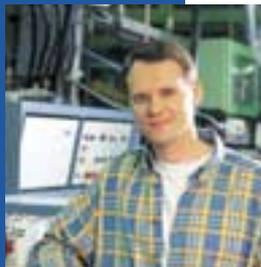




MeritaNordbanken Group



Annual Report 1999

Nordic Baltic Holding

Annual report 1999

This annual report covers Nordic Baltic Holding (NBH) AB (publ) and pertains to the operations of the MeritaNordbanken Group, which comprises the Nordic Baltic Holding Group, whose legal structure is presented on page 7. The Group consists of the parent company, Nordic Baltic Holding (NBH) AB (publ), which directly (and indirectly through Merita Plc) owns MeritaNordbanken Plc, parent company of the subgroup consisting primarily of Merita Bank Plc and Nordbanken AB (publ).

The Nordic Baltic Holding Group was established through a merger of the former ownership companies in the MeritaNordbanken Group, Merita Plc and Nordbanken AB (publ). In an exchange offering, the shareholders in Merita Plc were invited to exchange their shares for newly issued shares in Nordbanken Holding AB (publ), the name of which was changed in conjunction with the exchange offering to Nordic Baltic Holding (NBH) AB (publ). The name is an interim designation, and the company plans to register a permanent name during year 2000.

Concepts and definitions

The terms MeritaNordbanken Group, MeritaNordbanken and "the Bank" are used jointly to designate the operations conducted by the Nordic Baltic Holding Group. The term MeritaNordbanken is also used to designate the Nordic Baltic Holding Group per se and its business concept. The significance in individual cases is shown by the context. Nordic Baltic Holding

(NBH) AB (publ) is also referred to as Nordic Baltic Holding, NBH and "the Group". Merita Plc is also referred to as Merita, and Nordbanken Holding AB (publ) as Nordbanken Holding AB, or Nordbanken Holding.

This is a translation of the original Swedish annual report. Printed versions of the report are also available in Swedish and Finnish.

Most of the illustrations were taken from the Group's marketing and advertising materials and present typical, though not actual, situations.

All reports and press releases are available on the Internet at: www.meritanordbanken.com. The annual reports of Merita Bank and Nordbanken can also be ordered online. The annual report and other financial reports published by the Nordic Baltic Holding Group may be ordered

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Annual General Meeting

Nordic Baltic Holding (NBH) AB (publ)

The Annual General Meeting of Nordic Baltic Holding (NBH) AB (publ) will be held on Tuesday, April 11, 2000 at 2:00 p.m. Swedish time in the Annex, Globen, Stockholm, with the possibility to participate in Helsinki at 3:00 p.m. Finnish time via video simulcast at the Helsinki Fair Centre, Rautatieläisenkatu 3, Helsinki. (See also page 99.)

Financial reports, 2000

MeritaNordbanken Group will publish the following reports during 2000:

January-March	April 28
January-June	August 23
January-September	October 24

Reporting currencies

In this annual report, the MeritaNordbanken Group presents income statements and other financial data quoted in euro. Certain data are also given in Swedish kronor.

The year in brief

Favorable profit trend, increased dividend proposed

- Operating profit amounted to EUR 1,386 M (SEK 12.2 bn).
- Operating profit, excluding items affecting comparability, rose 10% to EUR 1,272 M (SEK 11.2 bn).
- Return on equity was 20.9% (20.6% excluding items affecting comparability).
- Earnings per share amounted to EUR 0.53 (SEK 4.64).
- Dividend of SEK 1.75 per share proposed.

Further steps towards a leading Nordic financial group

- New structure completed.
- Cash offer of NOK 24.3 bn to shareholders of Christiania Bank og Kreditkasse.
- Acquisitions and continued expansion in the Baltic countries and Poland.
- Streamlining of operations continues/Aleksia real estate company divested.
- Acquisition of Maizels, Westberg & Co and merger.

Positive effects of the merger reinforced

- MeritaNordbanken is one of the world leaders in Internet banking; the number of Internet customers exceeds one million.
- Internet expansion is expected to provide possibilities for annual earnings growth of some EUR 250-300 M within three years.
- Sharp growth for mutual funds, life insurance and mortgage loans.
- Cross-border products and services launched continuously.
- Net commissions rose 14% to EUR 822 M, corresponding to 46% of net interest items.
- Costs declined to EUR 1,714 M.
- Historically low loan losses.

This is MeritaNordbanken

MeritaNordbanken is one of the leading banking groups in the Nordic and Baltic Sea region. MeritaNordbanken creates value for shareholders, customers and employees as the result of its clearly focused business strategy.

The Group develops and markets a broad range of financial products and services. The customer base comprises more than 6.5 million private individuals and 400,000 companies, institutions and public authorities. The Group's home market comprises Sweden, Finland and the other Nordic countries, Estonia, Latvia, Lithuania and Poland.

MeritaNordbanken has a full-coverage distribution network in Sweden and Finland, offering a high

degree of accessibility via almost 700 branches and efficient Internet and telephone banking services. More than one million customers utilize the Group's electronic services.

The brands and products have been coordinated into a brand family that includes Merita, Nordbanken, Solo, Livia and Postbanken, in addition to international operations in the MeritaNordbanken Group. All these brands have a specific identity for each market, although they share a common Group designation – MeritaNordbanken.

In order to provide a high level of customer service at competitive prices, MeritaNordbanken is organized in five major operating units,

with decentralized customer, loan and profit responsibilities. The Group is represented in 23 countries, has approximately 19,000 employees, of whom some 18,000 are engaged in actual banking operations.

Nordic Baltic Holding (NBH) AB (publ), MeritaNordbanken's holding company, is listed on the Stockholm and Helsinki stock exchanges.

Billion	Euro	SEK
Total assets	104.0	890.3
Lending	68.2	584.1
Deposits	42.1	360.3
Shareholders' equity	5.5	47.3
Operating profit	1.4	12.2

Nordic region's most profitable financial group

MeritaNordbanken

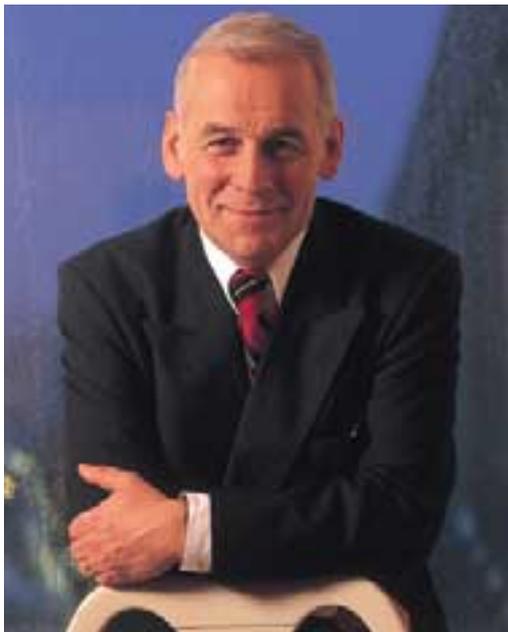
creating values in a new reality

MeritaNordbanken was established a little more than two years ago in response to an emerging new reality. As borders between countries, currencies and industries disappear in today's IT and skills-oriented society, it is now possible for a bank to offer individual financial solutions whenever and wherever, regardless of national borders. Commercial trade within the Nordic and Baltic Sea region is expanding, and growth in the area is dynamic.

The 1999 Annual Report shows that our departure from the traditions of a national bank was necessary and correct. MeritaNordbanken is a leader in electronic banking products and the Group is intensifying its relations with millions of customers. The Bank is also taking part in the structural development of its new domestic market region and remains the Nordic region's most profitable financial group.

During 1999, we focused successfully on:

- **Growth** through the bid for Christiania Bank og Kreditkasse, continued penetration in the Baltic States and Poland and increased market shares for funds and mortgage loans.
- **Conditions for continued growth** through simplification of our legal structure.
- **Broadening of network banking operations** – more than one million customers now use our Internet services.
- **Cost control** – comparably, costs were reduced by 1%.



Hans Dalborg

Growth and rising interest rates

MeritaNordbanken's domestic markets in Finland and Sweden were characterized by a high level of activity and growth during 1999, and inflation amounted to less than

2%. The stock markets in both Helsinki and Stockholm showed strong growth. Interest rates rose, however, with average long-term interest rates increasing 1.4% in Sweden and 0.9% in Finland.

Accordingly, conditions for the Bank's operations varied. Economic

growth generated volume and contributed to low loan losses, while rising interest rates created problems in the bond portfolio.

Net interest income was virtually unchanged at EUR 1,798 M, while net commission income improved to EUR 822 M. The net

result of financial operations, excluding items affecting comparability was negative. Loan losses were extremely low. Despite substantial investments, costs remained largely unchanged.

Profit goals achieved – increased dividend

Operating profit rose to EUR 1,386 M in 1999, an increase of EUR 16 M compared with 1998. Return on equity exceeded 20% again in 1999.

The Board of Directors has proposed an increase in the dividend to shareholders in Nordic Baltic Holding to SEK 1.75 per share. The proposal amounts to total dividends of EUR 427 M, corresponding to 44% of profit for the year after taxes.

The Group's profit is one of the highest operating profits reported by all Nordic companies. Only a few companies reported higher earnings in 1999. Profitability is "top of the class" among comparable banks in the Nordic region. Profit, profitability and dividend, consequently, are in line with the ambitious goals established by the Board of Directors during the year.



Favorable development in all business areas

Retail operations, which serve private customers, small and midsize companies as well as institutions, account for three-quarters of MeritaNordbanken's volume. Operations yielded highly favorable earnings again in 1999, and return on equity was 26%.

Operations were also expanded in 1999. The introduction of Solo in Sweden and passing the one million Internet customer milestone were the dominant features of broader bank operations. In tough competition, the Bank also entered a cooperation agreement with i.a. the Swedish government and the Church of Sweden. Coordinated key account responsibility was also established for corporate customers with operations in both Finland and Sweden. Furthermore, the introduction in Finland of several Swedish customer concepts was highly successful.

Challenges in the future include continued focus on the Group's substantial investments in electronic services and efforts to strengthen the Bank's advisory service capacity. Preparations are

also being made for the takeover of services for Postbanken's customers when Sweden Post terminates its financial-service operations in the year 2001.

Customer satisfaction will be increased in all areas, including alleviating the problem of long lines in Finnish branch offices.

Corporate Division reported favorable earnings in 1999, and return on equity rose to 14%. MeritaNordbanken defended its dominant position in the Finnish market and strengthened its position in Sweden. The establishment of MNB Maizels Investment Banking reflects the strategic importance of investment banking to overall Group operations. International operations also reported improved earnings, compared with 1998.

Markets reported somewhat weaker profits. Trading volumes were down slightly more than 25% as a result of the introduction of EMU and the termination of trading in Finnish markka as an independent currency. Efforts were also made to improve and develop strategically motivated skills and capacity within Nordbanken Equity Trading in Sweden, among other units.

Asset Management/Life Insurance, a priority area of Group operations, reported highly favorable volume growth that generated increased market shares. Profit from asset management operations rose sharply, 51%, to EUR 166 M. Increased costs reflect determined efforts to create stronger growth.

Real estate is not included in the Group's core operations. Property divestments continued in 1999 and, in January 2000, a decision was made to sell Aleksia, the Group's large real estate company. Due to current market conditions, particularly for securities in property management companies and foreign properties, provisions and write-downs totaling EUR 145 M were made in the 1999 financial accounts.

Weak price trends for Nordic bank securities

During the years 1996-1998, shares in Merita and Nordbanken were among the best performing shares in their respective stock markets. During 1999, however, market trends for Nordic bank securities were weak. The price of Nordbanken Holding shares was down 3.8%, and Merita shares rose 8.0%.

The stronger performance of Merita's shares, in relation to shares in Nordbanken Holding, was a result of the decision to form Nordic Baltic Holding AB through the merger of Nordbanken Holding AB and Merita Plc.

Increased liquidity in the shares and intensive efforts to achieve growth in the Group are intended to strengthen future trends in the share price.

More satisfied customers

Investments in customer concepts, product development and Internet services in 1999 generated higher business volumes from the Bank's core customers. Core customers are

the Bank's most satisfied customers, especially those who frequently use our Internet services.

MeritaNordbanken improved its customer satisfaction ratings in 1999 according to surveys in Finland and Sweden. Greater emphasis is now being placed on further improving accessibility, service and advisory capacity.

Full profit-share to employees

I have used other information channels to thank our employees on behalf of the Board of Directors and management for their work efforts in 1999, and I would like to reiterate my appreciation in this



forum. Based on our strong earnings in 1999, we have allocated full shares to the employees' profit-sharing fund, a total of SEK 18,200, or EUR 2,065 per employee.

A survey of employee opinions of the Group and our operations showed a level of positive reaction and a rising trend.

Simplified legal structure

A decision was made last autumn to establish a simplified legal structure.

The proposal to Merita's shareholders for a share exchange in the ratio of one Merita share for 1.02 shares in Nordbanken Holding

to create Nordic Baltic Holding has been implemented. The exchange offer was accepted by almost 96% of Merita's shareholders. The merger provides the Group with a more effective legal structure, a better capital structure, greater development potential and increased liquidity of the share.

Focused strategy yields results

The emerging new reality that in 1997 prompted MeritaNordbanken to develop a joint vision has started to take shape.

Structural changes in the finance sector are leading to fewer regional and global players and more players with niche strategies. To protect their interests, the Nordic banks need to establish strong and effective structures.

The following strategies for creating value are MeritaNordbanken's answer to the substantial changes in the financial community:

1. *MeritaNordbanken shall be the leading financial player in the Nordic and Baltic Sea regions.*

On September 20, 1999, a proposal for a merger with Christiania Bank og Kreditkasse in Norway was announced.

The offer to shareholders in Christiania Bank, in which the Norwegian government owns one-third of the shares, was a cash offer of NOK 44 per share. When the offer was made, a resolution by Stortinget (the Norwegian Parliament) existed which prevented the government from accepting the offer. We realized the decision-making process could take time. Christiania Bank's Board of Directors and employees support the offer as commercially prudent, beneficial for shareholders, customers and employees and financially equitable. In the autumn, Stortinget was more receptive to a possible sale of the Bank. The offer has been

extended, and I am hopeful that Christiania Bank will become part of our Nordic group during the year 2000.

In the autumn of 1999, the Baltic and Poland regional bank was established within Retail. Operations in Estonia, Latvia, Lithuania and Poland are an integral part of our domestic market. The strategy is based on establishing a bridge-head in each of the four countries and expanding our operations with strong risk control, supported by modern products and distribution concepts. In terms of volume, the new regional bank's operations are modest, but in 1999 lending doubled and deposits quadrupled. The number of Nordic corporate customers and private customers in the domestic markets increased sharply.

2. MeritaNordbanken shall be a partner for customers, offering customized financial solutions for their life projects.

We will create value for customers and, based on the region's large customer base, establish more partnerships with core customers who use advisory, product package and electronic services.

Our offer to every core and corporate customer shall be better than corresponding offers by our competitors. With a Nordic structure, we will concentrate resources and skills to develop products and electronic services with higher values and lower production costs.

The results of our strategy are evident. One million private customers in Finland have chosen to become Key or Preferred customers. We expect the same volume growth from them that we achieved with Plus and Benefit customers in Sweden. New products were introduced continuously during 1999.

Determined efforts are being made to meet the growing demands of corporate customers for efficient cash management and competitive money market products. Volumes

within Corporate in Sweden increased during the past year.

3. MeritaNordbanken shall be one of Europe's leading suppliers of Internet bank solutions and electronic services.

Utilization of the Internet for banking transactions and commerce increased sharply during 1999. All forecasts are predicting continued rapid growth in electronic services and e-commerce, with particular emphasis on business-to-business traffic.

It is extremely important, therefore, that MeritaNordbanken has captured a leading position here. The introduction of the Bank's Solo concept in Sweden during the autumn demonstrates the value of cross-border operations.

Our target level of one million Internet contracts was reached in mid-December. This year, the service content of Internet banking applications will be increased. Our new target level is five million transactions a month by December 2000 and two million Internet customers in the first quarter of 2001.

Based on MeritaNordbanken's estimates, our investments in electronic services will create potential for improved earnings of approximately EUR 250-300 M annually within a three-year perspective.

4. We shall develop world-class skills as success factors

MeritaNordbanken's employees make determined efforts to serve customers and keep costs at a minimum. They also play active roles in the shift to electronic banking operations in the face of increasingly intense international competition.

The Group's vision is rooted firmly in our personnel. At cultural seminars held in 1999, today's and tomorrow's management personnel showed significant enthusiasm to implement the strategies we have

chosen, despite rapid changes and heavy workloads.

Our rapid development and the new demands the Bank is now facing have placed increased emphasis on raising proficiency levels. There is a fundamental need to maintain the highest standards, since there is no other guarantee for profitability, growth and employment in today's world of tough international competition.

Enhancement of personal skills, equal career opportunities for men and women and recruitment of superior skills and expertise are some of the programs that we continued to pursue during 1999.

*The year 2000
– a year of expansion*

I am optimistic that, a year from now, we will report that we have taken further steps toward the establishment of a more significant presence in the Nordic countries, as well as continued strong growth in the Baltic countries and Poland.

Our focus on understanding customer needs, the rapid introduction of cross-border products and skills development programs for our employees will create improved potential for higher business volumes and unchanged or higher market shares in priority areas. The action plan for electronic services will strengthen our leadership position in this area.

With continued strategic focus and determined efforts to control costs we believe that, once again in the year 2000, MeritaNordbanken will generate growth and profitability unsurpassed by other Nordic banks.

Helsinki/Stockholm
February 16, 2000



Hans Dalborg

The share

New structure – single owner company

The Group's two owner companies have merged and, as from January 1, 2000, the Group has a single owner company – Nordic Baltic Holding (NBH) AB (publ) – with listings on the OM Stockholm and Helsinki Exchanges.

With ownership concentrated in a single owner company, the potential to develop a strong Nordic financial group has been improved. Single ownership will also strengthen the Group's position for additional structural changes.

The merger of the Bank's two owner companies has eliminated the share quotation difference caused by the previous structure. Acquisition of new share capital and structural transactions have also been facilitated. A single share will facilitate analyses by the financial market, increase liquidity in trading and enhance the importance of the share in several indexes.

The simplified structure will also enable the Group to reduce its exposure to legal risks, while reduc-

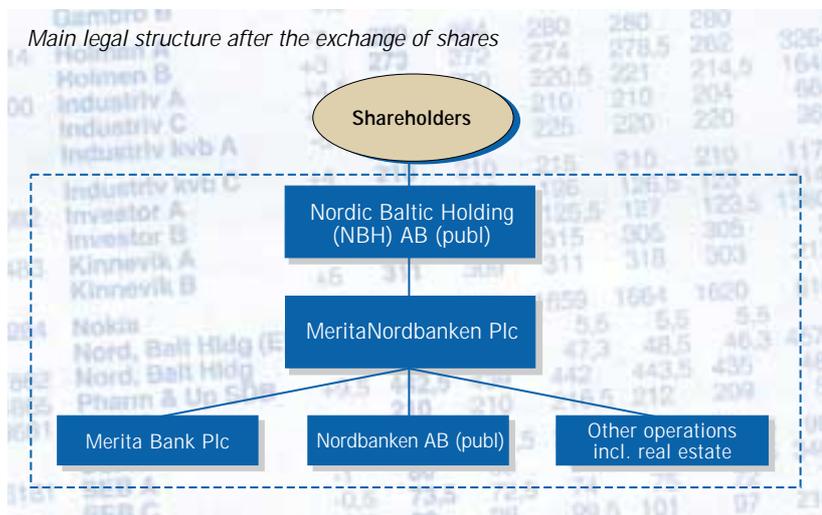
ing tied-up capital. Capital can be optimized, through, for example, faster dividend payments from operating subsidiaries to shareholders in Nordic Baltic Holding.

Simplified legal structure

One of the objectives of the 1997 agreement to merge Merita and Nordbanken AB (publ) was to simplify the Group's legal structure. Accordingly, on September 20,

1999 a new agreement was reached to simplify the ownership structure of the MeritaNordbanken Group. Ownership in MeritaNordbanken Plc was concentrated in Nordbanken Holding, which became the parent company of the Nordic financial group.

To implement the simplification of ownership, Nordbanken Holding made a public offer to acquire all shares in Merita Plc, and all convertible bonds issued by Merita Plc, against payment in the



As the result of a new merger agreement on September 20, 1999, Merita and Nordbanken Holding took the next step toward realizing the Nordic financial group envisaged when MeritaNordbanken Group was formed. Nordbanken Holding was transformed into a Nordic holding company, Nordic Baltic Holding, which is the parent company in a Nordic financial group.

form of a new issue of shares in Nordbanken Holding, and a new issue of convertible bonds by Nordbanken Holding.

Shareholders were offered 1.02 shares in Nordbanken Holding for each share in Merita. Holders of convertible bonds issued by Merita were offered convertible bonds in Nordbanken Holding, with corresponding financial terms.

The merger agreement was approved by Extraordinary General Meetings of Nordbanken Holding and Merita on November 19, 1999 and November 23, 1999 respectively. A new share issue, an issue of convertible bonds and a reduction of the share capital and the premium fund were also approved by the General Meeting of shareholders in Nordbanken Holding. The new share issue restored the share capital and premium fund to their former levels. In addition, the General Meetings approved amendments to the Articles of Association of both companies pursuant to the offer to exchange shares and bonds and the merger agreement.

Acceptance by a high proportion of shareholders

When the exchange period expired on January 20, 2000, shareholders representing 95.9% of all shares in Merita had accepted the offer to

exchange shares and debentures. The Board of Directors of Nordbanken Holding initiated redemption proceedings on January 21 for the remaining shares in Merita. On the same date, holders of convertible bonds representing 91.2% of the total outstanding loan amount had accepted the offer regarding an exchange for new debentures. Acceptance of the exchange offer for shares also eliminated the need for provisions to reduce the share capital and premium fund in Nordbanken Holding.

Nordbanken Holding issued a total of 815,800,287 new shares as a result of the exchange procedure. Accordingly, the total number of shares in Nordbanken Holding now amounts to 2,091,067,728 before conversion. A maximum of 23,232,168 new shares will be issued pursuant to conversion.

New name

On January 27, 2000, Nordbanken Holding registered its change of name to Nordic Baltic Holding (NBH) AB (publ).

The share

Nordic Baltic Holding is listed on the Stockholm and Helsinki stock exchanges. On the Helsinki Exchanges, the shares are traded in the

form of "Finnish Depository Receipts" FDRs. Immediately after implementation of the share exchange, the FDR volume covered approximately 40% of the total number of shares.

The share is quoted on the OM Stockholm Stock Exchange in Swedish kronor and, since October 1999, also in euro.

Share price trend during 1999

The NBH share dropped 3.8% in 1999. During the same period, the Bank and Insurance Index of the Stockholm Stock Exchange rose 17.1%. The highest quotation for NBH shares, SEK 61, was noted on January 20 and the lowest quotation, SEK 42.30, on October 18. The share price on the last trading day of the year was SEK 50.

Turnover

Trading in NBH shares amounted to EUR 38,303 M, corresponding to 766 million shares. Based on these figures, NBH ranked 15th in terms of share turnover on the Stockholm Stock Exchange in 1999.

The NBH share has also been given a higher weighting in certain Swedish, Nordic and global indexes.

At February 16, 2000, the market capitalization of Nordic Baltic Holding amounted to EUR 11.8 billion.

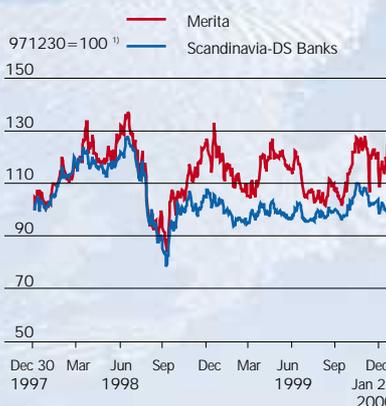
Share trend

Nordic Baltic Holding



¹⁾ Datastream Banks Retail Scandinavia Index is based on 14 Nordic banks.

Merita



Nordbanken Holding



Earnings and shareholders' equity per share

Profit for the year amounted to EUR 1,098 M (SEK 9,676 M), corresponding to EUR 0.53 per share. Shareholders' equity per share after full conversion amounted to EUR 2.68 (SEK 22.93) at year-end 1999.

Dividend

The Board of Directors of Nordic Baltic Holding proposes a dividend of SEK 1.75 per share. The total dividend payout at closing date 1999 translation rate is EUR 427 M, or 44% of profit after tax. The proposed record date is April 14, 2000. Dividend payments are scheduled to be made on April 25, 2000.

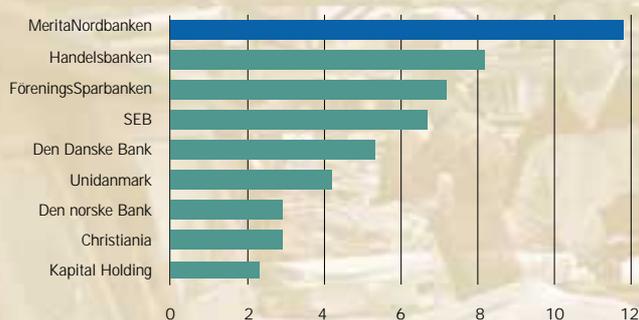
Shareholders

At January 1, 2000, Nordic Baltic Holding had some 325,000 shareholders.

Key ratios

	1999	1998
Total capital ratio, %	12.0	9.9
Core capital ratio, %	8.3	7.3
Net interest income/ average total assets, %	1.8	1.9
Operating profit/ average total assets, %	1.4	1.4
Return on equity, %	20.9	14.3
– excl. items affecting comparability	20.6	18.7
Cost/income ratio, %		
– before loan losses	55	55
– after loan losses	56	59
Loan loss level, %	0.04	0.2
Nonperforming loans ratio, %	1.2	1.7
Number of employees	18 896	19 741
– of whom employed in banking operations	18 032	18 346

*Market capitalization of Nordic banks,
February 2000, EUR billion*



Upgraded ratings

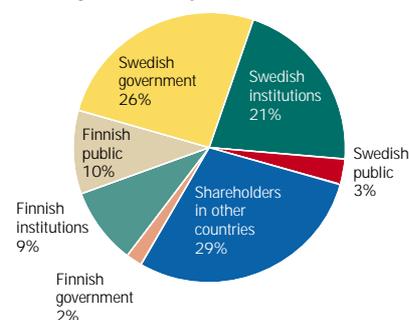
In June 1999 Merita Bank's long-term rating was upgraded from A2 to A1 by Moody's Investor Services and from A to A+ by Fitch IBCA. Subsequently, Nordbanken and

Merita Bank have the same ratings.

All rating institutions confirmed their ratings after the announcement of the bid for Christiania Bank og Kreditkasse in September 1999. Moody's Investor Services has awarded Aa3 rating to long-

term loans issued by Nordbanken Hypotek AB. This gives the company good possibilities for raising international funding on competitive terms.

Shareholders in Nordic Baltic Holding, at January 31, 2000



Shareholder structure – Nordic Baltic Holding, January 31, 2000

(20 largest known shareholders)

Shareholder:	%
Swedish Government	25.92
SPP	2.54
Solidium Oy	2.08
Nordbanken's mutual funds	1.95
AMF Pensionförsäkring AB	1.58
Fourth AP fund	1.53
SEB's mutual funds	1.22
Skandia	1.22
SHB's mutual funds	1.17
Nordbanken's Profit-sharing Foundation	0.92
AMF Insurance	0.80
Suomi Mutual Life Assurance Company	0.63
Länsförsäkringar Wasa	0.53
Varma-Sampo Mutual Pension Insurance Company	0.52
Ilmarinen Mutual Pension Insurance Company	0.52
Merita Plc Pension Foundation	0.47
T Rowe Price funds	0.45
Fifth AP fund	0.43
Meiji Life Insurance Company	0.42
Pohjola Insurance Company	0.40

Source: Finnish Central Securities Depository Ltd, the Swedish Securities Register Center (VPC AB) and DN Ågarservice AB.

Share data¹⁾

	1999	1998
<i>Shares outstanding at end of period, million</i>		
Nordic Baltic Holding	2 091.1	2 123.9
– after full conversion	2 114.3	2 151.0
<i>Earnings per share</i>		
Nordic Baltic Holding	EUR 0.53	EUR 0.33
– excl. items affecting comparability	EUR 0.51	EUR 0.42
<i>Shareholders' equity per share after full conversion</i>		
Nordic Baltic Holding	EUR 2.68	EUR 2.29
<i>Share price at end of period</i>		
Nordic Baltic Holding	SEK 50.00	SEK 52.00
Merita	EUR 5.85	EUR 5.42
<i>Dividend</i>		
Nordic Baltic Holding	SEK 1.75 ²⁾	SEK 1.64
Merita	–	EUR 0.18
<i>P/E-ratio</i>		
Nordic Baltic Holding	11.0	17.8
– excl. items affecting comparability	11.3	13.9

¹⁾ After 95.94% acceptance by shareholders in Merita and a new convertible loan in Nordic Baltic Holding.

²⁾ Board proposal.

Ratings, February 2000

	Moody's		S & P		Fitch IBCA		Thomson Bankwatch	
	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Merita Bank	P-1	A1	A-1	A	F1	A+	TBW-1	AA-
Nordbanken	P-1	A1	A-1	A	F1	A+	TBW-1	AA-
Nordbanken Hypotek	P-1	Aa3	A-1					

Mission, focus and goals

A new growth region emerges

The Baltic Sea has become a sea of unification in a region characterized by strong growth, particularly in telecom, other IT-sectors and biotechnology. This region is MeritaNordbanken's domestic market.

The economies of the Nordic countries have undergone various phases of reconstruction. As the new millennium begins, economic growth is generally strong. Poland is the fastest growing market among the former Eastern Bloc countries. However, the Baltic countries also have good potential for rapid growth and, with Poland, have all set their sights on EU membership.

The Nordic countries are taking part in the ongoing integration of Europe, albeit under different terms and conditions. Barriers that formerly blocked trading in goods and services and capital transactions between countries have been reduced significantly.

Strengths

Overall, the region has substantial strengths ranging from Norway's oil to the global leadership positions held by Finland and Sweden in telecom and IT. The Nordic countries are European leaders in terms of mobile telephones and the Internet with nearly half of the population as users. Nordic markets are also attracting considerable international attention and leading global companies are seeking partnerships and making investments in the region.

With cultural affinities, similar legal systems and consumer values, the Nordic countries constitute a natural market for growing numbers of Nordic-based, and not least, international companies.

Business growth in the Nordic countries and neighboring nations around the Baltic Sea is moving rapidly toward increased intraregional trade and greater integration.

Growing trade

Integration is creating good potential for Nordic export growth, as well as increased trade between countries in the region. At the same time, the structure of trade has changed. Trade between Finland and Sweden has increased.

Nordic investments in the Baltic countries have also increased. Three quarters of direct investments in Estonia, for example, are made by Nordic companies.

Bank market with growth potential

The Nordic and Baltic Sea region, accordingly, offers interesting opportunities for financial institutions to expand and increase the

efficiency of their operations. Individually, all the countries in the region are relatively small. As a composite unit, however, they offer a broad base. The total population of the region, 70 million inhabitants, is approximately equal to the population of France or the U.K. The markets are not equally homogenous, but the ongoing process of integration is reducing the differences.

Growing trade and direct investments are creating demand for cross-border banking services in the Nordic countries and the Baltic region. Over the next few years, the banking sector in the Baltic countries is expected to grow twice as fast as that in the Nordic countries. Poland's banking market could, with time, reach the size of the combined Nordic banking market.

Thanks to a broad customer base, the region can offer better service to growing and more internationalized Nordic companies.

Unrestricted capital movements within the region have also created greater demand for foreign investment services. Investors and investment funds can diversify their investments in the various Nordic countries as well as in international instruments. Equity trading and securities brokerage represent the strongest growth area for Nordic banks.

Strategy to create value

MeritaNordbanken's mission is to create value for its shareholders, customers and employees. The Bank maximizes the value of shareholder investments through the application of business concepts focused on financial solutions. The Bank's value appreciation performance should be among the highest for publicly listed banks in the Nordic region.

This will be achieved by applying the following strategies.

1. Strategic focus

MeritaNordbanken will be the leading financial partner in the Nordic and Baltic Sea region.

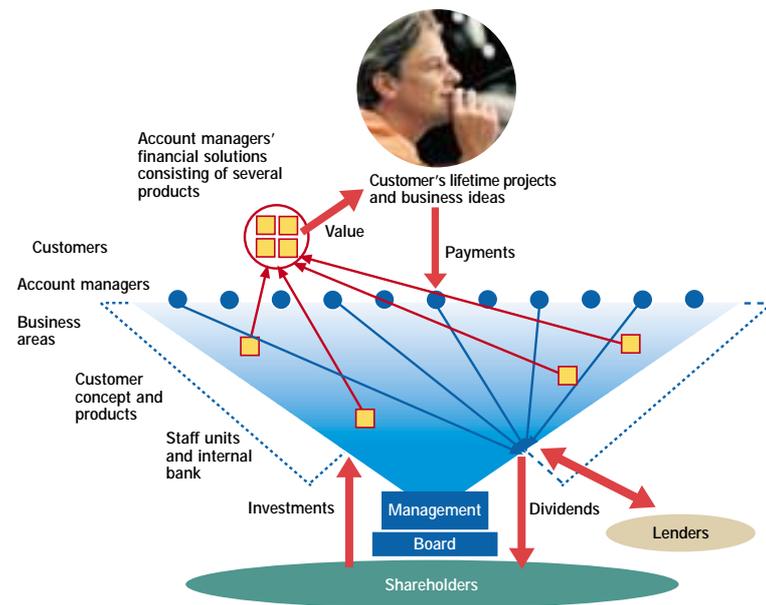
Leader in the Nordic and Baltic Sea region

MeritaNordbanken has chosen the Nordic and Baltic Sea region as its domestic market. In Finland and Sweden, the Bank is already one of the leading financial groups, offering a full range of services in its chosen business areas. In Poland,

Overall and long-term objectives



MeritaNordbanken's business strategies are based on customer needs. An integrated organization supports account managers with products which are packaged into individual financial solutions.



Lithuania, Latvia and Estonia, the Bank's goal is to create a strong presence with a broad range of services for Nordic players and innovative concepts for the local markets.

MeritaNordbanken shall have the region's largest customer base, be the first choice of companies cultivating various markets there and offer local and global solutions for the largest companies in the region.

MeritaNordbanken's strategic goal is to establish its position as a leading player in all the Nordic countries as well as a strong presence in other countries in the Baltic region.

Financial solutions in partnership with customers

The Bank aims to establish full-service relationships with private individuals, companies and institu-

tions. Skills in understanding the specific needs of customer groups and individual customers are fundamental elements in the Bank's operations. The Bank will develop target-oriented customer and product concepts as well as customer-specific solutions. Service will be characterized by high accessibility. Account managers will offer products and services superior to those offered by competitors.

Based on a commercially sound business approach, the Bank's strategic goal is increased volumes among existing customers, and an annual increase in the number of core customers. MeritaNordbanken's core customers shall reflect a degree of customer satisfaction at least equal to levels of customer satisfaction in comparable banks.

European leader in Internet services

The comprehensive change in the production and distribution of Internet-based financial services is creating potential for higher value, lower costs and new alternatives. Moreover, this provides greater accessibility. Internet links among the Group's customers are being established and will eventually create intensified business relations. Supported by electronic solutions, the Bank shall also attract new customers.

One of MeritaNordbanken's strategic goals is to secure its position as Europe's leading supplier of financial solutions via the Internet and electronic services.

Competitive skills

National, regional and global banks are competing with each other for leadership in the region and within electronic services. MeritaNordbanken aims to develop unique skills and to constantly upgrade its work methods.

The level of personnel motivation shall be high in relation to comparable banks.

Another strategic goal is to develop first-class skills and work methods. Where appropriate, the benchmark will relate to the world's leading banks.

2. Operational efficiency

Common values

MeritaNordbanken shall maintain a strong internal culture comprising common values based on renewal and dynamics, managed risk assumptions and high standards of ethics and responsibility.

MeritaNordbanken aims to control risks and credit margins through risk-based pricing. New products and instruments will be introduced only after thorough risk management analysis.

The need to demonstrate a

sense of responsibility and ethics increases with the Group's importance in the societies in which it conducts banking business. The Group provides open and honest information and seeks business solutions that support sustained growth.

Integrated organization and a common identity

MeritaNordbanken's focus on consolidating different services to form individual customer solutions necessitates an integrated structure in which all units work to promote customer value. The organization shall, therefore, be characterized by a common identity that creates the "right" expectations among customers and the "right" working atmosphere within the organization.

Cost awareness

All costs are monitored and questioned regularly. Cost control must not, however, constitute an obstacle to profitable new investments.

One share – one group – one bank

MeritaNordbanken will expand regionally within a coordinated group structure and with uniform bank solutions. The Group will have a clearly defined and functional management structure that reflects the Bank's strategic focus and sends unequivocal signals throughout the organization.

3. Optimal financial structure

No more capital than required by operations

Capital invested by shareholders will be used effectively in an optimal capital structure with the required amounts of risk capital for adequate risk coverage and cost-effective funding. The Group's excess capital will be repaid to shareholders in the form of divi-

dend, for example, and share buy-back programs.

4. Reliable earnings growth

Regional dominance

The integration of Nordic economies and companies continues. Estonia, Latvia, Lithuania and Poland also offer substantial growth potential. A new growth region is emerging in Europe as a homogeneous market for growing numbers of companies.

Far-reaching changes, such as globalization, financial sector deregulation, information technology and changes in demographics, welfare systems and values are creating new customer needs. Growing demands on financial solutions and increased pressure to reduce costs are major forces in today's structural transformation toward broader regional and global financial institutions and niche players.

Ongoing trends in the financial sector are providing new opportunities for major players to create growth with high profitability.

Creating value

As part of its efforts to implement the Group's strategy, the Board of Directors established a number of operative goals in 1999.

Operative goals

Through sustained growth in share value and dividends, MeritaNordbanken shall create value added for shareholders that ranks high in relation to other publicly listed Nordic banks.*

Earnings per share

In terms of earnings per share, MeritaNordbanken shall remain one of the most prominent publicly listed banks in the Nordic countries.*

Profitability

MeritaNordbanken aims for a leading position among Nordic banks in terms of profitability.

- Return on visible equity, however, should always correspond to a minimum of average zero-risk interest in Finland and Sweden, plus 8 percentage points.

Core capital

MeritaNordbanken will not use more capital than is required to develop sound business operations. However, the amount of core capital employed should be sufficient to secure good ratings and cost-efficient funding.

- To meet Group requirements, the core capital ratio should be at least 6.5%.

Dividend

MeritaNordbanken strives for a high dividend payout. The dividend level in any given year is determined by market demand and core capital requirements for continued development of Group operations.

- The target level for dividends is 40-60% of net profit for the year.

Other key goals

Income

Stable and diversified income growth will be achieved by a higher share of income from commissions.

- In the long-term perspective, net commission income should amount to 50% of net interest income.

Costs

MeritaNordbanken's goal is to maintain high cost efficiency, particularly in relation to other Nordic banks.

- The cost/income ratio in the Bank's core operations, before loan losses, should not exceed 55%.

Risk levels

The Group's risk exposure will be limited and controlled. Within acceptable risk levels, the Bank will pursue every opportunity with potential for stronger earnings growth and a higher return on equity. Stringent quality demands are imposed on lending operations.

- Loan losses shall not exceed 0.4% of total loans, expressed as a rolling five-year average.
- Market risks may not lead to a decrease of more than 4 percentage points in return on equity.
- Operative (administrative, legal and technical) risks are kept within manageable levels under reasonable costs.

Customers

MeritaNordbanken creates value added through good customer relations. In turn, the Bank's customers are afforded opportunities to evaluate service standards, products, prices and accessibility.

- Customers shall show a high level of satisfaction attributable to the Bank's efforts to meet their demands and expectations.

Employees

Success is created by skilled employees. MeritaNordbanken's employees must be motivated, knowledgeable and highly skilled. Recruitment of new employees and personnel training programs therefore focus constantly on increasing skills and service standards.

Incentive programs promoting profitability and profit-sharing systems increase the commitment of employees to produce excellent results.

- MeritaNordbanken seeks high ratings in evaluations of personnel skills and job motivation.

Information

MeritaNordbanken shall maintain a position of leadership among major Nordic banking groups in providing open, unambiguous and timely information to owners, customers and employees.

*The term "publicly listed banks in the Nordic countries" refers to: MeritaNordbanken, Svenska Handelsbanken, SEB, FöreningsSparbanken, Den Danske Bank, Unidanmark, Kapital Holding, Den norske Bank and Christiania Bank og Kreditkasse.



Financing settled the deal. Pirjo can relax.

Integration continues

During the past two years, MeritaNordbanken has shown that mergers of banks in different Nordic countries can create shareholder value.

MeritaNordbanken's goal is to continue to create value by intensifying the ongoing process of integration.

The first year was highlighted by implementation of the merger. Financial control and capital allocations were coordinated, and uniform financial reporting routines were introduced. Operations in loan processing, IT-development, treasury functions and international operations were integrated, and new cross-border products introduced.

During the second year, 1999, coordination and integration programs were continued and intensified. More new, uniform products

were also launched and integration introduced in new areas of operations.

The third year, 2000, is expected to generate additional synergy gains, particularly through widespread application of best practice. As a result, MeritaNordbanken is taking the next major step toward full integration.

Synergy effects

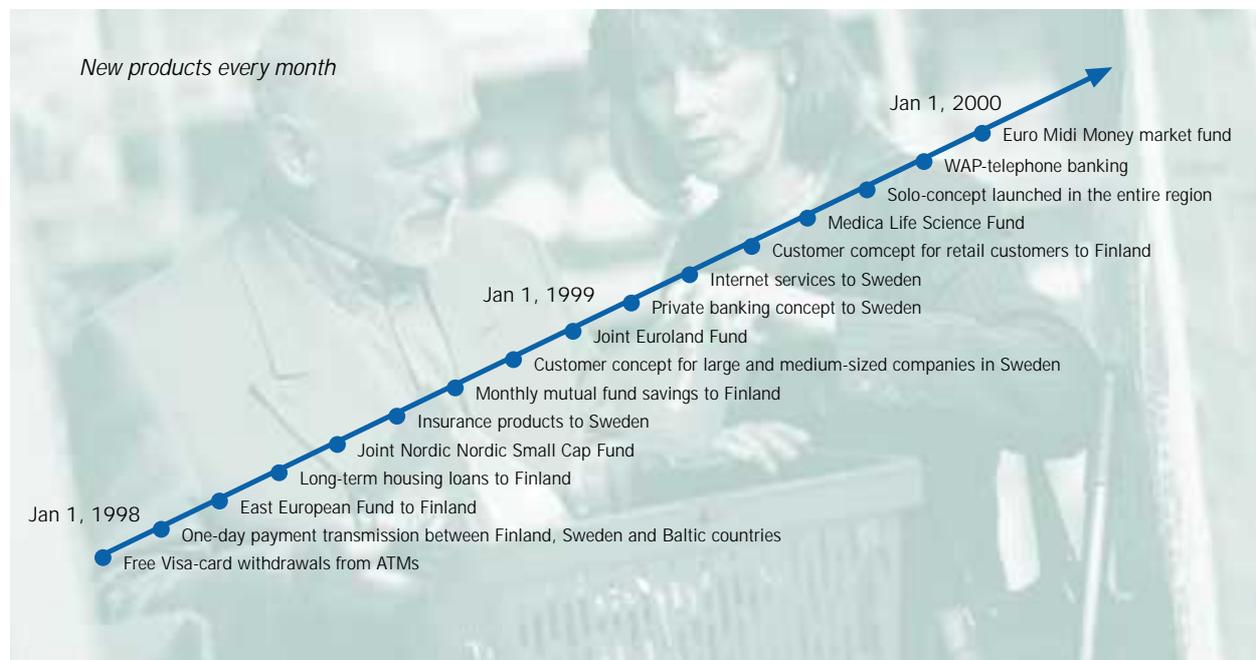
Anticipated synergies were present

when the merger agreement was announced in 1997. Within three years, synergy gains were expected to reach EUR 120 M annually through reduced costs.

Reduced costs

Results during the first two years have met and surpassed original expectations.

- Personnel cutbacks are continuing according to plan. Since the merger, the number of employees in bank operations, calculated as a



gross amount, has been reduced by 1,500 persons.

Growth in earnings

Exchanges of concepts and products between Finland and Sweden, and rapid development of new products, have created better potential for new financial solutions.

- The Bank has attracted new corporate customers, with operations in both Finland and Sweden. MeritaNordbanken's ability to manage payment routines between the two countries has been a strong argument in efforts to attract new customers.

- MeritaNordbanken's share of payment contracts between Sweden and Finland has increased steadily since the merger, reaching 44% at year-end 1999.

- Five joint Swedish-Finnish mutual funds have so far been launched. At year-end 1999, these funds had attracted more than 91,000 customers and reached volumes of nearly EUR 500 M.

- The Swedish concept of monthly savings in mutual funds was introduced in Finland. At year-end 1999, 40,000 private customers in Finland were making regular

deposits in this new savings program.

- The number of Internet customers is growing rapidly, and the Solo concept was introduced in Sweden in the autumn of 1999. Corporate and private customers in Sweden and Finland are now able to execute secured-payment e-commerce transactions via the Solo mall.

Proposed merger with Christiania Bank

Christiania Bank og Kreditkassene ASA is the second largest banking group in Norway, with a nationwide network of 160 offices in Norway and branches in New York, London, Singapore and Stockholm. Christiania Bank had total assets as per September 30, 1999 of slightly more than NOK 200 billion and about 4,000 employees.

With the aim of creating a strong Nordic banking group, MeritaNordbanken Plc has tendered a cash offer for all the shares in Christiania Bank. MeritaNordbanken's Nordic vision has met with favorable reception in Norway, and

the Board of the Directors, management and employees of Christiania Bank support a merger with MeritaNordbanken.

On September 20, 1999, MeritaNordbanken submitted a cash offer of NOK 44 per share to all shareholders in Christiania Bank. Under the terms of the offer, Christiania Bank is valued at NOK 24.3 billion. When the offer was tendered, the premium price was 29%. The duration of the offer has been extended several times.

On October 19, 1999, Christiania Bank's Board of Directors recommended that shareholders accept MeritaNordbanken's offer.

The Board declared its opinion that MeritaNordbanken's offer was financially equitable and industrially sound, and emphasized the favorable effects of a merger with MeritaNordbanken for customers, employees and shareholders.

35% of the shares in Christiania Bank are owned by the Norwegian government. Since autumn 1999 a political discussion has taken place as to how government ownership in Norwegian banks will be structured.

Since making its offer, MeritaNordbanken has acquired 9.99% of Christiania Bank's shares.

Financial solutions in partnerships with customers

Customer relations are the foundation of MeritaNordbanken's business operations. The Group develops long-term relations based on individual financial solutions to meet a broad range of requirements and create high customer satisfaction.

In a world characterized by increasing complexity, business alternatives that are difficult to forecast and growing competition, customers' needs for advisory services and guidance are also increasing. In its relations with customers, the Bank is more than a provider of services; it is also a financial advisor.

Customer-specific financial solutions are made possible by the Bank's ability to understand the

requirements of customer groups and individual customers, and to meet these requirements with effectively produced and purchased products that generate value added.

Customers also want to carry out their banking business, payments, stock purchases and export transactions – when and where they choose, safely, cheaply and comfortably, and to a growing extent via the Internet. Options to select ways of executing transactions on

their own terms allow customers greater freedom, and the most frequent users of electronic services are also its most satisfied customers.

MeritaNordbanken's customers have a large number of contact choices: the Internet, for example, telephones, cash and credit cards and branches. Network banking services via the Internet are becoming an increasingly common contact channel. Branch offices are assuming a more streamlined role as



providers of qualified advisory services.

The Bank should provide solutions

The bank's goal to provide individual solutions for each financial requirement of every customer is supported by special service options. These include Private Banking, personal banker concepts, product packages adapted to the needs of large customer groups and a broad range of competitively priced special services. This base enables personal advisors with individualized tools to provide a unique total solution for every customer.

The Bank works in partnership with corporate customers and organizations, offering financial expertise and a broad capacity to help develop the customer's business. Resources, advice and reliability are important to customers, but willingness to share a risk or help a customer's customer is also a key element.

Structure and organization for functionality and efficiency

The organization's objective is to develop products based on experience gained in customer relations and to provide services to bank units that deal directly with custom-

ers. The business areas and staff functions shall operate in the face of outside competition, whereby quality, delivery reliability and pricing will be constantly compared against those of other market players.

MeritaNordbanken's goal is to become a customer-oriented sales organization with higher skills and accessibility, lower costs and greater personal commitment than any other bank in the region.

The merger between Merita and Nordbanken was implemented, among other reasons, to provide customers with a broader range of financial solutions and concepts. The following concepts have already been introduced:

- The Swedish customer concept for private individuals was introduced in Finland during the year and met with favorable market reception. At year-end 1999, nearly one million Finnish private customers had enrolled in various programs designed to generate financial benefits. In Sweden, where the concept was introduced several years ago, more than one million customers participate in the bank's loyalty program.
- The sale of Finnish unit-linked insurance was introduced in Sweden as early as 1998. New premium volumes increased by EUR 0.4 billion in 1999, and the market share for unit-linked

insurance doubled from 7.0% to 15.0%.

- The Swedish concept for long housing loans with fixed interest rates was introduced in Finland during 1999 and attracted widespread interest among customers.
- Private Banking, a tried and tested and highly successful concept in Finland, was launched in Sweden at the beginning of 1999. The number of Private Banking customers rose to 25,000 during the year.

Solo for new business

MeritaNordbanken's private customers have user-friendly access to Solo, a "mall" where the Bank's corporate customers can display their products and where transactions can be concluded. Payment is easy, secure and in real time, since the payment transaction is conducted over the buyer's and seller's accounts in MeritaNordbanken. At year-end 1999, Solo had more than 300 participating shops from Finland and Sweden. In addition, another 500 companies had e-commerce contracts.

Europe's leader in network services

Today's financial solutions are based increasingly on electronic services. Internet solutions provide customers with the freedom to decide when, where and how they conduct their banking business.

MeritaNordbanken has sophisticated technical solutions for banking services via telephones and the Internet, and is now concentrating its strategic focus on the Solo concept.

Internet expansion is expected to generate potential for annual earnings growth in the range of EUR 250-300 M in a three-year perspective.

Rapid development of IT-based bank operations is creating completely new opportunities to offer improved financial services featuring 24-hour availability and sharply reduced production costs. Network banking services will thus play a critical role in the bank's expansion, profitability and share value.

Finland and Sweden are leaders in terms of access to PCs, the Internet and continued expansion within mobile telephone operations. Companies in the region command global leadership positions in telecommunications, Internet consulting and e-commerce as well as electronic financial services.

One of the major strengths of Nordic banks lies in the number of customers who are already accustomed to using conventional banking services via the Internet. This facilitates the rapid development of new banking services as well as the launch of completely new e-services that create value added for corporate customers and their customers.

Internet has no limits

The pace of change is dynamic, constantly creating new challenges for the entire financial sector. New opportunities are emerging through

creations of new revenue sources, the potential to intensify customer relations and higher production efficiency. Today's marketplace, however, also contains threats in the shape of rapid changes in the structure of competition, new players and new consumer patterns.

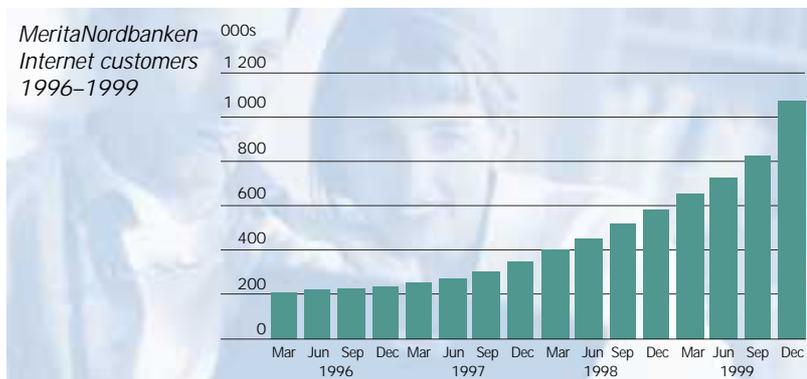
More than one million private and corporate customers already use MeritaNordbanken's Internet services, and the number continues to rise. In December 1999, the number of Solo log-ons per month rose to 3 million, with the number of monthly payments rising to 3.7 million. The Bank's current goal is to increase its Internet customer base to more than 2 million by the first quarter of the year 2001.

MeritaNordbanken sees strong potential to benefit from the

expanded possibilities. It has the largest customer base in the Nordic region, with more than 6.5 million private customers and 400,000 corporate customers. On the strength of this customer base, and its clearly defined goal to increase the total number of customers through continued expansion in the Nordic region, the Baltic countries and Poland, the Bank sees sound growth potential. The Internet is creating a wide range of new opportunities for sophisticated customer service and customer value, with free access across national frontiers.

Number of Internet customers

The growth in the number of customers linked to Internet services is dramatic. During 1999, the



number increased by 500,000, with 200,000 new Internet customers in Finland and 300,000 in Sweden. The increase has continued during the year 2000.

Internet customers are the Bank's most satisfied customers. Customer surveys in both Finland and Sweden have shown clearly positive results.

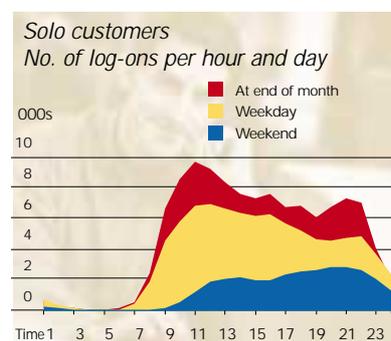
Solo mall – the growing e-commerce site

The potential for expanding the Solo mall into a leading e-commerce site in the Nordic region is considered highly promising. As a universal bank with large private and corporate customer bases, MeritaNordbanken is an acknowledged leader in new development, and the bank is strongly positioned to create business opportunities between millions of bank customers.

New technologies emerging

Supported by WAP, "Wireless Application Protocol", and EMPS, "Electronic Mobile Payment Services", the mobile telephone is becoming a bank terminal and payment tool.

MeritaNordbanken is developing new services like these in cooperation with Nokia and VISA, partly to promote greater utilization of Bluetooth, a technology that uses radio waves to transmit various forms of information.



Internet investments growing

The development of network banking services over the past few years, particularly in Finland, has facilitated the gradual adaptation of underlying IT-systems at relatively low cost.

Future investment needs will be determined by new trends in technological development. New technologies, acquisition opportunities and expansion opportunities in the Nordic and Baltic countries will play major roles in the Bank's development.

Reduced costs via the Internet

Experience shows that Internet banking operations lead to a steady decline in costs for virtually all types of transactions and banking services. Analyses of changes in various forms of payments, bank and post giro services, loans and loan applications, equity trading, currency orders, credit/debit card transactions, bank card issues, cash transfers and current account statements all point in the same direction – a potential for substantial cost savings.

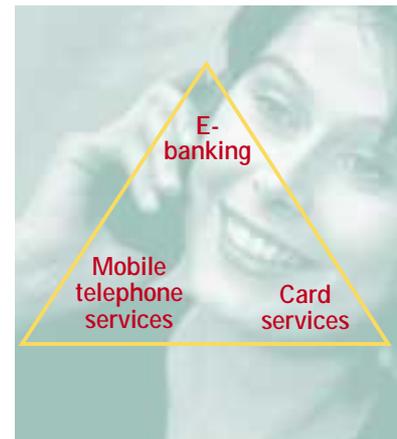
The same applies to the effects of changes in various business processes. In this area, the Internet is strengthening ongoing development toward a reduction in routine work operations and more qualified on-line advisory services and new forms of branch office operations.

Internet/Solo

Highest volume during one month in Finland:

- 61% of equity transactions
- 30% of payments
- 11% of customer credit applications
- 11% of purchases and sales of mutual fund units

Exponentially growing value processes



Income can be strengthened

New sources of commission income are being created through valuable new services, such as subscriber agreements, e-payments, e-identification and e-signatures. Payment commissions from e-commerce and income from distribution services for external products are also seen as new sources of income. Higher income is also forecast from increased volumes of consumer credits, student loans, equity trading, mutual fund unit purchases and improved cross-border sales.

Internet generates favorable effects on earnings

Analyses of the impact of Internet business on MeritaNordbanken's income and expenses in future years are naturally difficult to quantify. The rate of new development is dynamic, and many of the factors involved are difficult to evaluate. Based on a rough estimate, however, anticipations of positive effects on profits over the next three years in the range of EUR 250-300 M annually appear realistic.

In the long-term perspective, successful Internet banking operations will go beyond the question of profitability, and become a prerequisite for survival.

Expertise – a success factor

MeritaNordbanken shall have leading skills and expertise in two areas:

- Knowledge of customer requirements and solutions supported by salesmanship.
- Knowledge of techniques for financial services supported by entrepreneurial ability to rapidly commercialize new technologies.

Skills development is a basic prerequisite in the Group, and employee skills are nurtured carefully and systematically. Personnel development programs are based on requirements, evaluations and efforts to support skills and expertise through individual goals and other tools.

Competition in global financial markets is increasing. National and regional banks and other financial service companies are developing new products and concepts. The Internet explosion is creating new opportunities to penetrate the market. Large companies are recruiting personnel with greater financial skills and becoming less dependent on services provided from their domestic market base.

Skilled employees have satisfied customers

In this situation, employee skills are a critical competitive factor. Production is the most difficult factor to emulate. Skills comprise knowledge, commitment and talent. Only the very best skills are good enough when the goal is to be the region's leading financial institution.

Satisfied customers influence Group earnings

All skills development programs are investments to improve customer satisfaction and profitability. Motivated and skilled employees influence the Group's development and earnings.

The Bank strives to evaluate changes in behavioral patterns and the economic effects of investments in skills development. It is important for employees themselves to monitor and control their own skills development. Skills and knowledge can be developed through the exchange of good experience and work methods with other employees and groups. Every employee should have individual development goals that are monitored and updated at regular intervals to ensure that development investments are generating improved performance standards.

Individual requirements

Required individual skills mean that all employees are familiar with the Group's business focus, strategies and goals, and that Group employees plan and perform their job assignments with these considerations in mind. Skills also include performance standards, whereby services rendered are characterized by high quality standards and sound business ethics that create customer value and contribute to the achievement of Group goals.

Personal skills of MeritaNordbanken employees include the following requirements:

- An entrepreneurial spirit defined as the ability to accommodate customers, generate profitability and a holistic approach to business ethics and quality.
- A clear understanding of shareholder value and how each

employee can influence values in banking operations.

- Customer focus, which is defined as the knowledge of the customer's operations, of the way the customer solves problems, other factors influencing business development and relations between customers and their customers.
- Shared values with management and colleagues regarding work methods and goals.
- Internet skills and a multi-cultural approach – the ability to create and maintain cross-border relations with customers and colleagues.
- The ability to learn about new developments and recognize opportunities created by change.

Professional requirements

Professional skills and expertise are perishable commodities. Rapid development in the banking industry and changes in customer requirements must be met and matched constantly by the Bank's employees. Customer expectations on performance standards must correspond with employee skills and knowledge, requirements and objectives.

By defining skills requirements for every job category, the bank is able to establish exact requirements and implement measures to secure compliance. It is also important that employees are willing to accept new job assignments and be prepared to meet the expectations and demands of the customer and the Bank.

Professional skills are developed and kept up-to-date through various means:

- Development and training current employees to solve new job assignments within and outside the Bank.
- External recruitment to provide skills that may be lacking and to gain access to ideas and experience from other areas of business.
- Use of external suppliers for activities that might attract skills needed by the Bank in the long-term perspective.
- Retention of the best internal talent by providing individual development plans, challenging job assignments and incentive programs.



Arne handles the company's currency management and payment flows through Nordbanken's international branches.

Results by business area

Decentralized profit centers with focus on profitability

MeritaNordbanken's operations are grouped in five business areas: Retail, Corporate, Markets, Asset Management/Life Insurance and Real Estate. These operate as decentralized profit centers. The Bank's financial management operations are conducted by Treasury and Other.

Decentralized profit responsibility essentially means that the Group's total business relations with customers are reported in the customer unit's income statement and balance sheet. Shareholders' equity is distributed among the customer units, and each unit's performance is evaluated in relation to its individual return on allocated capital target. Among the business areas, with the exception of Real Estate, shareholders' equity is distributed in accordance with current capital adequacy regulations.

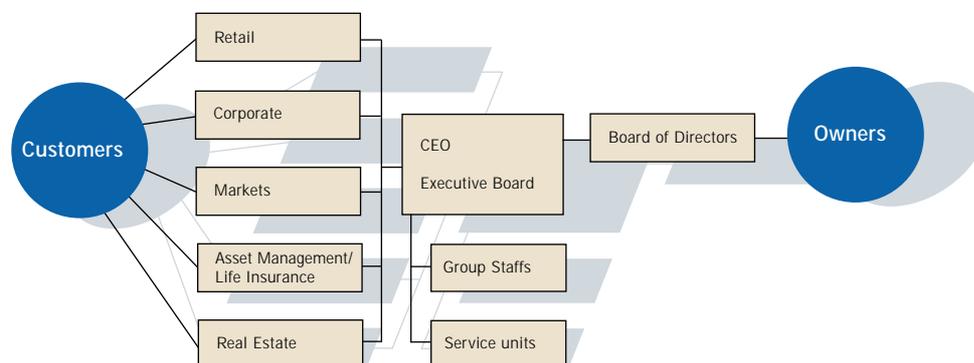
During 1999, a model pro-

viding more accurate estimates than BIS regulations was developed to calculate capital requirements, with regard to each business unit's actual risk exposure. The model takes into consideration credit risks, market risk and other risks, and optimizes utilization and distribution of capital between the different business areas.

In addition to customer responsibility, Asset Management/Life Insurance and, to some extent, the other operating business areas, also assume product responsibility, which means that each customer unit must have access to a competi-

tive and profitable product range. Business units with product responsibility are monitored through evaluations of individual product earnings, which cover all income and expenses attributable to the product, including marketing expenses within Regional Bank operations.

The redistribution of capital among the Group's business units is also shown in the presentation here. Most earnings reported by Asset Management/Life Insurance, for example, are redistributed to customer units in Retail and Corporate.



Increased earnings and high profitability in Retail

Retail accounts for the bulk of MeritaNordbanken's business operations, and earnings in 1999 amounted to EUR 830 M, an increase of EUR 85 M compared with the preceding year. Lower interest rates during the year led to a modest decline in margins from bank deposits, while growing business volumes, particularly in financing operations for private housing, long-term savings and short-term payments had a favourable impact on revenues. Overall revenues declined somewhat, compared with the preceding year.

As a result of continued efforts to improve operating efficiency, costs were lower than in the preced-

ing year, while substantial recoveries contributed to a decline in net loan losses, which fell to a historically low level in 1999.

Return on allocated capital amounted to 26%, and the costs-to-income ratio before loan losses was 59%.

Corporate earnings also rose

Earnings by the Corporate business area in 1999 amounted to EUR 278 M, an improvement of EUR 221 M compared with the preceding year. Earnings in 1998 were affected by low-yield assets, which were excluded in 1999. The preceding year's earnings were also charged with a provision of EUR 84 M to

cover the Bank's international credit exposure. Revenues rose by 55%, as a result of continued growth in business volumes, particularly in the beginning of the year, stable margins and capital gains.

Cost increases were limited to 17% due, among other factors, to the addition of resources in Corporate Finance. Provisions made in 1998 to cover losses from international credit exposure are considered adequate for continued coverage of the remaining credit risks. Loan losses, net, were positive.

Return on allocated capital amounted to 14%, and the costs-to-income ratio before loan losses was 37%.

Earnings by business area, 1999

EUR million	Retail ¹⁾	Corporate	Markets	Asset management/ Life Insurance	Real Estate	Treasury	Other	Total
Income	2 153	425	152	270	113	108	-196	3 025
Expenses	-1 280	-157	-100	-49	-175	-21	68	-1 714
Loan losses	-43	10	-	-	-	-	11	-22
Profits from companies accounted for under the equity method	-	-	-	-	6	-	91	97
Operating profit/loss	830	278	52	221	-56	87	-26	1 386
of which, reallocated	193	3	-23	-173				
Write-downs on real estate					-145			
Loss for the year					-201			
<i>Operating profit/loss</i>								
Q4, 1999	228	78	28	66	-22	23	-66	335
Q3, 1999	216	62	-2	48	-11	10	-41	282
Q2, 1999	189	85	-3	60	-12	-17	-22	280
Q1, 1999	197	53	29	47	-11	71	103	489
12 months 1998	745	57	36	160	-114	296	190	1 370
Product earnings								
Income				270				
Administrative expenses				-49				
Sales and distribution expenses				-55				
Product earnings				166				
<i>Product earnings</i>								
Q4, 1999				50				
Q3, 1999				34				
Q2, 1999				48				
Q1, 1999				34				
12 months 1998				110				

¹⁾ Includes all units in Retail. In prior reporting, the results for Regional bank operations were reported solely in Retail. Historically, Retail and "Other" have been adjusted.

Weaker earnings by Markets

Market's operating profit amounted to EUR 52 M. Adjusted for loss provisions totaling EUR 33 M in 1998 to cover unauthorized equity trading, profit for the year declined by EUR 17 M. The decline was due mainly to weak earnings from trading in interest-bearing securities, while profitability on currency trading remained strong, despite lower trading volumes caused by the introduction of the euro. Increased stock market activity contributed to higher earnings from equity trading.

Operating costs declined due mainly to lower costs for systems development.

Strong growth in mutual fund savings

Product earnings reported by Asset Management/Life Insurance, which include all income and expenses for management, sales and distribution, rose 51% to EUR 166 M. Growing interest among private individuals in long-term savings and active

funds management by companies led to highly favorable sales during the year. In Sweden market share continued to rise in 1999. Combined with a sharp increase in values of mutual funds-related savings, particularly toward year-end 1999, total volumes under management rose 60% to EUR 33.0 bn. Earnings increased 34% to EUR 270 M, before sales and distribution expenses in the branch network. Management costs rose 19%, due mainly to an expanded range of products. Operating profit amounted to EUR 221 M (160).

Phase out of Real Estate continues

Real Estate reported a loss, before depreciation of EUR 145 M, amounting to EUR 56 M, compared with a loss of EUR 114 M a year earlier. The reduction in the loss was attributable to lower interest rates and continued divestments of the non-core property portfolio. Also see Real Estate, on page 46, concerning the sale of the Aleksia real estate company.

Rising interest rates affected Treasury's earnings

Earnings within Treasury amounted to EUR 87 M, a decline of EUR 209 M compared with 1998. During the second quarter of 1999, a reversal was noted in the earlier downward trend for market interest rates in both Finland and Sweden, which had a negative impact on the value trend of interest-related portfolios under management by Treasury which are marked to market (current assets). The unit's interest risk was gradually reduced during the year.

Other

In addition to Group adjustments, Other includes income and expenses that are not directly attributable to the business units. Included among earnings is the capital gain from the sale of shares in the Pohjola Insurance Company and adjustments of redistributed income and expenses among the business areas.



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Retail

Largest retail bank in the Nordic region

Units within the Retail business area are responsible for the development, marketing and distribution of a complete portfolio of financial products and services for a broad range of individuals, companies and institutions, as well as the public sector.

With a customer base of 6.5 million private individuals, MeritaNordbanken is the Nordic region's largest retail bank. Retail customers also include more than 400,000 companies and institutions as well as large sections of the public sector. The total business volume in regional banking operations (lending/guarantees and savings/investments) amounted to EUR 111 M at year-end 1999.

Retail had 14,000 employees at year-end.

Regional banks

Retail operations are conducted through nine regional banks in defined geographical areas and a special Private Banking unit, which focuses on customers who demand qualified investment services.

The branch offices and regions of all regional banks assume full responsibility for the results and risks of their customers. Business decisions are decentralized, and standardized work methods, processes and customer concepts are applied to ensure quality and cost effectiveness.

Baltic countries and Poland – a new domestic market

The Baltic countries and Poland are becoming increasingly important to the foreign trade activities of Sweden and Finland. Growing numbers of Nordic companies are establishing operations in these countries. To meet their banking needs, and expand its own domestic market, MeritaNordbanken established a new regional bank for the Baltic countries and Poland in 1999. As a result, these countries are now also considered part of MeritaNordbanken's domestic market, with a similar organizational structure and product range.

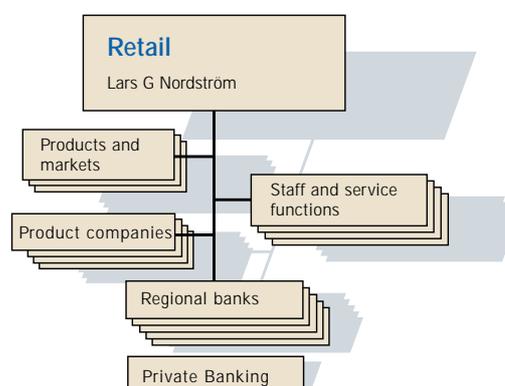
The Bank conducts operations in Estonia, Latvia, Lithuania and Poland. In the beginning of the year 2000, MeritaNordbanken acquired

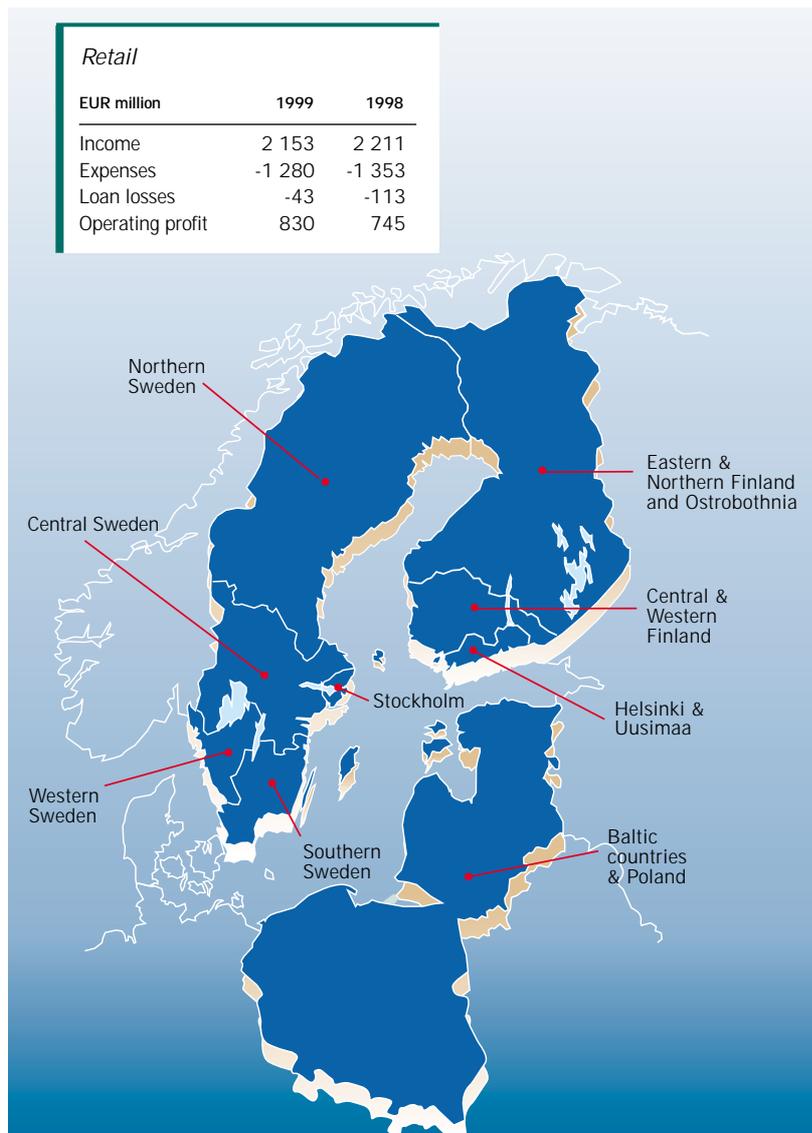
the operations of Société Générale in Riga and Vilnius. The acquisition complements the focus on expansion through organic growth, which provides minimal risks and more effective cost control.

Investments in IT and product development will provide customers with a wider range of improved services already in the year 2000.

Private Banking

Private Banking offers investment advisory services to MeritaNordbanken's high net worth customers with access to a minimum of approximately EUR 125,000 for private investments. Three Finnish units also offer discretionary equity management services.





MeritaNordbanken has nine geographically distributed regional banks.

MeritaNordbanken's regional banks have 39 private banking units, with 27 in Finland and 12 in Sweden. The Swedish units became operational in 1999, and customer reception was favorable.

MeritaNordbanken Private Wealth Management in Helsinki and its subsidiary MeritaNordbanken Luxembourg S.A. are independent operating units. Both units offer a complete range of private banking services.

At year-end 1999, assets under management by Private Banking on behalf of 25,000 customers amounted to just over EUR 15 bn. Operations in 1999 were characterized by strong growth, in terms of both customers and business volumes.

One organization for all Retail operations

Retail's product and marketing organization develops and offers easy-to-use, standardized products

Distribution of income

	1999	1998
Net interest income	68%	74%
Commissions, etc.	32%	26%

Volumes in EUR million

Data as per December 31, 1999

	Helsinki & Uusimaa	Central & Western Finland	Eastern & Northern Finland	Southern Sweden	Western Sweden	Stockholm	Central Sweden	Northern Sweden	Baltic countries & Poland	Total
Lending	5 796	4 864	5 717	6 156	5 948	9 027	6 156	4 211	252	48 127
Guarantees	275	243	230	207	116	123	133	129	34	1 490
Total	6 071	5 107	5 947	6 363	6 064	9 150	6 289	4 340	286	49 617
Deposits	8 276	5 745	6 146	2 437	2 799	6 821	3 592	2 054	204	38 074
Mutual funds	827	513	536	2 614	2 887	5 237	3 563	2 351		18 528
Insurance	1 010	761	733	303	335	618	408	281		4 449
Total	10 113	7 019	7 415	5 354	6 021	12 676	7 563	4 686	204	61 051
No. of employees	2 198	1 989	2 554	677	903	928	923	584	144	10 900
No. of branches	119	151	203	53	53	47	70	32	14	742

to meet customer needs and provide broad-based, efficient distribution. The organization is also structured to offer customized solutions via, for example, Private Banking, or corporate service units.

The organization comprises the following units:

- **Corporate and Financing**
The unit develops service concepts for corporate customers and deposit products for the private and corporate markets.
- **Personal Customers and Deposits**
The unit is responsible for customer concepts and housing loans for private individuals and loan products for both private individuals and corporate customers.
- **Asset Management, Life Insurance and Private Banking**
The organisation is responsible for long-term savings in mutual funds, insurance and securities, for example, and for the development of high net worth customer service concepts.
- **Payments and Network Banking Services**
The unit offers all types of domestic and cross-border payment services. The unit also develops new network services for transactions via the Internet, telephones and other media.
- **Market Support**
The group is responsible for the Bank's market communications, direct mail advertising, telemarketing and graphic design as well as market analyses and customer segmentation.
- **Distribution and Service Networks**
The unit develops distribution strategies, including organization of office networks, and coordinates the Bank's range of services and distribution channels. It is also responsible for relations with business partners.

• **Production and Productivity**

The unit has overall responsibility for product development and supervises several joint back-office functions.

Product companies

Retail also includes a large number of specialized product companies that develop and offer products to supplement the Bank's portfolio. Products include leasing, factoring, mortgage loans and other services to meet customers' financial requirements. The products are marketed primarily through the branch network, but also through other channels. See page 35.

Unified approach – best practice

During 1998, all staff units, service functions and product areas within Retail were integrated to provide the units with functional responsibility for markets in both Finland and Sweden. Consequently, only one manager is responsible for each customer group or product category. All marketing activities in Finland and Sweden have been coordinated since the spring of 1998.

New products and concepts have been launched in Finland and Sweden. The best products from Merita have been introduced within Nordbanken, and vice versa. "Best practice" also applies in back-office and central production functions.

News in 1999

Funds and savings

The concept of "multi-currency" funds was developed further during the year. Three funds based on the multi-currency concept have been launched in Sweden and Finland.

Monthly savings in mutual funds, a concept introduced in Finland in 1998, showed strong

expansion during 1999. The number of monthly savings clients in Finland tripled during the year.

FondDirekt is a new concept intended to increase accessibility and raise the level of services to customers in fund savings and mutual funds. FondDirekt was introduced in Sweden during 1999 and received a favorable reception.

Financing

In Sweden the market share for housing loans continues to increase as a result of determined efforts by branch personnel working in cooperation with real estate brokers. The Bank signed a central cooperation agreement with Mäklarsamfundet (Association of Swedish Real Estate Brokers) two years ago. For the second consecutive year, special Housing Days were held in Sweden and Finland, with branches in both countries remaining open on Saturdays. The Housing Days attracted nearly 45,000 customers.

Housing loans via the Internet were introduced for Solo customers toward the end of October. In the autumn, student loans via the Internet were also introduced in the Finnish market.

Long-term mortgage loans (long housing loans) based on the Swedish model were successfully introduced in the Finnish market. Mortgages formerly offered for periods of 10-12 years, the norm for housing loans in the past, are now offered with maturities of 15-20 years. Demand for housing loans in Finland increased again in 1999.

In September, Telephone Loans were launched in Sweden. The service is targeted to customers who require fast responses and loans. The concept competes primarily with more expensive telephone loans offered by various finance companies.

"Cross-border credits" were also introduced in 1999, whereby customers residing in Sweden are

offered loans for the purchase of properties or home improvement projects secured by collateral on objects in Finland.

Sales strategy and customer concept

Corporate market

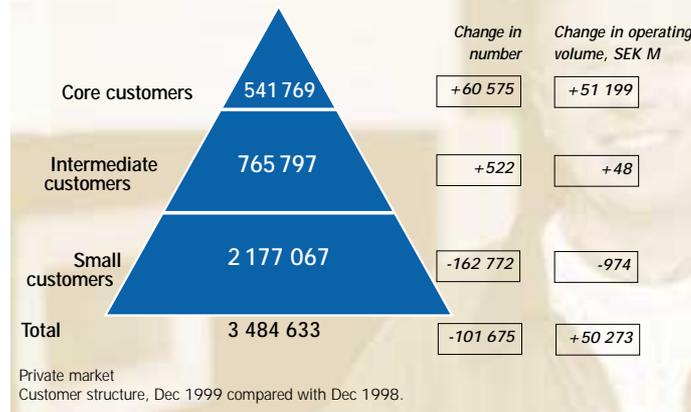
The structure and operating methods of MeritaNordbanken's branch offices have been further adapted to meet the specific needs of large, midsize and small companies. For corporate customers with operations in both Finland and Sweden, account managers have been appointed to manage these customer relations in both countries.

Customized skills development programs designed to enhance the ability of branch office employees to actively offer advisory and other high-quality services have strengthened the business concept.

Private market

Customer concepts introduced for the private market in Finland have been successful and attracted widespread appreciation among customers. Since the concept was launched in March 1999, nearly one million Key and Preferred customers have subscribed to the service. Key and Preferred customer con-

Changes in the customer base are monitored at bank and branch level. The diagram shows an example of monitoring in a section of the customer base.



cepts offer several benefits for customers who choose to concentrate their banking business in MeritaNordbanken. The services are similar to Benefit and PLUS concepts offered to customers in Sweden.

A large number of Personal Bank Advisors have been trained to offer greater skills and expertise in several areas of the private market. Personal Bank Advisors act as financial advisors to a number of Key customers and their families.

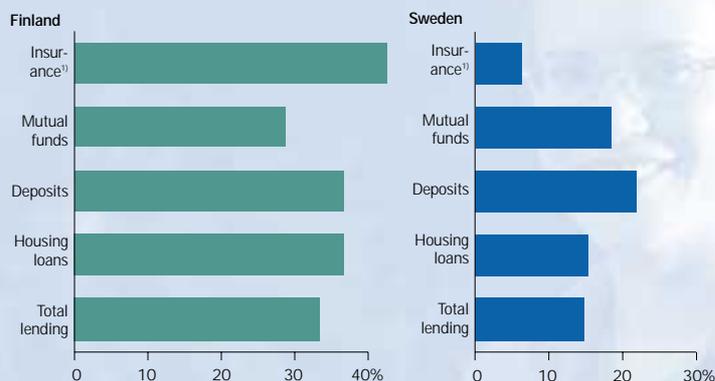
Customer service

An important aspect of MeritaNordbanken's strategy is to exploit

the potential for added sales in the Bank's present customer base and, using various customer concepts and pricing alternatives, induce customers to centralize most of their transactions in the Bank. Long-term relations and high customer satisfaction also contribute to sustained and strong profitability.

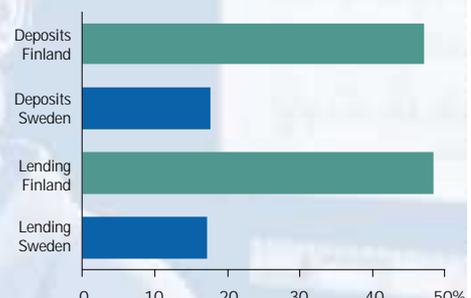
The Bank regularly conducts opinion surveys among both customers and employees. The surveys are conducted at branch office level, and the results are used in formulating and developing local business plans. During 1999, the Bank improved its position in relation to its main competitors.

Market shares, households, December 31, 1999



¹⁾ As per September 1999.

Market shares, Corporate, December 31, 1999



Accessibility

MeritaNordbanken aims to be accessible whenever and wherever customers need banking services. All Retail customers are affiliated with a branch office. Branch managers, in turn, are responsible for all Retail customers, regardless of the channel used to access the services.

On December 31, 1999, the MeritaNordbanken Group had a total of 742 branches. In addition, products and services are available at approximately 1,000 post offices in Sweden – a service that will be terminated on April 1, 2001 – as well as at 1,400 Solo ATMs and more than 2,000 cash dispensers in Finland. In Sweden, the Bank has 620 wholly-owned ATMs and 2,400 cash dispensers available to customers through agreements with other banks.

The Bank's international network comprises full-service branches in London, New York and Singapore, 12 representative offices/agents as well as contacts with a large number of banks around the world.

Technology assists customers

MeritaNordbanken's contacts with customers, and the Bank's approach to product sales and distribution, are changing rapidly. MeritaNord-

banken has concluded Internet or telephone banking agreements with over one million customers. The Bank's development work and changes in customer behaviour patterns are constantly promoting increased utilization of these access channels.

New concepts introduced in 1999 included:

- Solo – electronic banking services via Internet and telephone, as well as e-commerce in Sweden.
- WAP, Wireless Application Protocol – telephone banking services in Finland.
- Telephone Loans – fast loan service available seven days a week for small unsecured loans in Sweden.

The new services mean that customers no longer need to adjust to banking hours, and that there is less risk of waiting in line for service.

In Finland, a large number of private individuals pay their bills through ATMs. In 1999, however, payments via the Internet increased slightly more than 33%. Internet payments have also led to a decline in post and bank giro payments in Sweden.

Lines at bank branches in Finland attracted media attention in 1999. Because of its large branch network, MeritaNordbanken was

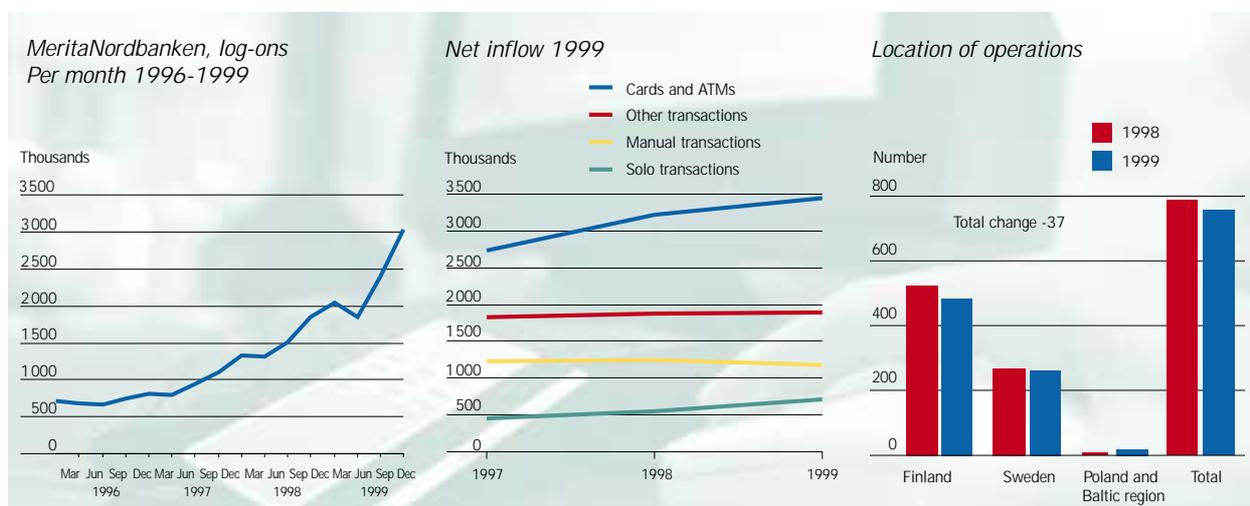
the target of particularly harsh criticism since a large number of customers from other banks used MeritaNordbanken branches for various payment services, especially in metropolitan areas. A comprehensive action program is now under way to improve conditions. More cash offices are being established in the Helsinki area, for example, at the same time as efforts to increase utilization of automated services are being intensified.

Increased use of payment cards

Debit and credit cards are gradually taking over as a common payment method, while check payments are becoming increasingly rare. In Sweden, cash cards have gained a firm foothold in the market, with more than 36,000 sales outlets and more than 500,000 active cards. The number of cash card purchases increased in 1999 to about 500,000 per month.

Payment card purchases increased more than 30% in 1999. Despite the sharp increase, cash withdrawals from ATMs also increased in Sweden during the year.

In May 1999, Merita issued the Bank's first credit cards – MasterCard and MasterCard Gold. MasterCard Platinum, a third



new credit card, was also introduced in 1999. The new card is intended exclusively for Private Banking customers.

First Card, a corporate credit card affiliated with MasterCard, was acquired in January. The product has a 35% share of the Swedish corporate card market and sales continue to be successful.

Test operations with Visa Purchase cards were started in May 1999 in cooperation with Luotto-kunta.

More than one million customers on the Internet

MeritaNordbanken consolidated its leading position in the emerging Internet banking sector in 1999. Serving more than one million Internet customers in Finland and Sweden, MeritaNordbanken offers network services under one name, Solo. The name is strong in Finland and was gradually introduced in Sweden during 1999. Solo provides leading Internet services that are also available through a growing number of channels, such as WAP, GSM and telephones. The number of monthly log-ons in December rose to 3 million.

From branch office to conference site

Technological development is affecting the traditional branch, which is rapidly being transformed from a transaction facility to a venue for meetings and advisory services. The number of traditional branch offices has declined steadily

during recent years, in parallel with the establishment of new manned facilities, such as Bank-in-Store. Eight new outlets were established in 1999, and MeritaNordbanken now has 49 Bank-in-Store facilities in large shopping malls in Finland and Sweden.

MeritaNordbanken is also expanding accessibility through call-centers to process customer contacts via telephone and Internet, with the latter accounting for the strongest growth rate. Customers use call-centers to conduct a broad range of bank transactions. The call-centers also work actively with telephone sales and bookings of customer appointments. To provide for more effective coordination of telephone services and e-mail, a common CTI computer system has been placed in operation. The Bank has five call-centers in Sweden and one in Finland.

Swedish government authorities and the Church of Sweden

Following official public tender, an agreement was reached with the Swedish government on government payments. The framework agreement includes payments by the general public to and from government authorities as well as payments of wages, salaries and pension benefits to government employees. Under the terms of the agreement, MeritaNordbanken is the government's exclusive bank for payments of wages, salaries and pension benefits. The term is at least two years as from January 1, 2000, with a Government extension option of two years.

In a decision announced toward year-end 1999, the Central Board of the Church of Sweden appointed MeritaNordbanken as its financial partner. The agreement, which represented one of the most comprehensive ever reached in Sweden, was concluded in strong competition with other major banks. The contract pertains primarily to the management and processing of church levies, effective January 1, 2000, when church and state were officially separated in Sweden.

Cooperation with Sweden Post

Nordbanken has cooperated for many years with the Swedish postal authority, Sweden Post. In the autumn of 1999, Sweden Post announced its decision to terminate the cooperation agreement, effective April 1, 2001. The cooperation program has been important to Nordbanken for many years, but with technological development and increased utilization of automated services, its significance has declined.

Since notice of termination was served by Sweden Post, the Bank has studied various alternatives to replace traditional services available through Swedish post offices. The Bank plans to establish new branches and service outlets in about some 200 communities throughout Sweden.

Customer services offered since the autumn of 1996 under the Postbanken brand name will be continued in a revised form. In the future, customers will be offered a full range of replacement services through existing and newly developed distribution channels.

Product companies within Retail

Nordbanken Hypotek AB (publ)

The company is one of Sweden's major home mortgage institutions. In order to satisfy customers needs for secure and long-term planning of their loan structure, a qualified and competitive range of long-term property financing solutions is offered through the Bank's branch network to private, corporate and public sector customers. Nordbanken Hypotek has been given a long-term rating of Aa3 by Moody's Investor Service, which provides a solid base for raising international funding on competitive terms.

Nordbanken Kommunlån AB was merged with Nordbanken Hypotek in November 1999.

Nordbanken Industrikredit AB (publ)

Nordbanken Industrikredit concentrates on long-term funding, primarily for small and midsize companies.

Coordination of operations with Nordbanken Hypotek, which was initiated in 1998, continued in 1999. In accordance with an earlier decision, the company will be merged with Nordbanken in the year 2000.

Nordbanken Finans AB (publ)

The company is responsible for finance-company products in Sweden, Norway and Denmark. The principal products are leasing, installment plans, factoring, contract financing, credit cards and consumer credits. The products are marketed primarily through the Bank's branch network, but also by suppliers and retailers that offer sales financing.

Merita Finance Ltd

Merita Finance is the Group's finance company in Finland. It is also responsible for markets in the Baltic countries and Poland. Its principal products are leasing, installment plans, factoring and contract financing. The products are marketed through the Bank's branch network and via Internet, but also by suppliers and retailers offering sales financing. Merita Finance has two subsidiaries in Finland: Tukirahoitus Oy and M-Rent Oy. Merita Finance also conducts finance-company operations in Estonia, Latvia and Lithuania through Estonian Industrial Leasing Ltd., MeritaNordbanken Finance Latvia Ltd. and MeritaNordbanken Finance Lit Ltd., respectively.

Merita Customer Finance Ltd

The company markets and manages some of the Bank's consumer loans in Finland. The operations may be classified into three different areas: sales financing cooperation with retailers, consumer loan administration and direct sales of unsecured loans to private individuals.

Merita Capital Ltd

The company conducts risk-capital investment activities and manages the Profita Fund I Kb capital fund. Merita Bank owns 42% of the fund's capital. Other investors in the fund consist primarily of insurance companies.

Huoneistokeskus Oy

The company offers real estate brokerage services relating to purchases, sales and leasing contracts. In cooperation with Merita Bank, Huoneistokeskus also offers a complete range of services to customers changing residence.

MeritaNordbanken Major subsidiaries (EUR M)	Total assets	Loans to the public	Shareholders' equity	Operating profit	Number of positions
Nordbanken Hypotek	18 219	17 527	781	130	54
Nordbanken Industrikredit	2 585	2 490	311	27	7
Nordbanken Finans	3 055	2 792	516	41	281
Merita Finance	2 394	2 313	212	60	298
Merita Customer Finance	981	965	50	37	240
Merita Capital	8	1	4	0	6
Huoneistokeskus	21	13	2	10	517



Group life insurance gives the family security at low cost.

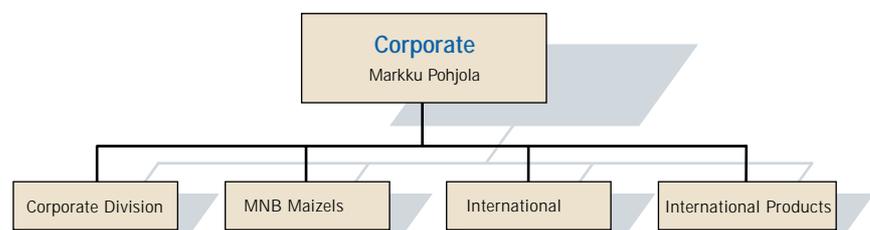
Corporate

Stronger position as corporate bank

Corporate is responsible for MeritaNordbanken's operations in the areas of large corporate customers, investment banking, international network, international financial institutions and international products.

The Corporate business area works mainly with corporate customers. Separate Corporate Divisions have key account responsibility for the Group's largest corporate customers and shipping customers. Other units offer products and services supporting the international operations of MeritaNordbanken's corporate customers and international financial institutions and foreign companies. Special product units are concentrated in Helsinki and Stockholm. MeritaNordbanken has branch offices and representative offices supplemented by a comprehensive international network to provide local services as required. Corporate has 1,200 employees, including 250 outside the Bank's domestic markets.

Corporate's operations focus mainly on demanding corporate customers, government authorities and international financial institutions, placing stringent requirements on specialized financial skills and in-depth understanding of the business operations of its customers.



MeritaNordbanken is the clear leader among banks serving large corporate customers in Finland and strengthened its position among corporate customers in Sweden in several areas during 1999.

Improved profit

Corporate is organized in a functional structure with cross-border areas of responsibility. Measures are implemented continuously to enable all parts of the organization to capitalize on the best products, IT-systems and modes of operations in different countries.

Corporate operations in 1999 were characterized by:

- Strong income growth and improved operating profit.
- Continued leading position among banks serving large corporate customers in Finland and a stronger position in Sweden through growing business volumes and new customers.
- Determined efforts to consolidate investment banking operations through the acquisition of Maizels, Westerberg and Co.

Efforts will continue in year 2000 to use MeritaNordbanken's broad customer base in Corporate and Retail to create new business in the Bank's international network and Corporate units working with specialized financial services. High priority will also be given to expanding the Bank's market presence and improving its product range in all parts of the Nordic and Baltic Sea regions.

Corporate

EUR million	1999	1998
Income	425	274
Expenses	-157	-134
Loan losses	10	-83
Operating profit	278	57

Distribution of income

	1999	1998
Net interest income	51 %	55 %
Commissions, etc.	49 %	45 %

Corporate Division

Corporate Division is the unit with customer responsibility for MeritaNordbanken's most demanding corporate customers and all of the Bank's shipping customers in the Nordic and Baltic regions. The business unit is represented in Helsinki, Stockholm and Gothenburg, and Shipping services in Turku and London.

The business unit was able to defend its strong market position in Finland during 1999. In Sweden, Corporate Division continued to improve its position through increased business volumes and efforts to assume a more prominent role in sales of financial services to corporate customers. At year-end 1999, lending amounted to EUR 13.9 billion, an increase of 31%. With the exception of shipping operations, provisions for loan losses remained low.

Nordic and European cash management solutions are increasingly in demand among large corporate customers. To meet the growing demands, MeritaNordbanken is allocating substantial resources to providing high-quality services in the Nordic and Baltic regions, and throughout the euro area.

The capital market is becoming increasingly important to large corporate customers. Introduction of the euro has created a strong increase in competition from international players. With domestic markets in both euro and Swedish kronor, MeritaNordbanken is a step ahead of other Nordic banks.

Shipping

MeritaNordbanken maintained its position as the leading bank for shipping companies in Finland and Sweden during 1999. The market was characterized by weak trends in the maritime industry.

Despite loan loss provisions of EUR 38 M for Alandia Tanker Company, shipping-related operations generated favorable earnings.

MNB Maizels Investment Bank

MeritaNordbanken's investment banking operations were strengthened considerably by the merger in December 1999 with Maizels, Westerberg & Co, a company with comprehensive expertise and experience in M & A advisory services. The company complements MeritaNordbanken's, Structured & Corporate Finance unit (including Merita Corporate Finance), which has strong positions in such areas as share issues, utility industry transactions and structured finance.

Following the merger, investment banking operations are conducted in a separate unit called MNB Maizels. Special expertise and the Group's broad network of contacts provide good potential for strong growth in the operations of MNB Maizels.

MNB Maizels offers a wide range of services to companies and their owners, institutions, central and local government authorities and private investors, primarily in the Nordic and Baltic regions. Operations are conducted in Stockholm, Helsinki and London. Services include the following:

- Procurements of risk capital through widespread share ownership in companies, with or without stock market listings, subsidiary spin-offs and other

share-related transactions, supported by advisory services.

- Advisory services for mergers, acquisitions and privatizations as well as corporate capital structure issues.
- Procurement of loan capital for acquisitions and projects, supported by advisory services.

To protect the interests of Group customers, MNB Maizels offers advisory and other services independently of MeritaNordbanken and its units.

Major transactions by MeritaNordbanken during 1999 included Nordic management of the second public offering of Sonera shares. The issue amounted to EUR 3.4 bn, the largest-ever issue of shares in the Nordic region. In the energy sector, the investment banking unit acted as advisor in several large power industry transactions, i.e. on behalf of the Municipality of Norrköping for the sale of Norrköping Miljö och Energi to Sydkraft. Other transactions included sales of shares in Sanitec, Biohit and Deutsche Telecom, Danza's acquisition of ASG and Graning's purchase of shares in Graningeverken. The unit also provided advisory services to raise financing for corporate acquisitions with a total value of EUR 1.4 bn.

Maizels, Westerberg & Co acted as financial advisor in more than 20 transactions during the year.

A selection of transactions in which MNB Maizels was advisor in 1999.



International

International is a business unit responsible for MeritaNordbanken's operations outside Finland, Sweden, the Baltic countries and Poland.

MeritaNordbanken is represented in 23 countries, of which International's organization serves customers in 17 countries outside domestic markets through five branches and 12 representative offices and agents. It also has contacts with banks and other financial institutions in all parts of the world.

A primary responsibility of the International business unit is to support the Group's overall competitiveness by providing customers in the domestic markets with financial services for their international business. This role is becoming increasingly important in view of the globalization of private industry.

MeritaNordbanken has successfully conducted full-service operations in New York, London and Singapore for many years. The Bank now has 225 employees in these branches. Branches were opened in Copenhagen and Oslo in 1998 and 1999 and operations were focused initially on securing payment flows for MeritaNordbanken's customers. During 2000, the Bank plans to introduce a broader range of products and services offered by both branches.

MeritaNordbanken has been part owner of the International Moscow Bank (IMB) in Russia for 10 years. At year-end 1999, MeritaNordbanken increased its ownership in IMB, which will expand its range of services for Nordic companies operating in the Russian market.

MeritaNordbanken has stepped up efforts to increase customer awareness of the wide range of services offered abroad through branch offices as well as the Bank's network of business partners. Progress has been made, but scope for improvement remains.

The introduction of the euro led to major changes in payment routines throughout Europe. The significance of traditional correspondent bank operations has declined. MeritaNordbanken's implementation of the changes this necessitated was highly successful.

Economic recovery after the 1998 financial crises in Asia and Russia, combined with reduced exposure in certain countries with low ratings, has enabled MeritaNordbanken to recover provisions for high-risk countries amounting to EUR 20 M.

As a result of determined efforts to deal with certain problem exposures, substantial recoveries of past provisions to cover commercial risks were also possible.

International products

International Products is responsible for products and services supporting the international operations of MeritaNordbanken's customers. The unit providing risk coverage financing for export/import companies and products for holders of domestic and international securities.

Following a weak start, demand for documentary products (letters of credit, documentary collections, guarantees, etc.) increased. MeritaNordbanken's market share in Finland remained very high, and the Bank has now established a leading position in Sweden for documentary transactions and other short-term trade finance.

Export and project finance for export operations showed highly satisfactory growth in 1999. Market positions were strengthened by an increased commitment to organize and manage bank syndicates to finance export operations.

Strong demand characterized the market for custody services in 1999 as a result of increased trading in domestic and international securities. Securities lending, a new product with significant growth potential, was introduced toward the end of 1999.



Nestor in the banking world

Board Chairman Jacob Palmstierna is to resign in connection with MeritaNordbanken's Annual General Meeting in April. He can then reflect on a 40-year career in the banking industry. In a conversation with Riitta Pyhälä, Jacob Palmstierna shared his views based on his extensive experience.



As you look back, what is leadership?

A skilled leader must be able to span a broad register. He or she must be able to deal with what I call the Paradoxes. A leader must have a strong will, but cannot dominate his or her environment so completely that employees do not grow. A leader must be both humanly understanding and consistent to the point of ruthlessness, be businesslike and imaginatively flexible – but must also adhere steadfastly to strategic guidelines – in part to maintain the company's credibility in the market. He or she must be able to motivate people, and be warmly interested in them, but also coldly calculating and very firm. Ultimately, it is the Bank/the Company that counts, never one's own special interests or those of colleagues. A leader must have the ability to delve into the most minute detail of a contract or a credit proposal, for example, but at the same time never lose the feeling for the big picture. It is uncommon to find both of these characteristics in one person.

What are the characteristics of a good leader?

Leaders display elements of egocentricity – which become stronger over the years. Their presence is noticed when they enter a room. But at the same time they should be able to be both unpretentious and generous. This is not a simple combination.

Name a few good leaders.

I have worked closely with a number of successful leaders in Swedish industry during the past 40 years. To name a few examples: Marcus Wallenberg and Hans Werthén, Hans Rausing and Pehr Gyllenhammar. They are all very different – but one characteristic that they share is their command of a broad range of subjects. Their particular versatility enables

them to rise to the occasion when circumstances demand.

What is the most essential leadership characteristic?

It is the ability to select employees. It is a matter of putting together a team so that it is actually a team, but with players who have different characteristics and abilities. And then it is a matter of getting them to work toward the common objective. Now and then you have to change team members and a leader always has to be concerned about generating new growth. Individuals have limited mandate periods, but companies operate a long, long time.

The fate of a company over the long term is determined by how well management is able to take advantage of the opportunities that are offered. Nothing is automatic. It is the combination of motivation and ability among people that determines how things develop.

What is most important to a bank?

Bad loans can lead to a bank's downfall. This was the case at Nordbanken during 1990 – 1992, when Sweden underwent a deep financial crisis. We also saw this at KOP and UBF in Finland in the early 1990s. Loan losses are a consequence of both an inadequate internal credit process and difficult external circumstances – and it is possible to do something about both.

What is your view of the credit process?

A credit process consists of a combination of knowledge, attitudes and experience. It is a matter of creating and developing a credit culture. Many of our employees are involved in credit programs – approximately 90% of all loans are approved by branches. Naturally it is

important to know how to analyze accounts and to understand customers, both private individuals and companies.

What should a good credit officer do?

Over time, you accumulate experience. The customer reveals how he deals with problems and successes. Companies are made up of people. A lender has to be able to evaluate management's ability to balance between driving ahead and holding back. Branch office Boards, if correctly used, help with invaluable information – particularly in smaller communities.

It is always easiest to say no to a loan application, but a bank has a responsible role and an important function to perform in the economy. Ultimately, a loan is a matter of confidence. How do I think that this particular customer will be able to cope when things aren't going the way his forecasts indicate? Of course, you should have collateral – if it is available. But every time the Bank has to foreclose on collateral, it has failed in its credit evaluation!

What is most important in a loan process?

The credit process is largely a matter of discipline. Analyses should be available, figures should be up-to-date, review presentations should be concise and concentrate on essentials. And the presenter should have an opinion as to the quality of the management and Board of Directors, as well as the risk associated with the industry.

How have you been actively involved in the loan process?

Since I joined the bank in January 1991, I have served as chairman of the Credit Committee. We have met every Tuesday at 4:00 p.m.,

usually for two to three hours – but in the early 1990s sometimes for four or five hours. And there was no dinner until we had completed the day's agenda.

I have had a forum in which I was able to exert some influence – by raising questions and making demands. Sometimes I have been nit-picking and questioning, but as the quality of the loans has improved over the years, I have been able to be more appreciative. We now have a solid loan portfolio and, not least, a process that is conducted by many skilled employees.

The second dimension in lending is known as business analysis. Handelsbanken saw more clearly than Nordbanken that the real estate market was a "bubble," and that many finance companies were built on loose sand at the end of the 1980s. It is a matter of looking ahead and evaluating what you think about foreign exchange movements, interest rates and the trend of asset valuation. The individual customer lives in the economic environment of his/her country and the world. The bank has an overview and assumes a responsibility to either say "yes" or "no" to a loan application.

What do you mean by the bank's responsibility in lending?

The bank's judgment determines whether or not a corporation or a homeowner can take the next step. It is up to the bank to decide in such a way that the customer does not incur unnecessary risk. Sometimes we are perhaps too cautious, and then it's good that there are other banks – that competition prevails.

The truly difficult loan decisions involve existing loans at a time when a customer is having problems. Should we go a step further? Should we not only grant an extension of the existing loan but perhaps also lend additional funds, to save the borrower's company – and safeguard our claim? If the bank decides that it is only a matter of a temporary decline in liquidity, it should not "choke" the company. The difficulty lies in determining whether a liquidity gap has to be bridged or whether the problem is more serious. And then we generally refer back to our evaluation of the customer's qualities – as a corporate manager or private individual.

What characteristics do you associate with the term "businesslike?"

A combination of imagination and flexibility on the one hand and a gift for figures. A sort of restlessness as part of continuous searching. But, at the same time, a down-to-earth focus on what is possible.

What is the role of the Board of Directors?

Role number one is to ensure that management – and indeed the president – is the right person. The demands on the president change during the variable lifetime of a company. Then, it is up to the president to compose his team. This is perhaps his most important task! The Board should also monitor the company's operations through active involvement, in order to be able to evaluate management's performance. It is not enough just to read documents and be attentive at Board meetings. Board members also have to follow what is happening in the economy and in politics generally –

and in the industry specifically – to be able to raise questions and take positions at short notice on issues involving major changes.

Who decides what?

The Board decides on certain major issues, but it is important to maintain the boundaries between line management and the more strategically-oriented and monitoring Board. At MeritaNordbanken we have chosen to have part of the Board's work take place in targeted committees. This makes it possible to handle Board work in greater depth.

One should also keep in mind the Board's role as a source of enthusiastic support for management. A Board should be demanding but it should also be inspiring.

Mergers are resulting in fewer and larger banks. Is this a good thing?

There are a number changes under way in Europe's banking world at the present time. Barriers are being removed, capital is moving freely. We are in the process of obtaining a single currency for all of Europe. We have to take advantage of the opportunities so that we will not be bypassed.

The IT revolution is making banks increasingly accessible to customers, and is reducing costs and creating opportunities for new products. Customers are the big winners. We must be at the leading edge of developments in information technology. This costs a great deal of money and accordingly requires large volumes of business.



Corporate customers are also growing in size. We are reading about large new corporate mergers every week. This trend is imposing demands for banks with ever-stronger capital structures. The stock market also wants to see banks with larger capitalization and good liquidity in their shares. All signs point in the same direction. We must ensure that we are one of the banks in the winners' group in the Nordic Region. We have to do this for the sake of our customers, our shareholders and our employees.



But aren't mergers difficult – especially those across national borders?

Well, they have to have favorable conditions in which to operate, and they have to be well-planned and well-accepted. I was pleased when the Financial Times recently noted that MeritaNordbanken was to date the only example of a successful transnational bank merger in Europe.

Conditions in the Nordic Region are conducive to bank mergers. We have a common history, strong linguistic and cultural ties. And, notably in the case of Finland and Sweden, a similar industrial structure.

Even before we began the negotiations between Merita and Nordbanken, we attempted to create a common perspective – a basis for how we both regarded the Nordic Bank Vision. Management has since done a fine job – supported by many positive forces in both banks – in not permitting rivalry between nations but in regarding differences as sources of strength.

But aren't transnational mergers more difficult than staying in the domestic market?

Perhaps. But take the Merita example. Merita had such large market shares in Finland that, to become larger, there was only one way to go: westward. And we at Nordbanken saw this as a great opportunity, one that we are happy to be able to take mutual advantage of.

And the next step? Norway and Denmark?

Well, our bid for CBK remains firm. We have high hopes that there will be a decision during the spring. As for Denmark, it is a matter of positioning ourselves so that we are perceived as the ideal joint-venture partner in the Nordic Region.

Is that, then, the final move?

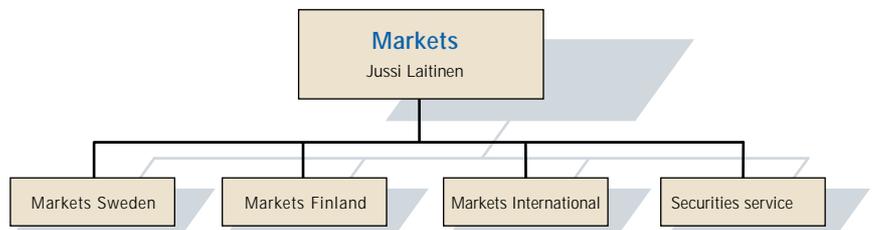
There is never a final move. But if we achieve our objective, which is to become the Nordic Champion, I think that we can offer our customers a solid financial partnership and an exciting future for our employees, as well as an attractive deal for our shareholders. One should always be concerned about the future perspective. It is essential to position oneself so that one stands out as the most attractive partner.

Markets

Reduced currency trading

Markets is responsible for MeritaNordbanken's currency, interest, derivative, money market and equity trading operations. Markets' operations were strongly influenced in 1999 by the introduction of the euro.

Markets			
EUR bn	1999	1998	
Income	152	157	
Expenses	-100	-121	
Loan losses	-	-	
Operating profit	52	36	



In Finland, the volume of Trading's standard products declined 25-30% following the Finnish markka's loss of its former status as an independent currency. In the Swedish market, trading in standard products remained strong. In both Finland and Sweden, Trading operations reported a growing number of international customers.

Currency markets were characterized by volatility in 1999. The euro weakened, while SEK, USD and JPY gained strength. Robust economic growth in the U.S. and Europe, led to a sharp increase in long market interest rates. Credit margins on government bonds and corporate debentures fluctuated sharply during the year, coupled with rising stock prices in Finland and Sweden.

Despite lower volumes due to the euro, currency trading operations reported strong earnings, although slightly lower than in 1998. Profitability from interest trading was weak, with the exception of the Bank's own positions.

Earnings from equity trading in Finland increased sharply, while

in Sweden institutional equity trading showed a marginal profit.

During the year all areas of Markets were focused on upgrading internal controls for business procedures, instructions and ethics. A major systems development project was started to strengthen business and administrative routines with particular emphasis on equity trading in Sweden.

In January 1999, a case of unauthorized equity trading was discovered within Nordbanken Aktier, which resulted in a loss provision being made in the 1998 accounts.

As a result of this case, the Bank conducted a comprehensive internal audit. The case also prompted an audit by the Financial Supervisory Authority, which criticized Nordbanken Aktier. The Bank implemented several measures during the year to strengthen internal control routines within Nordbanken Aktier.

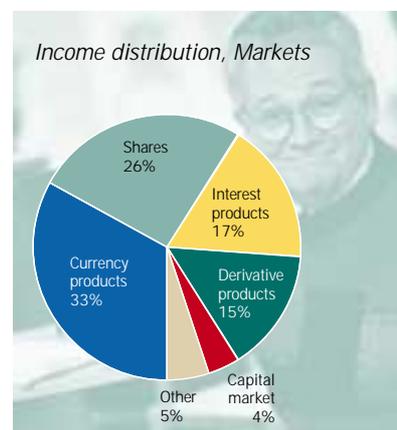
Efforts continued in 1999 to shift the focus of Trading operations in London, New York and Singapore toward greater concen-

tration on services offered to the Bank's Nordic and local customers.

New organization

In May 1999, a new organizational structure was established for Markets. The business area was divided into separate units for Sweden, Finland and International.

Most operations conducted by Markets are concentrated in Helsinki and Stockholm. Offices in both cities focus on market-making, risk-taking, analysis and sales. The



business area also has operations in Malmö, Gothenburg, Sundsvall, London, New York and Singapore, with special concentration on sales and local sales support. In Sweden, the organization also includes Securities Service (VPS), a centralized, earnings-neutral processing unit, for trading and equity trading in Sweden.

Equity trading is conducted with product and operational responsibility for institutional equity trading and product responsibility for regional equity trading. Currency, interest, derivatives and money market operations, as well as operations in emerging markets, are conducted with product and business responsibility.

Greater coordination has been achieved in market-making, risk-taking, product development and marketing within the three product areas conducting global operations, which comprise currency and bond trading as well as money market operations. Efforts are being made to coordinate operations in financial analysis, international sales and emerging markets. Global coordination of risk-evaluation and risk-monitoring elements of financial risks and credit risks has been completed. IT-investments in Finland and Sweden are also being coordinated to create maximum uniformity in the business area's IT-structure.

Coordination of equity trading operations in Finland and Sweden

was continued in 1999, with strong emphasis on coordinating analytical operations and customer relations.

Expanded operations

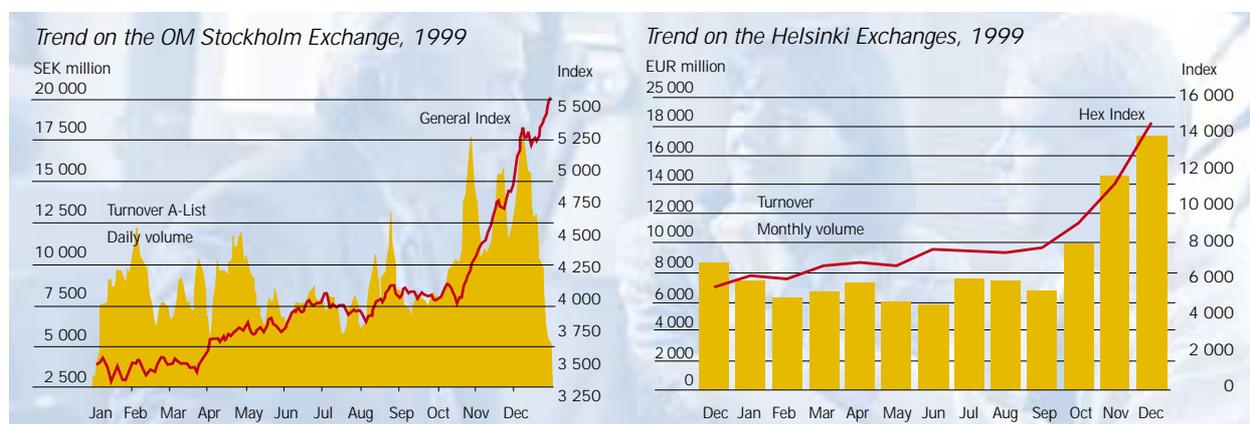
The introduction of the euro has influenced the focus and structure of Markets. The changes are reflected in lower income from traditional currency and interest trading, but higher volumes and income from money market and equity trading activities. Special priority has been placed on cost discipline and coordinated development in currency and interest trading. Customer service has been decentralized, while assumptions of risks and administrative routines are becoming increasingly centralized. MeritaNordbanken has strong positions in both Finland and Sweden as a traditional trading bank for large companies and institutions.

Markets also defended its position as Finland's leading source for syndicated-loan and money market programs. During 1999, the Group was an active member of the dealer group for all international loan programs for Finnish corporate customers. Money market operations in Sweden have been characterized by dynamic growth during recent years. Strong loan-syndication operations have been supplemented by substantial activity in Sweden's Medium-Term Note

(MTN) and Commercial Paper markets. MeritaNordbanken was the first bank in Sweden to offer customers a combined SEK/EUR MTN program. Efforts have continued in Finland and Sweden to establish leadership positions for new share issues and investments in money market instruments.

In terms of the number of transactions, MeritaNordbanken was the largest player in the Finnish stock market in 1999, with a market share of 19%. It was the second largest player in terms of turnover, with a market share of 12%. More than 50% of all private customers' share transactions in Finland are handled through Solo. In Sweden, MeritaNordbanken's market share of trading on the OM Stockholm was 5% and only 1.5% measured by turnover. The lower volume percentage is largely due to the Bank pursuing a low-risk profile compared with other Swedish banks with regard to trading on its own account.

Emphasis on quality service for customers of the Bank's branch network in Sweden was continued, supported by stronger focus on trading by institutional customers. Stock market research has been successful in both Finland and Sweden, achieving strong ratings in several different comparisons with competing banks and financial institutions. Equity trading is a growth area for MeritaNordbanken.





Long-term saving is a way to generate capital for your children.

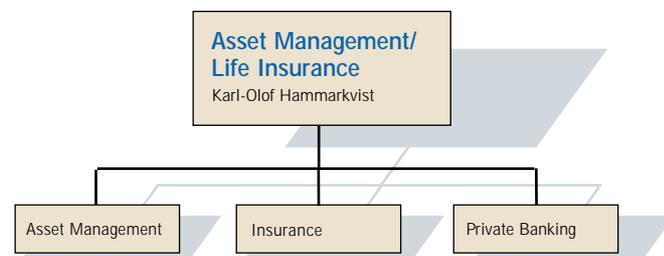
Asset Management/Life Insurance

Strong volume growth and return

MeritaNordbanken is one of the Nordic region's largest players in long-term savings, with total assets under management of EUR 33 bn. Operations in 1999 were characterized by strong volume growth and capital return. Efforts to strengthen the Bank's organization, marketing and advisory services, which were started in conjunction with the merger of Merita and Nordbanken, have produced results.

Integration has continued with the Group's joint management unit, MeritaNordbanken Investment Management, as perhaps the most obvious example. The Bank has also developed and unified its mutual fund products and achieved continued success in the unit-linked insurance market. The Private Banking concept has been successfully launched in Sweden, generating new customers and assets under management.

The total number of employees increased by 30 in 1999 to 269.



Asset Management

Asset Management is the umbrella designation for all Group companies that manage funds and portfolios for private individuals and institutions. Asset Management is the Group's expertise center for asset management. It offers a well-balanced range of products through Retail's distribution channels. Its skills and expertise enable MNB AM to structure portfolios adapted to the specific requests and requirements of all customers.

Integration of the asset management organizations of Merita and Nordbanken was completed in 1999. Reinforcements and investments have been made in the Bank's

international asset management and research as well as risk and performance analysis. Special focus has also been directed toward product development, marketing, investment advisory services and sales support. Special skills and expertise have also been developed in Internet-banking to support and benefit from Group investments in the Solo concept.

Mutual funds

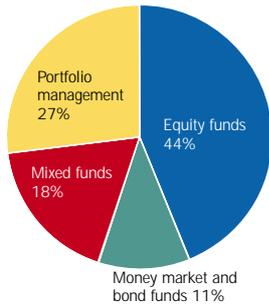
MeritaNordbanken captured 20.5% of net capital inflows into the Swedish mutual funds market in 1999, and its share of the total market for mutual funds at year-end 1999 was 18.2%. The Bank's strong sales performance was attributed primarily to higher

Result

EUR million	Mutual funds	Portfolio management	Insurance	Total 1999	Total 1998
Income	189	21	60	270	202
Expenses	-75	-5	-24	-104	-92
Operating profit	114	16	36	166	110
Volumes, EUR bn ¹⁾	20.1	7.9	5.0	33.0	21.4

¹⁾ Unit-linked insurance EUR 1.5 bn, reported under Insurance.

Distribution of assets under management



priority on sales of mutual funds in Retail operations, the launch of new products such as Medica and the IT-fund, and stronger support for financial advisors and personal bankers in branch offices. Sales of mutual funds to corporate customers increased steadily during 1999. Unit-linked insurance accounts for a substantial percentage of the net capital inflow.

In the Finnish market, MeritaNordbanken captured 30.6% of the net inflow and its market share of the total savings volume at year-end amounted to 28.6%.

The number of fund savers increased sharply in 1999, totaling 1.4 million at year-end. Efforts to broaden savings in mutual funds have continued, and the number of monthly savings customers now amounts to approximately 800,000.

MeritaNordbanken's mutual funds generated a very strong overall return during the year,

exceeding its asset management goal in relation to comparison index.

Institutional market

Growth in the Swedish market for institutional assignments is increasing in the segment immediately below large customers. To meet this demand, in 1999 MeritaNordbanken successfully launched four funds targeted to the investment needs of midsize companies and institutions. The new funds contributed to strong growth during the year. Cooperation with the Bank's branch offices has been further intensified to provide cost-efficient customer services in this market segment.

In Finland, operations in the institutional market were concentrated primarily on establishing a solid foundation for future expansion. Demand for discretionary management has started to increase, generating greater interest among other players to enter the market.

During the year, MeritaNordbanken increased its assets under management for institutional

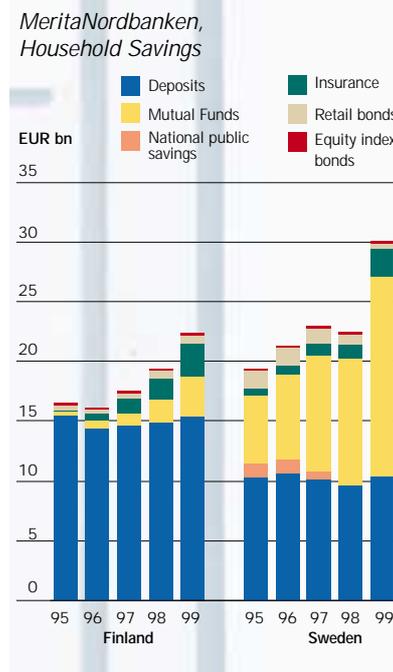
customers in Sweden by 37% to EUR 4.4 bn and in Finland by 57% to EUR 3.5 bn. Return was generally strong and, in most cases, exceeded comparative bank portfolio indexes.

Life insurance/IPS

Demand for capital and pension insurance products was strong in both markets. The expansion of sales support to branch office operations and strong efforts by the bank's local offices and the Selekt experts yielded higher sales volumes.

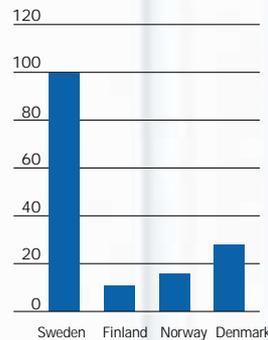
Merita Life strengthened its position as Finland's leading life insurance company by increasing its market share of total premium income to 29.5% (27.7). The company's total premium income rose to EUR 1,214 M (736). At the end of June, Merita Life introduced a new customer-oriented structure to further enhance operating efficiency and create a base for future expansion.

Livia increased its premium income by 12% to EUR 140 M.



Distribution of mutual funds in Nordic countries

Assets under management, December 31, 1999
EUR bn



Sources: Helsinki Exchanges, InvestingsForeningsRådet, Sweden Fondstatistik AB and Verdipapirenes Forening.

Employment pensions accounted for about 11% of premium income during the year, and 2,500 new agreements were signed in this increasingly attractive market sector. In its capacity as an agent for Merita Life, the company captured 15% of the market for unit-linked insurance in 1999, calculated as a percentage of new subscription volume.

Sales of IPS (Individual Pension Savings) rose 79% in 1999. Part of the increase came at the expense of Livia's traditional retirement pension products, which declined marginally in terms of sales volume. Higher IPS volumes in 1999 were attributable to increased customer interest in fund savings and strong stock market performance.

Outlook

Markets for mutual funds and life insurance continue to show strong growth. Strong value-added growth coinciding with substantial capital inflows are driving volumes up. Demographic factors and changes in

pension systems, as well as greater interest and increased knowledge among customers, are other important elements behind substantial inflows of capital into both markets.

During the year 2000, markets for mutual funds and life insurance in Finland are likely to benefit from changes in tax regulations governing interest on deposit accounts. In Sweden, the first appointment of an asset manager will take place this autumn within the framework of PPS, the premium pension system, which has accumulated capital totaling SEK 54 bn. As a result, PPS will probably also stimulate increased savings.

The Finnish market is expected to show stronger growth than Sweden, due to its limited starting volume, ongoing transfers of savings to equity funds, higher savings and, by international standards, the country's low level of wealth among private households.

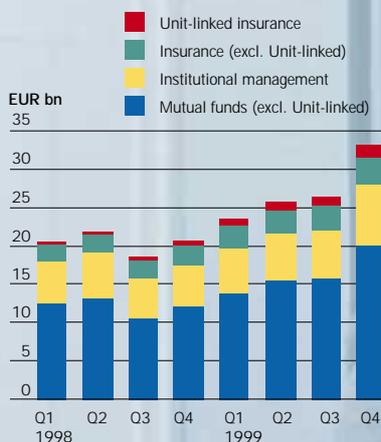
Continued strong growth and intensive competition for large-sized companies characterize institutional markets in both Finland and Sweden. The negative price

trend of previous years appears to have been reversed but price levels for large portfolios are still generally low, since many players, both new and old, are trying to expand their volumes. Asset management will continue to be characterized by international diversification and increased investments in mutual funds.

MeritaNordbanken will retain its position in the year 2000 as the market's best bank for savings. Cornerstones of the Bank's strategy include:

- increased market shares in the mutual funds sector through market-oriented product development, high-quality advisory services for customers and good accessibility,
- expansion of fund savings in Finland through focus on increased monthly saving,
- stronger focus on the corporate segment of the life insurance market,
- profit-oriented expansion in the institutional market,
- asset management income and capital yield in the highest quartile, compared with major competitors,
- increased focus on the Solo mall as a sales channel for mutual funds and insurance products.

MeritaNordbanken,
Asset Management and Life Insurance
Managed assets



Real Estate

Divestment continues

MeritaNordbanken's real estate portfolio contains properties with substantial values, most of which are situated in Finland. Real estate operations are not part of the Group's core business. Accordingly, planned divestment of properties not used in the bank's operations is now in progress.

A decision was made in December 1998 to divide and divest the Group's property portfolio in Finland at a more rapid pace than previously planned. The decision is in line with the strategy MeritaNordbanken established in 1997, which aims at focusing on and expanding banking operations.

During 1999, portfolio assets were reduced by EUR 0.2 bn.

The Finnish market for shares in real estate companies weakened in 1999, despite a continued improvement in the rental market. In the light of this, there was a market adjustment in the Bank's portfolio of real estate shares in the amount of EUR 145 M. Of the total write-down, EUR 21 M pertained to shares in Citycon, since these shares are now considered current assets, and EUR 90 M comprises a reserve for eventual losses from the sale of shares in Aleksia.

Appraisals of the Bank's property holdings outside the Nordic area in conjunction with the formulation of a program of measures and actions revealed the need for write-downs of EUR 34 M to EUR 110 M.

Aleksia Ltd

In the beginning of 1999, Merita Real Estate's property portfolio was

transferred to Aleksia, a new real estate company. The portfolio consists of 172 high-quality properties situated in growth areas – primarily in and around Helsinki. The book value is listed as EUR 1.3 bn. In view of the decline in the market for property securities and competing offerings of real estate shares in Finland, a decision was reached in late autumn 1999 to postpone Aleksia's stock listing until the year 2000.

On January 31, 2000, MeritaNordbanken decided to sell Aleksia and list the company's shares on the stock market. After a pre-marketing period, and in consultation with the Bank's advisors, an anticipated price range was established for shares in Aleksia, corresponding to a total value of EUR 370 – 450 M. The average value, EUR 410 M, is EUR 90 M lower than MeritaNordbanken's book value for Aleksia.

Aleksia sold

On February 22, 2000, MeritaNordbanken and Ilmarinen Mutual Pension Insurance Company reached an agreement on the cash transfer of the shares in Aleksia for about EUR 370 M. Moreover, Ilmarinen will take over Aleksia's debt in the Bank after MeritaNordbanken has repurchased 14 properties from Aleksia for EUR 145 M and completed certain development projects. As a result of the cash transfer the sale of shares and listing on the Helsinki Exchanges was cancelled. The sale of Aleksia will generate an additional capital loss of about EUR 40 M during the year 2000.

MeritaNordbanken, EUR billion

Book value of real estate holdings, Dec 31	1999	1998
Aleksia	1.4	1.3
Shares in real estate companies ¹⁾	0.2	0.3
Other properties	0.7	0.9
Bank premises	0.8	0.8
Total	3.1	3.3

¹⁾ Citycon, Sponda, Dividum and others.

Hotel properties

Toward year-end 1998, Merita Real Estate transferred 16 wholly-owned and 2 partly-owned hotel properties to Kansalliset Liikekiinteistöt Oy, which was restructured as a hotel-investment company, and its name was changed to Dividum Oy.

In January 2000 Dividum acquired five attractive hotels in Helsinki and its ownership structure was broadened, reducing MeritaNordbanken's holding to 47.2%. Dividum's assets increased to nearly EUR 0.2 bn.

As a result, Dividum is now fully structured for a transfer to new ownership as soon as market conditions are considered favorable.

Shopping malls and business centers

In June 1999, shares in nine shopping malls were transferred to Citycon, a publicly listed company.

The purchase price amounted to EUR 135.7 M, of which EUR 89.8 M was paid in cash and EUR 18.3 M was settled in the form of shares (plus a capital loan of EUR

17.6 M). As a result of this transaction and other property acquisitions, Citycon has strengthened its market position. The acquisitions almost doubled the value of Citycon's assets to EUR 0.8 bn.

MeritaNordbanken's holding, which after recently completed transactions amounts to 42.7%, will be sold to new owners when business conditions are considered favorable.

Merita Real Estate Ltd

Three-quarters of Merita Real Estate's property portfolio consists of office and rental properties, residential and foreign properties, with one-quarter comprising land and development projects.

After divestments of properties in 1999 valued at EUR 286 M, and write-downs totaling EUR 34 M, the remaining portfolio has a book value of EUR 1.1 bn. Excluding land and development projects, the portfolio generates a capital yield of about 4.7%.

The book value of properties used in actual bank operations in Finland and the U.K. (London)

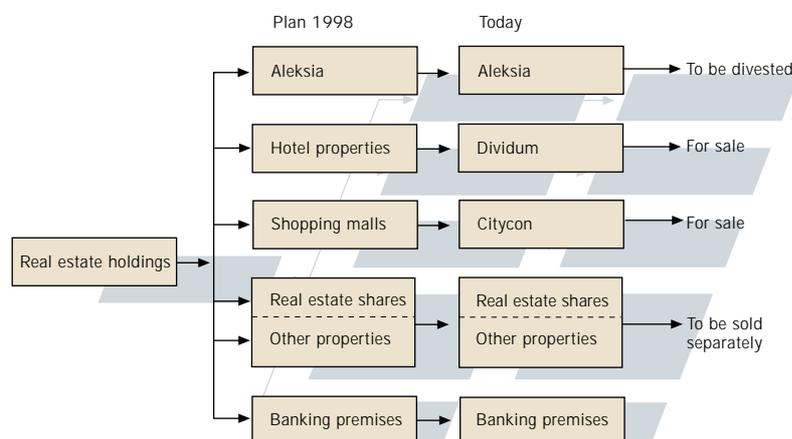
amounts to EUR 0.5 bn. The properties provide a yield of 4.9%.

Nordbanken Fastigheter AB and Fastighets AB Stämjärnet

Nordbanken Fastigheter owns the Group's properties in Sweden, where the Bank is the dominant tenant. The portfolio is being gradually concentrated to larger properties in Stockholm, Gothenburg and Malmö as well as other residential areas.

Market value is estimated at EUR 565 M, and the book value is EUR 350 M. Nordbanken Fastigheter manages a total of 249,000 square meters, of which 155,000 square meters are occupied by the Bank. The year-end vacancy rate was 3.9%. Total rental revenues in 1999 amounted to EUR 42 M, with internal tenants accounting for EUR 32 M. The company had 41 employees, who also manage Stämjärnet's properties.

Fastighets AB Stämjärnet is responsible for management and disposal of properties taken over as protection of claims. Following divestments in 1999 of 35 properties the portfolio comprises 10 properties with a total book value of EUR 29 M, including four foreign properties. The Bank hopes to sell all remaining properties during the year 2000.

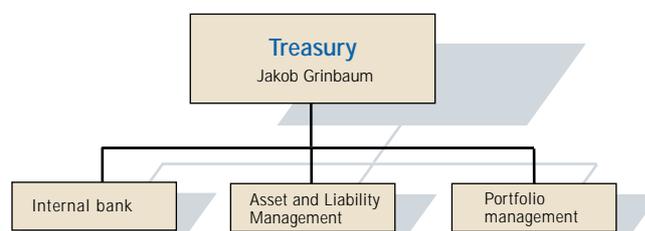


Treasury

Higher interest rates – lower interest-rate risk

Treasury is responsible for MeritaNordbanken's financial analysis (ALM), Group funding, debt management, the internal bank and cash management of bond and equity portfolio investments.

The global economy recovered quickly after the financial crises that characterized international economic trends during the second half of 1998 and the beginning of 1999. Stock markets performed very strongly and oil prices climbed to their highest levels since the Kuwait crisis. Major upward revisions were made in respect of private consumption and energy prices. This subsequently led to sharply rising interest rates during the year (slightly more than 1.5 percentage points), which had a negative impact on earnings from financial management operations. A sharp reduction of interest-rate risk was initiated during the second quarter. The increase in short-term rates was less than corresponding hikes in long-term rates. Through a greater portion of housing bonds in the portfolio, a higher total return was achieved. Combined with relatively short maturities in the portfolio, this cushioned the impact of the continued interest rate increase on earnings. All portfolios showed positive net interest, in excess of the negative changes in value.



Organization

Treasury conducts operations in Helsinki, Stockholm, London and New York. Operations in London and New York are conducted as part of the internal bank. Efforts to coordinate units and establish a uniform structure and direction were completed during the year. Asset management activities were expanded through a transfer of equity portfolios to Treasury.

The Bank also reorganized its structure for central risk control, which was transferred to Credit and Risk. Greater focus is now being placed on Treasury analysis of the total balance sheet composition and development.

Internal bank

The internal bank is a Group service unit that manages interest and liquidity risks arising in the normal operations of both banks. This responsibility involves ensuring that in all markets and all currencies the Group obtains funding in the most cost-efficient manner that, i.a. its rating permits. At the end of 1999, priority was given to securing a high level of liquidity readiness in the major currencies to cope with any disturbances related to the millennium shift. In addition, open positions with a time interval of up to one year were closed, thereby limiting the net interest-rate risk of the entire balance sheet.

The internal bank unit is responsible for the Group's various funding programs and debenture issues. It is also responsible for clearing operations and cash deposits in the various central banks, clearing institutions and other counterparties.

Portfolio management

Portfolio management is divided into three units: Fixed Asset Portfolio and Current Portfolio for fixed-income securities and the Equities Portfolio. The Fixed Asset Portfolio has a long-term horizon and is aimed at creating sustained, stable and high return. The Current Portfolio is aimed at active management to achieve a return on capital that exceeds market interest for passive management. The fixed-income portfolios carry interest-rate risks but have low credit risk. Moreover, they represent a liquidity reserve, since holdings can either be mortgaged or sold. The fixed-income portfolios are measured against index based

on the OMRX interest-rate index.

The equity portfolio represents a diversification within the investment framework and includes a Public Equity portion and a Private Equity portion. The equity portfolios are measured against indexes based on HEX and OMX.

The unit is also responsible for ensuring access to adequate volumes of securities that can be used as collateral for, i.a. securing payments in the respective country's payment system.

ALM

Asset and Liability Management (ALM) is responsible for consolidating, simulating and analyzing the Group's and the Bank's net interest-risk. ALM reviews and prepares reports and analyses that are dealt with in the Asset and Liability Committee (ALCO). ALM develops risk measurement methods for strategic risks and balance sheet techniques and simulations.

ALM measures the statistical and dynamic interest-rate risks in

the balance sheet. Statistical interest-rate risks are the interest risks that arise when taking into account the contractual fixed-interest due dates of customers. Dynamic interest-rate risk are those that take into account the customer's behavior and that certain assets and liabilities do not directly reflect changes in market rates.

Liquidity risks are measured partly on the exposure banks have daily in order to deal with cash in respective currencies, and partly on 14 and 30-day projections. Liquidity risks are measured in each currency separately in order to determine the exposure in the currency and as a weighted risk that shows how banks are exposed for short-term borrowing.

ALM provides analytical background information for decision-making that the operating units can use to increase or limit risks in the balance sheet and its composition. During the year, activity focused on the implementation of a new analytical tool for balance sheet analysis.



Personnel

Raised level of IT- and advisory skills

In many respects, MeritaNordbanken is becoming an expertise-oriented company. As a result, the everyday work routines of Group employees are creating most of the value added for customers and, consequently, the Bank's shareholders.

Knowledge, skills and the commitment of MeritaNordbanken's employees are becoming increasingly important elements for the Group's competitiveness. The competitive climate is becoming more intense with the emergence of new players, growing globalization and the distribution of more banking services via Internet and other channels. Accordingly, the Group's explicit objective to establish a leading position in the region is

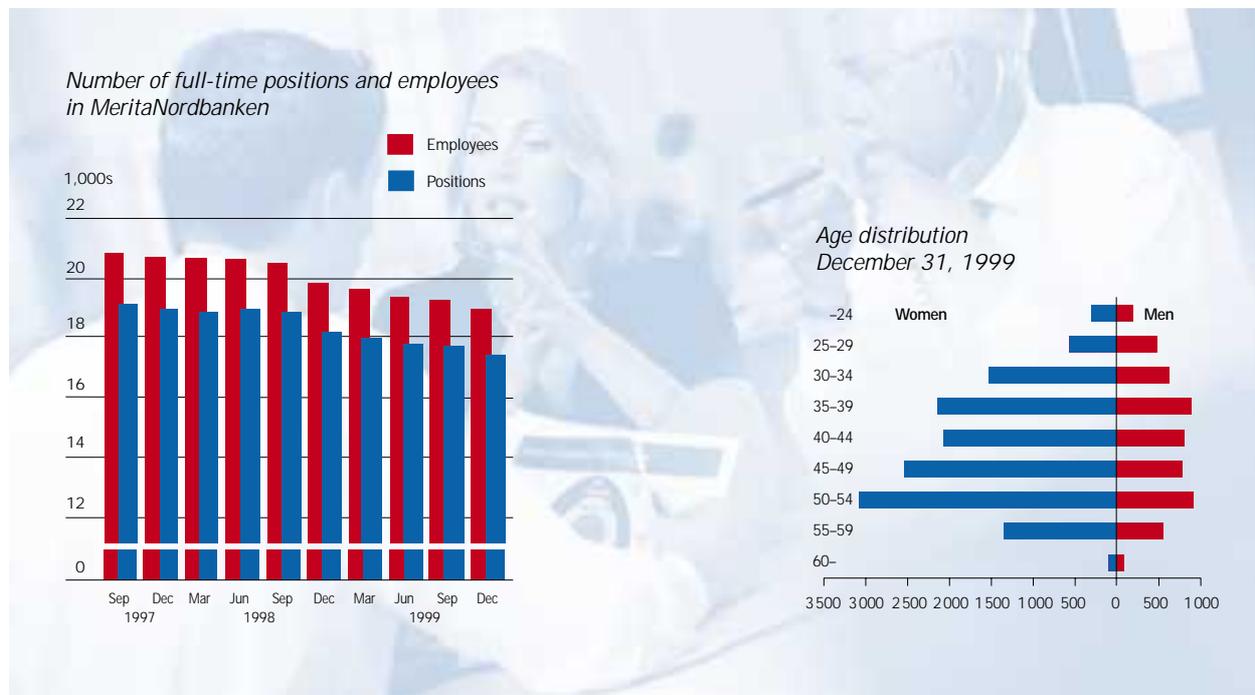
supported by a consistent personnel strategy that includes goals and actions for basic training, skills development, work environment considerations, employer attitudes and bonus systems.

Number of employees and personnel skills

The number of employees working in traditional bank operations is declining steadily. The trend is

attributed to the increase in the number of customers who are handling payments and other banking transactions with the support of new technologies, concurrently with applications of the same technologies to coordinate and streamline the management of internal administrative routines.

In other areas, however, the number of Group employees is increasing. They consist primarily of asset management operations, electronic banking services,



insurance and expansion in the Baltic countries and Poland. Growth in these areas is also creating a need to amend and realign the skills and expertise of many employees.

To achieve continued and successful growth in priority business areas, the Bank needs committed employees as well as IT and advisory skills and expertise. As a result, the Group requires employees, in cooperation with their immediate supervisors, to assume responsibility for their own skills development and to devote their own time and commitment to meeting customer expectations. In return, the Group supports their efforts and ambitions by offering attractive employment conditions and allocating resources for career development and advanced training. When recruiting new employees, the Group generally requires that most persons wishing to work for MeritaNordbanken should have basic academic education, preferably supplemented by professional experience.

Ability to attract and retain good employees

The labor markets in Finland and Sweden are undergoing major transformations. Competition for highly qualified young men and women is increasing and assuming a greater element of international mobility. The ability to attract the best talent is contingent upon the Group's opportunities to offer:

- Challenging assignments and opportunities to apply acquired knowledge.
- Open dialogues between employees and management personnel.
- Good cooperation climate among employees.
- Career and skills development.
- Competitive salaries and other forms of performance-based remuneration.

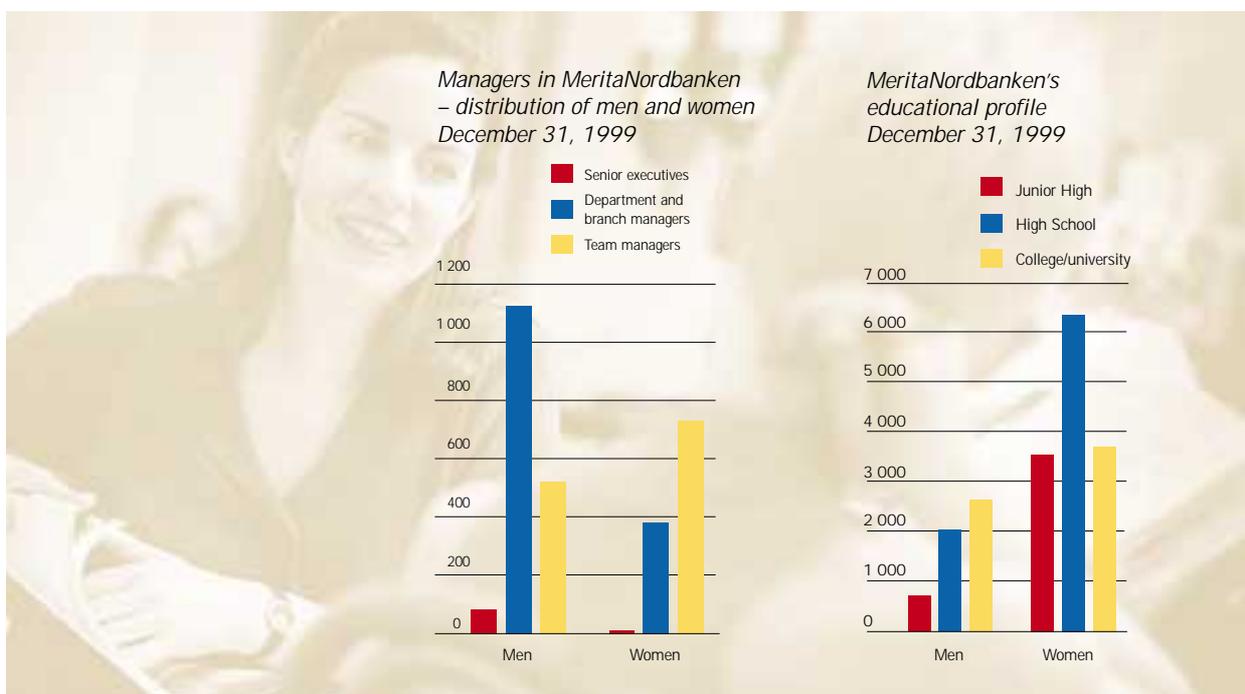
The Group's attraction value in these areas is monitored by internal and external opinion surveys.

A survey conducted in 1999 to determine the attitudes and opinions of all employees with respect to their work situations revealed very positive general ratings. In Sweden, a marked improvement was noted from an already high level. In Finland, where surveys of employee opinions are a relatively new concept, the results were better, or as good as, the results in Sweden. Alongside the internal survey, a study was also conducted to examine customer satisfaction.

During the year 2000, a new Group-wide trainee program will be introduced to meet long-term Group requirements for management and expertise resources.

MeritaNordbanken's profit-sharing system is designed to reward all employees when the Group's profit exceeds a fixed long-term profitability goal. This goal is based on zero-risk interest, plus risk premium.

Accrued assets in Nordbanken's profit-sharing fund amounted to EUR 100 M, and the



accrued value of Merita Bank's personnel fund totaled EUR 10 M. The assets are invested primarily in Nordic Baltic Holding shares.

Allocations based on earnings in 1999 to the personnel fund in Finland and the profit-sharing fund in Sweden amounted to EUR 35 M.

MeritaNordbanken Incentive is a Group-wide bonus system established in 1999 for management personnel and specialists. The system rewards fulfillment of three categories of goals: profit, operative quality and skills development. The goals were established in discussions between management personnel and Group employees.

Activities

Management's approach to personnel operations, present conditions and future requirements, was addressed in a project called "Focus on people." The project was intended as a basis for a well-founded development program enabling the Group to compete successfully for personnel resources in its domestic geographic markets. A preliminary study was also conducted to establish the requirements of a new personnel administration system. This will support the Group's personnel strategy and enhance the effectiveness of comprehensive

administrative routines needed for monitoring and reporting.

Work was conducted at all offices and work sites to develop and strengthen corporate values, thereby promoting the development of a uniform corporate culture, as part of operational planning in preparation for the year 2000.

Discussions and cooperation with the trade unions representing the employees continue to develop, in the Group Council and other forums.

Systematic efforts to promote equality between men and women continued as planned. A special management development program in Sweden arranged exclusively for women is a recurring activity.

A program for systematic evaluation of performance standards and management potential will be introduced this year.

About 320 managers and specialists have participated in corporate culture seminars to develop various forms of cooperation, identify success factors and target areas for strategic investments. The seminars have resulted in individual contracts specifying personal responsibility for the Group's continued development.

The introduction and refinement of the Group's customer concept has affected formulations of training programs for personal

bankers/bank advisors, key account managers for corporate customers as well as private banking advisors. However, most future skills development will tend to concentrate on everyday work routines.

Focus of future efforts

The Group's continued development places strong demands on all employees. The ability of management to direct the Bank's operations is particularly important. It is essential for management to support new schools of thought, changes and measures designed to achieve business growth. The Group's strategy is contingent on management's ability to deal with cultural differences in the region.

The performance standards of individual employees will continue to be key elements for successful Group operations. Special priority, therefore, is placed on measures that contribute to:

- Improved earnings.
- Increased customer satisfaction.
- Change and skills development.
- Exchanges of experience to improve process and products.
- Open, honest two-way communication.
- Internal mobility to support diversification and broader experience.



Marita is thinking about expanding her business. A million customers are waiting for her in the Solo market-place.

Information technology

Higher transaction volumes

The large, multi-year projects conducted prior to the introduction of the euro and the new millennium have been completed. Common platforms can now be built gradually to accommodate future IT-development phases. A new and major challenge is the rapid increase in Internet Customers, which places strong demands on the reliability and accessibility of computer systems.

Accessibility and production

Transaction volumes increased in Finland and Sweden, particularly in terms of Internet-based services. On days with unusually heavy traffic, the number of Internet bank customers was twice as high in 1999 as in 1998.

To secure satisfactory quality standards, the Bank's central production capacity, including reserve capacity for the millennium shift, was increased by one-third and in certain particularly critical areas, capacity was doubled. To meet performance demands and secure quality standards in customer service at branch offices, 4,500 PCs were replaced in Finland during the past year, and an additional 3,500 will be replaced this year.

In relation to the high rate of change, system accessibility has remained good. As a result of meticulous planning, no significant problems were noted in conjunction with the millennium shift.

Systems development

The conversion to the euro, the Bank's new currency, was completed without problems during the first quarter of 1999. Substantial investments have been made in new systems to support the Group's equity trading and lending operations. An electronic mailbox used

by the Group's banks in both countries was developed for transfers of electronic information between the Bank and its customers. Some of the largest investments during 1999 were also focused on further development of network banking services, with particularly strong emphasis on Internet and telephone services.

The acquisition of a new system for business operations in the Baltic countries and Poland was completed in December.

Technology, systems integration

Due to continued systems integration between Finland and Sweden and demands for increasingly faster systems deliveries, MeritaNordbanken is now introducing a new systems architecture using component-based technology. Through coordinated development intended to establish the same solutions in Finland and Sweden, the new architecture is designed to increase productivity and, consequently, reduce costs and time for future development.

A common platform for PC work stations is under construction to simplify cross-border work by employees in all banking areas. The new platform will also reduce costs and increase utilization of unified applications.

To improve customer services in telephone banking, a common

technology and infrastructure have been established in Finland and Sweden. The technology is used in customer service units and regional call centers. A high-speed network link will facilitate the integration of data, audio and video as well as joint communication solutions with external companies. Preparations are now being made in Finland for conversion to the euro cash and euro accounting, which will be completed in midyear 2002.

Remaining competitive

The number of employees in Data rose by 10 in 1999 to 1,175 persons. The increase was attributable to installing new systems, cutbacks in consultant services and recruitment of key persons to minimize reliance on outside consultants. Investments were also made in skills development to derive greater benefits from new technology applications.

Data production 1999

Direct customer links via Internet/telephone ¹⁾	2 360 000
Intra-bank workstations	19 000
Servers in networks	1 560
Transaction value, millions	2 000
Printouts, millions of pages	163
Enclosed mailings, millions	78
Data capacity, MIPS	3 380
Computer storage capacity, GB	15 300

¹⁾ Via Internet 1,050,000.

Environment

Environmental gains and cost savings

Although bank operations are not readily associated with environmental effects, MeritaNordbanken consumes both energy and a variety of raw materials and uses a broad range of electronic equipment. Consistent, long-term improvement efforts will generate environmental gains and cost savings. In its lending operations, MeritaNordbanken is trying to direct greater customer attention toward various environmental considerations.

Banking operations have fewer direct effects on the environment than many other sectors of industry. Nevertheless, environmental issues are extremely important to MeritaNordbanken. The Bank accepts its environmental responsibility and contributes to long-term ecological development in compliance with the wishes and expectations of its customers and employees. Its environmental work is designed to increase MeritaNordbanken's value as a financial partner.

Determined efforts focused on the environment continued in 1999. Besides ongoing environmental investments within the Group, comprehensive environmental training courses were conducted for bank employees in Finland. The training program established a common platform for continued environmental improvements through employee incentives and commitment, thereby creating good potential to realize the Group's environmental plans for the year 2000.

Environment work in the entire organization

In the financing sector, environmental analyses have been a compulsory part of credit appraisal for

many years. To support further improvements in appraisals of creditor payment risks related to environmental effects, risk-analysis instructions and checklists were formulated and expanded during the year.

In the payments sector, opportunities to work in a more environmentally compatible and effective manner, both for customers and within the Bank, were increased through applications of modern IT-tools. Payment and other banking services via Internet save energy and reduce environmental effects.

The market has been informed about the Group's environmental work through advertising campaigns, articles in various publications as well as through MeritaNordbanken's participation in seminars and conferences.

Environmental considerations are taken into account in all purchases, and the Group prioritizes purchases of environmentally friendly products.

MeritaNordbanken has expressly declared its intention to reduce consumption of electricity and other forms of energy. The Bank buys green energy as recommended for environmental reasons.

Environmentally hazardous waste is separated on-site and disposed of with due consideration

for environmental concerns. In addition, virtually all materials that can be recycled are separated at all workplaces.

To reduce business travel, the Group has more than 40 video conference facilities at different locations in Finland and Sweden. Utilization of these facilities has increased sharply with the increasing accessibility of new technologies and improvements in audio and picture quality.

Common environmental policy

MeritaNordbanken stepped up its environmental efforts in 1999 by establishing a Group environmental policy and appointing a corporate environmental council to coordinate environmental work in Finland and Sweden. Operational plans for the year 2000 include the formulation of a corporate environmental plan constituting a platform for local environmental plans prepared by all Group units. Environmental counselors have also been appointed within the Group to support local environmental efforts. "MeritaNordbanken's Environmental Guide," which comprises information and training materials for the entire Group, was published during the year.



An entrepreneur can decide for himself when he wants to do his banking business.

Risk management

Identification and measurement of risks

MeritaNordbanken's business operations contain a number of risks. Our earnings and generation of shareholder value are dependent on our ability to manage these risks successfully.

Accordingly, MeritaNordbanken has developed and implemented a comprehensive regulatory system to handle risk management within the Group.

Risk management is based on the principle that each unit is primarily responsible for the risks associated with its operations. Key factors in this process are the early identification and measurement of all types of risk.

The focal point of risk management is the maintenance of stable earnings. At no time may the Group's continuity be jeopardized by risk.

The Board has ultimate responsibility for limiting and monitoring the Group's risk exposure. The Group's overall goals for return on equity, loan losses and capital coverage constitute the starting point for MeritaNordbanken's risk limits.

The Group goal is that loan losses shall be less than 0.4% of lending over a business cycle, a reduction compared with the preceding year.

Market risks in current assets are limited to a level that corresponds to 4% of core capital and interest-rate risk is limited to 3% of core capital. Corresponding figures for risk in long-term shareholdings is 2%. At a 10% price decline in the property holdings, core capital would be affected by 6%.

Operating and legal risks are

kept within manageable levels at reasonable costs.

Organization and structure

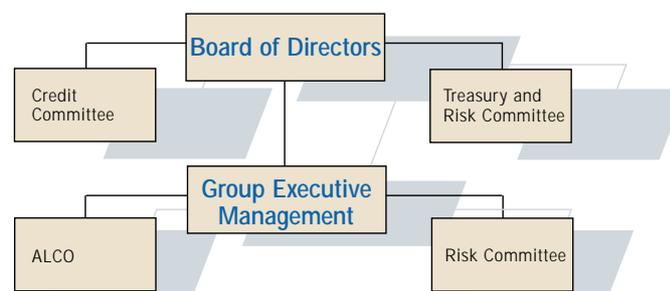
The Board exercises its overall responsibility and control in plenary sittings and through a Treasury and Risk Committee and a Credit Committee. The Board establishes the risk limits. It is the task of the Treasury and Risk Committee to report prior to Board meetings on treasury and risk-related issues, and also to monitor limit utilization and the general risk position of the Group.

In addition, Group Executive Management has appointed an Asset and Liability Committee (ALCO) and a Risk Committee. The Group's Chief Executive Officer is Chairman of ALCO and the head of the Credit and Risk

function is Chairman of the Risk Committee. ALCO is responsible for establishing principles for monitoring, checking and measuring the Group's financial risks. The Risk Committee monitors risk trends and supports the development of risk management operations.

Since 1999, there are three units within Group Credit and Risk: Credit Risks, Market Risks and Operating Risks. These departments collate, control, analyze and report in a uniform manner to the relevant decision-making bodies. The heads of Group Credit and Risk and Group Credit units are members of the Group Executive Management and report directly to the Group's Chief Executive Officer.

In addition, each business unit contains a risk management organization that is responsible for the daily monitoring of operating risks and results.



Credit risks

Credit risk is defined as the risk that parties with whom the Bank has entered into agreements do not fulfill their obligations to the Bank, and that any collateral deposited does not cover the Bank's receivable claims. Credit risks arise in many of MeritaNordbanken's business operations. Most of the Bank's credit risks arise through various forms of lending activity. Other credit risks can arise through financial-instrument trading, primarily derivatives. The risk is that the counterparty is unable to fulfil its commitment, referred to as counterparty or default risk.

The primary risk management factor is to ensure that the credit process itself is handled with quality and discipline. This requires well-defined rules and instructions as well as business expertise.

Risk management and control

Credit risks are limited within the Group's decision-making process. For customers with commitments

involving significant exposures for the Bank, a limit is decided, which also stipulates the conditions for granting credit. Within the limit, decisions are taken in respect of individual credits in accordance with the terms set out in the limit decision. For smaller credits, decisions are made in casu.

The Board has delegated the right of decision on customer limits primarily to three decision-making levels outside the Board and its committees. Right of decision on customer limits is restricted for each decision-making body. The diagram below shows the decision-making structure.

Each customer, or counterparty, having a credit commitment with the Group is assigned to a customer-responsible unit. This unit ensures that the customer/counterparty is granted a limit/credit adapted to its repayment capacity, which is assessed on an ongoing basis.

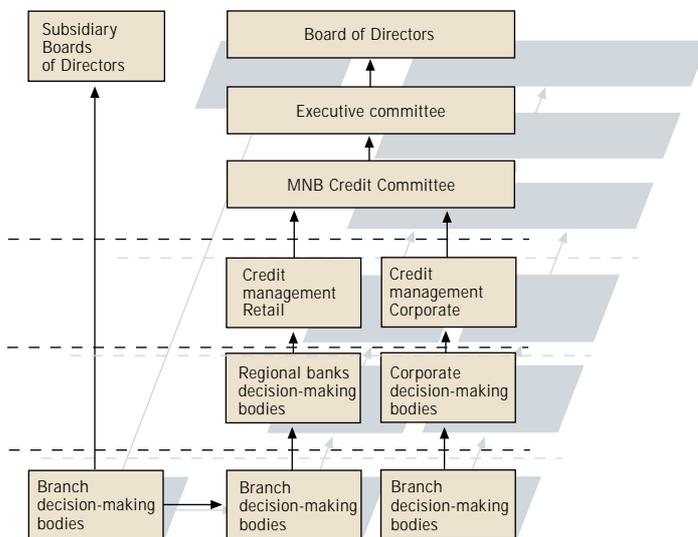
An assessment of macro- and microeconomic factors is an important component in this work and involves technological develop-

ments in certain industries, business cycles, and interest rate and exchange rate contingencies that affect customer's direct repayment abilities and collateral value.

This same unit is also responsible for handling individual credit commitments should they become problem commitments. The customer-responsible unit identifies and reports customer commitments which carry an increased credit loss risk. These exposures can be grouped in two categories: Risk Class 1 and Risk Class 2.

Customer commitments, which through neglect or other circumstances cause uncertainty as to repayment of the claim, are placed in Risk Class 1. An assessment is made of the potential loss risk, for which a provision is then made. The customer-responsible unit drafts an action plan outlining how to handle the situation in order to avoid or minimize a definitive credit loss.

Commitments that continue to be serviced but for which the customer's repayment capacity is



assessed to have been significantly impaired – because of weak profitability, lack of funds and/or the risk of a considerably weakened financial position – are placed in Risk Class 2. Although no provisions are made for commitments in this risk class, an action plan is formulated to cover such exposures.

Credit-monitoring units exist for regional banks, Large Companies, International units and credit-granting subsidiaries. These units monitor and suggest quality improvements in the work conducted by the customer-responsible units. Among other factors, assessments of the quality of credit work are based on how the customer-responsible unit addresses problems such as overdrafts and unpaid loans, how risk management is conducted, and the quality of both customer-classification and the credit portfolio. These units report new and increased risks to the Credit Risk unit within Group Credit and Risk.

This unit is in turn responsible for ensuring that efforts to develop and improve the quality of credit work are conducted in accordance with established principles and the direction required by the respective risk level. The unit ensures that provisions are made for risk-classified commitments in accordance with uniform principles, that action plans are formulated for risk exposures and that the measures called for in the plans are implemented.

Measurement methods

The main method used for measuring credit risk is exposure, which in terms of lending operations is equivalent to the nominal amount of the loan, or credit facility, etc. In the case of off-balance sheet instruments traded in the financial markets (for example, derivative financial instruments), the positive market value is mainly a measurement of actual exposure. Since the exposure varies with changes in the market price, a potential credit exposure is also calculated based on the remaining life of the derivative contract. This exposure is calculated on the basis of various percentages, “add-ons”, which are dependent on the type and duration of the contract and which are then multiplied by the underlying nominal amount.

Exposure says nothing about the credit-worthiness of a customer. Credit-worthiness is taken into account through setting credit limits in line with the customer’s repayment ability.

In recent years, MeritaNordbanken has worked to expand the quantification of credit risks that go beyond exposure. A highly important factor in the quantification of credit risks is the internal rating models developed within the Group. At present, there are two types of classification systems, one for financial institutions and one for companies. The Group’s classifi-

cation system for financial institutions is based on the same principles used by external rating institutions. The classification system for companies is more specific for MeritaNordbanken.

The Group has used a common rating model for its corporate customers since 1998. The model is applied to the Group’s entire corporate volume, with the exception of the smallest undertakings. The customer class constitutes a summarized assessment of the customer’s repayment capacity and level of collateral, with the emphasis on repayment capacity. Classifications are conducted based on a model that measures financial and non-financial factors. Evaluation and development were prioritized during 1999 and will remain the focus in coming years. The development of the Group’s own historical base will be used as the basis for future work in credit-risk modeling and to measure changes in the composition of the loan portfolio.

Work on rating models and the quantification of credit risks are vital components of credit risk management used in calculating credit risk in the Group and in areas such as credit assessment, portfolio analysis and pricing.

Market risks

Market risks derive from the risk that a value shift will occur as a result of changes in rates and prices in financial markets. Market risks in MeritaNordbanken are divided into interest-rate, exchange rate, equity and commodity risks.

Risk management and control

The main rule for limiting market risk is that assets and liabilities are matched to the greatest reasonable extent. This applies in terms of currencies and interest-rate periods. However, it is inherent in the Bank's operations to assume market risks within well-considered limits. Within MeritaNordbanken, this risk-taking occurs mainly within Treasury and Markets.

The Board determines the risk level and sets overall limits, while ALCO decides on the allocation of limits and risk-measurement methods to risk-taking units. Within Group Credit and Risk, the Market Risk unit has primary responsibility for monitoring and for ensuring compliance with risk limits, analyzing and reporting consolidated risk-taking and upgrading risk-management within the Group. This unit regularly presents reports on the trend in risk to the Board,

the Treasury and Risk Committee, Group Executive Management, ALCO and the Risk Committee. The controllers in each risk-taking unit are responsible for identifying, calculating and controlling market risks within the unit and for submitting daily reports to the Market Risk unit.

Measurement methods

It is crucial to measure and analyze market risks using several methods, since there is no single measure of risk that can be relied on as the sole means of measuring future risk. Market risks in MeritaNordbanken are measured, for example, using Value at Risk, standardized sensitivity measures, different combined scenario simulations, which take into account the non-linear character of options, as well as stress tests.

Value at Risk (VaR) is a statistical measure that estimates the maximum loss which, with a certain probability, will arise over a given time interval under normal market conditions. MeritaNordbanken limits interest-rate, currency and equity risks by using a VaR model based on two years' historical data, a 99% degree of proba-

bility and a 10-day close-out period. Analysis of VaR with other parameters and changed correlations is made on a continual basis. The measurement used for commodity risk limits is a 20% change in market value. Combined scenario simulations are used especially to measure non-linear risk, meaning the risk that arises in options-related instruments. The simulation consists of a gradual change in various market parameters, in which the worst outcome of the simulation expresses the risk involved in these positions.

Stress tests, which consist of subjectively selected scenarios and the simulation of historical processes in current time, are of major importance in estimating market risks in the event of extreme market circumstances.

Interest-rate risk and limits

Interest-rate risk is defined in MeritaNordbanken as the risk of changes in market interest rates leading to capital losses or lower net interest income. The type of risk that can lead to capital losses is referred to as interest-rate risk, and that which may lead to a deterioration in net interest income as interest-net-risk. The overall limits for interest-rate risk are based on VaR for linear risks and simulation of non-linear-risk scenarios.

The net interest risk reflects the mismatch that arises in balance sheets when interest-rate periods between the liabilities and assets sides do not correspond exactly. The net interest risk in MeritaNordbanken is measured on the entire balance sheet. In the analysis of the net interest risk for the Group, an exception was made for those positions included in the Group's trading portfolio. In the

Market risks in MeritaNordbanken 1999

EUR million	Measurement	Board limit	Highest risk	Lowest risk	Average
Interest-rate risk	VaR	100.2	51.2	14.9	31.2
Interest-rate option risk	Simulation	18.9	5.0	0.2	2.3
Currency risk	VaR	26.5	7.4	1.3	3.8
Currency option risk	Simulation	23.6	5.2	1.0	2.4
Equity risk, Markets (as of Dec 15, 1999)	VaR weighted	14.2	5.0	3.6	4.3
Equity option risk, Markets (as of Dec 15, 1999)	Simulation	4.7	0.6	0.3	0.4
Equity risk, long-term portfolio	10 %	99.2	70.6	39.4	49.1
Commodity risk	20 %	2.4	0.2	0.0	0.0

analysis, the trading portfolio is defined as holdings that have been in the portfolio for a maximum of three months. During 1999, the net interest risk was reduced as a result of determined efforts to reduce the number of open positions in a 12-month interval. The net interest risk limit is decided by the Board and was EUR 141.8 M on December 31, 1999.

The table below shows the interest-rate positions on December 31, 1999. The table merely indicates the Group's position on a certain day. The reported interest-rate positions generally show, using a standard calculation, that an increase in market rates of one percentage point reduces net interest income for the next 12-month period by EUR 5.3 M (cumulative exposure of EUR 531 M times 1%). In this calculation it is assumed that no market transactions occurred during the period.

Currency risk and limits

Currency risk is defined as the risk for shifts in value as a result of changes in currency exchange rates.

Currency exposure is reduced through the matching of assets and liabilities. The overall limits for currency risk are based on VaR for linear risks and scenario simulation for non-linear risks. Internal currency risk limits have been established within the framework of the instructions from the Swedish and Finnish Financial Supervisory Authorities.

Equity risk and limits

Equity risk is defined as the risk of changes in the market value of stocks or stock-related instruments as a result of changes in stock prices. MeritaNordbanken's equity risk can be divided into long-term investment holdings and traded stocks including stock-derivatives, which are traded. The Group's long-term holdings are managed by Treasury and other stock trading risks by Markets. During 1999, VaR was implemented as the primary risk-measurement method for linear equity risks and simulation for non-linear risks in Markets, while the long-term stock holdings are measured and limited to a 10%

change in the market value of the holdings. As a complement to VaR, specific risks per stock are also limited.

Commodity risk and limits

Commodity risk is defined as the risk of changes in market value of commodity-related instruments as a result of changes in commodity prices. The overall limit for commodity risk is based on sensitivity measurements.

Liquidity risk

The purpose of MeritaNordbanken's liquidity management is to ensure that sufficient funds are available to the Bank to fulfill its commitments to customers and counterparties. These can involve repayment of financing on maturity, disbursement of new loans or payments for day-to-day operations.

Short-term liquidity risks are measured and limited using cash-flow forecasts in different currencies over a time period of 14 and 30 days. Liquidity risk limits are decided by the Board.

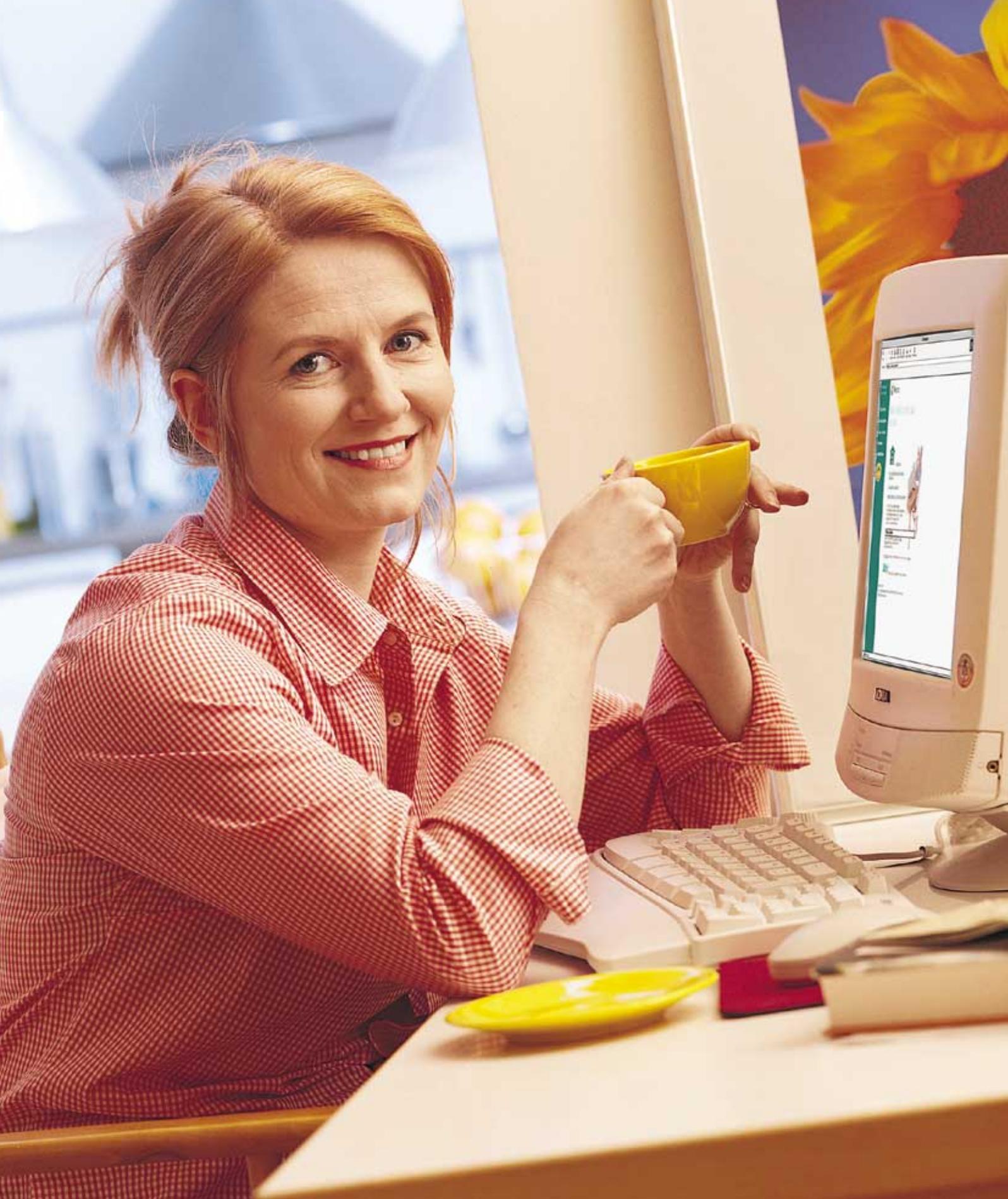
Repricing distribution

Fixed-interest-rate periods December 31, 1999, EUR million	Balance sheet	Less than 3 mos.	3 to 6 mos.	6 to 12 mos.	1 to 2 years	2 to 5 years	> 5 years	Non- repricing
Assets								
Interest-bearing assets	86 985	50 183	10 226	6 227	9 941	8 746	1 662	
Trading	4 580	4 580						
Off-balance-sheet items ¹⁾		108 187	9 867	3 816	1 184	1 556	834	
Non-interest-bearing assets	12 412							12 412
Total assets	103 977	162 950	20 093	10 043	11 125	10 302	2 496	12 412
Liabilities and shareholders' equity								
Interest-bearing liabilities	89 546	64 886	6 358	4 302	7 943	4 689	1 368	
Off-balance-sheet items ¹⁾		103 355	10 142	4 574	3 710	2 726	937	
Non-interest-bearing liabilities ²⁾	14 431							14 431
Total liabilities and shareholders' equity	103 977	168 241	16 500	8 876	11 653	7 415	2 305	14 431
Exposure		-5 291	3 593	1 167	-528	2 887	191	-2 019
Cumulative exposure		-5 291	-1 698	-531	-1 059	1 828	2 019	0

¹⁾ Off-balance-sheet items consist of derivative instruments that are used by the Group to hedge items in the balance sheet or to change them in a synthetic manner. Amounts do not include derivative instruments in the Bank's trading portfolio, except currency forwards. Derivative instruments traded between the

Trading unit and Treasury are treated as if they were external transactions. The purpose is to show the impact of these trades on the Group's overall interest-rate exposure.

²⁾ Includes Group shareholders' equity amounting to EUR 5,526 million.



Home shopping. Lotta shops around in the Solo mall whenever she feels like it.

Operational risk

MeritaNordbanken has defined operational risk as the risk of losses, including damage to its reputation, caused by shortcomings in the Bank's internal operations (employees, organization, processes and technology) and external events and circumstances that affect the Bank's business. The Bank's operations are constantly exposed to attempted internal and external criminal acts. Solid internal controls are the best way of protecting operations against such attempted crimes. Important factors for good internal controls consist of leadership, education, recruitment and well-defined regulations and instructions.

The physical safety of the Bank's employees and customers is highly prioritized. Thankfully, the incidence of robberies and attempted robberies has declined.

Risk management and control

Each business area is primarily responsible for the handling and containment of its own operational risks. Part of the limitation process is to develop an optimal insurance cover through non-life and liability insurance programs. Group Credit and Risk has overall responsibility for controlling operating risks. This is carried out in close cooperation with internal auditing functions.

Measurement methods

Group Credit and Risk is responsible for developing the Group's overall system for the identification, measurement and limitation of risk. Both existing and new products are assessed on the basis of models developed by the central unit.

Today, the models can identify the risk profile in different processes. The objective is also to be able to quantify risks more precisely, which is beneficial in capital allocation activities.

Risk-Adjusted Performance Measurement (RAPM)

During 1999, MeritaNordbanken intensified its efforts to develop a model for risk-based management and results measurement. This model takes into account credit risk, market risk and operational risks. The objective is to obtain a better method of calculating the Group's risk capital requirements, thereby optimizing the utilization and distribution of capital between different business units. It also enables better comparisons to be made between the different Group units in terms of risk and return.

The model is scheduled to be taken into use during the year.

Risk-Adjusted Capital (financial capital)

Risk-adjusted capital is an expression of how much capital will be required by each business operation to cover the unforeseen losses that can affect a unit. In the model that has been prepared, a risk-adjusted capital sum (financial capital) is calculated for each business unit, in regard to its credit, market and operational risk.

The calculation of risk-adjusted capital in accordance with the model is made with the help of statistical methods based on historical data. Preliminary calculations

show that credit risk requires the most risk capital by far, approximately 70% of total financial capital, while market and operational risk require approximately 15% each.

The difference between total financial capital for the Group and capital consumption calculated in accordance with prevailing capital cover regulations, which have been used to date for allocating shareholders' equity, is relatively small, whereas differences occur for the various business units.

Credit risk

Calculation of the financial capital needed to cover unforeseen credit losses is based on the Group's internal system for classification of counterparties. In a matrix where the internal ratings are shown on one axis and maturity periods on the other, so-called capital factors have been calculated for the respective combinations of rating and maturity periods. The size of the capital factors depends on the estimated probability of a failure and the size of the loss. Calculation of the financial capital is then made by multiplying the credit-risk exposure of each combination of rating and maturity period by the calculated capital factor.

Market risk

Calculation of the financial capital needed to cover unforeseen losses due to market risks is based primarily on the Group's Value at Risk (VaR) model, which is used to calculate market risk.

Operational risks

Operational risks are defined in the model as the risks which remain when credit and market risks have been taken into account. Operational risks are calculated, taking into account the historical volatility in earnings (excluding the effects of credit and market risk) and using this to calculate the capital factors for operational risk at product level. By studying historical fluctuations in earnings, statistical methods can be used to calculate the size of future operational losses and thus the amount of risk capital required.

Return on Capital at Risk (RoCaR)

With a calculated risk capital requirement for each business unit, a risk-adjusted return (RoCaR) can be calculated. During the year 2000, RoCaR will be calculated for the various business units parallel to the existing internal return ratio, Return on Equity (RoE).



Jarmo and Päivi were quickly able to finance their dream home, thanks to the bank confirming their loan.

Financial structure

Streamlining continues

MeritaNordbanken works continuously to create added value for shareholders through increased focus on core operations and by optimizing both the Group's financial structure and shareholders' equity.

The year 1999 saw the continuation of the divestment of property holdings and earlier strategic shareholdings, which had been announced when the Group was established. At the same time, the lending portion of the Group's combined assets continued to rise despite a tendency on the part of larger companies, to increasingly secure the funding needed through direct loans in the capital and money markets. Holdings of interest-bearing securities reported as financial

current assets, which in relative terms act primarily as a liquidity balancing factor, decreased during the year.

On the funding side, deposits from households are facing growing competition for customer savings from various forms of equity investments. Nevertheless, these deposits accounted for 60% of total deposits from the public and were the Group's largest single source of funding.

Maintaining capital adequacy

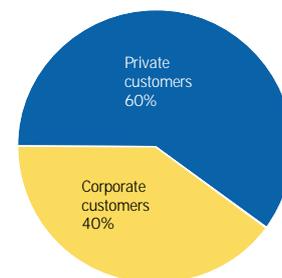
at an appropriate level is a prerequisite for the Group's stated growth strategy within the Nordic and Baltic regions. Accordingly, a good return on capital is a fundamental requirement. During 1999, in order to further strengthen the capital base, the Group issued hybrid capital loans which are included in the core capital.

MeritaNordbanken Group – Balance sheet structure

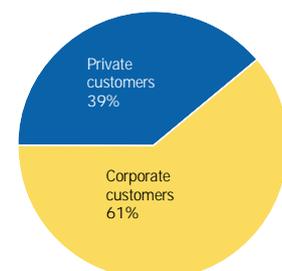
Percent of balance sheet at the end of the year

	1999	1998	1997
Assets			
Loans to the public	65.6	62.3	58.3
Loans to credit institutions	8.8	11.6	13.7
Interest-bearing securities			
Current assets	8.1	10.4	10.5
Financial fixed assets	5.6	3.9	5.0
Real estate holdings	2.6	3.1	3.9
Shares, investments and trading	0.6	0.5	0.8
Other	8.7	8.2	7.8
Total	100.0	100.0	100.0
Liabilities and shareholders' equity			
Deposits from the public	40.5	40.1	40.0
Other borrowing from the public	1.8	2.1	2.7
Due to credit institutions	12.8	18.2	18.3
Bonds and other debt instruments	27.0	23.6	22.9
Subordinated debt including capital loans	3.9	2.7	4.1
Other liabilities	8.7	8.3	7.2
Shareholders' equity	5.3	5.0	4.8
Total	100.0	100.0	100.0

Deposits



Lending



Assets

Loans

Loans to the public

Loans to the public rose by 14% in 1999 and totaled EUR 68.2 bn. The upward trend was somewhat stronger for the household sector than for the business sector.

Borrowers outside the domestic markets in Sweden and Finland accounted for 9% of lending with the following geographical distribution:

EUR million	
- Other Nordic countries	446
- Baltic region and Poland	245
- Other OECD countries	4 007
- Other countries	1 493

A considerable portion of lending outside the Nordic region was related to loans for projects or foreign establishment in which our Finnish or Swedish customers are involved.

Companies

Corporate loans increased by 12% during the year. Distribution among industries was largely unchanged. A substantial percentage of loans to property management companies, which account for the single largest portion, were to governmental and municipal companies. This industry accounted for the largest volume increase during the year. Of the increase of EUR 1.2 bn under the heading, Other Companies, foreign customers accounted for EUR 0.6 bn and repos for EUR 0.5 bn.

Households

Loans to the household sector increased by 16%. Housing credits increased by 18% and this increase constitutes 85% of the increase in household lending. At year-end, housing credit's share was 75% (73) of household lending.

<i>MeritaNordbanken</i> <i>Customer structure of loans portfolio</i>						
Dec 31, EUR bn	1999	%	1998	%	1997	%
Companies	39.6	58.1	35.2	58.9	33.3	58.2
Households	26.4	38.6	22.8	38.1	22.1	38.7
Public sector	2.2	3.3	1.8	3.0	1.8	3.1
Total	68.2	100.0	59.8	100.0	57.2	100.0

<i>MeritaNordbanken</i> <i>Distribution of lending to corporate customers, by industry</i>						
Dec 31, EUR bn	1999	%	1998	%	1997	%
Real estate management	11.0	27.8	9.6	27.1	8.9	26.8
Construction	2.6	6.4	2.8	7.9	2.6	7.7
Transport	3.0	7.6	2.9	8.2	2.9	8.7
Trade & services	3.7	9.4	3.4	9.7	3.5	10.4
Manufacturing	6.4	16.2	5.3	15.1	4.9	14.8
Financial operations	0.4	1.1	1.1	3.2	1.1	3.2
Renting, consulting and other company services	4.7	11.9	3.6	10.3	3.3	9.9
Other companies	7.8	19.6	6.5	18.5	6.1	18.5
Total	39.6	100.0	35.2	100.0	33.3	100.0

<i>MeritaNordbanken</i> <i>Lending to households</i>			
Dec 31, EUR bn	1999	1998	1997
Mortgage loans	19.7	16.7	16.2
Consumer loans	6.0	5.4	5.2
Student loans guaranteed by the Finnish government	0.7	0.7	0.7
Total	26.4	22.8	22.1

<i>MeritaNordbanken</i> <i>Lending to the public sector</i>			
Dec 31, EUR bn	1999	1998	1997
Municipalities	1.8	1.7	1.7
Finnish and Swedish governments	0.0	0.0	0.0
Other public institutions	0.4	0.1	0.1
Total	2.2	1.8	1.8

Public sector

Loans to Swedish municipalities increased by 16% to EUR 1.6 bn. The increased lending to other public institutions was dominated by loans to Swedish County Coun-

cils. Loans to Finnish municipalities decreased by 24% to EUR 0.2 bn.

Loans to credit institutions

Loans to credit institutions amounted to EUR 9.1 bn at the

end of 1999 (EUR 11.2 bn). The majority of lending to foreign banks was to banks within the OECD area.

Risk-classified commitments

In 1999, the volume of risk-classified commitments decreased by 15% and totaled EUR 3.3 bn at year-end.

The largest decrease was in Risk Class I, where a number of commitments were liquidated during the year. This contributed to the substantial reduction in the volume of unsecured receivables. The reduction occurred in all industries except the manufacturing industry. The latter reflects increased risks within the Swedish sawmill industry.

Problem loans

Problem loans declined by 21% in 1999 to EUR 0.8 bn at year-end.

Unsecured gross receivables amounted to EUR 2.3 bn, a drop of 29% from the previous year. Of this amount, EUR 1.8 bn. was attributable to corporate loans and EUR 0.5 bn to household loans. Reserves for possible losses totaled EUR 1.5 bn, which corresponds to a provision ratio of 65%. Unsecured net receivables were EUR 0.8 bn, equivalent to 1.2% of lending (1.7%).

Special country-risk provision

Lending to other countries involves risk factors that are specific to each country. Factors such as changes in the economic and political climate affect the repayment ability of

many of the countries' banks and companies.

MeritaNordbanken makes provisions for credit risks that arise in specific countries due to changes in their economic and political environment.

To assess these risks, MeritaNordbanken uses a model that is applied to countries outside the OECD, as well as to some countries within the OECD where the Bank considers this motivated in view of the country's economic and political situation. The assessment is based on the EIU (Economist Intelligence Unit, London) country-risk assessment.

MeritaNordbanken allocates a provision for these risks based on outstanding net receivables, combined with the risk level for every country. Net receivables refer to receivables, excluding guarantees from organizations such as EKN and Finnvera, the respective Swedish and Finnish export credit boards, and similar institutions. The size of the provision varies depending on changes in outstanding volumes and changes in the assessed risk level of the countries.

In 1999, the provision requirements associated with these risks decreased by EUR 20 M. As of the balance sheet date, special country-risk provisions totaled EUR 158 M.

Interest-bearing securities

Interest-bearing securities totaled EUR 14.3 bn, distributed among financial current assets (EUR 8.5 bn) and financial fixed assets (EUR 5.8 bn). In order to satisfy customers' liquidity requirements, as well as its own flows, a volume of approximately EUR 5 bn in pledged securities is required.

Financial current assets

Financial current assets are handled by Trading and Treasury. Trading manages very flexible positions to utilize short-term fluctuations in interest rates. Within Treasury, positions are divided into management portfolios with mainly medium-term investment horizons. The majority of the guidelines for interest-rate risks, which were established by the Board, are divided among these two units. At the end of 1999, the duration of financial current assets was 1.6 years. The combined interest-rate risk was EUR 17.9 M, measured as VaR, which takes into account portfolio effects and actual volatilities.

Fixed assets

Financial fixed assets are reported holdings of interest-bearing securities intended to be held to maturity and thus to provide a good return

MeritaNordbanken Risk-classified commitments

Dec 31, EUR bn	1999	%	1998	%
Class 1	2 100	64	2 610	68
Class 2	1 185	36	1 245	32
Total	3 285	100	3 855	100

MeritaNordbanken Distribution of Class 1 and 2 risks, corporate customers by industry

Dec 31, EUR million	1999	% of lending to the industry	1998	% of lending to the industry
Real estate management	624	5.7	752	7.9
Construction	271	10.7	383	13.8
Transport	364	12.1	372	12.9
Trade & services	495	13.3	706	20.6
Manufacturing	739	11.5	459	8.6
Financial operations	70	15.9	107	9.5
Renting, consulting and other company services	464	9.8	584	16.1
Other companies ¹⁾	258	3.3	492	7.5
Total	3 285	8.3	3 855	10.9

¹⁾ Other companies include some household loans.

over the term. The Portfolio contains mainly listed government bonds and mortgage bonds. Holdings amounted to EUR 5.8 bn. The average maturity was 2.4 years with an average duration of 2.1 years. Yield (effective annual yield) totaled 4.8%. 1999 was characterized

by volatile interest rates with rising rates during the year. The market value largely matched the book value at year-end. The undervalue was EUR 17 M at year-end, compared with an overvalue of EUR 121 M in 1998.

MeritaNordbanken
Problem loans and property taken over

Dec 31, EUR million	1999	1998
Nonperforming loans, gross	2 252	3 185
Loan loss provisions	-1 460	-2 181
Nonperforming loans, net	792	1 004
Loans with interest deferments	13	17
Total problem loans	805	1 021
Loan loss provisions as percentage of nonperforming loans, gross	64.8	68.5
Net nonperforming loans as percentage of lending	1.2	1.7
Assets taken over for protection of claims	60	99

MeritaNordbanken
Nonperforming loans, households

Dec 31, EUR million	1999	% of lending within respective segment	1998	% of lending within respective segment
Mortgage loans	30.5	0.2	41.9	0.3
Consumer loans	60.8	1.0	71.2	1.3
Student loans guaranteed by the Finnish government	6.5	1.0	7.3	1.0
Total	97.8	0.4	120.4	0.5

MeritaNordbanken
Net nonperforming corporate loans, by industry

Dec 31, EUR million	1999	% of lending to the industry	1998	% of lending to the industry
Real estate management	136	1.2	93	1.0
Construction	17	0.7	153	5.5
Transport	7	0.2	8	0.3
Trade & services	89	2.4	151	4.4
Manufacturing	49	0.8	53	1.0
Financial operations	1	0.2	4	0.3
Renting, consulting and other company services	125	2.7	89	2.5
Other companies	173	2.2	200	3.1
Total	597	1.5	751	2.1

Shares and participations

The Group's shareholdings in actively managed portfolios had a market value of EUR 0.1 bn at year-end. Other shares, reported as financial current assets and valued according to the lowest value principle, totaled EUR 0.5 bn, which was a decrease of EUR 0.1 bn from December 31, 1998. The downturn is largely attributable to the divestment of shares in the Pohjola Insurance Company. The surplus value of the remaining holdings, excluding holdings in Christiana Bank, totaled EUR 0.2 bn at year-end.

The Group also has shares and participations in subsidiaries and associated companies of EUR 0.7 bn. This refers to the subsidiaries Merita Invest, Huoneistokeskus and Merita Life Insurance as well as associated companies accounted for under the equity method.

Properties

The book value of property holdings totaled EUR 2.8 bn, a decrease of EUR 0.2 bn for 1999. The downturn was partly due to value adjustments of EUR 145 M, on the Group's real-estate related assets.

Other assets

Other assets totaled EUR 5.2 bn, and primarily involved positive valuation items relating to derivatives, EUR 3.0 bn, as well as accrued income of EUR 1.3 bn.

Borrowing

Dec 31, EUR bn	1999	1998
Loans from credit institutions and central banks	13.4	17.4
Borrowing from the public	1.9	2.1
Debt securities	15.6	12.8
Bonds	12.5	9.8
Subordinated debt	4.1	2.5
Total	47.5	44.6

Liabilities and shareholders' equity

Deposits from the public

Deposits from the public constitute MeritaNordbanken's most important funding source and represented 40% of total liabilities at year-end. During the year, deposits rose by 9% to EUR 42.1 bn.

Growth occurred mainly in corporate deposits, while household volumes were stable. The market share in Finland declined somewhat. Market share rose in Sweden in the corporate market, while declining in the private market.

Borrowing

The borrowing that is required in addition to deposits and shareholder's equity is undertaken primarily in the form of loans from credit institutions and through issues of money market instruments, bonds and subordinated debenture loans. MeritaNordbanken has a number of loan programs.

As a result of increasing issue volumes during recent years and its Aa3 long-term rating from Moody's Investor Services, Nordbanken Hypotek's prerequisites for better pricing and distribution of its bonds

have improved. In consequence, cooperation with MBB (Mortgage Benchmark Bonds) was discontinued in 1999.

The value of dated subordinated debentures outstanding was equivalent to EUR 2.3 bn. In addition, the Group had perpetual and hybrid loans in the amount of EUR 1.8 bn. This amount includes a loan of EUR 0.4 bn, taken last year.

Other liabilities

Other liabilities totaled EUR 8.9 bn. The major items comprised negative valuation items of EUR 2.8 bn related to derivatives and accrued costs of EUR 1.4 bn.

Shareholders' equity

As of January 1, 1999, MeritaNordbanken Group's shareholders' equity totaled EUR 4.8 bn. Of this amount, EUR 0.4 bn was utilized for payment of the dividend approved at the Annual General Meeting in 1999. Profit for the year increased shareholder's equity by EUR 1.1 bn. During the year, the strengthening krona resulted in a

Pension Foundation/Fund

Nordbanken's pension commitments are mainly secured through allocations to the Nordbanken Pension Foundation. Its net asset value amounted to the equivalent of EUR 899 M, covering pension commitments of EUR 605 M.

Merita Plc's Pension Fund and Pension Foundation are responsible for the personnel's supplementary pension cover in the Finnish companies. At the end of the year the fair value of the assets of the Pension Fund and Pension Foundation totaled EUR 696 M, covering a pension commitment of EUR 496 M.

positive translation difference of EUR 0.2 bn. In addition to that are reserves for ongoing share redemption of shares in Merita Plc, which reduced shareholders' equity by EUR 0.2 bn. At year-end, shareholders' equity totaled EUR 5.5 bn or SEK 47.3 bn.

In connection with the share exchange/new issue, the Extraordinary General Meeting of NBH decided to transfer EUR 0.7 bn (SEK 6.2 bn) from restricted shareholders' equity to a non-restricted fund. At year-end, non-restricted shareholders' equity amounted to EUR 2.8 bn or SEK 24.1 bn.

Off-balance-sheet commitments

As a part of its commercial operations, the Bank has substantial off-balance-sheet commitments. They pertain in part to commercial products such as guarantees, letters of credit, credit commitments and the like, and in part to financial commitments in the form of derivative instruments. The latter pertain primarily to contracts to exchange currencies at a future date (currency forwards), contracts to purchase and sell interest-bearing securities

at a future date (interest-rate forwards), and contracts to exchange interest-rate payments (SWAPS, FRAs). They are used partly to limit specific risks, but are also used by customers wherein the Bank is a counterparty.

The table below shows the nominal amounts. These amounts are not comparable and do not in any way constitute a quantification of the credit or market risks associated with the Bank's off-balance-

sheet commitments. As of December 31, 1999, total exposure to credit risks (counterparty risks), expressed as a risk-weighted amount and calculated in accordance with regulations applicable to capital adequacy, was EUR 1.4 bn.

Derivative instruments

Derivatives have a wide area of application, partially for taking

Off-balance-sheet commitments

Dec 31, EUR bn	Nominal amounts	
	1999	1998
Guarantees	5	5
Credit commitments	7	5
Unutilized credit facilities	8	5
Other contingent liabilities	2	1
Derivative instruments	364	371
Total	386	387

speculative positions and partially for hedging purposes. The major portion of MeritaNordbanken's derivative business originates as transactions and market-making activities, the purpose of which is to reduce market risk.

The most common type of derivative instrument is a forward contract on foreign exchange rates. This product is offered to a wide range of customers to hedge foreign exchange risks. However, FRAs are included in the nominal amount and SWAP transactions are substantially larger. Option volumes are relatively small.

The majority of outstanding derivative contracts are marked to market on a continual basis in the Bank's balance sheet and, therefore, affect the reported result. Other derivative contracts are included in the hedging reports at the acquisition value.

Consequently, derivatives affect the Bank's exposure to market risk and credit risk. Credit risk in derivative instruments is often referred to as counterparty risk. These risks are limited and measured according to the principles established within the respective areas outlined under Risk Management. The impact of derivative instruments on market risk is always measured and limited with other spot instruments, as they constitute the overall market risk. The credit risk that arises in derivative instruments traded over-the-counter (OTC), is limited in accordance with the Bank's normal credit procedures, i.e., the necessary limit requirement to the derivative counterparty.

Derivative instruments

Dec 31, 1999, EUR million	Nominal amounts		
	Total	Contracts made for hedging purposes	Other
Interest-rate related contracts			
Futures and FRAs	150 695	2 630	148 065
Options purchased	847	5	842
Options written	4 427	-	4 427
Interest rate swaps	128 118	15 622	112 496
Total	284 087	18 257	265 830
(Dec 31, 1998)	292 790	3 494	289 296
Currency-related contracts			
Futures and forwards	66 161	4 389	61 772
Options purchased	2 167	-	2 167
Options written	2 135	-	2 135
Currency interest-rate swaps	8 631	4 020	4 611
Total	79 094	8 409	70 685
(Dec 31, 1998)	78 000	31 620	46 380
Equity-related contracts			
	717	631	86
(Dec 31, 1998)	584	404	180
Other derivative contracts			
	113	-	113
(Dec 31, 1998)	32	-	32
Total	364 011	27 297	336 714
(Dec 31, 1998)	371 406	35 518	335 888

Capital adequacy

Capital adequacy regulations are intended primarily to ensure the financial stability of the banking systems by requiring a minimum level of shareholders' equity in relation to credit and market risks in both assets and off-balance sheet items. These regulations make up the core of the banking control system applied in different countries. Based largely on an international agreement, similar regulations are applied throughout the entire industrialized world. The minimum level for capital adequacy ratio, meaning the capital base in relation to risk-weighted assets, has been set at 8%.

At year-end, MeritaNordbanken's capital adequacy ratio was 12.0% (9.9) and the core capital ratio 8.3% (7.3).

In addition to net profits after the proposed dividend, factors affecting the change in the core capital ratio included hybrid capital and the provision for the redemption of shares in Merita Plc.

Capital adequacy

Dec 31, EUR bn	1999	1998
Capital base	8.2	6.3
of which, core capital	5.7	4.6
Risk-weighted amount	68.5	63.7
Total capital ratio, %	12.0	9.9
Core capital ratio, %	8.3	7.3

Legal proceedings

Nordic Baltic Holding (NBH) AB (publ)

Nordic Baltic Holding (NBH) AB (publ) is not the subject of any legal proceedings.

Merita Plc

The criminal case against Pertti Voutilainen, President of Merita Bank and previously CEO and Chairman of the Board of Directors of what was formerly Kansallis-Osake-Pankki, relates to an infringement of the Securities Market Act in connection with the marketing of the Kansallis share issue in autumn 1994. After Helsinki District Court rejected the lawsuit in December 1996, the Court of Appeal in Helsinki passed a judgment in August 1998 overturning

the District Court's ruling and remitted the case to the District Court for a retrial. The basis for the Court of Appeal's decision was that those who had appealed the District Court's ruling ought, by law, to have been granted the plaintiff's right to plead before the court. Pertti Voutilainen, President of Merita Bank, petitioned the Supreme Court for leave to appeal. The Supreme Court granted permission in June 1999.

A total of 59 private shareholders in Kansallis-Osake-Pankki have instituted a civil suit against Merita Plc on the basis of allegations of misleading information in connection with the above-mentioned share issue in 1994. In March 1997, Helsinki District Court rejected all damage claims. Following an appeal, the case is now pending in the Court of Appeal in Helsinki.

MeritaNordbanken Plc

MeritaNordbanken Plc is not the subject of any legal proceedings. Within the framework of the banks' normal business operations, however, the subsidiaries Nordbanken AB (publ) and Merita Bank Plc face a number of claims in lawsuits and other legal disputes, most of which involve relatively small amounts. None of these disputes is considered likely to have any significant adverse effect on the banks or their financial positions.

In the suit between Yggdrasil AB and Nordbanken, described in detail in previous Annual Reports, the Stockholm District Court dismissed Yggdrasil's claim in a ruling given on September 1, 1998. Yggdrasil appealed the District Court decision to the Court of Appeal.



Pelle usually pays his bills after watching the evening news.

Profit and profitability

Stable income development

MeritaNordbanken posted a stable earnings trend and a continued higher return on equity. Percentage of commission income increase, in line with the Group's goals. Costs lower than a year earlier. Loan losses very limited.

MeritaNordbanken Group's operating profit amounted to EUR 1,386 M (1,370). Excluding items affecting comparability, operating profit amounted to EUR 1,272 M, up 10%.

Return on equity was 20.9% (14.3). Excluding items affecting comparability, return on equity amounted to 20.6% (18.7).

Items affecting comparability

During MeritaNordbanken's initial years, coordination and streamlining of operations had a substantial impact on the earnings trend. To illustrate the trend in the Group's operating profit – without the effects of these measures – the table shows operating profit, excluding items affecting comparability. (Quarterly trends are shown on page 76.)

The 1999 income statement includes a capital gain on the sale of a shareholding in Pohjola Insurance Company of EUR 114 M. In addition, earnings for the year were affected by a drawing of EUR 65 M (152) from the Swedish pension foundation and writedowns related to real estate of EUR 145 M (617).

In 1998, items affecting comparability consisting mainly of capital gains from the disposal of shareholdings and restructuring costs were included, which had an

aggregate impact of EUR 211 M on profit. These items were capital gains on divestment of shareholdings, slightly more than EUR 300 M, including Sampo Insurance Company and Nokia, as well as restructuring expenses of nearly EUR 100 M.

Profit for the year and earnings per share

Excluding items affecting comparability, profit for the year was EUR 1,098 M, up 56% compared with a year earlier. Earnings per share was EUR 0.53.

Income statement, excluding items affecting comparability*

EUR M	1999	1998	Change, %	SEK M 1999
Net interest income	1 798	1 835	-2	15 848
Net commission income	822	722	14	7 243
Net result from financial operations	-9	138		-74
Other income	300	291	3	2 647
Total income	2 911	2 986	-3	25 664
Personnel expenses	-787	-818	-4	-6 938
Other expenses	-927	-906	2	-8 173
Total expenses	-1 714	-1 724	-1	-15 111
Profit before loan losses	1 197	1 262	-5	10 553
Loan losses, net	-22	-139	-84	-195
Profit from companies accounted for under the equity method	97	36		863
Operating profit	1 272	1 159	10	11 221
* Items affecting comparability				
Net interest income		-17		
Net result from financial operations	114	307		1 000
Other income		75		
Personnel expenses		-63		
Other expenses		-66		
Profit from companies accounted for under the equity method		-25		
Total	114	211		
Operating profit, including items affecting comparability	1 386	1 370		12 221

Income

Total income amounted to EUR 3,025 M, a decline of 10%. Excluding items affecting comparability, income was EUR 2,911 M, down 3%, mainly due to lower net earnings from financial transactions.

Net interest income amounted to EUR 1,798 M, down 1% from 1998. Compared with the preceding year, the trend was affected by lower average short-term interest rates, resulting in lower margins on deposits and lower return on shareholders' equity. The steady decrease in interest risk exposure and increased liquidity contingencies prior to the millennium shift also offset the effect of larger volumes.

Net commission income increased 14% to EUR 822 M. Buoyant fund sales, combined with a sharp value appreciation, meant that fund commissions increased by a full 26%. Income from securities trading, custody activities and corporate finance also developed favorably. Gross commission income rose 13% while provision expenses were up only 4%.

Net result from financial operations amounted to EUR 105 M. Excluding items affecting comparability, the result represented a loss of EUR 9 M compared with a profit of EUR 138 M in the previous year. The deterioration was due to changes in market interest rates; during the second quarter in particular, both medium and long-term interest rates rose steeply and the trend subsequently continued upward during the remainder of the year but with considerable volatility. A rise in interest rates leads to an immediate decline in market value, although this gradually recovers during the remaining maturity of the security.

The impact of rising interest rates on profit was, however, alleviated through the steady reduction of the Group's interest rate risk during the year. At year-end the duration for financial current assets

was 1.6 years. The interest-rate risk in current assets amounted to EUR 17.9 M, measured as VaR. VaR takes into account portfolio effects and actual volatility.

Other income fell 18% to EUR 300 M. This was due primarily to the fact that a large contribution to earnings from Nordisk Renting was received during 1998. Adjusted for items affecting comparability, Other income rose somewhat compared with a year earlier.

Lower expenses

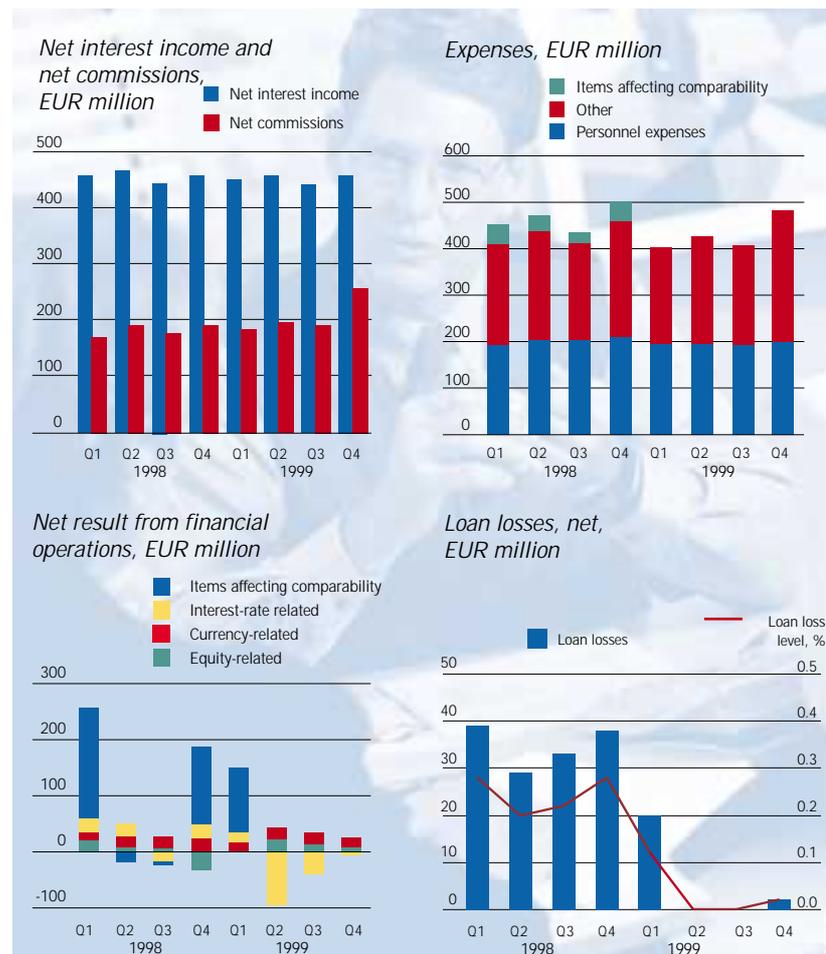
Total expenses were cut 7% to EUR 1,714 M. Adjusted for items affecting comparability, expenses declined 1%. The reduction reflects

continuing favorable cost control, combined with increased productivity and efficiency enhancement.

Personnel expenses amounted to EUR 787 M, representing a reduction of 11%. Excluding items affecting comparability, the decline was 4%.

The number of employees continues to decrease as planned. Since the merger, the gross reduction in the workforce has been 1,500 employees. The increase in personnel by 500 employees has resulted from such factors as expansion in the Baltic area and a strengthening of resources in Asset Management/Life Insurance and IT.

Overall, the number of employees in banking operations amounted to about 18,000 at December 31, 1999.



Other expenses totaled EUR 927 M (972), down 5%. Excluding items affecting comparability, expenses increased 2%.

Reduction in loan losses

Continuing favorable economic conditions in primary markets – Sweden and Finland – combined with effective credit control helped

to keep loan losses, net after recoveries, at EUR 22 M (139).

The loan loss level fell to a historically low level of 0.04% (0.2).

Quarterly income statement, excluding items affecting comparability

EUR million	Q 4 1999	Q 3 1999	Q 2 1999	Q 1 1999
Net interest income	457	439	454	448
Net commission income, Note 1	257	190	194	181
Net result from financial operations, Note 2	17	-7	-53	34
Other income, Note 3	57	60	91	92
Total operating income	788	682	686	755
Personnel expenses	-200	-195	-196	-196
Other expenses, Note 4	-281	-210	-229	-207
Total expenses	-481	-405	-425	-403
Profit before loan losses	307	277	261	352
Loan losses, net	-2	0	0	-20
Profit from companies accounted for under the equity method	30	5	19	43
Operating profit	335	282	280	375

Note 1: Net commission income

EUR M	Q 4 1999	Q 3 1999	Q 2 1999	Q 1 1999
Commission income				
Securities	136	91	95	79
Payment transmission	61	53	54	51
Lending	46	44	42	44
Guarantees	8	7	8	8
Deposits	9	7	7	5
Other commission income	22	14	13	14
Total commission income	282	216	219	201
Commission expenses	25	26	25	20
Net commission income	257	190	194	181

Note 2: Net result from financial operations

EUR M	Q 4 1999	Q 3 1999	Q 2 1999	Q 1 1999
Equity-related items				
Realized gains/losses	6	29	17	0
Unrealized gains/losses	1	-15	6	0
	7	14	23	0
Interest-rate-related items				
Debt redemption	-	-	-	-
Other realized gains/losses	-46	1	14	55
Unrealized gains/losses	40	-41	-109	-38
	-6	-40	-95	17
Other securities transactions	-	-	-	-
Foreign exchange gains/losses	16	19	19	17
Total	17	-7	-53	34

Note 3: Other income

EUR M	Q 4 1999	Q 3 1999	Q 2 1999	Q 1 1999
Dividends received	2	0	18	7
Real estate income	42	41	44	44
Divestment of shares	2	12	20	0
Sundry income	11	7	9	41
Total other income	57	60	91	92

Note 4: Other expenses

EUR M	Q 4 1999	Q 3 1999	Q 2 1999	Q 1 1999
Administrative expenses	169	123	139	117
Depreciation	46	38	36	36
Real estate expenses	28	21	23	23
Sundry expenses	38	28	31	31
Total other expenses	281	210	229	207

Items reported after operating profit

A special review of the Group's real estate holdings outside Finland and Sweden (and excluding Aleksia) resulted in a value adjustment of EUR 34 M. Also, the holding in the Citycon real estate company was reclassified as a current asset and thus valued at market which resulted in charges against earnings of EUR 21 M. In addition, a reserve of EUR 90 M was created to cover eventual losses arising from the sale of Aleksia.

Against the background of the surplus values built up in the Group's pension foundations and pension funds, an extra drawing of EUR 65 M was made from the Swedish pension foundation.

Taxes

Tax expenses for the year amounted to EUR 205 M, representing a tax burden of 17%.

The relatively low tax rate is attributable to loss carry-forwards that arose in conjunction with value adjustments on real estate and restructuring. In addition, there is a requested as yet unapproved loss carryforward deduction that, for conservative reasons, is not recognized in the accounts.



Erik was able to organize his expenses using First Card. All travel, representation and minor expenses on one invoice.

Income statements

	Note	EUR million		SEK million
		1999	1998	1999
Interest income	1	4 734	5 099	41 734
Interest expenses	1	-2 936	-3 281	-25 886
Net interest income	1	1 798	1 818	15 848
Dividends received		27	83	240
Net commission income	2	822	722	7 243
Net result from financial operations	3	105	445	926
Other income	4	273	283	2 407
Total income		3 025	3 351	26 664
Personnel expenses	5	-787	-881	-6 938
Other expenses	6	-771	-803	-6 799
Depreciation and write-downs on tangible and intangible assets	7	-156	-169	-1 374
Total expenses		-1 714	-1 853	-15 111
Profit before loan losses		1 311	1 498	11 553
Loan losses, net	8	-22	-139	-195
Profit from companies accounted for under the equity method		97	11	863
Operating profit		1 386	1 370	12 221
Writedowns on real estate holdings	7	-145	-617	-1 283
Refund of the surplus in the Pension Foundation/Fund		65	152	573
Taxes	9	-205	-198	-1 804
Minority interest		-3	-3	-31
Net profit for the year		1 098	704	9 676

Balance sheet

	Note	EUR million		SEK million
		1999	1998	1999
Assets				
Liquid assets	10	2 693	996	23 056
Debt securities eligible for refinancing with central banks	11	4 931	7 775	42 220
Loans to credit institutions	12	9 095	11 162	77 879
Loans to the public	13	68 210	59 828	584 050
Interest-bearing securities	17	9 329	5 920	79 877
Shares and participations	19	658	517	5 631
Shares and participations in Group and associated companies	20	666	620	5 699
Intangible assets	21	142	104	1 212
Tangible assets				
Real estate holdings	22	2 761	2 991	23 642
Other tangible assets		272	276	2 326
Other assets	24	3 688	4 294	31 590
Prepaid expenses and accrued income	25	1 338	1 546	11 458
Deferred tax receivables		194	5	1 664
Total assets		103 977	96 034	890 304
Liabilities and shareholders' equity				
Due to credit institutions and central banks	26	13 354	17 433	114 345
Deposits from the public	27	42 074	38 472	360 263
Other borrowing from the public		1 924	2 052	16 473
Debt instruments outstanding	29	28 094	22 687	240 557
Other liabilities	30	6 756	6 312	57 834
Accrued expenses and prepaid income	31	1 427	1 218	12 222
Provisions	32	234	186	2 005
Subordinated debt	33	4 099	2 546	35 103
Deferred tax liabilities		438	292	3 747
Minority interest		51	65	440
Total liabilities		98 451	91 263	842 989
Shareholders' equity	34			
Share capital		1 099	2 340	9 410
Premium reserve		983	320	8 417
Restricted reserves		629	474	5 385
Non-restricted reserves		1 717	933	14 427
Profit for the year		1 098	704	9 676
Total shareholders' equity		5 526	4 771	47 315
Total liabilities and shareholders' equity		103 977	96 034	890 304
Off-balance-sheet commitments				
Commitments on behalf of customers in favour of third parties	40			
Guarantees		5 115	4 946	43 801
Other commitments		595	517	5 096
Irrevocable commitments in favour of customers				
Securities repurchase commitments		20	17	174
Other commitments		16 826	10 229	144 072
		22 556	15 709	193 143
Other notes				
Nonperforming loans	14	Capital adequacy		35
Property taken over for protection of claims	15	Maturity breakdown of receivables and liabilities		36
Subordinated receivables	16	Pledged assets		37
Total holdings of interest-bearing securities	18	Assets and liabilities in foreign currencies		38
Change in shares held as financial fixed assets and tangible assets	23	Pension commitments		39
Difference between nominal value and book value of liabilities	28	Derivative instruments		41
		Subsidiaries and associated companies		42

Cash flow analysis

	1999		
	EUR million	SEK million	
Ordinary business			
Operating profit	1 386	12 221	
Adjustments for items not included in cash flow	687	6 056	
Refund of the surplus in the Pension Foundation	65	573	
Taxes	-205	-1 807	
Cash flow from ordinary business before changes in ordinary business assets and liabilities	1 933	17 043	
Changes in ordinary business assets	-4 478	-39 474	
Changes in ordinary business liabilities	-161	-1 419	
Cash flow from ordinary business	-2 706	-23 850	
Investment operations			
Change in shares and participations in subsidiaries and associated companies	-46	-405	
Change in other financial fixed assets	-2 095	-18 467	
Net increase in tangible and intangible assets	-105	-926	
Cash flow from investment operations	-2 246	-19 798	
Financial operations			
Change in securities issued etc	5 407	47 662	
Change in subordinated debt and capital loans	1 553	13 690	
Dividends	-367	-3 235	
Other	7	62	
Translation difference		-2 187 ²⁾	
Cash flow from financial operations	6 600	55 992	
Cash flow for the year	1 648	12 344	
Liquid assets at the beginning of the year	1 904	18 064	
Liquid assets at the end of the year	3 552	30 408	
Additional information			
Liquid assets include	million	Dec 31, 1999	Dec 31, 1998
Cash in hand ¹⁾	EUR	2 693	996
	SEK	23 056	9 449
Loans to credit institutions, repayable on demand (Note 12)	EUR	859	908
	SEK	7 352	8 615
Total	EUR	3 552	1 904
	SEK	30 408	18 064

¹⁾ Cash and receivables repayable on demand from the Bank of Finland and Riksbanken.

	EUR million	SEK million
Interest payments and dividends		
Interest income received	4 875	42 973
Interest expenses paid	2 937	25 890
Dividends received	27	240
Dividends paid	367	3 235

Significant transactions with no impact on cash flow

As presented in the specification of changes in the Group's equity capital on page 71, the reserve made in connection with the on-going share redemption decreased the equity capital by EUR 0.2 billion. This transaction had no impact on the cash flow for the year.

²⁾ The translation difference derives mainly from the fact that the cash flow analysis is compiled in euro as no SEK-denominated balance sheet was compiled for the Group as per December 31, 1998. The line-by-line figures have been translated into SEK using the average exchange rate, whereas liquid assets have been translated using the exchange rate on the last day of the year 1998 and 1999, respectively.

Accounting principles

The Annual Report for the MeritaNordbanken Group (Nordic Baltic Holding Group) has been prepared in accordance with Finnish and Swedish accounting laws and the regulations issued by the relevant supervisory authorities. The differences that exist between the two sets of regulations are of no material significance. In all essential aspects, it has proved possible to coordinate the accounting principles applied in Group companies. Remaining adjustments have been made in the consolidated accounts. These pertain to reclassifications and have no effect on the Group's earnings or financial position.

The financial statements of the parent company have been compiled in accordance with the Swedish Annual Accounts Act (ÅRL). The consolidated financial statements meet in all essential aspects the requirements set by the Swedish Act on Annual Accounts of Credit Institutions and Securities Companies (ÅRLK).

To illustrate the development of MeritaNordbanken Group's performance, the figures for 1998 and 1999 are presented in euro. Since the Group is newly established, the income statement and balance sheet are presented in Swedish krona only for the year 1999.

Writedowns on real estate are reported as a separate item after operating profit (see page 76). This reporting is in accordance with the practice established when the MeritaNordbanken Group was formed. This more clearly illustrates the effects of the decision in December 1998 to divest the Group's Finnish property portfolio at a more rapid pace. Also the refund of the surplus in the Pension Foundation/ Fund is reported as a separate item after operating profit (see page 82). The accounting principle can be interpreted as an exception from the RR4 recommendation of the Swedish Financial Accounting Standards Council.

Consolidated accounts

The MeritaNordbanken Group includes Nordic Baltic Holding (NBH) AB (publ) and its subsidiaries. The Group accounts were prepared in accordance with the pooling method. This means in principle that the merging companies' assets and liabilities, as well as their revenues and expenses, are combined at their book value.

The Group has used the acquisition method to prepare the consolidated accounts for subgroups.

The equity method of accounting is used in the case of subsidiaries that are not credit institutions or securities companies, or whose operations are not linked to a company in one of these categories, and in the case of associated companies, where the share of voting rights is between 20% and 50%.

Companies taken over for the protection of claims, holdings in Finnish associated

companies that constitute mutual property companies with separate property holdings and Livförsäkringsaktiebolaget Livia, which operates according to mutual principles, are not included in the consolidated accounts.

Lists of subsidiaries and associated companies are given in the specifications of the respective balance sheet items.

The earnings of acquired and divested companies are included in the income statements only for that portion of the year during which each of the companies belonged to the Group.

The Group's accounting currency is the euro and for legal reasons the SEK. The current method is used when translating the financial statements of subsidiaries. This means that the assets and liabilities of foreign subsidiaries have been translated at the year-end exchange rate and that items in the income statement are translated at the average exchange rate for the year. Translation differences are charged or credited directly to shareholders' equity. (See also page 82.)

Reporting of business transactions

Business transactions are reported at the time that risks and rights are transferred between parties. This means that trading date accounting is applied for transactions in the money and bond market, stock market and currency market.

Deposit and lending transactions, including repurchase agreements, are reported on the settlement date.

Assets and liabilities are reported in gross amounts in most cases. Netting of assets and liabilities is used, however, if a statutory right to offset the commitments exists and settlement occurs simultaneously.

Receivables and payables arising from the sale and purchase of securities are also reported net in those cases where the transaction is settled through a clearing house.

Leasing

MeritaNordbanken's leasing operations mainly comprise financial leasing. In reporting financial leasing transactions, the leasing item is reported as lending to the lessee. Lease payments net of depreciation are reported as interest income.

Repos and other repurchasing agreements

A genuine repurchase transaction is defined as an agreement covering both the sale of an asset, usually interest-bearing securities, and the subsequent repurchase of the asset at an agreed price. Such agreements are reported as loan transactions rather than influencing securities holdings. The assets are reported in the balance sheet of the transferring party and the purchase price received is posted as a liability (repo). The receiving party reports the payment as a

receivable due from the transferring party (reverse repo). The difference between the purchase consideration in the spot market and futures market is annualized over the term of the agreement.

Assets transferred in repurchase transactions are reported under "Assets pledged for own liabilities."

Financial fixed assets/current assets

Loan receivables and securities holdings for which there is an intent and ability to hold until maturity constitute financial fixed assets. All of MeritaNordbanken's loan receivables are in this category. They are reported in the balance sheet at their acquisition value after deduction for incurred and possible loan losses and provision for country risks. See also the section on problem loans and loan losses.

Securities which are classified as financial fixed assets include shares held for strategic business purposes, as well as certain interest-bearing securities which are specified from the date of acquisition and managed in a separate portfolio. These securities are carried at acquisition value/ amortized cost after consideration for any permanent declines in fair value. Reclassification of securities between financial fixed assets and current financial assets is allowed only under limited circumstances. If any such reclassifications are made, the effect on earnings must be disclosed in the notes to the financial statements.

Other securities are reported as financial current assets. All securities and derivatives which are actively managed are valued at fair value, with the exception of financial instruments which have been accounted for as a hedge. (See "Hedge accounting" below.) This category includes almost all interest-bearing securities, as well as equity securities included in trading operations. Otherwise, financial current assets are valued at the lower of acquisition value/fair value.

The acquisition value of interest-rate-related instruments is calculated as the present value of future payment flows discounted based on the effective acquisition rate, that is, the interest rate at which the instrument was acquired. The accrued acquisition value changes successively so that it is equal to the instrument's nominal value on the maturity date. For coupon instruments this means that any premium or discount is amortized or accreted into interest income over the remaining term. The acquisition value of outstanding debt instruments is calculated in the same manner.

Interest income and interest expense related to interest-rate swaps not accounted for as hedges are reported in "Net result from financial operations."

Derivative instruments with positive fair value are reported in the balance sheet as

"Other assets", while derivatives with negative fair value are reported as "Other liabilities". Accrued interest income and expenses pertaining to interest-rate swaps which are accounted for as hedges are also reported as other assets or liabilities.

Immediate profit/loss recognition in connection with early debt extinguishment

MeritaNordbanken applies immediate recognition of income gains and losses in conjunction with early extinguishment of debt, that is, purchase of its own securities. These realized income items – the difference between replacement cost and the book value of the debt redemption – reflect price changes that have already occurred in the market. The results are reported separately in "Net result from financial operations."

Subsequent sale of acquired bonds is treated as though the bonds had been newly issued. The immediate income recognition has the effect of eliminating future amortization in net interest income of the difference between the nominal and acquisition value of the asset and liability items in question.

Hedge accounting

Deferral hedge accounting with acquisition valuation is applied to hedging holdings of financial instruments which are not valued at fair value.

The hedging and hedged positions are reported without taking into account changes in value provided that changes in fair value for the hedging and the hedge positions essentially cancel each other out in terms of the amounts involved. If additional unrealized losses arise, they are reported immediately in the balance sheet and income statements.

Hedge accounting with acquisition valuation does not cover the currency risk to which the Group is exposed through the hedge instrument or through the underlying assets and/or liabilities.

Translation of assets and liabilities in foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate, corresponding to the average of official buying and selling rates. Cash in foreign currencies are treated as receivables in foreign currencies.

Forward positions in foreign currencies are valued at the current rate for forward contracts with the equivalent remaining maturity.

When currency-related derivative instruments are used for currency hedging, the currency hedging and the corresponding protected item are translated at the year-end rate.

Reporting of problem loans and property taken over to protect claims

The Notes to the Balance Sheet provide an overview of the extent of "problem loans", that is, loans with interest deferrals, non-performing loans and assets taken over for the protection of claims. The following paragraphs define these concepts and state

what special accounting rules apply in each case.

Loans with interest deferrals refer to those cases where interest rates have been lowered after renegotiation to enable borrowers in temporary payment difficulties to improve their situation. Concessions are normally granted on the condition that the borrower will repay the deferred amount at a later date. The reported volumes refer to loans of at least SEK 1 million on which the interest rate has been lowered to less than the market level, which in this context means equal to or lower than the prevailing cost of financing. Loans with negotiated interest deferrals are not classified as non-performing.

A receivable is classified as non-performing if the interest, principal or utilized overdraft is more than 60 days past due or if other circumstances give reason for uncertainty as to repayment of the receivable, and if at the same time the value of the collateral does not cover, by an adequate margin, the amount of the principal and accrued interest.

When a receivable is classified as non-performing, it is transferred to cash-based interest accounting. Accrued interest income is thus no longer reported in the accounts, and any amounts relating to the earlier portion of the year are reversed.

Information about property taken over to protect claims is provided in a note to the balance sheet, and is divided into shares, real estate and other assets. These assets are valued at acquisition value or fair value, whichever is lower. In the case of real estate that has been taken over, the fair value consists of a conservatively appraised market value, less selling costs.

Loan losses

Receivables are reported in the balance sheet after subtracting incurred losses, write-downs for possible losses and provision for country risks.

Incurred losses (charge-offs) are those losses whose amount is regarded as finally established or highly probable because a bankruptcy administrator has provided an estimate of the percentage of assets to be distributed, creditors have accepted a composition proposal, or claims have otherwise been moderated.

Write-down for a possible loan loss is made if the value of the collateral does not cover the loan amount on a non-performing receivable, and the repayment capacity of the borrower is not expected to improve sufficiently within two years. The receivable is written down to the amount that the Bank is expected to recover, considering the value of the collateral. If the collateral is an asset with a market quotation, valuation is based on the quoted value, otherwise on the estimated market value. If the collateral consists of property mortgages, the underlying property value is appraised using the same methods as for properties taken over for the protection of claims.

For a portion of consumer loans, the necessary loss provision is calculated in accordance with a collective valuation

based on historical loss trends for various categories of loans (home mortgage loans, other secured loans, salary account loans and other unsecured loans).

Provisions for loan losses related to country risks are made based on country risk estimates presented by EIU (The Economist Intelligence Unit, London) and the Group's outstanding net claim against counter parties in each country.

Provisions for loss risks on loan guarantees outstanding are reported under "Provisions" in the balance sheet. In estimating the costs to redeem extended guarantees, the value of existing recourse rights is taken into account.

Tangible and intangible fixed assets

Fixed assets are reported at their acquisition value less depreciation according to plan. If it is deemed likely that the fair value will consistently be less than the book value, the value is written down as required.

Depreciation of furniture, fixtures and equipment

Expenses for software are normally expensed immediately. In the case of major investments, straight-line depreciation over a period of not more than five years may be applied. Investments in PC equipment are depreciated straight-line over three years, while the depreciation period for other equipment is five years.

Depreciation of buildings

Straight-line depreciation is applied to buildings, with the depreciation period varying between 25 and 60 years. Depreciation of excess values (in the consolidated accounts) of buildings is calculated at varying percentage rates, based on the remaining depreciation period for the property holding in question.

Pension costs

Reporting of the Group's pension costs includes pension insurance premiums (including premiums for publicly regulated pensions in Finland), pensions payable (mainly Swedish companies), and provisions/charges paid to pension funds, with reductions for any applicable compensation for pension costs. Drawings on surplus funds in excess of the reported costs for company pensions are reported in the consolidated accounts as a separate item after operating profit.

Exchange rates used in translation			
1 EUR = FIM 5.94573 (fixed rate)			
1 EUR =	SEK	1999	1998
Income statement rate (average)		8.8150	8.8202
Balance sheet rate (at end of each period)		8.5625	9.4874

Notes to the financial statements

Note 1: Interest income and expenses

	EUR million		SEK million
	1999	1998	1999
Interest income			
Loans to credit institutions	530	586	4 673
Loans to the public	3 536	3 706	31 168
Interest-bearing securities	652	774	5 747
Other interest-bearing assets	16	33	146
Total interest income	4 734	5 099	41 734
of which: net income on leasing operations	49	48	435
Interest expenses			
Due to credit institutions	716	815	6 312
Deposits and other borrowing from the public	699	904	6 160
Debt instruments outstanding	1 315	1 307	11 590
Subordinated debt	171	207	1 510
Capital loans	20	22	177
Other interest-bearing liabilities	15	26	137
Total interest expenses	2 936	3 281	25 886
Net interest income	1 798	1 818	15 848

Note 2: Net commission income

	EUR million		SEK million
	1999	1998	1999
Commission income			
Securities	401	319	3 532
Payment transmission	219	193	1 930
Lending	176	175	1 548
Guarantees	31	40	276
Deposits	28	29	246
Other commission income	63	58	557
Total commission income	918	814	8 089
Commission expenses			
Payment transmission	70	70	613
Securities	13	15	116
Other commission expenses	13	7	117
Total commission expenses	96	92	846
Net commission income	822	722	7 243

Note 3: Net result from financial operations

	EUR million		SEK million
	1999	1998	1999
Equity-related items			
Realized gains/losses	166	396	1 457
Unrealized gains/losses	-8	-84	-68
	158	312	1 389
Interest-rate-related items			
Debt redemption	-	-35	-
Other realized gains/losses	24	120	210
Unrealized gains/losses	-148	-28	-1 301
	-124	57	-1 091
Other	0	-1	3
Foreign exchange gains/losses	71	77	625
Net result from financial operations	105	445	926

Note 4: Other income

	EUR million		SEK million
	1999	1998	1999
Sale of shares and participations	18	14	157
Sale of shares and participations, Group companies	16	17	140
Sale of real estate (net)	-	-2	-
Net operating result from properties taken over for protection of claims	2	4	14
Real estate income	169	171	1 494
Sundry income	68	79	602
Total other income	273	283	2 407

Note 5: Personnel expenses

	EUR million		SEK million
	1999	1998	1999
Salaries and fees (specification below)	575	628	5 073
Pension expenses	59	57	521
Social insurance contributions	112	132	983
Allocation to profit-sharing foundations	35	22	309
Other personnel expenses	6	42	52
Total personnel expenses	787	881	6 938
<i>Salaries and fees</i>			
To Boards of Directors and senior executives	5	4	40
To other employees	570	624	5 033
	575	628	5 073
<i>Average number of employees</i>	1999	1998	
Merita Bank Group	11 730	12 598	
Nordbanken Group	6 753	6 858	
Other companies	819	1 020	
Total	19 302	20 476	
Of whom: part-time	2 163	2 297	

Information of the geographic distribution of employees is available in the Group Financial Control and Accounting.

The total pension costs for the year with regard to Board members and Group management amounted to EUR 3.7 million. Total pension obligations regarding the above amount to EUR 10.8 million.

Remuneration to Board of Directors

The main Board work regarding Merita Plc, Nordic Baltic Holding (NBH) AB (publ) and MeritaNordbanken Plc is conducted in the last-named company. Accordingly, Board fees are only paid in this company.

The Chairman of the Board Jakob Palmstierna received a fixed fee of EUR 117,732. In addition, Jacob Palmstierna was compensated for the reduction in the pension paid by SEB which is a result of his serving as a member of the Board of MeritaNordbanken. Compensation for this was paid to and including April 1999 and amounted to EUR 31,505. The Vice Chairman Vesa Vainio received a fixed fee of EUR 117,732. In addition, in his function as President of Merita Plc Vesa Vainio received compensation of EUR 468,303, of which EUR 168,609 is performance-based salary from 1998. Moreover, Vesa Vainio had car and housing benefits. In respect of his former function as CEO of Merita, there is a pension obligation. He is entitled to pension amounting to

60% of salary for his lifetime.

Other Board members not employed by MeritaNordbanken each received EUR 21,864 in fixed fee and a fee for Board and Committee meetings. Total remuneration to Board members was EUR 514,773. A separate payment was made to the Board Chairman in Merita Plc of EUR 8,409 and to the President of Nordic Baltic Holding (NBH) AB (publ) of EUR 11,344.

There are no commitments for severance pay, pensions or similar compensation to the members of the Board who are not employed by MeritaNordbanken.

Remuneration to Group Management

The salary terms for the CEO are determined by the Compensation Committee and approved by the Board of Directors. The salary terms for other members of Group Management are determined by the CEO and approved by the Board of Directors.

The CEO (President of MeritaNordbanken Plc) was paid a salary of EUR 667,591, of which EUR 157,005 was performance-based salary pertaining to 1998. The CEO also had car and housing benefits.

Salaries totaling EUR 3.3 million, of which EUR 0.7 million was performance-based salary pertaining to 1998, were paid to the other members of Group

Management. These executives had car and, in some cases, housing benefits.

In accordance with the employment contracts for these executives, salary during the notice period before termination and with regard to severance pay may not total more than 24 months' salary and must be reduced by the salary amount that the executive receives as a result of any other employment during the last 18 months of payment.

These executives are entitled to retire with a pension at age 60. For the CEO through age 65, a pension equal to 75% of salary is paid and, thereafter, a maximum of 65% of compensation up to 130 base amounts (in Sweden), and 32.5% of the rest. For the other Swedish members of Group Management, pension is paid to age 65 at 70% of salary. Thereafter pension is paid in accordance with occupational pension plans. The Finnish Group Management members receive 60% of salary for life.

Loans to Board members and senior executives

Loans to Group Management and Board members amounted at the end of the year to EUR 2.2 million, of which EUR 0 to the CEO and EUR 0.1 million to other Board members.

Note 6: Other expenses

	EUR million		SEK million
	1999	1998	1999
Information technology ¹⁾	139	127	1 222
Marketing	66	62	578
Postage and telephone	74	73	655
Other administrative expenses	189	188	1 666
Compensation to Sweden Post	80	86	709
Rents	89	120	783
Real estate expenses	95	101	838
Sundry expenses	39	46	348
Total other expenses	771	803	6 799

¹⁾ EDP use, service, and maintenance expenses and consulting fees.

Note 7: Depreciation and write-downs on tangible and intangible assets

	EUR million		SEK million
	1999	1998	1999
Depreciation according to plan			
Tangible assets	126	143	1 110
Goodwill	27	19	237
Other intangible assets	3	7	27
Total	156	169	1 374

Writedowns on real estate holdings of EUR 145 million (EUR 617 million) are shown separately after operating profit.

Note 8: Loan losses, net

	EUR million		SEK million
	1999	1998	1999
Actual loan losses during the year	838	395	7 381
Previous loan loss provisions utilized during the year	-795	-259	-7 006
Recoveries of loan losses incurred in previous years	-69	-49	-605
Specific loan loss provisions made during the year	224	282	1 974
Reversal of previous provisions	-176	-230	-1 549
Total loan losses	22	139	195
Of which: country risks	-20	29	176

EUR million	1999		1998	
	Loan losses, gross ¹⁾	Reversal ²⁾	Loan losses, gross ¹⁾	Reversal ²⁾
Breakdown by balance sheet item				
Loans to credit institutions	0	0	54	0
Loans to the public	258	241	355	278
Guarantees and other contingent liabilities	1	1	0	1
Property taken over for protection of claims	7	2	9	-
Total loan losses	266	244	418	279
Total in SEK million	2 345	2 150		

¹⁾ Actual loan losses, net, and new provisions.

²⁾ Incl. Items recovered.

Note 9: Taxes

	EUR million		SEK million
	1999	1998	1999
Income taxes	282	205	2 479
Deferred taxes	-77	-7	-675
Total taxes	205	198	1 804

Note 10: Liquid assets

The item includes cash in hand and claims on the Bank of Finland and the Central Bank of Sweden repayable on demand.

Note 11: Debt securities eligible for refinancing with central banks

	EUR million		SEK million
	1999	1998	1999
Government securities	4 079	6 369	34 923
Certificates of deposit			
– Bank of Finland	–	690	–
– other	852	667	7 297
Other eligible securities	–	49	–
Total	4 931	7 775	42 220

Note 12: Loans to credit institutions

	EUR million		SEK million
	1999	1998	1999
Central banks	12	3	104
Other credit institutions			
– repayable on demand	859	908	7 352
– other funds	8 224	10 251	70 423
Total	9 095	11 162	77 879

Note 13: Loans to the public

	EUR million		SEK million
	1999	1998	1999
Corporate	39 643	35 257	339 441
Public sector	2 218	1 806	18 994
Households	26 349	22 765	225 615
Total	68 210	59 828	584 050

Note 14: Nonperforming loans

	EUR million		SEK million
	1999	1998	1999
Nonperforming loans, gross	2 252	3 185	19 287
Loan loss provisions	-1 460	-2 181	-12 503
Nonperforming loans, net	792	1 004	6 784
Nonperforming loans, net/lending, %	1.2	1.7	

Note 15: Property taken over for protection of claims

	EUR million		SEK million
	1999	1998	1999
Book value of property taken over for protection of claims			
Real estate and shares in real estate companies	33	68	284
Other shares	5	8	44
Other property taken over for restructuring of customers' business operations	22	23	183
Total	60	99	511

Note 16: Subordinated receivables

	EUR million		SEK million
	1999	1998	1999
Loans to the public	64	40	547
Interest-bearing securities	283	363	2 426
Total	347	403	2 973

Note 17: Interest-bearing securities

	EUR million		SEK million
	1999	1998	1999
Issued by the public sector	1 167	219	9 991
Issued by other borrowers	8 162	5 701	69 886
Total	9 329	5 920	79 877

Note 18: Total holdings of interest-bearing securities, Notes 11 and 17

EUR million	1999		1998	
	Publicly listed	Other	Publicly listed	Other
Current assets	8 469	–	9 987	11
Financial fixed assets	5 603	188	3 110	587
Total	14 072	188	13 097	598
Total in SEK million	120 485	1 612		
Difference between market value and book value, financial fixed assets in EUR million	-17	–	121	–

	EUR million		SEK million
	1999	1998	1999
Difference between nominal value and book value, financial fixed assets			
Higher nominal value	63	131	539
Lower nominal value	150	28	1 283

Interest-bearing securities by issuer

Finnish and Swedish issuers			
– government	4 046	6 284	34 647
– municipalities	104	81	893
– banks	1 439	1 443	12 324
– housing companies	3 998	3 150	34 237
– other	3 761	1 907	32 187
Other issuers			
– foreign governments	33	85	283
– other	879	745	7 526
Total book value	14 260	13 695	122 097

Note 19: Shares and participations

EUR million	1999		1998	
	Publicly listed	Other	Publicly listed	Other
Current assets	519	79	388	71
Financial fixed assets	36	24	33	25
Total	555	103	421	96
Total in SEK million	4 756	875		
Difference between the market value and a lower book value, publicly listed shares				
– current assets	131	–	186	–
– financial fixed assets	25	–	–	–
Total	156	–	186	–
Total in SEK million	1 338	–		

At the end of the period the MeritaNordbanken Group had borrowed shares in the amount of EUR 178 million (EUR 22 million) and lent shares in the amount of EUR 0.4 million (–), both with an average loan period of 1.5 months (1 month).

Note 20: Shares and participations in Group and associated companies

	EUR million		SEK million
	1999	1998	1999
Shares and participations in subsidiaries			
Other than credit institutions	335	355	2 866
Total	355	355	2 866
Shares and participations in associated companies			
Credit institutions	39	24	334
Other	292	241	2 499
Total	331	265	2 833

Note 21: Intangible assets

	EUR million		SEK million
	1999	1998	1999
Goodwill ¹⁾	137	96	1 169
Other	5	8	43
Total	142	104	1 212

¹⁾ In addition, goodwill of EUR 13 million (EUR 25 million) exists as a result of subsidiaries consolidated in accordance with the equity method. The amount is included in Shares and participations in Group and associated companies.

Note 22: Real estate and shares in real estate companies

	EUR million		SEK million
	1999	1998	1999
Land and buildings			
Owner-occupied	655	714	5 610
Other	1 765	1 847	15 116
Shares in real estate companies			
Owner-occupied	56	37	477
Other	285	393	2 439
Total	2 761	2 991	23 642

Note 23: Change in shares held as financial fixed assets and tangible assets

	EUR million		SEK million
	1999	1998	1999
Shares, excluding real estate companies ¹⁾			
Acquisition value at the beginning of the year	712	642	6 092
+ Increase during the year	79	95	682
- Decrease during the year	-40	-33	-344
+/- Transfer between asset items	-	-1	-
+/- Write-downs and reversal of write-downs made during the year	-	-21	-
- Accumulated write-downs at the beginning of the year	-25	-4	-210
Book value at the end of the year	726	678	6 220
Buildings, land and real estate companies ¹⁾			
Acquisition value at the beginning of the year	4 379	4 088	37 492
+ Acquisitions during the year	314	618	2 688
- Sales during the year	-425	-388	-3 648
+/- Transfer between asset items	-74	15	-622
- Depreciation according to plan for the year	-51	-57	-433
+/- Write-downs and reversal of write-downs made during the year	-30	-590	-259
+ Accumulated depreciation/write-downs on real estate sold/disclosed of during the year	48	74	414
- Accumulated depreciation according to plan at the beginning of the year	-567	-496	-4 851
- Accumulated write-downs at the beginning of the year	-844	-278	-7 230
+ Accumulated revaluations at the beginning of the year	11	9	95
- Reversed revaluations	0	-4	-4
Book value at the end of the year	2 761	2 991	23 642
Other tangible assets			
Acquisition value at the beginning of the year	655	559	5 607
+ Acquisitions during the year	222	187	1 901
- Sales during the year	-91	-20	-780
+/- Transfer between asset items	-73	-95	-627
- Depreciation according to plan for the year	-77	-90	-663
+/- Write-downs and reversal of write-downs made during the year	0	-1	1
+ Accumulated depreciation/write-downs on items sold/disclosed of during the year	9	9	76
- Accumulated depreciation according to plan at the beginning of the year	-373	-273	-3 189
Book value at the end of the year	272	276	2 326

¹⁾ Includes real estate taken over for protection of claims.

Note 24: Other assets

	EUR million		SEK million
	1999	1998	1999
Clearing claims	99	91	851
Claims on securities settlement proceeds	280	583	2 400
Guarantee claims	91	113	782
Derivative instruments	3 003	3 169	25 715
Other claims	215	338	1 842
Total	3 688	4 294	31 590

Note 25: Prepaid expenses and accrued income

	EUR million		SEK million
	1999	1998	1999
Accrued interest income	1 007	1 148	8 620
Other accrued income	309	395	2 648
Prepaid expenses	22	3	190
Total	1 338	1 546	11 458

Note 26: Due to credit institutions and central banks

	EUR million		SEK million
	1999	1998	1999
Central banks	4	666	32
Other credit institutions			
– repayable on demand	1 135	678	9 725
– other	12 215	16 089	104 588
Total	13 354	17 433	114 345

Note 27: Deposits from the public

	EUR million		SEK million
	1999	1998	1999
Repayable on demand	33 451	30 685	286 428
Other	8 623	7 787	73 835
Total	42 074	38 472	360 263

Note 28: Difference between nominal value and book value of liabilities

	EUR million		SEK million
	1999	1998	1999
Nominal value higher than book value	222	212	1 903
Nominal value lower than book value	172	106	1 469

Note 29: Debt instruments outstanding

	EUR million		SEK million
	1999	1998	1999
Certificates of deposit	14 025	12 070	120 085
Bonds	12 521	9 843	107 212
Other instruments	1 548	774	13 260
Total	28 094	22 687	240 557

Note 30: Other liabilities

	EUR million		SEK million
	1999	1998	1999
Clearing liabilities	939	756	8 043
Liabilities on securities settlement proceeds	241	378	2 068
Derivative instruments	2 824	2 877	24 180
Sundry liabilities	2 752	2 301	23 543
Total	6 756	6 312	57 834

Note 31: Accrued expenses and prepaid income

	EUR million		SEK million
	1999	1998	1999
Accrued interest expenses	766	767	6 560
Other accrued expenses	517	419	4 428
Prepaid income	144	32	1 234
Total	1 427	1 218	12 222

Note 32: Provisions

	EUR million		SEK million
	1999	1998	1999
Pensions	18	19	154
Guarantees	44	45	379
Restructuring measures	33	79	282
Rental liabilities	17	24	149
Other provisions	122	19	1 041
Total	234	186	2 005

Note 33: Subordinated debt

	EUR million		SEK million
	1999	1998	1999
Dated subordinated debenture loans	2 286	1 342	19 574
Undated subordinated debenture loans	1 124	853	9 627
Capital loans	689	299	5 902
Other subordinated debt	-	52	-
Total	4 099	2 546	35 103

Note 34: Shareholders' equity

EUR million	Share capital	Restricted reserves	Non-restricted reserves	Total
Shareholders' equity at the beginning of the year	2 340	794	1 637	4 771
Dividends paid	-	-	-367	-367
New issue	3	6	-	9
Exchange of shares incl. reserve for share redemption	-1 346	581	522	-243
Exchange rate changes	102	83	73	258
Transfers between restricted and non-restricted equity during the year	-	148	-148	-
Profit for the year	-	-	1 098	1 098
Shareholders' equity at the end of the year	1 099	1 612	2 815	5 526
Shareholders' equity at the end of the year, SEK million	9 410	13 802	24 103	47 315

Note 35: Capital adequacy

	EUR million		SEK million
	1999	1998	1999
Capital base	8 208	6 290	70 279
Risk-weighted amount	68 452	63 732	586 122
Total capital ratio, %	12.0	9.9	
Core capital ratio, %	8.3	7.3	

Note 36: Maturity breakdown of receivables and liabilities

EUR million	Less than 3 months	Remaining maturity, Dec 31, 1999		
		3-12 months	1-5 years	Over 5 years
Receivables				
Debt securities eligible for refinancing with central banks	786	1 857	1 892	396
Loans to credit institutions	7 533	884	255	423
Loans to the public	18 376	12 235	23 721	13 878
Interest-bearing securities	1 114	2 180	5 631	404
Liabilities				
Liabilities to credit institutions and central banks	10 195	2 745	146	268
Deposits and other borrowing from the public	38 270	2 223	3 365	140
Debt instruments outstanding	14 795	4 235	8 884	180

Note 37: Pledged assets

	EUR million		SEK million
	1999	1998	1999
Assets pledged for own liabilities			
Property mortgages	190	91	1 631
Leasing contracts	273	253	2 334
Securities, etc.	6 028	6 090	51 614
Total	6 491	6 434	55 579
The above pledges pertain to the following liability items:			
Due to credit institutions and central banks	5 551	3 731	47 531
Deposits from the public	613	405	5 247
Debt securities outstanding	147	185	1 261
Other debts and commitments	20	3	172
Total	6 331	4 324	54 211
Other pledged assets	81	51	694

Note 38: Assets and liabilities in foreign currencies

	EURO currencies	SEK	USD	Other
Assets				
Loans to credit institutions	2 273	4 488	1 101	1 234
Loans to the public	24 092	37 062	5 068	1 989
Interest-bearing securities	5 408	7 360	1 295	197
Other assets ¹⁾				12 410
Total assets	31 773	48 910	7 464	15 830
Total assets in SEK million	272 050	418 794	63 903	135 555
Liabilities				
Due to credit institutions	2 744	8 859	83	1 668
Deposits and other borrowing from the public	23 091	18 747	1 361	800
Debt securities outstanding	8 342	13 220	8 266	2 365
Other liabilities ¹⁾				8 905
Total liabilities	34 177	40 826	9 710	13 738
Total liabilities in SEK million	292 645	349 568	83 139	117 635

¹⁾ Other assets and liabilities are not specified by currency.

Note 39: Pension commitments

Statutory pensions for employees of Finnish Group companies are arranged through insurance. The premiums are paid by the companies. Supplementary pensions for employees are arranged through the pension foundations and fund. A minor part of the pension commitments is carried on respective companies' balance sheets as a provision under liabilities. In Swedish Group companies, pension liabilities are mainly borne by the companies themselves, but are fully covered through the affiliated pension foundation. A minor part of the pension commitments is arranged through insurance and liabilities arising from certain individual old commitments are carried on respective companies' balance sheets under liabilities.

At the end of the year, the fair value of the assets of Group pension foundations and fund was EUR 1,594 million (EUR 1,264 million), which exceeds the amount of liabilities by EUR 494 million (EUR 261 million). Pension liabilities carried in Group companies' accounts amounted to EUR 18 million (EUR 19 million).

Note 40: Off-balance-sheet commitments (excl. derivative instruments)

	EUR million		SEK million
	1999	1998	1999
Guarantees	5 115	4 946	43 801
Stand-by facilities	7 200	4 683	61 653
Credit lines	8 304	5 200	71 102
Other commitments	1 937	880	16 587
Total	22 556	15 709	193 143

Of which on behalf of Group and associated companies

EUR million	1999		1998	
	Group companies	Associated companies	Group companies	Associated companies
Guarantees	–	29	–	2
Other	–	17	–	13
Total	–	46	–	15
Total assets in SEK million	–	390		

Not 41: Derivate instruments

EUR million	1999		1998	
	Contracts made for hedging purposes	Other	Contracts made for hedging purposes	Other
Nominal value				
<i>Interest-rate-related</i>				
Futures and forwards	2 630	148 065	–	187 118
Options				
Purchased	5	842	–	1 545
Written	–	4 427	–	1 987
Interest rate swap agreements	15 622	112 496	3 494	98 646
<i>Currency-related</i>				
Futures and forwards	4 389	61 772	29 762	40 364
Options				
Purchased	–	2 167	–	1 685
Written	–	2 135	–	1 668
Interest rate swap and currency agreements	4 020	4 611	1 858	2 663
<i>Equity-related</i>				
Futures and forwards	–	56	–	146
Options				
Purchased	418	21	236	19
Written	213	9	168	15
<i>Other derivative instruments</i>	–	113	–	32
Total derivative instruments	27 297	336 714	35 518	335 888
Total derivate instruments in SEK million	233 724	2 883 119		
Credit equivalents				
Interest-rate-related instruments		1 923		2 695
Currency-related instruments		2 169		2 318

Note 42: Subsidiaries and participating interests

	Domicile	Percent of votes	Book value	
			EUR million	SEK million
Subsidiaries included in the consolidation financial statements				
<i>Finnish</i>				
Merita Plc	Helsinki	100	1 661	14 219
MeritaNordbanken Plc	Helsinki	100	3 216	27 541
Subsidiaries owned by MeritaNordbanken Plc				
<i>Finnish</i>				
Aleksia Ltd	Helsinki	100	482	4 126
Contant Oy ¹⁾	Turku	100	6	49
Huoneistokeskus Oy ²⁾	Helsinki	100	18	155
Merita Bank Plc	Helsinki	100	1 491	12 764
MNB Maizels Oy	Helsinki	100	7	58
(previously Merita Corporate Finance Ltd)				
Merita Life Assurance Ltd ²⁾	Espoo	100	91	781
Merita Real Estate Ltd ³⁾	Helsinki	100	245	2 094
Partita Ltd	Helsinki	100	213	1 822
Unitas Congress Center Ltd ²⁾	Helsinki	100	0	1
<i>Swedish</i>				
Nordbanken AB	Stockholm	100	1 413	12 097

¹⁾ The Merita Bank Group's percentage of votes is 77 % and the book value EUR 4 million.²⁾ Book value in owner company. Consolidated under the equity method; share of profit/loss to be taken into account.³⁾ The Merita Bank Group's percentage of votes in Merita Real Estate Ltd is 49.75 %.

	Domicile	Percent of votes	Book value	
			EUR million	SEK million
Subsidiaries owned by Nordbanken AB				
<i>Swedish</i>				
Fastighets AB Stämjärnet	Stockholm	100	12	100
Livförsäkrings AB Livia ¹⁾	Stockholm	100	9	80
MNB Maizels AB	Stockholm	100	13	115
Nordbanken Fastigheter AB	Stockholm	100	105	897
Nordbanken Finans AB	Stockholm	100	120	1 024
Nordbanken Hypotek AB	Stockholm	100	781	6 684
Nordbanken Industrikredit AB	Stockholm	100	199	1 703
Nordbanken Kapitalförvaltning AB	Stockholm	100	10	82
<i>International</i>				
MNB Maizels Ltd	London	100	13	112
Nordbanken North America Inc.	Delaware	100	0	0
Nordbanken Reinsurance S.A.	Luxembourg	100	1	11
Subsidiaries owned by Merita Bank Plc				
<i>Finnish</i>				
Fidenta Oy ²⁾	Espoo	40	0	1
Helsingin Pantti-Osakeyhtiö	Helsinki	100	6	50
Investa-Raha Oy	Helsinki	100	1	6
Merita Asset Management Ltd	Helsinki	100	3	28
Merita Capital Ltd	Helsinki	100	4	37
Merita Delta Ltd	Helsinki	100	8	72
Merita Finance Ltd	Espoo	100	210	1 800
Merita Fund Management Ltd	Helsinki	100	4	35
Merita Securities Ltd	Helsinki	75	4	32
Merita Invest Ltd	Helsinki	100	241	2 063
Merita Customer Finance Ltd	Espoo	100	47	403
Merita Systems Oy	Helsinki	60	0	0
M-Rent Oy ²⁾	Vantaa	100	0	0
Tukirahoitus Oy	Oulu	100	5	40
VKR-Kiinteistöt Oy	Vantaa	60	1	9
<i>International</i>				
American Scandinavian Banking Corp.	New York	100	11	96
Estonian Industrial Leasing Ltd	Tallinn	80	4	32
Hirewhiz Limited	London	100	0	3
Merita Finance (U.K.) Ltd.	London	100	0	1
Merita Holdings (U.K.) Ltd	London	100	2	21
MeritaNordbanken Finance Latvia Ltd	Riga	100	2	14
MeritaNordbanken Finance Lit Ltd	Vilnius	100	1	5
MeritaNordbanken Latvia Ltd	Riga	100	13	112
Merita Nordbanken Luxembourg S.A.	Luxembourg	100	17	148
MeritaNordbanken Merchant Bank Singapore Ltd	Singapore	100	21	179
Merita North America Inc.	Delaware	100	0	0

¹⁾ Non-consolidated subsidiary.

²⁾ Book value in owner company. Consolidated under the equity method; share of profit/loss to be taken into account.

	Domicile	Percent of votes	Book value	
			EUR million	SEK million
Participating interests included in the consolidated financial statements				
Participating interests owned by MeritaNordbanken Plc ¹⁾				
<i>Finnish</i>				
Dividum Oy	Helsinki	48	55	469
Kiinteistösijoitus Oyj Citicon	Helsinki	43	51	436
Realinvest Oy	Helsinki	49	71	610
Suomen Suorakauppa Oy ²⁾	Helsinki	50	0	1
<i>Swedish</i>				
Bankgirocentralen BGC AB	Stockholm	27	0	1
Värdepapperscentralen AB	Stockholm	25	27	231
Nordisk Renting AB	Stockholm	40	48	415
<i>International</i>				
Bank Komunalny	Gdynia	50	11	98
Participating interests owned by Merita Bank Plc ¹⁾				
<i>Finnish</i>				
ATM Automatia Ltd	Helsinki	33	5	43
Eurocard Oy	Helsinki	31	2	20
Luottokunta	Helsinki	27	9	76
Securus Oy	Helsinki	35	0	0
Suomen Asiakastieto Oy	Helsinki	32	0	0
Toimiraha Oy	Helsinki	33	2	18
<i>International</i>				
Freja Finance S.A.	Luxembourg	33	0	0

Statutory information on corporate registration numbers and shareholders' equity is available at the Group Financial Control and Accounting Department.

¹⁾ Book value in owner company. Consolidated under the equity method; share of profit/loss to be taken into account.

²⁾ The Merita Bank Group's percentage of votes is 25 % and the book value EUR 0.05 million.



The Persson family's new kitchen. Financing through the Bank.

Nordic Baltic Holding (NBH) AB (publ)^{*} 1999

Board of Directors' Report 1999

* Parent company of the MeritaNordbanken Group, previously Nordbanken Holding AB (publ).
Corporate registration number: 5556547-0977. The registered office of the company is in Stockholm.

Nordbanken Holding AB (publ), whose name was changed in January 2000 to Nordic Baltic Holding (NBH) AB (publ), and Merita Plc (Merita) were the sole owners in 1999 of MeritaNordbanken Plc, the parent company of the MeritaNordbanken Plc Group. The MeritaNordbanken Plc Group and the two holding companies form the MeritaNordbanken Group.

As a result of the exchange offer dated November 14, 1999 (see below) submitted by NBH¹⁾ to shareholders in Merita and holders of convertible bonds issued by Merita, shareholders representing 95.9 percent of the shares and voting rights had accepted the offer by January 20, 2000. NBH's Board of Directors therefore decided to complete the offer and initiated redemption procedure for the remaining shares.

With the exchange of shares, NBH became the direct and indirect owner of more than 90 percent of the shares of MeritaNordbanken Plc, which as before is the parent company of the MeritaNordbanken Plc Group. Merita became a subsidiary of NBH. As a consequence, NBH is reported as of December 31, 1999 as the parent company of the new NBH Group.

Significant events

Through an offer in November 1997 to shareholders of Nordbanken AB, NBH became the owner of 99.7 percent of the shares in that company. NBH thus became entitled to implement compulsory redemption of the remaining shares of Nordbanken. The compulsory redemption procedure is still in progress. In February 1998, NBH offered shareholders the possibility to sell their shares at a fixed price (SEK 306), instead of participating in the compulsory redemption procedure. This offer has been accepted by a large number of shareholders.

The NBH share is listed on the Stockholm Stock Exchange. As of October 1999, it is listed in both SEK and EUR.

In accordance with the goals established in the merger agreement between Merita and NBH in 1997, Merita and NBH concluded a new merger agreement on September 20, 1999, intended to simplify the MeritaNordbanken Group's legal structure. Based on this agreement, the Board of Directors of NBH approved an exchange offer to the shareholders in Merita and holders of convertible bonds issued by Merita.

At Extraordinary General Meetings of NBH and Merita on

November 19 and November 23, 1999, respectively, the decisions required by the exchange offer were taken.

At NBH's Extraordinary General Meeting, decisions were thus taken on a change in the company's name and a change in the company's capital structure. It was accordingly decided

that the company's name would be Nordic Baltic Holding (NBH) AB (publ),

to implement a reduction of the share capital by SEK 3,188,168,602.50 by lowering the nominal value of the share from SEK 7.00 to SEK 4.50.

to reduce the company's premium reserve by SEK 3,036,297,483.

In both cases, the sums for the reductions were allocated to unrestricted reserves to be used in accordance with decisions taken by the Annual General Meeting. The share capital and the premium reserve were re-established through new issues (see below). One Merita share carried subscription rights to 1.02 newly issued shares in NBH.

At NBH's Extraordinary General Meeting on November 19, 1999, a proposal was also approved that the company would issue convertible bonds with an aggregate

¹⁾ NBH refers to Nordbanken Holding AB (publ), and Nordic Baltic Holding (NBH) AB (publ). The meaning is apparent from the context.

nominal value of maximum EUR 151,920,857. Each holder of convertible bonds issued by Merita is entitled to exchange these for convertible bonds issued by NBH. For each convertible bond issued by Merita with nominal value of FIM 10,000, the holder is entitled to a convertible bond issued by NBH with a nominal value of EUR 1,681.88.

The exchange offer was subject to conditions, of which the most important was that the Extraordinary General Meetings of shareholders in Merita and NBH approve the necessary decisions relating to the exchange offer (see above), that shareholders of Merita representing more than 90 percent of the outstanding shares and voting rights accept the exchange offer and that the necessary approvals were obtained.

The exchange offer prospectus and the stock exchange prospectus dated November 14, 1999 were published on November 19, 1999. The exchange period started on November 24, 1999 and was scheduled to end on December 15, 1999, but was extended until January 20, 2000.

As of December 31, 1999, shareholders representing 90.8 percent of the shares and voting rights had accepted the offer.

Significant events after December 31, 1999

On January 21, 2000, it was announced that NBH would complete the exchange offer presented on November 19, 1999 to shareholders in Merita Plc and holders of convertible debentures issued by Merita Plc. At the end of the registration period, shareholders representing 95.9 percent of the shares and voting rights and holders of Merita's convertible bonds representing 91.2 percent of the aggregate value of convertible bonds outstanding had accepted the offer.

The new non-cash share issue that was implemented to finance

the exchange increased the share capital and the premium reserve by SEK 3,671,101,291.50 and SEK 8,417,126,504.50, respectively.

Completion of the exchange offer and the obligation to redeem the outstanding shares in Merita Plc and convertible bonds issued by Merita Plc is reflected in the 1999 accounts.

The new share issue and the convertible bond loan were registered at the Swedish Patent and Registration Office on January 28, 2000.

Trading in NBH subscription rights begun on the Helsinki Exchanges pre-list on January 24, 2000, but ceased on January 31, 2000, when trading of NBH shares in the form of Finnish Depository Receipts (FDR) began.

To complete the exchange offer, NBH submitted a redemption offer on January 27, 2000 in accordance with the Finnish Securities Market Act and at the same time issued a redemption request in accordance with the Finnish Companies Act for shares that had not been exchanged. The redemption price is EUR 5.77 per share. If a shareholder does not accept the redemption request, the redemption price will be determined by arbitration in accordance with the Finnish Companies Act.

At the same time, NBH submitted an exchange offer for the convertible bonds that had not been exchanged. The redemption price is 104.2 percent of the nominal value, FIM 10,000 (EUR 1,681.88). As a result of the planned merger of Merita Plc with MeritaNordbanken Plc, the right to convert the bonds to shares in Merita Plc does not apply.

The redemption period is from February 1 to 29, 2000. NBH reserves the right to extend the redemption period by a maximum of three months.

Personnel

Nordbanken Holding had one

employee – its President and CEO – during the fiscal year 1999. No fees were paid to the company's Board of Directors.

Earnings and financial position

NBH's profit for the year amounted to SEK 1,485 million, compared with SEK 42 million for 1998.

In consideration of the profit for the year and decisions taken at the Extraordinary General Meeting on November 19, 1999 regarding changes in the share capital and premium reserve in conjunction with a new share issue (see above), the company's equity capital amounted to SEK 26,508 million at the year-end.

Share capital and number of shares

After the approved changes, the share capital in NBH amounts to SEK 9,410 million, represented by 2,091,067,728 shares, nominal value SEK 4.50. All shares carry equal rights to the company's assets and profits. Each shareholder eligible to vote at a General Meeting of Shareholders may vote the full number of shares held, without restrictions. There are no known shareholder agreements.

Share price trend, trading volume and market capitalization

The price of the company's share declined by 3.8% during 1999. The total return, including dividend of SEK 1.64 per share, amounted to -0.7%. The highest price paid was SEK 61.00 (January 20) and the lowest SEK 42.30 (October 18). Beginning on October 4, the share was also listed in euro, with a high of EUR 6.25 (November 18) and a low of EUR 4.50 (October 20).

During the same period the Stockholm Stock Exchange Banking and Insurance Index rose by 17.1%, and the General Index by 66.4%.

NBH's shares were the fifteenth most actively traded on the Stockholm Stock Exchange. The total volume of trading amounted to SEK 38,303 million, equal to 766 million shares. Nordbanken Holding thereby accounted for 1.5% of the total turnover on the Exchange.

Within the MeritaNordbanken Group, the Boards of Directors of Merita Plc and Nordic Baltic Holding (NBH) AB (publ) decided to follow the recommendations of the Helsinki Exchanges' insider rulings when they take effect on March 1, 2000.

Before the new share issue, market capitalization of NBH's shares at December 31, 1999 was SEK 63,763 million, equal to 1.7% of the total value of all shares traded on the Exchange. The total market capitalization of the NBH share and the Merita share at December 31, 1999 amounted to 221% of the Group's shareholders' equity.

Trading in derivatives

Nordbanken Holding's shares can also be traded in the form of put and call options and futures contracts and share loans in the Stockholm options market (OM Stockholm AB). Warburg Dillon Read also issues long-term warrants in NBH that are traded on the OM Stockholm Exchange.

Shareholders

At year-end 1999, Nordbanken Holding had slightly more than 92,000 shareholders, before the addition of new shareholders as a result of the new issue. This means that the number of shareholders declined by nearly 10,000 during the year. The new issue means that the number of shareholders increased by about 234,000. Of shares outstanding at January 31, 2000, Finnish and Swedish private individuals owned about 13.1%, Finnish and Swedish institutions 29.7% and

foreign owners about 29.2%. The remaining shares after the merger are owned by the Swedish government, about 25.9%, and the Finnish government, about 2.1%.

Convertible bonds

Each convertible bond in the convertible bond loan that NBH has issued entitles the holder to request conversion of the claim to new shares in NBH at a conversion price of EUR 5.60.

Conversion may take place until August 17, 2042, which is the due date for the loan. However, NBH has the right as of August 17, 2002 and at any time thereafter to repay the loan in full or in part at 30 days notice.

Convertible bonds subject to exchange may be redeemed in accordance with the redemption offer made on January 27, 2000.

Through conversion, the number of shares may increase by a maximum of 23,232,168.

Dividend

The Board of Directors of Nordic Baltic Holding (NBH) AB (publ) proposes that a dividend of SEK 1.75 per share be paid for the year 1999.

Annual General Meeting

The Annual General Meeting of Nordic Baltic Holding (NBH) AB (publ) will be held Tuesday, April 11, 2000, at 2:00 p.m. Swedish time in the Annex of Globen, in Stockholm, Sweden, with the right for shareholders to participate simultaneously at 3:00 p.m. Finnish time at the Helsinki Fair Centre, which will be linked to Stockholm via satellite.

Notification

Shareholders who wish to participate in the Meeting

1. must be recorded in the share register maintained by Värdepap-

perscentralen VPC AB (Swedish Securities Register Center) not later than **Friday, March 31, 2000**.

- a. Shareholders in Sweden whose shares are registered in the name of a trustee must temporarily **re-register** the shares in their own name. Such reregistration must be effected at VPC AB by Monday, March 31, 2000. Accordingly, shareholders must advise trustees **in ample time** prior to that date.
 - b. Shareholders whose shares are in the form of NBH Finnish Depositary Receipts must temporarily **re-register** these in their own name. Such reregistration must be effected in ample time and **not later than March 30, 2000** with Merita Bank Plc, according to 2b.
2. must notify Nordic Baltic Holding (NBH) AB (publ) not later than Wednesday, April 5, 2000, 1:00 p.m. Swedish time, and 2:00 p.m. Finnish time.
 - a. by notice addressed to Nordic Baltic Holding (NBH) AB (publ), Group Legal Department, H-50, SE-105 71, Stockholm, Sweden, by telephone, +46-8 614 97 10, by telefax, +46-8 614 87 70, via the Internet: www.meritanordbanken.com, or
 - b. by notice addressed to Nordic Baltic Holding (NBH) AB (publ), Mertia Bank Plc, 2590 Issue Services, FIN-00020 Merita, by telephone +358 9 165 88229, by telefax +358 9 637 256, via the Internet: www.meritanordbanken.com,

Shareholders are requested to indicate on the notice at which of the two locations they intend to participate.

Dividend and record date

The Board of Directors proposes that a dividend of SEK 1.75 per share be paid for 1999 and that April 14, 1999 be the record date for the dividend. If the Annual General Meeting approves the Board's proposal, it is expected that the dividend will be distributed by VPC on April 25, 1999.

Largest known shareholders in Norbanken Holding on December 31, 1999
Before the new issue linked to the exchange offer to shareholders in Merita Plc

	Number of shares	Percentage of capital and voting rights
Swedish Government	512 015 102	42.5
SPP	46 837 296	3.7
AMF Pensionförsäkring AB	39 500 000	3.1
Norbanken's mutual funds	38 009 316	3.0
SHB's mutual funds	27 095 300	2.1
Skandia	26 311 563	2.1
SEB's mutual funds	21 463 560	1.7
Fourth AP fund	19 380 000	1.5
Norbanken's Profit-sharing Foundation	19 186 300	1.5
AMF Insurance	17 919 000	1.4

Source: DN Ågarservice AB and Swedish Securities Register Center (VPC) AB.

Nordic Baltic Holding's shareholder structure as of January 31, 2000, that is, after the new issue, is shown on page 7.

Distribution of shares on December 31, 1999
Before the new issue linked to the exchange offer to shareholders in Merita Plc

Number of shares	Number of shareholders	Percent	Number of shares	Percent	Number of shares/shareholder
1 – 1 000	79 922	86.4	47 309 792	3.7	592
1 001 – 5 000	10 130	11.0	21 508 766	1.7	2 123
5 001 – 50 000	1 892	2.0	27 586 970	2.2	14 581
50 001 – 100 000	149	0.2	10 698 126	0.8	71 800
100 001 – 1 000 000	259	0.3	89 092 309	7.0	343 986
1 000 001 –	91	0.1	1 079 071 478	84.6	11 857 928
Total	92 443	100.0	1 275 267 441	100.0	

Source: Swedish Securities Register Center (VPC) AB.

Income statements

SEK million	Note	1999	1998
Operating income			
Operating expenses			
Personnel expenses	2	-0	-0
Other operating expenses	3, 4	-26	-12
Operating loss		-26	-12
Net result from financial investments			
Dividend	3	1 473	-
Interest income	3	69	78
Interest expenses	3	-26	-8
Profit after financial items		1 490	58
Profit before tax		1 490	58
Tax for the year		-5	-16
Net profit for the year		1 485	42

Balance sheets

SEK million	Note	1999	1998
Assets			
Fixed assets			
<i>Financial fixed assets</i>			
Shares in subsidiaries	5	27 465	–
Shares in associated companies	5	–	13 242
Long-term receivables	6	1 114	–
Total fixed assets		28 579	13 242
Current assets			
Short-term receivables	6	48	7
Short-term investments	6	1 000	1 800
Bank deposits		407	239
Total current assets		1 455	2 046
Total assets		30 034	15 288
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital ¹⁾		9 410	8 927
Premium reserve		8 417	3 036
<i>Non-restricted shareholders' equity</i>			
Non-restricted reserves ¹⁾		6 224	–
Retained earnings		972	3 021
Profit for the year		1 485	42
Total shareholders' equity		26 508	15 026
Liabilities			
Subordinated debt	8	1 114	–
Short-term liabilities	9	2 412	262
Total liabilities		3 526	262
Total shareholders' equity and liabilities		30 034	15 288
Memorandum items			
Collateral pledged (bank funds) in connection with compulsory redemption proceedings		214	207
Contingent liabilities		9	8
Other commitments (redemption offer, convertible bonds in Merita Plc)		115	–

¹⁾ An approved increase in equity through a new issue of SEK 3 671 million and the associated transfer to non-restricted reserves was registered on January 28, 2000.

Cash flow analysis

SEK million	1999	1998
Ordinary business		
Profit after financial items	1 490	58
Adjustment for items not included in cash flow	2 117	-46
Adjustment for items included in cash flow for financing operations	-1 473	-
Income taxes paid	-16	-12
Cash flow from ordinary business before changes in ordinary business assets and liabilities	2 118	0
Change in ordinary business assets	778	-94
Change in ordinary business liabilities	18	246
Cash flow from ordinary business	2 914	152
Cash flow from investment operations	-1 776	1 792
Cash flow from financial operations	-977	-1 913
Cash flow for the year	161	31
Liquid assets at the beginning of the year	32	1
Liquid assets at the end of the year	193	32

Additional information

In comparison with the cash flow analyses that were presented in the interim reports during 1999, an adjustment has been made in the presentation of the cash flow analysis used in the rest of the Group. This means that an indirect method is applied with a break down into ordinary business, investment operations and financial operations and that the definition of liquid assets is more stringent than that applied in the interim reports during 1999.

Liquid assets include bank deposits (excluding funds in restricted accounts)	Dec 31, 1999	Dec 31, 1998	Dec 31, 1997
	193	32	1
Pledged bank deposits in restricted accounts representing collateral as a result of compulsory redemption	Dec 31, 1999	Dec 31, 1998	Dec 31, 1997
	214	207	-
Interest received	1999	1998	
Interest received	51	72	
Interest paid	14	1	
Dividends received	1 473	4 934 ¹⁾	
Dividends paid	2 091	1 913	

¹⁾ Dividends received in 1998 did not affect liquid assets, according to the definition used.

Significant transactions that did not entail payments

As indicated by the Administration Report, the financial accounts for 1999 reflect both significant changes in the Company's capital structure and a new issue of convertible bonds that were used in exchange for convertible bonds issued by Merita Plc. None of these transactions have affected the Company's cash flow in 1999.

Notes to the Financial Statements

Note 1: Accounting principles

The accounts for the year have been prepared in accordance with the Swedish Annual Accounts Act.

Costs arising in connection with the acquisition of shares in Nordbanken in 1998 and the compulsory redemption procedure in 1998 and 1999 have been capitalized. These costs amounted to SEK 189 million in 1998 and SEK 3 million in 1999. Costs arising in conjunction with the exchange offer of 1999 were also capitalized, as were the expected costs for the acquisition and redemption of the remaining shares in Merita Plc totaling SEK 2,131 million. An estimation of future costs for the redemption of convertible bonds issued by Merita Plc is reported as a memorandum item, since the amount is uncertain.

Note 2: Personnel

The Company had one employee, the President. The amount paid in salary was SEK 100,000 per year. Social security charges amounted to SEK 24,000. No fees were paid to the Board of Directors.

There are no commitments pertaining to severance payments, pensions or similar compensation for the President or members of the Board of Directors. There are no loans outstanding to the President or members of the Board of Directors.

Note 3: Intra-Group transactions

In 1999, when the Company became the parent company in the Nordic Baltic Holding Group, interest income, interest expenses and received dividends pertained to transactions with Group companies, with the exception of accrued interest expenses on the convertible debenture loan (SEK 18.1 million) and interest expenses on the tax account (SEK 0.4 million).

In 1999, SEK 3.1 million of other operating expenses pertained to intra-Group transactions.

Note 4: Auditing expenses

During the 1999 fiscal year, remuneration, including reserves, to the Company's auditors amounted to SEK 1.4 million (0.4).

Note 5: Shares

December 31, 1999	Number of shares	Nominal value	Book value SEK million	Market value	Voting rights, % ¹⁾
Fixed assets					
Merita Nordbanken Plc ²⁾					
Common shares	560 000 000	FIM 5 600 million	13 246	–	50 (40)
Preferred shares	280 000 000	FIM 2 800 million	–	–	0 (20)
Merita Plc ²⁾	799 804 203	EUR 1 345 million	14 219	–	95,9 ³⁾

¹⁾ Difference in percentage of capital is shown in parenthesis.

²⁾ MeritaNordbanken Plc, whose registered office is in Helsinki, Finland, has registration number 725 985. Merita Plc, whose registered office is in Helsinki, Finland, has registration number 40 495.

³⁾ Before ongoing share redemption.

Note 6: Receivables

December 31, SEK million	1999	1998
Financial fixed assets		
Debenture loan Merita Plc	1 114	-
Current assets		
Short-term investment with Nordbanken AB	1 000	1 800
Tax receivable	6	-
Other current receivables	16	0
Prepaid expenses and accrued interest	26	7
Total	2 162	1 807

Note 7: Change in shareholders' equity

SEK million	Share capital ¹⁾	Premium reserve	Non-restricted equity	Total
At the beginning of the year	8 927	3 036	3 063	15 026
Reduction of share capital ²⁾	-3 188		3 188	-
Reduction of premium reserve		-3 036	3 036	-
New issue ²⁾	3 671	8 417		12 088
Dividend			-2 091	-2 091
Profit for the year			1 485	1 485
At the end of the year	9 410	8 417	8 681	26 508

¹⁾ The Company's share capital on December 31, 1999 was SEK 9 409 804 776 (2 091 067 728 shares with a nominal value of SEK 4.50).

²⁾ Registered at the Swedish Patent and Registration Office on January 28, 2000.

Note 8: Subordinated debt

December 31, SEK million	1999	1998
Convertible bond loan	1 114	-
77,354 bonds with nominal value of EUR 1 681.88 each = EUR 130 100 145.52		

The loan is due on August 17, 2042 unless conversion to shares has taken place before that date. The Company has the right as of August 17, 2002 and at any time after that date, following a 30-day notice, to repay the loan in part or in full plus accrued interest. The conversion rate is EUR 5.60.

Note 9: Current liabilities

December 31, SEK million	1999	1998
Current liabilities to subsidiaries	222	-
Current liabilities to associated companies	-	203
Tax liabilities	-	5
Other current liabilities	43	43
Accrued expenses	2 147	11
Total	2 412	262

Proposed Distribution of Earnings

According to the Company's balance sheet, the following amount is at the disposal of the Annual General Meeting of Shareholders:

	SEK million
Non-restricted reserves	6 224
Profit carried forward	972
Net profit for the year	1 485
Total	8 681

The Board of Directors and the President propose that these earnings be distributed as follows:

	SEK million
Dividends paid to shareholders, SEK 1.75 per share	3 659
To be carried forward	5 022
Total	8 681

The Group's disposable earnings amount to SEK 24,103 million. Of this amount, SEK 4 million will be transferred to restricted reserves. After the proposed distribution of earnings, the Group's non-restricted shareholders' equity amounts to SEK 20,440 million.

February 16, 2000

Jacob Palmstierna, Chairman

Edward Andersson

Bernt Magnusson

Vesa Vainio, Vice Chairman

Rune Brandinger

Juha Niemelä

Dan Andersson

Mikko Kivimäki

Timo Peltola

Hans Dalborg

Auditors' Report

To the Annual General Meeting of Nordic Baltic Holding (NBH) AB (publ), corporate registration no. 556547-0977.

We have audited the financial statements, the accounts and the administration of the Board of Directors and the President of Nordic Baltic Holding (NBH) AB (publ) for 1999. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. These Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes

assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to determine the possible liability to the Company of any Board Member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual report and the financial statements have been prepared in accordance with the Annual Accounts Act and thus provide a fair representation of the Company's and the Group's earning and financial position in accordance

with Generally Accepted Auditing Standards in Sweden.

We recommend to the Annual General Meeting that the the income statements and the balance sheets for the Parent Company and the Group be adopted, that the profit in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, February 18, 2000

KPMG

Caj Nackstad
Authorized Public Accountant



Eva and Lars summer of 1999. 4000 km, nine countries, nine currencies. One credit card.

Merita Plc* 1999

Board of Directors' Report

* Corporate registration number 40,495. The company is based in Helsinki, Finland.

In 1999, Merita Plc (Merita) and Nordbanken Holding AB (publ), which in January was renamed Nordic Baltic Holding (NBH) AB (publ), were the owners of Merita-Nordbanken Plc, the parent company of the MeritaNordbanken Plc Group. Together, the MeritaNordbanken Plc Group and the two owner companies form the Merita-Nordbanken Group.

As a result of the exchange offer dated November 14, 1999 (see below) that NBH¹⁾ submitted to the shareholders in Merita Plc and holders of convertible bonds issued by Merita Plc shareholders representing 95.9 percent of the shares and voting rights had accepted the offer by January 20, 2000. NBH's Board of Directors therefore decided to complete the offer and initiated the redemption procedure for the remaining shares.

With the exchange of shares, NBH became the direct and indirect owner of more than 90 percent of the shares of MeritaNordbanken Plc, which as before is the parent company of the MeritaNordbanken Plc Group. Merita became a subsidiary of NBH. As a consequence, NBH is reported as of December 31, 1999 as the parent company of the new NBH Group.

In order to illustrate Merita's financial development and position strictly from the company's viewpoint, the following income statements and balance sheets are presented for the company Merita Plc, including and excluding the associated company MeritaNordbanken. However, the MeritaNordbanken Group's annual accounts are

an essential part of Merita's annual report.

Significant events

In accordance with the objectives stated in the merger agreement between Merita and NBH in 1997, on September 20, 1999 Merita and NBH entered into a new merger agreement, the purpose of which was to simplify the MeritaNordbanken Group's legal structure. Based on this merger agreement, the NBH Board decided to make an exchange offer to shareholders in Merita and holders of convertible bonds issued by Merita.

At the Extraordinary General Meetings of Merita and NBH on November 23 and 19, 1999, respectively, the approvals required in respect of the exchange offer were obtained.

One Merita share entitles the holder to 1.02 newly issued shares in NBH.

At the NBH Extraordinary General Meeting on November 19, 1999, a decision was also taken that the company would issue a convertible bond loan in a nominal maximum amount of EUR 151,920,857. Each holder of convertible bonds issued by Merita became entitled to exchange these bonds for convertible bonds issued by NBH. For each convertible bond issued by Merita with a nominal amount of FIM 10,000, a holder receives one convertible bond issued by NBH with a nominal amount of EUR 1,681.88.

The most important conditions pertaining to the exchange offer

were that the Merita and NBH Extraordinary General Meetings took the necessary decisions relating to the exchange offer (see above), that Merita shareholders, representing more than 90% of the shares and votes outstanding, accepted the exchange offer and that the necessary permits/approvals were obtained.

The prospectus relating to the exchange offer and the stock exchange prospectus dated November 14, 1999 were published on November 19, 1999. The application period commenced on November 24, 1999 and was initially due to close on December 15, 1999. However, the application period was subsequently extended to January 20, 2000.

As at December 31, 1999, shareholders representing 90.8% of the shares and voting rights had accepted the offer.

Significant events after December 31, 1999

On January 21, 2000, it was announced that NBH would complete the exchange offer presented to shareholders in Merita Plc and holders of convertible bonds issued by Merita Plc on November 14, 1999. At the end of the exchange period, shareholders representing 95.9% of the shares and voting rights had accepted the offer. Holders of Merita's convertible bonds accepting the offer represented 91.2% of the total nominal capital of the outstanding convertible bonds.

In order to complete the

¹⁾ NBH refers to Nordbanken Holding AB (publ), and Nordic Baltic Holding (NBH) AB (publ). The meaning is apparent from the context.

exchange offer, NBH submitted a redemption offer on January 27, 2000 in accordance with the Finnish Securities Market Act and concurrently requested a redemption ruling in accordance with the Finnish Companies Act pertaining to shares which were not exchanged. The redemption price is EUR 5.77 per share. If a shareholder does not accept the redemption ruling, the redemption price is determined by arbitration in accordance with the Finnish Companies Act.

At the same time, NBH presented a redemption offer for the convertible bonds that had not been exchanged. The redemption price is 104.2% of the nominal value of the convertible bond, which is FIM 10,000 (EUR 1,681.88). As a result of the planned merger of Merita Plc with Merita-Nordbanken Plc, the possibility to convert the bonds to shares in Merita Plc does not apply. The redemption offer extends between February 1–29, 1999. NBH retains the right to extend the redemption period by a maximum of three months.

Trading in NBH's subscription rights started on the Helsinki Exchanges prelist on January 24, 2000, but was terminated on January 31, 2000, when trading in NBH shares in the form of Finnish Depository Receipts (FDRs) commenced on the Helsinki Exchanges main list.

Earnings and financial position

Net profit for the year for the MeritaNordbanken Group amounted to EUR 1,098 M, compared with EUR 704 M in 1998. This result includes withdrawals (reversal) from the pension foundation and funds of SEK 65 M (152), and write-downs of real estate of EUR 145 M (617). Return on equity amounted to 20.9% and earnings per share to EUR 0.53.

Merita Plc's share (40%) of the MeritaNordbanken Group result is

shown among participations in associated companies, including a deduction of EUR 13 M (80) in accordance with the original cooperation agreement. The result also includes payment of 40% of the withdrawal (reversal) from the pension foundation and funds of EUR 26 M (61) and is charged with 40% of the real estate write-downs of EUR 58 M (247). Thereafter, the result corresponds to 40% of the total result of the MeritaNordbanken Group and amounted to SEK 439 M (281). Profit for the year for Merita Plc excluding associated companies amounted to EUR 134 M (137).

Excluding associated companies, the company shareholders' equity at year-end 1999 amounted to EUR 1,828 M. With the addition of the share in earnings of associated companies and after adjustment due to the original cooperation agreement, Merita's shareholders' equity at the same date corresponded to 40% of the total shareholders' equity of the MeritaNordbanken Group, EUR 2,210 M, or EUR 2.68 per share.

Dividend

The Board of Directors of Merita Plc proposes that no ordinary dividend be paid. The Board's proposal for the distribution of profits in NBH is presented on page 106.

Annual General Meeting

As a result of the share redemption process, NBH will be the sole owner of Merita, while former shareholders in Merita own shares in the parent company Nordic Baltic Holding (NHB) AB (publ).

The Annual General Meeting of Nordic Baltic Holding (NBH) AB (publ) will be held on Tuesday, April 11, 2000, at 2:00 p.m. Swedish time in the Annex of Globen, in Stockholm, Sweden, with the right for shareholders to participate simultaneously at 3:00 p.m. Finnish

time at the Helsinki Fair Centre, which will be linked to Stockholm via satellite.

Shareholders who wish to participate in the Meeting

1. must be **recorded** in the share register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Center) not later than **Friday, March 31, 2000**.
 - a. Shareholders in Sweden whose shares are registered in the name of a trustee must temporarily **re-register** the shares in their own name. Such reregistration must be effected at VPC AB by Monday, March 31, 2000. Accordingly, shareholders must advise trustees **in ample time** prior to that date.
 - b. Shareholders whose shares are in the form of NBH Finnish Depository Receipts must temporarily **re-register** these shares in their own name. Such re-registration must be effected in ample time and **not later than March 30, 2000** with Merita Bank Plc – according to 2b below.
2. must notify Nordic Baltic Holding (NBH) AB (publ) **not later than 1:00 p.m. Swedish time, and 2:00 p.m. Finnish time on Wednesday, April 5, 2000**.
 - a. by notice addressed to Nordic Baltic Holding (NBH) AB (publ), Group Legal Department, H-50, SE-105 71, Stockholm, Sweden, by telephone, +46-8 614 97 10, by telefax, +46-8 614 87 70, via the Internet: www.meritanordbanken.com, or
 - b. by notice addressed to Nordic Baltic Holding (NBH) AB (publ), Mertia Bank Plc, 2590 Issue Services, FIN-00020 Merita, by telephone +358 9 165 88229, by telefax +358 9 637 256, via the Internet: www.meritanordbanken.com,

Shareholders are requested to indicate at which of the two locations they intend to participate.

Share capital and outstanding shares

At the end of 1999, Merita Plc's share capital amounted to EUR 1,402,120,419.19. In accordance with the Articles of Association, the minimum number of shares is 400,000,000 and the maximum number is 1,600,000,000, which are the limits within which share capital can be increased or decreased without amending the Articles of Association. The computed value of the share at the end of 1999 was EUR 1.68 and the number of shares outstanding was 833,662,944.

During the year, the number of shares increased by a total of 1,642,200 due to the conversion of convertible bonds from 1992.

The Board has no authorization to decide on an increase of the share capital.

Convertible bond loan 1992

In 1992, Merita Plc issued a convertible bond loan of FIM 906 M (EUR 152 M). Each bond has a nominal value of FIM 10,000 (EUR 1,681.88) and may be converted to 300 shares. Conversion can be carried out annually between January 2 and November 30, however, not later than August 17, 2042. The company has retained the right to repay the loan capital in its entirety or in instalments on August 17, 2002, or at any time thereafter.

As of December 31, 1999, the loan amount outstanding was EUR 142 M, of which EUR 130 M was owned by NBH following the completion of the exchange offer.

Share price trend, turnover and market capitalization

The Merita share is listed on the Helsinki Exchanges. During 1999, the share price rose by 8%, while the Helsinki General Index rose by 162%. The highest price paid for

the share was EUR 6.32 on January 20 and the lowest was EUR 4.80 on October 15.

During 1999, Merita was the fifth most actively traded share on the Helsinki Exchanges.

Within the MeritaNordbanken Group, the Boards of Merita Plc and Nordic Baltic Holding (NBH) AB (publ) decided to follow the recommendations of the Helsinki Exchanges in regard to insider rulings when these come into force on March 1, 2000.

Shareholders

In accordance with Finnish law, Merita will become a wholly-owned subsidiary of NBH as a result of the redemption offer in accordance with the Finnish Companies Act.

Increase in Merita Plc's share capital 1996–1999

Issue type	Subscription ratio or subscriber	Subscription price, EUR	Number of new shares	Dividend rights	Increase in share capital, EUR million	New share capital, EUR million
Direct issue Dec 29, 1995	1 new share in Merita Plc for 3 shares in Kansallis-Yhtymä Oy	1.68	346 457 170	1/1 1995	583	1 397
Subscriptions with warrants (warrant financing 1990)	personnel					
-1997		4.87	2 457	1/1 1997	0	1 397
-1998		4.87	1 483 438	1/1 1998	2	1 399
Conversion by convertible bonds 1992	300 new shares against a convertible bond (nominal value of EUR 1,661.88)					
-1998		5.61	83 400	1/1 1999	0	1 399
-1999		5.61	1 642 200	1/1 2000	3	1 402

Distribution of shares before the exchange offer of Nordic Baltic Holding (NBH) AB (publ)

Numbers of shares	Number of shareholders	Shareholders %	Number of shares	Number of shares, %	Number of shares per shareholder
1–1 000	205 278	79.0	54 728 104	6.6	267
1 001–10 000	51 662	19.9	132 618 730	15.9	2 567
10 001–100 000	2 683	1.0	57 088 537	6.8	21 278
100 001–1 000 000	145	0.1	43 462 252	5.2	299 740
1 000 001–	30	0.0	170 055 876	20.4	5 668 529
Held in trust	17	0.0	374 898 930	45.0	22 052 878
In collective book-entry account			810 515	0.1	
Total	259 815	100.0	833 662 944	100.0	

Largest shareholders (known) in Merita Plc before the exchange offer from Nordic Baltic Holding (NBH) AB (publ)

December 31, 1999	No. of shares	Share capital and votes, %
Solidium Oy	42 622 222	5.1
Suomi Mutual Life Assurance Company	13 000 001	1.6
Varma-Sampo Mutual Pension Insurance Company	10 660 000	1.3
Ilmarinen Mutual Pension Insurance Company	10 620 000	1.3
Merita Plc Pension Foundation	9 734 028	1.2
Meiji Life Insurance Company	8 538 666	1.0
Pohjola Insurance Company	8 135 438	1.0
Onninen Investment Ltd	7 900 600	0.9
Kuntien Eläkevakuutus	7 274 500	0.9
Merita Plc Pension Fund	7 070 173	0.8

Merita Plc shares/per-share data

	1999	1998	1997	1996	1995
Combined share series					
Average number of shares, million	832	832	830	830	744
Number of shares December 31, million	834	832	830	830	830
Market value, December 31, EUR million	4 877	4 506	4 150	2 027	1 535
Earnings per share (EPS), EUR	0.53	0.33	0.50	0.43	0.08
Shareholders' equity/share	2.68	2.29	2.26	2.28	1.93
Dividend/profit, %	–	53.5	33.7	21.6	–
Market value/shareholders' equity	2.2	2.4	2.2	0.2	0.2
Merita (Series A shares)					
Average price, EUR	5.51	5.36	3.51	1.90	2.15
Lowest price, EUR	4.80	3.58	2.37	1.53	1.72
Highest price, EUR	6.32	6.68	5.05	2.56	2.54
Volume of trading, 1,000s	475 466	468 374	387 495	294 667	129 141
Volume of trading in % of shares	57.1	61.3	50.8	38.6	16.9
Average number of shares, million	832	764	763	763	677
Number of shares, December 31, million	834	832	763	763	763
Market value, December 31, EUR million	4 877	4 506	3 825	1 849	1 412
Dividend per share, EUR	–	0.18	0.17	0.03	–
Effective dividend yield, %	–	3.3	3.4	1.4	–
Price/earnings ratio (P/E ratio)	11.0	16.4	10.0	5.6	22.4
Series B-shares ²⁾					
Average price, EUR	–	5.07	3.56	2.03	2.17
Lowest price, EUR	–	3.53	2.64	1.68	1.73
Highest price, EUR	–	6.32	4.88	2.78	2.52
Volume of trading, 1,000s	–	18 738	24 681	10 506	12 622
Volume of trading in % of shares	–	27.9	36.7	15.6	18.8
Average number of shares, million	–	67	67	67	67
Number of shares, December 31, million	–	–	67	67	67
Market value, December 31, EUR million	–	–	324	179	123
Dividend per share, EUR	–	–	0.15	0.27	–
Effective dividend yield, %	–	–	3.1	10.1	–
Price/earnings ratio (P/E ratio)	–	–	9.7	6.1	22.2

¹⁾ Share-issue-adjusted, calculated in accordance with regulations set forth by the Finnish Financial Supervision Authority.

²⁾ Series B shares were combined with Series A shares on November 5, 1998.

Income statement

EUR million	Note	Merita Plc incl. the associated company		Merita Plc	
		1999	1998	1999	1998
Interest income		14	25	14	25
Interest expenses		-7	-18	-7	-18
Net interest income		7	7	7	7
Income from equity investments					
Participating interests		-	-	154	1
Other companies		0	0	0	0
Commission expenses		-0	-0	-0	-0
Net result from financial operations		-	133	-	133
Other operating income		0	7	8	7
		7	147	169	148
Administrative expenses					
Personnel expenses					
Salaries and fees		-1	-1	-1	-1
Staff-related costs					
Pension costs		-1	-3	-1	-3
Other staff-related costs		-0	-0	-0	-0
Other administrative expenses		-2	-11	-2	-11
Depreciation and write-downs on tangible and intangible assets		-	-0	-	-0
Other operating expenses		-1	-1	-1	-1
		-5	-16	-5	-16
Profit from the company accounted for under the equity method		470	404	-	-
Adjustment in accordance with the Cooperation Agreement		-13	-80	-	-
Operating profit		459	455	164	132
Refund from the Pension Foundation/Fund ¹⁾	10	26	61	-	4
Write-downs on real estate holdings ¹⁾		-58	-247	-	-11
Profit before taxes		427	269	164	125
Income taxes ²⁾	9	12	12	-30	12
Net profit for the financial year		439	281	134	137

¹⁾ 40% of the refund from the Pension Foundation/Fund of the MeritaNordbanken Group and 40% of the Group's write-downs on real estate holdings have been included in the income statement.

²⁾ Income taxes include only Merita Plc's taxes. Merita Plc's share of the MeritaNordbanken Group's other taxes is reported under "Profit from companies accounted for under the equity method" and amounted to EUR 94 million (EUR 91 million).

Balance Sheet

EUR million	Note	Merita Plc incl. the associated company		Merita Plc	
		1999	1998	1999	1998
Assets					
Debt securities eligible for refinancing with central banks		172	158	172	158
Loans to credit institutions repayable on demand		6	36	6	36
Other debt securities		152	152	152	152
Shares and participations	2	0	0	0	0
Participating interests	2	2 032	1 727	1 650	1 650
Other assets		0	1	0	1
Prepaid expenses and accrued income		10	13	10	13
Total assets		2 372	2 087	1 990	2 010
Liabilities and shareholders' equity					
<i>Liabilities</i>					
Other liabilities		12	12	12	12
Accrued expenses and prepaid income		6	14	6	14
Provisions	3				
Pension provisions		2	1	2	1
Other provisions		–	–	–	–
Subordinated liabilities	4	142	152	142	152
Liabilities		162	179	162	179
<i>Shareholders' equity</i>					
Share capital	5	1 402	1 399	1 402	1 399
Share premium reserve		11	5	11	5
Ordinary reserve		36	36	36	36
Retained earnings		322	187	245	254
Profit for the year		439	281	134	137
Shareholders' equity		2 210	1 908	1 828	1 831
Total liabilities and shareholder's equity		2 372	2 087	1 990	2 010
Off-balance-sheet commitments					
Commitment on behalf of customers in favour of third parties					
Guarantees and pledges		2	1	2	1

Accounting principles

The annual report and accounts have been prepared in accordance with the Credit Institutions' Act, the Accounting Act and other statutes and regulations governing financial statements. In this printed version of the annual report, only those Notes to the Financial Statements that are of critical importance to an assessment of the company's earnings and financial position have been included. The original documents signed by the Board of

Directors include all of the prescribed financial statements' notes. Copies of the original documentation can be obtained from the Group Financial Control and Accounting Department.

Consolidated accounts have not been prepared since the company's voting rights in MeritaNordbanken amount to 50%. The equity method has been applied when reporting participations in the MeritaNordbanken Group.

Liabilities and receivables are taken up in the balance sheet in the amounts that were paid, or received, as they arise. Reporting of permanently held securities relates to shares held in MeritaNordbanken Plc, and holdings of interest-bearing securities. These security holdings are reported at acquisition value. Other securities are reported as current assets and are valued at the lower of acquisition value or market value.

Note 1: Subordinated receivables

EUR million	1999	1998
Debt securities	152	152
of which to the associated company	152	152
Total	152	152

Note 2: Shares and participations

EUR million	1999		1998	
	Publicly listed	Other	Publicly listed	Other
Book value				
Current assets	-	-	-	-
Financial fixed assets	-	0	-	0
Total	-	0	-	0

Difference between the market value and a lower book value, publicly listed shares ¹⁾

Current assets	-	-
Total	-	-

At the end of the year the company had neither borrowed nor lent securities.

¹⁾ Excluding participating interests and shares in subsidiaries.
Merita Plc does not have any own shares issued by itself.

Book value of shares in subsidiaries and associated companies

EUR million	Merita Plc incl. the associated company		Merita Plc	
	1999	1998	1999	1998
Subsidiaries				
Credit institutions	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-
Associated companies				
Other than credit institutions	2 032	1 727	1 650	1 650
Total	2 032	1 727	1 650	1 650

Participating interests, Dec 31, 1999, associated company	Domicile	Shareholding %	Voting rights, %	Book value EUR million
MeritaNordbanken Plc	Helsinki	40.0	50.0	1 650

Note 3: Provisions

EUR million	1999	1998
Pension provisions	2	1
Other	-	-
Total	2	1

Note 4: Subordinated liabilities

EUR million	1999	1998
Liabilities with a book value exceeding 10% of all subordinated liabilities ¹⁾	142	152
Total	142	152
- of which, perpetual bonds	142	152

¹⁾ Convertible bonds, see page 111.

Note 5: Shareholders' equity

EUR million	Share capital	Restricted reserves	Retained earnings	Total
At the beginning of the year	1 399	41	468	1 908
Dividend	-	-	-147	-147
Conversion of bonds	3	6	-	9
Other changes	-	-	1	1
Profit for the year	-	-	439	439
At the end of the year	1 402	47	761	2 210
Merita Plc excluding the associated company	1 402	47	379	1 828
Of which, distributable			379	379

	Dec 31, 1999	Dec 31, 1998
Equity capital excluding the associated company	1 828	1 831
Share of equity capital in the associated company	449	111
Adjustment in accordance with the Cooperation Agreement	-67	-34
Equity capital including the associated company	2 210	1 908

Note 6: Merita Plc shares

See pages 111–112.

Note 7: Shareholders

Largest shareholders according to the share register, see page 112.

Note 8: Assets and liabilities in domestic and foreign currency

All assets and liabilities are in Finnish markka or in euro.

Note 9: Income taxes

EUR million	1999	1998
Deferred tax receivables	-	-
Tax on income from ordinary operations	30	-12
Tax on extraordinary items	-	-
Total	30	-12

After recovery of EUR 1.8 million (EUR 25 million) pertaining to previously expensed taxes.

Note 10: Pension commitments**Employees' pension protection and pension liabilities**

The statutory pension protection for Merita Plc's employees is covered through insurance. The employees' supplementary pension plan is covered by Merita Plc Pension Fund and Foundation and Merita Life Assurance Ltd.

The pension institutions charged no contributions for the year 1999. Pension liabilities are fully covered.

A provision of EUR 2 million was booked due to a direct pension liability.

Note 11

No decision was made during the year to issue shares, equity warrants or convertible bonds.

The General Meeting has given no authorization for issuance of shares, equity warrants or convertible bonds.

Note 12: Personnel and information on members of administrative and controlling boards	1999	1998
Average number of employees during the year	5	6
Change since preceding year, persons	-1	-5
percent	-21	-45
Full-time	5	4
Change since preceding year, persons	1	-7
Part-time	-	-
Change since preceding year, persons	-	-

Remuneration of EUR 468,303 was paid to the President of Merita Plc. Of this amount EUR 168,609 consisted of performance-based salary from 1998. Furthermore, the President had car and housing benefits. He is entitled to a pension of 60% of the salary throughout pensionable age. The Chairman of the Board received a remuneration of EUR 8,409.

Note 13

Merita's registered office is in Helsinki. MeritaNordbanken Plc is Merita Plc's associated company.

Note 14: Intra-group items

Financial income received from and financial expenses paid to Group and associated companies

EUR million	1999		1998	
	Group companies	Associated companies	Group companies	Associated companies
Interest income	-	13	-	14
Interest expenses	-	0	-	7
Income from equity investments	-	154	-	1

Receivables from and liabilities to Group and associated companies

EUR million	1999		1998	
	Group companies	Associated companies	Group companies	Associated companies
Receivables				
Debt securities eligible for refinancing with central banks	-	172	-	158
Loans to credit institutions	-	6	-	36
Debt securities	-	152	-	152
Other receivables	-	-	-	0
Prepaid expenses and accrued income	-	2	-	3
Total	-	332	-	349
Liabilities				
Other liabilities	-	11	-	11
Accrued expenses and prepaid income	-	-	-	0
Total	-	11	-	11

Board of Directors' proposal to the Annual General Meeting

Earnings for the financial year and their disposal.

The company's distributable shareholders' equity as at December 31, 1999 amounted to EUR 378 636 543.22 and, including the associated company, to EUR 761 million. The company's net profit for 1999 was EUR 133 998 248.82.

We propose that,
– to be carried forward: EUR 378 636 543.22

February 16, 2000

Timo Peltola

Jacob Palmstierna

Vesa Vainio

Dan Andersson

Edward Andersson

Rune Brandinger

Hans Dalborg

Mikko Kivimäki

Bernt Magnusson

Juha Niemelä

Auditors' report

to the Annual General Meeting of Shareholders of Merita Plc

We have audited the accounting records and the financial statements as well as the administration by the Board of Directors and the Chief Executive of Merita Plc for the financial year 1999. The financial statements, which include the report of the Board of Directors of the parent company, the income statements, balance sheets and notes to the financial statements of the parent company including the associated company and the parent company, have been prepared by the Board of Directors and the Chief Executive. The financial information of the MeritaNordbanken Group is included in the financial statements. Based on our audit, we express our opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with generally accepted auditing standards in Finland. These standards require that we

plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes the examination on a test basis of evidence supporting the amounts and disclosures in the financial statements, an assessment of the accounting principles used and significant estimates made by the management as well as the evaluation of the overall presentation of the financial statements. The purpose of our audit of the administration has been to see that the Board of Directors and the Chief Executive have complied with the rules of the Finnish Companies Act and Credit Institutions Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Credit Institutions Act, the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The

financial statements together with the financial information of MeritaNordbanken Group give a true and fair view, as defined in the Accounting Act, of the company's result of operations for the financial period under audit as well as of the financial position at the year end. The income statements and balance sheets of Merita Plc including the associated company and of Merita Plc may be adopted and the Chairman and Vice Chairman of the Board of Directors and other members of the Board of Directors as well as the Chief Executive of the parent company may be discharged from liability for the financial year audited by us.

The proposal submitted by the Board of Directors to the Annual General Meeting of Shareholders regarding the distribution of retained earnings is in compliance with the Finnish Companies Act.

Helsinki, February 16, 2000

Eric Haglund
Authorized Public Accountant

Mauri Palvi
Authorized Public Accountant

Board of Directors

In accordance with the cooperation agreement dated October 13, 1997 between Merita Plc and Nordbanken Holding AB (publ) – now Nordic Baltic Holding (NBH) AB (publ) – the Boards of Directors of these companies and MeritaNordbanken Plc had the same members in 1999. In MeritaNordbanken Plc, there are also two Board members who represent the employees.

Most work by the Board of Directors was conducted on behalf of Merita Nordbanken Plc. The Board held 15 meetings during the year. Board matters are prepared by a Presiding Committee consisting of the Chairman, Vice Chairman and the Chief Executive Officer. The Presiding Committee meets every second week.

The Board of Directors of MeritaNordbanken Plc comprises four committees:

Credit Committee: The committee handles lending commitments that exceed certain limits established by the Boards of the two banks. Before decisions can be made by the Boards of Directors in such matters, the financial commitment must be approved by the committee. During 1999, the Credit Committee comprised Board members Jacob Palmstierna (Chairman), Vesa Vainio, Rune Brandinger, Hans Dalborg, Casimir Ehrnrooth (until 1999 Annual General Meeting) and Edward Andersson (from 1999 Annual General Meeting).

Treasury Committee: The committee oversees the Group's financial operations and liquidity situation, prepares certain materials for consideration at Board meetings and makes decisions in these areas with the authorization of the Board of Directors. During 1999, the Treasury Committee comprised, in addition to certain key executives, Board members Vesa Vainio (Chair-

man), Jacob Palmstierna, Dan Andersson and Timo Peltola.

Audit Committee: The committee oversees the Group's internal audit function and prepares audit-related matters for consideration by the Board of Directors. During 1999, the Audit Committee comprised Board members Juha Niemelä (Chairman), Rune Brandinger and Hans Dalborg.

Remuneration Committee: The committee has presented proposals to the Board of Directors regarding the CEO's terms of employment. The CEO also consults with the committee regarding the terms of employment of Group Management and other senior executives. During 1999, the Remuneration Committee comprised Board members Vesa Vainio (Chairman), Jacob Palmstierna and Hans Dalborg. The CEO does not participate in deliberations on his own terms of employment. The committee meets as necessary in conjunction with meetings of the Presiding Committee.

Within the new Group structure

Within the new Group structure created by the merger of Merita Plc and Nordbanken Holding AB (publ), now Nordic Baltic Holding (NBH) AB (publ), Board work on behalf of the Group will be conducted within Nordic Baltic Holding. The Board of Directors comprises a minimum

of six and maximum of 15 members elected by shareholders at the Annual General Meeting. The mandate extends over a period of two years, with half the members of the Board being elected each year. At the Annual General Meeting in the year 2000, accordingly, half of the members of the Board of Directors will be elected for a period of one year, and the other half for two years. Elections of Board members shall focus on persons with required skills, experience in Board work and knowledge of social, commercial and cultural conditions in the regions and market areas where the Group conducts its core business. The Board of Directors shall meet every year immediately following the Annual General Meeting to establish a special agenda for Board work during the coming year.

In the future, the Board will retain its present structure comprising four committees: a Credit Committee, Treasury and Risk Committee, Audit Committee and Remuneration Committee.

The former Treasury Committee has been restructured as a Treasury and Risk Committee, which, within the framework of parameters established by the Board, oversees the Group's financial operations, liquidity situation and exposure to financial and operative risks.

Members of the Board of Directors of Nordic Baltic Holding (NBH) AB (publ), Merita Plc and MeritaNordbanken Plc



Jacob Palmstierna

Born 1934. Hon. Ph.D. (Econ). Board Chairman of Nordic Baltic Holding and MeritaNordbanken Plc. Vice Chairman of Merita. Board Chairman of Bilia AB and Siemens Elema AB. Board member of NCC AB, Nordstjernan AB and Avesta Sheffield AB.
Shareholding: 22,400 Nordic Baltic Holding



Vesa Vainio

Born 1942. Vice Chairman of Nordic Baltic Holding and MeritaNordbanken Plc and President of Merita. Board Chairman of the Finnish Central Chamber of Commerce and Vice Chairman of Metra Corporation. Board member of Nokia Group and UPM-Kymmene Corporation.
Shareholding: 4,162 Nordic Baltic Holding



Hans Dalborg

Born 1941. Ph.D. (Econ). President and CEO of Nordic Baltic Holding and MeritaNordbanken and Chairman of the Board of Management of Merita Bank and Board Chairman of Nordbanken. Board Chairman of the Royal Opera in Stockholm. Board member of the Stockholm Concert Hall Foundation, the East Economics Institute and AB Svenska Spel. Member of the Swedish Academy of Engineering Sciences (IVA).
Shareholding: 40,760 Nordic Baltic Holding



Dan Andersson

Born 1948. Undersecretary, Ministry of Industry and Commerce.
Shareholding: 0



Edward Andersson

Born 1933. Professor Emeritus. Board member of Nokia Group, Helvar Merca Corporation and Suomi Pension Insurance Company. Chairman of Grankulla City Council, Sigrid Juselius Foundation, Ella and Georg Ehrnrooths Foundation and Föreningen Konstsamfundet.
Shareholding: 28,917 Nordic Baltic Holding



Rune Brandinger

Born 1931. Former president of Södra Skogsägarna. Board Chairman of Vasakronan AB, Civitas AB, Elektronikgruppen AB, AB Trätekt and SwIT Yrkesutbildning. Board member of Atle Karolin Verkstads AB, AB Svenska Miljöstyrningsrådet, Cepro AB and the Federation of Swedish Industries.
Shareholding: 10,000 Nordic Baltic Holding



Mikko Kivimäki

Born 1939. Chief Executive Officer and Board Chairman of Rautaruukki Plc. Board member of the Federation of Finnish Metal, Engineering and Electro-technical Industries. Vice Chairman of Metso Plc, Varma-Sampo Mutual Pension Insurance Company and Industrial Insurance Company Ltd. Member of the Supervisory Board of YIT Corporation. Board member of the Executive Committee of the Confederation of Finnish Industry and Employers. Board Chairman of the Finnish National Maritime Administration.
Shareholding: 3,607 Nordic Baltic Holding



Bernt Magnusson

Born 1941. Board Chairman of AssiDomän AB and Swedish Match AB. Vice Chairman of Avesta Sheffield AB and Net Insight AB. Board member of Volvo Cars AB, Burmah Castrol plc, Höganäs AB, Emtunga International AB, the Federation of Swedish Industries and the Stockholm Chamber of Commerce. Advisor to the European Bank for Reconstruction and Development.
Shareholding: 2,400 Nordic Baltic Holding



Juha Niemelä

Born 1946. Chief Executive Officer of UPM-Kymmene Corporation. Board Chairman of the Confederation of European Paper Industries CEPI. Board member of the Finnish Forest Industry Federation and the Confederation of Finnish Industry and Employers. Board member of Oy Metsä-Botnia Ab and Oy Metsä-Rauma Ab.
Shareholding: 3,162 Nordic Baltic Holding

Other members of the Board of Directors of MeritaNordbanken Plc



Timo Peltola

Born 1946. Board Chairman and Chief Executive Officer of Huhtamäki Van Leer Plc. Board Chairman of Merita. Vice Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Supervisory Board of the Finnish Cultural Foundation and member of the Supervisory Board of the Finnish Fair Corporation.
Shareholding: 5,187 Nordic Baltic Holding



Bertel Finskas

Born 1948. Bank manager.
Shareholding: 1,400 Nordic Baltic Holding



Kaija Roukala-Hyvärinen

Born 1953. Chief staff representative
Shareholding: 135 Nordic Baltic Holding

Shareholding also includes shares held by family members.

Group Management

Group Management focuses on issues of an overall and strategic nature. Since October 1999, daily management issues are handled by an Executive Committee.



Hans Dalborg¹⁾, born 1941
President and Chief Executive Officer
Employee since 1991
Shareholding: 40,760 Nordic Baltic Holding



Magnus Falk, born 1942
Stockholm Regional Bank
Employee since 1986
Shareholding: 0 Nordic Baltic Holding



Carl-Johan Granvik¹⁾, born 1949
Credit and Risk
Employee since 1974
Shareholding: 2,175 Nordic Baltic Holding



Jakob Grinbaum, born 1949
Treasury
Employee since 1976
Shareholding: 1,400 Nordic Baltic Holding



Karl-Olof Hammarkvist, born 1945
Asset Management/Life Insurance
Employee since 1991
Shareholding: 2,100 Nordic Baltic Holding



Bo Harald, born 1948
Payments and Internet Banking Services
Employee since 1974
Shareholding: 22,402 Nordic Baltic Holding

¹⁾ Member of Executive Committee.



Kari Jordan, born 1956
Helsinki and Uusimaa Regional Bank
Employee since 1994
Shareholding: 1,017 Nordic Baltic Holding



Kalevi Kontinen, born 1941
IT and Strategic Analysis
Employee since 1984
Member of Group Management until
March 31, 2000
Shareholding: 5,100 Nordic Baltic Holding



Jussi Laitinen, born 1956
Markets
Employee since 1993
Shareholding: 12,096 Nordic Baltic
Holding



Arne Liljedahl¹⁾, born 1950
Finance and Control
Employee since 1983
Shareholding: 6,100 Nordic Baltic
Holding



Lars G. Nordström¹⁾, born 1943
Retail
(President, Nordbanken AB)
Employee since 1993
Shareholding: 7,000 Nordic Baltic Holding



Markku Pohjola¹⁾, born 1948
Corporate
Employee since 1971
Shareholding: 4,080 Nordic Baltic Holding



Pertti Voutilainen¹⁾, born 1940
Other Group Staffs, Real Estate
(President, Merita Bank Plc)
Employee since 1992
Shareholding: 10,293 Nordic Baltic Holding

Other Group Staffs:

Lars Thalén, born 1944
Corporate Identity and Communications
Employee since 1999
Shareholding: 700 Nordic Baltic Holding

Secretary:

Peter Forsblad, born 1946
Group Management Secretariat
Employee since 1992
Shareholding: 2,800 Nordic Baltic Holding

Shareholding also includes shares held by family members.

¹⁾ Member of Management Committee.

Senior Executives

President

and CEO

Hans Dalborg

Retail

Lars G Nordström

Regional banks

Helsinki/Uusimaa
Kari Jordan

Central and
Western Finland
Pekka Ojala

Eastern and
Northern Finland
and Ostrobothnia
Harri Sailas

Northern Sweden
Hans Jacobson

Central Sweden
Johan Sylven

Stockholm
Magnus Falk

Western Sweden
Sten Lindblad

Southern Sweden
Arne Bernroth

Poland and Baltic
Sea countries
Thomas Neckmar

Private Banking
Eira Palin-Lehtinen

Products and markets

Corporate and Financing
Christer Furustedt

Personal Customers
and Deposits
Roland Olsson
Jorma Sonninen, deputy

Network Banking and
Payments
Bo Harald

Kurt Gustavsson, deputy

Staff and service functions

Market Support
Maj Stjernfeldt
Thomas Björklund, deputy

Distribution and
Service Network
Jukka Perttula
Pentti Tirkkonen, deputy

Production and
Productivity
Sofie Wakter
Timo Limmavuori, deputy

Corporate

Markku Pohjola

MNB Maizels
Investment Banking
Björn Carlsson

Corporate Division
Jorma Laakonen

Corporate Division
Sweden
Holger Otterheim

Corporate Division
Finland
Pentti Mansukoski

International
Claes Östberg

International Products
Kari Kangas

Markets

Jussi Laitinen

Trading
Jussi Laitinen
Christer Serenhov

Equity Trading
Anders Oscarsson
Reijo Knuutinen

Securities Service
Lars Jonasson

Asset Management/Life Insurance

Karl-Olov Hammarkvist

Asset Management
Staffan Grefbäck

Fund Operations
Thomas Eriksson
Jari Sundström

Investment Management
Inga-Lill Carlberg

Institutional Customers
Pontus Bergekrans

Life Insurance
Seppo Ilvessalo
Gunnar Andersson

Real Estate

Pertti Voutilainen

Aleksia Plc
Heikki Hyppönen

Merita Real Estate
Juha Olkinuora

NB Fastigheter
and Stämjärnet
Jan Lilja

Group Staffs

Financial Control
and Accounting
Arne Liljedahl
Jarmo Laiho, deputy

Control
Erik Öhman
Group Accounting
Bo Ranhamn

Treasury
Jakob Grinbaum

Internal bank
Fanny Borgström

ALM
Gunilla Domeij-Hallros
Portfolio Management
Staffan Hörnell
Per Rostedt

Credit and Risk
Carl-Johan Granvik

Group Credits
Göran Pettersson

Credit Control
Lars-Erik Björklund
Jari Krooks

Market Risk/Management
Louise Lindgren

Operational Risk
Management
Erik Palmén

Internal Auditing
Kari Ahonen
Göran Karlsson

Corporate Identity
and Communications
Lars Thalén
Claes Holmberg

Investor Relations
Björn Westberg

Management Secretariat
Peter Forsblad

Economic Research
Juha Ahtola
Olle Djerf

Legal and Tax Issues
Tord Arnerup
Kari Suominen

Taxes in Sweden
Margareta Leijonhuvud

Skills Development and
Management Recruitment
Sven Karlsson

Personnel Administration
and Administrative
Coordination
Ari Laakso

Security
Jouko Varjonen
Leif Larsson

Nordic Project
Siv Svensson

Service units

MNB Data
Bengt-Åke Eriksson
Thomas Boström
Urban Claesson
Esa Niskanen
Kristian Stockmann

Internal Service
Markku Mikkola
Kjell Oldén

Auditors

The Annual General Meetings of Nordic Baltic Holding (NBH) AB (publ), the former Nordbanken Holding AB (publ) and the former holding company, Merita Plc, have appointed the authorized public accountants specified below to examine the companies' financial

statements and administrations in accordance with Finnish and Swedish law respectively. To facilitate full coordination of the external audits throughout the Group, the Annual General Meetings of the two companies have also decided that one of the auditors appointed

to each company has the right to participate in the auditing of the other company. This will ensure that the operations of the Nordic Baltic Holding Group are audited in a coordinated manner.

Nordic Baltic Holding (NBH) AB (publ)

KPMG Bohlins AB
Caj Nackstad, Authorized Public Accountant, primary responsibility
KPMG Wideri Oy Ab is entitled to participate in the audit

Merita Plc

Eric Haglund, Authorized Public Accountant
Mauri Palvi, Authorized Public Accountant,
both from KPMG Wideri Oy Ab

MeritaNordbanken Plc

Eric Haglund, Authorized Public Accountant
Mauri Palvi, Authorized Public Accountant

Caj Nackstad, Authorized Public Accountant,
participates in the auditing of Merita
and the Merita Nordbanken Plc Group.

Merita Bank Plc

Eric Haglund, Authorized Public Accountant
Mauri Palvi, Authorized Public Accountant

Nordbanken AB (publ)

KPMG Bohlins AB
Caj Nackstad, Authorized Public Accountant,
primary responsibility
Olle Gunnarsson, Authorized Public Accountant,
appointed by the Swedish
Financial Supervisory Authority

Definitions and glossary

Capital base

The capital base is the numerator in calculating the total capital ratio. It consists of the sum of core capital (see separate definition) and supplementary capital (consisting of subordinated debenture loans), after deduction of the ownership in companies that conduct insurance or finance operations requiring a license.

Core capital

That portion of the capital base (see separate definition); which includes the percentage of equity in untaxed reserves, reduced by goodwill. Subsequent to the approval of the supervisory authorities, core capital also includes qualified forms of subordinated loans (core capital contributions, hybrid loan capital).

Core capital ratio

Core capital as a percentage of risk-weighted assets.

Cost/income ratio before loan losses

Operating expenses in relation to operating income and share of profit/loss from companies accounted for under the equity method.

Cost/income ratio after loan losses

Operating expenses plus loan losses in relation to operating income and share of profit/loss from companies accounted for under the equity method.

Credit scoring

A statistical method used to determine creditworthiness, which takes into account the loan applicant's behavior and financial resources.

Currency option

A contract between the writer of an option and a counterparty covering the right but not the obligation to exchange currencies at a set exchange rate at a future date. The buyer of the option pays a premium for the right to conduct the transaction.

Duration

The average weighted maturity of future payment flows expressed as the number of years.

Earnings per share

Net profit divided by the number of outstanding shares.

Effective dividend yield per share

Dividend as a percentage of the share price at December 30.

Forward transaction

A contract to purchase or sell which is intended to be implemented on a predetermined future date at a price determined when the contract is made.

FRA

"Forward Rate Agreement." An agreement between two parties on a rate of interest on borrowing or lending transactions in the future; for example, a lending transaction covering six months and taking effect three months from the date of the agreement. The agreed rate is locked in at the beginning of the period and the difference between the agreed rate and actual market rate constitutes the resultant profit or loss.

Interest rate option

A contract between the writer of an option and a counterparty covering the right but not the obligation to buy or sell a bond at a predetermined price at a future date. The buyer of the option pays a premium for the right to conduct the transaction.

Interest rate risk

Refer to page 60, for definition of interest rate risk (interest rate risk/net interest risk).

Interest rate swap

An agreement whereby two parties exchange interest payment flows without affecting the principal amount.

Investment margin

Net interest income as a percentage of average total assets.

Loan loss level

Loan losses as a percentage of the opening balance of loans to the public.

Nonperforming loans ratio

Net nonperforming loans as a percentage of total loans to the public.

Price/Earnings (P/E) ratio

The share price at December 30 relative to operating profit per share.

Repo

"Repurchase Agreement." A financing arrangement involving the sale of interest-bearing securities linked with a future repurchase at a predetermined interest rate/price.

Reserve ratio for nonperforming loans

Reserve for possible loan losses as a percentage of gross nonperforming loans.

Return on shareholders' equity

Net profit as a percentage of average shareholders' equity. Average shareholders' equity is adjusted for new share issues and dividends, and includes minority interest in earnings.

Risk-weighted assets

Total assets as shown in balance sheet and off-balance-sheet items valued on the basis of credit and market risks in accordance with regulations governing capital adequacy.

Shareholders' equity per share

Shareholders' equity as shown in the balance sheet divided by the number of shares outstanding after full conversion.

Total capital ratio

Capital base as a percentage of risk-weighted assets.

VaR (Value-at-Risk)

A risk measure for market risks. VaR is the most probable expected loss from unfavorable market movements over a specified time period.

Major subsidiaries of the banks

MeritaNordbanken Asset Management

Nordbanken Kapitalförvaltning AB
Nordbanken Fonder och Allemansfonder
MNB Investment Management
Merita Fund Management Ltd, Helsinki
Merita Asset Management Ltd, Helsinki

CEO

Staffan Grefbäck
Thomas Ericsson
Ingalill Carlberg
Jari Sundström
Timo Ronkainen

MeritaNordbanken Life Insurance

Livia AB
Merita Life Assurance Ltd

Gunnar Andersson
Seppo Iivessalo

MNB Maizels

MNB Maizels AB
MNB Maizels Oy
MNB Maizels Ltd

Claes Magnusson
Björn Carlsson
Mark Florman

Nordbanken Hypotek AB (publ)

Eva Andersson

MeritaNordbanken finance companies

Nordbanken Finans AB (publ)
Merita Finance Ltd
Merita Customer Finance Ltd

Stefan Källström
Jukka Salonen
Matti Willamo

MeritaNordbanken real estate companies

Merita Real Estate Ltd
Aleksia Ltd
Nordbanken Fastigheter AB
Fastighets AB Stämjärnet

Juha Olkinuora
Heikki Hyppönen
Jan Lilja
Jan Lilja

Merita Capital Ltd

Jouko Helomaa

Huoneistokeskus Oy

Matti Tossavainen

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