The exchange rate differences arising from the valuation are recognised under 'Net trading income' on the income statement.

The income statements of foreign subsidiaries are converted into euros using the average exchange rates for the financial period, while balance sheets are converted using the exchange rates valid on the balance sheet date. The conversion of net profit or loss at different exchange rates on the income statement and balance sheet causes a translation difference that is recognised in the equity capital. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and translation differences of equity items accumulated after acquisition are recognised in equity capital. When a subsidiary is divested, the accumulated translation differences 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, if there is no active market, using the company's own valuation methods. The valuation methods include the discounted cash flow method, net present value techniques and comparison with similar instruments quoted in active markets. The valuation methods account for estimated credit risk, the applicable discount rates of interest, the possibility of premature repayment and other such factors that impact the reliable determination of the fair value of a financial instrument.

Set-off of financial assets and liabilities
Financial assets and liabilities are not subtracted from each other unless a statutory right of set-off exists and the intention is to exercise such right.

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

The sales price of securities sold under repurchase conditions binding both parties is recognised on the balance sheet as a financial liability under the balance sheet item determined by the counterparty. The difference between the sales price and the resale price is 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 OP Bank Group balance sheet
Financial assets and liabilities are classified on the basis of the measurement practice into financial assets and liabilities held for trading, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. On the OP Bank Group balance sheet, these financial assets and liabilities are presented as financial assets and liabilities held for trading, Non-life Insurance assets and Life Insurance assets, receivables from customers, investment assets, derivative contracts and other liabilities.

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 classified as held for trading and financial assets designated at fair value through profit or loss are recognised on the balance sheet at fair value, and changes in fair value are immediately recognised on the income statement.

Loans and receivables
Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable cash flows that have been created by handing over funds, goods or services. 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 treated at acquisition cost in accounting.

Impairment of loans and receivables is recognised by receivable item and group of receivables. Impairment is assessed and recognised by receivable item 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. The value of a receivable item is impaired if the future cash flows recoverable from it – including the fair value of the collateral – are less than the book value of the loan and the unpaid interest. Future cash flows are discounted at the loan's original interest rate. In case of a variable interest rate loan, the discount rate is the rate in accordance with the contract at the time of assessment. The difference between the book value of the loan and a lower recoverable value of cash flow is booked as an impairment.

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

Once all collection actions have been completed or management has otherwise made a decision to this effect, the loan is 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 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 available-for-sale financial assets and measured at fair value. The change in value is recognised under 'Net investment income' on the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not included in the above categories of financial assets. Available-for-sale financial assets are recognised on the balance sheet at acquisition cost at the time of acquisition and measured at fair value. Changes in value are recognised in the fair value reserve in equity capital 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 credit institutions repayable on demand.

Other financial liabilities

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

Derivative contracts

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

Derivatives are always measured at fair value. The difference between interest received and paid on non-hedging interest rate swaps is recognised in interest, and the corresponding interest to be carried forward is recognised in other assets and other liabilities. Changes in the value of non-hedging interest rate, currency and equity derivatives are recognised under 'Net trading income' on the income statement. Positive changes in the value of derivative contracts are recognised on the balance sheet under 'Derivative contracts, assets", while negative changes are recognised under "Derivative contracts, liabilities'.

Embedded derivatives associated with structured bond issues and housing loans with an interest rate cap are separated from the main contract and measured at fair value on the balance sheet. Changes in the value of these linked derivatives and any derivatives used to hedge them are recognised in interest.

Hedge accounting

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

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

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

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

INVESTMENT PROPERTIES

An investment property refers to a land area and/or a building or a part of building that is held for the purpose of receiving rental income or increase in the value of assets. Investment properties also include properties of which a minor part is used by the owner company or its personnel. However, the part used by the owner or its personnel is not considered an investment property if this part can be separately sold. On the OP Bank Group 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 net fair value of identifiable assets, liabilities and contingent liabilities acquired after January 1, 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 lives are reviewed annually, and the value is amortised over 1 to 4 years for non-life insurance and 10 years for life insurance. The intangible asset item is tested annually in connection with testing the adequacy of the liability associated with the insurance contracts.

Deferred acquisition costs of insurance contracts

Some subsidiaries of the OP 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 useful 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 of the asset. The estimated useful life of acquired customer relationships at the OP 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.
Expenses arising from the development of internally generated intangible assets (products or services) are capitalised starting from the time when it was determined that the product or service will generate 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 lives 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. 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.

LEASE CONTRACTS

Leases are classified at the time they are signed 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 benefits characteristic of ownership are transferred to the leaseholder. Otherwise, the contract is classified as an operating lease.

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 constant return on capital on the lessor's remaining net investment in each financial period.

Assets leased under a finance lease are recognised as tangible assets, and the corresponding finance lease liability is included in other liabilities. At the commencement of the lease term, finance leases are recognised 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 lease payments. 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 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 expenses on the income statement on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

Pension benefits

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

The OP 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. 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, the 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 OP Pension Fund and the OP 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% 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 equity capital in equal instalments over the vesting period. Share-based benefits settled in cash and the corresponding liability are measured at fair value at the end of each period until the liability is settled.

Some OP Bank Group companies have had option-based employee incentive schemes, which ended in 2006. OP Bank Group applied the standard IFRS 2 Share-based Payment to all option schemes in which the options were granted after November 1, 2002 and did not become vested before 1 January 2005.

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 OP Bank Group 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 OP Bank Group apply the principle of equity, but customers' share of future profits is not determined beforehand. A decision of customer bonuses is taken by the Board of Directors of the subsidiaries.

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

Non-life insurance contracts
Short-term non-life insurance contracts
The validity period of short-term insurance contracts is generally 12 months or less, very seldom over two years. Especially policies for private individuals, motor policies and statutory workers' compensation policies are usually continuous annual policies. The main groups of short-term non-life insurance contracts are statutory insurance contracts; other accident and health insurance contracts, cargo and hull insurance contracts, property and business interruption insurance contracts; and liability and legal expenses insurance contracts.

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

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 OP Bank Group is paid compensation by another insurer if the Group becomes liable to pay compensation on the basis of other insurance contracts (ceded reinsurance).

a. Non-life Insurance

The benefits received under reinsurance contracts held are recognised on the balance sheet either as ‘Loans and receivables’ or as receivables from reinsurance operations 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 OP Bank Group. The items recorded under ‘Loans and receivables’ are shorter-term receivables. Unpaid premiums to reinsurers are recognised as ‘Trade and other payables’.

Reinsurance assets are tested for impairment in connection with the closing of the books. If there is objective evidence that the OP Bank 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.

b. Life Insurance

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

Receivables and payables related to insurance contracts

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

Insurance receivables in Non-life Insurance are tested for impairment in connection with the closing of the books. If there is objective evidence that a receivable is impaired, the 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 ‘Other 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 in the balance sheet under ‘Loans and receivables’. The counter security of guarantee insurance is measured at fair value and the portion of it corresponding to the provision for unpaid claims or to the claim paid is recognised under ‘Loans and receivables’ on the balance sheet. A recovery from the guilty party is not recognised until the payment has been received or receipt is otherwise practically certain

Coinsurance and pools

The OP Bank 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 OP Bank 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 OP 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 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 and fair value less costs to sell. Such assets and associated liabilities are presented separately in the balance sheet.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary disposed of or which has been classified as held for sale. The items of income and expense of discontinued operations are presented on 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 OP Bank Group companies for the current financial period and taxes for previous financial periods, as well as deferred tax expenses or income.

Deferred tax liabilities are calculated for 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 set-off by company. Deferred tax liabilities and assets arising from consolidation are not set-off. Deferred tax liabilities and assets are determined using enacted tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. 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 several years that may possibly have to be refunded 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 asset and liability items 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 nominal value of a receivable is allocated in interest income, and the difference between the amount received and nominal value of a liability is allocated in interest expenses.

SEGMENT REPORTING

The OP Bank Group provides segment-specific income statements and balance sheets for the following segments: Banking and Investment Services, Non-life Insurance, Asset Management and Asset Management. The segments are defined in such a way that the risks and composition of earnings in each segment differ from the other segments.

The OP Bank Group does not have any geographical division into segments.

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

Estimates and assumptions regarding the future have to be made during the preparation of financial statements, and the outcome may differ from the estimates and assumptions 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 liability arising from life insurance contracts is established using calculation bases that are compliant with Finnish regulations and based on the same assumptions of the future as the insurance rating. The appropriateness of the assumptions of the future is continuously monitored.

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.

Goodwill, assets with an unlimited economic life and unfinished intangible assets are annually tested for impairment. The recoverable amount determined in impairment testing is often based on the value in use, and its calculation requires estimates of future cash flows and the applicable discount rate.

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

In defined benefit pension plans, the asset item presented is the present value of the obligations of the plan deducted by the fair value of plan assets, unrecognised actuarial gains and losses, and past service costs. The calculation includes actuarial assumptions pertaining to the future, including the discount rate, the expected return on the assets, future increases in wages, salaries and pensions, the employee turnover rate and inflation 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 OP Bank Group will adopt the following standards and interpretations in 2007:

- 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. Adoption of this Standard is not expected to materially change the present segment information.
- 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 Principles of risk management in OP Bank Group

PRINCIPLES AND OBJECTIVES OF RISK MANAGEMENT

The primary objective of risk management within the OP Bank Group is to secure the risk-bearing capacity of all entities belonging to the Group and to ensure that they do not take on excessive risk that might endanger the profitability, capital adequacy or continuity of the operations of an individual entity or the entire OP Bank Group. The purpose of risk management within the OP Bank Group is to identify the threats and opportunities that impact the implementation of the Group's strategy. In its operations, the Group takes into account the requirements of legislation and the instructions and regulations of the authorities, the OP Bank Group's general guidelines and guidelines on internal control and risk management. It also takes into account good banking and insurance practices. The OP Bank Group Central Cooperative lays down the principles concerning control and risk management of the OP Bank Group, on the basis of which the Group companies adopt their own risk management guidelines.

The OP Bank Group's risk management, its methods and information systems are purposefully developed on the basis of the Group's business needs, observing any changes in the operating environment and requirements imposed by the authorities. Risk-taking is part of the basic task of banking and insurance operations, and risk management is one of the core areas of expertise.

The integration of the risk management for non-life and life insurance operations as part of the OP Bank Group's overall risk management has been one of the most important risk management tasks during 2006, and it was geared towards creating a harmonised risk management structure within the OP Bank Group.

RISK MANAGEMENT IN THE OP BANK GROUP'S STRATEGY

Major risk management policies are defined within the OP Bank Group's strategy process and decisions are taken on the directions in which the risk indicators will be developed.

In accordance with its strategy confirmed in 2006, the banks and other entities belonging to the OP Bank Group will grow faster than the market without compromising risk management. The factors taken into consideration in setting growth targets are the growth outlook of the different business areas, their profitability trend and the effects on the OP Bank Group's risk exposure. Each entity is responsible for its own risk management, and independent operations are based on the member banks' own risk-bearing capacity and service ability.

The Group is a moderate risk taker. The most important type of risk within the OP Bank Group is credit risk. The strategy sets a target that the OP Bank Group's impairment losses on receivables may not exceed 0.25% of the loan and guarantee portfolio in net amount. Another objective is that the amount of non-performing receivables may not exceed 1.2% of the loan and guarantee portfolio.

ORGANISATION OF RISK MANAGEMENT

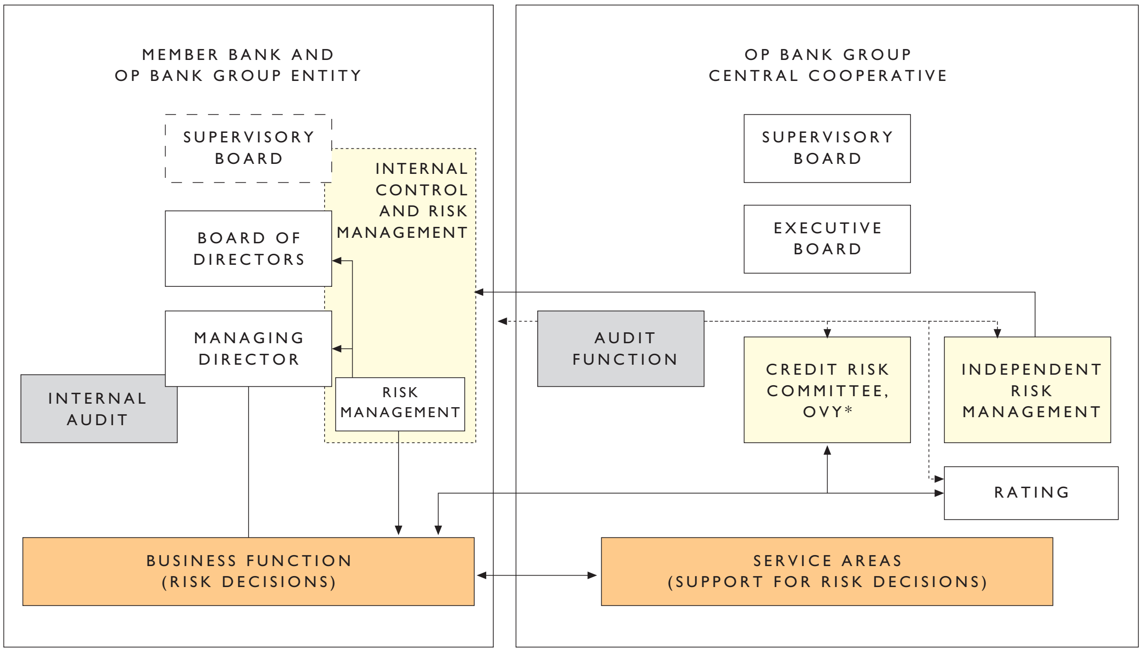
OP Bank Group

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

The central components of internal control and risk management are divided into three sections:

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

Entities belonging to the OP Bank Group are responsible for their own internal control and risk management, in accordance with the nature and extent of their operations. The role of the entities is depicted in the following chart:



* OVY = OP BANK GROUP MUTUAL INSURANCE COMPANY

OP Bank Group Central Cooperative
The task of the Central Cooperative's Risk Management is to develop and implement integrated risk management at the Group level. It maintains, develops and prepares risk management principles for confirmation by the Central Cooperative's Executive Board and Supervisory Board and is responsible for maintaining and developing risk management systems and methods at the Group level and for the entities. In addition, Risk Management reports on the risk-bearing capacity, risk exposure and implementation of risk management policies as well as supervises the operations of different entities within the OP Bank Group.

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

The Risk Management Steering Group, which reports to the Executive Board of the Central Cooperative, is responsible for co-ordinating risk management objectives and guidelines with the OP Bank Group's business strategy and plans, monitoring the development of the Group's risk-bearing capacity and risk exposure, and co-ordinating the development of risk management. Among other tasks, the Steering Group considers and makes a proposal on the risk management plan at the OP Bank Group level to the Central Cooperative's Executive Board, monitors the OP Bank Group's risk-bearing capacity and the trend in risks, monitors the economic operating environment and sees that the risk exposures of the OP Bank Group and its companies are in proper proportion to it, and furthermore considers and approves the methods, indicators and information systems to be used in risk management and brings proposals, as needed, up before the Executive Board for decision. The Risk Management Steering Group includes two members of the Executive Board of the Central Cooperative, of whom one acts as the chairman of the Steering Group.

The Credit Risk Committee, authorised by the Central Cooperative's Executive Board, handles any significant customer exposure and property investments at the OP Bank Group level. The member banks must have valid permission granted by the Credit Risk Committee if the customer risk of a customer entity is or threatens to rise to over 20% of the funds of the credit institution or its consolidation group. The Central Cooperative's Executive Board can set a more stringent limit than this for a member bank. A decision is required from the Credit Risk Committee when a cooperative bank's customer entity's exposure in the OP Bank Group exceeds five million euros, or when the bank wants to partake in a property project where the capital invested by the OP Bank Group is over EUR 5 million.

The Rating Committees determine credit ratings for the OP Bank Group's corporate customers, or other customer entities with actual or planned exposure exceeding EUR 3 million. The Rating Committees may also determine credit ratings for customer entities smaller than this, due to significant shortfalls in collateral, for example. Ratings are proposed and decided upon by members of the Central Cooperative's and OKO Bank's Risk Management and Corporate Research Units, who are independent of the granting of credit. The task of the OP Bank Group Central Cooperative's Rating Committee is to determine the credit rating for OP Bank Group customers whose commitments within the OP Bank Group have been made primarily with the member banks. The customers of the OKO Bank Group are rated by OKO Bank's Rating Committee. The Central Cooperative's Rating Committee confirms the credit rating determined by OKO Bank's Rating Committee in respect of customers who, for OKO Bank, form a risk concentration calling for consideration by the Central Cooperative's Executive Board. The matters are dealt with by two separate committees owing to the required amount of input from experts and the different nature of the customers to be rated. OKO Bank's committee focuses mainly on large and medium-sized companies, whereas the Central Cooperative's committee deals with medium-sized and small companies. The uniformity of the decisions of the committees is ensured by means of jointly agreed rating principles and by members who participate in the work of both committees. The credit rating of medium-sized exposure is carried out by the Central Cooperative's Corporate Research Unit on the basis of financial statement and customer information as well as by visiting companies, if the need arises.

OP Bank Group Mutual Insurance Company (OVY) analyses the sufficiency of the customer's debt-servicing ability and the solidity of collateral for all loans for which a member bank's or Helsinki OP Bank Plc's exposure in an individual customer entity exceeds EUR 0.3 million, or 10% of the bank's own funds. The processing of insurance decisions helps OVY receive detailed information on the risks of retail banking operations' largest customer entities and supports high-quality credit processes. The insurance decisions of OVY also guide bank-specific credit risk-taking.

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

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

The OP Bank Group's member banks, insurance institutions and other entities have organised their risk management as required by the nature and extent of their business. The role of risk management within a member bank and other OP Bank Group entities is to create a control system for risk-taking (targets for risk-taking, decision-making authorisations, pricing parameters and the capital adequacy management process), provide statements on proposed decisions and provide reports and analyses.

The senior management of each entity belonging to the OP Bank Group confirms the principles of internal control and risk management. The Board of Directors controls and supervises the entity's risk-bearing capacity and risk-taking. During 2006, the guidelines of the member banks' credit-decision authorisations were reformulated to be in line with the credit rating systems. The market risk management and reporting system and the measures of market risk were also revised.

In the internal guidelines each entity defines, among other things:

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

At the member banks, the independence of the assessment of risk management from business operations is generally realised such that the assessment of risk management is based on the reports produced by the Central Cooperative's risk management function, the bank risk categorisation carried out by the Central Cooperative as well as the assessments by the Central Cooperative's Audit function concerning the adequacy of the bank's risk management. In the organisation of risk management, there are differences in respect of an entity's risk exposure, size and the type and extent of its operations. The biggest OP Bank Group entities have risk management that is independent of operational decision making. In small and medium-sized member banks, the Managing Director is directly responsible for risk management. Reports on major risks are as a rule produced centrally by the Central Cooperative. The Central Cooperative's Audit function also audits risk management.

Within the OKO Bank Group, OKO Bank's Board of Directors is the highest decision-making body in matters associated with risk management. The Board of Directors has elected from amongst its number a Risk Management Committee which has the duty of tracking and controlling risk exposure. The risk management executives, who report to the Board of Directors, coordinate and guide risk management principles and policies. The Risk Management Department, which is independent of risk-taking and business operations, is responsible for monitoring and reporting the OKO Bank Group's risks and developing risk management. The principles of managing credit risk and other risks within OKO Bank are described in more detail in OKO Bank's financial statements.

Insurance operations include technical and investment operation risks, and their management requires the integration of risk management in daily management and organisation. The management of risks connected with non-life insurance operations is integrated as part of the risk management of the OP Bank Group and OP Bank Group Central Cooperative Consolidated.

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

STRATEGIC RISKS

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

OPERATIONAL RISKS

Operational risks are usually created through inefficient internal operational processes or the inability to manage external pressure for change or surprising events.

In accordance with the structure and division of tasks within the OP Bank Group, the Central Cooperative has a central position, particularly with regard to risks associated with centralised service production and the operation of information systems. In order to improve the management of operational risks, the procedures associated with risk identification and assessment, risk and damage monitoring and reporting, as well as continuity planning, have been developed further. Some harmful financial consequences associated with operational risks have been transferred out of the OP Bank Group by means of insurance policies. Because both banking and insurance operations are highly dependent on information systems and technology, the OP Bank Group has invested in managing risks arising from these.

Risks associated with new business models, products and services are assessed by the Central Cooperative. As a rule, the member banks and other OP Bank Group entities only use products and services compliant with OP Bank Group Central Cooperative Condolidated's policies. The introduction of new products is always preceded by comprehensive planning, guidance and training that cover the entire operating process.

The management of operational risks is the responsibility of the OP Bank Group entities and the effects of operational risks on the risk profile is assessed regularly. Significant risks and losses are reported immediately to the Boards and the Central Cooperative's risk management function. Cases of loss and damage as well as risks are also reported regularly at the OP Bank Group level.

OP BANK GROUP'S RISK LIMITS

The Central Cooperative's Supervisory Board has determined risk limits for the OP Bank Group's risk-bearing capacity (for the capital adequacy prescribed in the Act on Financial and Insurance Conglomerates) as well as for credit and market risks. Over the next few years, the risk indicators will be developed by making use of economic capital models in assessing and measuring risks. The objective is to move towards an integrated assessment of risks and to connect the risk indicators as part of the rest of the operations steering indicators.

System of risk limits

The Executive Board of the Central Cooperative has determined limits for the risk-bearing capacity, profitability and different types of risks for the member cooperative banks and Helsinki OP Bank Plc. They must not exceed these limits in their operations, and shall confirm their own risk limits on the basis of these limits. The coverage of the indicators and any needs for development shall be annually reviewed. The entities belonging to OP Bank Group Central Cooperative Consolidated have confirmed the risk limits for the main risks they confront in their operations.

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

Credit risks

Objectives and general principles of credit risk management

Credit risk is the most significant source of risk in retail banking, and special attention is therefore paid to the development of credit risk management and monitoring within the OP Bank Group. The objective of credit risk management is to reduce the probability of loan losses even before a credit decision, and, on the other hand, to limit and prevent the actualisation of major risks associated with existing credit. Credit risk is managed through customer selection and the use of collateral. Risk concentration is to be avoided. The Group does not have any customer exposure exceeding 15% in relation to the Group's own funds.

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

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

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

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

Credit risk management methods

The debt servicing ability and credit risk associated with corporate customers are estimated on the basis of the credit rating of businesses, solvency assessments, financial statement analyses, corporate research and expert statements as well as sector-specific reviews and financing recommendations prepared by the Central Cooperative. The debt servicing ability and credit risk associated with private customers are estimated on the basis of the credit rating of private customers and solvency assessments. Towards the end of 2005, the OP Bank Group integrated a credit rating and pricing support model for the application stage of private individuals' home mortgages into the loan approval process. At the end of 2006, the operational model expanded to cover consumer loans in promissory note form. It takes into account the creditworthiness, i.e. solvency and risk exposure related to the financing decision using different variables (e.g. collateral).

Consumption norm tables are maintained for assessing the debt servicing ability of households, and comparison calculations at different interest rate levels are used to ensure that the servicing of home mortgages will not be endangered by changes in the interest rate level. In order to ensure the debt servicing ability of customers, insurance policies covering repayment in unexpected situations are offered in connection with credit negotiations. The insurance payouts are linked to loan instalments and their remaining principal. Approximately 35% of credit customers secure their repayment ability through insurance.

In order to stabilise debt servicing costs upon a possible rise in the interest rate level, the OP Bank Group offers interest rate caps and fixed-rate mortgages in financing for households and for corporate loans.

To support corporate lending decisions and as background information for credit ratings, the Central Cooperative made financial statement analyses of more than 20 000 corporate customers in 2006. The Corporate Research Unit produced expert assessments of a total of about 900 customer entities, covering financing projects worth more than EUR 1.2 billion. The Credit Risk Committee of the Central Cooperative processed approximately 453 different applications during 2006. At the end of the year (31 December 2006), 50 banks had received 67 exemptions that were granted by the Committee for financing large customer entities. The number of the member banks' risk concentration exemptions processed by the Credit Risk Committee remained unchanged. The number of applications grew by a fifth in the permit procedure concerning Group-level liabilities, which was a consequence of a tightening up of the Group's other internal control.

The use of the 12-step rating system for corporate customers has become established and its development has continued. The rating is based on a comprehensive analysis of the financial statements of corporate customers, information regarding their payment practices and other background information, supplemented by the expert assessments on the largest customers issued by Corporate Research and the Rating Committees. Credit decisions are taken on the basis of the credit rating, customer history, surveys of the customer's present state and needs as well as information on collateral.

The member cooperative banks and Helsinki OP Bank Plc have a loan portfolio insurance policy with OP Bank Group Mutual Insurance Company (OVY) covering the loan portfolio and bank guarantees. Insurance decisions are taken separately in respect of loans in excess of EUR 0.3 million or which amount to more than 10% of the member bank's own funds. Risk connected with credit insurance operations is limited by means of a screening of liabilities based on the OP Bank Group's credit and collateral instructions: the commitments for a customer entity can be rejected outside the scope of the insurance if the risks associated with debt servicing ability or collateral are excessively large. The separate processing of insurance decisions provides detailed information on the loans, debt servicing ability and collateral of the largest retail banking customers. Insurance processing is a significant part of credit risk management within the OP Bank Group. Credit insurance operations represent about 90% of OVY's technical provisions and premiums written, and are part of the Group's internal credit risk management and loss-balancing procedure. OVY also offers the OP

Bank Group's entities loan, collateral, liability and security insurance. In 2006, OVY launched a loan guarantee which has replaced State guarantees within residential lending in the member banks' product portfolio.

OVY's Board annually confirms the plans relating to internal control and risk management, as well as investment operations, to the entity. These plans define the targets of the entity's risk management and investment operations, and determine the operating methods required to manage risks. The risks of the investment activities of OVY, which is counted in with Banking and Investment Services, are managed in the same manner as the investment risks of the insurance and pension entities, which are described below.

Stress testing is employed to assess the susceptibility to the effect of an economic recession on the loan portfolios of the member banks, Helsinki OP Bank and the OKO Bank Group.

Market risks

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

Responsibility for the taking of market risks is for the most part diversified. The taking of market risks by individual Group entities is controlled and limited by the principles of the OP Bank Group's internal control and risk management, the Central Cooperative's risk management guidelines, and the risk limit system observed by the OP Bank Group.

The Board of Directors of each entity has defined the objectives of market risk management, the principles of risk-taking and the organisation of market risk management.

In hedging against the interest rate risk of the loan and deposit portfolio in banking operations, the aim is to safeguard the margin in different interest rate change situations. In respect of trading and investment portfolios, the objective is to safeguard the annual return and the trend in the market value of the portfolio.

In accordance with the division of tasks within the banking operations, the member banks focus on retail banking. Their active trading in the money and capital markets is restricted by a recommendation specifying that the value of a bank-specific trading portfolio may not exceed 5% of the aggregate amount of total assets, plus off-balance-sheet commitments. At the end of 2006, three member banks had a trading portfolio exceeding this recommendation. The number was equal to the end of the previous year.

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

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

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

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

Funding risk

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

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

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

The risk limit measure for the OP Bank Group's funding risk is the ratio, calculated cumulatively up to the reporting check date of the difference of receivables and liabilities falling due to total assets in periods of a maximum of one year, a maximum of three years and a maximum of five years. The revamped system also includes estimates of the dates when current account deposits fall due. Funding risk is monitored regularly with other indicators as well, for example, using the share of deposit funding within total assets and the product breakdown of deposits.

Interest rate risk

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

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

When determining the interest rate risk of member banks, items sensitive to changes in interest rates are divided according to maturity and interest rate bases for the purpose of cash flow analysis. The future interest cash flows of floating-rate items are calculated on the interest rate curve in effect at any given time using the forward forward method based on the interest rate information of the agreement. The effects of changes in the interest rate level are assessed in relation to the value of the bank's risk exposure. The assessment concerns the static balance sheet, however, observing the estimated re-pricing delays in administrative interest rates.

The risk limit measure for interest rate risk that was used was the effect of a rise of 1.0 percentage point in market interest rates on the present value of the risk exposure in relation to economic capital.

Currency risk

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

Currency exposure is measured as the ratio of the total net currency position to economic capital, as defined in the standard issued by the Financial Supervision Authority.

Equity risk

Equity risk refers to the risk to earnings and risk of changes in market value arising from changes in the market values of publicly quoted equities and other similar instruments. Within the OP Bank Group, the risk limit measure for equity risk is the market value of publicly quoted equities, mutual fund units or other similar instruments in proportion to economic capital.

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

Preparations for capital adequacy reform
The new framework came into force in the EU at the beginning of 2007. The capital adequacy reform was implemented in Finnish legislation at three levels: the amendments to the Credit Institutions Act pertaining to the capital adequacy reform were adopted in February 2007. The Ministry of Finance will issue a decree setting out more detailed provisions concerning capital adequacy calculations. These provisions concern primarily the use of the national options set out in the directive. In addition, the Financial Supervision Authority will issue numerous standards concerning capital adequacy calculation and setting out more explicit regulations and instructions on application of the Act.

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

The starting point for the OP Bank Group's development of risk management methods and systems is primarily the risk management needs and secondarily compliance with the requirements of the capital adequacy framework.

The preparation by the OP Bank Group and its credit institutions for the capital adequacy reform will be carried out as part of the Basel 2 development programme concerning the entire OP Bank Group.

During 2006, the OP Bank Group has continued preparations for the capital adequacy reform. During the year, further inputs have been made into changes to information systems as required by the reform, into the development of credit risk models and for the further development of home mortgage categorisation: the development work has continued in respect of loans to consumers, the agricultural sector and companies. An important priority has been mobilising the capital adequacy reform across the member banks. The Central Cooperative monitors the member banks' degree of use of credit ratings, the breakdown of the loan portfolio into different loan categories and the effect of categorisation on the setting of targets, decision making and pricing and gives guidance to active use of credit categorisation.

The OP Bank Group makes use of the transitional provisions for the capital adequacy reform in respect of methods to be introduced. In accordance with the policy lines laid down by the Central Cooperative's Executive Board, the objective is to make a stage-by-stage transition to the internal ratings approach in calculating the capital adequacy requirements for credit risks such that the capital adequacy requirement for the first groups of liabilities will be calculated according to the internal ratings approach as of the beginning of 2008. In respect of corporate and retail exposures, a complete transition to the internal ratings approach will be made by 2011. The capital adequacy requirement for operational risks will be calculated using the standard method as of the beginning of 2008. The objective is to go over to use of the standard method in 2010.

The use of the transitional period in calculating the capital requirement for operational risks, which was occasioned by the allocation of resources elsewhere than to the carrying out of calculations according to a specific business area as required by the standard method, does not lead to a change in the management of operational risks or its development, nor does it have a major impact on the capital requirement for operational risk in accordance with the new rules.

According to the bank's own estimates, the use of internal ratings in capital adequacy calculations yields the most benefit to banks that concentrate on retail operations, as the OP Bank Group does. The use of internal ratings, however, increases the sensitivity of the own funds' minimum capital requirement to fluctuations in the business cycle.

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

The OP Bank Group applies the so-called fair value hedging model in hedge accounting of interest rate risk.

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

Non-life Insurance risks

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

Non-life Insurance has a probability model for the assessment of insurance and investment risks. By means of the model, an optimal structure for investment allocation, insurance portfolio and solvency is evaluated, so as to maximise the return on capital. By the model, a target area is also defined for solvency.

As regards insurance risks, the model takes account of the different nature of the insurance lines and the extent of reinsurance. The model applied to investment risks is based on classification in accordance with the nature of investment instruments. The model takes into account the expected return and the mix of the investment classes, as well as the correlation between the classes.

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

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

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

The role of risk selection and rating is emphasised in operational models. The Group has set limits for the size and extent of risk for each insurance line and risk concentration. A data warehouse and analysis applications supporting this 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.

The Board of Directors decides annually on the reinsurance principles and the amount of risk to be retained for own account. The level of reinsurance protection has an impact on the need of solvency capital. As a rule, only companies with an insurance financial strength rating of at least 'A' in accordance with Standard & Poor's are accepted as reinsurers. Moreover, the Group has confirmed maximum limits for the amounts of risk that can be ceded to one reinsurer. The limit depends on the nature of the risk involved and on the company's financial standing.

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, delays in verifying losses, cost inflation, legislative changes and general trends in the economy.

Investment risks in Non-life Insurance

Investments are assets covering insurance contract liabilities and equity. By assuming well-managed investment risks, the Group aims at obtaining the best possible return on the investment portfolio. The structure of the investment portfolio by which a maximum return at the selected risk level is obtained on the portfolio is called the basic allocation. Non-life Insurance applies the Asset/Liability Model (ALM) to determine the basic allocation. As a result of active investment operations and fluctuations in property values, deviations are, within certain limits, occasionally made from the basic allocation. In the investment plan, investment powers are determined for each asset class and for the internal diversification of asset classes.

Each year, the Board of Directors confirms an investment plan involving evaluations of the state of the operating environment and the development outlook, the risks included in the investment in terms of returns, security and exchange rate fluctuations, the requirements set by the nature of the insurance contract liabilities on investment returns, liquidity and exchange rate position, and the risk-bearing capacity of investment over the short and long-term.

Market risk

The market risk is composed of the price, interest rate and currency risk. Changes in share prices, interest rates and currencies have an impact on the value of investments. The relation between the investment risk and the solvency capital of non-life insurance is assessed by means of an internal ALM model and the sensitivity analysis of the market risk.

The maximum amount and number of equities, alternative investments and properties which include a price risk are limited in the basic allocation. The investment risk is also managed by diversifying investments in different instruments, geographically and by business sector.

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 rating is at least A3 (Moody's) or A- (Standard & Poor's).

Credit risk

Bonds are mainly invested in euro-denominated bonds issued by euro-area governments. The credit risk is managed by diversifying the portfolio and by limiting the proportion of weaker credit risk in the portfolio. The investment plan includes limitations regarding credit ratings. An internal credit risk assessment is made on non-rated issuers. On the basis of the assessment, an investment decision can be made.

Liquidity risk

When compiling the investment portfolio, the Group's liquidity requirements are taken into account. The primary liquidity buffer is the money market portfolio. The Group invests mainly in quoted and liquid equities and bonds.

Life Insurance risks

The main technical insurance risks in life-insurance operations are mortality and the onset of disability. The risk in term insurance is high mortality, but for annuities and pure endowment policies, the risk is lower-than-assumed mortality. Risks are managed by defining the premiums collected on policies as being cover-providing, by keeping risk selection instructions up to date, building up the equalisation provision and transferring risks to a reinsurer.

Because premium rating may only be changed under exceptional circumstances after insurance has been granted, unfavourable fluctuation in rating must be provided for. The materialisation of assumptions is tracked systematically and, if needed, the rating is adjusted or insurance contract liabilities are strengthened.

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

Operating expense risk can also be considered a technical insurance risk. The risk is realised if actual operating expenses exceed the cost assumptions applied in rating. The means of managing this are cost discipline and adequate premium rating.

The most significant interest rate risk related to the insurance contract liabilities is the ratio between the technical interest rate requirement for interest-bearing insurance (binding income promise) and the return on investment assets covering insurance contract liabilities. The technical interest rate is at the same time the discount rate applied to liabilities. Some of the insurance contract liabilities for the portfolio operating at 4.5% technical rate of interest have voluntarily been supplemented to the lower discount rate level.

Investment risk may also be involved in surrenders: premature withdrawal of long-term assets reduces the earnings base. In conjunction with surrenders, the insurance company may have to liquidate its investments in a poor market situation, or may not be able to amortise accelerated operating expenses by the time of the surrender.

The surrender risk is managed by means of a suitable product structure, by means of contract terms and by sanctions. Savings insurance and capital redemption contracts are susceptible to surrenders, while surrender of pension policies is only possible under exceptional circumstances.

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

Investment risks of Life Insurance

The most significant risks in life insurance operations are associated with investments. The Board of the life insurance company confirms separate instructions and operating policies related to the risk management of individual investments. Investment risks are prepared for in the ways defined in an annually confirmed investment plan and by expert personnel. The investment plan addresses the desired level of risk and return, and specifies the annual mix, range, and benchmark index for investment property, as well as other limitations on investments. The limitations laid down in the investment plan and compliance with regulations are monitored and regularly reported to the Investment Committee and the Board of Directors.

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

Market risks

In terms of market risks, the risks associated with changes in value and interest rates have a particular effect on investment assets. For this reason, investments are diversified into different asset categories, investment instruments, geographically and by industry. The risk of change in value is measured in terms of the risk expectation for equity and bond investments (ex ante volatility), and it is regularly reported to the Investment Committee and the Board of Directors. Interest rate risk is monitored by means of modified duration in relation to the duration of the benchmark portfolio.

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

The liquidity risk is taken into account in the allocation structure of the investment portfolio. Money market investments are mainly used to cover the liquidity needs.

Use of derivatives

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

The investment plan makes it possible to use derivatives to hedge the value of investment assets. According to the investment plan, derivatives can also be used for non-hedging purposes. There may be open foreign currency positions in Life Insurance, but a maximum limit has been set for them in the investment plan.

NOTE 3. Business operations acquired 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 Group plc has been included in the financial statements of the OP Bank Group 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. After the combination of the business operations, Pohjola Group plc sold the mutual fund business on 30 December 2005 and the life insurance business on 16 January 2006 to the OP Bank Group Central Cooperative through internal deals.

In the group consolidation of the 2005 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 acquisition cost includes direct costs related to internal deals of the OP Bank Group. The acquisition cost also includes those direct costs for internal deals which were completed in order to streamline the structure of the OP Bank Group after the Pohjola transaction. The total amount of the acquisition cost was EUR 1 776 million, in which the acquisition cost of shares was EUR 1 766 million and other costs directly related to the acquisition were EUR 9.9 million.

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 2006 increased by direct costs related to the acquisition. The acquisition cost includes direct costs related to internal deals of the OP Bank Group. The acquisition cost also includes those direct costs for internal deals which were completed in order to streamline the structure of the OP Bank Group after the Pohjola transaction. The total amount of the acquisition cost was EUR 2 080 million, in which the acquisition cost of shares was EUR 2 065 million and other costs directly related to the acquisition were EUR 14.9 million. The acquisition cost has been fully paid in cash.

Goodwill resulting from the consoldiation 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		Fair values used in consolidation	Book values before consolidation
Tangible assets		55	52
Investment properties		66	58
Intangible assets			
Brands		179	
Customer relationships		315	21
Insurance contracts		46	2
Software		75	40
Goodwill			16
Financial assets		4 433	4 433
Other assets		91	72
Cash and cash equivalents		100	100
Total assets		5 360	4 794
Liabilities of insurance operations		3 268	3 268
Financial liabilities		150	150
Deferred tax liabilities		261	120
Provisions		38	38
Pension obligations		9	5
Accounts payable and other liabilities		157	157
Total liabilities		3 883	3 738
Net assets		1 477	1 056
Holding in net assets acquired on 31 December 2005	100.0%	1 477	
Acquisition cost		2 080	
Goodwill*		603	
Sale price paid in cash		2 080	
Cash and cash equivalents of subsidiary acquired		100	
Cash flow impact		1 980	

* A more detailed breakdown on goodwill is presented in Note 27.

NOTE 4. Assets classified as held for sale

On 22 December 2005, Pohjola Group plc sold its fully-owned run-off companies Bothnia International Insurance Company Ltd and Moorgate Insurance Company Limited to a buyer external to the Group. The deal was finalised on 1 June 2006. The companies were included in the consolidated financial statements until 31 May 2006.

NOTES TO THE INCOME STATEMENT

NOTE 5. Interest income and expenses	2006	2005
Interest income		
Receivables from financial institutions	34	23
Receivables from customers		
Loans	1 444	1 158
Finance lease receivables	15	11
Loans and other commitments of impaired value	1	-1
Notes and bonds		
Trading	153	30
Available for sale	45	91
Held to maturity	13	-
Derivative contracts		
Hedge accounting	16	-4
Other	616	264
Other interest income	3	2
Total	**2 340**	**1 575**
Interest expenses		
Liabilities to financial institutions	71	38
Financial assets held for trading	1	0
Derivative contracts		
Hedge accounting	24	-10
Other	598	273
Liabilities to customers	361	261
Notes and bonds issued to the public	370	185
Subordinated liabilities		
Capital loans	0	7
Other	29	20
Other interest expenses	4	6
Total	**1 457**	**780**
Net interest income	**883**	**794**

NOTE 6. Impairment losses on receivables	2006	2005
Receivables eliminated as loan and guarantee losses	10	11
Recoveries of eliminated receivables	-6	-6
Increase in impairment losses	34	37
Reversal of impairment losses	-30	-40
Group-specific impairment losses	1	4
Impairment losses on interest receivables	-	-
Insurance claims and benefits	0	0
Total impairment losses on receivables	**9**	**6**

NOTE 7. Net income from Non-life Insurance	2006	2005
Net 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	111	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 Non-life Insurance items	-36	-12
Net income from Non-life Insurance	**328**	**68**

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' share 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	0
Change in provision for unearned premiums	0	0
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 income from Non-life Insurance investment operations

Loans and other receivables		
Interest income	2	0
Capital gains and losses	-	-
Impairment losses	-	-
Total loans and receivables	2	0

Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	0	-
Derivates	0	-
Other	-2	0
Total	-1	0
Capital gains and losses		
Notes and bonds	-	-
Shares and participations	0	2
Derivates	10	-
Other	-9	0
Total	1	2
Valuation gains and losses		
Notes and bonds	-1	-2
Shares and participations	0	-2
Derivatives	-1	-1
Other	-	-
Total	-2	-5
Total net income from financial assets recognised at fair value through profit or loss	-2	-3
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	72	10
Other income and expenses	0	0
Capital gains and losses	-24	0
Transferred from fair value reserve during the period	-	-
Impairment losses and their reversal	-	-
Total	47	11
Shares and participations		
Dividends	22	1
Other income and expenses	-	-
Capital gains and losses	38	3
Transferred from fair value reserve during the period	-	-
Impairment losses	-1	-
Total	59	4
Net income from available-for-sale financial assets	106	15
Net income from investment property		
Rental income	7	1
Capital gains and losses	1	0
Gains on fair value measurement	2	0
Facility and maintenance charges	-4	-1
Other	-1	0
Total net income from investment property	5	0
Total net income from Non-life Insurance investment operations	**111**	**12**

Unwinding of discount, Non-life Insurance

The increase in the discounted insurance contract liabilities in Non-life Insurance (Note 35) due to passage of time (unwinding of discount) totals EUR 37 million (EUR 6 million). Unwinding of discount is computed monthly using the discount rate for the end of the previous month and the insurance 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 November 2006.

NOTE 8. Net income from Life Insurance	2006	2005
Premiums written	859	788
Insurance premiums ceded to reinsurers	-2	-1
Net investment income	454	351
Claims incurred		
Benefits paid	-437	-214
Change in provision for unpaid claims	-24	-94
Reinsurers' share	0	0
Other	-	-
Change in insurance contract liabilities		
Change in life insurance provision	-695	-741
Reinsurers' share	-4	2
Other	-40	-23
Total net income from Life Insurance operations	**110**	**67**

The insurance contract liabilities include EUR 53 million in reserves for future customer bonuses.

Premiums written in Life Insurance

	2006	2005
Premiums written from insurance contracts		
Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)		
Savings insurance	249	298
Personal pension insurance	60	52
Group pension insurance	42	101
Term insurance		
Personal insurance	14	3
Supplementary group insurance	8	1
Employees' group life insurance	13	0
Total term insurance	35	4
Total	385	455
Premiums written from unit-linked insurance contracts		
Savings insurance	387	262
Personal pension insurance	82	55
Group pension contracts	2	1
Total	471	318
Total	**856**	**773**

	2006	2005
Premiums written from investment contracts		
Premiums written from investment contracts with entitlement to discretionary portion of surplus		
Capital redemption contracts	1	12
Premiums written from investment contracts without entitlement to discretionary portion of surplus		
Capital redemption contracts	-	-
Premiums written from unit-linked investment contracts		
Capital redemption contracts	1	4
Total	**3**	**16**

Total direct insurance	**859**	**788**
Assumed reinsurance	0	0
Total premiums written	**859**	**788**
Regular premiums from insurance contracts	492	377
Regular premiums from investment contracts	-	-
Single premiums from insurance contracts	364	395
Single premiums from investment contracts	3	16
Total	**859**	**788**

Net income from Life Insurance investment operations

Loans and other receivables		
Interest income	-2	-2
Capital gains and losses	-	-
Impairment losses	-	-
Total	-2	-2
Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	0	0
Other	0	0
Total	0	1
Capital gains and losses		
Notes and bonds	-	-
Shares and participations	-	-
Other	10	-12
Total	10	-12
Valuation gains and losses		
Notes and bonds	0	0
Shares and participations	0	0
Derivatives	7	6
Other	-	-
Total	7	5
Dividend income	-	1
Total net income from financial assets recognised at fair value through profit or loss	17	-6
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	81	58
Capital gains and losses	-4	40
Transferred from fair value reserve during the period	-	0
Reversal of impairment losses	-	0
Total	77	99
Shares and participations		
Dividends	14	6
Other income	-3	-1
Capital gains and losses	80	33
Transferred from fair value reserve during the period	-	-
Impairment losses	-	-
Total	91	38
Total net income from available-for-sale financial assets	168	137

Net income from investment property		
Rental income	9	7
Capital gains and losses	0	-
Gains on fair value measurement	2	5
Facility and maintenance charges	-6	-1
from which rental income is not accumulated	0	0
Other	-1	-3
Total	4	7
Assets serving as cover for unit-linked policies		
Shares and participations		
Capital gains and losses	100	22
Valuation gains and losses	153	182
Other	14	9
Total	267	214
Exchange rate gains (losses)	**0**	**0**
Total net income from investment operations	**454**	**351**

Benefits paid in Life Insurance

Benefits paid from insurance contracts		
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	-169	-86
Death benefits	-57	-49
Surrenders	-74	-33
Total	-299	-167
Personal pension insurance		
Annuities	-16	-7
Death benefits	-1	-1
Surrenders	-1	0
Total	-17	-8
Group pension insurance		
Annuities	-10	-1
Lump-sum benefits	-1	0
Surrenders	-1	0
Total	-12	-1
Term insurance		
Personal insurance	-4	0
Supplementary group insurance	-5	-1
Employees' group life insurance	-8	0
Total	-18	-1
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	-11	-13
Death benefits	-10	-4
Surrenders	-62	-11
Total	-84	-28
Personal pension insurance		
Annuities	-1	0
Death benefits	-1	0
Surrenders	-1	0
Total	-2	-1

Group pension insurance		
Annuities	0	0
Death benefits	0	-
Surrenders	-	0
Total	0	0
Benefits paid from investment contracts		
Benefits paid from investment contracts entitling to discretionary portion of surplus		
Capital redemption contracts		
Maturities	-3	-4
Surrenders	0	-1
Total	-3	-5
Benefits paid from investment contracts not entitling to discretionary portion of surplus		
Capital redemption contracts		
Maturities	-1	-
Surrenders	1	-
Total	0	-
Benefits paid from unit-linked investment contracts		
Maturities	-1	-2
Surrenders	-1	-1
Total	-2	-3
Total direct insurance	**-437**	**-214**
Assumed reinsurance	0	0
Total benefits paid in Life Insurance	**-437**	**-214**

NOTE 9. Net commissions and fees	2006	2005
Commissions and fees from		
Lending	88	89
Deposits	6	7
Payment transfers	116	103
Securities brokerage	22	26
Issue of securities	6	6
Mutual funds	84	48
Asset management and legal assignments	56	31
Insurance brokerage	43	38
Guarantees	11	10
Other	36	21
Total	**467**	**380**
Commission expenses for		
Cash handling	-	-
Payment transfers	14	1
Securities	3	4
Other	53	35
Total	**71**	**40**
Net commissions and fees	**396**	**340**

The item Other commission expenses includes EUR 11 million (EUR 4 million) of commissions paid for asset management and legal assignments, EUR 5 million (EUR 4 million) of platinum bonuses granted to Helsinki OP Bank Plc's bonus customers and EUR 37 million (EUR 26 million) of other commissions paid.

NOTE 10. Net trading income	2006	2005
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	-9	4
Shares and participations	7	3
Derivatives	10	1
Other	-	-
Total	8	7
Valuation gains and losses		
Notes and bonds	-27	-4
Shares and participations	3	5
Derivatives	35	9
Other	-	-
Total	10	10
Dividend income from trading	1	2
Net income from foreign exchange operations		
Exchange differences	37	24
Other	-24	-15
Total	13	8
Total net trading income	**32**	**27**

NOTE 11. Net investment income	2006	2005
Net income from available-for-sale financial assets		
Notes and bonds and purchased loans		
Capital gains and losses	1	7
of which those measured at amortised cost	-	-
Transferred from fair value reserve during the period	0	0
Impairment losses and their reversals	-	-
Total	1	7
Shares and participations		
Capital gains and losses	16	2
of which those measured at acquisition cost	4	-
Transferred from fair value reserve during the period	24	11
Impairment loss	-1	-5
Total	40	8
Dividend income	20	8
Net income from available-for-sale financial assets	60	23
Held-to-maturity notes and bonds		
Impairment losses and their reversals	-	-
Net income from investment property		
Rental income	55	61
Capital gains and losses	5	8
Gains on fair value measurement	25	6
Facility and maintenance charges	-34	-37
from which rental income is not accumulated	1	1
Other	1	2
Total	52	39
Total net invesment income	**112**	**62**

NOTE 12. Other operating income	2006	2005
Rental income from properties in Group use	10	11
Capital gains from properties in Group use	2	1
Insurance claims and benefits	0	0
Other	80	55
Total other operating income	**92**	**68**

The item Other operating income includes EUR 3 million (EUR 2 million) of other income from Non-life Insurance EUR 10 million (EUR 4 million) of rental income from leasing objects, EUR 6 million (EUR 8 million) of ADP income, EUR 18 million (EUR 17 million) of income from credit risk management and EUR 43 million (EUR 23 million) of other operating income.

NOTE 13. Personnel costs	2006	2005
Salaries and remunerations	459	348
Share-based payments	0	0
Pension costs		
Defined contribution plans	54	36
Defined benefit plans	-18	-20
Other personnel related costs	33	22
Total personnel costs	**527**	**387**

NOTE 14. Other administrative expenses	2006	2005
Office expenses	51	41
IT expenses	87	63
Telecommunications	39	31
Marketing	59	44
Research and development	7	1
Other	48	40
Total other administrative expenses	**290**	**220**

NOTE 15. Other operating expenses	2006	2005
Rental expenses	1	1
From properties in Group use	70	60
Capital losses on properties in Group use	0	0
Amortisation and depreciation		
Buildings	11	11
Machinery and equipment	25	24
Intangible assets	28	23
Intangible assets related to acquisition	49	8
Other	16	10
Total	129	76

Impairments		
Properties in Group use	1	1
Goodwill	-	-
Other	0	-
Total	1	1
Contribution to the Deposit Protection Fund	15	14
Other	50	31
Total other operating expenses	**267**	**183**

The item Other in Other operating expenses includes EUR 13 million (EUR 10 million) in supervision, inspection and membership fees, EUR 8 million (EUR 6 million) in insurance and security expenses, EUR 10 million (EUR 2 million) in other expenses of Non-life Insurance and EUR 18 million (EUR 13 million) in other operating expenses.

NOTE 16. Returns to owner-members	2006	2005
Bonuses	43	38
Interest on cooperative capital	21	15
Total returns to owner-members	**64**	**53**

The item Returns to owner-members includes the interest on the cooperative capital to be paid to the members of the OP Bank Group member cooperative banks for the financial period and the bonuses accrued to the owner-members for pooling their use of banking services in the financial period.

The bonuses do not include the bonuses paid to Helsinki OP Bank plc customers.

NOTE 17. Income tax	2006	2005
Current tax	152	102
Tax for previous financial periods	-21	-11
Deferred tax	71	35
Tax in the income statement	**202**	**125**
Entity's income tax rate	26	26

Comparison of tax shown in the income statement with tax calculated in accordance with the current tax rate

Earnings before tax	800	579
Share of earnings in accordance with the tax rate	208	150
Tax for previous financial periods	-20	-11
Effect of tax-exempt income	-7	-2
Effect of non-deductible expenses	21	5
Reassessment of unused losses	-6	-30
Effect of tax adjustments	6	-2
Other items	-	15
Tax in the income statement	**202**	**125**

NOTES ON ASSETS

NOTE 18. Liquid assets	31 Dec. 2006	31 Dec. 2005
Cash	136	135
Deposits with central banks repayable on demand		
Overnight deposits	-	-
OKO Bank's minimum reserve deposit	139	116
Other	766	362
Total liquid assets	**1 041**	**613**

According to the minimum reserve system of the euro system, financial institutions must keep minimum reserves (a reserve deposit) in national central banks. The reserve deposit is the share according to the obligation percentage of the reserve base notified by the European Central Bank. Deposits (extensive) and debt papers of at most two years are included in the reserve base. Deposits from others under a reserve obligation are not included in the reserve base. At the moment the reserve deposit is 2% of the reserve base. In the OP Bank Group, the financial institutions make a reserve deposit with Oko Bank plc. OKO Bank acts as an authorised forwarder for the financial institutions in the Group, taking care of the Group's deposit obligation with the Bank of Finland.

NOTE 19. Receivables from financial institutions	31 Dec. 2006	31 Dec. 2005
Deposits with central banks		
Other than repayable on demand	-	-
Receivables from financial institutions		
Deposits		
Repayable on demand	43	52
Other	152	431
Total	195	483
Loans and other receivables		
Repayable on demand	0	0
Other	152	185
Total	152	185
Total	347	668
Impairment losses	-2	-2
Total receivables from financial institutions	**344**	**666**

The receivables from financial institutions include EUR 146 million (EUR 483 million) in deposits with a maturity of less than 3 months and EUR - million (EUR 35 million) in repo receivables.

NOTE 20. Financial assets held for trading	31 Dec. 2006	31 Dec. 2005
Government notes and bonds	404	365
Other notes and bonds	4 332	3 377
Shares and participations	80	99
Purchased loans and other receivables	-	-
Total financing assets held from trading	**4 816**	**3 841**

Other notes and bonds from trading include certificates of deposit totalling EUR 1 632 million (EUR 1 594 million), commercial paper holdings totalling EUR 8 million (EUR 187 million), debentures totalling EUR 45 million (EUR 61 million), bonds totalling EUR 1 923 million (EUR 733 million), and other notes and bonds totalling EUR 724 million (EUR 801 million).

Breakdown of notes and bonds held for trading and shares and participations by quotation and issuer

	31 Dec. 2006		31 Dec. 2005	
	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
Quoted				
From public corporations	374	-	386	-
From others	2 684	80	1 728	99
Other				
From public corporations	1 657	-	1 603	-
From others	21	-	24	-
Total	**4 736**	**80**	**3 742**	**99**

The financial assets held for trading include EUR 2 515 million (EUR 1 507 million) in pledged notes and bonds.

NOTE 21. Derivative contracts	31 Dec. 2006	31 Dec. 2005
Held for trading		
Interest rate derivatives	262	81
Currency derivatives	3	61
Equity and index derivatives	33	-
Credit derivatives	0	-
Other	-	-
Total	298	142
Hedging derivative contracts - fair value hedging method		
Interest rate derivatives	16	12
Currency derivatives	5	-
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	21	12
Total derivative contracts	**319**	**155**

The balance sheet item includes positive changes in value of derivative contracts as well as premiums paid. The premiums paid for derivative contracts which were earlier presented under Other assets have been transferred to Derivative contracts. The comparative information has been changed correspondingly.

NOTE 22. Receivables from customers	31 Dec. 2006	31 Dec. 2005
Loans to the public and public corporations	36 936	32 475
Finance lease receivables	414	370
Purchased loans and other receivables	2 368	2 103
Total	39 718	34 948
Impairment losses	-124	-134
Total receivables from customers	**39 595**	**34 814**

The guarantee receivables and their impairments earlier presented under Other assets have been transferred to Receivables from customers. The comparative figure has been changed correspondingly.

Changes in impairment losses on loans and guarantee receivables in receivables from customers and financial institutions

	Loans	Bank guarantee recei- vables	Interest recei- vables	Total
Impairment losses 1 January 2006	127	8	-1	134
Increase in impairment losses	22	1	0	23
Reversal of impairment losses	-15	-4	0	-19
Loan and guarantee receivables eliminated from the balance sheet and for which receivable-specific impairment loss has	-14	-1	-	-15
Exchange rate difference adjustments	-	-	-	-
Impairment losses 31 December 2006	121	4	-1	124
Impairment losses 1 January 2005	150	11	-1	159
Increase in impairment losses	28	4	-	32
Reversal of impairment losses	-28	-5	-	-33
Loan and guarantee receivables eliminated from the balance sheet and for which receivable-specific impairment loss has	-23	-1	-	-23
Exchange rate difference adjustments	-	-	-	-
Impairment losses 31 December 2005	127	8	-1	134

Finance lease receivables

In the OP Bank Group, OKO Bank leases transport equipment and industrial machinery and equipment through finance lease contracts.

Maturities of finance lease contracts	31 Dec. 2006	31 Dec. 2005
Maturities of finance lease contracts		
Within one year	159	133
Within more than one year and at most within five years	224	205
Within more than five years	109	81
Gross investment in finance lease contracts	491	418
Unearned finance income (-)	-77	-48
Present value of minimum lease payment receivables	**414**	**370**
Present value of minimum lease payment receivables		
Within one year	143	122
Within more than one year and at most within five years	199	189
Within more than five years	72	60
Total	**414**	**370**
Unguaranteed residual value due to the lessor	-	-
Changing rents recognised as income during the period	-	-
Adjustment recorded from minimum rent receivables	-	-
Gross increase in 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	766	693
Investment property	56	63
Notes and bonds	1 536	1 626
Other	1	1
Total	2 426	2 450
Other assets		
Prepayments and accrued income	-2	-1
Other		
Direct insurance operations	241	184
Reinsurance operations	90	75
Cash at bank and in hand	5	32
Total	335	290
Total Non-life Insurance assets	**2 761**	**2 740**

Non-life Insurance investments	31 Dec. 2006	31 Dec. 2005
Loans and other receivables		
Loans	67	68
Deposits with ceding undertakings	1	1
Total	68	68
Financial assets recognised at fair value through profit or loss		
Government notes and bonds	-	-
Other notes and bonds	3	3
Shares and participations	-	-
Derivative contracts		
Currency derivatives	0	-
Interest rate derivatives	-	-
Equity derivatives	0	-
Total derivatibes	0	-
Total financial assets recognised at fair value through profit or loss	3	3
Available-for-sale financial assets		
Notes and bonds	1 533	1 623
Shares and participations	766	693
Total	2 299	2 316
Investment properties		
Land and water areas	6	6
Buildings	50	57
Total	56	63
Total investments	**2 426**	**2 450**

Breakdown of Non-life Insurance notes and bonds recognised at fair value through profit or loss and shares and participations on the basis of quote and issuer

	31 Dec. 2006		31 Dec. 2005	
	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
Quoted				
From public corporations	-	-	-	-
From others	2	-	-	-
Other				
From public corporations	-	-	3	-
From others	1	-	-	-
Total	**3**	**-**	**3**	**-**

Available-for-sale financial assets of Non-life Insurance, 31 December 2006

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	Fair value	Amortised cost	Total	Fair value	Acquisition cost	Total
Quoted						
From public corporations	1 050	-	1 050	-	-	-
From others	481	-	481	611		611
Other						
From public corporations	-	-	-	-	-	-
From others	2	-	2	154	-	154
Total	**1 533**	**-**	**1 533**	**766**	**-**	**766**
Impairmen losses	-	-	-	4	-	4

The available-for-sale financial assets of Non-life Insurance include EUR 4 million (EUR 7 million) in pedged items. The items consist mainly of notes and bonds in collateral for foreign insurance operations and of collateral for derivatives trading.

Available-for-sale financial assets of Non-life Insurance, 31 December 2005

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	Fair value	Amortised cost	Total	Fair value	Acquisition cost	Total
Quoted						
From public corporations	1 100	-	1 100	-	-	-
From others	436	-	436	578	-	578
Other						
From public corporations	4	-	4	-	-	-
From others	84	-	84	115	-	115
Total	**1 623**	**-**	**1 623**	**693**	**-**	**693**
Impairmen losses	-	-	-	3	-	3

The available-for-sale financial assets of Non-life Insurance include EUR 5 million in items pledged as collateral for derivatives trading and EUR 7 million in pledged notes and bonds.

Non-life Insurance derivative contracts on 31 December 2006

	Nominal values/remaining term to maturity				Fair values		Potential future
	< 1 year	1-5 years	> 5 years	Total	Assets	Liabilities	exposure
Currency derivatives							
Forward exchange agreements	98	-	-	98	-	-	2
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency options							
Purchased	20	-	-	20	-	-	-
Written	20	-	-	20	-	-	-
Total OTC currency derivatives	139	-	-	139	-	-	2
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	**139**	**-**	**-**	**139**	**-**	**-**	**2**
Interest rate derivatives							
Interest rate futures	42	-	-	42	-	-	-
Interest rate options							
Purchased	1 583	-	-	1 583	-	-	-
Written	1 583	-	-	1 583	-	-	-
Total stock exchange derivatives	3 208	-	-	3 208	-	-	-
Total interest rate derivatives	**3 208**	**-**	**-**	**3 208**	**-**	**-**	**-**

Non-life Insurance derivative contracts on 31 December 2005

	Nominal values/remaining term to maturity				Fair values		Potential future
	< 1 year	1-5 years	> 5 years	Total	Assets	Liabilities	exposure
Currency derivatives							
Forward exchange agreements	71	-	-	71	0	0	0
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency options							
Purchased	63	-	-	63	0	-	1
Written	67	-	-	67	-	1	-
Total OTC currency derivatives	201	-	-	201	0	1	1
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	**201**	**-**	**-**	**201**	**0**	**1**	**1**
Interest rate derivatives							
Interest rate futures	6	-	-	6	0	-	-
Total stock exchange derivatives	6	-	-	6	0	-	-
Total interest rate derivatives	**6**	**-**	**-**	**6**	**0**	**-**	**-**

Changes in Non-life Insurance investment properties

	2006	2005
Acquisition cost 1 January	63	0
Increases	5	0
Decreases	-9	-1
Transfers between items	-4	-5
Transfer to asset items held for sale	-	-
Business operations acquired	-	68
Acquisition cost 31 December	55	63
Accumulated depreciation and impairments 1 January	-	-
Depreciation during financial period	-	-
Impairments during financial period	-	-

Reversal of impairments during financial period	-	-
Decreases	-	-
Transfer to asset items held for sale	-	-
Other changes	-	-
Accumulated depreciation and impairments 31 December	-	-
Accumulated changes in fair value 1 January	-	-
Changes in fair value during financial period	2	-
Decreases	-	-
Other changes	-	-
Accumulated changes in fair value 31 December	1	-
Book value 31 December	56	63

The Group has EUR 14 million (EUR 1 million) in construction and repair obligations regarding investment properties.

NOTE 24. Life Insurance assets	31 Dec. 2006	31 Dec. 2005
Investments		
Loans and other receivables	64	8
Equities	2 139	1 241
Investment property	103	100
Notes and bonds	1 608	2 419
Other	0	0
Total	3 913	3 768
Investments serving as cover for unit-linked policies		
Shares and participations	2 090	1 539
Other assets		
Prepayments and accrued income	45	52
Other		
Direct insurance operations	1	1
Reinsurance operations	2	7
Cash at bank and in hand	9	18
Other	-	-
Total	58	78
Total Life Insurance assets	**6 061**	**5 385**

Life Insurance investments	31 Dec. 2006	31 Dec. 2005
Loans and other receivables		
Loans	64	8
Deposits with ceding undertakings	-	-
Other receivables	-	-
Total	64	8
Financial assets recognised at fair value through profit or loss		
Government notes and bonds	-	-
Other notes and bonds	8	8
Shares and participations	-	-

Derivative contracts		
Currency derivatives	0	0
Interest rate derivatives	-	-
Equity derivatives	-	-
Total derivatives	0	0
Total financial assets recognised at fair value through profit or loss	8	8
Available-for-sale financial assets		
Notes and bonds	1 600	2 411
Shares and participations	2 139	1 241
Total	3 738	3 653
Investment properties		
Land and water areas	13	10
Buildings	31	22
Shares and participations in mutual property companies	59	68
Total	103	100
Total investments	**3 913**	**3 768**

Breakdown of Life Insurance notes and bonds recognised at fair value through profit or loss and shares and participations on the basis of quote and issuer

	31 Dec. 2006		31 Dec. 2005	
	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
Quoted				
From public corporations	-	-	-	-
From others	8	-	-	-
Other				
From public corporations	-	-	-	-
From others	-	-	8	-
Total	**8**	**-**	**8**	**-**
Impairment losses	0	-	0	-

Available-for-sale financial assets of Life Insurance, 31 December 2006

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	Fair value	Amortised cost	Total	Fair value	Acquisition cost	Total
Quoted						
From public corporations	864	-	864	-	-	-
From others	725	-	725	2 139		2 139
Other						
From public corporations	-	-	-	-	-	-
From others	11	-	11	0	-	0
Total	**1 600**	**0**	**1 600**	**2 139**	**-**	**2 139**
Impairment losses	-3	-	-3	-	-	-

Available-for-sale financial assets of Life Insurance, 31 December 2005

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	Fair value	Amortised cost	Total	Fair value	Acquisi-tion cost	Total
Quoted						
From public corporations	1 334	-	1 334	-	-	-
From others	996	-	996	1 201		1 201
Other						
From public corporations	-	-	-	-	-	-
From others	80	-	80	40	-	40
Total	**2 411**	**-**	**2 411**	**1 241**	**-**	**1 241**
Impairment losses	-	-	-	-	-	-

Life Insurance derivative contracts on 31 December 2006

	Nominal values/remaining term to maturity				Fair values		Potential future exposure
	< 1 year	1-5 years	> 5 years	Total	Assets	Liabilities	
Currency derivatives							
Forward exchange agreements	16	-	-	16	-	-1	-
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency options							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC currency derivatives	-	-	-	-	-	-	-
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	**16**	**-**	**-**	**16**	**-**	**-1**	**-**
Interest rate derivatives							
Interest rate futures	-	-	-	-	-	-	-
Total stock exchange derivatives	-	-	-	-	-	-	-
Total interest rate derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Life Insurance derivative contracts on 31 December 2005

	Nominal values/remaining term to maturity				Fair values		Potential future exposure
	< 1 year	1-5 years	> 5 years	Total	Assets	Liabilities	
Currency derivatives							
Forward exchange agreements	37	-	-	37	-	0	2
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency options							
Purchased	22	-	-	22	0	-	0
Written	24	-	-	24	-	0	-
Total OTC currency derivatives	83	-	-	83	0	0	2
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	**83**	**-**	**-**	**83**	**0**	**0**	**2**
Interest rate derivatives							
Interest rate futures	34	-	-	34	-	0	-
Total stock exchange derivatives	34	-	-	34	-	0	-
Total interest rate derivatives	**34**	**-**	**-**	**34**	**-**	**0**	**-**

Changes in Life Insurance investment properties

	2006	2005
Acquisition cost 1 January	83	56
Acquired business operations	-	11
Increases	2	0
Decreases	-5	-2
Transfers between items	-	18
Acquisition cost 31 December	80	83
Accumulated depreciation and impairments 1 January	-	-
Depreciation during financial period	-	-
Impairments during financial period	-	-
Reversal of impairments during financial period	-	-
Decreases	-	-
Other changes	-	-
Accumulated depreciation and impairments 31 December	-	-
Accumulated changes in fair value 1 January	16	12
Changes in fair value during financial period	2	5
Decrease	5	-
Other changes	-	-1
Accumulated changes in fair value 31 December	23	16
Book value 31 December	103	100

NOTE 25. Investment assets	31 Dec. 2006	31 Dec. 2005
Available-for-sale financial assets		
Notes and bonds	435	654
Shares and participations	341	285
Purchased loans	-	-
Total	776	939
Held-to-maturity investments	133	204
Investment property		
Land and water areas	47	49
Buildings	457	459
Total	504	508
Total investment property	**1 413**	**1 652**

Held-to-maturity investments include other bonds issued by the government totalling EUR 22 million (EUR 50 million), commercial paper holdings totalling EUR - million (EUR 7 million), bonds totalling EUR 103 million (EUR 139 million), and other notes and bonds totalling EUR 7 million (EUR 7 million).

Available-for-sale financial assets and held-to-maturity investments 31 December 2006

	Available-for-sale notes and bonds			Available-for-sale shares and participations			Held-to-maturity invest-ments
	Fair value	Amortised cost	Total	Fair value	Acquisi-tion cost	Total	
Quoted							
From public corporations	121	-	121	-	-	-	4
From others	299	-	299	249	-	249	103

Other							
From public corporations	-	-	-	-	-	-	-
From others	15	-	15		92	92	25
Total	**435**	**-**	**435**	**249**	**92**	**341**	**133**
Impairmen losses	-	-	-	-	-	-	-

The available-for-sale financial assets include EUR 1 million (EUR 5 million) of subordinated publicly-quoted notes and bonds from others.

Available-for-sale financial assets and held-to-maturity investments 31 December 2005

	Available-for-sale notes and bonds			Available-for-sale shares and participations			Held-to-maturity invest-ments
	Fair value	Amortised cost	Total	Fair value	Acquisi-tion cost	Total	
Quoted							
From public corporations	230	-	230	-	-	-	6
From others	336	-	336	178	-	178	147
Other							
From public corporations	-	-	-	-	-	-	-
From others	88	-	88	-	107	107	52
Total	**654**	**-**	**654**	**178**	**107**	**285**	**204**
Impairment losses	-	-	-	-	-	-	-

NOTE 26. Investments in associates	31 Dec. 2006	31 Dec. 2005
Investments 1 January	42	46
Acquisitions of business operations	0	8
Share of profits for the period	-2	0
Dividends	-1	-2
Impairment losses	-5	-4
Changes in Group structure	1	-7
Investments 31 December	35	42

NOTE 27. Intangible assets

	2006				
Changes in intangible assets	**Goodwill**	**Brands**	**Customer relation-ships related to insurance contracts and acquisition costs of insurance policies**	**Other intangible assets**	**Total**
Acquisition cost 1 January	517	179	361	288	1 346
Business operations acquired	85	-	-	0	85
Increases*	-	-	-	44	44
Decreases	-	-	-	-5	-5
Transfers between items	-	-	-	9	9
Acquisition cost 31 December	603	179	361	337	1 480

Accumulated amortisations and impairments 1 January	-	-	-5	-141	-146
Amortisation for the period	-	-	-30	-47	-77
Impairments for the period	-	-	-	-	-
Reversal of impairments during the period	-	-	-	-	-
Decreases	-	-	-	-2	-2
Other changes	-	-	-	0	0
Accumulated amortisations and impairments 31 December	-	-	-35	-190	-225
Book value 31 December	603	179	326	147	1 255

* The share of internal development work is EUR 4 million (EUR 9 million). Other intangible assets include computer software to a book value of EUR 123 million (EUR 135 million) and EUR 18 million (EUR 19 million) of computer software being developed. Amortisation, impairment losses and their reversal have been recognised under the income statement item Other operating expenses.

	2005				
Changes in intangible assets	**Goodwill**	**Brands**	**Customer relation-ships related to insurance contracts and acquisition costs of insurance policies**	**Other intangible assets**	**Total**
Acquisition cost 1 January	-	-	-	205	205
Business operations acquired	517	179	361	75	1 132
Increases*	-	-	-	20	20
Decreases	-	-	-	-1	-1
Transfers between items	-	-	-	-11	-11
Acquisition cost 31 December	517	179	361	288	1 346
Accumulated amortisations and impairments 1 January	-	-	-	-119	-119
Amortisation for the period	-	-	-5	-26	-31
Impairments for the period	-	-	-	-	-
Reversal of impairments during the period	-	-	-	-	-
Decreases	-	-	-	4	4
Other changes	-	-	-	-	-
Accumulated amortisations and impairments 31 December	-	-	-5	-141	-146
Book value 31 December	517	179	356	147	1 199

Intangible assets with indefinite economic life

	31 Dec. 2006	31 Dec. 2005
Goodwill	603	517
Brands	179	179
Total	**782**	**696**

In the consolidation of business operations the economic life of goodwill and brands acquired has been assessed to be indefinite, as they impact the accumulation of cash flows for an undetermined period.

Other most significant intangible assets

	31 Dec. 2006		31 Dec. 2005	
	Book value	Remaining amortisati-on period	Book value	Remaining amortisati-on period
Customer relationships	285	10-13	314	12
Insurance contracts	41	10	46	10
Software	123	1-8	135	1-8
Software being developed	18	-	19	-

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. Goodwill grew in 2006 after the holding of OP Bank Group/OKO Bank rose to 100%. More detailed information on the acquisitions can be found in Note 3.

Impairment test on goodwill

	31 Dec. 2006	31 Dec. 2005
Non-life Insurance	379	298
Pohjola Asset Management Ltd	96	94
Pohjola Fund Management Company Ltd	71	71
Pohjola Life Insurance Company Ltd	48	46
Pohjolan Systeemipalvelu Oy	10	10
Total	603	517

Impairment testing of goodwill

Goodwill of the OP Bank Group 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 Non-life Insurance, Life Insurance, Asset Management, mutual fund and systems service (Systeemipalvelu) business.

The value of the CGUs of the OP Bank Group 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 equity capital. Any excess return was discounted by a discount rate corresponding to the return rate on equity capital in order to determine the present value of cash flows.

For systems service business, the testing period was set at 5 years as per IAS 36. For other business areas, 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

- Discout 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, while other parameters remain unchanged, would entail an impairment risk

• Life Insurance

- Discount rate, growth in operating expenses and margin of investments operations
- Zero margin in invesment operations throughout the testing period, while other parametres remain unchanged, 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 impariment risk.

• Mutual funds

- Discount rate, growth in mutual fund capital and in fixed-nature expenses
- 20% decrease in growth of mutual fund capital throughout the testing period, while other parameters remain unchanged, would entail an impairment risk.

• Systems service business

- Discount rate, incresase in service income and operating profit percentage
- Decrease of operating profit percentage to zero throughout the testing period, while other parameters remain unchanged, woud entail an impairment risk.

Impairment testing of brands

The brands of the OP Bank Group 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 capital 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.

The testing period for brands 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 brands did not lead to recognition of impairment losses.

Impairment testing of other essential intangible assets

The OP Bank Group's customer relationships, insurance contracts 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, insurance contracts 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 28. Tangible assets	31 Dec. 2006	31 Dec. 2005
Properties in Group use		
Land and water areas	60	61
Buildings	512	503
Machinery and equipment	63	67
Other tangible assets	19	20
Assets of lessee	47	39
Total tangible assets	**702**	**690**
of which not yet available for use	6	10

Changes in tangible assets and investment properties

31 December 2006	Properties in Group use	Machinery and equipment	Other tangible assets	Assets of lessee	Total tangible assets	Invest-ment property
Acquisition cost 1 January	645	348	31	46	1 070	487
Business operations acquired	-	-	-	-	-	-
Increases	36	22	2	21	80	12
Decreases	-6	-4	-1	-8	-20	-46
Transfers between items	-5	6	0	-	1	9
Acquisition cost 31 December	669	372	31	59	1 131	463
Accumulated depreciations and impairments 1 January	-81	-281	-11	-7	-380	-
Depreciation for the period	-16	-25	-1	-11	-52	-
Impairments for the period	-1	-	-	-	-1	-
Reversal of impairments during the period	0	-	-	-	0	-
Decreases	3	-3	0	6	6	-
Other changes	-3	0	1	-	-2	-
Accumulated depreciations and impairments 31 December	-97	-309	-12	-11	-429	-
Accumulated changes in fair value 1 January	-	-	-	-	-	21
Changes in fair value for the period	-	-	-	-	-	25
Decreases	-	-	-	-	-	-2
Other changes	-	-	-	-	-	-2
Accumulated changes in fair value 31 December	-	-	-	-	-	41
Book value 31 December	572	63	20	47	702	504

Increases include EUR 5 million (EUR 6 million) of capitalised expenses realised after the acquisition. Depreciations, impairment losses and their reversal from tangible assets are recorded in Other operating expenses. Changes in fair value of investment property is recorded in Net investment income.

The companies within the OP Bank Group own investment properties for which there are restrictions on assignment and sale price according to the legislation on State-subsidised housing. The fair value of such objects was EUR 7 million (EUR 9 million). The companies within the OP Bank Group had EUR 20 million of construction and repair obligations concerning the investment properties (EUR 10 million).

Within the OP Bank Group, OKO Bank primarily offers passenger cars through operating leases. A specification of tangible asets and investment properties leased under operating lease is provided in Note 50.

31 December 2005	Properties in Group use	Machinery and equipment	Other tangible assets	Assets of lessee	Total tangible assets	Invest-ment property
Acquisition cost 1 January	514	317	24	17	871	629
Business operations acquired	16	16	6	0	38	-
Increases	26	18	2	30	76	16
Decreases	-13	-4	0	-1	-19	-63
Transfers between items	102	1	0	-	103	-95
Acquisition cost 31 December	645	348	31	46	1 070	487
Accumulated depreciations and impairments 1 January	-59	-262	-10	-3	-334	-
Depreciation for the period	-13	-24	-1	-4	-43	-
Impairments for the period	-1	-	-	-	-1	-
Reversal of impairments during the period	3	-	-	-	3	-
Decreases	-9	3	0	0	-6	-
Other changes	-2	2	-	-	0	-
Accumulated depreciations and impairments 31 December	-81	-281	-11	-7	-380	-
Accumulated changes in fair value 1 January	-	-	-	-	-	10
Changes in fair value for the period	-	-	-	-	-	6
Decreases	-	-	-	-	-	5
Other changes	-	-	-	-	-	0
Accumulated changes in fair value 31 December	-	-	-	-	-	21
Book value 31 December	564	67	20	39	690	508

Assets taken on lease under finance lease contract

	31 Dec. 2006	31 Dec. 2005
Investment property	11	11
Properties in Group use	-	-
Other	-	-
Total	11	11

Future minimum lease payments and their present value

	2006		2005	
	Minimum rents	Present values	Minimum rents	Present values
Within one year	1	-	1	-
Within more than one year and at most within five years	15	11	16	11
Within more than five years	-	-	-	-
Total	16	11	17	11

	31 Dec. 2006	31 Dec. 2005
Changing rents recognised as expenses during the period	0	0
Expected future minimum rents from non-cancellable subleases	3	4

Kiinteistö Oy Hämeenkivi, sold by Tampereen Seudun Osuuspankki, a member cooperative bank, to the Local Government Pensions Insitiution and leased back from it, has been handled as a sale and leaseback contract.

NOTE 29. Other assets	31 Dec. 2006	31 Dec. 2005
Receivables from payment transfers	13	4
Pension assets	343	369
Accrued income		
Interests	470	278
Other accrued income	27	18
Other	251	181
Total	**1 104**	**850**

The Other item of Other assets includes EUR 52 million (EUR 84 million) of accounts receivable for securities, EUR -3 million (EUR 48 million) of derivative receivables and EUR 202 million (EUR 49 million) of other assets. The guarantee receivables and their impairments earlier presented under Other assets have been transferred to Receivables from customers. The comparative figure has been changed correspondingly.

Defined benefit pension plans

The pension schemes of the OP Bank Group have been arranged with the OP Bank Group Pension Fund, the OP Bank Group Pension Foundation and insurance companies. The schemes related to supplementary pensions as well as the TEL (Employees' Pensions Act) funded old-age pension and disability pension schemes arranged with the Pension Fund have been handled as defined benefit plans. The contributions to the TEL pay-as-you-go system have been handled as a defined contribution plans.

Balance sheet value of defined benefit pension plans	31 Dec. 2006	31 Dec. 2005
Fair value of assets	1 359	1 349
Present value of funded obligations (-)	-1 004	-937
Present value of unfunded obligations	-5	-5
Unrecognised actuarial gains (+) and losses (-)	-18	-47
Net receivable	333	361
Assets and liabilities recognised in the balance sheet		
Assets	343	369
Liabilities	-10	-9
Net assets	**333**	**361**
Pension plans include		
OKO Bank plc shares	45	42
Securities issued by companies included in OP Bank Group	11	13
Other receivables from companies included in OP Bank Group	29	33
Properties used by OP Bank Group	-	16
Total	84	104

Defined benefit pension costs in the income statement

Current service cost	20	18
Interest cost	41	44
Expected return on plan assets	-67	-70
Actuarial gains and losses	-	-
Transfer from TEL pooling liability	-	-11
Past service costs	-11	-
Effect of curtailment of plans or settlements	-1	-
Change in division ratio	-1	-
Total defined benefit pension costs in income statement	**-18**	**-20**
Actual return on plan assets	**90**	**126**

Long-term expected return on plan assets is based on the market interest rate of the 5-year government bond at the time of drawing up the plan. This market interest rate is also used as the expected return on government bonds. Expected return on other asset classes is obtained by increasing different risk premiums on the expected return on the bond.

Changes in present value of obligation

	31 Dec. 2006	31 Dec. 2005
Present value of obligation 1 January	**942**	**888**
Acquisitions of business operations	-	11
Current service cost	20	18
Interest cost	41	44
Actuarial gains and losses	51	12
Exchange rate differences	-	-
Benefits paid	-33	-31
Past service cost	-11	-
Business combinations	-	-
Curtailment of plan	-	-
Settlements	-1	-
Change in division ratio	-2	-
Present value of obligation 31 December	**1 008**	**942**

Changes in fair value of assets

	31 Dec. 2006	31 Dec. 2005
Fair value of assets 1 January	**1 349**	**1 233**
Acquisitions of business operations	-	3
Expected return on plan assets	67	70
Actuarial gains and losses	22	57
Exchange rate differences	-	-
Contributions by the employer	-44	7
Contributions by plan participants	-	-
Benefits paid	-33	-31
Transfer from TEL pooling liability	-	11
Business combinations	-	-
Settlements	0	-
Change in division ratio	-2	-
Fair value of assets 31 December	**1 359**	**1 349**

The contributions to be paid into the defined benefit pension plans in 2007 are estimated at EUR 19 million.

Proportion of most important assets 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
Total	100	100

Principal actuarial assumptions used	**2005**	**2004**
Discount rate %	4.50-5.25	4.50
Expected long-term return on plan assets %	5.25-6.50	5.12-5.40
Future salary increase assumption %	3.00-3.50	3.00-3.50
Future pension increases %	1.90-2.10	1.30-2.10
Turnover, %	0.00-3.00	0.00-3.00
Inflation, %	2.00	2.00
Average remaining service time in years	1-16	2-16

Surplus of defined benefits pension plans and experience adjustments

	31 Dec. 2006	31 Dec. 2005
Present value of obligation	1 008	942
Fair value of assets	-1 359	-1 349
Surplus or deficit	**-351**	**-408**
Experience adjustment of liabilities	32	0
Experience adjustments of assets	22	57

NOTE 30. Tax receivables	31 Dec. 2006	31 Dec. 2005
Income tax receivables	12	25
Deferred tax receivables	77	92
Total deferred taxes	**90**	**117**

Deferred tax receivables and tax liabilities

Deferred tax receivables		
From available-for-sale financial assets	13	5
From depreciation and impairments	20	16
From provisions and impairments on loans	10	12
From hedging of cash flow	-	-
From dissolution losses related to taxation	-	6
From itemised IFRS adjustments		
Deferral of commissions of repayment cover policies	27	27
From consolidated eliminations	7	11
From losses related to taxation	12	23
From other items	7	9
Set-off against deferred tax liabilities	-20	-17
Total	**77**	**92**

Deferred tax liabilities		
From appropriations	384	324
From available-for-sale financial assets	79	112
From hedging of cash flow	-	-
From equalisation provision	77	69
From itemised IFRS adjustments		
From defined benefit pension plans	103	97
From fair value measurement of investment property	32	18
From allocation of sale price of corporate acquisitions	127	140
From consolidated eliminations	9	6
From other items	6	4
Set-off against deferred tax receivables	-20	-17
Total	**798**	**754**
Net deferred tax receivable (+)/liability (-)	**-721**	**-663**

Changes in deferred taxes	31 Dec. 2006	31 Dec. 2005
Deferred tax receivables/liabilities 1 January	-663	-321
Effect of changes in accounting policies	-	-16
Deferred tax receivables/liabilities 1 January	-663	-337
Recognised in the income statement		
Elimination of capital gains on securities of companies acquired	20	11
Internal capital gains	-1	-2
Effect of losses	-11	8
Provisions and impairments on receivables	-1	2
From appropriations	-59	-40
From amortisation/depreciation and impairments	11	2
From equalisation provision	-8	-7
Other	-22	-9
Recognised in the balance sheet		
Effect of corporate acquisitions	-	-111
From allocation of sale price	-	-140
Available-for-sale financial assets		
Changes in fair value	5	-40
Transfers to the income statement	6	3
Cash flow hedging		
Changes in fair value	-	-
Transfers to the income statement	-	-
Other	1	-3
Total deferred tax receivables 31 December	**-721**	**-663**
Income tax receivables	**-23**	**-23**
Total tax receivables	**-744**	**-685**

Such tax losses for which a deferred tax receivable has not been recognised were EUR 2.5 million (EUR 30 million) at the end of 2006. Of these losses, EUR 2.2 million will expire before 2010.

The avoir fiscal tax credit not recognised in the balance sheet of the Central Cooperative totalled EUR 8.4 million (EUR 14.1 million) at the end of 2006.

A deferred tax liability has not been recognised for the EUR 15 million (EUR 12 million) of undistributed profits of the Baltic subsidiaries, as the assets have been permanently invested in the countries concerned.

NOTES ON LIABILITIES AND EQUITY CAPITAL

NOTE 31. Liabilities to financial institutions	31 Dec. 2006	31 Dec. 2005
Liabilities to central banks	445	1 562
Liabilities to financial institutions		
Repayable on demand		
Deposits	2	7
Other liabilities	0	0
Liabilities past due and in collection from other banks	-	-
Total	2	7
Other than repayable on demand		
Deposits	564	379
Other liabilities	77	76
Repo liabilities	-	-
Total	641	456
Total liabilities to financial institutions and central banks	**1 088**	**2 025**

NOTE 32. Financial liabilities held for trading	31 Dec. 2006	31 Dec. 2005
Short selling of securities	-	4
Other	-	0
Total financing liabilities held for trading	**-**	**4**

NOTE 33. Derivative contracts	31 Dec. 2006	31 Dec. 2005
Held for trading		
Interest rate derivatives	294	29
Currency derivatives	3	121
Equity and index derivatives	0	0
Credit derivatives	1	-
Other	-	-
Total	298	150
Hedging derivative contracts - fair value hedging method		
Interest rate derivatives	31	14
Currency derivatives	11	3
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	41	17
Total derivative contracts	**340**	**167**

The balance sheet item includes negative changes in value of derivative contracts as well as premiums received. The premiums received from derivative contracts and earlier presented under Other liabilities have been transferred to the Derivative contracts group. The comparative information has been changed correspondingly.

NOTE 34. Liabilities to customers	31 Dec. 2006	31 Dec. 2005
Deposits		
Repayable on demand		
Private	15 351	15 184
Companies and public corporations	4 788	4 341
Total	20 139	19 525
Other		
Private	5 061	4 248
Companies and public corporations	550	417
Total	5 611	4 665
Total deposits	25 750	24 190
Other financial liabilities		
Repayable on demand		
Private	0	0
Companies and public corporations	43	48
Total	44	48
Other		
Private	3	3
Companies and public corporations	1 918	2 235
Total	1 921	2 237
Total other financing liabilities	1 965	2 286
Total liabilities to customers	**27 715**	**26 475**

NOTE 35. Non-life Insurance liabilities	31 Dec. 2006	31 Dec. 2005
Insurance contract liabilities	1 969	1 842
Provision for joint guarantee system	36	35
Direct insurance liabilities	69	24
Reinsurance liabilities	25	24
Other Non-life Insurance liabilities	1	-
Total Non-life Insurance liabilities	**2 099**	**1 924**

Liabilities for Non-life Insurance contracts and reinsurers' share

	31 Dec. 2006			31 Dec. 2005		
	Gross	Rein-surers' share	Net	Gross	Rein-surers' 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	-	-	-	41	-10	31
Total Non-life Insurance contract liabilities	**1 969**	**82**	**1 887**	**1 842**	**-62**	**1 780**

Changes in insurance contract liabilities and reinsurance contract receivables

	31 Dec. 2006 Gross	Rein-surers' share	Net	31 Dec. 2005 Gross	Rein-surers' share	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 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	-	-	-
Change in discount rate	-	-	-	-	-	-
Other change in reserving bases	15	-	15	-	-	-
Unwinding of discount	36	-	36	6	-	6
Liabilities related to sold asset items	-38	9	-29	-	-	-
Foreign exchange rate gains (losses)	0	-1	-1	1	0	1
Liability/reinsurers' share 31 December	1 683	-51	1 632	1 634	-43	1 591
Claim-specific insurance contract liabilities	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 November	248	-29	219	321	-30	291
Increase	306	-21	285	-	-	-
Decrease	-276	19	-257	-	-	-
Change in reserving bases	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 November	1	-	1	1	-	1
Increase	-	-	-	-	-	-
Decrease	-1	-	-1	-	-	-
Change in liability/receivable	-1	-	-1	0	-	0
Liability/reinsurers' share 31 December	0	-	0	1	-	1
Total	1 969	-82	1 886	1 883	-72	1 811
Transfer to liabilities related to assets held for sale	-	-	-	41	-10	31
Total Non-life Insurance contracts	**1 969**	**-82**	**1 886**	**1 842**	**-62**	**1 780**

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 liabilities arising from Non-life Insurance contracts

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% (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 (Note 3.2.1)	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 2005. 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	0	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	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 sensiblity is also given.

Sensitivity of collective liability

	Number of	Method		
	years	BF	CL	HOVINEN
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	Yhteensä
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	0	-1
2003	42	27	-3	0	0	0

2004	39	32	-3	-4	2	-3
2005	35	32	-3	1	1	2
2006	32	33	-3	-1	0	-1

* Chages 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	0	4

* Effect of changes in mortality basis (2004) and discount rate (2004 to 2005) on final annuity capital.

Claims triangles, net business (EUR million)

Occurrence year	2004	2005	2006	Total
Estimated total claims expenditure	504	525	575	1 604
At end of occurrence year	509	522	–	1 031
1 year later	503	–	–	503
Current estimate of accumulated claims expenditure	503	522	575	1 600
Accumulated claims paid	-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 (EUR 51 million).

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 36. Life Insurance liabilities	31 Dec. 2006	31 Dec. 2005
Insurance contract liabilities	3 561	3 357
Insurance contract liabilities for unit-linked insurance policies	2 081	1 526
Other liabilities		
Accrued expenses and deferred income	1	1
Other		
Direct insurance operations	4	0
Reinsurance operations	1	0
Other	20	34
Total	26	35
Total Life Insurance liabilities	**5 667**	**4 918**

Insurance contract liabilities and reinsurers' share

Insurance contract liabilities	1 Jan. 2006	Growth in liability arising from insurance premiums	Dis-charged liabilities	Credited interest and changes in value	Other charges and credits	Other items	31 Dec. 2006
Insurance contracts with entitlement to discretionary portion of surplus	3 222	385	-328	131	-60	44	3 394
Unit-linked insurance contracts	1 493	470	-92	247	-22	-48	2 048
Investment contracts with entitlement to discretionary portion of surplus	81	9	-7	3	0	2	88
Investment contracts without entitlement to discretionary portion of surplus	20	0	-2	1	0	0	19
Unit-linked contracts	33	1	-5	5	0	-1	33

Provision for unexpired risks and provision for future supplementary benefits	35	-	-	-	-	24	59
Total direct insurance	4 883	866	-433	387	-82	20	5 642
Assumed reinsurance	-	-	-	-	-	-	-
Total net insurance contract liabilities	**4 883**	**866**	**-433**	**387**	**-82**	**20**	**5 642**

Insurance contract liabilities	1 Jan. 2005						31 Dec. 2006
Insurance contracts with entitlement to discretionary portion of surplus	2 848	458	-181	89	-29	35	3 222
Unit-linked insurance contracts	1 032	314	-31	200	-12	-9	1 493
Investment contracts with entitlement to discretionary portion of surplus	77	3	-2	2	0	1	81
Investment contracts without entitlement to discretionary portion of surplus	20	0	0	0	0	0	20
Unit-linked contracts	29	3	-1	3	0	0	33
Provision for unexpired risks and provision for future supplementary benefits	14	-	-	-	-	21	35
Total direct insurance	4 021	778	-216	294	-41	47	4 883
Assumed reinsurance	-	0	0	-	0	-	-
Provision for unexpired risks and provision for future supplementary benefits	**4 021**	**778**	**-216**	**294**	**-41**	**47**	**4 883**

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

Amounts recovered from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are entered in the balance sheet separately.

In practice, insurance contract liabilities for savings-type policies are determined on the basis of insurance savings at the time of determination. For risk-type policies, the pro rata rule is applied. In part of the 4.5% non-linked saving-type portfolio, the discount rate has been changed to 3% or 3.5%. The resulting increase in liability is a supplementary provision.

Calculated in the present way, insurance contract liabilities do not change when the rate level changes, but the situation will be different at Phase 2 of the application of the IFRS standard on insurance financial statements.

Analyses carried out in Life Insurance business indicate that the insurance contract liabilities are sufficient as regards mortality. This also applies to policies covering permanent disability.

Insurance and capital redemtion portfolio in Life Insurance

	Technical rate of interest	Number of insureds or contracts	Exposure on 31 December 2006	Average duration in years*
Life Insurance/Savings				
Technical rate of interest 4.5%	3.17%	13 141	259	4.63
Technical rate of interest 3.5%	3.50%	91 663	1 519	11.17
Technical rate of interest 2.5%	2.50%	104 593	783	11.15
Technical rate of interest 1.5%	1.50%	1 823	4	17.62
Unit-linked		incl. above	1 498	
Total		211 220	4 048	
Individual pension insurance			To the beginning of pension entitlement	
Technical rate of interest 4.5%	4.50%	16 558	242	5.48
Technical rate of interest 3.5%	3.50%	55 774	278	8.66
Technical rate of interest 2.5%	2.50%	75 790	65	11.62
Technical rate of interest 1.5%	1.50%	2 098	0	14.64
Unit-linked		incl. above	541	
Total		150 220	1 126	
Group pension insurance				
Supplementary employee pension	3.50%	550	214	
Technical rate of interest 3.5%	3.50%	231	2	7.01
Technical rate of interest 2.5%	2.50%	180	1	7.04
Technical rate of interest 1.5%	1.50%	111	1	8.44
Unit-linked		incl. above	10	
Total		1 072	228	
Term insurance contracts				
Individual contracts	-	82 382	7	N.A
Group contracts	-	1 282	26	
Total		83 664	32	
Capital redemption contracts				
Technical rate of interest 4.5%	3.50%	23	6	1.6
Technical rate of interest 3.5%	3.50%	291	51	23
Technical rate of interest 2.5%	2.50%	188	31	2.33
Pohjola Tuotto		1 925	19	1.5
Unit-linked		incl. above	33	
Total		2 427	140	
Other items in underwriting reserves/ insurance contract lilabilities			68	
Total		**448 603**	**5 642**	

NOTE 37. Debt securities issued to the public

	Average interest rate %	31 Dec. 2006	Average interest rate %	31 Dec. 2005
Bonds	3.72	7 647	2.61	4 692
Other				
Certificates of deposit	3.53	3 787	2.36	3 208
Commercial paper holdings	4.07	2 025	2.74	926
Money market debt securities	-	-	-	-
Other	1.23	114	1.04	125
In trading from own portfolio (-)*		-74		-60
Total debt securities issued to the public		**13 500**		**8 891**

*Own bonds held by OP Bank Group have been set-off against liabilities.

Most significant issues in 2006	Nominal amount	Interest rate
OP Mortgage Bank		
OP-Asunto-obligaatio 1/2006	13	2.9
OP-Asunto-obligaatio 2/2006	3	3.0
OKO Bank plc		
OKO Bank plc ("OKO BANK") Issue of EUR 750,000,000 Floating Rate Instruments Due June 2011	750	EUB3m+0.08%
OKO Bank plc ("OKO BANK") Issue of EUR 300,000,000 Extendible Floating Rate Instruments November 2011	75	EUB1M+2%
OKO Bank plc ("OKO BANK" or The "ISSUER") Issue of GBP 50,000,000 Floating Rate Notes Due 21 November 2011	372	3m GBP libor+5%
OKO Bank plc ("OKO BANK" or The "ISSUER") Issue of GBP 250,000,000 Floating Rate Notes Due 21 November 2011	75	3m GBP libor+5%

OP bonds issued by OKO Bank and member banks		
OP-joukkovelkakirjalaina 2006 I	11	2.80
OP-joukkovelkakirjalaina 2006 III	9	3.40
OP-joukkovelkakirjalaina 2006 VI	9	3.60

NOTE 38. Provisions and other liabilities	31 Dec. 2006	31 Dec. 2005
Provisions	7	16
Other liabilities		
Payment transfer liabilities	457	362
Accrued expenses		
Interest payable	497	306
Other accrued expenses	265	176
Other	283	377
Total	1 501	1 221
Total provisions and other liabilities	**1 508**	**1 237**

The item Other under Other liabilities includes EUR 25 million (EUR 100 million) in accounts payable on securities, EUR 10 million (EUR 9 million) in pension liabilities, EUR 68 million (EUR 72 million) in liabilities for derivative contracts, EUR - million (EUR 11 million) in finance lease liabilities and EUR 181 million (EUR 185 million) in other accounts payable.

Changes in provisions

	Onerous contracts	Other provisions	Total
1 January 2006	8	8	16
Acquired business operations	-	-	-
Increases in provisions	-	0	0
Provisions used	-2	-4	-6
Reversal of unused provisions	-3	0	-3
31 December 2006	3	4	7

Onerous contracts

The OP Bank Group companies have non-cancellable lease contracts on facilities they can no longer utilise in their business operations. They have managed to lease out some of the facilities, but the rental income on the contracts does not cover the rental expenses. 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 39. Tax liabilities	31 Dec. 2006	31 Dec. 2005
Income tax liabilities	36	48
Deferred tax liabilities	798	753
Total tax liabilities	**834**	**801**

NOTE 40. Cooperative capital	31 Dec. 2006	31 Dec. 2005
Cooperative capital	15	110
Additional cooperative capital	582	606
Total cooperative capital	**597**	**717**
of which cancelled cooperative capital	85	89

The cooperative capital and supplementary cooperative capital included in equity in the national financial statements of OP Bank Group member banks are classified as liability in IFRS financial statements, as the member banks do not have an absolute right to refuse from returnin the capital to members.

The cooperative capital is returned to members in a year from the end of the financial period during which the related demand was made. The supplementary cooperative capital is returned in six months from the end of the financial period during which the related demand was made.

In 2006, the regulations on the cooperative capital of member banks were amended in such a way that member banks have the right to refuse to return the cooperative capital to the members. Owing to the amendment, EUR 99 million in cooperative capital of the member banks has been transferred from liabilities to equity.

NOTE 41. Subordinated liabilities

	Average interest rate %	31 Dec. 2006	Average interest rate %	31 Dec. 2005
Capital loans	4.45	208	4.68	226
Other				
Perpetual loans	4.41	199	4.41	199
Debentures	4.32	655	3.44	454
Other	-	-	-	-1
Total subordinated liabilities		**1 063**		**879**

Capital loans

Certain OP Bank Group companies have issued capital loans totalling EUR 208 million (EUR 226 million).

The principal terms and conditions of the capital loans are as follows:

Capital loans included in Tier 1 own funds

1) Capital loan 10 billion Japanese yen (euro equivalent 63.7 million)

The loan is a perpetual loan. Interest on the loan is fixed at 4.23% until 18 June 2034, and then variable 6-month Yen LIBOR + 1.58%. Interest will be payable on 18 June and 18 December annually. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2014. After 2014, the loan can be repaid annually on the annual interest due dates 18 June or 18 December. The entire amount of the loan must be repaid in one payment.

2) Capital loan EUR 50 million

The loan 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 the interest rate for the first year is 6.5%. After this, the interest rate will be CMS 10 years + 0.1%. Interest will be payable annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2010, subject to authorisation by the Financial Supervision Authority. The entire amount of the loan must be repaid in one payment.

3) Capital loan EUR 60 million

The interest on the perpetual loan is variable 3-month Euribor 0.65%. Interest will be payable 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. After that it can be called in on annual interest due dates. After 2015, the interest on the loan is variable 3-month Euribor +1.65 %. (Step up). The entire amount of the loan must be repaid in one payment.

4) Capital loan EUR 40 million

The interest on the perpetual loan is variable 3-month Euribor +1.25%. Interest will be payable 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. After that it can be called in on annual interest due dates. The entire amount of the loan must be repaid in one payment.

Loans 1, 2, and 3 are hybrid loans.

The interest and exchange rate risk of the loans has been hedged against by derivatives. EUR -16.1 million in change of value has been recorded in the financial statements for the 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 EUR150 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 authrorisation 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 earlierst 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.

Other capital loans

Capital loan of EUR 10 million, date of issue 20 September 2001.
The loan is perpetual capital loan Interest on the loan is fixed at 6.15% until 17 September 2011. For the first ten years, interest will be payable annually on 17 September. After that, it will be paid semiannually on 17 March and 17 September The issuer has the right to call in the loan for the first time on 17 September 2011.

OP Bank Group companies have issued a total of EUR 199 million (EUR 199 million) of perpetual loans, and a total of EUR 655 million (EUR 454 million) in debenture loans. A total of EUR 742 million (EUR 577 million) of these loans are categorised as Tier II funds. EUR 50 million of the perpetual loans can be called in at the earliest on 19 June 2007, subject to authorisation by the Financial Supervision Authority, and the rest on 30 November 2012. The debenture loans fall due in 2006 to 2011. The issuer's right to call in the loan is always subject to authorisation by the Financial Supervision Authority.

42. Equity capital	31 Dec. 2006	31 Dec. 2005
Share of the owners of the OP Bank Group		
Share and cooperative capital (incl. share issue)	344	245
Reserves		
Restricted reserves		
Share premium account	512	507
Reserve fund	759	740
Reserves according to the Articles of Association/regulations	-	-
Other restricted reserves	1	6
Non-restricted reserves		
Fair value reserve		
Cash flow hedge	-	-
Translation differences	-	-
Measurement at fair value	144	178
Paid-up non-restricted equity reserve	-	-
Other non-restricted reserves	879	820
Retained earnings		
Profit (loss) for previous periods	1 885	1 611
Profit (loss) for the period	598	450
Share of the owners of the OP Bank Group	**5 122**	**4 555**
Minority interest	**2**	**203**
Total equity capital	**5 124**	**4 757**

Share capital and shares

The OP Bank Group’s share capital consists of investments made in OKO Bank’s Series A shares by shareholders external to the banking group. Shareholders external to the banking group can only own OKO Bank’s Series A shares. The Series A share is quoted on the Helsinki Stock Exchange. The shares do not have a nominal value, their accounting par value is EUR 2.10 (not an exact figure).

Changes in shareholdings of external shareholders

	Number of shares (1 000)
1 January 2005	**37 426**
Share issue account	64 539
Exercise of stock options	2 554
Equity trades with external parties	11 592
31 December 2005	**116 111**
Share issue account	-
Exercise of stock options	2 174
Equity trades with external parties	-1 702
31 December 2006	**116 583**

Cooperative capital

Cooperative capital, included in the OP Bank Group's equity capital, is composed of such cooperative contributions of members of the OP Bank Group member cooperative banks which the member banks have the absolute right to refuse to return.

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 include amounts exceeding the nominal value paid for shares in a new issue of shares; amounts paid for share subscription on the basis of option rights and convertible bonds; capital gains on disosal of treasury shares; that amount of decrease in the share capital which is not used to cover confirmed loss, is not transferred to a reserve to be used in accordance with a decision by the General Meeting of Shareholders or is not distributed to shareholders; payouts on unsubscribed shares that must be paid when a limited liability company is established; any payouts to the company resulting from shares that have been sold because the shareholder has not included the shares in the book-entry system; and payment received for a share that was not claimed at the capitalisation issue.

The share premium account can be lowered complying with the regulations on decreasing the share capital and it can be used to increase the share capital. Since 1 September 2006, it has no longer been possible to increase the share premium account.

Reserve fund

The reserve fund has been formed from profits transferred to it during previous periods and from the portion transferred to it from revaluation reserves and loan loss reserves of member cooperative banks. The reserve fund can be used to cover such losses for which non-restricted equity capital is not sufficient. The reserve fund can also be used to raise the share capital and it can be lowered in the same way as the share capital. In cooperative financial institutions, the reserve fund can only be used to cover losses. In a limited liability company, it has not been possible to increase the reserve fund since 1 September 2006.

Other restricted reserves

The reserves consist of retained earnings based on the Articles of Association or other rules describing how reserved earnings should be used.

Translation differences

Translation differences include translation differences arising from converting the financial statements of foreign subsidiaries.

Fair value reserve

The reserve includes the change in the fair value of available-for-sale financial assets. The items entered in the reserve will be realised in the income statement when an available-for-sale security is disposed of.

Other non-restricted reserves

The reserves consist of retained earnings based on the Articles of Association or other rules or decisions taken by the General Meeting, Representatives' Meeting, or Cooperative Meeting.

Retained earnings

Retained earnings also include untaxed reseves (voluntary provisions and accelerated depreciation) included in the separate financial statements of Group companies, as well as the equalisation provision of the insurance companies, which, in the IFRS financial statements, have been recognised in retained earnings, deducted by deferred tax liability. These items are not recognised as distributable profits. Unrealised fair value gains on insurance companies' investment properties are not part of distributable funds, either.

OTHER NOTES TO THE BALANCE SHEET

NOTE 43. Notes and bonds eligible for central bank refinancing	31 Dec. 2006	31 Dec. 2005
Financial assets held for trading	1 927	1 910
Available for sale, of which those		
Measured at fair value	-	-
Measured at acquisition cost	-	-
Held to maturity	-	-
Total notes and bonds eligible for central bank refinancing	**1 927**	**1 910**

In the OP Bank Group, only OKO Bank plc is eligible for central bank refinancing.

NOTE 44. Subordinated notes and bonds	31 Dec. 2006	31 Dec. 2005
Financial assets held for trading		
Publicly quoted		
From public corporations	-	-
From others	27	56
Total	27	56
Other		
From public corporations	-	-
From others	14	1
Total	14	1
Total included in financial assets held for trading	**41**	**57**
Investment assets		
Publicly quoted		
From public corporations	-	-
From others	44	64
Total	44	64
Other		
From public corporations	-	-
From others	80	51
Total	80	51
Total included in investment assets	**123**	**115**

NOTE 45. Collateral given	31 Dec. 2006	31 Dec. 2005
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	2 552	1 534
Total	2 553	1 534
Given on behalf of associates		
Mortgages	-	-
Pledges	-	-
Total	-	-
Given on behalf of others		
Mortgages	-	-
Pledges	-	-
Total	-	-

Total given as collateral		
Mortgages	1	1
Pledges	2 552	1 534
Total	**2 553**	**1 534**
Total collateralised liabilities	894	1 846
The collateral provided includes pledged financial assets	2 551	1 533
of which those pledged as collateral for contingent liabilities	-	-

NOTE 46. Financial collateral held

In OP Bank Group OKO Bank has received collateral in accordance with the Financial Collateral Act which it may sell or further pledge.

Fair value of collateral received		
Notes and bonds	-	-
Equities	-	-
Other	4	13
Total	**4**	**13**

The credit risk arising from derivatives is mitigated by collateral, which means the use of an ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In this method, the counterparty provides either 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 (EUR 13 million). There were no securities received as collateral at the closing date.

NOTE 47. Fair value of financial assets and liabilities and average interest rates

	2006			2005		
	Average rate	Fair value	Balance sheet value	Average rate	Fair value	Balance sheet value
Financial assets						
Liquid assets		1 041	1 041		613	613
Financial assets held for trading						
Notes and bonds						
Measured at fair value	3.83	4 736	4 736	2.98	3 742	3 742
Capital redemption contracts	4.09	23	23	3.25	24	24
Measured at acquistion cost	-	-	-	-	-	-
Total notes and bonds	3.83	4 736	4 736	2.98	3 742	3 742
Equities						
Measured at fair value		80	80		99	99
Measured at acquistion cost		-	-		-	-
Derivative contracts						
Measured at fair value		280	319		136	155
Measured at amortised cost*		-	-		-	-
Receivables from financial institutions	3.90	344	344	3.14	666	666
Receivables from customers	4.42	39 595	39 595	3.48	34 814	34 814

Investment assets						
Available-for-sale financial assets						
Notes and bonds						
Measured at fair value	4.58	435	435	4.82	654	654
Measured at acquistion cost	-	-	-	-	-	-
Total notes and bonds	4.58	435	435	4.82	654	654
Equities						
Measured at fair value		249	249		96	96
Measured at acquistion cost		84	84		97	97
Other						
Measured at fair value		-	-		83	83
Measured at acquistion cost		-	-		-	-
Held-to-maturity financial assets						
Notes and bonds	5.54	133	133	5.78	204	204
Financial liabilities						
Liabilities to financial institutions	3.7	1 088	1 088	2.7	2 025	2 025
Financial liabilities held for trading						
Short selling of securities		-	-		4	4
Derivative contracts						
Measured at fair value		347	340		112	167
Measured at acquisition cost*		-	-		-	-
Liabilities to customers	1.7	27 715	27 715	1.1	26 475	26 475
Debt securities issued to the public						
Hedged	3.6	1 299	1 299	3.7	782	782
Unhedged	3.7	12 201	12 201	2.5	8 110	8 110
Total	3.7	13 500	13 500	2.6	8 891	8 891
Subordinated liabilities						
Hedged	4.7	613	613	4.3	438	438
Unhedged	3.9	450	450	3.6	441	441
Total	4.4	1 063	1 063	4.0	879	879

* Unquoted equity instrument as the underlying instrument

NOTES ON CONTINGENT LIABILITIES AND DERIVATIVES

NOTE 48. Off-balance sheet items	31 Dec. 2006	31 Dec. 2005
Guarantees	577	375
Other guarantee liabilities	1 654	1 348
Bill liabilities	-	-
Letters of credit	184	146
Pledges	1	1
Loan commitments	7 417	5 570
Commitments related to short-term trade transactions	13	-
Other	458	516
Total off-balance sheet items	**10 305**	**7 956**

NOTE 49. Contingent liabilities and assets

Insurance companies belonging to the OP Bank Group underwrite insurance policies through pools. The pool members are primarily responsible for their own proportionate share of the risk. The proportionare 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 Tribulan 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 acquistion 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.

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 50. Operating leases

OP Bank Group as the lessee

Some OP Bank Group companies have taken their office premises on lease. The length of the leases vary from one to ten years, usually with an option to continue the contract after its original expiry date. OP Bank Group companies have subleased part of their leased premises. In addition, some companies have signed lease contracts on motor vehicles and office equipment. Other operating expenses include EUR 21 million (EUR 18 million) of rental expenses.

Minimum lease payments to be made on the basis of non-cancellable leasing contracts

	31 Dec. 2006	31 Dec. 2005
Within one year	17	12
Within more than one year and at most within five years	42	42
Within more than five years	27	57
Total	**86**	**111**

Expected future minimum rents from non-cancellable sublease contracts	30	33

OP Bank Group as the lessor

OP Bank Group companies have given on lease investment properties owned by them, for which lease income for 2006 amounted to EUR 55 million (EUR 61 million). In addition, the Group has primarily given on lease passenger cars, which generated a leasing income of EUR 12 million (EUR 5 million).

Minimum lease payments to be received on the basis of non-cancellable leasing contracts

	31 Dec. 2006	31 Dec. 2005
Within one year	48	42
Within more than one year and at most within five years	85	89
Within more than five years	37	51
Total	**170**	**182**

NOTE 51. Asset management

Within the OP Bank Group, OKO Asset Management Limited transacts asset management business and provides intitutional 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 assets management portfolio at 31 December 2006 totalled EUR 28.3 billion and consultative asset management portfolio EUR 2.5 billion.

NOTE 52. Derivative contracts

Derivatives held for trading 31 December 2006

	Nominal values/remaining term to maturity				Fair values		Potential future
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	13 442	10 909	2 737	27 088	138	-139	232
Forward rate agreements	-	-	-	-	-	-	-
OTC interest rate options							
Call and caps							
Purchased	859	2 558	1 213	4 630	57	0	88
Written	586	1 724	824	3 135	0	-24	-
Put and floors							
Purchased	334	891	159	1 384	4	-3	11
Written	856	857	150	1 862	-	-3	-
Total OTC interest rate derivatives	16 077	16 938	5 083	38 099	199	-169	331
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	0	-
Total interest rate derivatives	20 759	16 938	5 083	42 780	201	-170	331
Currency derivatives							
Forward exchange agreements	5 643	123	-	5 765	29	-42	91
Interest rate and currency swaps	0	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	6 004	148	454	6 606	33	-46	132
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	6 004	148	454	6 606	33	-46	132
Equity and index derivatives							
Forward equity agreements	1	-	-	1	0	0	1
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	27	135	-	162	32	-	45
Written	-	-	-	-	-	-	-
Put							
Purchased	-	1	-	1	0	-	0
Written	-	-	-	-	-	0	-
Total OTC equity and index derivatives	28	136	-	164	32	0	45
Equity futures	-	-	-	-	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total stock exchange derivatives	-	-	-	-	-	-	-
Total equity and index derivatives	28	136	-	164	32	0	45
Credit derivatives							
Credit default swaps	-	131	-	131	0	-1	1
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	-	131	-	131	0	-1	1

Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
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
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	8	15	0	22	1	-	2
Total derivatives held for trading	**26 799**	**17 369**	**5 537**	**49 704**	**268**	**-218**	**512**

Derivatives held for trading 31 December 2005

	Nominal values/remaining term to maturity				Fair values		Potential future
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	7 878	7 169	1 515	16 562	83	-101	141
Forward rate agreements	2 848	-	-	2 848	1	-1	1
OTC interest rate options							
Call and caps							
Purchased	1 278	1 296	771	3 345	19	-3	37
Written	1 815	1 126	577	3 518	0	-12	-
Put and floors							
Purchased	308	595	90	993	4	-1	8
Written	-	785	62	-	-	-2	-
Total OTC interest rate derivatives	15 092	10 970	3 016	29 077	107	-119	187
Interest rate futures	3 535	-	-	3 535	0	-1	-
Interest rate options							
Call	-			-		-	
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total stock exchange derivatives	3 535	-	-	3 535	0	-1	-
Total interest rate derivatives	18 627	10 970	3 016	32 613	107	-120	187
Currency derivatives							
Forward exchange agreements	2 423	99	-	2 521	14	-17	43
Interest rate and currency swaps	-	26	-	26	0	0	1
Currency options							
Call							
Purchased	3	-	-	3	0	-	0
Written	3	-	-	3	-	0	-
Put							
Purchased	13	-	-	13	0	-	0
Written	3	-	-	3	-	0	-
Total OTC currency derivatives	2 445	124	-	2 569	14	-17	45
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	2 445	124	-	2 569	14	-17	45

Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
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
Equity futures	-	-	-	-	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total stock exchange derivatives	-	-	-	-	-	-	-
Total equity and index derivatives	15	94	-	110	17	-	25
Credit derivatives							
Credit default swaps	-	160	-	160	0	-1	3
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	-	160	-	160	0	-1	3
Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	72	7	-	78	5	-	10
Written	-	-	-	-	-	-	-
Put							
Purchased	-	17	-	17	0	-	1
Written	-	-	-	-	-	-	-
Total other OTC derivatives	72	24	-	95	6	-	11
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	72	24	-	95	6	-	11
Total derivatives held for trading	**21 159**	**11 372**	**3 016**	**35 547**	**144**	**-138**	**272**

Derivative contracts held for hedging purposes - fair value hedging 31 December 2006

	Nominal values/remaining term to maturity				Fair values		Potential future
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	1 065	798	272	2 134	0	-17	-
Forward rate agreements	-	-	-	-	-	-	-
OTC interest rate options							
Call and caps							
Purchased	-	-	-	-	-	-	-
Written	6	1 070	459	1 534	0	-27	-
Put and floors							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC interest rate derivatives	1 070	1 868	730	3 668	11	-44	19
Interest rate futures	-	-	-	-	-	-	-
Interest rate options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total stock exchange derivatives	-	-	-	-	-	-	-
Total interest rate derivatives	1 070	1 868	730	3 668	11	-44	19
Currency derivatives							
Forward exchange agreements	-	-	-	-	-	-	-
Interest rate and currency swaps	42	1 512	348	1 902	2	-85	104
Currency options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC currency derivatives	42	1 512	348	1 902	2	-85	104
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	42	1 512	348	1 902	2	-85	104
Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-

Equity index options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	-	-	-	-	-	-	-
Equity futures	-	-	-	-	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total stock exchange derivatives	-	-	-	-	-	-	-
Total equity and index derivatives	-	-	-	-	-	-	-
Credit derivatives							
Credit default swaps	-	-	-	-	-	-	-
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	-	-	-	-	-	-	-
Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total other OTC derivatives	-	-	-	-	-	-	-
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	-	-	-	-	-	-	-
Total derivatives held for hedging	**1 112**	**3 380**	**1 079**	**5 570**	**13**	**-129**	**123**

Derivative contracts held for hedging purposes - fair value hedging 31 December 2005

	Nominal values/remaining term to maturity				Fair values		Potential future
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	699	903	248	1 849	6	-19	15
Forward rate agreements	-	-	-	-	-	-	-
OTC interest rate options							
Call and caps							
Purchased	-	-	-	-	-	-	-
Written	0	293	186	479	0	-6	-
Put and floors							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC interest rate derivatives	699	1 196	433	2 328	6	-25	15

Interest rate futures	-	-	-	-	-	-	-
Interest rate options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total stock exchange derivatives	-	-	-	-	-	-	-
Total interest rate derivatives	699	1 196	433	2 328	6	-25	15
Currency derivatives							
Forward exchange agreements	-	-	-	-	-	-	-
Interest rate and currency swaps	-	582	252	834	39	-10	87
Currency options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC currency derivatives	-	582	252	834	39	-10	87
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	-	582	252	834	39	-10	87
Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	-	-	-	-	-	-	-
Equity futures	-	-	-	-	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total stock exchange derivatives	-	-	-	-	-	-	-
Total equity and index derivatives	-	-	-	-	-	-	-

Credit derivatives							
Credit default swaps	-	-	-	-	-	-	-
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	-	-	-	-	-	-	-
Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total other OTC derivatives	-	-	-	-	-	-	-
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	-	-	-	-	-	-	-
Total derivatives held for hedging	**699**	**1 778**	**685**	**3 162**	**45**	**-35**	**102**

Total derivatives held for trading and hedging 31 December 2006

	Nominal values/remaining term to maturity				Fair values		Potential future
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives	21 829	18 806	5 813	46 449	211	-214	350
Currency derivatives	6 046	1 660	802	8 508	36	-131	237
Equity and index-linked derivatives	28	136	-	164	32	0	45
Credit derivatives	-	131	-	131	0	-1	1
Other derivatives	8	15	-	22	1	-	2
Total derivatives	**27 911**	**20 748**	**6 615**	**55 274**	**280**	**-346**	**635**

Total derivatives held for trading and hedging 31 December 2005

	Nominal values/remaining term to maturity				Fair values		Potential future
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives	19 326	12 165	3 449	34 940	114	-145	202
Currency derivatives	2 445	706	252	3 403	53	-27	132
Equity and index-linked derivatives	15	94	-	110	17	-	25
Credit derivatives	-	160	-	160	0	-1	3
Other derivatives	72	24	-	95	6	-	11
Total derivatives	**21 858**	**13 150**	**3 701**	**38 709**	**189**	**-173**	**373**

OTHER NOTES

NOTE 53. Notes on holdings in other companies

Changes in subsidiaries and associates during the financial period

Pohjola Group plc sold Pohjola Life Insurance Company Ltd to the Central Cooperative on 16 January 2006. Pohjola Group Ltd merged with OKO Bank on 31 December 2006. Pohjola Life Insurance Company Ltd merged with OP Life Assurance Company Ltd on 31 December 2006. Pohjolan Systeemipalvelu Oy merged with the Central Cooperative on 31 December 2006. OR-Holding Oy (former Pohjola Fund Management Company Limited) merged with OP Fund Management Company Ltd on 31 October 2006.

Pohjola Group plc sold Pohjola Asset Management Limited to OKO Bank on 16 January 2006. Opstock Ltd transferred, through a business transfer, its asset management business to Pohjola Asset Management Limited, upon which the name of Pohjola Asset Management Limited 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.

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.

In the financial period, OP IT Procurement Ltd was established as a subsidiary of the OP Bank Group Central Cooperative. At the initial stage, the ICT procurement operations of the Central Cooperative are combined in the new subsidiary.

The Central Cooperative acquired the shares in OP Mortgage Bank from OP Bank Group member banks in June 2006, after which the Central Cooperative's holding of the company rose to 100 %.

On 22 December 2005, Pohjola Group plc sold Bothia International Insurance Company Ltd. and Moorgate Insurance Company Limited to a buyer external to the Group. The transaction was finalised on 1 June 2006.

In the financial period, Pohjola Non-Life Insurance Company Ltd disposed of Kiinteistö Oy Esplanadin 12.

In the financial period, the name of OKO Osuuspankkien Keskuspankki Oyj was changed to OKO Pankki Oyj in Finnish, OKO Bank plc in English. In that connection, the name of Okopankki Oy was changed to Helsingin OP Pankki Oyj, in English Helsinki OP Bank Plc.

Companies within the OP Bank Group

Company	Domicile	Holding, %	Votes, %
232 member cooperative banks			
OP Bank Group Mutual Insurance Company	Helsinki	100.0	100.0
OP Bank Group Central Cooperative			
OKO Bank plc	Helsinki	42.7	69.3
Helsinki OP Bank Plc	Helsinki	100.0	100.0
OP-Kotipankki Oyj	Helsinki	100.0	100.0
OP Mortgage Bank	Helsinki	100.0	100.0
OP Fund Management Company Ltd	Helsinki	100.0	100.0
FD Finanssidata Oy	Helsinki	70.0	70.0
OP Life Assurance Company Ltd	Helsinki	100.0	100.0
Helsingin Seudun OP-Kiinteistökeskus Oy	Helsinki	100.0	100.0
OP IT Procurement Ltd	Helsinki	100.0	100.0

Companies within the OKO Bank Group :

OKO Venture Capital Ltd	Helsinki	100.0	100.0
OKO Capital East Ltd	Helsinki	70.0	70.0
ZAO OKO Capital Vostok	Russia	100,0	100,0
OKO Asset Management Limited	Helsinki	86.5	86.5
OKO Corporate Finance Ltd	Helsinki	76.0	76.0
Pohjola Non-Life Insurance Company Ltd	Helsinki	100.0	100.0
A-Insurance Ltd	Helsinki	100.0	100.0
Seesam International Insurance Company Ltd	Estonia	100.0	100.0
Joint Stock Insurance Company "Seesam Latvia"	Latvia	100.0	100.0
Joint Stock Insurance Company "Seesam Lithuania"	Lithuania	100.0	100.0
Eurooppalainen Insurance Company Ltd	Helsinki	100.0	100.0
Pohjola Property Management Ltd	Helsinki	100.0	100.0
Real Estate Fund	Helsinki	100.0	100.0
Pohjola IT Procurement Ltd	Helsinki	100.0	100.0
Conventum Venture Finance Ltd.	Helsinki	100.0	100.0
Kaivokadun PL-hallinto Oy	Helsinki	100.0	100.0

Associated companies

Holdings in associated companies in 2006

Name	Domicile	Assets	Liabilities	Net sales	Profit/Loss	Holding, %
Realinvest Oy	Helsinki	133	25	12	-8	25.3
Automatia Pankkiautomaatit Oy	Helsinki	363	335	62	2	33.3
Nooa Savings Bank Ltd	Helsinki	82	76	3	0	25.0
Autovahinkokeskus Oy	Espoo	2	1	1	0	27.8
Vahinkopalvelu Oy	Loppi	1	1	1	0	46.7
Yhteensä		581	438	79	-6	

Associated companies are unquoted companies.

Holdings in associated companies in 2005

Name	Domicile	Assets	Liabilities	Net sales	Profit/Loss	Holding, %
Realinvest Oy	Helsinki	142	27	18	-3	25.3
Automatia Pankkiautomaatit Oy	Helsinki	353	320	66	3	33.3
Nooa Savings Bank Ltd	Helsinki	76	69	2	-1	25.0
Autovahinkokeskus Oy	Espoo	2	1	1	0	27.8
Vahinkopalvelu Oy	Loppi	1	1	2	0	46.7
Total		574	417	89	0	

Associated companies are unquoted companies.

Joint ventures

Joint ventures included in the consolidated financial statements in 2006

Name	Domicile	Sector	Holding
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0
Kiinteistö Oy Säterinkatu 6	Espoo	Property holding and management	100.0
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0
Kiinteistö Oy Pekurinkulma	Oulu	Property holding and management	92.4
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	Property holding and management	49.4
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0
Kiinteistö Oy Biocity	Turku	Property holding and management	30.5
Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	56.9
Companies owned by Pohjola Non-Life insurance Company Ltd:			Pohjola's holding
Asunto Oy Helsingin Korppaanmäki	Helsinki	Property holding and management	34.2
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7

The consolidated financial statements include the share of the asset items and related liabilities under joint control.

Joint ventures included in the consolidated financial statements in 2005

Name	Domicile	Sector	Holding
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0
Kiinteistö Oy Säterinkatu 6	Espoo	Property holding and management	100.0
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0
Kiinteistö Oy Pekurinkulma	Oulu	Property holding and management	100.0
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	Property holding and management	49.4
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0
Kiinteistö Oy Biocity	Turku	Property holding and management	30.5
Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	56.9
Companies owned by Pohjola Non-Life insurance Company Ltd:			Pohjola's holding
Kiinteistö Oy Eteläesplanadi 12	Helsinki	Property holding and management	27.2
Asunto Oy Helsingin Korppaanmäki	Helsinki	Property holding and management	34.2
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7

NOTE 54. Related party transactions

OP Bank Group's related parties:

The subsidiaries and associates of the OP Bank Group are listed in Note 53.
The administrative personnel of the OP Bank Group includes the OP Bank Group Executive Chairman (Chairman of the Executive Board), President of the Central Cooperative, members and deputy members of the Executive and Supervisory Boards, and their close family members. Other entities regarded as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

Standard terms and conditions for credit are applied to loans granted to the management. Loans are tied to generally used reference rates.

Related party transactions 2006

	Associates	Manage-ment	Others*
Loans	134	6	-
Other receivables	0	0	-
Deposits	9	5	28
Other liabilities	-	-	-
Interest income	-	0	-
Interest expenses	0	0	1
Insurance premium revenue	0	0	0
Dividend income	1	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-
Impairments	-	-	-
Impairments at the end of the period	-	-	-
Off-balance sheet items			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance sheet commitments	-	-	-
Salaries and remuneration and performance-related pay			
Salaries and remunerations	-	4	-
Performance-related pay	-	-	-
Holdings of related parties			
Number of stock options	-	-	-
Number of shares	-	70 024	3 680 793
Number of participations	-	6 464	-

Related party transactions 2005

	Associates	Manage-ment	Others*
Loans	109	4	-
Other receivables	0	-	0
Deposits	8	6	28
Other liabilities	-	-	-
Interest income	0	0	-
Interest expenses	0	0	1
Insurance premium revenue	0	0	0
Dividend income	2	-	-
Commission income	3	0	2

Commission expenses	0	0	0
Other operating income	-	-	-
Impairments	-	-	-
Impairments at the end of the period	-	-	-
Off-balance sheet items			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance sheet commitments	-	-	-
Salaries and remuneration and performance-related pay			
Salaries and remunerations	-	5	-
Performance-related pay	-	-	-
Holdings of related parties			
Number of stock options	-	31 000	-
Number of shares	-	121 335	3 680 793
Number of participations	-	4 999	-

*includes OP Pension Fund and OP Pension Foundation

NOTE 55. Long-term incentive system

Stock option arrangements

On 30 June 1999, the OP Bank Group and some of its related parties adopted an option based incentive system for all staff members. The objective of the system is to encourage staff members to a long-term work contribution.

As a part of the system, on 15 October 1999, OKO Bank issued a EUR 460 000 option loan designed for staff members' subscription. Pertaining to the loan, OKO Bank Series A shares can be subscribed on the basis of A and B options in 2002-2006. This interest-free loan was repaid in October 2002.

In accordance with the terms and conditions of the option scheme, the subscription price of a share was EUR 10.99. The subscription price will be 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 2.1105 at the end of 2005. The subscription period for A options started on 1 October 2002, followed by B options on 1 October 2004. The options were listed in the Helsinki Stock Exchange at the beginning of the subscription period. Before listing, the B options were combined with the A options and the name was changed to 1999 A/B option right.

Each option entitled to subscription of one OKO Bank Series A share, i.e. a total of 4 600 000 shares. With the share split (1:2) of OKO Bank shares entered in the Trade Register on 30 April 2004, the subscription ratio of the option scheme changed in such a way that one stock option entitled to the subscription of two new Series A shares instead of one. In the share issue of 2005, the subscription ratio was changed in such way that one option right entitled to the subscription of four new Series A shares.

The subscription price of shares was cut in half as a result of the share split in 2004. As a result of the 2005 change in the subscription ratio, the combined subscription price of four Series A shares was determined at EUR 4.21 added by a euro amount that corresponded to the subscription price of two new Series A shares according to the conditions of the increase in share capital. The resulting new subscription price thus confirmed is EUR 4.6525 per share.

In 2005, the subscription price per share was EUR 2.485 until 5 April 2005 and after that EUR 2.105. In 2006, the subscription price per share was EUR 4.6525 until 3 April 2006 and after that EUR 4.0525 until the end of October.

By the end of 2005, 7 646 680 Series A shares had been subscribed with the option rights, of which 2 553 790 were registered in 2005. In 2006, 1 705 740 Series A shares were subscribed with option rights. In all, a total of 9 352 430 shares were subscribed with option rights by 30 October 2006 and the share capital was raised by a total of EUR 19.7 million.

The changes in and weighted average subscription prices of outstanding options are as follows:

	2006		2005	
	Average subscription price, EUR /share	Option rights, 1 000	Average subscription price, EUR /share	Option rights, 1 000
At the beginning of period	4.65	431	2.49	1 233
Forfeited option rights	4.05	-5		
Exercised option rights	4.05	-426	2.75	-802
At the end of the period		-	4.65	431
Option rights that can be exercised at the end of the period		-	4.65	431

The average price of option rights exercised in 2006 was EUR 4.05 (EUR 2.75 in 2005). The average price of the OKO Bank share in January-October 2006 was EUR 12.86 (EUR 10.19 in the whole of 2005). The range of the exercise price of the option rights in 2006 was EUR 4.0525 (EUR 2.485 to EUR 4.6525 in 2005) and the range of OKO Bank's share price was EUR 11.10 to 14.91 (EUR 8.09 to EUR 12.34).

Personnel fund

The OP Personnel Fund established in 2004 consisted of 278 OP Bank Group companies and about 9 600 members. From the beginning of 2007, the Pohjola companies will join the Fund, which will raise the number of members to 11 600, or to 94% of the entire personnel of the OP Bank Group. For 2006, profit-related payments to a total of EUR 7.8 million have been booked for the Fund.

Long-term management incentive scheme

As of the beginning of 2005, the OP Bank Group has adopted a management incentive and commitment scheme. The employers of the Group nominate the persons belonging to the scheme and decide the annual targets for being rewarded. Persons in the scheme can be rewarded with OKO Bank Series A shares for three vesting periods, each a calendar year in length, if they meet the targets set for the vesting period. The first three-year period comprises the years of 2005 to 2007. The annually set targets are based on the Group's strategic indicators for measuring success confirmed by the Supervisory Board of the OP Bank Group Central Cooperative. The reward is determined by the degree of success with which the targets of the vesting period are met. The reward to be paid is converted into shares by dividing it with the weighted average price of the share on the Helsinki Stock Exchange during the February-March period following the vesting period. The reward will be paid two years after the completion of the vesting period. The reward paid in shares will be allocated as personnel expenses in the vesting and commitment periods. EUR 1.2 million (EUR 0.6 million) of expenses were recorded on the scheme for the financial period.

NOTE 56. Events after the balance sheet date

After Chairman and CEO Antti Tanskanen had retired as announced, Mr Reijo Karhinen, who earlier acted as the President of the Central Cooperative, assumed, as of the beginning of 2007, the duties of the Chairman of the Executive Board of the Central Cooperative, which is the central institution of the OP Bank Group. At the same time he assumed the duties of Executive Chairman of the entire OP Bank Group. Mr Tony Vepsäläinen became the new President of the Central Cooperative. He acted earlier as the Managing Director of Tampereen Seudun Osuuspankki. As of the beginning of 2007, Mr Harri Nummela started as a new member of the Executive Board and Mr Harri Luhtala started as a deputy member. Mr Luhtala will start as a regular member on 1 April 2007.

NOTE 57. Segment reporting

Segment information

The new business segments of the OP Bank Group reported for the first time in the 2006 financial statements are Banking and Investment Services, Non-life Insuance and Life Insurance. Othere operations not included in the business segments are presented under the group 'Other operations'. The OP Bank Group does not have geographical segments. For 2005, the non-life insurance business and other Pohjola group business operations were included in the OP Bank Group income statement for November-December.

Of the earlier reported business segments, Retail Banking, Corporate Banking and all of Group Treasury are included in the new Banking and Investment Services business segment of the OP Bank Group. Of the earlier reported Asset Management segment, life insurance has been separated to form a segment of its own. Otherwise, Asset Management is now part of the Banking and Investment Services segment.

As companies, the Banking and Investment Services segment includes the OP Bank Group member cooperative banks, Helsinki OP Bank Plc, OP-Kotipankki Oyj, OP Mortgage Bank, OP Fund Management Company Ltd, OKO Asset Management Limited, OKO Corporate Finance Ltd, OKO Venture Capital Ltd, and all of certain smaller companies supporting the banking and investment services business. The business operations of OKO Bank plc, with the exception of Group administration, are also included in the Banking and Investment Services segment. The operations of OP Bank Group Mutual Insurance Company are likewise included in the Banking and Investment Services segment because the majority of the company's business is composed of credit insurance issued to OP Bank Group retail banks.

Net interest income is the most significant income item of Banking and Investment Services. Income is also generated from commissions and fees and investments. Expenses arise mainly from personnel and other administrative costs, from the network of service locations and from returns to owner-members. The most notable risk class consists of credit risks but business also involves investment risks and operative risks.

The Life Insurance business segment comprises the life and pension insurance business of the OP Bank Group. In 2006, the business segment included two companies: OP Life Assurance Company Ltd and Pohjola Life Insurance Company Ltd, which merged with OP Life Assurance Company Ltd at the end of 2006.

Income in the life insurance companies is generated as a difference between the insurance premium revenue and benefits paid and changes in the insurance contract liabilities, and as net investment income. The most significant risk involved in the life insurance business is the investment risk. The most notable insurance risks are mortality and disability.

The Non-life Insurance segment comprises the business of the OP Bank Group non-life insurance companies Pohjola Non-Life Insurance Company Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, and the Seesam companies operating in the Baltic States, as well as the operations of the service companies supporting Non-life Insurance.

The non-life insurance products include non-life insurance policies sold to corporate and private customers. Income in Non-life Insurance derives mainly from premiums written and investment income. The most important risks in the Non-life Insurance are insurance risks and investment risks.

The operations remaining outside the business segments are the Group administration of the Central Cooperative, FD Finanssidata Oy (FD) and OKO Bank Group, and the business operations of Pohjolan Systeemipalvelu Oy, which merged with the Central Cooperative at the end of 2006. The expenses for the services rendered by the Central Cooperative and FD to support the business areas are allocated to the business areas as internal service charges. The service charges are based on a price list approved by the Executive Board of the Central Cooperative.

Accounting principles for segment reporting

Segment reporting conforms to the accounting policies applied to the OP Bank Group financial statements. Those income, expense, asset and liability items which have been considered to relate directly to and be reasonably attributable to the business areas are allocated to the business areas. Those income, expense, investment and capital items which have not been allocated to business areas, as well group eliminations between business areas are reported in the column 'Other operations and eliminations'. Internal income from equity-based invesments of the OP Bank Group have been eliminated. Increases in tangible and intangible assets in the financial period, excluding increases in assets given on lease, are presented as investments.

Equity allocated to retail banking operations equals 9% of the risk-weighted commitments required by the Credit Institutions Act and equity allocated to OKO Bank's banking and investment services operations 7% of the risk-weighted commitements. The unallocated part of equity is attributed to 'Other operations' outside the business areas.

Earnings and and balance sheet of the segments in 2006

	Banking and Invest-ment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP Bank Group
Interest income	3 448	-	-	-1 107	2 340
Interest expenses	-2 549	-8	-3	1 102	-1 457
Net interest income before impairment losses	**899**	**-8**	**-3**	**-5**	**883**
Impairment losses on receivables	-9	-	-	-1	-9
Net interest income after impairment losses	**890**	**-8**	**-3**	**-6**	**874**
Net income from Non-life Insurance	-	332	-	-4	328
Net income from Life Insurance	-	0	119	-8	110
Net commissions and fees	404	6	0	-13	396
Net trading income	31	-	-	1	32
Net investment income	101	-1	-	13	112
Other operating income	60	18	15	-1	92
Personnel costs	-334	-99	-8	-86	-527
Other administrative expenses	-271	-103	-20	104	-290
Other operting expenses	-174	-67	-35	9	-267
Returns to owner-members	-64	-	-	-	-64
Share of associates' profits/losses	0	0	-	2	2
Earning before tax	**643**	**78**	**68**	**11**	**800**
Income tax					-202
Profit for the period					**598**
Intra-segment income	55	5	12	283	354
Amortisation/depreciation in the period	-52	-35	-12	-31	-130
Other expenses than amortisation/depreciation with no related payment transaction	-100	-87	-710	-1	-898

Balance sheet 31 December 2006	Banking and Invest-ment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP Bank Group
Liquid assets	1 041	-	-	0	1 041
Receivables from financial institutions	7 162	-	-	-6 817	344
Financial assets held for trading	5 031	-	-	-216	4 816
Derivative contracts	354	-	-	-35	319
Receivables from customers	39 639	-	-	-44	39 595
Non-life Insurance assets	-	2 824	-	-63	2 761
Life Insurance assets	-	-	6 266	-205	6 061
Investment assets	2 504	0	-	-1 090	1 413
Investments in associates	-1	2	-	34	35
Intangible assets	208	870	114	63	1 255
Tangible assets	567	30	0	105	702
Other assets	945	1	9	149	1 104
Tax receivables	50	6	12	21	90
Total assets	**57 500**	**3 733**	**6 401**	**-8 098**	**59 535**
Liabilities to financial institutions	7 641	-	-	-6 553	1 088
Financial liabilities held for trading	-	-	-	0	0
Derivative contracts	375	-	-	-35	340
Liabilities to customers	27 988	-	-	-272	27 715
Non-life Insurance liabilities	-	2 099	-	-	2 099
Life Insurance liabilities	-	-	5 719	-52	5 667
Debt securities issued to the public	14 342	-	-	-842	13 500
Provisions and other liabilities	1 465	156	5	-118	1 508
Tax liabilities	389	238	68	139	834
Cooperative capital	746	-	-	-150	597
Subordinated liabilities	1 282	40	91	-350	1 063
Total liabilities	**54 227**	**2 533**	**5 884**	**-8 233**	**54 411**
Equity capital					**5 124**
Expenditure in tangible and intangible assets	60	10	2	31	103

Earnings and balance sheet of the segments in 2005

	Banking and Invest-ment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP Bank Group
Interest income	2 253	-	-	-678	1 575
Interest expenses	-1 450	-1	-1	672	-780
Net interest income before impairment losses	**803**	**-1**	**-1**	**-7**	**794**
Impairment losses on receivables	-6	-	-	0	-6
Net interest income after impairment losses	**797**	**-1**	**-1**	**-6**	**789**
Net income from Non-life Insurance	-	69	-	0	68
Net income from Life Insurance	-	-	58	9	67
Net commissions and fees	354	0	0	-14	340
Net trading income	29	-	-	-2	27
Net investment income	67	1	-	-5	62

Other operating income	61	6	3	-2	68
Personnel costs	-300	-16	-4	-67	-387
Other administrative expenses	-269	-17	-9	74	-220
Other operting expenses	-172	-15	-21	26	-183
Returns to owner-members	-50	-	-	-3	-53
Share of associates' profits/losses	-	0	-	0	0
Earning before tax	**517**	**27**	**27**	**8**	**579**
Income tax					-125
Profit for the period					**454**
Intra-segment income	43	3	3	208	257
Amortisation/depreciation in the period	-50	-6	-2	-19	-77
Other expenses than amortisation/depreciation with no related payment transaction	-58	-5	-842	-	-905

Balance sheet 31 December 2005	Banking and Invest-ment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP Bank Group
Liquid assets	613	-	-	0	613
Receivables from financial institutions	6 280	-	-	-5 615	666
Financial assets held for trading	3 955	-	-	-115	3 841
Derivative contracts	128	-	-	-1	126
Receivables from customers	34 868	-	-	-54	34 814
Non-life Insurance assets	-	2 839	-	-16	2 823
Life Insurance assets	-	-	5 543	-157	5 385
Investment assets	2 902	-	-	-1 250	1 652
Investments in associates	-	-	-	40	40
Intangible assets	336	1 538	233	-908	1 199
Tangible assets	553	27	0	110	690
Other assets	871	-11	7	11	878
Tax receivables	32	8	5	72	117
Total assets	**50 538**	**4 402**	**5 788**	**-7 883**	**52 845**
Liabilities to financial institutions	7 461	-	-	-5 435	2 025
Financial liabilities held for trading	4	-	-	0	4
Derivative contracts	126	-	-	-2	124
Liabilities to customers	26 485	-	-	-10	26 475
Non-life Insurance liabilities	-	1 971	-	-	1 971
Life Insurance liabilities	-	-	4 979	-61	4 918
Debt securities issued to the public	9 483	-	-	-592	8 891
Provisions and other liabilities	1 177	53	13	38	1 281
Tax liabilities	326	391	63	22	802
Cooperative capital	767	-	-	-51	717
Subordinated liabilities	1 107	40	91	-358	879
Total liabilities	**46 935**	**2 455**	**5 145**	**-6 448**	**48 087**
Equity capital					**4 757**
Expenditure in tangible and intangible assets	404	826	0	30	1 260

LIITE 58. New standards and interpretations

IFRS 7 Financial Instruments: Disclosures (effective in financial periods beginning after 1 January 2007). IFRS 7 requires presentation of more extensive notes to the financial statements regarding the significance of financial instruments to the entity's financial position and earnings. The Standard requires presentations of qualitative and quantitative information on the entity's exposure to risks arising from financial instruments and it includes minimum requirements for disclosures regarding credit, liquidity and market risk. In addition, it includes a requirement for the preparation of a sensitivity analysis of the market risk. According to the estimate of the OP Bank Group, the adoption of IFRS 7 will primarily impact the disclosures in future financial statements.

IFRS 8 *Operating Segments* (effective in financial periods beginning after 1 January 2009). The Standard replaces the currently valid standard IAS 14 Segment Reporting.

IFRIC 8 *Scope of IFRS 2* (effective in financial periods beginning after 1 May 2006). IFRIC 8 is applicable to transactions where equity instruments are granted and the specified consideration received is less than the fair value of the equity instruments granted. In such cases, it should be considered whether the arrangement falls within the scope of IFRS 2. According to the assessment of the OP Bank Group, the new interpretation does not have any impact on future financial statements.

IFRIC 9 *Reassessment of Embedded Derivatives* (effective in financial periods beginning after 1.6.2006). IFRIC 9 requires that an entity, when it becomes party to a contract, to assess whether the contract includes an embedded derivative which has to be separated from the host contract and accounted for as a derivative. Subsequent reassessment is prohibited unless there was a subsequent change in terms of the contract that significantly modifies the cash flows of the contract. According to the assessment of the OP Bank Group, this interpretation will not have an major impact on the financial statements.

IFRIC 10 *Interim Financial Reporting and Impairment* (effective in financial periods beginning after 1 November 2006). IFRIC 10 prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an invesment in either an equity instrument or a financial asset carried at cost. According to the assessment of the OP Bank Group, the new interpretation will not have any impact on future financial statements.

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* (effective in financial periods beginning after 1 January 2007).

NOTES TO RISK MANAGEMENT

NOTE 59. OP Bank Group's risk limit system based on OP 2006 business strategy and values of risk measures

The Supervisory Board of the Central Cooperative confirms the risk limits for the OP Bank Group regarding the risk-bearing capacity, profitability and credit and market risks. The limits are used to control the risk-taking of the Group. The risk limit system valid at the OP bank Group is based on the business strategy confirmed in 2006.

Measure	Risk limit	31 Dec. 2006	31 Dec. 2005
Risk-bearing capacity and profitability			
OP Bank Group risk limits			
Capital adequacy ratio, % (Act on the Supervision of Financial and Insurance Conglomerates)	1.20	1.56	1.69
Credit risks			
Largest single customer risk / own funds, %	15.0	10.0	7.8
Total of large customer risks / own funds, %	100.0	20.1	0.0
Segment risk / own funds, %	50.0	44.3	38.5
Non-performing loans as % of loan and guarantee portfolio	2.0	0,3	0.4
Market risks			
Funding risk, cumulative funding position/total assets of banking			
≤12 months	-50	-38.4	-40.7
≤ 3 years	-40	-27.0	30.3
≤ 5 years	-30	-21.5	-18.6
Liquidity reserve/total assets of banking	6	10.4	6.1
Interest rate risk*/economic capital, %	+/-10	0.1	-0.5
Currency risk**/economic capital, %	20	8.8	9.0
Equity market risk*** /economic capital, %	50	31.0	30.3
Capital invested in properties / economic capital, %	70	38.8	46.2

*Effect of 100 basis point negative change in interest rate on present value of future cash flows
**Total net currency position as per Finnish Financial Supervision Authority standard 106.2
***Market value

NOTE 60. OP Bank Group's risk-bearing capacity

Own funds and capital adequacy according to the Credit Institutions Act

EUR million	31 Dec. 2006	31 Dec. 2005
Own funds		
Equity capital	5 124	4 757
Pohjola's minority interest	-	-196
Cooperative capital	594	715
Capital loans	224	224
Intangible assets	-1 064	-941
Fair value reserve and other reserves	-144	-183
Planned dividend distribution	-75	-71
Other items (e.g. excess funding on pension liability and measurement of investment property at fair value)	-388	-353
Tier 1 funds	**4 271**	**3 951**
Fair value reserve and other reserves	144	183

Subordinated liabilities included in upper Tier 2 funds	210	203
Subordinated liabilities included in lower Tier 2 funds	532	374
Tier 2 own funds	**886**	**760**
Investments in insurance institutions	-339	-290
Other deduction items	-10	-13
Total deduction items	**-349**	**-302**
Total own funds	**4 808**	**4 409**
Balance sheet risk grouping in capital adequacy calculation		
(before risk-weighting factors)		
Risk group I (risk weight 0%)	10 560	8 677
Risk group V (risk weight 10%)	3	3
Risk group II (risk weight 20%)	586	680
Risk group III (risk weight 50%)	19 629	16 878
Risk group IV (risk weight 100%)	18 872	17 775
Deduction items from own funds	349	302
Other items (e.g. insurance assets)	9 536	8 528
Total assets	**59 535**	**52 845**
Risk-weighted receivables, investments and off-balance sheet commitments		
Receivables and investments	28 804	26 350
Off-balance sheet Items	3 904	2 973
Market risk	1 010	871
Total risk-weighted receivables, investments and off-balance sheet commitments	**33 718**	**30 194**
Capital adequacy ratio, %	**14.3**	**14.6**
Ratio of Tier 1 own funds to aggregate amount of risk-weighted items, % (Tier 1 ratio)	**12.7**	**13.1**

Own funds and capital adequacy calculated in accordance with the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	31 Dec. 2006	31 Dec. 2005
OP Bank Group's equity capital	5 124	4 757
Business segment specific items	1 577	1 518
Goodwill and intangible assets	-1 133	-1 059
Equity items and business segment specific items that cannot be included in conglomerate's own funds	-883	-828
Conglomerate's own funds, total	4 685	4 388
Minimum amount of Group's own funds (=requirement for own funds)	3 002	2 589
Conglomerate's capital adequacy	1 682	1 799
Conglomerate's capital adequacy ratio (own funds/requirement for own funds)	1.56	1.69

The OP Bank Group is a conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates. For the conglomerate, a capital adequacy ratio is calculated, as provided under the Act.

Risk-bearing capacity and profitability

The indicator of the risk-bearing capacity of the OP Bank Group is the capital adequacy figure defined in the Act on the Supervisions of Financial and Insurance Conglomerates proportioned to the minimum requirement for capital adequacy (capital adequacy ratio in accordance with the Act on the Supervision of Financial and Insurance Conglomerates RAVA). At the end of 2006, the own funds of the OP Bank Group were EUR 1.082 million more than required as per the risk limit and they exceeded the statutory limit by EUR 1 682 million. A year earlier, the corresponding figures were EUR 1 281 million and EUR 1 799 million. A strong risk-bearing capacity serves as a buffer against unexpected losses and provides good conditions for business growth.

NOTE 61. Financial assets and impairment losses recognised on them during the period

	31 Dec. 2006		31 Dec. 2005	
	Balance sheet value	Impairment losses	Balance sheet value	Impairment losses
Liquid assets	1 041	-	613	-
Receivables from financial institutions	344	2	666	2
Financial assets held for trading				
Notes and bonds	4 736	-	3 742	-
Shares and participations	80	-	99	-
Other	-	-	-	-
Derivative contracts				
Held for trading	298	-	142	-
Hedging	21	-	12	-
Loans and other receivables				
Loans granted	39 178	119	34 437	126
Finance lease receivables	414	-	370	-
Repo contracts	-	-	-	-
Bank guarantee receivables	2	-4	7	8
Other receivables	-	-	-	-
Available-for-sale financial assets				
Notes and bonds	435	-	654	-
Shares and participations	333	-	276	-
Other	-	-	-	-
Held-to-maturity investments				
Notes and bonds	133	-	204	-
Off-balance sheet items				
Bank guarantees	2 231	-	1 723	-
Total financial assets	**49 246**	**117**	**42 945**	**136**

NOTE 62. Exposure by balance sheet item

	Finland			Other countries		
31 December 2006	Balance sheet value	Impairments	Accrued interest	Balance sheet value	Impairments	Accrued interest
Financial assets						
Receivables from financial institutions	171	-	0	173	-2	1
Receivables from customers	38 759	-124	234	420	0	1
Finance leases	414	-	-	0	-	-
Notes and bonds	2 868	-	21	2 435	-	23
Other	2	-	-	39	-	-
Total	**42 214**	**-124**	**255**	**3 068**	**-2**	**26**

Off-balance sheet commitments						
Unused standby credit facilities	7 351	-	-	66	-	-
Guarantees and letters of credit	1 991	-	-	424	-	-
Derivative contracts	28	-	-	250	-	-
Other	96	-	-	357	-	-
Total	**9 467**	**-**	**-**	**1 097**	**-**	**-**
Total exposure	**51 681**	**-124**	**255**	**4 165**	**-2**	**26**

	Finland			Other countries		
31 December 2005	Balance sheet value	Impair-ments	Accrued interest	Balance sheet value	Impair-ments	Accrued interest
Financial assets						
Receivables from financial institutions	90	-	0	576	-2	2
Receivables from customers	34 268	-134	194	175	0	0
Finance leases	370	-	-	0	-	-
Notes and bonds	3 352	-	27	1 248	-	10
Other	6	-	-	20	-	-
Total	**38 086**	**-134**	**221**	**2 019**	**-2**	**12**
Off-balance sheet commitments						
Unused standby credit facilities	5 507	-	-	62	-	-
Guarantees and letters of credit	1 687	-	-	179	-	-
Derivative contracts	29	-	-	164	-	-
Other	180	-	-	341	-	-
Total	**7 403**	**-**	**-**	**746**	**-**	**-**
Total exposure	**45 489**	**-134**	**221**	**2 764**	**-2**	**12**

The tables show the potential future exposure of derivative contracts, which include positive market value recognised in accounting.

Bank guarantee receivables have been transferred to the group 'Receivables from customers'. The comparative figure has been changed correspondingly.

NOTE 63. Exposure by sector

	Balance sheet values		Off-balance sheet		
31 December 2006	Domestic	Foreign	Domestic	Foreign	Total
Companies	11 911	280	6 164	344	18 699
Financial and insurance institutions	1 967	2 624	262	751	5 604
Households	27 473	10	2 856	2	30 341
Non-profit organisations	344	0	70	-	414
Public corporations	776	180	115	-	1 071
Total	**42 470**	**3 094**	**9 467**	**1 097**	**56 128**
31 December 2005					
Companies	10 840	201	4 860	100	16 000
Financial and insurance institutions	2 190	1 591	342	643	4 766
Households	24 193	10	2 064	2	26 269
Non-profit organisations	309	0	48	-	357
Public corporations	776	230	90	-	1 096
Total	**38 308**	**2 031**	**7 403**	**746**	**48 488**

NOTE 64. 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	344	2	347	-2	344
Receivables from customers	39 150	154	39 304	-124	39 180
Bank guarantee receivables	2	4	7	-4	2
Finance leases	414	-	414	-	414
Overdrafts	2	-	2	-	2
Total	**39 912**	**161**	**40 073**	**-130**	**39 943**
Loan and guarantee receivables by sector					
Companies	9 926	113	10 039	-73	9 965
Financial and insurance institutions	1 857	2	1 859	-2	1 857
Households	27 364	40	27 405	-50	27 355
Non-profit organisations	340	1	342	0	341
Public corporations	423	-	423	-	423
Total	**39 910**	**157**	**40 067**	**-126**	**39 941**

31 December 2006	Problem receivables Not impaired (gross)	Impaired (gross)	Total	Arrears	Realised loan losses
Problem receivables					
Receivables from financial institutions	0	2	2	3	-2
Receivables from customers	240	154	394	154	-124
Bank guarantee receivables	2	4	7	6	-4
Finance leases	0	-	0	1	-
Overdrafts	2	-	2	0	-
Total	**242**	**157**	**398**	**157**	**-126**
Problem receivables by sector					
Companies	89	113	113	73	-73
Financial and insurance institutions	0	2	2	3	-2
Households	147	40	40	81	-50
Non-profit organisations	2	1	1	0	0
Public corporations	3	-	-	0 -	
Total	**242**	**157**	**398**	**157**	**-126**

31 December 2006	Porftolio	Impair-ments	Balance sheet value
Problem receivables			
1 Non-performing	203	82	121
2 Zero-interest	12	4	9
3 Under-rated	119	6	112
4 Other	64	33	30

NOTE 65. Impairment losses on receivables

	31 Dec. 2006	31 Dec. 2005
Impairment losses on receivables	38	48
Reversals of impairment losses	-24	-40
Payments on eliminated receivables	-6	-6
Net change in group-specific impairment losses	1	4
Total	**9**	**6**
Impairment losses (net) as a percentage of of loan and guarantee portfolio	0.02	0.02

The OP Bank Group's objective is that impairment losses on receivables do not, in the long term, exceed 0.25% of the loan and guarantee portfolio per year.

NOTE 66. Corporate exposure by sector

	Net exposure			
31 December 2006	Balance sheet	Off-balance sheet	Total	Percentage-distribution
Metal industry	862	1 247	2 109	11.3
Forest industry	638	496	1 134	6.1
Trade	1 412	733	2 145	11.5
Construction	703	785	1 488	8.0
Other industry	616	425	1 040	5.6
Food industry	266	388	654	3.5
Other property management	2 385	388	2 773	14.8
Energy production	384	378	762	4.1
Transportation and communications	601	351	953	5.1
Services	1 744	421	2 165	11.6
Telecommunications and electronics	255	168	423	2.6
Communications and publishing	158	101	259	1.4
Other sectors	2 167	627	2 794	14.9
Total	**12 190**	**6 508**	**18 699**	**100.0**

	Net exposure			
31 December 2005	Balance sheet	Off-balance sheet	Total	Percentage-distribution
Metal industry	856	755	1 611	10.1
Forest industry	653	412	1 064	6.7
Trade	1 169	561	1 729	10.8
Construction	645	600	1 245	7.8
Other industry	618	401	1 019	6.4
Food industry	279	320	599	3.7
Other property management	2 159	236	2 396	15.0
Energy production	375	334	709	4.4
Transportation and communications	568	378	946	5.9
Services	1 384	420	1 804	11.3
Telecommunications and electronics	217	144	362	2.3
Communications and publishing	210	31	240	1.5
Other sectors	1 908	368	2 276	14.2
Total	**11 040**	**4 960**	**16 000**	**100.0**

NOTE 67. Corporate exposure by rating

Rating	S & P equivalent	31 Dec. 2006 Net exposure	%	31 Dec. 2005 Net exposure	%
1-2	AAA - A-	790	4.2	490	3.1
3-4	BBB+ - BBB-	6 876	36.8	5 372	33.6
5-6	BB+ - BB	3 424	18.3	3 400	21.3
7-8	BB- - B+	5 476	29.3	4 359	27.2
9-10	B - C	896	4.8	913	5.7
11-12	D	237	1.3	253	1.6
	No rating	999	5.3	1 213	7.6
Total		**18 699**	**100.0**	**16 000**	**100.0**

NOTE 68. Distribution of corporate exposure according to amount of customer exposure

31 December 2006

Amount of exposure, EUR million	Finland	Other countries	Total	%
0-1	4 937	57	4 994	26.7
1-10	4 096	165	4 262	22.8
10-50	3 432	249	3 681	19.7
50-100	2 597	-	2 597	13.9
100-	3 014	152	3 166	16.9
Total	**18 075**	**624**	**18 699**	**100.0**

31 December 2005

Amount of exposure, EUR million	Finland	Other countries	Total	%
0 - 1	4 693	47	4 741	29.6
1 - 10	3 775	133	3 908	24.4
10 - 50	2 747	121	2 868	17.9
50 - 100	2 495	-	2 495	15.6
100 -	1 989	-	1 989	12.4
Total	**15 699**	**301**	**16 000**	**100.0**

NOTE 69. Secondary country risk by country risk group

Country risk group	Moody's equivalent	31 Dec. 2006 Net exposure	%	31 Dec. 2005 Net exposure	%
Group 1	Aaa	3 498	88.1	2 416	88.3
Group 2	Aa1 - A3	237	6.0	140	5.1
Group 3	Baa1 - Baa3	124	3.1	53	1.9
Group 4	Ba1 - B3	101	2.5	116	4.2
Group 5	Caa1 - C	11	0.3	11	0.4
Total		**3 971**	**100.0**	**2 735**	**100.0**

NOTE 70. Risk limit of credit risk in banking operations

The OP Bank Group's loan and guarantee portfolio is diversified. At the end of 2006, the Group's largest single counterparty-related customer risk was 10.0% (7.8%) of the OP Bank Group's own funds. The OP Bank Group's risk limit for a single customer exposure is 15%. The Group's largest industry risk concentration arises from real estate operations, for which the total liabilities were EUR 2.1 billion, or 44.3% of own funds. The OP Bank Group's internal industry risk limit has been set at 50% of own funds.

At the end of 2006, the OP Bank Group had a total of EUR 128 million of non-performing and zero-interest loans, or 2.7% less than a year ago. Non-performing and zero-interest loans are stated net of impairment losses on specific receivables and groups of receivables, which amounted to EUR 91 million (95 million). The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.3% at the end of the report year, or 0.1 percentage point smaller than a year earlier and 1.7 percentage point smaller than the risk limit defined for the ratio. Impairment losses on receivables again remained at a low level, and were recorded to a gross amount of EUR 39 million in 2006, which was 0.09% of the loan and guarantee portfolio.

NOTE 71. Structure of OP Bank Group funding

	31 Dec. 2006	Percen-tage	31 Dec. 2005	Percen-tage
Liabilities to financial institutions	1 088	2.2	2 025	4.5
Financial liabilities held for trading	-	-	4	0.0
Liabilities to customers				
Deposits	25 750	50.9	24 190	53.7
Other	1 965	3.9	2 286	5.1
Debt securities issued to the public				
Investment and commercial paper holdings and ECPs	5 926	11.7	4 259	9.5
Bonds	7 574	15.0	4 633	10.3
Other liabilities	1 508	3.0	1 281	2.8
Subordinated liabilities	1 063	2.1	879	2.0
Cooperative capital	597	1.2	717	1.6
Equity capital	5 124	10.1	4 757	10.6
Total	**50 595**	**100.0**	**45 029**	**100.0**

NOTE 72. Maturity distribution of financial assets and liabilities in accordance with remaining term to maturity

31 December 2006	<3 months	3 - 12 months	1-5 years	5-10 years	Over 10 years	Total
Financial assets						
Liquid assets	1 041					1 041
Financial assets held for trading						
Notes and bonds	1 756	170	1 311	1 366	132	4 736
Receivables from financial institutions	250	57	33	4	0	344
Receivables from customers	2 419	4 076	13 022	8 422	11 656	39 595
Investment assets						
Available-for-sale notes and bonds	11	59	252	78	35	435
Held-to-maturity notes and bonds	0	13	93	12	15	133
Total financial assets	**5 477**	**4 375**	**14 711**	**9 883**	**11 839**	**46 283**

Financial liabilities						
Liabilities to financial institutions	1 075	0	0	13	0	1 088
Financial liabilities held for trading	-	-	-	-	-	-
Liabilities to customers	23 594	2 504	1 098	200	318	27 715
Debt securities issued to the public	4 144	2 949	6 101	306	-	13 500
Subordinated liabilities	38	68	575	287	95	1 063
Total financial liabilities	**28 851**	**5 521**	**7 773**	**806**	**414**	**43 366**

31 December 2005	<3 months	3 - 12 months	1-5 years	5-10 years	Over 10 years	Total
Financial assets						
Liquid assets	613					613
Financial assets held for trading						
Notes and bonds	875	1 149	982	715	22	3 742
Receivables from financial institutions	483	64	59	56	3	666
Receivables from customers	1 973	3 970	12 735	7 960	8 176	34 814
Investment assets						
Available-for-sale notes and bonds	25	99	318	169	43	654
Held-to-maturity notes and bonds	18	97	46	29	15	204
Total fiancial assets	**3 986**	**5 380**	**14 139**	**8 928**	**8 259**	**40 692**
Financial liabilities						
Liabilities to financial institutions	2 012	0	0	13	-	2 025
Financial liabilities held for trading	4	-	-	-	-	4
Liabilities to customers	22 837	1 680	1 486	228	244	26 475
Debt securities issued to the public	2 815	1 910	3 860	306	-	8 891
Subordinated liabilities	193	22	261	303	100	879
Total fiancial liabilities	**27 861**	**3 613**	**5 607**	**850**	**345**	**38 275**

NOTE 73. Funding risk

The growth in the loan portfolio at a faster rate than total deposits coupled with the financing requirement for the Pohjola transaction increased the OP Bank Group's amount of wholesale funding on market terms as well as its proportion of this in total funding. The risk limit indicator for the OP Bank Group's funding risk in banking operations was the ratio, calculated cumulatively up to the reporting check date, of the difference of receivables and liabilities falling due to total assets in periods of a maximum of one year, a maximum of three years and a maximum of five years. The revamped system also includes estimates of the dates when current account deposits fall due. The deposit funding proportion of total assets and the breakdown of deposits by product were furthermore tracked separately by means of their own key ratios.

NOTE 74. Maturities of financial assets and liabilities distributed by repricing date or maturity

31 December 2005	1 month or less	>1-3 months	>3-12 months	>1-2 years	>2-5 years	Over 5 years	Total
Financial assets							
Liquid assets	1 041						
Financial assets held for trading							
Notes and bonds	1 919	1 695	268	117	219	518	4 736
Receivables from financial institutions	229	43	51	8	7	4	344
Receivables from customers	15 815	6 064	15 458	487	909	862	39 595
Available-for-sale financial assets							
Notes and bonds	4	70	93	65	104	100	435
Held-to-maturity financial assets							
Notes and bonds	8	7	16	34	44	24	133
Total financial assets	**19 017**	**7 879**	**15 885**	**712**	**1 283**	**1 507**	**46 283**

Financial liabilities							
Liabilities to financial institutions	1 013	62	13	0	0	0	1 088
Financial liabilities held for trading	-	-	-	-	-	-	-
Liabilities to customers	22 784	1 527	2 351	894	124	35	27 715
Debt securities issued to the public	3 211	7 348	2 491	122	43	285	13 500
Subordinated liabilities	0	535	112	19	169	228	1 063
Total financial liabilities	**27 009**	**9 472**	**4 967**	**1 035**	**335**	**548**	**43 366**

31 December 2005	1 month or less	>1-3 months	>3-12 months	>1-2 years	>2-5 years	Over 5 years	Total
Financial assets							
Liquid assets	613						613
Financial assets held for trading							
Notes and bonds	720	953	1 312	144	254	359	3 742
Receivables from financial institutions	539	32	86	0	8	0	666
Receivables from customers	10 959	5 458	16 218	393	965	822	34 814
Available-for-sale financial assets							
Notes and bonds	38	67	193	66	157	131	654
Held-to-maturity financial assets							
Notes and bonds	10	18	84	9	62	21	204
Total financial assets	**12 880**	**6 529**	**17 893**	**612**	**1 446**	**1 333**	**40 692**
				-			
Liabilities to financial institutions	1 939	73	13	-	0	-	2 025
Financial liabilities held for trading	4	-	-	-	-	-	4
Liabilities to customers	22 507	1 121	1 441	1 184	186	36	26 475
Debt securities issued to the public	1 951	4 538	2 019	154	48	182	8 891
Subordinated liabilities	-	300	141	89	183	167	879
Total financial liabilities	**26 400**	**6 033**	**3 614**	**1 427**	**417**	**384**	**38 275**

NOTE 75. Interest rate risk

The measure for interest rate risk in the risk limit system is defined as the effect of a 1.0 percentage point rise in the level of interest rates on the present value of the interest rate risk exposure. The insurance business is also included in the market risk analysis of the risk limit system. The euro-denominated interest rate risk in the risk limit system is measured as a proportion of the OP Bank Group's economic capital. At the end of the year, the interest rate risk benchmark stood at 0.1% (-0.5%). The OP Bank Group's interest rate risk must remain within the range of ±10% of the OP Bank Group's risk limits. In banking operations, interest rate risk can be considered moderate, and it derives from the structural interest risk in retail banking, which in practice is due to the fact that the average repricing delay in lending is shorter than the repricing delay for deposits. The OP Bank Group's most significant interest rate risk is related to the investment activities of its insurance companies.

NOTE 76. Currency risk

The indicator for the OP Bank Group's currency risk is the ratio of the overall net currency position to economic capital. The ratio of currency risk to the OP Bank Group's economic capital was 8.8% (9.0%).

NOTE 77. Equity risk

The market value of the OP Bank Group's publicly quoted shares and mutual fund units was EUR 1 037 million at the end of the year (882 million). The ratio of equity investments to economic capital was 31% (30%), or 19 percentage points lower than the risk limit defined for the key ratio.

NOTE 78. Real estate risk

The amount of property holdigs in the OP Bank Group's banking operations decreased further. At the end of the year, the capital invested in properties of banking operations amounted to EUR 1.3 billion, i.e. which was EUR 45 million less than in the year before. The ratio between property holdings and economic capital was 38.8% (46.2), or 31.2 percentage points lower the risk limit defined for the real estate risk. In non-life insurance companies' investment operations, the market value of property investments was EUR 300 million (289 million). Property investments of insurance operations are expected to grow along with growing life and non-life insurance business.

NOTE 79. Derivatives business

The derivative contracts of the OP Bank Group are specified in Note 52.

LIITE 80. 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 million) 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	157.0
Insurance premium revenue*	788	75**	744	112.0**
Insurance contract liabilities*	1 887	31	1 811	46.0
Investment portfolio	2 490	24	2 515	33.0

* 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 parametres on profit and solvency capital:

Risk parameter	Total in 2006 EUR million	Change in risk parameter	Effect on profit/solvency	Effect on combined ratio
Insurance portfolio or insurance premium revenue	788	Increases by 1%	+ 8 milj.e	Improves by 1 %-point
Increase in claims incurred by 1%	579	Increases by 1%	- 6 milj.e	Detoriates by 1 %-point
Major loss		1 major loss	- 5 milj.e	Detoriates by 1 %-point
Personnel costs	100	Increases by 8%	- 8 milj.e	Detoriates by 1 %-point
Expenses by function *	223	Increases by 4%	- 9 milj.e	Detoriates by 1 %-point

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

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

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		Nett*	
EUR million	2006	95	2006	2005
Contract guarantees	78	12	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 accidents and health	Hull and cargo	Property and liability and business inter-ruption	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	Statutory lines	Other accidents and health	Hull and cargo	Property and liability and business inter-ruption	Liability and legal expenses	Long-term
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 accidents and health	Hull and cargo	Property and liability and business inter-ruption	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 leagl 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 leagl expenses	46	41	76 %	69 %
Long-term	4	3	12 %	12 %
Total	**797**	**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 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. More detailed specifications and descriptions of the methods used and their sensibility are provided in Note 35.

Risk exposure of Non-life Insurance investments

Allocation of investment portfolio	31 Dec. 2006 Fair value EUR million*	%	31 Dec. 2005 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 %
Devolped markets	22	7 %	150	6 %
Emerging markets	27	1 %	24	1 %
Unlisted equities	128	1 %	26	1 %
Private equity investments	87	5 %	95	4 %

Total alternative investments	128	4 %	65	3 %
Absolute return funds	87	1 %	22	1 %
Commodities	31	1 %	18	1 %
Convertible bonds	20	1 %	25	1 %
Properties	36	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 (EUR 11.5 million)

*** Includes EUR 63 million in run-off assets classified as held for sale.

Sensitivity analysis of investment risks

The following table describes the sensitivity of investment risks by investment class.

Non-life Insurance, EUR million	Portfolio at fair values 31 Dec. 2006	Risk parameter	Change	Effect on solvency capital 31 Dec. 2006
Bonds and bond funds *	1 813	Interest rate	1%-point	96
Equities **	499	Market value	10%-point	50
Properties	55	Market value	15%-point	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
>20 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 fixed-income portfolio in Non-life Insurance, i.e. the average duration of cash flows from interest-bearing instruments, was 4.8 years. The fixed-income portfolio includes both bonds and money market investments.

Currency risk

Foreign exchange 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 (EUR - 10 million) in EEK, LVL and LTL-denominated insurance contract liabilities covered in euros.

*** The year 2005 currency position 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.

NOTE 81. Risk exposure of Life Insurance

Risk exposure of investments in Life Insurance

	31 Dec. 2006		31 Dec. 2005	
Allocation of investment property	Fair value	Distribution	Fair value	Distribution
Interest-bearing investments 1)				
Bonds	1 647	41	2 405	61
Other money market instruments	113	3	140	4
Mutual funds	1 150	28	442	11
Shares and participations				
Shares and mutual funds	613	15	455	12
Alternative investments 2)	343	8	287	7
Properties 3)	200	5	192	5
Total	**4 067**	**100**	**3 921**	**100**

1) incl. accrued interest

2) incl. investments in hedge funds, and funds investing in unquoted real estate companies

3) only direct investments in properties

Sensitivity analysis on investment property 31 December 2006

	Portfolio at fair values	Risk parameter	Change	Effect on solvency margin
Bonds and bond funds	2 912	Interest rate	1%-point	139
Equities	700	Market value	10%-points	70
Properties	215	Market value	15%-points	32

Interest rate risk

Fair value per duration or repricing date, EUR million	31 Dec. 2006	31 Dec. 2005
0-1 year	158	266
>1-5 years	676	411
>5-10 years	525	379
>10-20 years	154	337
>20 years	144	292
Total	**1 658**	**1 990**
Modified duration	5.0	4.8
Average interest rate, %	4.2	3.4

Credit risk

Credit rating distribution, EUR million	31 Dec. 2006	31 Dec. 2005
AAA	1165	975
AA	299	349
A	705	296
BBB	179	158
BB+ or lower	417	75
Not Rated	148	214
Total *	**2 912**	**2 069**

* Includes money market investments and deposits, bonds and bond funds, the reinsurers' share of insurance contract liabilities, and receivables from reinsurers.

Currency risk

Currency exposure, EUR million	31 Dec. 2006	31 Dec. 2005
USD	148	176
SEK	1	29
JPY	55	40
GBP	22	26
Other	97	48
Total	**323**	**319**
Total net currency exposure		

Currency exposure was 7.9% of investment portfolio (4.2%).

STATEMENT CONCERNING THE FINANCIAL STATEMENTS

We have adopted the Report of the Executive Board and the consolidated Financial Statements of the Amalgamation of the Cooperative Banks (the OP Bank Group) specified in the Act on Cooperative Banks and other Cooperative Credit Institutions for the financial year 1 January to 31 December 2006. The Report and the Financial Statements are presented to, and passed out at, the General Meeting of the OP Bank Group Central Cooperative.

Helsinki 27 February 2007

Executive Board of the OP Bank Group Central Cooperative

Reijo Karhinen Tony Vepsäläinen

Erkki Böös Pekka Jaakkola

Harri Nummela Heikki Vitie

AUDITORS' REPORT

To the General Meeting of the OP Bank Group Central Cooperative

We have audited the report of the Executive Board and the consolidated financial statements for the financial year 1 January – 31 December 2006, of the amalgamation of the cooperative banks (the OP Bank Group) pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions. The Executive Board and the President of the OP Bank Group Central Cooperative, which is the OP Bank Group's central institution, have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU in a manner explained in more detail in the notes to the financial statements. The financial statements contain the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements of the OP Bank Group. Based on our audit, we express an opinion on the consolidated financial statements and on the report of the Executive Board.

We conducted our audit of the consolidated financial statements in accordance with Finnish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report of the Executive Board and the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. In carrying out the audit, we also acquainted ourselves with the financial statement policies adopted by the Group's member institutions, as well as the auditors' reports and other related reporting submitted by their auditors.

In our opinion, the consolidated financial statements, 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 results of operations as well as of the financial position of the OP Bank Group.

In our opinion, the report of the Executive Board has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Executive Board is consistent with the consolidated 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 of the OP Bank Group.

Helsinki 1 March 2007

KPMG OY AB

Hannu Niilekselä
Authorized Public Accountant

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