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## Merita Plc including associated companies

# Year-end report 1999

Merita Plc and Nordbanken Holding AB (publ), which changed its name in January 2000 to Nordic Baltic Holding (NBH)(publ), were the owner holding companies of MeritaNordbanken Plc, parent company of the MeritaNordbanken Plc Group. MeritaNordbanken Plc Group and the two owner companies together formed MeritaNordbanken Group.

On November 14, 1999, Nordbanken Holding made an exchange offer to the shareholders and holders of convertible bonds in Merita Plc. As of January 20, 2000, shareholders representing 95.9% of the total number of shares and votes had accepted the offer. Accordingly, the redemption procedure for the remaining shares was initiated, whereby Merita will become a wholly-owned subsidiary of Nordic Baltic Holding. Holders of convertible bonds corresponding to 91.2% of the total outstanding loan amount accepted the exchange offer.

Nordic Baltic Holding is listed on the stock exchanges in Stockholm and Helsinki. The share is traded on the Helsinki Exchanges in the form of Finnish Depositary Receipts (FDR).

In order to implement the exchange offer, Nordic Baltic Holding submitted a redemption bid on January 31, 2000 in accordance with the Finnish Securities Market Act and concurrently requested a redemption ruling in accordance with the Finnish Companies Act pertaining to the shares which had not been exchanged. The redemption price is EUR 5.77 per share. If a shareholder does not accept the redemption ruling the redemption price will be determined by arbitration in accordance with the Finnish Companies Act.

At the same time, Nordic Baltic Holding presented a redemption offer for the convertible bonds that had not been exchanged. The redemption price is 104.2% of the nominal value of the bond, which is FIM 10 000 (EUR 1 681.88). As a result of the planned merger of Merita Plc, it is not possible to exchange the convertible bonds for shares in Merita Plc.

In order to illustrate Merita's financial development and position strictly from the company's viewpoint, the following income statements and balance sheets are presented for Merita Plc, including and excluding the associated company MeritaNordbanken.

*MeritaNordbanken, the leading bank group in the Nordic region, provides a broad spectrum of financial products and services to more than 6.5 million private individuals and 400 000 companies and institutions. The Group's service network comprises some 700 branch offices in Finland and Sweden and over 1 000 Swedish post offices. More than 1 000 000 customers use the Group's effective telephone and Internet banking facilities. Customer savings under management total more than EUR 75 billion. Outside the Nordic region, the Group has a presence in 19 countries. Nordic Baltic Holding (NBH) AB (publ) is the Group's parent company. It is listed on the Stockholm Stock Exchange and as an FDR on the Helsinki Exchanges.*

**Earnings and financial position**

Net profit for the year for MeritaNordbanken Group amounted to EUR 1 098 M, compared with EUR 704 M in 1998. This result includes withdrawals from pension foundation and funds of EUR 65 M (152), and write-downs of real estate of EUR 145 M (617). Return on equity amounted to 20.9% and earnings per share to EUR 0.53.

Merita Plc's share (40%) of the MeritaNordbanken Group's result is shown under profit from companies accounted for under the equity method, including a deduction of EUR 13 M (80) in accordance with the original cooperation agreement. The result also includes payment of 40% of the withdrawal from the pension foundation and funds of EUR 26 M (61) and a charge of 40% of the real estate write-downs of EUR 58 M (247). Thereafter, the result corresponds to 40% of the total result of the MeritaNordbanken Group and amounts to EUR 439 M (281). Profit for the year for Merita Plc excluding associated companies amounted to EUR 134 M (137).

Merita Plc's shareholders' equity (excluding associated companies) was EUR 1 828 M at the year end. Subsequent to the increase in shareholders' equity of associated companies and adjusted according to the original cooperation agreement, the shareholders' equity of Merita Plc at the year-end corresponded to 40% of the shareholders' equity of the MeritaNordbanken Group, EUR 2 210 M, or EUR 2.68 per share.

**Dividend**

The Board of Directors of Merita Plc proposes that no ordinary dividend be paid.

The Board of Nordic Baltic Holding (NBH) AB (publ) proposes a dividend of SEK 1.75 per share.

*Further information:*

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**Income statement**

<b>EUR million</b>	Merita Plc incl. the associated company		Merita Plc	
	1999	1998	1999	1998
Interest income	14	25	14	25
Interest expenses	-7	-18	-7	-18
Net interest income	7	7	7	7
Income from equity investments				
Participating interests	-	-	154	1
Other companies	0	0	0	0
Commission expenses	-0	-0	-0	-0
Net result from financial operations	-	133	-	133
Other operating income	0	7	8	7
	7	147	169	148
Administrative expenses				
Personnel expenses				
Salaries and fees	-1	-1	-1	-1
Staff-related costs				
Pension costs	-1	-3	-1	-3
Other staff-related costs	-0	-0	-0	-0
Other administrative expenses	-2	-11	-2	-11
Depreciation and and write-downs on tangible and intangible assets	-	-0	-	-0
Other operating expenses	-1	-1	-1	-1
	-5	-16	-5	-16
Profit from the company accounted for under the equity method	470	404	-	-
Adjustment in accordance with the Cooperation Agreement	-13	-80	-	-
<b>Operating profit</b>	<b>459</b>	<b>455</b>	<b>164</b>	<b>132</b>
Refund from the Pension Foundation/Fund <sup>1)</sup>	26	61	-	4
Writedowns on real estate holdings <sup>1)</sup>	-58	-247	-	-11
<b>Profit before taxes</b>	<b>427</b>	<b>269</b>	<b>164</b>	<b>125</b>
Income taxes <sup>2)</sup>	12	12	-30	12
<b>Profit for the financial year</b>	<b>439</b>	<b>281</b>	<b>134</b>	<b>137</b>

<sup>1)</sup> 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.

<sup>2)</sup> Income taxes include only Merita Plc's taxes. Merita Plc's share of the MeritaNordbanken Group other taxes is reported under "Profit from companies accounted for under the equity method" and amounts to EUR 94 million (in 1998 EUR 91 million)

<b>Keys ratios including associated companies</b>	1999	1998
Shares outstanding at end of period, millions	833.7	832.0
- after full conversion	856.9	859.1
Earnings per share after full conversion	EUR 0.53	EUR 0.33
- excl. items affecting comparability	EUR 0.51	EUR 0.42
Shareholders' equity per share at the end of period		

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after full conversion	EUR 2.68	EUR 2.29
Market price at the end of period	EUR 5.85	EUR 5.42
Market capitalization / Shareholders equity	2.2	2.4
Direct yield, %	—	3.3
Return on equity, %	20.9	14.3
Average number of employees during the year	5	6

**Balance sheet**

EUR million	Merita Plc incl. the associated company		Merita Plc	
	1999	1998	1999	1998
<b>Assets</b>				
Debt securities eligible for refinancing with central banks	172	158	172	158
Loans to credit institutions repayable on demand	6	36	6	36
Other debt securities	152	152	152	152
Shares and participations	0	0	0	0
Participating interests	2 032	1 727	1 650	1 650
Other assets	0	1	0	1
Prepaid expenses and accrued income	10	13	10	13
<b>Total assets</b>	<b>2 372</b>	<b>2 087</b>	<b>1 990</b>	<b>2 010</b>
<b>Liabilities and shareholders' equity</b>				
<i>Liabilities</i>				
Other liabilities	12	12	12	12
Accrued expenses and prepaid income	6	14	6	14
Provisions				
Pension provisions	2	1	2	1
Other provisions	—	—	—	—
Subordinated liabilities	142	152	142	152
Liabilities	162	179	162	179
<i>Shareholders' equity</i>				
Share capital	1 402	1 399	1 402	1 399
Share premium reserve	11	5	11	5
Ordinary reserve	36	36	36	36
Retained earnings	322	187	245	254
Profit for the year	439	281	134	137
Shareholders' equity	2 210	1 908	1 828	1 831
<b>Total liabilities and shareholders' equity</b>	<b>2 372</b>	<b>2 087</b>	<b>1 990</b>	<b>2 010</b>
<b>Off-balance-sheet commitments</b>				
Commitments on behalf of customers in favour of third parties				
Guarantees and pledges	2	1	2	1
<b>Shareholders' equity</b>				
	1999	1998		
Equity capital excluding the associated company	1 828	1 831		
Share of equity capital in the associated company	449	111		
Adjustment in accordance with the Cooperation Agreement	-67	-34		
<b>Equity capital including the associated company</b>	<b>2 210</b>	<b>1 908</b>		