

Interim report

January-June 1999

MeritaNordbanken

Declining expenses, stable performance and high return on equity

- Operating profit of EUR 769 million (FIM 4.6bn, SEK 6.9bn); Return on equity 22.3%;
- Adjusted for items affecting comparability, operating profit was unchanged at EUR 655 million (FIM 3.9bn, SEK 5.9bn) and return on equity was 19.3%;
- Earnings per share of EUR 0.27 in Merita Plc, SEK 2.40 in Nordbanken Holding;
- Continued downward trend in expenses;
- Net loan losses historically low;
- 770,000 Internet banking customers; the Finnish Solo concept to be launched throughout the region;
- Aleksia Real Estate to be listed;
- Changes in Group Executive Board.

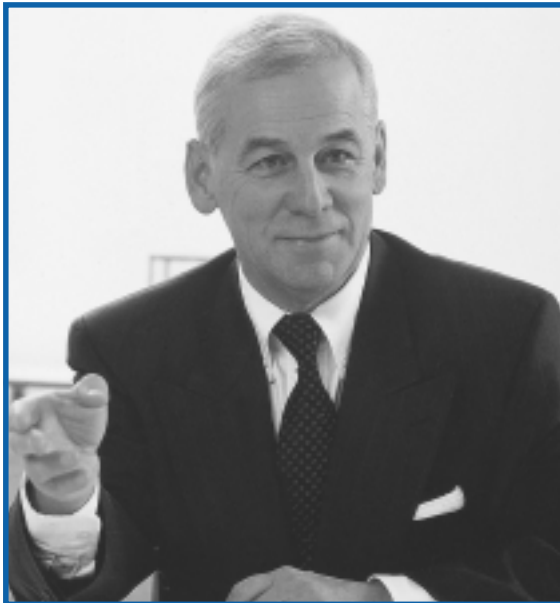
Income statements, excluding items affecting comparability *

The coordination and streamlining of Group operations in the initial years has had a significant impact on performance. For that reason the operating profit is being presented below without items affecting comparability. Quarterly income statements are shown on page 14.

	mEUR Jan-June 1999	Jan-June 1998	Change %	mSEK Jan-June 1999
Net interest income	902	928	-3	8,078
Net commission income	375	359	4	3,356
Net result from financial operations	-19	110		-170
Other income	183	156	17	1,649
Total income	1,441	1,553	-7	12,913
Personnel expenses	-392	-401	-2	-3,513
Other expenses	-436	-448	-3	-3,901
Total expenses	-828	-849	-2	-7,414
Profit before loan losses	613	704	-13	5,499
Loan losses	-20	-68	-71	-175
Profit from companies accounted for under the equity method	62	17		552
Operating profit	655	653	0	5,876
* Items affecting comparability				
mEUR	1999	1998		
Net result from financial operations	114	177		
Other earnings	-	66		
Personnel expenses	-	-15		
Other expenses	-	-56		
Total	114	172		1,017
Operating profit including items affecting comparability	769	825		6,893

Interim report

January – June 1999



Hans Dalborg, President and Group Chief Executive Officer

The Group's operating profit for the first six months of the year was EUR 769 million, against EUR 825 million for the same period in 1998. This included a capital gain of EUR 114 million from the sale of a stake in the Pohjola insurance company. Adjusted for this item affecting comparability, operating profit was EUR 655 million, compared with a similarly adjusted half-year result of EUR 653 million for 1998.

Return on equity remains high

The return on equity for January-June 1999 was 22.3 per cent, compared with 25.4 per cent for the corresponding period last year. Excluding items affecting comparability, the return on equity was 19.3 per cent (20.0 %).

Earnings per share

Earnings per share amounted to EUR 0.27 in Merita Plc and SEK 2.40 in Nordbanken Holding AB.

Income

The Group's total operating income for January-June 1999 was EUR 1,555 million, down 13 per cent on the same period last year.

Adjusted for items affecting comparability, income decreased by 7 per cent. With a major part of the bond portfolio valued at market, the second-quarter rise in interest rates had a negative impact on the net result from financial operations.

Net interest income was down 2 per cent at EUR 902 million, despite continuing growth in credit volumes. This reflected the general decline in interest rates as compared with the first half of 1998, which led to tightening margins on deposits and lower return on equity. Lending margins on the Swedish market remained relatively stable, whereas the Finnish market was characterized by stiffer competition and pressures on margins.

Increase in net commission income

Net commission income was up 4 per cent at EUR 375 million. The quarterly increase was 7 per cent. The upward trend stemmed from various factors, including steady growth in the volume of mutual fund savings and higher earnings from custody services and card products.

Portfolio values hit by rising market interest rates

The net result from financial operations for the first half-year was EUR 95 million. Excluding items affecting comparability, the result from financial operations showed a loss of EUR 19 million, compared with a profit of EUR 110 million the year before, a decline attributable to realized and unrealized losses on interest-rate-related securities.

The above development reflected movements in market interest rates. Both medium- and long-term interest rates rose in the second quarter, having declined slightly during the first three months, whereas the first half of 1998 witnessed an uninterrupted downward trend. Any increase in interest rates causes an instant fall in the market value of interest-bearing securities, a loss which, however, will be gradually recovered during the remaining maturity. In the period under review, such adverse effect was intensified by the widening spread between mortgage and government bond yields in Sweden.

In order to moderate the impact of rising interest rates on the year's result, the Group took steps to reduce its interest-rate-risk exposure during the second quarter. At the end of June, the average duration of financial current assets was 1.9 years, and the interest-rate risk assuming a change of 1 percentage point in interest rates as a parallel shift was EUR 114 million. At the same time the net-interest-income risk measured for the Group balance sheet was EUR 30 million, which means that a rise in market rates of 1 percentage point would have a corresponding negative impact on net interest income for the next 12 months assuming no change in the balance sheet structure. The interest rate risks have been further reduced since the end of June.

Other income amounted to EUR 183 million. Excluding items affecting comparability, this represented an increase of 17 per cent, attributable in part to the final distribution of the bankruptcy estate of Gota AB.

Expenses declined

Reflecting continued cost restraint, total expenses decreased by 10 per cent, or EUR 92 million, to EUR 828 million. Adjusted for items affecting comparability, mainly restructuring expenses, total expenses declined by somewhat over 2 per cent.

Personnel expenses amounted to EUR 392 million, down 6 per cent on the first half of 1998. Excluding restructuring expenses of EUR 15 million booked under this heading in 1998, personnel expenses decreased by 2 per cent.

The number of Group employees continues to decline as planned. The gross reduction in the

workforce since the announcement of the merger plan in October 1997 is 1,175. Simultaneously staff numbers have increased by somewhat over 300 in certain strategic areas, notably as a result of expansion in the Baltic region and the strengthening of the Asset Management and IT organization. The number of employees in banking operations at the end of June 1999 was 18,123.

Other expenses declined by 13 per cent. Adjusted for items affecting comparability, the decrease was 3 per cent.

The six-month cost/income ratio before loan losses, adjusted for items affecting comparability, was 57 per cent. Including these, it was 53 per cent.

Loan losses historically low

Net loan losses for the second quarter came to zero, as the EUR 19 million posted in Finland was offset by net recoveries in Sweden. Net loan losses for the six months amounted to EUR 20 million, a drop of 71 per cent compared with the same period last year. The loan loss ratio was slightly below 0.1 per cent.

The volume of non-performing loans also continued to diminish. At the end of June it was EUR 857 million, down 15 per cent from the start of the year. This represented 1.3 per cent of total lending.

Unrealized gains

At the close of the first half-year, holdings of interest-bearing securities classified as financial fixed assets amounted to EUR 3.8 billion. Unrealized gains on this portfolio totalled EUR 0.1 billion.

At the end of June, equity holdings classified as financial current assets but valued at the lower of cost or market totalled EUR 0.2 billion, with unrealized gains of EUR 0.1 billion. The fair value of the assets of the Group's pension foundations and pension fund exceeded the pension commitments by EUR 0.4 billion.

Equity capital

The Group's equity capital at the end of the period under review was EUR 5.2 billion. The Tier 1 ratio was 7.9 per cent and the total capital ratio 10.9 per cent. The profit for the period, after deduction

of a standard dividend, is included in the capital base for the calculation of the capital ratios.

Market developments

Economic growth in the Group's core home markets Sweden and Finland remained on an upward trend, with credit expansion continuing at a moderate pace.

At the end of June, total household savings with the MeritaNordbanken Group stood at approximately EUR 46.3 billion. This comprised all types of savings products, including bank deposits, mutual funds, insurance products, retail bonds, share-index-linked bonds, etc.

Deposits and lending

The Group's total deposits from the public at the end of June amounted to EUR 40.0 billion.

The Group's market share of total deposits from the public in Finland was 40.2 per cent, with the household deposit market share down slightly at 36.9 per cent and the corporate deposit market share at 48.0 per cent. In Sweden, the Group's deposit market share in the household sector declined somewhat to 21.9 per cent and that in the corporate sector to 17.0 per cent.

Lending to the public at the end of the first half-year totalled EUR 66.2 billion, up 10 per cent year on year. During the six months under review, Group lending to the public increased by EUR 6.3 billion, or 11 per cent.

The Group's market share of lending to companies in Finland was 50.0 per cent and that in Sweden 16.8 per cent. In the Swedish household sector, the Group's market share of home loans continued to rise, reaching 14.9 per cent. In Finland, the market share of loans to households contracted marginally to 34.1 per cent.

Strong sales of mutual funds

The net inflow of savings into the Group's mutual funds in Sweden during the first half-year was EUR 804 million. This accounted for 19 per cent of total net savings in Swedish mutual funds during this period. Total capital invested in the Group's mutual funds in Sweden at the end of June was EUR 14 billion, which represented a market share of 18.1 per cent.

In Finland mutual funds also continued to

develop favourably. During the first six months of the year, a net amount of EUR 625 million was invested in the Group's mutual funds, corresponding to 35.6 per cent of total mutual fund savings during this period. At the end of June, the Group's market share of total mutual fund assets in Finland was 31.1 per cent, and fund assets under management totalled EUR 2.6 billion.

The three cross-border mutual funds launched by the Group during the first half-year, i.e. Nordic Small Cap, Euroland and Medica Life Science, designed for both the Finnish and the Swedish market, continued to make vigorous progress. At the end of June their aggregate assets amounted to EUR 215 million.

The MeritaNordbanken Group is one of the leading asset managers in the Nordic region. During the first half-year, assets under management, including mutual funds, insurance products and assets managed on a discretionary basis, increased by EUR 5 billion to EUR 25.5 billion.

Continued brisk growth in insurance savings

The successful introduction of Merita Life's unit-linked insurance products to the Swedish market continued. Six-month premium income from these products in Sweden rose to EUR 214 million and that in Finland to EUR 114 million.

Sales of non-unit-linked life assurance products also continued to make vigorous progress. Premiums received from these products in Sweden during the first half of the year amounted to EUR 56 million, up 14 per cent compared with the same period last year. In Finland the corresponding figures were EUR 185 million and 30 per cent.

New customer concepts well received in Finland

New customer concepts for the household sector were launched in Finland in March. These met with a good reception, and the number of Key Customers and Preferred Customers continues to increase rapidly. By July nearly half a million customers out of a total household customer base of 3.1 million had signed up under this programme. In Sweden, where the corresponding concepts have existed for a long time, well over 1.2 million customers out of a total clientele of 3.5 million have joined the programme to date.

Leadership in network banking services

Today, some 770,000 customers are using MeritaNordbanken's network banking services. At the end of June, more than 720,000 MeritaNordbanken customers had signed up as users of the Group's Internet banking facilities: 620,000 in Finland and 100,000 in Sweden. In addition, there were 310,000 customers using the NB Direkt telephone banking service with access codes which can be instantly activated for Internet use. In June alone, there were 2.1 million log-ins to the Group's Internet bank and a total of 2.7 million payment transactions were initiated through this channel. Almost 700 on-line merchants currently accept payments for e-commerce through the Group's Internet payment facility.

In order to further strengthen its market leadership, the Group will make its electronic service concept "Solo" available on its entire home market, starting on the Swedish market in early autumn. This service has already been successfully established in Finland.

Investments in network banking have enabled a higher degree of automation across the service range, which in turn has resulted in major cost savings over the years and helped to sustain a consistent downward trend in expenses. Simultaneously growth in earnings from new user contracts and services has accelerated rapidly, and this business segment is believed to hold great potential for the future.

Internet use creates value for customers in the form of new services and easier accessibility. It also creates new business opportunities between the Group's corporate and personal customers.

The Group is employing new staff in order to enable a strong input in the further development of electronic banking services with a focus on customized solutions and services which create value for both personal and corporate customers. Banking facilities accessible by WAP phones, developed in cooperation with Nokia, will be launched during the second half of the year. An agreement has been signed with Nokia and Visa on a pilot project to combine wireless banking services and card payment functions with mobile phones.

MeritaNordbanken's position as a leading bank group in the field of Internet banking services will play an increasingly greater role for expansion, profitability and shareholder value.

Results by business area

- quarterly development

MeritaNordbanken's operations are organized into five major business areas: Retail, Corporate, Markets, Asset Management and Real Estate. The results of Treasury operations and Other operations are also shown separately.

Retail

The Regional Banks reported a combined second-quarter operating profit of EUR 198 million, unchanged from the preceding quarter.

Margins narrowed somewhat, notably in Finland, while lending volumes increased. Mutual fund sales continued to make brisk progress. With costs well under control and loan losses at low levels, the return on allotted equity capital exceeded 25 per cent.

Corporate

The operating profit of the Corporate business area improved significantly compared with previous periods. In the second quarter it amounted to EUR 85 million, up EUR 32 million on the preceding quarter. Earnings increased, reflecting steady growth in business volumes, stable margins and a shrinking volume of problem loans, while loan losses were more than offset by recoveries, showing a positive net result. The profit for the period further included capital gains of EUR 16 million.

Markets

Following a strong first quarter, Markets reported a minor second-quarter loss of EUR 3 million compared with a profit of EUR 29 million for January-March. This resulted from interest-rate-related trading, while earnings from foreign exchange trading sustained a healthy level despite the euro's negative impact on trading volumes.

Asset Management

Asset Management reported further strengthening in performance, stemming from buoyant second-quarter sales and a rise in the value of

assets under management. Product earnings for the second quarter amounted to EUR 48 million, against EUR 34 million for the first quarter.

Real Estate

Group Real Estate operations showed a second-quarter loss of EUR 12 million. The result was positively impacted by the unwinding of reserves in connection with the restructuring of the real estate portfolio. The capital allocated to Real Estate corresponds to an equity/assets ratio of approximately 35 per cent.

Treasury operations

Treasury operations in the second quarter produced a loss of EUR 17 million, compared with a profit of EUR 71 million for January-March. This deterioration reflected a decline in the market value of interest-bearing securities due to the steep rise in interest rates during the second quarter. (See also "Income" on page 4.)

Other operations

The items under the heading "Other" consist in part of income and expenses not directly attributable to any business unit and in part of intra-Group adjustments. The second-quarter deficit of EUR 31 million compares with a surplus of EUR 102 million for the first quarter. A major factor behind this difference is the first-quarter capital gain from the sale of the Group's equity holding in the Pohjola insurance company.

Aleksia to be listed

The Group continued to implement the divestment programme launched in December 1998, which involves the disposal of real estate holdings in Finland and preparations for the sale of shares in real estate companies, including Aleksia.

The Group has decided to apply for the listing of its real estate company Aleksia on the Helsinki Exchanges in line with the divestment programme announced in December 1998. The listing requires the implementation of the proposed offering of Aleksia shares to Finnish and international investors. The intention is to dispose of all the shares. Aleksia will issue a separate description of its operations and an interim report for the first six months of 1999.

In June nine shopping mall properties in Finland were sold to the listed real estate investment company Citycon for a total price of FIM 800 million, of which almost FIM 700 million was paid in cash and the remainder in Citycon shares. Subsequent to this transaction, MeritaNordbanken's ownership interest in Citycon is 42 per cent.

Proceeds from the sale of other properties carried in the books of Merita Real Estate amounted to FIM 389 million, representing nearly 7 per cent of the book value of the total portfolio to be divested. These and the properties sold to Citycon, taken together, represented 17 per cent of the portfolio.

The real estate company Dividum (50 %), which specializes in hotel properties, is preparing for complementary acquisitions in order to lay a more favourable basis for a flotation, scheduled to take place at the earliest next year.

Acquisition of an interest in Bank Komunalny in Poland

The MeritaNordbanken Group sees the Baltic and Polish markets as a strategic growth area. A special Regional Bank for the Baltic states and Poland was established in the spring in order to develop business operations in these countries.

In late June the Group agreed to acquire an initial stake of 36.1 per cent in Bank Komunalny, Gdynia, with the intention to acquire a total interest of 49.9 per cent by purchasing further shares from existing shareholders. This strategic partnership in Poland will enable the Group to enhance the range of banking services available to Nordic customers with interests in Poland and to local retail customers and companies.

The MeritaNordbanken Group already has two branches and a finance company in Tallinn, Estonia, and a banking subsidiary and a finance company in Riga, Latvia. Its network in this region further includes a finance company and a branch soon to open in Lithuania.

Year 2000

The adaptation of the Group's data systems and equipment to the millennium shift was complet-

ed by early summer. The first phase of internal and external integration testing was also carried out successfully. Software upgrades continue on one or two data systems, and certain non-critical data routines require further adaptation. Appropriate plans and timetables for these exist. All remaining adjustments and final tests will be completed as planned by the end of September 1999.

Preparations have been made to secure the proper functioning of different types of equipment installed on Group premises, other embedded systems, and products and services purchased from external suppliers, and no foreseeable risks remain in these areas.

As of October up until the year-end, specific limitations will apply to changes in installed systems. Detailed planning of preparedness continues in individual business units notably to ensure an ability to instantly react to any unexpected developments in the markets or the environment.

Rating

In early June Moody's Investors Service upgraded the long-term deposit and debt ratings of Merita Bank to A1 from A2 and the bank's financial strength rating to C with a positive outlook from D+. Later in the same month Fitch IBCA raised the long-term rating of Merita Bank to A+ from A. Merita Bank and Nordbanken now have the same ratings from all credit rating agencies.

Unauthorized equity transactions

A case of suspected fraud in Nordbanken's securities trading unit Nordbanken Aktier was revealed by the Bank's internal controls in January this year. The case is under investigation by the prosecution authorities. In an internal inquiry, certain shortcomings were identified in the unit's internal controls and procedures, and extensive measures were taken to deal with the problems. In August the Swedish Financial Supervisory Authority gave Nordbanken a warning concerning shortcomings detected in certain operations of NB Aktier in autumn 1998 and approved the Bank's programme for corrective measures to be taken during autumn 1999.

VPC

In August the Group increased its ownership interest in the Swedish Securities Register Centre Värdepapperscentralen VPC AB to 24.65 per cent. The aim is to strengthen the Nordic marketplace in the face of international competition and to secure VPC's position amidst current structural developments in Europe.

Shares

Nordbanken Holding has applied for a parallel quotation of its shares in euros on the Stockholm Stock Exchange as of October 4, 1999.

The total market capitalization of the MeritaNordbanken Group at the end of June was EUR 11.8 billion.

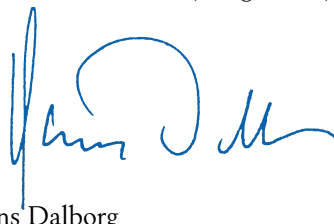
New objectives

The Board of Directors of the MeritaNordbanken Group has reviewed the Group's economic, financial and strategic objectives.

Changes in Group Executive Board

A number of changes will be implemented in the MeritaNordbanken Group Executive Board as of October 1, 1999. The aim is to enable the Group Executive Board to focus on issues of far-reaching and strategic importance and to strengthen Internet and retail banking expertise within the Group's top management. An Executive Committee has been set up within the Group Executive Board to deal with day-to-day management questions. These changes are discussed in detail in a separate press release.

Stockholm/Helsinki, August 25, 1999



Hans Dalborg
President and Group Chief Executive Officer

This interim report has been subject to summary review by the auditors.

Income statements

EUR million	January-June		Change %
	1999	1998	
Net interest income, note 1	902	919	-2
Net commission income, note 2	375	359	4
Net result from financial operations, note 3	95	287	-67
Other income, note 4	183	231	-21
Total income	1,555	1,796	-13
Personnel expenses	-392	-416	-6
Other expenses, note 5	-436	-504	-13
Total expenses	-828	-920	-10
Profit before loan losses	727	876	-17
Loan losses, net	-20	-68	-71
Profit from companies accounted for under the equity method	62	17	
Operating profit	769	825	-7
Taxes	-198	-180	10
Minority interest	-1	-2	-50
Net profit for the period	570	643	-11

Note 1: Net interest income

EUR million	January-June		Change %
	1999	1998	
Interest income	2,390	2,571	-7
Interest expenses	-1,488	-1,652	-10
Net interest income	902	919	-2

Note 2: Net commission income

EUR million	January-June		Change %
	1999	1998	
Commission income			
Securities	174	154	13
Payment transmission	105	97	8
Lending	86	88	-2
Guarantees	16	21	-24
Deposits	12	15	-20
Other commission income	27	28	-4
Total commission income	420	403	4
Commission expenses			
Payment transmission	33	36	-8
Securities	6	8	-25
Other commission expenses	6	0	
Total commission expenses	45	44	2
Net commission income	375	359	4

Note 3: Net result from financial operations

EUR million	January-June		Change %
	1999	1998	
Equity-related items			
Realized gains/losses	131	207	-37
Unrealized gains/losses	6	1	
	137	208	-34
Interest-rate-related items			
Debt redemption	-	-	
Other realized gains/losses	69	85	-19
Unrealized gains/losses	-147	-37	
	-78	48	
Foreign exchange gains/losses	36	31	16
Net result from financial operations	95	287	-67

Note 4: Other income

EUR million	January-June		Change %
	1999	1998	
Dividends	25	82	-70
Real estate income	88	86	2
Sale of real estate	6	1	
Sale of equity investments	20	14	43
Other	44	48	-8
Total other income	183	231	-21

Note 5: Other expenses

EUR million	January-June		Change %
	1999	1998	
Administrative expenses	256	278	-8
Real estate expenses	48	47	2
Depreciation according to plan	72	86	-16
Other	60	93	-35
Total other expenses	436	504	-13

Exchange rates applied:

EUR 1 = FIM 5.94573 (fixed rate)

EUR 1 = SEK

	1999 Jan-June	1998 Jan-June	1998 Jan-Dec
Income statement (average)	8.9587	8.5871	8.8202
Balance sheet (at the end of period)	8.7470	8.6270	9.4874

Balance sheets

EUR million	June 30 1999	June 30 1998	Dec 31 1998
Assets			
Loans to credit institutions	8,101	10,837	11,822
Loans to the public	66,173	60,288	59,828
Interest-bearing securities			
Current assets	9,648	10,092	9,997
Financial fixed assets	3,818	4,631	3,698
Shares and participations	392	617	517
Shares and participations in Group and associated companies	671	652	620
Real estate holdings	2,793	3,678	2,991
Other assets	7,376	6,547	6,561
Total assets	98,972	97,342	96,034
Liabilities and shareholders' equity			
Due to credit institutions and central banks	14,070	15,414	17,433
Deposits from the public	39,975	40,583	38,472
Other borrowing from the public	2,430	2,053	2,052
Debt instruments outstanding	24,327	22,502	22,687
Other liabilities	9,477	8,577	8,073
Subordinated debt	3,536	3,260	2,546
Shareholders' equity	5,157	4,953	4,771
Total liabilities and shareholders' equity	98,972	97,342	96,034
Capital adequacy			
Capital base	7,137	7,282	6,290
Risk-weighted amount	65,654	62,796	63,732
Total capital ratio, %	10.9	11.6	9.9
Tier I ratio, %	7.9	7.9	7.3
Off-balance-sheet commitments			
Guarantees	4,783	5,434	4,946
Stand-by facilities	5,200	4,608	4,683
Credit lines	6,743	5,583	5,200
Other commitments	2,019	1,358	880
Total	18,745	16,983	15,709
of which on behalf of associated companies	48	83	15
Derivative instruments (nominal amounts)			
<i>Contracts made for hedging purposes</i>			
Interest-rate-related derivatives	3,821	3,804	3,494
Currency-related derivatives	18,862	34,883	31,620
Equity-related derivatives	506	391	404
Other derivatives	–	134	–
<i>Contracts made for other than hedging purposes</i>			
Interest-rate-related derivatives	233,350	413,095	289,297
Currency-related derivatives	54,582	45,687	46,380
Equity-related derivatives	106	358	180
Other derivatives	123	–	32
Total			
Interest-rate-related derivatives, credit equivalents	2,299	3,175	2,695
Currency-related derivatives, credit equivalents	2,920	2,374	2,318

Financial ratios

	1999 Jan-June	1998 Jan-June	1998 Jan-Dec
Return on equity, %	22.3	25.4	14.3
– excluding items affecting comparability	19.3	20.0	18.7
Cost/income ratio, %			
– before loan losses	53	51	55
– after loan losses	55	55	59
Loan losses/lending at the beginning of the year, %	0.1	0.2	0.2

Share-related indicators

	1999 Jan-June	1998 Jan-June	1998 Jan-Dec
<i>Shares outstanding at end of period, mill.</i>			
Merita Plc	832.0	832.0	832.0
– after full conversion	859.1	859.1	859.1
Nordbanken Holding AB	1,275.3	1,275.3	1,275.3
<i>Earnings per share (EPS)</i>			
Merita Plc after full conversion	EUR 0.27	EUR 0.30	EUR 0.33
– excluding items affecting comparability	EUR 0.23	EUR 0.24	EUR 0.42
Nordbanken Holding AB	SEK 2.40	SEK 2.59	SEK 2.92
– excluding items affecting comparability	SEK 2.06	SEK 2.05	SEK 3.74
<i>Shareholders' equity per share at end of period</i>			
Merita Plc after full conversion	EUR 2.47	EUR 2.38	EUR 2.29
Nordbanken Holding AB	SEK 21.22	SEK 20.10	SEK 21.30
<i>Share price at end of period</i>			
Merita Plc	EUR 5.51	EUR 6.09	EUR 5.42
Nordbanken Holding AB	SEK 49.70	SEK 58.50	SEK 52.00

Quarterly income statement, excluding items affecting comparability *

EUR million	Q 2 1999	Q 1 1999	Q 4 1998	Q 3 1998	Q 2 1998	Q 1 1998
Net interest income	454	448	459	448	473	455
Net commission income	194	181	189	174	190	169
Net result from financial operations	-53	34	18	10	50	60
Other income	91	92	78	57	93	63
Total income	686	755	744	689	806	747
Personnel expenses	-196	-196	-212	-205	-207	-194
Other expenses	-229	-207	-249	-209	-232	-216
Total expenses	-425	-403	-461	-414	-439	-410
Profit before loan losses	261	352	283	275	367	337
Loan losses, net	0	-20	-38	-33	-29	-39
Profit from companies accounted for under the equity method	19	43	10	9	11	6
Operating profit	280	375	255	251	349	304
Taxes	-73	-93	-56	-55	-76	-66
Minority interest	-1	0	0	-1	-1	-1
Net profit for the period	206	282	199	195	272	237
* Items affecting comparability						
Net interest income	-	-	-4	-4	-9	-
Net result from financial operations	-	114	137	-7	-17	194
Other income	-	-	-	-	6	69
Personnel expenses	-	-	-40	-8	-7	-8
Other expenses	-	-	1	-11	-24	-32
Profit/loss from companies accounted for under the equity method	-	-	-25	-	-	-
Operating profit/loss	-	114	69	-30	-51	223
Write-downs on real estate holding	-	-	-617	-	-	-
Refund from Pension Foundation/Fund	-	-	152	-	-	-
Taxes	-	-32	86	7	11	-49
Net profit/loss for the year	-	82	-310	-23	-40	174

Problem loans

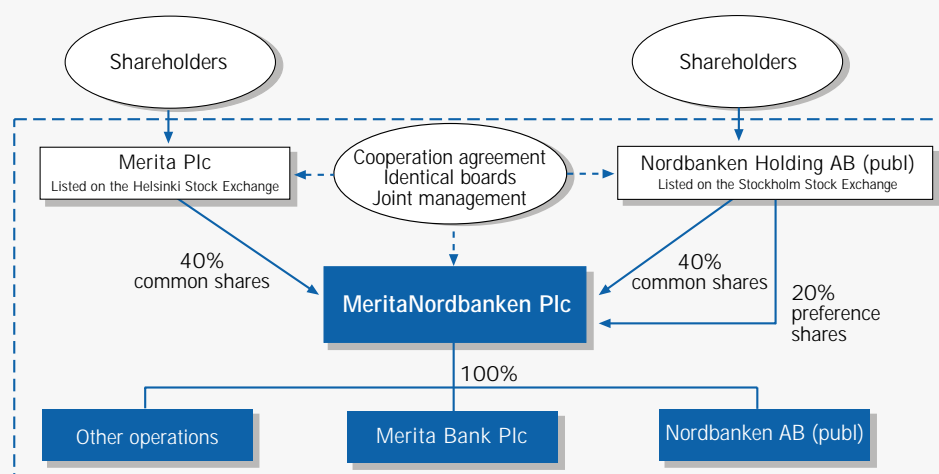
EUR million	June 30 1999	March 31 1999	Dec 31 1998	Sept 30 1998	June 30 1998
Non-performing loans, gross	2,574	3,061	3,185	3,303	3,508
Loan loss provisions	-1,717	-2,126	-2,181	-2,220	-2,286
Non-performing loans, net	857	935	1,004	1,083	1,222
Loans with interest deferments	16	17	17	24	27
Problem loans, total	873	952	1,021	1,107	1,249
Loan loss provision/non-performing loans, gross	66.7 %	69.5 %	68.5 %	67.2 %	65.2 %
Non-performing loans, net, percent of lending	1.3 %	1.5 %	1.7 %	1.9 %	2.1 %

Results by business area, January-June 1999

EUR million	Retail	Corporate	Markets	Asset mana- gement	Real estate	Treasury	Other	Total
Operating profit/loss								
Income	963	217	78	130	59	62	46	1,555
Expenses	-564	-75	-52	-23	-84	-8	-22	-828
Loan losses	-3	-4	-	-	-	-	-13	-20
Profit from companies accounted for under the equity method	-	-	-	-	2	-	60	62
Operating profit/loss of which reallocated	396	138	26	107	-23	54	71	769
<i>Operating profit/loss</i>								
<i>Q 2, 1999</i>	<i>198</i>	<i>85</i>	<i>-3</i>	<i>60</i>	<i>-12</i>	<i>-17</i>	<i>-31</i>	<i>280</i>
<i>Q 1, 1999</i>	<i>198</i>	<i>53</i>	<i>29</i>	<i>47</i>	<i>-11</i>	<i>71</i>	<i>102</i>	<i>489</i>
<i>12 months 1998</i>	<i>818</i>	<i>57</i>	<i>36</i>	<i>160</i>	<i>-114</i>	<i>296</i>	<i>117</i>	<i>1,370</i>
Product earnings								
Income				130				
Administrative expenses				-23				
Sales and distribution expenses				-25				
Product earnings				82				
<i>Product earnings</i>								
<i>Q 2, 1999</i>				<i>48</i>				
<i>Q 1, 1999</i>				<i>34</i>				
<i>12 months 1998</i>				<i>110</i>				

MeritaNordbanken Group structure

The MeritaNordbanken Group comprises the MeritaNordbanken Plc Group and the two holding companies Merita Plc in Finland and Nordbanken Holding AB (publ) in Sweden.



This report covers the operations of the MeritaNordbanken Group, which includes the listed companies Merita Plc and Nordbanken Holding AB (publ) and jointly owned MeritaNordbanken Plc, the parent company of a group consisting primarily of Merita Bank Plc and Nordbanken AB (publ). The term MeritaNordbanken Plc Group refers to MeritaNordbanken Plc with its subsidiaries. The terms MeritaNordbanken and "the Bank" are used jointly to designate the business conducted by the MeritaNordbanken Plc Group. The term MeritaNordbanken is also used to designate the

business concept of the MeritaNordbanken Group. The significance in each individual case is shown by the context.

The MeritaNordbanken Group is managed as a single unit. The two holding companies are the sole owners of MeritaNordbanken Plc, the Finnish parent company of the MeritaNordbanken Plc Group. Shareholders in Merita Plc and Nordbanken Holding AB (publ) are entitled to 40 per cent and 60 per cent, respectively, of the Group's capital and earnings.

Merita Plc and its associated company

Interim report for January-June 1999

This report, together with the interim report of the MeritaNordbanken Group, constitutes the interim report of Merita Plc.

The holding companies Merita Plc and Nordbanken Holding AB (publ) are the sole owners of MeritaNordbanken Plc, the parent company of the MeritaNordbanken Plc Group. Together, the MeritaNordbanken Plc Group and the two holding companies form the MeritaNordbanken Group.

The interim report of the MeritaNordbanken Group, including the income statements and the balance sheets, is an integral part of the interim report of Merita Plc. In order to illustrate the financial performance and position of Merita Plc, the attached material comprises the income statements and balance sheets of Merita Plc both including and excluding its associated company MeritaNordbanken.

Pursuant to the Cooperation Agreement of October 13, 1997, Merita Plc, Nordbanken Holding AB (publ) and the MeritaNordbanken Plc Group are managed as one single entity. For this purpose it is provided in the Agreement, inter alia, that differences in the holding companies' capital structure or assets and liabilities, including liquid funds, shall not financially affect the respective shareholder communities and that, where necessary, Merita Plc and Nordbanken Holding shall ensure the transfer of adequate funds from the MeritaNordbanken Plc Group to the holding companies. Merita shareholders are entitled to 40 per cent of the Group's capital and Nordbanken Holding shareholders to 60 per cent.

Pursuant to the Cooperation Agreement, the preference shares in MeritaNordbanken held by Nordbanken Holding shall in certain situations be converted into ordinary shares on a one-for-one basis. Such conversion shall take place if a third party enters as a shareholder in MeritaNordbanken,

provided, however, that no shareholder, after conversion, shall own shares representing more than 50 per cent of the votes in MeritaNordbanken; or if the general meeting of MeritaNordbanken unanimously decides that conversion shall take place. Furthermore, the general meeting may unanimously decide on the redemption of the preference shares. All ordinary and preference shares of MeritaNordbanken carry equal rights to dividends. However, if conversion or redemption has not taken place by January 1, 2001, the preference shares shall carry a right to dividends that exceed the dividends payable on ordinary shares by 20 per cent. This would mean that the 60/40 division of dividends would change to approximately 61.5/38.5. If conversion of the preference shares takes place in 2001 or later, the higher dividend as set out in the foregoing shall cease to be distributed as from the financial year during which the conversion takes place.

The profit of Merita Plc for the period under review, excluding the associated company, was EUR 113 million. It consisted primarily of the confirmed dividend from MeritaNordbanken Plc, EUR 153 million, including a tax credit of EUR 43 million. In the previous year, the sale of a holding in the Sampo Insurance Company had a major impact on the result. Merita Plc's share (40 per cent) of the consolidated profit of the MeritaNordbanken Plc Group is reported under "Profit from companies accounted for under the equity method", together with an adjustment pursuant to the Cooperation Agreement. The profit thus represents 40 per cent of the profit of the entire MeritaNordbanken Group and amounts to EUR 228 million, or EUR 0.27 per share.

Including the equity interest in the associated company and an adjustment in accordance with the Cooperation Agreement, the equity capital of Merita Plc, representing 40 per cent of the equity capital of the entire MeritaNordbanken Group, was EUR 2,063 million, or EUR 2.36 per share.

Income statements

EUR million	Merita Plc incl. the associated company			Merita Plc		
	Jan-June 1999	Jan-June 1998	Jan-Dec 1998	Jan-June 1999	Jan-June 1998	Jan-Dec 1998
Interest income	8	7	25	8	7	25
Interest expenses	-4	-14	-18	-4	-14	-18
Net interest income	4	-7	7	4	-7	7
Income from equity investments						
Participating interests	0	0	-	153	0	1
Commission expenses	-0	-0	-0	-0	-0	-0
Net result from financial operations	-	133	133	-	133	133
Other operating income	0	0	7	0	0	7
	4	126	147	157	126	148
Administrative expenses						
Personnel expenses	-0	-1	-4	-0	-1	-4
Other administrative expenses	-1	-9	-11	-1	-9	-11
Depreciation and write-downs and other operating expenses	-0	-1	-1	-0	-1	-1
	-1	-11	-16	-1	-11	-16
Profit from the company accounted for under the equity method	226	210	404			
Adjustment in accordance with the Cooperation Agreement	-1	-68	-80			
Operating profit	228	257	455	156	115	132
Refund from the Pension Foundation/Fund ¹	-	-	61	-	-	4
Write-downs on real estate holdings ¹	-	-	-247	-	-	-11
Profit before taxes	228	257	269	156	115	125
Income taxes ²	0	0	12	-43	0	12
Profit for the financial period	228	257	281	113	115	137

¹ 40 per cent of the refund from the Pension Foundation/Fund of the MeritaNordbanken Group and 40 per cent 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. The carry-over effect of confirmed losses from previous years is taken into account as a deduction. The amount shown is, however, at least equal to the corresponding tax credit entered in the income statement. Merita Plc's share of other MeritaNordbanken Group taxes is reported under "Profit from the company accounted for under the equity method".

Balance sheets

EUR million	Merita Plc incl. the associated company			Merita Plc		
	June 30 1999	June 30 1998	Dec 31 1998	June 30 1999	June 30 1998	Dec 31 1998
Assets						
Debt securities eligible for refinancing with central banks	160	144	158	160	144	158
Loans to credit institutions repayable on demand	9	21	36	9	21	36
Other debt securities	152	152	152	152	152	152
Shares and participations	0	0	0	0	0	0
Participating interests	1,915	1,822	1,727	1,650	1,650	1,650
Other assets	0	7	1	0	7	1
Prepaid expenses and accrued income	5	3	13	5	3	13
Total	2,241	2,149	2,087	1,976	1,977	2,010
Liabilities and shareholders' equity						
<i>Liabilities</i>						
Other liabilities	12	9	12	12	9	12
Accrued expenses and prepaid income	13	3	14	13	3	14
Provisions						
Pension provisions	1	1	1	1	1	1
Other provisions	–	3	–	–	3	–
Subordinated liabilities	152	152	152	152	152	152
Liabilities	178	168	179	178	168	179
<i>Shareholders' equity</i>						
Share capital	1,399	1,399	1,399	1,399	1,399	1,399
Share premium reserve	5	5	5	5	5	5
Ordinary reserve	36	36	36	36	36	36
Retained earnings	395	284	187	245	254	254
Profit for the financial period	228	257	281	113	115	137
Shareholders' equity	2,063	1,981	1,908	1,798	1,809	1,831
Total	2,241	2,149	2,087	1,976	1,977	2,010
Off-balance-sheet commitments						
Commitments on behalf of customers in favour of third parties						
Guarantees and pledges	1	1	1	1	1	1

Shareholders' equity

EUR million	June 30 1999	June 30 1998	June 30 1998
Equity capital excluding the associated company	1,798	1,809	1,831
Share of equity capital in the associated company	300	186	111
Adjustment in accordance with the Cooperation Agreement	-35	-14	-34
Equity capital including the associated company	2,063	1,981	1,908

Key ratios including the associated company, see page 13.

Nordbanken Holding AB (publ) and its associated company

Interim report for January-June 1999

This report, together with the interim report of the Merita-Nordbanken Group, constitutes the interim report of Nordbanken Holding.

The holding companies Nordbanken Holding AB (publ) and Merita Plc are the sole owners of MeritaNordbanken Plc, the parent company of the MeritaNordbanken Plc Group. Together, the MeritaNordbanken Plc Group and the two holding companies form the MeritaNordbanken Group.

The interim report of the MeritaNordbanken Group, including the income statements and the balance sheets, is an integral part of the interim report of Nordbanken Holding. In order to illustrate the financial performance and position of Nordbanken Holding, the attached material comprises the income statements and balance sheets of Nordbanken Holding both including and excluding its associated company MeritaNordbanken.

In an exchange offer to shareholders of Nordbanken AB in November-December 1997, Nordbanken Holding acquired 99.7 per cent of the shares of the said company. It thereby became entitled to a compulsory acquisition of the remaining Nordbanken shares. The compulsory acquisition commenced on December 18, 1997 and continues for the time being. In February 1998 Nordbanken Holding offered the remaining Nordbanken shareholders an opportunity to sell their shares for a fixed price (SEK 306) instead of participating in the compulsory acquisition procedure. A major proportion of the shareholders in question have accepted the offer.

Pursuant to the Cooperation Agreement of October 13, 1997, Nordbanken Holding AB (publ), Merita Plc and the Merita-Nordbanken Plc Group are managed as one single entity. For this purpose the Cooperation Agreement provides, inter alia, that differences in the holding companies' capital structure or assets and liabilities, including liquid funds, shall not financially affect the respective shareholder communities and that, where necessary, Nordbanken Holding and Merita Plc shall ensure the transfer of adequate funds from the Merita-Nordbanken Plc Group to the holding companies.

Nordbanken Holding shareholders are entitled to 60 per cent of the Group's capital and Merita shareholders to 40 per cent.

Pursuant to the Cooperation Agreement, the preference shares in MeritaNordbanken held by Nordbanken Holding shall in certain situations be converted into ordinary shares on a one-for-one basis. Such conversion shall take place if a third party enters as a shareholder in MeritaNordbanken, provided, however, that no shareholder, after conversion, shall own shares representing more than 50 per cent of the votes in MeritaNordbanken; or if the general meeting of MeritaNordbanken unanimously decides that conversion shall take place. Furthermore, the general meeting may unanimously decide on the redemption of the preference shares. All ordinary and preference shares of MeritaNordbanken carry equal rights to dividends. However, if conversion or redemption has not taken place by January 1, 2001, the preference shares shall carry a right to dividends that exceed the dividends payable on ordinary shares by 20 per cent. This would mean that the 60/40 division of dividends would change to approximately 61.5/38.5. If conversion of the preference shares takes place in 2001 or later, the higher dividend as set out in the foregoing shall cease to be distributed as from the financial year during which the conversion takes place.

The profit of Nordbanken Holding for the period under review, excluding the associated company, was SEK 1,486 million, of which SEK 1,472 million consisted of the dividend paid by MeritaNordbanken Plc. Nordbanken Holding's share (60 per cent) of the consolidated profit of the MeritaNordbanken Plc Group is reported under "Profit from companies accounted for under the equity method", together with an adjustment pursuant to the Cooperation Agreement. The result for the period under review thus represents 60 per cent of the profit of the entire MeritaNordbanken Group and amounts to SEK 3,064 million or SEK 2.40 per share.

Including the equity interest in the associated company and an adjustment in accordance with the Cooperation Agreement, the equity capital of Nordbanken Holding, representing 60 per cent of the equity capital of the entire MeritaNordbanken Group, is SEK 27,062 million or SEK 21.22 per share.

Income statements

SEK million	Nordbanken Holding AB including the associated company			Nordbanken Holding AB		
	Jan-June 1999	Jan-June 1998	Jan-Dec 1998	Jan-June 1999	Jan-June 1998	Jan-Dec 1998
Operating income	-	-	-	-	-	-
Operating expenses						
Personnel expenses	-0	-0	-0	-0	-0	-0
Other operating expenses	-5	-6	-12	-5	-6	-12
Operating loss	-5	-6	-12	-5	-6	-12
Income from financial investments						
Income from investments in the associated company	-	-	-	1,472	-	-
Interest income	28	33	78	28	33	78
Interest expenses	-4	-3	-8	-4	-3	-8
Profit from the company accounted for under the equity method	3,040	2,708	5,432			
Adjustment in accordance with the Cooperation Agreement	10	584	710			
Profit after financial items	3,069	3,316	6,200	1,491	24	58
Refund from the Pension Foundation/Fund ¹⁾	-	-	802			
Write-downs on real estate holdings ¹⁾	-	-	-3,267			
Profit before taxes	3,069	3,316	3,735	1,491	24	58
Tax on profit for the period ²⁾	-5	-7	-16	-5	-7	-16
Net profit for the period	3,064	3,309	3,719	1,486	17	42

¹⁾ 60 per cent of the refund from the Pension Foundation/Fund of the MeritaNordbanken Group and 60 per cent of the Group's write-downs on real estate holdings have been included in the income statement.

²⁾ Includes only Nordbanken Holding AB's taxes. Nordbanken Holding AB's share of other taxes of the MeritaNordbanken Group is reported under "Profit from the company accounted for under the equity method".

Cash flow analysis

Nordbanken Holding AB excluding the associated company

SEK million	Jan-June 1999	Jan-June 1998	Jan-Dec 1998
Ordinary business, investments and financial operations			
Payments to suppliers and employees, etc.	-24	-4	-9
Interest received	22	0	65
Interest paid	-1	0	0
Income taxes paid	-10	-7	-12
Equity investments	-8	-191	-196
Dividends received	1,472	4,934	4,934
Dividends paid	-2,091	-1,913	-1,913
Cash flow for the period	-640	2,819	2,869
Liquid assets at the beginning of the period*	1,830	-1,039	-1,039
Liquid assets at the end of the period*	1,190	1,780	1,830

* Liquid assets consist of disposable liquid assets (less short-term credits) and short-term investments with a maximum maturity of three months.

Balance sheets

SEK million	Nordbanken Holding AB including the associated company			Nordbanken Holding AB		
	June 30 1999	June 30 1998	Dec 31 1998	June 30 1999	June 30 1998	Dec 31 1998
Assets						
Fixed assets						
<i>Financial fixed assets</i>						
Shares in associated companies	25,884	23,876	25,373	13,243	13,239	13,242
Total fixed assets	25,884	23,876	25,373	13,243	13,239	13,242
Current assets						
Short-term receivables	39	63	7	39	63	7
Short-term investments	1,140	1,760	1,800	1,140	1,760	1,800
Bank deposits	261	203	239	261	203	239
Total current assets	1,440	2,026	2,046	1,440	2,026	2,046
Total assets	27,324	25,902	27,419	14,683	15,265	15,288
Shareholders' equity and liabilities						
Shareholders' equity						
<i>Restricted shareholders' equity</i>						
Share capital	8,927	8,927	8,927	8,927	8,927	8,927
Premium reserve	3,036	3,036	3,036	3,036	3,036	3,036
<i>Non-restricted shareholders' equity</i>						
Retained earnings	972 *	3,021 *	3,021 *	972	3,021	3,021
Net profit for the period	1,486 *	17 *	42 *	1,486	17	42
Share of capital in the associated company	12,336	10,518	11,812			
Adjustment in accordance with the Cooperation Agreement	305	119	319			
Total shareholders' equity	27,062	25,638	27,157	14,421	15,001	15,026
Liabilities						
Short-term liabilities	262	264	262	262	264	262
Total liabilities	262	264	262	262	264	262
Total shareholders' equity and liabilities	27,324	25,902	27,419	14,683	15,265	15,288
Collateral pledged (bank funds) in connection with compulsory redemption proceedings	207	200	207	207	200	207
Contingent liabilities	9	8	8	9	8	8

* Excluding the associated company.

Key ratios including the associated company, see page 13.

Merita Bank Plc

Interim report for January-June 1999

Merita Bank is a wholly owned subsidiary of MeritaNordbanken Plc. Its operations are totally integrated with the MeritaNordbanken Group, and the interim report of the MeritaNordbanken Group constitutes an integral part of the separate interim report for the Merita Bank Group presented in the following.

As of January 1, 1999 Merita Bank's income statements and balance sheets have been presented in euros.

The Merita Bank Group's operating profit for the first half-year was EUR 325 million (compared with EUR 268 million for the corresponding period in 1998). The principal factors behind this increase were declining loan losses and lower operating expenses, while the net result from financial operations decreased.

Income totalled EUR 748 million (EUR 771m). Net interest income developed favourably and was EUR 473 million (EUR 433m).

The net result from securities trading declined, reflecting adverse interest rate developments. The second-quarter rise in interest rates had a negative impact on the result of trading in interest-bearing securities. Income from equity transactions includes a capital gain of EUR 27 million on the disposal of the Bank's equity holding in the Pohjola Insurance Company. Total gains on the disposal of equity holdings fell by EUR 42 million to EUR 36 million.

Expenses amounted to EUR 391 million (EUR 423m). The declining trend in most expense items reflected a cost containment programme implemented for many years.

Net loan losses were almost halved compared with the same period last year, amounting to EUR 37 million (EUR 67m). The volume of problem loans (excluding intra-Group receivables with interest deferments) totalled EUR 0.8 billion, down 15 per cent from the start of the year.

Profit from companies accounted for under the equity method increased to EUR 5 million, mainly as a result of first-quarter capital gains posted by Merita Invest.

Lending to the public, including leasing credits, at the end of June totalled EUR 29.5 billion, an increase of EUR 1.4 billion from the start of the year. Deposits from the public amounted to EUR 22.6 billion, down EUR 0.4 billion on a six-month basis. Savings during the first half-year focused on mutual funds, sustaining brisk growth in mutual fund assets.

The capital ratio as at June 30, 1999 was 10.9 per cent. The profit for the period, after deduction of a standard dividend, is included in the capital base for the calculation of the capital ratio. The capital ratio at the end of 1998 was 9.8 per cent. Both Moody's Investors Service and Fitch IBCA upgraded their ratings for Merita Bank during the first half-year.

Given the continuation of favourable economic developments in Finland in the latter part of the year, the business operations and results of the Merita Bank Group, excluding items of a non-recurring nature, are expected to show a stable trend.

Helsinki, August 25, 1999

Board of Management

Auditors' report

We have conducted a summary review of the Interim Report of Merita Bank Plc for the period January-June 1999 in accordance with the recommendations issued by the Institute of Authorized Public Accountants in Finland.

A summary review has material limitations as compared with an audit.

Nothing has come to our attention that would cause us to believe that the Interim Report does not meet the requirements applicable to such reports under the prevailing rules and regulations.

Helsinki, August 25, 1999

Eric Haglund
Authorized Public Accountant

Mauri Palvi
Authorized Public Accountant

Income statements

EUR million	January-June		Jan-Dec
	1999	1998	1998
Interest income	1,101	1,103	2,258
Interest expenses	-628	-670	-1,365
Net interest income	473	433	893
Income from equity investments	3	5	6
Commission income	218	211	427
Commission expenses	-19	-17	-36
Net income from securities transactions and foreign exchange dealing	34	106	175
Other operating income	39	33	67
Total income	748	771	1 532
Personnel expenses	-213	-218	-368
Other administrative expenses	-102	-100	-194
Depreciation and write-downs on tangible and intangible assets	-22	-28	-57
Other operating expenses	-54	-77	-144
Total expenses	-391	-423	-763
Profit before loan losses	357	348	769
Loan and guarantee losses	-37	-67	-167
Profit from companies accounted for under the equity method	5	-13	-63
Operating profit	325	268	539
Extraordinary items	-	-	-580
Income taxes	-89	-75	117
Minority interest	-2	-3	-6
Net profit for the period	234	190	70

Items in the income statement were reclassified in 1998 in accordance with the MeritaNordbanken Group's harmonized accounting principles. The figures for Jan - June, 1998 have been adjusted accordingly.

Financial ratios

	1999 Jan - June	1998 Jan - June	1998 Jan - Dec
Return on equity, %	24.1	19.6	4.0 *
Income/cost ratio	1.9	1.8	1.7

* Expenses presented as extraordinary have been deducted. Without extraordinary expenses the ratio would be 29.0 %.

Financial ratios

Return on equity, %:

$$\frac{\text{Operating profit/loss after taxes}}{\text{Shareholders' equity} + \text{minority interest (average for beginning and end of year)}} \times 100$$

Income/cost ratio:

$$\frac{\text{Net interest income} + \text{income from equity investments and commission income} + \text{net income from securities transactions and foreign exchange dealing} + \text{other operating income}}{\text{Commission expenses} + \text{administrative expenses} + \text{other operating expenses} + \text{depreciation}}$$

The item "Refund of surplus in the Pension Fund" included in Personnel expenses (EUR 104 million in January-December, 1998) has not been deducted from expenses in the calculation of the ratios. Equity does not include the balance sheet item "Capital securities" and no deduction has been made for anticipated dividend.

Balance sheets

EUR million	June 30 1999	June 30 1998 *	Dec 31 1998
Assets			
Liquid assets	515	726	798
Debt securities eligible for refinancing with central banks	2,919	4,099	4,868
Loans to credit institutions	8,218	8,791	9,263
Loans to the public and public sector organizations	28,555	24,959	27,224
Leased assets	905	712	844
Debt securities	3,034	2,631	2,277
Shares and participations	148	281	222
Participating interests	340	2,303	367
Shares and participations in Group companies	250	246	237
Intangible assets	13	19	15
Tangible assets	168	171	157
Other assets	3,257	1,909	3,320
Prepaid expenses and accrued income	1,089	954	1,050
Deferred tax receivables	–	–	94
	49,411	47,801	50,736
Liabilities and shareholders' equity			
Due to credit institutions and central banks	6,410	6,994	8,457
Due to the public and public sector organizations	24,369	24,465	24,512
Debt securities outstanding	10,955	8,189	10,763
Other liabilities	2,442	2,988	2,459
Accrued expenses and prepaid income	629	739	638
Provisions	100	86	109
Subordinated liabilities	2,136	1,991	1,694
Deferred tax liabilities	1	27	1
Minority interest	10	12	14
Share capital	1,013	1,013	1,013
Revaluation reserve	2	4	3
Other restricted reserves	345	367	345
Capital securities	333	319	299
Profit carried forward from previous years	432	417	430
Net profit for the period	234	190	70
Anticipated dividend	–	–	-71
	49,411	47,801	50,736
Off-balance-sheet commitments			
Commitments on behalf of customers in favour of third parties	3,908	5,161	4,495
Irrevocable commitments in favour of customers	5,280	3,961	4,229

* Comparative figures have been adjusted for transfers between individual items.

Off-balance-sheet commitments			
EUR million	June 30 1999	June 30 1998	Dec 31 1998
Contingent liabilities			
Guarantees	3,394	4,519	3,978
Stand-by facilities	2,442	2,091	2,330
Unused credit lines	1,618	1,545	1,784
Other commitments	1,734	967	632
Total	9,188	9,122	8,724
of which on behalf of associated companies	224	522	306
Pledged assets			
Assets pledged as collateral for own liabilities			
- debt securities eligible for refinancing with central banks	1,706		3,132
- debt securities	467		31
- other	916		-
Total	3,089		3,163
The above collateral has been pledged for the following liability items			
- due to credit institutions and central banks	1,932		829
- debt securities outstanding	164		185
- other liabilities and commitments	918		3
Total	3,014		1,017
Derivative instruments (nominal values)			
<i>Contracts made for hedging purposes</i>			
Interest-rate-related derivatives	2,911	3,118	2,933
Currency-related derivatives	17,986	33,499	31,258
Equity-related derivatives	122	65	69
Other derivatives	-	134	-
<i>Contracts made for other than hedging purposes</i>			
Interest-rate-related derivatives	81,346	292,246	167,478
Currency-related derivatives	15,985	15,128	11,657
Equity-related derivatives	106	188	180
Other derivatives	123	-	32
Total			
Interest-rate-related derivatives, credit equivalents	903	1,998	1,309
Currency-related derivatives, credit equivalents	1,512	1,559	1,483
Capital adequacy			
Capital securities included in Tier 1*	333	319	299
Total Tier 1 (incl. profit for the period)	2,252	2,111	2,065
Total Tier 2	1,559	1,564	1,513
Tier 3	-	-	-
Deductions	-30	-38	-27
Total own funds	3,781	3,637	3,551
Risk-weighted items	34,826	34,621	36,199
Total capital ratio, %	10.9	10.5	9.8
Tier 1 ratio, %	6.5	6.1	5.7

* Interest may be paid on these securities only out of distributable funds. The annual interest on the FIM 251 million capital securities issued in Finland is fixed until the year 2004. The securities are perpetual. In September 1997, Merita Bank Plc issued non-cumulative step-up perpetual capital securities in the amount of USD 300 million in the international markets. The securities are perpetual but subject to regulatory approval may be repaid after five years of issuance.

Nordbanken AB

Interim report for January-June 1999

Nordbanken is a wholly owned subsidiary of MeritaNordbanken Plc. Its business is totally integrated with the MeritaNordbanken Group, and the interim report of the MeritaNordbanken Group constitutes an integral part of the separate interim report for the Nordbanken Group presented in the following.

The Nordbanken Group's operating profit for the first half-year was SEK 2,616 million (SEK 3,960 million for the corresponding period in 1998). The deterioration in performance is attributable mainly to a decline in the net result from financial operations. Another factor was a lower amount of dividends received, compared with significant one-off items in the preceding year. The result was positively impacted by lower operating costs and unwinding of country risk provisions.

Income amounted to SEK 5,853 million (SEK 7,483m). The fall in the net result from financial operations reflected adverse interest rate developments. Medium- and long-term bond yields rose in the first half of 1999, having declined during the same period last year.

Expenses amounted to SEK 3,395 million (SEK 3,548m). While overall costs were kept under control, increased

investments were made in several areas, such as IT development.

Recoveries of previous provisions and gains on the sale of property taken over for protection of claims exceeded the loan losses for the period under review. The net result was thus positive and contributed SEK 158 million to the half-year result (against a net loss of SEK 1m in 1998). This favourable development in loan losses is attributable mainly to the unwinding of the country risk provision made in the preceding year. Realized losses and new loan loss provisions were also lower than in the first half of 1998.

Lending to the public at the end of June stood at SEK 341 billion, up 7 per cent on a 12-month basis. Deposits from the public decreased by 2 per cent to SEK 155 billion.

The capital ratio at the end of June was 10.2 per cent. The profit for the period, after deduction of a standard dividend, is included in the capital base for the calculation of the capital ratios.

Stockholm, August 25, 1999
Board of Directors

Auditors' report

We have conducted a summary review of this Interim Report. A summary review has material limitations as compared with an audit. Nothing has come to our attention that would cause us to believe that the Interim Report (including the income statement and balance sheet of the parent bank) does not meet the requirements applicable to such reports under existing legislation governing the annual financial statements of credit institutions and securities companies.

Stockholm, August 25, 1999

KPMG Bohlins AB

Caj Nackstad
Authorized Public Accountant

Auditor appointed by the Financial
Supervisory Authority

Olle Gunnarsson
Authorized Public Accountant

Income statements

SEK million	Jan - June		Jan - Dec 1998
	1999	1998	
Interest income	12,266	12,925	25,841
Interest expenses	-8,044	-8,442	-17,009
Net interest income	4,222	4,483	8,832
Dividends received	112	578	596
Commission income	1,800	1,648	3,371
Commission expenses	-231	-231	-499
Net result from financial operations	-308	761	844
Other operating income	258	244	560
Total operating income	5,853	7,483	13,704
Personnel expenses	-1,513	-1,488	-3,368
Other administrative expenses	-1,715	-1,872	-3,791
Depreciation and write-downs on tangible and intangible assets	-167	-188	-367
Total expenses	-3,395	-3,548	-7,526
Profit before loan losses	2,458	3,935	6,178
Loan losses, Note 1	141	-27	243
Change in value of property taken over	17	26	-25
Profit from companies accounted for under the equity method	-	26	-
Operating profit	2,616	3,960	6,396
Appropriations	86	75	523
Taxes	-757	-1,009	-1,755
Net profit for the period	1,945	3,026	5,164

Balance sheets

SEK million	June 30, 1999	June 30, 1998	Dec 31, 1998
Loans to credit institutions	52,798	26,587	43,953
Loans to the public	341,390	307,217	318,580
Interest-bearing securities			
Current assets	19,148	22,914	20,234
Financial fixed assets	47,922	48,813	43,910
Other assets	37,117	31,383	32,711
Total assets	498,375	436,914	459,388
Deposits from the public	155,489	153,391	158,727
Other borrowing from the public	5,119	2,337	4,954
Due to credit institutions	122,496	86,753	99,871
Debt instruments outstanding	123,958	125,548	116,546
Other liabilities	59,516	38,328	47,684
Subordinated debt	12,492	10,934	11,645
Shareholders' equity	19,305	19,623	19,961
Total liabilities and shareholders' equity	498,375	436,914	459,388
Total capital ratio, %	10.2	10.4	10.0
Tier I ratio, %	6.2	6.8	6.3
Risk-weighted amount	288,529	248,050	273,248

Note 1. Loan losses, net

SEK million	Jan - June 1999	Jan - June 1998
<i>Individually appraised receivables</i>		
Losses incurred during the period	-332	-402
Previous provisions utilized	312	373
Provision for possible loan losses	-184	-232
Recovery of previous incurred losses	41	50
Reversal of previous provisions	252	337
	89	126
<i>Receivables appraised by category</i>		
Losses incurred during the period	-76	-90
Recovery of previous incurred losses	57	48
Reversal/provision to reserves for possible loan losses	-2	-
	-21	-42
Country risks	73	-111
Contingent liabilities	-	-
Total	141	-27

Problem loans and property taken over for protection of claims

SEK million	June 30 1999	June 30 1998	Dec 31 1998
Non-performing loans, gross	3,857	5,221	4,447
Loan loss provisions	-3,007	-4,011	-3,388
Non-performing loans, net	850	1,210	1,059
Loans with interest deferments	139	230	159
Problem loans, total	989	1,440	1,218
Property taken over for protection of claims	455	838	654
of which real estate	266	682	468
shares and convertible bonds	189	156	186
Non-performing receivables with interest reported on accrual basis	87	67	34

Derivative instruments

SEK million June 30, 1999	Interest-rate-related derivatives			Equity-related derivatives			Currency-related derivatives	
	Market value	Book value		Market value	Book value		Market value	Book value
Positive values	9,848	9,409		633	-		7,534	7,390
Negative values	13,038	11,391		633	-		6,192	6,182

The majority of the outstanding derivative instruments are carried in the balance sheet at market value and have therefore an impact on the income statement. The difference between market value and book value derives from derivative instruments acquired for hedging purposes and carried at cost. The difference is offset by the difference between market value and book value of the hedged balance sheet items.

MeritaNordbanken's objectives

When the MeritaNordbanken Group was formed in 1997, the Board of Directors established a number of economic and financial objectives for the Group's operations. These objectives have been reviewed during the current year, and the following new objectives have been adopted.

The task of the MeritaNordbanken Group is to create value for its shareholders through share price and dividend development ranking among those of the leading listed financial institutions in the Nordic region.

Earnings per share

MeritaNordbanken aims to sustain its position as one of the leading listed financial institutions in the Nordic region in terms of earnings per share.

Return on equity

MeritaNordbanken also aims to remain one of the leading listed financial institutions in the Nordic region in terms of return on equity.

- The objective is to sustain a return on equity at least equal to the average risk-free interest rate in Finland and Sweden + 8 percentage points.

Tier 1 capital

The Group will not employ more capital than required for the healthy development of its operations, while maintaining a sufficient capital base to ensure high credit ratings and cost-efficient funding.

- A minimum core capital ratio of 6.5 per cent is deemed sufficient for this purpose.

Dividend policy

The Group seeks to pursue a generous dividend policy. The annual level depends on market yield requirements and the amount of core capital needed for the development of operations.

- The objective is that dividends will amount to between 40 and 60 per cent of annual net profit.

Key sub-targets

Income

The Group's aim is to sustain stable and broadly based growth in earnings through an increasing contribution from commission income.

- Net commission income should gradually rise to a level equal to half of net interest income.

Expenses

The aim is to sustain high cost-efficiency, ranking among the best financial institutions in the Nordic region.

- The cost/income ratio, before loan losses, in core operations may not exceed 55 per cent.

Risk exposure

The Group aims at limited and controlled risk exposure, while constantly availing itself of opportunities to boost profits and increase the return on equity within acceptable risk limits.

Lending is subject to strict quality requirements.

- The moving average of loan losses over a five-year period may not exceed 0.4 per cent of the loan portfolio.
- Market risks are limited to a 4 percentage-point reduction in return on equity.
- Administrative, legal and technical risks are kept within manageable limits at reasonable cost.

Customers

The Group creates value for customers through mutually satisfactory relationships. It strives to provide a service which is appreciated by customers in terms of service level, product mix, pricing and availability.

- The Group aims at a high level of customer satisfaction by meeting the requirements and expectations of its customers.

Employees

Competent staff is crucial to the Group's success. The Group expects its employees to be committed, knowledgeable and skilled in their work.

The level of expertise and the standard of service is constantly being enhanced by recruitment and training.

The Group has introduced a profitability-oriented incentive scheme and profit-sharing system in order to encourage its employees to strive for good results.

- The goal is that measurements of expertise and motivation within the Group should show highly favourable readings.

Disclosure of information

The Group's objective is to rank among the leading listed financial institutions in the Nordic region in terms of open, clear and relevant information to shareholders, customers and employees.

("Leading listed financial institutions in the Nordic region" mean the MeritaNordbanken Group, Svenska Handelsbanken, SEB, FöreningsSparbanken, Den Danske Bank, Unidanmark, Kapital Holding, Den norske Bank and Christiania Bank.)

MeritaNordbanken

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