OKO Bank

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2007

OKO Bank plc

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Given that all figures in the Report by the Board of Directors and the Financial Statements have been rounded off, the sum total of individual figures may deviate from the presented sums.

Interim reports in 2008: Pohjola Bank plc will publish the following three interim reports in 2008: January–March on 8 May, April–June on 7 August, and July–September on 6 November.

REPORT BY THE BOARD OF DIRECTORS

2007 was characterised by turbulence in financial markets beginning in July, which also affected OKO Bank Group's (OKO) financial performance, with the most significant effect on valuations recorded by Group Treasury. At the same time, however, OKO Bank's operations showed profits and strong growth. Corporate Banking posted its first-ever earnings of over EUR 100 million while Markets and Asset Management reported all-time high earnings. Non-life Insurance's balance on technical account was at an all-time high level and, according to preliminary information, the Group became Finland's leading non-life insurer in terms of insurance premium revenue.

CONSOLIDATED EARNINGS

Earnings before tax came to EUR 288 million (223). The fourth-quarter increase in the discount rate from 3.3% to 3.5% improved consolidated earnings before tax and earnings before tax at fair value by EUR 29 million. Consolidated net income increased by 15% to EUR 728 million (632) and expenses by 8% to EUR 440 million (409).

Earnings per share were EUR 1.04 (0.89).

Return on equity stood at 9.3 per cent (9.5).

EARNINGS BY BUSINESS LINE

Earnings/loss before tax, EUR million	**2007**	**2006**
Banking and Investment Services	141	163
Non-life Insurance	181	78
Other Operations	-34	-19
Group total	288	223

Banking and Investment Services recorded earnings of 141 EUR million before tax (163). Uncertainties caused by the troubled US home loan market widened credit spreads during the second half, affecting in particular the Group Treasury, which showed a pre-tax loss of EUR 35 million (32). Other businesses recorded earnings in line with or above expectations. Corporate Banking, Markets, and Asset Management posted all-time high earnings. The loan portfolio of Corporate Banking grew by 19%, standing at EUR 9.4 billion on 31 December. On the same date, OKO Bank's market share of corporate loans rose to 17.3%, up by 0.1 percentage point year on year. The risk exposure remained good. The average level of corporate loan portfolio's margins stood at 0.81% (0.87).

Non-life Insurance posted earnings of EUR 181 million (78) before tax. Insurance premium revenue improved by 8% to EUR 850 million (788). The combined ratio stood at 92.9% (98.7). Changes in reserving bases, including a rise of the discount rate from 3.3% to 3.5%, reduced provisions for previous years by a total of EUR 32 million (1) in net terms while improving the balance on technical account. The operating combined ratio, which excludes changes in reserving bases and amortisation on intangible rights arising from the company acquisition, stood at stood at 93.8% (95.5). Investment income recognised in the income statement totalled EUR 160 million (115) and, despite uncertain financial markets, investment income at fair value came to EUR 121 (132). Earnings before tax include a non-recurring capital gain of EUR 6 million on the sale of the marine hull insurance portfolio.

Other Operations made a pre-tax loss of EUR 34 million (loss of EUR 19 million).

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, 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, 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.

Consumer prices rose at an accelerating pace of 2.5% in 2007 and the inflation rate is anticipated to stand at over 3% in 2008.

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 indeed 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%. 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.

The growth rate of corporate loans rose to 12.9% in 2007. Greater uncertainty in international financial markets did not practically 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 markets 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 like-for-like premiums written of Non-life Insurance rose by about 5% in 2007.

CAPITAL ADEQUACY

The capital adequacy ratio under the Credit Institutions Act remained strong despite vigorous growth in the loan portfolio, standing at 12.2% (12.9) as against the statutory minimum requirement of 8%. Tier 1 ratio to total risk-weighted items was 7.5% (8.2). The risk-weighted items increased from EUR 11,627 million to EUR 13,374 million, up by 15%, due mainly to growth in the loan and guarantee portfolio.

Own funds grew from EUR 1,504 million to EUR 1,629 million, due mainly to an increase in shareholders' equity and an issue of bonds included in upper Tier 2 capital. Tier 1 capital came to EUR 1,002 million (948), hybrid capital accounting for EUR 224 million, or 22.4% (23.6). The minimum own funds requirement to cover market risk amounted to EUR 49 million (81). On 31 December, the fair value reserve totalled EUR 7 million (47).

Since 1 January 2008, OKO Bank has calculated its capital adequacy in compliance with a new capital adequacy regime reflected in the calculation of own funds and their minimum requirements. Moreover, OKO Bank's own funds are calculated by deducting the total carrying amount of insurance company investment from its own funds, half from Tier 1 and half from Tier 2. Until the end of 2007, goodwill arising from insurance company investment and intangible assets were deducted from Tier 1 and the insurance companies' minimum solvency margin was deducted from total own funds.

As a result of the adoption of the new capital adequacy measurement technique, Tier 1 will increase by roughly EUR 180 million, improving the Tier 1 ratio by around 1.5 percentage points, while total own funds will diminish by some EUR 190 million, lowering total capital adequacy by 1.3 percentage points, in comparison with the measurement technique applied until the end of 2007. As a result of the adoption of the new capital adequacy measurement technique, the Group updated its capital adequacy target in such a way that it aims to maintain the ratio of Tier 1 capital to risk-weighted items at a minimum of 8.5%, as against a minimum of 8.0% until the end of 2007 (equalling roughly 9.5% based on the new measurement techniques).

Since 1 January 2008, the minimum regulatory capital requirements (Pillar 1) for credit risk have been calculated using the Standardised Approach (SA). In the calculation of capital adequacy requirements for credit risk, OKO Bank aims to phase in the Internal Ratings-based Approach (IRBA) in such a way that the capital adequacy requirement for the first exposure classes, such as corporate exposure, will be calculated using IRBA from the second half of 2008. Since 1 January 2008, the capital adequacy requirement for operational risks has been calculated using the Basic Indicator Approach (BIA) and that for market risks using SA.

The adoption of IRBA for credit risk and OP-Pohjola Group's zero-risk weight of internal items are expected to lower the minimum requirement for owns funds from their current levels. Due to transitional provisions, the minimum requirement for own funds may decrease by a maximum of 10% in 2008 and by a maximum of 20% in 2009 in comparison with the current approach.

The table below shows own funds and capital adequacy based on the measurement technique effective on 31 December 2007 and own funds based on the new measurement technique effective as of 1 January 2008, whereby the total carrying amount of insurance company investment is deducted from own funds (new approach).

Own funds and capital adequacy

EUR million	*31 Dec. 2007*	*31 Dec. 2006*	*31 Dec. 2007 New approach*	*31 Dec. 2006 New approach*
Own funds				
Shareholders' equity	1,869	1,828	1,869	1,828
Minority interest	0	1	0	1
Subordinated loans (hybrid capital)	224	224	224	224
Intangible assets	-847	-859	-129	-127
Fair value reserve, excess funding of pension liability, change in equalisation provision and change in fair value of investment property	-114	-115	-114	-115
Profit distribution as proposed by the Board	-131	-131	-131	-131
Investment in insurance companies * 50%	-	-	-535	-552
Tier 1 capital	**1,002**	**948**	**1,185**	**1,128**
Fair value reserve	7	47	7	47
Subordinated liabilities included in upper Tier 2 capital	299	200	299	200
Subordinated liabilities included in lower Tier 2 capital	488	474	488	497
Investment in insurance companies * 50%			-535	-552
Tier 2 capital	**793**	**721**	**258**	**192**
Investment in insurance companies	-164	-157		
Other allowances	-1	-8		
Total allowances	165	-165		
Total own funds	**1,629**	**1,504**	**1,443**	**1,319**
Risk-weighted receivables, investments and off-balance-sheet commitments				
Loan and guarantee portfolio, excl. OP-Pohjola Group's internal items	9,851	7,635	9,851	7,635
Binding standby credit facilities	1,424	1,408	1,424	1,408
OP-Pohjola Group's internal items	1,075	1,169	1,075	1,169
Market risk	611	1,007	611	1,007
Other items (shares, incl. insurance subsidiaries, property holdings, other assets etc.)	413	407	215	179
Total risk-weighted receivables, investments and off-balance-sheet items	**13,374**	**11,627**	**13,176**	**11,399**
Capital adequacy ratio, %	**12.2**	**12.9**	**10.9**	**11.6**
Ratio of Tier 1 to total risk-weighted items, % (Tier 1 ratio)	**7.5**	**8.2**	**9.0**	**9.9**
Capital adequacy ratio under the Act on Supervision of Financial and Insurance Conglomerates	1.09	1.13	1.09	1.13

OP-Pohjola Group's capital adequacy ratio under the Credit Institutions Act stood at 13.8% (14.3) and the ratio of Tier 1 to risk-weighted items was 12.6% (12.7). OP-Pohjola Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, calculated using the consolidation method, was 1.52 (1.56).

RISK EXPOSURE

Risk management

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

Within OKO Bank Group, major operational risks exposed by Banking and Investment Services include credit, interest rate, currency, equity and liquidity risks, and those exposed by Non-life Insurance include insurance risks and market risks related to investments. Strategic and operational risks, such as changes in the economic situation, competition or customer behaviour, are also inherently related to both Banking and Investment Services and the insurance business.

Detailed information on risk management principles can be found in the note 'Risk management and capital adequacy management principles'.

Compliance risk

During 2007, the Group prepared a compliance policy and action plan and created a Group-wide compliance network. The compliance network aims to ensure that throughout its operations (incl. outsourced operations) the Group complies with applicable legislation, official instructions and regulations, guidelines related to market self-regulation and OP Bank Group Central Cooperative's and Pohjola Bank Group's internal principles and guidelines. The key legislative amendment in 2007 applied to legislative and regulatory amendments involved in the Markets in Financial Instruments Directive (MiFID), whose compliance the Group secured successfully on 1 November 2007 when the Directive came into force. The new Directive is aimed at, for example, increasing competition between marketplaces, harmonising the rules governing the rules of procedure and the organisation of operations within the EU, as well as developing customer protection.

RISK EXPOSURE BY BANKING AND INVESTMENT SERVICES

Credit risk exposure

Credit risk monitoring highlights developments in total exposure and customer credit rating. Total exposure means the total amount of off-balance-sheet items and receivables vulnerable to credit risk, involving interest and the principal less impairments of receivables on an individual basis.

Despite an increase of 7% in total exposure, the credit risk exposure continued to remain stable. Risk-weighted items used in capital adequacy calculations accounted for 47% (44) of total exposure.

Total exposure by rating is based on the primary debtor's or counterparty's credit rating. In determining credit rating, neither collateral nor guarantees have been taken into account.

The ratio of investment-grade exposure – i.e. ratings 1–4, excluding private customers – to total exposure stood at 76% (75.0), the share of ratings 11–12 was 0.3% (0.3) and that of non-rated exposure 2% (3).

Total exposure by rating category*, EUR billion

Rating category	31 Dec. 2007	31 Dec. 2006	Change, EUR billion
1–2	13.7	13.6	0.1
3–4	7.2	5.7	1.5
5–6	3.1	2.9	0.2
7–8	2.9	2.6	0.3
9–10	0.1	0.3	-0.2
11–12	0.1	0.1	0.0
Non-rated	0.6	0.8	-0.2
Total	**27.7**	**25.9**	**1.8**

*) excl. private customers

Total exposure

On 31 December 2007, total exposure stood at EUR 28.2 billion, receivables from customer accounting for around one third.

Itemised total exposure, EUR billion

	31 Dec. 2007	31 Dec. 2006	Change, %
Receivables from customers	9.2	7.6	21
Receivables from financial institutions and central banks	6.0	6.9	-13
Notes and bonds	5.3	4.8	10
Unused standby credit facilities	4.1	4.0	2
Guarantees and letters of credit	2.2	2.0	6
Derivative contracts	1.1	0.6	76
Other off-balance-sheet items	0.3	0.3	0
Total	**28.2**	**26.3**	**7**

Total exposure by counterparty, EUR billion

	31 Dec. 2007	31 Dec. 2006	Change, %
Non-banking corporate sector	12.3	10.6	16
Credit institutions	6.8	6.7	1
Member banks and Central Cooperative	5.8	6.0	-3
Non-profit organisations	1.8	1.7	8
Public-sector entities	0.9	0.8	12
Private customers	0.5	0.5	14
Total	**28.2**	**26.3**	**7**

With respect to total exposure by counterparty, total exposure is divided into six customer groups, corporate customers constituting the largest group, accounting for 44% (40) of total exposure.

Year on year, corporate exposure increased by 16% to EUR 1.7 billion, loans and guarantees representing 54%, leasing and factoring 17% and unused and standby credit facilities 24%. The section 'Corporate exposure' provides more detailed information on corporate exposure by rating and sector.

Credit institutions constituted the second largest customer group, accounting for 24% (26) of total exposure and consisting mainly of notes and bonds and receivables from central banks. The ratio of investment-grade exposure – i.e. ratings 1–4 – to credit institutions' exposure of EUR 6.8 billion stood at slightly over 90%.

Group member banks and OP Bank Group Central Cooperative with its subsidiaries form a significant customer group for OKO Bank acting as OP-Pohjola Group's central financial institutions. Group member banks' and Central Cooperative's exposure decreased by EUR 0.2 billion, or 3%, due to a covered bond issue by OP Mortgage Bank and growth in deposits by the general public with Group member banks. All of their exposure was investment-grade exposure.

Major customer exposure

Major customer exposure includes corporate customers and non-profit customers whose direct exposure exceeds 10% of the Group's own funds. The Group's own funds rose from EUR 1,504 million to EUR 1,629 million, or by 8%.

On 31 December, major customer exposure totalled EUR 3.6 billion, an increase of EUR 0.6 billion over a year ago. Major corporate exposure consisted of 15 Groups (15), accounting for 221% (197) of own funds, Over 90% (79) of major customer exposure was investment-grade exposure.

Corporate exposure

Corporate customers' credit ratings and corporate exposure by rating improved markedly during the financial year. The ratio of investment-grade corporate exposure to total corporate exposure stood at 56% (51) or 5 percentage points higher than a year earlier.

Ratings are presented on the basis of rating categories by counterparty, with collateral or guarantees received for exposure not taken into account.

Corporate exposure by rating category, EUR million

Rating category	31 Dec. 2007	31 Dec. 2006	Change, EUR million
1–2	635	511	124
3–4	6,228	4,929	1,299
5–6	2,552	2,320	232
7–8	2,457	2,213	244
9–10	95	221	-126
11–12	70	64	6
Non-rated	263	364	101
Total	**12,300**	**10,622**	**1,678**

Growth in corporate exposure focused on investment-grade rating categories 3–4.

The exposure of the lowest four rating categories fell by a total of EUR 120 million owing to the repayment of liabilities and higher credit ratings. The exposure of the lowest two rating categories stood at EUR 70 million, accounting for 0.6% of the corporate exposure. Non-rated corporate exposure came to EUR 0.3 billion, representing 2% of the corporate exposure.

The two largest sectors were the metal industry and trade, both accounting for around 15% of the total corporate exposure. In addition to these sectors, only the construction industry's exposure exceeded 10% of the total corporate exposure. Trade, real property investment, and transport and traffic showed the strongest growth in euro terms. Growth in corporate exposure stemmed from a number of industries, which further increased the corporate exposure's wide dispersion by industry.

Country risk

Foreign receivables accounted for 19% (15) of the total exposure. On 31 December, the amount of secondary country risk, excluding Finland, came to EUR 5.3 billion, up by EUR 1.2 billion over the previous year, the majority of the higher country risk coming from bonds. The Group increased investments in foreign bonds in order to maintain OP-Pohjola Group's liquidity reserve.

By region, the majority or the country risk applied to EU member states, with non-EUR countries accounting for 22% (22) of country risk.

Past due payments and doubtful receivables

Past due payments increased by EUR 3 million to EUR 14 million but their proportion of the total loan and guarantee portfolio was low, 0.1% (0.1).

Doubtful receivables – non-performing, zero-interest and under-priced receivables – fell by EUR 4 million to EUR 16 million. Their share of the loan and guarantee portfolio was low, 0.1% (0.2).

On 31 December, impairments that reduce receivables totalled EUR 21 million (21), EUR 5 million (4) of which represented impairments on receivables collectively. A total of EUR 10 million (12) of impairments applied to non-performing receivables.

The Group recorded a total of EUR 11 million (7) in new loan and guarantee losses and impairment losses. Loan loss recoveries and allowances for impairment losses totalled EUR 10 million (6). Loan and guarantee losses and impairment losses had a net effect of EUR 1 million (1) on earnings.

Estimate of credit risk exposure developments

In 2008, loan and impairment losses are expected to remain low relative to the loan and guarantee portfolio, provided that customers' financial standing and conditions in the operating environment will not worsen considerably as a result of a prolonged uncertainty in the financial market. This projection is based on the small number of doubtful receivables and the moderate credit risk level in terms of total exposure.

Market risk exposure

Sparked by the turmoil hitting the US sub-prime home loan market in the third quarter, uncertainty in financial markets widened credit spreads and increased financial-market volatility. The rapidly widening credit spreads led to an across-the-board fall in the market value of notes and bonds included in liquidity reserves. Notes and bonds include EUR 2,219 million in financial assets held for trading, EUR 2,481 million in financial assets at fair value through profit or loss and EUR 603 million in available-for-sale financial assets. All financial assets are measured at market prices in the financial statements. Changes in the fair value of financial assets held for trading and financial assets at fair value through profit or loss are recognised in the income statement and those in the fair value of available-for-sale financial assets in the fair value reserve under shareholders' equity.

Financial assets included in liquidity reserves by balance sheet item, EUR million

EUR million	31 Dec. 2007	31 Dec.
Deposits with Bank of Finland (net)	446	505
Financial assets held for trading		
Short-term notes and bonds	1,581	1,668
Long-term notes and bonds	638	801
Financial assets at fair value through profit or loss	2,481	2,325
Available-for-sale financial assets	603	85
Total liquidity reserves	**5,749**	**5,384**

Financial assets included in liquidity reserves by maturity and credit rating on 31 December 2007, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
AAA	833	451	569	362	376	0	2 591	45 %
AA	1 398	239	294	216	26	0	2 173	38 %
A	74	203	126	34	57	0	494	9 %
BBB	14	31	71	22	0	0	138	2 %
BB+ or lower	0	0	0	0	0	0	0	0 %
Internally rated	35	133	157	15	12	0	353	6 %
	2 355	1 059	1 217	648	471	0	5 749	100 %

The average remaining maturity of liquidity reserves was 2.7 years. Internally rated financial assets consist mainly of bonds issued by Finnish companies and institutions.

Rapidly widening credit spreads within Banking and Investment Services resulted in a decrease in value of EUR 63 million through the market price valuation of notes and bonds at fair value through profit or loss and those available for sale, included in liquidity reserves, EUR 57 million recognised in the income statement and EUR 6 million in the fair value reserve. Negative changes in value will be reversed during the remaining term to maturity if the notes and bonds are not sold before their maturity and their issuer is not declared insolvent. The probability of the realisation of negative value changes will be reduced by high credit ratings associated with notes and bonds and OKO Bank's strong liquidity enabling the bank to hold these notes and bonds until maturity. However, any protracted uncertainty in financial markets will increase the risk of the realisation of negative value changes. OKO Bank has no direct investments in US sub-prime home loans, and indirect investments through AAA-rated, securitised instruments amount only to roughly EUR 2.5 million.

In 2007, OKO Bank kept interest rate risks at moderate levels and covered market risks, arising from the issuance of structured bonds, by using derivative contracts corresponding to the bonds' structure of returns. On 31 December, the market value of equity and venture capital funds came to EUR 44 million (52), of which venture capital funds with their investment commitments accounted for EUR 30 million (29). Overnight currency exposure and the associated risk remained low throughout the year. On 31 December, net currency exposure amounted EUR–15 million (–12). Foreign exchange trading focused on intraday trading.

On 31 December 2007, capital tied to property holdings amounted to EUR 27 million (38), with properties in own use representing EUR 3 million (3). In addition, holdings in property investment companies totalled EUR 10 million (14).

Sensitivity analysis of market risk, EUR million

Banking and Investment Services	Risk parameter	Change	Effect on earnings / shareholders' equity 31 Dec 2007	31 Dec 2006
Interest-rate risk	Interest rate	1 percentage point	18	12
Currency risk	Market value	20 percentage points	1	3
Volatility risk				
Interest rate volatility	Volatility	20 percentage points	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 points	3	3
Private equity funds	Market value	20 percentage points	6	8
Property risk	Market value	10 percentage points	3	4

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.
*) The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity reserves.

It is difficult to assess how long the current uncertainty will continue in financial markets and to evaluate its effects on interest rates, share prices, foreign exchange rates, credit spreads and the economy on the whole. On the basis of the sensitivity analysis above, the most significant market risks exposed by Banking and Investment Services pertain to interest-rate risks related to the entire balance sheet and developments in credit spreads. A general 0.1 percentage-point increase in credit spreads would decrease the market value of notes and bonds by EUR 11 million, EUR 9 million allocated to the income statement and EUR 2 million in the fair value reserve under shareholders' equity. However, any general increase in credit spreads will have a positive effect on the average margin of bonds and notes and the loan portfolio while having an adverse effect on funding costs. Since equities and private equity funds are classified as available-for-sale financial assets, changes in their fair value are recognised in the fair value reserve under shareholders' equity, not in the income statement.

Financial risk and funding structure

Notes 35 (FAS) and 51 (IFRS) show key balance-sheet items' maturity by remaining term to maturity.

Despite turbulent financial markets, OKO Bank's liquidity has remained stable thanks to the Bank's liquidity and financial-risk policies, updated in recent years, and funding plans implemented on the basis of these policies. OKO Bank's strong liquidity was also supported by a new funding channel adopted by OP-Pohjola Group in June, when OP Mortgage Bank issued an AAA-rated covered bond worth EUR 1.0 billion. Funding through OP Mortgage Bank reduces OP-Pohjola Group's funding through Pohjola Bank. Owing to the turbulence in financial markets and growth in deposits by the general public with OP-Pohjola Group member banks, due to the broader customer base resulting from the Pohjola acquisition, have also reduced funding through OKO Bank.

On 31 December 2007, financial assets included in liquidity reserves totalled EUR 5,749 million (5,384). A significant part of OKO Bank's liquidity reserves comprises notes and bonds, issued by entities with high credit ratings, which may be used as collateral for central bank debt.

The balance sheet total of Banking and Investment Services rose by EUR 1.7 billion to EUR 22.15 billion, a significant part of which was funded by growth in customer funding. Long-term funding accounts for around 40% of total funding. The euro represents the main financing currency and interest-rate and currency swaps are used to hedge against the exchange rate risk of non-euro loans.

In June, OKO Bank issued a subordinated loan of GBP 100 million (roughly EUR 148 million), included upper Tier 2 capital, while redeeming prematurely a loan of EUR 50 million included in upper Tier 2 capital.

Although uncertainty in financial markets raised funding costs throughout the banking sector, OKO Bank Group's high credit rating and strong liquidity restrained growth in these costs and their effects.

Derivatives business

Notes 21 (FAS) and 74 (IFRS) show derivative contracts by purpose of use.

In 2007, the derivatives business grew significantly due mainly to higher customer demand for interest rate swaps and interest-rate options. The number of interest-rate swaps and interest-rate and currency swaps for hedging purposes also increased last year. As a result of business growth, the credit equivalents of derivative contracts increased from EUR 639 million to EUR 1,034 million.

OKO Bank kept market risks exposed by its derivatives business at a moderate level throughout the financial year. In order to reduce the counterparty risk within OTC derivatives trading, OKO Bank signed credit support annex agreements (CSA) with major counterparties.

Operational risks

Operational risk management focused on mitigating the most significant risks identified as part of risk mapping. The Group monitors the materialisation of risks by compiling statistics on materialised operational risks and the related costs, which reduced earnings for 2007 by EUR 1.1 million (0.6).

RISK EXPOSURE BY 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 Pohjola Non-Life Insurance Company's subordinated loan, Non-life Insurance's capitalisation came closer to the target level of 70%. OKO Bank's Board of Directors 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).

Insurance risk exposure

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 fluctuations in business operations are reflected in changes in earnings and shareholders' equity. The table below shows the effect of various risk parameters on shareholder's equity:

Risk parameter	*Total amount 31 Dec. 2007, EUR million*	*Change in risk parameter*	*Effect on combined ratio*	*Effect on shareholders' equity, EUR million*
Insurance portfolio or insurance premium revenue	850	1% increase	1 percentage-point rise	+9
Growth in claims incurred	583	1% increase	1 percentage-point fall	-6
Major loss of over EUR 5 million		1 major loss	1 percentage-point fall	-5
Personnel costs	101	8% increase	1 percentage-point fall	-8
Expenses by function *)	254	4% increase	1 percentage-point fall	-10

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

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 nine (11) major losses in excess of EUR 2 million retained for own account, whose net claims incurred totalled EUR 27 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. The table below shows the sensitivity of insurance contract liabilities by parameter.

Risk parameter	*Change in risk parameter*	*Effect on gross contract liabilities, EUR million*	*Effect on shareholders' equity, EUR million*
Inflation rate	+ 0.25 percentage point	+2	-2
Life expectancy	+ 1 year	+29	-29
Discount rate	– 0.1 percentage point	15	-15

Discounted 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 773 million (764), were undiscounted, with a duration of 2.2 years (2.0).

Investment risk exposure

On 31 December 2007, the Non-life Insurance investment portfolio totalled EUR 2,511 million (2,490), a slightly higher than a year ago. The investment portfolio consists of investments covering the insurance contract liabilities and the solvency capital. Bonds accounted for 69% (72) of the investment portfolio, representing the largest asset class, and equities for 16% (17).

Non-life Insurance investment portfolio by allocation, EUR million

The average credit rating of the fixed-income portfolio, in accordance with Standard & Poor’s, was AA–, which was almost the same as a year earlier (AA). The fixed-income portfolio does not contain any direct or indirect investments related to subprime mortgage loans. All portfolios are measured at market prices. Greater money market uncertainty in the second half of the year widened credit spreads, which reduced the fixed-income portfolio's fair value and income. Despite turbulent financial markets, the fixed-income portfolio's risk exposure remained favourable. The average remaining maturity of the fixed-income portfolio was 5.4 years and the duration 3.8 years (4.8). On 31 December, the fixed-income portfolio's current interest rate was 4.8% (4.2).

Non-life Insurance fixed-income portfolio by maturity and credit rating on 31 December 2007, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
AAA	54	185	128	43	116	86	613	35 %
AA	46	60	93	17	34	20	270	15 %
A	20	103	287	107	30	54	600	34 %
BBB	5	31	84	29	8	14	170	10 %
BB+ or lower	16	21	13	3	16	29	98	6 %
Internally rated	3	2	12	0	2	0	19	1 %
	144	403	616	198	205	203	1 769	100 %

Non-life Insurance's uncovered currency position was EUR 101 million (94), accounting for somewhat over one per cent of the investment portfolio, with the largest uncovered currency position in US dollars amounting to EUR 42 million.

Despite the markedly greater volatility of financial markets, return on investments at fair value stood at 4.8% (5.2), or close to the expected long-term return.

The table below shows the sensitivity of investment risks and their effect on shareholders' equity:

Non-life Insurance	*Risk parameter*	*Change*	*Effect on shareholders' equity, EUR million*	
			31 Dec. 2007	31 Dec. 2006
Bonds and bond funds 1)	Interest rate	1 percentage point	69	90
Equities 2)	Market value	20 percentage points	78	65
Venture capital funds and unquoted equities	Market value	20 percentage points	23	27
Commodities	Market value	20 percentage points	5	4
Real property	Market value	10 percentage points	14	11
Currency	Value of currency	20 percentage points	20	19
Credit risk premium 3)	Risk margin	0.1 percentage point	4	2
Derivatives	Volatility	20 percentage points	0	0

1) Include money-market investments, convertible bonds and interest-rate derivatives
2) Include hedge funds and equity derivatives
3) Includes bonds and money-market investments, excluding government bonds issued by developed countries.

CREDIT RATINGS

OKO Bank's credit ratings are as follows:

Rating agency	**Short-term debt**	**Long-term debt**
Standard & Poor's	A-1+	AA-
Moody's	P-1	Aa1
Fitch	F1+	AA-

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

INTEGRATION

The integration process of OKO Bank's and Pohjola's business operations is proceeding according to plan. The results so far support earlier estimates of income and cost synergies, the annual amount of which should reach a good EUR 50 million before tax by the end of 2010.

Decisions made until the present date result in annual savings of approximately EUR 33 million, of which EUR 8 million relates to decisions taken in 2007. New cost savings were mainly allocated to ICT functions with Non-life Insurance. Of the annual cost savings, EUR 13 million was gained in 2006, EUR 29 million in 2007 and the estimate for 2008 onwards is EUR 33 million.

Integration expenses for September 2005–December 2007, related to the Pohjola acquisition, totalled EUR 23 million.

Pohjola's new business model resulting from OKO Bank's Pohjola acquisition removed life-insurance and fund-saving products from Pohjola's product portfolio. While updating the Group's strategy, the Board re-specified the definition of the loyal customer household to be in line with the new business model, excluding life insurance and fund-saving products from the definition. Loyal customer households are now defined as households who have taken out Pohjola policies within at least three non-life insurance product lines. Although this change decreased the number of loyal customer households by 45,000 to 347,000 (30 September 2007), the average annual premiums written per loyal customer household rose to over EUR 700. Similarly, the target set for the number of loyal customers has changed, i.e. OKO Bank aims to increase the number of loyal customer households to 450,000 (500,000, based on the previous definition) by the end of 2010.

The number of loyal customer households within Non-life Insurance increased by more than 34,000 during the financial year, over 90% of which was thanks to cooperation within OP-Pohjola Group. On 31 December, loyal customer households numbered 355,000.

Customer service took a major step in November when OP-Pohjola Group expanded 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 over 898,000 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 over ten per cent of these customers are able to pay all their insurance premiums by using bonuses.

OKO Bank's Extraordinary General Meeting of 9 October 2007 decided to rename OKO Bank plc's business name Pohjola Bank plc. The resulting altered Articles of Association will be registered in the Trade Register and the new business name will be officially adopted on 1 March 2008. Similarly, the majority of Group companies' names will begin with Pohjola. The name change will bring all Group operations under a single name and brand. On 12 September 2007, OP Bank Group was renamed OP-Pohjola Group.

GROUP RESTRUCTURING

OKO Bank announced that it would buy all of the shares in K-Finance Ltd, a Kesko Corporation subsidiary, with the parties signing the related agreement on 21 December 2007. The purchase price totals around EUR 30 million, of which goodwill accounts for roughly EUR 12 million. The final purchase price will be determined on the basis of the shareholders' equity and the fixed goodwill effective on 31 January. K-Finance provides financing services to corporate customers, mainly to commercial customers of Kesko Agro and Konekesko and agricultural retailers in Finland, Estonia, Latvia and Lithuania. The acquiree's loan portfolio stood at about EUR 260 million on 30 September 2007. K-Finance Ltd has a staff of 22, 15 of whom work in the Baltic countries. The entire staff will join OKO Bank Group's payroll. The two companies also agreed on cooperation according to which K-Finance will continue to provide financing services to Kesko Agro and Konekesko customers.

On 21 December 2007, OKO Bank plc announced that it would sell its subsidiary ZAO OKO Capital Vostok to Swedbank of Sweden. Operating in Moscow and St. Petersburg, the divested company is involved in investment banking and has a staff of seven. Requiring regulatory approval in Russia, this deal will have no major effect on OKO Bank Group's earnings.

Pohjola Non-Life Insurance Company Ltd (Pohjola), a subsidiary of OKO Bank plc, sold its marine hull insurance portfolio to Codan Forsikring A/S. The parties signed an agreement on 21 March 2007 and carried out the transaction in the second quarter. The sale resulted in capital gains of EUR 6 million. Premiums written for Pohjola's marine hull insurance totalled EUR 18 million in 2006.

On 19 April 2007, 24 savings banks with a majority shareholding in Nooa Savings Bank Ltd bought OKO Bank's shareholding in Nooa Savings Bank for EUR 6.3 million. OKO Bank had a 25% shareholding in Nooa Savings Bank. OKO Bank received title to Nooa Savings Bank shares at the end of 2006 when their previous holder, Pohjola Group plc, merged with OKO Bank. In accordance with the Articles of Association of Nooa Savings Bank, the other shareholders of the company, in that connection, became entitled to redeem the shares transferred to OKO Bank. The redemption did not have any impact on OKO Bank Group's earnings.

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. By the end of December 2007, OKO Bank 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 redemption price based on the Arbitral Tribunal's ruling was recognised as an addition to the shares' acquisition cost in the second quarter.

PERSONNEL

On December 31, the Group had a staff of 3,058 (2,927), 758 (727) of whom worked for Banking and Investment Services, 2,023 (1,974) for Non-life Insurance in Finland and 224 (180) abroad, and 53 (46) for Other Operations.

ENVIRONMENTAL RESPONSIBILITY

OKO Bank Group's environmental responsibility means that the Group pays special attention to environmental aspects in its working methods and services as well as the selection of partners. The majority of environmental responsibility issues pertain to indirect responsibility for the environmental effects of customer operations and the opportunity to contribute to these operations. Environmental responsibility issues within OKO Bank's financing decision highlight corporate customers' investment projects. Pohjola' insurance business pays attention to the environmental effects of customer operations, based on taking preventative measures and, ultimately, bearing financial risks with respect to after-care of environmental damage caused to customers.

OP-Pohjola´s Group has decided on the maximum permitted carbon dioxide emissions of company cars.

CAPITAL EXPENDITURE

Capital expenditure for 2007 totalled EUR 19 million, EUR 8 million allocated to Banking and Investment Services and EUR 9 million to Non-life Insurance. These investments were made in IT systems aimed at developing network services and streamlining internal processes.

DECISIONS BY ANNUAL GENERAL MEETING

OKO Bank plc's Annual General Meeting (AGM) of 27 March 2007 adopted the Financial Statements for 2006, discharged those accountable from liability and decided to distribute a dividend of EUR 0.65 per Series A share and EUR 0.62 per Series K share. The AGM confirmed the number of members of the Board of Directors at ten and approved the proposal by the Board of Directors for the alteration of the Articles of Association.

The AGM authorised the Board of Directors to decide, within two years from the date of the AGM, on one or several share issues or granting of stock options or other special rights. Based on this authorisation, the number of new Series A shares to be subscribed may come to a maximum of 30,000,000. The Board had not exercised the authorisation.

KPMG Oy Ab, Authorised Public Accountants, with Mr Sixten Nyman, Authorised Public Accountant, (as reported by KPMG) as the chief auditor, and Mr Raimo Saarikivi, Authorised Public Accountant, were elected the company's auditors.

DECISIONS BY EXTRAORDINARY GENERAL MEETING

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. Accordingly, the Company's new business name is Pohjola Pankki Oyj in Finnish, Pohjola Bank Abp in Swedish and Pohjola Bank plc in English. This alteration of the Articles of Association will be registered in the Trade Register and the new business name adopted officially on 1 March 2008.

CORPORATE MANAGEMENT AND ADMINISTRATION

In accordance with the Articles of Association, Mr Reijo Karhinen, Executive Chairman of OP Pohjola Group and Chairman of the Executive Board of OP Bank Group Central Cooperative, acted as the Chairman of OKO Bank's Board of Directors and Mr Tony Vepsäläinen, President of Central Cooperative and Vice Chairman of the Executive Board of Central Cooperative, acted as the Vice Chairman. Board members comprised Ms Merja Auvinen, Managing Director; Mr Erkki Böös, Senior Executive Vice President; Mr Eino Halonen, President and CEO; Pekka Jaakkola, Executive Vice President (until 27 March 2007); Mr Simo Kauppi, Deputy Managing Director; Ms Satu Lähteenmäki, Professor; Mr Harri Nummela, Executive Vice President (since 27 March 2007); Mr Heikki Vitie, Deputy to the President; and Mr Tom von Weymarn.

The Board's committee members until OKO Bank's Annual General Meeting of 27 March 2007 were as follows.

Members of the Audit Committee: Mr Heikki Vitie (Chairman), Deputy to the President; Mr Erkki Böös, Senior Executive Vice President; Ms Merja Auvinen, Managing Director; and Tom von Weymarn.

Members of the Risk Management Committee: Mr Reijo Karhinen (Chairman), Executive Chairman; Mr Eino Halonen, President and CEO; Mr Pekka Jaakkola, Executive Vice President; and Mr Simo Kauppi, Deputy Managing Director.

Members of the Compensation Committee: Mr Reijo Karhinen, Executive Chairman (Chairman); Mr Tony Vepsäläinen, President; and Ms Satu Lähteenmäki, Professor.

At its organising meeting held after the AGM on 27 March 2007, the Board of Directors elected the following members to the Board committees.

Members of the Audit Committee: Mr Tom von Weymarn (Chairman); Ms Merja Auvinen, Managing Director; Mr Erkki Böös, Senior Executive Vice President; and Mr Harri Nummela, Executive Vice President.

Members of the Risk Management Committee: Mr Tony Vepsäläinen, President (Chairman); Mr Eino Halonen, President and CEO; Mr Simo Kauppi, Deputy Managing Director; and Mr Heikki Vitie, Deputy to the President.

Members of the Compensation Committee: Mr Reijo Karhinen, Executive Chairman (Chairman); Mr Tony Vepsäläinen, President; and Ms Satu Lähteenmäki, Professor.

The Board of Directors has assessed the independence of its members and concluded that Ms Satu Lähteenmäki and Mr Tom von Weymarn are non-executive members independent of the company and its major shareholders.

Mikael Silvennoinen acted as OKO Bank's President and CEO.

SHARE CAPITAL AND SHAREHOLDERS

Shares and share capital

OKO Bank shares are divided into Series A and K shares. Series A shares available for the general public are quoted on the OMX Nordic Exchange Helsinki, whereas the holding of Series K shares is restricted to entities within OP-Pohjola Group. These two share classes also differ in other respects. At a general meeting of shareholders, Series A shares entitle their holders to one vote and Series K shares five votes. In addition, Series A shares pay an annual dividend which is at least one percentage point higher than dividends payable on Series K shares. On 31 December

2007, the number of shares totalled a well over 203 million, remaining unchanged over a year ago, with Series A shares numbering 159.6 million, representing 78.5% of all shares.

In accordance with the conversion clause in OKO Bank’s Articles of Association, in 2007 member cooperative banks converted 194,580 Series K shares into an equivalent number of Series A shares. These conversions had no effect on the share capital.

On 31 December 2007, OKO Bank held no treasury shares and the shareholders' meeting has not authorised the Board to buy back treasury shares.

Shareholders, share price performance and trading volume

On 31 December, OKO Bank had 30,272 registered shareholders, down by 1,946 on a year earlier, the number of private individuals as shareholders totalling 28,781.

The largest shareholder was OP Bank Group Central Cooperative, the parent entity of OKO Bank, representing 29.9% of all shares and 57.0% of votes. The number of nominee registered shares in proportion to all Series A shares fell from 19.7% a year ago to 18.0% on 31 December 2007.

In 2007, OKO Bank's share price advanced by 3%, while the weighted index of the OMX Helsinki CAP rose by almost 4%. On 31 December 2007, Series A share closed at EUR 13.07 against EUR 12.70 a year earlier. In 2007, the share price reached a high of EUR 15.28 and a low of EUR 11.93. The share trading volume increased considerably, as evidenced by around 147 million shares changing hands during the year as against 104 million a year ago.

Information on shareholdings is available in Note 37. Per-share ratios' time series can be found on page 30. In addition, the Annual Report 2007 contains information on shareholdings and the price performance of the Series A share.

BRANCH OFFICES AND REPRESENTATIVE OFFICES ABROAD

OKO Bank plc runs representative offices in St. Petersburg and Tallinn. It has no branch offices abroad. In addition, OKO Bank plc has subsidiaries in Estonia, Latvia and Lithuania engaged in non-life insurance operations. At the end of 2007, it also had a company engaged in corporate finance services in Russia.

JOINT RESPONSIBILITY

OKO Bank is an OP Bank Group Central Cooperative subsidiary, based on OP-Pohjola Group's cooperation model. Central Cooperative with its subsidiaries and its 229 member cooperative banks form the amalgamation of cooperative banks. Under the cooperation model, the resources of OP-Pohjola Group serve as a safety net for all of the member banks, since under the Cooperative Bank Act (Act on Cooperative Banks and Other Credit Institutions), Central Cooperative and its member credit institutions are jointly liable for one another's debts and commitments which cannot be met from the funds of Central Cooperative or one member credit institution. If a member credit institution's own funds are depleted due to losses in such a way that its operations cannot be sustained, OP Bank Group Central Cooperative, the central institution of the amalgamation, has the right to charge supplementary payments from the member credit institutions in proportion to their latest adopted balance sheets. Furthermore, Central Cooperative has an obligation to issue instructions on accounting policies and supervise the member banks' operations. This supervisory role is supported by controls performed by internal audit.

DEPOSIT AND INVESTOR PROTECTION

By law, all deposit banks must belong to the Deposit Guarantee Fund. With respect to deposit guarantee, OP-Pohjola Group's deposit banks are regarded as a single bank and compensation paid to a depositor by the Deposit Guarantee Fund amounts to a maximum of 25,000. OP-Pohjola Group's deposit banks comprise member banks, OKO Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki Oyj.

OKO Bank belongs to the Investors' Compensation Fund which will safeguard investors' undisputed claims due for payment if the investment firm or credit institution is unable to pay investor claims within the stipulated time, due to a reason other than temporary insolvency. This compensation payable to the investor accounts for 90 per cent of his claim, up to a maximum of EUR 20,000. The Fund does not cover losses incurred due to a fall in share prices or wrong investment decisions. The Fund safeguards only retail investors' claims.

EVENTS AFTER THE BALANCE SHEET DATE

On 31 January 2008, OKO Bank Group became the owner of K-Finance Ltd shares. The purchase price paid was EUR 30 million, of which goodwill accounted for EUR 12 million.

PROSPECTS FOR 2008

Although economic growth is expected to slow down in 2008, it should, however, stand at the long-term average rate. The corporate loan market is expected to continue its growth, albeit at a slower rate than in 2007, and lending margins should remain stable.

The 2008 earnings before tax generated by Banking and Investment Services are anticipated to be better than in 2007, based on an estimate of liquidity reserves' fair value changes outperforming those in 2007. Risk exposure is projected to remain healthy.

In addition to market growth, intense cooperation with OP-Pohjola Group member cooperative banks and the adoption of bonus benefits for joint banking and insurance customers, which are expected to strengthen the market share among private customers in particular, will contribute to insurance premium revenue within Non-life Insurance.

In Non-life Insurance, the operating combined ratio is estimated to vary between 91% and 95% if the number of major losses is not unusually large. Non-life Insurance's expected long-term return on investment is 5.4%.

Other Operations' earnings for 2007 included EUR 11 million in non-recurring expenses. Since OKO Bank does not expect to incur these expenses in 2008, earnings are anticipated to be better than in 2007.

Should the forward-looking statements and assumptions about the near-term outlook come true, the main risks involved are associated with developments in credit spreads, interest rates and share prices, as well as the general operating environment. Although developments in the general operating environment are beyond the Group management's control, the management may influence the effects of interest-rate changes and the equity market on investment and trading by investing assets securely, diversifying risks, promoting its personnel's professional skills and managing risks effectively. In addition, the management may contribute to the appropriate pricing of customer-specific risk and, consequently, the Group's financial performance.

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

BUSINESS OPERATIONS

The table below shows earnings before tax reported by the Group's business lines, and the strategic targets and their actuals. Formulae for key ratios can be found on pages 32-34.

	2007	***2006***	***Target by end 2010***
Banking and Investment Services			
Earnings before tax, EUR million	141	163	
Operating return on equity, %	12.1	18.2	**> 19**
Operating cost/income ratio, %	46.3	41.5	**< 40**
Non-life Insurance			
Earnings before tax, EUR million	181	78	
Operating return on equity, %	25.2	20.9	**> 20**
Operating combined ratio, %	93.8	95.5	**92**
Operating expense ratio	21.2	21.9	**< 20**
Solvency ratio	72	75	**70**
Other Operations			
Earnings/loss before tax, EUR million	-34	-19	

BANKING AND INVESTMENT SERVICES

Banking and Investment Services comprises the following divisions:
– Corporate Banking
– Markets
– Central Banking and Group Treasury
– Asset Management

	2007	2006
Income statement, EUR million		
Net interest income	131	113
Impairment losses on receivables	1	1
Net interest income after impairment losses	**130**	**112**
Net commissions and fees	115	99
Net trading income	-34	19
Net investment income	24	29
Other operating income	35	24
Total net income	**269**	**284**
Total expenses	**125**	**118**
Amortisation on intangible assets related to company acquisition	3	3
Earnings before tax	**141**	**163**
Change in fair value reserve	-16	-7
Earnings before tax at fair value	**126**	**156**
Key ratios, %		
Operating return on equity (ROE) p.a.	12.1	18.2
Operating cost/income ratio	46.3	41.5
Proportion of doubtful receivables to receivables from customers and guarantees, %	0.1	0.2
	31 Dec	***31 Dec***
Volume data, EUR billion		
Receivables from customers	9.3	7.9
Unused standby credit facilities	3.5	3.6
Guarantees	2.1	1.9
Assets under management	31.3	31.3
Notes and bonds	2.8	4.9
Receivables from OP-Pohjola Group member cooperative banks	3.9	4.7
Liabilities to OP-Pohjola Group member cooperative banks	1.6	1.3
Risk-weighted commitments	13.0	11.1
Debt securities issued to the public	12.9	13.9
Average personnel	758	718
Average margins, %		
Margin on corporate loan portfolio	0.81	0.87
Margin on institutional loan portfolio	0.23	0.24
Margin on OP-Pohjola Group member cooperative banks' loan portfolio	0.12	0.12
Margin on OP-Pohjola Group member cooperative banks' deposits	0.11	0.11

Earnings

Banking and Investment Services reported earnings of EUR 141 million (163) before tax.

Net interest income before impairment losses on receivables came to EUR 131 million (113). Impairment losses on receivables reduced earnings by a net amount of EUR 1 million (1).

Net commission income was EUR 115 million (99).

Wider credit spreads dented earnings by EUR 57 million through the market price valuation of liquidity reserves, with the result that Banking and Investment Services showed a trading loss of EUR 34 million (19).

Net investment income amounted to EUR 24 million (29).

Operating return on equity stood at 12.1% (18.2) and the cost/income ratio at 46.3% (41.5).

Corporate Banking

The Corporate Banking loan portfolio rose by 19% to EUR 9.4 billion (7.9). Year on year, OKO Bank's market share of corporate loans rose by 0.1 percentage point to 17.3%.

Net interest income rose by 22% to EUR 106 million (86).

On 31 December, the margin of the corporate loan portfolio stood at 0.81% (0.87). The margins of institutional loans remained almost unchanged.

Despite long-lasting and brisk growth in the loan portfolio, the risk exposure is still considered to be good. Net impairment losses on receivables totalled EUR 1 million (1).

Earnings before tax exceeded EUR 100 million, coming to EUR 103 million (80).

Markets

Earnings before tax improved to EUR 33 million (18), which is mainly explained by successful exposure management in view of market conditions, improved demand for derivatives products due to companies' greater needs for hedging and growth in net commission income from brokerage. In addition, demand was brisk for capital-secured structured bonds, a total of EUR 187 million (91) of these bonds being issued during January–December.

Central Banking

Year on year, Central Banking posted higher earnings before tax, totalling EUR 20 million (18).

In June, OP Mortgage Bank issued a one-billion-euro covered bond, reducing OP-Pohjola Group member banks' need for financing from OKO Bank.

In 2007, OKO Bank's net receivables from OP-Pohjola Group member banks decreased to EUR 2.3 billion (3.3) in such a way that receivables fell to EUR 3.9 billion (4.7) while liabilities rose to EUR 1.6 billion (1.3).

Group Treasury

Group Treasury's second-half earnings performance was eroded by the uncertainty in financial markets and the resulting wider credit spreads, with its negative effect of EUR 63 million on the market price valuation of liquidity reserves and the fixed-income instrument portfolio, EUR 57 million recognised in the income statement and EUR 6 million in the fair value reserve. Net investment income totalled EUR 23 million (29). Consequently, Group Treasury showed a loss of EUR 35 million (32) before tax.

Asset Management

Asset Management improved its earnings to EUR 21 million (14) as a result of favourable business development and a stronger market position.

Assets under management on 31 December totalled EUR 31.3 billion (31.3), institutional customers accounting for EUR 17.3 billion (18.2), Pohjola Private for EUR 0.9 billion (0.7) and OP mutual funds for EUR 13.1 billion (12.4).

NON-LIFE INSURANCE

Non-life Insurance consists of the following divisions:
– Corporate Customers
– Private Customers
– Baltic States

	2007	2006
Income statement, EUR million		
Insurance premium revenue	850	788
Claims incurred	536	536
Loss adjustment expenses	46	44
Operating expenses	182	172
Amortisation/adjustment of intangible assets related to company acquisition	26	25
Balance on technical account	**60**	**10**
Net investment income	160	115
Other income and expenses	8	-2
Operating profit	**228**	**124**
Unwinding of discount	39	36
Finance costs	9	8
Earnings before tax	**181**	**78**
Change in fair value reserve	-39	17
Earnings before tax at fair value	**142**	**96**
Key ratios, %		
Operating return on equity	25.2	20.9
Operating loss ratio	72.6	73.7
Operating expense ratio	21.2	21.9
Operating combined ratio	93.8	95.5
Loss ratio	68.6	73.5
Expense ratio	24.4	25.1
Combined ratio	92.9	98.7
Return on investment	4.8	5.2
	31 Dec	***31 Dec***
Volume data, EUR million		
Insurance contract liabilities		
Discounted insurance contract liabilities	1,244	1,205
Other insurance contract liabilities	773	764
Investment portfolio		
Bonds and bond funds	1,722	1,798
Money market investments	51	69
Equities	413	430
Real property	138	107
Alternative investments	188	87
Total	**2,511**	**2,490**
Average personnel	2,247	2,154

Earnings

The balance on technical account increased to EUR 60 million (10). Changes in reserving bases, including a rise of the discount rate from 3.3% to 3.5%, reduced provisions for previous years by a total of EUR 32 million (1) in net terms while improving the balance on technical account correspondingly.

Earnings before tax came to EUR 181 million (78).

Insurance premium revenue

Insurance premium revenue grew by 8% to EUR 850 million (788).

The Private Customers division showed the strongest growth, with insurance premium revenue increasing by 12% to EUR 345 million (308), as a result of cooperation within OP-Pohjola Group and of upgraded services. Insurance premium revenue within Corporate Customers rose by 3% to EUR 449 (434). The disposal of the marine hull insurance portfolio cut insurance premium revenue by EUR 4 million. Premium revenue generated by the Baltic business increased by 19% to EUR 56 million (47).

Claims incurred and operating expenses

The reported operating combined ratio stood at 93.8% (95.5), of which claims incurred accounted for 67.1 percentage points (68.2). The ratio of operating expenses to loss adjustment expenses (cost ratio) fell to 26.7 percentage points (27.3).

Claims incurred (excl. loss adjustment expenses) amounted to EUR 536 million (536). With respect to major losses, 2007 was similar to 2006. The second half saw unfavourable developments in major and medium-sized losses (in excess of EUR 0.1 million), these representing EUR 64 million (54) of claims incurred. Major and medium-sized losses accounted for EUR 97 million (85) of claims incurred during 2007. The number of major losses of over EUR 2 million retained for own account was 9 (11). 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.

Operating expenses and loss adjustment expenses rose to EUR 228 million (216), the former accounting for EUR 182 million (172) and the latter for EUR 46 million (44). This increase in expenses is mainly attributable to higher costs resulting from insurance sales and new information systems.

Investment operations

On December 31, the fair value of Non-life Insurance investments amounted to EUR 2.5 billion (2.5), with equities accounting for 16% (17) and money market instruments for 2% (3).

Despite uncertain financial markets, return on these investments at fair value stood at 4.8% (5.2). Net investment income recognised in earnings amounted to EUR 160 million (115) and net investment income at fair value reached EUR 121 million (132).

OTHER OPERATIONS

Results by Other Operations consist of Group administrative expenses and funding costs of Pohjola shares.

	2007	2006
Income statement, EUR million		
Net interest income	-12	-13
Other net income	21	48
Income	9	35
Expenses	43	54
Earnings/loss before tax	-34	-19

Other Operations showed a loss of EUR 34 million before tax (loss of EUR 19 million).

First-quarter earnings performance was burdened by EUR 10 million in liquidated damages related to the cancellation of partnership between Pohjola Group plc and savings banks. Interest expenses of EUR 1 million were recognised in the second quarter, related to the redemption of Pohjola shares held by minority shareholders. Results for the same period a year ago included EUR 2 million in capital gains on the sale of Eurocard shares. Pohjola Group plc's merger with OKO Bank plc on 31 December 2006 reduced net income and expenses for 2007.

OKO BANK PLC'S BOARD PROPOSAL FOR THE ALLOCATION OF DISTRIBUTABLE FUNDS

On 31 December 2007, OKO Bank plc's shareholders' equity totalled 1,314,993,768.51 euros, 202,292,991.71 euros of which represented distributable equity.

The following funds are at the AGM's disposal for profit distribution:

	EUR
Profit for 2007	79,106,258.66
Retained earnings	99,737,260.74
Non-restricted reserves	23,449,472.31
Total	202,292,991,71

The Board of Directors proposes that the company's distributable funds be distributed as follows:

EUR 0.65 per share payable on 159,564,128 Series A shares, totalling EUR 103,716,683.20, and EUR 0.62 per share payable on 43,786,772 Series K shares, totalling EUR 27,147,798.64, i.e. the proposed total dividend distribution amounts to EUR 130,864,481.84.

The Board of Directors proposes that the profit for 2007, EUR 79,106,258.66, and EUR 51,758,223.18 of retained earnings be allocated to dividend distribution, with EUR 71,428,509.87 remaining in the company's distributable equity.

The company's financial position has not undergone any material changes after the financial year. The company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

The Board of Directors proposes that the dividend be paid to shareholders who have been entered in the Shareholder Register, maintained by Finnish Central Securities Depository Ltd, by the dividend record date on 1 April 2008 and that the dividend be paid within the book-entry securities system on 10 April 2008.

Helsinki, 14 February 2008

The Report by the Board of Directors and the Financial Statements signed by:

Reijo Karhinen

Merja Auvinen	Erkki Böös
Eino Halonen	Simo Kauppi
Satu Lähteenmäki	Harri Nummela
Tony Vepsäläinen	Heikki Vitie
Tom von Weymarn	

Financial indicators and per-share ratios

Financial indicators

	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS
Return on equity (ROE), %	18.5	13.9	13.9	19.8	9.5	11.5
Return on equity at fair value (ROE), %				22,3	9,5	9,3
Return on assets, %	0.92	0.66	0.69	1.40	0.78	0.85
Capital adequacy ratio, %	5.0	4.5	4.7	8.8	7.6	7.2
Average personnel	1,138	1,246	1,246	1,668	3,030	3,006
Cost/income ratio, %	45	56	51	58	65	60

Per-share ratios

	2003 FAS	2004 FAS	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS
Earnings per share (EPS), EUR	1.03	0.81				
Series A share			0.86	1.96	0.90	1.04
Series K share			0.85	1.95	0.89	1.03
Earnings per share (EPS), diluted, EUR	1.00	0.79				
Series A share			0.84	1.95	0.90	1.04
Series K share			0.83	1.93	0.89	1.03
Earnings per share (EPS) at fair value				2.22	0.89	0.85
Equity per share, EUR	5.93	5.84	6.15	8.76	8.99	9.19
Dividend per share, EUR	0.85	0.40	0.41	0.59	0.64	0.64*
Dividend payout ratio, %	82.4	50	47.5	30.3	72.0	61.7*
Effective dividend yield (Series A share), %	12.2	5.1	5.1	5.1	5.1	5.0*
Price/earnings ratio (P/E)	6.8	9.9	9.5	6.1	14.2	12.5
Share price performance (Series A share)						
Average, EUR	5.95	7.31	7.31	10.19	12.84	13.71
Low, EUR	4.96	6.21	6.21	8.09	11.10	11.93
High, EUR	7.20	8.39	8.39	12.34	14.91	15.28
Year-end, EUR	7.04	8.11	8.11	11.86	12.70	13.07
Market capitalisation (Series A shares), EUR million	670.7	791.4	791.4	1,864.0	2,024.0	2,085.5
Share trading volume (Series A shares), 1,000	22,539.5	55,304.5	55,304.5	79,279.4	103,972.5	147,303.2
% of all shares	24.1	57.5	57.5	74.8	65.8	92.3
Number of shares (Series A and K shares)						
year average	122,020,971	124,552,885	124,552,885	136,048,529	202,043,534	203,350,900
year end	123,745,174	126,009,771	126,009,771	201,176,960	203,350,900	203,350,900

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

* Board proposal: EUR 0.65 for Series A shares and EUR 0.62 for Series K shares for
0.65.

FORMULAE FOR KEY RATIOS

Return on equity (ROE) (%)
Profit for the period/Shareholders' equity (average of the beginning and end of period) x 100

Return on equity (ROE) at fair value (%)
Profit for the period + Change in fair value reserve after tax /Shareholders' equity (average of the beginning and end of period) x 100

Return on assets (ROA) (%)
Profit for the period/Average balance sheet total (average of the beginning and end of the period) x 100

Capital adequacy ratio (%)
Shareholders' equity/Balance sheet total x 100

Cost/income ratio (%)
Personnel costs + Other administrative expenses + Other operating expenses /
(Net interest income + Net income from Non-life Insurance + Net commissions and fees + Net trading income + Net investment income + Other operating income) x 100

Earnings/share (EPS)
Profit for the period attributable to equity holders of the Parent / Average share-issue adjusted number of shares during the period

Earnings/share (EPS), diluted
The denominator is the average share-issue adjusted number of shares during the financial period plus the number of shares which will be obtained if all stock options are converted into shares, less the number of shares obtained through the exercise of all stock options multiplied by the share subscription price and divided by the average share price during the financial period.

Earnings/share (EPS) at fair value
(Profit for the period attributable to equity holders of the Parent + Change in fair value reserve) / Average share-issue adjusted number of shares during the period

Equity/share
Shareholders' equity /Share-issue adjusted number of shares on the balance sheet date

Dividend per share
Dividends paid for the period /Share-issue adjusted number of shares on the balance sheet date

Dividend payout ratio (%)
Dividend per share/Earnings per share x 100

Effective dividend yield (%)
(Dividend/share)/Share-issue adjusted closing price during the period x 100

Price/earnings ratio (P/E)
Share-issue adjusted closing price during the period/Earnings/share

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

Market capitalisation
Number of shares x closing price on the balance sheet date

Capital adequacy (%)
Own funds / Risk-weighted items x 100

Tier 1 ratio (%)
Tier 1 capital /Risk-weighted items x 100

KEY RATIOS FOR NON-LIFE INSURANCE

The key ratio formulae for Non-life Insurance are based on regulations issued by Insurance Supervisory Authority, using the corresponding IFRS sections to the extent applicable.
The ratios are calculated using activity-based expenses applied by non-life insurance companies, which are not presented on the same principle as in the Consolidated Income Statement.

Loss ratio (excl. unwinding of discount)
Claims and loss adjustment expenses /Net insurance premium revenue x 100

Expense ratio
Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition / Net insurance premium revenue x 100

Risk ratio (excl. unwinding of discount)
Claims excl. loss adjustment expenses /Net insurance premium revenue x 100

Cost ratio
Operating expenses and loss adjustment expenses /Net insurance premium revenue x 100

Combined ratio (excl. unwinding of discount)
Loss ratio + expense ratio
Risk ratio + cost ratio

OPERATING KEY RATIOS

Operating return on equity (%)
Banking and Investment Services:

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

Non-life Insurance:

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

Operating cost/income ratio
(+ Personnel costs
+ Other administrative expenses
+ Other operating expenses excl. amortisation and write-downs on intangible assets and goodwill related to Pohjola acquisition) /
(+ Net interest income
+ Net income from Non-life Insurance
+ Net commissions and fees
+ Net trading income
+ Net investment income
+ Other operating income) x 100

Operating loss ratio
Claims and loss adjustment expenses, excl. changes in reserving bases /Insurance premium revenue, excl. net changes in reserving bases x 100

Operating expense ratio
Operating expenses /Insurance premium revenue, excl. net changes in reserving bases x 100

Operating combined ratio
Operating loss ratio + operating expense ratio

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

FINANCIAL STATEMENTS

Consolidated income statement

EUR million	Note	2007 Total	2006 Total
Interest income	4	2,234	1,270
Interest expenses	4	2,119	1,175
Net interest income before impairments		**115**	**96**
Impairments of receivables	5	1	1
Net interest income after impairments		**114**	**94**
Net income from Non-life Insurance	6	433	328
Net commissions and fees	7	115	102
Net trading income	8	-34	20
Net investment income	9	28	37
Other operating income	10	71	50
Total income		728	632
Personnel costs	11	166	165
Other administrative expenses	12	145	133
Other operating expenses	13	129	111
Total expenses		440	409
Share of associates' profits/losses			
Earnings before tax		**288**	**223**
Income tax expense	14	76	42
Profit for the financial year		**212**	**180**
Attributable to:			
Equity holders of the Parent		212	181
Minority interest			
Total		**212**	**180**
Basic earnings per share, EUR			
Series A	15	1.04	0.90
Series K	15	1.03	0.89
Diluted earnings per share, EUR			
Series A	15	1.04	0.90
Series K	15	1.03	0.89

Consolidated balance sheet

EUR million	Note	31 Dec. 2007	31 Dec. 2006
Liquid assets	16	448	907
Receivables from financial institutions	17	5,217	5,546
Financial assets at fair value through profit or loss	18		
Financial assets held for trading		2,220	2,476
Financial assets at fair value through profit or loss at inception		2,481	2,325
Derivative contracts	19	528	320
Receivables from customers	20	9,288	7,864
Non-life Insurance assets	21	2,809	2,766
Investment assets	22	725	225
Investment in associates	23	2	8
Intangible assets	24	999	1 020
Property, plant and equipment (PPE)	25	97	95
Other assets	26	1,090	633
Tax assets	27	18	12
Total assets		**25,922**	**24,196**
Liabilities to financial institutions	28	2,739	2,390
Financial liabilities at fair value through profit or loss	29		
Financial liabilities held for trading		52	0
Financial liabilities at fair value through profit or loss at inception			
Derivative contracts	30	548	331
Liabilities to customers	31	2,738	1,994
Non-life Insurance liabilities	32	2,140	2,099
Debt securities issued to the public	33	12,856	13,263
Provisions and other liabilities	34	1,659	1,010
Tax liabilities	35	371	355
Subordinated liabilities	36	950	924
Total liabilities		**24,053**	**22,368**
Shareholders' equity	37		
Capital and reserves attributable to equity holders of the Parent			
Share capital		428	428
Share issue account			
Reserves		757	793
Retained earnings		685	607
Minority interest			
Total shareholders' equity		**1,869**	**1,828**
Total liabilities and shareholder's equity		**25,922**	**24,196**

Consolidated cash flow statement

EUR million	2007	2006
Cash flow from operating activities		
Profit for the financial year	212	181
Adjustments to profit for the financial year	111	155
Increase (-) or decrease (+) in operating assets	**-2,100**	**-3,203**
Receivables from financial institutions	384	-810
Financial asset at fair value through profit or loss	81	-1 102
Derivative contracts	-62	-31
Receivables from customers	-1,430	-1,125
Non-life Insurance assets	-79	-68
Investment assets	-506	102
Other assets	-488	-169
Increase (+) or decrease (-) in operating liabilities	**1,860**	**-899**
Liabilities to financial institutions	348	-1,173
Financial liabilities at fair value through profit or loss	52	-4
Derivative contracts	66	25
Liabilities to customers	745	-64
Non-life Insurance liabilities	0	101
Provisions and other liabilities	650	215
Income tax paid	-55	-49
Dividends received	70	37
A. Net cash from operating activities	**98**	**-3,780**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-10	-303
Disposal of subsidiaries, net of cash disposed	12	219
Purchase of PPE and intangible assets	-19	-21
Proceeds from sale of PPE and intangible assets	20	5
B. Net cash used in investing activities	**2**	**-101**
Cash flow from financing activities		
Increases in subordinated liabilities	153	407
Decreases in subordinated liabilities	-126	-177
Increases in debt securities issued to the public	29,383	30,435
Decreases in debt securities issued to the public	-29,777	-26,180
Increases in share capital		4
Decreases in share capital		
Dividends paid	-131	-120
Other monetary increases in equity items		5
C. Net cash provided by (used in) financing activities	**-498**	**4,374**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-397**	**493**

Cash and cash equivalents at year-start	**1,107**	**614**
Cash and cash equivalents at year-end	**710**	**1,107**
Interest received	**2,040**	**1,117**
Interest paid	**-1,919**	**-1,041**

EUR million		
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairments of receivables	4	2
Unrealised net earnings in Non-life Insurance	48	107
Change in fair value for trading	55	22
Unrealised net gains on foreign exchange operations	-46	-36
Change in fair value of investment property	-13	-1
Planned amortisation/depreciation	61	57
Share of associates' profits		
Other	7	7
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-4	-3
Capital losses, share of cash flow from investing activities	-1	1
Total adjustments	**111**	**155**

Consolidated statement of changes in equity

EUR million	Share capital	Trans-lation diffe-rences	Fair value reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006	**423**	**-1**	**48**	**744**	**549**	**1,762**	**199**	**1,961**
Adoption of IAS 39 and 32								
Adjusted shareholders' equity 1 January	423	-1	48	744	549	1,762	199	1,961
Available-for-sale financial assets								
Fair value gains and losses			16			16		16
Amount transferred to income statement			-17			-17		-17
Currency translation differences from foreign units		1				1		1
Net income recognised in shareholders' equity		1	-1		-1			
Profit for the financial year					181	181		181
Total recognised income and expenses for the financial year					180	180		180
Share issue expenses				-1		-1		-1
Stock options exercised	5			4		8		8
Dividends paid on					-121	-121		-121
Series A share					-95	-95		-95
Series K share					-25	-25		-25
Equity-settled share-based payment transactions								
Acquisition of subsidiaries *							-198	-198
Balance at 31 December 2006	428		47	747	607	1,828		1,828

	Attributable to equity holders of the Parent							
EUR million	**Share capital**	**Trans-lation diffe-rences**	**Fair value reserve**	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2007	**428**		**47**	**747**	**607**	**1,828**		**1,828**
Adoption of IAS 39 and 32								
Adjusted shareholders' equity 1 January	428		47	747	607	1,828		1,828
Available-for-sale financial assets								
Fair value gains and losses			-48			-48		-48
Amount transferred to income statement			-6			-6		-6
Deferred taxes			14			14		14
Currency translation differences from foreign units								
Net income recognised in shareholders' equity			-40			-40		-40
Profit for the financial year					212	212		212
Total recognised income and expenses for the financial year			-40		212	172		172
Share issue expenses								
Stock options exercised								
Dividends paid on					-131	-131		-131
Series A shares					-104	-104		-104
Series K shares					-27	-27		-27
Reserve transfers				4	-4			
Equity-settled share-based payment transactions								
Acquisition of subsidiaries *								
Balance at 31 December 2007	**428**		**7**	**750**	**685**	**1,869**		**1,869**

* See Note 3 "Business operations acquired and sold during the financial year"

SEGMENT INFORMATION

Primary segment reporting is based on business segments, which form the basis of the Group's internal reporting. The Group's business segments comprise Banking and Investment Services and Non-life Insurance. Banking and Investment Services consists of the following business divisions: Corporate Banking, Markets, Central Banking and Group Treasury, and Asset Management. In Non-life Insurance, Corporate Customers, Private Customers and the Baltic States are presented separately. Their results are followed up to the balance on technical account.

Accounting policies of segment reporting

Segment reporting conforms to the accounting policies applied to the consolidated financial statements. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to segments are reported under 'Other Operations'.

Inter-segment eliminations are presented under the 'Eliminations' column.

Intra-Group transfer prices are based on market prices. The acquisition costs of intangible and PPE assets are presented as investments.

Equity allocated to Banking and Investment Services accounts for 7% of risk-weighted commitments plus the amount of intangible assets and goodwill related to the acquisition of Pohjola Asset Management Ltd. Equity allocated to Non-life Insurance accounts for 70% of insurance premium revenue plus the amount of intangible assets and goodwill arising from business acquisition, but not less than the minimum capital requirement set by the authorities.

When calculating the operating return on equity of business lines, amortisation on intangible assets arising from the Pohjola acquisition is not taken into account in earnings. In the calculation of operating shareholders' equity, intangible assets and goodwill arising from the Pohjola acquisition and the parent company's subordinated loans allocated to business lines in proportion to the capital tied by them are deducted from capital allocated to business lines.

The Group does not have any geographical segments.

Banking and Investment Services

Corporate Banking

Corporate Banking provides corporate and institutional customers with financing and cash management services and grants loans and guarantees as well as leasing and factoring services and engages in venture capital investment. Its income derives mainly from lending margins and commissions and fees resulting from the arrangement of financing and payment transfer services. Net interest income from lending is not sensitive to interest-rate fluctuations, since the funding of lending is based on market terms.

Markets

The Markets division consists of OKO Bank's securities brokerage, investment research and Corporate Finance as well as OKO Bank money market, foreign exchange market and debt capital market services. Corporate Finance operations are carried out by OKO Corporate Finance Ltd and ZAO OKO Capital Vostok, which are subsidiaries of OKO Bank. ZAO OKO Capital Vostok provided Finnish corporate customers with services related to corporate transactions and structured financing in Russia. OKO Bank sold its holding in ZAO OKO Capital Vostok to Swedbank and OKO Corporate Finance Ltd agreed with Swedbank on corporate finance cooperation eg in Russia and the Baltic countries.

Services provided by Markets include the arrangement of debt issues, corporate finance services and equity, foreign exchange, money market and derivative products, as well as research. Its customers comprise Finnish and international companies and institutions and its income derives from net commissions and income from trading.

Central Banking and Group Treasury

Central Banking and Group Treasury is in charge of OKO Bank's central financial institution tasks within OP-Pohjola Group and the Bank's own Treasury function, on a centralised basis.

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

Group Treasury engages in fixed-income, equity and property investment operations and is also responsible for the Group's long-term funding and relationships with banks and debt investors. Its investment operations aim to derive long-term benefits from appreciation resulting from changes in interest rates and share prices and from dividend and other income. The division invests assets securely, aiming at a maximum return. It seeks to diversify investment portfolios, as far as possible, by instrument, country and industry and uses derivative contracts to hedge against market risks.

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

Asset Management

Consisting of Pohjola Asset Management Ltd, Pohjola Private Equity Funds Ltd and Pohjola Property Management Ltd,

Asset Management provides Finnish institutional customers and wealthy private individuals with discretionary and consultative asset management services. Furthermore, the portfolio management of OP Fund Management Company Ltd's mutual funds is mainly centralised within Asset Management. In addition to the management of its own portfolio, Asset Management has 19 international partners, whose range of funds includes mutual funds for the needs of both institutional and private clients.

Pohjola Private Equity Funds Ltd, founded in early 2007, provides Finnish and institutional investors with private equity investment services, its products comprising customised private equity fund services and funds-of-funds.

Pohjola Property Management Ltd focuses on property investment in Finland and on the selection of real estate funds in international markets.

The division's income stemmed mainly from asset-management commissions and fees. The asset management commissions and fees collected from Non-life Insurance and other operations are presented as intra-segment income.

Non-life Insurance

In Finland, the following three Group companies conduct Non-life Insurance operations: Pohjola Non-Life Insurance Company Ltd is a general non-life insurance company, A-Insurance Ltd focuses on non-life insurance for commercial transport and Eurooppalainen Insurance Company Ltd specialises in travel insurance. In the Baltic States, the local Seesam subsidiaries conduct non-life insurance business.

The range of Non-life Insurance products includes non-life policies for corporate and private customers. In addition, the domestic service network provides corporate customers with OP-Pohjola Group's life and pension policies and Ilmarinen Mutual Pension Insurance Company's employment pension policies while being in charge of customer service for Suomi Mutual Life Assurance Company and Ilmarinen. Furthermore, commissions and fees come from managing certain statutory charges and from risk management services.

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

Other Operations

Other Operations include income, expenses, investments and capital items which have not been allocated to the business segments. Other Operations' earnings come from Pohjola IT Procurement Ltd's and Conventum Venture Finance's results and dividend income and Group administration expenses allocated to Other Operations. Tax assets and liabilities are allocated to assets and liabilities under Other Operations. Pohjola Group plc, whose accounts were consolidated with Other Operations in 2006, merged with OKO on 1 January 2007 and Nooa Savings Bank was sold in April 2007.

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

Information by segment

Financial performance January–December EUR million	Banking and Investment Services											
	Corporate Banking		Markets		Central Banking		Group Treasury		Asset Management		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income	106	86	18	12	13	12	-3	5	-3	-2	131	113
Impairment losses on receivables	1	1	-	-	-	-					1	1
Net interest income after impairment losses	105	85	18	12	13	12	-3	5	-3	-2	130	112
Net income from Non-life Insurance												
Net commissions and fees	42	35	24	22	0	0	0	-1	49	43	115	99
Net trading income	-3	2	21	13	2	1	-54	3			-34	19
Net investment income	1	0	0	0		0	23	29	0		24	29
Other operating income	20	14	0	0	10	9	4	1	1	1	35	24
Total income	**165**	**136**	**63**	**47**	**24**	**23**	**-30**	**37**	**48**	**41**	**269**	**284**
of which inter-segment income					2	2	0	0	1	2	3	4
Personnel costs	-23	-22	-16	-15	-2	-2	-1	-2	-15	-15	-57	-56
IT expenses	-8	-6	-6	-5	-1	-1	-2	-1	-3	-2	-20	-15
Amortisation on intangible assets related to company acquisitions									-3	-3	-3	-3
Other amortisation and depreciation	-15	-13	-1	-1	0	0	0	0	0	0	-17	-15
Other expenses	-15	-16	-6	-7	-2	-2	-2	-2	-5	-7	-30	-33
Total expenses	**-62**	**-56**	**-29**	**-28**	**-5**	**-5**	**-5**	**-5**	**-27**	**-27**	**-128**	**-121**
Share of associates' profits/losses												
Earnings before tax	**103**	**80**	**33**	**18**	**20**	**18**	**-35**	**32**	**21**	**14**	**141**	**163**
Income tax expense												
Profit for the financial Year												

Key ratios, %												
Operating cost/income ratio									50	65	46	41
Operating return on equity											12.1	18.2
Return on equity at fair value					16.2	15.0						

Financial performance January–December EUR million	**Non-life Insurance**		**Other Operations**		**Eliminations**		**Group**	
	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income	-7	-8	-12	-13	3	3	115	96
Impairment losses on receivables							1	1
Net interest income after impairment losses	-7	-8	-12	-13	3	3	114	94
Net income from Non-life Insurance	435	332			1	-3	433	328
Net commissions and fees	6	6	0	-1	-5	-2	115	102
Net trading income			0	0	0	0	-34	20
Net investment income		-1	4	9	-	0	28	37
Other operating income	30	18	20	40	-14	-33	71	50
Total income	**464**	**347**	**9**	**35**	**-15**	**-34**	**728**	**632**
of which inter-segment income		0	11	28	-13	-31		
Personnel costs	-103	-99	-5	-11			-166	-165
IT expenses	-10	-13	-14	-15	1	0	-43	-42
Amortisation on intangible assets related to company acquisitions	-33	-33					-36	-36
Other amortisation and depreciation	-3	-2	-4	-4			-25	-21
Other expenses	-133	-122	-20	-24	14	34	-170	-144
Total expenses	**-284**	**-268**	**-43**	**-54**	**15**	**34**	**-440**	**-409**
Share of associates' profits/losses	0	0		0			0	0
Earnings/loss before tax	**181**	**78**	**-34**	**-19**	**0**	**0**	**228**	**223**
Income tax expense							-76	-42
Profit for the financial Year							**212**	**180**

Key ratios, %								
Operating cost/income ratio								
Operating return on equity								
Return on equity at fair value							9.3	9.5

Non-life Insurance by division	Private Customers		Corporate Customers		Baltic States		Total	
October–December	2007	2006	2007	2006	2007	2006	2007	2006
Balance on technical account, EUR million								
Insurance premium revenue	**345**	**308**	**449**	**434**	**56**	**47**	**850**	**788**
Claims incurred	214	194	331	358	37	27	583	580
Amortisation on intangible assets related to company acquisitions	11	11	13	13	1	1	25	26
Operating expenses	97	84	71	75	14	13	182	172
Total expenses	**322**	**289**	**415**	**446**	**52**	**41**	**790**	**778**
Balance on technical account	**23**	**18**	**34**	**-13**	**4**	**5**	**60**	**10**
Key ratios, %								
Operating return on equity							25.2	20.9
Loss ratio	66.8	67.7	77.7	79.8	66.8	58.2	72.6	73.7
Operating expense ratio	27.7	27.3	15.7	17.3	25.6	28.5	21.2	21.9
Operating combined ratio	**94.6**	**95.0**	**93.3**	**97.1**	**92.4**	**86.7**	**93.8**	**95.5**
Combined ratio	93.4	94.82	92.4	103.1	94.6	89.2	92.9	98.7

Balance sheet on 31 December 2007	Banking and Investment Services					Banking and Investment Services, total	Non-life Insurance, total	Other Operations, total	Elimina-tions	OKO Bank Group
EUR million	Corporate Banking	Markets	Central Banking	Trea-sury	Asset Manage ment					
Receivables from customers	9,238	15	34	2		9,289		13	-13	9,288
Receivables from financial institutions	182	87	5,244	153	3	6,259		11	-17	6,254
Non-life Insurance assets							2,842		-33	2,809
Financial assets at fair value through profit or loss and investment assets	365	1,012	2,512	1,480	23	5,392	0	203	-169	5,426
Investment in associates							2			2
Other assets	384	1,101	52	124	134	1,796	875	122	-61	2,732
Total assets	**10,170**	**2,215**	**7,842**	**1,760**	**161**	**22,148**	**3,719**	**349**	**-294**	**25,922**
Liabilities to customers	427	35	1,333	975		2,770		17	-48	2,738
Liabilities to financial institutions	2	257	2,141	399		2,738	0	1	-0	2,739
Non-life Insurance liabilities							2,140			2,140
Debt securities issued to the public				12,879		12,789			-24	12,856
Subordinated liabilities				950		950				950
Other liabilities	3509	1,070	17	593	17	2,206	100	387	-63	2,630
Total liabilities	**937**	**1,363**	**3,490**	**15,736**	**17**	**21,543**	**2,241**	**404**	**-135**	**24,053**
Shareholders' equity										1,869
Total liabilities and shareholders' equity										**25,922**
Capital expenditure	4	0	0	1	2	8	9	3		19

Balance sheet on 31 December 2006	Banking and Investment Services					Banking and Investment Services, total	Non-life Insurance, total	Other Operations, total	Eliminations	OKO Bank Group
EUR million	Corporate Banking	Markets	Central Banking	Treasury	Asset Management					
Receivables from customers	7,788	12	58	9		7,868			-4	7,864
Receivables from financial institutions	300	58	5,785	463	1	6,607		66	-220	6,453
Non-life Insurance assets							2,824		-58	2,766
Financial assets at fair value through profit or loss and investment assets	336	851	2,284	1,512	23	5,006	0	687	-666	5,026
Investment in associates							2	7		8
Other assets	177	563	51	75	128	994	901	298	-113	2,079
Total assets	**8,602**	**1,484**	**8,177**	**2,059**	**152**	**20,475**	**3,726**	**1,058**	**-1,061**	**24,196**
Liabilities to customers	358	5	981	839		2,184		140	-330	1,994
Liabilities to financial institutions		259	1,752	381		2,391			-1	2,390
Non-life Insurance liabilities							2,099			2,099
Debt securities issued to the public				13,898		13,898			-635	13,263
Subordinated liabilities				924		924	40		-40	924
Other liabilities	406	475	35	284	14	1,214	156	384	-57	1,697
Total liabilities	**764**	**740**	**2,767**	**16,327**	**14**	**20,611**	**2,295**	**523**	**-1,062**	**22,368**
Shareholders' equity										1,828
Total liabilities and shareholders' equity										**24,196**
Capital expenditure	5	1	0	2	1	9	10	3		21
Planned amortisation/depreciation	-13	-1	0	0	-3	-18	-35	-4		-57
Non-cash expenses other than amortisation/depreciation	1	4	0	0	3	8	0	0		8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

Notes to risk management

Other notes to the balance sheet

Notes to contingent liabilities and derivatives

Other notes

ACCOUNTING POLICIES

GENERAL INFORMATION

OKO Bank plc (OKO) is a Finnish credit institution whose business lines comprise Banking and Investment Services, and Non-life Insurance. Banking and Investment Services consists of the following divisions: Corporate Banking, Markets, Central Banking and Group Treasury, and Asset Management. OKO's Banking and Investment Services focuses on domestic customers but provides foreign customers with banking services to meet their business needs in Finland and neighbouring regions. OKO is engaged in non-life insurance operations in Finland and the Baltic countries.

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

The Board of Directors has approved these consolidated financial statements for issue on 14 February 2008.

BASIS OF PREPARATION

These consolidated 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. In addition to IFRS, OKO Bank Group applies paragraph 6, subsection 146, section 9 of the Credit Institutions Act to the preparation of its consolidated financial statements.

In 2007, OKO adopted the following IFRSs and interpretations:
• IFRS 7 Financial Instruments: Disclosures
• IAS 1 Amendment: Presentation of Financial Statements: Capital Disclosures
• IFRIC 8 – Scope of IFRS 2
• IFRIC 9 – Reassessment of Embedded Derivatives
• IFRIC 10 – Interim Financial Reporting and Impairment
• IFRIC 11 – Group and Treasury Share Transactions
The adopted standards resulted in extended disclosures on financial instruments, risk management and capital. Applying the new IFRIC interpretations did not have any material effect on the content of the financial statements.

The consolidated financial statements are presented in millions of euros.

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

The consolidated financial statements include the accounts of OKO Bank plc, the parent company, and of subsidiaries in which the parent company holds more than 50% of voting shares or over which the parent company otherwise exercises control.

Associated companies, in which OKO holds 20–50% of voting shares and over which OKO exercises significant influence but not control, are accounted for using the equity method.

Mutual property companies are consolidated in the same way as assets under joint control, in accordance with IAS 31.

Intra-Group transactions, receivables, liabilities and profit distribution are eliminated in the preparation of the consolidated financial statements. Unrealised gains arising from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the entities. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred.

Companies acquired during the financial year are consolidated from their acquisition date and those divested until the date of disposal. Acquired companies are consolidated using the purchase method.
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 (FAS). 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.

Profit for the financial year and shareholders' equity are attributable to the equity holders of the Parent and minority interest. Minority interest is shown as a separate item within equity. 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 OKO'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 primarily based on prices quoted in an active market. If the fair value is not directly available from the market, it is based on a well-established valuation technique and market quotations. 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.

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 at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss and other financial liabilities, in accordance with their measurement practice.

The purchase and sale of financial assets and liabilities at fair value through profit or loss and those of 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 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.

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 at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets and liabilities held for trading, derivative contracts held for trading and financial assets at fair value through profit or loss at inception.

Financial assets and liabilities held for trading and derivative contracts

Assets held for trading include notes and bonds, shares and participations acquired with a view to generating a profit from short-term fluctuations in market prices. Liabilities held for trading refer to the obligation to deliver securities borrowed by a short seller. Derivatives are also categorised as held for trading unless they are designated as derivatives for effective hedging or they are guarantee contract derivatives.

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.

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.

Financial assets at fair value through profit or loss at inception

Financial assets at fair value through profit or loss at inception include financial assets which are designated as at fair value through profit or loss upon their initial recognition. These financial assets are measured at fair value and any change in their fair value and any capital gains and losses, interest income and expenses as well as dividend income are recognised in the income statement.

Financial assets at fair value through profit or loss also 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; and foreign-currency-denominated financial instruments in run-off companies' portfolios.

These financial assets in the consolidated balance sheet are presented as financial assets at fair value through profit or loss or as Non-life Insurance assets.

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. Not quoted in an active market, loans and receivables are measured at cost. Receivables related to insurance contracts, claims administration contracts and disposal of investments are presented within this asset category. These financial assets are shown as receivables from customers or as Non-life Insurance assets in the consolidated balance sheet.

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.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets but which may be sold before their maturity, comprising notes and bonds, shares and participations. At the time of their acquisition, available-for-sale financial assets are recognised at cost, which equals the fair value of the consideration paid plus transaction costs directly attributable to their acquisition. Available-for-sale financial assets are measured at fair value. Any changes in their fair value are recognised in the fair value reserve under shareholders' equity, from where they, including any capital gain or loss, are transferred to the income statement when the asset is derecognised or impaired. 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.

These financial assets are shown as investment assets or as Non-life Insurance assets in the consolidated balance sheet.

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, comprising deposits and other liabilities to credit institutions and customers, debt securities issued to the public and other financial liabilities. Financial liabilities are recognised in the balance sheet on the settlement date and carried at amortised cost after initial recognition.

In the consolidated financial statements, key personnel's shareholdings in subsidiaries are classified as financial liabilities in conformity with IAS 32, under the terms and conditions of the shareholder agreements. The portion of dividend corresponding to financial liability is treated as interest expenses.

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 future date.

Interest-rate derivatives, currency derivatives, equity derivatives, commodity derivatives and credit derivatives are classified as derivative contracts measured at fair value at all times. 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' or 'Net income from Non-life Insurance'. Derivatives are carried as assets under 'Derivative contracts' when their fair value is positive and as liabilities under 'Derivative contracts' or 'Non-life Insurance liabilities' 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. OKO Bank 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.

Non-life Insurance has not used derivatives for hedge accounting purposes.

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 or as Non-life Insurance assets in the consolidated 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 Non-life Insurance' or 'Net investment income'. The fair value of investment property is mainly based on their 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 the 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.

Deferred acquisition costs of insurance contracts

Some OKO Bank 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. Within non-life insurance, the amortisation period is the insurance period. 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 OKO Bank Group's acquired customer relationships is 10–13 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 acquired through business combinations 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 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

Whether a lease is classified as a finance lease or an operating lease depends on 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. Lease classification is performed at the inception of the lease.
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

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

OKO Bank 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.

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.

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

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).

Descriptions of insurance contracts can be found in the section 'Risk Management Principles', Insurance operations.

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.

Long-term contracts

Long-term insurance contracts refer to contracts with an average validity period of at least 24 months.

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 within 'Other Non-life Insurance items' under 'Net income from Non-life Insuranc'.

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, are 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 the 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).

Benefits received under reinsurance contracts held are included in 'Loans and other receivables' or receivables 'From reinsurance' under Non-life Insurance 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 'Reinsurance liabilities' under Non-life Insurance 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.

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. These receivables are mainly those from policyholders and only to a minor extent from insurance intermediaries. Prepaid insurance premiums are included in 'Direct insurance liabilities' under Non-life Insurance 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 Non-life Insurance 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 in Non-life Insurance assets. 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 Non-life Insurance assets. 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

The 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.

The 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. The Group recognises liabilities and receivables based on joint liability if joint liability is likely to materialise.

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.

INCOME TAXES

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

Deferred tax liabilities are recognised for all taxable 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

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. OKO Bank Group has no geographical segments.

OKO Bank Group reports segment-specific income statements and balance sheets for Corporate Banking, Markets, Central Banking and Group Treasury, and Asset Management within Banking and Investment Services, as well as for Non-life Insurance. Within Non-life Insurance, earnings are presented separately for the divisions of Corporate Customers, Private Customers and the Baltics up to the balance on technical account. Income, expenses, investment and capital not included in actual business operations are allocated to 'Other operations'.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires making estimates and assumptions about the future, and the actual future 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. The Group monitors the appropriateness of future assumptions on an ongoing basis. Information on uncertainties included in assumptions related to insurance contracts and their effects can be found in Note 34.

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, and information on the effects of these assumptions and estimates can be found in Note 26.

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

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 receivable 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.

NEW STANDARDS AND INTERPRETATIONS

In 2008, OKO Bank Group will adopt the following standards and interpretations:
• IFRS 8 Operating Segments
• IFRIC 13 Customer Loyalty Programmes
• IFRIC 14 IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction

In 2009, OKO Bank Group will adopt the following standards and interpretations:
• Amendment to IAS 1 – Presentation of Financial Statements
• Amendment to IAS 23 – Borrowing Costs
• IFRIC 12 Service Concession Arrangements

The adoption of IFRS 8 will change the content of segment reporting so as to correspond to reporting to Group management. Applying the new IFRIC interpretations will not have any material effect on the content of the current financial statements. The amendment to IAS 1 will change the presentation of the consolidated financial statements.

RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT PRINCIPLES

Core values, strategic goals and financial targets form the basis of risk and capital adequacy management.

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

Within OKO Bank Group, major operational risks exposed by Banking and Investment Services include credit, interest rate, currency, equity and liquidity risks, and those exposed by Non-life Insurance include insurance risks and market risks related to investments. Strategic and operational risks, such as changes in the economic situation, competition or customer behaviour, are also inherently related to both Banking and Investment Services and the insurance business.

Organisation of risk management

As the highest decision-making body in matters associated with risk management and capital adequacy management, OKO Bank's Board of Directors decides on the goals and organisation of risk management and capital adequacy management, confirms capital adequacy management principles, risk policies, investment plan and the main principles governing risk management. In addition, the Board supervises and monitors the implementation of risk and capital adequacy management. The Board ensures the adequacy of risk management systems, confirms business goals, assesses the need for the Group's and Group companies' capital buffers, confirms capital plans and a proactive contingency plan for own funds, as well as decides on the implementation method and organisation of the compliance function. It also decides on reporting procedures which the senior management uses to monitor the Group's and subsidiaries' business, risk-bearing capacity and risk situation. The Board assesses the appropriateness, extent and reliability of OKO Bank Group's capital adequacy management on a holistic basis at least once a year. The Board also approves the decision-making system and appoints OKO Bank Group's Risk Management executives and members of the Senior Credit Committee.

The Board has appointed the Risk Management Committee for the purpose of preparing risk management and capital adequacy management duties for which the Board is responsible. The Risk Management Committee is tasked with assisting the Board of Directors in ensuring that the company and the Group have an adequate risk management system covering all operations and that the company and the Group do not take excessive operational risks which would materially jeopardise the company's or the Group's capital adequacy or the company's liquidity.

To carry out its duties, the Risk Management Committee is responsible for, for example, supervising the preparation of, and compliance with, the company's and the Group's risk management and capital adequacy management principles and other general guidelines related to risk management, and supervising the company's and the Group's risks and risk concentrations and the quality and scope of risk management, as well as monitoring the implementation of risk-taking policies, the use of limits and profit performance. The Risk Management Committee reports to the Board of Directors.

The Board of Directors confirms the Risk Management executives' job description and appoints them. The Risk Management executives coordinate and supervise overall risk management and capital adequacy management principles and operational policy guidelines and appoint members of the Rating Committee. The Risk Management executives deal with the OKO Bank Group capital adequacy management principles submitted for the Board's confirmation, risk policies, an investment plan and major operating principles governing risk management and capital adequacy management. In addition, the Risk Management executives approve the methods and indicators used in risk monitoring, and new business models and products.

OKO Bank Group's Risk Management executives confirm the job descriptions of the Insurance Risk Management Committee and the Pohjola Asset Management Risk Management Committee.

The Risk Management Committees coordinate and supervise the Group's risk management and capital adequacy management principles and policy guidelines within their businesses. They monitor compliance with capital adequacy management principles, risk policies and instructions within their businesses and the businesses' risk exposure in relation to their risk-bearing capacity and goals. The Risk Management Committees report to the Risk Management executives and the Managing Director of their business.

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

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

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

Tasked with developing and implementing an integrated risk and capital adequacy management procedure within OKO Bank Group, the Risk Management Department, independent of business lines, is responsible for assisting the Board of Directors, the Risk Management Committee, the Audit Committee, the Risk Management executives in preparing and developing the Group's capital adequacy management principles (incl. capital planning), and in preparing the Group's overall risk policy, risk policies by risk type and investment plans. It is also in charge of monitoring and reporting on the implementation of the Group's risk-bearing capacity and risk policies, and preparing and maintaining decision-making authorisations and instructions pertaining to risk-taking.

With respect to the credit approval process, the Risk Management Department supports decision-making and controls quality. The Department coordinates the compliance function and supports business lines in the management of their compliance risks. The coordination, monitoring and reporting related to the identification and assessment of strategic risks, business risks and operational risks are carried out by the Risk Management Department. The Department also evaluates risks pertaining to the introduction of new products and business models and is responsible for the coordination of process development and the creation, maintenance and development of systems used.

As part of OP Bank Group Central Cooperative Consolidated and OP-Pohjola Group, OKO Bank Group's capital adequacy management adheres to the capital adequacy management principles applied at OP-Pohjola Group level, and reports on its risk exposure to Central Cooperative on a regular basis. Central Cooperative's risk management and internal control assess the performance of OKO Bank Group's risk and capital adequacy management on a regular basis.

Capital adequacy management principles

OKO Bank's Board of Directors approves the Group's capital adequacy management principles, subject to an annual review, specifying the Group's risk-bearing capacity, risk appetite, overall risk and capital adequacy management principles, as well as a capital maintenance plan.

These capital adequacy management principles specify risks associated with the Group's business and the risk management organisation while describing the duties of various decision-making levels and the organisational units involved in risk management, and their division of responsibilities. The capital adequacy management principles also include a description of the capital adequacy management process, risk management methods and indicators, and the principles related to risk monitoring and reporting.

Risk-bearing capacity and capital adequacy management (ICAAP)

OKO Bank Group's risk-bearing capacity involves own funds, profitability and qualitative factors, such as reliable administration, internal control and risk management as well as capital adequacy management. OKO Bank Group's statutory capital adequacy is determined on the basis of the Credit Institutions Act. The Group's minimum capital adequacy target based on Tier 1 capital is 8.5%, which is double vis-à-vis the statutory minimum.

Determined on the basis of the Insurance Companies Act, the statutory capital adequacy of non-life insurance is influenced by the minimum requirements set for solvency capital, the minimum solvency margin and equalisation provision. The Non-life Insurance capitalisation target is 70% of insurance premium revenue.

Capital adequacy management highlights profitability and effective capital management. The parent company is responsible for capital management on a coordinated basis. Every year, subsidiaries distribute extra capital to the parent company as dividends and, if necessary, the parent company injects capital into the subsidiaries through subordinated loans or equity investments.

The Group steers and monitors business by business line and allocate capital to the business lines on the basis of risks. Their earnings are compared with the capital allocated to business lines and the business lines' operating return on equity is monitored against the set targets.

Forming part of total risk management, capital adequacy management aims to ensure effective capital management and the sufficient amount and quality of capital to secure uninterrupted operations in the event of unexpected losses. Capital adequacy management is based on a proactive approach based on the Group's business strategy and plans. In addition to the capital adequacy target, the capital adequacy management process defines capitalisation targets by business line, capital adequacy forecasts and sensitivity analyses, as well as a contingency plan for maintaining the capital adequacy target considering all material risks caused by the business and changes in the operating environment.

Well-balanced risk-taking and capital structure as well as a strong earnings power and proactive risk management ensure OKO Bank Group's risk-bearing capacity.

Risk appetite

OKO Bank Group is a moderate risk taker. Its operations are based on a reasoned risk/return approach which serves as a guideline for exploiting credit risks, market risks, funding risks as well as insurance and investment risks. Business operations also involve strategic, business, compliance and operational risks.

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

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

The Group reviews its risk appetite annually and specifies it by type of risk by setting target values for risk-specific indicators considering the economic cycle and market prospects.

Risk policies

Annually formulated risk policies provide guidelines for risk-taking. OKO Bank's Board of Directors approves the Group's overall risk policy and the underlying risk policies and principles guiding the Group, Banking and Investment Services, and Non-life Insurance.

In the overall risk policy, the risk appetite is apportioned to various types of risks in such a way that the Group is able to achieve its business goals without jeopardising its risk-bearing capacity and capital adequacy targets. The overall risk policy is also aimed at restricting the creation of risk concentrations.

The overall risk policy is supplemented by risk policies by risk type within Banking and Investment Services and specific reinsurance and underwriting principles guiding Non-life Insurance and investment plans guiding Non-life Insurance investments.

Compliance risk management

The compliance function forms part of a process for organising reliable administration. Compliance risk management is aimed at ensuring that the Group complies with external regulations and internal procedures throughout its functions and operations, and that the Group applies appropriate procedures in customer relationships.

OKO Bank Group's compliance function supports business lines in their compliance risk management, for instance, by informing those responsible for business lines of any material changes in regulations and of any effects they may have on the business lines, by drawing up guidelines supporting the application of the regulations, by identifying and evaluating proactively any major adverse consequences resulting from non-compliance with these regulations. In addition, the compliance function monitors and ensures compliance with the regulations by evaluating eg internal processes and procedures ensuring compliance with the regulations, and by proposing any necessary improvements.

Those responsible for the compliance function of OKO Bank's subsidiaries ensure that the subsidiaries also adhere to Group-level guidelines, instructions, regulations etc.

Management of strategic, business and operational risks

The management of strategic, business and operational risks is aimed at creating a corporate culture with a risk-preventive approach. Risk management is based on systematic planning, diligence and continuity throughout business operations. The aim is to prevent the materialisation of risks by developing processes enabling the Group to identify and assess potential risks better and more efficiently manage measures taken to control risks.

Strategic risks

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

Methods and measuring of the management of strategic and business risks

The Group aims to manage strategic risks through continuous planning based on analyses and forecasts of developments in market areas, on competition and future customer needs. OKO Bank Group revises annually its strategy by business line and monitors strategic risks by business line and business risks by business area.

The Group monitors and assesses risks and their significance annually in connection with updating its business strategies and plans. At the same time, it also evaluates changes in the operating environment and competition and their effect on the implementation of the strategy, and links the identified risk factors to the planned strategic projects.

Operational risks

Operational risks refer to risks resulting from ineffective internal processes, individuals, systems or external events which cause direct or indirect losses. This definition includes legal risks but excludes strategic risks. Operational risks may also materialise as loss of reputation.

Methods and measuring of the management of operational risks

Operational risk management is based on identifying and analysing risks and reasons for their materialisation. The business lines and the risk management function at various operational levels cooperate in mapping operational risks. The aim is to prevent the materialisation of risks by taking account of factors contributing to their materialisation, these measures including developing working methods, systems and expertise and enhancing any controls that support risk management.

The introduction of new products is preceded by a description of the products, the planning of the operating process and the related instructions, and product approval. The Group prepares for unexpected situations by means of contingency plans for the main business lines, which are updated regularly. In information and banking security management and in the prevention of illegal use of the banking system (e.g. money laundering and financing of terrorism), OKO Bank Group is in intense cooperation within OP-Pohjola Group. In addition, the Group has taken out property, crime and liability insurance to provide partial cover for losses caused by operational risks. Reports issued by the internal control function and the management of communications and information flow in the agreed manner also form an important part of operational risk management.

A company cannot ever fully hedge against operational risks, which occur from time to time. The Group measures operational risks by assessing their probabilities and their effects on earnings in the same way as evaluating strategic and business risks. In addition to operational risks, Banking and Investment Services monitors losses caused by materialised risks. The Group also makes use of risk assessments in evaluating the sufficiency of insurance cover.

Monitoring and reporting on strategic, business and operational risks

OKO Bank Group monitors strategic, business and operational risks and the related risk-management measures by using risk maps and risk registers in which identified and assessed risks have been registered.

The Group draws up strategy and business risk reviews twice a year and regularly reports on the strategic and business risks of business lines and business areas, as well as on the related risk management methods.

In Banking and Investment Services, loss statistics are compiled on materialised operational risks, with a view to understanding the reasons which have led to the events, and to developing operations. Materialised losses are regularly reported to the executive management. In addition to normal risk reporting, significant changes in the risk profile, the effectiveness of controls or in the materialisation of risks are reported to the executive management as soon as these changes have been detected.

Risk management in Banking and Investment Services

Credit risk management

Credit risk refers to a risk arising from the inability of the bank's contracting parties to meet their obligations and collateral not protecting the bank's receivables. Credit risk also includes country risk and settlement risk, the former representing a credit risk associated with foreign receivables on a country-by-country basis and the latter relating to the clearing and settlement process involving the risk of losing a receivable being settled.

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

In settlement risk management, it is vital to ensure the reliability of counterparties. The Group aims to mitigate settlement risks by concluding standard agreements and using only reliable clearing centres.

OKO Bank seeks to mitigate credit risks by diversifying its loan portfolio and defining collateral and covenant policies on a customer-specific basis. In order to further mitigate credit risks, OKO Bank has defined a maximum customer exposure on the basis of its own funds and has a limit system in place. It has also used credit derivatives but no asset securitisation.

Credit risk policy

Credit risk policies define principles governing the composition, diversification and customer selection in respect of total exposure, as well as the use of collateral and covenants, with a view to ensuring a sufficiently diversified credit portfolio in order to avoid excessive risk concentrations by country, customer group, line of business, credit rating, customer Group of companies or time period.

For the portfolio review, customers are divided into the following six groups: corporate customers, credit institutions, private customers, OP-Pohjola Group member cooperative banks and Central Cooperative, public entities and non-profit organisations. The first three customer groups are governed by specific credit risk policies. Furthermore, the Group has drawn up a country risk policy.

The corporate customer credit risk policy involves determining target values for corporate exposure by rating category and a relative maximum exposure by industry.

Risks associated with credit institutions have been diversified by credit rating, issuer and product. In addition, in order to ensure the liquidity of fixed income investments, the Group has determined minimum sizes for issues in which it can invest.

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

Credit risk limits

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

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

The credit institution limit is a euro-denominated counterparty limit for a specified period, within which limits the Group conducts business with credit institutions. The limit is provided on condition that the credit institution is located in a country for which a country limit has been approved. The credit institution limit is reviewed annually.

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

Credit process

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

Credit standing evaluation

OKO Bank evaluates the credit standing of corporate customers using OP-Pohjola Group's internal 20-step credit rating system. A company's rating is influenced by its financial position as presented in its financial statements, with capital adequacy, profitability and liquidity representing key indicators. Other elements include the company's management, financial planning and reporting, market position, competitiveness, product quality, the general conditions in the industry, payment history and future prospects. If the company has a public credit rating, that will be considered when assessing its credit rating.

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

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

The Group makes use of the internal credit rating in the pricing of exposure, the credit approval process and the accounting for risk-adjusted capital requirements.

Determination of credit standing by customer group

Customer group	*Determination of credit standing*
Mid-sized and large companies	Credit rating issued by the Rating Committee
Small companies	Credit rating based on financial statements and payment behaviour
Credit institutions	Credit rating by an external rating agency
Member banks and Central Cooperative	Credit rating issued by the Rating Committee
Countries	Credit rating by an external rating agency
Private customers	Credit rating based on payment behaviour information and credit scoring

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

Correlation between country risk categories and Moody's credit ratings

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

Decision on credit

The evaluation of credit standing forms the basis of a proposal for credit decisions. Account managers prepare proposals for the exposure limit, credit limit and financing and present them to the decision-making bodies. The proposal for a credit decision includes a report on the applicant, any previously granted credit and the related collateral and uncovered exposure. In addition to the evaluation of credit standing, a credit proposal for corporate customers includes the collateral and covenant policy for short- and long-term exposure and a forecast of the development of the customer's financial position. A financial statements analysis is always included in the proposed exposure limit of corporate customers and a company analysis is often also required of new corporate customers. In most cases, credit proposals for corporate and financial institution customers involve an opinion of credit risk issued by the Risk Management Department.

The decision-making bodies make decisions to accept risks within the framework of their powers and in compliance with the bank's confirmed credit risk policies, limits and policy guidelines. The powers of the decision-making bodies have been scaled on the basis of the customer's credit rating, exposure and uncovered exposure. Decisions on credit for private customers are based on

OP-Pohjola Group's internal credit rating applicable to private customers and minor credit decisions for private customers are also made using an automatic credit-decision system based on credit scoring.

Execution

The execution stage involves preparing the tender and contract documents based on the approved proposals. Before the customer has access to any funds, OKO Bank verifies the fulfilment of the drawing terms and conditions. Furthermore, it supervises the fulfilment of the contractual terms throughout the validity of the agreement.

Measuring, monitoring and reporting on credit risk

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

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

OKO Bank Group monitors continuously customer credit record, past due payments and doubtful loans using information obtained from both OP-Pohjola Group's internal monitoring service and external services.

Customers whose financial status performance, credit risk and credit record justify a more detailed examination are subject to special observation. In this context, the Group also analyses the need to change the customer's credit rating, the probability of a credit loss and the need to recognise an impairment loss. This often means that the credit approval decision is made by a higher-level decision-making body.

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

The Risk Management Department bears overall responsibility for reporting on credit risks. It prepares a corporate risk analysis for the Risk Management Committee of the Board of Directors. The analysis also contains information on eg the development of the amount, distribution and nature of total exposure, and on the development of doubtful loans.

The use of limits and any of their overdrafts are reported regularly. In addition, the Risk Management Department prepares portfolio-specific analyses.

Market risk management

Market risks include the effects of market prices (interest rates, foreign exchange rates and share prices) and volatility on the bank's financial performance. Market liquidity risk forms part of market risk. Market risks arise if markets lack sufficient depth or cease to function in a regular manner due to disruption, causing the bank to lose its ability to liquidate or cover its risks at prevailing market prices.

Market risk management aims to limit risks arising from price fluctuations in balance sheet and off-balance-sheet items to an acceptable level and to promote healthy financial performance by optimising the risk/return ratio.

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

Treasury is responsible for ensuring OKO Bank's domestic and foreign funding and managing investment-related equity, credit and interest rate risks as well as the structural interest rate risk arising from the loan and deposit portfolio and other balance sheet items (such as shares, property holdings and shareholders' equity). Treasury is also tasked with hedging the Group's net financial income against interest rate fluctuations and maintaining OP-Pohjola Group's liquidity reserves at optimum levels. Treasury does not take currency risks.

The Board of Directors approves the market risk management principles and risk policies. The Risk Management executives coordinate and control the overall principles of market risk management and supervise the use of limits. Market risks are centrally managed by divisions responsible for the risks in question. The divisions are in charge of their own exposure and results within the framework of the set limits. The Risk Management Department monitors and reports on market risks and their outcome to the divisions and the management. The principles and indicators used in managing the market risk involved in trading and treasury are largely the same.

The Group has defined risk policies for interest rate, volatility, currency, equity and real estate risks, specifying the principles and limits regarding the structure and diversification of exposure, with the ultimate goal of ensuring that market risks are proportional to risk-bearing capacity. Risk limits are allocated between trading (interest rate, currency and volatility risk) and treasury (interest rate, volatility and equity risk).

Interest rate risk is diversified in terms of currency, product and maturity while foreign currency risk is hedged by currency. Equity and capital investment risks are diversified by market area, sector and issuer and venture capital investment risk is diversified in accordance with the fund rules and regulations. Options trading is governed by specific limits.

Analysing the risk exposure structure and markets on an ongoing basis and anticipating the impact of changes on the bank's risk exposure and performance play a key role in market risk management. Effective market risk management requires real-time and accurate information on exposure and markets and a quick response to changes. The Group manages market risks by adjusting the risk exposure using both balance sheet and derivative instruments within the risk limit framework, in line with the current market views. Derivative instruments can also be used to hedge market exposure or individual agreements against changes in market value or in order to secure net financial income.

Measuring, monitoring and reporting on market risks

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

Type of risk	Risk indicators	Result indicator	Frequency
Interest rate risk/trading portfolio	• Effect of 1-percentage point increase on the present value of future cash flows	• Change in market value	Daily
Interest rate risk/funding	• Effect of 1-percentage point increase on the present value of future cash flows	• Change in market value, net financial income	Daily
Currency risk	• Total net exposure, currency pair exposures	• Change in market value	Daily
Equity risk	• 20-percentage point change in market value	• Change in market value	Weekly
Volatility risk	• Effect of 1-percentage point volatility change on the present value of exposure • Delta position	• Change in market value	Daily
Real estate risk	• Capital tied to property available for lease and the vacancy rate	• Net income	Quarterly

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

Interest rate risks

Interest rate risks arise from differences between the maturities of balance sheet or off-balance-sheet items, interest rate reset dates or the bases of interest rates. In trading, interest rate risks materialise when market rates change as a result of changes in the market values of securities and derivative contracts. Interest rate risks exposed by treasury translates into a change in net financial income, those by notes and bonds at fair value through profit or loss, included in liquidity reserves, into a change in market values shown in the income statement and those by available-for-sale notes and bonds into a change in fair value reserve under equity.

Only specifically designated units may take interest rate risks within the set limits.

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

Treasury is in charge of managing other than trading-related interest rate risks. Interest rate risk within Treasury arises in connection with the re-pricing of balance sheet receivables and liabilities and is caused by changes in interest rates and the differing times of interest rate reset. The balance sheet also involves structural interest rate risks arising from retail borrowing and non-interest-bearing balance sheet items. Any premature repayment based on customer agreements may also create interest rate risks.

The Group measures and reports on interest rate risks exposed by trading and treasury on a daily basis, using the same benchmarks and limitation principles. These are also used to estimate the sensitivity of the accumulated net financial income to interest rate fluctuations.

Currency risks

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

Currency risk management is carried out in the context of trading. Limits set on the total net foreign currency exposure, the par exposure of key currencies (USD, GBP, and SEK) and individual currencies are used to mitigate exposure risk. Stop/loss limits are also used to mitigate the risk.

Foreign currency exposures are subject to daily reporting.

Equity risks

Equity and venture capital investment is exposed to equity risks. Equity investments include shares held for trading and long-term ownership.

The equity risk policy specifies the principles regulating the composition of the equity portfolio and the selection of investments.

Treasury is responsible for the management of the equity portfolio for available-for-sale investments. The Group measures equity investment risks in terms of the effect of a 20% change in share prices on the market value of an equity exposure. Equity risks are subject to weekly reporting.

Volatility risks

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

Interest rate and foreign currency volatility risks are subject to daily reporting.

Real estate risks

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

The real estate risk policy sets out the principles regulating the composition of a real estate portfolio and the selection of investments. The Group makes annually value estimates and action plans for each property holding. Real estate risks are reported quarterly in the Group's risk analysis.

Funding risk management

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

Liquidity risks refer to risks associated with the availability of funding when liabilities or other payments arrive at maturity. Such risks may materialise as a result of lower market liquidity or a borrower's lower credit rating. Provisions for liquidity risks comprise a portfolio consisting of liquid notes and bonds.

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

As the central financial institution of OP-Pohjola Group, OKO Bank Group Treasury is responsible for the liquidity and sufficient liquidity reserves of OP-Pohjola Group. OKO Bank maintains liquidity reserves of around 8 percentage points calculated on the balance sheet of OP-Pohjola Group's Banking Services, consisting mainly of notes and bonds, issued by entities of high credit rating, which may be used as collateral for central bank debt or sold on the market in a flexible way.

Funding risk management aims to ensure that the capital structure is correctly proportioned to risk-bearing capacity and to mitigate the funding or liquidity risk arising from the balance sheet structure. Liquidity risk management aims to ensure sufficient liquidity in an acute, unexpected liquidity squeeze, focusing on providing and maintaining a framework for supporting sufficient liquidity, as well as planning precautionary measures.

Funding risk management involves planning liquidity and the balance sheet structure, maintaining sufficient liquidity reserves and diversifying funding by maturity, counterparty, product and market area. With a view to managing funding and liquidity risks, the Group carries out scenario analyses describing threats critical to liquidity and their effects on funding and liquidity, as well as tools to secure liquidity.

The Board of Directors approves annually the funding and liquidity risk management principles and risk policies. The Risk Management executives coordinate, and supervise compliance with, these principles and control the use of limits. Group Treasury is responsible, on a centralised basis, for OKO Bank's funding risk and liquidity risk management, long-term funding as well as the maintenance of reserve portfolios. The Risk Management Department monitors and reports on funding risks to the divisions and the management.

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

The funding risk policy specifies the principles and limits related to wholesale funding and its diversification, and the requirements and goals set for the amount and content of liquidity reserves. In addition, the funding risk policy includes a funding plan and a plan for securing OP-Pohjola Group's liquidity in case bad scenarios threatening liquidity materialise.

Measuring, monitoring and reporting on funding risk

The Group monitors funding risks on the basis of the balance sheet structure and the maturity distribution of its receivables and liabilities. A significant part of growth in the balance sheet is based on wholesale funding, and the Group aims to diversify it by maturity class in such a way that the renewal of wholesale funding and additional funding can be implemented flexibly regardless of the market situation. For the purpose of ensuring sufficiently diversified wholesale funding, the maturity distribution of wholesale funding is limited up to four years. The shortest maturity class applies to wholesale funding maturing within one month, the amount of which may not exceed liquidity reserves. In addition, a limit proportional to the balance sheet of OP-Pohjola Group's Banking Services has been set for the amount of liquidity reserves.

OKO Bank monitors liquidity on a daily basis, using calculations and forecasts for a 30-day period, containing the effects of internal transactions as well as forecasts of cash flows in interbank payment transfer services.

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

Derivatives business

OKO Bank Group uses interest rate and currency derivatives actively and equity, equity index and credit derivatives to a lesser extent. Note 74 provides detailed information on the underlying values and credit countervalues. Derivatives are used for trading and hedging purposes as part of overall exposure management. The Group monitors derivative risks as part of the total exposure in trading and treasury using the same benchmarks as for balance sheet exposure. The only exception is options, whose risk is measured as described above under 'Volatility risks'.

Counterparty risks involved in the derivatives business are monitored using credit countervalues determined on the basis of the repurchase cost of contracts (market value) and product-specific future credit risk factors.

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

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

Risk management of insurance operations

Risks of insurance operations

Insurance business is based on taking and managing risks. The largest risks pertain to risk selection and rating, the acquisition of reinsurance cover and the adequacy of insurance contract liabilities. In Non-life Insurance, risks associated with insurance contract liabilities are related particularly to insurance lines with a long claims settlement period. In addition to insurance risks, a major insurance business risk pertains to the investment risk related to the asset covering insurance contract liabilities.

Insurance risks

By taking out an insurance policy, the policyholder transfers his insurance risk to the insurer. The insurance risk associated with an individual non-life insurance contract comprises two risk components. The first one is the occurrence of one or more loss events coverable under the contract and the second one is the size of the coverable loss. Both the number of coverable losses and the size of each individual loss are random in nature. The insurance terms and conditions require that the occurrence of a coverable loss be unforeseeable. 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 differing in nature and value.

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

Since the lack of connection between insurance risks is never complete in real life, the insurer's claims risk in proportion to the size of the 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 the external operating environment, such as economic fluctuations, 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. Then again, changes in the population's general mortality rate would be reflected in the entire annuity portfolio in statutory insurance lines. A non-diversifiable risk may, in some cases, also relate to yet unknown and latent risks of loss applying to a large number of insurance contracts, with asbestos claims representing the most well-known examples from the near past.

A claims accumulation due to natural catastrophes or large catastrophes caused by human activity constitutes a specific risk type. In such a case, one catastrophic event may in practice give rise to simultaneously payable claims for a large number of insured risks at high amounts. The resulting total claims expenditure may be extremely large. However, this risk can be diversified, since the Group operates in the region with a perceived relatively low risk of natural catastrophes, enabling the Group to protect against the risk through reinsurance.

Management of insurance risks

The most important tasks within insurance risk management relate to risk selection and rating, the acquisition of reinsurance cover, the monitoring of claims expenditure and the analysis of insurance contract liabilities.

Risk selection and premium rating

Operating models highlight the role of risk selection and rating. The Group has set limits for the size and extent of risk for each insurance line and risk concentration, supported by a data warehouse and analysis applications. Insurance terms and conditions serve as a vital tool in controlling risks. In addition, risk analyses are performed on a customer or insurance line specific basis to mitigate risks.

Reinsurance

The reinsurance principles and the maximum claim-specific amount of risk retained for own account are annually approved by the Board of Directors. In practice, the Group keeps this amount lower if this is justifiable considering the price level of reinsurance cover. Retention in risk-specific reinsurance is a maximum of EUR 5 million and that in catastrophe reinsurance EUR 5 million. In addition, the Group may have to pay a maximum reinstatement premium of EUR 3.6 million for uncommon, major losses in excess of EUR 20 million. The capacity of catastrophe insurance covering loss accumulation stands at EUR 80 million.

The level of reinsurance protection has an effect on the need of solvency capital. Only companies with a sufficiently high insurance financial strength rating are accepted as reinsurers. Moreover, maximum limits have been confirmed for the amounts of risk that can be ceded to any one reinsurer. These limits depend 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.

Risk concentrations

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. Our operating region has no major risk of earthquakes. With respect to risks associated with other natural disasters, such as storms and floods, Finland is a very stable area. However, the Group has protected against catastrophe accumulation losses through an extensive catastrophe reinsurance cover whose capacity is 10-fold compared with the realised catastrophe accumulations. The catastrophe accumulation cover applies to property damage and personal injuries.

Evaluation of insurance contract liabilities

The Group monitors the adequacy of insurance contract liabilities on an annual basis. Liabilities arising from insurance contracts are determined on the basis of estimated future cash flows. These cash flows comprise paid claims and loss adjustment expenses.

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 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 is determined by 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 valuation of collective liability is based on different statistical methods. In the valuation of collective liability, the largest risks relate to estimating the future rate of inflation (excl. compensation for loss of income), the 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) and the 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 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.

The evaluation of insurance contract liabilities always involves uncertainties which may be due, for instance, to the prediction of the claims trend, delays in verifying losses, cost inflation, legislative amendments and general economic development. Every three years, an external actuary performs for the Group an analysis of the appropriateness of the calculation bases and the amount of Group insurance contract liabilities. More detailed information on insurance contract liabilities and their determination can be found in Note 32.

Statutory insurance contracts

By law, statutory insurance is mandatory for the policyholder. On the other hand, an insurance company is obliged to grant statutory insurance. The indemnification regulations and the amount of compensation are strictly prescribed by law. In addition, statutory lines of insurance are regulated by joint bodies which supervise compliance with consistent claims principles and claims standards. Private motor vehicles account for a larger share of the Group's motor liability insurance portfolio than motor vehicles owned by companies. In other respects, statutory insurance is mainly taken out by companies or other organisations.

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

Number and size of claims

The majority of claims expenditure in statutory lines of insurance for bodily injuries consists of compensation for loss of income and for medical care, which are compensated in full. As an exception to the above, compensation for loss of income in statutory workers' compensation insurance is, before the age of 65 years, only covered up to 85% of the full compensation. Compensation for permanent loss of income is paid in the form of a lifetime annuity. In case of death, the insured's widow(er) and his/her children until the age of 25 years are entitled to survivors' pension. No maximum monetary amount has been set for pension paid. With respect to statutory workers' compensation insurance and motor liability insurance, the insurance company is not, however, liable for the index increments of compensation for loss of income nor for any medical expenses which are paid for over ten years after the loss occurred. These are financed through the so-called pay-as-you-go system (see Pay-as-you-go system).

As regards claims paid under statutory lines of insurance, the public sector also charges for losses, based on actual costs incurred due to medical care, which have occurred after 2004. However, the risk for medical treatment expenses is fundamentally limited by the fact that medical treatment expenses for losses that have occurred more than 10 years ago do not fall within the scope of compensation payable under insurance contracts (see Pay-as-you-go system). In addition, the insurance company seeks actively to conclude contracts with different medical care providers in order to minimise costs.

In statutory workers' compensation insurance, a major loss may occur, since a large number of those insured may be working within a small area. A traffic accident may involve many casualties and injured persons, in addition to material damage. However, an upper limit of EUR 3.3 million applies to compensation payable for material damage under one motor liability policy.

In addition to accidents, statutory workers' compensation insurance covers occupational diseases, which typically develop slowly and therefore the evaluation of the related claims expenditure involves more uncertainty than accidents. An extreme example of this are latent occupational diseases in which the period from exposure to the actual outbreak of the disease may take several decades, such as asbestos-induced diseases. The death rate is very high among those suffering from the most severe asbestos diseases, i.e. mesothelioma or lung cancer.

Since taking out insurance is compulsory in statutory lines of insurance, the law provides that insurers must aim at risk correlation in their rating of insurance policies in such a way that premiums are reasonably proportioned to the costs incurred due to the policies. Motor liability insurance has a no-claims bonus system under which a loss event raises the insurance premium. In statutory workers' compensation schemes for large companies, the policyholder has the option of experience rating, which means that premiums are tied to the policyholder's own claims experience. The larger the company the stronger the linkage, and the more reliable the estimation of the company's actual risk level, measured on the basis of the company's own loss experience. A corresponding principle also applies to the rating of the largest vehicle fleets of a single policyholder. In this way, the risk related to rating is limited, since the rating of the insured risk follows automatically, if not fully, the policyholder's own loss experience.

The reinsurance of statutory workers' compensation insurance has been arranged through a national catastrophe pool. The Group's share of the pool is determined by the market share in the insurance line concerned. The pool has acquired reinsurance cover of up to EUR 200 million and the retention limit after the pool's share is EUR 4 million. In motor liability insurance, the retention is EUR 2.5 million for one loss event.

The provision for claims for annuities consists mainly of annuities of statutory insurance lines. Discounting is used in the computation of the claims provision for annuities and the discount rate chosen is of great significance for the claims provision.

Uncertainties related to future cash flows

It is typical of the statutory lines of insurance that the period between the date of the occurrence of a loss and the date on which the claim is fully paid is often long. Such insurance business generates long-term cash flow, on the evaluation of which medical-cost inflation and the mortality of beneficiaries have the greatest impact.

A downward trend in mortality increases cash flow from claims, since compensation for loss of income is mainly paid as lifetime annuity. Mortality has continued its downward trend in Finland and other industrialised countries for several decades. In Finland, the life expectancy of newborn babies has increased by around 1.5 years in the last ten years. This trend has been assumed to continue in the mortality model used by the Group for calculating insurance contract liabilities. The estimation of medical-cost inflation also plays a major role in the evaluation of cash flows. Advancements in medicine and improvements in living conditions have both decreased mortality and increased medical treatment expenses. In the projection of future cash flows, the Group has assumed medical-cost inflation to be two percentage points higher than the general inflation rate.

Since index increments in annuities under statutory insurance lines and medical expenses payable in excess of ten years after occurrence of a loss event are excluded from the scope of cover of an insurance contract (see Pay-as-you-go system), the provision for unpaid claims contains practically no inflation risk in this respect. However, the medical-cost inflation risk related to statutory lines of insurance concerns the Group's insurance contract liabilities for the first ten years after occurrence of the loss.

Losses coverable as occupational diseases resulting from exposure to asbestos fall, almost without exception, within the scope of occupational diseases covered under statutory workers' compensation insurance. The related compensation paid mainly includes medical expenses, loss of income indemnities and survivors' pensions. Assessing liabilities due to asbestos losses is difficult, since the latent period of various asbestos-induced diseases, i.e. a symptom-free period from asbestos exposure until the outbreak of an occupational disease, is long varying from 15 to 40 years on average, depending on the type of asbestos disease. In Finland, the use of asbestos ended mainly in the 1980's and was forbidden in 1994, with the 1960's and 1970's representing the peak years. The estimate of liabilities resulting from asbestos losses is based on the average claim amounts and on the estimated number of losses, which is based on national statistics on the use of asbestos as a raw material in Finland since 1905, on the assumed latent periods of various asbestos diseases, and on the statistical data on asbestos claims reported. The Group reviews annually the sufficiency of claims provisions and the accuracy of assumptions.

The scope of cover in statutory lines of insurance is fully regulated by legislation. Therefore, all parties are aware of the type of claims paid and the amount of compensation paid for each claim, which improves the predictability of future cash flows.

Pay-as-you-go system

The pay-as-you-go system is a scheme based on special laws governing each statutory line of insurance. Under this system, the financing of certain benefits, the so-called pay-as-you-go benefits, specified in these laws, has been arranged through the pay-as-you-go system. The system is a statutory scheme not generating any financial benefit or any harm to insurance companies that would lead to changes in equity.

Pay-as-you-go benefits include index increments in annuities, medical treatment expenses compensated under statutory workers' compensation insurance and motor liability insurance over ten years after the accident occurred, and certain other increases in benefits, as provided in special legislation on various statutory lines of insurance.

In accordance with this legislation, the pay-as-you-go benefits are financed through contributions charged annually by insurers from policyholders in connection with premium payment. The amount of this contribution is determined on the basis of the insurance company's market share in the line of insurance concerned during the same year. In particular, an insurance company which no longer underwrites the insurance line in question does not participate in the financing within the pay-as-you-go system. The amount collected through this contribution is annually remitted to the central organisation for the particular insurance line, as provided by law, which is in charge of distributing the related funds in such a way that each company engaged, or was previously engaged, in the insurance line concerned receives exactly the amount that corresponds to the claims it had paid pay-as-you-go benefits during that year.

Accordingly, future policyholder generations pay for the financing of future pay-as-you-go benefits. The obligation to insure regarding all statutory lines of insurance guarantees the financing basis for the system. For instance, in the case of statutory workers' compensation insurance, the contribution for financing the pay-as-you-go benefits payable in any given year is charged from all employers who have employees in Finland or Finnish employees assigned abroad in that particular year. Therefore, the financing of the pay-as-you-go system, based on special legislation governing statutory lines of insurance, could fail only if paid work, motor traffic or medical care in Finland would cease altogether.

Other accident and health insurance

Under these lines of voluntary insurance, compensation is paid for medical expenses incurred due to treatment of an injury or illness. In addition, a lump-sum benefit is paid in case of handicap or death caused by injury or illness. The policyholder may be either a private individual or a company. The actual insurance risk between these two does not differ materially.

Number and size of claims

Claims are usually small in other accident and health insurance. The largest claims may arise from catastrophes with a large number of injured people. In designated crisis areas, insurance cover is not in force.

An upper age limit has generally been set for insured persons, with the aim of restricting the amount of claims paid under policies. Furthermore, a person to be insured under medical expenses insurance is required to provide a health declaration, on the basis of which the insured's entitlement to compensation may be limited.

Insurers have the right to alter the price and terms and conditions of insurance annually when renewing continuous annual policies. However, insurance legislation restricts the grounds for altering insurance premiums and terms and conditions and these grounds must be stated in the insurance contract. Moreover, an insurance contract may not be terminated because of a loss event.

For new medical expenses contracts written after 2004, the Group has set a policy-specific maximum of EUR 50,000 for medical treatment expenses benefits.

The Group has taken out reinsurance cover against catastrophe accumulation in the insurance class 'Other accident and health'. Retention under reinsurance amounts to EUR 2.5 million and claims are paid up to EUR 25 million. In addition, the amount remaining for own account has been reinsured under general catastrophe cover. The reinsurance does not cover losses arising from contagious disease epidemics.

Uncertainties related to future cash flows

Projecting cash flows with respect to long-term medical treatment expenses under other accident insurance involves uncertainty due to cost inflation. If tax-funded public healthcare services decline, the medical-cost inflation applying to other accident insurance will intensify. However, the long-term insurance contract liabilities within the insurance line account only for around 15% of the line's premiums written.

Under health insurance terms and conditions, insurance premiums may be raised in proportion to an increase in medical treatment expenses. Medical expenses insurance policies are mainly contracts which cover only medical treatment expenses incurred during the insurance period. Consequently, how the medical-cost inflation will develop does not add to any major uncertainty with respect to the future cash flows of the lines of health insurance.

Medical-cost inflation has a major impact on projecting cash flows in medical expenses insurance, with respect to illnesses for which compensation is paid for a long time. Rapid progress in medicine and rising pharmaceuticals costs will increase medical-cost inflation.

Developments in public healthcare will also affect future cash flows. If tax-funded public healthcare services decline, people will increasingly start financing their medical care through medical expenses insurance.

Comprehensive and cargo insurance

Comprehensive insurance policies cover loss or damage caused to insured motor vehicles and railway rolling stock. The comprehensive insurance portfolio consists mainly of comprehensive motor vehicle policies taken out by private individuals and companies. Cargo insurance applies mainly to companies' transport risks, covering loss of or damage to goods in transit. This line of insurance also contains luggage and yacht insurance where the policyholder is mainly a private individual.

Number and size of claims

Weather conditions have the greatest effect on the number and size of losses. Therefore, claims expenditure is larger during the winter than during the summer.

The greatest risks within cargo insurance are associated with risk concentrations caused by sea transport and trading stock. In addition, weather conditions may involve accumulation risks covering a geographically large region, such as storms and floods, and the risk of snow and icy roads during the winter pertains to comprehensive insurance. Trains represent the largest single risks within comprehensive insurance.
The rating of motor vehicle insurance applies a no-claims bonus system, under which the occurrence of a loss event raises the premium. In addition, the insurance company has the right to alter the premium annually. However, the premium paid by a private individual as the policyholder may be altered only if the conditions set out in the insurance contract are met.

The Group has taken out a separate reinsurance cover against major loss of or damage to cargo, with the retention under reinsurance amounting to EUR 4 million. The Group's property reinsurance cover also applies to trains. In addition, the Group has taken out reinsurance cover for losses for own account under catastrophe cover under the same reinsurance agreement as property and business interruption policies. Retention under this catastrophe protection totals EUR 5 million for one loss event.

The majority of the motor vehicle insurance portfolio comprises private individuals' policies. In other respects, the insurance risk in this class consists mainly of insurance taken out by companies.

Uncertainties related to future cash flows

Projecting future cash flows in private individual and motor vehicle insurance does not involve any major uncertainties. Almost all claims have been paid within six months of the occurrence of the loss. For other policies, the claim settlement period is somewhat longer.

Property and business interruption insurance

Property insurance covers loss of or damage to the insured property, excluding property coverable under comprehensive or cargo insurance. Companies and other organisations account for over half of the property insurance portfolio. This line also comprises corporate business interruption insurance which covers financial losses arising from interrupted business operations causing damage to the company's property.

Number and size of claims

The largest single risks within property and business interruption insurance include fire, natural phenomenon and breakage risks exposed by companies' production facilities and buildings, and the related business interruption risks. Households' individual property risks are small and the related individual claims have no material effect on the Group's earnings. The majority of claims expenditure for households is due to leakage, fire and burglary claims.

The risk of natural catastrophes has been considered minor in Finland and the Baltic States, but forest damage in Sweden has led to the reassessment of this risk. Pohjola has insured around 3% of all Finnish commercial forests against storms and geographically these are dispersed all over Finland. On the basis of our current knowledge based on studies, it is still uncertain whether the recent storms are due to climate change or natural variations in climatic conditions. However, the studies have suggested that there are indications of a change in climatic conditions in the Group's operating region, at least in the long term. The projected temperature increase will probably be reflected in changes in summer and winter conditions and, for instance, in higher precipitation, although there is no clear proof of higher temperatures intensifying storms. The capacity of the catastrophe reinsurance cover totals EUR 80 million, which is 10-fold compared with the largest realised catastrophe accumulations.

As a general rule, flood damage is excluded from the insurance terms and conditions of property insurance covering buildings.

In the selection of property and business interruption risks, the Group applies standardised procedures based on customer segments' various insurance needs and solutions. Based on a certified quality management system, the rating of major clients' policies is performed in a graded way in accordance with the size and severity of the risk. In the rating process, resources and managerial decision-taking are increased as the size and severity grows.

Customer-selection and discount guidelines serve as guiding principles in the rating of corporate customers. The customer-selection guidelines provide details on a potential customer's eligibility for becoming a customer, taking account of eg payment defaults. In sectors characterised by large risks, the Group conducts stricter risk selection. The discount guidelines define the seller's, risk manager's, underwriter's and supervisor's powers to grant discounts by line of insurance and partly by customer segment. The Group applies system authorisations to control the rating of small enterprises.

The Group monitors the profitability of property and business interruption insurance contracts using a diversified follow-up and analysis system based on an insurance and loss data warehouse. Profitability analyses are carried out by line of insurance, customer segment, business sector and customer care organisation.

The Group has the right to re-rate policies in connection with a policy renewal or to terminate a policy. However, the premium paid by a private individual as the policyholder may be altered only on conditions specified in the insurance contract.

The Group has reinsured its insurance portfolio under a non-proportional reinsurance treaty in which retention amounts to EUR 5 million by insurance risk. In addition, it has taken out reinsurance protection against catastrophe accumulation claims. Under this reinsurance cover, the amount of retention was reduced from EUR 7.5 million to EUR 5 million at the beginning of 2007.

Uncertainties related to future cash flows

Projecting future cash flows in property and business interruption insurance does not involve any major difficulties. Claims are mainly paid within a year of the occurrence of the loss and the amount of loss can be estimated reliably. By and large, the greatest uncertainty in claim-specific estimates pertains to new business interruption and accumulation losses.

With respect to monitoring the extent of storm damage, the Group monitors separately the damage caused by each storm. In each monthly report, the Group compares the initial overall loss estimate with the established claim expenditure and adjust this estimate, where necessary.

Liability and legal expenses insurance

The lines of statutory insurance which comprise liability insurance components are not included in this group. Pure liability insurance covers loss provided that the insured is liable to pay damages to a third party for a loss caused. Corporate insurance accounts for the majority of the insurance risk associated with this group. Legal expenses insurance covers financial loss resulting from legal expenses. Private individuals' insurance cover forms the majority of the insurance risk associated with this group.

Number and size of claims

Legislation and legal practice governing the liability to pay damages have a major impact on the number and size of liability claims.

Claims made by private individuals are usually small. In addition, private individuals' risks account for a minor share of the total risk within the class.

The majority of corporate liability policies consist of product liability and commercial general liability policies. In the selection of insurance risk, the same guidelines apply as in property and business interruption insurance. For instance in product liability insurance, the risk of losses incurred due to one and the same defect or act – the so-called serial losses – has been reduced in such a way that, for losses incurred at different times due to the same defect, the total maximum indemnity equals the sum insured for the period during which the first loss was detected.

Legal expenses insurance covers expenses for legal proceedings incurred by the person insured. Since the insured person can contribute to the costs of legal proceedings, for instance, through the choice of an attorney, legal expenses insurance applies a proportional deductible, whereby the customer always pays a certain percentage of the overall loss.

The Group's retention for the risks in this class amounts to EUR 4 million for any one loss event.

Uncertainties related to future cash flows

Liability insurance is characterised by losses being revealed slowly. Once a loss has been reported, uncertainty may still prevail as regards the size of the loss. However, the most significant uncertainty relates to the assessment of unknown losses.

In liability insurance, claims may be allocated either by the time of occurrence or by the time at which the claim was made. This is of major significance with respect to cash flow projections. If the insurance contract stipulates that the loss must be allocated in accordance with the loss report, the policyholder no longer has any opportunity to file new claims after an agreed period of time from the expiry of the insurance contract.

No significant uncertainty relates to cash flows from legal expenses insurance, since losses in this line are always reported promptly. Therefore, the size of the losses does not involve any major uncertainty.

Long-term insurance contracts

Long-term insurance contracts refer to contracts with an average minimum validity of two years, comprising guarantee insurance, decennial insurance and perpetual insurance.

Number and size of claims

The risk associated with loan guarantees relates to the debtor's insolvency and that associated with performance guarantees relates to the supplier's non-performance. The policyholders consist mainly of companies. The economic situation has a major effect on the number of claims in guarantee insurance in such a way that the number of guarantee claims is much smaller during upturns than during downturns. Guarantee insurance contracts are divided into loan guarantees and contract guarantees, the former's duration being an average of 5–7 years and the latter's a maximum of two years. More than half of the guarantee insurance portfolio consists of contract guarantees.

As a rule, the Group has not taken out reinsurance cover for guarantee insurance, but part of the guarantee insurance liabilities are covered by sufficient security. In case of a loss, the Group can realise the property held for security, thus reducing the loss. Since guarantee insurance is based on long-term activity, the Group must regularly monitor the insured's financial standing, developments in the amount of liability and the adequacy of counter-security.

The majority of the decennial policies are statutory construction defects insurance policies. In these policies regarding residential buildings, a loss event requires a construction defect and the builder's insolvency. Since the liability period under the insurance is 10 years, the risk of serial loss is involved. For a builder with exceptionally many construction defects recorded, the risk of insolvency increases materially.

In case of a serial loss, the Group has a stop loss reinsurance treaty covering loss accumulation per underwriting year. Under the treaty, retention for each underwriting year is 300–400% of premiums written.

The underwriting of perpetual insurance was terminated in the 1970's. The object of insurance may be a building or a forest. The policyholder has paid a lump-sum premium for the entire insurance period. The unlimited cover is valid until the sum insured has been indemnified. The policyholder is entitled to surrenders. Owing to the effect of inflation, the sums insured under perpetual insurance are small. The policyholders consist mainly of private individuals.

Uncertainties related to future cash flows

The largest problem related to the projections of cash flows from long-term insurance contracts is that the amount of compensation fundamentally depends on future years' economic conditions that are difficult to predict.

The greatest uncertainty related to cash flows from perpetual insurance resides in the amount of surrenders. Currently, there are very few surrenders, the greatest risk being that the number of surrenders increases markedly. The annual amount of surrenders has been EUR 200,000. If all policies were to be surrendered immediately, the amount payable would be EUR 15 million.

Investment risks

In insurance business, investments comprise assets covering insurance contract liabilities and shareholders' equity. Through controlled investment risks, the Group aims to achieve the best possible return on the investment portfolio at an acceptable risk level while taking account of the structure of insurance contract liabilities and the capital adequacy targets.

The most significant investment risks pertain to market, credit and liquidity risks which can materialise in terms of lower-than-expected return on investments or an impairment of investments. The Group seeks to mitigate investment risks by diversifying investments as efficiently as possible by asset class, counterparty, sector, geographical area, and by ensuring that the investment portfolio is as liquid as possible.

In Non-life Insurance, investment operations are based on investment plans and investment authorisations, confirmed annually by the Board of Directors, which specify the basic allocation and range of investments by asset class, the organisation of investment, risk limits as well as decision-making powers and authority.

The basic allocation of investments by asset class forms the key investment-management tool. In its determination, the Group takes account of the operating environment and prospects, investment risks in relation to income, requirements set by insurance contract liabilities, requirements set by the authorities, rating targets and risk appetite.

Non-life Insurance applies the Asset/Liability Management (ALM) model used to determine the basic allocation. As a result of fluctuations in asset values and active investment operations, the Group occasionally deviates from the basic allocation within defined limits.

Investment operations are subject to monthly reporting to the Risk Management executives and the non-life insurance companies' Boards of Directors. These reports specify the amount invested, recorded income by asset class and recorded income as shown by benchmark indices, as well as risk indicators.

The Risk Management Department monitors daily the set risk limits presented in the investment plan, key risk limits including allocation limits, interest rate and currency limits, counterparty credit-rating limits and diversification limits.

Market risks

Market risk pertains to price, interest rate and currency risks. Changes in share prices, interest rates and foreign exchange rates have an effect on the value of, and annual income from, investment assets. The Group assesses the relation between the Non-life Insurance investment risk and solvency capital, using an internal ALM model and the market risk sensitivity analysis.

The maximum allocation of asset classes involving prise risks, such as equities, alternative investments and real property, is subject to limits. The Group also managed investment risk by diversifying investments across various instruments, by region and by industry.

Interest rate risks

In addition to the sensitivity analysis, the interest rate risk of fixed-income portfolios is monitored using modified duration. The investment plan sets a range for the modified duration of fixed-income portfolios proportioned to the modified duration of a benchmark portfolio. In determining the interest rate limit, the Group has taken account of the effect of interest rate risk arising from the discounting of insurance contract liabilities.

Currency risks

In the management of currency risks, Non-life Insurance takes account of the currency risk arising from both investments and insurance operations Currency risks exposed by Non-life Insurance arise mainly from foreign equity investments. The investment plan specifies a limit set for currency risks and presents principles of hedging against currency risks by asset class. The Group is active in changing the degree of hedging within the risk limit according to the current market view.

Use of derivatives

The Group also uses derivatives in the management of market risks. The investment plan defines annually the principles governing the use of derivatives. Interest rate and equity derivatives may be used both for hedging purposes and for increasing the risk level of the portfolio, within defined limits. Currency derivatives may be used only for hedging purposes. The Group does not use credit risk derivatives. Derivative contracts may be concluded on regulated markets or with a counterparty whose long-term credit rating is at least A3 (Moody’s) or A– (Standard & Poor's).

Credit risks

Credit risks associated with investment arise from the issuer's credit risk and the counterparty risk associated with derivatives contracts. The Group manages credit risks by diversifying the portfolio and limiting the proportion of weaker credit risk in the portfolio. The investment plan includes limitations regarding credit ratings and maximum investments regarding any single counterparty. The Group performs an internal credit risk assessment of non-rated issuers, on the basis of which it can make an investment decision.

Liquidity risks

In the investment plan, the Group annually assesses liquidity and takes account of its liquidity requirements when building up the investment portfolio. Active insurance operations show a surplus in terms of liquidity, since premiums written are collected before payment of compensation. Whenever necessary, the money market portfolio serves as the primary liquidity buffer. Investments in equities and bonds consist mainly of quoted and liquid equities and bonds.

NOTE 3. Business operations acquired and sold during the financial year

OKO Bank acquired on 12 September 2005 from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company the shares they held in Pohjola Group plc, at a sales price of EUR 1 195 million. After the transaction, OKO Bank held around 58.5% of Pohjola shares and votes. The deal was finalised on 18 October 2005 when OKO Bank received the regulatory approvals of the authorities for the deal. Upon the completion of the deal, Pohjola Group plc became a subsidiary of OKO Bank. By the end of 2005, OKO Bank increased its holding of Pohjola Group plc shares to 86.3%. Pohjola Group plc and the companies included in its consolidated financial statements have been included in the consolidated financial statements of the OKO Group from 30 October 2005. In January 2006, OKO Bank's shareholding and voting rights in Pohjola exceeded 90% and OKO Bank initiated the arbitration proceedings, as required by the Finnish Companies Act, for the redemption of the Pohjola shares. From the beginning of 2006, Pohjola Group plc has been included in the financial statements of OKO Bank as a fully-owned subsidiary.

The most important acquired business operations of the Pohjola group of companies are the non-life insurance, life insurance, mutual fund and asset management business. In December 2005, Pohjola sold totally owned Pohjola Fund Management Company Ltd at EUR 73 million and Pohjolan Systeemipalvelu Oy at EUR 13 million to the OP Bank Group Central Cooperative. In January 2006 Pohjola sold Pohjola Life Insurance Company Ltd to the Central Cooperative at a total sales price of EUR 281 million.

The 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.

In the consolidation of Group accounts in 2006, the acquisition cost totalled EUR 2,074 million, of which the acquisition cost of shares amounted to EUR 2,062 million and the related direct costs came to EUR 12 million, 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 2,087 million, of which other direct costs related to the acquisition accounted for EUR 25 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	71	71
Cash and cash equivalents	100	100
Total assets	5,340	4,793
Insurance liabilities	3,268	3,268
Financial liabilities	150	150
Deferred tax liabilities	262	121
Provisions	38	38
Pension obligations	9	5
Accounts payable and other liabilities	155	155
Total liabilities	3,882	3,737

Net assets		1,458	1,057
Holding in net assets acquired	100 %	1,458	
Acquisition cost			
Goodwill		630	
Goodwill of sold companies		123	
Disposal of hull insurance portfolio		4	
Goodwill on 31 December 2007*		504	
Purchase price paid in cash		2,083	
Cash and cash equivalents of acquired subsidiary		100	
Cash flow impact		1,984	

*A more detailed specification of goodwill can be found in Note 24.

Business operations sold

In 2007, OKO Bank did not sell any of its businesses.

Year 2006

On 16 January 2006, OKO Bank sold Pohjola Life Insurance Company to Central Cooperative for EUR 281million. The divested company was included in the consolidated accounts as a discontinued operation until 31 December 2005. The divestment had no effect on OKO Bank Group's earnings.

On 22 December 2005, Pohjola Group plc sold its wholly owned run-off companies Bothnia International for EUR 8 million and Moorgate Insurance Company Ltd for EUR 2 million to a non-Group buyer. The disposal was finalised on 1 June 2006 and had no major effect on OKO Bank Group's earnings. The divested companies were included the consolidated financial statements until 31 May 2006.

Disposal of assets	Life-Pohjola	Bothnia	Moorgate	Total
Non-life Insurance assets		43	9	52
Life Insurance assets	1,755			1,755
Intangible assets	110			110
Property, plant and equipment				
Other assets	6			6
Tax assets	3			3
Total	1,873	43	9	1,925
Disposal of liabilities				
Non-life Insurance liabilities		32	11	43
Life Insurance liabilities	1,577			1,577
Provisions and other liabilities	10			10
Tax liabilities	21	1	1	23
Total	1,609	33	12	1,654
Selling price in cash	236	8	2	246
Disposal of cash and cash equivalents	23	2	7	32
Cash flow impact	213	6	-5	214

NOTES TO THE INCOME STATEMENT

NOTE 4. Net interest income	2007	2006
Interest income		
Receivables from financial institutions	270	181
Receivables from customers	415	272
Loans	395	256
Finance lease receivables	20	15
Impaired loans and other commitments	1	
Notes and bonds	224	174
Held for trading	90	151
At fair value through profit or loss	112	
Available for sale	21	23
Held to maturity		
Derivative contracts	1,318	641
Hedge accounting	9	16
Other	1,309	625
Other interest income	7	2
Total	**2,234**	**1,270**
Interest expenses		
Liabilities to financial institutions	94	106
Financial liabilities at fair value through profit or loss	0	1
Liabilities to customers	82	53
Debt securities issued to the public	593	356
Subordinated liabilities	45	23
Subordinated loans	8	
Other	36	23
Derivative contracts	1,294	629
Hedge accounting	6	22
Other	1,288	606
Other interest expenses	12	6
Total	**2,119**	**1,175**
Net interest income before impairments	**115**	**96**

Hedging instruments in hedge accounting showed net loss of EUR 1 million (a loss of 16) and net income from hedged contracts came to EUR 1 million (16).

NOTE 5. Impairments of receivables	2007	2006
Receivables eliminated as loan and guarantee losses	5	5
Recoveries of eliminated receivables	-3	-1
Increase in impairments	6	4
Reversal of impairments	-7	-8
Group-specific impairments		
Impairments of interest receivables		
Insurance claims and benefits		
Total	**1**	**1**

NOTE 6. 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	159	112
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	**433**	**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' shares 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	
Change in provision for unearned premiums	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 receivables		
Interest income	3	2
Interest expenses	-1	
Capital gains and losses		
Impairments		
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

Capital gains and losses		
Notes and bonds		
Shares and participations		0
Derivatives	13	10
Other	0	-2
Fair value gains and losses		
Notes and bonds	0	-1
Shares and participations	0	
Derivatives	0	-1
Other		
Total	**12**	**5**
Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	69	72
Other income and expenses	0	-4
Capital gains and losses	-12	-34
Transferred from fair value reserve during financial year	-27	10
Impairments and their reversals		
Total	30	43
Shares and participations		
Dividends	61	22
Other income and expenses	2	-3
Capital gains and losses	-10	-50
Transferred from fair value reserve during financial year	57	88
Impairments and their reversals	-1	-1
Total	108	56
Total	**138**	**99**
Net income from investment property		
Rental income	8	8
Capital gains and losses	3	1
Gains on fair value measurement	2	2
Maintenance charges and expenses	-6	-4
Other	0	-1
Total	**7**	**6**
Total net investment income from Non-life Insurance	**159**	**112**

Unwinding of discount, Non-life Insurance

The increase in the discounted insurance contract liabilities of Non-life Insurance due to the passage of time (Note 32) (unwinding of discount) totals EUR 39 million (37). Unwinding of discount is computed monthly applying the discount rate at the end of the previous month and the insurance contract liabilities at the beginning of the current month. The discount rate was 3.7% from 31 December 2003 to 30 November 2004, 3.5% from 1 December 2004 to 30 November 2005, 3.3% from 1 December 2005 to 30 November 2007 and 3.5% from 1 to 31 December 2007.

NOTE 7. Net commissions and fees	2007	2006
Commissions and fees		
Lending	22	16
Deposits	0	
Payment transfers	12	12
Securities brokerage	26	21
Mutual fund brokerage	2	2
Securities issuance	6	5
Asset management and legal services	56	53
Insurance operations	6	4
Guarantees	6	6
Other	6	4
Total	**142**	**123**

In 2007, Other included EUR 2 million in deferred Day 1 profit commissions and fees and EUR 1 million in non-deferred commissions and fees. The counter-item is included in provisions and other liabilities in the balance sheet.

Commission expenses		
Payment transfers	3	3
Securities brokerage	10	8
Securities issuance	4	1
Asset management and legal services	9	8
Other	2	2
Total	**27**	**21**
Net commissions and fees	**115**	**102**

NOTE 8. Net trading income	2007	2006
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	-8	-8
Shares and participations	0	1
Derivatives	3	13
Other		
Total	-5	6
Fair value gains and losses		
Notes and bonds	2	-10
Shares and participations	0	-1
Derivatives	23	32
Other		
Total	25	21
Dividend income	0	
Assets and liabilities at fair value through profit or loss		
Capital gains and losses		
Notes and bonds	0	-1
Shares and participations		
Derivatives		
Other		
Total	0	
Fair value gains and losses		
Notes and bonds	-67	-17
Shares and participations		
Derivatives	0	
Other		
Total	-67	-17
Dividend income		
Net income from foreign exchange operations		
Currency exchange	45	36
Other	-32	-25
Total	**-34**	**20**

NOTE 9. Net investment income	2007	2006
Available-for-sale financial assets		
Notes and bonds and loans acquired		
Capital gains and losses	0	
Transferred from fair value reserve during the financial year	1	
Impairments and their reversals		
Shares and participations		
Capital gains and losses	3	4
Transferred from fair value reserve during the financial year	14	17
Impairments	-1	-1
Dividend income	9	14
Total available-for-sale financial assets	26	35

Investment property		
Rental income	3	4
Capital gains and losses	0	
Gains and losses from fair value measurement	-1	1
Maintenance charges and expenses	0	-2
Other	0	
Total investment property	3	2
Total net investment income	**28**	**37**

NOTE 10. Other operating income	**2007**	**2006**
Rental income from property in own use	1	
Capital gains on property in own use	2	1
Insurance claims and benefits	0	
Central banking service fees	9	9
Realisation of repossessed items	1	2
Rental income from assets rented under operating lease	14	12
Reinsurance commissions of Non-life Insurance	3	3
Other *	41	24
Total	**71**	**50**

* In 2007, EUR 18 million (13) of Pohjola Non-Life Insurance Company's income was included in 'Other', representing income from the management of partners' distribution networks and insurance portfolios

NOTE 11. Personnel costs	**2007**	**2006**
Wages and salaries	135	135
Share-based payments		
Pension costs	21	19
Defined contribution plans	21	19
Defined benefit plans	0	0
Other social expenses	10	11
Total	**166**	**165**

NOTE 12. Other administrative expenses	**2007**	**2006**
Office expenses	61	51
IT expenses	43	42
Telecommunication expenses	10	11
Marketing expenses	14	13
Other administrative expenses	17	15
Total	**145**	**133**

NOTE 13. Other operating expenses	2007	2006
Rental expenses	0	
Expenses for property and business premises in own use	25	22
Capital losses on property in own use		
Expenses for realisation of repossessed items	2	2
Reinsurance commissions of Non-life Insurance	3	2
Credit losses of Non-life Insurance	9	7
Change in collective guarantee item of Non-life Insurance	1	1
Depreciation and amortisation		
Buildings	1	1
Machinery and equipment	5	6
Intangible assets related to company acquisition	36	36
Other intangible assets	6	5
Other	12	10
Total	60	57
Impairments		
Property in own use	1	
Goodwill		
Other		
Total	1	0
Other *)	27	19
Total	**129**	**111**

*) The item includes EUR 10 million in liquidated damages, including interest and expenses, paid by OKO Bank to savings banks on the basis of an arbitral award. The liquidated damages were due to the termination of cooperation between Pohjola and savings banks as a result of combining the operations of OP Bank Group and Pohjola.

NOTE 14. Income tax	2007	2006
Current tax	50	53
Tax for previous financial years	3	-21
Deferred tax	23	10
Income tax expense	**76**	**42**
Corporate income tax rate	26	26
Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate		
Earnings for the financial year	288	223
Tax calculated at a tax rate of 26% (2006: 26%)	75	58
Tax for previous financial years	3	-21
Income not subject to tax	-2	-3
Expenses not deductible for tax purposes	2	2
Re-evaluation of unused losses	0	1
Tax adjustments	-1	6
Other items	-1	
Tax expense	**76**	**42**

NOTE 15. Earnings per share

Earnings per share is calculated by dividing profit or loss for the financial year attributable to shareholders by the issue adjusted weighted average number of shares outstanding during the financial year.

	2007	2006
Profit for the year attributable to equity holders of the Parent (EUR million)	212	181
Weighted average number of shares (1,000)		
Series A shares	159,504	158,051
Series K shares	43,847	43,992
Total	203,351	202,044
Basic earnings per share (EUR/share)		
Series A shares	1.04	0.66
Series K shares	1.03	0.65

NOTES TO THE BALANCE SHEET

NOTE 16. Liquid assets	31 Dec. 2007	31 Dec. 2006
Cash	2	2
Deposits with central banks repayable on demand		
OKO Bank's minimum reserve deposit	150	139
Other	296	766
Total liquid assets	**448**	**907**

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 17. Receivables from financial institutions	31 Dec. 2007	31 Dec. 2006
Receivables from financial institutions		
Deposits		
Repayable on demand	250	195
Other	6	152
Total	256	347
of which receivables from financial institutions due in less than 3 months	256	347
Loans and other receivables		
Repayable on demand		
From OP-Pohjola Group retail banks		
From other credit institutions		0
Total		0
Other		
From OP-Pohjola Group retail banks	3,764	3,340
From other financial institutions	1,197	1,862
Total	4,961	5,202
Total receivables from financial institutions	**5,217**	**5,549**
Impairments		
From other financial institutions		-2
Total		-2
Total receivables from financial institutions	**5,217**	**5,546**
Receivables from financial institutions include repo receivables.		
Receivables from financial institutions include subordinated receivables	42	30

NOTE 18. Financial assets at fair value through profit or loss	31 Dec. 2007	31 Dec. 2006
Financial assets held for trading		
Government notes and bonds	242	231
Certificates of deposit and commercial papers	1,581	1,665
Debentures	8	5
Bonds	383	563
Other notes and bonds	6	6
Shares and participations	0	6
Loans acquired and other receivables		
Total	2,220	2,476
Financial assets at fair value through profit or loss at inception		
Government notes and bonds	56	57
Certificates of deposit and commercial papers		
Debentures	53	37
Bonds	2,372	2231
Other notes and bonds		
Shares and participations		
Loans acquired and other receivables		
Total	2,481	2325
Total financial assets at fair value through profit or loss	**4,701**	**4,801**

Notes and bonds at fair value through profit or loss and shares and participations by quotation and issuer

Financial assets held for trading	31 Dec. 2007		31 Dec. 2006	
	Notes and bonds	Shares and participa-tions	Notes and bonds	Shares and participa-tions
Quoted				
From public corporations	430		231	
From others	1,764	0	402	6
Other				
From public corporations			101	
From others	26		1,736	
Total	**2,220**	**0**	**2,470**	**6**

Financial assets at fair value through profit or loss at inception	31 Dec. 2007		31 Dec. 2006	
	Notes and bonds	Shares and participa-tions	Notes and bonds	Shares and participa-tions
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	**4,701**		**4,795**	**6**

Financial assets at fair value through profit or loss include EUR 3,572 million (3,872) in notes and bonds eligible for central bank refinancing. Financial assets at fair value through profit or loss include EUR 61 million (42) in subordinated publicly-quoted notes and bonds, EUR2,630 million (2,515) in notes and bonds lodged as collateral with the central bank and EUR 110 million (31) in collaretal pledged on behalf of own debts.

NOTE 19. Derivative contracts	**31 Dec. 2007**	**31 Dec. 2006**
Held for trading		
Interest rate derivatives	430	262
Currency derivatives	6	3
Equity derivatives	59	33
Credit derivatives	0	0
Other	0	
Total	496	299
Hedging derivative contracts – fair value hedging		
Interest rate derivatives	25	16
Currency derivatives	7	5
Equity derivatives	0	
Credit derivatives	0	
Other	0	
Total	32	21
Total derivative contracts	**528**	**320**

Derivative contracts in the balance sheet include positive value changes and paid premiums.

NOTE 20. Receivables from customers	**31 Dec. 2007**	**31 Dec. 2006**
Loans to the public and public corporations	6,886	5,556
Finance lease receivables	452	414
Loans acquired and other receivables		
Loans acquired	26	44
Other	1,942	1,867
Impairment losses on loans		
Based on credit risk	-20	-18
Based on country risk		
Other		
Total receivables from customers	**9,288**	**7,864**

Changes in impairments of loans and guarantees

EUR million	Loans	Bank guarantee receivables	Interest receivables	Total
Impairments 1 January 2007	18	1	-1	19
Increases in receivable-specific impairments	12		-2	10
Changes in impairments on receivables collectively	1			1
Reversal of receivable-specific impairments	-11	0	1	-10
Loans and guarantee receivables derecognised from balance sheet,				
of which a receivable-specific impairment was recognised	-1			-1
Impairments 31 December 2007	20	1	-1	20

EUR million	Loans	Bank guarantee receivables	Interest receivables	Total
Impairments 1 January 2006	20	3	-1	22
Increases in receivable-specific impairments	5			5
Changes in impairments of receivables collectively				
Reversal of receivable-specific impairments	-4	-2		-6
Loans and guarantee receivables derecognised from balance sheet,				
of which a receivable-specific impairment was recognised	-3			-3
Impairments 31 December 2006	18	1	-1	18

Finance lease receivables

OKO Bank Group mainly offers transport equipment and industrial machinery and equipment through finance leases.

EUR million	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**
Gross increase during the financial year	**206**	**165**

NOTE 21. Non-life Insurance assets	31 Dec. 2007	31 Dec. 2006
Investments		
Loans and other receivables	57	67
Equities	444	447
Property	85	56
Notes and bonds	1,447	1,541
Other	451	320
Total	2,485	2,431
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	**2,809**	**2,766**

Non-life Insurance investments	31 Dec. 2007	31 Dec. 2006
Loans and other receivables		
Loans and other receivables	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
Equities		
Derivative contracts		
Currency derivatives	0	
Interest derivatives		
Equity derivatives		
Total	2	3
Available-for-sale financial assets		
Notes and bonds	1,445	1,538
Shares and participations	444	447
Other participations	450	319
Total	2,340	2,304
Investment property		
Land and water areas	11	6
Buildings	74	50
Total	85	56
Total Non-life Insurance investments	**2,485**	**2,431**

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

EUR million	31 Dec. 2007 Notes and bonds	31 Dec. 2007 Shares and participations	31 Dec. 2006 Notes and bonds	31 Dec. 2006 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		
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total *
Quoted						
From public corporations	577		577			
From others	799		799	775		775
Other						
From public corporations	1		1			
From others	69		69	120		120
Total	**1,445**		**1,445**	**894**		**894**
Impairment losses				5		5

The available-for-sale financial assets of Non-life Insurance include EUR one million (4) in pledged items, consisting 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 444 million (447) in equities and mutual funds with equity risk and EUR 450 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		
EUR million	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	7		7	154		154
Total	1,538		1,538	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 22. Investment assets	31 Dec. 2007	31 Dec. 2006
Available-for-sale financial assets		
Notes and bonds	618	94
Shares and participations	83	101
Loans acquired		
Total	701	194
Investment property		
Land and water areas	0	
Buildings	23	29
Total	24	29
Total investment assets	**725**	**225**

Investment property does not include real property received as collateral in 2007 and 2006.

Available-for-sale financial assets on 31 December 2007

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total *
Quoted						
From public corporations						
From others	603		603	19		19
Other						
From public corporations						
From others	14		14	6	59	64
Total	**618**		**618**	**24**	**59**	**83**
Impairment losses				1		

Available-for-sale financial assets include EUR 35 million (16) in subordinated publicly-quoted notes and bonds from others and EUR 0 million (33) in other than publicly-quoted notes and bonds from others. A total of EUR 6 million (0) out of the EUR 16 million (21) investments in equity funds was measured at fair value and EUR 10 million (21) at cost. The portfolio includes unquoted equities measured at cost and totalling EUR 49 million (57), of which shares in subsidiaries and associates not included in the consolidated accounts amounted to EUR 1 million (1). No fair value could reliably be determined for investments measured at cost.

Available-for-sale financial assets on 31 December 2006

EUR million	Available-for-sale notes and bonds At fair value	At amortised cost	Total	Available-for-sale shares and participations At fair value	At cost	Total *
Quoted						
From public corporations						
From others	52		52	23		23
Other						
From public corporations						
From others	42		42		78	78
Total	**94**		**94**	**23**	**78**	**101**
Impairment losses				1		

Changes in investment property	**2007**	**2006**
Acquisition cost 1 January	32	38
Increase	1	2
Decrease	-8	-8
Transfers between items		
Acquisition cost 31 December	26	32
Accumulated changes in fair value 1 January	-3	-4
Changes in fair value during financial year	-1	1
Decrease	1	1
Other changes		
Accumulated changes in fair value 31 December	-2	-3
Carrying amount 31 December	24	29

The increase in investment property includes EUR one million (2) in capitalised costs realised after the acquisition.

Information on investment property leased out under operating lease can be found in Note 76.

NOTE 23. Investment in associates	**31 Dec. 2007**	**31 Dec. 2006**
Investment 1 January	8	8
Acquisition of business operations		
Disposals	6	
Share of profit for the financial year		
Dividends		
Impairment losses		
Changes in Group structure		
Investment 31 December	2	8

Holdings in associates included in 2007 consolidated financial statements

Name	Domicile	Assets	Liabilities	Net sales	Profit/Loss	Holding, %
Autovahinkokeskus Oy	Espoo	6	2	4		27.8
Vahinkopalvelu Oy	Loppi	1	0	3		46.7

Holdings in associates included in 2006 consolidated financial statements

Name	Domicile	Assets	Liabilities	Net sales	Profit/Loss	Holding, %
Nooa Savings Bank Ltd	Helsinki	82	76	3		25.0
Autovahinkokeskus Oy	Espoo	2	1	1		27.8
Vahinkopalvelu Oy	Loppi	1	1	1		46.7

NOTE 24. Intangible assets

			31 Dec. 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	494	179	301	121	1,095
Increases	13			16	29
Decreases	-4			-8	-12
Transfers between items					
Acquisition cost 1 December	504	179	301	129	1,112
Acc. amortisation and impairments 1 January			-28	-47	-75
Amortisation during the financial year			-24	-18	-42
Impairments for the financial year					
Reversals of impairments for the financial year					
Decreases				4	4
Other changes					
Acc. amortisation and impairments 31 December			-51	-61	-113
Carrying amount 31 December	504	179	250	66	999

Other intangible assets include computer software to the carrying amount of EUR 53 million and EUR 11 million in computer software under development.

Amortisation, impairment losses and their reversals were recognised on the income statement under Other operating expenses.

31 Dec. 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	392	179	301	103	975
Increases*	102			14	116
Decreases					
Transfers between items				4	4
Acquisition cost 1 December	494	179	301	121	1,095
Acc. amortisation and impairments 1 January			-4	-29	-33
Amortisation during the financial year			-24	-16	-40
Decreases				-2	-2
Acc. amortisation and impairments 31 December			-28	-47	-75
Carrying amount 31 December	494	179	274	74	1,020

*Internal development work accounts for EUR 1 million.

Other intangible assets include computer software to the carrying amount of EUR 65 million and computer software under development totalling EUR 6 million.

Amortisation, impairment losses and their reversals are recognised on the income statement under Other operating expenses.

Intangible assets with indefinite economic lives

	31 Dec. 2007	31 Dec. 2006
Goodwill	504	494
Brands	179	179
Total	**683**	**673**

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 Dec. 2007		31 Dec. 2006	
	Carrying amount, EUR million	Remaining amor-tisation period	Carrying amount, EUR million	Remaining amor-tisation period
Customer relationships	250	9-12 yrs	274	10-13 yrs
Software	53	2-5 yrs	65	2-5 yrs
Software under development	11		6	

Goodwill, brands, customer relationships and a significant part of computer software were acquired in 2005 in connection with the acquisition of Pohjola Group operations. 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

	2007	2006
Non-life Insurance	407	398
Pohjola Asset Management Ltd	97	96
Total	504	494

Goodwill of OKO 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 the Non-life Insurance and Asset Management business.

For the purpose of goodwill testing, the value of the CGUs of OKO Group was determined by using the 'Excess Returns' method. Accordingly, profits for the current period and future periods were reduced by the return requirement set for shareholders' equity. Any excess return was discounted using a discount rate corresponding to the return requirement set for shareholders' equity in order to determine the present value of cash flows.

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 11% to 12%.

The impairment testing of goodwill did not lead to recognition of impairments.

A sensitivity analysis was carried out separately on each CGU on the basis of essential parameters of each CGU. Major parameters by CGU are:

Non-life Insurance

-Discount rate, combined ratio and net investment income ratio

-3-percentage point growth in combined ratio throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk

-20% decrease in net investment income ratio, with other parameters remaining unchanged, would entail an impairment risk

- The used parameters were the same as in the previous year and the results of the sensitivity analysis did not change significantly.

Asset Management

-Discount rate, an increase in assets under management and in expenses

- Zero-growth in assets under management during the testing period and around 100% growth in expenses, with other parameters remaining unchanged, would entail an impairment risk.

- The used parameters were the same as in the previous year and the results of the sensitivity analysis did not change significantly.

Impairment testing of brands

OKO Bank'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. The same risk premium and the corresponding royalty percentages as in the 2006 test and the 2005 PPA procedure were applied in the test.

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 goodwill did not lead to recognition of impairments.

Impairment testing of other essential intangible assets
OKO Bank Group's customer relationships 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 and computer software are charged to expenses using straight-line amortization over their estimated economic lives. No indications of the need for their impairment recognition have been discovered.

NOTE 25. Property, plant and equipment	**31 Dec. 2007**	**31 Dec. 2006**
Property in own use		
Land and water areas	3	6
Buildings	14	23
Total	17	28
Machinery and equipment	11	14
Other tangible assets	6	6
Leased-out assets	63	47
Total property, plant and equipment	**97**	**95**
of which construction in progress	0	0

Changes in property, plant and equipment (PPE)

31 Dec. 2007	**Property in own use**	**Machinery and equipment**	**Other tangible assets**	**Leased-out assets**	**Total PPE**
Acquisition cost 1 January	30	86	6	59	181
Increases	2	3		37	43
Decreases	-6	-13		-15	-34
Transfers between items	-6				-6
Acquisition cost 31 December	20	77	6	81	184
Accumulated depreciation and impairments 1 January	-2	-72	0	-12	-86
Depreciation during the financial year	-1	-5	0	-12	-18
Impairments for the financial year	-1				-1
Reversals of impairments for the financial year					0
Decreases	0	11		6	17
Accumulated depreciation and impairments 31 December	-3	-66	0	-18	-87
Accumulated changes in fair value 1 January					
Changes in fair value during the financial year					
Decreases					
Accumulated changes in fair value 31 December					
Carrying amount 31 December	17	11	6	63	97

Depreciation, impairment losses and their reversals are charged to Other operating expenses.

OKO Bank Group primarily offers passenger cars through operating leases. The Group has leased out office facilities it does not need and such facilities are classified as investment property in the financial statements.

A breakdown of PPE leased out under operating lease can be found in Note 76.

31 Dec. 2006	Property in own use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 31 December	28	83	7	46	163
Increases	8	4		21	33
Decreases	-2	-2	-1	-8	-11
Transfers between items	-4	2			-2
Acquisition cost 31 December	30	86	6	59	183
Accumulated depreciation and impairments 1 January	-1	-67		-7	-75
Depreciation during the financial year	-1	-6		-11	-17
Decreases	1			6	5
Accumulated depreciation and impairments 31 December	-2	-72		-12	-88
Accumulated changes in fair value 1 January					
Changes in fair value during financial year					
Decreases					
Accumulated changes in fair value 31 December					
Carrying amount 31 December	28	14	6	47	95

NOTE 26. Other assets	31 Dec. 2007	31 Dec. 2006
Payment transfer receivables	88	7
Pension assets	34	33
Accrued income and prepaid expenses		
Interest	554	360
Other accrued income and prepaid expenses	20	11
Other	394	223
Total	1,090	633

The item Other include eg EUR 233 million (46) in accounts receivable from securities. In 2006, 'Other' included EUR 127 million in any additional Pohjola share price for collateral lodged on the basis of the arbitral award plus interest payable to minority shareholders.

Defined benefit pension plans

OKO Bank Group has funded assets of its pension schemes through OP Bank Group Pension Fund, OP Bank Group Pension Foundation and insurance companies. Schemes related to supplementary pensions in the Pension Foundation and insurance companies, as well as the TEL (Employees’ Pensions Act) funded old age and disability pension schemes 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	129	130
Present value of funded obligations (–)	-110	-100
Present value of unfunded obligations	-4	-5
Unrecognised actuarial gains (-) and losses (+)	10	-2
Net receivable (+) / liability (–) on the balance sheet	24	23
Assets and liabilities recognised on the balance sheet		
Assets	34	32
Liabilities	10	-9
Net assets	**24**	**23**

Plan assets include		
OKO Bank plc shares	4	4
Securities issued by companies included in OP-Pohjola Group	1	1
Other receivables from companies included in OP-Pohjola Group	2	2
Property used by OP Bank Group Central Cooperative Consolidated		
Total	7	7

Defined benefit pension costs on the income statement		
Current service cost	3	3
Interest cost	5	4
Expected return on plan assets	-7	-6
Actuarial gains and losses		
Transfer from TEL pooling liability		
Past service cost		-1
Effect of curtailment of plans or settlements		
Total income (–)/expenses (+) included in personnel costs	**0**	**0**

Actual return on plan assets	**3**	**8**

The expected long-term return on plan assets within the pension schemes is based on the market rate of a five-year government bond on the date of the preparation of the plan, which is also used as the expected return on government bonds. The expected return on other asset classes is derived from adding various risk premiums to the expected return on the bond.

Changes in present value of obligation	31 Dec. 2007	31 Dec. 2006
Present value of obligation 1 January	104	91
Current service cost	3	3
Interest cost	5	4
Actuarial gains and losses	7	5
Benefits paid	-3	-3
Past service cost		-1
Curtailment of plan		
Settlement of obligation		
Change in division ratio	-4	5
Asset returns based on TYEL interest rate difference, transferred to TYEL pooling	-2	
Increase to PBO of old age benefits, transferred from TYEL pooling	3	
Present value of obligation 31 December	**114**	**104**

Changes in fair value of assets	31 Dec. 2007	31 Dec. 2006
Fair value of assets 1 January	130	119
Expected return on plan assets	7	6
Actuarial gains and losses	-4	2
Employer contributions	2	-2
Benefits paid	-3	-3
Settlement of obligation		
Change in division ratio	-5	8
Transfer to TEL pooling liability		
Asset returns based on TYEL interest rate difference, transferred to TYEL pooling	-2	
Increase to PBO of old age benefits, transferred from TYEL pooling	3	
Fair value of assets 31 December	**129**	**130**

Contributions payable to the defined benefit plan in 2007 are estimated at EUR 2 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	39	43
Property	20	22
Other assets	10	10

Principal actuarial assumptions used	2007	2006
Discount rate, %	5.00	4.50-4.75
Expected long-term return on plan assets, %	6.19-6.72	5.89-6.50
Assumed future salary increases, %	3.50-4.00	3.00-3.50
Future pension increases, %	2.00-2.70	1.90-2.10
Turnover rate, %	0.50-3.00	0.50-3.00
Inflation, %	2.00	2.00
Average remaining service time in years	1-16	2 - 16

Surplus of defined benefit pension plans and experience adjustments	31 Dec. 2007	31 Dec. 2006
Present value of obligation	114	104
Fair value of assets	-129	-130
Surplus or deficit	**-15**	**-26**
Experience adjustments on liabilities	3	3
Experience adjustments on assets	-4	2

NOTE 27. Tax assets

	31 Dec. 2007	31 Dec. 2006
Income tax assets	8	8
Deferred tax assets	10	4
Total tax assets	**18**	**12**

Breakdown of tax assets and liabilities	31 Dec. 2007	31 Dec. 2006
Deferred tax assets		
Due to available-for-sale financial assets	1	
Due to depreciation and impairment losses on PPE	3	2
Due to provisions and impairments on loans	2	3
Due to cash flow hedging		
Due to dissolution losses related to taxation		
Due to deferral of Repayment Security Insurance fees		
Due to consolidated eliminations	2	2
Due to taxable losses		
Due to other items	3	2
Set-off against deferred tax liabilities		-5
Total	**10**	**4**

Deferred tax assets		
Due to appropriations	117	99
Due to available-for-sale financial assets	12	34
Due to cash flow hedging		
Due to elimination of equalisation provision	83	73
Due to deferral of pension liability	8	8
Due to fair value measurement of investment	19	8
Due to allocation of sale price of corporate acquisitions	116	121
Due to consolidated eliminations		3
Due to other items	2	1
Set-off against deferred tax assets		-5
Total	**357**	**342**

Changes in deferred taxes	**31 Dec. 2007**	**31 Dec. 2006**
Deferred tax assets/liabilities 1 January	-338	-326
Effect of changes in accounting policies		
Deferred tax assets/liabilities 1 January	-338	-326
Recognised on the income statement		
Elimination of capital gains on securities of companies acquired	10	20
Intra-Group capital gains		
Effect of losses		
Provisions and impairments on receivables	-1	-1
Appropriations	-18	-21
Depreciation/amortisation and impairments	7	
Elimination of equalisation provision	-11	-4
Other	-9	-4
Recognised on the balance sheet		
Effect of corporate acquisitions and disposals		
Allocation of purchase price		
Recognised in shareholders' equity		
Available-for-sale financial assets		
Changes in fair value	3	-4
Transfers to the income statement	12	4
Other		-3
Total deferred tax assets/liabilities 31 December	**-347**	**-338**
Income tax assets/liabilities	**-6**	**-5**
Total tax assets/liabilities	**-353**	**-343**

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

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

NOTE 28. Liabilities to financial institutions	31 Dec. 2007	31 Dec. 2006
Liabilities to central banks	110	445
Liabilities to financial institutions		
Repayable on demand		
Deposits	534	368
Other liabilities		
Due and ordered for collection from other banks		
Total	534	368
Other than repayable on demand		
Deposits	2,095	1,577
Other liabilities	0	
Repo liabilities		
Other liabilities	0	
Total	2,095	1,578
Total liabilities to financial institutions and central banks	**2,739**	**2,390**

NOTE 29. 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	52	
Total financial liabilities at fair value through profit or loss	**52**	

NOTE 30. Derivative contracts	31 Dec. 2007	31 Dec. 2006
Held for trading		
Interest rate derivatives	480	285
Currency derivatives	7	3
Equity and index derivatives	6	
Credit derivatives	1	1
Other		
Total	494	290
Hedging derivative contracts – fair value hedging		
Interest rate derivatives	41	31
Currency derivatives	13	11
Equity and index derivatives		
Credit derivatives		
Other		
Total	54	41
Total derivative contracts	**548**	**331**

The derivative contracts balance-sheet item includes negative changes in fair value and premiums received.

NOTE 31. Liabilities to customers	31 Dec. 2007	31 Dec. 2006
Deposits		
Repayable on demand		
Private	2	12
Companies and public corporations	890	637
Total	892	650
Other		
Private	9	1
Companies and public corporations	0	3
Total	9	3
Other financial liabilities		
Other		
Private		
Companies and public corporations	1,836	1,341
Repo liabilities		
Total	1,836	1,341
Total other financial liabilities	1,836	1,341
Total liabilities to customers	**2,738**	**1,994**

NOTE 32. 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
Derivative contracts	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**	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Provision for unpaid claims for annuities	1,010		1,010	989		989
Other provisions by case	136	-34	102	137	-45	92
Special provision for occupational diseases	41		41	43		43
Collective liability (IBNR)	463	-5	458	464	-6	458
Reserved loss adjustment expenses	50		50	50		50
Provision for unearned premiums	315	-22	293	285	-31	254
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

	2007			2006		
EUR million	Gross	Reinsu-rance	Net	Gross	Reinsu-rance	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		-28			
Other change in reserving basis	-17		-17	15		15
Unwinding of discount	38		38	36		36
Liabilities related to sold assets	-12	7	-5	-38	9	-29
Foreign exchange gains (losses)					-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 discount rate	-1		-1			
Other change in reserving basis	4		4	6		6
Liabilities related to sold assets	-12	7	-5			
Unwinding of discount	1		1	1		1
Liability/reinsurers' share 31 December	315	-22	293	285	-31	254
Provision for unexpired risks						
Liability/reinsurers' share 1 January	0		0	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**	**1,886**

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.

Determination 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 the 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 a 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.

For the assessment of collective liability, the Group's non-life insurance portfolio is divided into several categories by risk and eg maturity of the cash flow applying to compensation paid. In each category, collective liability is first calculated using each statistical method stated above and the method that best suits the category under review is chosen. The selection criteria used includes how well the model would have predicted developments in prior years of occurrence and the sensitivity of the estimate generated by the model with respect to the number of statistical years used. The safety loading of 2–10% is added to the expected value generated by the selected model. On a Group-wide basis, the safety loading accounts for 6.4% of collective liability. The safety loading is determined by the quality of historical data, the estimate's sensitivity to the number of history years and the deviation between estimates generated by various 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 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.

c) 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 the mortality basis and the discount rate during 2004 –07.

Development of annuities confirmed as final (EUR million)

Financial year	Year-start	Year-end	New annuity capital	Annuities paid	Changes in reserving bases*	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 mortality basis (2004) and the discount rate (2004, 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 2005–2007	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 on 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 33. Debt securities issued to the public

EUR million	Average interest rate, %	31 Dec. 2007	Average interest rate, %	31 Dec. 2006
Bonds	4.6	7,249	3.7	7,704
Other				
Certificates of deposit	4.7	2,987	3.5	3,617
Commercial paper holdings	4.6	2,653	4.1	1,901
Other	1.2	109	1.2	115
Included in own portfolio in trading (–)		-143		-74
Total debt securities issued to the public		**12,856**		**13,338**

Long-term loans and interest rate linkages	Nominal amount	Interest rate	Maturity
OP-bond 2006 I	11.1	2.80 %	25 Jan. 2008
OP-bond 2006 II	4.6	2.85 %	8 March 2008
OP-bond 2006 III	8.4	3.40 %	14 June 2008
OP-bond 2006 VI	8.8	3.60 %	20 Sept. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue of AUD 80,000,000 Floating Rate Instruments Due 22 December 2008	47.7	3 mth BBSW LIBOR + 0.08 %	22 Dec. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue of AUD 22,000,000 Floating Rate Instrumets Due 18 February 2009	13.1	3 mth BBSW LIBOR + 0.17 %	18 Feb. 2009
OKO Osuuspankkien Keskuspankki Oyj("OKO Bank") Issue of CHF 50,000,000 1.50 per.cent. Instruments 2005-2008	30.2	1.50 %	23 June 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue of EUR 1,000,000,000 Floating Rate Instruments Due 2008	892.9	3 mth Euribor + 0.03 %	18 March 2008
OKO Bank Plc ("OKO Bank" or The "Issuer") Issue of EUR 125,000,000 Frn Due May 2009	125.0	3 mth Euribor %	25 May 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue of EUR 600,000,000 Floating Rate Instruments Due March 2009	600.0	3 mth Euribor + 0.10%	18 March 2009
OKO Bank Plc ("OKO Bank" or The "Issuer") Issue of JPY 5,000,000,000 Floating Rate Notes Due 8 December 2008	30.3	6 mth JPY LIBOR	8 Dec. 2008
OKO Osuuspankkien Keskuspankki Oyj "OKO Bank") Issue of NOK 400,000,000 5.2 % Fixed Rate Notes Due June 2014	50.3	5.20 %	16 June 2014
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue of SEK 150,000,000 4.11 % Notes Due 22 October 2009	15.9	4.11 %	22 Oct. 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue of EUR 500,000,000 Floating Rate Instruments Due December 2010	495.0	3 mth Euribor + 0.075 %	2 Dec. 2010
OKO Osuuspankkien Keskuspankki Oyj ("OKO Bank") Issue of U.S.$ 500,000,000 Floating Rate Instruments Due November 2009	339.1	dollar LIBOR	18 Nov. 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 100,000,000 Senior Floating Rate Instruments Due 8 February 2008	100.0	EUB3M +0.01	8 Feb. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of NOK 1,000,000,000 Fixed Rate Notes Due 15 February 2016	125.7	Fixed 4,185 %	15 Feb. 2016
OKO Bank Plc ("OKO Bank") Issue of NOK 800,000,000 Fixed Rate Notes Due 24 November 2008	100.5	Fixed 5,195 %	24 Nov. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 30,000,000 Floating Rate Notes Due 2008	30.0	EUB3M +0.01	13 Feb. 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of HKD 300,000,000 4.59% Fixed Rate Notes due 21 February 2008	26.1	Fixed 4,59 %	21 Feb. 2008

OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 1,000,000,000 Floating Rate Instruments Due March 2010	979.6	EUB3M +0.,05	8 March 2010
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 50,000,000 5 Year Floating Rate Instruments Due March 2011	50.0	EUB3M +0.07	8 March 2011
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of HKD 150,000,000 4.500 Per Cent. Fixed Rate Instruments Due 2008	13.1	Fixed 4,5 %	10 March 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 40,000,000 Floating Rate Notes Due 10 March 2008	40.0	EUB3M +0	10 March 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 50,000,000 Floating Rate Instruments Due17 March 2008	50.0	EUB3M +0.02	17 March 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 100,000,000 Floating Rate Instruments Due 3 April 2009	100.0	EUB3M +0.04	3 April 2009
OKO Bank Plc ("OKO Bank") Issue of EUR 100,000,000 Floating Rate Notes Due January 2009	100.0	EUB6M +0.02	15 Jan. 2009
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of EUR 50,000,000 Floating Rate Notes Due April 2008	50.0	EUB3M +0.02	4 April 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of JPY 5,450,000,000 Floating Rate Notes Due 21 April 2008	33.0	3 mth Yen libor	21 April 2008
OKO Osuuspankkien Keskuspankki Oyj ("OKO BANK") Issue of JPY 5,000,000,000 Floating Rate Instruments Due 2008	30.3	6 mth Yen libor+0.01	19 June 2008
OKO Bank Plc ("OKO BANK") Issue of EUR 750,000,000 Floating Rate Instruments Due June 2011	749.8	EUB3m +0.08	21 June 2011
OKO Bank Plc ("OKO BANK") Issue of EUR 75,000,000 Floating Rate Instruments Due September 2008	75.0	EUB12M flat	30 Sept. 2008
OKO Bank Plc ("OKO BANK") Issue of EUR 75,000,000 Floating Rate Notes Due March 2009	75.0	EUB3m +0.02	6 March 2009
OKO Bank Plc ("OKO BANK") Issue of JPY 5,000,000,000 Floating Rate Notes Due 25 February 2008	30.3	pmth Yen Libor flat	25 Feb. 2008
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	173.0	EUB1M +0.02	11 Sept. 2008
OKO Bank Plc ("OKO BANK") Issue of EUR 32,000,000 Extendible Floating Rate Instruments November 2011	32.0	EUB1M +0.02	11 Oct. 2008
OKO Bank Plc ("OKO BANK") Issue of EUR 300,000,000 Extendible Floating Rate Instruments November 2011	195.0	EUB1M +0.02	11 Nov. 2011
OKO Bank Plc ("OKO BANK") Issue of CHF 250,000,000 Floating Rate Notes Due November 2009	151.1	CHL3M +0.0000	2 Nov. 2009
OKO Bank Plc ("OKO Bank" Or The "Issuer") Issue of 2.995% Fixed Rate CHF 50.000.	30.2	Fixed 2,995 %	20 March 2009
OKO Bank Plc ("OKO BANK" or The "ISSUER") Issue of GBP 250,000,000 Floating Rate Notes Due 21 November 2011	477.3	3 mth GBP libor +0.05	21 Nov. 2011
OKOBank Plc ("OKO BANK" or The "ISSUER") Issue of GBP 50,000,000 Floating Rate Notes Due 21 November 2011	74.5	3 mth GBP libor +0.05	21 Nov. 2011
OKO BANK PLC ("OKO BANK" or The "ISSUER") Issue of EUR 50,000,000 Floating Rate Notes Due November 2008	50.0	3 mth Euribor+0. 02	24 Nov. 2008
OKO BANK PLC ("OKO BANK" or The "ISSUER") Issue of JPY 5,000,000,000 Floating Rate Instruments Due 27 November 2008	30.3	3 mth JPY libor	27 Nov. 2008
OKO Bank Plc ("OKO Bank" or The "Issuer") Issue of JPY 10.000,000,000 Fixed Rate Instruments Due 20 January 2009	60.6	Fixed 0,05%	20 Jan. 2009
OKO Bank Plc ("OKO Bank" or The "ISSUER") Issue of EUR 100,000,000 Floating Rate Notes Due December 2008	100.0	3 mth Euribor+0.	22 Dec. 2008
JPY 8,000,000,000 Term Loan Facility	48.5	0.85 %	9 July 2012
JPY 2,000,000,000 Term Loan Facility	12.1	1.706 %	30 Nov. 2015
JPY 5,000,000,000 Term Loan Facility	30.3	1.41 %	7 Sept. 2012
JPY 3,000,000,000 Term Loan Facility	18.2	1.645 %	17 Nov. 2014

The interest rate is the rate according to the issue currency. The euro equivalents have been calculated using the average rate of the European Central Bank on the balance sheet date. In addition, the nominal amount of structured bonds issued by OKO Bank was EUR 465 million (317). The bonds' interest rate is determined on the basis of interest, equity, equity index or similar underlying instruments. Any possible additional return on the bonds to the investor is hedged using a corresponding derivative structure.

NOTE 34. Provisions and other liabilities	31 Dec. 2007	31 Dec. 2006
Provisions	1	4
Other liabilities		
Payment transfer liabilities	481	421
Accrued expenses		
Interest payable	521	321
Other accrued expenses	61	118
Other	595	147
Total	1,659	1,006
Total provisions and other liabilities	**1,659**	**1,010**

The item Other under Other liabilities consists eg of EUR 288 million (25) in accounts payable on securities, EUR 228 million (68) in liabilities for equities and derivative contracts and EUR 10 million (9) in pension liabilities.

Changes in provisions

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

Onerous contracts

The Group has a number of non-cancellable lease contracts on facilities which the Group can no longer utilise in its operations. The Group has been able to sublease some of the facilities, but rental income from the leases does not cover rental expenses paid by the Group. The provision for onerous contracts fully covers the net loss from these contracts and the rental liability of other contracts.

NOTE 35. Tax liabilities	31 Dec. 2007	31 Dec. 2006
Income tax liabilities	14	13
Deferred tax liabilities	357	342
Total tax liabilities	**371**	**355**

A specification of deferred tax liabilities is given in Note 27.

NOTE 36. Subordinated liabilities

	Average interest rate, %	31 Dec. 2007	Average interest rate, %	31 Dec. 2006
Subordinated loans	4.8	193	4.4	198
Other				
Perpetual loans	5.1	286	4.4	199
Debentures	4.7	471	4.6	527
Total subordinated liabilities		950		**924**

Subordinated loans

Subordinated loans included in Tier 1

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 in change in fair value recognised for hedging (–16.1).

Perpetual loans and debentures

1. A perpetual loan of GBP 100 million which can be called in at the earliest on 28 December 2012, subject to authorisation by the Financial Supervision Authority. A fixed 6.5% interest is paid on the loan semi-annually.
2. A perpetual loan of EUR150 million which can be called in at the earliest on 30 November 2012, subject to authorisation by the Financial Supervision Authority. A fixed 3.875% interest is paid on the loan annually.
3. A debenture loan of EUR 70 million which can be called in at the earliest on 30 November 2010, subject to authorisation by the Financial Supervision Authority. A fixed 3.5% interest is paid on the loan annually.
4. A debenture loan of EUR 150 million which can be called in at the earliest on 21 March 2011, subject to 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.

Loans 1–5 were issued in international capital markets.

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

Issue date	Carrying amount, EUR million	Interest rate, %	Due date
4 June 2003	5.3	3.4 %	4 June 2009
19 November 2003	6.8	3.9 %	19 November 2009
10 March 2004	5.3	3.5 %	10 March 2010
15 September 2004	6.1	3.5 %	15 September 2010
16 March 2005	5.2	3.3 %	16 March 2011
30 November 2005	1.4	3.2 %	30 November 2011
20 September 2006	0.2	3.85 %	20 September 2012

OKO Bank has no violations of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The financial statements include EUR 0.2 million recognised for the price difference of the loans (0.2).

NOTE 37. Shareholders' equity	31 Dec. 2007	31 Dec. 2006
Capital and reserves attributable to equity holders of the Parent		
Share capital	428	428
Reserves		
Restricted reserves		
Share premium account	519	519
Reserve fund	204	203
Reserves provided for by Articles of Association		
Fair value reserve		
From cash flow hedging		
From translation differences		
From measurement at fair value	7	47
Other restricted reserves	1	1
Non-restricted reserves		
Invested non-restricted equity reserve		
Other non-restricted reserves	27	23
Retained earnings		
Profit (loss) for previous periods	473	427
Profit (loss) for the period	212	181
Capital and reserves attributable to equity holders of the Parent	1,869	1,828
Minority interest	0	0
Total shareholders' equity	**1,869**	**1,828**

	Number of shares		Share	Share premium	Treasury	
	Series A	Series K	capital	account	shares	Total
1 January 2006	157,170,608	44,006,352	423	515		938
Share issue				-1		-1
Exercise of stock options	2,173,940		5	5		9
Conversion of shares	25,000	-25,000				
31 December 2006	159,369,548	43,981,352	428	519		946
Share issue						
Exercise of stock options						
Conversion of shares	194,580	-194,580				
Buyback of treasury shares						
31 December 2007	159,564,128	43,786,772	428	519		946

Share capital and shares

Shares are divided into Series A and Series K shares. The shares have no nominal value. The stated value of each share is EUR 2.10 (not an exact figure). All issued shares have been paid up.

Intended for subscription by the general public, Series A shares are quoted on the Helsinki Stock Exchange and are not subject to any purchase restrictions. Holding of Series K shares is restricted to Finnish cooperative banks, cooperative bank companies and the central entity of the amalgamation of cooperative banks, OP Bank Group Central Cooperative. Series K shares can be converted into Series A shares at the written request of the shareholder or, in case of nominee-registered shares, at the written request of the asset manager registered with the book-entry register, within the limits of the minimum and maximum numbers of the share types provided for in the Articles of Association.

In the event of dividend distribution, Series A shares entitle their holders to an annual dividend that is at least one (1) percentage point higher than the dividend paid on Series K shares.

Treasury shares
At year-end, OKO Bank or its subsidiaries or associates did not hold OKO Bank treasury shares. The General Meeting has not authorised OKO Bank to buy back treasury shares.

Proposed distribution of dividend
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.65 (0.65) be distributed on each Series A share and EUR 0.62 (0.62) on each Series K share, totalling EUR 131 million (131).

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 stated value paid for shares in a rights issue and amounts exceeding the stated value of a share and paid for share subscription based on stock options.

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. The amount of the subscription price exceeding the stated value of shares subscribed in September and November, based on stock options, was entered in the share premium account, because the General Meeting had made the decision on issuing stock options before the entry into force of the new Companies Act. Otherwise, it has no longer been possible to increase the share premium account since 1 September 2006.

Reserve fund
The reserve fund consists of profits transferred to it during previous periods and the loan loss provisions transferred to it in 1990. The reserve fund may be used to cover losses for which the non-restricted equity is not sufficient. The reserve fund may also be used to increase the share capital and it may be reduced in the same way as the share capital. Since 1 September 2006, it has no longer been possible to increase the reserve fund.

Other restricted reserves
These reserves consist of retained earnings based on the Articles of Association or rules which describe 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 this reserve will derecognised and recorded in the income statement when an available-for-sale financial asset is disposed of or is subject

Other non-restricted reserves
These reserves consist of retained earnings based on decisions by the General 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.

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 38 –57 and that by Non-life Insurance in Notes 58 –69.

Risk exposure by Banking and Investment Services

The classification by Statistics Finland is used in these notes, deviating partly from the classification used in the risk exposure section presented in the Review by the Board of Directors.

NOTE 38. Assets and impairment losses recognised on them for the financial year

EUR million	31 Dec. 2007 Balance sheet value	Impair-ment losses	31 Dec. 2006 Balance sheet value	Impair-ment losses
Liquid assets	448		907	
Receivables from financial institutions	5,217		5,549	-2
Financial assets at fair value through profit or loss				
Notes and bonds	4,701		4,795	
Shares and participations	0		6	
Derivative contracts				
Held for trading	496		299	
Hedging	32		21	
Loans and other receivables				
Loans granted	6,886	-19	5,556	-17
Finance lease receivables	452		414	
Repo contracts	0			
Guarantee receivables	1	-1	1	-1
Other receivables	1,969		1,911	
Available-for-sale financial assets				
Notes and bonds	618		94	
Shares and participations	82		100	
Off-balance-sheet commitments				
Bank guarantees	531		532	
Total	**21,434**	**-20**	**20,185**	**-21**

NOTE 39. Impairments by risk type	**31 Dec. 2007**	**31 Dec. 2006**
Based on credit risk	-20	-21
Based on country risk		
Other		
Total	**-20**	**-21**

NOTE 40. Capital management, own funds and risk-weighted balance sheet

Note 2, Risk management and capital adequacy management principles, deals with goals, principles and processes related to capital management. OKO Bank Group and all companies engaged in banking and investment services meet the capital adequacy requirements set by the authorities.

Own funds

EUR million	31 Dec. 2007	31 Dec. 2006
Own funds		
Shareholders' equity	1,869	1,828
Subordinated loans	224	224
Intangible assets	-847	-859
Fair value reserve, surplus of pension liability, change in equalisation provision and change in fair value of investment property	-114	-115
Profit distribution as proposed by the Board	-131	-131
Tier 1 capital	**1,002**	**948**
Fair value reserve	7	47
Subordinated liabilities included in		
upper Tier 2 capital	299	200
Subordinated liabilities included in		
lower Tier 2 capital	488	474
Tier 2 capital	**793**	**721**
Investment in insurance companies	-164	-157
Other allowances	-1	-8
Total allowances	**-165**	**-165**
Total own funds	**1,629**	**1,504**

Risk-weighted balance sheet

Risk category	Risk weight, %	Balance sheet items 31 Dec. 2007 Carrying amount	Balance sheet items 31 Dec. 2007 Risk-weighted value	Balance sheet items 31 Dec. 2006 Carrying amount	Balance sheet items 31 Dec. 2006 Risk-weighted value
Group I	0	5,570		7,866	
Group II	20	7,707	1,541	5,677	1,135
Group III	50	497	248	458	229
Group IV	100	8,166	8,166	6,674	6,674
Group V	10	371	37		
Total		22,311	9,993	20,675	8,039
Off-balance-sheet commitments			2,771		2,580
Total risk-weighted receivables, investments and off-balance-sheet commitments			12,763		10,619
Total risk-weighted value of market risk			611		1,008
Total risk-weighted items			**13,374**		**11,627**

	31 Dec. 2007	31 Dec. 2006
Capital adequacy ratio, %	12.2	12.9
Ratio of Tier 1 to total risk-weighted items, %	7.5	8.2
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates	1.09	1.13

The tables above show figures for OKO Bank Group.

NOTE 41. Exposure

31 Dec. 2007	Finland Balance sheet value	Impair-ments	Accrued interest	Other countries Balance sheet value	Impair-ments	Accrued interest
Assets						
Receivables from financial institutions	4,955		21	262		2
Receivables from customers	8,258	-20	62	577		3
Finance leases	452			0		
Notes and bonds	2,558		14	2,761		25
Other	8			118		
Total	**16,232**	**-20**	**98**	**3,718**		**29**
Off-balance-sheet commitments						
Unused standby credit facilities	3,385			71		
Guarantees and letters of credit	1,875			330		
Derivative contracts	59			456		
Other	110			396		
Total	**5,429**			**1,253**		
Total exposure	**21,661**	**-20**	**98**	**4,971**		**29**

31 Dec. 2006	Finland Balance sheet value	Impair-ments	Accrued interest	Other countries Balance sheet value	Impair-ments	Accrued interest
Assets						
Receivables from financial institutions	5,373		18	173	-2	1
Receivables from customers	7,038	-18	42	411		1
Finance leases	414			0		
Notes and bonds	2,614		14	2,275		21
Other	0			39		
Total	**15,440**	**-18**	**74**	**2,899**	**-2**	**24**
Off-balance-sheet commitments						
Unused standby credit facilities	3,497			66		
Guarantees and letters of credit	1,661			422		
Derivative contracts	32			250		
Other	64			357		
Total	**5,254**			**1,094**		
Total exposure	**20,693**	**-18**	**74**	**3,993**	**-2**	**24**

The tables show the recognised positive market value of derivative contracts.

NOTE 42. Exposure by sector

31 Dec. 2007	Balance sheet values Finnish	Foreign	Off-balance-sheet Finnish	Foreign	Total
Non-banking corporate sector	8,001	371	5,020	280	13,671
Financial institutions and insurance companies	6,596	3,283	337	972	11,188
Households	731	2	17	1	752
Non-profit organisations	204	0	15		219
Public corporations	798	91	40		929
Total	**16,330**	**3,747**	**5,429**	**1,253**	**26,759**

31 Dec. 2006	Balance sheet values Finnish	Foreign	Off-balance-sheet Finnish	Foreign	Total
Non-banking corporate sector	6,686	221	4,818	341	12,066
Financial institutions and insurance companies	7,310	2,589	344	751	10,993
Households	672	3	19	2	695
Non-profit organisations	175		37		211
Public corporations	672	110	36		818
Total	**15,514**	**2,923**	**5,254**	**1,094**	**24,784**

The balance sheet values are accounting balances including impairments and accrued interest income.

NOTE 43. Loan and guarantee receivables and doubtful receivables

	Loan and guarantee portfolio				
31 Dec. 2007	Not impaired (gross)	Impaired (gross)	Total	Total impairments	Balance sheet value
Loan and guarantee receivables					
Receivables from financial institutions	5,217		5,217		5,217
Receivables from customers, of which	8,828	27	8,855	-20	8,836
Bank guarantee receivables	0	1	1	-1	0
Finance leases	452		452		452
Overdrafts	8		8		8
Total	**14,506**	**27**	**14,533**	**-20**	**14,513**
Loan and guarantee receivables by sector					
Non-banking corporate sector	7,731	27	7,758	-17	7,741
Financial institutions and insurance companies	5,442		5,442		5,442
Households	735		735	-2	733
Non-profit organisations	201	0	202	0	202
Public corporations	395		395		395
Total	**14,506**	**27**	**14,533**	**-20**	**14,513**

Loan and guarantee portfolio

31 Dec. 2006	Not impaired (gross)	Impaired (gross)	Total	Total impairments	Balance sheet value
Loan and guarantee receivables					
Receivables from financial institutions	5,546	2	5,549	-2	5,546
Receivables from customers, of which	7,438	29	7,467	-18	7,449
Bank guarantee receivables		1	1	-1	
Finance leases	414		414		414
Overdrafts					
Total	**13,399**	**32**	**13,430**	**-21**	**13,410**
Loan and guarantee receivables by sector					
Non-banking corporate sector	6,399	29	6,429	-17	6,412
Financial institutions and insurance companies	5,768	2	5,771	-2	5,768
Households	676		676	-1	675
Non-profit organisations	173		173	0	173
Public corporations	382		382		382
Total	**13,399**	**32**	**13,430**	**-21**	**13,410**

Doubtful receivables

31 Dec. 2007	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impairments
Doubtful receivables					
Receivables from financial institutions					
Receivables from customers, of which	16	29	45	16	-20
Bank guarantee receivables	0	1	1	0	-1
Finance leases	1		1	1	
Overdrafts	8		8		
Total	**25**	**29**	**54**	**17**	**-20**
Doubtful receivables by sector					
Non-banking corporate sector	8	28	36	13	-17
Financial institutions and insurance companies	8		8	0	
Households	9		9	4	-2
Non-profit organisations	0	0	0	0	0
Public corporations					
Total	**25**	**29**	**54**	**17**	**-20**

31 Dec. 2006	Doubtful receivables Not impaired (gross)	Impaired (gross)	Total	Arrears	Impair-ments
Doubtful receivables					
Receivables from financial institutions		2	2	3	-2
Receivables from customers, of which	16	29	46	15	-18
Bank guarantee receivables		1	1	1	-1
Finance leases				1	
Overdrafts					
Total	**16**	**32**	**48**	**18**	**-21**
Doubtful receivables by sector					
Non-banking corporate sector	9	29	38	12	-17
Financial institutions and insurance companies		2	2	3	-2
Households	7		7	3	-1
Non-profit organisations			1		
Public corporations					
Total	**16**	**32**	**48**	**18**	**-21**

31 Dec. 2007	Total portfolio	Impair-ments	Balance sheet value
Doubtful receivables			
Non-performing	24	-8	15
Zero-interest	2	-2	1
Underpriced	2	-1	0
Other	26	-8	18

31 Dec. 2006	Total portfolio	Impair-ments	Balance sheet value
Doubtful receivables			
Non-performing	21	-8	13
Zero-interest	2	-1	1
Underpriced	9	-2	7
Other	15	-9	6

Matured financial assets by maturity

	Days		
31 Dec 2007	30–90	Over 90–180	Over 180
Matured receivables, not impaired	53	8	11

	Days		
31 Dec 2006	30–90	Over 90–180	Over 180
Matured receivables, not impaired	54	8	9

NOTE 44. Trend in loan and impairments

Trend in loan and impairments*

EUR million	2001	2002	2003	2004	2005	2006	2007
Gross loan and impairments	7	3	5	4	8	7	11
Reversals	-12	-6	-3	-3	-5	-6	-10
Net loan losses and impairments	-5	-3	2	1	3	1	1

*The share of Retail Banking sold in 2005 is eliminated from the 2000 –2005 figures.

A total of EUR 11 million (7) in new loan and guarantee losses and impairments were recognised for the financial year. The combined loan loss reversals and decreases in impairments totalled EUR 10 million (6). The net impact of loan and guarantee losses and impairments on earnings came to EUR one million (1).

In 2007, loan and guarantee losses and impairments accounted for 0.01% (0.01) of the loan and guarantee portfolio.

NOTE 45. Corporate exposure by sector

31 Dec. 2007	Net exposure Balance sheet	Off-balance-sheet	Total	Percentage distribution
Trade	1,077	661	1,738	12.7
Metal industry	591	1,029	1,620	11.8
Lease and management of flats	1,237	112	1,349	9.9
Other sectors	806	161	967	7.1
Construction	387	555	943	6.9
Forest industry	548	384	931	6.8
Other industry	429	442	871	6.4
Services	603	255	858	6.3
Transport and traffic	390	452	842	6.2
Lease and management of other real property	651	176	827	6.0
Energy production	358	434	792	5.8
Food industry	320	268	587	4.3
Property investment	492	82	575	4.2
Telecommunications and electronics	148	220	367	2.7
Housing corporations	231	5	236	1.7
Communications and publishing	103	65	168	1.2
Total	**8,371**	**5,300**	**13,671**	**100.0**

31 Dec. 2006	Net exposure Balance sheet	Off-balance-sheet	Total	Percentage distribution
Metal industry	504	1,163	1,667	13.8
Trade	771	567	1,338	11.1
Lease and management of flats	935	62	997	8.3
Lease and management of other real property	688	281	969	8.0
Forest industry	484	465	950	7.9
Other industry	451	366	817	6.8
Construction	326	403	729	6.0
Services	553	167	720	6.0
Other sectors	455	245	700	5.8
Energy production	323	365	688	5.7
Transport and traffic	325	306	631	5.2
Food industry	196	375	571	4.7
Property investment	387	86	474	3.9
Telecommunications and electronics	185	156	340	2.8
Housing corporations	212	56	268	2.2
Communications and publishing	114	95	209	1.7
Total	**6,906**	**5,159**	**12,066**	**100.0**

NOTE 46. Corporate exposure by rating category

Rating	31 Dec. 2007 Net exposure	%	31 Dec. 2006 Net exposure	%
1–2	788	5.8	766	6.4
3–4	6,917	50.6	5,492	45.5
5–6	2,857	20.9	2,588	21.5
7–8	2,713	19.8	2,494	20.7
9–10	107	0.8	248	2.1
11–12	70	0.5	60	0.5
Non-rated	219	1.6	418	3.5
Total	**13,671**	**100.0**	**12,066**	**100.0**

NOTE 47. Corporate exposure by the amount of customer's exposure

31 Dec. 2007

Amount of net exposure, EUR million	Finland	Other countries	Total	%
0–1	976	31	1,007	7.4
1–10	2,163	197	2,361	17.3
10–50	3,588	360	3,948	28.9
50–100	2,383	63	2,445	17.9
Over 100	3,910		3,910	28.6
Total	**13,021**	**651**	**13,671**	**100.0**

31 Dec. 2006

Amount of net exposure, EUR million	Finland	Other countries	Total	%
0–1	925	29	954	7.9
1–10	2,053	132	2,185	18.1
10–50	3,206	249	3,454	28.6
50–100	2,443		2,443	20.3
Over 100	2,877	152	3,029	25.1
Total	**11,504**	**562**	**12,066**	**100.0**

NOTE 48. Liabilities of financial institutions and insurance companies by rating category

Credit rating, consistent with Moody's *)	31 Dec. 2007 Net liabilities	%	31 Dec. 2006 Net liabilities	%
Aaa	1,831	16.4	1,151	10.5
Aa1 - Aa3	7,935	70.9	7,903	71.9
A1 - A3	835	7.5	1,436	13.1
Baa1 - Baa3	202	1.8	101	0.9
Ba1 - Ba3	230	2.1	240	2.2
B1 - B3	82	0.7	79	0.7
Caa1 or lower	0	0.0	0	0.0
Non-rated	73	0.7	83	0.8
Total	**11,188**	**100.0**	**10,993**	**100.0**

*) Liabilities of OP-Pohjola Group entities are classified as Aa1–Aa3, on the basis of OKO Bank's external rating and joint liability.

NOTE 49. Secondary country risk by country risk category

Country risk	Moody's equivalent	31 Dec. 2007 Net exposure	%	31 Dec. 2006 Net exposure	%
Category 1	Aaa	4,462	89.8	3,330	87.7
Category 2	Aa1–A3	210	4.2	236	6.2
Category 3	Baa1–Baa3	186	3.8	124	3.3
Category 4	Ba1–B3	108	2.2	101	2.7
Category 5	Caa1–C	0	0.0	6	0.2
Total		**4,967**	**100.0**	**3,796**	**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 50. Collateral received by type of collateral

EUR million	31 Dec. 2007	%	31 Dec. 2006	%
Object of financing as collateral	1,454	31.1	1,348	30.5
Public-sector guarantees	1,282	27.4	1,276	28.8
Property or lease mortgage on office or industrial property	781	16.7	643	14.5
Property or lease mortgage on residential property	251	5.4	225	5.1
Shares in housing corporations, and housing associations and property compa	219	4.7	194	4.4
Business mortgage	216	4.6	217	4.9
Shares and participations, other	189	4.1	247	5.6
Other collateral	140	3.0	106	2.4
Factoring	95	2.0	95	2.1
Bank guarantee	46	1.0	74	1.7
Total	**4,674**	**100.0**	**4,425**	**100.0**

Received collateral by type of collateral has been calculated on the basis of the values of collateral held by the bank allocated to liabilities. The collateral's fair value is used as the basis for calculating the collateral value which is derived from the fair value on the basis of valuation percentages, based on conservative estimates, by type of collateral. Collateral values in excess of liabilities are not included in figures.

NOTE 51. Funding structure

	31 Dec. 2007	%	31 Dec. 2006	%
Liabilities to financial institutions	2,739	12.0	2,390	11.2
Financial liabilities at fair value through profit or loss	52	0.2		
Liabilities to customers				
Deposits	902	3.9	653	3.1
Other	1,837	8.0	1,341	6.3
Debt securities issued to the public				
Certificates of deposit and ECPs	5,640	24.7	5,519	25.8
Bonds	7,216	31.6	7,745	36.2
Other liabilities	1,659	7.3	1,006	4.7
Subordinated liabilities	950	4.2	924	4.3
Shareholders' equity	1,869	8.2	1,828	8.5
Total	**22,862**	**100.0**	**21,406**	**100.0**

NOTE 52. Maturity of 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
Liquid assets	448					448
Financial assets at fair value through profit or loss	1,077	752	1,907	965	0	4,701
Receivables from financial institutions	1,472	1,769	1,588	365	22	5,217
Receivables from customers	1,517	1,282	3,586	1,613	1,291	9,288
Investment assets	16	78	370	154		618
Total assets	**4,529**	**3,881**	**7,451**	**3,097**	**1,313**	**20,271**
Liabilities to financial institutions	2,567	124	32	16		2,739
Financial liabilities at fair value through profit or loss	52					52
Liabilities to customers	2,179	8	9	270	273	2,738
Debt securities issued to the public	5,633	2,028	4,912	283		12,856
Subordinated liabilities			757	108	85	950
Total liabilities	**10,431**	**2,160**	**5,709**	**676**	**358**	**19,334**

31 Dec. 2006	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liquid assets	907					907
Financial assets at fair value through profit or loss	1,766	244	1,293	1,361	131	4,795
Receivables from financial institutions	2,375	1,263	1,647	251	10	5,546
Receivables from customers	1,342	1,295	3,023	1,070	1,133	7,864
Investment assets	4	19	35	36		94
Total assets	**6,394**	**2,821**	**5,998**	**2,718**	**1,274**	**19,206**
Liabilities to financial institutions	2,208	106	54	22		2,390
Liabilities to customers	1,487	17	5	198	287	1,994
Debt securities issued to the public	3,959	2,712	6,274	319		13,263
Subordinated liabilities	25	56	496	263	85	924
Total liabilities	**7,679**	**2,892**	**6,829**	**801**	**371**	**18,572**

Financial assets at fair value through profit or loss consist of notes and bonds which can be sold anytime. Investment property consists mainly of available-for-sale notes and bonds which can be sold whenever necessary. Notes and bonds included in financial assets at fair value through profit or loss and investment property are, however, presented within the sub-category determined on the basis of the remaining term to maturity in the table. Nominal amounts of debt are presented under categories by maturity. Financial liabilities held for trading are presented under the shortest maturity category. In its financial risk management, OKO Bank uses forward exchange contracts and interest-rate and currency swaps. Since their net effect on the financial risk in euro countervalue is insignificant, they are not specifically presented.

Debt repayable on demand, included in the shortest maturity category, totalled EUR 1.4 billion (1.0).

NOTE 53. Liquidity reserves

In order to secure OP-Pohjola Group's liquidity, OKO Bank maintains liquidity reserves, with the targeted amount accounting for around 8% of the banking business balance sheet of OP-Pohjola Group.

EUR million	31 Dec. 2007	31 Dec. 2006
Liquid assets	446	505
Short-term notes and bonds		
Long-term notes and bonds	1,581	1,668
Financial assets held for trading	638	801
Financial assets at fair value through profit or loss	2,481	2,325
Available for sale financial assets	603	85
Total liquidity reserves	**5,749**	**5,384**

Liquidity reserves by maturity and credit rating on 31 December 2007, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion
Aaa	833	451	569	362	376	0	2,591	45.1 %
Aa1 - Aa3	1,398	239	294	216	26	0	2,173	37.8 %
A1 - A3	74	203	126	34	57	0	494	8.6 %
Baa1 - Baa3	14	31	71	22	0	0	138	2.4 %
Ba1 or lower	0	0	0	0	0	0	0	0.0 %
Internally rated	35	133	157	15	12	0	353	6.1 %
Total	**2,355**	**1,059**	**1,217**	**648**	**471**	**0**	**5,749**	**100.0 %**

The average remaining maturity of liquidity reserves is 2.7 years.

Based on OP-Pohjola Group's internal rating, Internally rated financial assets consist mainly of notes and bonds issued by Finnish companies and institutions.

NOTE 54. Maturities of 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	>5 years	Total
Liquid assets	448						448
Financial assets at fair value through profit or loss							
Notes and bonds	760	2,276	808	182	335	340	4,701
Receivables from financial institutions	1,384	1,419	2,174	85	103	51	5,217
Receivables from customers	2,593	2,481	2,547	349	610	707	9,288
Available-for-sale financial assets							
Notes and bonds	163	255	30		124	46	618
Total assets	**5,349**	**6,432**	**5,559**	**616**	**1,172**	**1,144**	**20,271**
Liabilities to financial institutions	2,349	218	124	10	22	16	2,739
Financial liabilities at fair value through profit or loss	52						52
Liabilities to customers	2,178	553	7	0	0		2,738
Debt securities issued to the public	2,809	7,854	1,581	122	236	253	12,856
Subordinated liabilities		453	50	12	374	61	950
Total liabilities	**7,388**	**9,077**	**1,763**	**145**	**632**	**329**	**19,334**

Debt repayable on demand totalled EUR 1,427 million, consisting mainly of public deposits.

31 Dec. 2006	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	>5 years	Total
Liquid assets	907						907
Financial assets at fair value through profit or loss							
Notes and bonds	1,927	1,718	296	130	212	513	4,795
Receivables from financial institutions	1,534	2,247	1,509	121	129	7	5,546
Receivables from customers	2,184	1,994	2,201	340	557	587	7,864
Available-for-sale financial assets							
Notes and bonds	20	51	15	5	2	1	94
Total assets	**6,572**	**6,010**	**4,021**	**596**	**900**	**1,108**	**19,206**
Liabilities to financial institutions	2,031	177	106	30	24	22	2,390
Financial liabilities at fair value through profit or loss							
Liabilities to customers	1,446	531	17				1,994
Debt securities issued to the public	3,093	7,373	2,247	134	132	285	13,263
Subordinated liabilities		521	100		100	203	924
Total liabilities	**6,570**	**8,602**	**2,470**	**163**	**256**	**509**	**18,752**

Debt repayable on demand totalled EUR 1,108 million, consisting mainly of public deposits.

NOTE 55. Sensitivity analysis of market risk

On 31 December 2007, market risks accounted for 5% (9) of the risk-weighted items.

EUR million	Risk parameter	Change	31 Dec. 2007	31 Dec. 2006
Interest-rate risk	Interest rate	1 percentage point	18	12
Currency risk	Market value	10 percentage points	1	3
Volatility risk				
Interest rate volatility	Volatility	20 percentage points	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 points	3	3
Private equity funds	Market value	20 percentage points	6	8
Property risk	Market value	10 percentage points	3	4

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

*) The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity reserves.

A general 0.1 percentage-point increase in credit risk margins would decrease the market value of

notes and bonds by EUR 11 million, EUR 9 allocated to the income statement and EUR 2 million in the fair value reserve under shareholders' equity.

Since equities and private equity funds are classified as available-for-sale financial assets, changes in their fair value are recognised in the fair value reserve under shareholders' equity, not in the income statement.

NOTE 56. Equity risk

On 31 December 2007, the market value of equity and venture capital funds totalled EUR 44 million (52), of which the equity portfolio represented EUR 14 million (23) and the venture capital funds including their investment commitments EUR 30 million (29). The three proportionally largest sectors in the equity portfolio were as follows: basic industry 33%, information technology 15% and industrial products and services 15%.

Investments in venture capital funds totalled EUR 16 million (21) and binding unexecuted investment commitments EUR 14 million (10).

NOTE 57. Property risk

On 31 December 2007, capital invested in property holdings amounted to EUR 27 million (38), with properties in own use representing EUR 3 million (3). In addition, holdings in property investment companies totalled EUR 10 million (14).

In 2007, the Group obtained an external appraisal's estimates of the fair value of property holdings, on the basis of which their c

Note 22 and Note 25 provide detailed information on changes in investment property during the financial year.

Risk exposure by Non-life Insurance

NOTE 58. Risk-bearing capacity

On 31 December 2007, the solvency capital of Non-life Insurance amounted to EUR 613 million (592) and the solvency ratio stood at 72% (75). As a result of internal dividend distribution decisions made in the fourth quarter and the repayment of Pohjola Non-Life Insurance Company's subordinated loan, Non-life Insurance capitalisation came closer to the target level of 70%. Pohjola Bank's Board of Directors 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 also 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	0	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 59. Sensitivity analysis of Non-life Insurance

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 revenue	850	Up by 1%	8	Up by 1 percentage point
Increase in claims incurred by 1%	583	Up by 1%	-6	Down by 1 percentage point
Major loss		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 60. 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 61. 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 accident 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 million		158	
Gross amount, total claims, EUR million						
2003–2007	**13**		**14**	**116**	**15**	

Net amount

Number of losses exceeding EUR 5 million	Statutory lines	Other accident 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 million		107	
Net amount, total claims, EUR million						
2003–2007	**9**			**88**	**10**	

NOTE 62. 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)

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

NOTE 63. 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 liabilities due to insurance contracts (EUR million)		
Latent occupational deseases	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 nebt (EUR million)		
Known provision for claims for annuities	1,010	989
Collective liability	201	185
Provision for unearned premiums	33	31
Total	1,244	1,205
Duration of discounted debt (years)	11.7	12.2

NOTE 64. Insurance contract liabilities by estimated maturity

31 Dec. 2007	0–1 yr	1–5 yrs	5–10 yrs	10–15yrs	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 liability

31 Dec. 2006	0–1 yr	1–5 yrs	5–10 yrs	10–15yrs	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 liability

NOTE 65. Risk exposure of insurance investments

Allocation of investment portfolio	31 Dec. 2007 Fair value, EUR million*		31 Dec. 2006 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 investments	138	5 %	107	4 %
Direct property investments	101	4 %	88	4 %
Indirect property investments	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 (-0.3)

NOTE 66. 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 notes dealing with insurance contract liabilities. Effects of changes in investment and insurance contract liabilities offset one another.

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
Bonds and bond funds *	1,843	Interest rate	1 percentage point	69	90
Equities **	391	Market value	20 percentage points	78	65
Capital investments and unquoted equities	113	Market value	20 percentage points	23	27
Commodities	23		20 percentage points	5	4
Real property	138		10 percentage points	14	11
Currency	101	Open currency exposure	20 percentage points	20	19
Credit spread***	1,157	Spread	0.1 percentage point	4	2
Derivatives	-	Volatility	20 percentage points	0	0

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

** Include hedge funds and equity derivatives

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

NOTE 67. 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 32).

Fair value by duration or repricing date, EUR million *)	31 Dec. 2007	31 Dec. 2006
0–1 year	428	192
>1–3 years	378	521
>3–5 years	435	252
>5–7 years	183	383
>7–10 years	293	239
>10 years	125	282
Total	**1,843**	**1,903**
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.

Fixed-income portfolio by maturity and credit rating on 31 Dec 2007, EUR million

Year(s)	0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 -	Total	%
AAA	54	185	128	43	116	86	613	35 %
AA	46	60	93	17	34	20	270	15 %
A	20	103	287	107	30	54	600	34 %
BBB	5	31	84	29	8	14	170	10 %
BB+ or lower	16	21	13	3	16	29	98	6 %
Internally rated	3	2	12	0	2	0	19	1 %
	144	403	616	198	205	203	1,769	100 %

The maturity is presented until the end of the term to maturity. If the paper includes a call option, the maturity is presented until The first possible call date.

The average credit rating of the Non-life Insurance fixed-income portfolio is S&P's AA–.

The term to maturity of the Non-life Insurance fixed-income portfolio averages 5.4 years (calculated on the basis of the call date and the maturity date).

NOTE 68. 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 69. Counterparty risk

	31 Dec. 2007		31 Dec. 2006	
Credit rating, 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
Internally rated	19	29	42	25
Total	**1,769**	**67**	**1,867**	**84**

* Include money-market investments and deposits, bonds and bond funds

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

OTHER NOTES TO THE BALANCE SHEET

NOTE 70. Fair value of assets and liabilities

Financial assets

EUR million	31 Dec. 2007 Fair value	31 Dec. 2007 Carrying amount	31 Dec. 2006 Fair value	31 Dec. 2006 Carrying amount
Liquid assets	448	448	907	907
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Measured at fair value	2,220	2,220	2,470	2,470
Equities				
Measured at fair value	0	0	6	6
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				
Equities				
Measured at fair value				
Measured at cost				
Total equities				
Derivative contracts				
Measured at fair value	528	528	320	320
Receivables from financial institutions *	5,217	5,217	5,546	5,546
Receivables from customers *	9,288	9,288	7,864	7,864
Investment assets				
Available-for-sale financial assets				
Notes and bonds				
Measured at fair value	618	618	94	94
Equities				
Measured at fair value	19	19	23	23
Measured at cost	63	63	77	77
Total financial assets 31 December	**20,882**	**20,882**	**19,632**	**19,632**

Financial liabilities

Liabilities to financial institutions	2,739	2,739	2,390	2,390
Financial liabilities at fair value through profit or loss				
Short sold securities	52	52		
Derivative contracts				
Measured at fair value	548	548	331	331
Liabilities to customers	2,738	2,738	1,994	1,994
Debt securities issued to the public				
Hedged	1,723	1,723	1,207	1,207
Unhedged	11,133	11,133	12,057	12,057
Subordinated liabilities				
Hedged	669	669	613	613
Unhedged	280	280	311	311
Total financial liabilities 31 December	**19,882**	**19,882**	**18,903**	**18,903**

* The fair value of items included in Receivables from financial institutions and customers includes impairments recognised on the balance sheet.

NOTE 71. Collateral given

EUR million	31 Dec. 2007 Balance sheet value	31 Dec. 2006 Balance sheet value
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	2,631	2,520
Other	110	31
Total	2,742	2,552
Given on behalf of associates		
Mortgages		
Pledges		
Other		
Total		
Given on behalf of others		
Mortgages		
Pledges		
Other	13	
Total	13	
Total collateral given		
Mortgages	1	1
Others	2,631	2,520
Pledges	123	31
Total	**2,755**	**2,552**
Total collateralised liabilities	564	894

NOTE 72. Financial collateral held	31 Dec. 2007	31 Dec. 2006
Fair value of collateral received		
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 the 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.

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

NOTE 73. Off-balance-sheet commitments	31 Dec. 2007	31 Dec. 2006
Guarantees	570	534
Other guarantee liabilities	1,489	1,384
Loan commitments	3,456	3,563
Commitments related to short-term trade transactions	145	165
Other	506	421
Total off-balance-sheet commitments	**6,167**	**6,066**

NOTE 74. Derivative contracts

Derivatives held for trading 31 December 2007

	Nominal values/ remaining term to maturity				Fair values		Potential
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	future exposure
Interest rate derivatives							
Interest rate swaps	20,383	20,510	5,048	45,941	221	-230	396
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	1,513	5,507	1,522	8,542	0	-115	
Put and floors							
Purchased	3,834	1,513	322	5,669	12	-5	24
Written	1,066	1,384	224	2,674		-4	
Total OTC interest rate derivatives	30,795	34,476	8,519	73,791	366	-355	602
Interest rate futures	3,756	3,301		7,057	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	11,606	3,301		14,907	2	-2	
Total interest rate derivatives	42,401	37,777	8,519	88,697	368	-357	602
Currency derivatives							
Forward exchange agreements	7,989	126	298	8,414	53	-88	164
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	8,759	126	728	9,613	73	-109	219

Currency futures							
Total currency derivatives	8,759	126	728	9,613	73	-109	219
Equity and index derivatives							
Forward equity agreements							
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		79
Total equity and index derivatives	14	264	58	335	51		79
Credit derivatives							
Credit default swaps	71	125		196	0	-1	1
Total credit derivatives	71	125		196	0	-1	1
Other							
Other options							
Call							
Purchased		6		6	2		2
Written							
Put							
Purchased	8			8			0
Written							
Total other OTC derivatives	8	6		14	2		2
Total other derivatives	8	6		14	2		2
Total derivatives held for trading	51,252	38,299	9,305	98,856	495	-466	903

Derivatives held for trading 31 December 2006

EUR million	Nominal values/ remaining term to maturity <1 year	1–5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	13,499	11,054	2,771	27,324	140	-140	236
Forward rate agreements							
OTC interest rate options							
Call and caps							
Purchased	859	2,558	1,213	4,630	56		88
Written	592	2,794	1,283	4,669		-51	
Put and floors							
Purchased	334	891	159	1,384	4	-3	11
Written	856	857	150	1,862		-3	
Total OTC interest rate derivatives	16,140	18,154	5,575	39,869	201	-198	334
Interest rate futures	1,515			1,515	2	-1	
Interest rate options							
Call							
Purchased	1,583			1,583			
Written							
Put							
Purchased							
Written	1,583			1,583			
Total exchange traded derivatives	4,682			4,682	2	-1	
Total interest rate derivatives	20,822	18,154	5,575	44,551	203	0	334
Currency derivatives							
Forward exchange agreements	5,882	123		6,004	31	-43	95
Interest rate and currency swaps		24	454	478	3	-2	38
Currency options							
Call							
Purchased	93			94	1		2
Written	98			99		-1	
Put							
Purchased	71			72			1
Written	98			99			
Total OTC currency derivatives	6,243	148	454	6,845	35	-47	136
Total currency derivatives	6,243	148	454	6,845	35	-47	136
Equity and index derivatives							
Equity forwards	1			1			1
Equity index options							
Call							
Purchased	27	135		162	32		45
Written							
Put							
Purchased		1		1			
Written							
Total OTC equity and index derivatives	28	136		164	32	0	45
Total equity and index derivatives	28	136		164	32	0	45

Credit derivatives							
Credit default swaps		131		131	0	-1	1
Total credit derivatives		131		131	0	-1	1
Other							
Other options							
Call							
Purchased		7		7	1		2
Written							
Put							
Purchased	8	8		15			
Written							
Total other OTC derivatives	8	15		22	1		2
Total other derivatives	8	15		22	1		2
Total derivatives held for trading	**27,100**	**18,584**	**6,029**	**51,713**	**271**	**-247**	**519**

Derivative contracts held for hedging – fair value hedging 31 December 2007

	Nominal values /remaining term to maturity				Fair values		Potential future
EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**	**exposure**
Interest rate derivatives							
Interest rate swaps	1,990	1,244	298	3,533	19	-21	30
Total OTC interest rate derivatives	1,990	1,244	298	3,533	19	-21	30
Total interest rate derivatives	1,990	1,244	298	3,533	19	-21	30
Currency derivatives							
Interest rate and currency swaps	372	1,524	267	2,163	4	-233	104
Total OTC currency derivatives	372	1,524	267	2,163	4	-233	104
Total currency derivatives	**372**	**1,524**	**267**	**2,163**	**4**	**-233**	**104**
Total derivatives held for hedging	**2,362**	**2,768**	**565**	**5,696**	**23**	**-254**	**134**

Derivative contracts held for hedging – fair value hedging 31 December 2006

	Nominal values /remaining term to maturity				Fair values		Potential future
EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**	**exposure**
Interest rate derivatives							
Interest rate swaps	1,065	798	272	2,134	11	-17	19
Total OTC interest rate derivatives	1,065	798	272	2,134	11	-17	19
Total interest rate derivatives	1,065	798	272	2,134	11	-17	19
Currency derivatives							
Interest rate and currency swaps	42	1,512	348	1,902	2	-85	104
Total OTC currency derivatives	42	1,512	348	1,902	2	-85	104
Total currency derivatives	42	1,512	348	1,902	2	-85	104
Total derivatives held for hedging	**1,106**	**2,310**	**620**	**4,036**	**13**	**-102**	**123**

Total derivatives held for trading and hedging 31 December 2007

	Nominal values /remaining term to maturity				Fair values		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives	44,391	39,021	8,818	92,230	388	-378	632
Currency derivatives	9,131	1,650	995	11,775	77	-342	323
Equity and index-linked derivatives	14	264	58	335	51		79
Credit derivatives	71	125		196	0	-1	1
Other derivatives	8	6		14	2		2
Total derivatives	**53,615**	**41,067**	**9,870**	**104,551**	**518**	**-720**	**1,037**

Total derivatives held for trading and hedging 31 December 2006

	Nominal values /remaining term to maturity				Fair values		Potential future exposure
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives	21,886	18,952	5,847	46,685	213	-215	353
Currency derivatives	6,284	1,660	802	8,746	37	-132	241
Equity and index-linked derivatives	28	136		164	32		45
Credit derivatives		131		131		-1	1
Other derivatives	8	15		22	1		2
Total derivatives	**28,206**	**20,894**	**6,649**	**55,749**	**284**	**-349**	**642**

NOTE 75. Contingent liabilities and assets

Insurance companies belonging to the 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 Bank Group recognised the resulting additional share price as an addition under acquisition cost.

Pohjola Non-Life Insurance Company Ltd has signed an agreement with the City of Helsinki for a change in the city plan for one of the sites owned by the company. Under the agreement, Pohjola Non-Life has undertaken to pay the City of Helsinki a maximum of EUR 1 million for an improvement in the conditions for construction on the site. The latest possible time for this payment will be at the end of 2010.

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 76. Operating leases

OKO Bank Group as Lessee

Some Group companies have leased the 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. The Group has subleased some of its premises. In addition, some Group companies have leased motor vehicles and office equipment. Rental expenses of EUR 13 million (6) due to the abovementioned items were recognised under Other operating expenses.

Future minimum lease payments under non-cancellable operating leases

EUR million	31 Dec. 2007	31 Dec. 2006
No later than 1 year	12	14
Later than 1 year and no later than 5 years	37	34
Later than 5 years	22	27
Total	**71**	**75**
Expected future minimum lease payments from non-cancellable subleases	17	25

OKO Bank Group as Lessor

OKO Bank Group companies have leased out investment properties they own, which generated lease income of EUR 11 million (11). In addition to investment properties, the Group has primarily leased out passenger cars, which generated lease income of EUR 16 million (13).

Future minimum lease payments receivable under non-cancellable operating leases

EUR million	31 Dec. 2007	31 Dec. 2006
No later than 1 year	32	27
Later than 1 year and no later than 5 years	63	42
Later than 5 years	16	9
Total	**111**	**79**

NOTE 77. Asset management

Within OKO Bank 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 78. Holdings in other companies

Note 79 presents the Group's parent and subsidiary relations and Note 23 holdings in associates.

Changes in subsidiaries and associates in 2007

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.

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.

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.

Holdings in joint ventures included in consolidated financial statements

2007

Name	Domicile	Holding, %
Kiinteistö Oy Kanta-Sarvis II	Tampere	100
Companies owned by Pohjola Non-Life Insurance Company Ltd:		
Tikkurilan Kauppatalo Oy	Helsinki	53.7
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	100
Kiinteistö Oy Vantaan Kisällintie 13	Helsinki	100

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

2006

Name	Domicile	Holding, %
Kiinteistö Oy Kanta-Sarvis II	Tampere	100
Companies owned by Pohjola Non-Life Insurance Company Ltd:		
Asunto Oy Helsingin Korppaanmäki	Helsinki	34.2
Tikkurilan Kauppatalo Oy	Helsinki	53.7

OTHER NOTES

NOTE 79. Related-party transactions

The list of OKO Bank Group's associates can be found in Note 23. OKO Bank Group's related parties comprise the Parent Company, associates, administrative personnel and other related party companies.

OKO Bank Group's Parent Company is Osuuspankkikeskus Osk (OP Bank Group Central Cooperative).

OKO Bank Group administrative personnel comprises OKO Bank's President and CEO, his deputy (Deputy CEO), members of the Board of Directors and their close family members. Information on members of the Supervisory Board and their close family members was included in related-party transactions until 30 March 2006, when the Supervisory Board was abolished. Normal loan terms and conditions apply to loans granted to the management. Tied to generally used reference rates, these loans with normal collateral are repaid according to the agreed repayment schedule.

* Other related-party entities include OP Bank Group Pension Fund, OP Bank Group Pension Foundation and their sister companies within OP Bank Group Central Cooperative Consolidated.

Group companies

Company	Domicile/ home country	Shareholding %	Votes, %
Subsidiaries of OKO Bank plc:			
Pohjola Asset Management Ltd	Helsinki	86.50	86.50
OKO Corporate Finance Ltd	Helsinki	64	64
OKO Venture Capital Ltd	Helsinki	71	71
OKO Capital East Ltd	Helsinki	70	70
ZAO OKO Capital Vostok	Russia	100	100
Pohjola Non-Life Insurance Company Ltd	Helsinki	100	100
A-Insurance Ltd	Helsinki	100	100
Seesam International Insurance Company Ltd	Estonia	100	100
Joint Stock Insurance Company "Seesam Latvia"	Latvia	100	100
Joint Stock Insurance Company "Seesam Lithuania"	Lithuania	100	100
Eurooppalainen Insurance Company Ltd	Helsinki	100	100
Pohjola Property Management Ltd	Helsinki	100	100
Pohjolan IT Procurement Ltd	Helsinki	100	100
Conventum Venture Finance Oy	Helsinki	100	100
Kaivokadun PL-hallinto Oy	Helsinki	100	100
Real Estate Fund Finland Oy	Helsinki	100	100
Pohjola Private Equity Funds Oy	Helsinki	67.04	67.04
SPEF I Oy	Helsinki	100	100

Related-party transactions in 2007

EUR million	Parent company	Consolidated associates	Administrative personnel	Others *
Loans	4			1,325
Other receivables	64			486
Deposits				420
Other liabilities	2			230
Interest income	2			172
Interest expenses	6			102
Dividend income				4
Other income from Non-life Insurance	3			2
Commission income	1			27
Commission expenses	2			3
Trading income				3
Trading expenses				4
Other operating income	6			11
Operating expenses	59			5
Off-balance-sheet commitments				
Guarantees	8			45
Irrevocable commitments				77
Salaries and other short-term benefits, and performance-based pay				
Salaries and other short-term benefits			1	
Related-party holdings				
Number of stock options				
Number of shares	60,825,897		72,278	4,220,946

Related-party transactions in 2006

EUR million	Parent company	Consolidated associates	Administrative personnel	Others *
Loans	27			1,741
Other receivables	8			70
Deposits				108
Other liabilities	4			135
Interest income	2			53
Interest expenses	4			11
Dividend income				3
Commission income	1			21
Commission expenses	2			2
Other operating income	1			13
Off-balance-sheet commitments				
Guarantees				36
Irrevocable commitments	8			62
Salaries and other short-term benefits, and performance-based pay				
Salaries and other short-term benefits			3	

Related-party holdings

Number of stock options			
Number of shares	60,825,897	55,728	4,205,946

The Annual General Meeting approved the following Board emoluments:

Emoluments paid to Board members in 2007 totalled EUR 529,200. The Chairman's monthly emoluments totalled EUR 5,000, the Vice Chairman's EUR 4,000 and other members EUR 3,500. All Board members received an attendance allowance of EUR 400 for each meeting.

Reijo Karhinen, Chairman	EUR 69,200
Tony Vepsäläinen, Vice Chairman	EUR 57,200
Board members:	
Merja Auvinen	EUR 48,800
Erkki Böös	EUR 50,000
Eino Halonen	EUR 50,000
Simo Kauppi	EUR 51,200
Satu Lähteenmäki	EUR 50,400
Harri Nummela	EUR 47,600
Heikki Vitie	EUR 51,200
Tom von Weymarn	EJR 50,400
Pekka Jaakkola	EUR 3,200

Salaries and performance-based bonuses paid to the President and CEO and his deputy in the financial year ending 31 December 2007 were as follows:

Mikael Silvennoinen, President and CEO	EUR 599,680
Timo Ritakallio, Deputy CEO	EUR 347,360

NOTE 80. Long-term incentive schemes

Stock option scheme

The stock option scheme terminated on 31 December 2006.

Long-term management incentive scheme

The Group's long-term management incentive scheme applies to the President and CEO of OKO Bank, heads of business divisions, heads of departments and officers in charge of separately defined managerial, supervisory and expert duties. On 31 December 2007, the scheme covered 72 people. The Board of Directors confirms the inclusion of the President and CEO and members of the Group Executive Board in the scheme. The Group Executive Committee confirms the inclusion of other officers in the scheme.

Those included in the incentive scheme may receive OKO Bank plc shares for 2005–07 as annual bonuses.

In 2007, target indicators for the management incentive scheme were as follows:

-ROE of Banking and Investment Services, weight 25%

-Combined ratio of insurance operations, weight 25%

-Growth in net income from Banking and Investment Services, weight 15%

-Growth in Non-life Insurance premium revenue, weight 10%

- Joint customers' share of OP-Pohjola Group's private customers, weight 15%
- Growth in the market share of OP-Pohjola Group's banking services, weight 10%

If the targets are met, each person covered by the scheme is entitled to a bonus corresponding to his/her regular salary subject to PAYE tax for the following periods: the President and CEO, 4 months; heads of business divisions, 3 months; heads of departments, 2 months; and other persons covered by the scheme, 2 weeks. Persons in the latter group are also entitled to a share of the profit-based payment paid into the Personnel Fund, the maximum amount of which corresponds to their one-month salary. The bonus will be paid two years after the completion of the vesting period.

Bonuses paid in terms of shares and cash are charged to personnel costs on an accrual basis over the vesting period. In the financial year, a total of EUR 0.2 million was expensed for the incentive scheme.

The long-term performance indicators revised at the beginning of 2008 now consist of the following two indicators: profitability and growth. With a weight of 50%, the profitability indicator is based on earnings per shares. The two growth indicators comprise a change in the number of Pohjola Insurance Ltd's loyal customer households and OP-Pohjola Group's loyal customers, both indicators having a weight of 25%. Transferring the bonus requires that at least 80% of one of the two OKO Bank targets set for the indicators (profitability or growth 1) must be achieved. If none of these two OKO Bank targets can be achieved, the growth 2 indicator will not generate bonuses even if its achievement exceeded 80%.

Personnel fund

On 26 October 2004, OKO Bank joined the OP Bank Group Personnel Fund. On 31 December 2007, the Fund had 2,616 OKO Bank employees. At the end of 2007, no members of the staff of OKO Bank subsidiaries were included in the Fund, excluding Pohjola Insurance's personnel.

In 2007, the amount of profit-based bonuses based on profit for 2006 and transferred to the Personnel Fund totalled around EUR 0.6 million.

Profit-based bonuses transferred to the Personnel Fund in 2007 and 2008 are based on the same performance indicators as applied in the management's long-term incentive scheme. If the targets set for the performance indicators are achieved, profit-based bonuses for 2008 to be transferred to the Fund account for 3.0% of the combined salaries and wages earned by the Fund's members in 2008.

NOTE 81. 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.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT, FAS

EUR million	2007	2006
Interest income	2,207	1,236
Net lease income	26	18
Interest expenses	-2,122	-1,186
Net interest income	**111**	**68**
Income from equity investments	**81**	**19**
From subsidiaries	72	10
From affiliates	1	0
From other companies	8	9
Commissions and fees	**83**	**54**
Commission expenses	**-24**	**-11**
Net income from securities and foreign exchange trading	**-28**	**34**
Net income from securities trading	-48	8
Net income from foreign exchange trading	19	26
Net income from available-for-sale financial assets	**17**	**21**
Net income from hedge accounting	**0**	**0**
Net income from investment property	**4**	**2**
Other operating income	**21**	**22**
Administrative expenses	**-85**	**-71**
Personnel costs	-46	-41
Wages and salaries	-38	-34
Social expenses	-8	-8
Pension costs	-5	-4
Other social expenses	-3	-3
Other administrative expenses	-39	-30
Depreciation/amortisation and write-downs on tangible and intangible assets	**-5**	**-4**
Other operating expenses	**-27**	**-15**
Impairment losses on loans and other commitments	**-1**	**-1**
Impairment losses on other financial assets		
Operating profit	**146**	**118**
Appropriations	**-67**	**-82**
Income taxes	**0**	**-6**
Taxes for the financial year	0	-5
Taxes for previous financial years	-1	0
Change in deferred taxes	1	0
Profit from operations after taxes	**79**	**31**
Profit for the financial year	**79**	**31**

BALANCE SHEET

ASSETS

EUR million	31 Dec. 2007	31 Dec. 2006
Liquid assets	**448**	**907**
Notes and bonds eligible for refinancing with central banks	**3,572**	**3,873**
Government bills	0	3
Other	3,572	3,870
Receivables from financial institutions	**5,217**	**5,546**
Repayable on demand	249	195
Other	4,967	5,351
Receivables from the public and public sector entities	**8,789**	**7,483**
Repayable on demand	0	5
Other	8,789	7,478
Lease assets	**577**	**486**
Notes and bonds	**1,875**	**1,081**
From public sector entities	188	101
From other	1,687	980
Shares and holdings	**68**	**87**
Shares and holdings in affiliates	0	10
Shares and holdings in subsidiaries	1,216	1,204
Derivative contracts	**528**	**320**
Intangible assets	**13**	**17**
Tangible assets	**28**	**33**
Investment property and shares and holdings in investment property	22	27
Other property and shares and holdings in property companies	3	3
Other tangible assets	3	3
Other assets	**533**	**336**
Deferred income and advances paid	**572**	**373**
Deferred tax assets	**6**	**1**
Total assets	**23,441**	**21,756**

LIABILITIES

EUR million	31 Dec. 2007	31 Dec. 2006
Liabilities		
Liabilities to financial institutions and central banks	**2,741**	**2,391**
Central banks	**110**	**445**
Financial institutions	**2,631**	**1,946**
Repayable on demand	536	368
Other	2,095	1,577
Liabilities to the public and public sector entities	**2,773**	**2,101**
Deposits	908	712
Repayable on demand	898	709
Other	9	3
Other liabilities	1,866	1,388
Repayable on demand	0	0
Other	1,865	1,388
Debt securities issued to the public	**13,022**	**13,373**
Bonds	7,264	7,704
Other	5,758	5,669
Derivative contracts and other liabilities held for trading	**601**	**331**
Other liabilities	**1,056**	**537**
Other liabilities	1,056	534
Provisions	0	3
Deferred expenses and advances received	**545**	**349**
Subordinated liabilities	**950**	**924**
Subordinated loans	193	198
Other	757	727
Deferred tax liabilities	**0**	**0**
Total liabilities	**21,687**	**20,006**
Appropriations	**439**	**372**
Depreciation difference	76	71
Voluntary provisions	363	301
Shareholders' equity		
Share capital	**428**	**428**
Share capital	428	428
Share issue	0	0
Share premium account	**524**	**524**
Other restricted reserves	**161**	**172**
Reserve fund	164	164
Fair value reserve	-3	9
Cash flow hedging		
Translation differences		
Fair value measurement	-3	9
Non-restricted reserves	**23**	**23**
Other reserves	23	23
Retained earnings	**100**	**200**
Profit for the financial year	**79**	**31**
Total shareholders' equity	**1,315**	**1,378**
Total liabilities and shareholders' equity	**23,441**	**21,756**
Off-balance-sheet commitments	**6,120**	**6,011**
Commitments given to a third party on behalf of customers	**2,200**	**2,077**
Guarantees and pledges	2,055	1,913
Other	145	165
Irrevocable commitments given on behalf of customers	**3,920**	**3,933**
Securities repurchase commitments	14	
Other	3,906	3,933

Cash flow statement, FAS

EUR million	2007	2006
Cash flow from operating activities		
Profit for the financial year	79	31
Adjustments to profit for the financial year	119	129
Increase (-) or decrease (+) in operating assets	**-2,031**	**-3,362**
Notes and bonds eligible for refinancing with central banks	301	-1,286
Receivables from financial institutions	384	-810
Receivables from the public and public sector entities	-1,311	-1,069
Lease assets	-209	-171
Notes and bonds	-828	146
Shares and participations	24	32
Derivative contracts	-62	-31
Investment property	6	6
Other assets	-336	-178
Increase (+) or decrease (-) in operating liabilities	**1,868**	**-766**
Liabilities to financial institutions and central banks	350	-1,196
Liabilities to the public and public sector entities	672	251
Derivative contracts and other liabilities held for trading	128	35
Other liabilities	718	145
Income tax paid	-7	-10
Dividends received	21	19
A. Net cash from operating activities	**50**	**-3,958**
Cash flow from investing activities		
Acquisition of subsidiaries and associates	-11	-422
Disposal of subsidiaries and associates	12	8
Purchase of PPE and intangible assets	-5	-6
Proceeds from sale of PPE and intangible assets	4	2
B. Net cash used in investing activities	**0**	**-420**
Cash flow from financing activities		
Increases in subordinated liabilities	153	407
Decreases in subordinated liabilities	-126	-222
Increases in debt securities issued to the public	29,383	31,048
Decreases in debt securities issued to the public	-29,733	-26,180
Increases in share capital	0	4
Dividends paid	-131	-120
Other monetary increases in equity items	0	4
C. Net cash used in financing activities	**-453**	**4,942**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-404**	**564**
Cash and cash equivalents transferred due to combination		**11**
Cash and cash equivalents at year-start	**1,101**	**527**
Cash and cash equivalents at year-end	**697**	**1,101**
Increase/decrease in cash and cash equivalents	**-404**	**575**
Interest received	**2,013**	**1,081**
Interest paid	**-1,924**	**-1,054**
Adjustments to profit for the financial year		
Non-cash items		
Change in fair value for trading	66	15
Unrealised net gains on foreign exchange operations	-46	-37
Change in fair value of investment assets	-18	-22
Depreciation/amortisation, change in depreciation/amortisation difference and volu	191	190
Impairment losses on receivables	4	2
Other	-81	-13
	116	**134**

Items presented outside cash flow from operating activities

Capital gains, share of cash flow from investing activities	-1	0
Capital losses, share of cash flow from investing activities	3	0
Capital gains on mergers, share of cash flow from investing activities	0	-4
	119	**129**

OKO BANK PLC'S ACCOUNTING POLICIES

GENERAL INFORMATION

OKO Bank plc is a Finnish credit institution whose business lines in 2007 comprised Banking and Investment Services, and Non-life Insurance. Banking and Investments Services consists of the following divisions: Corporate Banking, Markets, Central Banking and Group Treasury, and Asset Management. OKO Bank plc focuses on Finnish customers but provides foreign customers with banking services to meet their business needs in Finland. OKO Bank plc is engaged in non-life insurance operations through its subsidiaries in Finland and the Baltic countries.

OKO Bank plc belongs to OP-Pohjola Group, which consists of 229 member cooperative banks and their central institution, OP Bank Group Central Cooperative with its subsidiaries. The amalgamation of the cooperative banks is supervised as a single entity and OP Bank Group Central Cooperative and its member credit institutions are ultimately liable for each other's liabilities and commitments.

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

BASIS OF PREPARATION

OKO Bank plc's financial statements based on national regulation are prepared and presented according to the Credit Institutions Act, the Ministry of Finance Decree on the Financial Statements and Consolidated Financial Statements of a Credit Institution and Investment Firm, the Accounting Act and the Financial Supervision Authority's Standard on financial statements and annual report. In addition, the central institution of the amalgamation of cooperative banks, OP Bank Group Central Cooperative, issues instructions for compliance with unified accounting principles and the preparation of the financial statements.

OKO Bank plc's financial statements are presented in millions of euros and have been prepared on the basis of original acquisition costs, with the exception of financial assets and liabilities held for trading, financial assets at fair value through profit or loss at inception, available-for-sale financial assets, derivative contracts and hedged items in fair value hedging.

The preparation of financial statements requires the management to make assessments and estimates and exercise its judgement in the process of applying the accounting policies.

CHANGES IN PRESENTATION

Owing to the amended Credit Institutions Act effective as of 15 February 2007, the fair value reserve is insluded in shareholders' equity and presented under 'Other restricted reserves'.

Previously, the fair value reserve was included in non-restricted equity and presented under 'Non-restricted funds'. Comparatives for 2006 have been re-grouped to correspond to the new method of presentation.

In 2007, the classification and names of financial instruments underwent changes, due to the amended Standard on financial statements and annual report issued by the Financial Supervision Authority. The balance sheet includes a financial asset category – financial assets at fair value through profit or loss – which is sub-divided into financial assets held for trading and financial assets at fair value through profit or loss at inception.

Assets held for trading include notes and bonds, shares and holdings acquired with a view to generating profits from short-term fluctuations in market prices. In order to secure OP-Pohjola Group's liquidity, the Group has transferred notes and bonds from financial assets held for trading to financial assets at fair value through profit or loss at inception. Comparatives for 2006 have been changed correspondingly. Aimed at providing clearer financial statements information, this change in presentation does not have any impact on OKO Bank plc earnings.

FOREIGN CURRENCY ITEMS

OKO Bank plc's financial statements are prepared in euros, which is the presentation currency. Non-euro transactions are recognised in euros at the exchange rate quoted on the transaction date or at the average exchange rate of the month of recognition. On the balance sheet date, non-euro monetary balance sheet items are translated into euros at the exchange rate quoted on the balance sheet date. Non-monetary balance sheet items measured at cost are presented at the exchange rate quoted on the transaction date.

The exchange rate differences arising from the translation of non-euro transactions and monetary balance sheet items into euros are recognised as foreign exchange gains or losses under 'Net income from foreign exchange trading' in the income statement.

FINANCIAL INSTRUMENTS

Fair value determination

The fair value of a financial instrument is determined using either prices quoted in an active market or own valuation techniques where no active market exists. 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.

Offsetting financial assets and liabilities

Financial assets and liabilities are not set off unless a statutory right of set-off exists and the intention is to exercise such a right. OKO Bank plc did not apply the off-set procedure during the financial year.

Agreements on the sale and repurchase of securities

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 'resell 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 the 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

Financial assets and liabilities held for trading

All financial assets and liabilities which are expected to generate short-term profits arising from fluctuations in interest rates, prices and quotations or in which an embedded derivative contract cannot be separated from the host contract, are classified as held for trading. Financial assets and liabilities held for trading include financial derivatives other than those used for hedging purposes.

Financial assets and liabilities held for trading are recognised at fair value in the balance sheet, and subsequent changes in the fair value are recognised under 'Net income from securities trading' in the income statement.

Financial assets at fair value through profit or loss at inception

In accordance with OKO Bank Group's risk management principles, OKO Bank plc manages investments and assesses their performance at fair value in order to receive a true and real-time picture of investment operations. Reporting to the Group's management is based on fair values. Since the business involves investment on a longer-term basis, financial assets are presented separately from those held for trading.

Financial assets irrevocably recognised at fair value through profit or loss at inception comprise bonds used in the management of liquidity. In addition, this asset class includes hybrid instruments in which the fair value of an embedded derivative cannot be determined separately. These financial assets are measured at fair value in the balance sheet, and any subsequent changes in the fair value are recognised under 'Net income from securities trading' in the income statement.

Loans and other receivables

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable payments that have been created by handing over money or services. Not quoted in an active market, loans and receivables are carried at cost. Financial assets categorised in this item are recognised in the balance sheet item determined by the counterparty, either under 'Receivables from credit institutions' or 'Receivables from the public and public sector entities'.

Impairments of loans and receivables are recognised on an individual or collective basis. Impairments will be assessed and recognised on an individual basis if the debtor's total exposure is significant. In the case of minor customer exposure, impairments are assessed and recognised on a collective basis. Impairments are recognised as an allowance of loans in the balance sheet and as 'Impairment losses on loans and other commitments' in the income statement. Indemnity received due to impairments is recognised as an adjustment for impairment losses. Recognition of interest on the reduced amount continues after the recognition of impairment.

Impairment losses are recognised 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 for measuring any impairment 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.

Impairment loss is recognised for a group of receivables if there is objective evidence that debtors' ability pay amounts due is uncertain. The amount recognised as an impairment loss is based on experience of the extent to which delayed payments lead to credit losses and of the amount to which the realisation of collateral will cover the incurred loss.

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 impairments of receivables.

If there is subsequent objective evidence of the improved solvency of the creditor previously included in impairment testing, the amount of the impairment loss will be reassessed and any change in the recoverable amount will be recorded in the income statement.

Interest on a non-performing receivable will be recognised as revenue if the receivable has become non-performing one on 1 January 2005 or thereafter. Non-performing receivables refer to receivables whose interest, principal or part thereof has been due for payment and outstanding for three months. Receivables from a company declared bankrupt is recorded as non-performing ones no later than the date when the company was declared bankrupt. Receivables based on guarantee given are recorded as non-performing ones when payment based on the guarantee is settled.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets which have been directly categorised as available for sale or which are not classified as the abovementioned financial assets, consisting mainly of notes and bonds, long-term equity investments and other shares and holdings necessary for operations.

Available-for-sale financial assets are recognised at cost at the time of acquisition and measured at fair value. If the fair value cannot be determined reliably, shares and holdings necessary for operations and other unquoted shares and holdings are measured at cost. Any changes in their fair value are recognised in the 'Fair value reserve' under shareholders' equity, from where they, including any capital gain or loss, are transferred to 'Net income from available-for-sale financial assets' in the income statement when the asset is derecognised or impaired. 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 shareholders' equity.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is allocated over the remaining term to maturity, using the effective interest method.

Shares and holdings in affiliates and Group companies

Shares and holdings and other equity investments in affiliates and Group companies are recognised at cost or, if the item's value on the balance sheet date is found to be lower than the acquisition cost due to impairment, at cost less impairment losses. Impairments are recognised under 'Impairment losses on other financial assets' in the income statement.

Cash and cash equivalents

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

Other assets

Other assets comprise receivables repayable on demand arising from brokerage, receivables in various clearing accounts, marginal account receivables related to derivative contracts and all other receivables which cannot be presented under any other suitable balance sheet item, such as various accounts receivable, rental receivables and insurance claim receivables.

Other financial liabilities

Other financial liabilities include financial liabilities other than those held for trading.

After initial recognition, they are carried cost. The difference between the nominal value and the acquisition cost of fixed-rate bonds is allocated over the remaining term to maturity, using the effective interest method. The countervalue is recognised as an increase or decrease in the liability's book value.

Other liabilities

Other liabilities consist mainly of payment transfer liabilities, accounts payable and liabilities related to securities trading.

Derivative contracts

A derivative instrument represents a financial instrument or another instrument 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 minor initial net investment and will be settled on a predetermined future date.

Both hedging and non-hedging derivatives are recognised at fair value in the balance sheet. Accrued interest on non-hedging interest rate swaps is recognised in interest income and interest carried forward corresponding to them in deferred income and deferred expenses. Changes in the fair value of non-hedging interest-rate, loan, currency, equity and commodity derivatives are recognised under 'Net income from foreign exchange trading' in the income statement. Positive fair value changes and premiums paid for derivative contracts are recognised as assets under 'Derivative contracts' while negative fair value changes and premiums received from derivative contracts are recognised under 'Derivative contracts and other liabilities held for trading'.

Embedded derivatives associated with structured bonds issued and housing 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 are recognised in interest income or expenses.

HEDGE ACCOUNTING

OKO Bank plc concludes derivative contracts which are in fact used to hedge against financial risks but which do not fulfil the current criteria for hedge accounting and thus cannot be treated as hedging in accounting.

The Bank's Risk Management has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument. 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.

Currently, OKO Bank plc 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.

When a financial instrument is designated as a hedging one, the relationship between the hedging instrument(s) and the hedged item(s) is formally documented, containing information on risk management principals, 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, at inception and throughout its life, the changes in the fair value of the hedged item are offset by the changes in the fair value of the hedging instrument within a range of 80%–125%.

Contracts cannot be accounted for according to the rules of hedge accounting if the hedging relationship between the hedging instrument and the related hedged item no longer meets the effectiveness criteria.

In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are recorded 'Net income from hedge accounting' in the income statement.

Derivative instruments deemed as economic hedges but not qualified for hedge accounting are treated in the same way as non-hedging derivative instruments.

LEASE ASSETS

Leased out assets and lease assets' advance payments are recognised at non-depreciated cost and presented under 'Lease assets' in the balance sheet. As a rule, lease assets are depreciated according to the annuity depreciation method.

Lease income from leased out assets based on lease contracts less planned depreciation on the lease assets are recognised under 'Net lease income'. In addition, the item includes impairment losses on lease assets, capital gains and losses on the disposal of lease assets, commissions charged from customers and other income and expenses directly attributable lease contracts. Other income and expenses due to leases are included in the income statement item that corresponds to the nature of the income or expense item.

INTANGIBLE ASSETS

Intangible assets are stated at cost less amortisation and write-downs. These assets are amortised over their estimated useful lives, which is 3–5 years for computer software and licences and 5 years in general for other intangible assets. The useful lives of assets are reviewed on each balance sheet date.

Intangible assets acquired against payment (eg software) are capitalised. Planned amortisation begins from the time the asset is ready for use.

Planned amortisation and write-downs on intangible assets are recognised under 'Depreciation/amortisation and write-downs on tangible and intangible assets' in the income statement.

TANGIBLE ASSETS

INVESTMENT PROPERTY

Investment property is land and/or building or part thereof held to earn rental income and/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.

Investment property is stated at cost less planned depreciation and impairments. Land and shares and holdings in property companies can be subject to revaluation if their probable selling price on the balance sheet date is permanently higher than the original acquisition cost. Expenses incurred after the original acquisition will be capitalised only if it is probable that the resulting economic benefit from the property will be higher than initially estimated.

The fair value of business, office and industrial premises classified as investment property holdings and presented in the related note to the financial statements is primarily determined using the income capitalisation approach based on direct capitalisation. The fair value of land, water and forest areas and residential buildings is primarily determined using the sales comparison approach. Recognition of impairments is based on their consistency and materiality.

Income, expenses, capital gains and losses, planned depreciation and impairments related to investment property are recognised under 'Net income from investment property' in the income statement.

OTHER TANGIBLE ASSETS

Tangible assets are stated at cost less depreciation and write-downs. Assets are depreciated according to plan on a straight-line basis over their estimated useful lives. Planned depreciation is not applicable to land and shares in property companies. Expenses related to an asset arising after its original acquisition are capitalised at the asset's book value only if it is probable that it will produce greater economic benefit than initially estimated.

The estimated useful lives are mainly as follows:

Buildings	30–50 years
Machinery and equipment	4–10 years
IT equipment	3–5 years
Cars	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.

Assets' planned depreciation and write-downs are recognised under 'Depreciation/amortisation and write-downs on tangible and intangible assets' in the income statement. Income from and capital gains on property in own use are recognised under 'Other operating income' and expenses and capital losses under 'Other operating expenses' in the income statement.

LEASES

Whether a lease is classified as a finance lease or an operating lease depends on 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. Lease classification is performed at the inception of the lease.

Property leased out under operating lease and property shares are presented under 'Investment property and shares and holdings in investment property' in the balance sheet and rental income under 'Net income from investment property' in the income statement.
Rental expenses for leased assets are recognised in the income statement as fixed instalments under 'Other operating expenses' over the lease term.

EMPLOYEE BENEFITS

Pension obligations

The statutory pension cover for OKO Bank plc's employees is managed through payments to OP Bank Group Pension Fund and supplementary pension cover through OP Bank Group Pension Foundation. The Pension Foundation is closed to new employees as of 1 July 1991. Expenses arising from pension plans are recognised under 'Personnel costs' in the income statement. Pension liabilities are fully covered.

Share-based compensation

OKO Bank plc has a management incentive scheme in place, on the basis of which a person covered by the scheme may receive related compensation for services rendered during the vesting period partly in terms of OKO Bank plc shares or partly in cash.

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. Entries in the income statement are made in 'Wages and salaries' and in the balance sheet in 'Retained earnings' and 'Deferred expenses'.

Personnel Fund

OKO Bank plc belongs to OP-Pohjola Group's OP Personnel Fund, into which bonuses are paid on the basis of pre-agreed principles, depending on the achievement of targets. Bonuses transferred to the Fund are recognised under 'Wages and salaries' in the income statement and the counter value as 'Deferred expenses' in the balance sheet.

STATUTORY PROVISIONS

A statutory provision is recognised for an obligation in the income statement and balance sheet 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.

SUBORDINATED LOANS

Subordinated loans are recorded as a separate balance-sheet item under 'Subordinated liabilities'. In the capital adequacy calculation, these loans are included in Tier 1 capital. Interest on these loans may be paid only within the limits of distributable funds.

APPROPRIATIONS

The depreciation difference under appropriations in the balance sheet includes the accumulated difference between depreciation made and planned depreciation. Voluntary provisions contain voluntary appropriations made which are appropriations permitted by tax legislation. Such a provision is eg the credit loss provision permitted by the Business Income Tax Act for deposit banks. According to this Act, a deposit bank may deduct a credit loss provision made during the tax year, the amount of which accounts for a maximum of 0.6% of the total amount of receivables at the end of the tax year. The total amount of non-reversed credit loss provisions made during the tax year and earlier may account for a maximum of 5% of the total amount of receivables at the end of the tax year.

An increase and decrease in depreciation made and depreciation according to plan as well as voluntary provisions are recognised under appropriations in the income statement. Appropriations in the income statement and balance sheet also include deferred tax liabilities. The amount of and change in voluntary provisions do not reflect the Bank's calculated risks.

INCOME TAXES

Income taxes shown in the income statement include taxes based on OKO Bank plc's taxable income for the financial year, taxes for previous financial years and deferred tax expense or income.

Deferred tax liabilities are recognised for all temporary differences between the book value and taxable value of assets and liabilities. Deferred tax assets are recognised for tax-deductible temporary differences between the book value and taxable value included in the financial statements, as well as all 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.

OKO Bank plc offsets deferred tax assets and liabilities. 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 not recognised in the income statement, any change in deferred tax is recognised in shareholders' equity, not in the income statement.

REVENUE RECOGNITION

Commission income and expenses for services are recognised when the service is rendered. One-off commissions covering several years and including a possible refund obligation are recognised as revenue on a cash basis and statutory provision is recognised for the refund obligation.

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 (price difference) between the receivable's acquisition cost and nominal value is allocated to interest income and that between the amount received and nominal value of the liability to interest expenses.

OFFSETTING INCOME STATEMENT ITEMS

Income and expense items in the income statement are presented separately without offsetting them unless there is a justified reason for offsetting them in order to give a true and fair view.

OFF-BALANCE-SHEET COMMITMENTS

Off-balance-sheet commitments include commitments made for a third party on behalf of customers, such as guarantees and various guarantee engagements, and irrevocable commitments made for customers, such as binding supplementary loan arrangements, loan commitments, standby credit facilities and underwritings.

Commitments made for a third party on behalf of customers are recognised as off-balance-sheet commitments to the amount to which guarantee corresponds at most from time to time. Irrevocable commitments made for customers are recognised to the maximum amount which may have to be paid on the basis of them.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Income Statement

Notes to the Balance Sheet

Other notes

NOTES TO THE INCOME STATEMENT

Notes concerning an entity under the Group's control

NOTE 1. Interest income and expenses	2007	2006
Interest income		
Receivables from financial institutions	270	180
Receivables from the public and public sector entities	396	274
Notes and bonds	224	171
Derivative contracts	1,309	608
Other	7	2
Total	**2,207**	**1,236**
Of which interest income from impaired receivables	1	0
Interest expenses		
Liabilities to financial institutions	94	106
Liabilities to the public and public sector entities	84	53
Debt securities issued to the public	599	395
Derivative contracts and other liabilities held for trading	1,290	595
Subordinated liabilities	46	33
Other	8	4
Total	**2,122**	**1,186**

Interest income received from Group and associated companies and interest expenses paid to them

	2007		2006	
	Subsi-diaries	Associa-tes	Subsi-diaries	Associa-tes
Interest income	3		0	
Interest expenses	7		14	

NOTE 2. Net lease income	2007	2006
Lease income	150	127
Planned depreciation	-118	-103
Impairments	0	
Capital gains and losses (net) on the disposal of lease assets	-1	-1
Commissions and fees	1	1
Other income	0	0
Other expenses	-6	-5
Total	**26**	**18**

NOTE 3. Income from equity investments	2007	2006
Financial assets at fair value through profit or loss		
Available for sale	8	9
Subsidiaries	72	10
Affiliates	1	
Total	**81**	**19**

NOTE 4. Commissions and fees	2007	2006
Commissions and fees		
Lending	22	16
Deposits	0	0
Payment transfers	12	12
Mutual funds	1	0
Asset management	9	7
Legal services	0	0
Securities brokerage	25	6
Securities issuance	2	2
Guarantees	6	6
Other	4	4
Total	**83**	**54**
Commission expenses		
Service fees paid	3	3
Other	21	8
Total	**24**	**11**

NOTE 5. Net income from securities and foreign exchange trading	2007	2006
Capital gains and losses		
Notes and bonds*	-8	-9
Shares and holdings	0	0
Derivative contracts		
Other	0	0
Total	**-8**	**-9**
Due to fair value changes		
Notes and bonds*	-65	-27
Shares and participations		
Derivative contracts	26	45
Other		
Total	**-39**	**17**

* 'Notes and bonds' include EUR 0.2 million (1.5) in capital gains on and EUR 67.4 million (17.3) in fair value changes in financial assets at fair value through profit or loss at inception.

Total net income from securities trading	**-48**	**8**
Net income from foreign exchange trading	**19**	**26**
Total net income from securities and foreign exchange trading	**-28**	**34**

NOTE 6. Net income from available-for-sale financial assets	2007	2006
Notes and bonds		
Capital gains and losses	0	
Write-downs and their reversals		
Transferred from fair value reserve during the financial year		
Total	0	
Shares and holdings		
Capital gains and losses	3	4
Impairment losses	0	
Transferred from fair value reserve during the financial year	15	17
Total	17	21
Total net income from available-for-sale financial assets	**17**	**21**

NOTE 7. Net income from hedge accounting	2007	2006
Net income from hedging instruments	-1	-16
Net income from hedged items	1	16
Total	**0**	**0**

NOTE 8. Net income from investment property	2007	2006
Rental and dividend income	3	4
Other income	0	0
Capital gains	2	1
Rental expenses	-1	-2
Planned depreciation		
Capital losses	-4	-1
Write-downs and their reversals	2	1
Other expenses	1	0
Total	**4**	**2**

NOTE 9. Other operating income	2007	2006
Rental income from property in own use	0	0
Capital gains on property in own use	0	0
Merger profits		
Other	21	22
Total	**21**	**22**

NOTE 10. Depreciation/amortisation and write-downs on tangible and intangible assets	2007	2006
Planned depreciation	5	4
Write-down	0	0
Total	**5**	**4**

NOTE 11. Other operating expenses	2007	2006
Rental expenses	4	4
Expenses for property in own use	1	0
Capital losses on property in own use		
Merger losses		
Other	23	11
Total	**27**	**15**

NOTE 12. Impairment losses on loans and other commitments and other financial assets

	Gross receivable - specific impairment losses	Gross group - specific impairment losses	Reductions	Entered in income statement
Impairment losses on loans and other commitments				
Receivables from financial institutions	2		2	0
Receivables from the public and public sector entities	8	1	8	1
Guarantees and other off-balance-sheet items				
Other				
Total	**10**	**1**	**10**	**1**
Impairment losses on other financial assets				
Group shares and participations				
Shares and participations in affiliates				
Total				
Total impairment losses	**10**	**1**	**10**	**1**

NOTE 13. Income taxes

	2007	2006
Income taxes from operations	0	6
Total income taxes	**0**	**6**

NOTE 14. Income and expenses other than those from operations

	2007	2006

The most significant expenses included in this item are EUR 10 million in liquidated damages obligated by the Arbitral Tribunal payable to 32 savings banks. Based on the ruling by the Arbitral Tribunal, Pohjola Group plc (Pohjola) was not in material breach of the regulations under the shareholder agreement regarding Nooa Savings Bank.

The dispute over the shareholder agreement related to OKO Bank buying on 12 September 2005 the majority shareholding in Pohjola from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company. Following the acquisition, cooperation between the savings bank and Pohjola, regarding Nooa Savings Bank, came to and end.

NOTE 15. Income, operating profit or loss and assets and liabilities by Division

	Corporate Banking	Markets	Group Treasury	Other	Total
Income*	148	57	-10	93	288
Operating profit	74	30	-20	61	146
Assets	10,171	2,345	9,580	1,346	23,442
Liabilities	939	1295	19,434	19	21,687
Personnel	402	129	55	53	640

***** Income consists of the following items in the income statement: interest income, income from equity investments, commission income, net income from securities and currency trading, net income from available-for-sale assets, net income from hedge accounting, net income from investment property and other operating income.

NOTES TO THE BALANCE SHEET

NOTE 16. Receivables from financial institutions	31 Dec. 2007	31 Dec. 2006
Repayable on demand		
Deposits	154	152
Other	95	42
Total	**249**	**195**
Other than those repayable on demand		
Deposits	6	128
Other	4,961	5,224
Total	**4,967**	**5,351**
Total receivables from financial institutions	**5,217**	**5,546**
of which subordinated receivables	**42**	**30**

OKO Bank plc has no other receivables than those payable on demand by the Bank of Finland.

NOTE 17. Receivables from the public and public sector entities	31 Dec. 2007	31 Dec. 2006
Receivables from the public and public sector entities by sector		
Non-banking corporate sector and housing corporations	6,937	5,806
Financial institutions and insurance companies	4	68
Public sector entities	347	360
Non-profit organisations serving households	198	170
Households	730	670
Foreign	578	412
Collective impairments	-5	-4
Total	**8,789**	**7,483**
of which subordinated receivables	**1**	**43**

The balance-sheet item includes EUR 1.7 million in loans for which interest income is not recognised.

Write-downs on loans		
Write-downs at year-start	18	22
+ Receivable-specific write-downs during the financial year	10	4
+/- Group-specific write-downs during the financial year	1	0
- Receivable-specific write-downs reversed during the financial year	-9	-6
- Actual impairment losses recorded during the financial year of which receivable-specific write-downs were made previously	-1	-3
Write-downs at year-end	**20**	**18**

NOTE 18. Lease assets	31 Dec. 2007	31 Dec. 2006
Advance payments	82	45
Machinery and equipment	432	375
Real property and buildings	53	58
Other assets	10	8
Total	**577**	**486**

NOTE 19. Notes and bonds

Notes and bonds eligible for refinancing with central banks and other notes and bonds 31 December 2007

	Eligible for refinan-cing with central banks	Other notes and bonds	Total	Of which subordi-nated
Financial assets at fair value through profit or loss	3,572	1,272	4,844	62
Available for sale		603	603	35
Total	**3,572**	**1,875**	**5,447**	**97**

Publicly-quoted and other notes and bonds 31 December 2007

	Publicly-quoted	Other	Total
Financial assets at fair value through profit or loss	4,817	26	4,844
Available for sale	603		603
Total	**5,421**	**26**	**5,447**

Financial assets at fair value through profit or loss include EUR 2,481 million in financial assets at fair value through or loss at inception, which all are quoted assets.

Notes and bonds by type	31 Dec. 2007	31 Dec. 2006
Financial assets at fair value through profit or loss		
Treasury bills	0	3
Local authority papers	327	33
Commercial papers	43	
Certificates of deposit	1,211	1,632
Convertible bonds	0	0
Other bonds	3,262	3,201
Other	0	0
Total	**4,844**	**4,869**
Available-for-sale		
Treasury bills	0	0
Local authority papers	0	0
Commercial papers	0	0
Certificates of deposit	0	0
Convertible bonds	0	0
Other bonds	603	74
Other	0	11
Total	**603**	**85**

On 31 December, all OKO Bank plc's notes and bonds carried interest recognised in accounting.

NOTE 20 Shares and holdings

	Publicly quoted	Other	Total
Shares and participations			
Financial assets held for trading	0		0
Available for sale	14	54	68
Shares in affiliates		0	0
Shares in subsidiaries		1,216	1,216
Total	**14**	**1,270**	**1,284**

Shares and holdings other than those quoted publicly are stated at cost.

	31 Dec. 2007	31 Dec. 2006
Shares and holdings by sector		
Non-banking corporate sector and housing corporations	83	42
Financial institutions and insurance companies	1,182	1,234
Public sector entities		
Non-profit organisations serving households		
Households		
Foreign entities	18	25
Total	**1,284**	**1,301**

NOTE 21. Derivative contracts

Derivative contracts for hedging purposes concluded in 2007

	Nominal values/remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**1,990**	**1,244**	**298**	**3,533**	**19**	**31**
Interest rate swaps	1,990	1,224	298	3,533	19	31
Currency derivatives	**372**	**1,524**	**267**	**2,163**	**4**	**233**
Interest rate and currency swaps	372	1,524	267	2,163	4	233
Equity derivatives						
Other derivatives						

Derivative contracts held for trading in 2007

	Nominal values/remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**42,401**	**37,777**	**8,519**	**88,697**	**368**	**347**
Futures and forwards	6,006	3,301		9,307	2	2
Options	**16,012**	**13,966**	**3,471**	**33,449**	**145**	**125**
Called	7,583	7,075	1,725	16,383	144	5
Put	8,428	6,891	1,746	17,066	0	119
Interest rate swaps	20,383	20,510	5,048	45,941	221	220
Currency derivatives	**8,632**	**126**	**728**	**9,486**	**73**	**109**
Futures and forwards	7,863	126	298	8,288	53	88
Options	**746**	**0**	**0**	**746**	**4**	**5**
Called	301			301	4	0
Put	445			445	0	5
Interest rate and currency swaps	23	0	430	453	16	15
Equity derivatives	**14**	**264**	**58**	**335**	**51**	**0**
Futures and forwards				0		
Options	**14**	**264**	**58**	**335**	**51**	**0**
Called	14	264	58	335	51	
Put						
Other derivatives	**79**	**86**	**45**	**210**	**2**	**1**
Futures and forwards						
Options	**8**	**6**	**0**	**14**	**2**	**0**
Called	8	6		14	2	
Put						
Credit derivatives	71	80	45	196	0	1

The underlying value for interest rate derivative contracts is the nominal value, for currency derivative contracts the euro-denominated stated value of the purchased currency on the balance sheet date, and for equity derivative contracts the probable value of equities on the balance sheet date. The values are expressed in gross amounts.

Credit equivalents of contracts in 2007

	Made for hedging purposes	Held for trading
Interest rate derivatives	**30**	**602**
Futures and forward contracts		0
Options	0	205
Called		205
Put		
Interest rate swaps	30	396
Currency derivatives	**104**	**215**
Futures and forwards		160
Options	**0**	7
Called		7
Put		
Interest rate and currency swaps	104	**48**
Equity derivatives	**0**	79
Futures and forwards		0
Options	0	79
Called		79
Put		
Other derivatives	**0**	**3**
Futures and forwards		
Options	0	2
Called		2
Put		
Credit derivatives		1

Derivative contracts for hedging purposes concluded in 2006

	Nominal values/remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**1,065**	**798**	**272**	**2,134**	**11**	**17**
Interest rate swaps	1,065	798	272	2,134	11	17
Currency derivatives	**42**	**1,512**	**348**	**1,902**	**2**	**85**
Interest rate and currency swaps	42	1,512	348	1,902	2	85
Equity derivatives						
Other derivatives						

Derivative contracts held for trading in 2006

	Nominal values/remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Yhteen-sä	Positive	Negative
Interest rate derivatives	**17,614**	**18,154**	**5,575**	**41,343**	**202**	**198**
Futures and forward contracts	1,474			1,474		
Options	**2,641**	**7,100**	**2,805**	**12,545**	**63**	**58**
Called	1,193	3,449	1,372	6,014	61	4
Put	1,448	3,651	1,433	6,531	0	54
Interest rate swaps	13,499	11,054	2,771	27,324	140	140
Currency derivatives	**6,104**	**148**	**454**	**6,706**	**35**	**47**
Futures and forwards	5,783	123		5,906	30	43
Options	**321**	**1**		**322**	**2**	**2**
Called	144	1		145	2	
Put	176	1		177		2
Interest rate and currency swaps	0	24	454	478	3	2
Equity derivatives	**28**			**28**	**32**	**0**
Futures and forwards	1			1	0	0
Options	**27**	**136**		**163**	**32**	
Called	27	136		163	32	
Put	0	0			0	
Other derivatives	**39**	**115**		**154**	**1**	**1**
Futures and forwards	0	0				
Options	**8**	**15**		**22**	**1**	
Called	8	15		22	1	
Put						
Credit derivatives		131		131	0	1

The underlying value for interest rate derivative contracts is the nominal value, for currency derivative contracts the euro-denominated stated value of the purchased currency on the balance sheet date, and for equity derivative contracts the probable value of equities on the balance sheet date. The values are expressed in gross amounts.

Credit equivalents of contracts in 2006

	Made for hedging purposes	Held for trading
Interest rate derivatives	**19**	**334**
Options		99
Called		99
Put		
Interest rate swaps	**19**	**236**
Currency derivatives	104	134
Futures and forwards		**93**
Options		3
Called		3
Put		
Interest rate and currency swaps	104	**38**
Equity derivatives		45
Futures and forwards		**1**
Options		45
Called		45
Put		
Other derivatives		**2**
Options		2
Called		2
Put		
Credit derivatives		1

The parent company has no derivative contracts whose counterparty is an OKO Bank Group company.

NOTE 22. Intangible assets	31 Dec. 2007	31 Dec. 2006
IT costs	8	14
Other development costs		
Goodwill		
Other long-term expenditure	5	3
Total	**13**	**17**

NOTE 23. Tangible assets			
		Investment property	
	In own use	Book value	Fair value
Property holdings			
Land and water	0	0	0
Buildings	0		
Shares and holdings in property companies	2	22	26
Total	**3**	**22**	**26**

NOTE 24. Changes in intangible and tangible assets during the financial year

	Intangible assets	Investment property	Property in own use	Other tangible assets
Acquisition cost 1 January	48	32	3	69
+ increases during the year	5	1		0
- decreases during the year	7	8		0
+/- transfers between items				
- planned depreciation/amortisation	4		0	0
-/+ impairment losses and their reversals		2		
+ accumulated depreciation/amortisation and write-downs on adjustments and transfers 1 January	3	0		0
- accumulated depreciation/amortisation 1 January	31	0	0	65
- accumulated impairment 1 January	0	5	1	0
+ accumulated revaluations 1 January				
+/- revaluations and their reversals during the year				
Book value 31 December	**13**	**22**	**3**	**3**

NOTE 25. Other assets	31 Dec. 2007	31 Dec. 2006
Sales receivables from securities	233	46
Margin receivables related to derivative contracts	9	5
Receivables from payment transfers	88	7
Other	204	278
Total	**533**	**336**

NOTE 26. Deferred income and advances paid	31 Dec. 2007	31 Dec. 2006
Interest		
Interest receivables	552	356
Interest advances paid	4	5
Total	**556**	**361**
Other		
Other advances paid	4	0
Other deferred income	12	12
Total	**16**	**12**
Total deferred income and advances paid	**572**	**373**

NOTE 27. Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities	Net
From timing differences	5		5
From other temporary differences	1	0	1
Total	**6**	**0**	**6**

Deferred tax assets include a total of EUR 0.00 in deferred tax assets recognised on losses confirmed in taxation.

Deferred tax assets and liabilities arising from other temporary differences comprise deferred tax assets and liabilities based on revaluations of available-for-sale financial assets recognised in the fair value reserve under equity.

Revaluations 31 December 2007

The balance sheet does not include any revaluation.

Appropriations

	Balance sheet value	Deferred tax liability	Net
Depreciation difference	76	20	56
Voluntary provisions	363	94	269
Total	**439**	**114**	**325**

Depreciation difference and voluntary provisions have been entered in the balance sheet to the amount of non-deducted deferred tax.

NOTE 28. Debt securities issued to the public

	Book value 31 Dec 2007	Nominal value 31 Dec 2007	Book value 31 Dec 2006	Nominal value 31 Dec 2006
Certificates of deposit	2,996	3,030	3,653	3,687
Bonds	7,264	7,338	7,704	7,740
Other	2,762	2,777	2,016	2,037
Total	**13,022**	**13,145**	**13,373**	**13,463**

NOTE 29. Other liabilities	31 Dec. 2007	31 Dec. 2006
Payment transfer liabilities	481	421
Accounts payable on securities	288	24
Margin liabilities related to derivative contracts	45	4
Other	242	88
Total	**1,056**	**537**

Other' includes equity and derivative liabilities worth EUR 228 million (68).

By the end of 2007, OKO agreed with some 1,250 Pohjola Group plc's (Pohjola) former minority shareholders that the redemption price of EUR 14.35, based on the arbitral award, would remain final. The redemption price set by the Arbitral Tribunal was one euro higher than that bid by OKO Bank, EUR 13.35. 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 3.34 million Pohjola shares (about 2.18% of all Pohjola shares).
The arbitral award will have no material effect on earnings.
In Q2/2007, the resulting additional share price was recognised as an addition under acquisition cost.

NOTE 30. Statutory provisions

	Pension provi-sions	Tax provi-sions	Guaran-tee liabi-lities	Lease liabilities	Other	Total
Provisions 1 January						**3**
+ increase in provisions						
- used provisions				2	2	3
- reversals						
Provisions 31 December						**0**

NOTE 31. Deferred expenses and advances received	31 Dec. 2007	31 Dec. 2006
Interest		
Interest liabilities	516	318
Interest advances received	1	1
Total	**516**	**318**
Other		
Other advance payments received	3	5
Other deferred expenses	26	25
Total	**29**	**30**
Total deferred expenses and advances received	**545**	**349**

NOTE 32. Subordinated liabilities

	Book value	Nominal value
Perpetual loans	286	286
Other loan commitments issued by the financial institution	472	471
Subordinated loans	193	211
Total	**950**	**968**

Perpetual loans and debentures

1. A perpetual loan of GBP 100 million which can be called in at the earliest on 28 December 2012, subject to authorisation by the Financial Supervision Authority. A fixed 6.5% interest is paid on the loan semi-annually.

2. A perpetual loan of EUR150 million which can be called in at the earliest on 30 November 2012, subject to authorisation by the Financial Supervision Authority. A fixed 3.875% interest is paid on the loan annually. The loan is included in upper Tier 2 capital.

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. The loan is included in lower Tier 2 capital.

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. The loan is included in upper Tier 2 capital.

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.

Loans 1–5 were issued in international capital markets.

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

Issue date	Book value, EUR million	Interest rate, %	Due date
4 June 2003	5.3	3.4 %	4 June 2009
19 November 2003	6.8	3.9 %	19 November 2009
10 March 2004	5.3	3.5 %	10 March 2010
15 September 2004	6.1	3.5 %	15 September 2010
30 November 2005	1.4	3.2 %	30 November 2011
16 March 2005	5.2	3.3 %	16 March 2011
20 September 2006	0.2	3.85 %	20 September 2012

OKO Bank has no violations of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The financial statements include EUR 0.2 million recognised for the price difference of the loans (0.2).

Subordinated loans

Subordinated loans included in Tier 1

1) Subordinated loan of 10 billion Japanese yen (equivalent of EUR 60.6 million). The loan is included in Tier 1 at the issue price of EUR 73.7 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

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

NOTE 33. Shareholders' equity

	Shareholder's equity at year-start	Increa-ses	Decrea-ses	Transfers between items	Shareholder's equity at year-end
Total shareholders' equity	**1,378**				**1,315**
Share capital	428				428
Share issue	0				
Share premium account	524				524
Other restricted reserves	**172**				**161**
Reserve fund	164				164
Fair value reserve	9	7	19		-3
Fair value measurement	9	7	19		-3
Non-restricted funds	**23**				**23**
Other funds	23				23
Retained earnings or losses after adjustments	231		131		100
Profit or loss for the financial year		79			79

Changes in fair value reserve

	At year-start	Increa-ses	Decrea-ses	Trans-ferred to income statement	At year-end
Notes and bonds	1		4	1	-4
Shares and holdings	8	7		14	1
Total	**9**	**7**	**4**	**15**	**-3**

NOTE 34. Restricted and non-restricted equity and non-distributable equity items

Shareholders' equity 31 Dec. 2007	
Restricted equity	1,113
Non-restricted equity	202
Total shareholders' equity	**1,315**
Distributable funds 31 Dec. 2007	
Non-restricted equity	202
– non-distributable items	0
Distributable funds	**202**

NOTE 35a. Financial assets and liabilities by maturity 31 December 2007

Remaining term to maturity	Less than 3 months	3-12 months	1-5 years	5-10 years	over 10 years
Notes and bonds eligible for refinancing with central banks	840	556	1,362	814	0
Receivables from financial institutions	1,472	1,769	1,588	365	22
Receivables from the public and public sector entities	1,503	1,220	3,333	1,574	1,159
Notes and bonds	346	275	948	306	0
Liabilities to credit institutions and central banks	2,569	124	32	16	0
Liabilities to the public and public sector entities	2,214	8	9	270	273
Debt securities issued to the public	5,760	2,028	4,950	284	0

Subordinated liabilities	0	0	757	108	85
Total	**14,705**	**5,979**	**12,978**	**3,736**	**1,540**

Deposits other than fixed-term deposits are included in the maturity class 'less than 3 months'.

NOTE 35b. Fair values and book values of financial assets and liabilities 31 December 2007

Financial assets	**Book value**	**Fair value**
Liquid assets	448	448
Receivables from financial institutions	5,217	5,217
Receivables from the public and public sector entities	8,789	8,789
Notes and bonds	5,447	5,447
Shares and holdings	68	68
Shares and holdings in affiliates	0	0
Shares and holdings in subsidiaries	1,216	1,216
Derivative contracts	528	528
Total	21,712	21,712
Financial liabilities		
Liabilities to credit institutions and central banks	2,741	2,741
Liabilities to the public and public sector entities	2,773	2,773
Debt securities issued to the public	13,022	13,022
Derivative contracts and other liabilities held for trading	601	601
Subordinated liabilities	950	950
Total	20,086	20,086

NOTE 36. Assets and liabilities denominated in euros and foreign currencies 31 December 2007

	Euros	**Foreign curren- cies**	**Subsidia- ries**	**Associa- tes**
Receivables from financial institutions	5,110	107		
Receivables from the public and public sector entities	8,157	632	13	
Notes and bonds	5,348	100		
Derivative contracts	483	46		
Other assets	3,410	51	1,278	
Liabilities to credit institutions and central banks	2,453	288	2	
Liabilities to the public and public sector entities	2,426	348	35	
Debt securities issued to the public	9,791	3,231	24	
Derivative contracts and liabilities held for trading	555	46		
Subordinated liabilities	532	418		
Other liabilities	1,530	70	0	
Total	39,794	5,335	1,352	

OTHER NOTES

NOTE 37. Share series at year-end and authorisations given to the Board of Directors and long-term incentive schemes

	Series A	Series K	Total
Share capital, EUR	335540229	92077234	427617463
No. of shares	159564128	43786772	203350900
Percentage of share capital	78.5	21.5	100.00
Votes per share	1	5	
Percentage of votes	42.2	57.8	100.00

The stated value of OKO Bank’s share is EUR 2.10. The stated value is an approximation The number of issued shares was doubled without altering the share capital, based a decision made the Annual General Meeting of 31 March 2004.

Restrictions on share acquisition:

- Series A shares quoted on the Helsinki Stock Exchange are intended for the general public.
- Series A shares are not subject to any purchase restrictions.
- Holding of series K shares is restricted to Finnish cooperative banks, cooperative bank companies and the central entity of the amalgamation of cooperative banks, OP Bank Group Central Cooperative.
- Series K shares may be converted into Series A shares at the written request of the shareholder or, in case of nominee-registered shares, at the written request of the asset manager registered with the book-entry register.

In the event of dividend distribution, Series A shares entitle their holders to an annual dividend that is at least one (1) percentage point higher than the dividend paid on Series K shares.

Authorisations granted to the Board of Directors

OKO Bank's Annual General Meeting (AGM) of 27 March 2007 authorised the Board of Directors to decide, within two years from the date of the AGM, on one or several share issues or granting of stock options or other special rights as referred to in Chapter 10, Section 1 of the Companies Act in such a way that new shares subscribed in the share issue and on the basis of stock options and other special rights must be Series A shares and that their combined number may total a maximum of 30,000,000. In the context of a share issue or granting of stock options and other special rights, the company may waive the shareholders' pre-emptive right, under Chapter 9, Section 3 of the Companies Act, if it has a cogent reason to do so.

During the financial year, the Board of Directors did not exercise its authorisation given by the Annual General Meeting on 30 March 2006 and therefore the authorisation was cancelled.

Long-term management incentive scheme

OKO Bank's long-term management incentive scheme encompasses the President and CEO, heads of business lines and divisions, heads of departments and separately specified employees in managerial and expert positions. On 31 December 2007, the scheme incorporated a total of 42 employees. The Board of Directors confirms the inclusion of the President and CEO and the members of the executive management in the scheme whereas OKO Bank's Executive Committee confirms that of other people in the scheme.

Those included in the incentive scheme may receive OKO Bank plc shares as annual bonuses for 2005–07.

In 2007, target indicators for the management incentive scheme were as follows:

ROE of Banking and Investment Services, weight 25%
Combined ratio of Non-life Insurance, weight 25%
Growth in net income from Banking and Investment Services, weight 15%
Growth in Non-life Insurance premium revenue, weight 10%
Joint customers' share of OP-Pohjola Group's private customers, weight 15%
Growth in the market share of OP-Pohjola Group's banking services, weight 10%

If the set targets are met, each person covered by the scheme is entitled to a bonus corresponding to his/her regular salary subject to PAYE tax for the following periods: the President and CEO, 4 months; heads of business divisions, 3 months; heads of departments, 2 months; and other persons covered by the scheme, 2 weeks. Persons in the latter group are also entitled to a share of the profit-based payment into the Personnel Fund, the maximum amount of which corresponds to their one-month salary. This bonus will be paid two years after the completion of the vesting period.

Bonuses paid in terms of shares and cash are charged to personnel costs on an accrual basis over the vesting period. In the financial year, a total of EUR 0.1 million was expensed for the incentive scheme.

The long-term performance indicators revised at the beginning of 2008 now consist of the following two indicators: profitability and growth. With a weight of 50%, the profitability indicator is based on earnings per shares. The two growth indicators comprise a change in the number of Pohjola Insurance Ltd's loyal customer households and OP-Pohjola Group's loyal customers, both indicators having a weight of 25%. Transferring the bonus requires that at least 80% of one of the two OKO Bank targets set for the indicators (profitability or growth 1) must be achieved. If none of these two OKO Bank targets can be achieved, the growth 2 indicator will not generate bonuses even if its achievement exceeded 80%.

Personnel Fund

On 26 October 2004, OKO Bank joined the OP Bank Group Personnel Fund. On 31 December 2007, the Fund had 618 OKO Bank's salaried employees.

In 2007, the amount of profit-based bonuses based on profit for 2006 and transferred to the Personnel Fund totalled around EUR 0.6 million.

Profit-based bonuses transferred to the Personnel Fund in 2007 and 2008 are based on the same performance indicators as applied in the management's long-term incentive scheme.

If the targets set for the performance indicators are achieved, profit-based bonuses for 2008 to be transferred to the Fund account for 3.0% of the combined salaries and wages earned by the Fund's members in 2008.

NOTE 38. Major shareholders and breakdown of shareholding

Major shareholders in terms of votes
(10 largest shareholders based on the shareholder register on 31 December 2007)

		No. of shares	Total no. of shares	% of shares	No. of votes	% of votes
OP Bank Group Central Cooperative	A	22236657				
	K	38589240	60,825,897	29.9	215,182,857	56.9
Suomi Mutual Life Assurance Company	A	20833700				
	K		20,833,700	10.2	20,833,700	5.5
Ilmarinen Mutual Pension Insurance Company	A	20335090				
	K		20,335,090	10.0	20,335,090	5.4
Oulun Osuuspankki	A	1600000				
	K	1012400	2,612,400	1.3	6,662,000	1.8
Keski-Uudenmaan Osuuspankki	A					
	K	491800	491,800	0.2	2,459,000	0.6
Keski-Suomen Osuus-pankki	A	5000				
	K	456560	461,560	0.2	2,287,800	0.6
Länsi-Suomen Osuus-pankki	A	699204				
	K	251,820	951,024	0.5	1,958,304	0.5
OP Bank Group Pension Fund	A	1880793				
	K		1,880,793	0.9	1,880,793	0.5
OP Bank Group Pension Foundation	A	1800000				
	K		1,800,000	0.9	1,800,000	0.5
Pohjolan Osuuspankki	A	459,720				
	K	255,220	714,940	0.4	1,735,820	0.5
Total			110,907,204	54.5	275,135,364	72.8
Nominee-registered shares	A		36,589,196	18.0	36,589,196	9.7

Total number of shareholders	**30272**

Major shareholders in terms of shareholdings
(10 largest shareholders based on the shareholder register on 31 December 2007)

	No. of shares	% of shares	% of votes
OP Bank Group Central Cooperative	60825897	29.9	56.9
Suomi Mutual Life Assurance Company	20833700	10.2	5.5
Ilmarinen Mutual Pension Insurance Company	20335090	10.0	5.4
Oulun Osuuspankki	2612400	1.3	1.8
OP Bank Group Pension Fund	1880793	0.9	0.5
OP Bank Group Pension Foundation	1800000	0.9	0.5
Turun Seudun Osuuspankki	1072380	0.5	0.3
Länsi-Suomen Osuuspankki	951024	0.5	0.5
Etelä-Karjalan Osuuspankki	850284	0.4	0.2
Pohjolan Osuuspankki	714940	0.4	0.5
Total	**111,876,508**	**55.0**	72.1
Nominee-registered shares	36,589,196	18.0	9.7

Shareholdings by number of shares held (based on the shareholder register on 31 December 2007)

Number of shares (Series A and K shares)

	No. of share-holders	% of share-holders	No. of shares	% of shares
1 -100	4,378	14.5	298,261	0.2
101 - 1000	20,998	69.4	6,881,343	3.4
1001 - 10 000	4,340	14.3	12,118,941	6.0
10 001 - 50 000	369	1.2	7,956,887	3.9
50 001 - 100 000	72	0.2	5,123,894	2.5
100 001-	115	0.4	170,971,574	84.1
In joint account				
Total	**30,272**	**100**	**203,350,900**	**100**

Shareholdings by sector (based on the shareholder register on 31 December 2007)

Shareholder type	Share-holders	% of share-holders	No. of shares	% of shares	No. of votes	% of votes
Non-banking corporate secto	829	2.7	4,697,170	2.3	4,697,170	1.2
OP Bank Group Central Cooperative						0.0
and member cooperative ba	230	0.8	87,664,529	43.1	262811617	69.4
Other financial institutions and insurance companies	45	0.2	23,632,812	11.6	23,632,812	6.2
Public sector entities	32	0.1	25,358,406	12.5	25,358,406	6.7
Non-profit organisations	310	1.0	2,926,720	1.4	2,926,720	0.8
Households	28781	95.1	22,301,159	11.0	22,301,159	5.9
Foreign	35	0.1	180,908	0.1	180,908	0.0
Nominee-registered sharehc	10	0.0	36,589,196	18.0	36,589,196	9.7
In joint account						
Total	**30,272**	**100**	**203,350,900**	**100.0**	**378,497,988**	**100**

NOTE 39. Assets pledged as collateral 31 December 2007

Assets pledged as collateral

	Pledges	Mort-gages	Total
Collateral pledged on behalf of own debt			
Liabilities to financial institutions			
Liabilities to the public and public sector entities			
Debt securities issued to the public			
Debt securities and liabilities held for trading			
Other liabilities	110		110
Subordinated liabilities			
Total	110		110
Other collateral given on own behalf	2,630		2,630
Given on the Group's behalf			
Given on behalf of others			
Other	13		13
Total collateral given	2,753		2,753

Secured liabilities totalled EUR 562.

NOTE 40. Pension liabilities

Direct liabilities from pension commitments	4
Share of the excess margin of pension liabilities on the pension fund and on other liabilities	-
Repayment of the excess margin of the pension fund recorded as pension cost adjustment	-

The statutory pension cover for OKO Bank employees is managed through the OP Bank Pension Fund and the supplementary pension cover through the OP Bank Pension Foundation. The Foundation has not accepted new beneficiaries since 30 June 1991. The OKO Bank's pension liabilities are fully covered.

NOTE 41. Lease and other rental liabilities

Material contract terms and conditions regarding termination and redemption
OKO Bank has no significant lease or other rental liabilities. The contracts primarily cover personnel car leases with a maturity of 3 years.

NOTE 42. Off-balance-sheet commitments

	On behalf of subsidi-aries	On behalf of affiliates	On behalf of others	Total
Off-balance-sheet commitments 31 December 2007			**6,120**	**6,120**
Commitments given to a third party on behalf of customers			**2,200**	**2,200**
Guarantees and pledges			2,055	
Other			145	
Irrevocable commitments given on behalf of customers			**3,920**	**3,920**
Loan commitments			3,506	
Other			413	

NOTE 43. Other contingent liabilities and commitments at the year-end

On 31 December 2007, OKO Bank's commitments to private equity funds amounted to EUR 14.1 million. The abovementioned commitments relate to those presented in Note 42.

OKO Bank has made a commitment to invest EUR 10 million in the Suomi Yritysjärjestelyrahasto I X Ky fund, as a limited partner.

OKO Bank has given its subsidiary Pohjola Non-Life Insurance Company the option of raising a subordinated loan worth EUR 50 million. The subsidiary may use this option if its solvency ratio falls below 50%. On 31 December 2007, its solvency ratio stood at 73.4%. The options will remain valid until 1 July 2008 and the abovementioned commitment relates to Note 42 commitments.

Client assets related to brokerage amounted to EUR 2.5 million included in 'Liabilities to the public and public sector entities'.

Accounts payable related to brokerage totalled EUR 88.2 million and accounts receivable EUR 85.7 million.

NOTE 44. Personnel and members of administrative bodies, and related parties

Average personnel in 2007	Average no.	Change during the year
Permanent full-time personnel	536	40
Permanent part-time personnel	16	8
Fixed-term personnel	67	-6
Total	619	42

Remuneration paid to members of administrative bodies in 2007	Wages and salaries, EUR million
Members of the Board of Directors, President and CEO, and Deputy CEO	1.5

The Annual General Meeting approved the following Board emoluments:
Emoluments paid to Board members in 2007 totalled EUR 529,200.

The Chairman's monthly emoluments totalled EUR 5,000, the Vice Chairman's EUR 4,000 and other members EUR 3,500. All Board members received an attendance allowance of EUR 400 for each meeting.

Reijo Karhinen, Chairman EUR 69,200
Tony Vepsäläinen, Vice Chairman EUR 57,200
Members of the Board of Directors:
Merja Auvinen EUR 48,800
Erkki Böös EUR 50,000
Eino Halonen EUR 50,000
Simo Kauppi EUR 51,200
Satu Lähteenmäki EUR 50,400
Harri Nummela EUR 47,600
Heikki Vitie EUR 51,200
Tom von Weymarn EUR 50,400
Pekka Jaakkola EUR 3,200

Salaries and performance-based bonuses paid to the President and CEO and his deputy in the financial year ending 31 December 2007 were as follows:

Mikael Silvennoinen, President and CEO	EUR 599,680
Timo Ritakallio, Deputy CEO	EUR 347,360

Loans, guarantees and collateral grantd to members of the administrative bodies on 31 December 2007

As at 31 December 2007 and 31 December 2006, OKO Bank had not granted loans or guarantees to members of the Board of Directors.

Pension commitments

Members of the administrative and supervisory bodies are not covered by any pension commitments. Furthermore, no pension commitments have been made for previous members of these bodies.

Related parties

OKO Bank plc's related parties include the President and CEO, deputy CEO, members of the Board of Directors, the auditor and deputy auditor or the chief auditor repsenting the firm of authorised public accountants, and the abovementioned persons' spouses or persons living in a spousal-type relationship with them and their underaged children.

In addition, the related parties include those who, on the basis of shareholdings, hold a minimum of 20% of OKO Bank plc shares or, on the basis of shareholdings, stock options or convertible bonds, have or may have the equivalent shareholding or voting rights in Group entities, unless the entity to which the shareholding applies is of minor significance to the entire Group. These entities' corresponding persons mentioned in the previous paragraph are also included in the related parties.

The related parties also include entities and foundations over which the aforementioned persons have control, alone or together with the other person.

	Holding
Receivables from the public and public sector entities 31 Dec.	4
Guarantees and other off-balance-sheet commitments 31 Dec.	135

No impairments have been recognised for the items.

Management holdings

On 31 December 2007, OKO Bank's Board members, President and CEO and Deputy CEO held a total of 68,278 Series A shares, accounting for 0.034% of all shares and 0.018 of votes conferred by all shares.

NOTE 45. Holdings in other companies, EUR million

Subsidiaries	Holding, %	Equity capital	Profit or loss for the financial year
Pohjola Asset Management Ltd Helsinki	86.5	24	13
OKO Venture Capital Ltd Helsinki	71	1	0
OKO Capital East Ltd Helsinki	70	0	0
OKO Corporate Finance Ltd Helsinki	64	1	1
Kiinteistö Oy Kanta-Sarvis II Tampere	100	8	0
Avainholdco Oy Helsinki	100	1	0
Pohjola Non-Life Insurance Company Ltd Helsinki	100	80	107
A-Insurance Ltd Helsinki	100	43	5
Pohjola Property Management Ltd Tampere	100	1	1
Pohjola IT Procurement Ltd Helsinki	100	5	0
Kaivokadun PL-Hallinto Oy Helsinki	100	5	0
Seesam Latvia Latvia	100	5	-1
Seesam Lithuania Lithuania	100	4	0
Seesam International Insurance Company Ltd. Viro	100	16	5
Vakuutuspalvelu Otava Oy Helsinki	100	0	0
Conventum Venture Finance Ltd. Helsinki	100	12	2
Northclaims Oy Helsinki	100	0	0

OKO Bank has no holdings in affiliates or companies in which it would have unlimited liability.

NOTE 46. Trustee Services

OKO Bank provides investment, asset management and custodian services to the public.

Notes concerning an entity under the Group's control
OKO Bank's parent company is OP Bank Group Central Cooperative and OKO Bank's consolidated accounts are included in its consolidated financial statements. Copies of the financial statements for OP Bank Group Central Cooperative Consolidated are available from OP Bank Group Central Cooperative, Teollisuuskatu 1b, FI-00510 Helsinki.

AUDITORS´ REPORT

To the shareholders of OKO Bank

We have audited the accounting records, the Report by the Board of Directors, the financial statements and corporate governance of OKO Bank plc for the financial year 1 January – 31 December 2007. The Board of Directors and the President and CEO have prepared the consolidated financial statements, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the Report by the Board of Directors and the parent company's financial statements, prepared in accordance with effective regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the Report by the Board of Directors, the parent company's financial statements and corporate governance.

We conducted our audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the Report by the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies Act and the Credit Institutions Act.

Consolidated financial statements

In our opinion, the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, Report by the Board of Directors and corporate governance

In our opinion, the Report by the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations.

The Report by the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO can be discharged from liability for the period audited by us. The proposal by the Board of Directors for the disposal of distributable funds is in compliance with the Companies Act.

Helsinki 14 February, 2008

KPMG OY AB

Sixten Nyman
Authorised Public Accountant

Raimo Saarikivi
Authorised Public Accountant

OKO Bank plc
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