



## OKO BANK

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### **OKO BANK INTERIM REPORT JANUARY 1–SEPTEMBER 30, 2005 AND THE PRESIDENT'S COMMENTS**

Not for release, publication or distribution in Australia, the Hong Kong Special Administrative Region of the People's Republic of China, Japan, South Africa, Canada or the United States.

#### **The President's Comments:**

"OKO Bank Group's earnings development in the third quarter was good: earnings before tax amounted to € 40 million. This outperformed the first two quarters of the year and was also record-breaking in comparison to the same period in previous years.

From January to September, earnings before tax amounted to € 115 million, which is 15 per cent more than a year earlier. I am particularly satisfied with the fact that all of the four divisions contributed to the earnings improvement.

Our market position in the main divisions has remained stable. Intense price competition has continued, but thanks to rapid growth, the Bank's income has developed well. The Bank recorded a 14 per cent increase in income compared to the corresponding period last year. On the other hand, the increase in costs slowed down as expected. Costs increased by 9 per cent.

OKO Bank Group's risk exposure has remained good. Impairment losses on receivables and the amount of problem receivables have somewhat increased during the year, but their amount remains minor. Loan losses were recorded at slightly less than €2 million.

During the period under review, OKO Bank disclosed a project that will have a substantial effect on the Bank's future: OKO Bank acquired a majority of shares in the Pohjola insurance company and started preparations to acquire the rest of the company. Official approvals for the acquisition were granted on October 18, 2005, which means that Pohjola has been a part of OKO Bank Group since that date.

The Pohjola acquisition will diversify our business operations, bring us new customers and strengthen our ability to provide services. The share issue associated with financing the acquisition will bring new shareholders to OKO Bank, and I believe that an increasing number of investors and analysts will be monitoring the performance of OKO Bank's shares. Our intention is that the Pohjola arrangement would provide economic benefits also to our shareholders.

OKO Bank's banking operations no longer include Retail Banking, as OKO Bank sold the stock of Okopankki Oyj to the OP Bank Group Central Cooperative in connection with the acquisition of Pohjola. However, the fact that Okopankki, which operates in the Greater Helsinki area, has a new owner does not have any effect on cooperation between Pohjola and Okopankki with regard to customers and the distribution of services.

In future, OKO Bank will focus on two areas: active and uninterrupted management of customer relationships, as well as the realisation of benefits enabled by the combination of Pohjola's, OKO Bank's and the entire OP Bank Group's operations.

The Pohjola arrangement will already have a substantial effect on OKO Bank Group's earnings before tax in 2005, which I estimate to be some € 300 million. I also estimate that the full-year earnings of the banking and investment services remaining in the Group will outperform last year's corresponding figures."

OKO Bank

Mikael Silvennoinen

## OKO Bank Interim Report January 1 – September 30, 2005

### *Improved Performance*

- OKO Bank Group's earnings before tax amounted to €115 million (100).<sup>1</sup> The figure includes € 4.7 million in gains from the divestiture of capital assets. The figure for the comparison period included € 8.4 million of capital gains from OMX shares.
- The annualised return on equity was 14.5 per cent (13.6).
- The capital adequacy ratio was 8.7 per cent (11.0), while the Tier I ratio was 6.9 per cent (7.6). The acquisition of Pohjola Group shares increased the amount of risk-weighted commitments and hampered capital adequacy temporarily.
- Earnings per share totalled € 0.87 (0.81).<sup>2</sup>

### *Growing Business*

- The loan portfolio grew by 6 per cent during the period under review and 13 per cent during the year, reaching € 9.2 billion (8.7).
- Deposits from the public decreased by 3 per cent from year-end to € 2.3 billion (2.4). However, deposits increased by 12 per cent in a year.
- Customer funds in asset management totalled € 13.6 billion (10.9). They increased by 25 per cent from the year-end and 45 per cent from a year earlier.

### *OKO Bank expands its business to Non-Life Insurance*

- On September 12, 2005, OKO Bank bought a majority holding in Pohjola Group plc. from Suomi Mutual and Ilmarinen and announced its intend to purchase the outstanding stock of Pohjola and expand its business to non-life insurance. As a part of the transaction financing, OKO Bank announced that it will dispose of Retail Banking operations. With an agreement signed on the same day, the Bank sold its subsidiary Okopankki Oyj to OP Bank Group Central Cooperative.

### *Outlook*

OKO Bank discontinued retail banking operations following the Pohjola transaction. The sale of Retail Banking was confirmed on October 18, 2005. The full-year result of the Banking which remains in the Group will increase from the year 2004.

OKO Bank Group's full-year earnings before tax are estimated at approximately € 300 million. The earnings estimate includes a capital gain of approximately € 150 million on the sale of Okopankki Oyj shares. With regard to the earnings estimate, Okopankki Group is included in OKO Bank Group until the end of October, while the consolidated share of Pohjola is included in the Group as of the beginning of November. Pohjola's earnings estimate for the rest of the year corresponds to the company's actual earnings

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<sup>1</sup> The brackets contain comparative figures from 2004. The figures from the period January–September 2004 serve as a comparison for income statement figures and other cumulative figures. Balance sheet figures and other benchmarks are compared with the previous balance sheet date (December 31, 2004).

<sup>2</sup> The key figure calculations per share are based on the share amount at the end of September. Share issue commenced on October 24, 2005.

on average from January to September 2005. The estimate is further based on OKO Bank's current holding of Pohjola shares.

All of the forecasts and estimates presented in this interim report are based on the current understanding of the financial development of the Group and its different operations; actual performance may vary significantly.

## **Operating Environment**

There has been sluggish growth in output in the western industrial countries this year. In the USA, the devastation spread by the hurricanes together with higher energy prices has temporarily exerted a drag on demand before reconstruction gets under way. The modest growth in the euro zone is propped up mainly by exports, the competitiveness of which has been improved somewhat by the slight weakening in the euro against the dollar.

The US Federal Reserve Bank has continued its gradual tightening of the federal funds rate. In the latter part of the year, the markets are expecting at least one further rate hike owing to a quickening rise in consumer prices. In the eurozone too, inflation exceeds the central bank's target level. Since, however, business cycle weakness seems to rule out a rate hike, the period of low interest rates in the eurozone will continue.

In Finland, the growth in output has returned to normal after the industrial dispute in the paper industry in the early summer. Full-year economic growth will nonetheless come in at only about 2 per cent, yet companies' outlook for the latter part of the year is favourable. Industry and construction are still confident of their prospects. Service companies are likewise expecting moderate growth.

The financial state of households has improved in step with the rise in employment. Concurrently, the growth in take-home pay has continued, though at a slower pace than last year. Consumer confidence is holding up well. This has translated into brisk demand for loans and growth in long-term saving. The low level of interest rates and longer loan maturities has further fuelled the substantial growth in the home mortgage portfolio.

The positive sentiment in the equity markets coupled with income growth have fuelled demand for Finnish banks' asset management services. Despite low interest rates, the bank's net interest income has not weakened, thanks to the robust growth in loans and deposits.

## **IFRS Reporting**

This Interim Report has been prepared in accordance with IFRS recognizing and valuation principles. The comparison figures for 2004 are compliant with IFRS. They were published on March 24, 2005, for the Group, and on April 27, 2005, for the business divisions. The latter bulletin also comprised 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 information provided in the above-mentioned bulletins was specified in the first quarter interim report which included a calculation on changes to OKO Bank's consolidated shareholders' equity in 2004 as well as a calculation on changes to consolidated earnings for the Financial Period.

The financial information provided in the report is based on the currently valid IAS/IFRS standards that are assumed to remain valid on December 31, 2005. The new accounting principles were included in the bulletin released on March 24, 2005.

## Key Figures

	1-9/2005	1-9/2004	1-12/2004	Long-term target
Earnings before tax, € million	115	100	138	
Return on equity, %	14.5	13.6	13.9	14.0**)
Return on assets, %	0.64	0.68	0.69	
Total income, € million	224	119	271	
Cost/income ratio, %	49	51	51	55**)
Balance sheet total, € billion	19.7	16.0	16.5	
Risk-weighted items, € billion	12.2	9.6	10.0	
Loan portfolio, € billion	9.2	8.1	8.7	
Proportion of problem receivables to loans and guarantees, %	0.4	0.3	0.2	
Proportion of impairment losses to loans and guarantees, %	0.0	0.0	0.0	
Client funds, € billion*	15.9	11.5	13.3	
Capital adequacy ratio, %	8.7	10.7	11.0	
Tier I ratio, %	6.9	7.9	7.6	7.0
Earnings per share, € ***)	0.87	0.81	1.10	
Earnings per share, diluted, € ***)	0.86	0.78	1.07	
Equity per share, € ***)	8.24	7.96	7.91	
Dividend per share, € ***)			0.52	
Dividend payout ratio, % ***)			50	50
Effective dividend yield (OKO A), % ***)			5.1	
Market capitalisation (A and K), € million ***)	1 376	949	1 022	
Average personnel	1 349	1 243	1 246	

\*) Client funds = deposits and amount of assets under management

\*\*\*) Following the Pohjola transaction, OKO Bank published new financial targets. OKO Bank Group: ROE 12%. Banking: ROE 14% and C/I ratio below 40%. Non-life insurance: ROE 12% and COR below 99% in all phases of economic cycle.

\*\*\*\*) The key figure calculations per share are based on the share amount at the end of September. Share issue commenced on October 24, 2005.

## Improved Performance

OKO Bank Group's earnings before tax amounted to € 115 million (100). The earnings included a total of € 4.7 million of gains from the sale of shares in Automatia Pankkiautomaatit Oy, Suomen Asiakastieto Oy and a number of other companies to the OP Bank Group Central Cooperative. Automatia used to be an associated company included in the consolidated financial statements. OKO Bank owned one-third of the company. The sale of Automatia shares had an effect of € 0.3 million on consolidated earnings. The figure for the comparison period included € 8.4 million of capital gains from OMX shares.

The annualised return on equity was 14.5 per cent (13.6) and earnings per share totalled € 0.87 (0.81). The cost/income ratio was 49 per cent (51).

Pohjola Group's earnings from January to September 2005 or its balance sheet at the end of September have not been consolidated with OKO Bank Group's corresponding figures to any extent. OKO Bank's investments in Pohjola shares have been handled as normal equity investments in accounting as well as the calculation of capital adequacy, as the preconditions for final execution of the transaction signed on September 12, 2005 had not been fulfilled by the end of September. The acquisition of Pohjola shares and the associated arrangements are described in more detail on pages 8 and 13 of this interim report.

## Financial Performance

€ million	2004				2005		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net interest income	36	36	36	39	38	40	38
Impairment losses on receivables	-1	0	0	1	1	0	1
<b>Net interest income after impairment losses</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>38</b>	<b>37</b>	<b>40</b>	<b>38</b>
Net commissions and fees	21	20	19	26	24	24	24
Net trading income	-2	8	-3	-1	3	-1	7
Net income from investments	8	8	9	6	11	7	3
Other operating income	1	1	1	4	2	3	2
<b>Total income</b>	<b>63</b>	<b>74</b>	<b>62</b>	<b>72</b>	<b>77</b>	<b>73</b>	<b>74</b>
Personnel costs	15	14	14	17	17	16	14
IT expenses	6	6	6	6	7	7	6
Depreciation	2	2	3	2	3	3	3
Other expenses	11	12	11	12	12	13	11
<b>Total expenses</b>	<b>34</b>	<b>35</b>	<b>33</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>34</b>
Share of affiliate profits	1	1	1	3	0	1	0
<b>Earnings before tax</b>	<b>30</b>	<b>40</b>	<b>30</b>	<b>38</b>	<b>39</b>	<b>36</b>	<b>40</b>
Cost/income ratio, %	54	48	52	51	49	52	46

## Growth of Business Continued

Growth continued in all of the divisions.

OKO Bank's loan portfolio increased by 6 per cent from year-end to € 9.2 billion. The annualised increase was 13 per cent. The risk exposure remained good and write-downs on loans were minor.

Unused standby credit facilities increased by slightly more than one-third during the review period and also on the annual level. The amount was € 3.2 billion at the end of September. At € 1.3 billion, the amount of loan and other guarantees was almost equal to the year-end level. However, the annualised increase was 9 per cent.

Even though price competition remained intense, the level of margins on corporate loans during the review period was higher than the 2004 average. However, the margins on loans granted to municipalities, other institutions and private customers continued to decrease.

Deposits from the public decreased by 3 per cent on the end of 2004, amounting to € 2.3 billion. However, deposits increased by 12 per cent in a year.

Payment transfer volumes continued to grow. The number of outgoing and incoming payment transactions was 10 per cent higher than a year earlier. Due to price competition, commission income from payment transactions only increased by 6 per cent on the comparison period.

The lending of member cooperative banks continued to increase more rapidly than their deposits, creating a need for additional funding from their central credit institution, OKO Bank. OKO Bank's receivables from member banks increased by 37 per cent to € 3.6 billion since year-end. The amount of member banks' deposits with OKO Bank increased by 2 per cent, standing at € 3.2 billion at the end of September.

Due to the Pohjola transaction, investment assets increased by € 1.3 billion.

In order to fund the increased lending, OKO Bank issued a € 1 billion bond and a € 50 million capital loan to the international market in March. The demand was a record-setting high and the level of margins was favourable.

Customer funds in asset management increased by 25 per cent to € 13.6 billion. The annualised increase was 45 per cent. OP mutual funds in particular succeeded in increasing their capital.

### **Income Increased**

Income increased by 14 per cent to € 224 million.

Net interest income improved by 9 per cent to € 117 million. The increase was mainly attributable to the increased loan portfolio of Corporate Banking and higher credit margins. Net interest income from Treasury operations amounted to € 16 million (17), resulting in a net interest income of € 100 million (91) from operations other than Treasury. Impairment losses on receivables were € 1.9 million (0), so net interest income after impairment losses was 6 per cent higher than a year earlier. (Notes 1 and 2 to the Income Statement.)

Net commissions and fees rose by more than a fifth to € 72 million. The increase was primarily generated from lending, securities brokerage, asset management, as well as insurance and housing brokerage. (Note 3 to the Income Statement.)

Net income from trading amounted to € 10 million (3). The improvement was equally attributable to trading in fixed income instruments and equity. (Note 4 to the Income Statement.)

Net income from investment operations decreased to € 21.0 million (25). Income from equity investments amounted to € 16 million (19), net income from fixed income investments € 0 million (3), and income from real estate investments € 5 million (3). (Note 5 to the Income Statement.)

### **Increased Business Volume Created Costs**

Due to the increased business volume, expenses increased by 9 per cent to € 111 million.

Personnel costs represented slightly more than 40 per cent of the expenses. The increase was 10 per cent. This was due to the increased number of personnel, increased level of salaries and the accrual of costs for new incentive systems. The personnel of OKO Bank and its subsidiaries averaged 1,349 employees during the period, rising 9 per cent over last year. Particular attention will be paid to measures that will reduce the rate of increase in personnel costs. (Note 7 to the Income Statement.)

### **Investments Improved the Service Level**

Investments during the period under review amounted to € 7 million. Slightly less than one-third of this was spent on branch office modernisations and service level improvements within Retail Banking. Other investments were associated with IT system development and the improvement of efficiency in customer service as well as internal processes.

Planned investments within the banking business for the entire year are estimated to reach slightly over € 10 million.

## **Business Expands to Non-life insurance**

In September, OKO Bank acquired majority holding of the shares in Pohjola Group plc. The acquisition of Pohjola expands OKO Bank's business into the non-life insurance market and substantially reinforces the Bank's position as an asset manager. Pohjola is the second largest non-life insurer in Finland. The company has increased its market share for several years running and was one of the most profitable Nordic non-life insurers in 2004 measured by the combined ratio. Pohjola's other business area is investment services consisting of life insurance, mutual funds and asset management operations.

The acquisition of Pohjola diversifies OKO Bank's business mix. A substantial proportion of OKO Bank's earnings will derive from non-life insurance, which will become a new business division of the Bank. Of Pohjola's investment services, asset management will stay in OKO Bank, and the assets under management will double.

### *Transaction in Brief*

On September 12, 2005, OKO Bank concluded a transaction whereby it acquired approx. 58.5 per cent of the outstanding shares in Pohjola Group plc from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company for approx. € 1.2 billion in cash. The agreement was conditional on OKO Bank's Extraordinary General Meeting (EGM) approving the rights issue to finance the acquisition and amending of the Articles of Association of OKO Bank, as well as on obtaining the necessary regulatory approvals. Regulatory approvals for the Pohjola transaction were received on October 18, 2005.

OKO Bank announced its intention to make a voluntary public tender offer for Pohjola's remaining outstanding shares. On September 13, 2005, the next day, OKO Bank raised its holding of Pohjola shares and votes to 64.5 per cent by purchasing Pohjola shares through the Helsinki Stock Exchange. The transactions carried out by the end of September were temporarily financed by issuing certificates of deposit. The acquisition values 100 per cent of Pohjola at approx. € 2,075 million on a fully diluted basis.

The intention is for Pohjola to sell Pohjola Life Insurance Company Ltd, Pohjola Fund Management Company Limited and Pohjolan Systemipalvelu Oy to the Central Cooperative. The total selling price of the assets in question is estimated at approx. € 367 million. As a part of the financing, OKO Bank agreed to sell its retail banking subsidiary, Okopankki Oyj, to the Central Cooperative for a cash consideration of € 325 million.

The rest of the transaction will be financed through a rights issue (approx. € 725 million), hybrid Tier I capital loan (approx. € 100 million), Tier II capital (approx. € 150 million) as well as other senior debt and internal liquid resources.

## **Capital Adequacy**

Capital adequacy ratio was 8.7 per cent (11.0) as of September 30, 2005. The Tier I ratio on risk-weighted items was 6.9 per cent (7.6). Risk-weighted items increased by 21 per cent from year-end. The acquisition of Pohjola Group shares in September increased the amount of risk-weighted commitments and therefore hampered capital adequacy temporarily.

The level of Tier I funds increased by € 96 million. The increase was primarily attributable to the € 50 million capital loan issued in March. Tier I funds also include earnings for the period less the Bank's long-term dividend payout target.

According to the guidelines issued by the Financial Supervision Authority for the interpretation of own funds, the calculatory excess margin on pension liabilities in accordance with the IAS 19 standard is not included in own funds or risk-weighted receivables and commitments. Deferred tax receivables in accordance with IAS 12 are not included in own funds; the fair valuation of real estate in accordance with IAS 40 has no effect on the capital adequacy ratio either.

## Risk Exposure

### *Credit Risk Exposure*

The Bank was able to maintain a stable total credit risk exposure. Total exposure means the total amount of receivables and off-balance sheet items vulnerable to credit risk, which increased to € 23.2 billion (20.3) during the review period. The loan portfolio made up 40 per cent (43) of the total exposure. The most significant growth was seen in receivables from member banks and corporate customers. The credit ratings exposure remained at a good level. The relative share of investment-grade exposure – that is, ratings 1 to 4 (excluding private customers) in total exposure - increased by 4 percentage points to 66 per cent during the review period.

<i>Total Exposure by Counterparty, € billion</i>	Sept. 30, 2005	Dec. 31, 2004	Change, %
Corporates	9.0	7.9	14
Finance and insurance	4.4	4.3	1
Cooperative banks and OP Bank Group Central Cooperative	4.4	3.2	39
Private customers	2.8	2.4	13
Non-profit institutions	1.9	1.8	5
Public entities	0.7	0.6	7
Total	23.2	20.3	14

Investment-grade exposure in corporate customers increased by slightly more than one-third, representing 47 per cent (39) of corporate exposure at the end of September. Due to decreased credit ratings, exposure in the two lowest ratings increased by € 15 million but their relative share remained minor at 0.5 per cent of corporate exposure (0.4).

<i>Corporate exposure by Credit Rating, € million</i>	<i>S&amp;P Equivalent</i>	Sept. 30, 2005	Dec. 31, 2004	Change, %
1-2	AAA – A-	349	144	141
3-4	BBB+ – BBB-	3,883	2,946	32
5-6	BB+ – BB	2,298	2,342	-2
7-8	BB- – B+	1,305	1,258	4
9-10	B – C	440	415	6
11-12	D	48	33	48
Non-rated		697	779	-11
Total		9,020	7,917	14

Corporate exposure was widely distributed among different industries. The metal industry was the largest sector and accounted for 14 per cent of corporate exposure (14) at € 1.3 billion. The largest increases in exposure by sector were seen in other manufacturing industry, real estate investment and energy production.

The amount of past due payments at the end of September was € 14 million (16) and represented 0.1 per cent (0.2) of the loan and guarantee portfolio. The amount of problem receivables at the end of September was € 39 million, which is € 15 million more than at year-end (24). This represented 0.4 per cent (0.2) of the loan and guarantee portfolio.

New impairment losses and final loan and guarantee losses were booked for a total of € 6.6 million during the period under review. The total amount of reversals of impairment losses and recoveries of previous loan losses was € 4.7 million, so the net effect of these items impaired earnings by € 1.9 million.

### *Market Risk Exposure*

Market risk exposure remained moderate. Market risks accounted for 9 per cent (8) of the Group's risk-weighted commitments at the end of the year.

<i>Market Risks, € million</i>	Sept. 30., 2005	Dec. 31, 2004	Change, %
Interest rate risk*)	13.3	7.8	+71
Market value of equity exposure**)	4.2	4.8	-13
Net currency exposure**)	0.6	0.4	+50

\*) The effect of 100 basis point interest rate movement on the present value of future cash flows (currencies added up in absolute values)

\*\*) Effect of a price change of 10 percentage points on the market value of the exposure

The amount of venture capital fund investments and binding investment commitments totalled € 29 million (36).

Capital invested in real estate holdings was € 78 million (134).

### **OKO Bank's Ratings**

Standard & Poor's upgraded OKO Bank's international ratings on July 27, 2005. The upgrade was based on the consistency of both revenues and earnings reported by OKO Bank supported by the well-entrenched market position of the OP Bank Group. The upgrade also acknowledged the fact that the successful trend in profitability has been achieved without jeopardizing OKO Bank's and OP Bank Group's moderate risk profile and conservative capital adequacy levels.

After the upgrade, OKO Bank's ratings are as follows:

<i>Rating Agency</i>	<i>Short-term debt</i>	<i>Long-term debt</i>
Standard & Poor's	A-1+	AA-
Moody's Investors Service	P-1	Aa2
Fitch Ratings	F1+	AA-

Following the acquisition of a majority in Pohjola, all of the above-mentioned credit rating agencies maintained OKO Bank's ratings unchanged. However, Standard & Poor's and Moody's put OKO Bank's credit rating under supervision and changed the outlook from stable to negative.

### **Joint Responsibility**

Under the Cooperative Bank Act (Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative), the OP Bank Group is monitored on a consolidated basis, and the OP Bank Group Central Cooperative, which is the Group's central institution, and its member banks, including OKO Bank and Okopankki Oyj, are jointly responsible for each other's liabilities and commitments.

## **Changes in Group Structure**

OKO Bank sold its holding in Automatia Pankkiautomaatit Oy in February, and Toimiraha Oy was dissolved in June. Automatia Pankkiautomaatit and Toimiraha used to be affiliates included in the consolidated financial statements. OKO Bank owned one-third of both companies. The sale of Automatia shares had an effect of € 0.3 million on consolidated earnings, while the dissolution of Toimiraha had no earnings effect.

In June, OKO Bank sold the shares of the real estate companies Kiinteistö Oy Arkadiankatu 23 and Kiinteistö Oy Dagmarinkatu 14. Approximately € 2.7 million of capital gains were recognised in the Group on the sales of shares. In September, OKO Bank sold its holding of the Kiinteistö Oy Lahden Trio, which was included in the consolidated financial statements. Approximately € 2.5 million of capital gains were recognised in the Group on the sales of shares.

In September, OKO Bank sold its 100% holding in Okopankki Oyj to the OP Bank Group Central Cooperative as part of the financing for the Pohjola acquisition. The sales price was € 325 million. Regulatory approvals for the Pohjola transaction were received on October 18, 2005, and the sale of Okopankki was confirmed. Okopankki will be included in the consolidated financial statements until October 31, 2005. As a consequence of the sale of Okopankki shares, OKO Bank Group's holding in OP-Kotipankki Oyj decreased to 16.9 per cent of the shares and 8.9 per cent of the voting rights. This means that OP-Kotipankki is no longer an affiliate of OKO Bank and its share of profit will not be consolidated with the Group as of November 1, 2005.

## **Shares and Shareholders**

In December 2004, a total of 1,184,300 new Series A shares were subscribed for using the A/B option rights of the 1999 share option incentive system. These shares were registered on January 13, 2005. The subscription price was € 2.485. Additional 1,230,290 new Series A shares were registered between April and September. The registrations from January to September raised OKO Bank's share capital by € 5.1 million to € 211 million. In addition, € 0.5 million was booked in the share premium account. In April, after dividend payout from the year 2004, the subscription price was lowered to € 2.105, which is the minimum price in accordance with the terms and conditions of the option scheme.

Pursuant to the conversion clause in OKO Bank's Articles of Association, 83,600 Series K shares were converted into an equivalent number of Series A shares. The number of A shares quoted on the Helsinki Stock Exchange at the end of September was 78.4 million, representing 78.1 per cent of all shares and 41.6 per cent of the votes. The number of Series K shares was 22.0 million.

At the end of September, OKO Bank had more than 26,000 shareholders. The largest shareholder was the OP Bank Group Central Cooperative, which held 38.4 per cent of OKO Bank's shares and 55.7 per cent of the votes. The number of nominee registered shares in proportion to all Series A shares was at the year-end level of 22 per cent.

## **Administration**

At the OKO Bank Annual General Meeting, held on March 31, 2005, the shareholders approved the Financial Statements of the year 2004 and discharged the members and deputy members of the Supervisory Board and the Executive Board, as well as the President from liability. In accordance with the proposal of the Executive Board, the shareholders approved the payment of a dividend totalling € 0.53 on each Series A share and € 0.50 on each Series K share.

In accordance with the Articles of Association, the shareholders elected new members to the Supervisory Board at the Annual General Meeting. At its meeting, held on the same day, the Supervisory Board re-elected Mr Seppo Penttinen as its chairman and likewise re-elected Mr Paavo Haapakoski as its vice-chairman.

The regular auditors elected were the firm of chartered public accountants KPMG Oy Ab and Mr Raimo Saarikivi, Authorised Public Accountant.

### **Reform of Corporate Governance**

OKO Bank's Executive Board initiated a survey of reforming the Bank's corporate governance in September 2004. The survey is based on the Corporate Governance recommendation for listed companies published in December 2003. The survey examined the possibility to abolish OKO Bank's Supervisory Board and replace the internal Board of Directors (Executive Board) with an external Board of Directors. On April 15, 2005, an amendment to the Act on Cooperative Banks and Other Cooperative Credit Institutions was ratified. As a result of this, the Supervisory Board is no longer a mandatory body within OKO Bank. On September 12, 2005, the Central Cooperative's Supervisory Board decided that OKO Bank's principal owner, the Central Cooperative, will, at the Annual General Meeting to be held in the spring of 2006, support the reform of OKO Bank's corporate governance.

### **Authorisation Granted to the Executive Board**

The shareholders authorised OKO Bank's Executive Board to raise the share capital by one or several new issues, by issuing one or several convertible bonds and/or issuing options within one year of the date of the meeting so that shares to be issued in the new issue or to be subscribed pursuant to options or convertible bonds shall be Series A shares and their aggregate maximum number shall be 18,000,000 shares and the Bank's share capital can increase by up to € 37,851,390.54.

The authorisation includes the right to deviate from the shareholders' pre-emptive subscription right to the new shares, convertible bonds and options. The shareholders' pre-emptive subscription right can be deviated from only in connection with company and co-operation arrangements, provided that such deviation is justified by an important financial reason for the Bank. However, the decision cannot be made for the benefit of the Bank's close circle. The aggregate increase amount of the share capital and the votes attached thereto of the effective unused authorisations can correspond to a maximum of one fifth of the registered share capital and the aggregate amount of votes attached thereto during the Annual General Meeting's authorisation decision and the Executive Board's decision to increase the share capital.

The Executive Board is entitled upon authorisation to decide the grounds for determining the subscription price, the subscription price and other subscription terms as well as the terms for convertible bonds or options. The Executive Board is entitled to decide that the shares provided in the new issue, the convertible bond or options may be subscribed against property given as capital contribution or by using the right of set-off or on other terms.

The authorisation given to the Executive Board by the Annual General Meeting on March 31, 2004, was cancelled unused.

## **Events after the Financial Period**

### *Pohjola Transaction*

OKO Bank's Extraordinary General Meeting held on October 14, 2005 approved the Executive Board's proposals for the increase of OKO Bank's share capital and amendment of the Articles of Association in connection with the acquisition of Pohjola Group plc shares.

On the same day, OKO Bank's Executive Board made decisions on the subscription price and other detailed terms and conditions associated with the share issue. The subscription price for new shares is € 7.20 per share. The subscription period commenced on October 24, 2005, and will terminate on November 15, 2005.

On the same day, OKO Bank's Executive Board decided on the contents, terms and conditions of the tender offer for shares issued by Pohjola. The offer price for each share is € 13.35 in cash. The tender offer commenced on October 19, 2005 and will expire on November 18, 2005.

On the same day, the OP Bank Group Central Cooperative sold to Suomi Mutual and Ilmarinen OKO Bank Series A shares an amount to raise their holdings in OKO Bank to 5.27 per cent of shares and 2.81 per cent of votes. After this transaction, the holding of Central Cooperative in OKO Bank diminished to 28.4 per cent of shares and 50.3 per cent of votes. Suomi Mutual and Ilmarinen have stated their intention each to acquire a stake of 10 per cent of the capital in OKO Bank.

On October 18, 2005, the Finnish Insurance Supervisory Authority gave its approval concerning the transaction. Following the confirmation of the acquisition, Pohjola became a subsidiary of OKO Bank. Simultaneously, the sale of Okopankki to Central Cooperative was confirmed.

On October 19, 2005, OKO Bank's ownership in Pohjola exceeded two thirds of the shares and of the voting rights.

### *Effect of the Pohjola Acquisition on OKO Bank's Capital Adequacy*

After the Pohjola acquisition, OKO Bank Group will continue to be supervised as a credit institution.

The acquisition of Pohjola stock will create substantial goodwill that reduces the company's own funds in capital adequacy calculations. On the other hand, the increase in share capital and the issuance of a capital loan and a bond, which is considered Tier II funds, will increase the Bank's own funds by an almost equivalent amount. The decrease in risk-weighted items due to the divestment of Retail Banking will more than compensate for the increase resulting from the consolidation of Pohjola.

After all the transactions concerning the Pohjola acquisition have been accomplished as planned, the Tier I ratio in accordance with the Credit Institution Act will be strengthened.

### *Dissolution of OP Bank Group's Cash Reserve Deposit Scheme*

On November 1, 2005, OKO Bank's Executive Board decided to dissolve OP Bank Group's cash reserve deposit scheme. Cash reserve deposits made by the member banks – standing at € 2.1 billion at the end of September – will be paid to the member banks on November 24, 2005. On the same day, member banks will use the funds for premature repayment of their loans from OKO Bank. OKO Bank retains ultimate

responsibility for maintaining the liquidity of OP Bank Group and the member banks. In order to maintain liquidity, OP Bank Group's liquidity reserves will be concentrated in OKO Bank, and the costs arising from their management will be distributed among OP Bank Group organisations as part of the central bank service fee. The dissolution of cash reserve deposits will substantially reduce OKO Bank's receivables from and liabilities to the member banks. The earnings effect of the dissolution of cash reserve deposits is minor as the central bank service fee will compensate for the cash reserve deposit margin lost.

### **Changes in OKO Bank Group's Divisions**

On November 2, 2005, OKO Bank's Executive Board decided on the reorganisation of the Group's divisions. From the beginning of the year 2006, the divisions are Non-life insurance and Banking and investment services.

### **OKO Bank Group's Prospects**

OKO Bank discontinued retail banking operations following the Pohjola transaction. The sale of Retail Banking was confirmed on October 18, 2005. The full-year result of the Banking which remains in the Group will increase from the year 2004.

OKO Bank Group's full-year earnings before tax are estimated at approximately € 300 million. The earnings estimate includes capital gains of approximately € 150 million on the sale of Okopankki Oyj shares. With regard to the earnings estimate, Okopankki Group is included in OKO Bank Group until the end of October, while the consolidated share of Pohjola is included in the Group as of the beginning of November. Pohjola's earnings estimate for the rest of the year corresponds to the company's actual earnings on average from January to September 2005. The estimate is further based on OKO Bank's current holding of Pohjola shares.

## Divisions

OKO Bank's divisions include Corporate Banking, Investment Banking, Retail Banking<sup>3</sup> and Group Treasury. The income, expenses, investments and equity that are not allocated to business divisions have been integrated under Group Administration.

The financial results of the divisions have been calculated by allocating the income and expenses to the division in question. Capital allocated to each division equals 7 per cent of the division's risk-weighted items. The capital that is not allocated to divisions has been allocated to Group Administration. However, the equity for Investment Banking is equal to the equity indicated on the balance sheet of Opstock Ltd.

In autumn 2004, OKO Bank's Executive Board confirmed a new strategy for the period 2005–2007. Reinforcing OKO Bank's position on the market profitably is one of its main objectives. The financial targets for the Group remained unchanged. In addition, long-term financial objectives were confirmed for the divisions. They are shown in the following table.

Division*)	Earnings before tax, € million		Return on equity (12 month moving average), % *)			Cost/ income ratio, %		
	1-9/2005	1-9/2004	Target	1-9/2005	1-9/2004	Target	1-9/2005	1-9/2004
Corporate Banking	60	51	12	11.6	11.3	40	39	40
Investment Banking	7	5	-	55.8	32.6	-	64	71
Retail Banking	18	15	>15	14.0	12.2	<60	69	74
Central Banking Operations	11	10	14	13.8	14.2	-	38	35
Treasury	27	26	30	71.1	53.9	-	8	12
Group Administration	-9	-7	-	-	-	-	-	-
<b>Total</b>	<b>115</b>	<b>100</b>	<b>14</b>	<b>14.5</b>	<b>13.6</b>	<b>55</b>	<b>49</b>	<b>51</b>

\*) Due to the lack of IFRS comparison data for 2003, the ROE figure for 1-9/2004 is annualised.

<sup>3</sup> As a part of the Pohjola acquisition, OKO Bank sold Okopankki Oyj to OP Bank Group Central Cooperative thereby discontinuing retail banking operations.

## Corporate Banking

Corporate Banking offers corporate customers and institutions financing and cash management services, as well as money market, capital market and foreign exchange services. Financial services include loans and guarantees, leasing and factoring, bond issues and syndicated loans, and venture capital investments.

Income in Corporate Banking is generated primarily by lending margins, customer trading in the money, foreign exchange and debt capital markets, and commissions and fees from financing and payment transfer services. The net interest income of lending is not sensitive to interest rate fluctuations because the funding of lending is market rate-driven.

€ million	2004				2005		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net interest income	18	19	18	20	19	22	21
Impairment losses on receivables	0	0	1	1	1	1	0
<b>Net interest income after impairment losses</b>	<b>18</b>	<b>19</b>	<b>18</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>21</b>
Net commissions and fees	8	9	8	10	9	10	10
Net trading income	-1	4	0	1	2	0	6
Other operating income	1	1	1	1	2	1	1
<b>Total income</b>	<b>26</b>	<b>32</b>	<b>27</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>38</b>
Personnel costs	5	5	5	6	6	6	5
IT expenses	2	2	2	2	2	2	2
Depreciation	1	1	1	1	1	2	2
Other expenses	3	4	3	4	4	5	4
<b>Total expenses</b>	<b>11</b>	<b>12</b>	<b>11</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>12</b>
<b>Earnings before tax</b>	<b>14</b>	<b>21</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>26</b>
<b>Key figures and ratios</b>							
Return on equity (12 month moving average), %				10.9	11.6	10.4	11.6
Return on equity (annualised), %	9.8	13.7	10.5	10.3	10.7	9.8	14.8
Cost/income ratio, %	45	36	38	43	44	44	32
	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>
Personnel	375	405	391	395	416	457	433
<b>Important balance sheet items</b>							
Receivables from customers, € million	5 150	5 350	5 462	5 931	6 008	6 253	6 241
Notes and bonds, € million	441	489	472	563	874	799	1 043
Liabilities to customers, € million	999	883	860	1 917	971	1 360	1 249
<b>Other items</b>							
Unused standby credit facilities, € million	1 235	1 370	1 487	1 483	1 547	1 896	2 079
Guarantees, € million	1 035	1 079	1 055	1 199	1 164	1 171	1 185
Risk-weighted items, € million	5 883	6 239	6 371	6 699	6 947	7 320	7 521
Problem receivables, € million	19	13	16	13	15	20	28
Proportion of problem receivables to receivables from customers and guarantees, %	0.30	0.20	0.24	0.19	0.21	0.26	0.37
<b>Average margins</b>							
Margin on corporate loan stock, %	0.79	0.78	0.79	0.90	0.87	0.85	0.87
Margin on institutional loan stock, %	0.35	0.34	0.34	0.33	0.31	0.30	0.30

### *Significant Improvement in Financial Performance*

Earnings before tax amounted to € 59.7 million (51.1). Income before impairment losses increased by € 16.8 million while expenses rose by € 6.3 million. Impairment losses on receivables had a € 2.4 million negative effect on earnings (0.6). Corporate Banking's earnings for the third quarter, amounting to € 25.9 million, marked a new record. In the comparison period, the earnings were € 16.3 million.

### *Commitment Portfolio Continued to Increase*

The aggregate amount of loans, unused standby binding credit facilities and guarantees amounted to more than € 9.5 billion, which is € 0.9 billion or 10 per cent more than at year-end. The annual increase was € 1.5 billion, or 19 per cent. The loan portfolio grew by 5 per cent from the end of last year and 14 per cent in a year. OKO Bank's market share of corporate loans remained unchanged at approximately 15 per cent. From January to September, the amount of unused standby credit facilities increased by 40 per cent to € 2.1 billion. The guarantee portfolio remained at the year-end level of € 1.2 billion.

New long-term loans to corporations and institutions amounted to slightly less than € 1.9 billion, which is € 0.6 billion more than in the comparison period. The amount of new leasing and factoring was € 0.85 billion, or € 0.1 billion more than a year earlier. During the period under review, OKO Bank participated in the financing of a few substantial corporate arrangements and acted as the lead manager in four syndicated loans. Thanks to the financing of corporate arrangements and growth in new loans, commissions and fees received from lending increased by one-third on the comparison period.

The average margin on the corporate loan portfolio fell somewhat on the year-end but was higher than in the comparison period. The margins on loans granted to municipalities and other institutions continued to decrease.

Risk exposure is estimated to have remained good even though the amount of problem receivables increased on the year-end. There were no significant changes in the sector and rating distribution of corporate exposure compared to the year-end.

### *Stable Position in the Debt Issue Market*

During the period under review OKO Bank was the lead manager in five bond issues, through which a total of € 350 million of funds were accumulated for client companies.

The trading volume of money market products, bonds and foreign exchange products from January to September totalled € 150 billion, or 25 per cent up on the comparison period. Operations in these markets were profitable, and net income from trading was significantly better than a year earlier.

### *Volume of Payment Transfers Increased*

The number of outgoing and incoming payment transfers was 103 million, which was 11 per cent more than in the comparison period. Owing to the intense price competition, growth in commissions and fees from payment transfers amounted to no more than approximately 4 per cent.

For the third time in a row, OKO Bank was the winner in competitive bidding arranged by the European Commission and will continue as the Commission's Primary Bank in Finland from 2005 to 2009. All of the Commission's money transactions directed

towards Finland are arranged through OKO Bank, including, among other things, EU subsidies through Government agencies and salaries to staff.

#### *Positive Business Impact from Pohjola Acquisition*

As a consequence of the arrangements associated with the Pohjola acquisition, OKO Bank's own funds will increase. This allows OKO Bank to become involved in even larger financing and corporate arrangements. Insurance products will also make the range of services offered to corporate customers more versatile. Furthermore, we expect good preconditions for increasing the volumes of payment transactions and guarantees for corporate customers, as well as additional income.

#### *Improved Performance*

The commitment portfolio increased by € 1.5 billion or 19 per cent in a year, amounting to more than € 9.5 billion at the end of September. The average margin on the corporate loan portfolio fell somewhat on the year-end but was higher than the 2004 average. Risk exposure is estimated to be good. Earnings from January to September clearly outperformed the comparison period.

The operating environment is expected to remain similar to the beginning of the year. Competition will remain tough. The interest rate level is expected to remain low, which will contribute to the demand for corporate loans.

The annual growth of the loan portfolio of Corporate Banking is estimated to slow down during the rest of the year. Margins are estimated to remain similar to the first part of the year. Accumulation of commission income is expected to be on a par with the beginning of the year. Expense development is expected to be similar to the first half of the year and impairment losses are not expected to have any significant impact on earnings.

The full-year result of Corporate Banking will be greater than that of 2004.

## Investment Banking

OKO Bank's Investment Banking services are provided by Opstock Ltd, which offers private and institutional investors individual asset management services and brokerage. In addition, Opstock carries out investment research, arranges equity financing and acts as an adviser in M&A transactions.

Opstock offers retail customers high-quality banking and asset management services in partnership with member cooperative banks and Okopankki.

Operating income consists of portfolio management fees, commissions of mutual fund sales, proceeds from the Corporate Finance services, and brokerage commissions.

€ million	2004				2005		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net interest income	0	0	0	0	0	0	0
Impairment losses on receivables	0	0	0	0	0	0	0
<b>Net interest income after impairment losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net commissions and fees	6	5	5	8	6	7	7
Net trading income	0	0	0	0	0	0	0
Net income from investments	0	0	0	0	0	0	0
Other operating income	0	0	0	0	0	0	0
<b>Total income</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>8</b>	<b>6</b>	<b>7</b>	<b>7</b>
Personnel costs	2	2	2	2	2	2	2
IT expenses	1	1	1	1	1	1	1
Depreciation	0	0	0	0	0	0	0
Other expenses	1	1	1	1	1	1	1
<b>Total expenses</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Earnings before tax</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>Key figures and ratios</b>							
Return on equity (12 month moving average), %				40.3	49.8	53.9	55.8
Return on equity (annualised), %	49.5	27.2	30.1	74.8	47.4	58.4	46.8
Cost/income ratio, %	65	75	74	55	66	62	63
	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>
Personnel	127	136	132	134	136	143	137
<b>Important balance sheet items</b>							
Receivables from securities sold, € million	50	23	34	12	51	32	24
Liabilities from securities purchased, € million	53	26	43	23	55	36	27
<b>Other items</b>							
Client funds under management*, € million	8 673	9 038	9 387	10 906	11 535	12 712	13 600
Risk-weighted items, € million	26	16	19	14	29	23	23
Brokerage of international investment funds, € million	1 094	1 101	1 035	1 037	1 000	1 079	1 129
Value of brokerage on the Helsinki Stock Exchange, € million	2 038	2 081	1 496	2 104	2 162	1 784	4 522
<b>Margins</b>							
Margin on discretionary portfolios (annualised), %				0.14	0.16	0.13	0.13

\*) brokered international funds are not included

### *Significant Earnings Improvement*

Earnings before tax amounted to € 7.4 million (4.6). The earnings performance of brokerage and Corporate Finance operations improved clearly. Income increased by € 4.4 million and expenses by € 1.6 million.

### *Managed Client Funds Increased*

Client funds under management increased by 25 per cent in the period, amounting to € 13.6 billion at the end of September. € 10 billion of the amount was managed under full power of attorney. Client funds increased by 45 per cent in a year. The greatest increase was seen in the capital of OP mutual funds, 78 per cent in a year. The aggregate capital of mutual fund companies operating in Finland was 50 per cent greater than a year earlier.

The capital of OP mutual funds administered by Opstock increased by € 1.9 billion to € 6.8 billion during the period under review. Most of the increase was focused on fixed income funds. Net subscriptions to mutual funds amounted to € 1.4 billion, with fixed income funds representing more than 60 per cent of the amount. The combined market share of OP mutual funds was 16.5 per cent (16.5).

The range of foreign funds offered to institutional investors expanded as Opstock entered into cooperation agreements with three new partners. The capital of foreign funds brokered was € 1.1 billion at the end of September (1.0).

### *Market Position in Stock Brokerage Trading Volume Improved*

Opstock's market position in stock brokerage improved in September with regard to trading volume in euro. The trading volume of brokerage in euro increased by 51 per cent on the comparison period, while the number of trades increased by 19 per cent. Opstock was the largest stockbroker on the Helsinki Stock Exchange as OKO Bank's order to purchase Pohjola shares from Suomi and Ilmarinen substantially increased the company's trading volume in euro. Excluding the OKO Bank order, the euro-denominated trading volume of trades brokered increased by 8 per cent on the comparison period.

Opstock's market share of brokerage at the Helsinki Stock Exchange was 2.6 per cent (2.1) of the amount in euro and 4.8 per cent (5.1) of the number of trades.

The number of equity trades brokered for households was 279,000, which is 35 per cent more than in the comparison period. Seventy-two per cent (68) of investors' assignments were handled through the bank's online service.

Opstock reorganised and extended its online services offered to investors during the first part of the year. For example, customers engaging in active equities trading will have access to a service enabling intra-day short selling. Furthermore, the brokerage fees for online clearing are now based on volume.

### *Lively Corporate Finance Operations*

Commission income from Opstock Corporate Finance increased substantially. Factors contributing to this included the Technopolis Plc share issue and sale, as well as the AffectoGenimap Plc IPO. Opstock Corporate Finance's largest assignment was the company's role as OKO Bank's advisor in the Pohjola acquisition and the arrangement of the share issue associated with financing of the deal. The assignment, which is being implemented jointly with JPMorgan, is still continuing.

### *Pohjola Acquisition to Increase the Amount of Client Funds under Management*

As a consequence of the Pohjola acquisition, client funds managed by Opstock will double as the plan is to merge Pohjola's asset management operations with OKO Bank's Investment Banking operations. The combined client assets of Opstock and Pohjola stood at € 27.4 billion at the end of September.

### *Improved Performance*

Client funds under management increased by 45 per cent in a year. They amounted to € 13.6 billion at the end of September 2005. Investing in mutual funds is expected to remain popular, which will increase the amount of assets under management. The earnings performance of brokerage and Corporate Finance operations is significantly affected by equity market development.

The earnings of Investment Banking will outperform the previous year.

### **Retail Banking**

Retail banking operations within OKO Bank are handled by Okopankki Oyj, which serves retail customers as well as small and medium-sized corporate customers in the Greater Helsinki area. Okopankki offers comprehensive financing, wealth management and payment transfer services.

Operating income in Retail Banking consists primarily of the interest rate spread between lending and deposits, as well as commissions and fees from credit arrangements, payment transfer services, sales of savings and insurance products and housing brokerage. The amount of income depends on the level of interest rates and on the lending-deposits ratio.

On September 12, 2005, OKO Bank signed an agreement on the sale of Okopankki Oyj, its retail banking subsidiary, to OP Bank Group Central Cooperative. The sale was confirmed on October 18, 2005.

€ million	2004				2005		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net interest income	12	12	12	12	12	12	12
Impairment losses on receivables	0	0	0	0	0	0	0
<b>Net interest income after impairment losses</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
Net commissions and fees	6	6	5	8	8	7	7
Net trading income	0	0	0	0	0	0	0
Net income from investments	1	0	0	0	0	0	0
Other operating income	0	0	0	0	0	0	0
<b>Total income</b>	<b>19</b>	<b>18</b>	<b>17</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>19</b>
Personnel costs	5	6	5	6	6	6	5
IT expenses	2	2	2	2	2	2	2
Depreciation	0	1	1	0	1	1	1
Other expenses	5	5	5	5	5	5	5
<b>Total expenses</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>13</b>
<b>Earnings before tax</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Key figures and ratios</b>							
Return on equity (12 month moving average), %				13.1	12.6	13.3	14.0
Return on equity (annualised), %	15.7	10.7	10.3	15.5	14.6	13.1	12.9
Cost/income ratio, %	67	75	74	67	68	71	68
	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>
Personnel	580	613	605	585	641	668	645
<b>Important balance sheet items</b>							
Loan portfolio, € million	2 418	2 525	2 598	2 658	2 707	2 784	2 861
Liabilities to depositors, € million	1 589	1 666	1 708	1 822	1 769	1 881	1 860
<b>Other items</b>							
Customer funds, € million	2 170	2 264	2 325	2 449	2 498	2 704	2 754
Risk-weighted items, € million	1 614	1 680	1 726	1 760	1 840	1 887	1 923
Problem receivables, € million	8	8	9	11	8	7	9
Proportion of problem receivables to receivables from customers and quarantees, %	0.31	0.32	0.36	0.40	0.30	0.24	0.32
Number of customers, thousands	262	264	266	267	266	267	269
<b>Margins</b>							
Margin on corporate loan stock, %	0.88	0.85	0.83	0.81	0.79	0.77	0.75
Margin on loan stock to private customers, %	0.95	0.92	0.90	0.88	0.86	0.82	0.79
Margin on mortgage stock, %	0.84	0.82	0.80	0.78	0.77	0.73	0.70

### Improved Performance

Earnings from January to September amounted to € 17.8 million (14.8). Income increased by € 5.2 million and expenses by € 2.2 million. Income was improved by increased commission income, while increased personnel costs created more expenses. Impairment losses on receivables remained minor even though the loan portfolio increased.

### Number of Customers Growing

At the end of September Okopankki had 269,000 customers. The number of new customers during the review period was 9,900.

Customers belonging to the bonus scheme spent € 2.4 million (1.9) of their bonuses on banking service fees from January to September. Furthermore, almost € 0.9 million (0.8) of unused bonuses were paid out in cash in January.

In January Okopankki opened a service point in the Sello shopping centre in Espoo. A new service point is also going to be established in the Jumbo shopping centre in Vantaa. It will be opened for business at the turn of the year. Customers currently have access to a total of 28 branches or service points.

#### *Increase in Loan Portfolio*

The loan portfolio increased in the third quarter equally to the second quarter. The increase was 8 per cent in January–September and 10 per cent from a year earlier. The housing loan portfolio increased by 12 per cent to € 1.8 billion in a year. Okopankki's market share of housing loans in Greater Helsinki is estimated to have decreased, as the total housing loan portfolio of all financial institutions operating in Finland increased by 17 per cent in a year by the end of August. Okopankki's new lending from January to September amounted to almost € 0.9 billion, showing an increase of 10 per cent on the previous year.

The average margins on both corporate and private customer loans decreased during the review period.

The amount of problem receivables at the end of September was € 2 million lower than at year-end. Their share of loans and guarantees remained low.

#### *Customer Assets Increased*

Customer assets amounted to € 2.8 billion. The annual increase was 18 per cent. The deposit portfolio increased by 9 per cent to almost € 1.9 billion, and the market value of brokered life insurance policies and mutual fund investments increased by 45 per cent to € 0.9 billion.

From January to September Okopankki brokered insurance policies for OP Life Assurance for € 45 million, which was € 16 million more than a year before. The net amount of mutual fund subscriptions and redemptions was € 178 million. The amount increased by € 84 million on the comparison period.

#### *Housing Brokerage Continued Strong*

Helsingin Seudun OP-Kiinteistökeskus, which is a subsidiary of Okopankki, had 27 offices and 95 employees at the end of September. The number of homes brokered from January to September was slightly less than 1,500, which is 43 per cent more than in the comparison period.

#### *Balanced Performance*

The loan portfolio increased by 10 per cent in a year to € 2.9 billion at the end of September. The amount of problem receivables was minor. The average margin on the loan portfolio continued to decrease during the first part of the year but the positive earnings effect of an increased loan portfolio exceeded the negative effect of decreasing margins.

The operating environment is expected to remain similar to the first part of the year. Competition will remain intense and keep customer margins down. The interest rate level will probably remain low, which will support the growth in lending.

The annual growth of the loan portfolio within Retail Banking is estimated to remain similar for the rest of the year, and margins are estimated to decrease further. Accumulation of commission income is expected to be on a par with the first half of the year. Expense development is estimated to be similar to the first part of the year, and impairment losses are not expected to have any significant effect on earnings.

The earnings of Retail Banking are expected to be at least equal to the 2004 level.

On September 12, 2005, OKO Bank signed an agreement on the sale of Okopankki Oyj shares to the OP Bank Group Central Cooperative. This means that OKO Bank will no longer be involved in retail banking. Okopankki Group's consolidation with OKO Bank Group will end at the end of October.

## **Group Treasury**

The Group Treasury business division is responsible for the Central Banking Operations of OKO Bank in the OP Bank Group, as well as the Bank's own investment and funding operations. This interim report is the third one to include separate reporting for Central Banking Operations and Treasury.

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

Treasury engages in fixed income, equity and real estate investment activities. It is also responsible for the Group's long-term funding and relationships with banks and debt capital investors. The objective of investment activities is to generate long-term benefit from the changes of interest rates, exchange rates and stock prices as well as from dividend and other income. The funds will be invested securely, aiming at maximum return. Investment portfolios are diversified by instrument, country and industry. Derivative agreements are used to hedge against market risks.

## Central Banking

€ million	2004				2005		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net interest income	5	5	5	5	5	5	5
Impairment losses on receivables	0	0	0	0	0	0	0
<b>Net interest income after impairment losses</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Net commissions and fees	0	0	0	0	0	1	1
Net trading income	0	1	1	1	0	0	0
Net income from investments	0	0	0	0	0	0	0
Other operating income	0	0	0	1	0	1	0
<b>Total income</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>
Personnel costs	1	1	1	1	1	1	1
IT expenses	1	1	1	1	1	1	1
Depreciation	0	0	0	0	0	0	0
Other expenses	1	1	0	1	1	0	1
<b>Total expenses</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>
<b>Earnings before tax</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>4</b>
<b>Key figures and ratios</b>							
Return on equity (12 month moving average), %				14.0	12.9	14.2	13.8
Return on equity (annualised), %	12.8	12.6	14.2	16.1	11.0	15.3	14.4
Cost/income ratio, %	42	40	35	37	46	37	32
	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>
Personnel	62	75	67	66	66	74	67
<b>Important balance sheet items</b>							
Receivables from member cooperative banks, € million	2 170	2 248	2 530	2 608	2 956	3 046	3 579
Receivables from others, € million	589	394	790	828	917	675	352
Notes and bonds, € million	1 610	1 489	1 455	1 693	1 554	1 757	1 736
Liabilities to member cooperative banks, € million	3 066	3 071	3 237	3 129	3 079	3 077	3 227
Liabilities to others, € million	13	7	0	21	10	13	345
<b>Other items</b>							
Risk-weighted items, € million	1 030	1 009	1 115	1 122	1 221	1 217	1 279
<b>Average margins*</b>							
Margin on loan stock, %	0.13	0.14	0.13	0.14	0.13	0.13	0.13
Margin on deposits, %	0.31	0.31	0.31	0.32	0.33	0.35	0.36

\*) The average margin on loans and deposits has been calculated on the basis of loans granted to member banks and member banks' deposits in OKO Bank.

### Return on Equity at Target Level

Central Banking's earnings before tax amounted to € 11.3 million (10.0). The targeted return of equity at 14 per cent was achieved. Increased commission income from custody services and improved net interest income contributed to the increase in income, while expenses remained almost on par with the comparison period.

### Funding Requirements of the Member Banks Continued to Increase

The member banks' need for funding from OKO Bank continued to increase, and receivables from member banks increased by € 1.0 billion to € 3.6 billion. The amount of member banks' deposits in OKO Bank increased to € 3.2 billion (3.1). This means that OKO Bank's net receivable from the member banks increased to € 0.4 billion.

## Treasury

€ million	2004				2005		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net interest income	2	2	2	3	2	2	2
Impairment losses on receivables	0	0	0	0	0	-1	0
<b>Net interest income after impairment losses</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>
Net commissions and fees	0	0	0	0	0	0	0
Net trading income	-2	4	-4	-2	2	-1	1
Net income from investments	8	8	9	6	9	7	3
Other operating income	0	0	0	2	0	2	0
<b>Total income</b>	<b>8</b>	<b>13</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>11</b>	<b>6</b>
Personnel costs	0	0	0	1	0	0	0
IT expenses	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0	0
<b>Total expenses</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Earnings before tax</b>	<b>7</b>	<b>12</b>	<b>7</b>	<b>8</b>	<b>12</b>	<b>10</b>	<b>6</b>
<b>Key figures and ratios</b>							
Return on equity (12 month moving average), %				66.1	73.5	75.0	71.1
Return on equity (annualised), %	53.8	93.4	53.9	59.7	93.5	81.6	48.4
Cost/income ratio, %	11	7	12	11	7	9	11
Net yield on leasable properties	8.1	5.8	5.9	6.1	6.5	7.3	7.6
	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>
Personnel	18	17	16	17	16	16	15
<b>Important balance sheet items</b>							
Receivables from financial institutions and central banks, € million	712	827	802	812	899	807	937
Trading assets, € million	407	408	412	405	417	384	424
Investment assets, € million	291	251	245	231	197	168	157
Liabilities to financial institutions and central banks, € million	4	5	23	50	7	34	100
Debt securities issued to the public, € million	6 007	5 881	6 472	6 103	7 595	7 398	8 696
Subordinated liabilities, € million	371	397	320	390	394	389	389
of which capital loans, € million	0	76	73	72	116	123	118
<b>Other items</b>							
Risk-weighted items, € million	529	538	534	522	546	481	500

### Treasury's Earnings Improved

Treasury's earnings before tax increased to € 27.4 million (26.4) and rolling 12-month return on equity increased to 71.1 per cent. Income from trading and real estate investments particularly contributed to the increase. Expenses remained at the level of the comparison period.

### *Income from Trading Increased but Income from Investments Diminished*

Income from trading increased by € 3.8 million mostly attributable to trading in bonds. Net income from investments fell € 6.0 million short of the comparison period. Net income from investment operations was reduced by capital gains on shares and dividend income, which decreased by € 3.8 million on the comparison period. In the comparison period, capital gains from OMX shares amounted to € 8.4 million. Furthermore, total income from fixed-rate investments fell € 3.5 million short of the comparison period. On the other hand, income from real estate investments was € 1.4 million more than in the comparison period. When the dissolution of an impairment loss reserve of € 0.8 million is taken into account, income from real estate investments was € 2.2 million greater than in the comparison period.

In February the Bank sold its holdings in Suomen Asiakastieto Oy and a number of other companies to the OP Bank Group Central Cooperative, recording a sales gain of € 4.5 million. The amount of dividend income decreased to € 2.7 million (5.5). Dividend income in the comparison period included € 1.4 million of avoir fiscal tax credits.

Net yield from real estate investments increased to 7.6 per cent at the end of September (6.1) and the vacancy rate was 10 per cent (7). Capital invested in real estate holdings was down to € 78 million (134). In June, OKO Bank sold the real estate company Oy Dagmarinkatu 14. The effect of the sale on the consolidated earnings was minor. Also in June, the Bank sold the real estate company Kiinteistöosakeyhtiö Arkadiankatu 23 to OP Life Assurance Company Ltd. The calculated capital gain on the part in own use, € 1.4 million, was recorded in other operating income, while the calculated capital gain on investment assets, € 1.2 million, was recorded in net income from investments. In September the Bank sold the investment property Kiinteistö Oy Lahden Trio and recorded € 2.5 million in capital gains. OKO Bank still intends to reduce the amount of real estate investments in a way that creates profit.

### *OP Bank Group's and OKO Bank's Growth Financed by Increased Long-Term Funding*

Long-term funding was increased by a total of more than € 1.3 billion during the review period. The amount of debt securities issued to the public stood at € 8.7 billion (6.1) at the end of September.

Within the scope of its EMTN programme, OKO Bank issued a bond of € 1 billion in March. Demand for the bond was a record-setting high.

Also in March, OKO Bank issued a capital loan of € 50 million. The amount of capital loans stood at € 123 million at the end of September.

Short-term bonds issued under the Euro Commercial Paper scheme and OKO Bank certificates of deposit increased to a total of € 5.2 billion (3.1).

The Pohjola transactions were temporarily financed by issuing certificates of deposit and by other short-term money-market debt.

### *Financial Outlook - Group Treasury*

The development of the equity and fixed income markets will have a significant effect on Treasury earnings. The markets are expected to remain similar to the first part of the year on average. Assets will be invested securely, and the investment portfolios are diversified by instrument, country and sector.

The growth of housing loans granted by the member banks is expected to continue at a higher rate than the growth of deposits. The member banks' funding needs are

expected to grow further, but the effect of this growth on Central Banking's earnings is minor.

The full-year earnings of Group Treasury are expected to exceed the 2004 earnings exclusive of the € 10 million capital gain on OMX AB shares.

## Group Administration

Group Administration includes income, expenses, investments and capital not allocated to the divisions, as well as eliminations between divisions. Investments comprise, for example, OP Life Assurance Company Ltd's and OP-Kotipankki Oyj's shares.

€ million	2004				2005		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net interest income	0	0	-1	-1	0	0	-2
Impairment losses on receivables	0	0	0	0	0	0	0
<b>Net interest income after impairment losses</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-2</b>
Net commissions and fees	0	0	0	0	0	0	0
Net trading income	0	0	0	0	0	0	0
Net income from investments	-1	0	0	0	2	0	0
Other operating income	0	0	0	0	0	0	0
<b>Total income</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-2</b>	<b>1</b>	<b>-1</b>	<b>-2</b>
Personnel costs	1	1	1	1	1	1	1
IT expenses	0	1	1	1	1	1	1
Depreciation	0	0	0	0	0	0	0
Other expenses	1	1	1	1	1	1	1
<b>Total expenses</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>
Share of affiliate profits	1	1	1	3	0	1	0
<b>Earnings before tax</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-3</b>	<b>-4</b>
	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>	<i>Sept. 30</i>
Personnel	41	44	43	45	45	46	44

The earnings comprise dividends from investments, Group Administration expenses and shares in affiliate profits or losses. Earnings before tax were € 8.8 million in the red (€ 6.6 million in the red). The earnings included a dividend of € 1.5 million paid by OP Life Assurance. Net interest income was hampered by the financing costs of Pohjola transaction. Group Administration's total costs were smaller than in the comparison period. The share of affiliate profits decreased to € 1.3 million (3.2). Total Group Administration expenses were smaller than in the comparison period.

### Outlook

Thanks to the approximately € 150 million in capital gains from the sale of Okopankki Oyj, the earnings of Group Administration will be substantially better than in 2004 even though shares of affiliate profits are diminishing and costs are increasing.

**OKO Bank Group Income Statement, January 1 to September 30, 2005**

€ million	1-9/05	1-9/04	Change, %	1-12/04
Interest income	542	303	79	416
Interest expenses	425	196		269
<b>Net interest income (Note 1)</b>	<b>117</b>	<b>108</b>	<b>8</b>	<b>147</b>
Impairment losses on receivables (Note 2)	2	0		1
<b>Net interest income after impairment losses</b>	<b>115</b>	<b>108</b>	<b>6</b>	<b>145</b>
Net commissions and fees (Note 3)	72	59	21	85
Net trading income (Note 4)	10	3		2
Net income from investments (Note 5)	21	25	-16	31
Other operating income (Note 6)	7	3		7
<b>Total income</b>	<b>224</b>	<b>199</b>	<b>13</b>	<b>271</b>
Personnel costs (Note 7)	47	43	10	59
Other administrative expenses (Note 8)	40	36	9	49
Other operating expenses (Note 9)	25	23	8	31
<b>Total expenses</b>	<b>111</b>	<b>102</b>	<b>9</b>	<b>139</b>
Share of affiliate profits/losses	1	3	-59	6
<b>Earnings before tax</b>	<b>115</b>	<b>100</b>	<b>14</b>	<b>138</b>
Income tax	28	22	27	30
<b>Profit for the period</b>	<b>87</b>	<b>79</b>	<b>11</b>	<b>108</b>
Share of parent company's owners in the period's earnings	86	78	10	107
Share of minority interest in the period's earnings	1	0	88	1
<b>Total</b>	<b>87</b>	<b>79</b>	<b>11</b>	<b>108</b>
Earnings per share, € *)	0.87	0.81	7	1.10
Earnings per share, diluted, € *)	0.86	0.78	10	1.07

\*) The key figure calculations per share are based on the share amount at the end of September. Share issue commenced on October 24, 2005.

Due to changes in the recognition and presentation, interest income and expenses are not comparable in 2004 and 2005.

**OKO Bank Group Income Statement, July 1 to September 30, 2005**

€ million	7-9/05	7-9/04	Change, %
Interest income	190	105	81
Interest expenses	151	68	
<b>Net interest income (Note 1)</b>	<b>38</b>	<b>36</b>	<b>6</b>
Impairment losses on receivables (Note 2)	1	0	31
<b>Net interest income after impairment losses</b>	<b>38</b>	<b>36</b>	<b>5</b>
Net commissions and fees (Note 3)	24	19	29
Net trading income (Note 4)	7	-3	
Net income from investments (Note 5)	3	9	-66
Other operating income (Note 6)	2	1	49
<b>Total income</b>	<b>74</b>	<b>62</b>	<b>19</b>
Personnel costs (Note 7)	14	14	6
Other administrative expenses (Note 8)	12	12	4
Other operating expenses (Note 9)	8	7	8
<b>Total expenses</b>	<b>34</b>	<b>33</b>	<b>6</b>
Share of affiliate profits/losses	0	1	-71
<b>Earnings before tax</b>	<b>40</b>	<b>30</b>	<b>31</b>
Income tax	11	8	29
<b>Profit for the period</b>	<b>29</b>	<b>22</b>	<b>31</b>
Earnings per share, € *)	0.29	0.23	26
Earnings per share, diluted, € *)	0.29	0.22	32

\*) The key figure calculations per share are based on the share amount at the end of September. Share issue commenced on October 24, 2005.

**Reconciliation of OKO Bank's Consolidated FAS and IFRS Income Statements  
January 1 to September 30, 2004 and July 1 to September 30, 2004**

€ million	1-9/2004	7-9/2004
<b>Operating income (FAS)</b>	<b>74.5</b>	<b>20.6</b>
Effects from transition to IFRS		
IAS 12, Income taxes	1.1	-0.2
IAS 18, Revenue	-0.7	-0.2
IAS 19, Employee benefits	2.8	1.8
IAS 36, Impairment of assets	0.4	0.1
IAS 40, 16, 31 Valuation and consolidation of real estate	0.1	0.1
Other	0.0	0.0
<b>IFRS adjustments, total</b>	<b>3.8</b>	<b>1.5</b>
<b>Earnings before tax (IFRS)</b>	<b>78.3</b>	<b>22.1</b>

## OKO Bank Group Balance Sheet

€ million	Sept. 30, 2005	Sept. 30, 2004	Change, %	Dec. 31, 2004
Liquid assets	895	638	40	297
Receivables from financial institutions	4 023	3 433	17	3 548
Financial assets for trading (Note 10)	3 302	2 736	21	3 085
Derivative contracts	121	55		93
Receivables from customers	9 183	8 144	13	8 664
Investment assets (Note 11)	1 550	355		339
Investments in affiliates	11	22	-53	25
Intangible assets	11	12	-5	10
Tangible assets	63	58	9	64
Other assets	548	544	1	356
Tax receivables	6	8	-26	7
<b>Total assets</b>	<b>19 712</b>	<b>16 003</b>	<b>23</b>	<b>16 490</b>
Liabilities to financial institutions	5 249	4 507	16	4 310
Financial liabilities for trading	3	-		-
Derivative contracts	141	74	90	99
Liabilities to customers	3 352	2 806	19	4 072
Debt securities issued to the public (Note 12)	8 696	6 472	34	6 103
Reserves and other liabilities	833	912	-9	578
Tax liabilities	101	67	51	88
Subordinated liabilities (Note 13)	508	393	29	462
<b>Total liabilities</b>	<b>18 883</b>	<b>15 232</b>	<b>24</b>	<b>15 713</b>
<b>Shareholders' equity</b>				
<b>Share of parent company's owners</b>				
Share capital	211	204		206
Share issue account	0	0		3
Reserves	248	233		234
Retained earnings	368	333		332
<b>Minority interest</b>	<b>2</b>	<b>1</b>		<b>2</b>
<b>Total shareholders' equity</b>	<b>830</b>	<b>772</b>	<b>8</b>	<b>777</b>
<b>Total liabilities and shareholders' equity</b>	<b>19 712</b>	<b>16 003</b>	<b>23</b>	<b>16 490</b>

## Changes in Shareholders' Equity

€ million	Share capital	Reserves and share issue	Retained earnings	Minority interest	Total shareholders' equity
<b>Shareholders' equity January 1, 2004</b>	<b>202</b>	<b>234</b>	<b>331</b>	<b>2</b>	<b>770</b>
Increase in the share capital	1	-1	-	-	0
Fair value reserve	-	-	-	-	-
Changes of reserves	-	-	-	-	-
Profit distribution	-	-	-77	-1	-78
Profit for the period	-	-	78	0	79
<b>Shareholders' equity September 30, 2004</b>	<b>204</b>	<b>234</b>	<b>333</b>	<b>1</b>	<b>772</b>
<b>Shareholders' equity January 1, 2005</b>	<b>206</b>	<b>237</b>	<b>332</b>	<b>2</b>	<b>777</b>
Changes in accounting principles	-	13	2	-	15
Increase in the share capital	5	-2	-	-	3
Fair value reserve	-	0	-	-	0
Changes of reserves	-	-	-	-	-
Profit distribution	-	-	-52	-1	-53
Profit for the period	-	-	86	1	88
<b>Shareholders' equity September 30, 2005</b>	<b>211</b>	<b>248</b>	<b>368</b>	<b>2</b>	<b>830</b>

## Reconciliation of Changes to OKO Bank's Consolidated Shareholder's Equity due to IFRS Transition September 30, 2004

€ million	September 30, 2004
<b>Shareholders' equity (FAS)</b>	<b>734</b>
Effects from transition to IFRS	
IAS 19, Employee benefits	47
IAS 40, 16, 31 Valuation and consolidation of real estate	8
IAS 18, Revenue	-10
IAS 12, Income taxes	-6
IAS 36, Impairment of assets	-1
Other	1
<b>IFRS adjustments, total</b>	<b>38</b>
<b>Shareholders' equity (IFRS)</b>	<b>772</b>

## Capital Adequacy

€ million	Sept. 30, 2005	Share of own funds	Sept. 30, 2004	Dec. 31, 2004
Own funds				
Tier I	847	80 %	759	751
of which capital loans *)	124	12 %	74	74
Tier II	366	34 %	285	356
Mandatory adjustments **)	-149	-14 %	-14	-15
Total	1 064	100 %	1 030	1 092
Risk-weighted receivables, investments and off-balance sheet items	12 221		9 600	9 951
Capital adequacy ratio, %	8.7		10.7	11.0
Tier I ratio, %	6.9		7.9	7.6

\*) OKO Bank has two capital loans that are allowed to be included in own funds:

Capital loan of 10 billion Japanese yen, €74 million of which is considered Tier I funds. Interest on the loan is fixed at 4.23% until 2034, and thereafter variable 6-month Yen LIBOR +1.58%. If interest cannot be paid for a given interest period, the obligation to pay interest will lapse. The loan may be called in at the earliest in 2014.

Capital loan of € 50 million, which is a perpetual loan without interest rate step-ups with 8 per cent interest rate cap. The loan was issued on March 31, 2005, and the interest rate for the first year is 6.5%. Thereafter, the interest rate will be CMS 10 years + 0.1%. Interest payments are annual. The loan may be called in at the earliest in 2010, subject to authorisation by the Financial Supervision Authority.

\*\*\*) The following investments in venture capital funds, totalling € 8million and managed by OKO Venture Capital Ltd have not been deducted according to the exception provided by the Financial Inspection in line with the order in 75 §, clause 5 of the Credit Institution Act: Promotion Equity I Ky, Promotion Capital I Ky, Promotion Rahasto II Ky and Promotion Bridge I Ky.

## Cash Flow Statement

€ million	1-9/05	1-9/04
<b>Liquid assets January 1</b>	<b>350</b>	<b>956</b>
Cash flows from operational activities	-673	-1 935
Cash flows from investing activities	-1 319	-5
Cash flows from financing activities	2 589	1 643
Effect of exchange rates on cash flows	0	0
<b>Liquid assets September 30</b>	<b>947</b>	<b>659</b>

The cash flow statement presents the cash flows of the period on the cash basis, divided into cash flows from operational, investing and financing activities. Cash flows from operational activities include cash flows originating from day-to-day operations. Cash flows from investing activities include payments associated with tangible and intangible assets, investments held to maturity and shares that are not considered as belonging to cash flows from operational activities. Cash flows from financing activities include cash flows originating in the financing of operations either on equity terms or liability terms from the money or capital market. Liquid assets include cash in hand and receivables from financial institutions payable on demand. The calculation is based on a so-called indirect way of presentation.

### Changes on September 30, 2005

The most essential changes in the cash flows from operational activities concern receivables from financial institutions and from customers as well as liabilities to financial institutions and to customers. The changes in cash flow from investing activities are due to the acquisition of Pohjola shares. The changes in cash flows from operational and investing activities have been covered by an increase in debt securities issued to the public within cash flows from financing activities.

### Changes on September 30, 2004

The most essential changes in cash flows from operational activities concern receivables from financial institutions and receivables from customers as well as liabilities to financial institutions and liabilities to customers. The change in cash flow from operational activities has been covered by an increase in debt securities issued to the public within cash flows from financing activities.

## Notes

### 1) Net interest income

€ million	1-9/05	1-9/04	Change, %	1-12/04
Interest income				
From receivables from financial institutions	80.4	60.5	33	83.5
From receivables from customers	228.9	201.5	14	274.0
From others	232.6	41.5		58.3
Total	541.9	303.5	79	415.7
Interest expenses				
From liabilities to financial institutions	69.0	59.6	16	81.5
From liabilities to customers	40.1	29.0	39	40.3
From others	316.2	107.2		147.3
Total	425.3	195.7		269.1
Net interest income	116.6	107.8	8	146.6

Due to changes in the recognition and presentation, interest income and expenses are not comparable in 2004 and 2005.

## 2) Impairment losses on receivables

€ million	1-9/05	1-9/04	Change, %	1-12/04
Loan and guarantee losses of the period	2.2	0.7		0.9
Recoveries on loan and guarantee losses recognised earlier	-0.3	-1.7	-80	-2.2
Impairment loss provision of the period	4.4	2.0		3.8
Revaluation of impairment loss provisions recognised earlier	-4.4	-1.0		-1.1
Total	1.9	0.0		1.2

## 3) Net commissions and fees

€ million	1-9/05	1-9/04	Change, %	1-12/04
Commission income				
From lending	16.7	12.8	30	18.0
From deposits	0.4	0.4	-3	0.5
From payment transfers	17.5	16.5	6	22.5
From securities brokerage	20.0	15.0	33	21.7
From securities issuance	4.6	4.0	15	5.9
From asset management and legal services	11.7	9.2	26	13.8
From insurance brokerage	3.5	2.5	44	3.9
From guarantees	3.7	3.5	5	5.1
From real estate brokerage	6.5	4.7	38	6.5
Customer bonus provision	-2.9	-2.6	13	-3.6
Other	4.0	3.4	18	4.8
Total	85.6	69.5	23	99.2
Commission expenses				
On payment transfers	4.3	3.8	13	5.1
On securities brokerage	4.9	3.3	48	4.7
On securities issuance	1.6	0.5		1.0
On asset management and legal services	2.2	1.5	48	2.1
Other	0.7	0.9	-23	1.3
Total	13.8	10.1	37	14.1
Net commissions and fees	71.9	59.4	21	85.1

## 4) Net trading income

€ million	1-9/05	1-9/04	Change, %	1-12/04
Capital gains, losses and realised changes in value				
Notes and bonds	8.0	4.0	99	7.7
Shares and holdings	-1.3	-4.1	-68	-5.5
Derivatives	-6.3	-5.4	18	-11.8
Unrealised changes in value				
Notes and bonds	1.4	-2.1		-1.4
Shares and holdings	-0.4	0.3		0.4
Derivatives	2.6	5.3	-51	6.7
Dividend income	-	0.1		0.1
Net income from foreign exchange operations	5.6	4.7	19	5.8
Total	9.6	2.8		2.1
Total	8.0	4.0	99	7.7

5) Net income from investments

€ million	1-9/05	1-9/04	Change, %	1-12/04
Financial assets available for sale				
Capital gains and losses				
Notes and bonds	0.1	2.4	-96	3.6
Shares and holdings	11.6	12.4	-7	15.0
Net income from hedge accounting				
Net income from hedging instruments	0.0	-		-
Net income from hedged instruments	-	-		-
Dividend income	4.6	6.5	-29	7.3
Impairment losses	-	0.7		2.5
Total	16.3	22.1	-26	28.3
Investment properties				
Rental income	5.7	6.8	-16	8.7
Maintenance charges and expenses	-3.7	-4.2	-11	-6.1
Capital gains and losses	2.6	-0.1		-0.1
Changes in value	-	-		-0.2
Other	0.4	0.8	-45	1.1
Total	5.0	3.3	51	3.4
Other	-	-		-0.3
Net income from investments	21.3	25.4	-16	31.4

6) Other operating income

€ million	1-9/05	1-9/04	Change, %	1-12/04
Income from real estate holdings in own use	1.7	0.6		1.2
Other	5.4	2.9	85	6.1
Total	7.0	3.5		7.3

7) Personnel costs

€ million	1-9/05	1-9/04	Change, %	1-12/04
Salaries and remunerations	41.3	37.1	11	51.1
Pension costs	2.6	3.1	-18	4.2
Other indirect personnel costs	2.9	2.4	24	4.0
Total	46.8	42.6	10	59.2

8) Other administrative expenses

€ million	1-9/05	1-9/04	Change, %	1-12/04
Office expenses	6.9	6.6	4	9.0
IT expenses	19.9	18.1	10	24.6
Telecommunications expenses	2.5	2.6	-1	3.4
Marketing expenses	5.3	4.8	11	6.2
Other administrative expenses	5.0	4.2	19	6.3
Total	39.7	36.3	9	49.5

9) Other operating expenses

€ million	1-9/05	1-9/04	Change, %	1-12/04
Expenses from real estate holdings and offices in own use	7.2	7.2	0	9.5
Depreciation	8.0	7.2	12	9.6
Other	9.3	8.4	11	11.7
Total	24.5	22.8	8	30.7

10) *Financial assets for trading*

€ million	Sept. 30, 2005	Sept. 30, 2004	Change, %	Dec. 31, 2004
Notes and bonds	3 299.9	2 731.6	21	3 082.7
Shares and holdings	2.3	3.9	-42	2.4
Total	3 302.2	2 735.5	21	3 085.1

11) *Investment assets*

€ million	Sept. 30, 2005	Sept. 30, 2004	Change, %	Dec. 31, 2004
Financial assets available for sale				
Notes and bonds	72.3	175.8	-59	166.5
Shares and holdings	106.1	94.0	13	90.6
Financial assets to be held to maturity	-	-		-
Investment properties	37.1	82.0	-55	81.9
Subsidiaries and affiliates not consolidated *)	1 334.2	3.2		0.3
Total	1 549.7	355.0		339.4

\*) The total on September 30, 2005 includes the acquisition cost of Pohjola Group shares, which amounts to a good € 1.3 billion. Pohjola was not consolidated to OKO Bank Interim Report January 1 to September 30, 2005, because the conditions of the sale had not been fulfilled by the end of September 30, 2005.

12) *Debt securities issued to the public*

€ million	Sept. 30, 2005	Sept. 30, 2004	Change, %	Dec. 31, 2004
Bonds	3 374.3	2 451.0	38	2 837.7
Certificates of deposit	5 204.7	3 471.6	50	2 775.4
Other	117.4	549.8	-79	489.9
Total	8 696.4	6 472.3	34	6 103.0

13) *Subordinated liabilities*

€ million	Sept. 30, 2005	Sept. 30, 2004	Change, %	Dec. 31, 2004
Capital loans	118.5	72.9	63	71.6
Other	389.2	319.8	22	390.2
Total	507.7	392.7	29	461.8

**Assets Given as Collateral on Own and Others' Behalf as well as Liabilities and Commitments for Which They Were Pledged**

<i>€ million</i>	<i>Sept. 30, 2005</i>	<i>Sept. 30, 2004</i>	<i>Change, %</i>	<i>Dec. 31, 2004</i>
<b>Collateral for Bank liabilities and commitments</b>				
Pledges	1 317	1 254	5	1 287
Other	18	15	18	15
<b>Collateralised liabilities</b>				
Liabilities to financial institutions	1 201	978	23	961
Liabilities to customers	369	314	17	325
<b>Collateral pledged on behalf of group companies</b>				
Pledges				
Mortgages	-	-		-
	-	-		-
<b>Collateral pledged on behalf of others</b>				
Pledges				
Mortgages	-	1		1

**Off-balance Sheet Items**

<i>€ million</i>	<i>Sept. 30, 2005</i>	<i>Sept. 30, 2004</i>	<i>Change, %</i>	<i>Dec. 31, 2004</i>
Commitments given to a third party on behalf of customers				
Guarantees and pledges	269	289	-7	293
Other guarantees	1 008	878	15	1 019
On behalf of affiliates	2	2	3	2
Other commitments	137	81	69	98
Irrevocable commitments given on behalf of a customer				
Unused standby credit facilities	3 183	2 322	37	2 352
To affiliates	2	-		-
Other commitments	366	405	-10	367
<b>Total commitments,</b>	<b>4 963</b>	<b>3 976</b>	<b>25</b>	<b>4 130</b>
of which to affiliates or commitments given on their behalf	4	2		2

**Accounts Receivable and Payable from Sale or Purchase of Assets on Behalf of Customers**

<i>€ million</i>	<i>Sept. 30, 2005</i>	<i>Sept. 30, 2004</i>	<i>Change, %</i>	<i>Dec. 31, 2004</i>
Accounts receivable	33	39	-14	52
Accounts payable	36	42	-15	57

## Derivative Contracts

€ million	Sept. 30, 2005	Sept. 30, 2004	Change, %	Dec. 31, 2004
<b>Values of the underlying instruments</b>				
Futures and forwards	5 223	6 421	-19	4 148
Options				
Purchased	3 894	472		896
Written	6 537	469		827
Interest rate swaps	15 763	9 697	63	10 430
<b>Interest rate derivatives, total</b>	<b>31 417</b>	<b>17 059</b>	<b>84</b>	<b>16 300</b>
Futures and forwards	2 515	1 643	53	1 915
Options				
Purchased	35	9		1
Written	33	9		1
Interest rate and currency swaps	800	269		679
<b>Currency derivatives, total</b>	<b>3 384</b>	<b>1 930</b>	<b>75</b>	<b>2 595</b>
<b>Equity derivatives</b>	<b>97</b>	<b>74</b>	<b>31</b>	<b>71</b>
<b>Other derivatives</b>	<b>117</b>	<b>100</b>	<b>17</b>	<b>105</b>
<b>Total</b>	<b>35 014</b>	<b>19 163</b>	<b>83</b>	<b>19 071</b>
<b>Positive fair value of derivative contracts</b>	<b>182</b>	<b>89</b>		<b>133</b>
<b>Negative fair value of derivative contracts</b>	<b>193</b>	<b>134</b>	<b>43</b>	<b>200</b>
<b>Credit counter values of contracts</b>				
Interest rate derivatives	176	90	95	112
Currency derivatives	123	53		104
Equity derivatives	-	-		-
Other derivatives	26	19	36	18
<b>Total</b>	<b>324</b>	<b>162</b>		<b>234</b>

## Other Contingent Liabilities and Commitments

On September 30, 2005, OKO Bank's commitments to venture capital funds totalled € 11.8 million. They are included in the section "Off-balance Sheet Commitments".

## Calculation of Financial Ratios

### Earnings per share, €

Profit adjusted by minority share of profit or loss divided by the adjusted number of shares on average during the report period.

### Earnings per share, diluted, €

The denominator is the average share-issue adjusted number of shares during the period plus the number of shares which is obtained if all options are converted into shares. Subtracted from the figure thus obtained is the number of shares that can be obtained through the exercise of options multiplied by the share subscription price and divided by the average price of the share during the report period.

### Equity per share, €

Equity attributable to equity holders of the parent at the end of the period

Average number of shares on the balance sheet date, adjusted for share issues

### Return on equity, %

Annualised profit x 100  
Shareholders' equity (average at the beginning and end of the period)

### Return on assets, %

Annualised profit x 100  
Balance sheet total (average at the beginning and end of the period)

### Cost income ratio, %

Personnel costs + other administrative expenses + other operating expenses x 100  
Net interest income + net commissions and fees + net trading income  
+ net income from investments + other operating income

The figures in this Interim Report are unaudited.

### **Financial Reporting 2006**

OKO Bank's Annual Report Bulletin for the year 2005 will be published on February 17, 2006. During 2006 the Bank will publish three Interim Reports as follows: for January-March on May 11, for January-June on August 10, and for January-September on November 2.

Helsinki, November 2, 2005

### **OKO Bank The Executive Board and President**

This Interim Report, as well as the background material, is available at the Internet address [www.oko.fi/english](http://www.oko.fi/english) > Press.

### **Meeting for Analysts and Webcasting**

Meeting for analysts on November 2, 2005 at 8.30 am (Finnish time) at World Trade Center (Aleksanterinkatu 17, Helsinki).

Webcasting in English on November 2, 2005 at 4.00 pm (Finnish time). Mr Mikael Silvennoinen, the President of OKO Bank, will give a presentation on the Interim Report. The link to the webcasting:  
<http://80.64.1.182:80/wip/viewpresentation.do?pid=278746>.

### **Further information:**

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(Translation)

**Statement on the review of the OKO Bank interim report for the period  
1 January to 30 September, 2005**

***To the Executive Board of OKO Bank***

We have performed a review of the OKO Bank interim report for the period 1 January to 30 September, 2005. The interim report has been prepared by, and is the responsibility of, the Executive Board and the President, as defined under chapter 2, section 5 of the Finnish Securities Markets Act. Based on our review, and at the request of the Executive Board, we issue our statement on the interim report in line with chapter 2, section 5, subsection 2 of the Finnish Securities Markets Act.

Our review was conducted in accordance with practice statement "910 Review" issued by the Finnish Institute of Authorised Public Accountants. The review was planned and conducted in order to obtain reasonable assurance about whether the interim report is free of material misstatement. The review was limited in scope and mainly consisted of enquiries of company personnel and analytical procedures, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would cause us to believe that the interim report, in all material respects, would not have been prepared in accordance with relevant rules and regulations, and that it would not fairly present the result of operations and financial position of OKO Bank Consolidated, as defined in the Finnish Securities Markets Act.

Helsinki, 2 November, 2005

KPMG OY AB

Hannu Niilekselä  
*Authorised Public Accountant*

Raimo Saarikivi  
*Authorised Public Accountant*

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