

Review of interim results

January-March 1998

MeritaNordbanken

A new bank emerges...

- The overall result of banking operations developed favourably
- The merger is well under way; estimates of synergy benefits remain unchanged
- Operating profit amounted to FIM 3.1 billion / SEK 4.6 billion. Excluding two one-off items it was FIM 1.7 billion / SEK 2.4 billion
- Return on equity was 32 per cent; excluding the one-off items it was 18 per cent
- Earnings per share were FIM 1.13 in Merita Plc, SEK 1.60 in Nordbanken Holding
- The Group sold its equity holding in the Sampo Insurance Company, posting a gain of FIM 1.1 billion / SEK 1.7 billion
- The ownership restructuring of Nordisk Renting boosted earnings by FIM 0.3 billion / SEK 0.5 billion
- Falling interest rates contributed to gains from the bond portfolio
- Growth in expenses was 3 per cent
- Vigorous progress was made in mutual funds, insurance products and housing loans
- Cross-marketing of services continued at a rapid pace.

This report presents the operating results and financial position of the MeritaNordbanken Group on a Pro Forma basis for the first quarter of 1998, with comparative data for 1997. The MeritaNordbanken Group refers to MeritaNordbanken Plc, its subsidiaries and the two publicly listed holding companies Merita Plc and Nordbanken Holding AB (publ). The Pro Forma report has been prepared in all material respects in accordance with the accounting principles adopted for future reporting.

The accounting currency is the Finnish markka (FIM). The present reporting currencies are the Finnish markka and the Swedish krona (SEK); percentage changes and ratios are based on FIM amounts. The Group plans to adopt the euro as its reporting currency as soon as practicable.

Interim Report

January-March 1998

Merger between Merita and Nordbanken

On October 13, 1997 Merita and Nordbanken announced a merger plan to create MeritaNordbanken, a leading financial services group in Northeastern Europe. After approval by shareholders and the regulatory authorities, the implementation of the merger has proceeded rapidly. As of January 1, 1998, MeritaNordbanken has already been functioning as a single unit vis-à-vis shareholders, customers and employees. The legal formalities for the consummation of the merger were completed on April 18, 1998.

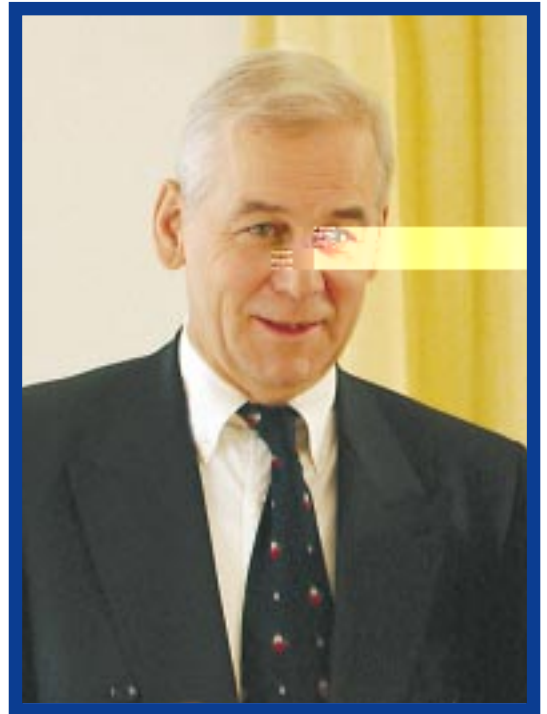
As mutually agreed, the MeritaNordbanken Group is managed as a single entity. Merita shareholders are entitled to 40 per cent of the Group's equity capital at December 31, 1997, after dividend, and to 40 per cent of the capital and earnings generated by the Group after that date. Correspondingly, the shareholders of Nordbanken Holding are entitled to 60 per cent of the Group's capital and earnings (See also page 12).

In the autumn of 1997, the annual cost and revenue synergies to be achieved from the merger of Merita and Nordbanken, now well under way, were estimated at almost FIM 700 million / SEK 1,000 million, to be realised within three years. Non-recurring restructuring expenses were estimated at FIM 590 million / SEK 850 million, focusing principally on 1998. Management's estimate of the synergy benefits and restructuring expenses remains unchanged.

Restructuring expenses incurred in the first quarter of 1998 accounted for FIM 95 million / SEK 140 million of operating expenses.

Operating results and profitability

MeritaNordbanken's operating profit for the first quarter of 1998 was FIM 3,133 million / SEK 4,555 million, an increase of 67 per cent compared with the first quarter of 1997.



Hans Dalborg, President and Chief Executive

Principal factors behind this substantial improvement in earnings were a major capital gain on the disposal of the Group's equity holding in the Sampo Insurance Company, a contribution from Nordisk Renting and the strong performance of the bond portfolio.

The return on equity was 32.2 per cent. Adjusted for non-recurring items, it was 17.8 per cent.

Earnings per share were FIM 1.13 in Merita Plc and / SEK 1.60 in Nordbanken Holding AB. Excluding one-off items, the corresponding figures were FIM 0.61 and SEK 0.87.

Income

Net interest income unchanged

First-quarter net interest income was FIM 2,685 million / SEK 3,903 million, broadly unchanged from the first quarter of 1997. In Sweden net interest income decreased despite an increase in lending. In Finland lending failed to gain momentum, while net interest income rose somewhat thanks to disposals of low-yielding assets and a contraction in the volume of problem loans.

Increase in net commission income

Net commission income rose by 12 per cent to FIM 1,035 million / SEK 1,504 million. It represented 28 per cent of total net interest and commission income (26 per cent for the same period in 1997). In Sweden, net commission income sustained a brisk upward trend, showing an overall increase of 23 per cent, with a strong contribution notably from mutual funds and payment transmission services. In Finland, net commission income was up 2 per cent. The Group's gross revenue from mutual funds and portfolio management totalled FIM 237 million / SEK 345 million. Corresponding expenditure included not only asset management expenses but also expense items arising from advisory services, sales and customer contacts.

Net result from financial operations

At the end of 1997, the MeritaNordbanken Group owned 15.3 per cent of the Sampo Insurance Company. The divestment of this holding in the first quarter of 1998 produced a capital gain of over FIM 1.1 billion / SEK 1.7 billion.

Realised and unrealised gains on the bond portfolios, totalling FIM 186 million / SEK 270 million, are attributable to the decline in interest rates on the Swedish market.

Income from foreign exchange dealing, FIM 73 million / SEK 106 million, was higher than for the same period in 1997.

Other operating income

Following an ownership restructuring during the period under review, Nordisk Renting, the largest property leasing company in Sweden, is now owned by MeritaNordbanken (40 per cent), Atle (35 per cent) and the Swedish National Pension Insurance Fund, Sixth Fund Board (25 per cent). A non-recurring dividend paid by the company in this connection contributed FIM 322 million / SEK 468 million to first-quarter earnings.

Expenses largely unchanged*Personnel expenses*

Personnel expenses were up 6 per cent at FIM 1,192 million / SEK 1,733 million. FIM 60 million / SEK 90 million of this consisted of non-recurring merger-related restructuring expenses. Excluding these, the rise in personnel expenses was less than 1 per cent.

Other expenses

Other expenses, including one-off restructuring expenses of FIM 35 million / SEK 50 million, increased by 1 per cent to FIM 1,522 million / SEK 2,212 million.

Loan losses

Net loan losses fell to FIM 231 million / SEK 335 million (FIM 348 million / SEK 520 million for the same period in 1997). This represented 0.3 per cent of total lending (0.4 per cent). Recoveries of losses booked in earlier years totalled FIM 448 million / SEK 651 million, including FIM 116 million / SEK 169 million recovered in connection with the disposal of the Group's equity holding in Huurre Group Ltd.

The provision of FIM 500 million / SEK 725 million charged in the last quarter of 1997 for potential losses arising from lending to the four countries hardest hit by the economic crisis in Asia is deemed to have remained sufficient. At the end of March, MeritaNordbanken's Asian exposure was FIM 9.5 billion / SEK 13.5 billion, of which almost 90 per cent consisted of receivables from banks.

Income/cost ratio

The Group's income/cost ratio before loan losses was 2.2 (1.8) and after loan losses 2.1 (1.6). Excluding the aforementioned one-off items, the corresponding figures were 1.7 and 1.6.

Growth in lending*Lending*

The Group's lending to the public at the end of the first quarter totalled FIM 350 billion /

SEK 497 billion, showing a 12-month volume gain of 8 per cent.

Problem loans

Net problem loans at the end of March were down at FIM 8.2 billion / SEK 11.6 billion. This amount included FIM 0.2 billion / SEK 0.3 billion of loans carried at interest rates lower than market level.

Interest-bearing securities

At the end of the period, interest-bearing securities classified as financial current assets totalled FIM 57 billion / SEK 81 billion. These are carried at market value. Securities held as financial fixed assets, carried at cost, totalled FIM 29 billion / SEK 42 billion. Unrealised appreciation in the portfolio was FIM 0.6 billion / SEK 0.9 billion.

Shares and participations

As at March 31, 1998, the market value of the Group's equity trading portfolios was FIM 1.2 billion / SEK 1.6 billion. Holdings of other equities, classified as financial current assets, are valued at the lower of cost or market. These amounted to FIM 2.1 billion / SEK 3.0 billion. Respective unrealised gains totalled FIM 1.8 billion / SEK 2.6 billion.

Other unrealised gains

Unrealised gains on the investment portfolios of the Group's pension foundations and pension fund at the end of March totalled FIM 2.4 billion / SEK 3.4 billion.

Real estate

The book value of real estate holdings at the end of the first quarter was FIM 22 billion / SEK 31 billion. Preparations are being made for a gradual disposal of most of the real estate portfolio. The timetable of the disposal programme will depend on developments in the Finnish real estate market and the Group's capital base.

Deposits

Deposits from the public at the end of the

first quarter stood at FIM 234 billion / SEK 332 billion, a 12-month gain of 1 per cent.

Equity capital

MeritaNordbanken's equity capital as at March 31, 1998, after deduction of the dividend declared, was FIM 28.3 billion / SEK 40.3 billion.

The remaining part of the Government of Finland's capital investment, FIM 1.7 billion / SEK 2.5 billion, was repaid in full in February.

Excluding the profit for the period, the Tier 1 ratio at the end of March was 7.2 per cent and the total capital ratio 11.3 per cent.

Markets

MeritaNordbanken's home markets, Finland and Sweden, continued to develop favourably, with Finland sustaining a brisk rate of GDP growth and the Swedish economy also promising to gain momentum. Interest rates continued to come down. The employment situation in both countries began to show signs of improvement.

MeritaNordbanken has a customer franchise of approximately 6.5 million private individuals and more than 400,000 companies, institutions and public-sector organisations. Combined household savings with the MeritaNordbanken Group, comprising bank deposits, investments in mutual funds and insurance products and holdings of retail bonds and share-index-linked bonds, at the end of March amounted to close on FIM 250 billion / SEK 350 billion.

The Group's market shares of deposits from and lending to the public remained broadly unchanged during the first quarter. The market share of total deposits from households in Finland was 38 per cent and in Sweden 22 per cent. As for lending to households, the Group accounted for 36 per cent of the total volume in Finland and 14 per cent in Sweden. The corresponding share of

deposits from companies was 50 per cent in Finland and 18 per cent in Sweden and that of lending to companies 51 per cent and 16 per cent, respectively.

Customers in Sweden and Finland have already derived the first tangible benefits from the merger of Merita and Nordbanken. Cross-marketing of services started immediately, and as of January the two banks have offered customers free Visa-card withdrawals from cash dispensers in both countries.

In February the Swedish long-term housing-loan concept was launched in Finland, and in March the Group introduced a service enhancement which significantly accelerated transmission of corporate payments between the two countries and enabled a more favourable value-date practice. New competitive products and services continue to be introduced to the benefit of customers. For example, Finnish unit-linked insurance products will become available through the distribution network in Sweden at the end of May.

The mutual fund market continued to grow significantly during the first quarter. Assets under management with MeritaNordbanken increased by 17 per cent to FIM 111 billion / SEK 158 billion. Portfolio management accounted for FIM 37 billion / SEK 52 billion of this. The Group's market share of mutual funds in Finland was 27.2 per cent and in Sweden 18.4 per cent.

Net savings in MeritaNordbanken's mutual funds in Sweden during the first three months of the year amounted to SEK 2.6 billion. In Finland, mutual funds saw a continued steep rise in popularity, attracting a net inflow of new savings of FIM 1.3 billion. The aggregate asset value of MeritaNordbanken's mutual funds in Finland rose by 28 per cent, with net savings ac-

counting for approximately two thirds of this rise.

MeritaNordbanken continues to strengthen its presence on the Baltic markets. For this purpose it is acquiring a controlling interest in Investment Bank of Latvia. In the first quarter, the Group increased its ownership stake in the finance company Estonian Industrial Leasing Ltd, Tallinn, to 80 per cent. This company, which thus became a subsidiary of the MeritaNordbanken Group, has operations not only in Estonia but also in Latvia.

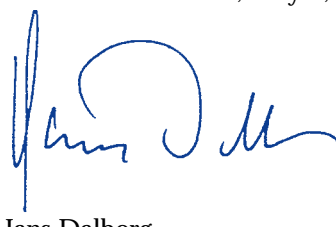
Annual General Meetings

The Annual General Meeting of Merita Plc held on April 20, 1998 declared a dividend of FIM 1.00 per A-share (FIM 0.90 per B-share) for 1997. The Annual General Meeting of Nordbanken Holding AB on April 23, 1998 declared a dividend of SEK 1.50 per share for 1997.

Share price development

During January-March, the price of the Merita A-share rose by 13.4 per cent to FIM 33.80 and (the B-share by 8.7 per cent to FIM 31.20), while the share price of Nordbanken Holding advanced by 18.3 per cent to SEK 53.00. The combined market capitalisation of the MeritaNordbanken Group at the end of the period was thus FIM 76 billion / SEK 107 billion.

Helsinki / Stockholm, May 5, 1998



Hans Dalborg
President and Group Chief Executive Officer

This interim report has not been subject to summary review by the auditors.

Income statement, pro forma

	FIM million Jan - Mar		Change %	SEK million Jan - Mar	
	1998	1997		1998	1997
Net interest income, note 1	2,685	2,681	0	3,903	4,005
Net commission income, note 2	1,035	925	12	1,504	1,382
Net result from financial operations, note 3	1,543	752	105	2,243	1,123
Other income, note 4	782	461	70	1,137	689
Total operating income	6,045	4,819	25	8,787	7,199
Personnel expenses	-1,192	-1,122	6	-1,733	-1,676
Other expenses, note 5	-1,522	-1,503	1	-2,212	-2,245
Total expenses	-2,714	-2,625	3	-3,945	-3,921
Profit before loan losses	3,331	2,194	52	4,842	3,278
Loan losses, net	-231	-348	-34	-335	-520
Profit from companies accounted for under equity method	33	29	14	48	44
Operating profit	3,133	1,875	67	4,555	2,802
Taxes	-783	-341	130	-1,139	-510
Minority interest	-8	-9	-11	-12	-13
Net profit for the period	2,342	1,525	54	3,404	2,279

Note 1: Net interest income

	FIM million Jan - Mar		Change %	SEK million Jan - Mar	
	1998	1997		1998	1997
Interest income	7,367	7,031	5	10,709	10,505
Interest expenses	-4,682	-4,350	8	-6,806	-6,500
Net interest income	2,685	2,681	0	3,903	4,005

Note 2: Net commission income

	FIM million Jan - Mar		Change %	SEK million Jan - Mar	
	1998	1997		1998	1997
Securities operations	334	289	16	486	432
Payment transactions	260	232	12	377	347
Lending	297	296	0	431	442
Deposits	42	40	5	61	59
Other commission income	191	177	8	279	266
Total commission income	1,124	1,034	9	1,634	1,546
Commission expenses	-89	-109	-18	-130	-164
Net commission income	1,035	925	12	1,504	1,382

Note 3: Net result from financial operations

	FIM million Jan - Mar		Change %	SEK million Jan - Mar	
	1998	1997		1998	1997
Equity-related					
Capital gains/losses, trading	52	259	-80	76	386
Other realized gains/losses	1,208	637	90	1,756	952
Unrealized gains/losses	24	69	-65	35	104
	1,284	965	33	1,867	1,442
Interest-related items					
Debt redemption	-	-8	-	-	-12
Other realized gains/losses	65	226	-71	94	338
Unrealized gains/losses	121	-452	-	176	-676
	186	-234	-	270	-350
Foreign exchange rate changes	73	21	248	106	31
Total	1,543	752	105	2,243	1,123

Note 4: Other operating income

	FIM million Jan - Mar		Change %	SEK million Jan - Mar	
	1998	1997		1998	1997
Dividends	337	10	3,270	490	15
Real estate income	271	293	-8	395	437
Sale of real estate	9	7	29	13	11
Other	165	151	9	239	226
Total	782	461	70	1,137	689

Note 5: Other expenses

	FIM million Jan - Mar		Change %	SEK million Jan - Mar	
	1998	1997		1998	1997
Administrative expenses	700	579	21	1,018	864
Depreciation	251	243	3	364	364
Write-downs on real estate	-	110	-	164	
Real estate expenses	142	161	-12	206	240
Other	429	410	5	624	613
Total	1,522	1,503	1	2,212	2,245

Balance Sheet, pro forma

	FIM million		SEK million	
	Mar 31 1998	Dec 31 1997	Mar 31 1998	Dec 31 1997
Loans to financial institutions and central banks	66,004	79,662	93,796	116,075
Loans to the public	349,557	339,867	496,742	495,217
Interest-bearing securities				
Current assets	56,924	61,378	80,892	89,433
Financial fixed assets	29,497	29,403	41,917	42,843
Shares and participations	3,692	4,530	5,246	6,600
Shares and participations in subsidiaries* and associated companies	3,771	3,521	5,359	5,130
Real estate holdings	22,043	22,560	31,324	32,871
Other assets	44,837	41,963	63,717	61,145
Total assets	576,325	582,884	818,993	849,314
Due to financial institutions and central banks	84,946	106,864	120,713	155,711
Deposits from the public	232,763	233,309	330,770	339,952
Borrowing from the public	9,714	15,649	13,805	22,802
Debt instruments outstanding	146,952	133,294	208,827	194,221
Other liabilities	50,777	41,795	72,158	60,898
Subordinated debt	22,484	23,694	31,952	34,524
Minority interest	424	420	602	612
Equity capital	28,265	27,859	40,166	40,594
Total liabilities and shareholders' equity	576,325	582,884	818,993	849,314
Off-balance sheet commitments	60,010	58,528	85,278	85,281
- of which on behalf of associated companies	511	66	726	96
Derivative contracts				
Nominal value	3,204,228	3,353,229	4,553,400	4,885,953
Risk-weighted value	32,240	34,492	45,815	50,258
Capital adequacy				
Capital base	41,990	40,693	59,671	59,294
Risk-weighted amount	371,991	361,720	528,622	527,058
Total capital ratio, %	11.3	11.3	11.3	11.3
Tier 1 ratio, %	7.2	7.4	7.2	7.4

* Subsidiaries accounted for under equity method in accordance with the Finnish Financial Supervision Authority's regulations.

Exchange rates used

	1998 Jan-Mar	1997 Jan-Mar	1997 Jan-Dec
FIM 1/SEK 1			
Income statement (average)	0.6879	0.6694	0.6782
Balance sheet (at the end of period)	0.7037	0.6573	0.6863

Key ratios

Pro forma	1998 Jan-Mar	1997 Jan-Mar	1997 Jan-Dec			
Return on equity, %	32.2	26.0	18.9 ¹			
Income/cost ratio (banking)						
- before credit losses	2.2	1.8	1.7			
- after credit losses	2.1	1.6	1.5			
Credit losses/ lending at the beginning of the year, %	0.3	0.4	0.4			
1) Including refund of the surplus in the Pension Fund , 24,8%.						
Per share data ¹⁾	FIM			SEK		
	1998 Jan-Mar	1997 Jan-Mar	1997 Jan-Dec	1998 Jan-Mar	1997 Jan-Mar	1997 Jan-Dec
Earnings/share (EPS)						
- Merita Plc	1.13	0.73	2.31	1.64	1.09	3.41
- Nordbanken Holding AB	1.10	0.72	2.26	1.60	1.08	3.33
Equity/share ²⁾						
- Merita Plc	13.59	10.85	13.42	19.31	16.51	19.55
- Nordbanken Holding AB	13.30	10.57	13.11	18.90	16.08	19.10
Share price ²⁾						
- Merita Plc	33.80	17.00	29.80	48.03	25.86	43.42
- Nordbanken Holding AB	37.30	24.41	30.75	53.00	37.14	44.80
	Mar 31 1998	Dec 31 1997	Mar 31 1997			
1) Number of shares, million						
- Merita Plc	831.9	830.5	830.5			
- Nordbanken Holding AB	1,275.3	1,275.3	1,279.2*			
*) Number of outstanding Nordbanken AB shares multiplied by 7.						
2) At the end of period						

Quarterly income statement, pro forma

FIM million	Q 1 1998	Q 4 1997	Q 3 1997	Q 2 1997	Q 1 1997
Net interest income	2,685	2,798	2,821	2,702	2,681
Net commission income	1,035	1,114	1,010	1,043	925
Net result from financial operations	1,543	330	376	457	752
Other income	782	348	545	516	461
Total operating income	6,045	4,590	4,752	4,718	4,819
Personnel expenses	-1,192	-1,163	-1,166	-1,143	-1,122
Other expenses	-1,522	-2,198	-1,351	-1,627	-1,503
Total expenses	-2,714	-3,361	-2,517	-2,770	-2,625
Profit before loan losses	3,331	1,229	2,235	1,948	2,194
Loan losses, net	-231	-917	-76	-106	-348
Profit from companies accounted for under equity method	33	10	36	21	29
Operating profit	3,133	322	2,195	1,863	1,875
Refund from pension foundation/funds	-	1,447	98	-	-
Taxes	-783	-322	-417	-339	-341
Minority interest	-8	-9	-6	-12	-9
Net profit for the period	2,342	1,438	1,870	1,512	1,525

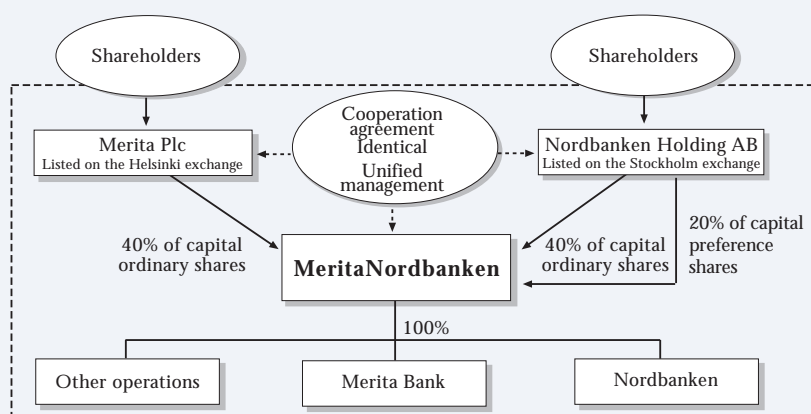
SEK million	Q 1 1998	Q 4 1997	Q 3 1997	Q 2 1997	Q 1 1997
Net interest income	3,903	4,071	4,097	4,050	4,005
Net commission income	1,504	1,623	1,467	1,562	1,382
Net result from financial operations	2,243	477	537	686	1,123
Other income	1,137	503	793	773	689
Total operating income	8,787	6,674	6,894	7,071	7,199
Personnel expenses	-1,733	-1,692	-1,693	-1,714	-1,676
Other expenses	-2,212	-3,212	-1,953	-2,437	-2,245
Total expenses	-3,945	-4,904	-3,646	-4,151	-3,921
Profit before loan losses	4,842	1,770	3,248	2,920	3,278
Loan losses, net	-335	-1,349	-106	-159	-520
Profit from companies accounted for under equity method	48	14	53	30	44
Operating profit	4,555	435	3,195	2,791	2,802
Refund from pension foundation/funds	-	2,134	145	-	-
Taxes	-1,139	-467	-607	-508	-510
Minority interest	-12	-15	-9	-18	-13
Net profit for the period	3,404	2,087	2,724	2,265	2,279

Problem loans and property taken over for protection of claims

Pro forma	Mar 31, 1998	
	FIM million	SEK million
Doubtful receivables, gross	22,383	31,808
Loan loss provision	-14,431	-20,507
Doubtful receivables, net	7,952	11,301
Low-yielding receivables	234	333
Problem loans, total ¹⁾	8,186	11,634
Loan loss provision/doubtful receivables, gross		64.4 %
Doubtful receivables/lending		2.3 %
Property taken over for protection of claims	730	1,037
of which		
real estate	515	732
shares and convertibles	194	276
other assets	21	29

¹⁾ The classification between low-yielding and non performing loans has been changed from previous practice. However, the change has not effect on risk evaluation.

MeritaNordbanken Group



Merita Plc (Finland) and Nordbanken Holding AB (publ) (Sweden) are the two sole owners of Merita Nordbanken Abp, the Helsinki-based parent company of the MeritaNordbanken Group. The two holding companies are both transparent units to invest in the MeritaNordbanken Group.

The MeritaNordbanken Group is managed as a single entity. Shareholders of Merita Plc are entitled to 40% of the Group's Capital as per December 31, 1997 after distribution of dividend and to 40 % of the capital and profit accrued after that date. Shareholders of Nordbanken Holding AB are correspondingly entitled to 60% of the said capital and profit.

During the first quarter, the number of Merita Plc shares increased by 1,483,438 to a total of 831,937,344 shares as a result of subscriptions under the remaining equity

warrants. The subscription period ended on March 12, 1998. Merita Plc issued convertible bonds in the amount of FIM 906.1 million in 1992. Upon conversion the total number of shares may increase by 27,182,400 shares to a total of 859,119,744 shares. Conversion rights were exercised for subscription of 4,800 shares in April. The number of shares in Nordbanken Holding is 1,275,267,441.

Merita Plc's share (40%) of the profit for the period amounted to FIM 937 million (SEK 1,362 million) corresponding to FIM 1.13 per share (SEK 1.64). Equity per share was FIM 13.59 (SEK 19.31).

Nordbanken Holding AB's share (60%) of the profit for the period amounted to SEK 2,042 million (FIM 1,405 million) corresponding to SEK 1.60 per share (FIM 1.10). Equity per share was SEK 18,90 (FIM 13.30).

Merita Plc – Interim Report for January-March 1998

This review has been prepared after discussions with the Finnish Financial Supervision Authority. Together with the review of interim results published by the MeritaNordbanken Group, it constitutes the interim report of Merita Plc.

As of January 1, 1998, Merita Plc and Nordbanken Holding AB (publ) with their respective subsidiaries have constituted a single operational entity. Since the beginning of April their business has been carried on by the MeritaNordbanken Plc Group, with Merita Plc and Nordbanken Holding AB (publ) functioning as holding companies of MeritaNordbanken Plc. The MeritaNordbanken Group consists of MeritaNordbanken Plc, its subsidiaries and the two holding companies.

On March 31, 1998 Merita Plc transferred all its business operations to MeritaNordbanken Plc as a contribution in kind against shares in MeritaNordbanken. At the same time Merita Plc ceased to function as the parent company of the Merita Group. On April 1, 1998, Nordbanken Holding AB (publ) similarly transferred the shares of Nordbanken AB held by it to MeritaNordbanken Plc as a contribution in kind against shares in MeritaNordbanken. The MeritaNordbanken Group was created as a result of these transfers.

The corresponding increases in the share capital of MeritaNordbanken Plc were registered on April 18, 1998, whereby the creation of the new Group became legally binding.

Pursuant to the Cooperation Agreement approved by the shareholders of Merita Plc on November 26, 1997, Merita Plc, Nordbanken Holding AB (publ) and the MeritaNordbanken Group shall be administered as one single entity. For this purpose, it shall be sought that the members of the Boards of Directors of both Merita Plc and Nordbanken Holding AB (publ) shall be the same individuals, and shall also be appointed to serve as members of the Board of Directors of MeritaNordbanken Plc.

On April 20, 1998 the General Meeting of Merita Plc elected the following persons as members of its Board of Directors: Mr. Dan Andersson, Mr. Rune Brandinger, Mr.

Hans Dalborg, Mr. Casimir Ehrnrooth, Mr. Mikko Kivimäki, Mr. Bernt Magnusson, Mr. Juha Niemelä, Mr. Jacob Palmstierna, Mr. Timo Peltola and Mr. Vesa Vainio. The same persons were elected members of the Board of Directors of Nordbanken Holding AB (publ) at the General Meeting on April 23, 1998. They also constitute the Board of Directors of MeritaNordbanken Plc.

Pursuant to the Agreement, administration as one single entity implies, inter alia, that any differences in the holding companies' capital structure as well as assets and liabilities, including liquid funds, shall not economically affect the respective shareholder communities. In order to achieve this aim, Merita Plc and Nordbanken Holding AB have undertaken to see to it that adequate funds, when necessary, are transferred from the Merita-Nordbanken Group to the holding companies.

The shareholders of Merita Plc are entitled to 40 per cent of the Group's equity capital at December 31, 1997, after dividend distributed for 1997, and to 40 per cent of the capital and earnings generated by the Group after that date.

The income statement and balance sheet of Merita Plc as presented in this interim report have been drawn up with effect from January 1, 1998 with regard to the economic rights and obligations provided for in the Cooperation Agreement, although in legal terms the MeritaNordbanken Group was not created until April 1, 1998.

The interim report of Merita Plc for January-March 1998 presents the disposal of the equity holding in the Sampo Insurance Company, in respect of which a capital gain of FIM 785 million was reported as income. The result of Merita Plc includes the share of the consolidated profit of MeritaNordbanken Plc attributable to Merita Plc under the equity method, FIM 664 million, and, pursuant to the Cooperation Agreement, an adjustment of -FIM 413 million as a separate item. Subsequently, the after-tax profit of Merita Plc corresponds to 40 per cent of the consolidated profit of the MeritaNordbanken Group.

As of April 1, 1998, following the aforementioned transfers of assets as contributions in kind, the equity capital of Merita Plc represents 40 per cent of the combined equity capital of the MeritaNordbanken Group.

Merita Plc development, associated companies included ¹

FIM million	Jan 1-Mar 1998	Pro forma	
		Jan 1-Mar 1997	Jan 1-Dec 31 1997
Interest income	17	15	67
Interest expenses	-72	-54	-209
Net interest income	-54	-39	-142
Income from shares and other variable-yield securities	0	1	68
Commission income	-	0	0
Commission expenses	-1	-1	-3
Net income from securities traded	792	64	114
Other operating income	4	7	14
Total income	740	32	51
Personnel expenses	-3	-2	-10
Refund of the surplus in the Pension Fund	-	-	631
Other administrative expenses	-51	-7	-36
Other operating expenses	-1	-2	-10
Depreciation	-0	-0	-0
Total expenses	-55	-12	575
Profit from companies accounted for under equity method ²	664	601	2,312
Operating profit	1,349	621	2,938
Profit before appropriations and taxes	1,349	621	2,938
Direct taxes ³	-	2	-61
Profit for the period before adjustment in accordance with the Cooperation Agreement ²	1,349	623	2,877
Adjustment in accordance with the Cooperation Agreement ²	-413	-13	-339
Profit for the period	937	610	2,538
Turnover	813	87	263
Number of employees ⁴			
at the end of period	4	12	12
average	12	12	11

¹ The MeritaNordbanken Group has been combined in the income statement and equity capital of Merita Plc so that the profit and equity capital of Merita Plc equal 40% of the group's profit and equity capital in accordance with the Cooperation Agreement.

² 40% of the profit of the MeritaNordbanken Group, less 25% taxes according to year estimate, has been added to the item 'Profit from companies accounted for under equity method'.

On line 'Adjustment in accordance with the Cooperation Agreement', Merita Plc's profit has been adjusted to correspond to 40% of the MeritaNordbanken Group's profit.

³ Merita Plc's taxes have been entered according to profit for the period, allowing for loss equalization. See also footnote 2.

⁴ Average of end-of-month numbers of employees.

Merita Plc development, associated companies incl. /continued

FIM million	Mar 31, 1998	Pro forma	
		Mar 31, 1997	Dec 31, 1997
Equity capital			
Merita Plc equity capital	10,753	9,852	10,852
Share of the equity capital of MeritaNordbanken			
Group less acquisition cost of shares	721	totalling	totalling
Adjustment in accordance with the Cooperation Agreement	-168	-840	292
Equity capital	11,306	9,011	11,144
Contingent liabilities	9	244	8
of which on behalf of associated companies	–	–	–
Derivative instruments	303	301	303
credit equivalent	24	15	24
Equity/share, FIM	13.59	10.85	13.42
Earnings/share (EPS), FIM ⁵	1.13	0.73	2.31
Return on equity (ROE), %	32.2	26.0	18.9

⁵ The income statement item 'Refund of the surplus in the Pension Fund' is not included in operating profit. EPS after exercise of all subscription rights carried by convertible bonds and equity warrants would be 1.09.

Merita Plc consolidated balance sheet, associated companies included

FIM million			
Assets	Mar 31, 1998	Liabilities and shareholders funds	Mar 31, 1998
Debt securities entitling to central bank finance	604	Liabilities	
Receivables from credit institutions and central banks	1,184	Other liabilities	852
Debt securities	929	Accruals and deferred incomes	4
Shares and participations	1	Statutory provisions	30
Shares in subsidiaries and associated companies	10,532	Subordinated liabilities	906
Adjustment in accordance with the Cooperation Agreement	-168	Equity capital	
Other assets	6	Share capital	8,319
Accruals and prepayments	9	Other equity capital	2,218 ^{*)}
		Adjustment in accordance with the Cooperation Agreement	-168
		Profit for the period	937
	13,098		13,098

¹ Confirmed dividend for 1997 has been deducted.

MeritaNordbanken

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