

TRANSITION TO IFRS REPORTING IN OP BANK GROUP

OP Bank Group adopted the International Financial Reporting Standards (IFRS) as of the beginning of 2005. The interim reports in 2005 will be prepared in accordance with the new principles.

This bulletin provides information on the essential effects of the IFRS transition to OP Bank Group's financial information for 2004. The bulletin provides 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 are provided for equity capital and net income on the ending dates of each quarter calculated on different principles. Furthermore, the bulletin includes key indicators, the formulas for calculating them, and the changes imposed by the IFRS transition on the accounting principles for the financial statements.

The financial information provided in the bulletin is based on the IAS/IFRS standards valid at the time of writing, which are assumed to be valid also on December 31, 2005. OP Bank Group has applied the following allowances by the IFRS 1 first-time adoption standard:

- The IFRS information for 2004 does not include the effects of IAS 39 (Financial Instruments), because the standard will be introduced in OP Bank Group as of the beginning of 2005, and no comparison data is required.
- At the time of transition, funds in pension schemes were valued at fair value and obligations at present value based on the calculatory assumptions valid at the time of transition on January 1, 2004.
- Some real estate properties in own use were valued at deemed acquisition cost at the time of transition. This was based either on fair value or revaluated acquisition cost in accordance with the FAS financial statements.

- The acquisition cost calculations of companies consolidated before the IFRS transition were not converted to IFRS but are still based on Finnish Accounting Standards.

The FAS figures in this bulletin are equal to the information presented in the interim reports and financial statements for 2004 with the difference that the FAS income statement and balance sheet information is grouped into OP Bank Group's IFRS income statement and balance sheet formats. Changes associated with the formats are described in this bulletin.

The separate financial statements of entities consolidated into OP Bank Group's financial statements are prepared in accordance with Finnish Accounting Standards. An exception is OP Bank Group Mortgage Bank plc, which has issued publicly quoted bonds and adopted IFRS as of the beginning of 2005. Amongst the companies of the OP Bank Group, the OP Bank Group Central Cooperative and OKO Bank also adopted IFRS in their consolidated financial statements as of the beginning of 2005. OKO Bank has issued its own stock exchange bulletin on the effects of the transition to IFRS reporting on March 24, 2005.

The figures presented in this bulletin are unaudited.

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RECONCILIATION CALCULATIONS AND INDICATORS

OP Bank Group IFRS Comparison Figures

Income statement, Jan.-June 2004, € million	Ref.	FAS figures in	IFRS adjustments								Total	IFRS	FAS	IFRS
		IFRS format	IAS12	IAS17	IAS18	IAS19	IAS40	OP Life	Other	1-6/2004		4-6/2004	4-6/2004	
		1-6/2004					16,31	Assurance						
Net interest income	2,5,8	372		3			0	-1			2	374	186	188
Impairment losses		1										1	0	0
Net interest income after impairment losses		372										374	185	188
Net commissions and fees	3,5	164			-4			2			-2	162	78	77
Net income from trading		13										13	16	16
Net income from investments	8	37					4				4	41	12	14
Net income from life assurance	5							28			28	28	0	10
Other operating income	2,5,8	70		-39			-0	-4			-43	27	36	14
Personnel costs	4,5,7	-190				9		-1	1		8	-182	-93	-89
Other administrative expenses	5,8	-98					0	-1			-1	-99	-51	-52
Other operating expenses	2,5,8,9	-105		36			1	-4	-1		32	-73	-52	-35
Returns to owner-members	9	-16							-7		-7	-23	-8	-12
Share of affiliate profits/losses	5	18						-16			-16	1	7	1
Earnings before tax		265										268	128	131
Income tax	1,3,4,5,8,9	-50	-17		-1	6	-0	-2	0		-14	-64	-7	-22
Profit (loss) for the period		214										204	121	109
Share of minority interests	4,9	-0				-0		0	-0		-1	-1	0	-1
Earnings for the period		214										203	121	108

Balance sheet on June 30, 2004, € million	Ref.	FAS balance	IFRS adjustments								Total	IFRS	
		sheet in IFRS	IAS12	IAS17	IAS18	IAS19	IAS40	OP Life	Other	16,31		Assurance	
		format					16,31	Assurance					
Assets													
Liquid assets	8	808					-0				-0	808	
Receivables from financial institutions	9	315										315	
Financial assets for trading		2 834										2 834	
Derivative contracts		124										124	
Receivables from customers	2,5,8	28 800		303			-4	-38			261	29 061	
Investment assets	2,5,8	1 774		11			50	-170	0		-108	1 666	
Investments in affiliates		43										43	
Intangible assets	5,6,7	82						1	7		8	91	
Tangible assets	2,5,8,9	835		-219			1	0			-218	617	
Other assets	2,4,5,8,9	494		0			335	-0			334	828	
Life assurance assets	5							2 653			2 653	2 653	
Tax receivables	1,2,3,4,5,8		46	2	21		2	3			73	73	
Total assets		36 109										39 113	
Liabilities													
Liabilities to financial institutions	8	1 350					3				3	1 353	
Financial liabilities for trading													
Derivative contracts		155										155	
Liabilities to customers	5,8	23 194					0	-12			-12	23 183	
Debt securities issued to the public		6 114										6 114	
Reserves and other liabilities	2,3,5,8,9	882		103	90	2	0	-1	8		202	1 083	
Life assurance liabilities								2 428			2 428	2 428	
Tax liabilities	1,4,5,8,9	236	17			75	14	5	2		114	350	
Cooperative capital	9						0		718		718	718	
Subordinated liabilities	5	539						22			22	560	
Equity capital	1,2,3,4,5,6,7,8,9	3 639	28	-5	-69	258	30	7	-721		-470	3 169	
Total liabilities and equity capital		36 109										39 113	

OP Bank Group IFRS Comparison Figures

Income statement, Jan.-Sept. 2004, € million	Ref.	FAS figures in	IFRS								IFRS		FAS		
		IFRS format	adjustments	IAS17	IAS18	IAS19	IAS40	OP Life	Other	Total	1-9/2004	7-9/2004	IFRS	7-9/2004	
		1-9/2004	IAS12				16,31	Assurance							
Net interest income	2,5,8	559		4			0	-3			2	561	188	188	
Impairment losses		-0										-0	-1	-1	
Net interest income after impairment losses		559										561	187	187	
Net commissions and fees	3,5	238			-6			3	-1	-3		234	74	73	
Net income from trading		12										12	3	3	
Net income from investments	8	55					7			7		61	14	17	
Net income from life assurance	5							36		36		36	0	8	
Other operating income	2,5,8	105		-60			-0	-7		-67		38	35	11	
Personnel costs	4,5,7	-278				15		-2	0	13		-265	-88	-83	
Other administrative expenses	5,8	-139					0	-2		-2		-141	-41	-42	
Other operating expenses	2,5,8,9	-159		56			2	-4	-2	52		-107	-54	-34	
Returns to owner-members	9	-24							-11	-11		-36	-9	-12	
Share of affiliate profits/losses	5	21						-19		-19		2	4	1	
Earnings before tax		390										396	125	128	
Income tax	1,3,4,5,8,9	-92	-11	-0	-1	5	-1	-3	1	-10		-102	-42	-38	
Profit (loss) for the period		298										294	83	90	
Share of minority interests	4,9	-1				-0		-0	0	0		-1	0	0	
Earnings for the period		297								-4		293	83	91	

Balance sheet on Sept. 30, 2004, € million	Ref.	FAS balance	IFRS								IFRS		
		sheet in IFRS	adjustments	IAS17	IAS18	IAS19	IAS40	OP Life	Other	Total	IFRS	IFRS	
		format	IAS12				16,31	Assurance					
Assets													
Liquid assets	8	752					-0				-0	752	
Receivables from financial institutions	9	676										676	
Financial assets for trading		2 819										2 819	
Derivative contracts		128										128	
Receivables from customers	2,5,8	29 619		328			-4	-38		286		29 905	
Investment assets	2,5,8	1 773		11			50	-171	0	-109		1 664	
Investments in affiliates		44										44	
Intangible assets	5,6,7	80						1	7	9		88	
Tangible assets	2,5,8,9	858		-244			1	0		-243		614	
Other assets	2,4,5,8,9	586				341	-0	-3		337		923	
Life assurance assets	5							2 742		2 742		2 742	
Tax receivables	1,2,3,4,5,8		51	2	21		2	3		79		79	
Total assets		37 335										40 435	
Liabilities													
Liabilities to financial institutions	8	1 284					3			3		1 287	
Financial liabilities for trading													
Derivative contracts		167										167	
Liabilities to customers	5,8	23 643					1	-19		-19		23 624	
Debt securities issued to the public		6 699										6 699	
Reserves and other liabilities	2,3,5,8,9	1 059		102	92	1	0	-0	11	207		1 266	
Life assurance liabilities								2 517		2 517		2 517	
Tax liabilities	1,4,5,8,9	237	16			76	14	6	2	115		352	
Cooperative capital	9						0		694	694		694	
Subordinated liabilities	5	548						22		22		569	
Equity capital	1,2,3,4,5,6,7,8,9	3 699	35	-5	-71	263	30	8	-700	-440		3 259	
Total liabilities and equity capital		37 335										40 435	

OP Bank Group IFRS Comparison Figures

Income statement, Jan.-Dec., 2004, € million	Ref.	FAS figures in	IFRS								IFRS			
		IFRS format	adjustments	IAS17	IAS18	IAS19	IAS40	OP Life	Other	Total	1-12/2004	FAS	IFRS	
		1-12/2004	IAS12				16,31	Assurance				10-12/2004	10-12/2004	
Net interest income	2,5,8	755		6			0	-4			3	758	196	196
Impairment losses		-7										-7	-7	-7
Net interest income after impairment losses		748										750	189	190
Net commissions and fees	3,5	324			-8			4			-4	321	87	86
Net income from trading		15						5			5	20	6	11
Net income from investments	8	67					12				12	79	10	15
Net income from life assurance	5						2	43			45	45	0	9
Other operating income	2,5,8	144		-82			-0	-15			-97	46	39	9
Personnel costs	4,5,7	-370				15		-2	2		14	-356	-92	-91
Other administrative expenses	5,8	-193					0	-4			-4	-197	-55	-56
Other operating expenses	2,5,8,9	-227		76			3	-2	-2		75	-152	-68	-45
Returns to owner-members	9	-33							-15		-15	-48	-9	-13
Share of affiliate profits/losses	5	27						-23			-23	5	6	2
Earnings before tax		502										512	112	117
Income tax	1,3,4,5,8,9	-122	-9	0	-0	5	-3	-2	0		-9	-131	-30	-30
Profit (loss) for the period		380										381	82	87
Share of minority interests	4,9	-1	0			-0	-0	0	0		0	-1	-1	-1
Earnings for the period		379										380	82	87

Balance sheet on Dec. 31, 2004, € million	Ref.	FAS balance	IFRS								IFRS		
		sheet in IFRS	adjustments	IAS17	IAS18	IAS19	IAS40	OP Life	Other	Total		IFRS	
		format	IAS12				16,31	Assurance					
Assets													
Liquid assets	8	422					-0				-0	422	
Receivables from financial institutions	9	681										681	
Financial assets for trading		3 170										3 170	
Derivative contracts		159										159	
Receivables from customers	2,5,8	30 645		345			-4	-35			306	30 952	
Investment assets	2,5,8	1 771		11			57	-177	0		-109	1 663	
Investments in affiliates		46										46	
Intangible assets	5,6,7	77						1	8		9	86	
Tangible assets	2,5,8,9	882		-261			1	0			-261	622	
Other assets	2,4,5,8,9	374		0		342	-0	-2			340	714	
Life assurance assets	5							2 867			2 867	2 867	
Tax receivables	1,2,3,4,5,8		52	2	22	0	2	4			81	81	
Total assets		38 229										41 463	
Liabilities													
Liabilities to financial institutions	8	1 181					3				3	1 184	
Financial liabilities for trading													
Derivative contracts		218										218	
Liabilities to customers	5,8	25 128					0	-21			-21	25 107	
Debt securities issued to the public		6 325										6 325	
Reserves and other liabilities	2,3,5,8,9	702		102	93	2	-0	-1	15		211	913	
Life assurance liabilities								2 667			2 667	2 667	
Tax liabilities	1,4,5,8,9	285	16			77	16	3	2		114	399	
Cooperative capital	9						0		717		717	717	
Subordinated liabilities	5	596						1			1	597	
Equity capital	1,2,3,4,5,6,7,8,9	3 796	36	-5	-72	263	36	8	-726		-459	3 337	
Total liabilities and equity capital		38 229										41 463	

Calculation on Changes to OP Bank Group's Equity Capital

€ million	Jan. 1, 2004	March 31, 2004	June 30, 2004	Sept. 30, 2004	Dec. 31, 2004
Equity capital (FAS)	3 440	3 510	3 639	3 699	3 796
Effects from transition to IFRS					
IAS19 Employee Benefits	325	330	332	339	340
IAS 40,16,31 Valuation and consolidation of real-estate	48	49	52	55	62
IAS 18 Revenue	-85	-87	-90	-92	-93
IAS 12 Income Taxes	-30	-26	-39	-34	-34
IAS 38 Intangible Assets	9	8	8	8	8
IAS 27 Consolidated and Separate Financial Statements	4	-1	-2	-2	-1
IAS 17 Leases	-7	-7	-6	-6	-6
Other	-715	-728	-725	-707	-733
IFRS adjustments, total	-450	-462	-470	-440	-459
Equity capital (IFRS)	2 990	3 048	3 169	3 259	3 337

Calculation on Changes to OP Bank Group's Earnings for the Financial Period

€ million	1Q2004	1-2Q2004	1-3Q2004	1-4Q2004
Operating profit (FAS)	93	214	297	379
Effects from transition to IFRS				
IAS19 Employee Benefits	5	9	15	15
IAS 18 Revenue	-2	-4	-6	-8
IAS 12 Income Taxes	1	-14	-10	-9
IAS 27 Consolidated and Separate Financial Statements	0	2	2	2
IAS 40 Investment Property	3	5	9	16
IAS 31 Interests in Joint Ventures	-0	-0	-0	-0
IAS 38 Intangible Assets	-0	-0	-0	-0
Other	-4	-8	-13	-15
IFRS adjustments, total	2	-11	-4	1
Earnings for the period (IFRS)	95	203	293	380
		2Q2004	3Q2004	4Q2004
Operating profit (FAS)		121	83	82
Effects from transition to IFRS				
IAS19 Employee Benefits		4	6	0
IAS 40 Investment Property		3	4	8
IAS 18 Revenue		-2	-2	-2
IAS 38 Intangible Assets		-0	0	-0
IAS 12 Income Taxes		-15	4	0
IAS 31 Interests in Joint Ventures		-0	0	0
Other		-2	-4	-2
IFRS adjustments, total		-13	7	5
Earnings for the period (IFRS)		108	91	87

IFRS Comparison Figures from OP Bank Group's Financial Ratios 2004

	FAS Q1	IFRS Q1	FAS Q1-2	IFRS Q1-2	FAS Q1-3	IFRS Q1-3	FAS Q1-4	IFRS Q1-4
Return on equity (annualised), %	10.8	12.7	12.1	13.3	11.1	12.6	10.5	12.0
Return on assets (annualised), %	1.06	1.00	1.21	1.06	1.10	1.00	1.04	0.96
Capital adequacy ratio, %	15.2	14.8	15.3	14.9	15.6	15.3	15.8	15.5

Return on equity, %

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

Return on assets, %

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

Impact of IFRS adjustments on own funds when determining the capital adequacy ratio:

According to the Financial Supervision Authority, interpretation of own funds, the computational surplus balance of the pension liability is not included in own funds or risk-weighted receivables and commitments. Deferred tax receivables referred to in IAS12 have not been included in own funds.

The fair valuation of real estate in accordance with IAS 40 does not have an effect on the capital adequacy ratio. OP Life Assurance Company Ltd is consolidated in IFRS financial statements line by line using the acquisition method. In FAS the Company was consolidated using the equity method. The change has no influence on the capital adequacy ratio.

EFFECT OF IFRS TRANSITION ON THE INCOME STATEMENT AND BALANCE SHEET

(the numbers refer to references in the reconciliations)

1. IAS 12, Income Taxes

On the consolidated FAS balance sheet accumulated appropriations were divided into equity capital and deferred tax liability, and on the income statement into profit for the period and change in deferred tax liabilities. The IFRS financial statements represent all deferred tax assets 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 Net Interest Income.

At the time of the IFRS transition, real estate holdings sold and leased back on finance lease terms were recognised as assets and liabilities on the balance sheet. Sales gains recognised on the disposals were cancelled and booked as liabilities. Sales gains

booked as liabilities will be recognised as income allocated over the validity period of the lease contracts.

3. IAS 18 Revenue

OP Bank Group has recognised commissions and fees associated with repayment security insurance as income on the cash basis in financial statements prepared in accordance with Finnish Accounting Standards for the years 1995 to 2003, and these include a risk of reversal. In the IFRS transition, these income recognitions were retroactively cancelled and recognised as liabilities. According to the IFRS principle, only the share of the commissions not associated with a risk of reversal will 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 27, Consolidated and Separate Financial Statements

OP Life Assurance Company Ltd, which is fully owned by OP Bank Group, has been consolidated using the equity method in accordance with Finnish Accounting Standards, because it is a subsidiary functionally different from the others. In IFRS financial statements, OP Life Assurance Company will be consolidated on a row-by-row basis using the acquisition cost method.

6. IAS 36, Impairment of Assets

Upon IFRS transition the minor goodwill included on the FAS balance sheet was recognised as expense. In FAS financial statements, goodwill was subject to planned depreciation.

7. 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.

8. 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.

Mutual real estate companies consolidated with OP Bank Group, in which companies mentioned above 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.

9. Other Adjustments

The cooperative capital of the member banks, which is included in equity capital under Finnish Accounting Standards, belongs to liabilities in the IFRS financial statements. The interest to be paid on the cooperative capital for the financial period is allocated to expenses over the financial period based on an estimate.

MORE INFORMATION FOR RECONCILIATION

Format Changes

The effects of the IFRS transition on the earnings and equity capital for fiscal 2004 are itemised in the calculations in this bulletin at the level of income statement and balance sheet rows. In order to render this possible, the items in FAS income statements and balance sheets are grouped in accordance with the IFRS format.

The most essential changes due to the new grouping are the following:

Net interest income includes interest on interest rate swaps for trading. In the FAS format these were included in Net income from securities trading. With regard to finance lease receivables, net interest income only includes interest income. In the FAS income statement, net income from leasing receivables were included in the item Net leasing income.

Impairment losses on receivables correspond to the FAS item Credit and guarantee losses.

Net commissions and fees include commissions and fees from real estate agency operations. In the FAS income statement they were booked in Other operating income. Bonuses granted to owner members were booked as adjustments to commissions and fees on the FAS income statement. On the IFRS income statement, these are included in "Returns to owner members".

Net trading income includes income and expenses on trading operations, excluding interest that is included in net interest income. On the FAS income statement, income and expenses from trading, except interest, were included in net income from securities trading, while interest was included in net interest income. Furthermore, net income from trading includes dividend income on equities held for trading, which was included in income from equity investments in the FAS income statement.

Net income from investments includes income and expenses on financial assets available for sale and held to maturity, as well as from investment properties, excluding interest. On the FAS income statement, the income and expenses from financial assets (excluding interest) were included in net income from securities trading, and dividend income was included in income from equity investments. Income from investment properties was included in other operating income. Expenses were included in other operating expenses, and write-downs were included in write-downs on tangible assets.

Net income from life assurance operations includes all of the income statement items of OP Life Assurance Company Ltd, except operating expenses and taxes. Due to the fact that its sector of business is different from banking, OP Life Assurance Company, which is fully owned by the OP Bank Group, was consolidated using the equity method in FAS financial statements. OP Life Assurance Company's earnings for the financial period were presented under "Share of associate profits or losses".

Other operating income on the IFRS income statement does not include income from investment properties or commissions and fees from real estate agency. Other operating income under IFRS includes income and expenses on other lease contracts under IAS 17 and income from finance lease contracts other than interest income.

Other operating expenses on the IFRS income statement do not include expenses on investment properties. The FAS income

statement item Depreciation and write-downs is included in this item. With regard to the FAS item Leasing income, depreciation on objects leased out on other lease contracts as referred to in IAS 17 has been transferred to this item.

Returns to owner-members include expense entries booked on interest paid by the member banks on their co-operative capital and bonuses granted to owner members. In FAS financial statements the interest on co-operative capital was booked as a reduction of equity upon payment, and bonuses granted to owner members were booked as adjustments to commissions and fees.

Share of affiliate profits includes shares of affiliate profits consolidated using the equity method. The FAS income statement item "Share of affiliate profits or losses" also included shares of profits from subsidiaries operating in other sectors of business than banking.

Receivables from customers include the FAS item Receivables from the public and public sector entities, as well as the contracts classified as finance lease contracts included in the FAS item Leasing assets.

Financial assets held for trading include notes, bonds and equities valued at fair value; the changes in value are recognised on the income statement. In the FAS format they were included in Notes and bonds or in Shares and holdings.

Derivative contracts include positive (in assets) and negative (in liabilities) changes in the value of derivative contracts; these were included in Other assets and liabilities in the FAS format.

Investment assets include financial assets available for sale and held to maturity, as well as investment properties. Properties categorised as investment properties under FAS but as properties in own use under IFRS are included in tangible assets.

Intangible assets include not only the FAS Intangible assets but also development-phase expenses capitalised for substantial development projects.

Tangible assets include FAS Tangible assets deducted by investment properties, as well as the objects of other lease contracts as referred to in IAS 17 included in the FAS item Leasing assets.

Other assets include the FAS financial statement items "Accrued income" and "Other assets" deducted by receivables on derivative contracts.

Life assurance assets include OP Life Assurance Company Ltd's investments and other assets associated with insurance operations. Due to the fact that its sector of business is different, OP Life Assurance Company, which is a fully owned subsidiary of the OP Bank Group, was consolidated using the equity method in FAS financial statements. On the FAS balance sheet, the entries associated with OP Life Assurance Company were included in "Shares and holdings in subsidiaries".

Tax receivables are presented as a separate item on the IFRS balance sheet. On the FAS balance sheet tax receivables associated with income tax allocation were presented in accrued expenses.

Financial liabilities held for trading include short selling of securities, which were included in Other liabilities in FAS.

Reserves and other liabilities include the FAS item Other liabilities deducted by liabilities on derivative contracts, Mandatory reserves and accrued expenses.

Life assurance liabilities include OP Life Assurance Company's underwriting reserves and other liabilities. Due to the fact that its sector of business is different, OP Life Assurance Company, which is a fully owned subsidiary of the OP Bank Group, was consolidated using the equity method in FAS financial statements. On the FAS balance sheet, the entries associated with OP Life Assurance Company were included in "Shares and holdings in subsidiaries".

Tax liabilities are presented as a separate item on the IFRS balance sheet. The FAS balance sheet presented liabilities due to deferred taxes as a separate item, and liabilities due to income tax allocations were presented in accrued expenses.

Subordinated liabilities include subordinated liabilities under FAS as well as capital loans, which used to be included in equity capital on the FAS balance sheet.

Cooperative capital is categorised under liabilities in IFRS financial statements. In FAS financial statements, it was categorised as equity capital.

Equity capital includes as a new item the Minority interest in equity capital. On the FAS balance sheet minority interest was presented as a separate item outside equity capital.

CHANGES TO THE OP BANK GROUP ACCOUNTING PRINCIPLES DUE TO IFRS TRANSITION

General

The amalgamation of the cooperative banks (hereinafter the OP Bank Group), that carries on banking and life assurance business in Finland, is a financial entity defined in the Act on Cooperative Banks and Other Cooperative Credit Institutions (hereinafter the Cooperative Bank Act). In the Group, the OP Bank Group Central Cooperative and its member credit institutions are jointly responsible for each others' liabilities and commitments. The OP Bank Group does not form a group as defined in the Accounting Act or a consolidation group as defined in the Credit Institution Act. The OP Bank Group Central Cooperative and its member cooperative banks do not have in respect of each other power of control as defined in common consolidation principles, whereby a parent company cannot be specified for the Group.

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

The domicile of the Central Cooperative is Helsinki, and its registered address is Teollisuuskatu 1b, PO Box 308, FI-00101 Helsinki.

Accounting Principles

OP Bank Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The preparation of financial statements is subject to the IAS and IFRS standards and supplementary SIC and IFRIC interpretations valid at the end of the financial period. OP Bank Group's obligation to prepare financial statements in accordance with IFRS is based on the Cooperative Bank Act. In addition to the IFRS standards, the preparation of OP Bank Group's financial statements is subject to Section 30(6) of the Credit Institutions Act.

OP Bank Group adopted the International Financial Reporting Standards as of the beginning of 2005. The IFRS 1 standard - First-time Adoption of International Financial Reporting Standards - was applied in connection with the adoption. The comparison data for 2004 was converted to comply with IFRS, with the exception of the handling of financial instruments in accordance with IAS 32 and IAS 39, which is not required by virtue of IFRS 1. Finnish Accounting Standards have been applied to the valuation of financial instruments in the comparison year 2004, but the classification has been changed to comply with IFRS.

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise discretion in the application of accounting principles. The crucial accounting practices requiring estimates or discretion have been presented in the accounting principles or notes to the financial statements.

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

Consolidation Principles

Mutual real estate companies consolidated with OP Bank Group, in which companies mentioned above have a substantial influence or

control, are consolidated like assets under joint control as referred to in the IAS 31 standard.

As of the IFRS transition date, goodwill will be calculated by subtracting the fair value of the consolidated companies' assets deducted by liabilities from the acquisition cost. The share exceeding the fair value at time of acquisition is presented as consolidated goodwill. Any share of fair value at time of acquisition that exceeds the acquisition cost is recognised as income.

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

Minority Interests

Earnings and equity capital are divided into the aggregate share of the owners of the technical parent company – that is, the members of the member co-operative banks – and OKO Bank's owners outside the banking group, and the share of the minority. The minority interest in equity capital is presented as a separate item in equity capital. Minority interest in companies consolidated since the IFRS transition date is calculated using the fair values of the assets and liabilities of the consolidated company and presented as a separate balance sheet item.

Segment Reporting

OP Bank Group provides segment-specific income statements and balance sheets for the following divisions: Asset Management, Retail Banking, Corporate Banking and Treasury. The business divisions are defined so that the risks and composition of earnings in each division differ from the other divisions.

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

Financial Instruments

Determination of Fair Value

The fair value of a financial instrument is determined using either price quotations from a functioning market or the company's own valuation methods. The valuation methods account for estimated credit risk, the applicable discount rates of interest, the possibility of premature repayment and other such factors that affect the reliable determination of the fair value of a financial instrument.

Derivative contracts are valued on the basis of publicly quoted interest rates or prices on the balance sheet date. If no public quotations are available, the contracts are valued using a pricing model.

Classification and Recognition

Financial assets and liabilities held for trading

All financial assets and liabilities from which yield originating in interest rates, prices and quotations is expected in the short term, or in which a linked derivative contract cannot be separated from the main contract, are classified as financial assets or liabilities held for trading. Financial assets and liabilities held for trading also include derivative instruments, which are presented separately.

Financial assets and liabilities classified as held for trading are recognised on the balance sheet at fair value, and changes in fair value are immediately recognised on the income statement.

Loans and receivables

Financial assets classified as loans and receivables are financial assets created by handing over funds, goods or services directly to the debtor. The contracts are handled in accounting at amortised cost.

Impairment losses of loans receivables are recognised by receivable items and group of receivables. Impairment losses are assessed and recognised by receivable item if the customer's total exposure is significant. In case of minor customer exposure, impairment losses are assessed and recognised by group of receivables. Impairment losses are booked as reductions in the balance sheet item for loans.

Impairment losses will only be booked when there is objective proof of an event caused by a loss that will have an impact on future cash flows. Impairment losses are principally recognised by receivable item if the customer's total loans are significant. The value of a loan is impaired if future cash flows from it – including the fair value of the collateral – are less than the book value of the loan. Future cash flows are discounted at the loan's original effective interest rate. In case of a variable interest rate loan, the discount rate is the effective rate in accordance with the contract at the time of assessment. The difference between the book value of the loan and a lower recoverable value of cash flow is booked as an impairment loss.

Otherwise, loans are categorised into groups with similar credit risk. A group-specific impairment loss will be booked if the group is impacted by objective factors. The level of write-down booked is based on an average empirical assessment. Once all collection actions have been completed or management has otherwise made a decision to this effect, the loan is removed from the balance sheet. Any payments received after removal from the balance sheet are booked as adjustments to write-downs on receivables.

Investments held to maturity

Investments held to maturity are financial assets that have been acquired with the intention of holding them until maturity. Financial assets have been handled in accounting at allocated amortised cost. The difference between the nominal value and acquisition value of bonds is allocated over the remaining term to maturity.

If the value of a receivable item held to maturity is found to have decreased, it is transferred to financial assets held for trading and valued as at fair value. The change in value is recognised under "Net trading income" on the income statement.

Financial assets available for sale

Financial assets available for sale are financial assets not included in the categories of financial assets before. Financial assets available for sale are recognised on the balance sheet at acquisition cost at the time of acquisition and valued at fair value. Changes in value are recognised in the fair value reserve in equity capital and transferred to

the income statement when the asset item is removed from the balance sheet.

Other financial liabilities

The category Other financial liabilities includes financial liabilities other than those held for trading. Other financial liabilities are handled in accounting at amortised cost.

Derivative contracts

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

According to the general IFRS principle, derivatives are always valued at fair value and derivative contracts are booked in accounting at the time of entering into the contract. The difference between interest received and paid on non-hedging interest rate swaps is recognised in interest, and the corresponding interest to be carried forward is recognised in other assets and other liabilities. Income, expenses and changes in the value of non-hedging interest rate, currency and equity derivatives are recognised under "Net trading income" on the income statement. Positive changes in the value of derivative contracts are recognised on the balance sheet under "Derivative contracts, assets", while negative changes are recognised under "Derivative contracts, liabilities".

So-called embedded derivatives associated with structured bond issues and housing loans with an interest rate ceiling are separated from the main contract. Changes in the value of the main contract and the hedging derivatives are booked in interest.

Hedge Accounting

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

as well as individual loans. The efficiency of hedging is verified by risk management methods.

The member cooperative banks use interest rate swaps as hedging instruments, and OKO Bank is always the counterparty. OKO Bank covers all internal derivative contracts by external covering contracts. Internal hedging is eliminated in OP Bank Group.

In fair value hedging calculations, changes in the value of the hedging and hedged instrument are recognised on the income statement under "Net income from investments". The difference between interest received and paid on interest rate swaps used for hedging loans under "Loans and receivables", notes and bonds under "Available for sale" and own issues is recognised as interest. Interest carried forward on interest rate swaps is recognised under accrued income and accrued expenses.

Investment Properties

Investment properties are owned in order to receive rental income or gain on the value of the assets. Investment properties also include properties of which a minor part is used by the owner company or its personnel. Investment properties also include shares in real estate companies that entitle the holder to possess leasable premises.

Shares in investment property companies, as well as land, forest and water areas held for investment purposes, are recognised on the balance sheet at fair value. The share of loans burdening the share is taken into account when determining the fair value of investment company shares. Changes in fair value are recognised under "Net income from investment properties" on the income statement.

The fair value of investment properties is based on their market value. The basis for the fair value of significant items is an assessment by an independent expert; the values of other items are based either on an assessment by an independent expert, yield estimates calculated from market data or the management's own estimates of the market value of the item. The market value of commercial, office and industrial premises is primarily assessed by the yield value method. The basis for determining productive value is a calculation model used in all entities within the banking group, based on market yield requirements. The market value of residential buildings and land areas is primarily assessed by the disposal value method.

Tangible and Intangible Assets

Tangible fixed assets are valued at original acquisition cost deducted by depreciation and write-downs.

Expenses arising from an asset item after the original acquisition are only capitalised in the book value of the asset if it is probable that it will produce greater economic benefit than originally estimated.

Expenses arising from the development of products or services are capitalised starting from the time when it was determined that the product or service will produce an economic benefit in the future. The asset will be depreciated starting from the time it is ready for use. Any assets not yet ready for use are tested for impairment annually.

Write-Downs on Property, Plant and Equipment and Intangible Assets

In connection with each closing of the accounts, it shall be assessed whether there are any indications of impairment of asset values. If such indications exist, the amount recoverable from the asset item is estimated. The amount recoverable from unfinished intangible assets is estimated annually regardless of whether there are indications of impairment of value.

If the book value of an asset item exceeds the estimated amount recoverable in the future, the excess is recognised as an expense. The amount recoverable from an asset should primarily be determined through its net sales price. Alternatively, the recoverable amount can be determined through the utility value of the asset – that is, the cash flows accumulated from it. If no net sales price can be determined for an asset and it does not accumulate any cash flow independent from other items, the need for a write-down is determined through the unit where the asset belongs. In this case, the book values of the assets included in the unit are compared with the amount recoverable from the entire cash generating unit.

Leases

Leases are classified as finance lease contracts or other lease contracts in accordance with the actual substance of the transaction. A lease contract is a finance lease contract if an essential part of the

risks and benefits characteristic of ownership are transferred to the leaseholder. Otherwise the contract is classified into other lease contracts. Lease contracts are classified when they are signed.

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

Substantial assets leased on finance lease contracts are presented in tangible assets, and the corresponding finance lease liability is presented in other liabilities. At the commencement of the contract, leased assets are recognised on the balance sheet as assets and liabilities to an amount equal to the fair value of the leased asset or a lower present value of minimum rents. Depreciation on assets booked in tangible assets is applied over the economic life or a shorter lease period. Financing costs are booked in interest expenses so that the interest rate on the remaining debt is equal in each financial period. Substantial sales gains in situations of sale and lease back are allocated over the period of lease.

Assets leased out on other lease contracts are presented in tangible assets, and rental income is recognised in equal amounts during the period of lease. Rents paid on leased assets are recognised as expenses on the income statement in equal amounts during the period of lease.

Employee Benefits

Pension benefits

Statutory pension cover for the employees of OP Bank Group companies is arranged through the OP Pension Fund. Additional pension cover arranged for employees by employers is mainly arranged through the OP Pension Foundation. The Foundation has been closed to new employees as of July 1, 1991. Some of the Group companies have arranged additional pension cover through an insurance company.

All of the pension schemes used by the Group are considered defined-benefit plans.

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

The expenses arising from pension schemes are recognised under personnel expenses on the income statement.

In defined-benefit plans, the present value of the obligations arising from the scheme on the balance sheet date deducted by the fair value of the funds included in the scheme is presented as an asset. Actuarial gains and losses, and expenses based on retroactive work performance, are also taken into account.

The obligations from defined-benefit pension plans are calculated separately for each scheme. The calculation is performed using the project unit credit method. Pension costs are recognised as expenses over the appropriate person's period of employment on the basis of calculations made by authorised actuaries. The discount interest rate used for the calculation of the present value of a pension obligation is the interest rate paid on bonds issued by the governments of Germany and France.

The financial statements have utilised the option provided in IFRS 1, according to which funds in pension schemes have been 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. Actuarial gains and losses generated after this will be recognised on the income statement over the average remaining period of employment to the extent that they exceed the greater of the following: 10 per cent of the pension obligation or 10 per cent of the fair value of the funds.

Equity-Based Employee Benefits

In companies belonging to the OP Bank Group, a management incentive scheme is in use, on the basis of which the persons included in the scheme will receive a zero-cost reward partially settled in OKO Bank shares and partially in cash for services rendered during the so-called earning and commitment period. The fair value of the benefit is allocated during the earning and commitment period. The benefit is recognised as an increase in personnel expenses and a compensation of equity capital.

Life Assurance Assets and Liabilities

Within OP Bank Group, insurance operations are carried out by OP Life Assurance Company Ltd, which engages in voluntary life assurance and risk life assurance, as well as the reinsurance of these in Finland and abroad. The non-life insurance operations of the OP Bank Group Mutual Insurance Company distribute risks and balance realised losses within the OP Bank Group. In practice, the company's effect is completely eliminated in connection with consolidation.

Investments and other assets associated with life assurance operations are included in the balance sheet item "Life Assurance assets", excluding deferred tax assets and other tax claims. Most of the investments are categorised as available for sale and valued in accordance with the general principles used in OP Bank Group. The investments are hedged using internal hedging within the banking group, and hedge accounting is not applied. Real estate assets are presented in life assurance assets even if they are in the banking group's own use. However, significant real estate items in the banking group's own use are presented in tangible assets. Other tangible and intangible assets are presented in balance sheet items corresponding to their characteristics.

Insurance liabilities include OP Life Assurance Company's underwriting reserves and other liabilities, excluding tax liabilities. A provision for unearned premiums is calculated retrospectively. The claims reserve for unknown damage is calculated using actuarial estimates, and for known damage specific to each policy.

Insurance income and expenses include all income statement items from insurance operations except operating expenses and taxes. OP Life Assurance Company Ltd's operating expenses are included in other operating expenses.

All of the insurance contracts of OP Life Assurance Company are processed in accordance with the currently valid insurance standard, and investment contracts are processed like insurance policies, because they have an option of participating in discretionary profit distribution. The burdens in accordance with the calculation bases are charged partially from insurance premiums and partially from insurance savings, and their effect is observed as a part of the change in underwriting reserves.

OP Life Assurance Company applies the principle of moderation in its operations, according to which the company distributes customer returns on a long-term basis and aims to achieve continuity in the amounts of returns without risking the company's solvency by profit distribution. However, the company has not defined the customers' share of future profits in advance.

The calculation bases for insurance policies are defined in a securing manner. With a high probability, the burdens charged for insurance policies cover the company's operating expenses, the risk premiums charged for insurance policies cover insurance payouts and the company receives returns on its investment assets that can be used to pay the technical interest on insurance policies and a competitive customer bonus. The liabilities arising from insurance policies are calculated from retrospective historical data on the basis of the calculation bases. A transition to fair value calculation of the liabilities will only be made in the second phase of the insurance standard. The method of calculating the liabilities may change, and the change will have a direct effect on the company's earnings.

Income Taxes

The income taxes on the income statement include taxes based on the taxable income of OP Bank Group companies for the financial period, taxes for previous financial periods and the change in deferred taxes.

Deferred tax liabilities are calculated for all taxable temporary differences between accounting and taxation included in the Group's individual financial statements. Deferred tax receivables are calculated for all tax-deductible temporary differences between accounting and taxation included in the Group's individual financial statements, as well as all losses confirmed in taxation. If the accumulation of taxable income makes it probable that a receivable can be utilised, it will be recognised. The consolidated financial statements also include deferred tax liabilities and receivables arising from consolidation.

Deferred tax liabilities and receivables are netted by company. Deferred tax liabilities and receivables arising from consolidation are not netted. Deferred tax liabilities and receivables are calculated in accordance with the valid tax rate. If a deferred tax item arises from

balance sheet items whose changes have no income statement impact, the change in deferred tax is not recognised on the income statement but in equity capital.

Recognition Principles

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

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