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Interim report January - September 2000

Strong growth in financial results

- Operating profit up 38% to EUR 1,962m (SEK 16.5bn)
- ROE 17.5% (excluding goodwill 21.1%)
- Stable growth in net interest income and commission income
- Operating expenses down in third quarter
- Improved rating

Continued improvement in strategic growth areas

- Norwegian Government accepts offer for Christiania Bank, the Group controls 77% of the shares
- Strong development in e-business – more than 1.7m e-customers
- Assets under management increased to EUR 107bn
- Fund manager of the year 2000 in Sweden
- Group expands in Poland
- Increased customer satisfaction

Shareholder value focus

- Earnings per share EUR 0.47, up 20%
- Market capitalisation of EUR 25bn
- Application for listing on the Oslo Stock Exchange
- Share price up 41% since year-end
- Increased presence in indices

Nordic Baltic Holding (NBH) AB (publ) is the leading financial services group in the Nordic and Baltic Sea region with total assets of EUR 200bn and a world leader in Internet banking with more than 1.7 million e-customers. NBH owns MeritaNordbanken Plc and Unidanmark A/S, including Merita Bank, Nordbanken, Unibank, ArosMaizels, Tryg-Baltica, Vesta, Merita Life and Livia. Six business areas serve 9 million personal customers and 600,000 corporate and institutional customers through 1,100 bank branches, 125 insurance service centres, telephone and e-banking services and own operations in 18 countries outside the home region. NBH is listed in Stockholm, Helsinki and Copenhagen.

www.nordicbalticholding.com

Operational Income Statement

EURm	Q3 2000	Q2 2000	Q1 2000	Pro forma*		Jan - Sep 2000	Pro forma*
				Q4 1999	Q3 1999		Jan - Sep 1999
Net interest income	785	779	723	702	667	2,287	2,053
Net commission income	333	384	377	349	279	1,094	815
Operating income from insurance	167	118	203	261	97	488	352
Net result from financial operations	74	91	145	111	-8	310	132
Other income	37	116	96	67	60	249	264
Total income	1,396	1,488	1,544	1,490	1,095	4,428	3,616
Personnel expenses	-464	-464	-449	-416	-401	-1,377	-1,213
Other expenses	-319	-370	-336	-399	-313	-1,025	-976
Total expenses	-783	-834	-785	-815	-714	-2,402	-2,189
Profit before loan losses	613	654	759	675	381	2,026	1,427
Loan losses, net	-20	-20	-17	-23	-13	-57	-68
Profit from companies accounted for under the equity method	31	23	9	28	8	63	89
Operating profit before goodwill depreciation	624	657	751	680	376	2,032	1,448
Goodwill depreciation	-21	-27	-22	-15	-6	-70	-24
Operating profit	603	630	729	665	370	1,962	1,424
Loss on disposal of real estate holdings	0	0	-40	-145		-40	
Refund of surplus in Pension foundation	7	9	8	65		24	
Taxes	-182	-163	-197	-102	-64	-542	-244
Minority interest	-1	0	-2	-2	0	-3	0
Net profit	427	476	498	481	306	1,401	1,180

Ratios and key figures

Earnings per share, EUR	0.14	0.16	0.17			0.47	0.39
Share price**, EUR	8.09	7.90	5.55			8.09	5.27
Shareholders' equity per share**, EUR	3.73	3.60	3.45			3.73	3.26
Shares in issue** (millions)	2,982	2,979	2,961			2,982	2,987
Return on equity (%)						17.5	16.6
Return on equity excl goodwill*** (%)						21.1	17.2
Lending**, EURbn	110	109	109			110	
Deposits**, EURbn	67	65	66			67	
Shareholders' equity**, EURbn	11	11	10			11	
Total assets**, EURbn	199	192	194			199	
Assets under management**, EURbn	107	104	102			107	
Cost/income ratio (before loan losses), banking (%)	56	52	52			53	60
Combined ratio, general insurance**** (%)	107	102	122			110	96
Tier 1 capital ratio** (%)	9.0	9.0	8.5			9.0	
Total capital ratio** (%)	11.0	10.8	10.6			11.0	
Risk-weighted amount (banking)**, EURbn	111	110	111			111	

* The combined pro forma figures for the full year 1999 are stated as in the merger prospectus between MeritaNordbanken and Unidanmark, except for some minor reclassifications between income, expenses and profit from companies accounted for under the Equity method. The pro forma figures do not include new business (mainly Vesta).

** End of period

*** Excluding goodwill depreciation and excluding remaining goodwill which has reduced the shareholders' equity

**** Excluding provision for (run-off from) the hurricane combined ratio was 104 in third quarter, 97 in second quarter and 107 in the first quarter of 2000, and 103 for Jan-Sep 2000

The Group

Result summary

Operating profit January-September 2000 was up 38% to EUR 1,962m compared to the first nine months of 1999.

This was largely attributable to high growth in commission income and a favourable development in interest income.

Return on equity was 17.5% or 21.1% excluding goodwill. Earnings per share were EUR 0.47 for the period.

Third quarter 2000

Operating profit for the third quarter was EUR 603m, a 4% decrease compared to the second quarter of 2000. Adjusted for dividends and gains from disposals of equity holdings during the second quarter, operating profit was up 18%.

Net interest income rose to EUR 785m, a reflection of continued improved deposit margins and lending growth.

Commission income fell to EUR 333m from EUR 384m due to lower activities in the stock markets and lower income in Corporate Finance.

Operating income from insurance increased from EUR 118m to EUR 167m, mainly caused by higher investment income.

Net result from financial operations decreased from EUR 91m to EUR 74m, reflecting the impact of a single capital gain of EUR 46m in the second quarter.

Combined investment income in banking and insurance for the third quarter amounted to EUR 134m compared to EUR 33m in the second quarter, adjusted for the single capital gain, an increase by EUR 101m. Insurance operations accounted for EUR 71m of this increase and banking for EUR 30m.

Personnel expenses remained unchanged from the second quarter, EUR 464m.

Other operating expenses decreased by 13% compared to the previous quarter and by 5% compared to the first quarter to EUR 319m. Part of this positive development are seasonal fluctuations.

Total operating expenses were down 6% to EUR 783m.

January-September 2000

Total operating income rose 22% to EUR 4,428m while total operating expenses increased by 10% to EUR 2,402m. The profit before loan losses was therefore up

42% to EUR 2,026m compared to the same period in 1999.

Net interest income was up 11% from EUR 2,053m to EUR 2,287m, caused by improved margins and an increase in total lending and deposit volumes since year-end.

Commission income was up 34% from EUR 815m to EUR 1,094m, which mainly reflects the positive development in assets under management and higher market volumes in the Nordic equity markets.

Net result from financial operations was EUR 310m up from EUR 132m whereof EUR 145m during the first quarter.

Loan losses amounted to EUR 57m. The net volume of doubtful loans was EUR 0.7bn at the end of September.

Excluding new business (mainly Vesta) and currency fluctuations, operating profit was up 32% compared to the same period in 1999. Total operating income rose by 16%, and total operating expenses by 3%. Adjusted for bonus payments and other variable salaries, the costs were unchanged.

Shareholders' equity

At the end of September, shareholders' equity was EUR 11.1bn. The fair value of assets in the Group's pension foundations and pension fund exceeded pension commitments by EUR 0.4bn. The tier 1 ratio at the end of September was 9.0%, and the total capital ratio was 11.0%.

The Nordic Baltic Holding share

The share price closed at SEK 69.00 (EUR 8.09) at 29 September, an increase of 38% from SEK 50.00 (EUR 5.84) at the beginning of the year. The market capitalisation of Nordic Baltic Holding on 23 October was EUR 24.8bn.

The number of shares outstanding increased through conversions in September by 3,006,359 to 2,982,199,076.

Since late spring, after the merger between Merita-Nordbanken and Unidanmark was completed, the Nordic Baltic Holding share has been added to, or increased its weight in, a number of national and international indices. In addition to the present listings in Stockholm, Helsinki and Copenhagen, application is planned for listing of the share on the Oslo Stock Exchange.

Christiania Bank og Kreditkasse

The Norwegian Government Bank Investment Fund decided to sell its shares in Christiania Bank to MeritaNordbanken for NOK 49 per share. This was announced on 16 October 2000 and the public offer to all shareholders of Christiania Bank was also increased to NOK 49 per share. The Group is now realising its vision to combine leading financial institutions in the four Nordic countries. The acquisition of Christiania Bank is expected to increase earnings per share already in the first year even after goodwill amortisation.

On Monday 23 October owners representing 67% of the shares in Christiania Bank had accepted the offer and together with previous holdings the Group controls 77% of the shares.

Merger integration process

The merger integration process between MeritaNordbanken and Unidanmark continues according to plan in all business areas and group functions.

When the merger was announced synergies were calculated to be EUR 200m annually before tax, with full effect within a three-year period. Half of the expected synergies are now estimated to be realised during 2001, mainly within the Corporate and Institutional Banking. A further EUR 50m of annual pre-tax synergies were estimated from retail banking and insurance operations.

The Group has merged the businesses in Luxembourg and brought the offices in New York and London together. MeritaNordbanken's branches in Copenhagen and Oslo as well as the Unibank office in Helsinki have been closed while the Unibank Stockholm branch will shortly be closed.

The Group's general insurance products will be introduced in Finland during 2001 and will be distributed via the branch network of Merita Bank and the Internet.

The Group expands in Poland

The work of expanding the Group's operations and to strengthen the distribution network in Poland continues.

The Group is now controlling over 90% of the share capital in Bank Komunalny. Bank Komunalny is a regional bank in Northern Poland with representation also in Warsaw.

The Group's investments in Poland also include a 45% ownership in BWP-Unibank bank and a 51% holding in the insurance company Energo Asekuracja S.A.

Authorisation has been granted to commence life insurance operations in Poland.

Upgraded rating

Standard & Poor's has upgraded the long term rating of Nordbanken and Merita Bank from A to A+. Unibank has been assigned A+. All ratings have been confirmed after the announcement on 16 October of the offer to acquire the shares in Christiania Bank.

Reply to the European Commission

The European Commission sent a Statement of Objection to banks and banking associations in six European countries in June and July, including Merita Bank in Finland. According to the Statement of Objection, the Commission believes that banks and banking associations have fixed prices for exchanging Euro-zone notes. Merita Bank has answered the statement as was requested by the Commission.

Incentive programme for top management

The Group introduces an incentive programme for around 300 members of the Group's top management. The purpose is to retain and recruit key personnel but also to further focus top management around creating customer value and controlling costs and thereby increase shareholder value.

It is a two-year programme tied to Total Shareholder Return (TSR). The annual TSR growth has to be more than 7.2% to give any return for the managers included. The maximum possible bonus of two annual salaries can be achieved at total TSR growth of 30% per annum (64% in two years). The maximum total cost amounts to EUR 82m. The programme does not dilute existing shares. Possible gains will have to be declared as salaries and taxes paid according to the laws in the respective countries.

"Solo, a pathfinder in Internet Banking", Global award for the Group

The British magazine "The Banker" has granted the Group its global award for best online business strategy. The award positions the Group at the top of the banking world as far as Internet banking is concerned. Solo, the brand for the Group Internet banking is widely recognised in both Finland and Sweden. Solo is soon to be launched in Denmark. The Group has more than 1.7 million customers who have signed up as users of net banking services.

A new solution for global e-commerce/ Internet banking

The Group expands its services on the Internet. The Group has joined Identrus, an organisation operating in a joint venture with SWIFT. Through this link the Group is now able to offer corporate customers services in the form of globally accepted certificates, complementing payments and guarantees. This will enable the Group's customers to trade globally in a secure way.

Results by business area January-September 2000

Profit by business area 1)

EUR million	Retail Banking	Corporate & Institutional Banking	Asset Management	Investment Banking 2)	Life Insurance & Pensions 3)	General Insurance 3)	Treasury	Other	Total
Customer-responsible units:									
Income	2,677	645	192	142	133	346	261	32	4,428
Expenses	-1,499	-322	-99	-93	-58	-270	-25	-106	-2,472
Loan Losses	-43	22	-	-	-	-	-	-36	-57
Equity method	-	-	-	-	-	-	-	63	63
Operating profit of which:	1,135	345	93	49	75	76	236	-47	1,962
- Q3	418	119	25	2	22	45	37	-65	603
- Q2	358	114	29	22	9	5	97	-4	630
- Q1	359	112	39	25	44	26	102	22	729
Cost/Income ratio	56%	50%	52%	65%			10%		
Return on equity	25%	15%			13%	18%			
Product-responsible units:									
Income			426	189	154				
Expenses			-188	-83	-79				
Product result of which:			238	106	75				
- Q3			75	22	15				
- Q2			69	31	8				
- Q1			94	53	52				

Group operations are organised into six major business areas: Retail Banking, Corporate and Institutional Banking, Asset Management, Investment Banking, Life Insurance and Pensions, and General Insurance.

The business areas are managed with decentralised profit responsibility. Customer-responsible units assume overall responsibility for the whole Group's business relations with its customers regarding financial results, utilisation of equity capital and risk. In addition to customer responsibility there are product units which are responsible for ensuring competitive and profitable products for the customer-responsible units.

Product units are monitored through the evaluation of product results, which include all revenues and expenses within the Group related to the respective products.

Equity capital related to banking business is allocated according to existing BIS rules, corresponding to a Tier 1 ratio of 6.5%. For life insurance activities, capital is allocated corresponding to 5% of reserves and for general insurance the capital allocated corresponds to 45% of premium income. The development of a model providing more accurate estimates of actual capital requirements is in progress.

Operating profit by business area and relating to customer responsibility is shown in the accompanying table. For business areas carrying product responsibility and where a substantial part of product earnings is allocated to other customer-responsible business areas, product results are also reported. In addition to the six business areas, Treasury, with responsibility for managing the Group's own positions in securities portfolios and internal bank activities, is also presented in the accompanying table. The column "Other" includes income and expenses not allocated to business areas, i.e. results from real estate holdings and certain long-term equity holdings, expenses for Group staffs, goodwill depreciation, central provisioning for loan losses and profits from companies accounted for under the equity method.

- 1) Due to the development of financial reporting for the merged operations, the quarterly results by business area have been restated.
- 2) Product result within Investment Banking refers to equities business.
- 3) Income is reported as net of premiums, investment income, claims, benefits and provisions. Operating income from insurance EUR 488m in the Group income statement includes income from product earnings in Life Insurance & Pension (EUR 154m), income from customer responsible units in General Insurance (EUR 346m) and group adjustments of EUR 12m.

Retail Banking

- **Strong profit growth**
- **Improved cost/income ratio**
- **Continued high sales of e-banking products**
- **Return on equity 25 %**

Retail Banking includes all activities related to private customers as well as small and medium-sized corporations. Retail Banking is organised in three Retail operations – Denmark, Finland and Sweden – and a regional organisation for Poland and the Baltic countries.

The market for Retail Banking continued to be favourable in the third quarter. Sales of e-banking products were successful, and the demand for financial services has been at a high level.

Results for the third quarter of 2000 show a positive development, with strong growth in net interest income. The general increase in short-term interest rates has had a positive impact on margins, and volumes show a healthy development.

Expenses decreased in the third quarter to the level in the first quarter of 2000, and the cost/income ratio improved consequently to 53%. Loan losses are at a very low level. The return on equity January-September was 25%. Compared to the first nine months of 1999, operating profit increased by approximately 50%.

Savings

Retail Banking's total deposits amounted to EUR 51bn, with marginally lower market shares.

The net inflow of savings into the Group's mutual funds was in Denmark EUR 265m, in Finland EUR 210m and in Sweden EUR 360m during the third quarter.

Life insurance premium income showed a healthy development. The market share in Finland has grown to over 40% in 2000. Sales efforts benefit from changing savings patterns and new rules on the taxation of interest on bank deposits.

Lending

Retail Banking's lending at the end of September totalled EUR 76bn, an increase since year-end of EUR 6bn. Over the last twelve months Retail's lending increased by 10%.

The household mortgage market share in Denmark, Finland and Sweden was 11%, 36% and 16% respectively at the end of September. This represented an increase in Sweden and Denmark of 0.8 and 0.2 percentage points and a decrease in Finland of 1.7 percentage points, compared to the end of September 1999.

Net banking

By 30 September more than 1.7 million customers had signed up as users of the Group's net banking services, and the targeted number at the beginning of 2001 is 2 million. At the end of September the Group had 153,000 customers who traded equities on the Internet compared to 140,000 in June. In August the Group received The Banker's global award for the best on-line business strategy.

New services introduced during the third quarter of 2000:

- Internet banking services for corporate customers in Sweden
- Online ordering of cards and foreign exchange in Denmark
- Foreign exchange dealing on the Internet and WAP in Finland
- Internet banking services in Estonia

Customer satisfaction

The yearly surveys of customer satisfaction undertaken in Finland and Sweden showed an overall increase in customer satisfaction both in the household and the corporate segments. In Denmark the high level of customer satisfaction was maintained. The Group has been awarded the Euromoney award "Best Domestic Bank in the Nordic region".

Merger process

The merger process is developing well and Retail Banking is on schedule in delivering synergies as planned. The Retail Banking network in the Nordic countries has been structured along identical lines. The national branch network in each country now consists of 3-4 regional banks.

In Poland the Group now controls over 90% of the share capital in Bank Komunalny and owns 45% of BWP-Unibank. The work to expand the Group's operations continues.

Retail Banking EURm	Q3	Q2	Q1	Jan - Sep 2000
Operating profit	418	358	359	1,135
Return on equity (%)	27	24	26	25
Cost/income ratio (%)	53	57	56	56
Customer base: private customers, million				8.3
corporate customers				560,000
Number of employees (full-time positions)				19,200

Corporate and Institutional Banking

- Continued strong earnings
- Merger synergies verified

Corporate and Institutional Banking delivers a range of products and services to all corporate customer segments of the Group. It also has customer responsibility for certain customer segments, such as large companies and financial institutions.

Services are provided through the Group's distribution network in its home markets, through the international branches in London, Frankfurt, Berlin, Hamburg, New York and Singapore, and through representative offices around the world.

Market developments

The strong economic developments have continued through the third quarter.

The ongoing process of industry consolidation has resulted in a high activity level within the M&A area, benefiting the Group's overall business volume in the Nordic region.

During the summer foreign exchange and interest rate markets were characterised by lower volatility than during the first half of the year. The no-vote in the Danish euro referendum did not cause any immediate major market movements. The demand for custody services in Finland and Denmark has remained high. In Sweden, where the Group's market share is small, sales of custody services are picking up due to the launching of new products.

The Group has decided to participate in Identrus, which is an initiative to build a global solution for e-based certification in international internet-based trade.

Results

The positive profit trend continued in the third quarter. Operating profit amounted to EUR 119m, an improvement of 4% compared to the second quarter. The main reasons for this development were:

- Generally high activity in business with corporate clients, which generated a steady flow of income
- Continued high demand for custody services
- Focus on client-related income within Markets, which has resulted in increased and less volatile earnings as well as lower risk levels.

Successful recovery work, mainly in the foreign units, and further reversals of the Country Risk Reserve due to less political risk exposure, have also had a positive effect on operating profit.

Return on equity was 15%.

Merger process

Generally, estimated integration synergies have been verified, and projects are in operation to realise them.

The closure of MeritaNordbanken branches in Copenhagen and Oslo and the Unibank branch in Helsinki are now completed, while the Unibank Stockholm branch will shortly be closed. The London and the New York units have, respectively, been brought together, and are now located in the same premises in each city.

Corporate and Institutional Banking EURm	Q3	Q2	Q1	Jan - Sep 2000
Operating profit	119	114	112	345
Return on equity (%)	15	15	15	15
Cost/income ratio (%)	49	50	51	50
Customer base: large companies and institutional clients				500
Number of employees (full-time positions)				2,700

Asset Management

- Less favourable market conditions
- Profits well above last year, but lower than Q1 and Q2
- "Fund manager of the year" award in Sweden

Asset Management includes institutional asset management, mutual fund and private banking operations. The unit ranks among the largest in the Nordic region.

Mutual funds are marketed through Retail Banking, the private banking business units and to institutional clients.

Investment management includes sales, investment management and reporting to large institutional, public and corporate customers. Local sales forces are responsible for customer contacts while investment management activities are executed centrally.

Market conditions in the third quarter did not replicate the picture in the first two quarters. The negative trend in the market conditions affected Asset Management's result for the third quarter but it is still well above last years'.

Investment Management

In the third quarter, Investment Management continued to benefit from high demand from Nordic and non-Nordic clients. As a result, new assets and clients were added to the business.

The investment management team in Stockholm has been awarded "Fund manager of the year 2000" by the Swedish financial journal, "Sparöversikt". The team has in recent years been climbing up in the rankings and has been ranked as number one among fund-managing companies. "Sparöversikt" bases its award on broad successes across growth areas in fund-managing, and puts special emphasis on the results deriving from European, Asian and Global funds.

Through the established joint venture with Liberty, a high-yield product (corporate bonds) was launched and marketed towards both institutional and retail clients.

Assets under management

Assets under management by the Group continued to increase during the last quarter from EUR 104bn to EUR 107bn.

New mutual fund products in the year to date are Selecta Sweden, Pro Corporate Fund, the Life Cycle product group, High Yield Bond Fund and Global Health Care.

Of the total savings in mutual funds, the Group's market share is 26% in Denmark, 27% in Finland and 20% in Sweden (June). Market shares for the inflow into the mutual funds were 15% in Denmark, 30% in Finland and 21% in Sweden.

Nordic Private Banking

The Nordic private banking units have continued to be successful in the third quarter although the activity level during the summer months was lower than during the spring.

Nordic Private Banking operates from 60 units in Denmark, Finland and Sweden with approximately 45,000 customers.

During the last quarter Treviso Private Bank, Finland was merged with Private Wealth Management, Finland.

Offshore Private Banking

Market conditions within offshore private banking were not as favourable during the third quarter as in the two previous quarters, but the overall demand for international private banking services remains solid.

Merger process

Asset Management's joint project with Retail Banking on servicing retail clients by managing their assets is progressing according to the implementation plan. The objective is to realise synergies by combining the distribution capacity of Retail Banking with expertise built up in Asset Management.

Asset Management EURm	Q3	Q2	Q1	Jan - Sep 2000
Operating profit, customer responsible units	25	29	39	93
Cost/income ratio (%)	57	56	43	52
Product result	75	69	94	238
Assets under management, EURbn	107	104	102	
Number of employees (full-time positions)				800

Investment Banking

- Less favourable market conditions
- Effective integration process
- Establishment of New York and London sales offices

Investment Banking services are offered under the ArosMaizels brand. The business area comprises Corporate Finance and Equities.

Corporate Finance offers a wide range of services including equity offerings, initial public offerings, private placements, M&A transactions, advisory and restructuring services and other financial advisory services.

Equities undertakes sales, trading and research in equities. Equities is responsible for institutional equity trading and also for providing retail equity products to Nordbanken, Merita and Unibank.

A number of new product initiatives, including a new private placement activity, as well as an enhanced international partner network, are being put in place.

Market developments

During the third quarter of 2000 the Nordic equity markets were characterised by higher market volumes than the year before. At the Copenhagen Stock Exchange, the market continued to be positive with increased volumes primarily driven by international investors focusing on Danish shares and the KFX index reaching a new all-time high in September. The market volumes on the stock exchanges in Helsinki (HEX) and Stockholm (OM) were lower in the third quarter than in the two previous quarters. The SX-Generalindex at OM and the All-share Index at HEX declined during the third quarter.

Results

Investment Banking revenues for the third quarter were lower than in the first half year since the markets were less favourable with lower volumes.

Market conditions in Sweden and Finland, combined with the Danish referendum regarding the EMU, caused delays in corporate finance transactions.

Within Corporate Finance, there was less activity in the third quarter due to the normal decline in transactions during the summer months. The number of projects in process is still strong and so is the inflow of new business.

Measured by the combined market share ArosMaizels' equities business maintained its strong position in the Nordic area.

Merger process

The integration process has proceeded rapidly and ArosMaizels is now offering its advisory services based on the combined strengths of the merged entities.

As a part of the integration process and following the termination of the Fleming Aros joint venture, equities business in New York and London will be established.

Investment Banking EURm	Q3	Q2	Q1	Jan - Sep 2000
Operating profit	2	22	25	49
Cost/income ratio (%)	91	62	58	65
Product result, equities business	22	31	53	106
Number of employees (full-time positions)				450

Life Insurance and Pensions

- **Operating profit of EUR 75m for the period January to September**
- **Aggregate growth of 69% in premium income**
- **In Finland, growth in premium income has declined after the extraordinary growth in the first half of the year**
- **Investment return 11%**
- **Focus on unit-linked and corporate pension schemes and, in Finland, on endowment business**

The business area comprises all life and pension insurance products, ie risk covers, long-term savings and investment vehicles.

Life Insurance and Pensions has initiated a number of pan-Nordic and Polish business development projects:

- Investment products from SAFE (Luxembourg and the Isle of Man) will be offered in Sweden in the fourth quarter of 2000
- Vesta Life will from October 2000 offer unit-linked pensions to the Norwegian market
- A non-mutual life insurance company has been set up in Sweden. The company will operate in parallel with Livia from 1 January 2001
- Authorisation has been granted to commence life insurance operations in Poland. The operations are expected to be launched in the fourth quarter of 2000
- A pan-Nordic life insurance web distribution is under development.

Premium income

Premium income in Denmark and Sweden rose by 12% and 16%, respectively, compared to the period from January to September 1999. The life insurance company in Norway was acquired at the end of 1999, and comparative figures are not included. Compared to the second quarter when the activity level was low, premium income in Norway rose by just over 150%.

In Finland, premium income declined compared to the second quarter of 2000, while premium income rose by 101% compared with the period from January to September 1999. The steep increase is mainly a result of changes in customers' savings patterns in response to new rules on the taxation of interest from bank deposits. The share of the Finnish market has grown to just over 40% in 2000.

Assets under management

Investment assets under management totalled EUR 19.2bn on 30 September 2000.

Investment return at market value for the period from January to September 2000 totalled 11%. The return in Denmark was 15%, primarily as a result of the strength of investments in Danish shares. The return yielded in other countries varied between 4% and 7%.

Results

Operating profit for the customer responsible unit for the period from January to September 2000 totalled EUR 75m, corresponding to a return on equity of 13%. The product result, excluding the result generated by Livia, which is a mutual company, also amounted to EUR 75m. The results of the other companies are calculated in accordance with the local rules on the allocation of profits to policyholders and to equity capital in compliance with a contribution principle.

As a result of the high investment return, EUR 477m was allocated to bonus equalisation provisions in Denmark from January to September 2000. These provisions help to ensure the future return on equity and to ensure a stable return for policyholders.

Life Insurance and Pensions EURm	Customer Responsible Units				Product Responsible Units			
	Q3	Q2	Q1	Jan - Sep 2000	Q3	Q2	Q1	Jan - Sep 2000
Gross premiums	205	163	204	572	584	778	838	2,200
Technical result	4	5	4	13	0	5	7	12
Investment income	18	4	40	62	15	3	45	63
Operating profit/product result	22	9	44	75	15	8	52	75
Return on equity (%)	11	5	23	13				
Shares	5,268	5,300	5,251		6,403	5,958	6,148	
Bonds	5,645	5,171	5,196		8,975	8,428	8,252	
Property	1,008	994	993		1,196	1,184	1,157	
Unit-linked	392	380	399		2,607	2,425	2,283	
Investments	12,313	11,845	11,839		19,181	17,995	17,840	
Technical provisions	11,444	11,019	10,923		18,077	17,324	16,752	
Number of employees (full-time positions)				350				470

General Insurance

- **Operating profit EUR 76m for the period January to September**
- **Substantial gains on the equity portfolio**
- **General insurance will be launched in Finland**
- **Premium increases**

The business area comprises the Group's direct and indirect general insurance activities including Tryg-Baltica Forsikring in Denmark, Vesta Forsikring in Norway, Energo Asekuracja in Poland and Tryg-Baltica International in London. The activities comprise all major types of general insurance in Denmark and Norway.

The "Tryg-Familie" general insurance concept is continuously very popular in Denmark. Together with distribution through banks via "Tryg in Unibank", this full-scale customer concept is showing a positive development in premiums.

Significant traffic growth on <http://www.tryg.dk> continued in the third quarter, and the ongoing improvement of website functionality was favourably received by customers.

An implementation plan has been approved for the distribution of general insurance products to personal customers via Merita Bank's branch network in Finland and the Internet. The first policies are expected to be written in the first half of 2001. Merita Bank's branch network will be responsible for the distribution, and Tryg-Baltica will supply the general insurance know-how, thus combining the Group's distribution power in the Finnish market with the positive experience in the Danish market.

Premiums for certain customer segments in the Danish

and Norwegian markets have been increased due to the claims record and the increases in reinsurance premiums.

Claims incurred in the third quarter were EUR 20m higher compared to the second quarter. The premium increase is in line with the previously formulated strategy, which assigns higher priority to profitability than to volume.

Results

Operating profit for the third quarter showed an increase of EUR 40m compared to the previous quarter. The investment return increased by EUR 55m, while the technical result was EUR 15m lower compared to the second quarter.

Premium income

In Poland and Norway, premium growth is reported. Premium income generated by the Danish general insurance business is on a par with the previous quarter.

Expenses

Expenses are marginally higher than in the second quarter due to rising commissions payable in connection with premium growth. Commissions are fully charged when the insurance policies are written.

Investment assets

Investment assets under management totalled EUR 2.6bn on 30 September 2000.

The investment return was EUR 71m before transfer to technical interest, corresponding to a return of 9%. The result is boosted by gains on the Danish equity portfolio of 18% in the third quarter.

General Insurance EURm	Q3	Q2	Q1	Jan - Sep 2000
Gross premiums	398	391	377	1,166
Earned premiums, net of reinsurance	341	338	319	998
Technical interest	33	28	28	89
Claims incurred, net of reinsurance	-277	-257	-303	-837
Insurance operating expenses	-90	-87	-88	-265
Technical result	7	22	-44	-15
Profit on investment activities	38	-17	70	91 ¹
Operating profit	45	5	26	76
Combined ratio (%)	106.9	101.5	122.4	109.8
Return on equity (%)	31	4	19	18
Shares	498	514	620	
Bonds	1,711	1,713	1,520	
Property	407	404	413	
Investments	2,616	2,631	2,553	
Number of employees (full-time positions)				4,250
Combined ratio not including claims from the hurricane	103.9	96.5	107.0	102.5

1) After deduction of expenses of EUR 5m

Treasury

Treasury is responsible for Investment and Risk Trading as well as Internal bank functions and Asset and Liability Management for the Group, excluding insurance activities.

Investment and Risk Trading actively manages fixed-income investment portfolios amounting to EUR 12.4bn and equity investment portfolios amounting to EUR 0.6bn.

Internal bank is responsible for the Group's funding programmes and carries the function for pricing all cash flows within the Group.

Asset and Liability Management conducts balance sheet analyses including analyses regarding structural balance sheet risks.

Fixed-income portfolios

Most of the interest-bearing securities, EUR 7.7bn, are classified as current assets and valued at market. At the end of September, the price risk involved in these positions amounted to EUR 41.3m measured as Value-at-Risk (EUR 36.4m at the end of June). The duration of the

financial current assets was 1.7 years, up from 1.5 years at the end of June.

EUR 4.7bn of the interest-bearing securities are classified as financial fixed assets and carried at acquisition value, which at present corresponds to the market value. The portfolio consists of mainly EUR and SEK denominated government bonds and mortgages. The duration was 2.0 years. The largest part is used as collateral for payments.

Equity holdings

Equity holdings of EUR 0.4bn are classified as financial current assets and valued at market whereas EUR 0.2bn are carried at the lower of cost or market. At the end of September, unrealised gains totalled EUR 0.1bn.

Results

Operating profit for January-September amounted to EUR 236m, of which EUR 234m was related to Investment and Risk Trading and EUR 2m to the Internal bank.

A breakdown of the portfolio profits is shown below. Income is calculated net assuming funding costs at current market rates.

Treasury EURm	Fixed- income portfolios	Equity portfolios	Internal Bank	Total
<u>January – September 2000</u>				
Income	108	134	19	261
Costs	-5	-3	-17	-25
Operating profit	103	131	2	236

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

Copenhagen/Helsinki/Stockholm, 24 October 2000

Hans Dalborg
President and Group Chief Executive Officer

Further information:

Hans Dalborg, President and Group CEO, tel +46 8 614 7800

Arne Liljedahl, CFO/EVP, tel +358 9 165 42311 (or +46 70 566 7121)

Björn Westberg, Investor Relations, tel +46 8 614 7850 (or +46 70 590 5552)

Next reporting date:

The year-end report of the Nordic Baltic Holding Group for the year 2000 will be published on 21 February 2001.

Statutory Income Statement¹

	Note	EURm Jan - Sep 2000	EURm Jan - Sep 1999	SEKm Jan - Sep 2000	SEKm Jan - Sep 1999
Interest income		7,082	3,569	59,562	31,698
Interest expenses		-4,795	-2,228	-40,327	-19,783
Net interest income		2,287	1,341	19,235	11,915
Dividends received		124	25	1,039	222
Fees and commissions receivable		1,284	636	10,799	5,650
Fees and commissions payable		-190	-71	-1,595	-634
Net fees and commissions receivable		1,094	565	9,204	5,016
Net result from financial operations	1	310	88	2,606	781
Other operating income		125	218	1,054	1,939
Total operating income		3,940	2,237	33,138	19,873
General administrative expenses					
Personnel expenses		-1,163	-587	-9,784	-5,209
Other expenses		-806	-536	-6,776	-4,767
Depreciation according to plan		-157	-110	-1,323	-975
Total operating expenses		-2,126	-1,233	-17,883	-10,951
Profit before loan losses		1,814	1,004	15,255	8,922
Loan losses, net	2	-54	-22	-453	-189
Change in value of property taken over for protection of claims		-3	2	-25	15
Profit from companies accounted for under the equity method		60	67	509	589
Operating profit, banking		1,817	1,051	15,286	9,337
Operating profit, insurance	3	125	-	1,050	-
Total operating profit		1,942	1,051	16,336	9,337
Loss on disposal of real estate holdings		-40	-	-336	-
Pension adjustments		44	-	364	-
Taxes		-542	-167	-4,559	-1,482
Minority interests		-3	-1	-27	-15
Net profit Unidanmark Group for Q1, 2000		-180	-	-1,510	-
Net profit		1,221	883	10,268	7,840

1) Statutory Income Statement and Balance Sheet for 1999 only consist of the former MeritaNordbanken Group

Exchange rates applied

	2000	1999	1999
EUR 1 = SEK	Jan - Sep	Jan - Sep	Jan - Dec
Income statement (average)	8.4108	8.8822	8.8150
Balance sheet (at end of period)	8.5265	8.7235	8.5625
<hr/>			
EUR 1 = DKK			
Income statement (average)	7.4532	7.4353	7.4358
Balance sheet (at end of period)	7.4570	7.4332	7.4432
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EUR 1 = FIM 5.94573 (fixed rate)			

Notes

Note 1	Net result from financial operations	EURm	EURm	SEKm	SEKm
		Jan - Sep	Jan - Sep	Jan - Sep	Jan - Sep
		2000	1999	2000	1999
<hr/>					
	Shares/participations and other share-related instruments	151	151	1,268	1,341
	Interest bearing securities and other interest-related instruments	54	-118	458	-1,046
	Foreign exchange gains/losses	105	55	880	486
	Total	310	88	2,606	781
<hr/>					
Note 2	Loan losses, net	EURm	EURm	SEKm	SEKm
		Jan - Sep	Jan - Sep	Jan - Sep	Jan - Sep
		2000	1999	2000	1999
<hr/>					
<i>Individually appraised receivables</i>					
	Losses incurred during the period	-484	-792	-4,127	-6,910
	Previous provisions utilised	474	780	4,041	6,809
	Provisions for possible loan losses	-382	-130	-3,257	-1,136
	Recovery of previously incurred losses	59	33	504	289
	Reversal of previous provisions	261	88	2,228	772
	Total	-72	-21	-611	-176
<hr/>					
<i>Receivables appraised by category</i>					
	Losses incurred during the period	-12	-13	-100	-116
	Recovery of previously incurred losses	10	10	88	87
	Reversal/provision to reserves for Possible loan losses	-0	-0	-1	-1
	Total	-2	-3	-13	-30
	Country risk	31	6	264	52
	Contingent liabilities	-11	-4	-93	-35
	Total	-54	-22	-453	-189

Note 3 Operating profit, insurance	EURm Jan - Sep 2000	EURm Jan - Sep 1999	SEKm Jan - Sep 2000	SEKm Jan - Sep 1999
General Insurance				
Earned premiums, net of reinsurance	998	..	8,391	..
Technical interest, net of reinsurance	89	..	746	..
Claims incurred, net of reinsurance	-837	..	-7,034	..
Insurance operating expenses, net of reinsurance	-265	..	-2,231	..
Technical result	-15	..	-128	..
Investment				
Interest etc	107	..	896	..
Realised and unrealised gains etc	81	..	678	..
Investment expenses	-5	..	-42	..
Technical interest transferred to the general insurance technical account	-92	..	-765	..
Total profit on investment activities	91	..	767	..
Profit before tax, General Insurance	76	..	639	..
Life Insurance and Pensions				
Earned premiums, net of reinsurance	2,104	..	17,697	..
Financial interest, net of reinsurance	1,254	..	10,549	..
Claims incurred and benefits paid and change in provision	-2,837	..	-23,870	..
Change in bonus equalisation provisions	-439	..	-3,691	..
Insurance operating expenses, net of Reinsurance	-70	..	-587	..
Technical result	12	..	98	..
Investment activities				
Interest etc	507	..	4,262	..
Realised and unrealised gains etc	929	..	7,815	..
Investment expenses	-9	..	-78	..
Pension return tax etc	-105	..	-880	..
Investment return transferred to the life insurance technical account	-1,259	..	-10,584	..
Total profit on investment activities	63	..	535	..
Profit before tax, life insurance	75	..	633	..
Operating profit, before group adjustments	151	..	1,272	..
Group adjustments	-26	..	-222	..
Operating profit, insurance	125	..	1,050	..

Statutory balance sheet, end of period

	EURbn Sep 2000	EURbn Sep 1999	SEKbn Sep 2000	SEKbn Sep 1999
Loans and advances to credit institutions	22	8	191	74
Lending	110	67	937	586
Interest-bearing securities	25	12	212	107
Shares	3	1	27	5
Shares in group and associated undertakings	0	1	4	6
Intangible assets	1	0	7	1
Land and buildings	2	3	15	24
Other assets, banking	15	6	127	50
Assets, insurance	21	..	181	..
Total assets	199	98	1,701	853
Deposits by credit institutions	29	14	244	123
Deposits	67	39	575	343
Other borrowings from the public	1	3	12	21
Debt securities in issue	47	25	399	214
Other liabilities, banking	20	9	166	76
Liabilities, insurance	19	..	166	..
Subordinated liabilities	5	3	43	28
Minority interests	0	0	1	0
Shareholders' equity	11	5	95	48
Total liabilities and shareholders' equity	199	98	1,701	853

Shareholders' equity	EURm Jan - Sep 2000	SEKm Jan - Sep 2000
Shareholders' equity at 1 January	5,526	47,315
Dividend	-427	-3,659
Share exchange	4,911	40,676
Convertible loan	16	140
Own shares	-151	-1,287
Currency-translation adjustment	-1	1,147
Net profit for the period	1,221	10,268
At end of period	11,095	94,600

Capital adequacy	EURm Sep 2000	EURm Sep 1999	SEKm Sep 2000	SEKm Sep 1999
Tier 1 capital	10,013	5,226	85,374	45,590
Capital base	12,181	7,273	103,858	63,446
Risk-weighted amounts (banking), bn	111	67	948	587
Tier 1 capital ratio (%)	9.0	7.8	9.0	7.8
Total capital ratio (%)	11.0	10.8	11.0	10.8

Notes

Derivatives	Interest-rate derivatives		Equity derivatives		Foreign exchange derivatives	
	Market value	Book value	Market Value	Book value	Market value	Book value
EURm 30 September 2000						
Positive values	3,264	3,154	257	140	6,474	6,421
Negative values	3,332	3,277	361	244	5,549	5,419

Cash flow statement	EURm	EURm	SEKm	SEKm
	Jan - Sep 2000	Jan - Sep 1999	Jan - Sep 2000	Jan - Sep 1999
Net cash inflow/(outflow) from operating activities before changes in ordinary business assets and liabilities	1,601	1,726	13,468	15,335
Changes in ordinary business assets and liabilities	-26,157	-3,107	-220,002	-27,595
Net cash inflow/(outflow) from operating activities	-24,556	-1,381	-206,534	-12,260
Net cash inflow/(outflow) from capital expenditure and financial investments	145	-1,404	1,221	-12,471
Net cash inflow/(outflow) from financing	23,853	2,324	200,435	19,256
Increase/(decrease) in cash	-558	-461	-4,878	-5,475
Cash and cash equivalents at beginning of period	3,552	1,904	30,408	18,064
Cash and cash equivalents at end of period	2,994	1,443	25,530	12,589

Problem loans	EURm	EURm	SEKm	SEKm
	Sep 2000	Sep 1999	Sep 2000	Sep 1999
Doubtful loans, gross	2,829	2,407	24,122	20,997
Provisions for bad and doubtful loans	-2,149	-1,477	-18,324	-12,884
Doubtful loans, net	680	930	5,798	8,113
Loans with interest deferrals	24	19	208	166
Problem loans, total*	704	949	6,006	8,279
Provisions/doubtful loans, gross (%)	76.0	61.4	76.0	61.4
Doubtful loans, net/lending (%)	0.6	1.4	0.6	1.4
Property taken over for the protection of claims	37	68	315	593
Land and buildings	18	35	153	305
Shares and participations	19	33	162	288

* Corresponding pro forma figures for Jan-Sept 1999; doubtful loans, gross, EUR 3,614m; provisions for bad and doubtful loans, EUR 2,501m; doubtful loans, net, EUR 1,114m, loans with interest deferrals, EUR 35m; problem loans total, EUR 1,149m; provisions/doubtful loans gross, 69.2% and doubtful loans, net/lending, 1.0%.