OP Bank Group Central Cooperative

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OP-Pohjola Group's January–December 2007

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

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

Best result ever – earnings before tax over a billion euros

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

Strong risk-bearing capacity and a stable risk exposure

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

Year 2008

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

Executive Chairman’s comments

Our transformation from a banking group into a full-blown financial services group has proceeded apace and with good results. We achieved record earnings during the two years following the Pohjola acquisition, with the 2007 result exceeding a historic threshold of one billion euros. Considering the market conditions, this is by any account an excellent result.

The reason why the result improved so much was based on strong income growth, a moderate increase in costs and our solid risk exposure. I am particularly satisfied with the significant earnings improvement of non-life insurance operations and the fact that we managed to bring the cost/income ratio of banking operations below 50%.

Our business continued to grow vigorously, and despite tough competition we were able to retain our strong overall market position.

The global economy and financial markets are currently fraught with uncertainty, making the situation clearly more challenging in Finland, too. The domestic market and businesses are doing well and with the jobs they offer and the income they create, they still provide a reasonable operating environment for finance-sector growth. I am confident that demand for banking and investment services will continue to grow at a rate higher than GDP but not quite as high as in previous years.

OP-Pohjola Group is doing extremely well. Our financial buffers are considerable, providing the stability and competitive advantage valuable in the current situation and enabling us to continue on our course without having to adjust our strategy. We aim to grow at above-the-market-average rate and reward loyal customers with more benefits.

Reijo Karhinen

OP-Pohjola Group's Financial Statements Bulletin 1 January–31 December 2007

With EUR 1,005 million, OP-Pohjola Group posted all-time high January–December earnings before tax (up 26%). The businesses within the financial services group continued their strong growth. According to preliminary information, OP-Pohjola Group became Finland's leading non-life insurer in terms of premiums written. In life insurance, the Group has already been the leading insurer since 2005. Loyal customer benefits were enhanced substantially. OP Bank Group was renamed OP-Pohjola Group in September.

OP-Pohjola Group key indicators

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

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

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

OP Bank Group changed name to OP-Pohjola Group

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

Operating Environment

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

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

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

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

Finnish economic growth expected to slow in 2008

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

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

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

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

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

Greater uncertainty in financial markets

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

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

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

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

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

OP-Pohjola Group's earnings and total assets

January–December

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

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

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

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

Comparatives for 2006 are given in brackets. For income-statement and other aggregated figures, January–December 2006 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures on the previous balance sheet date (31 December 2006) serve as comparatives.
**The combined cost ratio excluding amortisation on intangible assets arising from the Pohjola acquisition and allocated to the business segment without the effect of changes in calculation bases.

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

Earnings analysis

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change, EUR million*	*Change,%*
Earnings before tax	**1,005**	**800**	**205**	**25.6**
Gross change in fair value reserve	-207	-45	-161	
Earnings before tax at fair value	**798**	**754**	**44**	**5.8**
Return on equity,%	**13.7**	**12.1**		**1.6***
Return on equity at fair value,%	**10.9**	**11.4**		**-0.6***
Total income				
Net interest income	1,048	883	165	18.6
Net income from non-life insurance	427	328	100	30.4
Net income from Life Insurance	172	110	61	55.6
Net commissions and fees	422	396	26	6.5
Net trading and investment income	65	144	-80	-55.1
Other operating income	109	92	17	18.4
Share of associates' profits/losses	3	2	1	45.5
Other income, total	1,198	1,073	125	11.7
Total income	**2,246**	**1,956**	**290**	**14.8**

Expenses				
Personnel costs	553	527	26	4.9
Other administrative expenses	303	290	14	4.7
Other operating expenses	273	267	6	2.2
Total expenses	**1,129**	**1,083**	**45**	**4.2**
Impairment losses on receivables	**13**	**9**	**4**	**44.9**
Returns to owner-members and OP bonus customers				
Bonuses	83	48	35	74.0
Interest on ordinary and supplementary cooperative capital	24	21	3	16.4
Total returns	**107**	**69**	**39**	**56.6**

* Percentage points

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

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

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

October–December

Earnings before tax for the fourth quarter were EUR 247 million, a EUR 46 million year-on-year increase. This improvement was the result of an increase in net interest income and non-life insurance and life insurance operations. The increase in Non-Life Insurance net investment income is largely explained by the better combined ratio. A change in the discount rate boosted Non-life Insurance earnings before tax by EUR 29 million. Other income did not include any non-recurring capital gains. Reported expenses grew by EUR 8.2 million. Personnel costs for October–December fell year-on-year by 2.1% primarily as a result of a change in accrued holiday payment expenses. Returns to owner-members and OP bonus customer grew by EUR 8.8 million. Impairment losses on receivables came to EUR 3.8 million, or EUR 1.1 million lower than a year earlier. The fair value reserve (gross) shrank by EUR 112 million, while a year ago it increased by EUR 5 million.

October–December earnings before tax were EUR 14 million higher than in the third quarter, although third-quarter expenses were mainly due to seasonal fluctuation smaller than in the fourth quarter. Earnings before tax at fair value in the last quarter were EUR 48 million short of the figure in the third quarter.

Fourth-quarter earnings analysis

EUR million	*Q4/ 2007*	*Q4/ 2006*	*Change,%*	*Q3/ 2007*	*Change,%*
Earnings before tax	**247**	**202**	**22.8**	**234**	**5.8**
Gross change in fair value reserve	-112	5		-51	
Earnings before tax at fair value	**135**	**206**	**-34.4**	**183**	**-26.0**
Return on equity,%	**12.7**	**11,9**	**0.8***	**12,6**	**0.0***
Return on equity at fair value,%	**6.8**	**12,3**	**-5.5***	**10,0**	**-3.2***
Total income					
Net interest income	277	241	14.6	263	5.3
Net income from non-life insurance	121	85	43.4	100	21.5
Net income from Life Insurance	54	30	82.1	20	
Net commissions and fees	103	101	2.0	96	7.8
Net trading and investment income	-8	34		6	
Other operating income	31	24	28.9	24	29.7
Share of associates' profits/losses	0	3	-85.7	1	-51.3
Other income, total	303	277	9.3	247	22.6
Total income	**580**	**519**	**11.7**	**510**	**13.7**
Expenses					
Personnel costs	146	149	-2.1	122	18.9
Other administrative expenses	93	80	16.5	64	44.8
Other operating expenses	65	66	-2.8	61	6.7
Total expenses	**303**	**295**	**2.8**	**247**	**22.6**
Impairment losses on receivables	**4**	**5**	**-21.7**	**4**	**-1.7**
Returns to owner-members and OP bonus customers					
Bonuses	21	13	70.0	22	-0.6
Interest on ordinary and supplementary cooperative capital	6	6	-0.3	6	15.6
Total returns	**28**	**19**	**46.3**	**27**	**2.7**

* Percentage points

Capital adequacy

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

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

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

Capital adequacy of the amalgamation of cooperative banks

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

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

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

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

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

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

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

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

Amalgamation of cooperative banks' own funds and capital adequacy

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

* Percentage points

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

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

On 31 December, OP-Pohjola Group’s own funds calculated according to the Act on the Supervision of Financial and Insurance Conglomerates exceeded the minimum amount specified in the Act by EUR 1,753 million (1,682). The conglomerate's good result increased their own capital, with the capital adequacy increasing year-on-year by 4.2%. On 30 September, capital adequacy stood at EUR 1,785 million. On 31 December, the capital adequacy ratio stood at 1.52, which was slightly less than on 31 December 2006.

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

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

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

* Change in ratio.

Adoption of new capital adequacy calculation methods

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

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

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

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

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

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

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

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

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

Capital adequacy management and risk exposure

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

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

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

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

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

OP-Pohjola Group’s risk exposure

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

Effects of market disruption on OP-Pohjola Group

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

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

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

As credit risk margins have generally widened, wholesale funding costs have also increased throughout the banking sector. The greater uncertainty in financial markets has not had any effect on the availability of the Group's central bank, OKO Bank's, short-term or long-term funding, and OKO Bank's and the Group's liquidity position has remained strong. The Group and its central bank have high credit ratings and a good liquidity position and a distributed funding base with an emphasis on deposits, which is why the market disruption has had no major effect on the Group's funding expenses.

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

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

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

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

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

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

In the risk limit system, the interest risk indicator has been defined as a 1.0 percentage point interest rate increase to the current value of the interest rate risk position. The market risk control of the risk limit system also includes the insurance business. In the risk limit indicator, the interest rate is adjusted in proportion to the Group's economic capital. On 31 December 2007 it stood at

0.7% (0.1). OP-Pohjola Group's interest risk must remain within its risk limits, ± 10%. The banking operations interest rate risk can be considered reasonable, affecting the structural interest rate risk of retail banking operations, which is basically caused by the fact that the average re-pricing delay of lending is shorter that that of deposits.

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

Property holdings tied up in banking operations decreased further. At year-end, property holdings tied up in banking operations was EUR 1.3 billion, down by EUR 21 million year-on-year. The market value of property investment made by the insurance companies stood at EUR 316 million (289) and this type of investment is expected to increase as life and non-life insurance operations increase. The property risk was less than half of the maximum permitted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit ratings

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

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

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

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

OP-Pohjola Group's long-term financial targets

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

Long-term performance indicators

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

Changes in OP-Pohjola Group's structure

The OP-Pohjola Group's consolidated financial statements include 229 member cooperative banks, OP Bank Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company as well as six subsidiaries of the member banks.

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

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

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

Owner-members and customers

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

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

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

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

Redemption of Pohjola Group plc shares

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

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

Personnel and incentive system

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

Central Cooperative's corporate governance

OP Bank Group Central Cooperative is the central institution of the amalgamation of the cooperative banks, the parent company of OP Bank Group Central Cooperative Consolidated and the company heading the financial and insurance conglomerate formed by OP-Pohjola Group. Acting as a development and service centre for OP-Pohjola Group and as a strategic owner institution, the Central Cooperative plays a pivotal role in developing and steering OP-Pohjola Group’s business.

OP Bank Group Central Cooperative's Annual Cooperative Meeting of 27 March 2007 re-elected the following members due to resign to the Cooperative's Supervisory Board: Mr Bo Storsjö, Mr

Ola Eklund, Mr Paavo Haapakoski, Mr Tapio Kurki and Mr Keijo Väänänen. The new members elected were Mr Pekka Ahvenjärvi, Mr Olli Lehtilä and Mr Harri Sailas. The Supervisory Board has a total of 36 members.

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

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

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

Capital expenditure

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

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

Joint responsibility and joint security

Under the Act on Cooperative Banks and Other Cooperative Credit Institutions, the amalgamation of the cooperative banks comprises the organisation’s central institution (OP Bank Group Central Cooperative), the Central Cooperative’s member credit institutions and the companies belonging to their consolidation groups. This amalgamation is monitored on a consolidated basis. Central Cooperative and its 233 member banks are ultimately responsible for each other's liabilities and commitments. Central Cooperative's members at the end of the reporting period comprised OP-Pohjola Group's 229 member banks as well as OKO Bank, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki Oyj. OP-Pohjola Group's insurance companies do not come within the scope of joint responsibility.

Deposit banks belonging to OP-Pohjola Group, i.e. its member cooperative banks, OKO Bank, Helsinki OP Bank Plc and OP-Kotipankki Oyj, are regarded as a single bank with respect to deposit protection. Under legislation governing the Investor Compensation Fund, OP-Pohjola Group is also considered a single entity for purposes of compensation protection.

Prospects for 2008

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

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

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

Operations and earnings by business segment

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

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

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

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

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

Summary of performance by business segment, January–December 2007

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

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

Banking and Investment Services

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

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

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

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

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

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

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

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

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

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

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

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

The Group's non-performing and zero-interest receivables remained at low levels, totalling EUR 147 million on 31 December, or 15% more than a year ago. Non-performing and zero-interest loans are stated net of impairment losses on specific receivables and groups of receivables, which amounted to EUR 87 million (91). The ratio of non-performing and zero-interest receivables to the loan and guarantee portfolio was 0.3, the same as a year ago.

Banking and Investment Services: key figures

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

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Home mortgages drawn down	7,226	6,856	5.4
Corporate loans drawn down	6,797	5,098	33.3
Net subscriptions to mutual funds	595	2,392	- 75.1
No. of brokered property transactions	16,263	16,031	1.4
EUR billion	*31 Dec 2007*	*31 Dec 2006*	*Change,%*
Loan portfolio			
Home mortgages	22	19	13.7
Other loans to households	9	8	7.4
Corporate loans	11	10	16.0
Other loans	3	3	16.0
Total	**45**	**40**	13.1
Guarantee portfolio	2,4	2,2	7.5
Deposits			
Total current and payment transfer			
Households	10	10	-2.9
Companies	3	3	12.0
Others	2	2	8.3
Total current and payment transfer Total	15	15	1.1
Investment deposits	14	11	28.3
Total deposits	**29**	**26**	**12.6**
Mutual funds			
Equity and hedge funds	4,2	4,4	-5.5
Balanced funds	2,1	2,1	0.5
Bond funds	3,9	3,5	12.0
Money market funds	4,0	3,3	18.5
Total value of mutual funds	**14,1**	**13,3**	**6.0**

Market shares,%	*31 Dec 2007*	*31 Dec 2006*	Change, percentage point
Of total loans	31.1	31.1	0.0
Of home mortgages	34.8	34.4	0.4
Of corporate loans	25.7	25.8	-0.1
Of total deposits	32.3	32.7	-0.4
Of capital invested in mutual funds	21.4	21.8	-0.4
EUR million			
non-performing and zero-interest loans			Change,%
Households	92	78	17.6
Non-banking corporate sector	52	47	11.6
Condominiums and others	3	3	10.4
Non-performing and zero-interest receivables, total	**147**	**128**	**15,3**
Non-performing and zero-interest receivables within loan and guarantee portfolio,%	0.3	0.3	0.0*

* Percentage points

Non-life Insurance

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

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

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

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

Earnings and risk exposure

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

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

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

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

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

Non-life Insurance: key figures

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Insurance premium revenue	850	788	7.9
Insurance claims and benefits	536	536	0.1
Net investment income	160	115	39.3
Unwinding of discount and other items included in net income	-39	-36	9.2
Net income from Non-life Insurance	**435**	**332**	**31.2**
Other income	37	24	49.7
Personnel costs	103	99	4.5
Other expenses	188	179	5.0
Earnings/loss before tax	**181**	**78**	**130.3**
Gross change in fair value reserve	-39	18	0
Earnings before tax at fair value	**142**	**96**	**4.1**

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

Life Insurance

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

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

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

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

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

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

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

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

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

Life Insurance: key figures

EUR million	*Jan–Dec 2007*	*Jan–Dec 2006*	*Change,%*
Premiums written, IFRS	794	857	-7.3
Unit-linked	451	472	-4.3
Other	343	385	-10.9
Net investment income	303	463	-34.6
Unit-linked	97	267	-63.8
Other	206	196	5.1
Change in insurance contract liabilities	409	750	-45.5
Unit-linked	282	554	-49.1
Other	127	196	-35.3
Claims incurred	507	448	13.3
Other items	-4	-4	-5.4
Net income from Life Insurance	**177**	**119**	**49.5**
Other income	12	15	-19.8

Personnel costs	7	8	-14.9
Other expenses	53	57	-6.7
Earnings/loss before tax	**129**	**68**	**89.5**
Gross change in fair value reserve	-132	-13	954
Earnings before tax at fair value	**-3**	**55**	**-105.8**

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

* Percentage points

Other operations

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

NOTES

OP-Pohjola Group income statement 1 January - 31 December 2007

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Interest income	3,630	2,340	55
Interest expenses	2,583	1,457	77
Net interest income (Note 1)	**1,048**	**883**	**19**
Impairment losses on receivables (Note 2)	13	9	45
Net interest income after impairment losses	**1,035**	**874**	**18**
Net income from Non-life Insurance operations (Note 3)	427	328	30
Net income from Life Insurance operations (Note 4)	172	110	56
Net commissions and fees (Note 5)	422	396	7
Net trading income (Note 6)	-30	32	
Net investment income (Note 7)	95	112	-16
Other operating income (Note 8)	109	92	18
Personnel costs (Note 9)	553	527	5
Other administrative expenses (Note 10)	303	290	5
Other operating expenses (Note 11)	273	267	2
Returns to owner-members (Note 12)	99	64	55
Share of associates' profits/losses	3	2	45
Earnings before tax for the period	**1,005**	**800**	**26**
Income tax expense	266	202	32
Profit for the period	**738**	**598**	**23**
Attributable to:			
OP-Pohjola Group's owners	738	598	24
Minority interest	0	0	-79
Total	**738**	**598**	**23**

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

Definition of key figures and ratios

Return on equity (ROE) =
Profit for the period /
Equity capital (average of the beginning and end of the period) x 100

Return on equity at fair values, % =
Profit for the period + change in fair value reserve less deferred tax liability /
equity capital (average of the beginning and end of the period) x 100

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

Cost/income ratio, % =
(Personnel costs + other administrative expenses + other operating expenses) /

(Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses) x 100

Combined ratio (excl.unwinding of discount)

Loss ratio+expense ratio

Risk ratio+cost ratio

OP-Pohjola Group quarterly performance

	2006	2007			
EUR million	Q4	Q1	Q2	Q3	Q4
Interest income	692	756	882	943	1,050
Interest expenses	450	511	618	680	773
Net interest income	**241**	**244**	**264**	**263**	**277**
Impairment losses on receivables	5	1	5	4	4
Net interest income after impairment losses	**237**	**244**	**259**	**259**	**273**
Net income from Non-life Insurance operations	85	94	112	100	121
Net income from Life Insurance operations	30	48	50	20	54
Net commissions and fees	101	120	102	96	103
Net trading income	14	9	6	-16	-30
Net investment income	20	19	32	22	22
Other operating income	24	21	33	24	31
Personnel costs	149	140	145	122	146
Other administrative expenses	80	71	76	64	93
Other operating expenses	66	78	70	61	65
Returns to owner-members	18	23	26	25	26
Share of associates' profits/losses	3	2	0	1	0
Earnings before tax for the period	**202**	**246**	**278**	**234**	**247**
Income tax expense	51	61	77	59	69
Profit for the period	**151**	**185**	**201**	**175**	**179**

OP-Pohjola Group balance sheet

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Liquid assets	589	1,041	-43
Receivables from financial institutions	285	344	-17
Financial assets at fair value through profit or loss (Note 13)	4,791	4,816	-1
Derivative contracts	526	319	65
Receivables from customers	44,776	39,595	13
Non-life Insurance assets (Note 14)	2,750	2,761	0
Life Insurance assets (Note 15)	6,361	6,061	5
Investment assets (Note 16)	1,970	1,413	39
Investments in associates	26	35	-25
Intangible assets	1,230	1,255	-2
Property, plant and equipment (PPE)	715	702	2
Other assets	1,579	1,104	43
Tax assets	117	90	31
Total assets	**65,716**	**59,535**	**10**
Liabilities to financial institutions	949	1,088	-13

Financial liabilities at fair value through profit or loss	52	-	
Derivative contracts	554	340	63
Liabilities to customers	31,224	27,715	13
Non-life Insurance liabilities (Note 17)	2,140	2,099	2
Life Insurance liabilities (Note 18)	6,099	5,667	8
Debt securities issued to the public (Note 19)	14,074	13,500	4
Provisions and other liabilities	2,480	1,508	64
Tax liabilities	893	834	7
Cooperative capital	571	597	-4
Subordinated liabilities (Note 20)	1,042	1,063	-2
Total liabilities	**60,078**	**54,411**	**10**
Equity capital			
Share of OP-Pohjola Group's owners			
Share and cooperative capital	359	344	5
Share issue account	-	-	
Translation differences	0	0	-90
Reserves	2,224	2,295	-3
Retained earnings	3,052	2,483	23
Minority interest	**3**	**2**	**24**
Total equity capital	**5,638**	**5,124**	**10**
Total liabilities and equity capital	**65,716**	**59,535**	**10**

Statement of changes in equity capital

EUR million	Share and cooperative capital	Reserves	Retained earnings	Minority interest	Total equity capital
Balance at 1 January 2006	**244**	**2,250**	**2,061**	**203**	**4,757**
Increase of share capital	5	3	-	-	7
Transfer of cooperative capital to equity capital	99	-	-	-	99
Fair value reserve	-	-34	0	-	-34
Transfer of reserves	-	79	-79	-	-
Profit distribution	-	-	-77	-1	-78
Profit for the period	-	-	598	0	598
Other	-4	-3	-19	-200	-226
Balance at 31 December 2006	**344**	**2,295**	**2,483**	**2**	**5,124**
Balance at 1 January 2007	**344**	**2,295**	**2,483**	**2**	**5,124**
Increase of share capital	-	-	-	-	-
Transfer of cooperative capital to equity capital	18	-	-	-	18
Fair value reserve	-	-154	-	-	-154
Transfer of reserves	-	82	-82	-	-
Profit distribution	-	-	-76	-	-76
Profit for the period	-	-	738	0	738
Other	-3	1	-11	0	-12
Balance at 31 December 2007	**359**	**2,224**	**3,052**	**3**	**5,638**

Cash flow statement

EUR million	1-12/ 2007	1-12/ 2006
Cash flow from operating activities		
Profit for the period	738	598
Adjustments to profit for the period	817	963
Increase (-) or decrease (+) in operating assets	**-6,684**	**-6,228**

Receivables from financial institutions	112	312
Financial assets at fair value through profit or loss	3	-964
Derivative contracts	-50	-23
Receivables from customers	-5,206	-4,809
Non-life Insurance assets	-21	-64
Life Insurance assets	-319	-529
Investment assets	-694	139
Other assets	-510	-290
Increase (+) or decrease (-) in operating liabilities	**4,366**	**711**
Liabilities to financial institutions	-139	-937
Financial liabilities at fair value through profit or loss	52	-4
Derivative contracts	50	29
Liabilities to customers	3,508	1,240
Non-life Insurance liabilities	0	101
Life Insurance liabilities	30	36
Provisions and other liabilities	865	246
Income tax paid	-168	-140
Dividends received	125	57
A. Net cash from operating activities	**-805**	**-4,039**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-218	-201
Decreases in held-to-maturity financial assets	231	274
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-3	-299
Disposal of subsidiaries, net of cash and cash equivalents disposed	13	15
Purchase of PPE and intangible assets	-105	-98
Proceeds from sale of PPE and intangible assets	22	18
B. Net cash used in investing activities	**-59**	**-291**
Cash flow from financing activities		
Increases in subordinated liabilities	233	508
Decreases in subordinated liabilities	-252	-315
Increases in debt securities issued to the public	34,618	32,843
Decreases in debt securities issued to the public	-34,030	-28,209
Increases in cooperative and share capital	216	185
Decrease in cooperative and share capital	-224	-206
Dividends paid and interest on cooperative capital	-97	-92
Returns to owner-members	-7	-9
Monetary increases in other equity items	12	5
Other	-3	-11
C. Net cash from financing activities	**466**	**4,699**
Net change in cash and cash equivalents (A+B+C)	**-398**	**369**
Cash and cash equivalents at period-start	**1,098**	**729**
Cash and cash equivalents at period-end	**700**	**1,098**
Interest received	**3,437**	**2,148**
Interest paid	**-2,240**	**-1,266**
Adjustments to profit for the period		
Non-cash items and other adjustments		
Impairments on receivables	22	9
Unrealised net earnings in Non-life Insurance	45	109
Unrealised net earnings in Life Insurance	408	559
Change in fair value for trading	64	17
Unrealised net gains on foreign exchange operations	-48	-36
Change in fair value of investment properties	-22	-30

Amortisation and depreciation	129	130
Share of associates' profits/losses	-2	-1
Other	191	180
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-1	-3
Interest on cooperative capital	24	21
Other returns to owner-members	7	9
Total adjustments	**817**	**963**
Cash and cash equivalents		
Liquid assets	157	150
Receivables from financial institutions payable on demand	543	948
Total	**700**	**1,098**

Notes

Note 1 Net interest income

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Interest income			
Receivables from financial institutions	53	34	55
Receivables from customers	2,087	1,460	43
Other	1,490	846	76
Total	**3,630**	**2,340**	**55**
Interest expenses			
Liabilities to financial institutions	37	71	-48
Liabilities to customers	657	361	82
Other	1,888	1,025	84
Total	**2,583**	**1,457**	**77**
Net interest income	**1,048**	**883**	**19**

Note 2 Impairment losses on receivables

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Impairment losses on receivables	39	38	3
Reversals of impairment losses	-20	-24	16
Payments on impaired receivables amortised from balance sheet	-9	-6	-53
Net change in group-specific impairment losses	4	1	
Total	**13**	**9**	**45**

Note 3 Net income from Non-life Insurance

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Net insurance premium revenue			
Premiums written	944	877	8
Insurance premiums ceded to reinsurers	-49	-55	12
Change in provision for unearned premiums	-43	-35	-23

Reinsurers' share	-2	2	
Total	**850**	**788**	**8**
Net Non-life Insurance claims			
Claims paid	-556	-470	-18
Insurance claims recovered from reinsurers	14	-30	
Change in provision for unpaid claims	10	-51	
Reinsurers' share	-5	15	
Total	**-536**	**-536**	**0**
Net investment income, Non-life Insurance			
Interest income	68	72	-6
Capital gains and losses and realised changes in fair value			
Notes and bonds	-39	-24	61
Shares and participations	47	38	24
Property	3	1	
Other	13	8	63
Unrealised changes in fair value			
Notes and bonds	0	-1	93
Shares and participations	-1	-1	-8
Property	2	2	18
Other	0	-1	
Dividend income	61	22	
Other	0	-5	-92
Total	**153**	**111**	**37**
Unwinding of discount	-39	-37	-5
Other	0	1	-91
Net income from Non-life Insurance	**427**	**328**	**30**

Note 4 Net income from Life Insurance

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Premiums written	809	859	-6
Reinsurers' share	-15	-2	
Net investment income	297	454	-35
Claims incurred			
Benefits paid	-507	-437	-16
Change in provision for unpaid claims	-40	-24	-67
Reinsurers' share	0	0	
Change in insurance contract liabilities			
Change in life insurance provision	-373	-695	46
Reinsurers' share	12	-4	
Other	-11	-40	72
Net income from Life Insurance	**172**	**110**	**56**

Note 5 Commissions and fees

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Commission income			
Lending	103	88	17
Deposits	6	6	-10

Payment transfers	112	116	-3
Securities brokerage	27	22	27
Securities issuance	7	6	13
Mutual funds brokerage	95	84	13
Asset management and legal services	53	56	-5
Insurance brokerage	49	43	14
Guarantees	11	11	5
Other	39	36	10
Total	**502**	**467**	**8**
Commission expenses			
Total	**80**	**71**	**14**
Net commissions and fees	**422**	**396**	**7**

Note 6 Net trading income

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Capital gains and losses			
Notes and bonds	-8	-9	-6
Shares and participations	6	7	-14
Derivatives	3	10	-74
Changes in fair value			
Notes and bonds	-65	-27	
Shares and participations	-5	3	
Derivatives	24	35	-32
Dividend income	1	1	-2
Net income from foreign exchange operations	16	13	26
Total	**-30**	**32**	

Note 7 Net investment income

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Available-for-sale financial assets			
Capital gains and losses			
Notes and bonds	-5	1	
Shares and participations	32	40	-21
Other	-	-	
Dividend income	24	20	21
Impairment losses	-1	-1	93
Total	**50**	**60**	**-17**
Investment property			
Rental income	53	55	-4
Maintenance charges and expenses	-31	-34	7
Changes in fair value, capital gains and losses	20	30	-35
Other	4	1	
Total	**45**	**52**	**-14**
Other	-	0	-100
Net investment income	**95**	**112**	**-16**

Note 8 Other operating income

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Income from property and business premises in own use	13	12	2
Other	97	80	21
Total	**109**	**92**	**18**

Note 9 Personnel costs

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Wages and salaries	482	459	5
Pension costs	39	35	10
Other social expenses	31	33	-4
Total	**553**	**527**	**5**

Note 10 Other administrative expenses

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Office expenses	48	51	-5
IT expenses	86	87	-1
Telecommunications expenses	38	39	-2
Marketing expenses	63	59	7
Other administrative expenses	68	55	24
Total	**303**	**290**	**5**

Note 11 Other operating expenses

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Expenses for property and business premises in own use	77	70	9
Depreciation	129	130	-1
Other	67	66	1
Total	**273**	**267**	**2**

Note 12 Returns to owner-members

EUR million	1-12/ 2007	1-12/ 2006	Change, %
Bonuses	75	43	74
Interest on cooperative capital	24	21	16
Total	**99**	**64**	**55**

Note 13 Financial assets at fair value through profit or loss

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Notes and bonds	4,721	4,736	0

Shares and participations	69	80	-13
Purchased loans and other receivables	-	-	
Total	**4,791**	**4,816**	**-1**

Note 14 Non-life Insurance assets

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Investments			
Loan and other receivables	57	67	-14
Shares and participations	894	766	17
Property	85	56	51
Notes and bonds	1,387	1,536	-10
Other	1	1	-6
Total	**2,425**	**2,426**	**0**
Other assets			
Prepayments and accrued income	28	-2	
Other			
Arising from direct insurance operations	210	241	-13
Arising from reinsurance operations	74	90	-18
Cash in hand and at bank	12	5	
Total	**325**	**335**	**-3**
Life Insurance assets	**2,750**	**2,761**	**0**

Note 15 Life Insurance assets

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Investments			
Loan and other receivables	16	64	-75
Shares and participations	2,525	2,139	18
Property	121	103	18
Notes and bonds	1,263	1,608	-21
Other	1	0	
Total	**3,926**	**3,913**	**0**
Assets covering unit-linked insurance contracts			
Shares and participations	2,374	2,090	14
Other assets			
Prepayments and accrued income	36	45	-19
Other			
Arising from direct insurance operations	9	1	
Arising from reinsurance operations	14	2	
Cash in hand and at bank	2	9	-78
Total	**61**	**58**	**5**
Life insurance assets	**6,361**	**6,061**	**5**

Note 16 Investment assets

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Available-for-sale financial assets			
Notes and bonds	979	435	
Shares and participations	368	333	11
Other	-	-	

Held-to-maturity financial assets	116	133	-12
Investment property	496	504	-2
Subsidiaries and associates not consolidated	11	9	25
Total	**1,970**	**1,413**	**39**

Note 17 Non-life Insurance liabilities

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Insurance contract liabilities			
Provision for unearned premiums	318	285	11
Provision for unpaid claims	1,699	1,683	1
Total	**2,017**	**1,969**	**2**
Other	123	131	-5
Non-life Insurance liabilities	**2,140**	**2,099**	**2**

Note 18 Life Insurance liabilities

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Insurance contract liabilities	3,605	3,461	4
Provisions for unit-linked policies	2,333	2,042	14
Other liabilities			
Accrued expenses and deferred income	1	1	79
Other			
Arising from direct insurance operations	1	4	-87
Arising from reinsurance operations	2	1	
Other	156	159	-2
Total	**161**	**165**	**-2**
Life Insurance liabilities	**6,099**	**5,667**	**8**

Note 19 Debt securities issued to the public

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Bonds	8,107	7,574	7
Certificates of deposit	5,859	5,812	1
Other	109	114	-5
Total	**14,074**	**13,500**	**4**

Note 20 Subordinated liabilities

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Subordinated loans	204	208	-2
Other	839	855	-2
Total	**1,042**	**1,063**	**-2**

Collateral given

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %

Given on behalf of own liabilities and commitments			
Mortgages	1	1	0
Pledges	2,633	2,521	4
Other	123	31	
Total	**2,756**	**2,553**	**8**

Off-balance-sheet items

EUR million	31 Dec. 2007	31 Dec. 2006	Change, %
Guarantees	613	577	6
Other guarantee liabilities	1,785	1,654	8
Pledges	1	1	0
Loan commitments	7,708	7,417	4
Commitments related to short-term trade transactions	171	184	
Other	568	451	26
Total off-balance-sheet items	**10,847**	**10,285**	**5**

Derivative contracts

Total trading and hedging derivatives, 31 December 2007

EUR million	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	44,246	36,405	8,797	89,448	386	-328
Currency derivatives	8,766	1,650	995	11,411	77	-341
Equity and index-linked derivatives	14	264	58	335	51	-
Credit derivatives	71	125	-	196	0	-1
Other derivatives	8	6	-	14	2	-
Total derivatives	**53,105**	**38,450**	**9,849**	**101,404**	**516**	**-671**

Total trading and hedging derivatives, 31 December 2006

EUR million	Nominal values / remaining term to maturity				Fair values	
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	21,829	18,806	5,813	46,449	211	-214
Currency derivatives	6,046	1,660	802	8,508	36	-132
Equity and index-linked derivatives	28	136	-	164	32	0
Credit derivatives	-	131	-	131	0	-1
Other derivatives	8	15	-	22	1	-
Total derivatives	**27,911**	**20,748**	**6,615**	**55,274**	**280**	**-348**

Related party transactions 31 December 2007

OP-Pohjola Group's related parties comprise associates, administrative personnel and other related party companies. The administrative personnel comprises OP-Pohjola Group's Executive Chairman (Chairman of the Executive Board of OP-Pohjola Group Central Cooperative), President of OP Bank Group Central Cooperative, members and deputy members of the Executive and Supervisory Boards and their family members. Other organisations considered as related parties include OP-Pohjola Group Pension Fund and OP-Pohjola Group Pension Foundation.

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

EUR million	Associates	Administrative officers	Others
Loans	120	4	-
Other receivables	0	0	0
Deposits	30	7	92
Other liabilities	-	-	-
Interest income	0	0	-
Interest expenses	-	0	-
Dividend income	1	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-
Impairments on loans	-	-	-
Impairments on loans at the end of the period	-	-	-
Off-balance-sheet items			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	0	-
Wages and salaries and performance-based pay			
Wages and salaries	-	4	-
Performance-based pay	-	-	-
Holdings of related parties			
Number of share options	-	-	-
Number of shares	-	86,064	3,680,793
Number of participations	-	4,537	-

Related party transactions 31 December 2006

EUR million	Associates	Administrative officers	Others
Loans	134	6	-
Other receivables	0	0	-
Deposits	9	5	28
Other liabilities	-	-	-
Interest income	-	0	-
Interest expenses	0	0	1
Dividend income	1	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Other operating income	-	-	-
Impairments on loans	-	-	-
Impairments on loans at the end of the period	-	-	-
Off-balance-sheet items			
Guarantees	-	-	-
Irrevocable commitments	-	-	-
Other off-balance-sheet commitments	-	-	-
Wages and salaries and performance-based pay			
Wages and salaries	-	4	-
Performance-based pay	-	-	-
Holdings of related parties			
Number of share options	-	-	-
Number of shares	-	70,024	3,680,793
Number of participations	-	6,464	-

The Financial Statements for 1 January–31 December 2007 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The accounting policies applied are described in the 2006 financial statements. Applying the new IFRSs and interpretations adopted by OP-Pohjola Group in 2007 did not have any material effect on the content of its financial statements.

These Financial Statements are based on unaudited figures.

OKO Bank plc (as of 1 March 2008 Pohjola Bank plc) will publish its own financial statements.

OP-Pohjola Group will publish its financial statements for 2007 in week beginning on 10 March 2008.

The Group will publish its interim reports for three, six and nine months on 8 May 2008, 7 August and 6 November 2008, respectively.

Helsinki, 14 February 2008

OP Bank Group Central Cooperative
Executive Board

OP Bank Group Central Cooperative

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