

EFFECTS OF IFRS REPORTING IN OKO BANK

OKO Bank Group adopted the International Financial Reporting Standards as of the beginning of 2005. The interim reports in 2005 will be prepared in accordance with the new principles. This bulletin provides preliminary calculations of the essential effects of the IFRS standards on the 2004 income statements of OKO Bank's business divisions, as well as the effects of the standards IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation) on shareholders' equity on January 1, 2005. The quarterly income statements of 2004 by business divisions are available at the website www.oko.fi/english/press.

On March 24, 2005, OKO Bank issued a bulletin providing information on the essential effects of the IFRS transition to OKO Bank's financial information for 2004. The bulletin provided preliminary calculations of the opening balance sheet on the date of IFRS transition, January 1, 2004, and the quarterly income statements and balance sheets for 2004 both under FAS (Finnish Accounting Standards) and IFRS. Furthermore, reconciliations were provided for shareholders' equity and net income on the ending dates of each quarter calculated on different principles. Furthermore, the bulletin included key indicators, the formulas for calculating them, and the changes imposed by the IFRS transition on the accounting principles for the financial statements. This bulletin, together with the one issued on March 24, constitutes a single entity.

EFFECTS ON THE EARNINGS OF THE BUSINESS DIVISIONS

The earnings item presented for the business divisions is Earnings before tax, due to which adjustments under the IAS 12 standard (Income Taxes) are not presented in IFRS adjustments. The income statements prepared in accordance with Finnish Accounting Standards (FAS) are grouped in accordance with the IFRS format. In addition to IFRS adjustments, the new financial statement format also affects the values of the indicators.

OKO Bank's business divisions include Corporate Banking, Investment Banking, Retail Banking and Group Treasury. Income and expenses not allocated to the divisions are integrated under Group Administration.

The most significant earnings effects apply to Retail Banking, where a total of EUR 0.7 million of non-recurring commissions paid on loan repayment insurance and recognised as income in the FAS financial statements have been cancelled, together with goodwill depreciation amounting to EUR 0.5 million. IFRS adjustments totalling EUR 1.8 million have been made in the Group Treasury division due to changes in real estate consolidation methods and the fair valuation of real estate investments. The effect of adjustments due to the IAS 19 standard (Employee Benefits) is distributed between the divisions in proportion to salaries.

IFRS COMPARISON FIGURES BY DIVISIONS

	FAS Q1	IFRS Q1	FAS Q1-2	IFRS Q1-2	FAS Q1-3	IFRS Q1-3	FAS Q1-4	IFRS Q1-4
Earnings before tax, EUR million								
Corporate Banking	14	14	35	35	51	51	66	67
Investment Banking	2	2	3	3	4	4	8	8

Retail Banking	6	6	10	10	13	15	20	21
Group Treasury	10	10	26	26	36	36	47	49
Group Administration	-2	-2	-4	-4	-6	-7	-8	-8
Total	30	30	69	69	98	100	134	136

Return on equity (ROE), % p.a.

Corporate Banking	9,8	9,8	11,7	11,6	11,2	11,3	10,7	10,8
Investment Banking	51,6	54,7	40,0	42,1	33,9	37,7	44,0	45,3
Retail Banking	14,8	15,6	12,3	12,9	10,9	12,0	12,3	12,7
Group Treasury	27,1	27,1	34,2	34,2	31,1	31,3	30,4	31,3
Group Administration	-	-	-	-	-	-	-	-

Cost/net income ratio, %

Corporate Banking	67	45	62	40	63	40	64	41
Investment Banking	67	65	72	70	74	71	67	66
Retail Banking	70	68	74	72	76	73	73	71
Group Treasury	24	24	20	20	20	20	22	21
Group Administration	-	-	-	-	-	-	-	-

EFFECTS OF THE IAS 39 STANDARD ON SHAREHOLDERS' EQUITY JANUARY 1, 2005

On the opening balance sheet fair valuation was applied to notes, bonds and equities included in current and non-current assets under FAS and categorised as Financial assets available for sale. Under FAS, the valuation of current assets was adjusted only in cases of reduction in value or increase in value up to the acquisition price, and the valuation of non-current assets was adjusted only in cases of permanent reduction in value.

In fair value hedging calculations, changes in the value of the hedging and hedged instrument were recognised as an adjustment of accrued earnings at the time of transition, but the entries had no effect on shareholders' equity.

On the opening balance sheet loan loss provisions under FAS were cancelled, and impairment losses specific to each receivable and group of receivables were booked in accordance with the new principles. The increase in impairment losses, which mostly comprised impairment losses specific to groups of receivables, was recognised as an adjustment of accrued earnings.

Shareholders' equity under IFRS December 31, 2004,

EUR million		776
Shares and holdings available for sale	16	
Notes and bonds available for sale	1	
Deferred tax	-4	
Fair value reserve		13
Shares and holdings available for sale	2	
Transfer of derivatives to non-hedging	-4	
Categorisation of notes and bonds to assets held for trading	5	
Impairment losses on receivables	-1	
Retained earnings		2
Total		15
Shareholders' equity January 1, 2005		791

The transition to IAS 39 has a minor effect on OKO Bank's capital adequacy.

EFFECTS OF IFRS TRANSITION ON INCOME STATEMENT AND BALANCE SHEET

1. IAS 12, Income Taxes

On the consolidated FAS balance sheet accumulated appropriations were divided into Shareholders' equity and Deferred tax liability, and on the income statement into Profit for the period and Change in deferred tax liability. The IFRS financial statements represent all deferred tax receivables and liabilities associated with temporary differences between accounting and taxation, as well as any changes in these, if the tax attributable to the difference is expected to be realised in the future.

2. IAS 17, Leases

Income on finance lease contracts is divided into interest income and commission income. With regard to income on other lease contracts as referred to in IAS 17, commissions are entered in Commission income, other income in Other operating income, and depreciation in Other operating expenses.

According to FAS, net income on all leasing contracts was entered in the item Leasing income.

3. IAS 18, Revenue

In its FAS financial statements 1995-2003 OKO Bank's subsidiary Okopankki Oyj recognised non-recurring commissions paid on loan repayment insurance and associated with several years as income on the cash basis. These commissions include a risk of being returned. In the IFRS transition these income recognitions were retroactively cancelled and recognised as liabilities. According to the IFRS principle, only the share of commissions attributable to the financial period shall be recognised as income.

4. IAS 19, Employee Benefits

All of the Group's pension schemes are classified as defined-benefit plans. The Group used the option provided in IFRS 1, according to which funds in pension schemes were valued at fair value and the obligation at present value based on the calculatory assumptions valid at the time of transition on January 1, 2004. The difference between funds and obligations in pension schemes was entered in Other assets. The asset item in Other assets and the pension costs will be adjusted during the financial period on the basis of actuarial calculations.

5. IAS 36, Impairment of Assets

Upon IFRS transition the minor goodwill included on the FAS balance sheet was recognised as expense and the goodwill depreciations included in the FAS financial statements were cancelled. The goodwill originated in the establishment of Okopankki Oyj.

6. IAS 40, 16, 31, Investment Property, Property, Plant and Equipment, Interests in Joint Ventures

Investment properties were valued at fair value upon transition, and changes in fair value after the transition will be entered in Net income from investments. In FAS financial statements investment properties were valued at acquisition cost deducted by depreciation and write-downs.

The revaluation in the consolidated financial statements concerning Kiinteistö Oy Arkadiankatu 23, which is fully owned by OKO Bank and included in the Bank's consolidated financial statements, was cancelled at the time of transition January 1, 2004. The property is mostly classified as an investment property, but a part of it is in the company's own use. The fair value method in accordance with the IAS 40 standard was applied to the part in investment use. Fair value was used as the deemed acquisition cost for the part in own use within the scope of the allowance by the IFRS 1 first-time adoption standard. The value of the part in own use before revaluation was EUR 8.125 million, and the revaluated acquisition cost was EUR 6.161 million.

Mutual real estate companies in which OKO Bank or its subsidiaries have a substantial influence or control are consolidated like assets under joint control as referred to in the IAS 31 standard. Entries associated with consolidation by the acquisition cost method were cancelled upon transition.

7. Other adjustments

IAS 38, Intangible Assets: In comparison with Finnish Accounting Standards, wage and salary costs capitalised in the acquisition cost of internally generated assets reduce personnel expenses and increase depreciation belonging to other operating expenses. Internally generated assets refer to computer software included in Intangible assets.

The figures presented in this bulletin are unaudited.

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