

Interim report

January – September 1999

MeritaNordbanken

Strong result, ROE 20 per cent, expenses decline; Growth in network banking services, mutual funds and insurance products

- Operating profit for January-September up at EUR 1,051 million (SEK 9.3bn);
- Adjusted for items affecting comparability, operating profit rose by 4% to EUR 937 million (SEK 8.3bn);
- Return on equity for January-September 20.0% (excluding items affecting comparability 18.0%);
- Earnings per share for January-September EUR 0.36 in Merita Plc, SEK 3.23 in Nordbanken Holding;
- The Board of Christiania Bank supports MeritaNordbanken's NOK 24.3bn cash offer;
- Proposal for the merger of Nordbanken Holding AB and Merita Plc to simplify group structure and to facilitate creation of a "one share - one bank group";
- Third-quarter operating profit EUR 282 million against EUR 280 million in the preceding quarter;
- Expenses down 5% in the third quarter;
- Mutual funds and insurance products advanced strongly on the markets;
- 850,000 Internet banking customers in October; WAP banking services available in Finland; launch of Solo Mall for e-commerce in Sweden.

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Results for the nine months from January to September 1999

(The figures in brackets refer to the corresponding period in 1998)

The Group's operating profit for the first nine months of the year was EUR 1,051 million (EUR 1,046m). Income totalled EUR 2,237 million (EUR 2,474m), while expenses fell to EUR 1,233 million (EUR 1,353m). Loan losses remained low at EUR 20 million (EUR 101m).

The return on equity for the nine months under review was 20.0 per cent (21.0 per cent).

Earnings per share amounted to EUR 0.36 (EUR 0.38) in Merita Plc and SEK 3.23 (SEK 3.32) in Nordbanken Holding AB.

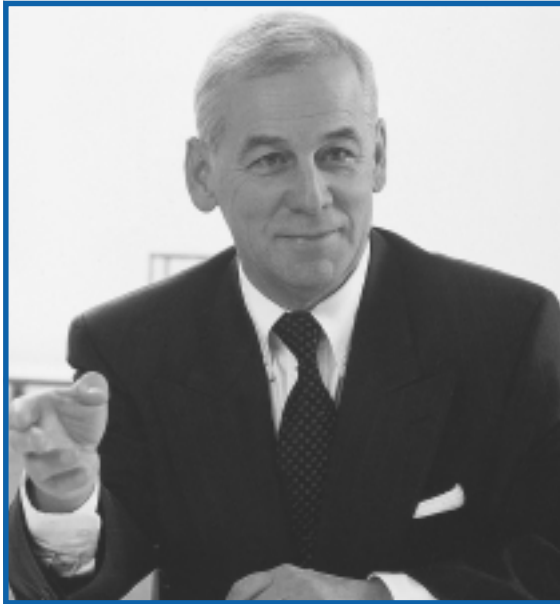
Income statements, excluding items affecting comparability *

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

	mEUR			mSEK
	Jan-Sep 1999	Jan-Sep 1998	Change %	Jan-Sep 1999
Net interest income	1,341	1,376	-3	11,915
Net commission income	565	533	6	5,017
Net result from financial operations	-26	120		-228
Other income	243	213	14	2,160
Total income	2,123	2,242	-5	18,864
Personnel expenses	-587	-606	-3	-5,208
Other expenses	-646	-657	-2	-5,742
Total expenses	-1,233	-1,263	-2	-10,950
Profit before loan losses	890	979	-9	7,914
Loan losses, net	-20	-101	-80	-174
Profit from companies accounted for under the equity method	67	26		589
Operating profit	937	904	4	8,329
* Items affecting comparability mEUR	Jan-Sep 1999	Jan-Sep 1998		
Net result from financial operations	114	170		
Other income	-	62		
Personnel expenses	-	-23		
Other expenses	-	-67		
Total	114	142		
Operating profit including items affecting comparability	1,051	1,046		9,337

Interim report

Third-quarter result 1999 *



*Hans Dalborg,
President and Group Chief
Executive Officer*

The Group's operating profit for July-September amounted to EUR 282 million (EUR 280m).

Income

The Group's total income for the third quarter was EUR 682 million (EUR 686m).

Net interest income was EUR 439 million (EUR 454m). The decline resulted largely from a reduction in the Group's interest-rate risk exposure and an increase in liquidity reserves in preparation for the turn of the year.

Net commission income was EUR 190 million (EUR 194m). The figure for the preceding quarter was the best ever, stemming, among other things, from strong earnings from custodial services. Commission income from fund management and card products continued to rise at a vigorous pace.

The net result from financial operations showed a loss of EUR 7 million (-EUR 53m). It continued to be depressed by the rise in interest rates, although this impact was significantly

moderated by steps taken by the Group during the second quarter to reduce its interest-rate exposure. Realized and unrealized losses on interest-rate-related securities totalled EUR 40 million (EUR 95m). Earnings from currency-related transactions were unchanged at EUR 19 million, and earnings from equity-related transactions amounted to EUR 14 million (EUR 23m).

Other income totalled EUR 60 million (EUR 91m). The lower level is explained principally by larger capital gains and dividend income posted in the second quarter.

Interest-rate risks

At the end of September, the price risk involved in the Group's trading positions calculated as a parallel shift assuming a change in market interest rates of one percentage point was EUR 47 million (EUR 114m). The average duration of financial current assets was 1.7 years (1.9 years). Based on the situation at the end of September, a rise of one percentage point in interest rates would reduce net interest income by EUR 18 million (EUR 30m)

* The figures in brackets refer to the second quarter of 1999.

over the next 12 months assuming no change in the balance sheet structure.

Expenses continued to decline

Total expenses decreased by 5 per cent to EUR 405 million (EUR 425m). This reduction reflected continued cost restraint, higher productivity and efficiency resulting mainly from investments in information technology, and lower data and marketing expenses during the summer months.

Personnel expenses amounted to EUR 195 million (EUR 196m). The number of employees continued to decrease. The gross reduction in the workforce in the third quarter was 105 persons. The number of employees in the Group's banking operations at the end of September was 18,058.

Other expenses declined to EUR 210 million (EUR 229m).

The third-quarter cost/income ratio before loan losses was 59 per cent (62 per cent). The year's cumulative cost/income ratio was 55 per cent.

Synergy benefits

Income and expenses continue to be favourably impacted by the synergy benefits arising from the merger and the creation of the MeritaNordbanken Group. The estimated synergy benefits of EUR 115 million within three years are materializing according to plan. Further value is being created through cost and income synergies as the integration of businesses proceeds.

Loan losses remain low

No net loan losses were posted for July-September, the second consecutive quarter of zero loan loss levels.

The net volume of problem loans, including EUR 19 million of loans with interest deferments, increased somewhat to EUR 949 million (EUR 873m). The increase stemmed from a few major exposures with a relatively low provisioning requirement. The volume of problem loans represented 1.4 per cent of total lending. The level of provisions against problem loans was 61 per cent (67 per cent).

Unrealized gains and equity capital

At the close of the third quarter, holdings of

interest-bearing securities classified as financial fixed assets amounted to EUR 5.1 billion, which corresponded to the market value.

Equity holdings classified as financial current assets but carried at the lower of cost or market amounted to EUR 0.2 billion, with unrealized gains at the end of the period totalling EUR 0.1 billion. The fair value of the assets of the Group's pension foundations and pension fund at the end of the period exceeded the pension commitments by EUR 0.3 billion.

The Group's equity capital at the end of the period under review was EUR 5.4 billion (EUR 5.2 billion).

The Tier 1 ratio was 7.8 per cent and the capital ratio 10.8 per cent. The capital base for the calculation of the interim capital ratio includes only the profit for the first half-year, after deduction of a standard dividend.

Third-quarter market developments

In Finland and Sweden, the third quarter of the year was a period of uninterrupted economic growth. Market interest rates continued to rise. The approximate rise in medium-term interest rates in Sweden was 0.8 percentage point and in Finland 0.6 percentage point.

Lending

The Group's lending to the public at the end of September totalled EUR 67.1 billion, a third-quarter increase of EUR 0.9 billion. During the nine months under review, Group lending to the public increased by EUR 7.3 billion, i.e. 12.2 per cent. The Group's market share of lending to companies in Finland was 49.6 per cent and that in Sweden 16.8 per cent. In Sweden, the Group's mortgage market share rose to 15.0 per cent, while the market share of total lending to households was 14.5 per cent. In Finland, the Group's lending to households increased, while the market share contracted marginally to 33.9 per cent.

Further growth in household savings

At the end of September, total household savings with the MeritaNordbanken Group amounted to EUR 66.2 billion, an increase of EUR 0.7 billion during the third quarter. This comprised all types of savings products, including bank deposits,

mutual funds, insurance products, retail bonds, share-index-linked bonds, etc.

Deposits

The Group's total deposits from the public decreased by 1.6 per cent to EUR 39.3 billion, with market shares broadly unchanged. The market share of total deposits from households in Finland in August was 36.6 per cent and that of corporate deposits in Finnish marks up at 48.6 per cent. In Sweden, the Group's deposit market share in the household sector was 21.9 per cent and that in the corporate sector 16.6 per cent.

Mutual funds gain momentum

The net inflow of savings into the Group's mutual funds in Sweden in the third quarter was EUR 303 million, which represented 28.5 per cent of net fund savings in Sweden during this period. During September, the Group accounted for as much as 45 per cent of the total net inflow of savings into Swedish mutual funds, and its market share of total fund assets in Sweden at the end of September exceeded 18 per cent. In Finland, the net inflow of capital into the Group's mutual funds during the third quarter was EUR 152 million, corresponding to 31.0 per cent of total net savings in Finnish mutual funds during this period. This brought the Group's market share of total mutual fund assets in Finland to 31.3 per cent. The aggregate assets managed by the Group's mutual funds at the end of September stood at EUR 14.2 billion in Sweden and EUR 2.7 billion in Finland, totalling EUR 16.9 billion.

A new mutual fund, MeritaNordbanken IT, designed for investors in both Sweden and Finland, was launched during the third quarter. This was the fifth cross-border fund introduced by the Group. Net savings in the Group's cross-border funds at the end of September totalled EUR 66 million.

Sharp rise in insurance savings

With sustained strong sales of life assurance policies, the Group's combined third-quarter premium income from insurance business in Finland and Sweden was EUR 278 million (EUR 307m). Premium income from unit-linked insurance products continued to rise rapidly, notably in Sweden, where third-quarter premiums amounted to EUR 75 million. Sales of non-unit-linked life assurance products also continued to make vigorous progress in Finland, with total premium income of EUR 128 million.

Vigorous growth in Internet banking, launch of the Solo Mall e-commerce facility in Sweden, introduction of WAP banking services

To date, 850,000 MeritaNordbanken customers have signed up as users of the Group's Internet banking services, and the number is expected to rise to somewhere near one million by the end of 1999. Monthly log-ons are fast approaching 2.5 million. An increasing number of customers are using the Group's Internet services for various banking transactions, notably bill payments, and the range of services is being constantly expanded. In October, the Solo Mall electronic commerce facility was launched in Sweden, and new banking services based on full-scale utilization of the WAP technology were unveiled in Finland. Internet services enhance accessibility to customers and help reduce costs. The MeritaNordbanken Group continues to be one of the world leaders in the sphere of rapidly advancing Internet banking services.

Results by business area

Group operations are organized into five major business areas. The results of Treasury operations and Other operations are shown separately.

Results by business area

EUR million 1999	Retail	Corporate	Markets	Asset Management	Real Estate	Treasury	Other	Total
Q3	224	62	-2	48	-11	10	-49	282
Q2	198	85	-3	60	-12	-17	-31	280
Q1	198	53	29	47	-11	71	102	489

Retail

The Regional Banks reported a combined third-quarter operating profit of EUR 224 million. The third quarter was characterized by continued favourable development in lending volumes in both Sweden and Finland and by strong sales of mutual funds and insurance policies. With loan losses at low levels and costs on a downward trend, the return on allotted equity capital exceeded 25 per cent.

Corporate

The operating profit of the Corporate business area was EUR 62 million. The growth in business volumes noticeable in the first half-year levelled off during the last three months under review. The second-quarter result was boosted by capital gains, while the third-quarter result was strained by increasing provisions for problem loans.

Markets

Markets reported a third-quarter loss of EUR 2 million. The profitability of interest-rate-related trading remained low, while earnings from foreign exchange trading sustained an unchanged level and earnings from equity trading decreased somewhat compared with the second quarter.

Asset Management

Thanks to continuing sales momentum in the third quarter, assets under management rose by EUR 0.7 billion to EUR 26.2 billion. Third-quarter product earnings, comprising total management income less administrative, sales and distribution expenses, amounted to EUR 34 million (EUR 48m). The lower level compared with the preceding quarter resulted from the rise in interest rates, which lowered asset values in the insurance business.

Real Estate

Group Real Estate operations showed a third-quarter loss of EUR 11 million. The capital allocated to Real Estate corresponds to an equity/assets ratio of approximately 35 per cent. The decision to launch the Group's real estate company Aleksia on the stock market will be implemented as described below.

Treasury operations

Steps taken during the second quarter to reduce

Group exposure to interest-rate risks moderated the negative impact of rising interest rates on the result of Treasury operations. The result for the third quarter was EUR 10 million (-EUR 17m).

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 lower result compared to the preceding quarter was due to developments in dividends received.

NOK 24.3 billion cash offer to shareholders of Christiania Bank og Kreditkasse

MeritaNordbanken was created as the first step to build a leading financial group in the Nordic and Baltic region and as a regional initiative in the global restructuring of the financial services industry. Against this background, the Board of Directors of MeritaNordbanken Plc made the following offer to the shareholders of Christiania Bank og Kreditkasse ("Christiania Bank") on September 20, 1999:

Christiania Bank's shareholders are offered NOK 44 per share in cash, a price which represents a premium of 29.0 per cent to the closing market price of NOK 34.10 on September 17, 1999. The offer values Christiania Bank at NOK 24.3 billion.

The offer is made subject to certain conditions of which the most important are that the offer is accepted by shareholders in Christiania Bank representing more than 90 per cent of the share capital and that the approval of the Norwegian Ministry of Finance is obtained.

MeritaNordbanken has already acquired 9.9 per cent of the shares in Christiania Bank.

The offering document concerning the offer to shareholders of Christiania Bank was published on September 24, 1999. The acceptance period commenced on September 28, 1999 and will end on October 29, 1999 at 5.00 p.m. Oslo time unless extended. The reasons for the offer and information on the proposed integration process, synergy benefits and other details are set out in the offering document.

On two occasions - October 6 and October 20, 1999 - the Board of Directors of Christiania

Bank has recommended that the bank's shareholders accept MeritaNordbanken's offer.

The Norwegian state owns a good third of the shares in Christiania Bank. The policy concerning this holding will be determined by the Norwegian Parliament, Stortinget.

Simplification of legal structure

In line with the objectives stated in their merger agreement of 1997, Merita Plc and Nordbanken Holding AB (publ), entered into a new merger agreement on September 20, 1999 for the purpose of simplifying the legal structure of the MeritaNordbanken Group. The aim is to create a Nordic one share - one bank structure to improve efficiency and to reduce legal risks. The proposed modification is designed to create a growth-oriented and balanced pan-Nordic group. The possibilities for the market to fairly evaluate the share will be enhanced.

In accordance with the new merger agreement, the Board of Directors of Nordbanken Holding decided to make the following offer to shareholders and holders of convertible bonds in Merita:

Each shareholder in Merita is entitled to receive 1.02 newly issued shares in Nordbanken Holding for each share in Merita. The exchange ratio reflects the earlier agreed 40-60 economic relationship within MeritaNordbanken. Each holder of convertible bonds in Merita is entitled to exchange these bonds against new convertible bonds in Nordbanken Holding.

The exchange offers are made subject to certain conditions of which the most important are that the General Meetings of Merita and Nordbanken Holding, respectively, give the relevant approvals and that the exchange offer for shares is accepted by shareholders representing more than 90 per cent of the outstanding shares and votes in Merita, and that relevant permits are obtained. The shareholders of Merita and Nordbanken Holding have been convened to General Meetings on November 23 and November 19, respectively.

The planned acceptance period for the exchange offers is to start on November 24, 1999 and end on November 15, 1999, unless extended. The offering documents are expected to be available to shareholders and holders of con-

vertible bonds in late November 1999.

The legal structure adopted for the MeritaNordbanken Group in 1997 was a provisional solution, and it was agreed at the time that a more simple structure would be aimed for. The present structure creates a number of practical difficulties, and a single share and a simplified legal structure are necessary steps to create a pan-Nordic financial group.

The proposed new group structure will comprise a Nordic holding company and a Nordic banking group. The holding company, Nordbanken Holding, will be legally domiciled in Sweden, and the parent company of the banking group, MeritaNordbanken Plc, will be legally domiciled in Finland. The shares of the Nordic holding company will be listed in Helsinki and Stockholm and, if Christiania Bank joins the Group, also in Oslo. It is proposed that the group holding company adopt an interim name, Nordic Baltic Holding AB (NBH) (publ). If the acquisition of Christiania Bank materializes, Group Board of Directors and Executive Management will include members also from Norway.

The Board of Directors of Merita notes that under the current Finnish tax legislation, ownership of shares in companies domiciled outside Finland does not qualify for tax credit (*avoir fiscal*) under the Finnish imputation system. However, dividend flows and capital structuring will be significantly simplified as cash will pass through the new structure more directly. Furthermore, the pricing difference between the two shares in the dual holding company structure will be removed, and the new company will be able to issue new shares more easily. A single share will be more transparent for the financial markets, and the concentration of trading in a single share should improve liquidity. A single share may also lead to inclusion of the share in additional indices. Finally, a single share better matches the group's stated aim of creating an integrated Nordic financial group. Merita's Board of Directors recommends that shareholders accept the exchange offer.

Rating

Upon the launch of the cash offer to Christiania Bank shareholders and the exchange offer to

shareholders in Merita, the international rating agencies Moody's Investors Service, Standard & Poor's and Fitch IBCA all affirmed their respective credit ratings for the MeritaNordbanken Group.

Termination of agreement with Sweden Post

In September, Sweden Post gave notice of termination of the agreement under which Nordbanken's private customers have been able to transact banking business at post offices. The agreement will expire on April 1, 2001. The termination of this cooperation means that Sweden Post will transfer its share of the business concept Postbanken, embracing over 400,000 customers, to Nordbanken. As a financial consequence, the annual compensation to Sweden Post, currently in the order of SEK 700 million, will cease to be payable. It is expected that in the long term only part of this amount will be needed to sustain an equal service level to the customers affected, as new technology and new distribution channels will enable Nordbanken to ensure smooth customer service even without Sweden Post. Furthermore, Nordbanken has offered to employ, as of April 1, 2001, approximately 250 private advisors currently providing advanced advisory services for private customers with Sweden Post.

Strengthening of investment banking operations

In October, the MeritaNordbanken Group acquired the shares of Maizels, Westerberg & Co to create a new investment bank with operations in Stockholm, Helsinki and London. The new unit, named Maizels, MeritaNordbanken, Investment Banking, will initially have approximately 80 employees. Its creation further enhances MeritaNordbanken's capabilities in corporate finance advisory services, M&A and equity finance.

Real estate disposals

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

The Group has decided to apply for the listing of its real estate company Aleksia on the Helsinki Exchanges. The listing will require the implementation of a proposed offering of Aleksia

shares to Finnish, Swedish and international investors. The intention is to dispose of all Aleksia shares. The initial public offering and listing are scheduled to take place in early 2000, a timing expected to provide sufficiently favourable market conditions.

Year 2000

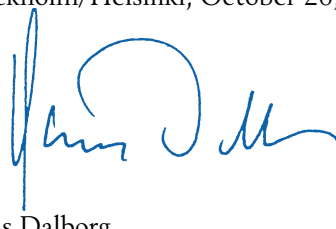
The testing of the integration status of the MeritaNordbanken Group's data systems and the exchange of information with external counterparties was completed in September. No problems of critical nature or material importance for the Group's operations were discovered. The system modifications and tests necessitated by the deviating banking day in Finland on December 31, 1999 will also be completed in time.

The inspection reports of the financial supervision authorities in Finland and Sweden and the local supervisory authorities in the countries in which the Group operates have contained no critical observations concerning the Group's Year 2000 compliance.

Shares

During the third quarter, the Merita share price ranged between EUR 4.88 and EUR 5.88 and that of Nordbanken Holding between SEK 45.00 and SEK 54.50. On September 20, the day of the launch of the exchange offer, the price of the Merita share rose to the same level as that of Nordbanken Holding. On October 4, the Stockholm Stock Exchange started quoting the share of Nordbanken Holding also in euros. The combined market capitalization of the MeritaNordbanken Group at the end of September was somewhat over EUR 11 billion.

Stockholm/Helsinki, October 26, 1999



Hans Dalborg
President and Group Chief Executive Officer

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

Income statements

EUR million	January-September		Change %
	1999	1998	
Net interest income, note 1	1,341	1,363	-2
Net commission income, note 2	565	533	6
Net result from financial operations, note 3	88	290	-70
Other income, note 4	243	288	-16
Total income	2,237	2,474	-10
Personnel expenses	-587	-629	-7
Other expenses, note 5	-646	-724	-11
Total expenses	-1,233	-1,353	-9
Profit before loan losses	1,004	1,121	-10
Loan losses, net	-20	-101	-80
Profit from companies accounted for under the equity method	67	26	
Operating profit	1,051	1,046	0
Taxes	-276	-228	21
Minority interest	-1	-4	-75
Net profit for the period	774	814	-5

Note 1: Net interest income

EUR million	January-September		Change %
	1999	1998	
Interest income	3,569	3,836	-7
Interest expenses	-2,228	-2,473	-10
Net interest income	1,341	1,363	-2

Note 2: Net commission income

EUR million	January-September		Change %
	1999	1998	
Commission income			
Securities	265	230	15
Payment transmission	158	145	9
Lending	130	132	-2
Guarantees	23	31	-26
Deposits	19	22	-14
Other commission income	41	41	0
Total commission income	636	601	6
Commission expenses			
Payment transmission	52	56	-7
Securities	10	9	11
Other commission expenses	9	3	
Total commission expenses	71	68	4
Net commission income	565	533	6

Note 3: Net result from financial operations

EUR million	January-September		Change %
	1999	1998	
Equity-related items			
Realized gains/losses	160	208	-23
Unrealized gains/losses	-9	-1	
	151	207	-27
Interest-rate-related items			
Debt redemption	-	-	
Other realized gains/losses	70	121	-42
Unrealized gains/losses	-188	-89	
	-118	32	
Foreign exchange gains/losses	55	51	8
Net result from financial operations	88	290	-70

Note 4: Other income

EUR million	January-September		Change %
	1999	1998	
Dividends	25	82	-70
Real estate income	129	130	-1
Sale of real estate	4	3	33
Sale of equity investments	32	15	
Other	53	58	-9
Total other income	243	288	-16

Note 5: Other expenses

EUR million	January-September		Change %
	1999	1998	
Administrative expenses	379	392	-3
Real estate expenses	67	70	-4
Depreciation according to plan	110	133	-17
Other	90	129	-30
Total other expenses	646	724	-11

Exchange rates applied:

EUR 1 = FIM 5.94573 (fixed rate)

EUR 1 = SEK

	January-September		January-December
	1999	1998	1998
Income statement (average)	8.8822	8.6723	8.8202
Balance sheet (at the end of period)	8.7235	9.1445	9.4874

Balance sheets

EUR million	Sep 30 1999	Sep 30 1998	Dec 31 1998
Assets			
Loans to credit institutions	8,465	10,926	11,822
Loans to the public	67,131	58,338	59,828
Interest-bearing securities			
Current assets	7,164	10,110	9,997
Financial fixed assets	5,067	4,195	3,698
Shares and participations	625	569	517
Shares and participations in Group and associated companies	705	656	620
Real estate holdings	2,772	3,614	2,991
Other assets	5,804	6,417	6,561
Total assets	97,733	94,825	96,034
Liabilities and shareholders' equity			
Due to credit institutions and central banks	14,109	17,537	17,433
Deposits from the public	39,341	39,751	38,472
Other borrowing from the public	2,444	1,539	2,052
Debt instruments outstanding	24,486	20,389	22,687
Other liabilities	8,722	7,928	8,073
Subordinated debt	3,250	2,700	2,546
Shareholders' equity	5,381	4,981	4,771
Total liabilities and shareholders' equity	97,733	94,825	96,034
Capital adequacy			
Capital base	7,273	6,499	6,290
Risk-weighted amount	67,317	62,493	63,732
Total capital ratio, %	10.8	10.4	9.9
Tier I ratio, %	7.8	7.7	7.3
Off-balance-sheet commitments			
Guarantees	4,650	4,996	4,946
Stand-by facilities	6,795	5,068	4,683
Credit lines	6,051	5,452	5,200
Other commitments	2,021	1,259	880
Total	19,517	16,775	15,709
of which on behalf of associated companies	28	0	15
Derivative instruments (nominal amounts)			
<i>Contracts made for hedging purposes</i>			
Interest-rate-related derivatives	4,053	3,549	3,494
Currency-related derivatives	13,761	33,206	31,620
Equity-related derivatives	515	418	404
Other derivatives	–	–	–
<i>Contracts made for other than hedging purposes</i>			
Interest-rate-related derivatives	274,162	373,779	289,297
Currency-related derivatives	63,496	45,704	46,380
Equity-related derivatives	125	443	180
Other derivatives	100	100	32
Total			
Interest-rate-related derivatives, credit equivalents	2,207	2,833	2,695
Currency-related derivatives, credit equivalents	2,407	2,428	2,318

Financial ratios

	1999 Jan-Sep	1998 Jan-Sep	1998 Jan-Dec
Return on equity, %	20.0	21.0	14.3
- excluding items affecting comparability	18.0	19.2	18.7
Cost/income ratio, %			
- before loan losses	55	55	55
- after loan losses	56	59	59
Loan losses/lending at the beginning of the year, %	0.0	0.2	0.2

Share-related indicators

	1999 Jan-Sep	1998 Jan-Sep	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 0.36	EUR 0.38	EUR 0.33
- excluding items affecting comparability	EUR 0.32	EUR 0.33	EUR 0.42
Nordbanken Holding AB	SEK 3.23	SEK 3.32	SEK 2.92
- excluding items affecting comparability	SEK 2.89	SEK 2.86	SEK 3.74
<i>Shareholders' equity per share at end of period</i>			
Merita Plc after full conversion	EUR 2.58	EUR 2.39	EUR 2.29
Nordbanken Holding AB	SEK 22.08	SEK 21.43	SEK 21.30
<i>Share price at end of period</i>			
Merita Plc	EUR 5.28	EUR 4.36	EUR 5.42
Nordbanken Holding AB	SEK 46.00	SEK 45.50	SEK 52.00

Quarterly income statements, excluding items affecting comparability *

EUR million	Q 3 1999	Q 2 1999	Q 1 1999	Q 4 1998	Q 3 1998	Q 2 1998
Net interest income	439	454	448	459	448	473
Net commission income	190	194	181	189	174	190
Net result from financial operations	-7	-53	34	18	10	50
Other income	60	91	92	78	57	93
Total income	682	686	755	744	689	806
Personnel expenses	-195	-196	-196	-212	-205	-207
Other expenses	-210	-229	-207	-249	-209	-232
Total expenses	-405	-425	-403	-461	-414	-439
Profit before loan losses	277	261	352	283	275	367
Loan losses, net	0	0	-20	-38	-33	-29
Profit from companies accounted for under the equity method	5	19	43	10	9	11
Operating profit	282	280	375	255	251	349
Taxes	-78	-73	-93	-56	-55	-76
Minority interest	0	-1	0	0	-1	-1
Net profit / loss for the period	204	206	282	199	195	272
* Items affecting comparability						
Net interest income	-	-	-	-4	-4	-9
Net result from financial operations	-	-	114	137	-7	-17
Other income	-	-	-	-	-	6
Personnel expenses	-	-	-	-40	-8	-7
Other expenses	-	-	-	1	-11	-24
Profit/loss from companies accounted for under the equity method	-	-	-	-25	-	-
Operating profit/loss	-	-	114	69	-30	-51
Write-downs on real estate holdings	-	-	-	-617	-	-
Refund from Pension Foundation/Fund	-	-	-	152	-	-
Taxes	-	-	-32	86	7	11
Net profit/loss for the period	-	-	82	-310	-23	-40

Problem loans

EUR million	Sep 30 1999	June 30 1999	Mar 31 1999	Dec 31 1998	Sep 30 1998
Non-performing loans, gross	2,407	2,574	3,061	3,185	3,303
Loan loss provisions	-1,477	-1,717	-2,126	-2,181	-2,220
Non-performing loans, net	930	857	935	1,004	1,083
Loans with interest deferments	19	16	17	17	24
Problem loans, total	949	873	952	1,021	1,107
Loan loss provision/non-performing loans, gross	61.4 %	66.7 %	69.5 %	68.5 %	67.2 %
Non-performing loans, net, percent of lending	1.4 %	1.3 %	1.5 %	1.7 %	1.9 %

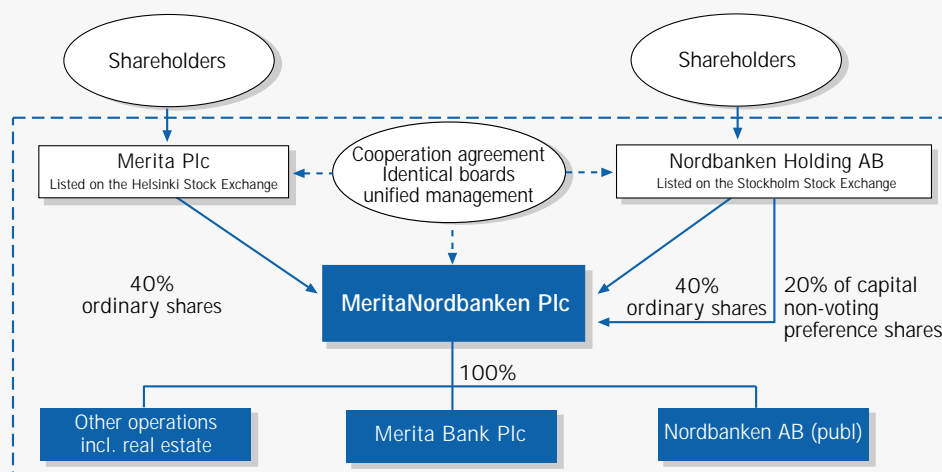
Results by business area, January-September 1999

EUR million	Retail	Corporate	Markets	Asset mana- gement	Real estate	Treasury	Other	Total
Operating profit/loss								
Income	1,465	318	99	189	83	77	6	2,237
Expenses	-839	-111	-75	-34	-120	-13	-41	-1,233
Loan losses	-6	-7	-	-	-	-	-7	-20
Profit from companies accounted for under the equity method	-	-	-	-	3	-	64	67
Operating profit/loss	620	200	24	155	-34	64	22	1,051
of which reallocated	128	3	-13	-118				
<i>Operating profit/loss</i>								
<i>Q 3, 1999</i>	<i>224</i>	<i>62</i>	<i>-2</i>	<i>48</i>	<i>-11</i>	<i>10</i>	<i>-49</i>	<i>282</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				189				
Administrative expenses				-34				
Sales and distribution expenses				-39				
Product earnings				116				
<i>Product earnings</i>								
<i>Q 3, 1999</i>				<i>34</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>				

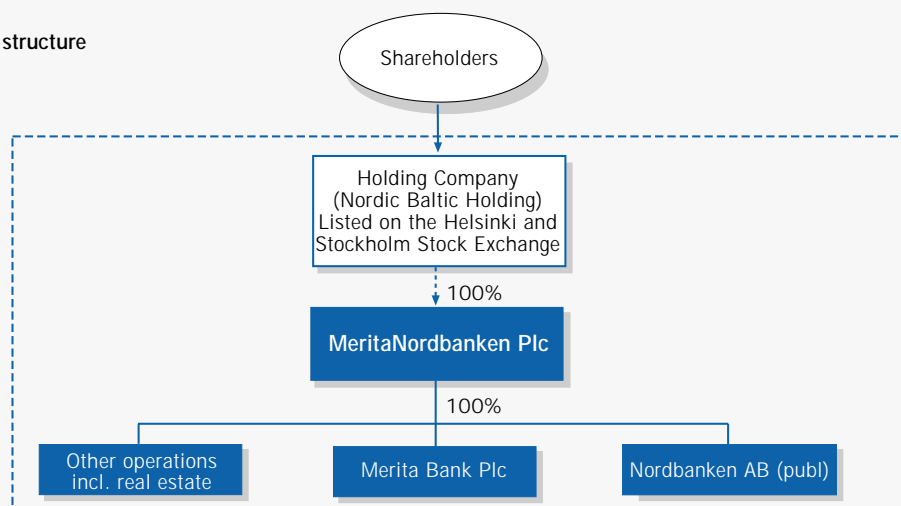
MeritaNordbanken Group structure

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

Present structure



Proposed new structure



Merita Plc and its associated company

Interim report for January-September 1999

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

The holding companies Merita Plc (Merita) and Nordbanken Holding AB (publ) (Nordbanken Holding) 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.

Merita shares are quoted on the Helsinki Stock Exchange in euros.

As stated in the interim report of the MeritaNordbanken Group, Merita and Nordbanken Holding entered into a new merger agreement on September 20, 1999 for the purpose of simplifying the legal structure of the MeritaNordbanken Group. In accordance with this merger agreement, the Board of Directors of Nordbanken Holding decided to make an exchange offer to shareholders and holders of convertible bonds in Merita, respectively. The offering documents are expected to be available to Merita shareholders and holders of Merita convertible bonds in late November 1999.

As long as the outcome of the aforesaid exchange offers is not known, the following stipulations continue to apply. Pursuant to the current Cooperation Agreement, Merita Plc, Nordbanken Holding AB (publ) and the MeritaNordbanken Plc Group are managed as one single entity. For this purpose its 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 current 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 completion of the proposed Exchange Offer (see above) would mean that the preference shares would be converted into ordinary shares subject to the decision of MeritaNordbanken's General Meeting.

The profit of Merita Plc for the period under review, excluding the associated company, was EUR 123 million. It consisted primarily of the confirmed dividend from MeritaNordbanken Plc, EUR 154 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 310 million, or EUR 0.36 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 2,153 million, or EUR 2.58 per share.

Assuming the continuation of favourable economic developments in Finland and Sweden during the last quarter, the business and results of the MeritaNordbanken Group, excluding items of a non-recurring nature, can be expected to sustain a stable trend.

Income statements

EUR million	Merita Plc incl. the associated company			Merita Plc		
	Jan-Sep 1999	Jan-Sep 1998	Jan-Dec 1998	Jan-Sep 1999	Jan-Sep 1998	Jan-Dec 1998
Interest income	11	10	25	11	10	25
Interest expenses	-6	-16	-18	-6	-16	-18
Net interest income	5	-6	7	5	-6	7
Income from equity investments						
Participating interests	0	0	-	154	0	1
Commission expenses	-0	-0	-0	-0	-0	-0
Net result from financial operations	-	133	133	-	133	133
Other operating income	0	1	7	9	1	7
	5	128	147	168	128	148
Administrative expenses						
Personnel expenses	-1	-1	-4	-1	-1	-4
Other administrative expenses	-1	-10	-11	-1	-10	-11
Depreciation and write-downs and other operating expenses	-0	-1	-1	-0	-1	-1
	-2	-12	-16	-2	-12	-16
Profit from the company accounted for under the equity method	313	278	404			
Adjustment in accordance with the Cooperation Agreement	-6	-68	-80			
Operating profit	310	326	455	166	116	132
Refund from the Pension Foundation/Fund ¹⁾	-	-	61	-	-	4
Write-downs on real estate holdings ¹⁾	-	-	-247	-	-	-11
Profit before taxes	310	326	269	166	116	125
Income taxes ²⁾	0	0	12	-43	0	12
Profit for the financial period	310	326	281	123	116	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		
	Sep 30 1999	Sep 30 1998	Dec 31 1998	Sep 30 1999	Sep 30 1998	Dec 31 1998
Assets						
Debt securities eligible for refinancing with central banks	162	151	158	162	151	158
Loans to credit institutions repayable on demand	17	9	36	17	9	36
Other debt securities	152	152	152	152	152	152
Shares and participations	0	0	0	0	0	0
Participating interests	1,995	1,833	1,727	1,650	1,650	1,650
Other assets	0	5	1	0	5	1
Prepaid expenses and accrued income	3	5	13	3	5	13
Total	2,329	2,155	2,087	1,984	1,972	2,010
Liabilities and shareholders' equity						
<i>Liabilities</i>						
Other liabilities	12	5	12	12	5	12
Accrued expenses and prepaid income	11	1	14	11	1	14
Provisions						
Pension provisions	1	1	1	1	1	1
Other provisions	–	3	–	–	3	–
Subordinated liabilities	152	152	152	152	152	152
Liabilities	176	162	179	176	162	179
<i>Shareholders' equity</i>						
Share capital	1,399	1,399	1,399	1,399	1,399	1,399
Share issue	0	–	–	0	–	–
Share premium reserve	5	5	5	5	5	5
Ordinary reserve	36	36	36	36	36	36
Retained earnings	403	227	187	245	254	254
Profit for the financial period	310	326	281	123	116	137
Shareholders' equity	2,153	1,993	1,908	1,808	1,810	1,831
Total	2,329	2,155	2,087	1,984	1,972	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	Sep 30 1999	Sep 30 1998	Dec 31 1998
Equity capital excluding the associated company	1,808	1,810	1,831
Share of equity capital in the associated company	385	201	111
Adjustment in accordance with the Cooperation Agreement	-40	-18	-34
Equity capital including the associated company	2,153	1,993	1,908

Key ratios including the associated company, see page 13.

Nordbanken Holding AB (publ) and its associated company

Interim report for January-September 1999

This report, together with the review of interim results of the MeritaNordbanken Group, constitutes the interim report of Nordbanken Holding.

The holding companies Nordbanken Holding AB (publ) (Nordbanken Holding) and Merita Plc (Merita) 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.

The shares of Nordbanken Holding are quoted on the Stockholm Stock Exchange in SEK and, as of October 4, 1999, also in euros.

As stated in the interim report of the MeritaNordbanken Group, Merita and Nordbanken Holding entered into a new merger agreement on September 20, 1999 for the purpose of simplifying the legal structure of the MeritaNordbanken Group. In accordance with this merger agreement, the Board of Directors of Nordbanken Holding decided to make an exchange offer to shareholders and holders of convertible bonds in Merita, respectively. The offering documents are expected to be available to Merita shareholders and holders of Merita convertible bonds in late November 1999.

As long as the outcome of the aforesaid exchange offers is not known, the following stipulations continue to apply. Pursuant to the current Cooperation Agreement, Nordbanken Holding AB (publ), Merita Plc and the MeritaNordbanken Plc Group are managed as one single entity. For this purpose the Cooperation Agreement provides, inter alia, that differ-

ences 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 MeritaNordbanken 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 current 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 completion of the proposed Exchange Offer (see above) would mean that the preference shares would be converted into ordinary shares subject to the decision of MeritaNordbanken's General Meeting.

The profit of Nordbanken Holding for the period under review, excluding the associated company, was SEK 1,491 million, of which SEK 1,473 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 4,124 million or SEK 3.23 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 28,163 million or SEK 22.08 per share.

Income statements

SEK million	Nordbanken Holding AB including the associated company			Nordbanken Holding AB		
	Jan-Sep 1999	Jan-Sep 1998	Jan-Dec 1998	Jan-Sep 1999	Jan-Sep 1998	Jan-Dec 1998
Operating income	-	-	-	-	-	-
Operating expenses						
Personnel expenses	-0	-0	-0	-0	-0	-0
Other operating expenses	-8	-8	-12	-8	-8	-12
Operating loss	-8	-8	-12	-8	-8	-12
Income from financial investments						
Income from investments in the associated company	-	-	-	1,473	-	-
Interest income	39	56	78	39	56	78
Interest expenses	-6	-5	-8	-6	-5	-8
Profit from the company accounted for under the equity method	4,049	3,615	5,432			
Adjustment in accordance with the Cooperation Agreement	57	589	710			
Profit after financial items	4,131	4,247	6,200	1,498	43	58
Refund from the Pension Foundation/Fund ¹⁾	-	-	802			
Write-downs on real estate holdings ¹⁾	-	-	-3,267			
Profit before taxes	4,131	4,247	3,735	1,498	43	58
Tax on profit for the period ²⁾	-7	-12	-16	-7	-12	-16
Net profit for the period	4,124	4,235	3,719	1,491	31	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

SEK million	Nordbanken Holding AB excluding the associated company		
	Jan-Sep 1999	Jan-Sep 1998	Jan-Dec 1998
Ordinary business, investments and financial operations			
Payments to suppliers and employees, etc.	-26	-7	-9
Interest received	32	43	65
Interest paid	-1	0	0
Income taxes paid	-13	-9	-12
Equity investments	-9	-193	-196
Dividends received	1,473	4,934	4,934
Dividends paid	-2,091	-1,913	-1,913
Cash flow for the period	-635	2,855	2,869
Liquid assets at the beginning of the period*	1,830	-1,039	-1,039
Liquid assets at the end of the period*	1,195	1,816	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		
	Sep 30 1999	Sep 30 1998	Dec 31 1998	Sep 30 1999	Sep 30 1998	Dec 31 1998
Assets						
Fixed assets						
<i>Financial fixed assets</i>						
Shares in associated companies	26,980	25,552	25,373	13,243	13,239	13,242
Total fixed assets	26,980	25,552	25,373	13,243	13,239	13,242
Current assets						
Short-term receivables	42	46	7	42	46	7
Short-term investments	1,140	1,780	1,800	1,140	1,780	1,800
Bank deposits	265	216	239	265	216	239
Total current assets	1,447	2,042	2,046	1,447	2,042	2,046
Total assets	28,427	27,594	27,419	14,690	15,281	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	1,491 *	31 *	42 *	1,491	31	42
Share of capital in the associated company	13,388	12,147	11,812			
Adjustment in accordance with the Cooperation Agreement	349	166	319			
Total shareholders' equity	28,163	27,328	27,157	14,426	15,015	15,026
Liabilities						
Short-term liabilities	264	266	262	264	266	262
Total liabilities	264	266	262	264	266	262
Total shareholders' equity and liabilities	28,427	27,594	27,419	14,690	15,281	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.

MeritaNordbanken

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