OP-Pohjola

REPORT BY THE EXECUTIVE BOARD AND FINANCIAL STATEMENTS 2007

OP-Pohjola Group

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Financial information in 2008

OP-Pohjola Group and Pohjola Bank plc each will publish three Interim Reports in 2008:

for January-March on 8 May 2008
for January-June on 7 August 2008
for January-September on 6 November 2008

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 (0)10 252 7167, telefax +358 (0)10 252 2298, e-mail: viestinta@op.fi.

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.

Report by the Executive Board 2007

OP-Pohjola Group – the year in brief

Strong growth continues – OP-Pohjola Group becomes leading insurer in Finland

- Loan portfolio up by 13% – home mortgages by 14% and corporate loans by 16%.
- Investment deposits grew by 28%, a major increase, and deposits by 13%.
- In the challenging market situation, the rise in assets invested in mutual funds slowed down to 6%.
- Non-life insurance premium revenue rose by 8% and those of private customers by 12%.
- The market share of premiums written in Life Insurance rose by 2.4 percentage points.
- According to preliminary information, OP-Pohjola Group became Finland's leading non-life insurer in terms of premiums written. In life insurance, the Group has already been the leading insurer since 2005.
- The number of joint banking and non-life insurance customers increased by 94,000 to 900,000.

Best result ever – earnings before tax over a billion euros

- Earnings before tax grew by 26% to EUR 1,005 million.
- Bonuses paid to customers grew by 74%.
- Efficiency improved: the growth differential between income and expenses was 11 percentage points.
- Every business segment improved its year-on-year earnings.
- Earnings before tax in the last quarter amounted to EUR 247 million.

Strong risk-bearing capacity and a stable risk exposure

- The Group's own funds were 1.8 billion euros above the statutory minimum.
- Impairment losses on receivables were low – 0.03% of the annualised loan and guarantee portfolio.
- Non-performing loan losses of the loan and guarantee portfolio remained at last year's level.
- The financial market disruption has reduced the market value of assets, but on the whole the effect on the Group's result and capital adequacy has been marginal.

Year 2008

- Owing to market uncertainty concerning changes in the operating environment and to the instability that followed, 2008 earnings before tax are expected to be lower than those of 2007.

OP-Pohjola Group key indicators

	Jan–Dec 2007	Jan–Dec 2006	Change*
Earnings before tax, EUR million	1,005	800	26
Banking and Investment Services	706	643	10
Non-life Insurance	181	78	130
Life Insurance	129	68	90
Return on equity,%	13.7	12.1	1.6
Return on equity at fair value,%	10.9	11.4	-0.6
Cost/income,% (Banking and Investment Services)	49	52	-3.0
Average personnel	12,378	12,148	1.9

	31 Dec 2007	31 Dec 2006	Change*
Total assets, EUR billion	65.7	59.5	10.4
Capital adequacy **	13.8	14.3	-0.5
Tier 1 ratio,%**	12.6	12.7	0.0
Ratio of own funds to minimum amount of own funds***	1.52	1.56	-0.04
Non-performing loan losses within loan and guarantee portfolio,%	0.3	0.3	0.0
Market share,%			
Of total loans	31.1	31.1	0.0
Of total deposits	32.3	32.7	-0.4
Of capital invested in mutual funds	21.4	21.8	-0.4
Of insurance savings through life and insurance;%	19.9	19.1	0.9
	Jan–Dec 2007	*Jan–Dec 2006*	*Change**
Of premiums written in life and pension insurance,%	30.8	28.4	2.4

* Percentage point change, except for earnings before tax, total assets and average number of personnel, for which the change is stated in percentages, 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 Credit Institutions Act.
*** Pursuant to the Act on the Supervision of Financial and Insurance Conglomerates.

OP Bank Group changed name to OP-Pohjola Group

The Central Cooperative's Supervisory Board decided in its September meeting on a name change from OP Bank Group to OP-Pohjola Group. The new name combines two traditional and strong Finnish brands. The name of conveys the fact that the financial services group provides extensive services, and combines banking, investment and insurance operations. The name change shows how the business and structure of the financial services group have changed into a single financial services group two years after the Pohjola acquisition. OP-Pohjola Group's listed central bank, OKO Bank plc, also decided to change its name to Pohjola Bank plc. OKO Bank's Extraordinary General Meeting decided on the name change in October but the new name will not be adopted until 1 March 2008. The names of individual Group member banks will remain unchanged.

Operating Environment

In 2007, the financial market's operating environment was characterised by somewhat mixed feelings. Thanks to the strong economic uptrend that continued until the autumn, demand for banking and insurance services remained brisk. This upturn began to lose momentum towards the end of the year while the exacerbating problems in the US housing market added uncertainty in the world economy. Although this uncertainty is anticipated to prevail in 2008, Finnish economic growth is expected to remain moderate.

With the world economy showing weakening growth in 2007, growth in the EU remained almost at the previous year's rate. At the same time, however, the US economy suffered a marked slowdown and this downward trend was exacerbated by the late-summer housing market crash. This bleaker US economic outlook will also cast a shadow over the trend pictures in the fast-growing Asian economies.

The US housing market crisis squeezed lending in international markets while widening lending margins. Due to US subprime loans, financial institutions in a number of countries reported hefty losses, which the sector expects to record more in 2008.

Central banks increased money-market liquidity several times in an effort to reduce the risk of drifting into a loan slump and the Federal Reserve also cut its benchmark interest rate. After raising the benchmark interest rate twice during the first half of 2007, standing at 4.0%, the European Central Bank kept the interest rate unchanged during the second half.

Finnish economic growth expected to slow in 2008

In 2007, Finland continued to enjoy an upward trend longer than expected although the economy began to slow down slightly in late autumn, with GDP growing by around 4%. As in the previous year, this growth was supported by exports, which increased particularly to Western Europe, Finland's main market area. Housing starts began to decline, but demand for investments in other housing construction projects perked up considerably. Growth in consumer spending remained relatively steady, with higher wages and lower unemployment improving consumer spending power.

According to surveys conducted among companies, business conditions remained better than usual in all the main sectors. Output growth in the manufacturing industry slowed down slightly in the second half of the year, although order-books remained long. Construction firms also enjoyed larger-than-usual order books but showed a weaker confidence. Growth in service-sector sales slowed down although expectations for future sales remained favourable.

Although economic growth is expected to slow down in 2008, due to more tepid growth in exports and consumer spending than in 2007, it is anticipated to remain at the average long-term rate.

Consumer confidence was strong in 2007, but expectations for 2008 have become more cautious.

In 2007, consumer prices rose at an accelerating pace of 2.5%, due mostly to higher housing costs. In 2008, the inflation rate is anticipated to stand at over 3%.

Greater uncertainty in financial markets

The European Central Bank tightened its monetary policy by raising the Euribor rates twice during the first half of 2007. In the autumn, the US housing loan crisis increased the volatility of short-term market rates which rose more than long-term market rates. At the end of 2007, the 3-month Euribor rate was 4.69% and the 12-month Euribor rate 4.75%. OP-Pohjola Group raised its OP Prime rate thrice during the first half of the year, standing at 4.25% at the year end. The euro-zone's economic upturn losing momentum speaks in favour of lower Euribor rates in 2008.

In 2007, the Finnish banking market continued its brisk growth for the fifth year running. In order for the growth to remain at around the previous years' pace, the stock market should get rid of the uncertainty and consumers should demonstrate a modest courage in borrowing. In 2007, financial institutions increased their loan portfolio by 11.7%. Despite higher interest rates, the home mortgage portfolio grew by 12.4%, slightly less than a year earlier. Household indebtedness continued to rise and for the first time the ratio of credit to annual disposable income exceeded 100%.

The growth rate of corporate loans rose to 12.9% in 2007. Greater uncertainty in international financial markets did not have much affect the Finnish corporate bond market. There were still plenty of M&As and transfers of business to the next generation. Deposits with financial institutions grew by 13.9% because higher interest on deposits provided protection against swings in stock markets.

Capital market showed favourable developments although the US financial crisis indeed cast a shadow particularly over equity markets towards the end of the year. In Finland, the OMX Helsinki Cap index - a measure of stock prices – improved by 3.9% in 2007. The growth rate of capital invested in mutual funds slowed to 8.3% as a result of the greater second-half uncertainty spreading from international markets. Premiums written in life insurance fell by 8.8% year on year, although insurance savings increased by 3.6%.

The cash-basis and comparable premiums written of non-life insurance rose in 2007 by about 5%. The amount of claims incurred rose in 2007 as exceptional weather conditions increased the amount of damage. Car insurance claims also rose clearly.

OP-Pohjola Group's earnings and total assets

January–December

OP-Pohjola Group earnings before tax broke the record from the year before and exceeded the one billion mark at EUR 1,005 million (800*). Earnings before tax grew by 26% on the previous year. Income increased by 15% and expenses by less than 4%, with the growth differential between income and expenses at 11 percentage points. Customers' OP bonuses recognised as expenses grew by 74%. Annualised return on equity rose to 13.7% from 12.1% a year ago. Earnings before tax at fair value rose by 5.8% to EUR 798 million (754). Return on equity at fair value was reduced by 0.6 percentage points to 10.9% as a result of a fall in the market value of available-for-sale securities.

Earnings growth rested on a strong increase in income. Net interest income rose by 19% to EUR 1,048 million and other income by 12% to EUR 1,198 million (1,073). Net investment income from Non-life Insurance increased by 30% to EUR 427 million (328) and that of Life Insurance by 56% to EUR 172 million (110). At EUR 65 million, the net trading and investment income fell short of last year's figure mainly as a result of negative value changes of notes and bonds at fair value through profit or loss. Net trading income was cut by EUR 57 million impairment losses from the financial services group's liquidity reserve, resulting from wider credit spreads. The review period's net investment income included EUR 11 million in non-recurring capital gains against last year's EUR 25 million.

Expenses stood at EUR 1,129 million (1,083), up by 4.2% on a year earlier, almost 60% of this growth owing to higher personnel costs. The 4.9% increase in personnel costs resulted from an increase in staff numbers and the payroll bill. The reported higher expenses were also due to integration costs of EUR 15 million recognised for the period. Bonuses paid to owner-members and OP bonus customers rose by 74% to EUR 83 million (48), Impairment losses on receivables increased to EUR 13 million (9), but were still very low.

*Comparatives for 2006 are given in brackets. For income-statement and other aggregated figures, January–December 2006 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures on the previous balance sheet date (31 December 2006) serve as comparatives.

Every business segment within OP-Pohjola Group showed a year-on-year improvement in earnings. Earnings before tax in Banking and Investment Services rose by 10% to EUR 706 million (643) thanks to robust growth in net interest income. Earnings by OP-Pohjola Group's retail banks increased by 18%. Non-life Insurance earnings before tax were EUR 181 million (78), a 130% year-on-year increase. The good result made by Non-Life Insurance was boosted by an increase in insurance premium revenue, net investment income and changes in calculation bases that improved the result by EUR 32 million. Non-life Insurance reported a combined ratio of 92.9% (98.7) and operating combined ratio** of 93.8% (95.5). Earnings before tax from Life Insurance were EUR 129 million (68). The improvement in Life Insurance earnings was mainly the result of a smaller provision made for future supplementary benefits and of an increase in net investment income.

**The combined cost ratio excluding amortisation on intangible assets arising from the Pohjola acquisition and allocated to the business segment without the effect of changes in calculation bases.

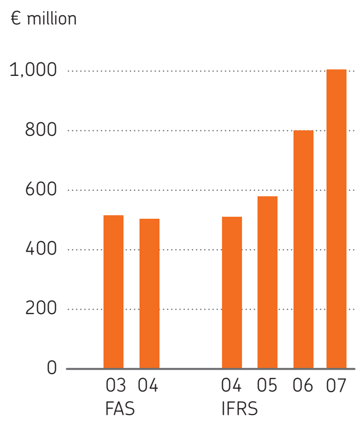
In connection with the Pohjola acquisition, the then OP Bank Group announced that it would seek income and cost synergies of about EUR 91 million by the end of 2010. Results achieved thus far support earlier estimates of the synergy benefits. Decisions made until the end of 2007 resulted in cost savings of almost EUR 45 million, with a further EUR 55 million expected from January 2008 onwards. Revenue synergies achieved to date are estimated to amount to about EUR 25 million per year. Integration costs recognised for the period totalled approximately EUR 15 million. These costs include EUR 10 million in liquidated damages to savings banks recognised for the first quarter, based on an arbitral award issued by the Arbitral Tribunal on 2 April 2007.

Earnings analysis

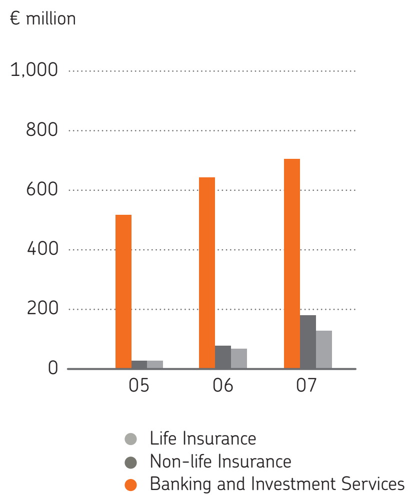
EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change, EUR million*	*Change,%*
Earnings before tax	**1,005**	**800**	**205**	**25.6**
Gross change in fair value reserve	-207	-45	-161	
Earnings before tax at fair value	**798**	**754**	**44**	**5.8**
Return on equity,%	**13.7**	**12.1**		**1.6***
Return on equity at fair value,%	**10.9**	**11.4**		**-0.6***
Total income				
Net interest income	1,048	883	165	18.6
Net income from non-life insurance	427	328	100	30.4
Net income from Life Insurance	172	110	61	55.6
Net commissions and fees	422	396	26	6.5
Net trading and investment income	65	144	-80	-55.1
Other operating income	109	92	17	18.4
Share of associates' profits/losses	3	2	1	45.5
Other income, total	1,198	1,073	125	11.7
Total income	**2,246**	**1,956**	**290**	**14.8**
Expenses				
Personnel costs	553	527	26	4.9
Other administrative expenses	303	290	14	4.7
Other operating expenses	273	267	6	2.2
Total expenses	**1,129**	**1,083**	**45**	**4.2**
Impairment losses on receivables	**13**	**9**	**4**	**44.9**
Returns to owner-members and OP bonus customers				
Bonuses	83	48	35	74.0
Interest on ordinary and supplementary cooperative capital	24	21	3	16.4
Total returns	**107**	**69**	**39**	**56.6**

* Percentage points

Earnings before tax

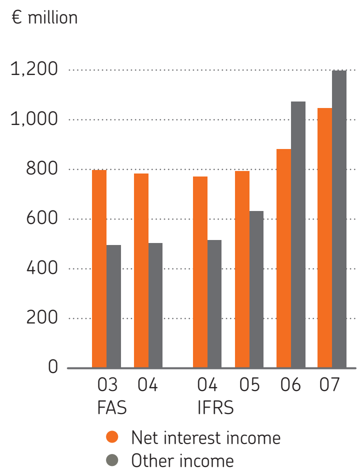


Earnings before tax per business segment

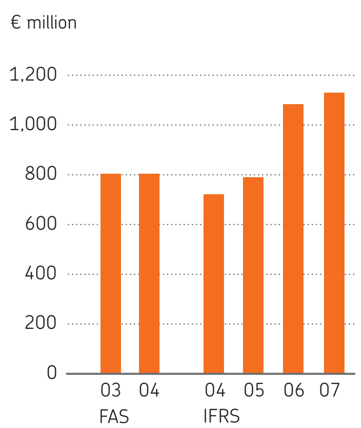


Income statement, main items

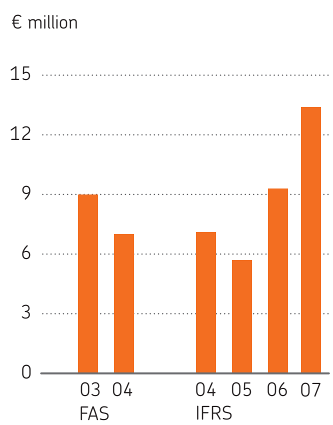
Net interest income and other income



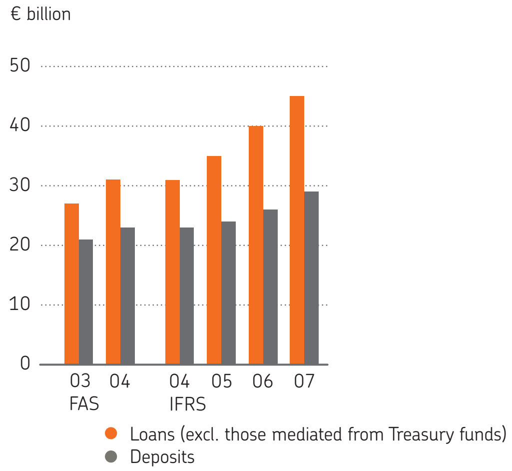
Total expenses



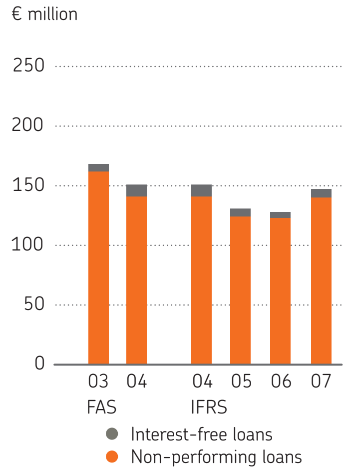
Impairment losses on receivables



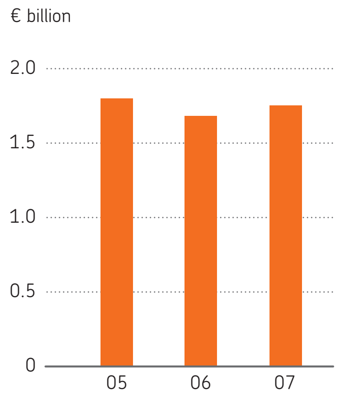
Loans and deposits



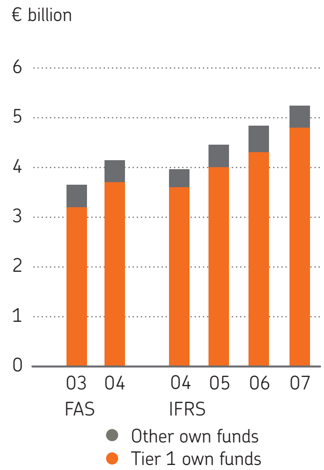
Non-performing loans



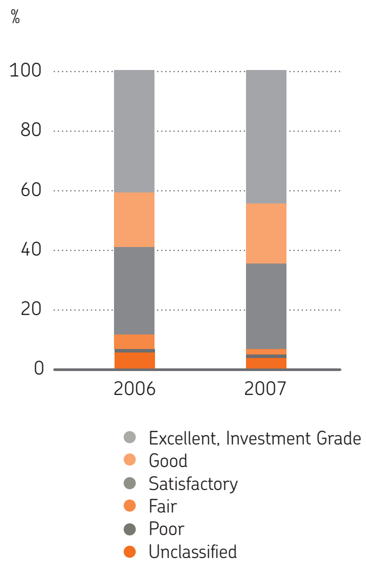
Capital adequacy of financial and insurance conglomerate



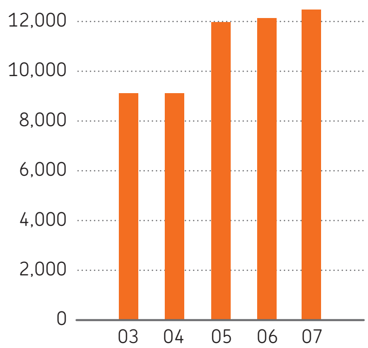
Own funds



Breakdown of corporate exposure by rating



Personnel at year-end



OP-Pohjola Group's total assets amounted to EUR 65.7 (59.5) on 31 December 2007. Total assets saw an increase of 10% since the end of 2006. During the period, receivables from customers increased by 13% to EUR 44.8 billion (39.6), deposits by 13% to EUR 29.0 billion (25.8) and debt securities issued to the public by 4.3% to EUR 14.1 billion. Equity capital increased by 10% to EUR 5.6 billion (5.1).

The fair value reserve adjusted for deferred taxes and included in equity totalled EUR -10 million (144). About half of the decrease in the fair value reserve during the financial year resulted from the sale of equity and notes and bonds and the other half from a dip in the market value of securities. Over half of the decrease in the fair value reserve took place in the last quarter.

On 31 December, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 689 million (696). According to preliminary data, the member banks will pay a total of about EUR 24 million in interest on the ordinary and supplementary cooperative capital for the 2007 financial year. The Annual General Meeting of OKO Bank plc proposes that the company pay a dividend of EUR 0.65 for Series A shares and EUR 0.62 for Series K shares for 2007, which would total EUR 131 million (131).

Key income statement items by quarter

EUR million	Q1	Q2	Q3	2007 Q4	2007	2006	Change %
Net interest income	244	264	263	277	1,048	883	18.6
Net income from Non-life Insurance	94	112	100	121	427	328	30.4
Net income from Life Insurance	48	50	20	54	172	110	55.6
Net commissions and fees	120	102	96	103	422	396	6.5
Other income	51	70	31	24	177	238	-25.8
Total income	558	599	510	580	2,246	1,956	14.8
Personnel costs	140	145	122	146	553	527	4.9
Other administrative expenses	71	76	64	93	303	290	4.6
Other operating expenses	78	70	61	65	273	267	2.1
Total expenses	289	290	247	303	1,129	1,083	4.2
Impairment losses on receivables	1	5	4	4	13	9	44.9
Returns to owner-members	23	26	25	26	99	64	55.2
Earnings before tax	246	278	234	247	1,005	800	25.6

Capital adequacy

Two sets of capital adequacy regulations
Two sets of capital adequacy ratios are calculated for OP-Pohjola Group. OP-Pohjola Group operates in compliance with the Act on Cooperative Banks and other Cooperative Institutions. Owing to 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 calculated according to the regulations for capital adequacy specified in the Credit Institutions Act. The amalgamation of the cooperative banks comprises its central institution (OP Bank Group Central Cooperative), the central institution's member credit institutions and companies belonging to their consolidation groups. Although OP-Pohjola Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them nonetheless have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions. This capital adequacy figure is called the amalgamation of cooperative banks' capital adequacy.

As a result of the Pohjola acquisition, OP-Pohjola Group became a financial and insurance conglomerate, pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate is governed by specific provisions of the capital adequacy requirement.

In view of both capital adequacy requirements, OP-Pohjola Group's risk-bearing capacity is strong.

Capital adequacy of the amalgamation of cooperative banks

Amendments to the Credit Institutions Act pertaining to the capital adequacy reform (Basel II) were adopted in February 2007. The transitional provisions of the Act permit the calculation of capital adequacy in 2007 as set forth in the previously valid regulations. OP-Pohjola Group will make use of the transitional provisions and publish its first capital-adequacy calculation in compliance with the new regulations for March 2008. In its credit risk capital requirement calculation, the Group will phase in the Internal Rating-based Approach (IRBA), with the aim of using this approach for the first credit portfolios in 2008.

On 31 December, OP-Pohjola Group's capital adequacy ratio under the Credit Institutions Act stood at 13.8% (14.3) and Tier 1 capital adequacy ratio at 12.6% (12.7).

December-end Tier 1 capital totalled EUR 4,826 million (4,271). Net profit for the period, less estimated profit distribution, is included in Tier 1 capital. The Arbitral Tribunal's decision on the redemption price of Pohjola Group plc shares increased OP-Pohjola Group's intangible assets by EUR 16 million.

On 31 December, the ratio of hybrid capital to Tier 1 capital was 4.6% (5.3). Tier 1 capital does not include equity capital growth resulting from the IFRS-compliant measurement of pension liabilities and the assets covering them, and from the measurement at fair value of investment property.

The amount of Tier 2 capital fell by 9.4% to EUR 802 million (886). At the end of December, Tier 2 capital was reduced by the fair value reserve that was EUR 10 million in the negative as a result of by unrealized value adjustments. At the end of 2006, the fair value reserve was EUR 144 million in the black. In June, OKO Bank plc prematurely called in a EUR 50-million debenture loan included in upper Tier 2 capital and issued a new GBP 100-million debenture loan included in Tier 2 capital. Tier 2 capital without the fair value reserve grew by 9.6% to EUR 813 million.

On 31 December, investments in insurance companies, deducted from the total Tier 1 and Tier 2 capital, came to EUR 355 million (339). In respect of insurance companies held, the Group deducted as insurance company investments a portion, corresponding to its holding, of these companies' minimum solvency margin. On the basis of the exemptions granted by the Financial Supervision Authority on 6 March 2007 and 24 September 2007, investments by OP-Pohjola Group entities in venture capital funds, administered by OKO Venture Capital, are treated in the capital adequacy calculation in the same way as investments in shares in business or industrial corporations.

Reported risk-weighted commitments grew by 13%, amounting to EUR 38.2 billion (33.7) on 31 December.

During the fourth quarter, OP-Pohjola Group's Tier 1 capital increased by 2.3%, total own funds by 0.2%, and risk-weighted commitments by 2.6%. Capital adequacy calculated with Tier 1 capital remained unchanged.

Amalgamation of cooperative banks' own funds and capital adequacy

EUR million	*31 Dec 2007*	*31 Dec 2006*	*Change, EUR million*	*Change,%*
Own funds				
Equity capital	5,638	5,124	514	10
Cooperative capital, not included in equity capital	571	595	-24	-4
Hybrid capital	224	224	0	0
Intangible assets	-1,070	-1,064	-5	1
Fair value reserve and other reserves	10	-144	154	
Planned profit distribution	-89	-75	-14	19
Other items (incl. excess funding of pension liability and measurment of investment property at fair value)	-458	-388	-70	18
Tier 1 capital	**4,826**	**4,271**	**554**	**13**
Fair value reserve and other reserves	-10	144	-154	
Subordinated liabilities included in upper Tier 2 capital	299	210	89	42
Subordinated liabilities included in lower Tier 2 capital	514	532	-18	-3
Tier 2 capital	**802**	**886**	**-84**	**-9**
Investments in insurance companies	-355	-339	-16	5
Other deduction items	-5	-10	5	-48
Deduction items from combined Tier 1 and Tier 2 capital	**-360**	**-349**	**-11**	**3**
Total own funds	**5,268**	**4,808**	**460**	**10**
Balance sheet risk grouping in capital adequacy calculation (before risk-weighting factors)				
Risk group I (risk weight 0%)	8,220	10,560	-2,340	-22
Risk group V (risk weight 10%)	374	3	371	
Risk group II (risk weight 20%)	2,970	586	2,383	
Risk group III (risk weight 50%)	22,103	19,629	2,474	13
Risk group IV (risk weight 100%)	21,623	18,872	2,752	15
Deduction items from own funds	360	349	11	3
Other items (e.g. insurance assets)	10,065	9,535	530	6
Balance sheet total	**65,716**	**59,535**	**6,181**	**10**
Risk-weighted receivables, investments and off-balance-sheet commitments				
Receivables and investments	33,306	28,804	4,502	16
Off-balance-sheet items	4,328	3,904	424	11
Market risk	611	1,010	-400	-40
Total risk-weighted receivables, investments and off-balance-sheet commitments	**38,245**	**33,718**	**4,527**	**13**
Ratio,%	**13.8**	**14.3**		**-0.5***
Ratio of Tier 1 capital to total risk-weighted assets,%	**12.6**	**12.7**		**0.0***

* Percentage points

OP-Pohjola Group has decided to adopt a method recommended by the Financial Supervision Authority to include insurance company investment in the calculation of capital adequacy as referred to in the Act on Credit Institutions. In the 2007 financial statements, the intangible assets and goodwill still reduced Tier 1 capital in the consolidation of insurance companies. Moreover, the insurance company's minimum solvency margin was deducted from Tier 1 and Tier 2 capital, but from the beginning of 2008, the balance sheet value will be deducted from the company's own funds. Half of the investments will be deducted from Tier 1 capital and the other half from Tier 2 capital, in accordance with the Basel II Capital Accords. This change will reduce the company's own funds by some EUR 380 million, which will lower the capital adequacy ratio by about 0.9 to 12.9%. The amount of Tier 1 capital will not be significantly affected.

Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates
OP-Pohjola Group's capital adequacy pursuant to the Act on the Supervision of Financial and Insurance Conglomerates is calculated using the consolidation method, whereby assets included in own funds but not included in equity capital, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet. Own funds may not include items not available for covering the losses of other companies belonging to the conglomerate.

On 31 December, OP-Pohjola 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 1,753 million (1,682). The conglomerate's good result increased their own capital, with the capital adequacy increasing year-on-year by 4.2%. On 30 September, capital adequacy stood at EUR 1,785 million. On 31 December, the capital adequacy ratio stood at 1.52, which was slightly less than on 31 December 2006.

The insurance companies' equalisation provision has not been included in the financial and insurance conglomerate's own funds. The combined equalisation provision less the non-life and life insurance tax liabilities calculated on 31 December 2007 stood at EUR 256 million. The equalisation provision acts as a buffer for insurance companies in case of years with heavy losses and is therefore part of the financial services group's actual buffer against losses.

Capital adequacy under the Act on the Supervision of Financial and Insurance
CAPITAL ADEQUACY

EUR million	*31 Dec 2007*	*31 Dec 2006*	*Change, EUR million*	*Change,%*
OP-Pohjola Group's equity capital	5,638	5,124	514	10.0
Business segment-specific items	1,607	1,577	31	1.9
Goodwill and intangible assets	-1,116	-1,133	17	-1.5
Items included in equity capital and business segment-specific items, but not included in the conglomerate’s own funds	-985	-883	-102	11.5
Conglomerate’s own funds, total	**5,145**	**4,685**	**460**	**9.8**
Minimum amount of the conglomerate's own funds (= own funds requirement)	3,392	3,002	389	13.0
Conglomerate’s capital adequacy	**1,753**	**1,682**	**71**	**4.2**
Conglomerate’s capital adequacy ratio (own funds / minimum amount of own funds)	**1.52**	**1.56**		**-0.04***

* Change in ratio.

Adoption of new capital adequacy calculation methods

A new Capital Adequacy Directive entered into force in the EU in early 2007. Amendments to the Credit Institutions Act pertaining to the capital adequacy reform were adopted in February 2007. The Ministry of Finance also issued in this connection a decree setting out more detailed provisions concerning capital adequacy calculations. These provisions concerned primarily the use of the national options set out in the directive. In addition, the Financial Supervision Authority issued numerous standards in 2007 concerning capital adequacy calculation and setting out more explicit regulations and instructions on application of the Act. The transitional provision made allowed the calculation of capital adequacy using the old system until the end of 2007.

The new capital adequacy framework permits the calculation of minimum capital requirement using several different methods. The credit risk capital adequacy requirement can be calculated with a standard method based on official parameters or those based on the bank's own credit risk models. The new framework furthermore sets a minimum capital requirement for credit, market and operational risks.

OP-Pohjola Group decided to exercise the transition period option concerning capital adequacy reform, using pre-2007 provisions in the capital adequacy calculations of 2007 and adopting the new provisions as of 1 January 2008. The credit risk capital adequacy requirement will be calculated using the standard method as of 1 January 2008. The Central Cooperative's Executive Board has set a target for OP-Pohjola Group to make a stage-by-stage transition to the internal ratings approach, with the first groups of liabilities calculated by such means during 2008. As to market risks, OP-Pohjola Group will continue to use the standard method. The capital adequacy requirement for operational risks will be calculated using the standard method as of the beginning of 2008, with an objective of adopting the standard method in 2010.

The Central Cooperative will publish information in full required by Pillar III of the capital adequacy framework and the Financial Supervision Authority standards once a year, as part of the financial statements. OP-Pohjola Group's quarterly interim reports consist of a smaller set of capital adequacy data, but nevertheless everything required by the Financial Supervision Authority's standard concerning banks' financial statements. The first such information will be published concerning the situation on 31 March 2008.

The new capital adequacy regulations are expected to reduce OP-Pohjola Group's minimum capital requirements despite the new main requirement concerning operational risks. This is primarily because the home mortgage capital requirement will reduce by 30% when standard methods are adopted. Adoption of an internal ratings-based approach (IRBA) is expected to further reduce OP-Pohjola Group's minimum capital adequacy requirement. The use of internal ratings, however, makes the capital requirement more susceptible to market fluctuations.

The capital adequacy reform causes changes, mostly technical, to the Group's own funds. It is possible that OP-Pohjola Group Mutual Insurance Company will be treated differently in the capital adequacy calculation as of 1 January 2008. This would reduce the Group's own funds in both statutory capital adequacy ratios, but would have no significant impact on the Group's actual risk-bearing capacity.

The capital adequacy provisions concerning insurers are changing (Solvency II) and the current timetable for the introduction of the new system is 2013. Solvency II harmonises capital adequacy provisions in Europe and require insurers to be better prepared against risks. The new capital adequacy provisions permit capital adequacy calculations to be made using company-internal risk management models.

OP-Pohjola Group's insurance companies have prepared for the capital adequacy reform by participating in Solvency II development and by developing internal models in non-life insurance operations. Based on preliminary Solvency II calculations, it can be estimated that the capital adequacy requirement for non-life insurance companies in the standard Solvency II provisions are not materially different from the current national requirements for capital adequacy. However, the differences are more significant in life insurance, because the reform affects both the capital requirement and the solvency capital. The discount of market-rate technical provisions is also expected to affect the duration of fixed-income portfolios.

Finnish insurance companies must conform to a national capital adequacy requirement, which by nature protects against risks. The Insurance Companies Act, due to enter into effect in 2008, will include proactive capital adequacy measures, although with Solvency I formulae.

Capital adequacy management and risk exposure

Capital adequacy management: key objectives, principles and organisation in a nutshell

The purpose of capital adequacy management is to secure the financial services group's risk-bearing capacity and to ensure continuity of operations. OP-Pohjola Group's capital adequacy management consists of reliable management and the organisation of internal control and risk management. Capital adequacy management relies on stress testing concerning financial capital and sufficiency of capital, and also makes use of capital plans and proactive backup plan made in connection with the strategy to protect company capital. Capital adequacy management has been integrated into business control and management and it is carried out at Group level regardless of business area.

OP-Pohjola Group's strategy contains the key risk management principles and the Group's targets for risk-bearing capacity and risk appetite. The Group has a moderate attitude towards risk-taking. The indicator for success in terms of risk-bearing capacity has been set in the strategy as the ratio between non-current own funds and economic capital. The objective is that non-current own funds are always greater than economic capital. The target in terms of risk appetite is that OP-Pohjola Group's net impairment losses on receivables do not exceed 0.25% of the loan and guarantee portfolio.

OP Bank Group Central Cooperative is responsible for Group-level capital adequacy management and for ensuring that the Group's risk management system is sufficient and kept up to date. The Central Cooperative issues Group entities with guidelines for ensuring risk management and supervises the operation of the entities. Entities belonging to the financial services group are responsible for their own capital adequacy management in accordance with the nature and extent of their operations.

OP-Pohjola Group's risk limit system plays a key role in the Group's risk management. The Central Cooperative's Supervisory Board sets limits for risk-bearing capacity and credit and market risks and based on OP-Pohjola Group's risk limits, the Central Cooperative and its subsidiaries adjust their own risk limit systems. The Group's risk limit system is also used to determine the supervision limits concerning Group member banks (including Helsinki OP Bank Plc), and any control and supervision of the member banks by the Central Cooperative is based on this supervision limit system. The member banks are put into different risk categories depending on how many times and under what conditions the limits have been exceeded and the Group member banks set themselves stricter risk limits than the supervision limits imposed by the Central Cooperative.

OP-Pohjola Group’s risk exposure

Risk-bearing capacity
The indicator for OP-Pohjola Group's risk-bearing capacity is the ratio of own funds to the minimum amount of own funds referred to in the Act on the Supervision of Financial and Insurance Conglomerates. The risk limit for this capital adequacy ratio is 1.2, while the legal requirement is 1. On 31 December 2007, the ratio was 1.52 (1.56 on 31 December 2006). On 31 December 2007, OP-Pohjola Group's own funds were EUR 1,074 million (1,082) more than required by the internal risk limit and EUR 1,753 (1,682) million more than the limit required by law. The high risk-bearing capacity acts as a buffer against unexpected losses and paves the way for business growth.

OP-Pohjola Group's risk limits

Risk-bearing capacity	2006	2007	Risk limit
Capital adequacy ratio, % (Act on the Supervision of Financial and Insurance Conglomerates)	1.56	1.52	1.20
Credit risks			
Largest single customer risk/own funds, %	6.6	7.0	15.0
Total of large customer risks/own funds, %	0.0	0.0	100.0
Sectoral risk/own funds, %	44.3	41.5	50.0
Non-performing receivables/loan and guarantee portfolio, %	0.31	0.31	2.0
Market risks			
Funding risk, cumulative financing position/total assets of banking operations, %			
≤ 12 months	-38.4	-39.7	-50.0
≤ 3 years	-27.0	-27.3	-40.0
≤ 5 years	-21.5	-20.2	-30.0
Liquidity reserve/total assets of banking operations, %	10.4	10.3	6.0
Interest rate risk* /economic capital, %	0.1	0.7	+/-10
Currency risk** /economic capital, %	8.8	8.7	20.0
Equity risk*** /economic capital, %	31.0	30.1	50.0
Capital invested in properties/economic capital, %	38.9	34.1	70.0

*) 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

Effects of market disruption on OP-Pohjola Group

The US subprime mortgage loans caused a serious market disruption in the latter half of 2007, quickly affecting international financial markets where credit risk margins for debt instruments rose sharply. This growing uncertainty also affected bank funding, which was reflected eg in an exceptional rise in short-term Euribor rates in relation to government bonds. Market unrest also spread to stock prices, which plummeted towards the end of the year.

Before granting home mortgage, OP-Pohjola Group's policy is to make a careful assessment on the customer's ability to pay back the loan, far removed from the practice in the US. The Group's home mortgage portfolio does not include credit with such risks as the US subprime loans.

OP-Pohjola Group does not have direct subprime investments and the Group's indirect risk on the subprime market is very limited, and the value change of these indirect subprime investments is less than 0.01 percentage points on capital adequacy as defined in the Act on Supervision of Financial and Insurance Conglomerates. On 31 December, this capital adequacy stood at 1.52.

As credit risk margins have generally widened, wholesale funding costs have also increased throughout the banking sector. The greater uncertainty in financial markets has not had any effect on the availability of the Group's central bank, OKO Bank's, short-term or long-term funding, and

OKO Bank's and the Group's liquidity position has remained strong. The Group and its central bank have high credit ratings and a good liquidity position and a distributed funding base with an emphasis on deposits, which is why the market disruption has had no major effect on the Group's funding expenses.

Credit risks

OP-Pohjola Group's banking loan and guarantee portfolio stood at EUR 47.2 billion (41.8), or 13% higher year on year. Of the EUR 5.3 billion increase in the loan and guarantee portfolio, EUR 3.2 billion was accounted for by households and EUR 1.9 billion by companies and housing associations. In 2007, home mortgages increased by 14% to EUR, 21.5 billion, accounting for 46% (45%) by year-end of the Group's total loan and guarantee portfolio. Households accounted for 65% (65) and companies and housing associations 32% (31) of the entire loan and guarantee portfolio.

OP-Pohjola Group's loan and guarantee portfolio is diversified. At the end of 2007, the largest single counterparty-related customer risk accounted for 7.0% (6.6%) of the Group's own funds. The limit for an individual customer risk is 15%. The Group's largest industry risk concentration arises from real estate operations, for which total liabilities were EUR 2.2 billion, or 41.5% of own funds. The internal industry risk limit has been set at 50% of the Group's own funds.

In 2007 risk management emphasised improvements to the system of categorising corporate customers. The Group's corporate loan categorisation encompasses almost all company customers. By the end of 2007, 96% of the liabilities of these customers had been categorised, with 46% of the categorised liabilities placed under "investment grade" and 21% in the next-best category (equivalent to S&P BB) vis-à-vis 43% and 21% reported a year ago. The amount of liabilities with repayment irregularities reduced somewhat.

On 31 December 2007, OP-Pohjola Group's non-performing and zero-interest receivables came to EUR 147 million, up by 15% on the previous year. Non-performing and zero-interest loans are stated net of impairment losses on specific receivables and groups of receivables, which amounted to EUR 87 million (91). The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.3% (the same as in 2006) and 1.7 percentage points below the risk limit defined, 2.0%. Impairment losses on receivables remained low at a gross amount of EUR 42 million in 2007, which is 0.09% of the loan and guarantee portfolio.

The Group's credit risk status is also stable, and credit risks have remained low. This positive view is supported by the individual credit decisions made by the loan portfolio insurance and credit risk committees and by loan portfolio analyses and reports. The small amount of non-performing and other doubtful receivables combined with the risk analysis results provides further proof of the high quality of the loan portfolio.

Loan and guarantee portfolio by sector

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %	Non-performing and zero-interest rate loans EUR million 31 Dec. 2007	Non-performing and zero-interest rate loans % of loan and guarantee portfolio
Non-banking corporate sector and housing corporations	14,910	12,975	15	54	0.4%
Industry	3,158	2,970	6	11	0.4%
Construction	1,312	1,161	13	5	0.4%
Trade and catering	2,098	1,685	24	11	0.5%
Property investment	3,375	2,905	16	13	0.4%
Other companies	3,537	2,960	19	12	0.3%
Housing corporations	1,430	1,294	10	2	0.1%
Finance and insurance	55	77	-28	0	0.0%
Public corporations and non-profit organisations	865	774	12	1	0.1%
Households	30,593	27,392	12	92	0.3%
Home mortgages	21,547	18,953	14	47	0.2%
Foreign	809	704	15	0	0.0%
Total	47,174	41,826	13	147	0.3%

Market risks

Events in the investment market in the autumn of 2007 increased deposits and slowed down loan portfolio growth. The amount of wholesale funding at market conditions and its share of total funding remained at 2006 levels. OP-Pohjola Group introduced a new funding channel in June 2007 when OP Mortgage Bank issued a covered bond with a capital of EUR 1 billion. The risk limit measure for the Group’s bank operation's funding risk was the ratio, calculated cumulatively up to the reporting check date, of the difference of maturing receivables and liabilities to the balance sheet total in periods of a maximum of one, three and five years. At the end of the year the key ratios for the risk position were substantially better than the risk limits. The share of deposit funding within total assets and the product breakdown of deposits were followed by means of other indicators.

In the risk limit system, the interest risk indicator has been defined as a 1.0 percentage point interest rate increase to the current value of the interest rate risk position. The market risk control of the risk limit system also includes the insurance business. In the risk limit indicator, the interest rate is adjusted in proportion to the Group's economic capital. On 31 December 2007 it stood at 0.7% (0.1). OP-Pohjola Group's interest risk must remain within its risk limits, ± 10%. The banking operations interest rate risk can be considered reasonable, affecting the structural interest rate risk of retail banking operations, which is basically caused by the fact that the average re-pricing delay of lending is shorter that that of deposits.

On 31 December 2007, the market value of OP-Pohjola Group’s publicly quoted shares and mutual fund units totalled EUR 1,128 million (1,037). Share and mutual fund investments were 60% of the maximum interest rate risk. The indicator for currency risk is the ratio of the overall net currency position to economic capital. The interest rate risk was clearly less than half of the maximum interest rate risk.

Property holdings tied up in banking operations decreased further. At year-end, property holdings tied up in banking operations was EUR 1.3 billion, down by EUR 21 million year-on-year. The market value of property investment made by the insurance companies stood at EUR 316 million

(289) and this type of investment is expected to increase as life and non-life insurance operations increase. The property risk was less than half of the maximum permitted.

Non-life Insurance
On 31 December 2007, non-life Insurance solvency capital stood at EUR 613 million (592), accounting for 72% (75) of insurance premium revenue. As a result of internal dividend distribution decisions and the repayment of a subordinated loan, its capitalisation came closer to the target level of 70%. The credit rating target for non-life insurance is set at 'A'. Standard & Poors has given Pohjola Non-life Insurance a credit rating of A+ (December 2007).

The reinsurance of Non-life Insurance is managed on a centralised basis. Retention in risk-specific reinsurance is a maximum of EUR 5 million and that in catastrophe reinsurance EUR 5 million. The capacity of catastrophe insurance covering loss accumulation stands at EUR 80 million.

Normal fluctuation of business operations is reflected in changes in earnings and own capital. The number and size of claims vary annually. The year-on-year variation in earnings generated by the insurance business is, to a large extent, explained by the claims incurred due to major losses. In 2007, Non-life Insurance recorded 9 (11) major losses in excess of EUR 2 million, whose net claims incurred totalled EUR 28 million (35), and claims incurred retained for own account, due to major and medium-sized losses (in excess of EUR 0.1 million), came to EUR 97 million (85).

A large part of Non-life Insurance contract liabilities consists of annuities affected by estimated mortality, the inflation rate and the discount rate used. A one-year increase in the average life expectancy increases technical provisions by about EUR 29 million (28).

The investment assets of Non-life Insurance totalled EUR 2.5 billion (2.5) at the end of 2007, with fixed-income investments as the largest asset class. Fixed-income investment accounted for 69% (72) of the investment assets. The average credit rating of the Non-life Insurance fixed-income portfolio was S&P's AA (AA). Fixed-income investments below the 'investment grade' accounted for less than 6.6% (9.6) of the fixed-income portfolio, with equities accounting for 16% (17) of the entire investment portfolio, property for 5% (4) and alternative investments for 7% (3). The total net foreign currency exposure of non-life insurance was slightly over 1% (1) of investment assets. Investment asset profits came to 4.8% (5.2).

The fixed-income portfolio does not contain any direct or indirect investments related to subprime mortgage loans. On 31 December 2007, the average maturity of the fixed-income portfolio was 3.8 years (4.8) and the current interest rate 4.8% (4.2). Annuity-type insurance contract liabilities of EUR 1,244 million (1,205) with a duration of 11.7 years (12.0), were discounted using a 3.5% interest rate (3.3), while the remaining insurance contract liabilities, EUR 712 million (682), were undiscounted, with a duration of 2.2 years (2.0).

Life Insurance

The most significant risks in life insurance operations are associated with investments. Specific risk management instructions and operating policies have been laid down for the risk management of investment operations. An investment plan is made annually to determine the financial targets and to set quantitative and qualitative limits.

The life insurance investment assets came to EUR 4.2 billion (4.1) at the end of 2007. Fixed-income instruments accounted for 64% (70) of the investment assets, with a significant part of the fixed-income investments in fixed income funds. 82% (81) of bonds were in the 'investment grade', with equities accounting for 17% (15) of all the investment assets, property for 5% (4) and alternative investments for 14% (11). The life insurance total net foreign currency exposure was slightly over 6% (7) of investment assets. Investment asset profits came to 2.6% (4.3).

The average credit rating for a fixed-income portfolio was AA (AA) and fixed-income investments under the 'investment grade' were approximately 18% (19) of the fixed-income portfolio. Only a small percentage of the fixed-income portfolio consists of indirect investments related to subprime mortgage loans.

Increased money market uncertainty in the second half of the year broadened widened credit spreads thereby reducing the fixed-income portfolio's fair value and profits from it. The average duration of the fixed-income portfolio was 5.4 years (5.0).

Pension entities

The investment operations of OP-Pohjola Group's pension entities (OP Bank Group Pension Fund and OP Bank Group Pension Foundation) involve market risks. The pension entities have high risk-bearing capacity, which has enabled them to invest – more than other entities in the Group – in equity and other equity instruments. The pension entities are not consolidated into OP-Pohjola Group's financial statements.

Operational risks and trials

Financial losses caused by operational risks were small, and almost all losses were related to the operating process or its control.

The biggest dispute that is still pending concerns the redemption price of Pohjola Group plc shares.

The key factor in OP-Pohjola Group's compliance activities is to ensure that the principles of good corporate governance are followed in all business operations. Instructions and guidelines were prepared for Group member banks on good corporate governance. Towards the end of the year it was ensured that the law amendments that entered into force on 1 November 2007 concerning the provision of investment services (MiFID) were adhered to, with changes made to operating procedures. The preparation of legislation to tackle money laundering and terrorism was postponed into 2008, but OP-Pohjola Group began its own preparations already in 2007.

Credit ratings

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

Credit ratings at the end of December 2007 were as follows:

Rating agency	*Short-term debt*	*Long-term debt*
Fitch Rating (OP-Pohjola Group and OKO Bank plc)	F1+	AA-
Standard & Poor's (OKO Bank)	A-1+	AA-
Moody's (OKO Bank)	P-1	Aa1

All of the credit rating agencies have confirmed a stable rating outlook for OKO Bank.

OP-Pohjola Group's long-term financial targets

OP-Pohjola Group's business strategy adopted in June 2006 describes the Group's long-term financial targets set for risk-bearing capacity, profitability, risk appetite and efficiency. During the reporting period, OP-Pohjola Group outperformed all its long-term financial performance targets. The risk appetite indicator fell somewhat, but all other long-term indicators improved on the previous year.

Long-term performance indicators

	Indicator	**Target**	**31 Dec 2007**	**31 Dec 2006**
Risk-bearing capacity	Non-current own funds/economic capital	At least 1.0	1.14	1.10
	Indicator	**Target**	**Jan–Dec 2007**	**Jan–Dec 2006**
Profitability	Return on economic capital	Minimum of 17%	22.5%	20.1%
Risk appetite	Impairment losses on receivables/ loan and guarantee portfolio	Maximum of 0.25%	0.03%	0.02%
Efficiency (Banking and Investment Services)	Cost/income	Maximum of 50%	49%	52%

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include 229 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.

At the end of February, Pyhännän Osuuspankki merged with Oulun Osuuspankki. Miettilän Osuuspankki merged with Simpeleen Osuuspankki and Ruhtinansalmen Osuuspankki with Suomussalmen Osuuspankki in September.

OKO Bank has sold its ZAO OKO Capital Vostok shares to Swedbank of Sweden. OKO Bank made an agreement with Kesko Corporation on the acquisition of the share capital of K-rahoitus, Kesko's fully owned subsidiary. The deal was completed in January 2008 once official permits have been obtained.

On 19 April 2007, OKO savings banks which had a majority shareholding in Nooa Savings Bank Ltd acquired the shareholding of OKO Bank in Nooa Savings Bank at a redemption price of EUR 6.3 million. OKO Bank had a 25% shareholding in Nooa Savings Bank. This share disposal had no material impact on earnings.

Owner-members and customers

The cooperative member banks had 1,202,000 owner-members at the end of December, or 39,000 more than a year earlier. Group member banks and Helsinki OP Bank plc, which operates in the Greater Helsinki area, had a total of 984,000 OP bonus customers at the end of December.

Loyal customer bonuses earned by OP bonus customers totalled EUR 83 million, up by 74% on the previous year, this growth stemming particularly from the 50% increase in the value of accumulated bonuses as of early February 2007. Bonuses earned by owner-members are stated in OP-Pohjola Group's income statement under 'Returns to owner-members'. OP bonus customers used a total of EUR 49 million (36) in bonuses for banking services between January and December, and using bonuses to pay Pohjola's non-life insurance products has also been possible since September 2007. In March 2007, most of the member banks and Helsinki OP Bank plc decided to offer OP bonus customers a new loyal customer price benefit for daily transactions.

The entire OP-Pohjola Group had 4,086,000 customers in Finland at the end of December, or 40,000 more than a year earlier. In addition, OP-Pohjola Group has an approximate total of 200,000 non-life insurance customers in the Baltic countries. In the year to December, the number of joint banking and non-life insurance customers increased by 94,000 to 898,000 as a result of cross-selling. OP-Pohjola Group aims at increasing the number of joint customers to one million by the end of 2008.

The number of Pohjola's loyal customer households increased by 34,000 in the year to December. On 31 December, loyal customer households numbered 355,000.

Redemption of Pohjola Group plc shares

On 2 May 2007, the Arbitral Tribunal appointed by the Central Chamber of Commerce decided to set the redemption price of Pohjola Group plc shares at EUR 14.35 per share. The per-share redemption price set by the Tribunal is EUR 1.00 higher than the EUR 13.35 bid by OKO Bank. By the end of December 2007, OKO had agreed with some 1,200 Pohjola Group plc's (Pohjola) former minority shareholders that the redemption price of EUR 14.35, based on the arbitral award, would remain final. These shareholders represent around 11.8 million shares, accounting for roughly 77.5% of all of the disputed Pohjola shares held by minority shareholders. In other respects, the case of the redemption price of Pohjola shares is still pending at the Helsinki District Court, the dispute over setting the redemption price involving about 3.5 million Pohjola shares.

The arbitral award will have no material effect on profit performance. During the second quarter, OP-Pohjola Group recognised the resulting additional share price as an addition under acquisition cost.

Personnel and incentive system

On 31 December, OP-Pohjola Group had a staff of 12,471, or 332 more than on 31 December 2006. About 94% of OP-Pohjola Group's personnel are members in the Group's Personnel Fund. A management incentive scheme is also used alongside OP Personnel Fund.

Central Cooperative's corporate governance

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 heading the financial and insurance conglomerate formed by OP-Pohjola Group. Acting as a development and service centre for OP-Pohjola Group and as a strategic owner institution, the Central Cooperative plays a pivotal role in developing and steering OP-Pohjola Group's business.

OP Bank Group Central Cooperative's Annual Cooperative Meeting of 27 March 2007 re-elected the following members due to resign to the Cooperative's Supervisory Board: Mr Bo Storsjö, Mr Ola Eklund, Mr Paavo Haapakoski, Mr Tapio Kurki and Mr Keijo Väänänen. The new members elected were Mr Pekka Ahvenjärvi, Mr Olli Lehtilä and Mr Harri Sailas. The Supervisory Board has a total of 36 members.

At its first meeting following election, the Supervisory Board re-elected Mr Seppo Penttinen Chairman and Mr Paavo Haapakoski and Mr Jukka Hulkkonen Vice Chairmen.

The Supervisory Board issued a recommendation in June on good management practices for Group member banks and redefined OP-Pohjola Group's business strategy to enable it to engage in business operations in neighbouring regions too.

Based on competitive tendering, OP Bank Group Central Cooperative's Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, the auditor of OP Bank Group Central Cooperative and OP-Pohjola Group for the financial year 2007.

Executive Chairman's contract

The Executive Chairman was paid EUR 708,543 in salary and performance bonus and EUR 32,064 in fringe benefits, or a total of EUR 740,607 in 2007. The Executive Chairman is involved in a long-term share-based reward system whereby he will receive 6,093 OKO Bank's Series A shares in 2008 and 6,772 in 2009. The number of shares determined for 2007 and allocated for 2010 have not been confirmed yet. The above numbers of shares are calculated gross numbers which will be reduced depending on the recipient's income withholding tax rate.

The Executive Chairman's pension age has been agreed at 62 years. The pension benefits are determined in accordance with pension legislation and OP Pohjola Group’s own pension plans. The period of notice for both the Executive Chairman and the employer is 6 months, during which the Executive Chairman will receive his salary in addition to a severance pay equivalent to a 12-month salary.

Capital expenditure

The Central Cooperative, together with its subsidiaries, is responsible for developing OP-Pohjola Group's service activities. ICT investments and related specifications make up a significant portion of costs of developing these service activities. The Central Cooperative's service development expenses totalled some EUR 76 million in 2007, of which EUR 37 million was capitalised in the balance sheet under ICT procurement. EUR 29 million were allocated to banking and investment operations and EUR 8 million to non-life insurance operations.

As a result of the abovementioned arbitral award, the purchase price of Pohjola Group plc shares rose by EUR 16 million during the financial year.

Prospects for 2008

Development of the financial sector's operating environment has for many year contributed to better growth and results. In 2008, uncertainty and instability in the sector may slow down growth and weaken results.

OP-Pohjola Group still aims to grow faster than the markets. 2008 earnings before tax are expected to fall below the record figures of 2007.

All forward-looking statements in this report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future financial performance of OP-Pohjola Group and its various functions, and actual results may differ materially from those expressed in the forward-looking statements.

Operations and earnings by business segment

OP-Pohjola Group's business segments are Banking and Investment Services, Non-life Insurance and Life Insurance. Non-segment operations are presented in 'Other Operations'. OP-Pohjola Group's segment reporting is based on accounting policies applied in its financial statements. Amortisation on intangible assets arising from the Pohjola acquisition is allocated to the business segments.

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

The Non-life Insurance segment encompasses the operations of OP-Pohjola Group's non-life insurance companies, i.e. Pohjola Non-Life Insurance Company Ltd***, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies operating in the Baltic countries, as well as the operations of service companies supporting non-life insurance.

The Life Insurance segment comprises the Group's life and pension insurance business, whose operations have been managed by OP Life Assurance Company Ltd on a centralised basis since the beginning of the year.

Non-segment operations comprise the corporate administration of OP Bank Group Central Cooperative, FD Finanssidata Oy (FD) and OKO Bank Group. Costs of the services which the Central Cooperative and FD provide for the business segments are allocated to the segments in the form of internal service charges.

Summary of performance by business segment, January–December 2007

EUR million	*Total income*	*Expenses*	*Impairment losses on receivables*	*Other items*	*Earnings before tax 2007*	*Earnings before tax 2006*
Banking and Investment Services	1,611	792	13	-99	706	643
Non-life Insurance	472	291	0	0	181	78
Life Insurance	189	61	0	0	129	68
Other operations	292	303	0	0	-11	11
Eliminations	-311	-311	0	0	0	0
Total	**2,253**	**1,136**	**13**	**-99**	**1,005**	**800**

* Pohjola Corporate Finance Ltd as of 1 March 2008
** Pohjola Capital Partners Ltd as of 1 March 2008
*** Pohjola Insurance Ltd as of 1 March 2008

Banking and Investment Services

The operating fundamentals for Banking and Investment Services remained good throughout the reporting period. OP-Pohjola Group's strong market position remained stable despite the tight competition.

Loans and deposits

OP-Pohjola Group's loan portfolio at the end of December stood at EUR 44.8 billion (39.6), and the guarantee portfolio totalled EUR 2.4 billion (2.2). Loan portfolio grew by 13% (14) in 2007. The loan portfolio's market share did not change from last year's figure, 31.1%.

The portfolio of home mortgages at the end of December amounted to EUR 21.5 billion (18.9). Growth in home mortgages came to 14%, which was fast, although somewhat down on the previous year's 15%. The December-end market share of home mortgages was 34.8%, or 0.4 percentage points higher than a year earlier. The average margin on new home mortgages fell further. The average margin on new variable rate home mortgages was less than 0.1 percentage points lower than a year ago and margins began to grow smaller at a slower rate, almost drawing to a halt in the last quarter. Every new home mortgage out of five taken out in 2007 had an interest-rate cap. Fixed-rate home mortgages accounted for a very low share of all home mortgages, or 0.7% (0.6).

On 31 December, the consumer credit portfolio amounted to EUR 3.3 billion (2.8), showing an increase of 10% during the financial year.

On 31 December, OP-Pohjola Group customers had 1.6 million (1.4) international OP-Visa and OP-MasterCard cards. May saw the beginning of cooperation between OP-Pohjola Group and K-Group in the integration of both Group's cards. By the end of December, the number of cards combining K-Group's Plussa with OP-Visa or OP-Visa Electron cards totalled almost 380,000. OP-Pohjola Group also provides a credit facility for K-Plussa MasterCard cards offered by K-Group to its customers.

On 31 December, OP-Pohjola Group's deposits totalled EUR 29 billion (25.8), or 13% higher than a year ago. The growth took place mainly in investment deposits, which grew by 28% to EUR 14 billion (10.9). The market share of deposits was 32.3% at the end of December, or 0.4 percentage points lower than a year earlier.

The Group's December-end corporate loan portfolio stood at EUR 11.3 billion (9.7), growing by 16% during the financial year, and the guarantee portfolio totalled EUR 2.1 billion (1.9). The market share of corporate loans was 25.7% at the end of December, or 0.1 percentage points higher than a year earlier.

Asset Management

Capital invested in OP-Pohjola Group's mutual funds grew by 6.0% to EUR 14.1 billion (13.3) during the financial year. Owing to the challenging market situation, fund capital fell by 5.2% in the last quarter. OP-Pohjola Group's market share of the capital of mutual funds registered in Finland was 21.4 per cent on 31 December, down 0.4 percentage points on the year-ago figure. Net subscriptions to OP-Pohjola Group's mutual funds totalled EUR 595 million (2,392), down by 75% on the previous year.

On 31 December, assets managed by OKO Bank's asset management were worth EUR 31.3 billion (31.3), EUR 13.1 billion (12.4) of which was invested in OP-Pohjola Group's mutual funds. OP-Pohjola Group companies account for EUR 7 billion of assets managed by OKO Bank.

Assets managed in accordance with the OP-Private operating model totalled EUR 2.9 billion. Stockbroking for households totalled 566,000 trades during the period, or 21% more than a year earlier.

Earnings and risk exposure

Banking and Investment Services recorded earnings of EUR 706 million before tax, up by 10% on a year earlier. Earnings before tax for the fourth quarter were EUR 161 million (169), a decrease of 5% on the year-ago figure. A 74% increase in bonuses granted to OP bonus customers and write-downs from the liquidity reserve totalling EUR 57 million put a break on earnings growth. 2007 bonuses totalled EUR 83 million.

The earnings improvement was based on strong income growth. Net interest income increased by 16% to EUR 1,038 million and net commissions and fees by 12% to EUR 451 million, this net interest income increase stemming from higher market rates and business growth. Personnel costs rose by 5% while other expenses declined by 1%. Reported impairment losses on receivables totalled EUR 13 million (9). The cost/income ratio stood at 49% (52).

The Group's non-performing and zero-interest receivables remained at low levels, totalling EUR 147 million on 31 December, or 15% more 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 87 million (91). The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.3, the same as a year ago.

Banking and Investment Services: key figures

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Net interest income	1,038	899	15.5
Impairment losses on receivables	13	9	54.1
Other income	573	596	-3.8
Personnel costs	349	334	4.7
Other expenses	443	446	-0.6
Returns to owner-members	99	64	55.2
Earnings/loss before tax	**706**	**643**	**9.9**

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Home mortgages drawn down	7,226	6,856	5.4
Corporate loans drawn down	6,797	5,098	33.3
Net subscriptions to mutual funds	595	2,392	- 75.1
No. of brokered property transactions	16,263	16,031	1.4

EUR billion	*31 Dec 2007*	*31 Dec 2006*	*Change,%*
Loan portfolio			
Home mortgages	22	19	13.7
Other loans to households	9	8	7.4
Corporate loans	11	10	16.0
Other loans	3	3	16.0
Total	**45**	**40**	13.1
Guarantee portfolio	2.4	2.2	7.5
Deposits			
Total current and payment transfer			
Households	10	10	-2.9
Companies	3	3	12.0
Others	2	2	8.3
Total current and payment transfer Total	15	15	1.1
Investment deposits	14	11	28.3
Total deposits	**29**	**26**	**12.6**
Mutual funds			
Equity and hedge funds	4.2	4.4	-5.5
Balanced funds	2.1	2.1	0.5
Bond funds	3.9	3.5	12.0
Money market funds	4.0	3.3	18.5
Total value of mutual funds	**14.1**	**13.3**	**6.0**

Market shares,%	*31 Dec 2007*	*31 Dec 2006*	Change, percentage point
Of total loans	31.1	31.1	0.0
Of home mortgages	34.8	34.4	0.4
Of corporate loans	25.7	25.8	-0.1
Of total deposits	32.3	32.7	-0.4
Of capital invested in mutual funds	21.4	21.8	-0.4
EUR million			
non-performing and zero-interest loans			Change,%
Households	92	78	17.6
Non-banking corporate sector	52	47	11.6
Condominiums and others	3	3	10.4
Non-performing and zero-interest receivables, total	**147**	**128**	**15.3**
Non-performing and zero-interest receivables within loan and guarantee portfolio,%	0.3	0.3	0.0*

* Percentage points

Non-life Insurance

On 31 December, the number of loyal customer households within the Non-life Insurance segment totalled 355,000, up by 34,000 from the end of 2006 and since early May, insurance taken out with Pohjola has generated bonus points for customers within K-Group's Plussa loyal customer programme.

In November OP-Pohjola Group expanded its loyal customer benefits, related to the Pohjola integration, in such a way that customers can also use OP bonuses earned through banking transactions to pay Pohjola insurance premiums. This represents a major benefit to the almost 900,000 OP-Pohjola loyal customers who have concentrated their purchases of banking and insurance services and around 580,000 of them can now pay their insurance premiums using OP bonuses. An estimated ten per cent of these customers are able to pay all their insurance premiums by using bonuses.

Insurance premium revenue grew by 7.9% to EUR 850 million (788). Insurance premium revenue from private customers grew by 12% to EUR 345 million (308) and revenue from corporate customers by 3.6% to EUR 449 million (434).The disposal of the marine hull insurance portfolio cut insurance premium revenue by EUR 6 million. Insurance premium revenue from private customers was increased by cooperation with OP-Pohjola and the renewed service offering. At year-end, non-life insurance services were available from 295 outlets, 279 of which also provided banking services. Premium revenue generated by the Baltic business increased by 19% to EUR 56 million (47).

Pohjola's market share of premiums written in non-life insurance in 2007 is estimated at about 27%, against 26% a year earlier.

<u>Earnings and risk exposure</u>
The Non-life Insurance segment earnings before tax were EUR 181 million (78) and fourth-quarter earnings before tax EUR 56 million (20), this improvement being largely based on higher net investment income. Net investment income recognised under earnings came to EUR 160 million (115), or EUR 45 million higher year on year. Net investment income at fair value was EUR 121 million (132). The calculation of balance on technical account changed, too, including a rise of the discount rate from 3.3% to 3.5%, reducing provisions for previous years by a total of EUR 32 million in net terms while improving the balance on technical account.

Insurance premium revenue came to EUR 850 million (788).Claims incurred (excl. loss adjustment expenses) amounted to EUR 536 million, unchanged from the year before. Stripping out the amortisation on intangible assets arising from the Pohjola transaction, operating expenses and loss adjustment expenses totalled EUR 228 million (216), an increase of 6% on the figure a year earlier. Operating expenses amounted to EUR 182 million (172) and loss adjustment expenses to EUR 46 million (44). Capital gains of EUR 6 million were created as a result of the sale of the marine hull insurance portfolio.

The combined ratio for the financial year was 92.9% (98.7). The operating combined ratio was 93.8% (95.5). Losses accounted for 67.2% (68.1) and the ratio of operating expenses to loss adjustment expenses was 26.6% (27.4).

The number of major losses of over EUR 2 million retained for own account during the reporting period was 9 (11).Non-life Insurance recorded 221 (189) large or medium-sized losses (in excess of EUR 0.1 million) in 2007, accounting for EUR 97 million (85) of claims incurred. Although the upward trend in motor liability and motor vehicle insurance claims levelled off during the fourth quarter, the number of road accidents in 2007 increased over the previous year. The upward trend in the economy was also reflected in a sharp increase in claims incurred under traveller's insurance.

In Non-life Insurance, the fair value of investments was EUR 2.5 billion (2.5). Return on these investments at fair value was 4.8% (5.2).

Non-life Insurance: key figures

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Insurance premium revenue	850	788	7.9
Insurance claims and benefits	536	536	0.1
Net investment income	160	115	39.3
Unwinding of discount and other items included in net income	-39	-36	9.2
Net income from Non-life Insurance	**435**	**332**	**31.2**
Other income	37	24	49.7
Personnel costs	103	99	4.5
Other expenses	188	179	5.0
Earnings/loss before tax	**181**	**78**	**130.3**
Gross change in fair value reserve	-39	18	0
Earnings before tax at fair value	**142**	**96**	**47.1**

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Insurance premium revenue			
Private customers	345	308	12.1
Corporate customers	449	434	3.6
Baltic countries	56	47	19.4
Total insurance premium revenue	**850**	**788**	**7.9**
EUR billion	*31 Dec 2007*	*31 Dec 2006*	*Change,%*
Insurance contract liabilities			
Discounted insurance contract liabilities	1.3	1.2	2.6
Other insurance contract liabilities	0.8	0.7	2.2
Total	**2.0**	**2.0**	**6.2**
Investment portfolio			
Bonds	1.7	1.8	-4.2
Money market instruments	0.1	0.1	-26.1
Equities	0.4	0.4	-4.0
Investment property	0.1	0.1	29.0
Alternative investments	0.2	0.1	116.1
Total	**2.5**	**2.5**	**0.8**

Life Insurance

Premiums written in 2007 in the domestic life insurance market were almost 9% lower than a year ago due to a fall in premiums written in capital redemption contracts and endowment insurance.

Year on year, OP-Pohjola Group’s premiums written in life and pension insurance decreased by 7.3% to EUR 794 million (857). Despite this reduction, OP-Pohjola Group increased its market share in premiums written in life insurance, as evidenced by the market share rising by 2.4 percentage points to 30.8% year on year. Premiums written in endowment insurance declined by 16.6%. Premiums written in pension insurance grew by 17.5%, with those written in personal pension insurance increasing by 7.3%. Premiums written in unit-linked policies accounted for 65.7% of those written in endowment insurance and personal pension insurance.

Life insurance claims paid totalled EUR 507 million (448), of which surrenders accounted for EUR 204 million (148). Reported pension payout came to EUR 46 million (32).

Return on investments at fair value was 2.6%. The unrealised decrease in value of available-for-sale financial assets after deferred tax deduction amounted to EUR 14 million, or EUR 98 million lower than on 31 December 2006.

OP-Pohjola Group's market share of insurance savings through life and pension insurance policies increased by 0.9 percentage points to 19.9% since year-end 2006. Unit-linked policies accounted for 40% of insurance contract liabilities in life and pension insurance (37).

Earnings and risk exposure

Earnings before tax from Life Insurance were EUR 129 million (68).Earnings before tax in the last quarter amounted to EUR 40 million (22).The fair value reserve change before tax stood at EUR 132 million in the negative in 2007. Net income from investment assets other than those covering unit-linked insurance soared by EUR 10 million to EUR 206 million.

Net income from Life Insurance was EUR 177 million (119). The provision made for future supplementary benefits totalled EUR 7.3 million, as against EUR 36.0 million a year earlier. Personnel costs declined to EUR 7.1 million (8.4) and other administrative expenses to EUR 53 million (57). Other expenses include EUR 27 million (26) in commissions paid to the sales network.

On 31 December, total insurance contract liabilities within OP-Pohjola Group's life insurance operations stood at EUR 6.1 billion (5.7), or 7.4% higher than a year earlier.

Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.2 billion (4.1). The most significant change in the investment structure was that investment properties had increased by EUR 0.2 billion to EUR 0.5 billion.

Life Insurance: key figures

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Premiums written, IFRS	794	857	-7.3
Unit-linked	451	472	-4.3
Other	343	385	-10.9
Net investment income	303	463	-34.6
Unit-linked	97	267	-63.8
Other	206	196	5.1
Change in insurance contract liabilities	409	750	-45.5
Unit-linked	282	554	-49.1
Other	127	196	-35.3
Claims incurred	507	448	13.3
Other items	-4	-4	-5.4
Net income from Life Insurance	**177**	**119**	**49.5**
Other income	12	15	-19.8
Personnel costs	7	8	-14.9
Other expenses	53	57	-6.7
Earnings/loss before tax	**129**	**68**	**89.5**
Gross change in fair value reserve	-132	-13	954
Earnings before tax at fair value	**-3**	**55**	**-105.8**

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Premiums written			
Endowment insurance	530	635	-16.6
Pension insurance	218	185	17.5
Term life insurance	50	22	127.7
Other	61	24	154.5
Total premiums written	**859**	**867**	**-0.9**
of which unit-linked	462	472	-2.0
Market share of premiums written in life and pension insurance,%	30.8	28.4	2.4*
EUR billion	*31 Dec 2007*	*31 Dec 2006*	*Change,%*
Insurance savings			
Endowment insurance	4.3	4.0	6.1
Pension insurance	1.6	1.3	15.8
Capital redemption contracts	0.2	0.2	1.7
Total insurance savings	**6.0**	**5.6**	**8.3**
of which unit-linked	2.4	2.1	13.9
Investment portfolio			
Fixed-income	2.7	2.9	-7.4
Equities and equity funds	0.7	0.6	14.0
Investment property	0.5	0.3	63.1
Alternative investments	0,2	0.2	22.6
Total investment portfolio	**4.2**	**4.1**	**3.1**
Market share of insurance savings in life and pension insurance savings,%	19.9	19.1	0.8*

* Percentage points

Other operations

Other Operations reported a pre-tax loss of EUR 11 million (11) and its results were burdened by the EUR 10 million in liquidated damages related to the Nooa Savings Bank dispute.

Legal structure of the amalgamation of the cooperative banks and OP-Pohjola Group

The amalgamation's operations in their current form are based on an amendment, which came into force in 1 July 1997, to the Cooperative Banks Act (which has been renamed the Act on Cooperative Banks and Other Cooperative Credit Institutions, but hereinafter still referred to as the Cooperative Banks Act for short). The amendment to the Cooperative Banks Act permitted a sharper definition of the position of OP-Pohjola Group as an entity subject to financial monitoring. The amendment also strengthened the operational framework of the independent and local cooperative banks belonging to OP-Pohjola 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 is a part of the larger OP-Pohjola Group.

Extent of the amalgamation of the cooperative banks and OP-Pohjola Group
The amalgamation of the cooperative banks comprises the Group's central institution (OP Bank Group Central Cooperative), the commercial bank that acts as the central bank of the cooperative banks (OKO Bank plc, since 1 March 2008 Pohjola Bank plc), other member credit institutions of 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 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 rules concerning the amalgamation of the cooperative banks are spelt out in detail in Chapters 2 and 11 of the Cooperative Banks Act.

OP-Pohjola 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 OP-Pohjola Group differs from that of the amalgamation of the cooperative banks in that OP-Pohjola 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.

Pohjola Bank, OP-Pohjola Group's central bank, is both a subsidiary of the central institution and also its member. 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 risk management principles applied to the amalgamation of the cooperative banks are included in OP-Pohjola Group's capital adequacy and risk management principles are described in more detail in other parts of the Annual Review and in OP-Pohjola Group's 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.

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 risk up to double that of the 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 157 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 OP-Pohjola Group's Financial Statements, because they represent a consolidation of the financial statements of all the significant companies belonging to OP-Pohjola Group. According to the Cooperative Banks Act, OP-Pohjola 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 OP-Pohjola Group’s financial statements. The accounting policies applied are presented in OP-Pohjola 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 OP-Pohjola Group’s financial statements. The member credit institutions bear the obligation to provide the central institution with the information necessary for OP-Pohjola 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 OP-Pohjola Group’s financial statements.

The central institution’s auditors audit OP-Pohjola 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
OP-Pohjola Group forms a financial and insurance conglomerate pursuant to the Act on the Supervision of Financial and Insurance Conglomerates. The Financial Supervision Authority acts as the coordinating authority referred to in above Act. The insurance operations carried on by OP-Pohjola 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. OP-Pohjola 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 OP-Pohjola 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 OP-Pohjola Group pursuant to Section 30 of the Act, because the Group prepares financial statements in compliance with International Financial Reporting Standards (IFRS).

Amendment of legislation concerning the amalgamation of the cooperative banks
The Ministry of Finance began a project in 2007 to change the legislation governing the amalgamation of the cooperative banks and its member banks. The purpose is to clarify the supervision requirements concerning the financial position of the amalgamation of the cooperative banks and its member credit institutions and to ensure that the requirements are at the right level in relation to the risks of the amalgamation and its member credit institutions, bearing particular attention to the member credit institutions' joint responsibility and the amount of control vested in the amalgamation’s central institution. The amendment process was still under way in the early part of 2008.

Key income statement and balance sheet items, and financial ratios 2003-2007

	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS
Key income statement items, EUR million						
Net interest income	798	783	772	794	883	1,048
Net income from Non-life Insurance	-	-	-	68	328	427
Net income from Life Insurance	-	-	51	67	110	172
Net commissions and fees	275	284	314	340	396	422
Other income	222	203	151	158	238	177
Personnel costs	374	370	354	387	527	553
Other expenses	392	390	367	403	556	576
Impairment losses on receivables	9	7	7	6	9	13
Impairment losses on securities held as non-current assets	4	0	-	-	-	-
Returns to owner-members	-	-	48	53	64	99
Earnings before tax	515	504	511	579	800	1,005
Key balance sheet items - Assets, EUR million						
Receivables from financial institutions	486	681	681	666	344	285
Receivables from customers	27,206	30,645	30,957	34,814	39,595	44,776
Non-life Insurance assets	-	-	-	2,740	2,761	2,750
Life Insurance assets	-	-	2,867	5,385	6,061	6,361
Assets held for trading and investment assets	4,166	4,448	4,831	5,492	6,229	6,761
Property, plant and equipment, and intangible assets	1,177	1,140	707	1,890	1,957	1,945
Other assets	1,968	1,315	1,417	1,857	2,588	2,838
Total assets	35,002	38,229	41,460	52,845	59,535	65,716
Key balance sheet items - Liabilities and equity, EUR million						
Liabilities to financial institutions and central banks	1,566	1,181	1,184	2,025	1,088	949
Liabilities to customers	23,275	25,128	25,107	26,475	27,715	31,224
Debt securities issued to the public	5,009	6,325	6,325	8,891	13,500	14,074
Subordinated liabilities	514	524	1,314	1,596	1,660	1,613
Other liabilities	1,198	1,204	4,194	9,100	10,448	12,218
Equity capital and minority interest	3,440	3,867	3,337	4,757	5,124	5,638
Total liabilities	35,002	38,229	41,460	52,845	59,535	65,716
Financial ratios, %						
Return on equity	11.5	10.5	12.0	11.2	12.1	13.7
Return on equity at fair value	-	-	-	13.5	11.4	10.9
Return on assets	1.1	1.0	1.0	1.0	1.1	1.2
Equity ratio	9.8	9.9	8.0	9.0	8.6	8.6
Cost/income ratio	62	62	55	55	55	50
Capital adequacy ratio	15.4	15.8	15.5	14.6	14.3	13.8
Tier 1 ratio	14.0	14.4	14.1	13.1	12.7	12.6

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 2003-2004 with the difference that the FAS income statement and the balance sheet information is grouped into OP-Pohjola 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 Net trading income, net investment income, other operating income, share of associates' profits/losses	Other income 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 administrative expenses and other operating expenses	Other expenses Other administrative expenses, depreciation and write-downs 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:

$$\frac{\text{Operating profit/loss - taxes}}{\text{Equity capital + minority interest (on average at the beginning and end of the year)}} \times 100$$

IFRS:

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

Return on equity at fair value, %

$$\frac{\text{Profit for the financial year + change in the fair value reserve less deferred taxes (difference at start and end of year)}}{\text{Equity capital (on average at the beginning and end of the year)}} \times 100$$

Return on assets, %

FAS:

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

IFRS:

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

Equity ratio, %

FAS:

$$\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets}} \times 100$$

IFRS:

$$\frac{\text{Equity capital}}{\text{Total assets}} \times 100$$

FAS:

$$\frac{\text{Commission and fee expenses + administrative expenses + depreciation/amortisation + other operating expenses}}{\text{Net interest income + income from equity investments + commission and fee income + net income from securities and foreign exchange + other operating income}} \times 100$$

IFRS:

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

Capital adequacy ratio, %

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

Capital adequacy ratio, measured by Tier I own funds, %

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

OP-POHJOLA GROUP
(AMALGAMATION OF THE COOPERATIVE BANKS)
IFRS FINANCIAL STATEMENTS 2007

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OP-POHJOLA GROUP INCOME STATEMENT

EUR million	Notes	2007	2006	Change, %
Interest income		3,630	2,340	55
Interest expenses		2,583	1,457	77
Net interest income before impairment losses	5	**1,048**	**883**	**19**
Impairment losses on receivables	6	13	9	45
Net interest income after impairment losses		**1,035**	**874**	**18**
Net income from Non-life Insurance	7	427	328	30
Net income from Life Insurance	8	172	110	56
Net commissions and fees	9	422	396	7
Net trading income	10	-30	32	
Net investment income	11	95	112	-16
Other operating income	12	109	92	18
Personnel costs	13	553	527	5
Other administrative expenses	14	303	290	5
Other operating expenses	15	273	267	2
Returns to owner-members	16	99	64	55
Share of associates' profits/losses		3	2	45
Earnings before tax		**1,005**	**800**	**26**
Income tax expense	17	266	202	32
Profit for the financial year		**738**	**598**	**23**

Attributable to			
OP-Pohjola Group's owners	738	598	24
Minority interest	0	0	-79
Total	**738**	**598**	**23**

Key figures and ratios	2007	2006
Return on equity, %	13.7	12.1
Return on equity at fair value, %	10.9	11.4
Return on assets, %	1.18	1.06
Cost/income ratio, %	50	55
Average personnel	12,378	12,148
Full-time	11,226	10,988
Part-time	1,152	1,160

OP-POHJOLA GROUP BALANCE SHEET

EUR million	Notes	31 Dec. 2007	31 Dec. 2006	Change, %
Liquid assets	18	589	1,041	-43
Receivables from financial institutions	19	285	344	-17
Financial assets at fair value through profit or loss	20	4,791	4,816	-1
Derivative contracts	21	526	319	65
Receivables from customers	22	44,776	39,595	13
Non-life Insurance assets	23	2,750	2,761	0
Life Insurance assets	24	6,361	6,061	5
Investment assets	25	1,970	1,413	39
Investment in associates	26	26	35	-25
Intangible assets	27	1,230	1,255	-2
Property, plant and equipment (PPE)	28	715	702	2
Other assets	29	1,579	1,104	43
Tax assets	30	117	90	31
Total assets		**65,716**	**59,535**	**10**
Liabilities to financial institutions	31	949	1,088	-13
Financial liabilities at fair value through profit or loss	32	52	-	
Derivative contracts	33	554	340	63
Liabilities to customers	34	31,224	27,715	13
Non-life Insurance liabilities	35	2,140	2,099	2
Life Insurance liabilities	36	6,099	5,667	8
Debt securities issued to the public	37	14,074	13,500	4
Provisions and other liabilities	38	2,480	1,508	64
Tax liabilities	39	893	834	7
Cooperative capital	40	571	597	-4
Subordinated liabilities	41	1,042	1,063	-2
Total liabilities		**60,078**	**54,411**	**10**
Equity capital				
Capital and reserves attributable to OP-Pohjola Group's owners				
Share and cooperative capital		359	344	5
Share issue account		-	-	
Translation differences		0	0	-90
Reserves		2,224	2,295	-3
Retained earnings		3,052	2,483	23
Minority interest		**3**	**2**	**24**
Total equity capital	42	**5,638**	**5,124**	**10**
Total liabilities and equity capital		**65,716**	**59,535**	**10**

OP-POHJOLA GROUP CASH FLOW STATEMENT

EUR million	2007	2006
Cash flow from operating activities		
Profit for the financial year	738	598
Adjustments to profit for the financial year	817	963
Increase (-) or decrease (+) in operating assets	**-6,684**	**-6,228**
Receivables from financial institutions	112	312
Financial assets at fair value through profit or loss	3	-964
Derivative contracts	-50	-23
Receivables from customers	-5,206	-4,809
Non-life Insurance assets	-21	-64
Life Insurance assets	-319	-529
Investment assets	-694	139
Other assets	-510	-290
Increase (+) or decrease (-) in operating liabilities	**4,366**	**711**
Liabilities to financial institutions	-139	-937
Financial liabilities at fair value through profit or loss	52	-4
Derivative contracts	50	29
Liabilities to customers	3,508	1,240
Non-life Insurance liabilities	0	101
Life Insurance liabilities	30	36
Provisions and other liabilities	865	246
Income tax paid	-168	-140
Dividends received	125	57
A. Net cash from operating activities	**-805**	**-4,039**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-218	-201
Decreases in held-to-maturity financial assets	231	274
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-3	-299
Disposal of subsidiaries, net of cash and cash equivalents disposed	13	15
Purchase of PPP and intangible assets	-105	-98
Proceeds from sale of PPE and intangible assets	22	18
B. Net cash used in investing activities	**-59**	**-291**
Cash flow from financing activities		
Increases in subordinated liabilities	233	508
Decreases in subordinated liabilities	-252	-315
Increases in debt securities issued to the public	34,618	32,843
Decreases in debt securities issued to the public	-34,030	-28,209
Increases in cooperative and share capital	216	185
Decrease in cooperative and share capital	-224	-206
Dividends paid and interest on cooperative capital	-97	-92
Returns to owner-members	-7	-9
Other monetary increases in equity items	12	5
Other	-3	-11
C. Net cash used in financing activities	**466**	**4,699**
Net change in cash and cash equivalents (A+B+C)	**-398**	**369**
Cash and cash equivalents at period-start	**1,098**	**729**
Cash and cash equivalents at period-end	**700**	**1,098**

EUR million	2,007	2,006
Interest received	**3,437**	**2,148**
Interest paid	**-2,240**	**-1,266**

Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	22	9
Unrealised net earnings in Non-life Insurance	45	109
Unrealised net earnings in Life Insurance	408	559
Change in fair value for trading	64	17
Unrealised net gains on foreign exchange operations	-48	-36
Change in fair value of investment property	-22	-30
Planned amortisation and depreciation	129	130
Share of associates' profits/losses	-2	-1
Other	191	180
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-1	-3
Interest on cooperative capital	24	21
Other returns to owner-members	7	9
Total adjustments	**817**	**963**

Cash and cash equivalents		
Liquid assets	157	150
Receivables from financial institutions payable on demand	543	948
Total	**700**	**1,098**

STATEMENT OF CHANGES IN OP-POHJOLA GROUP EQUITY CAPITAL

	Attributable to OP-Pohjola Group's owners							
	Share and cooper-ative capital	**Trans-lation differ-ences**	**Fair value reserve**	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2006	**244**	**0**	**178**	**2,072**	**2,061**	**4,555**	**203**	**4,757**
Available-for-sale financial assets								
Fair value gains and losses	-	-	-16	-	0	-16	-	-16
Amount transferred to income statement	-	-	-18	-	-	-18	-	-18
Translation differences	-	0	-	-	1	1	-	1
Net income recognised in equity	**-**	**0**	**-34**	**-**	**0**	**-33**	**-**	**-33**
Profit for the financial year	-	-	-	-	598	598	0	598
Total recognised income and expenses for the financial year	**-**	**0**	**-34**	**-**	**598**	**565**	**0**	**565**
Transfer of cooperative capital to equity capital	99	-	-	-	-	99	-	99
Share issue expenses	-	-	-	-1	-	-1	-	-1
Stock options exercised	5	-	-	4	-	8	-	8
Dividends paid	-	-	-	-	-77	-77	-1	-78
Transfers between reserves	-	-	-	79	-79	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	0	0	-	0
Other	-4	-	-	-3	-20	-27	-200	-227
Balance at 31 Dec. 2006	**344**	**0**	**144**	**2,151**	**2,483**	**5,122**	**2**	**5,124**

	Attributable to OP-Pohjola Group's owners							
	Share and cooper-ative capital	**Trans-lation differ-ences**	**Fair value reserve**	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2007	**344**	**0**	**144**	**2,151**	**2,483**	**5,122**	**2**	**5,124**
Available-for-sale financial assets								
Fair value gains and losses	-	-	-75	-	-	-75	-	-75
Amount transferred to income statement	-	-	-79	-	-	-79	-	-79
Translation differences	-	0	-	-	-	0	-	0
Net income recognised in equity	**-**	**0**	**-154**	**-**	**-**	**-154**	**-**	**-154**
Profit for the financial year	**-**	**-**	**-**	**-**	**738**	**738**	**0**	**738**
Total recognised income and expenses for the financial year	**-**	**0**	**-154**	**-**	**738**	**584**	**0**	**584**
Transfer of cooperative capital to equity capital	18	-	-	-	-	18	-	18
Dividends paid	-	-	-	-	-76	-76	-	-76
Transfers between reserves	-	-	-	82	-82	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	0	0	-	0
Other	-3	-	-	1	-11	-13	0	-13
Balance at 31 Dec. 2007	**359**	**0**	**-10**	**2,234**	**3,052**	**5,635**	**3**	**5,638**

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NOTE 1. Accounting Policies

GENERAL INFORMATION

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

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

Central Cooperative is domiciled in Helsinki and the address of its registered office is Teollisuuskatu 1b, P.O. Box 308, FI-00101 Helsinki.

The Executive Board of Central Cooperative has approved these financial statements for issue on 14 February 2008.

BASIS OF PREPARATION

OP-Pohjola Group's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2007. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. OP-Pohjola Group's obligation to prepare its financial statements in accordance with IFRS is based on the Cooperative Banks Act. In addition to IFRS, OP-Pohjola Group applies paragraph 6, subsection 146, section 9 of the Credit Institutions Act to the preparation of its consolidated financial statements. Applying the new IFRSs and interpretations adopted by OP-Pohjola Group in 2007 did not have any material effect on the content of its financial statements.

OP-Pohjola Group's consolidated financial statements have been prepared at historical cost, with the exception of financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, derivative contracts, hedged items in fair value hedging and investment property measured at fair value.

The financial statements are presented in millions of euros.

According to the Cooperative Banks Act and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Central Cooperative's Executive Board must confirm any accounting policies which the International Financial Reporting Standards provide no guidance. Accordingly, Central Cooperative's Executive Board has confirmed a principle under which intra-Group holdings will be eliminated in a way deviating from general consolidation principles when forming OP Pohjola Group's parent company in terms of accounting technique. The section 'Consolidation principles' deals with the elimination of intra-Group holdings.

Use of estimates
The preparation of financial statements in conformity with IFRS requires the Group's management to make assessments and estimates and exercise its judgement in the process of applying the Group's accounting policies. The section 'Critical accounting estimates and assumptions' provides more detailed information on applying accounting policies requiring management assessment and judgement.

CONSOLIDATION PRINCIPLES

Technical parent company
For the purpose of consolidating OP-Pohjola Group, Central Cooperative, its member banks and OKO Bank plc (Pohjola Bank plc as of 1 March 2008; hereinafter OKO Bank) are consolidated into a technical parent company. Within the technical parent company, intra-Group holdings, transactions, receivables and liabilities, distribution of profit and margins are eliminated. Deviating from the acquisition cost method, OKO Bank shares held by Central Cooperative and Group 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 profit for the period and retained earnings, depending on measurement practices.

In the IFRS financial statements, OP-Pohjola Group’s equity and cooperative capital consists of investments made in OKO Bank’s share capital by shareholders outside OP-Pohjola Group, as well as of such cooperative contributions paid by members of OP-Pohjola Group member cooperative banks which the bank has an absolute right to refuse to redeem.

Subsidiaries, associates and joint ventures
OP-Pohjola Group's financial statements are created by line-by-line consolidation of the technical parent company and entities it controls. Associates over which the above entities have significant influence are consolidated using the equity method. Mutual property companies are consolidated in the same way as assets under joint control, in accordance with IAS 31.

Subsidiaries, associates or joint ventures acquired during the financial year are consolidated from the time of their acquisition. Similarly, subsidiaries, associates and joint ventures sold during the financial year are consolidated until the time of their sale. Intra-Group transactions, margins, profit distribution, and receivables and liabilities are eliminated.

Using the acquisition cost method, OP-Pohjola Group's intra-Group holdings in consolidated subsidiaries are deducted against equity capital at the time of acquisition. Since the IFRS transition date, 1 January 2004, goodwill has represented the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the net assets of the company acquired, the difference is recognised directly in the income statement.

In accordance with the exemption included in IFRS 1, the method of calculating acquisition costs applying to companies acquired prior to the IFRS transition date has not been changed to comply with IFRS but is in conformity with the Finnish Accounting Standards. These acquisition costs were used as deemed cost on the transition date. For companies acquired prior to the transition date but consolidated only after the transition date, acquisition cost calculations have been made as of the transition date.

Minority interest
Profit for the financial year and equity capital are attributable to the equity holders of the technical parent company and minority interest. Minority interest is shown as a separate item within equity capital. Minority interest in companies acquired since the IFRS transition date is calculated using the fair value of the assets and liabilities of the consolidated company, presented as a separate item in the balance sheet.

Minority interest which includes OP-Pohjola Group's absolute liability to redeem minority shareholders' investments is treated as a debt instrument.

FOREIGN CURRENCY TRANSLATION

Non-euro assets, liabilities and other commitments are translated into euros at the exchange rate quoted by the European Central Bank on the balance sheet date. Any resulting exchange rate differences are recognised under 'Net trading income' in the income statement.

The income statements of foreign subsidiaries are translated into euros using the average exchange rates for the financial year, while their balance sheets are translated into euros using the exchange rates quoted on the balance sheet date. The conversion of net profit or loss at different exchange rates in the income statement and balance sheet results in a translation difference recognised in equity. For foreign subsidiaries, translation differences arising from the use of the purchase method and from post-acquisition equity items are recognised in equity. If a subsidiary is sold, any accumulated translation differences in equity will be recognised as part of capital gain or loss in the income statement.

FINANCIAL INSTRUMENTS

Fair value determination

The fair value of financial instruments is determined by prices quoted in an active market or, if no active market exists, by using the Group's own valuation techniques. The valuation techniques used include the discounted cash flow method, net present value techniques and a comparison with similar instruments quoted in an active market. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of premature repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

If the valuation technique is not a well-established method in the financial market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques and market quotes, and parameters are applied to them at discretion.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet only if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Sale and repurchase agreements

The purchase price of securities bought under 'resell conditions' binding on both parties is recognised as a receivable under the balance sheet item determined by the counterparty. The difference between the purchase price and resale price is treated as interest income and accrued over the term of the agreement.

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

Classification and recognition

On the basis of their initial recognition, financial assets and liabilities are classified as financial assets and liabilities at fair value through profit or loss, loans and receivables, investments held to maturity, available-for-sale financial assets and other financial liabilities, in accordance with their measurement practice. Financial assets and liabilities at fair value through profit or loss can be subdivided into financial assets and liabilities held for trading and financial assets and liabilities at fair value through profit or loss at inception. In OP-Pohjola Group's balance sheet, these financial assets and liabilities are presented as financial assets and liabilities held for trading, financial assets and liabilities at fair value through profit or loss at inception, assets of Non-life Insurance and Life Insurance, receivables from customers, investment assets, derivative contracts and other liabilities.

The purchase and sale of financial assets and liabilities at fair value through profit or loss and those of investments held to maturity and available-for-sale financial assets are recognised in the balance sheet on the transaction date, or the date on which the Group agrees to buy or sell the asset or liability in question. Loans and receivables are recognised in the balance sheet on the date on which the customer raises the loan.

Financial assets are derecognised when the contractual right to receive cash flows from the financial asset has expired or the Group has transferred all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancels or expires.

Financial assets and liabilities held for trading and derivative contracts
Financial assets held for trading include securities acquired for the purpose of selling or repurchasing in the near term. Derivatives are also treated as held for trading unless they are designated as derivatives for effective hedging or they are guarantee contract derivatives. Non-life Insurance and Life Insurance have not used derivatives for hedge accounting purposes.

Financial assets and liabilities held for trading and derivative contracts are measured at fair value and any change in the fair value and any capital gains and losses, interest income and expenses as well as dividend income are recognised in the income statement.

Day 1 Profit/Loss
It is typical of non-liquid instruments that their price calculated using a pricing model differs from the actual transaction price. However, the actual transaction price is the best evidence of the instrument's fair value. The Day 1 profit/loss, based on the difference between the actual transaction price and the price deriving from the pricing model, is recognised in the income statement. However, the non-recognised amount is recognised as soon as there is a genuine market price for the instrument or a well-established pricing practice is created in the market. The amount of these financial assets is insignificant in OP-Pohjola Group's balance sheet.

Financial assets and liabilities at fair value through profit or loss at inception
Financial assets at fair value through profit or loss include hybrid instruments in which the fair value of an embedded derivative cannot be determined separately; investments in associates in insurance operations made by venture capital investors; investments in unit-linked policies; and foreign currency-denominated financial instruments in run-off companies' portfolios.

Financial assets and liabilities held for trading and financial assets at fair value through profit or loss are measured at fair value and any change in their fair value is recognised in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that have been created by handing over money or services. Receivables related to insurance contracts, claims administration contracts and disposal of investments are presented within this asset category. Not quoted in an active market, loans and receivables are measured at cost.

Impairment losses on loans and receivables are recognised on an individual or collective basis. Loans and receivables will be assessed and recognised on an individual basis if the debtor's total exposure is significant. In other respects, impairment losses are assessed and recognised on a collective basis. Impairment losses are recognised as a reduction of loans in the balance sheet. Recognition of interest on the reduced amount continues after the recognition of impairment losses.

A receivable is impaired and impairment losses are incurred only if there is objective evidence of a debtor's reduced solvency after the initial recognition of the receivable. A receivable is impaired if the present value of estimated future cash flows – including the fair value of collateral – is lower than the aggregate carrying amount of the loan and the related unpaid interest. Estimated future cash flows are discounted at the loan's original interest rate. If the loan carries a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the agreement. The difference between the carrying amount of the loan and a lower recoverable amount is recognised as an impairment loss in the income statement.

For the purpose of a collective assessment of impairment, receivables are grouped on the basis of similar credit risk characteristics. Impairment loss is recognised for a group of loans and receivables if there is objective evidence that debtors' ability to pay amounts due is uncertain. The impairment loss to be recognised is determined by average estimated future losses based on historical loss experience.

After the completion of all debt-collection measures, or otherwise based on the management's decision, the loan is derecognised. Following the derecognition, payments received are recognised as an adjustment to impairment losses for loans and receivables.

If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment loss recognised earlier will be reassessed and any change in the recoverable amount will be recorded in the income statement.

Held-to-maturity investments
Investments held to maturity are non-derivative financial assets with fixed or determinable payments that the company has the positive intention and ability to hold to maturity. These investments are carried at amortised cost after their initial recognition. The difference between the nominal value and the acquisition value of bonds is allocated over the remaining term to maturity.

If there is objective evidence of an impaired held-to-maturity investment, it will be transferred to available-for-sale financial assets and measured at fair value. Any changes in fair value are recognised under 'Net investment income' in the income statement.

Available-for-sale financial assets
Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets. Available-for-sale financial assets are recognised at cost in the balance sheet on the date of acquisition and measured at fair value. Any changes in their fair value are recognised in the fair value reserve under equity, from where they are transferred to the income statement when the asset is derecognised or there is objective evidence of the impaired asset. Interest income and dividends are recorded in the income statement.

If the fair value of impaired notes and bonds classified as available-for-sale financial assets increases subsequently and this increase can be objectively regarded as being related to an event after their impairment loss recognition, the impairment loss will be reversed and recorded in the income statement. If the fair value of an impaired share increases subsequently, this increase will be recognised in equity.

Cash and cash equivalents
Cash and cash equivalents consist of cash and receivables from financial institutions repayable on demand.

Other financial liabilities
Other financial liabilities include financial liabilities other than those at fair value through profit or loss. These liabilities are carried at cost after initial recognition.

Derivative financial instruments
A derivative instrument represents a financial instrument or another contract whose value changes as a result of changes in specific interest rates, the price of financial instruments or commodities, foreign exchange rates, price or interest-rate indices, credit ratings, credit indices or other similar

underlying instruments. At the time of entering into the contract, a derivative requires only a minor initial net investment and will be settled on a predetermined date in the future.

Interest-rate derivatives, currency derivatives, equity derivatives, commodity derivatives and credit derivatives are classified as derivative contracts. Derivatives are always measured at fair value. The difference between interest received and paid on non-hedging interest-rate swaps is recorded in interest income or expenses and the corresponding interest carried forward is recognised in other assets or other liabilities. Changes in the fair value of non-hedging derivatives are recorded under 'Net trading income'. Derivatives are carried as assets under 'Derivative contracts' when their fair value is positive and as liabilities under 'Derivative contracts' when their fair value is negative.

Embedded derivatives associated with structured bonds issued and loans with an interest-rate cap are separated from the host contract and measured at fair value, with changes in the fair value of these embedded derivatives and derivatives designated as hedging instruments being recognised in interest income or expenses.

Hedge accounting
Hedge accounting is used to verify that changes in the fair value of a hedging instrument fully or partially offset changes in the fair value or cash flows of a hedged item. OP-Pohjola Group applies fair value hedges to hedge against interest rate risks, involving long-term fixed-rate liabilities (own issues), individual bond and loan portfolios, as well as individual loans.

The relationship between hedging and hedged instruments is formally documented, containing information on risk management principles, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value of the hedging and hedged instrument. The hedge is considered effective if the changes in the fair value offset one another within a range of 80–125%.

Contracts may not be accounted for in accordance with the hedge accounting rules if the relationship between the hedging instrument and the related hedged item, as required by IAS 39, no longer meets the criteria of the standard.

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

INVESTMENT PROPERTY

Investment property is land and/or buildings or part thereof held to earn rental income or for capital appreciation. Property, a minor part of which is used by the owner company or its personnel, is also accounted for as investment property. However, a part of property used by the owner company or its personnel is not accounted for as investment property if the part can be sold separately. Investment property is shown as investment assets, non-life insurance assets or life insurance assets in OP-Pohjola Group's balance sheet.

Investment property is initially recognised at cost and subsequently carried at fair value. Any changes in fair value are recognised in net income from investment property of Non-life Insurance, Life Insurance or investment. The fair value of investment property is mainly based on its market value. The fair value of major properties is based on a valuation performed by an external independent appraiser while that of other properties is based on the external independent appraiser's valuation, income estimates based on market data or the management's estimate of the property's market value. The fair value of business, office and industrial premises is primarily determined using the income capitalisation approach. The income value determination is based on market return requirements. The fair value of residential buildings and land is primarily determined using the sales comparison approach.

INTANGIBLE ASSETS

Goodwill
Goodwill represents at the time of acquisition the excess of the cost of an acquisition over the fair value of OP-Pohjola Group's share of the net identifiable assets, liabilities and contingent liabilities of an entity acquired after 1 January 2004. Goodwill on prior business combinations equals the carrying amount recorded under the previous accounting standards, the Finnish Accounting Standards (FAS), which has been used as deemed cost permitted by the exemption of IFRS 1. Goodwill on acquisition of subsidiaries is included in intangible assets and goodwill on acquisition of associates is included in investment in associates.

Goodwill is tested annually for impairment and carried at cost less 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 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 on the basis of the insurance portfolio on the date 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. Subsequent to the acquisition, the intangible asset is amortised on a straight-line basis over the estimated effective lives of the acquired contracts. The effective lives are reviewed annually and the value is amortised over 1–4 years for non-life insurance and 10 years for life insurance. An intangible asset is tested annually in connection with testing the adequacy of the liability associated with insurance contracts.

Deferred acquisition costs of insurance contracts
Some OP-Pohjola Group subsidiaries continue to partially apply FAS, deferring part of commission costs and other costs associated with the acquisition of new insurance contracts or the renewal of existing contracts. The resulting intangible asset is amortised on a straight-line basis over the effective lives of the contracts. The amortisation period within non-life insurance is the insurance period and within life insurance five years. An intangible asset is tested annually in connection with testing the adequacy of the liability associated with insurance contracts.

Customer relationships
Identifiable customer relationships acquired through business combinations are measured at fair value upon acquisition. This intangible asset arising from customer relationships is amortised on a straight-line basis over the asset's estimated useful live. The estimated useful life of OP-Pohjola Group's acquired customer relationships is 5–13 years. The value of customer relationships is tested for impairment.

Brands
Identifiable brands acquired as part of business combinations are measured at fair value upon acquisition. The estimated useful lives of goodwill and brands are indefinite, since they will generate cash flows for an indefinable period. The value of brands is tested annually for impairment.

Other intangible assets
Other intangible assets are measured at cost less accumulated amortisation and impairment losses. These assets are amortised over their estimated useful lives, which is 2–5 years for computer software and licences and 5–10 years in general for other intangible assets. The useful lives of assets are reviewed on each balance sheet date and, if necessary, their value is tested for impairment.

Expenditure on the development of internally-generated intangibles (products and services) is capitalised starting from the time when the product or service is found to generate future economic benefits. The asset will be amortised from the time it is ready for use, mainly over 3–5 years. An asset not yet ready for use is tested annually for impairment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) are measured at historical cost less accumulated depreciation and impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives. Land is not subject to depreciation. Subsequent costs arising from an asset are recognised at the asset's carrying amount only if it is probable that the asset will generate greater economic benefits than initially estimated.

In accordance with the exemption permitted by IFRS 1 (First-time Adoption), FAS-compliant revaluations of land and property in own use were not cancelled during the IFRS transition on 1 January 2004 but were included in these assets' deemed cost.

The estimated useful lives are mainly as follows:

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

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate if expectations differ from previous estimates with respect to economic benefits.

Depreciation ceases when a PPE asset is classified as available for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Impairment of PPE and intangible assets
On each balance sheet date, the Group assesses whether there is any indication of an asset's impairment. If such indication exists, the amount recoverable from the asset will be estimated. Regardless of the existence of such indication, the recoverable amount is estimated for assets not yet available for use, goodwill and intangible assets with indefinite useful lives (brands). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its future recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) or value in use. The recoverable amount is primarily determined on the basis of the asset's net selling price, but if this is not possible, the asset's value in use must be determined. The asset's value in use equals the present value of future cash flows expected to be recoverable from the asset. The need for impairment of the annually tested assets stated above is always determined on the basis of value-in-use calculations.

If the asset's net selling price cannot be determined and the asset does not generate cash flows independent of other assets, the need for impairment will be determined through the cash-generating unit, or segment, to which the asset belongs. In such a case, the carrying amounts of the unit's assets are compared with the entire unit's recoverable amounts.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset may not exceed the carrying amount of the asset that would have been determined had no impairment loss been previously recognised. Impairment losses on goodwill may not be reversed under any circumstances.

LEASES

On the date of inception, leases are classified as finance leases or operating leases according to the substance of the transaction. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

Assets leased out under finance lease are recorded as receivables from customers in the balance sheet, at an amount equal to the net investment in the lease. Finance income is recognised in interest income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Assets leased under finance lease are recognised as property, plant and equipment and the corresponding finance lease liability is included in other liabilities. At the inception of the lease term, these leased assets are recorded as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments. Assets held under finance lease are depreciated over the shorter of the lease term or the life of the asset. Finance charges are recognised in interest expenses so as to produce a constant periodic rate of interest on the remaining balance of the liability. For sale and leaseback transactions, any excess of proceeds over the carrying amount is deferred and amortised over the lease term.

Assets leased out under operating lease are shown under property, plant and equipment and lease income is recognised on a straight-line basis over the lease term. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

Pension obligations
OP-Pohjola Group companies' employee pension cover is managed through payments to OP Bank Group Pension Fund or insurance companies. Some OP-Pohjola Group companies provide their employees with supplementary pension cover through OP Bank Group Pension Foundation or an insurance company.

OP-Pohjola Group has both defined benefit and defined contribution plans. With respect to funded disability and old-age pensions, pensions managed by OP Bank Group Pension Fund are classified as defined benefit plans. Pension plans managed by insurance companies may be either defined benefit or defined contribution plans. All of the plans managed by OP Bank Group Pension Foundation are defined benefit plans.

Expenses arising from pension plans are recognised under 'Personnel costs' in the income statement. Contributions under defined contribution plans are paid to the insurance company and recorded as expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans.

Defined benefit plans managed by insurance companies, OP Bank Group Pension Fund and OP Bank Group Pension Foundation are funded through payments based on actuarial calculations.

The asset recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

Defined benefit obligations are calculated separately for each plan using the projected unit credit method. Pension costs are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of German or French government bonds with the longest maturity.

On the transition date of 1 January 2004, the Group applied the exemption permitted under IFRS 1, whereby it had no unrecognised actuarial gains or losses associated with defined benefit pension plans. Subsequent actuarial gains and losses are recognised in the income statement over the employees' expected average remaining working lives to the extent that they exceed 10% of the greater of the present value of the defined benefit obligation or the fair value of plan assets.

Share-based compensation
Equity-settled share-based payments are measured at fair value on the grant date and recognised as expenses and an increase in shareholders' equity over the vesting period. Share-based compensation paid in cash and the corresponding liability are measured at fair value at the end of each period until the liability is settled.

Some OP-Pohjola Group companies had stock-option-based personnel incentive schemes in place, which terminated in 2006. OP-Pohjola Group applied IFRS Share-based Payment to all stock option schemes in which stock options were granted after 1 November 2002 and did not become vested before 1 January 2005.

INSURANCE ASSETS AND LIABILITIES

Classification of financial assets within insurance operations
The section 'Classification and recognition' under Financial Instruments contains information on the classification of financial assets within insurance operations.

Classification of insurance contracts
Insurance contracts are contracts under which the insured accepts significant insurance risk from the policyholder. They are classified by contract or contract type. If several contracts are concluded simultaneously with a single counterparty or if contracts are otherwise interdependent, the significance of insurance risk is assessed collectively. As a general rule, financial guarantee contracts are treated as insurance contracts or, if the insurance risk transfer is not significant, as financial instruments at fair value through profit or loss.

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

Intra-Group insurance contracts within OP-Pohjola Group are eliminated, since they do not meet the criteria set for insurance contracts.

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, which is likely to account for a significant portion of the total contractual benefits, but whose amount and timing is at the discretion of the Group under the contract. Some unit-linked policies include an option for a discretionary share of surplus and this option can be exercised by transferring insurance savings to an interest-bearing portion.

The distribution of surplus is based on the so-called principle of equity under the Insurance Companies Act, which requires that an equitable portion of the surplus generated by these contracts be refunded as bonuses to these policies, provided that the capital adequacy requirements do not prevent such a procedure. It is necessary to aim at continuity with respect to the level of bonuses. Following the principle of equity has an effect on how unrealised investment gains are divided between owners and policyholders in the long term without, however, giving the individual persons in either group the right to claim these assets.

OP-Pohjola Group's life insurance companies apply the principle of equity but they have not pre-determined their customers' share of future profits. The subsidiaries' Board of Directors decide on customer bonuses.

Insurance contract categories
Insurance contracts are divided into main categories based on differences in either the nature of the insured object or the contract terms and conditions, involving a material effect on the risk's nature. In addition, this division into categories takes account of differences in the duration of contract periods or the average length of the period between the occurrence of a loss event and the date of the fully-paid claim (speed of claims settlement).

Non-life insurance contracts
Short-term contracts
Short-term insurance contracts are usually valid for 12 months or a shorter period, but very seldom over 24 months. In particular, policies for private individuals, motor-vehicle policies and statutory workers' compensation policies are usually continuous annual policies. The main groups of non-life insurance contracts are as follows: 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 contracts
Long-term insurance contracts refer to contracts with an average validity period of at least 24 months. 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 life insurance contracts with a focus on savings; individual pension insurance contracts; group pension insurance contracts supplementing statutory pension cover; and term insurance policies issued mainly against death or disability. 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
Premiums are primarily recognised as revenue proportionally over the contract's period of validity. However, revenue recognition in decennial (construction defects) and perpetual insurance is based on the proportional distribution of insurance risk. The portion of premiums written for post-balance sheet date is recognised as provision for unearned premiums in the balance sheet. If the provision for unearned premiums is not sufficient to cover future claims and expenses attributable to effective insurance contracts, a supplementary amount (provision for unexpired risks) corresponding to the difference is reserved in the provision for unearned premiums. Insurance premium tax and public charges collected on behalf of external parties, excluding commissions and credit loss on premiums, are deducted from premiums written.

Claims paid to customers and direct and indirect loss adjustment expenses incurred by the Group are charged to expenses on the basis of the date of loss occurrence. Claims unsettled on the balance sheet date for losses already occurred and their loss adjustment expenses – including losses occurred but not yet reported to the Group (IBNR) – are reserved in the provision for unpaid claims consisting 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.

Provision for unearned premiums for statutory decennial insurance and perpetual insurance and provision for unpaid claims for annuities are discounted based on a fixed discount rate applied by the Group. Determined in view of the underlying trend in interest rates, the discount rate may not exceed the expected return on the assets covering the liability or the level set by the authorities. An increase in insurance contract liabilities due to the passage of time (unwinding of discount) is shown in the income statement as a separate item in finance costs under Net income from Non-life Insurance.

Life insurance contracts
Premiums received are recognised in the income statement. Premium receivables are recognised only if the insurance cover is effective on the balance sheet date. Term insurance premiums are recognised as revenue proportionally over the premium payment period. Commissions or credit losses are not deducted from premiums written.

Benefits based on insurance contracts are charged to expenses in the income statement. Insurance contract liabilities are determined by calculating the capital value of future benefits, policy administration costs and future premiums, using actuarial assumptions related to compounding, mortality, disability and operating expenses. The liability is redetermined on 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 fair value such as the assets covering the liability.

Liability adequacy test on insurance contracts
On each balance sheet date, the Group tests for the adequacy of insurance contract liabilities in the balance sheet, using current estimates of future cash flows from insurance contracts. If the test shows that the carrying amount of insurance contract liabilities, less intangible assets related to capitalised policy acquisition costs and business acquired, is inadequate, the deficiency is recognised in profit or loss primarily by performing an additional amortisation on intangible assets and secondarily by increasing insurance contract liabilities.

Reinsurance contracts
Reinsurance taken out by OP-Pohjola Group refers to an insurance contract which meets the classification requirements set for insurance contracts and under which the Group may be 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
Benefits received under reinsurance contracts held are included in 'Loans and other receivables' or receivables 'From reinsurance' under 'Other assets', with the latter receivables corresponding to reinsurers' share of provision for unearned premiums and provision for unpaid claims of the insurance contracts reinsured by the Group. Items included in 'Loans and other receivables' are shorter-term receivables. Premiums unpaid to reinsurers are included in 'Accounts payable and other liabilities'.

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

b. Life Insurance
Amounts recovered from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are recognised in the balance sheet separately.

Receivables and payables related to insurance contracts
Non-life Insurance premium receivables are recognised at the beginning of the insurance period when the right to the receivable is established. Life Insurance premium receivables are primarily recognised in connection with the closing of accounts. These receivables are mainly those from policyholders and only to a minor extent from insurance intermediaries. Prepaid insurance premiums are included in 'Accounts payable and other liabilities'.

Non-life Insurance receivables based on insurance contracts are tested for impairment on each balance sheet date. If there is objective evidence of an impaired receivable, its carrying amount is reduced through profit or loss. Both final impairment losses (credit losses) and impairment losses established statistically on the basis of the phase of collecting the charge are deducted from receivables.

Salvage and subrogation reimbursements
Damaged property that has come into the Group's possession is recorded to its fair value as an allowance for claims incurred and recognised under 'Other assets'. Subrogation reimbursements are accounted for as an allowance for provision for unpaid claims for losses occurred. When the claim is settled, the receivable is recognised under 'Loans and other receivables'. The counter security of guarantee insurance is measured at fair value and the portion corresponding to provision for unpaid claims or to the claim paid is recognised in 'Loans and other receivables'. Receivable from the liable party will not be recognised until the payment is received or receipt of payment is otherwise certain in practice.

Coinsurance and pools
OP-Pohjola Group is involved in a few coinsurance arrangements with other reinsurers. Of coinsurance contracts, the Group treats only its share of the contract as insurance contracts and the Group's liability is limited to this share.

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

Investment contracts
Classification, measurement and recognition
The investment contracts of OP-Pohjola Group's insurance companies are the so-called capital redemption contracts.

Investment contracts in the balance sheet are presented under financial liabilities and benefits paid on the basis of them are shown in the income statement. Fees received for the management of investments related to investment contracts are included in commission income.

Investment contracts with a DPF component (customer bonus) or which can be exchanged for such contracts are, however, subject to the exemption permitted by IFRS 4. Therefore, corporate capital redemption contracts are measured and recognised in the same way as insurance contracts.

Financial liabilities
Financial liabilities are initially recognised at fair value based on the consideration received and any transaction costs are included in the initial carrying amount of financial liabilities. Financial liabilities are subsequently carried at amortised cost using the effective interest method. The difference is recognised through profit or loss over the liability's maturity. Financial liabilities may take the form of interest-bearing or non-interest-bearing ones.

Derivatives are designated at fair value through profit or loss.

Provision for joint guarantee system
Provision for the joint guarantee system is recognised in the same way as other provisions. The Finnish Workers' Compensation Insurance Act, Motor Liability Insurance Act and Patient Injury Act include provisions on joint liability on the basis of which insurance companies engaged in the business of the line of insurance concerned assume joint liability should one of them fails to play 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 may be decreased or abolished only for the abovementioned reason or by transferring it to another insurance company in connection with an insurance portfolio transfer.

PROVISIONS

A provision is recognised for an obligation if the obligation is based on a past event and it is probable that an outflow of resources will be required to settle the obligation, but there is uncertainty about the timing or amount required in settlement. In addition, an entity must have a present legal or constructive obligation towards a third party as a result of past events. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only at the time when receipt of the compensation is actually certain.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

A discontinued operation is a component of the Group's entity that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations. Income and expense items of discontinued operations are presented on a separate column in the income statement.

INCOME TAXES

Income tax expense shown in the income statement includes current tax, based on the taxable income of OP-Pohjola Group companies for 2007, and income tax for prior financial years and deferred tax expense or income.

Deferred tax liabilities are recognised for temporary taxable differences between the carrying amount of assets and liabilities and their tax base. Deferred tax assets are recognised for deductible temporary differences between the carrying amount of assets and liabilities and their tax base, and for losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The Group offsets deferred tax assets and liabilities by Group company. Deferred tax assets and liabilities resulting from consolidation are not offset. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date. If deferred tax originates from balance sheet items whose changes have no effect on the income statement, any change in deferred tax is recognised in equity, not in the income statement.

REVENUE RECOGNITION

Commission income and expenses for services are recognised when the service is rendered. For one-off commissions covering several years that may have to be refunded at a later date, only the portion of their revenue related to the period is recognised.

Dividends are primarily recognised when they are approved by the General Meeting of Shareholders.

Interest income and expenses for interest-bearing assets and liabilities are recognised on an accrual basis. Interest on receivables with non-settled, due payments is also recognised as revenue and this interest receivable is tested for impairment. The difference between the receivable's acquisition cost and its nominal value is allocated to interest income and that between the amount received and its nominal value to interest expenses.

SEGMENT REPORTING

OP-Pohjola Group reports segment-specific income statements and balance sheets for Banking and Investment Services, Non-life Insurance and Life Insurance. A business segment is a group of assets and operations engaged in providing products or services subject to risks and returns that differ from those of other business segments. Income, expenses, investment and capital not included in actual business operations are allocated to 'Other operations'.

OP-Pohjola Group has no geographical segments in place.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMETNS

The preparation of financial statements requires making estimates and assumptions about the future and the future actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies.

Liabilities arising from insurance contracts involve several discretionary factors and uncertainty. With respect to Non-life Insurance, estimates are based on assumptions about the operating environment and on the actuarial analyses of the Group's own claims statistics. Liabilities arising from Life Insurance are established using calculation bases which are in compliance with Finnish regulations and based on the same future assumptions as the insurance rating. The Group monitors the appropriateness of future assumptions on an ongoing basis.

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

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

Impairment tests of receivables are based on estimates of the amount recoverable from the receivable in the future. Cash flows are reviewed for each loan in the impairment test carried out individually for the receivable. Impairment losses on receivables recognised collectively are based on estimates of future losses based on historical data.

The asset recognised in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. This calculation uses actuarial assumptions for the future, involving the discount rate, the expected return on assets, future increases in pay and pension, the employee turnover rate and the inflation rate.

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

NEW STANDARDS AND INTERPRETATIONS

In 2008, OP-Pohjola Group will adopt the following standards and interpretations:
- IFRS 8 Operating Segments
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Applying the new IFRSs and IFRIC interpretations will not have any material effect on the content of the current financial statements.

NOTE 2. OP-Pohjola Group's Capital Adequacy and Risk Management Principles

CAPITAL ADEQUACY AND RISK MANAGEMENT PRINCIPLES AT OP-POHJOLA GROUP

The purpose of capital adequacy management is to secure OP-Pohjola Group's risk-bearing capacity and to ensure continuity of operations. Capital adequacy management has been integrated into business control and management

The capital adequacy management process, internal control, risk management and good corporate governance are regulated by the Act on Credit Institutions and standards issued by the Finnish Financial Supervision Authority. The operations of insurance companies that are part of OP-Pohjola Group are regulated by the Insurance Companies Act and instructions and guidelines issued by the Insurance Supervisory Authority. Under the Cooperative Banks Act, the entities that are part of the amalgamation of the cooperative banks are monitored on a consolidated basis for capital adequacy, liquidity and customer risks.

OP-Pohjola Group's capital adequacy and risk management principles are approved by the Central Cooperative's Supervisory Board. The principles determine the framework for capital adequacy management and the fulfilment of any related statutory and other obligations. They also determine how the Finnish Financial Supervision Authority standards and Insurance Supervisory Authority guidelines are applied at OP-Pohjola Group level and in entities belonging to OP-Pohjola Group. OP-Pohjola Group's capital adequacy management principles were approved in their current form by Central Cooperative's Supervisory Board in June 2007, and they will be adopted in stages during the current strategy period.

General principles
OP-Pohjola Group's capital adequacy management consists of reliable management and the organisation of internal control and risk management, and it is carried out at OP-Pohjola Group level regardless of business area. The application of the independence principle is determined separately in the entities' own guidelines, taking into consideration the extent and nature of their business.

The Central Cooperative is responsible for OP-Pohjola Group's capital adequacy management and ensuring that any related systems are adequate and appropriate. Each OP-Pohjola Group company is responsible for its own capital adequacy management. Owing to the joint responsibility prescribed by law, OP-Pohjola Group entities must be able to rely on all the entities to operate under the Group's principles of capital adequacy management, other guidelines issued by the Central Cooperative, and regulations and guidelines issued by the authorities.

Good corporate governance
Conformance with good corporate governance principles ensures that entities of OP-Pohjola Group are managed professionally and under sound and prudent business principles and that the entities in all business divisions operate reliably and with sufficient transparency.

OP-Pohjola Group entities approve the good corporate governance principles as part of their capital adequacy management principles. The Central Cooperative issues instructions to Group member banks on the application of Finnish Financial Supervision Authority's standard on good corporate governance. Good corporate governance principles also include the recommendation of the Central Cooperative's Supervisory Board on corporate governance, which in turn is based on the equivalent recommendations issued by the OMX Nordic Exchange Helsinki.

Compliance with the principles of good corporate governance are very important and aims to ensure that all OP-Pohjola Group entities comply with applicable legislation, official instructions and regulations, guidelines related to market self-regulation and OP Bank Group Central Cooperative's and the entities' internal principles and guidelines. Depending on the extent of each entity's business operations, compliance issues in OP-Pohjola Group entities is organised by designating each of the entities a part-time or full-time compliance officer or by setting up a compliance function.

Internal control
More efficient and reliable internal control ensures that a business is run professionally and under sound and prudent business principles. Internal control is standard practice in OP-Pohjola Group and exercised on all levels of organisation.

Following up business objectives and targets is a key part of internal control in the Group. The Central Cooperative's Supervisory Board makes regular updates to OP-Pohjola Group's strategy, which guides business planning and the setting of targets in all OP-Pohjola Group entities. The strategy consists of long-term objectives and the success indicators for the strategy period. The success indicators, risk and supervision limit indicators and the stress tests are the main sources of input for OP-Pohjola Group in setting objectives and monitoring them and rewarding good results. The Central Cooperative checks regularly how successful OP-Pohjola Group's businesses have been in terms of their objectives and risks, and submit their reports to the management of OP-Pohjola Group' entities.

OP-Pohjola Group's strategic plan includes a separate capital plan and a proactive contingency plan for own funds. All OP-Pohjola Group entities also make result forecasts and capital plans, the purpose of which is to draw attention in good time to what consequences business decisions have on capital adequacy, profit development and success indicator values.

OP-Pohjola Group also makes overall estimates for risks affecting the Group's strategy, business and operating environment. The Central Cooperative’s Executive Board makes annual assessments on whether the estimates are to be adjusted and if so, the Board's proposals for action are carried out following approval by the Central Cooperative's Supervisory Board.

Risk Management
The purpose of risk management within OP-Pohjola Group is to identify the threats and opportunities that impact the implementation of the Group’s strategy. The primary objective of risk management within OP-Pohjola 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 Group. Risk-taking is an essential part of banking and insurance operations, and the risk management process consists of the identification, measurement and assessment of risks on the one hand, and risk limitation, reporting and supervision on the other. The qualitative and other non-quantifiable risks threatening OP-Pohjola Group and its entities are limited by ensuring adherence to the Central Cooperative's general capital adequacy management instructions and operating procedures and instructions issued by the top management. OP-Pohjola Group's quantifiable risks are limited by means of a risk and supervision limit system that steers operations in member banks, Central Cooperative entities and throughout the Group.

All entities within OP-Pohjola Group have a set of written risk management instructions approved by the top management that have been adjusted according to the nature and extent of the business. OP-Pohjola 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.

Economic capital
OP-Pohjola Group's risk indicators will be developed by making use of economic capital models in assessing and measuring risks. The Group will adopt in stages operations steering indicators, and risk limit indicators based on economic capital.

Economic capital is OP-Pohjola Group's own calculated estimate on the amount of capital that is sufficient to cover the business risks. In 2007 the amount of economic capital was derived from requirements set by the authorities for banking and insurance operations, but in 2008 a new economic capital model for each type of risk will be adopted, whereby the sufficient amount of economic capital is calculated not only to cover credit risk but also interest rate, equity, exchange rate and property risks; technical insurance risks; operational risks; funding risk; business risks; and risk caused by the operating environment.

Stress tests
Stress tests are used to evaluate how various exceptionally serious situations that may take place can affect OP-Pohjola Group. The tests can identify the biggest risks for the Group and to assess how vulnerable the Group's financial standing is in terms of these risks.

Sensitivity analyses are used as part of risk analysis for various risk types and the results are used to assess how changes in the basic premises and parameters would affect the risk model outcome and the risk position. Sensitivity analyses conducted at different shock levels give a concrete idea of the effects of different risks and the probability of losses of various sizes.

Scenario analyses are used especially to analyse the effects of risks caused by the operating environment. They are based on the current financial forecast in the strategy and derived from the current level of market variables and the Group's best estimate of which way things are going. In scenario analyses, this basic forecast is tested by the effects of various risks.

OP-POHJOLA GROUP'S RISK AND SUPERVISION LIMIT SYSTEM

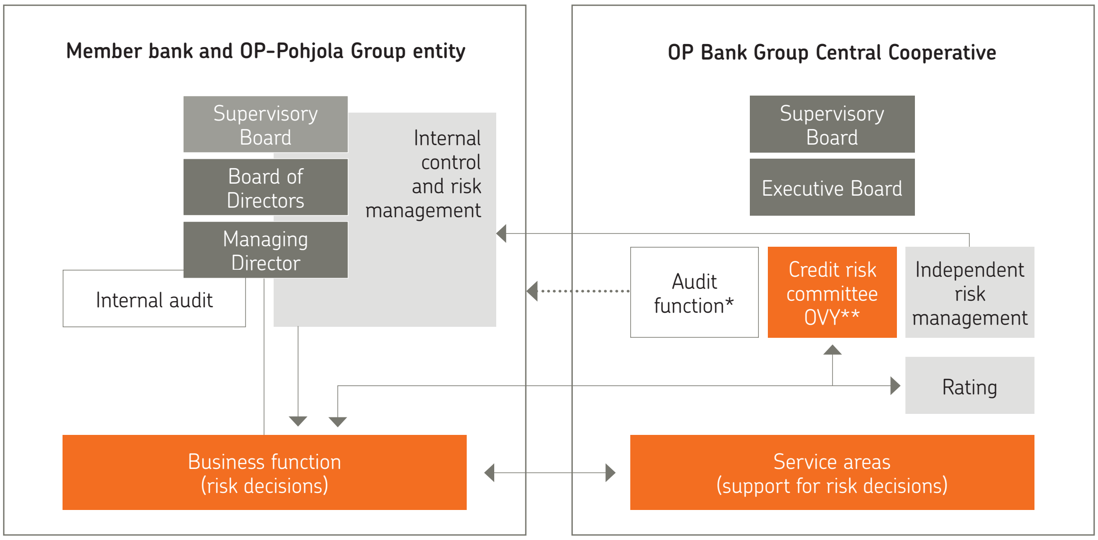
The Central Cooperative’s Supervisory Board has determined risk limits for OP-Pohjola Group’s risk-bearing capacity (for the capital adequacy prescribed in the Act on Financial and Insurance Conglomerates) as well as for credit and market risks. The risk indicators are developed by making use of economic capital models to assess and measure risks.

The Central Cooperative's Executive Board has set limits for risk-bearing capacity, profitability and different types of risks which the member cooperative banks and Helsinki OP Bank Plc must observe. The member banks and Helsinki OP Bank Plc use these limits to confirm their own risk limits, which are tighter than those set by the central institution. The coverage of the indicators and any needs for development are reviewed annually. The entities belonging to OP Bank Group Central Cooperative Consolidated confirm the risk limits for the main risks to 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 times the risk limits have been exceeded, the severity of the breaches as well as conformance with risk management instructions. 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.

ORGANISITION OF CAPITAL ADEQUACY MANAGEMENT AND RISK MANAGEMENT

OP Bank Group Central Cooperative is responsible for Group-level capital adequacy management and for ensuring that the Group's risk management system is sufficient and kept up to date. 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, OP-Pohjola Group’s internal procedures and procedures appropriate for customer relationships. Entities belonging to OP-Pohjola Group are responsible for their own capital adequacy management in accordance with the nature and extent of their operations. OP-Pohjola Group's capital adequacy management is organised as shown in the figure in the next page.



* Auditing: Internal audit of member banks & central cooperative
** OVY = OP Bank Group Mutual Insurance Company

OP Bank Group Central Cooperative
The Central Cooperative's Supervisory Board approves OP-Pohjola Group's strategy, which contains the main risk management policies. The Central Cooperative's Supervisory Board also confirms OP-Pohjola Group's capital adequacy management principles, business objectives, capital plan and risk limits concerning risk-bearing capacity and credit and market risks. The Supervisory Board follows regularly the business, risk-bearing capacity and risk situation of OP-Pohjola Group and OP Bank Group Central Cooperative Consolidated.

At least once a year, the Executive Board of the Central Cooperative ensures that OP-Pohjola Group's strategy, risk limits, capital plan and proactive contingency plan for own funds are up to date. The Executive Board also ensures that the systems and procedures for capital adequacy management are sufficient and up to date and that any instructions concerning these are issued to OP-Pohjola Group entities. The Executive Board approves OP-Pohjola Group's risk management plan and general policies for capital adequacy management. The Executive Board reports to the Supervisory Board on changes in the business, risk-bearing capacity and risk situation of OP-Pohjola Group, the Central Cooperative and entities belonging to it, and the Group member banks.

The task of the Central Cooperative’s Risk Management is to develop and implement integrated risk management at Group level. 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 OP-Pohjola Group. It maintains, develops and prepares risk management principles for approval by the Central Cooperative’s Executive Board and Supervisory Board and is responsible for maintaining and developing risk management systems and methods at Group level and for the entities.

OP-Pohjola Group's Risk Management Committee, which reports to the Central Cooperative's Executive Board, evaluates OP-Pohjola Group's ability to operate successfully in the long term. It coordinates the operation of the Central Cooperative’s various risk management organisations and supervises adherence to OP-Pohjola Group's capital adequacy management policies. The Risk Management Committee makes proposals to the Central Committee's Executive Board concerning general principles of capital adequacy management. It also supervises that risk management aspects are sufficiently taken into consideration in business and business development.

The Credit Risk Committee, authorised by the Central Cooperative’s Executive Board, handles any significant customer exposure and property investments at OP-Pohjola Group level. The member banks must have valid permission granted by the Credit Risk Committee if the customer risk of a customer entity already exceeds or is about the exceed 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 OP-Pohjola Group exceeds five million euros, or when the bank wants to participate in a property project where the capital invested by OP-Pohjola Group is over EUR 5 million.

The Central Cooperative's Rating Committee always confirms the credit rating for member banks' medium-sized and large corporate customers. As to OKO Bank (as of 1 March 2008, Pohjola Bank plc) customers, this decision is nevertheless made by OKO Bank's Rating Committee. The proposals for medium-sized and large customers' credit ratings are made by experts from the Central Cooperative's Corporate Research Unit and OKO Bank's Credit Risk Unit. The credit rating of small corporate customers is determined by means of a mechanical model, adjusted by the experts if necessary. People involved in proposing credit ratings or deciding about them cannot make actual credit decisions.

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 capital adequacy management by ensuring that OP-Pohjola 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 other subsidiaries of OP Bank Group Central Cooperative Consolidated
The member banks, insurance institutions and other entities of OP Bank Group Central Cooperative Consolidated apply the central institution's capital adequacy management principles as required by the nature and extent of their business. In member banks, the Supervisory Board approves the capital adequacy management principles and supervises the operation of the bank and the Group. In entities of the Central Cooperative, this is the responsibility of the Board of Directors or Executive Board acting as the Board. The management of the member banks and the Central Cooperative's entities are responsible for the implementation of capital adequacy management according to the principles and operating policies that have been agreed on, and report regularly on the entity's business, risk-bearing capacity and risk situation to the Board.

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-Pohjola Group entities have a risk management function that is independent of operational decision making. In small and medium-sized member banks, the Managing Director is directly responsible for risk management. At the member banks, the independence of the assessment of risk management from business operations is generally realised so 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. Reports on major risks are 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 risk management and capital adequacy management within OKO Bank are described in more detail in OKO Bank’s financial statements.

RISK MANAGEMENT IN OP-POHJOLA GROUP’S STRATEGY

OP-Pohjola Group’s strategy process defines the major risk management policies and decides how the risk limit indicators will be developed. The strategy also defines the Group's targets for risk-bearing capacity and risk appetite.

In accordance with its strategy confirmed in 2006, the banks and other entities belonging to OP-Pohjola Group will aim to grow above the average market rate 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 OP-Pohjola 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.

Correctly dimensioned capital holds a key role both in banking and insurance operations, because 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. The indicator for success in terms of risk-bearing capacity has been set in the strategy as the ratio between non-current own funds and economic capital. The objective is that non-current own funds are always greater than economic capital. The success indicator for profitability is return on economic capital, which is calculated as the ratio of profit, adjusted with OP bonuses, to the average economic capital. The target is to achieve return on economic capital of at least 17%.

OP-Pohjola Group is a moderate risk taker. The target in terms of risk appetite is that OP-Pohjola Group's net impairment losses on receivables do not exceed 0.25% of the loan and guarantee portfolio. Another target is that the amount of non-performing receivables may not exceed 1.2% of the loan and guarantee portfolio.

In banking operations the single most important risk is credit risk, although funding, interest rate, currency, equity and property risks are also involved.

In non-life insurance, the largest technical insurance risks pertain to risk selection and rating, to the acquisition of reinsurance cover, and to the sufficiency of insurance contract liabilities in addition to a major insurance business risk pertaining to the investment risk related to the asset covering insurance contract liabilities.

In life insurance operations, the biggest risks have to do with the market risk of investment assets used to cover the equity. The main technical insurance risks in life-insurance operations are mortality and the onset of disability.

STRATEGIC RISKS

Strategic risk refers to losses caused by a poorly chosen business strategy.

Strategic risk associated with the crucial focal points and development policies of OP-Pohjola 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 refer to risks resulting from ineffective internal processes, individuals, systems or external events which may cause losses. Operational risks include legal risk but not strategic risk, and operational risks may also materialise as loss of reputation.

The aim in operational risk management is to identify and evaluate potential and realised operational risks and to create a corporate culture that helps to prevent them. Operational risks are qualitative and not linked to benefits expected from operations. In some cases, it is not possible to limit the effects of operational risk, so it is essential to identify the biggest risks and protect against them.

According to the division of tasks within OP-Pohjola Group, the Central Cooperative is responsible for the operation and continuity of OP-Pohjola Group's centralised operations and services. This means that the Central Cooperative must have in place sufficient systems and procedures to cater for the entire OP-Pohjola Group. OP-Pohjola Group entities are responsible for the management of their own operational risks as required by the nature and extent of their business.

CREDIT RISKS

Objectives and general principles of credit risk management

By credit risk we mean that a customer may not fulfil its credit obligations and that the guarantee is not enough to cover the bank's receivables. Credit risk is the most significant source of risk in OP-Pohjola Group's banking operations, and special attention is therefore paid to the development of credit risk management and monitoring. 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 and risk limits are set to prevent any one customer exposure from exceeding 15% of the Group's own funds.

The starting point for credit risk management in banking operations and the biggest strength of OP-Pohjola Group's member banks is their local and thorough understanding of their 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, the exposure of Group member bank customers 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 OP-Pohjola 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 in banking and investment operations within OP-Pohjola 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 OP-Pohjola Group level, with a focus on the development and distribution of the loan portfolio, the development of non-performing receivables and overdue payments and the amount of receivables for which OVY loan portfolio insurance has been declined. Other things monitored regularly include changes in credit rating; risk-based pricing; and other reports describing the quality and structure of the credit portfolio. 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.

Investments in non-life and life insurance operations also involve a credit risk. The insurance companies' credit risk is managed according to investment plans approved by the company boards by diversifying investments and limiting the proportion of weaker credit risk in the portfolio. Bonds are mainly invested in euro-denominated bonds issued by euro-area governments and companies.

Credit risk management methods in banking operations

The debt servicing ability and credit risk associated with private customers are estimated on the basis of the credit rating of private customers' financing projects and the customers' solvency assessments. Different variables are used to assess the customer's future solvency and thereby a credit rating, on the basis of which a recommended minimum price recommendation is set for credit. The credit rating is also used to determine qualitative objectives for lending.

The rating of private customer credit is based on statistical credit scoring models and new credit applications are put into different categories according to information available at the time of application. The credit rating of existing loans based on the customer's payment behaviour or other transaction history is updated once a month.

Consumption norm tables are maintained for assessing the debt servicing ability of private customers, and comparison calculations are used to ensure that the servicing of home mortgages will not be endangered by rises 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. In order to stabilise debt servicing costs upon a possible rise in the interest rate level, OP-Pohjola Group offers interest rate caps and fixed-rate mortgages in financing for households and for corporate loans.

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 system of categorising corporate customer was changed in 2007, with the number of categories increased from 12 to 20 and more changes were made in the early part of 2008 whereby the liabilities of small companies are categorised by means of a simple linear regression model with many factors relating to the company's history, ownership, persons in positions of responsibility, the financial statements and payment method as background variables. The customers' credit ratings are re-evaluated annually by experts and adjusted if necessary. The liabilities of medium-sized and large companies are categorised by means of a combination of a simple rating model and an expert model. The model incorporates not only key figures and ratios but also qualitative factors and the company's future plans, including their effect on the company's solvency.

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 OP-Pohjola 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 OP-Pohjola 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 OP-Pohjola Group’s entities loan, collateral, liability and security insurance.

In the event of a moderate economic downturn, any consequences concerning credit risk exposure, credit losses and the capital requirement to cover credit risk will be assessed at least once a year.

MARKET RISKS

Market risks within OP-Pohjola Group include the funding and interest rate risks on all balance-sheet items and off-balance-sheet items, as well as currency, equity price 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 entity within the Group or of OP-Pohjola Group in its entirety.

Responsibility for the taking of market risks is for the most part diversified. The taking of market risks by individual OP-Pohjola Group entities is controlled and limited by OP-Pohjola Group’s capital adequacy management principles and risk limit system, and the Central Cooperative’s risk management guidelines. 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 secure a sufficient profit 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 and Helsinki OP Bank 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.

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

As the central bank of OP-Pohjola 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 principles of capital adequacy management 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 financial statements.

In non-life and life insurance operations, 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. In insurance operations, investments are assets covering insurance contract liabilities and equity.

Achieving long-term return targets through investment requires controlled risk-taking. The boards of life insurance companies confirm separate instructions and operating policies related to the risk management of individual investments. Annual investment plans determining the desired risk and profit level are very important, also determining the mix, range, and benchmark index for investment property as well as other limitations on investments.

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. For this reason, investments are diversified into different asset categories, investment instruments, geographically and by industry.

In non-life insurance, the model applied to investment risks management is based on classification in accordance with the nature of investment instruments, taking into account the expected return and the mix of the investment classes, as well as the correlation between the categories. In life insurance operations, the risk level of investment assets is monitored by means of the realised standard deviation of returns.

The extent and frequency of market risk reporting in OP-Pohjola 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 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-Pohjola 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 OP-Pohjola 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. OP-Pohjola 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 OP-Pohjola Group’s liquidity position on a daily basis, balancing it within the money market.

The funding risk of OP-Pohjola Group and its business units is monitored in banking operations 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 OP-Pohjola Group’s funding risk in banking operations 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 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.

In non-life and life insurance operations, the companies' liquidity requirements are considered in the allocation of investment portfolio. The primary liquidity buffer is the money market portfolio.

Interest rate risk
By interest rate risk we refer to a risk to the bank's result caused by changes in interest rate levels. There are two types of interest rate risk: price risk and repricing risk. Price risk refers to a risk caused by market rate changes on the market value of marketable securities, whereas repricing risk arises when maturing receivables or liabilities must be reinvested or renewed at a less advantageous rate. Interest rate changes affect price and repricing risks inversely.

In banking operations, 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 repricing 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 repricing delay in administrative interest rates and interest rates for deposit funding is estimated in relation to changes in market interest rates.

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 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 repricing delays in administrative interest rates.

The risk limit measure for interest rate risk in banking operations 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.

In non-life and life insurance operations, an interest rate risk is created when changes in the interest rate affect the value of investment assets. The market risk of investments is controlled by limiting the amount of fixed-income investments in the investment allocation. Interest rate risk is monitored by means of modified duration in relation to the duration of the benchmark portfolio. When determining the interest rate risk level, the interest rate risk included in the technical provisions is also taken into account.

The most significant interest rate risk related to the insurance contract liabilities in life insurance operations 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.

Currency risk
Currency risk refers in banking 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 OP-Pohjola 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.

In non-life and life insurance, currency risk is created as a result of changes to investment asset value caused by currency changes. Currency risk is managed by diversifying the investment allocation and by means of hedging currency derivatives. There may be open foreign currency positions in non-life and life insurance, but a maximum limit has been set for them in the investment plan. In the management of currency risks, Non-life Insurance also takes account of the currency risk arising from insurance operations. The life insurance technical provisions do not contain items in foreign currencies.

Equity risks
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. In investment operations, equity risk is managed by diversifying the investment allocation. Within OP-Pohjola 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. In non-life and life insurance, the principles of property risk management have been laid down in the investment plan. The amount and earnings level of the member banks' and OP-Pohjola Group's property holdings are monitored at least quarterly.

USE OF DERIVATIVES IN RISK MANAGEMENT

The most active user of derivatives within OP-Pohjola Group is the central bank, OKO Bank, which uses them for both trading and hedging. 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.

OP-Pohjola Group applies the fair value hedging model in hedge accounting of interest rate risk.

The member cooperative banks do not use derivatives for trading purposes. 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.

In non-life and life insurance, derivatives are also used for market risk management. The principles of the use of derivatives are annually defined in the companies' investment plans. Interest rate and equity derivatives can be used either to hedge or increase the risk level of the portfolio, within defined limits. Currency derivatives can only be used for hedging. Credit risk derivatives have not been 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).

TECHNICAL INSURANCE RISKS

Non-life Insurance
Insurance business is based on taking and managing risks. The largest technical insurance 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.

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.

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 this 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 OP-Pohjola 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 reinsurance principles and the maximum risk per claim retained for own account are approved annually by the Board of Directors. In practice, the Group keeps this amount lower if this is justifiable considering the price level of reinsurance cover. The Group aims to take account of local risk concentrations in EML (Estimated Maximum Loss) estimates for property risks and through EML breakthrough cover included in reinsurance cover. The Group has protected against catastrophe accumulation losses through an extensive catastrophe reinsurance cover.

The level of reinsurance protection has an impact on the need of solvency capital. Only companies with a sufficiently high credit rating are accepted as reinsurers. Moreover, maximum limits have been confirmed for the amounts of risk that can be ceded to any one reinsurer. The limit depends on the nature of the risk involved and on the company's financial standing. The Group has mainly placed its reinsurance agreements with companies with at least 'A' in accordance with Standard & Poor's.

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

Life Assurance Company

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 possibility for surrender creates a risk for life insurance companies: if long-term assets are withdrawn prematurely, the earnings base is reduced. 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 and through contract terms and sanctions. Savings insurance and capital redemption contracts are susceptible to surrenders, while surrender of pension policies is only possible under exceptional circumstances.

NOTE 3. Business operations acquired during the financial year

On 12 September 2005, OKO Bank purchased from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company the shares they held in Pohjola Group plc for EUR 1,195 million, becoming Pohjola's principal shareholder,and owning some 58.5% of Pohjola's shares and votes. The deal was finalised on 18 October 2005 when OKO Bank received the regulatory approvals of the authorities for the deal, with Pohjola Group plc becoming 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 OP-Pohjola Group from 30 October 2005. In January 2006, OKO Bank's shareholding and voting rights in Pohjola exceeded 90% and OKO Bank initiated the arbitration proceedings, as required by the Finnish Companies Act, for the redemption of the Pohjola shares. From the beginning of 2006, Pohjola has been included in the financial statements of OP-Pohjola 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 OP-Pohjola Group Central Cooperative through internal deals.

The acquisition cost of Pohjola-Group plc shares and direct costs related to the shares' purchase have been used as acquisition costs in the consolidation of Group accounts. The acquisition cost includes direct costs related to internal deals of OP-Pohjola Group, both in terms of the actual acquisition and subsequent rearrangements to clarify the OP-Pohjola Group structure.

In the consolidation of Group accounts in 2006, the acquisition cost totalled EUR 2,080 million, of which the acquisition cost of shares amounted to EUR 2,065 million and the related direct costs came to EUR 15 million, the acquisition cost paid in cash.

On 2 May 2007, the Arbitral Tribunal appointed by the Central Chamber of Commerce decided to set the redemption price of Pohjola Group plc shares at EUR 14.35 per share, which is EUR 1.00 higher than the EUR 13.35 bid by OKO Bank. In the consolidation of Group accounts in 2007, this higher price increased the acquisition cost to a total of EUR 2,096 million, of which other direct costs related to the acquisition accounted for EUR 31 million.

Goodwill resulting from the consolidation is composed of the difference between the acquisition cost and the fair values of the acquired identifiable assets and liabilities. The acquired identifiable assets and liabilities comprise the net assets of Pohjola measured at fair value and Pohjola's other identifiable asset items recognised at the acquisition. Goodwill corresponds to the other earnings expectations and synergies related to the acquisition.

EUR million		Fair values used in consolidation	Carrying amounts before consolidation
Property, plant and equipment		55	52
Investment property		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	71
Cash and cash equivalents		100	100
Total assets		5,358	4,793
Insurance liabilities		3,268	3,268
Financial liabilities		150	150
Deferred tax liabilities		262	121
Provisions		38	38
Pension obligations		9	5
Accounts payable and other liabilities		155	155
Total liabilities		3,882	3,737
Net assets		1,476	1,057
Holding in net assets acquired	100.0 %	1,476	
Acquisition cost		2,096	
Goodwill*		620	
Purchase price paid in cash		2,092	
Cash and cash equivalents of acquired subsidiary		100	
Cash flow impact		1,992	

*A more detailed specification of goodwill can be found in Note 27.

NOTE 4. Available-for-sale assets

OP-Pohjola Group does not have available-for-sale assets in its balance sheet.

NOTES TO THE INCOME STATEMENT

NOTE 5. Net interest income	2007	2006
Interest income		
Receivables from financial institutions	53	34
Receivables from customers		
Loans	2,066	1,444
Finance lease receivables	20	15
Impaired loans and other commitments	1	1
Notes and bonds		
Held for trading	95	80
At fair value through profit or loss	112	75
Available for sale	43	43
Held to maturity	7	13
Derivative contracts		
Hedge accounting	9	16
Other	1,216	616
Other interest income	8	3
Total	**3,630**	**2,340**
Interest expenses		
Liabilities to financial institutions	37	71
Financial liabilities at fair value through profit or loss	0	1
Liabilities to customers	657	361
Notes and bonds issued to the public	632	370
Subordinated liabilities		
Subordinated loans	8	0
Other	42	29
Derivative contracts		
Hedge accounting	8	24
Other	1,190	598
Other interest expenses	8	4
Total	**2,583**	**1,457**
Net interest income	**1,048**	**883**

Hedging instruments in hedge accounting showed net loss of EUR 2.4 million (a loss of 16.7) and net income from hedged contracts came to EUR 2.4 million (16.7).

NOTE 6. Impairment losses on receivables	2007	2006
Receivables eliminated as loan and guarantee losses	12	10
Recoveries of eliminated receivables	-9	-6
Increase in impairment losses	29	34
Reversal of impairment losses	-22	-30
Group-specific impairment losses	4	1
Impairment losses on interest receivables	-	-
Insurance claims and benefits	0	0
Total	**13**	**9**

NOTE 7. Net income from Non-life Insurance	2007	2006
Insurance premium revenue		
Premiums written	944	877
Change in provision for unearned premiums	-43	-35
Gross insurance premium revenue	901	842
Reinsurers' share	-51	-53
Total	850	788
Net investment income	153	111
Claims incurred		
Claims paid (excl. loss adjustment expenses)	556	470
Change in provision for unpaid claims	-10	51
Gross total claims incurred	546	521
Reinsurers' share	-10	15
Total	536	536
Other Non-life Insurance items	39	36
Net income from Non-life Insurance	**427**	**328**

Insurance premium revenue and insurance premiums ceded to reinsurers

Short-term insurance contracts		
Premiums written	938	870
Change in provision for unearned premiums	-40	-33
Change in provision for unexpired risks	-2	1
Long-term insurance contracts		
Premiums written	5	7
Change in provision for unearned premiums	-1	-3
Gross insurance premium revenue	**901**	**842**
Reinsurers’ share of short-term insurance contracts		
Premiums written	-48	-55
Change in provision for unearned premiums	-2	2
Reinsurers’ share of long-term insurance contracts		
Premiums written	0	0
Change in provision for unearned premiums	0	0
Total reinsurers' share	-51	-53
Net insurance premium revenue	**850**	**788**
Total premiums written	944	877
Total change in provision for unearned premiums	-43	-35
Total insurance premium revenue	**901**	**842**

Net investment income from Non-life Insurance

Loans and other receivables		
Interest income	3	2
Interest expenses	-1	-
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
Derivatives	-	-
Other	-2	-2
Total	-1	-1
Capital gains and losses		
Notes and bonds	-	-
Shares and participations	-	0
Derivatives	13	10
Other	-1	-9
Total	13	1
Fair value gains and losses		
Notes and bonds	0	-1
Shares and participations	0	0
Derivatives	0	-1
Other	-	-
Total	0	-2
Total net income from financial assets recognised at fair value through profit or loss	11	-2
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	67	72
Other income and expenses	0	0
Capital gains and losses	-12	-24
Transferred from fair value reserve during the financial year	-27	-
Impairment losses and their reversal	-	-
Total	28	47
Shares and participations		
Dividends	61	22
Other income and expenses	-	-
Capital gains and losses	-10	38
Transferred from fair value reserve during the financial year	57	-
Impairment losses	-1	-1
Total	106	59
Total net income from available-for-sale financial assets	134	106
Net income from investment property		
Rental income	6	7
Capital gains and losses	3	1
Gains on fair value measurement	2	2
Maintenance charges and expenses	-6	-4
Other	0	-1
Total net income from investment property	5	5
Total net investment income from Non-life Insurance	**153**	**111**

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 39 million (37 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 1 December 2004 to 30 November 2005, 3.3% from 1 December 2005 to 30.11.2007 and 3.5% from 1 December to 31 December 2007.

NOTE 8. Net income from Life Insurance	2007	2006
Premiums written	809	859
Insurance premiums ceded to reinsurers	-15	-2
Net investment income	297	454
Claims incurred		
Benefits paid	507	437
Change in provision for unpaid claims	40	24
Reinsurers' share	0	0
Other	-	-
Change in insurance contract liabilities		
Change in life insurance provision	373	695
Reinsurers' share	-12	4
Other	11	40
Total net income from Life Insurance operations	**172**	**110**

The insurance contract liabilities include EUR 10 million (EUR 53 million) in reserves for future customer bonuses.

Premiums written in Life Insurance

Premiums written from insurance contracts		
Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)		
Savings insurance	177	250
Personal pension insurance	57	60
Group pension insurance	63	42
Term insurance		
Personal insurance	41	14
Supplementary group insurance	9	8
Employees' group life insurance	11	13
Total term insurance	61	35
Total	358	387
Premiums written from unit-linked insurance contracts		
Savings insurance	353	388
Personal pension insurance	95	82
Group pension insurance	3	2
Total	451	472
Total	**809**	**859**
Premiums written from investment contracts		
Premiums written from investment contracts with entitlement to discretionary portion of surplus		
Capital redemption contracts	38	-
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	11	-
Total	**49**	**-**
Total direct insurance	**859**	**859**
Assumed reinsurance	0	0
Total premiums written	**859**	**859**

Regular premiums from insurance contracts	484	492
Regular premiums from investment contracts	1	-
Single premiums from insurance contracts	325	364
Single premiums from investment contracts	48	3
Total	**859**	**859**

Net investment income from Life Insurance

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
Total	0	0
Capital gains and losses		
Notes and bonds	-	-
Shares and participations	-	-
Other	27	10
Total	27	10
Fair value gains and losses		
Notes and bonds	0	0
Shares and participations	0	0
Derivatives	2	7
Other	-	-
Total	2	7
Dividend income	0	-
Total net income from financial assets recognised at fair value through profit or loss	29	17
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	62	81
Capital gains and losses	-12	-4
Transferred from fair value reserve during the financial year	-15	-
Impairment losses and their reversal	-25	-
Total	11	77
Shares and participations		
Dividends	40	14
Other income	-12	-3
Capital gains and losses	52	80
Transferred from fair value reserve during the financial year	74	-
Impairment losses	-1	-
Total	153	91
Total net income from available-for-sale financial assets	164	168

Net income from investment property		
Rental income	10	9
Capital gains and losses	0	0
Gains on fair value measurement	10	2
Maintenance charges and expenses	-5	-6
from which rental income is not accumulated	0	0
Other	-6	-1
Total net income from investment property	10	4

Assets serving as cover for unit-linked policies		
Shares and participations		
Capital gains and losses	126	100
Fair value gains and losses	-52	153
Other	23	14
Total	97	267
Exchange rate gains (losses)	**0**	**0**
Total net income from investment operations	**297**	**454**

Benefits paid in Life Insurance

Benefits paid from insurance contracts		
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	175	171
Death benefits	63	57
Surrenders	95	74
Total	334	302
Personal pension insurance		
Annuities	22	16
Death benefits	1	1
Surrenders	2	1
Total	25	17
Group pension insurance		
Annuities	14	10
Lump-sum benefits	1	1
Surrenders	1	1
Total	15	12
Term insurance		
Personal insurance	5	4
Supplementary group insurance	5	5
Employees' group life insurance	8	8
Total	17	18
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	16	13
Death benefits	14	10
Surrenders	81	63
Total	111	86
Personal pension insurance		
Annuities	2	1
Death benefits	1	1
Surrenders	3	1
Total	5	2
Group pension insurance		
Annuities	0	0
Death benefits	-	0
Surrenders	-	-
Total	0	0
Total benefits paid from insurance contracts	507	437

Benefits paid from investment contracts		
Benefits paid from investment contracts entitling to discretionary portion of surplus		
Capital redemption contracts		
Maturities	28	0
Surrenders	17	0
Total	46	0
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	0
Surrenders	4	0
Total	5	0
Total benefits paid from investment contracts	51	0
Total direct insurance	**558**	**437**
Assumed reinsurance	0	0
Total benefits paid in Life Insurance	**558**	**437**

NOTE 9. Net commissions and fees	**2007**	**2006**
Commissions and fees		
Lending	103	88
Deposits	6	6
Payment transfers	112	116
Securities brokerage	27	22
Securities issuance	7	6
Mutual fund brokerage	95	84
Asset management and legal services	53	56
Insurance brokerage	49	43
Guarantees	11	11
Other	39	36
Total	**502**	**467**
Commission expenses		
Payment transfers	21	14
Securities	5	3
Other	54	53
Total	**80**	**71**
Net commissions and fees	**422**	**396**

The item Other commission expenses includes EUR 12 million (EUR 11 million) of commissions paid for asset management and legal assignments, EUR 8 million (EUR 5 million) of platinum bonuses granted to Helsinki OP Bank Plc's bonus customers and EUR 34 million (EUR 37 million) of other commissions paid.

NOTE 10. Net trading income	2007	2006
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	-8	-7
Shares and participations	6	7
Derivatives	3	10
Other	-	-
Total	0	10
Fair value gains and losses		
Notes and bonds	3	-10
Shares and participations	-5	3
Derivatives	24	35
Other	-	-
Total	21	27
Dividend income from assets held for trading	1	1
Assets and liabilities recognised at fair value through profit or loss		
Capital gains and losses		
Notes and bonds	0	-1
Shares and participations	-	-
Derivatives	0	0
Other	-	-
Total	0	-1
Fair value gains and losses		
Notes and bonds	-68	-17
Shares and participations	-	-
Derivatives	0	0
Other	-	-
Total	-68	-17
Dividend income from assets recognised at fair value through profit or loss	-	-
Net income from foreign exchange operations		
Exchange-rate differences	49	37
Other	-33	-24
Total	16	13
Total net trading income	**-30**	**32**

NOTE 11. Net investment income	2007	2006
Available-for-sale financial assets		
Notes and bonds and loans acquired		
Capital gains and losses	-3	1
of which those amortised at cost	-	-
Transferred from fair value reserve during the financial year	-2	0
Impairment losses and their reversal	-	-
Total	-5	1
Shares and participations		
Capital gains and losses	12	16
of which those measured at cost	0	4
Transferred from fair value reserve during the financial year	20	24
Impairment losses	-1	-1
Total	30	40
Dividend income	24	20
Total net income from available-for-sale financial assets	50	60
Held-to-maturity notes and bonds		
Impairment losses and their reversal	-	-

Net income from investment property		
Rental income	53	55
Capital gains and losses	3	5
Gains on fair value measurement	18	25
Maintenance charges and expenses	-33	-34
from which rental income is not accumulated	1	1
Other	4	1
Total	45	52
Total net investment income	**95**	**112**

NOTE 12. Other operating income	**2007**	**2006**
Rental income from property in Group use	10	10
Capital gains on property in Group use	2	2
Insurance claims and benefits	0	0
Other	97	80
Total	**109**	**92**

The item Other operating income includes EUR 3 million (EUR 3 million) of other income from Non-life Insurance EUR 13 million (EUR 10 million) of rental income from leasing objects, EUR 8 million (EUR 6 million) of ADP income, EUR 16 million (EUR 18 million) of income from credit risk management and EUR 57 million (EUR 43 million) of other operating income.

NOTE 13. Personnel costs	**2007**	**2006**
Wages and salaries	482	459
Share-based payments	0	0
Pension costs		
Defined contribution plans	52	53
Defined benefit plans	-12	-17
Other personnel related costs	31	33
Total personnel costs	**553**	**527**

NOTE 14. Other administrative expenses	**2007**	**2006**
Office expenses	48	51
IT expenses	86	87
Telecommunications	38	39
Marketing	63	59
Research and development	12	7
Other administrative expenses	57	48
Total other administrative expenses	**303**	**290**

NOTE 15. Other operating expenses	2007	2006
Rental expenses	1	1
Expenses for property in Group use	76	70
Capital losses on property in Group use	1	0
Depreciation and amortisation		
Buildings	11	11
Machinery and equipment	24	25
Intangible assets	26	28
Intangible assets related to company acquisition	48	49
Other	18	16
Total	128	129
Impairments		
Property in Group use	1	1
Goodwill	-	-
Other	0	0
Total	1	1
Contribution to the Deposit Protection Fund	17	15
Other	49	50
Total other operating expenses	**273**	**267**

The item Other in Other operating expenses includes EUR 10 million (EUR 13 million) in supervision, inspection and membership fees, EUR 7 million (EUR 8 million) in insurance and security expenses, EUR 13 million (EUR 10 million) in other expenses of Non-life Insurance and EUR 18 million (EUR 18 million) in other operating expenses.

NOTE 16. Returns to owner-members	2007	2006
Bonuses	75	43
Interest on cooperative capital	24	21
Total returns to owner-members	**99**	**64**

Returns to owner-members include interest on cooperative capital payable to the members of OP-Pohjola Group member cooperative banks for the financial year and bonuses earned by owner-members due to their regular use of banking services as loyal customers in the financial year.

The bonuses do not include those paid to Helsinki OP Bank plc customers.

NOTE 17. Income tax	2007	2006
Current tax	160	152
Tax for previous financial year	3	-21
Deferred tax	104	71
Income tax expense	**266**	**202**
Corporate income tax rate	26	26

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

Earnings before tax	1,005	800
Tax calculated at a tax rate of 26% (2006:26%)	261	208
Tax for previous financial years	3	-20
Income not subject to tax	-5	-7
Expenses not deductible for tax purposes	11	21
Re-evaluation of unused losses	-2	-6
Effect of tax adjustments	-1	6
Other items	-1	-
Tax expense	**266**	**202**

NOTES TO ASSETS

NOTE 18. Liquid assets	31 Dec. 2007	31 Dec. 2006
Cash	143	136
Deposits with central banks repayable on demand		
Overnight deposits	-	-
OKO Bank's minimum reserve deposit	150	139
Other	296	766
Total liquid assets	**589**	**1,041**

In accordance with the minimum reserve system under the euro system, credit institutions are obligated to have a minimum reserve deposit with their national central bank. The reserve deposit equals the required percentage of the reserve base, as specified by the European Central Bank. The reserve base includes deposits (extensive) and debt securities with a maximum maturity of two years. The reserve base does not include deposits from other parties subject to the minimum reserve obligation. The reserve deposit is currently 2 per cent of the reserve base. Credit institutions within OP-Pohjola Group place a reserve deposit with OKO Bank plc, which acts as an intermediary authorised by OP-Pohjola Group credit institutions and is responsible for OP-Pohjola Group's obligation to place a deposit with the Bank of Finland.

NOTE 19. Receivables from financial institutions	31 Dec. 2007	31 Dec. 2006
Deposits with central banks		
Other than repayable on demand	-	-
Receivables from financial institutions		
Deposits		
Repayable on demand	96	43
Other	6	152
Total	103	195
Loans and other receivables		
Repayable on demand	-	0
Other	182	152
Total	182	152
Total	285	347
Impairment losses	-	-2
Total receivables from financial institutions	**285**	**344**

NOTE 20. Financial assets at fair value through profit or loss	31 Dec. 2007	31 Dec. 2006
Financial assets held for trading		
Government notes and bonds	282	347
Certificate of deposits and commercial papers	1,581	1,665
Debentures	8	8
Bonds	338	364
Other notes and bonds	32	27
Shares and participations	69	80
Loans acquired and other receivables	-	-
Total	2,310	2,491

Financial assets at fair value through profit or loss at inception		
Government notes and bonds	56	57
Certificate of deposits and commercial papers	-	-
Debentures	53	37
Bonds	2,372	2,231
Other notes and bonds	0	0
Shares and participations	-	-
Loans acquired and other receivables	-	-
Total	2,481	2,325
Total financial assets at fair value through profit or loss	**4,791**	**4,816**

Breakdown of notes and bonds held for trading and shares and participations by quotation and issuer

Financial assets held for trading	**31 Dec. 2007**		**31 Dec. 2006**	
	Notes and bonds	**Shares and participations**	**Notes and bonds**	**Shares and participations**
Quoted				
From public corporations	287	-	317	-
From others	566	69	416	80
Other				
From public corporations	151	-	25	-
From others	1,237	-	1,653	-
Total	**2,241**	**69**	**2,411**	**80**

Financial assets at fair value through profit or loss at inception	**31 Dec. 2007**		**31 Dec. 2006**	
	Notes and bonds	**Shares and participations**	**Notes and bonds**	**Shares and participations**
Quoted				
From public corporations	56	-	57	-
From others	2,425	-	2,268	-
Other				
From public corporations	-	-	-	-
From others	-	-	-	-
Total	**2,481**	**-**	**2,325**	**-**
Total financial assets at fair value through profit or loss	**4,721**	**69**	**4,736**	**80**

NOTE 21. Derivative contracts	**31 Dec. 2007**	**31 Dec. 2006**
Held for trading		
Interest rate derivatives	412	262
Currency derivatives	6	3
Equity and index derivatives	59	33
Credit derivatives	0	0
Other	-	-
Total	479	298
Derivatives recognised at fair value through profit or loss		
Interest rate derivatives	0	-
Currency derivatives	-	-
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	0	0

Hedging derivative contracts - fair value hedging		
Interest rate derivatives	41	16
Currency derivatives	7	5
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	48	21
Total derivative contracts	**526**	**319**

The balance sheet item includes positive changes in fair value of derivative contracts as well as premiums paid.

NOTE 22. Receivables from customers	**31 Dec. 2007**	**31 Dec. 2006**
Loans to the public and public corporations	40,635	36,936
Finance lease receivables	452	414
Loans acquired and other receivables	3,807	2,368
Total	44,895	39,718
Impairment losses	-118	-124
Total receivables from customers	**44,776**	**39,595**

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 2007	121	4	-1	124
Increases in receivable-specific impairment losses	28	0	0	29
Increases in impairment losses by receivable group	4	-	0	4
Reversal of receivable-specific impairment losses	-22	0	0	-22
Loans and guarantee receivables derecognised from the balance sheet, for a which receivable-specific impairment loss was recognised	-14	-	-1	-15
Exchange rate difference adjustments	-	-	-	-
Impairment losses 31 December 2007	117	4	-2	118
Impairment losses 1 January 2006	127	8	-1	134
Increases in receivable-specific impairment losses	18	1	0	19
Increases in impairment losses by receivable group	4	-	-	4
Reversal of receivable-specific impairment losses	-15	-4	0	-19
Loans and guarantee receivables derecognised from the balance sheet, for a which receivable-specific impairment loss was recognised	-14	-1	-	-15
Exchange rate difference adjustments	-	-	-	-
Impairment losses 31 December 2006	121	4	-1	124

Finance lease receivables

OKO Bank within OP-Pohjola Group leases transport equipment and industrial machinery and equipment through finance leases.

Maturity of finance leases	31 Dec. 2007	31 Dec. 2006
Maturity of finance leases		
Not later than one year	171	159
1-5 years	253	224
Over 5 years	133	109
Gross investment in finance leases	558	491
Unearned finance income (-)	-106	-77
Present value of minimum lease payments	**452**	**414**
Present value of minimum lease payment receivables		
Not later than one year	151	143
1-5 years	218	199
Over 5 years	83	72
Total	**452**	**414**
Unguaranteed residual value due to the lessor	-	-
Variable rent recognised as revenue during the financial year	-	-
Adjustment recognised under minimum rent receivables	-	-
Gross increase in the financial period	**206**	**165**

NOTE 23. Non-life Insurance assets	31 Dec. 2007	31 Dec. 2006
Investments		
Loans and other receivables	57	67
Equities	894	766
Property	85	56
Notes and bonds	1,387	1,536
Other	1	1
Total	2,425	2,426
Other assets		
Prepayments and accrued income	28	-2
Other		
From direct insurance	210	241
From reinsurance	74	90
Cash in hand and at bank	12	5
Total	325	335
Total Non-life Insurance assets	**2,750**	**2,761**

Non-life Insurance investments	31 Dec. 2007	31 Dec. 2006
Loans and other receivables		
Loans	57	67
Deposits with ceding undertakings	1	1
Total	58	68
Financial assets recognised at fair value through profit or loss		
Government notes and bonds	-	-
Other notes and bonds	1	3
Shares and participations	-	-
Derivative contracts		
Currency derivatives	0	0
Interest rate derivatives	-	0
Equity derivatives	-	-
Total derivatives	0	0
Total financial assets recognised at fair value through profit or loss	2	3
Available-for-sale financial assets		
Notes and bonds	1,386	1,533
Shares and participations	894	766
Total	2,280	2,299
Investment property		
Land and water areas	11	6
Buildings	74	50
Total	85	56
Total Non-life Insurance investments	**2,425**	**2,426**

Breakdown of Non-life Insurance notes and bonds recognised through profit or loss and shares and participations by quotation and issuer

	31 Dec. 2007		31 Dec. 2006	
	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
Quoted				
From public corporations	-	-	-	-
From others	1	-	2	-
Other				
From public corporations	-	-	-	-
From others	-	-	1	-
Total	**1**	**-**	**3**	**-**

Available-for-sale financial assets of Non-life Insurance, 31 December 2007

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	At amortised cost	Total	At fair value	At cost	Total*
Quoted						
From public corporations	1,050	-	577	-	-	-
From others	799	-	799	775		775
Other						
From public corporations	1	-	1	-	-	-
From others	10	-	10	120	-	120
Total	**1,386**	**-**	**1,386**	**894**	**-**	**894**
Impairment losses	-	-	-	5	-	5

The available-for-sale financial assets of Non-life Insurance include EUR 1 million (EUR 4 million) in pledged items. The items consist mainly of notes and bonds in collateral for foreign insurance operations and of collateral for derivatives trading.

* Available-for-sale shares and participations include EUR 448 million (447) in equities and mutual funds with equity risk and EUR 446 million (319) in other participations. Other participations consist mainly of units in bond, money market, convertible bond, commodities and hedge funds.

Available-for-sale financial assets of Non-life Insurance, 31 December 2006

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	**At amortised cost**	**Total**	**At fair value**	**At 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**
Impairment losses	-	-	-	4	-	4

Changes in Non-life Insurance investment property

	2007	**2006**
Acquisition cost 1 January	55	63
Increase	27	5
Decrease	-5	-9
Transfers between items	6	-4
Acquisition cost 31 December	83	55
Accumulated changes in fair value 1 January	1	-
Changes in fair value during financial year	2	2
Decrease	-1	-
Other changes	-	-
Accumulated changes in fair value 31 December	2	1
Carrying amount 31 December	85	56

During the financial year, the Group had no construction and repair obligations regarding investment property, as against EUR 14 million the year before.

NOTE 24. Life Insurance assets	**31 Dec. 2007**	**31 Dec. 2006**
Investments		
Loans and other receivables	16	64
Equities and shares	2,525	2,139
Investment property	121	103
Notes and bonds	1,263	1,608
Other	1	0
Total	3,926	3,913
Investments serving as cover for unit-linked policies		
Shares and participations	2,374	2,090
Other assets		
Prepayments and accrued income	36	45

Other		
Direct insurance operations	9	1
Reinsurance operations	14	2
Cash in hand and at bank	2	9
Other	-	-
Total	61	58
Total Life Insurance assets	**6,361**	**6,061**

Life Insurance investments	**31 Dec. 2007**	**31 Dec. 2006**
Loans and other receivables		
Loans	16	64
Deposits with ceding undertakings	-	-
Other receivables	-	-
Total	16	64
Financial assets held for trading		
Government notes and bonds	-	-
Other notes and bonds	3	8
Shares and participations	-	-
Derivative contracts		
Currency derivatives	1	0
Interest rate derivatives	-	-
Equity derivatives	-	-
Total derivatives	1	0
Total financial assets held for trading	4	8
Available-for-sale financial assets		
Notes and bonds	1,260	1,600
Shares and participations	2,525	2,139
Total	3,785	3,738
Investment property		
Land and water areas	16	13
Buildings	105	90
Total	121	103
Total investments	**3,926**	**3,913**

Breakdown of Life Insurance notes and bonds recognised at fair value through profit or loss and shares and participations by quotation and issuer

	31 Dec. 2007		**31 Dec. 2006**	
	Notes and bonds	**Shares and parti-cipations**	**Notes and bonds**	**Shares and parti-cipations**
Quoted				
From public corporations	-	-	-	-
From others	3	-	8	-
Other				
From public corporations	-	-	-	-
From others	-	-	-	-
Total	**3**	**-**	**8**	**-**
Impairment losses	-	-	-	-

Available-for-sale financial assets of Life Insurance, 31 December 2007

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	At amortised cost	Total	At fair value	At cost	Total
Quoted						
From public corporations	387	-	387	-	-	-
From others	868	-	868	2,357		2,357
Other						
From public corporations	-	-	-	-	-	-
From others	6	-	6	168	-	168
Total	**1,260**	**-**	**1,260**	**2,525**	**-**	**2,525**
Impairment losses	-25	-	-25	-	-	-

Available-for-sale financial assets of Life Insurance, 31 December 2006

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	At amortised cost	Total	At fair value	At 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**	**-**	**1,600**	**2,139**	**-**	**2,139**
Impairment losses	-3	-	-3	-	-	-

Changes in Life Insurance investment property

	2007	2006
Acquisition cost 1 January	80	83
Increase	17	2
Decrease	-5	-5
Transfers between items	-5	-
Acquisition cost 31 December	88	80
Accumulated changes in fair value 1 January	23	16
Changes in fair value during financial year	10	2
Decrease	-	5
Other changes	-	-
Accumulated changes in fair value 31 December	33	23
Carrying amount	121	103

NOTE 25. Investment assets	31 Dec. 2007	31 Dec. 2006
Available-for-sale financial assets		
Notes and bonds	979	435
Shares and participations	379	341
Loans acquired	-	-
Total	1,358	776
Held-to-maturity investments	116	133
Investment property		
Land and water areas	46	47
Buildings	450	457
Total	496	504
Total investment assets	**1,970**	**1,413**

Held-to-maturity investments include other bonds issued by the government totalling EUR 20 million (EUR 22 million), bonds totalling EUR 92 million (EUR 103 million), and other notes and bonds totalling EUR 4 million (EUR 7 million). Investment property contain property used as collateral worth EUR 7 million (8).

Available-for-sale financial assets and held-to-maturity investments, 31 December 2007

	Available-for-sale notes and bonds			Available-for-sale shares and participations			
	At fair value	At amortised cost	Total	At fair value	At cost	Total	Held-to-maturity invest-ments
Quoted							
From public corporations	84	-	84	-	-	-	2
From others	873	-	873	304	-	304	92
Other							
From public corporations	-	-	-	-	-	-	-
From others	22	0	22		75	75	22
Total	**979**	**0**	**979**	**304**	**75**	**379**	**116**
Impairment losses	-	-	-	-	-	-	-

Available-for-sale financial assets include EUR 2 million (EUR 1 million) in subordinated publicly-quoted notes and bonds from others.

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			
	At fair value	At amortised cost	Total	At fair value	At cost	Total	Held-to-maturity invest-ments
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**
Impairment losses	-	-	-	-	-	-	-

Changes in investment property

	2007	2006
Acquisition cost 1 Jan.	463	487
Business operations acquired	-	-
Increases	27	12
Decreases	-47	-46
Transfers between items	1	9
Acquisition cost 31 Dec.	444	463
Accumulated changes in fair value	41	21
Changes in fair value during the financial y	20	25
Decreases	-7	-2
Other changes	-2	-2
Accumulated changes in fair value 31 Dec.	52	41
Carrying amount 31 Dec.	496	504

Increases in investment property include EUR 7 million (EUR 5 million) in capitalised expenses recognised after the acquisition. Depreciation, impairment losses and their reversals under PPE are charged to Other operating expenses. Changes in the fair value of investment property are recognised under Net investment income.

OP-Pohjola Group companies own investment properties which are governed by restrictions on the transfer and selling price, under the legislation on State-subsidised housing. The fair value of such properties was EUR 3 million (EUR 7 million). OP-Pohjola Group companies had EUR 9 million in construction and repair obligations concerning their investment properties (EUR 20 million).

Within OKO Bank Group, OKO Bank primarily offers passenger cars through operating leases. A breakdown of investment property and tangible assets leased out under operating lease can be found in Note 50.

NOTE 26. Investment in associates	**31 Dec. 2007**	**31 Dec. 2006**
Investment 1 January	35	42
Share of profits for the financial year	3	-2
Dividends	-1	-1
Impairment losses	-5	-5
Changes in Group structure	-7	1
Investment 31 December	26	35

NOTE 27. Intangible assets

2007

Changes in intangible assets	**Goodwill**	**Brands**	**Customer relationships related to insurance contracts and policy acquisition costs**	**Other intangible assets**	**Total**
Acquisition cost 1 January	608	179	361	332	1,480
Business operations acquired	-	-	-	-	-
Increases*	16	-	-	46	62
Decreases	-4	-	-	-15	-19
Transfers between items	-	-	-	0	0
Acquisition cost 31 December	620	179	361	363	1,523
Acc. amortisation and impairments 1 January	-	-	-35	-190	-225
Amortisation during the financial year	-	-	-30	-46	-76
Impairments during the financial year	-	-	-	0	0
Reversal of impairments during the financial year	-	-	-	-	-
Decreases	-	-	-	7	7
Other changes	-	-	-	-	-
Acc. amortisation and impairments 31 December	-	-	-64	-229	-294
Carrying amount 31 December	620	179	297	134	1,230

* Internal development work accounts for EUR 3 million (EUR 4 million). Other intangible assets include computer software to the carrying amount of EUR 102 million (EUR 123 million) and EUR 30 million (EUR 18 million) in computer software under development. Amortisation, impairment losses and their reversals were recognised on the income statement under Other operating expenses.

2006					
Changes in intangible assets	**Goodwill**	**Brands**	**Customer relationships related to insurance contracts and policy acquisition costs**	**Other intangible assets**	**Total**
Acquisition cost 1 January	517	179	361	288	1,346
Business operations acquired	90	-	-	0	90
Increases*	-	-	-	44	44
Decreases	-	-	-	-5	-5
Transfers between items	-	-	-	4	4
Acquisition cost 31 December	608	179	361	332	1,480
Acc. amortisation and impairments 1 January	-	-	-5	-141	-146
Amortisation for the period	-	-	-30	-47	-77
Impairments for the period	-	-	-	-	-
Reversal of impairments during the financial year	-	-	-	-	-
Decreases	-	-	-	-2	-2
Other changes	-	-	-	0	0
Accumulated amortisation and impairments 31 December	-	-	-35	-190	-225
Carrying amount 31 December	608	179	326	142	1,255

Intangible assets with indefinite economic lives

	31 Dec. 2007	31 Dec. 2006
Goodwill	620	608
Brands	179	179
Total	**800**	**787**

The economic lives of goodwill and brands acquired through business combinations are estimated to be indefinite, since they affect the accrual of cash flows for an indefinable period.

Other most significant intangible assets

	31.12.2007	31.12.2006
Goodwills	**Carrying amount, EUR million**	**Carrying amount, EUR million**
Customer relationships	260	285
Insurance contracts	36	41
Software	102	123
Software under development	30	18

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. In 2006, goodwill increased as a result of growth in OP-Pohjola Group's shareholding to 100%. The 2 May 2007 decision by the Arbitral Tribunal appointed by the Central Chamber of Commerce increased goodwill in 2007. More detailed information on the related acquisition can be found in Note 3.

Goodwill impairment test

Goodwill	31 Dec. 2007	31 Dec. 2006
Non-life Insurance	392	384
Asset management	97	96
Mutual funds	71	71
Life Insurance	50	48
Systems service business	10	10
Total	620	608

Testing goodwill for impairment

Goodwill of OP-Pohjola 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 OPPohjola 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 the systems service business, the testing period was set at 5 years in accordance with IAS 36. For other business areas, the testing period was determined to be the entire period of PPA amortisation increased by one year free of PPA amortisation.

The forecasts used in cash flow calculations are based on 2008–2010 strategy figures and post-strategy-period expectations derived from them regarding business developments. Growth in cash flows for post-forecast periods 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 using 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 used the same key parameters as a year ago: the discount rate, combined ratio and net investment income ratio. The results of the sensitivity analysis did not change significantly over the previous year. An around 3-percentage point growth in combined ratio and an around20% decrease in net investment income ratio throughout the testing period, with one changed parameter and other parameters remaining unchanged, would entail an impairment risk.

Life Insurance key parameters were the discount rate, growth in operating expenses and the margin of investment. The results of the sensitivity analysis did not change significantly over the previous year. An around 150% increase in operating expenses and zero margin of investment throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk.

Asset Management key parameters were the discount rate and growth in asset under management and expenses. The results of the sensitivity analysis did not change significantly over the previous year. Zero growth in assets under management throughout the testing period and an around 100% increase in expenses, with other parameters remaining unchanged, would entail an impairment risk.

Mutual funds' key parameters were the discount rate, growth in mutual fund capital and in fixed-nature expenses. The results of the sensitivity analysis did not change significantly over the previous year. An around 20% decrease in growth in mutual fund capital throughout the testing period and an around 60% growth in fixed-nature expenses, with other parameters remaining unchanged, would entail an impairment risk.

Systems service business' key parameters were the the discount rate, an increase in service income and operating margin. The results of the sensitivity analysis did not change significantly over the previous year. An around 40% decrease in service income and a fall of the operating margin to zero throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk.

Impairment testing of brands

OP-Pohjola Group's brands originate entirely from the acquisition of Pohjola Group plc's business operations. Impairment testing was 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 using the 'Relief from Royalty' method. Accordingly, their value was determined to be royalty savings accrued in the future from owning the brands, discounted to the present. The discount rate used in the calculations was the market-based equity cost defined for Non-life Insurance, plus an asset-specific risk premium. In testing, the same premium and the corresponding royalty percentages were applied as in the 2006 testing and in the 2005 PPA procedure.

For brands, the testing period was set at 5 years, as per IAS 36. For the Seesam brand, the testing period used was 7 years because of the different nature of the Baltic market. The forecasts used in cash flow calculations are based on 2008–2010 strategy figures and post-strategy-period expectations derived from them regarding business developments. A 2% rate of expected inflation was used as growth in cash flows for periods after the forecast period.

The impairment testing of brands did not lead to recognition of impairment losses.

Impairment testing of other essential intangible assets

OP-Pohjola Group's customer relationships, insurance contracts and a major part of computer software were acquired as part of the acquisition of Pohjola Group plc's business operations. Intangible assets originating from customer relationships, insurance contracts and computer software are charged to expenses using straight-line amortisation over their estimated economic lives. No indications of the need for impairment recognition have been discovered.

NOTE 28. Property, plant and equipment	**31 Dec. 2007**	**31 Dec. 2006**
Property in Group use		
Land and water areas	58	60
Buildings	511	512
Machinery and equipment	63	63
Other tangible assets	20	19
Leased-out assets	63	47
Total property, plant and equipment	**715**	**702**
of which construction in progress	4	6

Changes in property, plant and equipment (PPE), and investment property

31 Dec. 2007	Property in Group use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 January	669	372	31	59	1,131
Business operations acquired	-	0	-	-	0
Increases	33	24	2	37	96
Decreases	-13	-13	-1	-15	-41
Transfers between items	-5	2	0	-	-3
Acquisition cost 31 December	684	385	33	81	1,183
Accumulated depreciation and impairments 1 January	-97	-309	-12	-11	-429
Depreciation for the financial year	-18	-24	-1	-12	-56
Impairments for the financial year	-1	-	-	-	-1
Reversal of impairments during the financial year	1	-	-	-	1
Decreases	2	10	0	6	18
Other changes	-1	0	0	-	0
Accumulated depreciation and impairments 31 December	-115	-322	-13	-18	-468
Carrying amount 31 December	569	63	20	63	715

31 Dec. 2006	Property in Group use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 January	645	348	31	46	1,070
Business operations acquired	-	-	-	-	-
Increases	36	22	2	21	80
Decreases	-6	-4	-1	-8	-20
Transfers between items	-5	6	0	-	1
Acquisition cost 31 December	669	372	31	59	1,131
1 January	-81	-281	-11	-7	-380
Depreciation for the financial year	-16	-25	-1	-11	-52
Impairments for the financial year	-1	-	-	-	-1
Reversal of impairments during the financial year	0	-	-	-	0
Decreases	3	-3	0	6	6
Other changes	-3	0	1	-	-2
31 December	-97	-309	-12	-11	-429
Carrying amount 31 December	572	63	19	47	702

Assets taken on lease under finance lease contract

	31 Dec. 2007	31 Dec. 2006
Investment property	11	11
Property in Group use	-	-
Other	-	-
Total	**11**	**11**

Future minimum lease payments and their present value

	2007		2006	
	Minimum lease payments	Present value	Minimum lease payments	Present value
No later than 1 year	1	-	1	-
Later than 1 year and no later than 5 years	14	11	15	11
Later than 5 years	-	-	-	-
Total	**15**	**11**	**16**	**11**

	31 Dec. 2007	31 Dec. 2006
Changing lease payments charged to expenses during the financial year	0	0
Expected future minimum lease payments under non-cancellable subleases	2	3

Kiinteistö Oy Hämeenkivi, sold by Tampereen Seudun Osuuspankki, a member cooperative bank, to the Local Government Pensions Institution and leased back from it, has been treated as a sale and leaseback contract.

NOTE 29. Other assets	31 Dec. 2007	31 Dec. 2006
Payment transfer receivables	89	13
Pension assets	376	343
Accrued income and prepaid expenses		
Interest	664	470
Other accrued income and prepaid expenses	38	27
Other	411	251
Total	**1,579**	**1,104**

The Other item of Other assets includes EUR 234 million (EUR 52 million) of accounts receivable for securities, EUR 21 million (EUR -3 million) of derivative receivables and EUR 156 million (EUR 202 million) of other assets.

Defined benefit pension plans

OP-Pohjola Bank Group has funded assets of its pension schemes through OP-Pohjola Group Pension Fund, OP-Pohjola Group Pension Foundation and insurance companies. Schemes related to supplementary pensions as well as the TEL (Employees' Pensions Act) funded old age and disability pension schemes managed by the Pension Fund, are treated as defined benefit plans. Contributions to the TEL pay-as-you-go system are treated as defined contribution plans.

Balance sheet values of defined benefit pension plans	31 Dec. 2007	31 Dec. 2006
Fair value of assets	1,386	1,359
Present value of funded obligations (-)	-1,125	-1,004
Present value of unfunded obligations	-4	-5
Unrecognised actuarial gains (+) and losses (-)	108	-18
Net receivable	365	333
Assets and liabilities recognised in the balance sheet		
Assets	376	343
Liabilities	-11	-10
Net assets	**365**	**333**

Plan assets include

OKO Bank plc shares	46	45
Securities issued by companies included in OP-Pohjola Bank Group	11	11
Other receivables from companies included in OP-Pohjola Bank Group	28	29
Properties used by OP-Pohjola Bank Group	-	-
Total	85	84

Defined benefit pension costs in the income statement

Current service cost	21	20
Interest cost	47	41
Expected return on plan assets	-81	-67
Actuarial gains and losses	-	-
Transfer from TEL pooling liability	-	-
Past service costs	-	-11
Effect of curtailment of plans or settlements	-	-1
Total defined benefit pension costs in income statement	**-12**	**-17**
Actual return on plan assets	**32**	**90**

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 derive from increasing various risk premiums on the expected return on the bond.

Changes in present value of obligation

	31 Dec. 2007	31 Dec. 2006
Present value of obligation 1 January	**1,008**	**942**
Current service cost	21	20
Interest cost	47	41
Actuarial gains and losses	77	51
Exchange rate differences	-	-
Benefits paid	-36	-33
Past service cost	-	-11
Business combinations	-	-
Curtailment of plan	-	-
Settlement of obligation	-	-1
Assets returns based on TYEL interest rate difference, transferred to TYEL pooling	-15	-
Settlements	25	-
Change in division ratio	1	-2
Present value of obligation 31 December	**1,129**	**1,008**

Changes in fair value of assets

	31 Dec. 2007	31 Dec. 2006
Fair value of assets 1 January	**1,359**	**1,349**
Expected return on plan assets	81	67
Actuarial gains and losses	-49	22
Employer contributions	14	-44
Benefits paid	-31	-33
Settlement of obligation	-	0
Assets returns based on TYEL interest rate difference, transferred to TYEL pooling	-15	-
Increase to PBO of old age benefits, transferred from TYEL pooling	25	-
Change in division ratio	2	-2
Fair value of assets 31 December	**1,386**	**1,359**

Contributions payable to the defined benefit plan in 2008 are estimated at EUR 15 million.

Proportion of most important asset groups of total fair value of plan assets, %

	31 Dec. 2007	31 Dec. 2006
Shares and participations	32	25
Notes and bonds	38	43
Property	20	22
Other assets	10	10
Total	**100**	**100**

Principal actuarial assumptions used	**2007**	**2006**
Discount rate, %	5.00	4.50-5.25
Expected long-term return on plan assets, %	5.35-6.72	5.25-6.50
Assumed future salary increase, %	3.50	3.00-3.50
Future pension increases, %	2.00-2.70	1.90-2.10
Turnover rate, %	0.00-3.00	0.00-3.00
Inflation, %	2.00	2.00
Average remaining service time in years	1.0-16.0	1.0-16.0

Surplus of defined benefit pension plans and experience adjustments

	31 Dec. 2007	31 Dec. 2006
Present value of obligation	1,129	1,008
Fair value of assets	-1,386	-1,359
Surplus or deficit	**-257**	**-351**
Experience adjustment on liabilities	25	32
Experience adjustments on assets	-16	22

NOTE 30. Tax assets	**31 Dec. 2007**	**31 Dec. 2006**
Income tax assets	19	12
Deferred tax assets	98	77
Total tax assets	**117**	**90**

Deferred tax assets and liabilities

Deferred tax assets		
Due to available-for-sale financial assets	39	13
Due to depreciation and impairments	19	20
Due to provisions and impairments on loans	34	38
Due to consolidated eliminations	10	7
Due to losses related to taxation	2	12
Due to other items	7	7
Set-off against deferred tax liabilities	-13	-20
Total	**98**	**77**

Deferred tax liabilities		
Due to appropriations	438	384
Due to available-for-sale financial assets	41	79
Due to equalisation provision	88	77
Defined benefit pension plans	97	103
Due to fair value measurement of insurance companies' investments	42	7
Fair value measurement of investment property	36	26
Allocation of price of corporate acquisitions	121	127
Due to consolidated eliminations	3	9
Due to other items	4	6
Set-off against deferred tax assets	-13	-20
Total	**856**	**798**
Net deferred tax asset (+)/liability (-)	**-758**	**-721**

Changes in deferred taxes	**31 Dec. 2007**	**31 Dec. 2006**
Deferred tax assets/liabilities 1 January	-721	-663
Recognised in the income statement		
Elimination of capital gains on securities of companies acquired	11	20
Internal capital gains	-	-1
Effect of losses	-9	-11
Provisions and impairments on receivables	-3	-1
Appropriations	-54	-59
Amortisation/depreciation and impairments	-1	11
Equalisation provision	-12	-8
Valuation of investments	-29	-8
Other	-6	-14
Recognised in the balance sheet		
Effect of company acquisitions and disposals	-	3
Available-for-sale financial assets		
Changes in fair value	43	5
Transfers to the income statement	11	6
Other	13	-2
Total deferred tax assets 31 December	**-758**	**-721**
Income tax assets	**-18**	**-23**
Total tax assets	**-776**	**-744**

Tax losses for which a deferred tax asset was not recognised came to EUR 1 million (EUR 1 million) at the end of 2007. The losses will expire before 2017.

The avoir fiscal tax credit not recognised in the balance sheet of Central Cooperative totalled EUR 8.4 million (EUR 8.4 million) at the end of 2007.

A deferred tax liability has not been recognised for the EUR 17 million (EUR 15million) of undistributed profits of the Baltic subsidiaries, since the assets have been permanently invested in these countries.

NOTES TO LIABILITIES AND EQUITY CAPITAL

NOTE 31. Liabilities to financial institutions	31 Dec. 2007	31 Dec. 2006
Liabilities to central banks	110	445
Liabilities to financial institutions		
Repayable on demand		
Deposits	11	2
Other liabilities	0	0
Due and ordered for collection from other banks	-	-
Total	11	2
Other than repayable on demand		
Deposits	737	564
Other liabilities	91	77
Repo liabilities	-	-
Total	828	641
Total liabilities to financial institutions and central banks	**949**	**1,088**

NOTE 32. Financial liabilities at fair value through profit or loss	31 Dec. 2007	31 Dec. 2006
Financial liabilities held for trading		
Short selling of securities	52	-
Other	-	-
Total financial liabilities at fair value through profit or loss	**52**	**-**

NOTE 33. Derivative contracts	31 Dec. 2007	31 Dec. 2006
Held for trading		
Interest rate derivatives	483	294
Currency derivatives	7	3
Equity and index derivatives	6	0
Credit derivatives	1	1
Other	-	-
Total	497	298
Derivatives recognised at fair value through profit or loss		
Interest rate derivatives	0	-
Currency derivatives	-	-
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	0	-
Hedging derivative contracts - fair value hedging		
Interest rate derivatives	44	31
Currency derivatives	13	11
Equity and index derivatives	-	-
Credit derivatives	-	-
Other	-	-
Total	57	41
Total derivative contracts	**554**	**340**

The balance sheet item includes negative changes in value of derivative contracts as well as premiums received.

NOTE 34. Liabilities to customers	31 Dec. 2007	31 Dec. 2006
Deposits		
Repayable on demand		
Private	15,698	15,351
Companies and public corporations	5,386	4,788
Total	21,084	20,139
Other		
Private	6,827	5,061
Companies and public corporations	1,090	550
Total	7,917	5,611
Total deposits	29,001	25,750
Other financial liabilities		
Repayable on demand		
Private	1	0
Companies and public corporations	13	43
Total	14	44
Other		
Private	3	3
Companies and public corporations	2,206	1,918
Total	2,209	1,921
Total other financial liabilities	2,222	1,965
Total liabilities to customers	**31,224**	**27,715**

NOTE 35. Non-life Insurance liabilities	31 Dec. 2007	31 Dec. 2006
Insurance contract liabilities	2,017	1,969
Provision for joint guarantee system	38	36
Direct insurance liabilities	71	69
Reinsurance liabilities	15	25
Other Non-life Insurance liabilities	0	1
Total Non-life Insurance liabilities	**2,140**	**2,099**

Non-life Insurance contract liabilities and reinsurers' share

	31 Dec. 2007			31 Dec. 2006		
EUR Million	Gross	Rein-surers' share	Net	Gross	Rein-surers' share	Net
Provision for unpaid claims for annuities	1,010	-	1,010	989	-	989
Other provisions by case	136	-34	102	137	-45	181
Special provision for occupational diseases	41	-	41	43	-	43
Collective liability (IBNR)	463	-5	458	464	-6	470
Reserved loss adjustment expenses	50	-	50	50	-	50
Provision for unearned premiums	315	-22	293	285	-31	316
Provision for unexpired risks	2	-	2	-	-	-
Total Non-life Insurance contract liabilities	**2,017**	**-61**	**1,956**	**1,969**	**-82**	**1,887**

Changes in insurance contract liabilities and reinsurance contract receivables

EUR Million	31 Dec. 2007 Gross	31 Dec. 2007 Reinsurers' share	31 Dec. 2007 Net	31 Dec. 2006 Gross	31 Dec. 2006 Reinsurers' share	31 Dec. 2006 Net
Provision for unpaid claims						
Provision for known unpaid claims	1,219	-45	1,174	1,199	-36	1,163
Collective liability (IBNR)	464	-6	458	435	-7	428
Liability/reinsurers' share 1 January	1,683	-51	1,632	1,634	-43	1,591
Claims paid in financial year	-603	14	-588	-554	11	-544
Change in liability/receivable	593	-10	583	606	-26	579
Current period claims	665	-3	661	641	-30	610
Increase(decrease) from previous financial years	-27	-6	-33	-50	4	-46
Change in discount rate	-28	0	-28	-	-	-
Other change in reserving basis	-17	0	-17	15	-	15
Unwinding of discount	38	0	38	36	-	36
Liabilities related to assets sold	-12	7	-5	-38	9	-29
Foreign exchange gains (losses)	-	-	-	0	-1	-1
Liability/reinsurers' share 31 December	1,699	-39	1,660	1,683	-51	1,632
Case-specific provision for unpaid claims	1,236	-34	1,202	1,219	-45	1,174
Collective liability (IBNR)	463	-5	458	464	-6	458
Liability/reinsurers' share 31 December	1,699	-39	1,660	1,683	-51	1,632
Provision for unearned premiums						
Liability/reinsurers' share 1 January	285	-31	254	248	-29	219
Increase	264	-9	255	306	-21	285
Decrease	-226	11	-215	-276	19	-257
Change in reserving basis	-1	0	-1	-	-	-
Unwinding of discount	4	0	4	6	-	6
Reversals related to assets sold	-12	7	-5	-	-	-
Foreign exchange gains (losses)	1	0	1	1	-	1
Liability/reinsurers' share 31 December	315	-22	293	285	-31	254
Provision for unexpired risks						
Liability/reinsurers' share 1 January	-	-	-	1	-	1
Increase	2	-	2	-	-	-
Decrease	-	-	-	-1	-	-1
Liability/reinsurers' share 31 December	2	-	2	0	-	0
Total Non-life Insurance contract liabilities	**2,017**	**-61**	**1,956**	**1,969**	**-82**	**1,887**

The provision for unearned premiums represents obligations relating to insurance cover which has not yet expired at the year-end. The provision for unexpired risks relates to the so-called Affinity insurance policies, serving as extended warranty for home appliances, which would remain undersized without the provision for unexpired risks.

Valuation of Non-life Insurance contract liabilities

a) Methods and assumptions used

The amount of liability has been estimated in such a way that it is, in reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been performed 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 derived statistically from the Group's own insurance portfolio and 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 determined taking account of the current interest rate, security required by law and the upper limit of the discount rate set by the authorities. On 31 December 2007, the discount rate used was 3.5% (2006: 3.3%). The mortality model applied is the cohort mortality model which is based on Finnish demographic statistics and which assumes the current trend of an increase in life expectancy 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 carried out in 2001, which takes account of to what extent asbestos was used annually as raw material in Finland and how the latency periods of different asbestos diseases are distributed. Trends in asbestos-related claims are monitored annually and the outcome has corresponded well to the forecast.

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, in addition to the selection of method, such as deciding on 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 is 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 occurred. Use of the PPCI method requires that the estimates of the number of claims 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. Use of the AP method requires that the numbers of detected claims for previous development years be known. In addition, estimates of future detected claims must be available. The AP method is effective in insurance lines where the cash flows of paid claims have a long maturity, because in such case it is possible to stabilise the average payment and concentrate on the development of the number of paid claims.

In the valuation of collective liability, the largest risks relate to
- estimating the future rate of inflation (excl. indemnities for loss of income payable on the basis of statutory insurance)
- 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 dozens of years.

When evaluating the amount of collective liability, the development triangles of claims have been adjusted for inflation. For historical data, the rate 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, the Group has taken account of the fact that historical data do not in all circumstances provide any information at all regarding the foreseeable future. In such 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, the Group has taken account of the fact that claims paid for losses occurred more than 10 years ago are financed through the pay-as-you-go system.

b) Changes in assumptions

At the end of 2007, the Group revised up the discount rate from 3.3% to 3.5%.

The projection method principles governing collective liability for medical expenses insurance changed in 2007 in such a way that only liabilities for effective periods are reserved as the collective liability. Previously, the liability also included compensation for future periods less the amount allocated to old diseases based on future insurance premiums.

The year 2007 saw the adjustment to calculation of unearned premium provision.

Effect of changes in methods and assumptions on amount of liability	**2007**	**2006**
EUR million (increase +/decrease - in liability)		
Change in discount rate	-29	-
Change in reserving basis of collective liability	-17	15
Adjustment to calculation of unearned premium provision	4	6
Total	**-42**	**21**

The claims handling process has undergone improvements compared with prior years. The quicker payment of compensation means higher claims incurred unless collective provision for liability is adjusted due to the changed cash flow. Therefore, the projection of liability includes an insurance-line-specific adjustment for claims handling delay dependent on the claims handling situation, aimed at adjusting fluctuations caused by changes in the claims handling situation. Its effect depends on the claims handling situation at the time. Owing to the favourable claims handling situation, the adjustment for claims handling delay reduced provision for unpaid claims by EUR 3.4 million in 2007.

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 is presented over a period of five years. The capital value of finalised annuities is treated as if the annuities had been paid equalling the capital amount in connection with confirmation as final. For long-term liabilities, i.e. annuities confirmed as final and asbestos-related claims, information on the adequacy of insurance contract liabilities is provided. Information on the net business covers 2004–2007.

Claims triangles, gross business (EUR million)

Occurrence year	2003	2004	2005	2006	2007	Total
Estimated total claims expenditure						
At end of occurrence year	520	523	540	603	638	2,823
1 year later	493	528	540	611	-	-
2 years later	471	521	535	-	-	-
3 years later	471	515	-	-	-	-
4 years later	469	-	-	-	-	-
Current estimate of accumulated claims expenditure	469	515	535	611	638	2,767
Accumulated claims paid	-430	-458	-448	-453	-325	-2,113
Provision for unpaid claims for 2003-2007	39	57	87	158	313	654
Provision for unpaid claims for previous years		-	-	-	-	270
Provision for unpaid claims for confirmed annuities		-	-	-	-	747
Collective liability for asbestos claims		-	-	-	-	28
Provision for unpaid claims, gross 31 December 2007						**1,699**

Development of asbestos claims (EUR million)

Financial year	Collective liability	Known liabilities for annuities	Claims paid	Claims incurred	Changes in reserving basis*	Adequacy
2003	42	27	-3	-	-	-
2004	39	32	-3	-4	2	-3
2005	35	32	-3	1	1	2
2006	32	33	-3	-1	-	-1
2007	28	33	-4	0	-1	-1

* Changes in mortality basis and discount rate between 2004 and 2007.

Development of annuities confirmed as final (EUR million)

Financial year	Year-start	Year-end	New annuity capital	Annuities paid	Changes in reserving basis*	Adequacy
2005	664	711	64	27	14	4
2006	711	761	77	26	-	1
2007	761	775	60	28	-15	3

* Effect of changes in the discount rate (2005 and 2007) on final annuity capital.

Claims triangles, net business (EUR million)

Occurrence year	2004	2005	2006	2007	Total
Estimated total claims expenditure					
At end of occurrence year	504	525	575	629	2,233
1 year later	509	522	579	-	-
2 years later	503	520	-	-	-
3 years later	495	-	-	-	-
Current estimate of accumulated claims expenditure	495	520	579	629	2,223
Accumulated claims paid	-441	-435	-445	-322	-1,642
Provision for unpaid claims for 2004-2007	55	85	135	307	581
Provision for unpaid claims for previous years	-	-	-	-	304
Provision for unpaid claims for confirmed annuities	-	-	-	-	747
Collective liability for asbestos claims	-	-	-	-	28
Provision for unpaid claims, net at 31 Dec. 2007					**1,660**

Provision for joint guarantee system

Special legislation regarding statutory lines of insurance includes provisions on joint liability on the basis of which insurance companies engaged in the business of 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 insurance companies which grant policies in these lines of insurance, in proportion to premiums written in said lines of insurance. The companies may, for their part, collect the incremental expenses due to this contribution when charging premiums from their customers, in the manner prescribed by the authorities, but not in excess of 2% of annual premiums written.

When the joint guarantee system was adopted in the past, companies collected the joint guarantee provision in the form of insurance premiums in their balance sheets, in accordance with the legislation and official regulations governing joint guarantee. 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 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 using a 4% interest rate, but in such a way that the amount does not, because of the interest, account for more than 3% of the gross insurance liabilities of the line concerned. The joint guarantee provision cannot be decreased or abolished for a reason other than financing the joint guarantee contribution. For the joint guarantee system, a joint guarantee amount is included in the provisions but no other provision, because there are no signs of a situation in which the company covered by the joint guarantee system is about to go into liquidation or bankruptcy, or have been placed into liquidation or declared bankrupt.

Claims administration contracts

On 31 December 2007, liabilities related to claims administration contracts totalled EUR 48 million (46).

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 captive arrangements in which the insured risk is reinsured with 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. 2007	31 Dec. 2006
Insurance contract liabilities	3,605	3,454
Insurance contract liabilities for unit-linked insurance policies	2,333	2,048
Other liabilities		
Accrued expenses and deferred income	1	1
Other		
Direct insurance operations	1	4
Reinsurance operations	2	1
Other	156	160
Total	161	165
Total Life Insurance liabilities	**6,099**	**5,667**

Insurance contract liabilities and reinsurers' share

Insurance contract liabilities	1 Jan. 2007	Growth in liability arising from insurance premiums	Dis-charged liabilities	Credited interest and changes in value	Other charges and credits	Other items	31 Dec. 2007
Insurance contracts with entitlement to discretionary portion of surplus	3,373	321	-377	160	-47	96	3,526
Insurance contracts without entitlement to discretionary portion of surplus	22	37	0	1	-12	-	47
Unit-linked insurance contracts	2,048	451	-112	73	-26	-101	2,333
Investment contracts with entitlement to discretionary portion of surplus	88	38	-25	3	0	3	106
Investment contracts without entitlement to discretionary portion of surplus	19	-	-9	1	0	0	10
Unit-linked contracts	33	10	-5	1	0	-3	35
Provision for unexpired risks and provision for future supplementary benefits	59	-	-	-	-	-27	32
Total direct insurance	5,642	857	-529	238	-86	-32	6,089
Assumed reinsurance	-	-	-	-	-	-	-
Total net insurance contract liabilities	**5,642**	**857**	**-529**	**238**	**-86**	**-32**	**6,089**

Insurance contract liabilities	1 Jan. 2006						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	-	-	-	-	-	-	-
Provision for unexpired risks and provision for future supplementary benefits	**4,883**	**866**	**-433**	**387**	**-82**	**20**	**5,642**

Benefits based on insurance contracts are charged to expenses in the income statement. Insurance contract liabilities are determined by the capital value of future benefits, policy administration costs and future premiums, using actuarial assumptions related to interest rates, mortality, disability and operating expenses. The liability is redetermined on 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 fair value such as 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 recognised 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 applies. In part of the 4.5% non-linked saving-type portfolio, the discount rate has been changed to correspond to 3% or 3.5%. The resulting increase in liability is a supplementary provision.

NOTE 37. Debt securities issued to the public

	Average interest rate %	31 Dec. 2007	Average interest rate %	31 Dec. 2006
Bonds	4.61	8,249	3.72	7,647
Other				
Certificates of deposit	4.65	3,182	3.53	3,787
Commercial paper holdings	4.63	2,677	4.07	2,025
Money market debt securities	-	-	-	-
Other	1.22	109	1.23	114
Included in own portfolio in trading (–)*		-143		-74
Total debt securities issued to the public		**14,074**		**13,500**

*Own bonds held by OP Pohjola Group have been set off against liabilities.

Most significant issues in 2007	Nominal amount	Interest rate
OP Mortgage Bank		
OP Mortgage Bank Coverage Bond 1/2007	1,000	4.50
OP Bank Group Central Cooperative		
Bond 1/2007	52.5	4.826
Bond 2/2007	67.5	4.866
OKO Bank plc		
OKO Bank Plc ("OKO Bank" or The "Issuer") Issue of EUR 125,000,000 Fm Due May 2009	125	3 kk Euribor %
OKO Bank Plc ("OKO Bank" or The "Issuer") Issue of NOK 800,000,000 Fixed Rate Notes Due 24 November 2008	100.5	Fixed 5,195 %
OKO Bank Plc ("OKO Bank") Issue of EUR 100,000,000 Floating Rates Due January 2009	100	EUB6M + 0.02
OKO Bank Plc Issue of EUR 173.000.000 Floating Rate Instrument under the EUR 12.000.000.000 Programme for the Issuance of Debt Instruments	173	EUB1M + 0.02

NOTE 38. Provisions and other liabilities	31 Dec. 2007	31 Dec. 2006
Provisions	2	7
Other liabilities		
Payment transfer liabilities	655	457
Accrued expenses		
Interest payable	839	497
Other accrued expenses	247	265
Other	736	283
Total	2,478	1,501
Total provisions and other liabilities	**2,480**	**1,508**

Other' under Other liabilities includes EUR 288 million (25) in accounts payable on securities, EUR 11 million (10) in pension liabilities, EUR 228 million (68) in liabilities for derivative contracts and EUR 209 million (181) in other accounts payable.

Changes in provisions

	Onerous contracts	Other provisions	Total
1 Jan. 2007	3	4	7
Increase in provisions	1	-	1
Provisions used	-2	-3	-5
Reversal of unused provisions	0	-	0
31 Dec. 2007	1	2	2

Onerous contracts

OP-Pohjola Group companies have non-cancellable lease contracts on facilities they can no longer utilise in their operations. They have been able to sub-leased some of the facilities, but the rental income from the leases does not cover rental expenses. The provision for onerous contracts fully covers the net loss from these contracts and the rental liability of other contracts.

NOTE 39. Tax liabilities	31 Dec. 2007	31 Dec. 2006
Income tax liabilities	37	36
Deferred tax liabilities	856	798
Total tax liabilities	**893**	**834**

NOTE 40. Cooperative capital	31 Dec. 2007	31 Dec. 2006
Cooperative capital	5	15
Supplementary cooperative capital	566	582
Total cooperative capital	**571**	**597**
of which cancelled cooperative capital	79	85

Cooperative capital and supplementary cooperative capital included in equity in the national financial statements of OP-Pohjola Group member cooperative banks are classified as liability in IFRS financial statements, as member banks do not have an absolute right to refuse to return the capital to members.

Cooperative capital is returned to members in a year from the end of the financial period during which the related demand was made. Supplementary cooperative capital is returned in six months from the end of the financial period during which the related demand was made.

In 2006–2007, regulations on member banks' cooperative capital were amended in such a way that member banks have the right to refuse to return cooperative capital to their members. Owing to this amendment, EUR 18 million (99) in member banks' cooperative capital has been transferred from liabilities to equity.

NOTE 41. Subordinated liabilities

	Average interest rate %	31 Dec. 2007	Average interest rate %	31 Dec. 2006
Subordinated loans	4.87	204	4.45	208
Other				
Perpetual loans	5.13	286	4.41	199
Debentures	4.34	553	4.32	655
Other	-	-	-	-
Total subordinated liabilities		**1,042**		**1,063**

Main terms and conditions of the subordinated loans are as follows:

Capital loans included in Tier 1 own funds

1) Subordinated loan of 10 billion Japanese yen (equivalent of EUR 60.6 million)

This is a perpetual loan (a loan without a due date) carrying a fixed interest rate of 4.23% until 18 June 2034 and subsequently a variable 6-month Yen Libor + 1.58%. Interest will be annually payable on 18 June and 18 December. 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 and can be annually repaid after 2014 on the interest due date on 18 June or 18 December. The loan's entire principal must be repaid in one instalment.

2) Subordinated loan of EUR 50 million
This is a perpetual loan without interest-rate step-ups but with an 8% interest-rate cap. The loan was issued on 31 March 2005 and its interest was 6.5% in the first year and thereafter CMS ten years + 0.1%. Interest payments are made 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 loan's entire principal must be repaid in one instalment.

3) Subordinated loan of EUR 60 million
This perpetual loan carries a variable interest rate based on 3-month Euribor + 0.65% 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. It is possible to call in the loan at the earliest on 30 November 2015, subject to authorisation by the Financial Supervision Authority, and thereafter on the interest due dates. After 2015, the loan carries a variable interest rate based on 3-month Euribor +1.65% (step up). The entire loan principal must be repaid in one instalment.

4) Subordinated loan of EUR 40 million
This perpetual loan carries a variable interest rate based on 3-month Euribor + 1.25% 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, and thereafter on the interest due dates. The entire loan principal must be repaid in one instalment.

Loans 1 and 3 are included in hybrid instruments.

The Group has used derivatives to hedge against interest-rate and exchange-rate risks, and the financial statements include EUR –17.8 million (16.1) in change in fair value recognised for hedging.

Perpetual loans and debentures

1) A perpetual loan of EUR 50 million which can be called in at the earliest on 19 June 2007, subject to authorisation by the Financial Supervision Authority. A fixed 6% interest is paid on the loan semiannually.
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 authorisation by the Financial Supervision Authority. The loan carries an interest based on 3-month Euribor + 17.5 bps.
5) A debenture loan of USD 325 million which can be called in at the earliest on13 September 2011, subject to authorisation by the Financial Supervision Authority. The loan carries an interest based on 3-month USD Libor + 20 bps.
6) A perpetual loan of 10 EUR million carrying fixed interest rate of 7.0 until 27 October 2009.

Loans 1–5 were issued in international capital markets.

Fixed-rate debentures issued in Finland totalled EUR 30.3 million (61.1) on 31 December 2007.

Other subordinated loans

Subordinated loan of EUR 10 million, date of issue 20 September 2001.
This is a perpetual subordinated loan carrying a fixed interest rate of 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-Pohjola Group companies have issued a total of EUR 286 million (199) in perpetual loans and a total of EUR 553 million (655) in debenture loans, a total of EUR 813 million (742) of these loans being included in Tier II capital. The issuer's right to call in a debenture loan is always subject to authorisation by the Financial Supervision Authority.

NOTE 42. Equity capital	31 Dec. 2007	31 Dec. 2006
Capital and reserves attributable to OP-Pohjola Group owners		
Share and cooperative capital (incl. share issue)	359	344
Reserves		
Restricted reserves		
Share premium account	513	512
Reserve fund	770	759
Reserves according to the Articles of Association/regulations	-	-
Fair value reserve		
Cash flow hedge	-	-
Translation differences	-	-
Measurement at fair value	-10	144
Other restricted reserves	1	1
Non-restricted reserves		
Paid-up non-restricted equity reserve	-	-
Other non-restricted reserves	951	879
Retained earnings		
Profit (loss) for previous financial years	2,313	1,885
Profit (loss) for the financial year	738	598
Capital and reserves attributable to OP-Pohjola Group owners	**5,635**	**5,122**
Minority interest	**3**	**2**
Total equity capital	**5,638**	**5,124**

Share capital and shares

OP-Pohjola Group's share capital consists of investments made in OKO Bank's Series A shares by shareholders external to the banking group. These shareholders may hold only OKO Bank's Series A shares quoted on the Helsinki Stock Exchange. The shares have no nominal value. The stated value of each share is EUR 2.10 (not an exact figure).

Changes in shareholdings of external shareholders

	Number of shares (1,000)
1 Jan. 2006	**116,111**
Share issue account	-
Exercise of stock options	2,174
Equity trades with external parties	-1,702
31 Dec. 2006	**116,583**
Share issue account	-
Exercise of stock options	-
Equity trades with external parties	-1,437
31 Dec. 2007	**115,146**

Cooperative capital

Cooperative capital, included in OP-Pohjola Group's equity capital, comprises such cooperative contributions paid by members of OP-Pohjola 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. Items entered in the share premium account include amounts exceeding the nominal value paid for shares in a rights issue; amounts paid for share subscriptions based on stock options and convertible bonds; capital gains on disposal of treasury shares; the amount of the reduction of 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 may be lowered in compliance with the regulations governing the reduction of share capital and may 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 consists of profits transferred to it during previous periods and of the portion transferred to it from member cooperative banks' revaluation reserves and loan loss provisions. The reserve fund may be used to cover losses for which non-restricted equity capital is not sufficient. The reserve fund may 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

These reserves consist of retained earnings based on the Articles of Association or other rules describing their purpose.

Translation differences

Translation differences include translation differences arising from the conversion of foreign subsidiaries' financial statements.

Fair value reserve

The fair value reserve includes the change in the fair value of available-for-sale financial assets. Items included in the reserve will be realised in the income statement when an available-for-sale financial asset is disposed of.

Other non-restricted reserves

These 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 contain untaxed reserves (voluntary provisions and accelerated depreciation) included in the separate financial statements of Group companies, and the equalisation provision of insurance companies, which have been recognised in retained earnings less deferred tax in the IFRS financial statements.

OTHER NOTES TO THE BALANCE SHEET

NOTE 43. Notes and bonds eligible for central bank refinancing	31 Dec. 2007	31 Dec. 2006
Financial assets at fair value through profit or loss	3,580	3,873
Available for sale		
Measured at fair value	81	0
Measured at cost	-	-
Held to maturity	18	-
Total notes and bonds eligible for central bank refinancing	**3,679**	**3,873**

Only OKO Bank plc within OP-Pohjola Group is eligible for central bank refinancing.

NOTE 44. Subordinated notes and bonds	31 Dec. 2007	31 Dec. 2006
Financial assets at fair value through profit or loss		
Publicly quoted		
From public corporations	-	-
From others	61	45
Total	61	45
Other		
From public corporations	-	-
From others	-	-
Total	-	-
Total included financial assets at fair value through profit or loss	**61**	**45**
Investment assets		
Publicly quoted		
From public corporations	-	-
From others	60	44
Total	60	44
Other		
From public corporations	-	-
From others	40	80
Total	40	80
Total included in investment assets	**100**	**123**

NOTE 45. Collateral given

	31 Dec. 2007		31 Dec. 2006	
	Fair value	Balance sheet value	Fair value	Balance sheet value
Given on behalf of own liabilities and commitments				
Mortgages	1	1	1	1
Pledges	2,633	2,633	2,521	2,521
Others	123	123	31	31
Total	2,756	2,756	2,553	2,553
Given on behalf of associates				
Mortgages	-	-	-	-
Pledges	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

Given on behalf of others				
Mortgages	-	-	-	-
Pledges	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-
Total collateral given				
Mortgages	1	1	1	1
Pledges	2,633	2,633	2,521	2,521
Others	123	123	31	31
Total	**2,756**	**2,756**	**2,553**	**2,553**
Total collateralised liabilities		564		894

NOTE 46. Financial collateral held

Within OP-Pohjola Group, OKO Bank has received collateral, in accordance with the Financial Collateral Act, which it may resell or repledge.

Fair value of collateral received		
Notes and bonds	-	-
Equities	-	-
Other	95	4
Total	**95**	**4**

The credit risk arising from derivatives is mitigated through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In this collateral system, the counterparty provides securities or cash in security for the receivable. The amount of CSA-related collateral received in cash totalled EUR 94.7 million on the balance sheet date. The Group had no securities received as collateral on the balance sheet date.

NOTE 47. Fair value and balance sheet value of financial assets and liabilities

	2007		2006	
	Fair value	Balance sheet value	Fair value	Balance sheet value
Financial assets				
Liquid assets	589	589	1,041	1,041
Financial assets at fair through profit or loss				
Financial assets held for trading				
Notes and bonds				
Measured at fair value	2,241	2,241	2,411	2,411
Measured at cost	-	-	-	-
Total notes and bonds	2,241	2,241	2,411	2,411
Equities				
Measured at fair value	69	69	80	80
Measured at cost	-	-	-	-
Total equities	69	69	80	80
Financial assets at fair value through profit or loss at inception				
Notes and bonds				
Measured at fair value	2,481	2,481	2,325	2,325
Measured at cost	-	-	-	-
Total notes and bonds	2,481	2,481	2,325	2,325

Equities				
Measured at fair value	-	-	-	-
Measured at cost	-	-	-	-
Total equities	-	-	-	-
Derivative contracts				
Measured at fair value	526	526	319	319
Measured at cost*	-	-	-	-
Receivables from financial institutions	285	285	344	344
Receivables from customers	44,776	44,776	39,595	39,595
Investment assets				
Available-for-sale financial assets				
Notes and bonds				
Measured at fair value	979	979	435	435
Measured at cost	0	0	-	-
Total notes and bonds	979	979	435	435
Equities				
Measured at fair value	304	304	249	249
Measured at cost	75	75	92	92
Total equities	379	379	341	341
Other				
Measured at fair value	-	-	-	-
Measured at cost	-	-	-	-
Held-to-maturity financial assets				
Notes and bonds	116	116	133	133
Financial liabilities				
Liabilities to financial institutions	949	949	1,088	1,088
Financial liabilities at fair value through profit or loss				
Short sold securities	52	52	-	-
Derivative contracts				
Measured at fair value	554	554	340	340
Measured at cost*	-	-	-	-
Liabilities to customers	31,224	31,224	27,715	27,715
Debt securities issued to the public				
Hedged	2,782	2,782	1,299	1,299
Unhedged	11,292	11,292	12,201	12,201
Total	14,074	14,074	13,500	13,500
Subordinated liabilities				
Hedged	669	669	613	613
Unhedged	373	373	450	450
Total	1,042	1,042	1,063	1,063

* Unquoted equity instrument as the underlying asset

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

NOTE 48. Off-balance-sheet commitments	**31 Dec. 2007**	**31 Dec. 2006**
Guarantees	613	577
Other guarantee liabilities	1,785	1,654
Pledges	1	1
Loan commitments	7,708	7,417
Commitments related to short-term trade transactions	171	184
Other	568	451
Total off-balance-sheet commitments	**10,847**	**10,285**

NOTE 49. Contingent liabilities and assets

Insurance companies belonging to OP-Pohjola Group underwrite insurance policies through pools. Pool members are primarily responsible for their own proportionate share of the risk. Proportionate shares are based on contracts confirmed annually. In certain pools, pool members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. Group insurance companies recognise liabilities and receivables based on joint liability if joint liability is likely to materialise.

On 2 May 2007, the Arbitral Tribunal appointed by the Central Chamber of Commerce decided to set the redemption price of Pohjola Group plc shares at EUR 14.35 per share, which is EUR 1.00 higher than the EUR 13.35 bid by OKO Bank. By the end of December 2007, OKO agreed with some 1,200 Pohjola Group plc's (Pohjola) former minority shareholders that the redemption price of EUR 14.35, based on the arbitral award, would remain final. These shareholders represent around 11.8 million shares, accounting for roughly 77.5% of all of the disputed Pohjola shares held by minority shareholders. In other respects, the case of the redemption price of Pohjola shares is still pending at the Helsinki District Court, the dispute over setting the redemption price involving about 3.5 million Pohjola shares. The arbitral award will have no material effect on profit performance. During the second quarter, OP-Pohjola Group recognised the resulting additional share price as an addition under acquisition cost.

OKO Bank plc has a receivable of EUR 2 million from a private customer, confirmed by the Supreme Court. Owing to this customer's solvency, no major amounts can be expected.

The tax agent has filed a complaint of the deferral of the dissolution loss for 2003–2005 taxation, arising from the dissolution of Pohjola Hallintopalvelu Oyj. The Board of Adjustment of the Tax Office for Major Corporations has rejected claims for correction applying to this deferral of the dissolution loss. The case is at hand at the Helsinki Administrative Court and the process is not expected to have any financial implications.

NOTE 50. Operating leases

OP-Pohjola Group as Lessee

Some OP-Pohjola Group companies have leased the office premises they use. The term of these leases varies between one and ten years and they usually include the option of extending the lease after the original date of termination. OP-Pohjola Group companies have subleased some of their premises. In addition, some companies have leased motor vehicles and office equipment. Other operating expenses include EUR 22 million (21) in rental expenses.

Future minimum lease payments under non-cancellable operating leases

	31 Dec. 2007	**31 Dec. 2006**
No later than 1 year	15	17
Later than 1 year and no later than 5 years	44	42
Later than 5 years	22	27
Total	**82**	**86**

Expected future minimum lease payments from non-cancellable subleases	17	30

OP-Pohjola Group as Lessor

OP-Pohjola Group companies have leased out investment properties they own, which generated lease income of EUR 53million (55) in 2007. In addition, the Group has primarily leased out passenger cars, which generated lease income of EUR 16 million (12).

Future minimum lease payments receivable under non-cancellable operating leases

	31 Dec. 2007	31 Dec. 2006
No later than 1 year	51	48
Later than 1 year and no later than 5 years	95	85
Later than 5 years	48	37
Total	**194**	**170**

NOTE 51. Asset management

Within OP-Pohjola Group, Pohjola Asset Management Limited runs asset management business and provides institutional customers and wealthy private individuals with discretionary and consultative portfolio management services. Pohjola Asset Management Limited is responsible for the financial management of most of OP Fund Management Company's mutual funds.

Pohjola Asset Management Ltd's discretionary asset management portfolio on 31 December 2007 totalled EUR 28.1 billion and consultative asset management portfolio EUR 1.8 billion.

NOTE 52. Derivative contracts

Derivatives held for trading 31 December 2007

	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	20,238	17,894	5,027	43,158	220	-208	382
Forward rate agreements	2,250	-	-	2,250	0	0	0
OTC interest rate options							
Call and caps							
Purchased	1,750	5,562	1,403	8,714	132	0	181
Written	1,487	2,606	900	4,993	0	-50	-
Put and floors							
Purchased	3,834	1,497	316	5,647	12	-5	24
Written	1,066	1,384	224	2,674	-	-4	-
Total OTC interest rate derivatives	30,624	28,942	7,870	67,437	364	-267	587
Interest rate futures	3,926	3,301	-	7,227	2	-2	-
Interest rate options							
Call							
Purchased	1,000	-	-	1,000	-	0	-
Written	5,349	-	-	5,349	0	0	-

Put							
Purchased	1,000	-	-	1,000	0	-	-
Written	500	-	-	500	-	0	-
Total exchange traded derivatives	11,775	3,301	-	15,076	2	-2	-
Total interest rate derivatives	42,400	32,243	7,870	82,513	367	-269	587
Currency derivatives							
Forward exchange agreements	7,625	126	298	8,049	53	-88	160
Interest rate and currency swaps	23	-	430	453	16	-15	48
Currency options							
Call							
Purchased	164	-	-	164	3	-	5
Written	235	-	-	235	-	-4	-
Put							
Purchased	137	-	-	137	1	-	2
Written	210	-	-	210	-	-1	-
Total OTC currency derivatives	8,394	126	728	9,248	73	-109	215
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	8,394	126	728	9,248	73	-109	215
Equity and index derivatives							
Forward equity agreements	-	-	-	-	-	-	-
Forward equity index agreements	-	-	-	-	-	-	-
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	14	263	58	334	51	-	79
Written	-	-	-	-	-	-	-
Put							
Purchased	-	1	-	1	0	-	0
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	14	264	58	335	51	0	79
Equity futures	73	-	-	73	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total exchange traded derivatives	73	-	-	73	-	-	-
Total equity and index derivatives	87	264	58	408	51	-	79
Credit derivatives							
Credit default swaps	71	125	-	196	0	-1	1
Credit-linked notes	-	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-	-
Total credit derivatives	71	125	-	196	0	-1	1

Other							
Other forward contracts	-	-	-	-	-	-	-
Other swaps	-	-	-	-	-	-	-
Other options							
Call							
Purchased	-	6	-	6	2	-	2
Written	-	-	-	-	-	-	-
Put							
Purchased	8	-	-	8	-	-	0
Written	-	-	-	-	-	-	-
Total other OTC derivatives	8	6	-	14	2	-	2
Other futures contracts	-	-	-	-	-	-	-
Total other derivatives	8	6	-	14	2	-	2
Total derivatives held for trading	**50,960**	**32,765**	**8,656**	**92,380**	**493**	**-379**	**885**

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 exchange traded derivatives	4,682	-	-	4,682	2	-1	-
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	-43	91
Interest rate and currency swaps	-	24	454	478	3	-2	38
Currency options							
Call							
Purchased	93	0	-	94	1	-	2
Written	98	0	-	99	-	-1	-
Put							
Purchased	71	0	-	72	0	-	1
Written	98	0	-	99	-	0	-
Total OTC currency derivatives	6,004	148	454	6,606	33	-47	132
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	6,004	148	454	6,606	33	-47	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	-	-	-	-	-	-	-
Total OTC equity and index derivatives	28	136	-	164	32	0	45
Equity futures	-	-	-	-	-	-	-
Equity index futures	-	-	-	-	-	-	-
Total exchange traded 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	-	22	1	-	2
Total derivatives held for trading	**26,799**	**17,369**	**5,537**	**49,704**	**268**	**-219**	**512**

Derivative contracts held for hedging purposes - fair value hedging 31 December 2007

	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	1,990	1,244	298	3,533	19	-21	30
Forward rate agreements	-	-	-	-	-	-	-
OTC interest rate options							
Call and caps							
Purchased	-	-	-	-	-	-	-
Written	26	2,901	622	3,549	0	-38	-
Put and floors							
Purchased	-	16	6	22	0	0	0
Written	-	-	-	-	-	-	-
Total OTC interest rate derivatives	2,017	4,161	926	7,104	19	-59	30
Interest rate futures	-	-	-	-	-	-	-
Interest rate options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total exchange traded derivatives	-	-	-	-	-	-	-
Total interest rate derivatives	2,017	4,161	926	7,104	19	-59	30
Currency derivatives							
Forward exchange agreements	-	-	-	-	-	-	-
Interest rate and currency swaps	372	1,524	267	2,163	4	-233	104
Currency options							
Call							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC currency derivatives	372	1,524	267	2,163	4	-233	104
Currency futures	-	-	-	-	-	-	-
Total currency derivatives	372	1,524	267	2,163	4	-233	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 exchange traded 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	-	-	-	-	-	-	-
hedging	**2,389**	**5,685**	**1,193**	**9,267**	**23**	**-292**	**134**

Derivative contracts held for hedging – 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	11	-17	19
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 exchange traded 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 exchange traded 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	-	-	-	-	-	-	-
hedging	**1,112**	**3,380**	**1,079**	**5,570**	**13**	**-129**	**123**

Total derivatives held for trading and hedging 31 December 2007

	Nominal values/remaining term to maturity				Fair values		Potential future
	<1 year	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**	**exposure**
Interest rate derivatives	44,416	36,405	8,797	89,617	386	-328	617
Currency derivatives	8,766	1,650	995	11,411	77	-341	319
Equity and index-linked derivatives	87	264	58	408	51	-	79
Credit derivatives	71	125	-	196	0	-1	1
Other derivatives	8	6	-	14	2	-	2
Total derivatives	**53,348**	**38,450**	**9,849**	**101,647**	**516**	**-671**	**1,019**

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	-132	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**	**-348**	**635**

OTHER NOTES

NOTE 53. Holdings in other companies

Changes in subsidiaries and associates during the financial year

During the financial year, OKO Asset Management Ltd was renamed Pohjola Asset Management Ltd.

Pohjola Private Ltd owned by Pohjola Asset Management Ltd, was renamed Pohjola Private Equity Funds Ltd. In addition, SPEF I Oy was founded as Pohjola Asset Management Ltd' subsidiary acting as SPEF I Ky's general partner.

In the financial year, 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.

On 19 April 2007, OKO Bank plc sold its shareholding in Nooa Savings Bank Ltd to 24 savings banks with a majority shareholding in Nooa Savings Bank. In accordance with Nooa Savings Bank's Articles of Association, the other shareholders of the company became entitled to redeeming the shares transferred to OKO Bank.

In August 2007, OP-Opisto merged with OP Bank Group Central Cooperative.

On 21 December 2007, OKO Bank plc acquired K-Finance Ltd, a Kesko Corporation subsidiary. Following regulatory approval, the acquisition was finalised on 31 January 2008.

On 21 December 2007, OKO Capital East Ltd sold its subsidiary ZAO OKO Capital Vostok. The deal will probably be finalised during 2008 upon regulatory approval.

OP-Pohjola Group companies

Company	Domicile/home country	Shareholding, %	Votes, %
229 member cooperative banks*			
OP Bank Group Mutual Insurance Company	Helsinki	100.0	100.0
OP Bank Group Central Cooperative			
OKO Bank plc	Helsinki	43.4	69.6
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
OKO Bank Group companies :			
OKO Venture Capital Ltd	Helsinki	65.0	65.0
OKO Capital East Ltd	Helsinki	70.0	70.0
ZAO OKO Capital Vostok	Russia	100.0	100.0
Pohjola Asset Management Limited	Helsinki	85.0	85.0
OKO Corporate Finance Ltd	Helsinki	60.0	60.0
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
Pohjola Private Equity Funds Ltd	Helsinki	67.0	67.0
SPEF I Oy	Helsinki	100.0	100.0

***OP-Pohjola Group member cooperative banks**

Name	Balance sheet 2007, EUR million	Capital adequacy, %	Managing Director 31 Dec. 2007
Akaan Seudun Osuuspankki	108	30.9	Teräväinen Heikki
Alajärven Op	176	25.8	Mäkelä Pentti
Alastaron Op	46	20.4	Antila Petri
Alavieskan Op	42	20.9	Alahautala Antero
Alavuden Seudun Op	139	17.4	Ruuhela Jussi
Andb För Åland	156	12.7	Clemes Håkan
Andb Raseborg	256	11.4	Björklöf Lars
Artjärven Op	36	26.4	Hurskainen Reijo
Askolan Op	66	26.0	Mäittälä Irja
Auran Op	66	19.3	Nuolemo Sauli
Elimäen Op	176	18.4	Olander Pertti
Enon Op	89	22.1	Reimasto-Heiskanen J.
Etelä-Karjalan Op	884	23.2	Kiljunen Risto
Etelä-Pohjanmaan Op	624	14.9	Perälä Markku
Etelä-Päijänteen Op	113	16.1	Laaksonen Jari
Etelä-Savon Op	587	14.9	Manninen Kari
Euran Op	92	18.5	Kankaanpää Lenni
Forssan Seudun Op	252	15.9	Hautala Jouni
Haapajärven Op	89	14.7	Ahola Kari
Haapamäen Seudun Op	44	29.2	Vuorenmaa Tauno
Haapaveden Op	92	20.9	Suhonen Timo
Hailuodon Op	28	24.0	Nissilä Veijo
Halsuan Op	23	19.0	Jokela Tapio
Haminan Seudun Op	179	30.8	Vanhala Markku
Harjavallan Op	93	31.4	Tuovinen Jarmo
Hartolan Op	48	23.0	Kyyhkynen Tuulikki
Hauhon Op	40	28.0	Metsola Timo
Haukivuoren Op	46	19.7	Laurila Seppo
Heinäveden Op	55	30.8	Tuomisto Jukka
Himangan Op	55	13.0	Humalajoki Kalevi
Hinnerjoen Op	20	30.3	Marttala Kaija
Hirvensalmen Op	35	22.8	Kangas Sakari
Honkilahden Op	26	31.0	Juhola Olavi
Huhtamon Op	14	29.4	Järvinen Päivikki
Huittisten Op	105	29.6	Näsi Olli
Humppilan Op	49	21.2	Salokangas Jari
Hämeenlinnan Seudun Op	559	15.3	Liusjärvi Olli
Iisalmen Op	267	15.3	Tarkkanen Olli
Ikaalisten Op	78	19.2	Sorri Antero
Ilomantsin Op	79	29.7	Tahvanainen Raija
Östnylands Andb	227	9.5	Nurmi-Aro Arto
Janakkalan Op	264	29.7	Lehikoinen Vesa

Joensuun Op	342	14.0	Heliövaara Antti
Jokioisten Op	74	24.0	Rantanen Vesa
Juuan Op	88	20.8	Mustonen Tuomo
Juvan Op	118	25.3	Rouhiainen Risto
Jämsän Seudun Op	184	26.9	Rosti Heikki
Kainuun Op	307	22.5	Rytivaara Seppo
Kalajoen Op	140	15.2	Sarkkinen Pertti
Kalkkisten Op	14	24.2	Leppähaara Heikki
Kangasalan Op	193	14.0	Poranen Veikko
Kangasniemen Op	115	27.7	Pakkanen Leo
Kannuksen Op	68	15.7	Lundström Juha
Karjalan Op	25	21.8	Laaksonen Pentti
Karkun Op	15	32.9	Sacklén Kaarina
Karunan Op	13	22.6	Peura Pertti
Karvian Op	47	18.8	Suomijärvi Antti
Kaustisen Op	63	12.2	Ahonen Asko
Keikyän Op	26	23.3	Nelimarkka Heikki
Kemin Seudun Op	208	25.2	Stöckel Pertti
Kerimäen Op	49	26.2	Kaivonurmi Jarmo
Keski-Suomen Op	1,566	12.3	Manner Keijo
Keski-Uudenmaan Op	1,022	19.7	Laine Leif
Kestilän Op	30	26.2	Aikio Hans
Kesälahden Op	49	31.3	Noponen Ari
Kihniön Op	26	21.9	Heinonen Ari
Kiihtelysvaaran Op	63	19.6	Leppänen Pasi
Kiikalan Rekijoen Op	24	22.3	Lahti Eero
Kiikoisten Op	22	26.4	Vehkalahti Harri
Kiskon Op	39	15.3	Anttonen Pekka
Kiteen Seudun Op	222	22.3	Karhapää Ari
Kiukaisten Op	25	24.0	Valonen Jari
Koillis-Savon Op	134	22.8	Imppola Asko
Koitin-Pertunmaan Op	53	20.0	Aikasalo Unto
Kokemäen Op	109	27.4	Luukkanen Jari
Kokkolan Op	482	12.3	Ainali Aatto
Kontiolahden Op	100	19.2	Mononen Esko
Korpilahden Op	70	25.2	Myller Kyösti
Korsnäs Andb	52	24.0	Westerdahl Jan-Erik
Kotkan Seudun Op	298	17.3	Leisti Pentti
Kouvolan Seudun Op	400	16.1	Partio Marjo
Kronoby Andb	92	21.8	Nybäck Sten-Ole
Kuhmalahden Op	24	28.0	Mattila Risto
Kuhmoisten Op	39	16.8	Vilppala Heikki
Kuhmon Op	124	26.7	Airaksinen Erkki
Kuopion Op	719	13.8	Ojanperä Jaakko
Kuortaneen Op	45	21.1	Jaatinen Markku
Kurun Op	39	19.4	Siuro Marja-Leena
Kuusamon Op	130	16.7	Kivelä Kari
Kuusjoen Op	22	32.3	Kaskela Eero
Kymijoen Op	117	23.4	Raivisto Pekka
Kärkölän Op	54	20.8	Hokkanen Petri
Kärsämäen Op	39	15.2	Ruusunen Mikko
Käylän Op	20	26.9	Kurtti Kaisa
Köyliön Op	60	18.9	Pohjus Jorma
Lapin Op	58	20.2	Laiho Eero
Lappo Andb	7	16.8	Nordberg Torsten
Lehtimäen Op	32	13.9	Haapala Veli-Jussi

Lemin Op	51	17.5	Innanen Eero
Leppävirran Op	119	23.0	Martikainen Ilkka
Lieksan Op	162	32.5	Lehikoinen Jorma
Limingan Op	59	16.8	Pohjola Ari
Liperin Op	134	19.4	Lehtovaara Jalo
Loimaan Seudun Op	181	24.1	Pullinen Juha
Lokalahden Op	26	24.5	Sirén Irma
Lopen Op	93	24.0	Bragge Keijo
Lounais-Suomen Op	161	18.6	Viitaniemi Vesa
Luhangan Op	32	19.3	Pietilä Pekka
Luopioisten Op	29	20.3	Jokinen Esa
Luumäen Op	70	26.9	Kettunen Eero
Luvian Op	54	15.3	Suoja Jyrki
Länsi-Suomen Op	1,448	22.2	Ramstedt Jukka
Länsi-Uudenmaan Op	617	12.1	Viitanen Jarmo
Maaningan Op	71	27.8	Väänänen Ari
Marttilan Op	59	30.5	Vahalahti Matti
Maskun Op	92	12.2	Nurmi Jarmo
Mellilän Seudun Op	26	32.1	Rinne Jouko
Merimaskun Op	23	22.7	Seppänen Mikko
Metsämaan Op	22	24.2	Nieminen Jussi
Miehikkälän Op	44	31.8	Salonen Kalevi
Mouhijärven Op	49	15.8	Sillanpää Rainer
Mynämäen Op	102	28.6	Ranta Kimmo
Myrskylän Op	17	20.5	Rouhiainen Jorma
Mäntsälän Op	150	17.6	Kananen Heikki
Mäntän Seudun Op	169	19.5	Lauronen Erkki
Nagu Andb	27	17.1	Broos Johan
Nakkilan Op	98	28.7	Kuvaja Jussi
Niinijoen Op	27	40.1	Tammelin Jouni
Nilsiän Op	109	39.1	Pääkkö Seppo
Nivalan Op	129	10.1	Niskala Markku
Nousiaisten Op	147	22.0	Aakula Ville
Nurmeksen Op	112	18.7	Vepsäläinen Mikko
Op Kantrisalo	75	21.1	Hellén Bo
Orimattilan Op	139	22.7	Onnela Veli-Matti
Oripään Op	42	15.7	Rekolainen Jouko
Oriveden Seudun Op	139	20.0	Pyykkö Pertti
Oulaisten Op	139	24.4	Anttila Jari
Oulun Op	1,609	12.0	Levo Timo
Outokummun Op	78	27.9	Eskelinen Eero
Paattisten Op	70	25.3	Koskinen Eero
Paltamon Op	46	25.0	Niemi Jorma
Parikkalan Op	91	23.8	Liukka Tuomo
Parkanon Op	73	22.8	Saranpää Aarre
Pedersörenejdens Andb	280	13.7	Löf Ulf
Perhon Op	49	18.6	Pajula Pekka
Perniön Op	69	28.8	Lehtinen Risto
Peräseinäjoen Op	72	30.2	Mäki Juha
Pieksämäen Seudun Op	180	12.6	Vanninen Seppo
Pielaveden Op	69	20.4	Karhinen Jouni
Pihtiputaan Op	44	21.0	Niemelä Erkki
Pohjolan Op	575	15.0	Salomaa Markku
Polvijärven Op	83	22.9	Leminen Juhani
Porvoon Op	466	12.0	Hellqvist Pertti
Posion Op	76	30.5	Varanka Martti

Pudasjärven Op	123	30.3	Perätalo Teuvo
Pukkilan Op	48	23.9	Talkara Ari
Pulkkilan Op	29	29.5	Keskitalo Eero
Punkalaitumen Op	73	32.0	Laine Tapio
Puolangan Op	56	21.7	Ahokumpu Jouni
Purmo Andb	26	18.9	Jansson Stig-Göran
Pyhäjärven Op	83	23.0	Martikainen Matti
Päijät-Hämeen Op	789	10.3	Laine Timo
Pälkäneen Op	55	22.2	Linjala Jari
Pöytyän Op	66	18.2	Jokinen Tuomo
Raahen Seudun Op	234	23.4	Pohjola Ari (1.1.2008)
Rantasalmen Op	108	24.4	Auvinen Vesa
Rantsilan Op	38	20.9	Välijärvi Ismo
Rautalammin Op	53	24.7	Markkanen Esko-P.
Riihimäen Seudun Op	250	22.6	Runsamo Seppo
Riistaveden Op	69	15.3	Kröger Pauli
Ruoveden Op	101	11.4	Porila Alpo
Ruukin Op	80	27.8	Arvio Kalle
Rymättylän Op	45	22.0	Nikki Antero
Rääkkylän Op	57	19.7	Koivula Olli
Sallan Op	48	19.0	Nissi Veikko
Salon Seudun Op	502	15.5	Hulkkonen Jukka
Sauvon Op	37	27.2	Virtanen Pasi
Savitaipaleen Op	71	27.7	Valtonen Martti
Savonlinnan Op	313	27.7	Auvinen Merja
Sideby Andb	11	24.2	Ingves Johan
Siikajoen Op	30	23.9	Fingerroos Raija
Simpeleen Op	50	28.6	Lehti Kalevi
Somerniemen Op	23	18.4	Kujala Pertti
Someron Op	109	21.3	Purola Pertti
Sonkajärven Op	74	25.5	Nissinen Esko
Sotkamon Op	88	26.4	Karttunen Juhajouni
Sulkavan Op	43	20.4	Haverinen Kari
Suomussalmen Op	78	20.0	Polo Timo
Suonenjoen Op	79	22.7	Hult Antti
Sysmän Op	80	28.8	Kuurne Heikki
Säkylän Op	56	24.2	Vase Henrik
Taivalkosken Op	41	19.7	Ahokumpu Riitta-Liisa
Taivassalon Op	36	14.6	Kraama Markku
Tampereen Seudun Op	1,669	12.2	Lehtilä Olli
Tarvasjoen Op	40	19.2	Hentula Esa
Tervolan Op	49	27.7	Neuvonen Hannu
Tervon Op	33	32.0	Vehniäinen Seppo
Toholammin Op	78	16.8	Kälviä Leena Maria
Tornion Op	187	14.2	Alaperä Pentti
Turun Seudun Op	1,836	12.6	Korpela Risto
Tuupovaaran Op	42	30.5	Parviainen Aune
Tyrnävän Op	61	16.4	Ylilauri Eero
Ullavan Op	23	25.9	Joentakanen Maire
Urjalan Op	98	21.1	Nuutinen Janne
Utajärven Op	119	19.9	Tuovinen Raimo
Uukuniemen Op	11	29.6	Loikkanen Pauli
Vasa Andb	473	18.1	Nylund Ulf
Vakka-Suomen Op	287	16.3	Nieminen Juha-Pekka
Valkeakosken Op	145	18.3	Luomala Juha
Valtimon Op	44	16.9	Myller Heikki

Vammalan Seudun Op	162	12.7	Rantala Jyrki
Vampulan Op	48	17.6	Hänti Kari
Varkauden Op	184	17.7	Vilhunen Pekka
Varpaisjärven Op	63	23.6	Riekkinen Seppo
Vehmersalmen Op	44	31.1	Väisänen Heikki
Vesannon Op	40	29.3	Keränen Esa
Vetelin Op	23	23.0	Lehojärvi Jarmo
Vetelin Ylipään Op	24	28.3	Siirilä Jari
Vihannin Op	90	21.4	Rasi Olavi
Vimpelin Op	48	21.7	Ilomäki Simo
Virolahden Op	53	20.3	Gerlander Jyrki
Virtain Op	113	24.0	Kakkori Ari
Ylitornion Op	74	22.4	Eteläaho Heikki
Ylivieskan Op	153	10.4	Somero Jarmo
Yläneen Op	50	32.1	Eskola Heikki
Ypäjän Op	54	23.0	Hiidensalo Kirsi-M.
Ähtärin Op	47	14.5	Kokkila Esko
Östra Korsholms Andb	5	25.2	Lahti Jussi
Övermark Andb	21	19.4	Vikberg Mårten

Associated companies

Holdings in associated companies in 2007

Name	Domicile	Assets	Liabilities	Net sales	Profit/ Loss	Holding, %
Realinvest Oy	Helsinki	65	0	12	2	25.3
Automatia Pankkiautomaatit Oy	Helsinki	364	337	64	4	33.3
Autovahinkokeskus Oy	Espoo	6	6	4	0	27.8
Vahinkopalvelu Oy	Loppi	1	1	1	0	46.7
Total		436	344	81	6	

The Group's associated companies are unquoted companies.

Holdings in associated companies in 2007

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
Total		581	438	79	-6	

The Group's associated companies are unquoted companies.

Joint ventures

Joint ventures included in the consolidated financial statements in 2007

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	41.7
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	49.5
Kiinteistö Oy Säästöraha	Oulu	Property holding and management	100.0
Companies owned by Pohjola Non-Life insurance Company Ltd:			Pohjola's holding %
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0

The consolidated financial statements include the share of assets and related liabilities under joint control.

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

NOTE 54. Related-party transactions

OP-Pohjola Group's related parties:

OP-Pohjola Group's subsidiary and associated companies are listed in Note 53.
The Group's administrative personnel comprise OP-Pohjola Group's Executive Chairman (Chairman of the Executive Board), President of OP-Pohjola Group 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.

With respect to loans granted to the management, OP-Pohjola Group applies standard loan terms and conditions. Loans are tied to generally used reference rates.

Related-party transactions 2007

	Associates	Administrative personnel	Others
Loans	120	4	-
Other receivables	0	0	0
Deposits	30	7	92
Other liabilities	-	-	-
Interest income	0	0	-
Interest expenses	-	0	-
Insurance premium revenue	0	0	0
Dividend income	1	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-
Impairment losses on loans	-	-	-
Impairment losses on loans at year-end	-	-	-
Off-balance-sheet commitments			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	0	-
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	4	-
Performance-based pay	-	-	-
Related-party holdings			
Number of stock options	-	-	-
Number of shares	-	86,064	3,680,793
Number of participations	-	4,537	-

Related-party transactions 2006

	Associates	Administrative personnel	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	-	-	-
Impairment losses on loans	-	-	-
Impairment losses on loans at year-end	-	-	-
Off-balance-sheet commitments			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	-	-
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	4	-
Performance-based pay	-	-	-
Related-party holdings			
Number of stock options	-	-	-
Number of shares	-	70,024	3,680,793
Number of participations	-	6,464	-

NOTE 55. Long-term incentive schemes

Stock option schemes

The stock option scheme covered by the personnel of OP Bank Group Central Cooperative Consolidated and its closely related entities terminated on 31 December 2006.

Personnel fund

In 2007, a total of 283 OP-Pohjola Group companies and around 11,600 members, or 94% of all staff, were included in the OP Bank Group Personnel Fund established in 2004. In 2007, roughly EUR 8.4 million of bonuses transferred to the Fund was charged to personnel costs.

Long-term management incentive scheme

Since the beginning of 2005, OP-Pohjola Group has applied a management incentive and motivation scheme. Employers within the Group designate persons for the scheme and determine annual targets set for reward indicators. If the persons covered by the scheme meet performance targets set for the vesting period, they will have the opportunity to subscribe for OKO Bank Series A shares for three vesting periods (each one calendar year), the first three-year period covering 2005–2007. This equity-based bonus is determined by the achievement of the performance targets set for the vesting period. The bonus will be converted into shares by dividing it by the weighted average share price quoted on the Helsinki Stock Exchange during February-March following the vesting period, and will be payable two years after the completion of the vesting period. The equity-based bonus will be charged to personnel costs for the vesting periods. The scheme-related expenses for the financial year totalled EUR 2.2 million (EUR 1.2 million).

NOTE 56. Events after the balance sheet date

As proposed by the Board of Directors, OKO Bank plc's Extraordinary General Meeting on 9 October 2007 decided to change the Company's business name and alter Articles 1 and 2 of the Articles of Association. The new business name of the Parent Company and the Group, effective as of 1 March 2008, is Pohjola Bank plc and Pohjola Bank Group, respectively.

NOTE 57. Segment reporting

Segment information

OP-Pohjola Group's business segments comprise Banking and Investment Services, Non-life Insurance and Life Insurance. Other operations not included in the business segments are presented under 'Other operations'. OP-Pohjola Group has no geographical segments.

As companies, the Banking and Investment Services segment consists of OP-Pohjola Group member cooperative banks, Helsinki OP Bank Plc, OP-Kotipankki Oyj, OP Mortgage Bank, OP Fund Management Company Ltd, Pohjola Asset Management Limited, OKO Corporate Finance Ltd, OKO Venture Capital Ltd and all of certain smaller companies supporting Banking and Investment Services. OKO Bank plc's business, with the exception of Group administration, is included in the Banking and Investment Services segment. OP-Pohjola Group Mutual Insurance Company's operations are also part of the Banking and Investment Services segment, because the majority of the company's business comprises credit insurance issued to OP-Pohjola Group retail banks.

Net interest income is the most significant income component generated by Banking and Investment Services. Income also comes from commissions and fees, and investments. Expenses arise mainly from personnel and other administrative costs, from the network of offices and from returns to owner-members. The most significant risk category pertains to credit risks but business also involves investment risks and operational risks.

The Life Insurance business segment comprises OP-Pohjola Group's life and pension insurance operations. In 2007, the business segment included OP Life Assurance Company Ltd.

Income generated by the life insurance companies is based on the difference between insurance premium revenue and benefits paid and changes in insurance contract liabilities, and net investment income. The most significant risk involved in the life insurance business is the investment risk. The most significant insurance risks pertain to mortality and disability.

The Non-life Insurance segment comprises the business of OP-Pohjola 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 service companies supporting Non-life Insurance.

Non-life insurance products include non-life insurance policies sold to corporate and private customers. Income generated by Non-life Insurance derives mainly from premiums written and investment income. The most significant risks in Non-life Insurance pertain to insurance risks and investment risks.

The operations remaining outside the business segments consist of the Group administration of Central Cooperative, FD Finanssidata Oy (FD), OP IT-hankinta Oy and OKO Bank Group. Expenses for services rendered by the Central Cooperative, OP IT-hankinta and FD to support the business areas are allocated to these business areas as internal service charges based on rates approved by the Executive Board of Central Cooperative.

Segment accounting policies
Segment reporting conforms to the accounting policies applied to OP-Pohjola Group financial statements. Income, expenses, assets and liabilities, which are considered to relate directly to and be reasonably allocable to the business lines, are allocated to the business lines. Income, expenses, investments and capital, which have not been allocated to the business lines, and Group eliminations between the business lines are reported under the column 'Other operations and eliminations'. OP-Pohjola Group's internal income from equity-based investments has been eliminated. Increases in PPE and intangible assets for the financial year, excluding increases in leased-out assets, are presented as investments.

Equity allocated to retail banking operations accounts for 9% of the risk-weighted commitments required by the Credit Institutions Act and equity allocated to OKO Bank's banking and investment services operations for 7% of the risk-weighted commitments. The unallocated part of equity is assigned to 'Other operations' outside the business lines.

Income statement and balance sheet by segment in 2007

	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi- nations	OP-Pohjola Group
Interest income	4,775	-	-	-1,144	3,630
Interest expenses	3,737	7	-	-1,161	2,583
Net interest income before impairment losses	**1,038**	**-7**	**-**	**17**	**1,048**
Impairment losses on receivables	13	-	-	-	13
Net interest income after impairment losses	**1,025**	**-7**	**-**	**17**	**1,035**
Net income from Non-life Insurance	-	435	-	-8	427
Net income from Life Insurance	-	-	177	-6	172
Net commissions and fees	451	6	-	-35	422
Net trading income	-30	-	-	0	-30
Net investment income	95	-	-	0	95
Other operating income	56	30	12	11	109
Personnel costs	349	103	7	93	553
Other administrative expenses	283	104	17	-101	303
Other operating expenses	160	77	36	0	273
Returns to owner-members	99	-	-	-	99
Share of associates' profits/losses	0	0	-	2	3
Earning before tax	**706**	**181**	**129**	**-11**	**1,005**
Income tax expense					266
Profit for the financial year					**738**
Inter-segment income	42	9	6	278	334
Amortisation/depreciation in the financial year	-53	-37	-11	-28	-129

Balance sheet 31 Dec. 2007	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi- nations	OP-Pohjola Group
Liquid assets	589	-	-	0	589
Receivables from financial institutions	291	-	-	-6	285
Financial assets at fair value through profit or loss	4,811	-	-	-20	4,791
Derivative contracts	526	-	-	0	526
Receivables from customers	44,783	-	-	-7	44,776
Non-life Insurance assets	-	2,842	-	-93	2,750
Life Insurance assets	-	-	6,644	-283	6,361
Investment assets	2,819	0	-	-848	1,970
Investment in associates	8	2	-	16	26
Intangible assets	207	853	96	75	1,230
Property, plant and equipment	592	19	0	103	715
Other assets	1,498	2	2	77	1,579
Tax assets	51	6	38	23	117
Total assets	**56,175**	**3,724**	**6,779**	**-963**	**65,716**
Liabilities to financial institutions	948	0	-	0	949
Financial liabilities at fair value through profit or loss	52	-	-	-	52
Derivative contracts	554	-	-	0	554
Liabilities to customers	31,437	-	-	-214	31,224
Non-life Insurance liabilities	-	2,140	-	-	2,140
Life Insurance liabilities	-	-	6,130	-31	6,099
Debt securities issued to the public	13,859	-	-	215	14,074
Provisions and other liabilities	2,418	100	1	-39	2,480
Tax liabilities	435	232	77	150	893
Cooperative capital	739	-	-	-168	571
Subordinated liabilities	1,248	-	91	-296	1,042
Total liabilities	**51,691**	**2,472**	**6,298**	**-383**	**60,078**
Equity capital					**5,638**
Expenditure on PPE and intangible assets	98	37	16	42	193

Income statement and balance sheet by segment in 2006

	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP-Pohjola 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	-	-	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 operating 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 expense					202
Profit for the financial year					**598**
Inter-segment income	55	5	12	283	354
Amortisation/depreciation in the financial year	-52	-35	-12	-31	-130

Balance sheet 31 Dec. 2006	Banking and Investment Services	Non-life Insurance	Life Insurance	Other operations and elimi-nations	OP-Pohjola Group
Liquid assets	1,041	-	-	0	1,041
Receivables from financial institutions	7,162	-	-	-6,817	344
Financial assets at fair value through profit or loss	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	-31	-1,060	1,413
Investment in associates	-1	2	-	34	35
Intangible assets	208	870	114	63	1,255
Property, plant and equipment	567	30	0	105	702
Other assets	945	1	9	149	1,104
Tax assets	50	6	12	21	90
Total assets	**57,500**	**3,733**	**6,370**	**-8,068**	**59,535**
Liabilities to financial institutions	7,641	-	-	-6,553	1,088
Financial liabilities at fair value through profit or loss	-	-	-	-	-
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 on PPE and intangible assets	60	10	2	31	103

NOTE 58. New standards and interpretations

IFRS 8 *Operating Segments* (effective for financial periods beginning on or after 1 January 2009). The Standard replaces the currently effective IAS 14 Segment Reporting.

IFRIC 13 *Customer Loyalty Programmes* (effective for financial periods beginning on or after 1 July 2008). This interpration addresses accounting by companies which grant loyalty award credits to customers who buy their

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial periods beginning on or after 1 January 2008). This interpretation provides general guidance on how to determine the maximum amount of pension assets recognisable in the employer's balance sheet while clarifying how the statutory or contractual minimum funding requirement affects the asset or liability arising from the pension plan.

NOTES TO RISK MANAGEMENT

Note 2 deals with risk management and capital adequacy management principles. Information on risk exposure by Banking and Investment Services can be found in Notes 59–81, that by Non-life Insurance in Notes 82–93 and that by Life Insurance in Notes 94–100.

Risk exposure by Banking and Investment Services

NOTE 59. OP-Pohjola Group's risk limit system based on OP 2006 business strategy, and values of risk indicators

Central Cooperative's Supervisory Board confirms risk limits for OP-Pohjola Group's risk-bearing capacity, profitability and credit and market risks. These limits are used to control the Group's risk-taking. OP-Pohjola Group's valid risk limit system is based on the business strategy confirmed in 2006.

Indicator	Risk limit	31 Dec. 2007	31 Dec. 2006
Risk-bearing capacity and profitability			
OP-Pohjola Group risk limits			
Capital adequacy ratio, % (Act on the Supervision of Financial and Insurance Conglomerates)	1.20	1.52	1.56
Credit risks			
Largest single customer risk / own funds, %	15.0	7.0	6.6
Total of large customer risks / own funds, %	100.0	0.0	0.0
Segment risk / own funds, %	50.0	41.5	44.3
Non-performing loans as % of loan and guarantee portfolio	2.0	0.3	0.3
Market risks			
Funding risk, cumulative funding position/total assets of banking			
≤12 months	-50	-39.7	-38.4
≤ 3 years	-40	-27.3	-27.0
≤ 5 years	-30	-20.2	-21.5
Liquidity reserve/total assets of banking	6	10.3	10.4
Interest rate risk*/economic capital, %	+/-10	0.7	0.1
Currency risk**/economic capital, %	20	8.7	8.8
Equity market risk*** /economic capital, %	50	30.0	31.0
Capital invested in properties / economic capital, %	70	34.1	38.9

*Effect of 100 basis point increase in the 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-Pohjola Group's risk-bearing capacity

Note 2, OP-Pohjola Group's Capital Adequacy and Risk Management Principles, provides a description of goals, key principles and process related to capital management. OP-Pohjola Group and all companies providing banking and investment services fulfil all capital adequacy requirements set by regulatory authorities.

Own funds and capital adequacy under the Credit Institutions Act

EUR million	31 Dec. 2007	31 Dec. 2006
Own funds		
Equity capital	5,638	5,124
Cooperative capital	571	594
Hybrid capital	224	224
Intangible assets	-1,070	-1,064
Fair value reserve and other reserves	10	-144
Planned profit distribution	-89	-75
Other items (e.g. excess funding on pension liability and measurement of investment property at fair value)	-458	-388
Tier 1 capital	**4,826**	**4,271**
Fair value reserve and other reserves	-10	144
Subordinated liabilities included in upper Tier 2	299	210
Subordinated liabilities included in lower Tier 2	514	532
Tier 2 capital	**802**	**886**
Investments in insurance companies	-355	-339
Other allowances	-5	-10
Total deduction items	**-360**	**-349**
Total own funds	**5,268**	**4,808**
Balance sheet risk grouping in capital adequacy calculation (before risk-weighting factors)		
Risk group I (risk weight 0%)	8,220	10,560
Risk group V (risk weight 10%)	374	3
Risk group II (risk weight 20%)	2,970	586
Risk group III (risk weight 50%)	22,103	19,629
Risk group IV (risk weight 100%)	21,623	18,872
Allowances for own funds	360	349
Other items (e.g. insurance assets)	10,065	9,535
Total assets	**65,716**	**59,535**
Risk-weighted receivables, investments and off-balance-sheet commitments		
Receivables and investments	33,306	28,804
Off-balance-sheet items	4,328	3,904
Market risk	611	1,010
Total risk-weighted receivables, investments and off-balance-sheet commitments	**38,245**	**33,718**
Capital adequacy ratio, %	**13.8**	**14.3**
Ratio of Tier 1 to total risk-weighted assets, % (Tier 1 ratio)	**12.6**	**12.7**

Own funds and capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	31 Dec. 2007	31 Dec. 2006
OP-Pohjola Group's equity capital	5,638	5,124
Business-segment-specific items	1,607	1,577
Goodwill and intangible assets	-1,116	-1,133
Items included in equity capital and business-segment-specific items, but not included in the conglomerate's own funds	-985	-883
Conglomerate's own funds, total	5,145	4,685
Minimum amount of conglomerate's own funds (=own funds requirement)	3,392	3,002
Conglomerate's capital adequacy	1,753	1,682
Conglomerate's capital adequacy ratio (own funds/minimum of own funds)	1.52	1.56

As referred to in the Act on the Supervision of Financial and Insurance Conglomerates, OP-Pohjola Group is a conglomerate for which a capital adequacy ratio is calculated, as provided by the Act.

Risk-bearing capacity and profitability

The indicator of OP-Pohjola Group's risk-bearing capacity is the capital adequacy ratio, as defined in the Act on the Supervision 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). At the end of 2007, OP-Pohjola Group's own funds were EUR 1,074 million higher than required by the risk limit, exceeding the statutory limit by EUR 1,753 million. A year earlier, the corresponding figures were EUR 1,082 million and EUR 1,682 million. Strong risk-bearing capacity serves as a buffer against unexpected losses while providing potential for business growth.

NOTE 61. Financial assets and impairment losses recognised on them for the financial year

	31 Dec. 2007		31 Dec. 2006	
	Balance sheet value	**Impair-ment losses**	**Balance sheet value**	**Impair-ment losses**
Liquid assets	589	-	1,041	-
Receivables from financial institutions	285	-	344	-2
Financial assets at fair value through profit or loss				
Notes and bonds	4,721	-	4,736	-
Shares and participations	69	-	80	-
Other	-	-	-	-
Derivative contracts				
Held for trading	479	-	298	-
Hedging	48	-	21	-
Loans and other receivables				
Loans granted	44,295	-115	39,178	-119
Finance lease receivables	452	-	414	-
Repo contracts	-	-	-	-
Bank guarantee receivables	2	-3	2	-4
Other receivables	26	-	-	-
Available-for-sale financial assets				
Notes and bonds	979	-	435	-
Shares and participations	379	-	341	-
Other	-	-	-	-
Held-to-maturity investments				
Notes and bonds	116	-	133	-
Off-balance-sheet commitments				
Bank guarantees	2,398	-	2,231	-
Total financial assets	**54,840**	**-118**	**49,254**	**-126**

NOTE 62. Exposure

31 Dec. 2007	Finland Balance sheet value	Impair-ments	Accrued interest	Other countries Balance sheet value	Impair-ments	Accrued interest
Financial assets						
Receivables from financial institutions	23	-	0	262	-	2
Receivables from customers	43,736	-118	253	588	0	3
Finance leases	452	-	-	0	-	-
Notes and bonds	2,941	-	24	2,876	-	26
Other	11	-	-	118	-	-
Total	**47,162**	**-118**	**277**	**3,844**	**0**	**30**
Off-balance-sheet commitments						
Unused standby credit facilities	7,637	-	-	72	-	-
Guarantees and letters of credit	2,230	-	-	333	-	-
Derivative contracts	65	-	-	456	-	-
Other	169	-	-	407	-	-
Total	**10,101**	**-**	**-**	**1,267**	**-**	**-**
Total exposure	**57,263**	**-118**	**277**	**5,112**	**0**	**30**

31 Dec. 2006	Finland Balance sheet value	Impair-ments	Accrued interest	Other countries Balance sheet value	Impair-ments	Accrued interest
Financial assets						
Receivables from financial institutions	171	-	0	173	-2	1
Receivables from customers	38,760	-124	234	420	0	1
Finance leases	414	-	-	0	-	-
Notes and bonds	2,868	-	21	2,435	-	23
Other	2	-	-	39	-	-
Total	**42,215**	**-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	**51,682**	**-124**	**255**	**4,165**	**-2**	**26**

Positive market value was recognised for derivative contracts.

NOTE 63. Exposure by sector

31 Dec. 2007	Balance sheet values Domestic	Foreign	Off-balance-sheet Domestic	Foreign	Total
Non-banking corporate sector	13,766	419	6,529	294	21,008
Financial institutions and insurance companies	1,665	3,315	242	972	6,194
Households	30,690	12	3,129	1	33,833
Non-profit organisations	398	0	48	-	446
Public corporations	920	128	152	-	1,201
Total	**47,439**	**3,875**	**10,101**	**1,267**	**62,682**

31 Dec. 2006					
Non-banking corporate sector	11,911	280	6,164	344	18,699
Financial institutions and insurance companies	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**

NOTE 64. Loan and guarantee receivables and doubtful receivables

	Loan and guarantee portfolio				
31 Dec. 2007	**Not impaired (gross)**	**Impaired (gross)**	**Total**	**Total impair-ments**	**Balance sheet value**
Loan and guarantee receivables					
Receivables from financial institutions	285	-	285	-	285
Receivables from customers	44,305	138	44,442	-118	44,324
Bank guarantee receivables	2	3	5	-3	2
Finance leases	452	-	452	-	452
Overdrafts	10	-	10	-	10
Total	**45,052**	**138**	**45,190**	**-118**	**45,071**
Loan and guarantee receivables by sector					
Non-banking corporate sector	13,106	100	13,206	-68	13,138
Financial institutions and insurance companies	507	-	507	-	507
Households	30,588	36	30,624	-50	30,574
Non-profit organisations	393	1	395	0	394
Public corporations	458	-	458	-	458
Total	**45,052**	**138**	**45,190**	**-118**	**45,071**

	Loan and guarantee portfolio				
31 Dec. 2006	**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	**39,910**	**157**	**40,067**	**-126**	**39,941**
Loan and guarantee receivables by sector					
Non-banking corporate sector	9,926	113	10,039	-73	9,965
Financial institutions and insurance companies	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 Dec. 2007	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impair-ments
	Doubtful receivables				
Doubtful receivables					
Receivables from financial institutions	0	-	0	-	-
Receivables from customers	362	138	500	161	-118
Bank guarantee receivables	2	3	5	5	-3
Finance leases	1	-	1	1	-
Overdrafts	10	-	10	0	-
Total	**373**	**138**	**511**	**162**	**-118**
Doubtful receivables by sector					
Non-banking corporate sector	124	100	224	76	-68
Financial institutions and insurance companies	8	-	8	0	-
Households	219	36	255	85	-50
Non-profit organisations	13	1	14	2	0
Public corporations	9	-	9	0	-
Total	**373**	**138**	**511**	**162**	**-118**

31 Dec. 2006	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impair-ments
	Doubtful receivables				
Doubtful 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**
Doubtful receivables by sector					
Non-banking corporate sector	89	113	202	73	-73
Financial institutions and insurance companies	0	2	2	3	-2
Households	147	40	188	81	-50
Non-profit organisations	2	1	3	0	0
Public corporations	3	-	3	0	-
Total	**242**	**157**	**398**	**157**	**-126**

31 Dec. 2007	Portfolio	Impair-ments	Balance sheet value
Doubtful receivables			
Non-performing	219	80	138
Zero-interest	10	4	7
Underpriced	212	6	207
Other	69	29	41
Total	**511**	**118**	**392**

31 Dec. 2006	Portfolio	Impair-ments	Balance sheet value
Doubtful receivables			
Non-performing	203	82	121
Zero-interest	12	4	9
Underpriced	119	6	112
Other	64	33	30
Total	**398**	**126**	**272**

31 Dec. 2007	30–90 days	90–180 days	Over 180 days.	Total
Matured receivables, not impaired	353	74	83	510

NOTE 65. Impairment losses on receivables	31 Dec. 2007	31 Dec. 2006
Impairment losses on receivables	39	38
Reversal of impairment losses	-20	-24
Payments on eliminated receivables	-9	-6
Net change in group-specific impairment losses	4	1
Total	**13**	**9**
Impairments (net) as a percentage of the loan and guarantee portfolio	0.03	0.02

OP-Pohjola Bank Group's objective is that in the long term impairment losses on receivables will not exceed 0.25% of the loan and guarantee portfolio per year.

NOTE 66. Private customer exposure by credit category

Category	31 Dec. 2007 Net exposure	%
A	7,471	22.1
B	12,511	37.0
C	6,816	20.1
D	1,954	5.8
E	834	2.5
F	423	1.3
Non-rated	3,825	11.3
Total	**33,833**	**100.0**

NOTE 67. Corporate exposure by sector

31 Dec. 2007	Net exposure Balance sheet	Off-balance sheet	Total	Percentage-distribution
Trade	1,755	850	2,605	12.4
Metal industry	936	1,105	2,041	9.7
Services	1,456	407	1,863	8.9
Construction	814	986	1,801	8.6
Housing corporations	1,433	305	1,738	8.3
Lease and management of other real property	1,399	258	1,656	7.9
Lease and management of flats	1,414	146	1,560	7.4
Other sectors	1,226	221	1,447	6.9
Transport and traffic	678	500	1,179	5.6
Forest industry	736	417	1,153	5.5
Other industry	618	504	1,121	5.3
Energy production	438	451	888	4.2
Food industry	394	279	673	3.2
Telecommunications and electronics	216	237	453	2.2
Communications and publishing	154	74	228	1.1
Property investment	520	84	604	2.9
Total	**14,185**	**6,824**	**21,008**	**100.0**

31 Dec. 2006	Net exposure Balance sheet	Off-balance sheet	Total	Percentage-distribution
Trade	1,412	733	2,145	11.5
Metal industry	862	1,247	2,109	11.3
Lease and management of other real property	1,357	347	1,704	9.1
Housing corporations	1,300	338	1,637	8.8
Services	1,290	290	1,581	8.5
Construction	703	785	1,488	8.0
Lease and management of other real property	1,070	83	1,153	6.2
Other sectors	867	289	1,156	6.2
Forest industry	638	496	1,134	6.1
Other industry	616	425	1,040	5.6
Transport and traffic	601	351	953	5.1
Energy production	384	378	762	4.1
Food industry	266	388	654	3.5
Property investment	411	89	501	2.7
Telecommunications and electronics	255	168	423	2.3
Communications and publishing	158	101	259	1.4
Total	**12,190**	**6,508**	**18,699**	**100.0**

NOTE 68. Corporate exposure by rating category

Rating	31 Dec. 2007 Net exposure	%	31 Dec. 2006 Net exposure	%
1–2	950	4.5	790	4.2
3–4	8,457	40.3	6,876	36.8
5–6	4,201	20.0	3,424	18.3
7–8	6,029	28.7	5,476	29.3
9–10	405	1.9	896	4.8
11–12	247	1.2	237	1.3
Non-rated	719	3.4	999	5.3
Total	**21,008**	**100.0**	**18,699**	**100.0**

NOTE 69. Corporate exposure by the amount of customer's exposure

31 Dec. 2007

Amount of exposure, EUR million	Finland	Other countries	Total	%
0–1	5,251	68	5,318	25.3
1–10	4,498	223	4,721	22.5
10–50	3,907	360	4,267	20.3
50–100	2,557	63	2,619	12.5
Over 100	4,082	-	4,082	19.4
Total	**20,295**	**713**	**21,008**	**100.0**

31 Dec. 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
Over 100	3,014	152	3,166	16.9
Total	**18,075**	**624**	**18,699**	**100.0**

NOTE 70. Secondary country risk by country risk category

Country risk	equivalent	31 Dec. 2007 Net exposure	%	31 Dec. 2006 Net exposure	%
Category 1	Aaa	4,595	89.8	3,498	88.1
Category 2	Aa1–A3	215	4.2	237	6.0
Category 3	Baa1–Baa3	189	3.7	124	3.1
Category 4	Ba1–B3	108	2.1	101	2.5
Category 5	Caa1–C	7	0.1	11	0.3
Total		**5,115**	**100.0**	**3,971**	**100.0**

Category 2 takes account of the transfer of contract-related, real risks to another country through agreements or otherwise. The risk may transfer on the basis of an agreement, or a guarantee in most cases, or otherwise, such as transferring receivables from a company's branch office to the country where the company is headquartered.

NOTE 71. Risk limit of credit risk in banking operations

OP-Pohjola Group has diversified its loan and guarantee portfolio. At the end of 2007, the Group's largest single counterparty-related customer risk accounted for 7.0% (6.6) of OP-Pohjola Group's own funds. OP-Pohjola Group's risk limit for this incidator is 15%. Real property operations constitute the Group's largest industry ot the Group's loan and guarantee portfolio, amounting to EUR 2.2 billion, or 41.5% of own funds. OP-Pohjola Group has set its internal industry risk limit at 50% of own funds. Industry risk monitoring is based on industry grouping confirmed in OP-Pohjola Group's risk management.

At the end of 2007, OP-Pohjola Group had a total of EUR 147 million in non-performing and zero-interest loans, or 15% less than a year ago. Non-performing and zero-interest loans are stated net of impairments of EUR 87 million (91) on specific receivables and groups of receivables. The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.3% at the end of the year, or at the previous year's level and 1.7 percentage points smaller than the risk limit defined for the ratio. Impairments of receivables remained at a low level, with their gross amount totalling EUR 42 million (39) in 2007, accounting for 0.09% of the loan and guarantee portfolio.

NOTE 72. Structure of OP-Pohjola Group funding

	31 Dec. 2007	%	31 Dec. 2006	%
Liabilities to financial institutions	949	1.7	1,088	2.2
Financial liabilities at fair value through profit or loss	52	0.1	-	-
Liabilities to customers				
Deposits	29,001	51.8	25,750	50.9
Other	2,222	4.0	1,965	3.9
Debt securities issued to the public				
Certificates of deposit, commercial papers and ECPs	5,825	10.4	5,926	11.7
Bonds	8,249	14.7	7,574	15.0
Other liabilities	2,480	4.4	1,508	3.0
Subordinated liabilities	1,042	1.9	1,063	2.1
Cooperative capital	571	1.0	597	1.2
Equity capital	5,638	10.1	5,124	10.1
Total	**56,029**	**100.0**	**50,595**	**100.0**

NOTE 73. Maturity of financial assets and liabilities by remaining term to maturity

31 Dec. 2007	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial assets						
Liquid assets	589	-	-	-	-	589
Financial assets at fair value through profit or loss						
Notes and bonds	1,077	772	1,905	968	0	4,721
Receivables from financial institutions	148	101	34	2	0	285
Receivables from customers	2,513	4,213	13,856	9,329	14,865	44,776
Investment assets						
Available-for-sale notes and bonds	44	153	575	200	7	979
Held-to-maturity notes and bonds	0	35	63	7	12	116
Total financial assets	**4,371**	**5,272**	**16,432**	**10,506**	**14,885**	**51,467**
Transfer of financial assets held for trading	-1,077	-772	-1,905	-968	0	
to less-than-3-months category	4,721					
Total financial assets in internal reporting	**8,016**	**4,501**	**14,527**	**9,538**	**14,885**	**51,467**

Financial liabilities						
Liabilities to financial institutions	934	1	0	13	0	949
Financial liabilities at fair value through profit or loss	52	-	-	-	-	52
Liabilities to customers	26,245	3,477	926	272	303	31,224
Debt securities issued to the public	5,831	2,073	5,902	269	-	14,074
Subordinated liabilities	-	-	819	128	96	1,042
Total financial liabilities	**33,062**	**5,551**	**7,647**	**681**	**399**	**47,340**
Transfer of private customers' deposit repayable on demand from the less-than-3-months category to the	-15,699	15,699				
Total financial liabilities in internal reporting	**17,636**	**21,250**	**7,647**	**681**	**399**	**47,340**
Off-balance-sheet commitments	**7,774**	**81**	**17**	**-**	**-**	**7,871**

31 Dec. 2006	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial assets						
Liquid assets	1,041	-	-	-	-	1,041
Financial assets at fair value through profit or loss						
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**
Transfer of financial assets at fair value through profit or loss to the less-than-3-months category	-1,756 4,736	-170	-1,311	-1,366	-132	
Total financial assets in internal reporting	**8,456**	**4,204**	**13,400**	**8,516**	**11,706**	**46,283**
Financial liabilities						
Liabilities to financial institutions	1,075	0	0	13	0	1,088
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
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**
Transfer of private customers' deposit repayable on demand from the less-than-3-months category to the	-15,352	15,352				
Total financial liabilities in internal reporting	**13,500**	**20,872**	**7,773**	**806**	**414**	**43,366**
Off-balance-sheet commitments	**7,493**	**89**	**5**	**-**	**-**	**7,586**

* includes letters of credit and unused standby credit facilities

NOTE 74. Funding risk

Events in the investment market in the autumn of 2007 increased deposits and slowed down loan portfolio growth. The amount of wholesale funding on market terms and its share of total funding remained at 2006 levels. OP-Pohjola Group introduced a new funding channel in June 2007 when OP Mortgage Bank issued a covered bond worth EUR 1 billion. The risk limit measure for the Group's banking operations' funding risk was the ratio, calculated cumulatively up to the reporting check date, of the difference of maturing receivables and liabilities to the balance sheet total in periods of a maximum of one, three and five years. In addition, the Group monitored the share of deposit funding within total assets and the product breakdown of deposits using specific indicators. At the end of the year, the key ratios for the financial risk were substantially better than the risk limits.

NOTE 75. Maturities of financial assets and liabilities by maturity or repricing

31 Dec. 2007	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	Over 5 years	Total
Financial assets							
Liquid assets	589	-	-	-	-	-	589
Financial assets at fair value through profit or loss							
Notes and bonds	760	2,266	833	183	337	342	4,721
Receivables from financial institutions	123	46	102	0	1	13	285
Receivables from customers	18,448	7,421	16,350	469	1,036	1,052	44,776
Available-for-sale financial assets							
Notes and bonds	177	262	169	37	219	115	979
Held-to-maturity financial assets							
Notes and bonds	-	7	40	12	38	19	116
Total financial assets	**20,097**	**10,003**	**17,493**	**701**	**1,631**	**1,542**	**51,467**
Financial liabilities							
Liabilities to financial institutions	856	78	14	-	-	0	949
Financial liabilities at fair value through profit or loss	52	-	-	-	-	-	52
Liabilities to customers	24,491	2,503	3,363	767	66	33	31,224
Debt securities issued to the public	2,944	7,805	1,534	322	1,218	252	14,074
Subordinated liabilities	0	453	50	30	449	61	1,042
Total financial liabilities	**28,343**	**10,839**	**4,961**	**1,119**	**1,733**	**346**	**47,340**

31 Dec. 2006	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	-	-	-	-	-	1,041
Financial assets at fair value through profit or loss							
Notes and bonds	1,919	1,695	268	117	219	518	4,736
Receivables from financial institutior	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 at fair value through profit or loss	-	-	-	-	-	-	-
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	-	535	112	19	169	228	1,063
Total financial liabilities	**27,009**	**9,472**	**4,967**	**1,035**	**335**	**548**	**43,366**

NOTE 76. Sensitivity analysis of market risk

EUR million	Risk parameter	Change	31 Dec. 2007	31 Dec. 2006
Interest rate risk	Interest rate	1 percentage point	111	96
Currency risk	Market value	10 percentage points	2	4
Volatility risk				
Interest rate volatility	Volatility	20 percentage point	2	4
Currency volatility	Volatility	10 percentage points	1	0
Credit risk premium*	Credit risk margin	0.1 percentage point	11	10
Price risk				
Equity portfolio	Market value	20 percentage point	22	26
Private equity funds	Market value	20 percentage point	11	14
Property risk	Market value	10 percentage points	201	209

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.

NOTE 77. 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 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 OP-Pohjola Group’s economic capital. At the end of the year, the interest rate risk benchmark stood at 0.7% (0.1). OP-Pohjola Group’s interest rate risk must remain within the range of ±10% of the 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 interest rate risk associated with the insurance companies' investment operations plays a key role in the Group's capital adequacy in the short term.

NOTE 78. Currency risk

The indicator for OP-Pohjola Group’s currency risk is the ratio of the overall net currency position to economic capital. The currency risk was clearly less than half of the maximum exchange rate risk according to the risk limit.

NOTE 79. Equity risk

The market value of OP-Pohjola Group’s publicly quoted shares and mutual fund units was EUR 1,128 million (1,037) at the end of the year. Equity and mutual fund investments accounted for 60% the Group's maximum equity risk in accordance with the risk limit defined for equity risk.

NOTE 80. Property risk

Property holdings tied up in OP-Pohjola Group's banking operations decreased further. On 31 December, capital invested in these property holdings amounted to EUR 1.3 billion, or EUR 21 million less than in the year before. In insurance companies' investment operations, the market value of property investments came to EUR 316 million (289). Property investments by insurance operations are expected to grow alongside growth in the life and non-life insurance business. Property risk accounts for less than half for the maximum property risk defined for the risk limit.

NOTE 81. Derivatives business

OP-Pohjola Group's derivative contracts are specified in Note 52.

Risk exposure of Non-life Insurance

NOTE 82. Risk-bearing capacity

On 31 December 2007, Non-life Insurance solvency capital stood at EUR 613 million (592), accounting for 72% (75) of insurance premium revenue. As a result of internal dividend distribution decisions and the repayment of Pohjola Non-Life Insurance Company's subordinated loan, its capitalisation came closer to the target level of 70%. The Board has confirmed credit rating A as the target for Non-life Insurance. Credit rating issued by Standard & Poor's for Pohjola Non-life Insurance is A+ (December 2007).

Non-life Insurance must fulfil all capital adequacy requirements set by regulatory authorities mainly at company level. All non-life insurance companies are governed by the same requirement set for their minimum solvency margin based on EU directives. In addition, Finnish legislation lays down capital adequacy requirements for Finnish insurance companies.

The risk-bearing capacity describes the proportion of a company's solvency capital to various income statement and balance sheet items. Solvency capital proportioned to claims incurred and insurance premium revenue describes the company's ability to cope with underwriting risks. Solvency capital proportioned to insurance contract liabilities describes the company's ability to cope with risks related to the estimation of insurance contract liabilities. Similarly, solvency capital proportioned to the investment portfolio describes the company's ability to cope with the risks related to investments.

	31 Dec. 2007		31 Dec. 2006	
	EUR million	Risk-bearing capacity, %	EUR million	Risk-bearing capacity, %
Solvency capital	613		592	
Claims incurred*	583	105	579	102
Insurance premium revenue*	850	72**	788	75**
Insurance contract liabilities*	1,956	31	1,887	31
Investment portfolio	2,511	24	2,490	24

* Reinsurers' share (net business) deducted

** Solvency ratio

NOTE 83. Sensitivity analysis

The table below shows the effect of various risk parameters on profit and solvency capital:

Risk parameter	Total in 2007, EUR million	Change in risk parameter	Effect on profit/solvency, EUR million	Effect on combined ratio
Insurance portfolio or insurance premium rever	850	Up by 1%	+ 8	Up by 1 percentage poir
Increase in claims incurred	583	Up by 1%	- 6	Down by 1 percentage point
Major loss in exceess of EUR million		1 major loss	-5	Down by 1 percentage point
Personnel costs	101	Up by 8%	-8	Down by 1 percentage point
Expenses by function *	254	Up by 4%	- 9	Down by 1 percentage point

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

NOTE 84. Premiums written and sums insured by class

Premiums written by EML* class in corporate property insurance

The degree of risk in property insurance can be evaluated by dividing risks into classes by their EML* amounts. The table below shows premiums written calculated for each risk class.

EUR million	5–20	20–50	50–100	100–300
2007	8	11	6	4
2006	9	13	6	2

*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
2007	2	6	5	4
2006	2	6	7	4

*TSI = Total Sum Insured

Sums insured in guarantee and decennial insurance

The sum insured of insurance contracts depicts the volume of guarantee and decennial insurance (construction defects insurance). The gross and net amounts of the sum insured are itemised by contract type in the table below. The liability period of decennial insurance is 10 years but the product has been on the market for only somewhat more than eight years. Therefore, the sum insured will increase annually.

	Gross		Net*	
EUR million	**2007**	**2006**	**2007**	**2006**
Contract guarantees	62	78	62	78
Loan guarantees	43	69	43	69
Other	9	11	8	9
Guarantee insurance	**114**	**158**	**113**	**156**
Decennial insurance	**1,443**	**1,156**	**1,241**	**964**

* For insurance company's own account after reinsurers' share and counter guarantee

NOTE 85. Trend in major losses

Number of detected major losses by year of detection for 2003–2007

Non-life Insurance monitors carefully claims expenditure arising from major losses. The claims expenditure explains a significant part of the annual fluctuation in the underwriting result. In addition, monitoring the claims expenditure arising from major losses helps to detect any changes in risks or risk selection. In this analysis, major losses are those whose gross amount exceeds EUR 2 million. Most major losses occur in property and business interruption insurance. In statutory policies, the risk of major loss is small relative to the large volume of the line of business.

Gross amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2003	-	-	-	3	1	-
2004	-	-	4	1	-	-
2005	1	-	-	6	-	-
2006	1	-	-	12	-	-
2007	2	-	-	6	4	-
				Total claims, EUR millio		158
Gross amount, total claims, EUR million 2003–2007	**13**	**-**	**14**	**116**	**15**	**-**

Net amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2003	-	-	-	3	1	-
2004	-	-	-	1	-	-
2005	1	-	-	6	-	-
2006	1	-	-	10	-	-
2007	1	-	-	5	3	-
				Total claims, EUR millio		107
Net amount, total claims, EUR million 2003–2007	**9**	**-**	**-**	**88**	**10**	**-**

NOTE 86. Insurance profitability

Trends in insurance premium revenue (gross and net) and combined ratio (net)

Insurance premium revenue describes the volume of an insurance class, enabling the evaluation of the importance of the insurance class in relation to the whole portfolio. Similarly, 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 for one-off items relating to previous insurance periods

2007, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	361	356	85 %	92 %
Other accident and health	78	77	89 %	104 %
Hull and cargo	193	187	97 %	96 %
Property and business interruption	209	179	90 %	89 %
Liability and legal expenses	56	48	102 %	103 %
Long-term	4	4	56 %	56 %
Total	**900**	**850**	**90 %**	**94 %**

2006, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	335	330	94 %	93 %
Other accident and health	70	69	103 %	109 %
Hull and cargo	190	177	94 %	94 %
Property and business interruption	189	161	105 %	103 %
Liability and legal expenses	54	47	75 %	74 %
Long-term	4	3	33 %	33 %
Total	**842**	**788**	**96 %**	**95 %**

* The combined ratio is calculated by dividing the sum of claims incurred (net) and operating expenses of insurance business by insurance premium revenue (net). Amortisation on intangible rights has not been taken into account.

** One-off changes affecting the balance on technical account have been eliminated.

NOTE 87. Sensitivity analysis of insurance contract liabilities and information on the nature of insurance contract liabilities

Non-life Insurance	Portfolio at fair value, EUR million 31 Dec 2007	Risk parameter	Change	Effect on solvency capital, EUR million 31 Dec 2007	31 Dec 2006
Collective liability	463	Inflation	0.25 percentage points	-2	-2
Provision for claims for annuities	1,244	Life expectancy	1 year	-29	-28
Provision for claims for annuities	1,244	Discount rate	-0.1 percentage point	-15	-15

Information on the nature of liabilities	**2007**	**2006**
Net insurance contract liabilities (EUR million)		
Latent occupational diseases	41	43
Other	1,915	1,844
Total (before transfers)	1,956	1,887
Duration of debt (years)		
Statutory lines	11.7	12.2
Other lines	2.2	2.0
Total	8.3	8.6
Discounted net debt (EUR million)		
Provision for known unpaid claims for annuities	1,010	989
Collective liability (IBNR)	201	185
Provision for unearned premiums	33	31
Total	1,244	1,205
Duration of discounted debt (years)	11.7	12.2

NOTE 88. Insurance contract liabilities by estimated maturity

31 Dec 2007	0–1 yr	1–5 yrs	5–10 yrs	10–15 yrs	over 15 yrs	Total
Provision for unearned premiums*	211	61	15	3	6	296
Provision for unpaid claims						
Undiscounted	258	114	53	12	12	449
Discounted	82	298	272	193	367	1,211
Total insurance contract liabilities	**551**	**473**	**340**	**208**	**384**	**1,956**

* Includes EUR 33 million in discounted provision

31.12.2006	0–1 yr	1–5 yrs	5–10 yrs	10–15 yrs	over 15 yrs	Total
Provision for unearned premiums*	181	52	13	3	5	254
Provision for unpaid claims						
Undiscounted	264	117	54	12	12	459
Discounted	80	289	263	187	355	1,174
Total insurance contract liabilities	**525**	**457**	**331**	**202**	**373**	**1,887**

* Includes EUR 31 million in discounted provision

NOTE 89. Risk exposure of insurance investments

	31 Dec. 2007		31 Dec. 2006	
Allocation of investment portfolio	Fair value, EUR million*	%	Fair value, EUR million*	%
Money market instruments and deposits**	51	2	69	3
Total bonds and bond funds	1,722	69	1,798	72
Governments	686	27	1,189	48
Investment Grade	882	35	441	18
Emerging markets and High Yield	155	6	168	7
Total equities	413	16	430	17
Finland	97	4	102	4
Developed markets	172	7	170	7
Emerging markets	30	1	22	1
Unlisted equities	6	0	9	0
Private equity investments	108	4	128	5
Total alternative investments	188	7	87	4
Hedge funds	91	4	31	1
Commodities	23	1	20	1
Convertible bonds	73	3	36	1
Total property investment	138	5	107	4
Direct property investment	101	4	88	4
Indirect property investment	36	1	19	1
Total	**2,511**	**100**	**2,490**	**100**

* Includes accrued interest income

** Includes settlement receivables and liabilities and market value of derivatives EUR 3.3 million (EUR -0.3 million)

NOTE 90. Sensitivity analysis of investment risks

The table below shows the sensitivity of investment risks by investment category. The discount rate sensitivity analysis related to the calculation of insurance contract liabilities is presented in note 87 dealing with insurance contract liabilities. Effects of changes in investment and insurance contract liabilities offset one another.

Non-life Insurance, EUR milli	Portfolio at fair value, 31 Dec. 2007	Risk parameter	Change	Effect on solvency capital, 31 Dec. 2007	
Bonds and bond funds *	1,843	Interest rate	1 percentage point	69	90
Equities **	391	Market value	20 percentage points	78	65
Venture capital funds and unlisted shares	113	Market value	20 percentage points	23	27
Commodities	23	Market value	20 percentage points	5	4
Real property	138	Market value	10 percentage points	14	11
Currency	101	Open currency exposure	20 percentage points	20	19
Credit spread***	1,157	Spread	0.1 percentage points	4	2
Derivatives	-	Volatility	20 percentage points	-	-

* Include money market investments, convertible bonds and interest-rate derivatives

** Include hedge funds and equity derivatives

*** Includes bonds, convertible bonds and money market investments, excluding government bonds issued by developed countries

NOTE 91. 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 using an administrative interest rate (Note 35)

Fair value by duration or repricing date, EUR million*	31 Dec. 2007	31 Dec. 2006
0–1 year	428	192
>1–3 years	378	554
>3–5 years	435	252
>5–7 years	183	383
>7–10 years	293	239
>10 years	125	282
Total	**1843**	**1903**
Modified duration	3.8	4.7
Effective interest rate, %	4.8	4.2

* Includes money market investments and deposits, bonds, convertible bonds and bond funds

NOTE 92. Currency risk

Foreign currency exposure, EUR million	31 Dec. 2007	31 Dec. 2006
USD	42	36
SEK	-6	-7
JPY	12	7
GBP	3	15
EEK, LVL, LTL**	-33	-23
Other	5	5
Total*	**101**	**94**

*The currency exposure was 4.0% (3.8) of the investment portfolio. It is calculated as the sum total of individual currencies' intrinsic values.

** ERM2 currencies.

NOTE 93. Counterparty risk

	31 Dec. 2007		31 Dec. 2006	
Credit rating distribution, EUR million	**Investment***	**Insurance****	**Investment***	**Insurance****
AAA	613	0	902	1
AA	270	16	175	22
A	600	21	440	35
BBB	170	0	171	2
BB+ or lower	98	-	137	0
Internal rating	19	29	42	25
Total	**1,769**	**67**	**1,867**	**84**

* Includes money market investments, deposits and bonds and bond funds.

** Includes the reinsurers' share of insurance contract liabilities, and receivables from reinsurers.

Risk exposure of Life Insurance

NOTE 94. Information on the nature of insurance contract liabilities and their sensitivity analysis

Risk-bearing capacity of life insurance operations

The life insurance solvency margin after the proposed dividends have been subtracted stood at EUR 291 million (289) on 31 December 2007, with the minimum amount set at EUR 190 million (182).

Life Insurance must fulfil all capital adequacy requirements set by regulatory authorities. The minimum solvency margin requirement for all life insurance companies is set by EU directives. In addition, Finnish legislation lays down capital adequacy requirements for Finnish insurance companies.

Life insurance risk-bearing capacity is measured in terms of solvency ratio, which is the ratio between solvency margin and technical provisions. The solvency ratio should remain between 9 and 11 per cent. In life insurance, the ratio between unrestricted solvency capital and the amount of risk from investment operations is monitored. Moreover, new life insurance calculations have been made to prepare for the new capital adequacy requirements of the Insurance Companies Act capital which will probably enter in force in 2008. These are not likely to have any significant effect on life insurance capital adequacy.

Insurance and capital redemption portfolio in Life Insurance

	Technical rate of interest	Number of insureds or contracts	Exposure on 31 December 2007	Average duration in years*
Life Insurance/Savings				
Technical rate of interest 4.5%	3.23%	8,932	182	5.21
Technical rate of interest 3.5%	3.50%	82,113	1,479	11.0
Technical rate of interest 2.5%	2.50%	134,219	918	10.3
Technical rate of interest 1.5%	1.50%	2,196	4	6.1
Unit-linked		incl. above	1,716	
Total		227,460	4,299	
Individual pension insurance			Until the beginning of pension entitlement	
Technical rate of interest 4.5%	4.06%	16,211	264	5.1
Technical rate of interest 3.5%	3.50%	55,130	326	8.0
Technical rate of interest 2.5%	2.50%	94,371	88	14.7
Technical rate of interest 1.5%	1.50%	3,034	-	13.2
Unit-linked		incl. above	604	
Total		168,746	1,283	
Group pension insurance				
Supplementary employee pension	3.50%	814	266	N.A
Technical rate of interest 3.5 %	3.50%	229	3	7.4
Technical rate of interest 2.5 %	2.50%	328	1	8.7
Technical rate of interest 1.5%	1.50%	637	1	7.6
Unit-linked		incl. above	13	
Total		2,008	284	
Term insurance contracts				
Individual contracts	-	98,570	32	N.A
Group contracts	-	1,251	27	N.A
Total		99,821	59	
Capital redemption contracts				
Technical rate of interest 4.5%	3.50%	23	6	0.6
Technical rate of interest 3.5%	3.50%	183	39	2.2
Technical rate of interest 2.5%	2.50%	247	62	1.7
Pohjola Tuotto		1,061	10	1.3
Unit-linked		incl. above	35	
Total		1,514	152	9.5
Other items in underwriting reserves/ insurance contract liabilities			12	
Total		**499,549**	**6,089**	

Susceptibility of life insurance liabilities to changes in calculation principles

The table above presents the breakdown of the maturities of life insurance technical provisions and pension start dates as they were registered in the insurance systems. However, it is likely that benefit policy assets are paid to the policyholders or beneficiaries much earlier, and pension assets somewhat later than directly indicated by the start dates in the agreements.

As to the benefit policies, death benefits are paid before the formal due date, and more and more savings are surrendered before maturity. This is based on the assumption that policies have been sold for very long periods, although many policyholders intend to withdraw the savings before they mature, often at retirement. The majority of insurance savings are benefit policies.

As to individual pension plans, the experience is that many policyholders take out their pension later than initially intended. Taking out the pension later, or actually at the statutory date, has direct tax implications. The trend in tax changes indicates that people will take out their pension later and later in the future. Owing to tax reasons, pension insurance policies cannot be surrendered (with very few exceptions) before the agreed retirement date. The insurance

The technical provisions are calculated by means of a technical interest discount, with the market rates having no effect on the amount of unit-linked technical provisions. Unit-linked technical provisions are nevertheless presented at market value.

If the mortality figures give reason to assume that the technical provisions arrived at with the current calculation principles are insufficient, the technical provisions are adjusted accordingly. In life insurance, the mortality and longevity provisions actually cancel each other out, which means that if the mortality assumption is adjusted, the amount of liability is not significantly affected.

NOTE 95. Claims charged to expenses due to insurance contract liabilities

31 December 2007	**0 - 1**	**1-5**	**5-10**	**10-15**	**Over 15**	**Total**
Interest-bearing insurance savings	305	935	531	329	1,066	**3,166**
Unit-linked insurance savings	57	342	492	263	1,085	**2,239**
Interest-bearing investment contracts	60	69	5	0	0	**133**
Unit-linked investment contracts	7	18	9	1	0	**35**
Other insurance contract liabilities	-	-	-	-	-	**516**
Total	**429**	**1,364**	**1,037**	**593**	**2,151**	**6,089**

31 December 2006	**0 - 1**	**1-5**	**5-10**	**10-15**	**Over 15**	**Total**
Interest-bearing insurance savings	258	917	578	347	980	**3,080**
Unit-linked insurance savings	46	325	433	258	896	**1,958**
Interest-bearing investment contracts	30	54	11	0	0	**95**
Unit-linked investment contracts	2	27	4	0	0	**33**
Other insurance contract liabilities	-	-	-	-	-	**476**
Total	**336**	**1,323**	**1,026**	**605**	**1,876**	**5,642**

NOTE 96. Investment risks

Allocation of investment property	31 Dec. 2007 Fair value, EUR million	%	31 Dec. 2006 Fair value, EUR million	%
Fixed-income investments 1)				
Bonds	1,260	30	1,647	41
Other money market instruments*	85	2	113	3
Mutual funds	1,328	32	1,150	28
Shares and participations				
Equities and mutual funds	718	17	613	15
Alternative investments 2)	587	14	343	8
Properties 3)	214	5	200	5
Total	**4,192**	**100**	**4,067**	**100**

[1] incl. accrued interest

[2] incl. investments in hedge funds, and funds investing in unquoted property companies

[3] only direct investments in properties

* Includes the effect of equity futures

NOTE 97. Sensitivity analysis of investment property

	Portfolio at fair values	Risk parameter	Change	Effect on solvency margin
Bonds and bond funds	2,746	Interest rate	1 percentage point	148
Equities	1,306	Market value	10 percentage point	131
Properties	214	Market value	15 percentage point	32

NOTE 98. Interest-rate risk

Fair value by duration or repricing date, EUR million	31 Dec. 2007	31 Dec. 2006
0–1 year	309	158
>1–5 years	889	676
>5–10 years	957	525
>10–20 years	382	154
>20 years	208	144
Total	**2,746**	**1,658**
Modified duration	5.4	5.0
Average interest rate, %	4.9	4.2

NOTE 99. Credit risk

Credit rating distribution, EUR million	31 Dec. 2007	31 Dec. 2006
AAA	1,004	1,165
AA	272	299
A	771	705
BBB	199	179
BB+ or lower	465	417
Not Rated	34	148
Total *	**2,746**	**2,912**

* Includes money market investments and deposits, bonds and bond funds, the reinsurers' share of insurance contract liabilities, and receivables from reinsurers.

NOTE 100.Currency risk

Foreign currency exposure, EUR million	31 Dec. 2007	31 Dec. 2006
USD	206	148
SEK	11	1
JPY	37	55
GBP	14	22
Other	0	97
Total	**268**	**323**
Total net currency exposure		

The currency exposure was 6.4% (7.9) of the investment portfolio.

STATEMENT CONCERING THE FINANCIAL STATEMENTS

We have adopted the Report of the Executive Board and the consolidated Financial Statements of the Amalgamation of the Cooperative Banks (OP-Pohjola Group) specified in the Act on Cooperative Banks and other Cooperative Credit Institutions for the financial year 1 January to 31 December 2007. The report and the Financial Statements are presented to, and passed out at, the General Meeting of OP Bank Group Central Cooperative.

Helsinki, 19 February 2008

Executive Board of OP Bank Group Central Cooperative

Reijo Karhinen

Tony Vepsäläinen

Erkki Böös

Harri Luhtala

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 to 31 December 2007, of the amalgamation of the cooperative banks (OP-Pohjola Group) pursuant to the Act on Cooperative Banks and Other Cooperative Credit Institutions. The Executive Board and the President of OP Bank Group Central Cooperative, which is OP-Pohjola Group's central institution, have prepared the consolidated financial statements in accordance with the 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 OP-Pohjola 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. In carrying out the audit, we also acquainted ourselves with the financial statement policies adopted by the OP-Pohjola 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 OP-Pohjola 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 OP-Pohjola Group.

Helsinki 21 February 2008
KPMG OY AB

Sixten Nyman
Authorised Public Accountant

OP Bank Group Central Cooperative

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