OP MORTGAGE BANK

FINANCIAL STATEMENTS 2006

REPORT OF THE BOARD OF DIRECTORS

OP Mortgage Bank's (OPA) loan portfolio continued its growth track in 2006. The bank's loan portfolio increased by 29.3 per cent to EUR 284 million (220[1]). New lending totalled EUR 121 million, showing an increase of 1.2 per cent on the previous year (119). Thanks to the growth in volumes, the bank's earnings before taxes improved by 86.6 per cent, amounting to EUR 1.3 million (0.7).

OPA as part of the OP Bank Group

OPA is part of the OP Bank Group, a leading Finnish financial group. It comprises independent member cooperative banks and their central institution, OP Bank Group Central Cooperative, with its subsidiaries. The OP Bank Group Central Cooperative operates as the entire OP Bank Group's development and service centre, and is a strategic owner institution and a central institution with responsibility for Group control and monitoring. OPA is a fully owned subsidiary of the Central Cooperative.

The Central Cooperative's member credit institutions include 232 cooperative banks, Helsinki OP Bank Plc, OKO Bank plc, OP-Kotipankki plc and OP Mortgage Bank. The Central Cooperative and its member credit institutions jointly with entities belonging to their consolidated groups constitute an amalgamation of cooperative banks defined in the Act on Cooperative Banks and Other Cooperative Credit Institutions. According to the Act, the central institution and its member credit institutions are responsible for each other's liabilities and commitments, and their capital adequacy, liquidity and customer risks are supervised at the amalgamation level.

OPA is a mortgage bank specialised in housing financing. OPA has no independent customer business or service network of its own but is a service company supplementing the OP Bank Group's housing-related services. Being a mortgage bank, OPA is allowed to fund its operations by issuing bonds with real estate as collateral.

Housing loans against real estate collateral are granted on OPA's behalf by member banks and Helsinki OP Bank acting as agents for OPA. The banks acting as agents are allowed to grant loans to their customers on OPA's behalf within limits set by OPA. They also manage the customer relationships and the administration of loans locally.

Operating Environment

The year 2006 was one of economic prosperity in Finland. The total output increased by 5 per cent. Growth was supported by exports that gained substantial strength as favourable international demand and the lower-than-normal starting level attributable to the 2005 labour dispute in the paper industry resulted in an increase of more than one tenth. Demand was also strong in the domestic market. Investments were boosted above all by brisk residential construction as well as by acquisitions of machinery and equipment. Private consumption was supported by a favourable trend in household income. The purchasing power of households strengthened as total wages and salaries increased and unemployment decreased.

The peak of the economic cycle is over. Growth in 2007 is expected to return to the long-term average level. This means that the improvement in the employment rate and employees' income level will slow down.

[1] The comparative figure for 2005 is given in brackets. For the income statement and other aggregate figures, the point of comparison is the figure for January-December 2005. Balance sheet figures and other benchmarks are compared with the previous balance sheet date (31 December 2005).

Favourable near-term outlook for Finnish enterprises

The general trend of the economy remained better than average in all major sectors in 2006. However, the rate of industrial production slowed down towards the end of the year after high performance in the first half. Despite this the order book and capacity utilisation rate in industry remained high. The economic situation of construction companies remained strong for the entire year. Capacity was fully utilised and a shortage of labour made it difficult to expand operations. The situation of service enterprises remained favourable as well. Sales growth was constant and the growth in personnel numbers outperformed the expectations.

According to enterprise surveys, the economic boom is estimated to continue at least for the first half of 2007. However, growth in production and exports is expected to slow down towards the end of the year. The growth of private consumption will also slow down.

Consumer Confidence in the Economy Continues

The confidence of Finnish consumers in the development of their own economy has been at a good level for quite a long time. Household wealth has increased as the values of financial investments and housing have increased. In 2006 as many as four in five households said that they were able to save some of their income.

The increase of consumer prices has been moderate even though there was a slight upward trend in 2006. The average level of prices was 1.5 per cent higher than in the previous year. The most important factors contributing to price increases were increased interest rates and housing prices. The prices of existing flats increased by 8 per cent nationwide, and by slightly more in the Greater Helsinki area. The trend of energy prices turned downward in the latter half of 2006. The increase in prices is expected to remain moderate also in the current year. The increase in housing prices is expected to slow down.

Interest rates increased slightly. The European Central Bank (ECB) increased its key interest rate five times in 2006, from 2.25 to 3.50 per cent, explaining this by an increased growth rate and inflation persisting above the target level. Tightened monetary policy made the Euribor rates increase by approximately 1 percentage point, with long market rates going up half a point. The 12-month Euribor stood at 4.0 per cent at the end of the year. The OP Bank Group's OP Prime reference rate increased four times last year, and at the end of the year stood at 3.50 per cent. The ECB is expected to increase its rate during the first half of the current year, after which the interest rate level is expected to stabilise. Therefore the increase in the interest rate level will be relatively small during this economic cycle.

Loan Portfolio Continues to Increase

The growth of all central business areas of the banking sector has continued at a rapid rate for the fourth year in a row. No substantial slowdown is estimated in 2007. In 2006, the loan portfolio of financial institutions increased by 11 per cent. Despite increased interest rates, the demand for housing loans was still strong and the housing loan portfolio grew by 14 per cent. The increase in housing prices was partially compensated by further narrowing of lending margins and increases in household income and wealth. However, the debt ratio of households continued to increase. The proportion of loans to disposable income increased to 96 per cent.

Major Events During the Financial Period

OPA's credit process was reformed during the year under review. The reform simplified the loan intermediating process and improved its efficiency by harmonising the credit granting processes for housing loans granted by OPA and those granted by a member bank from its own assets. The expanded authorisations and responsibilities of banks acting as agents were recorded in a reformed agency agreement, which was signed with 126 member banks by the end of the year.

During the report year, the bank also improved the readiness to concentrate housing financing granted by the OP Bank Group into OPA. As part of the preparations, a loan portfolio worth EUR 10 million was acquired from Länsi-Uudenmaan Osuuspankki.

During the report year, the Central Cooperative as the majority shareholder concentrated ownership completely by acquiring all remaining Series A shares from the member banks.

Other preparations have also been carried out in OPA during the report year with the aim that OPA could issue bonds against collateral in the international markets.

During the financial period, OPA has prepared for the upcoming capital adequacy reform (Basel II) as part of the OP Bank Group's Basel II project.

Earnings Development

OPA's major earnings items developed as follows in 2006:

EUR thousand	1-12/2006	1-12/2005	Change, %
Income			
Net interest income	2,283	1,706	34
Net commissions and fees	-557	-603	-8
Net income from trading	18	23	-19
Net income from investments	1	1	-10
Other operating income	2	0	-
Total	**1,747**	**1,127**	**55**
Expenses			
Personnel costs	224	204	10
Other administrative expenses	192	177	9
Other operating expenses	72	71	2
Total	**488**	**452**	**8**
Earnings before tax	**1,259**	**675**	**87**

OPA's earnings before tax increased by 86.6 per cent to EUR 1.3 million (0.7). The earnings improvement resulted almost totally from increased net interest income. This was mainly attributable to growth in volumes and to some extent also to the interest rate spread that was wider than in the previous year.

Commissions paid to member co-operative banks made net commissions and fees clearly negative. Commission income was EUR 0.1 million (0.1) while commission expenses were EUR 0.7 million (0.7). Like the previous year, approximately EUR 0.5 million of the commission income constituted commissions paid to OP Bank Group member banks.

OPA did not book any write-downs on receivables during the year.

Balance Sheet and Off-balance Sheet Commitments

The bank's balance sheet total stood at EUR 298 million (228) at the end of the year, an increase of 30.8 per cent on the previous year. The development of major asset and liability items is illustrated in the table below.

Major Asset and Liability Items

EUR million	31 Dec 2006	31 Dec 2005	31 Dec 2004
Balance sheet	298.3	228.1	176.2
Receivables from customers	284.1	219.9	158.5
Debt securities issued to the public	146.1	144.5	73.1
Liabilities to financial institutions	124.4	60.3	81.0
Shareholders' equity	20.6	20.2	20.0
Off-balance sheet commitments	23.1	57.0	73.7

Development of Loan Portfolio

Receivables from customers, or loans granted, increased by 29.3 per cent to EUR 284 million (220) during the report year. New lending during the financial period totalled EUR 121 million, showing an increase of 1.2 per cent on the previous year (119). Furthermore, EUR 10 million of loans were transferred from Länsi-Uudenmaan Osuuspankki. At the end of the year, 66 (57) per cent of the loan portfolio was granted to households and 34 (43) per cent to housing corporations.

Funding

The bank's funding is based on bonds with real estate as collateral, where the assets pledged consist of housing loans granted by the bank and their collateral. Two bonds with real estate as collateral were issued during the report year.

The total number of bonds issued to the public was 14 and their book value stood at EUR 146 million (145) at the end of the financial period. Bonds with real estate as collateral represented EUR 126 million (125) of the total.

In addition to bonds, OPA funded its operations by financing loans drawn from OKO Bank plc. The balance sheet item "liabilities to financial institutions" consisted of these financing loans. At the end of the year liabilities to financial institutions stood at EUR 124 million (60).

Shareholders' Equity

Shareholders' equity increased by 2.0 per cent to EUR 20.6 million (20.2). The bank's share capital remained unchanged at EUR 19.1 million during the year. Accrued earnings amounted to EUR 1.4 million (1.0) at the end of the year.

Own Funds and Capital Adequacy

OPA's capital adequacy ratio decreased by 1.6 percentage points to 10.8 per cent during the year. Own funds and the capital adequacy ratio have changed as follows during the year:

Own funds, EUR thousand	**31 Dec 2006**	**31 Dec 2005**
Tier I funds	20,363	19,425
of which capital loans	-	-
Tier II funds	-	-
Decreases	-	-
Total own funds	20,363	19,425
Risk-weighted receivables, investments and off-balance sheet commitments	188,453	157,111
Capital adequacy ratio, %	10.8	12.4
Tier I ratio to risk-weighted receivables, investments and off-balance sheet commitments	10.8	12.4
Capital adequacy ratio of the amalgamation of cooperative banks, %	14.0*	14.6
* September 2006		

At the end of the year own funds amounted to EUR 20.4 million and the equity capital shown by the balance sheet amounted to EUR 20.6 million. The difference of EUR 0.2 million between own funds and shareholders' equity shown on the balance sheet is attributable to the fact that the increase in shareholders' equity arising from the measurement of pension liabilities and the asset items covering them in connection with the IFRS transition is not considered own funds. Furthermore, an insignificant amount of intangible assets was also deducted from own funds.

Risk-weighted receivables, investments and off-balance sheet commitments, EUR thousand

Risk category	**Book value of balance sheet items**	**Risk weight**	**Risk-weighted items 31 Dec 2006**	**Risk-weighted items 31 Dec 2005**
Group I	14,278	0%	-	-
Group II	11,263	20%	2,253	1,451
Group III	184,918	50%	92,459	63,065
Group IV	87,808	100%	87,808	85,590
Group V	-	10%	-	-
Total	298,266			
Off-balance sheet commitments			5,830	6,874
Total risk-weighted receivables, investments and off-balance sheet commitments			188,453	157,111
Total risk-weighted value of market risk			-	-
Total risk-weighted items			188,453	157,111

The increase in the amount of risk-weighted receivables, investments and commitments was due to an increased loan portfolio.

Joint Responsibility and Joint Security

OPA is a member of the OP Bank Group Central Cooperative, which is the central institution of the amalgamation of the OP Bank Group. Within the amalgamation, the resources of the OP Bank Group secure the operations of all member banks since, according to Chapter 2, Section 3 of the Act on Cooperative Banks and Other Cooperative Credit Institutions, the Central Cooperative and its member credit institutions are jointly and severally responsible for each other's liabilities and commitments that cannot be paid from the funds of the Central Cooperative or the member credit institution in question. The members of the Central

Cooperative at the end of the year included 232 cooperative banks, OKO Bank plc, Helsinki OP Bank Plc, OP Mortgage Bank and OP-Kotipankki plc. The scope of joint responsibility does not include the insurance companies within the OP Bank Group.

The Central Cooperative provides its member credit institutions with instructions concerning risk management, actions to secure liquidity and capital adequacy, as well as harmonised accounting policies.

Regardless of joint responsibility and joint security, the holders of bonds with real estate as collateral in accordance with the Mortgage Bank Act have a pre-emptive right to the assets pledged as collateral.

Financial Indicators

Indicator	2006	2005	2004
Return on equity, %	4.6	2.4	2.0
Return on assets, %	0.35	0.24	0.26
Capital adequacy, %	6.9	8.8	11.4
Cost/income ratio, %	28	40	46

Calculation of indicators

Return on equity, % = Profit for the period / Shareholders' equity (average equity at the beginning and end of the period) × 100

Return on assets, % = Profit for the period / Average balance sheet total (average total at the beginning and end of the period) × 100

Cost/income ratio, % = (Personnel costs + Other administrative expenses + Other operating expenses) / (Net interest income + Net commission income + Net income from trading + Net income from investments + Other operating income) × 100

Capital adequacy, % = Equity capital / Balance sheet total

Risk Management

The principal objective of risk management is to prevent such uncontrollable risks that might endanger the bank's profitability, capital adequacy or continuity of operations. Risk management is based on the professional expertise and caution of the people who make operational decisions, and on systematic measurement, assessment and limitation of risks. The Central Cooperative controls and monitors the risk management of all group companies, including OPA.

In its operations, OPA is exposed to credit risks, market risks and operational risks. The bank's Board of Directors has confirmed principles and guidelines applicable to risk management and has set limits for risk tolerance and the most important risk indicators. The Board of Directors supervises risk management and regularly monitors the bank's risk tolerance and risk situation. The bank's overall attitude towards risk-taking is moderate.

		Risk Limits	Actual 31 Dec 2006
RISK TOLERANCE AND PROFITABILITY			
Capital adequacy, %	Min.	8,5	10,8
Profitability return on equity %	Min.	1,5	4,6
RISK TYPE-SPECIFIC CONTROL LIMITS			
Credit Risk			
Significant customer risks total/own funds, %	Max.	600	58
Non-performing loans/commitments, %	Max.	1	0
Loan losses (3 years)/balance sheet total, %	Max.	0,5	0
Real estate mortgage loans exceeding the far value of I collateral, % of loan porfolio	Max.	14	2,40
Market Risk			
Interest rate risk/own funds, %	Max.	+/-8	2,9
Real Estate Risk			
Capital invested in real estate/balance sheet total, %	Max.	1	0,0

Risk tolerance

OPA's risk tolerance remained at a healthy level in spite of the decline of capital adequacy by 1.6 percentage points to 10.8%. Profitability improved clearly during the year. Return on equity increased to 4.6 per cent (2.4).

OPA's policy is not to secure capital adequacy through accumulating earnings but to maintain sufficient capital adequacy through equity investments made by the Central Cooperative. The profitability level is determined by the sales commission policy. Being a service company, OPA does not aim to maximise its earnings. Instead, any profitability potential exceeding the minimum level set by the owner is allocated to increasing sales commissions.

Credit Risk Exposure

OPA's loan portfolio at the end of the financial period was EUR 284 million. The quality of the loan portfolio was high. The bank has no non-performing or interest-free loans at all. The bank has not booked any write-downs during this or any previous financial period.

Being a mortgage bank, OPA may only grant credit against collateral defined in law. On the other hand, OPA's credit granting criteria also support the upkeep of a high quality loan portfolio. The criteria are stricter than those generally applicable in the OP Bank Group.

OPA's credit risks have also been reduced through an arrangement in which banks acting as OPA's agents have provided a guarantee based on which OPA is entitled to receive compensation from the agent up to a certain limit to cover for realised loan losses arising from loans intermediated by the agent.

The bank's credit customers are private persons and housing corporations. Under certain conditions, the bank also funds developer-based residential construction. In the funding of such housing companies, OPA has, with relation to designated nationwide construction groups and with permission from the Central Cooperative's Credit Risk Committee, deviated from the maximum exposure to a customer of 25 per cent of own funds, stipulated in the Credit Institution Act. The permission procedure is based on Section 7 of the Act on Cooperative Banks and Other Cooperative Credit Institutions, in which case the maximum exposure to the customer is 40 per cent of own funds. The bank obtained permission for transactions involving the four principal nationwide construction groups during the year. The permission is linked to the rating results of the enterprises in question. At the end of the financial period, the permission was not applicable to any construction group.

Thanks to the diversified loan portfolio, securing collateral and the guarantee scheme, OPA's credit risk exposure is very stable.

Market Risks

Market risks include funding, interest rate, foreign exchange, equity market and real estate risks. The Board of Directors has confirmed a asset and liability management system, which defines the market instruments used by the bank, the extent of business in foreign currency, the principles for funding and investment operations and the applicable risk monitoring methods.

The objective of funding risk management is to secure the bank's ability to meet its payment obligations in all situations. Interest rate risk refers to the effect of changes in the market rates on the bank's performance and capital adequacy. Interest rate risk in relation to own funds calculated at a one percentage point increase in interest rates stood at 2.9% (3.2%) at the end of the year. During the financial period, the interest rate risk has been reduced by hedging fixed-rate loans and bonds with interest rate swaps.

The adequacy of funding and interest rate risk are measured using methods that describe the maturity and re-pricing structure of balance sheet items as well as the availability and structure of liquidity reserves. No risk limit had been set for funding risk at the end of the financial period. However, the development of funding risk is monitored with a special emphasis because long-term lending has been temporarily funded through short-term financing of less than one year's maturity.

The bank's interest rate and funding risk taking are also restricted by the provisions of the Mortgage Bank Act. According to the Act, the total amount of any interest received from loans pledged as collateral for bonds with real estate as collateral during any 12 months must exceed the total amount of interest payable for such bonds during the same period. In addition, the remaining average maturity of bonds with real estate as collateral must be shorter than the remaining average maturity of assets pledged as their collateral. OPA's operations have been in compliance with the Act for the entire financial period with respect to interest flows as well as maturities.
OPA has not been exposed to foreign exchange, equity market or real estate risks during the financial period.

Operational Risks

The objective of operational risk management is to reduce the probability of losses arising from personnel, processes or systems associated with operations, or external factors. The bank's losses due to operative risks were very minor in 2006.

Personnel and Incentive Schemes

OPA had 4 employees (4) at the end of the financial period. The number of the bank's own personnel is reduced by the fact that all crucial support functions are acquired from the Central Cooperative.

OPA belongs to the joint personnel fund of the OP Bank Group. The personnel fund is a long-term personnel incentive scheme. The bank makes profit-related payments to the personnel fund according to predefined principles. Fund members may withdraw fund units on the grounds specified in the fund rules.

The bank has adopted a management incentive scheme, under which the Managing Director may receive a reward partially settled in OKO Bank stock and partially in cash. The amount of the reward depends on the set targets. Rewards are paid after the entitlement earning and commitment period.

Ownership and Dividend Distribution

OPA is a mortgage bank wholly owned by the OP Bank Group. During the report year, the ownership structure was re-arranged within the banking group so that in June, the Central Cooperative acquired all Series A shares of the OPA held by its 152 member banks. The transaction increased the Central Cooperative's holding of OPA's shares and votes to 100 per cent. The aim of the ownership arrangements was to promote OPA's objective of funding its lending from the international capital markets.

A dividend of EUR 0.5 million was distributed in March as profit distribution for 2005. No dividend is proposed to be paid for 2006.

Administrative Officers

The General Meeting of Shareholders in March confirmed one change to the composition of the Board of Directors. Sakari Haapakoski, Managing Director, was elected a new member of the Board.

During the report year, OPA's Board of Directors included the following people:

Chairman	Erkki Böös	Senior Vice President, OP Bank Group Central Cooperative
Vice Chairman	Mikko Hyttinen	Senior Vice President, OP Bank Group Central Cooperative
Members	Sakari Haapakoski2	Managing Director, Oulun Osuuspankki
	Heikki Kananen	Managing Director, Mäntsälän Osuuspankki
	Pekka Korhonen	Managing Director, OP Bank Pension Fund
	Raija Laine-Paajanen1	Managing Director, Päijät-Hämeen Osuuspankki
	Risto Korpela	Managing Director, Turun Seudun Osuuspankki
	Seppo Rytivaara	Managing Director, Raahen Seudun Osuuspankki
	Reima Rytsölä	Senior Vice President, OKO Bank

The Board convened seven times during the year. The members of the Board of Directors were paid remuneration to a total of EUR 2,400.

Mr Lauri Karvonen has served as Managing Director of the bank since 1 November 2003.

1) Until the General Meeting held on 29 March 2006
2) As of the General Meeting held on 29 March 2006

Auditing

KPMG Oy Ab, Authorised Public Accountants, were elected auditors at the General Meeting in 2006, with Mr Raimo Saarikivi, Authorised Public Accountant, as principal auditor.

Internal auditing of OPA is the responsibility of the internal audit of the OP Bank Group Central Cooperative.

Outlook

OPA will assume a more significant role in the OP Bank Group's housing financing in 2007. This will result in a manifold increase of the loan portfolio.

Increased volume is believed to improve the efficiency of the bank's funding and other operations, as well as its profitability. The benefits of increased efficiency will be channelled mainly into increasing sales commissions but earnings before taxes are also expected to equal or exceed the 2006 figure.

The estimate is based on the assumption that the demand for housing loans will remain good and that the capital markets will remain relatively stable.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The equity capital of OPA on 31 December 2006 stood at EUR 20,588,177.43, with distributable equity made up as follows:

+ Profit for the period on the income statement	934,008.20
+ Retained earnings	506,419.23
Total	1,440,427.43

The Board of Directors proposes that no dividend be paid for 2006. EUR 1,440,427.43 shall be retained in distributable equity.

INCOME STATEMENT

€	Note	2006	2005	Change, %
Interest income		8 909 167,79	5 861 274,96	52,0
Interest expenses		6 626 174,44	4 154 939,25	59,5
Net interest income	3	**2 282 993,35**	**1 706 335,71**	33,8
Net commissions & fees	4	-556 880,73	-602 847,26	-7,6
Net income from trading	5	18 264,68	22 505,09	-18,8
Total net income from investments	6	765,00	850,00	-10,0
Other operating income	7	2 322,12	15,74	
Personnel costs	8	223 912,58	204 413,69	9,5
Other administrative expenses	9	192 064,44	176 923,08	8,6
Other operating expenses	10	72 170,66	70 670,55	2,1
Earnings before tax		**1 259 316,70**	**674 851,96**	86,6
Income taxes	11	325 308,50	186 731,89	74,2
Profit for the period		**934 008,20**	**488 120,07**	91,3

Key figures	2006	2005
Return on equity, %	4,6	2,4
Return on assets, %	0,35	0,24
Cost/income ratio, %	28	40
Average personnel	4	4
of which full-time	4	4

BALANCE SHEET

€ thousand	Note	31.12.2006	31.12.2005	Change, %
Receivables from financial institutions	12	11 196 072,68	7 176 600,94	56,0
Derivative contracts	13	127 719,52	119 626,76	6,8
Receivables from customers	14	284 109 188,12	219 866 863,96	29,2
Investment assets	15	17 000,00	17 000,00	0,0
Intangible assets	16	35 802,11	16 767,95	
Tangible assets	17	587,23	2 257,65	-74,0
Other assets	18	2 815 839,64	892 677,06	
Tax receivables	19	-	16 687,92	
Total assets		**298 302 209,30**	**228 108 482,24**	30,8
Liabilities to financial institutions	20	124 400 000,00	60 300 000,00	
Derivative contracts	21	1 261 502,96	360 721,67	
Debt securities issued to the public	22	146 082 329,80	144 519 706,47	1,1
Reserves and other liabilities	23	5 654 754,35	2 569 740,31	
Tax liabilities	24	315 444,76	205 507,56	53,5
Total liabilities		**277 714 031,87**	**207 955 676,01**	33,5
Shareholders' equity				
Share capital		19 147 750,00	19 147 750,00	0,0
Accumulated profits		1 440 427,43	1 005 256,23	43,3
Total shareholders' equity	25	**20 588 177,43**	**20 152 806,23**	2,2
Total liabilities and shareholders' equity		**298 302 209,30**	**228 108 482,24**	30,8

CASH FLOW STATEMENT

€ thousand	2006	2005	Change, %
Cash flow from operations			
Profit for the period	934	488	91,3
Adjustments to profit for the period	185	155	19,7
Increase (-) or decrease (+) in business assets			
Derivative contracts	-8	-120	-93,2
Receivables from customers	-64 242	-61 408	4,6
Other assets	-1 955	183	
Increase (+) or decrease (-) in business liabilities			
Liabilities to financial institutions	64 100	-20 700	
Derivative contracts	-98	104	
Reserves and other liabilities	3 267	627	
Income taxes paid	-199	-143	39,1
A. Total cash flow from operations	**1 984**	**-80 813**	**61,5**
Cash flow from investments			
Investments in tangible and intangible assets	-27	-1	
B. Total cash flow from investments	**-27**	**-1**	
Cash flow from financing			
Debt securities issued to the public, increases	16 037	104 189	-84,6
Debt securities issued to the public, decreases	-13 476	-32 475	-58,5
Dividends paid	-499	-384	29,9
C. Total cash flow from financing	2 062	71 330	-97,1
Net change in liquid assets (A+B+C)	4 019	-9 483	
Liquid assets at beginning of period	**7 177**	**16 660**	-56,9
Liquid assets at end of period	**11 196**	**7 177**	56,0
Adjustments to earnings for the period			
Adjustments to profit for the period			
Planned depreciation	10	11	-7,8
Taxes for the financial period or previous periods and change in deferred taxes	199	143	39,1
Pension expenses and associated deferred taxes	-23	1	
Total adjustments	185	155	19,7

CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Accumulated profits	Total
Shareholders' equity 1 Jan 2006	**19 148**	**1 005**	**20 153**
Profit for the period		934	
Dividends paid		-499	
Shareholders' equity 31 Dec 2006	**19 148**	**1 440**	**20 588**

€ thousand	Share capital	Accumulated profits	Total
Shareholders' equity 1 Jan 2005	**19 148**	**896**	**20 044**
Profit for the period		488	488
Dividends paid		-384	-384
Other		4	4
Shareholders' equity 31 Dec 2005	**19 148**	**1 005**	**20 153**

NOTES TO THE FINANCIAL STATEMENTS

Table of contents for the notes

1 Accounting policies
2 Principles of risk management

Notes to the income statement

3 Interest income and expenses
4 Net commissions & fees
5 Net income from trading
6 Total net income from investments
7 Other operating income
8 Personnel costs
9 Other administrative expenses
10 Other operating expenses
11 Income taxes

Notes to the balance sheet

12 Receivables from financial institutions
13 Derivative contracts
14 Receivables from customers
15 Investment assets
16 Intangible assets
17 Tangible assets
18 Other assets
19 Tax receivables
20 Liabilities to financial institutions
21 Derivative contracts
22 Debt securities issued to the public
23 Reserves and other liabilities
24 Tax liabilities
25 Shareholders' equity
26 Fair values and average interest rates of financial assets and liabilities

Notes concerning contingent liabilities and derivative contracts

27 Off-balance sheet commitments
28 Derivative contracts

Other notes

29 Related party transactions
30 Long-term incentive scheme
31 Post-fiscal events

Notes concerning risk management

32 Risk tolerance
33 Financial assets and impairment losses booked during the period
34 Liabilities by balance sheet item
35 Liabilities by sector
36 Credit risks
37 Structure of funding
38 Maturity distribution of financial assets and liabilities by remaining exercise period
39 Funding risk
40 Maturities of less than one year on financial assets and liabilities by due date or re-pricing
41 Interest rate risk

Appendix 1 Accounting Policies

General

OPA plc (OPA) is a credit institution engaged in mortgage banking in Finland.

The bank is part of a coalition of cooperative banks (OP Bank Group) within which OP Bank Group Central Cooperative and its member credit institutions are, ultimately, jointly and severally responsible for each other's liabilities and commitments. The Central Cooperative is obliged to issue guidelines on the preparation of financial statements to its member credit institutions. According to the Act on Cooperative Banks and Other Cooperative Credit Institutions and the IAS 8 standard on accounting policies, the Central Cooperative's Executive Board must confirm any accounting principles for which no guidance is available in the International Financial Reporting Standards.

OPA is domiciled in Helsinki and its registered address is Teollisuuskatu 1b, P.O. Box 308, FIN-00101 Helsinki.

The bank's Board of Directors approved the financial statements on 9 February 2007, and they will be published on 2 March 2007.

Accounting Principles

The financial statements of OPA are prepared in accordance with the International Financial Reporting Standards (IFRS). International Financial Reporting Standards refer to the standards and interpretations approved in accordance with European Parliament and Council Regulation (EC) No 1606/2002. The preparation of financial statements is subject to the IAS and IFRS standards and supplementary SIC and IFRIC interpretations valid on 31 December 2006. In addition to the IFRS standards, the preparation of the financial statements of OPA is subject to Section 30(6) of the Credit Institutions Act.

Financial statement information is presented in thousands of euro.

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise discretion in the application of accounting policies. Accounting policies requiring management to make estimates and exercise discretion are addressed in more detail in the section "Accounting policies requiring discretion by management and crucial factors of uncertainty associated with estimates".

Financial Instruments

Determination of Fair Value

The fair value of a financial instrument is determined using either price quotations from an active market or, if there is no active market, using the company's own valuation methods. The valuation methods include the discounted cash flow method, present value calculation and comparison with similar instruments quoted in active markets. The valuation methods account for estimated credit risk, the applicable discount rates of interest, the possibility of premature repayment and other such factors that affect the reliable determination of the fair value of a financial instrument.

Set-Off of Financial Assets and Liabilities

Financial assets and liabilities are not subtracted from each other unless a statutory right of set-off exists and the intention is to exercise such right.

Categorisation, Recognition and Locations on Balance Sheet

Financial assets and liabilities are categorised in accordance with the measurement practices into financial assets and liabilities held for trading, loans and receivables, investments held to maturity, financial assets available for sale, as well as other financial liabilities. On OPA's balance sheet these financial assets and liabilities are presented as assets and liabilities held for trading, receivables from customers, investment assets, derivative contracts and other liabilities.

Financial Assets and Liabilities Held for Trading

Assets held for trading purposes include securities acquired for the purpose of sale or repurchase within a short period of time. Items held for trading also include all derivative contracts other than those constituting an efficient hedge relationship.

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

Loans and Receivables

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable cash flows that have been created by handing over funds, goods or services. Loans and receivables are not quoted in an active market, and they are treated in accounting at acquisition cost.

Write-downs on loans and receivables are recognised by receivable items and groups of receivables. Write-downs are assessed and recognised by receivable item if the customer's total exposure is significant. Other write-downs are assessed and recognised by groups of receivables. Write-downs are recognised as reductions in the balance sheet item for loans. Recognition of interest on the reduced amount continues after write-down.

A write-down will only be recognised when there is objective proof of the customer's impaired solvency after initial recognition of the receivable on the balance sheet. The value of a receivable item is impaired if the future cash flows recoverable from it – including the fair value of the collateral – are less than the book value of the loan and unpaid interest. Future cash flows are discounted at the loan's original interest rate. In the case of a variable interest rate loan, the discount rate is the rate in accordance with the contract at the time of assessment. The difference between the book value of the loan and a lower recoverable value of cash flow is recognised as a write-down.

For the purpose of assessing impairment by groups of receivables, receivables are divided into groups with similar credit risk. A group-specific write-down is recognised for a group if there is objective proof that uncertainty is associated with the repayment of receivables included in the group. The level of write-down recognised is based on an average empirical assessment of future losses.

Once all collection actions have been completed or management has otherwise made a decision to this effect, the loan is removed from the balance sheet. Any payments received after removal from the balance sheet are recognised as adjustments to write-downs on receivables.

If objective proof has been received that the solvency of a customer has improved, the amount of previously recognised write-downs shall be reassessed and any change due to improved solvency shall be recognised on the income statement.

Investments Held to Maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable cash flows, which have been acquired with the intention of holding them until maturity.

Investments held to maturity are treated in accounting at amortised cost. The difference between the nominal value and the acquisition value of bonds is allocated over the remaining term to maturity. At the moment, there are no “Investments held to maturity” on the balance sheet.

If the value of a receivable item held to maturity is found to be impaired, it is transferred to financial assets available for sale and measured at fair value. Changes in fair value are recognised under “Net income from investments” on the income statement.

Financial Assets Available for Sale

Financial assets available for sale are non-derivative financial assets not included in the above categories of financial assets. Financial assets available for sale are recognised on the balance sheet at acquisition cost at the time of acquisition and valued at fair value. Changes in value are recognised in the fair value reserve in shareholders’ equity and transferred to the income statement when the asset is derecognised from the balance sheet or its value is found to be impaired.

Liquid Assets

Liquid assets comprise funds in cash and receivables from credit institutions repayable upon demand.

Other Financial Liabilities

The category “Other financial liabilities” includes financial liabilities other than those held for trading. After initial recognition, other financial liabilities are treated in accounting at acquisition cost.

Derivative Contracts

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

Derivatives are always measured at fair value. The difference between interest received and paid on non-hedging interest rate swaps is recognised in interest, and the corresponding interest to be carried forward is recognised in other assets and other liabilities. Changes in the value of non-hedging interest rate, currency and equity derivatives are recognised under “Net trading income” on the income statement. Positive changes in the value of derivative contracts are recognised on the balance sheet under “Derivative contracts, assets”, while negative changes are recognised under “Derivative contracts, liabilities”.

Hedge Accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument fully or partially cancel any changes in the fair value of the hedged item or in cash flow. Hedge accounting includes the hedging of interest rate risk using the fair value method. Hedging of fair value is associated with long-term fixed-rate liabilities (own issues) and individual loan portfolios, as well as individual loans.

The connection between hedging and hedged instruments is documented in a specified form. The documentation includes information on risk management principles, the hedging strategy and the methods used for proving the effectiveness of hedging. OPA applies hedging calculations using generally applicable risk management indicators to assess the efficiency of hedging. Contracts cannot be treated according to the rules of hedge accounting in

accounting if the hedging relationship between the hedging instrument and the related hedged object required by IAS 39 no longer meets the criteria of the standard.

In the context of hedge accounting for fair value, changes in the values of the hedging and hedged instrument are recognised on the income statement under “Net income from investments” (bonds included in assets available for sale) and “Net interest income” (loans and own issues).

Intangible Assets

Intangible assets are valued at acquisition cost deducted by depreciation and impairment. Depreciation is recognised as expenses over the course of the estimated economic life, which is two to five years for computer software and licences. The economic life of assets is reviewed at each time of closing the accounts, and their value is tested for impairment as necessary.

Tangible Assets

Property, plant and equipment items are valued at original acquisition cost deducted by depreciation and impairment. Assets are depreciated by straight-line depreciation over the estimated economic life. Planned depreciation is not applicable to land areas. Expenses arising from an asset item after the original acquisition are only capitalised in the book value of the asset if it is probable that it will produce greater economic benefit than originally estimated.

The estimated economic lives are mostly the following:

Buildings	30 to 50 years
Machinery and equipment	4 to 10 years
IT equipment	3 to 5 years
Automobiles	6 years
Other tangible assets	5 to 10 years

The residual value and economic life of assets are reviewed at each time of closing the accounts and adjusted if necessary to reflect any changes in the expected economic benefit.

Impairment of Tangible and Intangible Assets

In connection with each closing of the accounts, it shall be assessed whether there are any indications of impairment of asset values. If such indications exist, the amount recoverable from the asset is estimated. Regardless of the existence of such indications, the recoverable amount is estimated annually for unfinished assets, goodwill and any intangible assets with an unlimited economic life (brands). If the book value of an asset exceeds the estimated amount recoverable in the future, the excess is recognised as an expense.

The recoverable amount is the asset’s fair value less the cost of sales (net sales price) or a higher value in use. The starting point is to determine the recoverable amount through the net sales price of the asset. If the net sales price cannot be determined, the value of the asset in use is determined. The value in use refers to the present value of the future cash flows expected to be recoverable from the asset. The need for impairment of the annually tested assets specified above is always determined through the calculation of the value in use.

If no net sales price can be determined for an asset and it does not accumulate any cash flow independent of other items, the need for impairment is determined through the unit where the asset belongs. In this case, the book values of the assets included in the unit are compared to the amount recoverable from the entire cash generating unit. An impairment loss is reversed if there is a change in the circumstances and the amount recoverable from the asset item has changed since the time the impairment loss was recognised. The reversal of impairment loss

shall not exceed the amount that would be the book value of the asset if the impairment loss were not recognised. Impairment loss recognised on goodwill will not be reversed under any circumstances.

Employee Benefits

Pension Benefits

The statutory pension cover for OPA employees is arranged through the OP Bank Pension Fund and the supplementary pension cover through the OP Bank Pension Trust.

OP Bank Group has both defined benefit and defined contribution pension plans. The pension plans arranged through the OP Bank Pension Fund, in so far as the funded parts of disability and old age pensions are concerned, are regarded as defined benefit plans. The plans arranged through the OP Bank Pension Trust are defined benefit plans in their entirety.

The expenses arising from pension plans are recognised under “Personnel expenses” on the income statement. In defined contribution plans, the insurance contributions are recognised as expenses for the period to which the charge applies. There are no other payment obligations under defined contribution plans.

Defined benefit plans in the OP Bank Pension Fund and the OP Bank Pension Trust are financed by payments based on actuarial calculations.

In defined benefit plans, the present value of the obligations arising from the plan on the balance sheet date deducted by the fair value of the funds included in the plan is presented as an asset. Actuarial gains and losses and past service costs are also taken into account.

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

The company has utilised the exemption provided in IFRS 1 on the transition date of 1 January 2004, according to which there were no unrecognised actuarial gains or losses associated with defined benefit plans on that date. Assets in defined benefit plans have been valued at fair value on the transition date, and the obligations have been valued at present value based on the calculatory assumptions valid on the transition date. Actuarial gains and losses generated after this will be recognised on the income statement over the average remaining period of service to the extent that they exceed the greater of the following: 10 per cent of the pension obligation or 10 per cent of the fair value of the assets.

Share-Based Employee Benefits

Share-based employee benefits are measured at fair value at the time of granting and are recognised as expenses and an increase in shareholders’ equity in equal instalments over the entitlement earning and commitment period. Share-based benefits settled in cash and the corresponding liability are measured at fair value at the end of each period until the liability is settled.

Income Taxes

The income taxes on the income statement include taxes based on the taxable income for the fiscal period, taxes for previous fiscal periods and deferred tax expenses or income. Deferred tax liabilities are calculated for all taxable temporary differences between accounting and taxation. Deferred tax receivables are calculated for all tax-deductible temporary differences between accounting and taxation, as well as all losses confirmed in taxation. If the accumulation of taxable income makes it probable that a receivable can be utilised, it will be recognised.

Deferred tax liabilities and receivables are set-off. Deferred tax liabilities and receivables are calculated in accordance with the enacted tax rate that is anticipated to be valid when the temporary difference is dissolved. If a deferred tax item arises from balance sheet items whose changes have no effect on the income statement, the change in deferred tax is not recognised on the income statement but in shareholders' equity.

Recognition Principles

Commission income and expenses on services are recognised when the service is rendered.

Dividends are generally recognised once the General Meeting of the company distributing the dividend has decided upon the distribution of dividend.

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

Segment Reporting

As OPA only engages in housing finance, segment reporting is therefore not presented.

Accounting Policies Requiring Discretion by Management and Crucial Factors of Uncertainty Associated with Estimates

Estimates and assumptions regarding the future have to be made during the preparation of financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

Goodwill, assets with an unlimited economic life and unfinished intangible assets are annually tested for impairment. The recoverable amount determined in impairment testing is often based on the value in use, and its calculation requires estimates of future cash flows and the applicable discount rate.

Impairment testing of receivables is based on estimates of the amount recoverable from the receivable in the future. Recoverable cash flows are estimated separately for each loan in receivable-specific impairment testing. Impairment recognised for groups of receivables is based on an estimate of future losses based on historical information.

In defined benefit pension plans, the present value of the obligations arising from the plan on the balance sheet date deducted by the fair value of the funds included in the plan is presented as an asset. The calculation includes actuarial assumptions pertaining to the future, including the discount rate, the expected return on the assets, future increases in wages, salaries and pensions, the turnover rate and inflation.

New Standards and Interpretations

OP Bank Group will adopt the following standards and interpretations in 2007:
IFRS 7 “Financial Instruments: Disclosures”. IFRS 7 will also result in the adoption of the Amendment to IAS 1: Capital Disclosures. The amendments will extend the requirements for the notes to the financial statements.

Appendix 2 Principles of Risk Management

Principles and Objectives of Risk Management

The objective of OPA's risk management is to ensure that the bank is not exposed to excessive risk that might endanger its profitability, solvency or continuity of operations. Overall, the bank is a moderate risk taker.

Credit risk is managed through customer selection and by only using securing collateral. Risk concentration is to be avoided. The objective of hedging the interest rate risk is to secure the margin in different interest rate change situations.

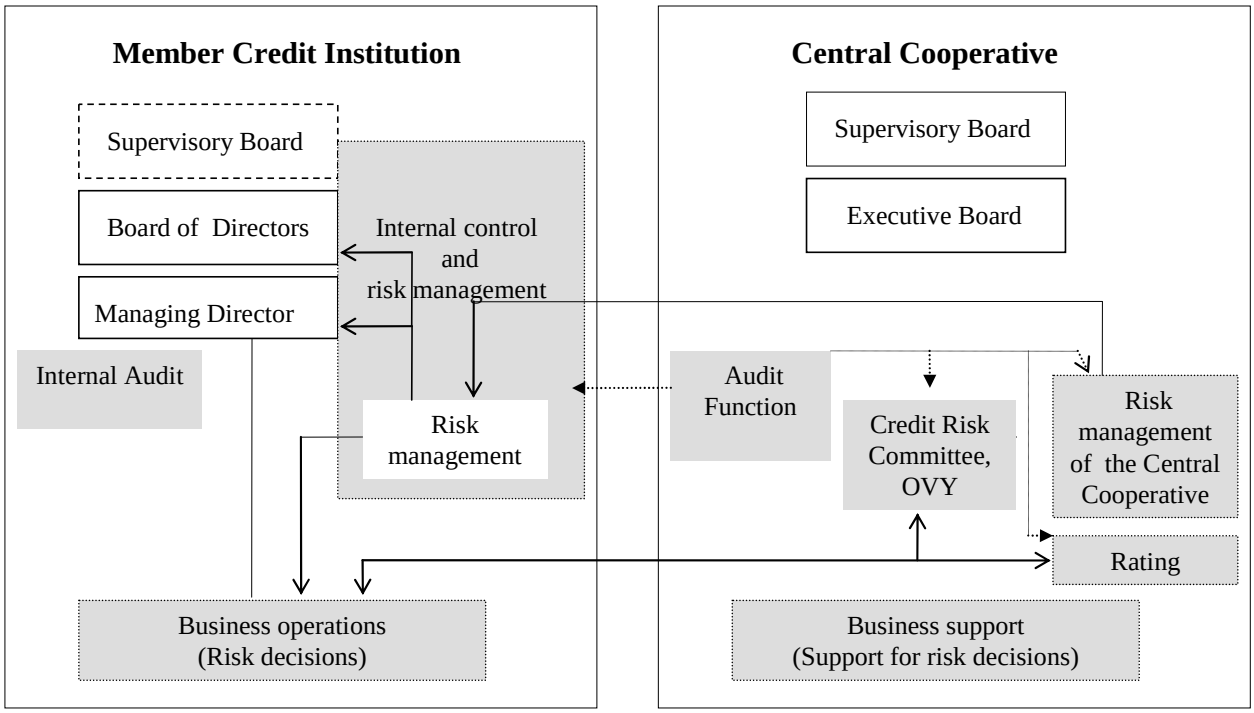
OPA's risk management will be developed as part of the OP Bank Group's risk management. Within the OP Bank Group, risk management methods and information systems will be purposefully developed on the basis of the Group's business needs, observing any changes in the operating environment and requirements imposed by official regulations.

Organisation of Risk Management

The internal audit and centralised risk management of the Central Cooperative Consolidated are responsible for conducting internal supervision and risk management of OPA independent of operational decision-making.
They also assess whether the risk management system is adequate and up to date. The Central Cooperative issues Group entities with guidelines for ensuring risk management and ensures, through supervision, that the entities operate in accordance with official regulations, their own rules, guidelines issued by the Central Cooperative, the OP Bank Group's internal procedures and procedures appropriate for customer relationships.

Operational decisions and the risk management relating to them fall within the responsibility of the company. OPA's Managing Director and the Board of Directors are responsible for the risk management.

OP Bank Group Central Cooperative's Centralised Risk Management and Supervision



The Central Cooperative's Risk Management Department develops and implements comprehensive risk management at Group level. It maintains, develops and prepares risk management principles for confirmation by the Executive Board and Supervisory Board of the Central Cooperative, and is responsible for the maintenance and development of risk management systems and methods used at Group level and provided to Group entities. Furthermore, Risk Management issues reports on risk tolerance, risk exposure and the realisation of risk management policies, as well as provides different entities within the group with guidance on risk management.

The Supervisory Board of the OP Bank Group Central Cooperative confirms the principles for the OP Bank Group's internal supervision and risk management and Group level risk limits, and supervises risk management. The Executive Board of the Central Cooperative is responsible for ensuring that systems and procedures associated with the OP Bank Group's internal supervision and risk management are adequate and up to date. Furthermore, it confirms the internal supervision and risk management principles applicable to the Central Cooperative Consolidated, and supervises the operations of different entities within the OP Bank Group.

The OP Bank Group Risk Management Steering Group, which reports to the Executive Board of the Central Cooperative, is responsible for coordinating risk management objectives and guidelines with the OP Bank Group's business strategy and plans, monitoring the development of the group's risk tolerance and risk exposure, and coordinating the development of risk management. Among other things, it discusses the risk management plan at the OP Bank Group level and proposes it to the Executive Board of the Central Cooperative, monitors the development of the OP Bank Group's risk tolerance and risks, monitors the economic operating environment and proportions the risk exposures of the OP Bank Group and its entities to it, as well as discusses and approves the methods, indicators and information systems used for risk management, bringing its proposals to the Executive Board for decision-making as necessary. The Chair and Vice-Chair of the Risk Management Steering Group are members of the Executive Board of the Central Cooperative.

The Credit Risk Committee authorised by the Executive Board of the Central Cooperative handles any significant customer exposure and real estate investments at the OP Bank Group level. The member banks must have valid permission granted by the Credit Risk Committee if the customer risk of a customer entity rises above 20 per cent of the funds of the credit institution or consolidation group.

Rating Committees determine credit ratings for the OP Bank Group's corporate customers, or other customer entities with actual or planned exposure exceeding three million euro. For special reasons, Rating Committees may also determine credit ratings for customer entities smaller than this.

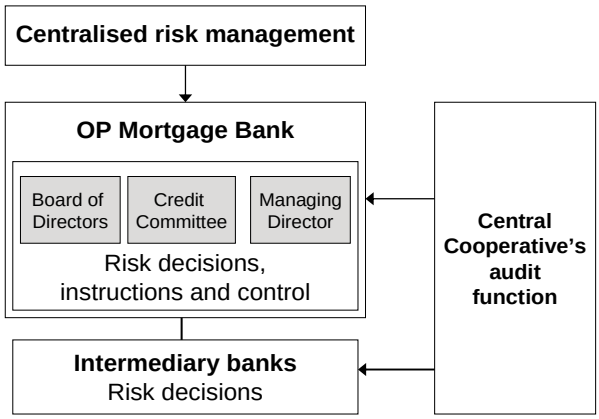
The Audit function of the Central Cooperative supports internal supervision and risk management by controlling that OP Bank Group entities operate in a profitable and secure manner, in accordance with laws, official regulations, the Central Cooperative's guidelines and their own rules and Articles of Association, and that the risk supervision systems correspond to the operational requirements.

Risk Management of the OPA

The Board of Directors of the OPA confirms the applicable internal guidelines and procedures. The Board of Directors controls and supervises the bank's risk tolerance and risk-taking.

The bank's Board of Directors confirms principles and guidelines applicable to risk management and sets limits for risk tolerance and the most important risk indicators. The Board of Directors supervises risk management and regularly monitors the bank's risk tolerance and risk situation. The bank's overall attitude towards risk-taking is moderate.

Credit granting authorisations are confirmed in the agency agreement between the intermediary banks and OPA. Credit approval decisions are primarily made by the intermediary bank. However, with regard to construction-time financing for housing corporations, decisions must be submitted to OPA, where credit approval decisions are made by the Credit Committee.



Risk Tolerance and Profitability

Risk tolerance is maintained at a sufficient level by ensuring sufficient capital adequacy. However, in the long-term, the company does not attempt to maintain a capital adequacy significantly higher than that defined as the statutory minimum. The owner makes capital investments in the company to the extent required by the growth of the loan portfolio.

OPA serves as the housing finance instrument of the OP Bank Group. As a consequence of this role, the bank does not aim at maximising its profitability, but instead aims at paying incentive sales commissions to the member banks of the OP Bank Group, which act as its agents in the capacity of loan intermediaries. However, profitability is maintained at a sufficient level with regard to risk tolerance.

Credit Risks

Objectives and General Principles of Credit Risk Management

Credit risks refer to the risk that the customer may eventually not fulfil his/her contractual obligations arising from the loan agreement and the collateral pledge is not sufficient to cover the bank's claim. The purpose of credit risk management is to reduce the probability of loan losses before a credit decision, and to limit and prevent the actualisation of risks associated with existing credit decisions that might endanger the profitability or capital adequacy of the bank.

The starting point for credit risk management, and a specific strength of banks within the OP Bank Group, is local, comprehensive knowledge of our customers. Lending will primarily be carried out on the basis of the customer's sufficient and verified credit servicing ability. In order to ensure the repayment of commitments, customer exposure must have securing collateral. A mortgage bank cannot grant unsecured credits.

Credit Risk Management Methods

The credit servicing ability and credit risk associated with customers is estimated on the basis of financial assessments and credit ratings. The scoring system for private customers takes into account the present solvency of the customer (calculated at an interest rate level significantly higher than that of the market rate) as well as a number of other factors that have

been found to estimate future changes in solvency and the risk exposure relating to financing (such as collateral).

Consumption norm tables are maintained for assessing the credit servicing ability of households, and comparison calculations at different interest rate levels are used for ensuring that the servicing of housing loans will not be endangered by changes in the interest rate level. In order to ensure the credit servicing ability of customers, insurance policies covering repayment in unexpected situations are offered in connection with credit negotiations. The insurance payouts are linked to loan instalments and their remaining principal.

Credit risks are continuously monitored. The objects being monitored include the development and distribution of the loan portfolio, the development of non-performing receivables and past due payments, as well as other reports describing the quality and structure of loan portfolios.

OPA’s credit risks are also reduced through an arrangement in which banks acting as OPA’s agents provide a guarantee based on which OPA is entitled to receive compensation from the agent to cover for actualised loan losses arising from loans intermediated by the agent.

Collateral Valuation Principles

In addition to the fair value principle of the Mortgage Bank Act, the collateral of the granted credit has also been valued according to the principles of securing collateral used within the OP Bank Group. A collateral is considered a securing collateral when its value has been assessed with care and caution in accordance with good banking practice and complying with the regulations and guidelines provided by the authorities and the Executive Board of the Central Cooperative.

Caution pertaining to the evaluation of collateral requires the existence of a sufficient collateral margin to cover for possible changes in value during the credit period. As a rule, the value of collateral must be lower than the fair value of the real estate or shares of stock in a housing corporation.

Collateral valuation must be based on a justified and cautious estimate of the value of collateral at the time of evaluation. Any speculative expectation of the increase in value of the asset provided as collateral must not be taken into account when assessing the collateral.

The bank primarily uses local experts when evaluating the fair value of the collateral, because the evaluation of the collateral requires knowledge of the collateral asset as well as local market factors.

Market Risks and Balance Management

Market risks include the funding and interest rate risks on all balance sheet items and off-balance sheet items, as well as any exchange rate risks, equity price risks and real estate risks. Of these, OPA is only exposed to interest rate and funding risks.

The crucial task of market risk management is to identify and evaluate the market risks involved in the bank's business operations, limit them to an acceptable level, and report on them regularly and efficiently. This ensures that changes in market prices or other external market factors will not hamper long-term profitability or capital adequacy.

The bank's Board of Directors has confirmed written guidelines for the asset and liability management system. The guidelines define the applicable products and market instruments, the principles for funding and investment operations, the applicable market risk indicators and limits, as well as the organisation of the bank’s balance management and reporting procedure.

Interest rate and funding risk taking are also restricted by the provisions of the Mortgage Bank Act. According to the Act, the total amount of any interest received from loans pledged as collateral during 12 months must exceed the total amount of interest paid for bonds with real estate as collateral during the same period. In addition, the remaining average maturity of bonds with real estate as collateral must be shorter than the remaining average maturity of assets pledged as their collateral.

As the central bank of the OP Bank Group, OKO Bank is responsible for the banking group's liquidity, payment transfers, exchange rate risks, long-term funding and international banking relationships. OPA carries out most of its money market and derivatives trading with OKO Bank.

The regularly prepared market risk reports are provided to the management monthly, but monitoring is carried out on a daily basis if necessary. The Central Cooperative's independent Risk Management Department provides monthly market risk reports.

Funding Risk

Funding risk refers to the risk of a corporate entity's ability to cover its payment obligations becoming endangered. The sources of the OP Bank Group's funding risks include risks arising from balance sheet structure, customer behaviour and risks associated with the economic environment. The actualisation of the bank's other business risks might also result in the realisation of a funding risk. Funding risks associated with the balance sheet structure concern the refinancing risk of funding, the concentration of funding sources and the liquidity of reserves. Liquidity risk is also included within funding risk. Liquidity risk arises if funding is not available when liabilities or other commitments fall due.

The funding risk of the Group is managed by liquidity planning as well as by regulating the maturity structure of balance-sheet items, maintaining sufficient liquidity reserves and diversifying the structure of funding. OPA balances its funding and liquidity position with OKO Bank. OKO Bank is responsible for managing the liquidity risk of the entire OP Bank Group.

The funding risk of the OP Bank Group and its business units is monitored by different indicators describing the maturity structure of receivables and liabilities on the balance sheet, as well as the amount, structure and concentration of liquidity reserves and funding.

The primary indicator of funding risk is the relative proportion of the difference between receivables and liabilities falling due during the next 12 months, compared to the balance sheet total.

Interest Rate Risk

Interest rate risk refers to the effect of interest rate changes on the bank's earnings and the market value of the risk exposure. Interest rate risk arises from differences between the interest rate bases or rate setting dates of receivables and liabilities. The determination of interest rate risk includes all balance-sheet items and any interest-bearing off-balance sheet items. The different reference rates of lending and funding represent the most significant source of interest rate risk. The resulting interest rate risk is reduced by using interest rate swaps.

When determining the interest rate risk, items sensitive to changes in interest rates are divided by re-pricing dates and interest rate bases for the purpose of cash flow analysis. The effects of changes in the interest rate level are assessed in relation to the value of the bank's risk exposure. The assessment concerns the static balance sheet.

OPA's risk limit indicator for interest rate risk is the effect of a 1.0 percentage point increase in market rates on the current value of the risk exposure of the OP Bank Group in proportion to the bank's own funds.

Real Estate Risk

Real estate risk refers to the impairment risk, profit risk and damage risk applicable to real estate or shares and interests in real estate corporations held by the bank. A mortgage bank may only hold real estate or shares and interests in housing and real estate companies if they have come to the mortgage bank's possession as collateral for an unpaid receivable.

Operational Risks

Operational risks refer to any potential losses caused by inadequate or defective internal processes, by personnel or systems, or by external factors. The objective of operational risk management is to reduce the probability of losses arising from personnel, processes or systems associated with operations, or external factors. Skilled and well-trained personnel, up-to-date tools, comprehensive operating guidelines and effective supervision play crucial roles in operational risk management.

In accordance with the structure and division of tasks within the OP Bank Group, the Central Cooperative plays a crucial role, particularly with regard to risks associated with centralised service production and the operation of information systems. In order to improve the management of operational risks, the procedures associated with risk identification and assessment, risk and damage monitoring and reporting, as well as continuity planning, have been developed further. The Central Cooperative also pays particular attention to designing and developing internal processes so that risks can be minimised in advance to the possible extent that they can be managed. Some harmful financial consequences associated with operational risks have been transferred out of the OP Bank Group by means of insurance.

Risks associated with new business models, products and services are comprehensively assessed by the Central Cooperative. OPA only uses products and services compliant with the policies of the Central Cooperative.

Strategic Risk

OPA does not have a separate business strategy independent of the rest of the OP Bank Group. Strategic risk is managed as part of the strategy process of the OP Bank Group.

Preparations for the Capital Adequacy Reform

The European Parliament and Council of Ministers have approved a new capital adequacy directive based on the recommendations of the Basel Committee (Basel II) in the autumn of 2005. The new capital adequacy regulations will come into force in the EU at the beginning of 2007.

The new capital adequacy regulations are based on generally used risk management methods and are divided into three pillars. Pillar I regulates the calculation of the banks' minimum capital and capital adequacy ratio. The objective of Pillar II is to ensure that banks have sufficient capital in relation to their risk profile and the level of their risk management systems and internal control. Pillar III regulates the disclosure of information pertaining to banks' risk and capital adequacy position.

The purpose of the reform is to increase stability in the financial market by improving the methods used to ensure banks' capital adequacy in relation to risks. The objective is to encourage banks to develop better risk management systems and to promote appropriate risk pricing. In the development of the new capital adequacy regulations, one of the objectives was that despite changes in the way minimum funds are determined, the average minimum capital requirement in the banking sector on the whole would not change.

Unlike the current regulations, the new capital adequacy regulations, which are currently being prepared, will allow several methods for minimum capital calculation. In future, the

capital requirement for credit risk may also be calculated on the basis of an external or the bank's own credit rating. The new regulations also stipulate a minimum requirement concerning own funds for operational risks.

According to international surveys, the greatest benefit of the use of internal ratings in capital adequacy calculations is realised in banks focusing on retail banking. The use of internal ratings increases the sensitivity to the minimum own funds requirement for economic fluctuations.

OP Bank Group's and OPA's Preparations for the Reform

OP Bank Group's preparations for the capital adequacy reform are centralised in the Central Cooperative. OPA's preparations for the reform are also integrated as part of the development programme currently underway within the Central Cooperative that is responsible for the development required by the reform. The development of risk management methods and systems is primarily based on risk management needs, and secondarily on the fulfilment of the capital adequacy regulations' requirements.

OP Bank Group will utilise the option under the upcoming capital adequacy regulations to apply the current capital adequacy regulations in 2007. The new regulations will be adopted as of the beginning of 2008. The internal ratings method will be introduced gradually for credit risk, the capital adequacy requirement for operational risks will be calculated using the basic method and the capital adequacy requirement for market risks will be calculated using the basic method as before.

Derivatives

Derivative contracts are used only for hedging purposes. Derivative hedging aims at locking the interest rate margin of variable- or fixed-rate market-based receivables and liabilities. Hedge accounting in accordance with IFRS 39 is applicable to derivatives. OPA applies the fair value hedging model.

Notes on the Income Statement

NOTE 3. Interest income and expenses	2006	2005	Change, %
Interest income			
Receivables from financial institutions	117	143	-18,3
Receivables from customers	8 704	5 727	52,0
Derivative contracts			
Hedge accounting	88	-8	
Other interest income	-	0	
Total	**8 909**	**5 861**	52,0
Interest expenses			
Liabilities to financial institutions	2 320	1 928	20,3
Derivative contracts			
Hedge accounting	999	256	
Other	5	-436	
Notes and bonds issued to the public	3 302	2 406	37,2
Total	**6 626**	**4 155**	59,5
Net interest income	**2 283**	**1 706**	33,8

NOTE 4. Net commissions & fees	2006	2005	Change, %
Commissions & fees			
From lending	100	89	12,2
Other	4	7	-41,7
Total	103	95	8,4
Commission expenses			
From securities	67	89	-24,4
Other	593	609	-2,7
Total	660	698	-5,4
Net commissions & fees	**-557**	**-603**	-7,6

Other commission expenses mostly comprise fees for intermediary banks acting as agents.

NOTE 5. Net income from trading	2006	2005	Change, %
From financial assets and liabilities held for trading			
Valuation gains and losses			
From derivatives	18	23	-22,1
Total	18	23	-22,1
Total net income from trading	**18**	**23**	-22,1

NOTE 6. Net income from investments	2006	2005	Change, %
Net income from financial assets available for sale			
Income from shares and holdings	1	1	-10,0
Total net income from financial assets available for sale	1	1	-10,0
Total net income from investments	**1**	**1**	-10,0

NOTE 7. Other operating income	2006	2005	Change, %
Other operating income	2	0	
Total other operating income	2	**0**	

NOTE 8. Personnel costs	2006	2005	Change, %
Salaries and remuneration	211	191	10,2
Pension costs	3	4	-28,5
Defined contribution plans	20	18	13,0
Defined benefit plans	-17	-14	22,1
Other indirect personnel costs	10	9	14,7
Total personnel costs	**224**	**204**	9,5

NOTE 9. Other administrative expenses	2006	2005	Change, %
Office expenses	102	90	14,0
IT expenses	70	62	14,2
Communications expenses	4	4	-3,6
Marketing expenses	3	2	58,2
Other administrative expenses	13	20	-35,2
Total other administrative expenses	**192**	**177**	8,6

NOTE 10. Other operating expenses	2006	2005	Change, %
Rental expenses	27	27	-1,5
Depreciation			
Machinery and equipment	2	2	-16,6
Intangible assets	8	9	-5,7
Total	10	11	-7,8
Other	36	33	8,2
Total other operating expenses	**72**	**71**	2,1

NOTE 11. Income taxes	2006	2005	Change, %
Tax based on the taxable income for the fiscal period	335	175	91,6
Taxes for previous periods	-4	-7	-49,2
Change in pension liability	-8	14	
Other deferred taxes	2	5	-56,3
Taxes on the income statement	**325**	**187**	74,0
Corporate income tax rate	26 %	26 %	

Reconciliation of taxes calculated at the currently valid tax rate and taxes presented on the income statement

	2006	2005	Change, %
Earnings before tax	1 259	675	86,6
Share of the profit according to the tax rate	327	175	86,6
Taxes for previous periods	-4	-7	-49,2
Other	2	19	-91,4
Taxes on the income statement	**325**	**187**	73,7

Notes to the Balance sheet

NOTE 12. Receivables from financial institutions	31.12.2006	31.12.2005	Change, %
Receivables from financial institutions			
Deposits			
Repayable on demand	11 196	7 177	56,0
Total receivables from financial institutions	**11 196**	**7 177**	56,0

NOTE 13. Derivative contracts	31.12.2006	31.12.2005	Change, %
Held for trading			
Interest rate derivatives	41	23	75,5
Total	41	23	75,5
Hedging derivative contracts – hedging of fair value			
Interest rate derivatives	87	96	-10,0
Total	87	96	-10,0
Total derivative contracts	**128**	**120**	6,8

NOTE 14. Receivables from customers	31.12.2006	31.12.2005	Change, %
Loans to the public and public sector entities	274 057	204 937	33,7
Loans acquired and other receivables	10 052	14 930	-32,7
Total	284 109	219 867	29,2
Total receivables from customers	**284 109**	**219 867**	29,2

NOTE 15. Investment assets	31.12.2006	31.12.2005	Change, %
Financial assets available for sale			
Shares and holdings	17	17	
Total investment assets	**17**	**17**	

Financial assets available for sale	31.12.2006		31.12.2005	
	Shares and holdings available for sale		Shares and holdings available for sale	
	At acquisition cost	Total	At acquisition cost	Total
Unquoted				
From other than public sector entities	17	17	17	17
Total	**17**	**17**	**17**	**17**

Changes in investment securities

There have not been any changes in investment securities in 2006.

NOTE 16. Intangible assets

Changes in intangible assets	31.12.2006			31.12.2005		
	Goodwill	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Acquisition cost on 1 January	-	146	146	-	146	146
Increases	-	27	27	-	-	-
Acquisition cost on 31 December	-	173	173	-	146	146
Accumulated depreciation and write-downs on 1 January	-	-130	-130	-	-121	-121
Depreciation for the period	-	-8	-8	-	-9	-9
Accumulated depreciation and write-downs on 31 December	-	-138	-138	-	-130	-130
Book value on 31 December	-	36	36	-	17	17

Depreciation, impairment losses and their revaluation are booked on the income statement under the item "Other operating expenses".

NOTE 17. Tangible assets

	31.12.2006	31.12.2005	Change, %
Machinery and equipment	1	2	-74,0
Total tangible assets	**1**	**2**	-74,0

Changes in tangible assets

Changes in tangible assets	31.12.2006		31.12.2005	
	Machinery and equipment	Total tangible assets	Machinery and equipment	Total tangible assets
Acquisition cost on 1 January	13	13	12	12
Increases	-	-	1	1
Acquisition cost on 31 December	13	13	13	13
Accumulated depreciation, impairment and revaluations on 1 January	-11	-11	-9	-9
Depreciation for the period	-2	-2	-2	-2
Accumulated depreciation, impairment and revaluations on 31 December	-13	-13	-11	-11
Book value on 31 December	1	1	2	2

Depreciation, impairment losses and impairment reversals for tangible assets are recognised in other operating expenses.

NOTE 18. Other assets

	31.12.2006	31.12.2005	Change, %
Receivables from payment transfers	-	0	
Pension assets	256	288	-11,0
Accrued income			
Interests	2 556	605	
Other	4	-	
Total	**2 816**	**893**	

Defined benefit pension plans

OPA's pension plans are arranged through the OP Bank Pension Fund and the OP Bank Pension Trust. Supplementary pensions as well as the funded TEL old-age pension and disability pension plans arranged through the Pension Fund have been handled as defined benefit plans.
The contributions to the TEL distribution system have been handled as defined contribution plans.

Balance sheet values of defined benefit plans	**31.12.2006**	**31.12.2005**	**Change, %**
Fair value of plan assets	1 027	1 037	-0,9
Present value of funded obligations (-)	-758	-718	5,6
	269	318	-15,5
Present value of unfunded obligations			
Unrecognised actuarial profits (+) and losses (–)	-13	-31	
Net receivable	256	288	-11,0

The assets of the pension scheme include	**31.12.2006**	**31.12.2005**	**Change, %**
OKO Bank plc's shares	36	33	7,4
Securities issued by companies included in the OP Bank Group	11	13	-16,1
Other receivables from companies included in the OP Bank Group	29	79	-63,8
Real estate in the OP Bank Group's use	-	15	
Total	75	140	-46,6

Defined benefit pension costs on the income statement	**31.12.2006**	**31.12.2005**	**Change, %**
Expenses based on work during the period	13	13	7,2
Interest expenses	32	34	-6,2
Expected return on plan assets	-51	-54	-4,8
Actuarial profits and losses	-	-	
Past service costs	-11	-	
Transfer from the equalisation system	-	-7	
Impact of curtailment or settlement of obligation	-	-	
Total defined benefit pension costs on the income statement	-17	-14	

Actual return on the assets	67	98

The expected long-term return on pension plan assets is based on the market interest rate of 5-year Government bonds valid at the time of drafting the plan. This rate is also used as the expected return on Government bonds.

The expected returns on other asset classes are obtained through the addition of risk premiums on the expected return on bonds.

Changes in present value of obligation

	31.12.2006	**31.12.2005**
Present value of obligation 1 Jan	718	688
Expenses based on work during the period	13	13
Interest expenses	32	34
Actuarial profits and losses	34	11
Benefits paid	-28	-27
Past service costs	-11	-
Present value of obligation 31 Dec	758	718

Changes in fair value of plan assets

	31.12.2006	**31.12.2005**
Fair value of plan assets 1 Jan	1 037	954
Expected return on plan assets	51	54
Actuarial profits and losses	16	44
Contributions paid by the employer	-49	5
Benefits paid	-28	-27
Transfer from the equalisation system	-	7
Fair value of plan assets 31 Dec	1 027	1 037

The amount of contributions payable to defined contribution plans in 2007 is expected to be EUR 11,000.

Proportion of most essential groups of assets in total fair value of plan assets, %

	31.12.2006	31.12.2005
Shares and holdings	25	21
Notes and bonds	43	47
Real estate	22	22
Other assets	10	10
Total	**100**	**100**

Central actuarial assumptions used	**2006**	**2005**
Discount rate, %	4,75	4,50
Expected long-term return on plan assets, %	5,89 - 6,05	5,12 - 5,13
Future pay rise assumption, %	3,00	3,00
Future pension raises, %	1,90 - 2,10	1,30 - 2,10
Turnover rate, %	0,50 - 3,00	0,50 - 3,00
Inflation, %	2,00	2,00
Estimated remaining service in years	11-16	11-16

Excess margin and empirical adjustments to defined benefit pension plans

	31.12.2006	31.12.2005
Present value of obligation	758	718
Fair value of plan assets	-1 027	-1 037
Excess or deficit margin	-269	-318
Empirical adjustments to liabilities	27	-
Empirical adjustments to assets	16	44

NOTE 19. Tax receivables	**31.12.2006**	**31.12.2005**
Deferred tax receivables	-	17
Total tax receivables	-	**17**

Deferred tax receivables and liabilities	**31.12.2006**	**31.12.2005**
Deferred tax receivables		
Separated from IFRS adjustments	-	17
Total	**-**	**17**
Deferred tax liabilities		
For defined benefit pension plans	67	75
For other items	85	98
Total	**151**	**173**
Net deferred tax receivable/liability	**-151**	**-157**

Changes in deferred taxes	**31.12.2006**	**31.12.2005**
Deferred tax receivables/liabilities on 1 January	-157	-144
Booked on the income statement		
Pension liabilities	8	-14
Other	-2	-5
Booked on the balance sheet		
Other	-	7
Total deferred tax receivables/liabilities on 31 December	**-151**	**-157**
Income tax receivables	**-165**	**-32**
Total tax receivables and liabilities	**-316**	**-189**

NOTE 20. Liabilities to financial institutions	31.12.2006	31.12.2005	Change, %
Other than those repayable on demand			
Other liabilities	124 400	60 300	
Total	124 400	60 300	
Liabilities to financial institutions	**124 400**	**60 300**	

NOTE 21. Derivative contracts	31.12.2006	31.12.2005	Change, %
Hedging derivative contracts – hedging of fair value			
Interest rate derivatives	1 262	361	
Total derivative contracts	**1 262**	**361**	

NOTE 22. Debt securities issued to the public	Average	31.12.2006	Average	31.12.2005	Change, %
Bonds	3,11	146 082	2,63	144 520	1,1
Total debt securities issued to the public		146 082		144 520	1,1

Long-term bonds issued by the OP Bank Group Mortgage Bank

Bond	Book value	Interest rate link	Nominal interest %	Due date
OP-Asunto-obligaatio 1/2004	8 174	Fixed	2,60	17.02.2007
OP-Asunto-obligaatio 2/2004	4 073	Fixed	2,80	17.05.2007
OP-Asunto-obligaatio 3/2004	9 277	Fixed	3,00	20.09.2007
OP-Asunto-obligaatio 4/2004	6 069	Fixed	2,70	08.11.2007
OP-Asunto-obligaatio 1/2005	15 475	Fixed	2,60	03.01.2008
OP-Asunto-obligaatio 2/2005	7 022	Fixed	2,60	14.03.2008
OP-Asunto-obligaatio 3/2005	5 502	Fixed	2,45	16.05.2008
OP-Asunto-obligaatio 4/2005	11 110	Fixed	2,40	22.08.2008
OP-Asunto-obligaatio 5/2005	10 547	Fixed	2,85	21.11.2008
OP-Asunto-obligaatio 1/2006	12 642	Fixed	2,90	09.01.2009
OP-Asunto-obligaatio 2/2006	3 447	Fixed	3,00	27.02.2009
Bond 1	20 000	Euribor 3 months	3,70	19.05.2007
Bond 2	20 000	Euribor 12 months	3,87	21.09.2007
Bond 3	14 000	Euribor 12 months	3,94	30.11.2007
Measurement	-1 255			
Total	**146 082**			

NOTE 23. Reserves and other liabilities	31.12.2006	31.12.2005	Change, %
Other liabilities			
Payment transfer liabilities	835	798	4,6
Accrued expenses			
Interest liabilities	4 801	1 777	
Other	19	-5	
Total	5 655	2 570	
Total reserves and other liabilities	**5 655**	**2 570**	

NOTE 24. Tax liabilities	31.12.2006	31.12.2005	Change, %
Income tax liabilities	165	32	
Deferred tax liabilities	151	173	-13,1
Total tax liabilities	**315**	**206**	53,5

NOTE 25. Shareholders' equity	31.12.2006	31.12.2005	Change, %
Share capital	19 148	19 148	0,0
Accumulated profits			
Profit for previous periods	506	517	-2,0
Profit for the period	934	488	91,3
Total shareholders' equity	**20 588**	**20 153**	2,2

Share capital and number of shares

	Number of shares			Total
	Series A	Series K	Share capital	
01.01.2005	61 591	15 000	19 148	19 148
31.12.2005	61 591	15 000	19 148	19 148
31.12.2006	**61 591**	**15 000**	**19 148**	**19 148**

All issued shares have been paid in full.

The share capital has been increased after the financial period. The Articles of Association have also been amended to combine Series A and Series K into one series. This is described in more detail in Note 31.

The Central Cooperative continues to hold 100% of OPA after the increase in share capital.

NOTE 26. Fair values and average interest rates of financial assets and liabilities	Average	Fair value	Balance sheet	Change, %
Financial assets on 31 December 2006				
Derivative contracts		128	128	
Measured at fair value		128	128	
Receivables from financial institutions	2,52	11 196	11 196	
Receivables from customers	4,04	284 109	284 109	
Financial assets available for sale				
Shares and holdings				
Measured at acquisition cost		17	17	
Financial liabilities on 31 December 2006				
Liabilities to financial institutions	3,60	124 400	124 400	
Derivative contracts		1 262		
Measured at fair value				
Liabilities to customers				
Debt securities issued to the public				
Hedged	2,87	112 082	112 082	
Not hedged	3,90	34 000	34 000	

Notes Concerning Contingent Liabilities and Derivatives

NOTE 27. Off-balance sheet commitments	31.12.2006	31.12.2005	Change, %
Binding credit commitments	23 080	56 972	-59,5
Total off-balance sheet commitments	**23 080**	**56 972**	-59,5

NOTE 28. Derivative contracts — **Change, %**

Derivatives held for trading on 31 December 2006

	Face values, remaining maturity				Fair values		Credit counter-value
	Less than 1 year	1-5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	20 000	-	-	20 000	41	-	-
Total interest rate derivatives	**20 000**	**-**	**-**	**20 000**	**41**	**-**	**-**

Derivatives held for trading on 31 December 2005

	Face values, remaining maturity				Fair values		Credit counter-value
	Less than 1 year	1-5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	-	20 000	-	20 000	23	-	-
Total interest rate derivatives	**-**	**20 000**	**-**	**20 000**	**23**	-	**-**

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

	Face values, remaining maturity				Fair values		Credit counter-value
	Less than 1 year	1 to 5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	27 150	64 400	7 143	98 693	87	1 262	515
Total interest rate derivatives	**27 150**	**64 400**	**7 143**	**98 693**	**87**	**1 262**	**515**

Derivative contracts held for hedging – fair value hedging on 31 December 2005

	Face values, remaining maturity				Fair values		Credit counter-value
	Less than 1 year	1-5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	11 000	75 550	861	87 411	96	361	657
Total interest rate derivatives	**11 000**	**75 550**	**861**	**87 411**	**96**	**361**	**657**

Total derivatives held for trading and hedging on 31 December 2006

	Face values, remaining maturity				Fair values		Credit counter-value
	Less than 1 year	1-5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	47 150	64 400	7 143	118 693	128	1 262	515
Total derivatives	**47 150**	**64 400**	**7 143**	**118 693**	**128**	**1 262**	**515**

Total derivatives held for trading and hedging on 31 December 2005

	Face values, remaining maturity				Fair values		Credit counter-value
	Less than 1 year	1 to 5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	11 000	95 550	861	107 411	120	361	657
Total derivatives	**11 000**	**95 550**	**861**	**107 411**	**120**	**361**	**657**

Other Notes

NOTE 29. Related party transactions

OPA's related parties include the parent entity, the OP Bank Group Central Cooperative, with subsidiaries, the OP Bank Group's pension insurance entities OP Bank Pension Fund and OP Bank Pension Trust, as well as the company's management.

Subsidiaries of the OP Bank Group Central Cooperative:

OKO Bank plc	Helsinki
Helsinki OP Bank Plc	Helsinki
OP-Kotipankki Oyj	Helsinki
OP Fund Management Company Ltd	Helsinki
FD Finanssidata Oy	Helsinki
OP Life Assurance Company Ltd	Helsinki
Helsingin Seudun OP-Kiinteistökeskus Oy	Helsinki
OP IT Procurement Ltd	Helsinki

Business transactions with related parties

	2006			2005		
	Parent company	Manage-ment	Other	Parent company	Manage-ment	Other
Loans	-	-	-	-	-	-
Other receivables	-	-	14 133	-	-	7 296
Deposits	-	-		-	-	-
Other liabilities	11	-	128 437	15	-	115 198
Interest income	-	-	131	-	-	143
Interest expenses	-	-	2 326	-	-	1 950
Dividend income	-	-		-	-	-
Commissions & fees	-	-		-	-	0
Commission expenses	-	-	74	-	-	130
Salaries and remuneration and performance-related pay						
Salaries and remuneration	-	1	2	5	1	1
Performance-related pay	-	-		-	-	-
Holdings of related parties						
Number of shares	**76 591**	**-**	**-**	**34 000**	**-**	**3 000**
Series K	15 000			15 000		
Series A	61 591			19 000		3000

The Managing Director's salary is not included in the above figures. The Managing Director's salary is included in personnel costs.

NOTE 30. Long-term incentive schemes

Long-term management incentive scheme

OPA's Managing Director belongs to the scope of the OP Bank Group's incentive and commitment scheme. Members of the scheme have the possibility to receive rewards in the form of OKO Bank plc Series A shares for three earning periods of one calendar year each if the targets set for each earning period are achieved. The first three-year period comprises the years 2005 to 2007. The reward to be paid depends on the degree of achievement of the targets for the period. The reward will be paid two years after the completion of the earning period. The cost impact of the scheme has been minor.

Personnel fund

OPA's employees are members of the OP Bank Group personnel fund. The first profit rewards in the fund's history, relating to 2005 earnings, were paid to the fund in 2006. The profit rewards represent a minor proportion of OPA's personnel costs.

NOTE 31. Post-fiscal events

OPA's Extraordinary General Meeting convened on 7 February 2007. The meeting decided to combine the A and K series of shares and increase the share capital to EUR 60 million. The Central Cooperative subscribed for the increase in full. The increase in share capital was paid on 8 February 2007.

The General Meeting also changed the composition of the Board of Directors. Harri Nummela, Vice President, OPK, and Hanno Hirvinen, Vice President, OKO Bank were elected new members of the Board of Directors. Erkki Böös and Reima Rytsölä will no longer be members of the Board. The changes are effective as of 10 February 2007.

Notes Concerning Risk Management

NOTE 32. Risk tolerance

Own funds and capital adequacy according to the Credit Institutions Act

€ thousand	31.12.2006	31.12.2005
Own funds		
Shareholders' equity	20 588	20 153
Intangible assets	-36	-17
Planned profit distribution	-	-499
Other items (excess margin on pension liabilities)	-190	-212
Tier I funds	**20 363**	**19 425**
Total Tier II funds	**-**	**-**
Total deduction items	**-**	**-**
Total own funds	**20 363**	**19 425**

Risk-weighted items on 31 December 2006

	Balance sheet items		Off-balance sheet items			
	Book value	Risk-weighted value	Nominal value	Credit countervalue	Risk-weighted value	Total risk-weighted items
Risk group I (risk weight 0%)	14 278	-	-	-	-	-
Risk group V (risk weight 10%)	-	-	-	-	-	-
Risk group II (risk weight 20%)	11 263	2 253	-	-	103	2 356
Risk group III (risk weight 50%)	184 918	92 459	6 055	3 027	1 514	93 973
Risk group IV (risk weight 100%)	87 808	87 808	17 025	8 512	4 316	92 124
Total	**298 267**	**182 520**	**23 080**	**11 540**	**5 933**	**188 453**

Risk-weighted items on 31 December 2005

	Balance sheet items		Off-balance sheet items			
	Book value	Risk-weighted value	Nominal value	Credit countervalue	Risk-weighted value	Total risk-weighted items
Risk group I (risk weight 0%)	9 118	-	-	-	-	-
Risk group V (risk weight 10%)	-	-	-	-	-	-
Risk group II (risk weight 20%)	7 253	1 451	-	-	131	1 582
Risk group III (risk weight 50%)	126 130	63 065	2 698	1 349	675	63 740
Risk group IV (risk weight 100%)	85 590	85 590	54 273	6 199	6 199	91 789
Total	**228 092**	**150 106**	**56 972**	**7 548**	**7 005**	**157 111**

	31.12.2006	31.12.2005
Capital adequacy ratio, %	**10,8**	**12,4**
Tier I ratio to total risk-weighted items, %	**10,8**	**12,4**

NOTE 33. Financial assets and impairment losses booked during the period

OPA's financial assets comprise the items presented in Notes 12 to 15. No impairment losses have been booked on financial assets during the financial period.

NOTE 34. Liabilities by balance sheet item

	31.12.2006 Finland			31.12.2005 Finland		
	Accountin g balance	Write-downs	Interest carried	Accounting balance	Write-downs	Interest carried
Assets						
Receivables from financial institutions	11 196	-		7 177	-	-
Receivables from customers	284 109	-	874	219 859	-	605
Derivative contracts	0	-		0	-	-
Other		-		0	-	-
Total	295 305	-	874	**227 172**	-	**605**
Off-balance sheet commitments						
Unused loans and credit lines	23 080	-		56 972	-	-
Derivative contracts	515			657		
Total	23 595	-		**57 629**	**-**	**-**
Total liabilities	**318 900**	**-**	**874**	**284 801**	-	**605**

The value presented for derivative contracts is the credit countervalue including positive market value recognised in accounting.

NOTE 35. Liabilities by sector

	31.12.2006			31.12.2005		
	Net liabilities on balance sheet	Off-balance sheet		Net liabilities on balance sheet	Off-balance sheet	
	Finnish	Finnish	Total	Finnish	Finnish	Total
Enterprises	96 194	14 549	110 743	94 712	51 477	146 190
Financial and insurance institutions	11 196	515	11 711	7 177	657	7 834
Households	188 718	8 531	197 249	125 672	5 495	131 161
Non-profit organisations	67	-	67	77	-	77
Total	**296 175**	**23 595**	**319 770**	**227 632**	**57 629**	**285 262**

NOTE 36. Credit risks

The credit risk situation is stable according to the bank's central credit risk indicators. There were no non-performing receivables at all, while the risk limit for them is 1% of the loan and guarantee portfolio. No write-downs were made on receivables. The loan portfolio was diversified.

Major customer risks amounted to 58% of own funds while the risk limit is 600%.

NOTE 37. Structure of funding

	31.12.2006	Proportion, %	31.12.2005	Proportion, %
Liabilities to financial institutions	124 400	42	60 300	26
Debt securities issued to the public	146 082	49	144 520	63
Other liabilities	5 970	2	2 775	1
Shareholders' equity	20 588	7	20 153	9
Total	297 041	100	227 748	100

NOTE 38. Maturity distribution of financial assets and liabilities by remaining exercise period

31.12.2006	Less than 3 months	12 months	1 to 5 years	5 to 10 years	n 10 years	Total
Financial assets						
Receivables from financial institutions	11 196	-	-	-	-	11 196
Receivables from customers	3 807	13 126	66 517	71 856	128 803	284 109
Total financial assets	**15 003**	**13 126**	**66 517**	**71 856**	**128 803**	**295 305**
Financial liabilities						
Liabilities to financial institutions	101 000	17 000	6 400	-	-	124 400
Debt securities issued to the public	8 174	73 419	64 490	-	-	**146 082**
Total financial liabilities	**109 174**	**90 419**	**70 890**	**-**	**-**	270 482

31.12.2005	Less than 3 months	12 months	1 to 5 years	5 to 10 years	n 10 years	Total
Financial assets						
Receivables from financial institutions	7 177	-	-	-	-	0
Receivables from customers	3 146	11 107	56 813	61 030	87 770	219 867
Total financial assets	10 323	11 107	56 813	61 030	87 770	219 867
Financial liabilities						
Liabilities to financial institutions	11 700	42 200	6 400	-	-	60 300
Debt securities issued to the public	2 080	11 140	131 300	-	-	144 520
Total financial liabilities	13 780	53 340	137 700	-	-	204 820

NOTE 39. Funding risk

The loan portfolio increased in 2006 at a clearly higher rate compared to bonds issued. The management made a conscious decision to fund the increase in the credit portfolio with short-term funding from OKO Bank plc. No risk limit had been set for funding risk at the end of the year, but due to the substantial share of short-term funding, the development of funding risk is under special supervision.

NOTE 40. Maturities of financial assets and liabilities by due date or re-pricing

Re-pricing dates according to agreement or due dates prior to them on 31 December 2006

31.12.2006	1 month or less	> 1 to 3 months	> 3 to 12 months	> 1 to 2 years	> 2 to 5 years	> 5 years	Total
Financial assets							
Receivables from financial institutions	11 196		-	-	-	-	**11 196**
Receivables from customers	19 889	40 580	202 780	9 301	6 520	5 039	**284 109**
	31 085	40 580	202 780	9 301	6 520	5 039	**295 305**
Financial liabilities							
Liabilities to financial institutions	37 000	64 000	17 000	6 400	-	-	**124 400**
Debt securities issued to the public		26 919	53 419	49 656	16 088	-	**146 082**
Total financial liabilities	37 000	90 919	70 419	56 056	16 088	-	**270 482**

31.12.2005	1 month or less	> 1 to 3 months	> 3 to 12 months	> 1 to 2 years	> 2 to 5 years	> 5 years	Total
Financial assets							
Receivables from financial institutions	7 177	-	-	-	-	-	**7 177**
Receivables from customers	12 094	32 648	161 254	989	12 313	561	**219 859**
	19 270	32 648	161 254	989	12 313	561	**227 035**
Financial liabilities							
Liabilities to financial institutions	22 700	-	31 200	-	6 400	-	**60 300**
Debt securities issued to the public		22 079	45 140	27 617	49 685	-	**144 521**
Total financial liabilities	22 700	22 079	76 340	-	56 085	-	**204 821**

NOTE 41. Interest rate risk

OPA's credit risk indicator is based on the effect that a 1 percentage point increase in the interest rate level would have on the present value of interest rate exposure compared to the bank's own funds. At the end of the year the indicator was at 2.9%. The risk limits were +/- 8%. The bank's interest rate risk can be considered reasonable.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki, 9 February 2007

Erkki Böös	Sakari Haapakoski
Mikko Hyttinen	Heikki Kananen
Pekka Korhonen	Risto Korpela
Seppo Rytivaara	Reima Rytsölä

Lauri Karvonen
Managing Director

AUDITORS' NOTE

The financial statements have been prepared in accordance with generally accepted accounting practices. We have today issued an auditors' report on the performed audit.

Helsinki, 20 February 2007

KPMG Oy Ab
Authorised Public Accountants

Raimo Saarikivi
Authorised Public Accountant

AUDITORS' REPORT

To the shareholders of OP Mortgage Bank

We have audited the accounting records, the report of the Executive Board, the financial statements and the administration of OP Mortgage Bank for the financial year 1 January – 31 December 2006. The Executive Board and Managing Director have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, containing the balance sheet, income statement, cash flow statement, statement on changes in equity and notes to the financial statements, as well as the report of the Executive Board, prepared in accordance with prevailing regulations in Finland. Based on our audit, we express an opinion on the report of the Executive Board, the financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Executive Board and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Executive Board, and the Managing Director have complied with the rules of the Companies Act and the Finnish Act on Credit Institutions.

In our opinion, the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the results of operations as well as of the financial position.

In our opinion, the report of the Executive Board have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Executive Board gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The financial statements can be adopted and the members of the Executive Board and the Managing Director can be discharged from liability for the period audited by us. The proposal by the Executive Board regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki 20 February, 2007

KPMG OY AB

Raimo Saarikivi
Authorized Public Accountant