



Pictorial theme:

Finnish companies banking with Merita



Neste



Tepponen Oy



Nokia



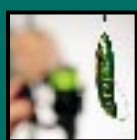
Finnzymes Oy



Polar Electro



UPM-Kymmene Corporation



Rapala-Normark Group

Photo: Magnus Scharmanoff

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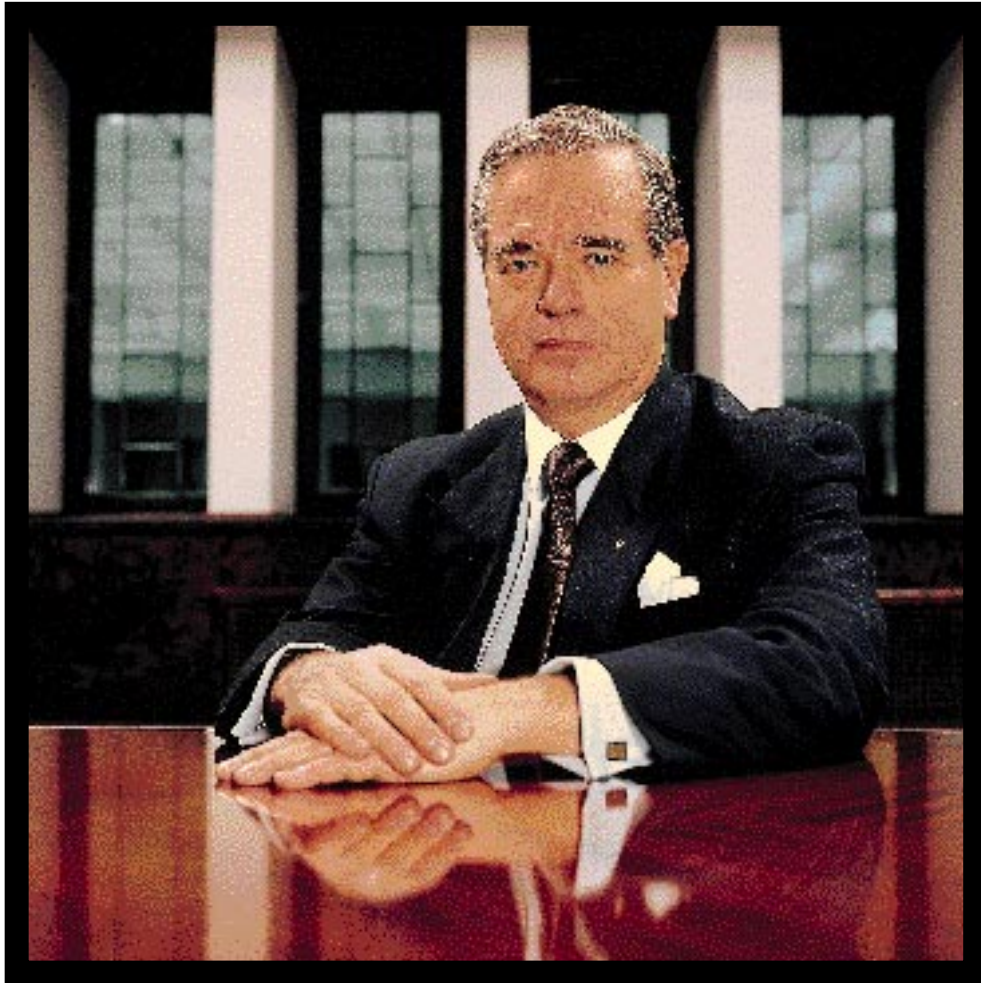
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The corporate mark, consisting of two elements, wood and stone, symbolizes partnership and cooperation between Merita and its customers.

Milestones 1995

- 9.2. Uunitas and Kansallis-Osake-Pankki announce their merger plan.
- 27.2. First joint branch opened in Tallinn. The first local outlet of a western bank.
- 16.3. Merger plan approved by the Annual General Meeting of Kansallis-Osake-Pankki.
- 17.3. Merger plan approved by the Annual General Meeting of Uunitas Ltd. Appointment of the new group's top management.
- 1.4. Start of operations as a single group. Kansallis-Osake-Pankki becomes a subsidiary of Uunitas and Union Bank of Finland becomes a subsidiary of Kansallis-Osake-Pankki.
- 1.6. Kansallis-Osake-Pankki's banking business transferred to Union Bank of Finland. Merita Real Estate Ltd commences operations.
- 2.6. Union Bank of Finland is renamed Merita Bank Ltd.
- 5.6. Expiry of banking licence of Kansallis-Osake-Pankki, which becomes a holding company under the name of Kansallis-Yhtymä Oy.
- 10.7. First branch mergers.
- 20.12. Extraordinary General Meeting of Uunitas Ltd approves the change of name.
- 29.12. Final stage of the merger. Kansallis-Yhtymä merges into Uunitas, which is renamed Merita Ltd.



Chief Executive's statement

This is a historic document – Merita's first Annual Report. I would not like to call it the last one of either Kansallis-Osake-Pankki or Unitas, as both groups live on, under a new name. Yet, for both of them, there is more to this transformation than a mere change of name. Merita is a new institution which combines the finest traditions of both groups.

This annual report is historic in another way, too. For the first time in many years, we are reporting a profit. We may therefore feel satisfied with the year's result, although it cannot be described as satisfactory. But measures to improve profitability are already well under way.

The integration of the two groups has progressed ahead of schedule. Last year saw the completion of 60 per cent of the branch network restructuring programme. It also proved possible to integrate the computer systems, so decisively important to our operations, sooner than projected. Since February, Merita has been a single bank in the true sense of the word.

Every member of our staff deserves special thanks for the rapid implementation of the merger process. We have come a long way, but a lot remains to be done. I believe that it will be possible to continue our work in the same spirit of partnership.

The merger has entailed a great deal of change. It has required patience and understanding on the part of our customers. The development of our market share is proof of their loyalty. We will work hard to merit this confidence also in the future.

For many years, our shareholders have also shown patience. While we are still unable to pay a dividend for 1995, we can now show concrete evidence of a turn for the better. Our results for the current year may still not reach an internationally satisfactory level, but, barring long-term disturbances in the Finnish economy, we expect to see a further improvement in performance.



Vesa Vainio

Merger of Unitas and Kansallis-Osake-Pankki

At their meetings on 14th February 1995, the Board of Directors of Unitas Ltd and the Board of Management of Kansallis-Osake-Pankki approved, for presentation to their shareholders, a plan for the integration of the businesses of the Unitas Group and the Kansallis Banking Group and the merger of Kansallis-Osake-Pankki into Unitas. The merger plan was adopted by the Annual General Meeting of Shareholders of Kansallis-Osake-Pankki on 16th March 1995 and by the Annual General Meeting of Shareholders of Unitas Ltd on 17th March 1995.

A three-stage process

In accordance with the merger plan, the merger of Kansallis-Osake-Pankki into Unitas Ltd took place in three stages during 1995. In the first stage, Kansallis-Osake-Pankki became a subsidiary of Unitas on 1st April 1995. For this purpose it directed a FIM 5,403 million share issue to Unitas, bringing the latter's ownership in Kansallis-Osake-Pankki to approximately 51 per cent. In payment for the shares, Unitas transferred the entire share stock of Union Bank of Finland to Kansallis-Osake-Pankki as a contribution in kind, whereby Union Bank of Finland became a Kansallis subsidiary.

In the second stage of the merger, the banking business of Kansallis-Osake-Pankki was transferred to Union Bank of Finland on 1st June 1995 as a contribution in kind against an increase in the latter's share capital. The assets transferred totalled approximately FIM 136 billion. On

2nd June 1995 Union Bank of Finland changed its name to Merita Bank Ltd. Upon the expiry of its banking licence on 5th June 1995, Kansallis-Osake-Pankki became a holding company. As of the same date, its name was changed to Kansallis-Yhtymä Oy pursuant to its new Articles of Association adopted by the Annual General Meeting in March.

The shares of Kansallis-Yhtymä were quoted on the Helsinki Stock Exchange for the last time on 28th December 1995, and, in the final stage of the merger, the company merged with Unitas on 29th December 1995. As of the same date, Unitas Ltd was renamed Merita Ltd, a change approved by its Extraordinary General Meeting on 20th December 1995. As merger consideration, the shareholders of Kansallis-Yhtymä received one Unitas A-share for each three Kansallis-Yhtymä shares held. Listing of the shares under the Merita name began on 2nd January 1996.

New real estate company

A new real estate holding company, Merita Real Estate Ltd, commenced operations on 1st June 1995. Most of the real estate assets and shares in real estate companies and companies engaging in real estate business owned by Unitas Ltd, Kansallis-Osake-Pankki, Union Bank of Finland and other Group companies were transferred to its books. The purpose of a separate real estate company is to enable the more effective conduct of Group real estate business and to separate this business segment more clearly from banking business.

Subsidiary mergers

A review of the merging groups' subsidiaries resulted in a new division of responsibilities and the integration of overlapping operations. The business of Kansallis Mortgage Bank Ltd was taken over by Industrial Bank of Finland Ltd as of 1st October 1995.

Kansallis Finance Ltd, Kansalliskortti Oy and Finnish Customer Finance Ltd were reorganized into two finance companies: Merita Finance Ltd and Merita Customer Finance Ltd.

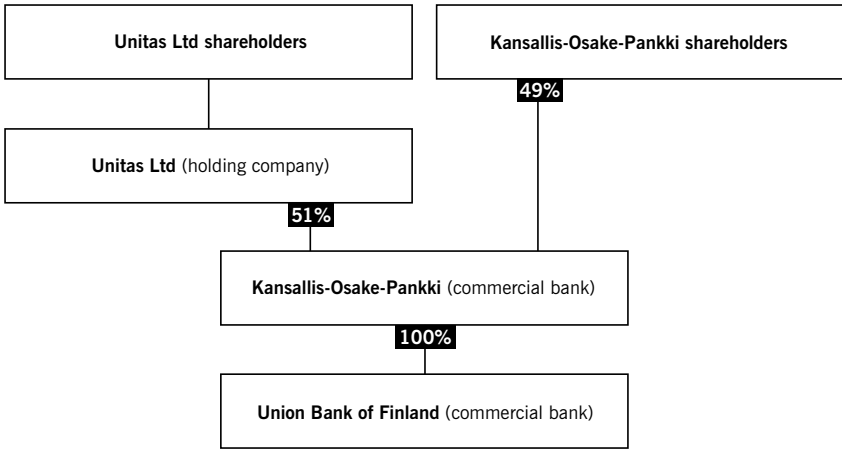
Kansallis Brokers Ltd and UBF Securities Ltd were merged to form Merita Securities Ltd. Advisory services in the field of mergers, acquisitions and corporate restructuring are provided by Merita's wholly owned subsidiary Prospectus Limited, a former associated company of the Kansallis Group. Unitas relinquished its holding in Mandatum & Co Ltd in the spring.

KOP-Rahasto Oy and UBF Fund Management Ltd were merged to form Merita Fund Management Ltd. Funds managed adopted new Merita-style names as of 15th January 1996.

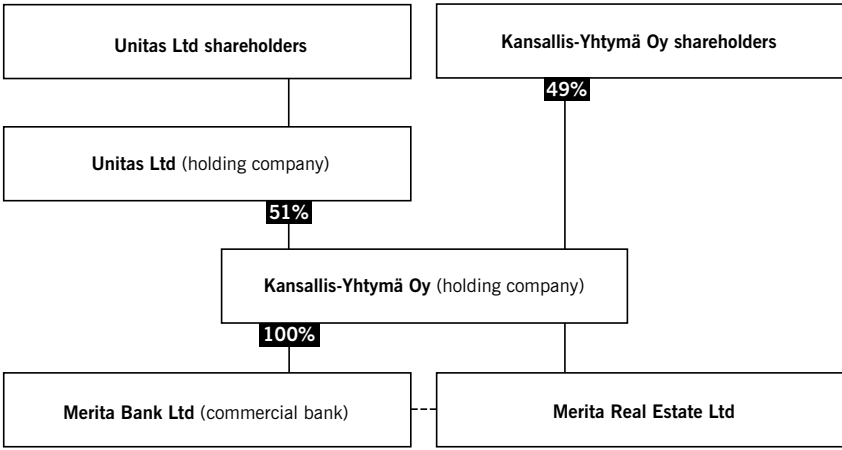
In real estate brokerage, Huoneistokeskus Oy now focuses on residential properties and Huoneistomarkkinointi Oy on corporate real estate services.

The operations of foreign subsidiaries and representative offices were merged during 1995.

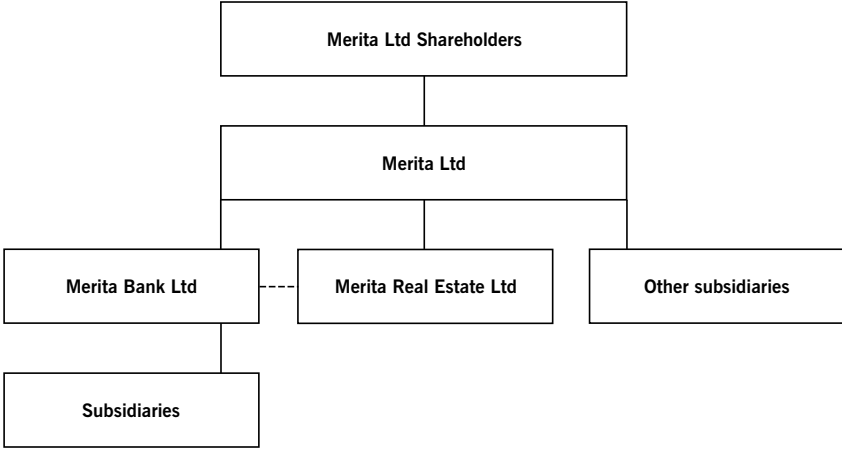
1st April 1995

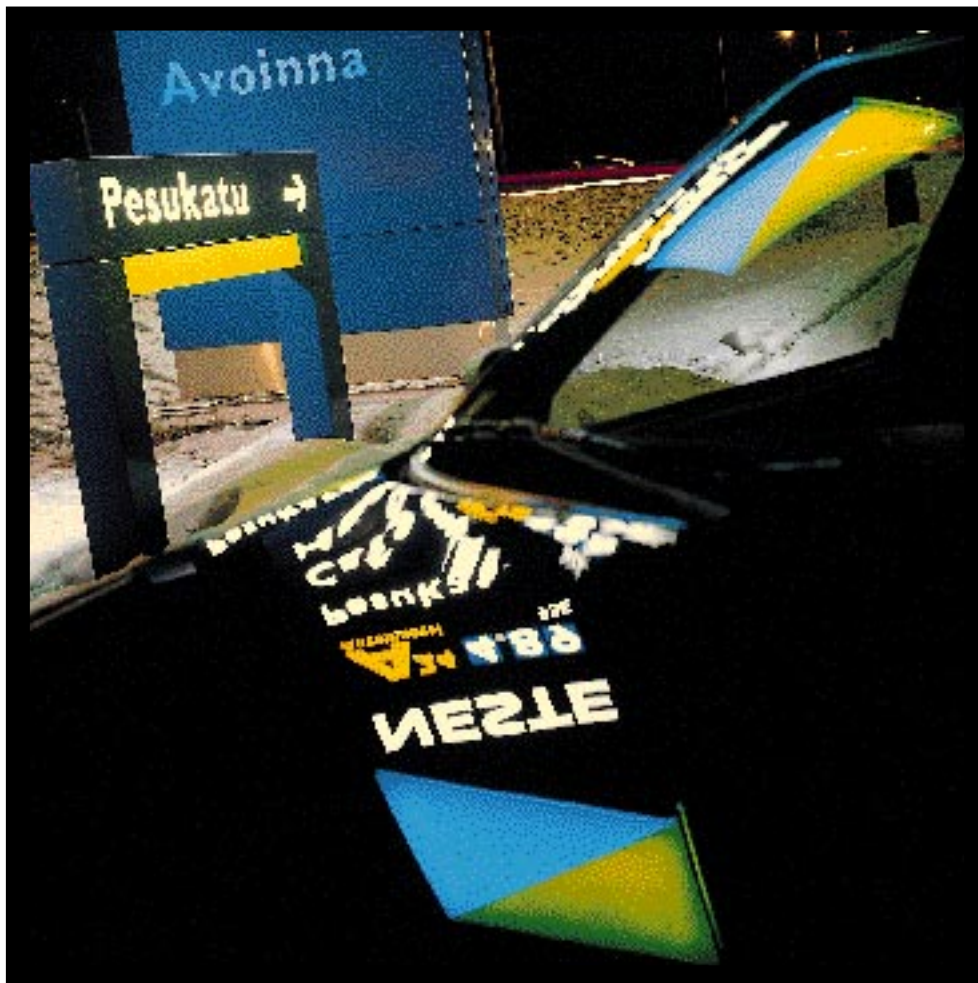


June 1995



29th December 1995





Neste

Neste is an integrated oil, chemicals and energy company with operations in more than 30 countries. Its over FIM 1 billion initial public offering in 1995 comprised a share issue and a sale of shares by the Finnish State. Merita assisted the company in this transaction, which attracted some 25,000 new shareholders.

The Merita Group

Description of the Group

Merita is one of the largest financial services groups in the Nordic countries. It was created from the merger of the Kansallis Banking Group and the Uitas Group in 1995. The Group's parent company Merita Ltd is a holding company listed on the Helsinki Stock Exchange. It has approximately 350,000 shareholders.

The core business of the Merita Group is its banking arm Merita Bank Ltd. Through its predecessors, the Merita Group has a long tradition in Finnish banking: Union Bank of Finland, the country's first commercial bank, was established in 1862 and Kansallis-Osake-Pankki in 1889. In addition to banking services, Merita Group companies engage in real estate business, equity investment, insurance, real estate brokerage and consulting in the field of mergers, acquisitions and corporate restructuring.

Banking

The Group's banking business is concentrated in Merita Bank Ltd and its subsidiaries. Merita Bank is a universal bank providing services to households, companies and institutions primarily in Finland but also increasingly in Finland's neighbouring areas. It offers the full spectrum of services encompassed by the Finnish Credit Institutions Act. Merita Bank's operations are divided into four main business areas: Retail Bank, Corporate Bank, Treasury & Capital Markets, and Asset Management.

The *Retail Bank* caters to approximately three million personal customers and over 100,000 small and medium-sized companies and public sector entities. Through the bank's nationwide service network, it offers financial,

investment and payment services designed to meet the various needs of customers. Its specialized outlets provide services in their respective areas of expertise. Merita Järjestöpankki specializes in services to wage-earners' organizations, other similar interest groups and unemployment benefit funds.

To complement its mix of banking products, the Merita Bank Group provides a range of financial services to targeted customer segments through its subsidiaries. Industrial Bank of Finland Ltd specializes in long-term investment financing for the corporate and public sector.

Merita Finance Ltd concentrates on corporate and motor vehicle finance and provides the Group's leasing, hire purchase, real estate leasing and factoring services, and Merita Customer Finance Ltd focuses on consumer credit. Merita Capital Ltd is a venture capital company which acquires fixed-term stakes in companies with promising development potential.

The *Corporate Bank* specializes in services to large corporates. Its clientele comprises some 300 Finnish corporations and groups, each with its own account executive.

The Corporate Bank also has responsibility for Merita's global financial services and international network, excluding the Luxembourg subsidiary.

The *Treasury and Capital Markets* organization provides foreign exchange, money and capital market services to Group customers on the domestic and international markets. It is also responsible for the Group's market funding and foreign exchange and money market trading for the bank's own account.

Merita is the market leader in derivatives trading in Finland and a major provider of derivative products tailored to customer needs. It also holds a strong position as an arranger of syndicated loans and is active as a manager of corporate and municipal debt issues.

Asset Management provides investment advisory and asset management services to high net worth individuals and institutional customers. It also has specialized units for fund management and investment management.

Merita Private Bank offers sophisticated investment and portfolio management expertise through its four private banking branches and in cooperation with Retail Bank's asset management units. Internationally, private banking services are provided by Merita Bank Luxembourg S.A., a subsidiary based in Luxembourg.

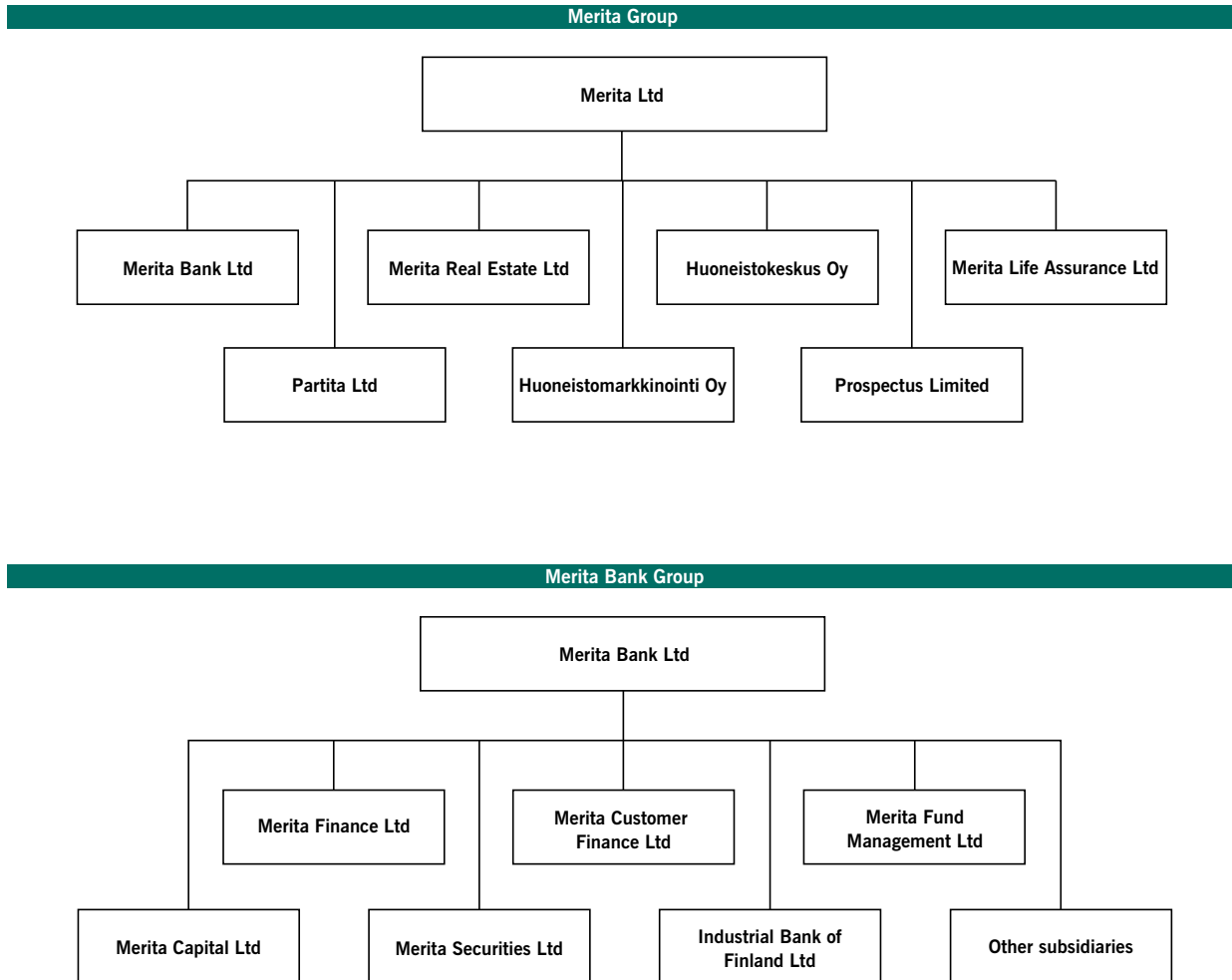
The sector's securities brokerage arm, Merita Securities Ltd, is a member of the Helsinki Stock Exchange and the Finnish Securities and Derivatives Exchange Clearing House.

Merita Fund Management Ltd offers a selection of eight mutual funds in Finland. The Group's international funds are managed by the banking subsidiary in Luxembourg.

Real estate business

Merita Real Estate Ltd is the largest private sector owner of real estate in Finland. It is a service company, whose range of operations includes the ownership and management of real estate and the sale, leasing and maintenance of properties.

Group structure 1.1.1996



Properties owned by Merita Real Estate Ltd comprise some 2.5 million square metres of floor space, approximately half of which consists of commercial and office premises. Approximately 50 per cent of Merita Real Estate's property holdings are in the Greater Helsinki area. These represent approximately 70 per cent of the total value of the company's real estate assets.

Merita Real Estate's property holdings outside Finland, consisting principally of office premises, comprise 120,000 square metres in 20 locations.

Equity investments

Both Merita and its staff pension funds have significant holdings in Finnish companies, including Kesko, Kymmene, Nokia, Pohjola, Repola, Sampo and Tamro. The Group's equi-

ty investments are managed by its subsidiary Partita Ltd, which also engages in securities trading.

Insurance

Merita Life Assurance Ltd offers life assurance and pension insurance policies designed to complement the bank's product range. Its insurance products, marketed under the Selektä brand name, are sold

Merita Group and pension funds – Major equity holdings 31.12.1995

	Share- holding %	% of votes
Enso-Gutzeit Oy	2.1	0.7
Kesko Ltd	6.8	–
Kymmene Corporation	5.3	5.3
Metra Corporation	4.7	6.3
Nokia Corporation	3.4	7.2
Pohjola Insurance Co	15.9	27.4
Repola Ltd	5.4	5.4
Sampo Insurance Co	18.5	18.2
Oy Stockmann Ab	3.6	4.3
Tamro Group Ltd	11.1	11.1

through Merita branches. This eliminates the need for a separate distribution network.

Real estate brokerage

Merita's subsidiaries Huoneistokeskus Oy and Huoneistomarkkinointi Oy provide real estate brokerage services through their nationwide networks. Huoneistokeskus specializes in the purchase, sale and leasing of residential properties and Huoneistomarkkinointi in the sale and leasing of commercial properties and related consulting and valuation services.

Investment banking

Prospectus Limited specializes in the planning of equity and debt issues and provides advisory services in the field of mergers, acquisitions, and corporate and sectoral restructuring.

Human resources

During the year under review, the number of Merita Group employees fell by 3,140 to 15,488. Of this total, 14,606 were employed by the Merita Bank Group and 882 by the parent company Merita Ltd and its other subsidiaries. At the year-end, a total of 368 were employed outside Finland.

Merita Group Personnel 31.12.1995

Merita Bank Ltd	13 740
Partita Ltd	12
Merita Life Assurance Ltd	29
Merita Real Estate Ltd	263
Prospectus Limited	15
Huoneistokeskus Oy	477
Huoneistomarkkinointi Oy	66
Merita Finance Ltd	343
Merita Customer Finance Ltd	174
Merita Fund Management Ltd	15
Merita Capital Ltd	5
Merita Securities Ltd	62
Industrial Bank of Finland Ltd	11
Other	276

Total 15 488

Merita Group Personnel abroad 31.12.1995

London	141
Luxembourg	43
New York	83
Singapore	48
Tallinn	19
Representative offices	34

Total 368

Service networks

Of Group subsidiaries, the bank and the real estate brokerage companies maintain distribution networks of their own. Services provided by the Merita Bank Group are available through Merita Bank branches. These also serve as a delivery channel for the products of Merita Life Assurance Ltd.

At the end of 1995, the bank's network in Finland comprised 619 branches, compared with a combined total of 776 maintained by Kansallis-Osake-Pankki and Union Bank of Finland at the beginning of the year. The significant reduction in the number of branches was enabled by the partial overlap of the networks. However, Merita retains a presence in all localities previously covered by both banks or either one of them.

The branch network is divided into six regions and 40 districts. It ensures a more extensive coverage of Finland than either of the merged banks was able to offer alone.

The first branch integrations took place in Helsinki in July, and 156 merged branches moved under the same roof during 1995. The aim of the branch network restructuring programme is to bring the number of branches down to 505. This programme is expected to be completed by the end of 1996.

Some of the branches specialize in targeted customer segments. The Corporate Division has a special outlet servicing large corporate customers. Within the district organization, 26 corporate service units specialize in financial services to commercial customers. The bank also has 25 asset management units providing sophisticated asset management and investment services. The 233 all-round branches offer all customer

segments the full range of Group services. The network also includes 166 consumer banking branches focusing on households, self-employed persons and small enterprises, and 105 neighbourhood branches providing day-to-day services to personal customers.

Advisory services concerning the bank's products and services are also available to all customers at 16 Merita service counters operating out of large shopping centres.

Electronic services

Merita provides electronic banking services under the Solo brand. These include the bank's own 1,350-plus Solo payment ATMs and over 2,000 cash dispensers operated by ATM Automatia Ltd, a Finnish bank joint venture. Over 60 per cent of all account-to-account transfers handled by Merita Bank for its personal customers take place electronically, and a good 80 per cent of cash withdrawals are made via ATMs.

For retail customers, the bank also offers a Solo PC Service and a telephone banking facility for round-the-clock transaction of business. The approximate number of users at the end of 1995 was 200,000, around 10 per cent of which were small businesses.

Over 80 per cent of the corporate payment transmission volume is handled electronically. Last year, Merita's electronic data transmission system was accessed over 30 million times.

Merita Direct Bank provides services to customers by telephone, PC, fax and mail.

An innovation to be launched in spring 1996 is a Solo payment facility available on

the Internet. This new method of electronic payment enables customers to shop and pay for purchases during a single Internet session.

Merita's services can be accessed via all major data communication networks.

International network

The integration of Merita's international service network was completed in 1995.

The Group continues to consolidate its presence in Finland's neighbouring areas. The new branch opened in Tallinn, Estonia in February 1995, provides payment and foreign exchange services and Estonian kroon financing for western customers. In March a representative office was opened in St. Petersburg, Russia.

A branch will also be opened in Stockholm, Sweden in spring 1996. Operations will focus on payment transmission services, but the branch will also engage in lending and forex & money market trading. The branch plans to join the Swedish bank giro system in order to act as an intermediary for SEK-denominated payments within Sweden.

The branch and subsidiary in Paris were closed in the spring, and Merita Bank retains a representative office in Paris. Since the expiry of the cooperation agreement with Scandinavian Banking Partners, the bank is no longer represented in Budapest.

Following the merger, Merita's international network includes banking branches in London, New York, Singapore, Tallinn and Stockholm (to open in spring 1996), and banking subsidiaries in Luxembourg, Singapore and New York.

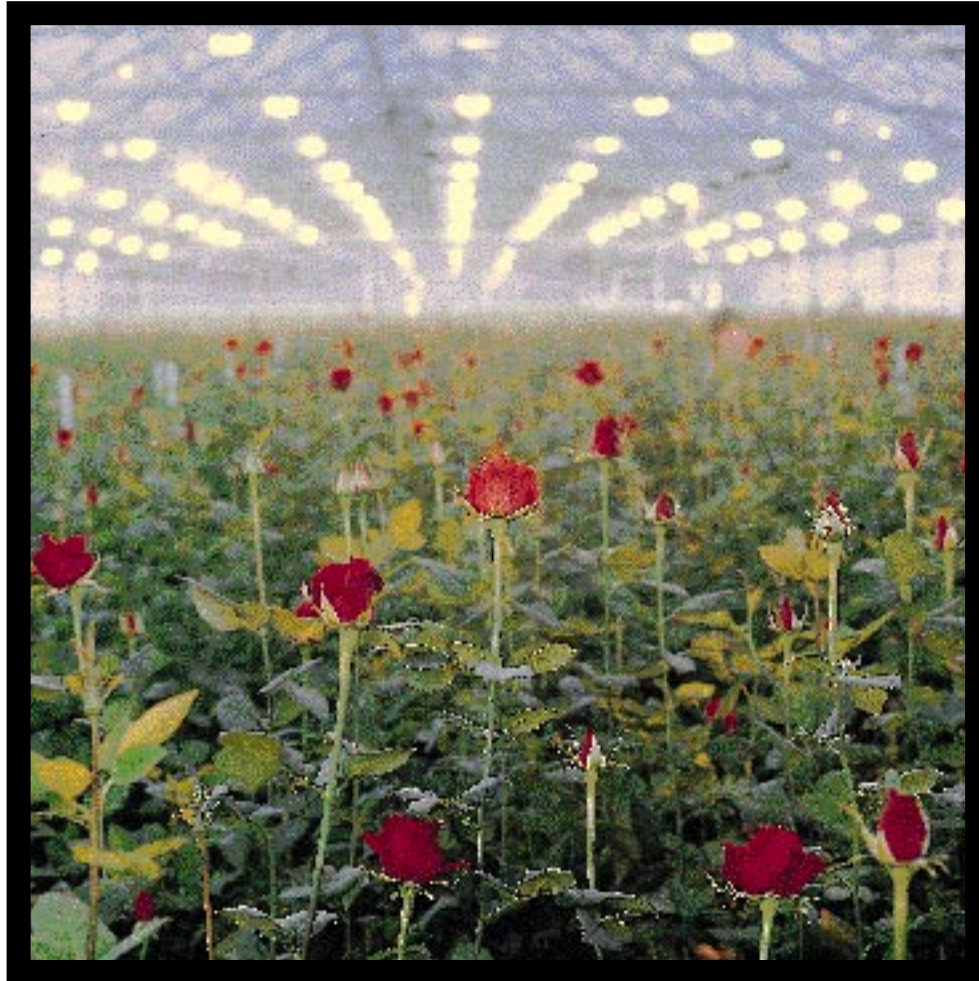
The range of international banking services is complemented by representative offices in Beijing, Frankfurt, Hong Kong, Moscow, Paris, St. Petersburg, Sao Paulo, Tokyo and Warsaw. The Stockholm representative office will be closed after the opening of the branch.

Information technology

Subsequent to the approval of the merger plan, Kansallis-Osake-Pankki and Unitas embarked on a development programme for the integration of their EDP systems and data production facilities. The aim was to combine the best solutions of both banks with the minimum inconvenience to customers. Another aim was to cut EDP expenses to 60 per cent of the combined total of the merging banks. The financial and human resources required by the necessary hardware and software investments were estimated at FIM 150 million and 300 man-years.

Some EDP applications were combined last year, but the principal stage of the systems integration process focused on mid-February 1996. After-care and the fine-tuning of systems are likely to continue for most of the current year.

Merita's mainframe installation consists of TANDEM, IBM, VAX and UNIX systems. The annual number of transactions processed is 1.2 billion. The equipment includes close on 14,000 individual workstations, of which over 10,000 are installed at branches, and 900 workstation networks.



Tepponen Oy

Tepponen Oy, a nursery established in Vehkalahti, South East Finland in 1955, specializes in the cultivation of roses. It supplies 10 million flowers annually for the enjoyment of customers all over Finland. This figure includes four million roses marketed under the "Valoruusu" ("Lumi-Rose") brand, grown in special lighting conditions applying a year-round production method patented by the company.

Shares and shareholders

In 1995, equity trading on the Helsinki Stock Exchange reached a record volume, FIM 83 billion. The HEX all-share index soared to an all-time high but receded towards the end of the year to close 7.6 per cent lower than the year before. The bank and finance index fell by 20.4 per cent. Unitas shares followed the downward trend while outperforming the sectoral index.

The price of the Unitas A-share on the last business day of the year, 28th December, was FIM 11.00, down 9.8 per cent on the 1994 closing price, FIM 12.20. The B-share finished at FIM 10.90, a drop of 5.2 per cent from the 1994 closing price, FIM 11.50.

Following the merger decision, the share price of Kansallis-Yhtymä was linked to that of Unitas through the exchange ratio. On the last business day of the year the price of the Kansallis share was FIM 3.64.

Total trading in Unitas A-shares on the Helsinki Stock Exchange during the year amounted to FIM 1,653 million, down FIM 363 million on the preceding year. Trading in B-shares declined from FIM 345 million in 1994 to FIM 163 million. The combined trading volume of the two share classes was thus FIM 1,816 million. Following the settlement of the merger consideration, the total market capitalization of A and B shares at the end of the year was FIM 9,128 million.

Increase in share capital

Merita's share capital at the close of the year was FIM 8,304,514,490. For payment of the merger consideration, the share capital was increased by FIM 3,464,571,700 on

29th December.

Pursuant to the Articles of Association, Merita's minimum share capital is FIM 4,000 million and maximum share capital FIM 16,000 million. It may be raised or lowered within these limits without amending the Articles of Association.

The Annual General Meeting of Shareholders held on 17th March 1995 authorized the Board of Directors to decide on a share capital increase of no more than FIM 300 million. The authorization was granted for a period of one year from the date of the General Meeting.

The Board of Directors was also authorized to decide on an issue of convertible bonds, bonds with equity warrants or pre-

ferred capital securities. This authorization was likewise granted for a period of one year from the date of the General Meeting.

By virtue of these authorizations, the share capital could have been raised by an aggregate maximum amount of FIM 300 million. As of 14th February 1996 the authorizations had not been exercised.

Larger proportion of A-shares

Merita has two classes of shares: A and B. Each share has a nominal value of FIM 10. In the merger of Unitas and Kansallis-Yhtymä, Kansallis-Yhtymä shareholders received one Unitas A-share for each three Kansallis-Yhtymä shares held.

Following this exchange, there are

Per-share ratios ¹

	1991	1992	1993	1994	1995
Earnings per share (EPS), FIM	-0.72	-7.42	-7.14	-2.61	0.52 ²
Equity per share, FIM (net asset value)	27.95	20.66	13.58	11.00	10.62 ³
Dividend/share, FIM					
A-share	0.17	-	-	-	-
B-share	0.73	-	-	-	-
C-share	0.18	-	-	-	-
Effective dividend yield, %					
A-share	1.6	-	-	-	-
B-share	6.8	-	-	-	-
C-share	1.5	-	-	-	-
Price/earnings (P/E)					
A-share	-	-	-	-	21.3 ²
B-share	-	-	-	-	21.1 ²
C-share	-	-	-	-	-

¹ Share-issue-adjusted, calculated in accordance with the Financial Supervision regulations.

² Shares issued to shareholders of Kansallis-Yhtymä Oy on 29.12.1995 are included in the average number of shares as of 1.4.1995. If the above issue were taken into account as of 29.12.1995, EPS would be 0.79, P/E per A-share 14.0 and P/E per B-share 13.8.

³ Assuming exercise of all subscription rights carried by convertible bonds and bonds with equity warrants, EPS would be 0.49 and equity capital per share would be higher than that shown in the table.

763,251,449 A-shares, representing 92 per cent of the total stock in issue. The number of B-shares is 67,200,000, i.e. 8 per cent.

Voting rights

At a General Meeting, each A-share carries 10 votes and each B-share one vote. However, no-one may exercise more than one-twentieth of the total number of votes represented at the meeting.

Entitlement to dividend

Holders of B-shares have a pre-emptive right over holders of A-shares to receive a fixed annual dividend of 8 per cent of nominal value payable out of distributable funds. If in any year such dividend cannot be distributed, holders of B-shares will be entitled to receive the outstanding balance out of distributable profits in the subsequent year prior to payment of dividend on A-shares. Should it not be possible to distribute the outstanding amount on B-shares in the subsequent year, holders of B-shares will forfeit the right to receive the outstanding amount in later years.

Since no dividend is proposed for the year 1995, should dividend be paid for 1996, holders of B-shares will have pre-emptive right over holders of A-shares to the 8 per cent dividend not received for 1995. Furthermore, before any dividend may be paid on A-shares for the year 1996, holders of B-shares will be entitled to a dividend of 8 per cent for that year. Should no dividend be declared for 1996 or should the dividend payable fail to fully cover the deficit on B-

shares for the year 1995, B-shares will no longer in 1997 carry pre-emptive right to the 1995 dividend or any part thereof.

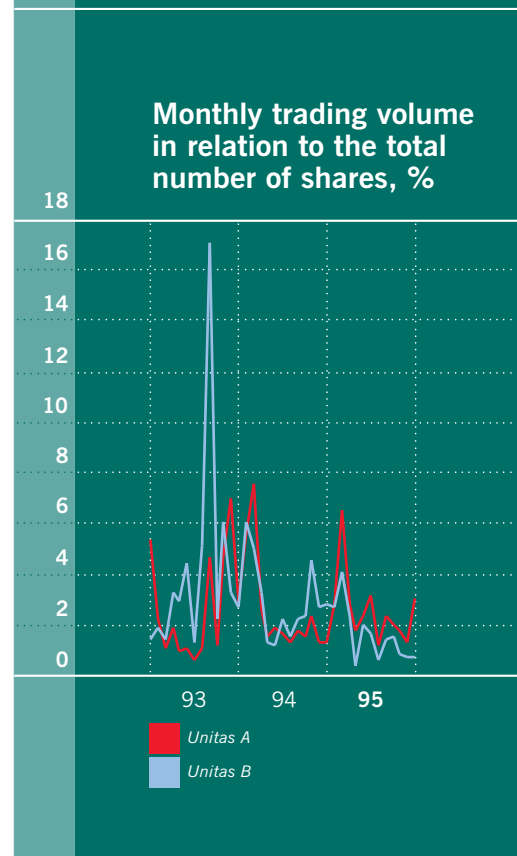
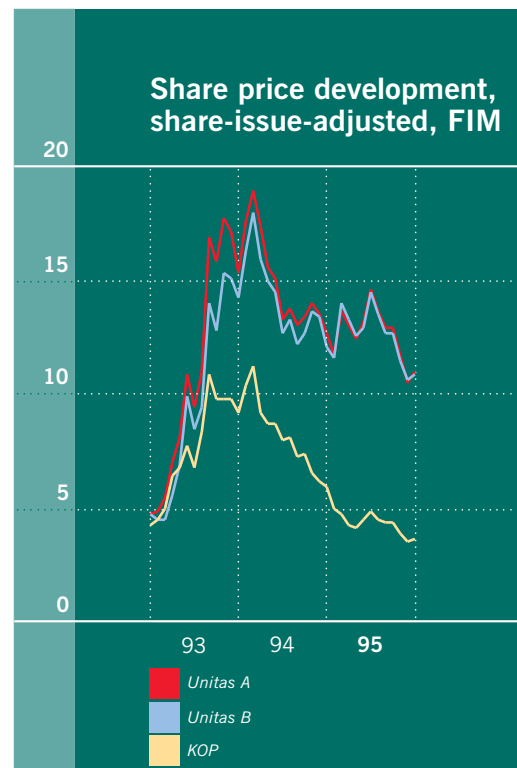
If the dividend paid on A-shares exceeds 8 per cent of nominal value, an additional dividend equalling half of such excess amount shall be payable on B-shares.

Bonds with warrants

The principal amount currently outstanding under Merita Ltd FIM 125.0 million bonds with equity warrants issued in 1990 is FIM 86.05 million. Each bond of FIM 1,000 carries a warrant exercisable into 96.05 A-shares at a price of FIM 28.94 per share. During 1991–1995, subscription rights accumulated at the rate of 19.21 shares per bond per year. The subscription period is annually between 2nd January and 31st October, and the last date of exercise is 12th March 1998. If all warrants are exercised, the number of A-shares will increase by 8,265,102, carrying a total of 82,651,020 votes. The maximum increase in the share capital as a result of exercise of the warrants is FIM 82.65 million.

Convertible bonds

In 1992, Merita Ltd issued convertible bonds in the amount of FIM 906.1 million. Each bond of FIM 10,000 is convertible into 300 A-shares at a mathematical conversion price of FIM 33.33 per share. Conversion may take place annually between 2nd January and 30th November, however no later than 17th August 2042. As a result of conversion, the total number of A-shares in issue can rise by a maximum of



27,182,400, carrying an aggregate 271,824,000 votes. The corresponding maximum increase in the share capital is FIM 271.8 million. In the absence of distributable funds, the issuer may defer payment of interest on these bonds on the condition that no dividend may be paid until interest outstanding on the bonds has been paid in full. No unpaid interest was outstanding at the end of 1995.

Convertible bonds issued by Kansallis-Osake-Pankki

The convertible bonds of FIM 150 million issued by Kansallis-Osake-Pankki to its employees in 1989 matured on 14th April 1995. The increase in the bank's share capital as a result of conversion was FIM 132,130.

Preferred capital certificates held by the Government

On 28th August 1992 Kansallis-Osake-Pankki accepted a capital investment of FIM 1,726 million from the Government of Finland, representing its share of the capital injection offered to all Finnish banks. Union Bank of Finland drew its share, FIM 1,749 million, on 30th December 1992. As part of the integration of the two banks' banking businesses, and with the permission of the Ministry of Finance, Merita Bank Ltd assumed the issuer's liability also for the respective preferred capital certificate issued by Kansallis-Osake-Pankki. Merita Bank is thus responsible for capital certificates held by the Government in the total amount of FIM 3,475 million.

Merita Ltd shares ¹

	1991	1992	1993	1994	1995 ²
A-, B- and C-shares total					
Average number of shares, million	363.9	363.9	388.8	484.0	743.8
Number of shares, 31.12., million	363.9	363.9	484.0	484.0	830.5
Market capitalization, 31.12., FIM mill.	4 063.3	1 707.4	7 227.7	5 857.7	9 128.2
A-shares					
Trading average, FIM	15.05	5.45	14.00	16.12	12.80
Trading low, FIM	11.19	2.10	4.20	12.00	10.20
Trading high, FIM	19.24	12.42	20.99	20.60	15.10
Shares traded, 1 000	7 164	29 658	74 071	125 085	129 141
% of all A-shares	3.0	12.3	27.4	30.0	31.0
Average number of shares, million	275.5	275.5	297.6	416.8	676.6
Number of shares, 31.12., million	275.5	275.5	416.8	416.8	763.3
Market capitalization, 31.12., FIM mill.	3 083.9	1 228.7	6 293.6	5 084.9	8 395.8
B-shares					
Trading average, FIM	11.92	6.25	11.68	14.61	12.90
Trading low, FIM	10.44	2.36	3.63	11.30	10.30
Trading high, FIM	13.53	11.35	17.26	19.20	15.00
Shares traded, 1 000	8 942	11 091	26 331	23 591	12 622
% of all B-shares	17.7	22.0	48.7	35.1	18.8
Average number of shares, million	55.5	55.5	58.0	67.2	67.2
Number of shares, 31.12., million	55.5	55.5	67.2	67.2	67.2
Market capitalization, 31.12., FIM mill.	589.7	241.9	934.1	772.8	732.5
C-shares ³					
Trading average, FIM	17.39	6.20	11.35	–	–
Trading low, FIM	11.41	2.46	3.95	–	–
Trading high, FIM	25.45	16.67	20.18	–	–
Shares traded, 1 000	5 162	7 767	8 443	–	–
% of all C-shares	17.9	26.9	28.1	–	–
Average number of shares, million	32.9	32.9	33.2	–	–
Number of shares, 31.12., million	32.9	32.9	–	–	–
Market capitalization, 31.12., FIM mill.	389.8	236.8	–	–	–
Shares of Kansallis-Yhtymä Oy					
Trading average, FIM	12.62	4.59	9.21	8,00	4.32
Shares traded, 1 000	18 825	27 123	118 308	182 208	154 492
% of all shares	10.1	14.6	34.7	33.8	14.9
Average number of shares, million	370.2	370.2	512.9	739.7	1 039.3

¹ Share-issue-adjusted, calculated in accordance with the Helsinki Stock Exchange recommendation.

² Shares issued to shareholders of Kansallis-Yhtymä Oy on 29.12.1995 are included in the average number of shares as of 1.4.1995. If the above issue were taken into account as of 29.12.1995, the average number of A-shares would be 419 641 872 and the average number of all shares 486 841 872.

³ C-shares were converted to A-shares on 23.12.1993.

Following the merger decision of Unitas and Kansallis-Osake-Pankki, the share price of Kansallis-Yhtymä Oy was linked to that of Unitas through the exchange ratio.

These capital certificates are carried in the bank's accounts as an equity capital item. They are callable by the bank only with the permission of the Financial Supervision and on the condition that repayment will not cause the bank's capital adequacy to fall below the statutory minimum.

The bank is under obligation to pay interest on the capital certificates as far as permitted by its distributable profits. Until the end of 1997, the interest rate applicable is 0.50 percentage point above the cost of one-year Treasury notes, with a subsequent step-up structure. The bank will be required to pay annual interest on the capital certificates in full before paying any dividend to Merita Ltd.

Subject to certain conditions, the Government may become entitled to convert the capital certificates into shares of the bank at

the higher of nominal or current market value. This conversion option will not be triggered if the bank pays a minimum interest amount of FIM 43.8 million for 1995 and interest accrued in full for each subsequent year. According to the bank's 1995 closing accounts verified by the Supervisory Board, there is no impediment to the payment of interest for 1995. If the capital certificates were converted into shares at nominal value, the number of shares would increase by 347.5 million, bringing the Government's ownership interest in the bank to a maximum of 36.6 per cent based on the current share capital.

Over 350,000 shareholders

At the end of the year, Merita Ltd had 356,177 shareholders, compared with 197,903 at the end of the preceding year.

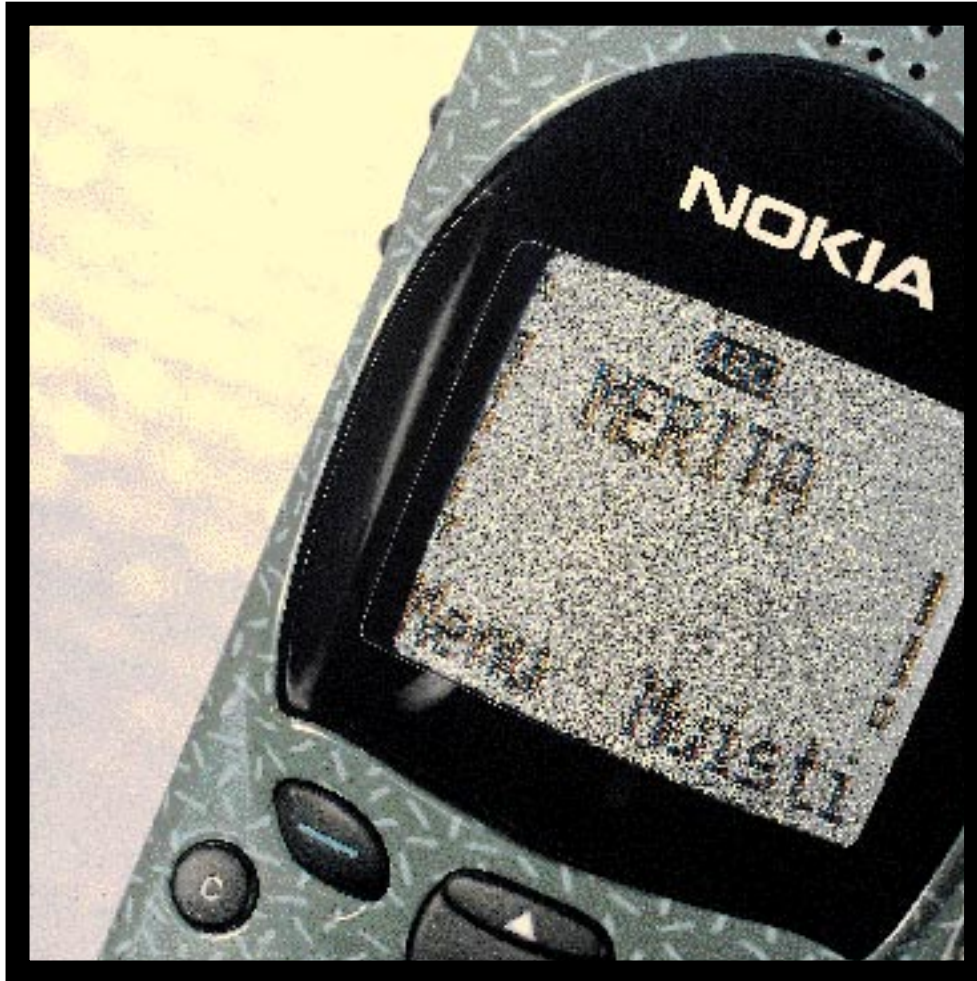
The increase in the number of shareholders resulted mainly from the merger of Kansallis-Yhtymä Oy into Unitas Ltd. The shareholder overlap before the merger was approximately 61,000.

At the end of the year, 16.9 per cent of Merita shares were registered in the name of a nominee and 2.1 per cent in the name of foreign beneficial owners. Together, these accounted for 20.2 per cent of total voting rights.

Further information on Merita shares and shareholders is provided in Notes to the financial statements on pages 66–67.

Increases in share capital 1991–1995

Form and time of increase	Subscription ratio or subscriber	Subscription price, FIM	Number of new shares	Right to dividend	Increase in share capital FIM million	New share capital FIM million
Rights issue 13.9.–13.10.93	3:1 100 new shares for 1 convertible bond	A:10.00 B:10.00 C:10.00	A: 89 370 133 B: 16 800 000 C: 9 624 036	1/1 1994 1/1 1994 1/1 1994	1 157.9	4 359.9
Directed issue 13.9.–13.10.93	public	A:15.70	A: 30 000 000	1/1 1994	300.0	4 659.9
Directed issue 3.11.93	Government Guarantee Fund	A:15.90	A: 18 000 000	1/1 1994	180.0	4 839.9
Directed issue 29.12.95	1 new share for each 3 Kansallis-Yhtymä Oy shares	A:10.00	A:346 457 170	1/1 1995	3 464.6	8 304.5



Nokia

Nokia is a world leader in cellular technology and the world's second-largest mobile phone manufacturer with sales in some 120 countries. It is a pioneer in digital telecommunications and a world leader in digital GSM/DCS cellular networks. Nokia is also a significant European supplier of multimedia equipment and of other telecom related products.

Merita Ltd: Report of the Board of Directors

Operating environment

The Finnish economy, which continued to grow at a vigorous pace throughout the first half of the year, lost momentum towards the year-end. The expected pick-up in domestic demand failed to materialize, as cautious household spending curbed consumption. Business investment increased, notably in the export sector.

Exports as a whole developed favourably, posting a rise in prices and volume, although capacity bottlenecks began to constitute a constraint on expansion. The slowdown in economic growth on a number of key markets had an adverse effect on demand. In the latter half of the year, this was reflected notably in weaker sales of forest products.

Imports outpaced exports in volume but lagged behind in terms of value, as import prices remained unchanged. Import growth was also restrained by sluggish consumption. The trade balance and the current account remained firmly in surplus. The Finnish markka (FIM) continued to appreciate until mid-November, then weakening slightly towards year-end. Nevertheless, it appreciated by 3 per cent for the year as a whole.

On the money market, interest rates rose throughout the first half of the year. The Bank of Finland raised its tender rate twice, in February and June. The trend in short-term interest rates was reversed in August and continued to decline sharply until the year-end. At the end of the year, short-term interest rates were approximately 1.5 percentage points lower than at the preceding year-end. The central bank lowered the tender rate first in October, twice in November and again in December. Long-term interest rates also came

down during the last months of the year. Inflation stayed below forecast.

Despite the significant fall in interest rates in the latter half of the year, there was no evidence of a pick-up in household borrowing, with home mortgages and consumption credits flat at the 1994 levels. Towards the year-end, a slight increase was perceptible in new FIM lending to the corporate sector, but foreign currency credits declined. Bank deposits sustained a consistent upward trend.

The equity market saw substantial volatility in prices. A bearish first quarter was followed by a rally lasting until mid-September, when the HEX all-share index of the Helsinki Stock Exchange hit an all-time high. The rest of the year was downhill. Prices were led by the telecommunication company Nokia, which also dominated trading.

The volume of new equity issues launched during the year was lower than in 1994. The largest equity transactions, each in excess of FIM 1 billion, were those of Rauma Ltd and Neste Oy. The most significant restructuring arrangement – apart from that of the Kansallis and Uunitas Groups – was the merger of Repola Ltd and Kymmene Corporation.

Premium income from life assurance and voluntary pension insurance products continued to increase. With a growing number of bank-owned companies entering the market, competition intensified.

The real estate market remained in the doldrums. Sales of business premises were at a standstill. However, the rental market was buoyant, and rents for prime business locations in Helsinki and other large cities resumed a firm upward trend. Demand for con-

veniently located storage and production facilities also revived.

On the residential real estate market, the number of transactions dropped slightly and prices declined. Towards the year-end, there were signs of a cautious pick-up in both prices and transactions. Average selling periods also shortened.

Merger of the Kansallis and Uunitas Groups

The most important single event from the point of view of operations last year was the merger of the Kansallis Banking Group into the Uunitas Group. The merger plan was approved by the General Meetings of Shareholders of Kansallis-Osake-Pankki and Uunitas Ltd on 16th and 17th March 1995, respectively.

Underlying the merger decision was the view shared by the managements of both groups that the required improvement in profitability cannot be achieved by relying solely on the prospect of income growth in a favourable cyclical phase. Competition has tightened and customer behaviour has changed in a way which permanently limits the earnings growth potential of traditional banking business.

The restructurings carried out in the financial services sector over the past few years have enabled significant cuts in the excess capacity accumulated during the earlier regulatory regime. However, the measures taken have proved insufficient.

Although the economy has returned to a growth path, credit demand has failed to take off. This is obviously as much a structural as

a cyclical phenomenon, attributable to changes in corporate and household behaviour. The behavioural change has clearly been motivated by financial considerations, such as the deregulation of interest rates, the slowing in inflation and limitations on the tax-deductibility of interest expenses.

Moreover, technological advances have brought about a change in customers' usage patterns and will continue to do so in the future. Bank and non-bank competitors vying for the same clientele make it difficult to increase margins. With limited potential for income growth, it is necessary to continue cutting costs and pruning excess capacity in order to enhance profitability.

In the merger of Kansallis and Unitas, the greatest synergy benefits, translating into cost savings, stem from the similarity of the merged banks. The merger also creates an indigenous bank with sufficient muscle to ensure a Finnish alternative on integrating markets. The Merita Group is large enough to successfully meet international competition.

The merger process was carried out last year according to the plan adopted by the two banks' General Meetings. The merger stages are discussed in detail on pages 6–7.

In legal terms, the merger was consummated on 29th December 1995, when Kansallis-Yhtymä Oy merged into Unitas Ltd and the latter's share capital increase corresponding to the merger consideration was registered. At the same date, a number of amendments to the Articles of Association of Unitas Ltd were registered. The most important of these amendments, adopted by the Extraordinary General Meeting of Sharehold-

ers on 20th December 1995, was the change of the company's name to Merita Ltd.

Detailed information on changes in the corporate structure is provided in Notes to the financial statements (Note 36).

Appeals against resolutions of General Meetings

In October, the Helsinki District Court dismissed an appeal filed by Mr. Seppo Jääskeläinen and Hanse Oy against the resolutions of the 1995 Annual General Meeting of Shareholders of Unitas Ltd, including those concerning the merger plan of the Kansallis and Unitas Groups. The plaintiffs have appealed to the Helsinki Court of Appeal, where a number of other litigations are already pending in respect of appeals filed earlier by Mr. Seppo Jääskeläinen against decisions of the Helsinki District Court concerning earlier General Meetings of Unitas Ltd. All these complaints have been rejected in the first instance by the Helsinki District Court.

On 14th November, the Helsinki District Court gave its permission for the implementation of the merger agreement. An appeal against the decision of the District Court was filed with the Helsinki Court of Appeal by Mr. Seppo Jääskeläinen and the companies Suomen Kylmettjä Oy, Delta-Expo Oy and Hanse Oy. However, the Court of Appeal dismissed the complaint.

Litigation is pending in the Helsinki District Court over the merger-related resolutions of the 1995 Annual General Meeting of Shareholders of Kansallis-Osake-Pankki. The plaintiffs are Delta-Expo Oy and Suomen Kylmettjä Oy.

An action has also been brought in the Helsinki District Court by a number of plaintiffs claiming damages and the annulment of subscriptions in Kansallis-Osake-Pankki's share issue in late 1994.

At the General Meeting of Kansallis-Osake-Pankki, 340 shareholders demanded redemption of their shares in cash. A court of arbitration confirmed a redemption price of FIM 4.85 per share. A total of 4,117,159 shares were thus redeemed. Based on the redemption price, these represented a cash amount of slightly under FIM 20 million.

Settlement of the merger consideration

As merger consideration, shareholders of Kansallis-Yhtymä Oy received A-shares of Merita Ltd. The exchange ratio, one Merita A-share for each three Kansallis-Yhtymä shares held, was approved by both companies' Annual General Meetings on 16th and 17th March, respectively. A total of 1,039,371,510 Kansallis-Yhtymä shares were exchanged for Merita shares on 29th December 1995.

The resultant FIM 3,465 million increase in the share capital of Merita Ltd exceeded the net assets of the Kansallis-Yhtymä Group by FIM 750 million. In the consolidated accounts of the Merita Group, this difference is booked as a goodwill item arising from the domestic banking business transferred from Kansallis-Osake-Pankki. It will be depreciated over a period of 10 years starting from 1st January 1996. In the accounts of Merita Ltd, a corresponding item is applied against the equity holding in Merita Bank Ltd.

The cost savings to be achieved as a result

of the merger are estimated at a minimum of FIM 1.5 billion per year. Approximately half of these savings is expected to stem from the banking business transferred from the Kansallis Group.

Implementation of the cost-saving programme in 1995 progressed ahead of schedule. It proved possible to accelerate the branch integration process, so that almost 60 per cent of this was completed by the end of the year. The reduction in the workforce was also above target.

Improvement in results

The Merita Group made favourable progress last year, reporting a consolidated profit on ordinary operations of FIM 491 million. The main factor behind this improvement was a rise in the profitability of banking business, attributable primarily to a sharp drop in credit write-offs. In 1994, the Group still posted a heavy loss on its banking operations.

Owing to major changes in the Group structure during the year, the 1995 profit and loss account items differ significantly from those of earlier years. The figures of the Kansallis Group are included in the consolidated accounts of the Merita Group from 1st April 1995, when Kansallis-Osake-Pankki became a subsidiary of Unitas Ltd.

The Group's net income from financial operations strengthened towards the end of the year as the fall in interest rates reduced funding costs. Furthermore, the growth in deposits and a decrease in lending made it possible to reduce the share of more expensive funding. Financial expenses increased as

a result of interest payable on the Government's preferred capital investment, FIM 44 million.

The Group again posted a healthy profit on trading in money and capital market instruments and derivative products. These earnings boosted both net income from financial operations and net income from securities trading.

Net income from securities trading also includes capital gains on the sale of equity holdings of almost FIM 845 million. The largest single item was FIM 212 million on the disposal of the shareholding in A. Ahlström Oy. FIM 126 million of this stemmed from B shares redeemed by the company and FIM 86 million from C shares sold to Optiomi Oy.

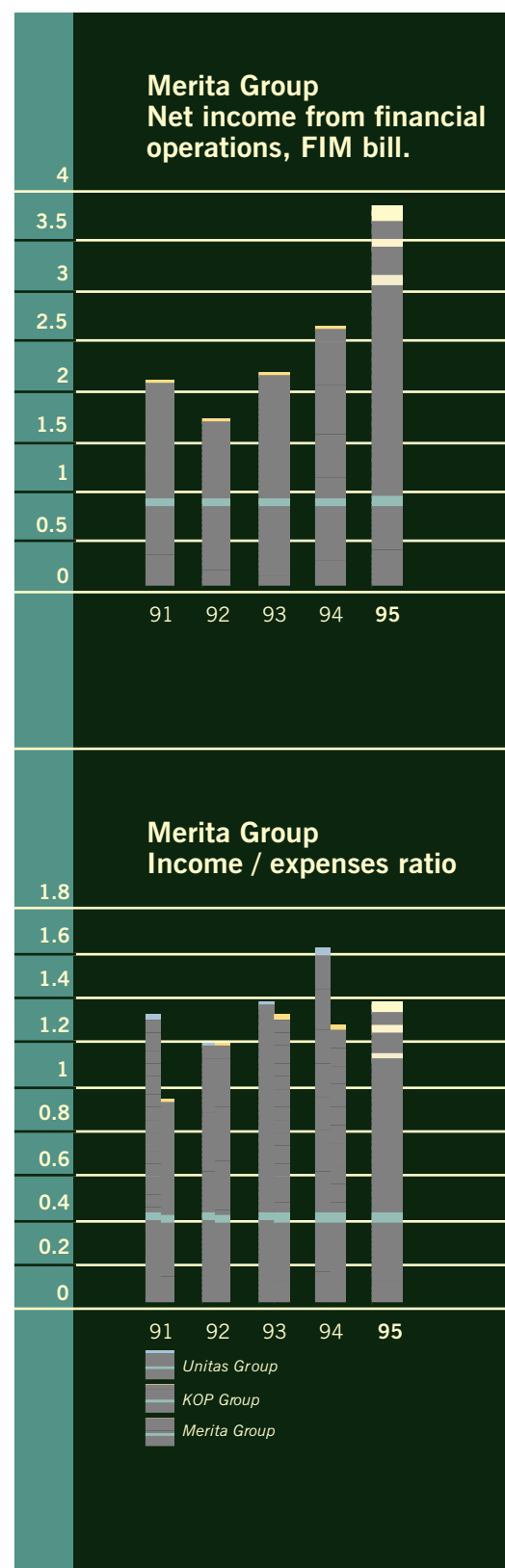
Other major gains were FIM 200 million on the sale of Kymmene shares and FIM 98 million on shares of Repola Ltd. Net write-downs on the equity portfolio amounted to FIM 192 million. Dividend income on equity holdings, reported under other income, totalled FIM 139 million.

Lending commissions and fees were adversely affected by slack loan demand. The slowdown in trading on foreign exchange markets was reflected in net income from foreign exchange dealing.

Credit write-offs

Credit write-offs were somewhat below estimate and significantly lower than in 1994. The net charge in the consolidated accounts of the Merita Group was FIM 1,726 million.

FIM 395 million of recoveries were reversed against current period write-offs. FIM 400 million of losses were charged against the FIM 600 million unallocated credit write-



off carried in the 1994 accounts of the Unitas Group. This leaves FIM 200 million for the covering of future losses without encumbering the result.

The largest single losses stemmed from exposures to the PMA Group (FIM 140 million), the Tavoite companies (FIM 110 million) and Jertec (FIM 80 million). Another major loss was incurred on lending to T-Sales Oy and a temporary equity holding in Tunturiyörä (FIM 52 million). A FIM 62 million write-down was charged on Eurotunnel loans.

FIM 1,852 million of the gross credit loss amount arose from the corporate sector and FIM 476 million from the household sector. Gross credit losses on foreign lending totalled FIM 193 million.

Decline in non-performing receivables

Non-performing receivables as a whole decreased during the year. The year-end total was FIM 7.3 billion, against a combined total of FIM 8.6 billion reported by the merged groups at the end of the preceding year.

Loans to Eurotunnel and the Finnish cooperative Elanto, which has filed for an official corporate restructuring, account for FIM 663 million of the non-performing portfolio. The Eurotunnel loans were given non-performing status although most of the interest will not fall due until spring 1996. Pursuant to law, Elanto may not recommence interest payments on its loans until its restructuring programme has been confirmed.

At the year-end, non-performing receivables from the domestic corporate sector stood at FIM 4,156 million and those from the

Merita Group development

<i>FIM million</i>	1-3/95	4-6/95	7-9/95	10-12/95	1-12/95
Net income from financial operations	593	1 049	1 114	1 085	3 841
Other income	372	1 363	1 227	1 354	4 317
Total income	965	2 413	2 341	2 440	8 158
Personnel expenses	-454	-873	-865	-801	-2 994
Other expenses	-327	-698	-603	-811	-2 440
Depreciation	-66	-134	-136	-186	-522
Total expenses	-847	-1 705	-1 605	-1 799	-5 956
Profit before loan losses	118	707	736	641	2 202
Loan losses	-357	-454	-632	-683	-2 126
Change in unallocated write-offs	250	0	100	50	400
Loan losses, net	-107	-454	-532	-633	-1 726
Write-downs on securities	-1	-11	0	-0	-11
Profit/loss from companies carried under the equity method	-2	2	24	1	26
Profit on ordinary operations	9	244	228	10	491
Extraordinary items	-15	-181	-98	-324	-617
Change in reserves	-	-	-	293	293
Direct taxes	-	-	-	-241	-241
Change in deferred tax liability	-	-	-	147	147
Minority interest	-	-	-	-14	-14
Profit/loss for the year	-5	63	131	-129	59
Income/expenses	1.14	1.41	1.46	1.36	1.37

household sector at FIM 2,005 million. Both items are lower than the corresponding aggregates of the merged groups one year earlier.

Non-interest-bearing loans at the end of the year totalled FIM 2,785 million, virtually unchanged from the combined total of the Kansallis and Unitas Groups at the end of 1994. In many cases, loans granted or re-arranged on a zero-interest-rate basis include some other yield element, such as an equity conversion option holding potential for gains in the form of appreciation in value.

The volume of the Group's temporary

Merita Group Non-performing receivables

<i>FIM million</i>	31.12.1995
Industry	527
Construction	698
Trade, hotels and restaurants	1 154
Real estate investment	579
Households	2 005
Other domestic borrowers	1 197
Foreign borrowers	1 376
Unallocated write-offs	-200
Total	7 337

holdings of foreclosed assets did not increase materially. The year-end total of such real estate holdings carried in the consolidated accounts was FIM 3.4 billion and that of temporary equity holdings FIM 2.2 billion.

Personnel expenses

The downward impact of the reduction in the workforce began to be felt in personnel expenses towards the year-end. Non-recurring personnel expenses arising from redundancies are reported under "extraordinary expenses".

The total amount of one-off merger-related expenses charged in the 1995 accounts of the Merita Group is FIM 719 million. FIM 555 million of this is reported under "extraordinary expenses".

During the year, the number of Group employees fell by a good 3,000. Total staff at the end of the year was 15,488, of whom 14,606 were employed by the Merita Bank Group. This compares with an aggregate total of 18,628 employed by the Kansallis and Unitas Groups at the end of 1994.

Statutory pension security for Group employees is provided through insurance. Former Kansallis employees at Merita Bank have been covered under the Group's insurance scheme from the beginning of 1996, and those in other Merita Group companies joined the scheme already during 1995.

Supplementary pension benefits for Group personnel in Finland are administered by the A Section of the KOP Pension Fund and by the UBF Pension Fund. The related pension liabilities are fully funded.

Until the end of 1995, the B Section of the KOP Pension Fund was responsible for the

statutory pension security of employees covered under its scheme. The actuarial surplus shown by the year-end accounts of the A Section, FIM 81 million, was transferred to cover liabilities of the B Section.

At the end of the year, the market value of the UBF Pension Fund's equity portfolio exceeded book value by approximately FIM 1 billion. The supplementary pension benefits of employees covered by the Fund are not linked to developments in the value of its equity portfolio. Pursuant to a legislative amendment introduced at the turn of the year, any actuarial surplus of the Fund may on certain conditions be refunded to the employers.

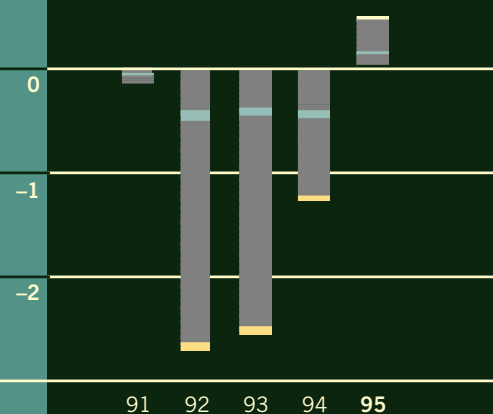
As a statutory provision, a total of FIM 100 million was charged in the accounts of the Merita Group for rental liabilities in respect of business premises. FIM 32 million of this is booked under "operating expenses" and FIM 68 million under "extraordinary expenses". The latter item stems from premises vacated as a result of branch integrations.

The year's depreciation charges follow the adopted depreciation schedule. A one-off charge of FIM 44 million in respect of premises vacated and systems dismantled as a result of the merger is included in "extraordinary expenses".

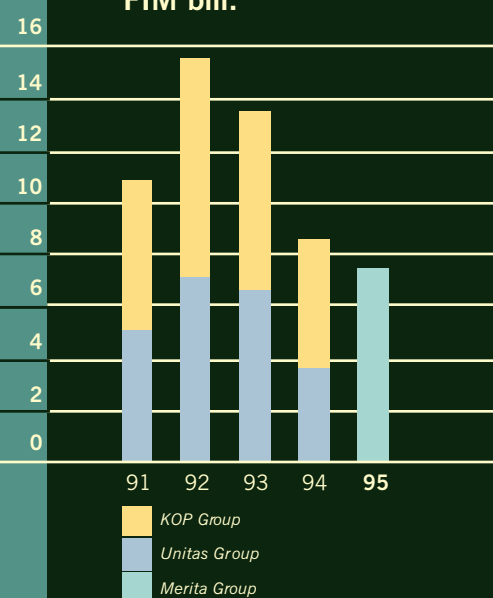
Most one-off personnel expenses charged in 1995

FIM 442 million of non-recurring severance payments to employees made redundant are charged under "extraordinary expenses". These cover all severance payments arising from redundancies agreed last year regardless of when the employment contract expires. In

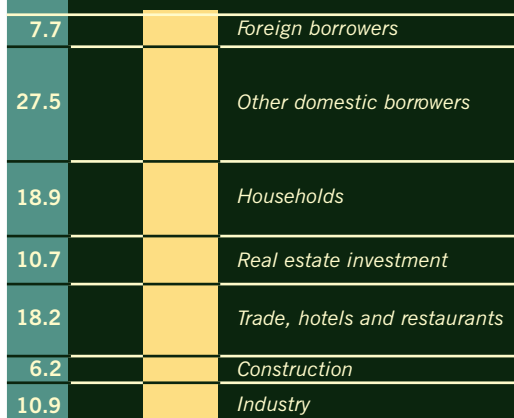
Merita Group Profit / loss on ordinary operations, FIM bill.



Merita Group Non-performing receivables FIM bill.



Merita Group Write-offs on credits and guarantees 1995, %



addition, they include a FIM 194 million statutory provision for severance payments arising from redundancies scheduled for subsequent years.

The FIM 336 million gain posted on the sale of the Group's Swiss subsidiary Nordfinanz Bank Zurich is booked in Merita Bank's accounts under "extraordinary income". This transaction had no material impact on the results of the Merita Group.

The Group reported a loss before appropriations and taxes of FIM 126 million. After appropriations, the unwinding of deferred tax liability and the year's taxes amounting to FIM 241 million, the net profit for the year was FIM 59 million.

Most of the year's taxes arose from dividends paid to the parent company by its subsidiaries. Group contributions were not permitted, owing to the changes in the Group structure. The parent company will be entitled to apply taxes paid against its income taxation for future years.

Merita holding group Equity holdings

<i>FIM million</i>	Book value 31.12.1995	Market value 31.12.1995
Merita Group	4 398	4 277
of which		
– Partita	517	571
– Merita Bank	2 796	2 771
Pension funds	971	2 195
Total	5 370	6 472

*Excl. subsidiary and associated company holdings, foreclosed assets and assets acquired for the reorganization of customers' business operations.
Unlisted shares at book value.*

Kansallis-Yhtymä Oy's impact on consolidated results

Kansallis-Osake-Pankki became a subsidiary of Unitas Ltd on 1st April 1995. Its real estate business was transferred to Merita Real Estate Ltd as a contribution in kind on 31st May 1995, and its banking business was transferred to Union Bank of Finland on 1st June 1995. On 5th June Kansallis-Osake-Pankki relinquished its banking licence and changed its name to Kansallis-Yhtymä Oy.

The shares of Merita Bank and certain other equity holdings, together totalling FIM 10 billion, continued to be carried in the books of Kansallis-Yhtymä Oy, which operated as a holding company until its merger into Unitas Ltd on 29th December 1995.

The Kansallis-Yhtymä loss on ordinary operations for April-December 1995, FIM 49 million, is included in the result of the Merita Group. This loss comprises the results of Kansallis-Osake-Pankki for April-May and the results of the Kansallis-Yhtymä holding company for June-December.

Kansallis-Yhtymä's net income from financial operations for the period April-December was FIM 225 million, and its net income from securities trading totalled FIM 156 million.

Kansallis-Yhtymä's net income from securities trading, included in the Merita Group accounts, is encumbered by an additional charge of FIM 64 million for losses incurred from the liquidation of the bond portfolio of Kansallis New York Branch. Reversals of previous write-downs on equity holdings and capital gains realized on disposals during April-December totalled FIM 165 million.

Kansallis-Yhtymä's personnel and administrative expenses for April-December totalled FIM 395 million. FIM 35 million of this, consisting of one-off merger-related items, was reported under "extraordinary expenses". The rest of Kansallis-Yhtymä's expenses comprised depreciation charges and sundry expenses.

As Kansallis-Osake-Pankki did not belong to the Unitas Group in the first quarter of the year, its first-quarter loss of FIM 2,474 million is not incorporated in the results of the Merita Group.

FIM 2,073 million of this loss resulted from the strict valuation principles applicable to assets transferred as a contribution in kind, from pre-merger harmonization of valuation principles and accounting practices with those of the Unitas Group (FIM 1,768 million) and from other adjustments to asset values for the purpose of calculating the acquisition cost of the Kansallis Group (FIM 305 million).

Performance of key subsidiaries

Partita Ltd, which manages the Group's equity portfolio and engages in securities trading, performed well, reporting a profit on ordinary operations of FIM 281 million.

Merita Real Estate Ltd, which commenced operations at the beginning of June, posted a minor loss. Merita Life Assurance Ltd reported a favourable trend in performance and an increase in business volume. It continued to strengthen its capital adequacy. Prospectus Limited also had a good year despite a decline in market activity.

The operations of the real estate brokerage companies Huoneistokeskus Oy and Huoneistomarkkinointi Oy suffered from the slump in

Subsidiaries directly owned by Merita Ltd (excl. Merita Bank Ltd)

<i>FIM million</i>	Profit/loss before appropriations and taxes	Total assets
Partita Ltd	281	1 101
Merita Life Assurance Ltd	0	1 099
Merita Real Estate Ltd	-3	17 457
Prospectus Limited	10	27
Huoneistokeskus Oy	-15	275
Huoneistomarkkinointi Oy	3	83

the housing and property market. Their results were also affected by the reorganization of operations in line with the agreed division of responsibilities.

Lower balance sheet volume

Total consolidated assets of the Merita Group at the end of the year were FIM 278.7 billion. Assets contracted during the year, reflecting the fall in lending and the disposal of Nordfinanz Bank Zurich. With the fall in lending and the growth in deposits, recourse to money and capital market funding decreased.

Merita Bank's total domestic deposits from the public, amounting to FIM 134.1 billion at the end of the year, showed an increase of 3.5 per cent on the aggregate total reported by the merged banks one year earlier. The year-end total of foreign deposits was FIM 4.0 billion. Money market funding amounted to FIM 69.6 billion and capital market funding to FIM 27.4 billion.

At the year-end, Merita Bank's domestic loans and advances totalled FIM 136.5 billion. This compares with an aggregate FIM 145.3 billion reported by Kansallis-Osake-Pankki and Union Bank of Finland at the end of 1994. Foreign currency credits continued to decline throughout the year. Part of this

drop is attributable to the strengthening of the markka. FIM lending showed a flat trend.

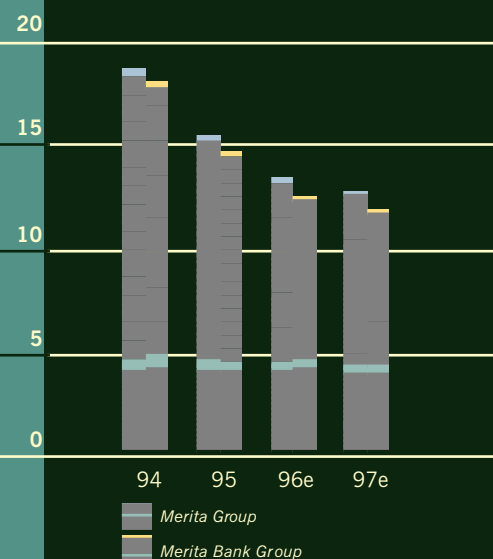
In line with Group strategy, loans to foreign borrowers focused on Finnish-related business. At the end of the year, the international loan portfolio totalled FIM 12.3 billion. OECD countries accounted for most of this.

Domestic money market placements declined significantly towards the end of the year. This is explained mainly by the more effective functioning of the market and a shift to short-term interest-rate derivatives. The year-end amount of market placements was FIM 17.3 billion. Holdings of long-term debt securities stayed at a low level. At the close of the year, bonds and debentures in the trading account totalled FIM 10.4 billion. Holdings of bonds and debentures in Merita Bank's books amounted to FIM 25.2 billion.

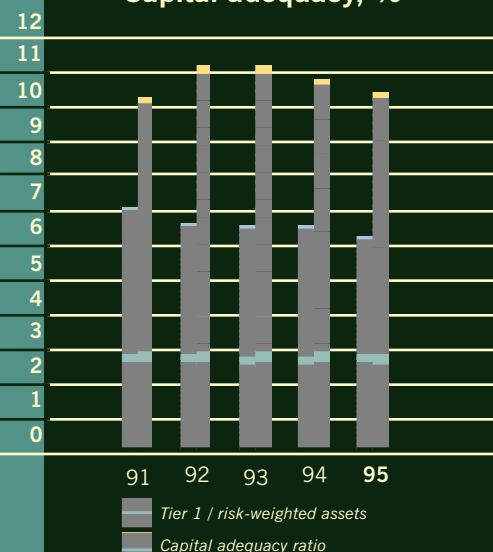
The combined year-end book value of the equity portfolios of the Merita holding group, i.e. the Merita Group and its pension funds, was FIM 5.4 billion. The total market value of these holdings was FIM 6.5 billion. Most equity holdings carried at values significantly below market were in the portfolio of the UBF Pension Fund.

The year-end book value of the capital employed in the Group's real estate assets

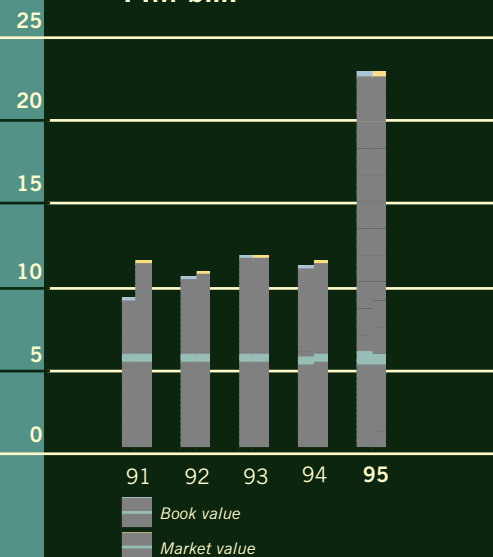
Number of employees (1,000)



Merita Group Capital adequacy, %



Merita Group Real estate holdings, FIM bill.



administered by Merita Real Estate Ltd was FIM 23 billion. This equals the estimated market value of these assets.

Growth in derivative trading

The Group's derivative trading increased throughout the year. Growth stemmed not only from a rising volume of customer business but also from the bank's own hedging and earning strategies.

The year-end credit equivalent of the Group's derivative contracts, calculated in accordance with the Financial Supervision guidelines, was FIM 14.4 billion. The credit equivalent is a mathematical concept which helps equate derivative contracts with balance sheet items.

Risk-taking in derivative instruments is limited not only by restrictions imposed by the regulatory authorities but also by the bank's own, still stricter, guidelines.

Solid capital adequacy sustained

The capital adequacy of the Merita Group improved towards the end of the year, reflecting the decline in risk assets caused primarily by the fall in lending and the disposal of Nordfinanz Bank Zurich. The Group's capital adequacy ratio at the end of the year was 10.3 per cent, up from 9.9 per cent at the end of June. The ratio of Tier I capital to risk-weighted assets at the year-end was 6.2 per cent.

* * *

The financial statements of Merita Ltd and the Merita Group and the proposal of the Board of Directors concerning the year's result are presented on pages 39–45 and 53–75.

Outlook for the immediate future

Economic growth in Finland decelerated towards the close of 1995. It is expected to continue at a slow pace in the first half of 1996, gaining momentum towards the year-end. With the prospect of slower growth and moderate inflation, the necessary preconditions appear to exist for a sustained low level of interest rates.

However, a slowdown in growth increases the likelihood of market disturbances. Uncertainties surrounding the materialization of the European Economic and Monetary Union and the fate and timing of the markka's ERM linkage may lead to nervousness on the money market. In these circumstances it is crucial that Finland follow a consistent and credible long-term economic policy.

The Merita Group is reaping the cost benefits of the merger as envisaged in the merger plan. Most of the one-off expenses arising from planned redundancies were charged in the 1995 accounts. The beneficial impact of the reduction in personnel and the integration of branches and systems will thus begin to be felt in 1996.

Credit write-offs for 1995 were less than estimated and can be expected to remain at

the same level in 1996. There is also a buffer of FIM 200 million remaining under the unallocated credit write-off booked earlier.

While a pick-up in loan demand is still uncertain, even if interest rates remain low, the growth in deposits will further reduce funding costs.

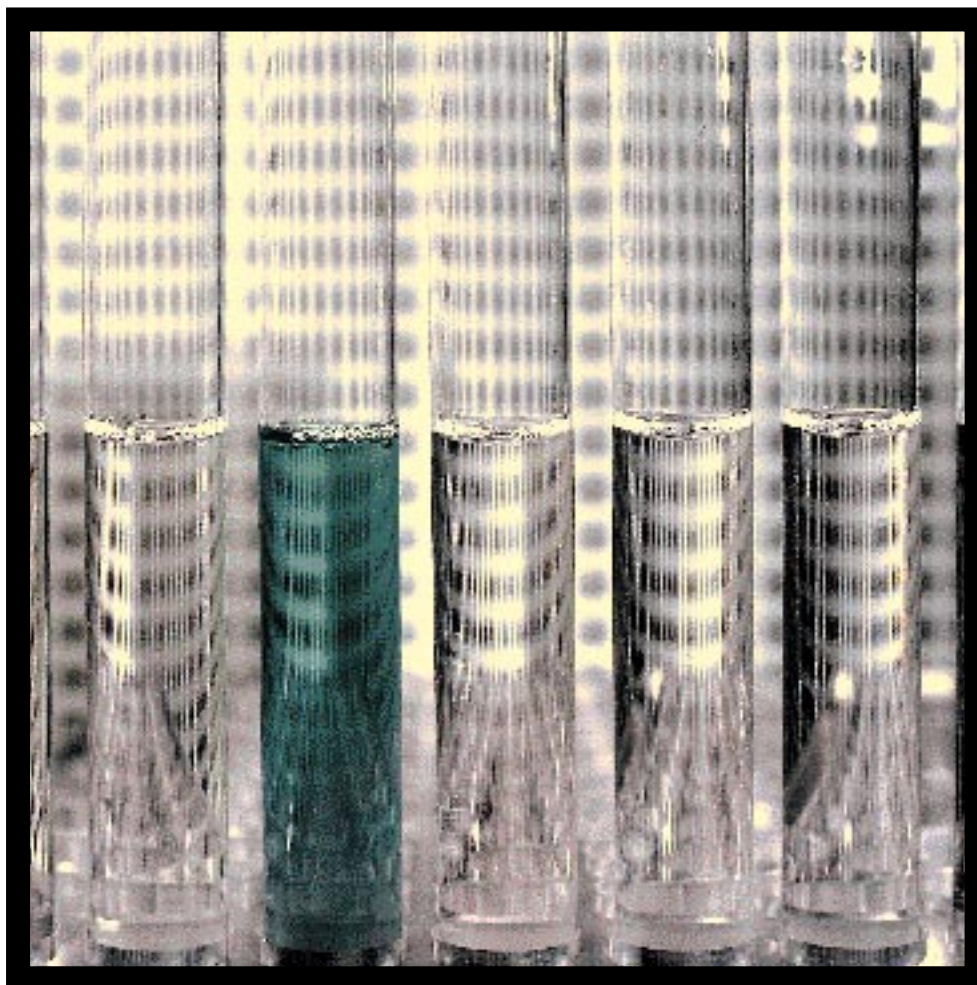
In equity trading, it will be more difficult to realize gains than in the past year. Within the Merita holding group, only the UBF Pension Fund carries its equity holdings significantly below market value.

1995 saw a continuation of the promising upward trend in rents for business premises. However, the slowdown in economic growth may retard an improvement in the yield on Group real estate assets.

In many key respects, the Group's performance hinges on general developments in the Finnish economy. Given no long-term disturbances in the economic environment, the Merita Group expects to see a further improvement in results during the current year, although these will still not reach a satisfactory level by international comparison.

Merita Group – Capital adequacy

<i>FIM million</i>	1991	1992	1993	1994	1995
Tier 1	9 302	8 644	8 156	7 101	12 051
Tier 2	4 394	5 907	5 909	4 643	9 092
./ deductions	147	46	82	175	1 156
Total own funds	13 548	14 505	13 983	11 569	19 987
Risk-weighted assets	133 702	130 857	125 999	108 453	193 357
Capital adequacy, %	10.1	11.1	11.1	10.7	10.3
Tier 1/risk-weighted assets, %	7.0	6.6	6.5	6.5	6.2



Finnzymes Oy

Finnzymes is a dynamic, rapidly growing hightech company operating in the forefront of genetic engineering and DNA research. It specializes in enzyme products applied in gene technology, many of which are marketed on a worldwide basis.

Finnzymes works in close cooperation with New England Biolabs Inc. (MA, USA) – one of its major shareholders and an international giant in the field. The company employs 20 people.

Merita Bank Ltd: Report of the Board of Management

Operating environment

Bank deposits sustained a relatively favourable trend in the year under review, reflecting the cautious financial behaviour of households and a more broadly based economic recovery. The money market remained liquid. The capital market was dominated by government bonds. Despite the fall in long-term interest rates, the volume of private sector debt issuance was considerably lower than in earlier years.

Developments in bank lending reflected the strong financial position of companies. Although investment increased, corporate borrowing continued to decline. Household borrowing was also subdued. The drop in market interest rates had no immediate impact on credit demand.

The downward trend in markka lending came to a halt in the latter half of the year, but repayments of foreign currency credits continued at a rapid pace. Competition for customers, large corporates in particular, became increasingly fierce. This squeezed corporate lending margins.

Merger and organization

The most important single event influencing operations last year was the integration of the banking business of the Kansallis Banking Group into the Merita Bank Group.

As a first step, on 1st April 1995, Kansallis-Osake-Pankki became a subsidiary of Unitas Ltd, and Kansallis-Osake-Pankki and Union Bank of Finland were brought under a single management. The integration of their operations started immediately. The banking business of the Kansallis Group was trans-

ferred to the Merita Bank Group (formerly Union Bank of Finland Group) as of 1st June 1995.

The bank was divided into three main business areas: Retail Bank, Corporate Bank and Asset Management. Upon the retirement of Mr. Veikko Ylitalo, who relinquished his post as Managing Director of Retail Bank for reasons of ill health, a number of changes were made in the bank's organization and in the division of responsibilities within the Board of Management. In this connection Treasury and Capital Markets was separated from Corporate Bank as of 1st December and now constitutes the bank's fourth main business area.

The branch network was divided into six regions and 40 districts. The regional and district managers were appointed in February-March and most branch managers in June. Pursuant to a decision made in June, the Merita service network in Finland will comprise 505 branches. The first branch integrations took place in Helsinki in July. By the end of the year, the number of branches fell by 156 to 619. Most of the remaining branch mergers are scheduled to be completed in 1996.

During the past year, merged branches were still obliged to maintain dual service capabilities for former customers of Kansallis-Osake-Pankki and Union Bank of Finland. The linking of the merged banks' EDP systems in February 1996 now permits fully integrated customer service.

In order to ensure more effective service, Merita Bank decided to reserve its 1,350-plus bill payment ATMs solely for the use of its own customers as of February 1996. Thanks to the merger, the bank is now equipped to offer

easy access to services in any part of Finland through its nationwide distribution network.

Detailed information on changes in the Group structure is provided in Notes to the accounts (Note 36).

Staff numbers down by almost 3,500

At the year-end, the Merita Bank Group employed 14,606 people, a fall of 3,478 compared with the total employed by the merged banks at the end of 1994. Virtually all redundancies were based on contractual arrangements.

In cooperation with the employment authorities, the bank opened job centres in Helsinki and other large cities to facilitate the re-employment of persons leaving the Group as a result of the merger.

The statutory staff-management negotiation procedure in respect of redundancies within the Group's centralized functions was largely completed in September 1995. It was followed by a similar negotiation process initiated within Merita Bank's branch network in September 1995 and scheduled to end in late autumn 1996. The aim is to scale down the deployment of human resources within the Merita Bank Group by 6,500 man-years by the end of 1997. The easing in the workload stems not only from the elimination of overlap but also from the centralization of back office functions.

New branch in Tallinn

New international outlets established last year were a branch in Tallinn, Estonia, opened in February, and a representative office in St. Petersburg, Russia, opened in May. It was

also decided to upgrade the Stockholm office to branch status in 1996. The UBF and KOP branches in London, New York and Singapore were combined, as were the Singapore subsidiaries and the overlapping representative offices. The branch and subsidiary in Paris were closed pursuant to a decision taken before the merger, and Merita retains a representative office in Paris.

The international network of Merita Bank provides services primarily to Finnish customers and offers Finnish market expertise. The foreign units operate under a matrix organization following the bank's overall strategy.

Merita Bank's Swiss subsidiary Nordfinanz Bank Zurich did not fit in well with this operational framework, as a substantial part of its business was of purely Swiss or international origin with few links to Finland. It was therefore decided to dispose of this interest. The FIM 336 million capital gain posted on the sale, which took place on 30th November 1995, is booked in the accounts of Merita Bank under "extraordinary income". It had no material impact on the results of the Merita Bank Group. In connection with this transaction, the Luxembourg subsidiary of Nordfinanz Bank Zurich was transferred to the direct ownership of Merita Bank. The bank's two subsidiaries in Luxembourg were then merged, and the name was changed to Merita Bank Luxembourg S.A.

In Russia, Merita Bank has an interest in International Moscow Bank (IMB), a joint venture established by four western banks. During the year, IMB's ownership was enlarged to include Industrial Bank of Japan. Merita Bank's stake in IMB was reduced to

12 per cent, and it posted a gain of FIM 11 million on this transaction.

Healthy level of liquidity

The Merita Bank Group sustained a healthy level of liquidity throughout the year, and its funding risk continued to diminish. With the contraction of the loan portfolio and the growth in the deposit base, the need for money and capital market funding decreased. At the end of the year, the bank's net FIM funding from the money and capital markets totalled FIM 12 billion.

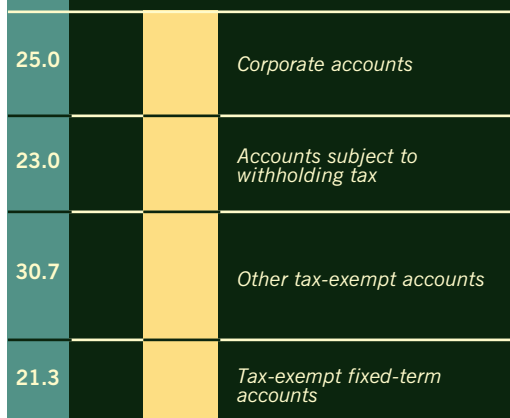
The steep fall in market interest rates led to a shift of deposits from taxable fixed-term accounts to current accounts and, towards the end of the year, notably to base-rate-linked, tax-exempt fixed-term accounts, which saw an increase in volume. Simultaneously there was a drop in base-rate-linked lending.

With the volumes of the bank's prime-rate-linked lending and funding broadly in balance at the end of the year, movements in the prime rate have no direct impact on performance. The open interest rate position relating to fluctuations in market rates also remains relatively low, so that market rate movements have no immediate impact on results.

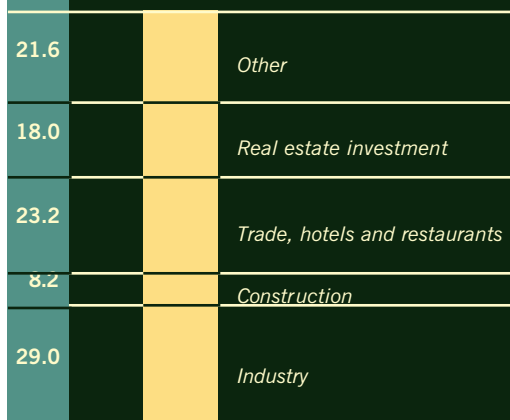
Increase in deposits

Deposits accounted for an increasing proportion of the Group's funding mix. Domestic deposits from the public at the end of the year showed a gain of 3.5 per cent compared with the aggregate total reported by Kansallis-Osake-Pankki and Union Bank of Finland one year earlier.

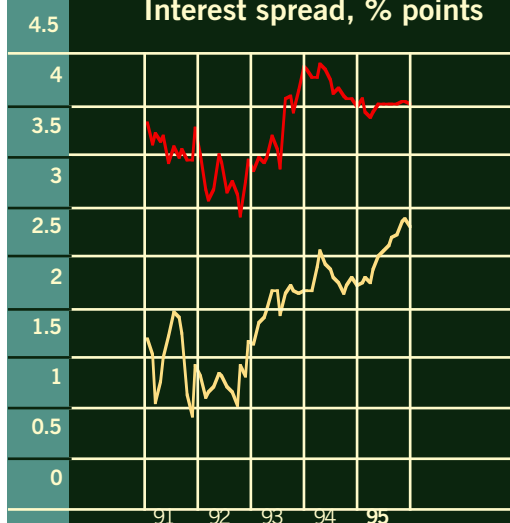
Merita Bank FIM deposits 31.12.1995, %



Merita Bank Corporate lending by sector, %



Merita Bank Interest spread, % points



■ FIM lending and deposits
■ All interest-bearing FIM assets and liabilities

At the close of the year, time deposits in the books of Merita Bank totalled FIM 104.9 billion, up 1.6 per cent on the combined total of the merged banks at the end of 1994. Tax-exempt two-year deposits increased particularly during the last months of the year, boosted by a transfer of funds from maturing tax-exempt three-year accounts. Balances in tax-exempt current accounts also rose. At the end of the year, tax-exempt deposits totalled FIM 64.2 billion.

The total year-end volume of taxable fixed-term deposits was FIM 27.6 billion. Of this, FIM 18.0 billion consisted of household deposits subject to withholding tax. Cheque accounts showed an increase of FIM 3.3 billion, mainly reflecting the improvement in corporate performance. Total markka-denominated deposits at the end of the

Merita Bank Group – Funding

FIM million **31.12.1995**

Liabilities to credit institutions repayable on demand	942
Other liabilities to credit institutions	36 590
Liabilities to the public repayable on demand	74 664
Other deposits	61 050
Other liabilities to the public and public sector organizations	11 032
Bonds and debentures	13 135
Other debt securities	32 257
Other debts	2 634
Subordinated liabilities	11 807

Total funding	244 112
Other liabilities	18 128
Equity and reserves	12 622

Balance sheet total **274 862**

year stood at FIM 123.6 billion, up 4.2 per cent on the combined total reported by Kansallis-Osake-Pankki and Union Bank of Finland 12 months earlier.

The year-end amount of deposits linked to the Merita prime rate was FIM 10.7 billion, while base-rate-linked deposits totalled FIM 50.1 billion and market-rate-linked deposits FIM 7.5 billion.

Decline in the average deposit rate

At the end of the year, the average interest rate paid on FIM deposits was 2.95 per cent, compared with 3.2 per cent paid by Kansallis-Osake-Pankki and 3.4 per cent paid by Union Bank of Finland at the previous year-end. In the course of the year, the Merita prime rate was reviewed on six occasions. At the year-end it was 6 per cent. In line with the general decline in interest rates, it was further lowered to 5.25 per cent from the beginning of 1996.

Merita Bank's average market share of markka deposits from the public during the year was slightly higher than the combined market share of the merged banks in the preceding year. The assessment of the year-end situation is hampered by a sudden surge in funds on post giro accounts in December.

The bank's share of foreign currency deposits remained unchanged at almost three quarters. Despite the appreciation of the Finnish mark, the FIM equivalent of foreign currency accounts showed no change during the year.

Merita Bank's total domestic deposits at the year-end amounted to FIM 134.1 billion, and its year-end market share of total deposits from the public was 43.8 per cent.

Merita Bank – Funding

FIM million **31.12.1995**

Finnish markka deposits	123 630
Foreign currency accounts	10 464
Foreign deposits	3 954

Total deposits **138 048**

Domestic bonds	3 180
Foreign bonds	24 183

Capital market funding **27 363**

Money market funding **69 577**

Total funding	234 988
Other liabilities	23 643
Equity and reserves	13 183

Balance sheet total **271 815**

Market funding

The bank's funding from the money and capital markets contracted. At the end of the year, funding from the domestic money market totalled FIM 33.9 billion. International money market funding amounted to FIM 35.7 billion and international capital market funding to FIM 24.2 billion. The year-end total of forward transactions to cover markka lending was FIM 7.5 billion.

Debt issued by the bank during the year included a domestic retail market issue linked to the HEX all-share index, two fixed-rate bullet issues and one amortization issue. All four offerings were still going on at the turn of the year.

The year's issues of foreign-currency-denominated debt instruments ranking equal with equity capital for the calculation of capi-

tal adequacy totalled FIM 1.7 billion. FIM 1.4 billion of this was issued under the Euro Medium Term Note programme.

The total amount outstanding under the Euro Commercial Paper programme was FIM 1.9 billion.

Contraction in lending

At the close of the year, Merita Bank's domestic loans and advances to the public amounted to FIM 136.5 billion, against a combined total of FIM 145.3 billion reported by Kansallis-Osake-Pankki and Union Bank of Finland at the end of 1994.

Markka-denominated lending remained unchanged, while foreign currency credits showed a fall of FIM 8.8 billion. This decline is in part attributable to the strengthening of the Finnish markka.

The bank's year-end market share of total markka lending to the public was 43.8 per cent, up 0.5 percentage point on the combined market share of the merged banks at the end of the preceding year. However, as a result of the sharp drop in foreign currency credits, the bank's market share of total lending to the public fell by 0.4 percentage point to 45.9 per cent.

Merita Bank – Market shares, %

	31.12.1995	Average in 1995	31.12.1994
Finnish markka deposits	42.4	43.1	43.1
Foreign currency deposits	70.6	74.5	75.4
Total deposits	43.8	44.5	44.6
Finnish markka credits	43.8	43.6	43.2
Foreign currency credits	62.7	64.0	63.4
Total lending	45.9	46.2	46.3

Decline in lending rates towards the year-end

Interest rates on new loans took a downward turn in the last four months of the year. At the year-end, the average interest rate on new markka lending was 5.75 per cent, i.e. 0.70 percentage point lower than a year earlier. The average interest rate on total markka lending dropped by 0.66 percentage point during the year.

At the close of the year, base-rate-linked lending, consisting mainly of loans to the household sector, accounted for 27 per cent of the bank's total FIM lending. An increasing proportion of loans were linked to the Merita prime rate: the year-end total of such loans was FIM 11.2 billion, representing 10 per cent of the FIM lending portfolio. As previously, the bulk of the FIM lending volume, i.e. 42 per cent, consisted of loans linked to short-term market interest rates, principally the three-month Helibor.

International lending

In line with the bank's chosen strategy, loans to foreign borrowers focused on Finnish-related business and the bank's selected areas of special expertise. Loans were granted in part from Helsinki and in part through

Merita Bank – Loan portfolio ¹

FIM million	31.12.1995	Share %
Corporates	55 323	39.5
Financial institutions	1 442	1.0
Public sector organizations	1 520	1.1
Non-profit organizations	7 269	5.2
Households	62 976	44.9
Foreign borrowers	11 695	8.3
Total	140 226	100.0
Of household credits:		
housing loans	40 440	28.8
consumer credits	7 418	5.3
student loans	4 809	3.4

¹ Incl. receivables from the public and public sector organizations.

Unallocated write-offs have not been deducted.

the London, New York, Singapore and Tallinn branches. At the year-end, the bank's international lending portfolio totalled FIM 12.3 billion. OECD countries accounted for most of this, while the rest was split between Asia-Pacific, Eastern Europe and Latin America.

Decrease in market investments

The bank's domestic money and capital market investments contracted significantly in the late months of the year, totalling FIM 37.9 billion at the year-end. As in the preceding year, the bulk of these consisted of short-term instruments. The average amount invested in short-term money market products during the year was FIM 23.0 billion and the year-end total was FIM 17.3 billion. The main reason for their contraction was a more effective functioning of the market and

a shift of focus from cash instruments to short-term interest-rate derivatives.

Holdings of long-term debt instruments stayed at a low level. At the close of the year, bonds and other long-term debt instruments in the trading account totalled FIM 10.4 billion, of which FIM 5.9 billion consisted of Finnish government bonds. The total amount of bonds and other debt instruments carried in the bank's accounts was FIM 25.2 billion, with government bonds accounting for FIM 8.0 billion.

Growth in derivative trading

Merita's derivative trading increased throughout the year. Growth stemmed not only from a rising volume of customer business but also from the bank's own hedging and earning strategies.

Merita Bank Group Geographic breakdown of claims

<i>FIM million</i>	31.12.1995	%
Finland	179 918	79.4
Other Nordic countries	4 534	2.0
Other Western Europe	20 291	9.0
CIS	430	0.2
Other Eastern Europe	303	0.1
North America	13 160	5.8
Latin America	407	0.2
Middle East	70	0.0
Far East	6 741	3.0
Other	698	0.3
Total	226 552	100.0

Incl. receivables from credit institutions, receivables from the public and public sector organizations and debt securities.

Interest-rate and currency-related derivative contracts consisted primarily of swaps and forward agreements and, to a considerably lesser degree, of futures and options. The strongest growth was seen in trading in interest-rate-related derivative products. In particular, trading in forward rate agreements in FIM and foreign currencies rose sharply.

During the year, the credit equivalent of derivative contracts, calculated in accordance with Financial Supervision guidelines, was FIM 14.2 billion. The credit equivalent is a mathematical concept which helps equate derivative contracts with balance sheet items.

Risk-taking in derivative instruments is limited not only by restrictions imposed by the regulatory authorities but also by the bank's own, still stricter, guidelines.

Improvement in Group results

The Merita Bank Group reported a profit on ordinary operations of FIM 425 million for the past year. The main factor behind this improvement in performance was the drop in credit write-offs. Merita Bank Ltd posted a profit on ordinary operations of FIM 453 million.

Kansallis-Osake-Pankki's figures are included in the profit and loss account of the Merita Group as of 1st April 1995 but in Merita Bank's accounts only from 1st June 1995. For this reason the accounts of the Merita Group give a more accurate picture of developments in the Group's banking business during 1995.

The favourable development of the funding mix during the year boosted the Merita

Merita Bank Application of funds

<i>FIM million</i>	31.12.1995
Finnish markka credits	115 441
Domestic foreign currency credits	21 016
Foreign credits	12 304
Unallocated write-offs	-200
Total credits	148 561
Finnish markka bonds and debentures	20 605
Foreign currency bonds and debentures	4 599
Bonds and debentures	25 204
Finnish markka market investments	17 255
Foreign currency market investments	1 430
Market investments	18 685
Other balance sheet items	79 364
Total assets	271 815

Bank Group's net income from financial operations. The growth in deposits, combined with a flat trend in FIM lending and a decline in total lending, made it possible to reduce more expensive funding. Lower interest rates also had a downward impact on funding costs.

Despite tighter competition which squeezed lending margins, Merita Bank's "broad" interest spread, i.e. the differential between interest rates on interest-bearing FIM assets and liabilities, rose to 2.8 percentage points. This compares with 2.2 percentage points reported by Union Bank of Finland a year earlier.

Merita Bank's interest expenses include FIM 44 million of interest payable on the government's preferred capital investment.

The Merita Bank Group again posted a healthy profit on trading in money and capital market instruments and derivative products. These earnings boosted both net income from financial operations and net income from securities trading. Net income from securities trading also includes capital gains on the sale of equity holdings of FIM 408 million. The largest single gain was FIM 212 million on the sale of the shareholding in A. Ahlström Oy.

Write-downs of FIM 143 million on the equity portfolio were charged against the Merita Bank Group's income from securities trading.

Lending commissions and fees were adversely affected by slack loan demand. The slowdown in trading on the foreign exchange

Merita Bank Group Application of funds

<i>FIM million</i>	31.12.1995
Receivables from credit institutions repayable on demand	2 445
Receivables from credit institutions not repayable on demand	29 989
Receivables from the public and public sector organizations	151 865
Unallocated write-offs	-200
Debt securities issued by public sector organizations	15 418
Other debt securities	27 036
Total receivables	226 552
Leased assets	3 938
Other balance sheet items	44 372
Total assets	274 862

Merita Bank – Major domestic subsidiaries

<i>FIM million</i>	Profit/loss before appropriations and taxes	Total assets
Merita Finance Ltd	131	9 501
Merita Customer Finance Ltd	27	3 125
Merita Fund Management Ltd	15	40
Merita Capital Ltd	-1	55
Merita Securities Ltd	20	108
Industrial Bank of Finland Ltd	34	3 341

markets was reflected in net income from foreign exchange dealing.

Sharp drop in credit losses

Realized credit losses for 1995 were somewhat less than estimated. The net charge in the consolidated accounts of the Merita Bank Group was FIM 1,573 million. This represents a significant reduction compared with the preceding year.

FIM 400 million of losses were charged against the FIM 600 million unallocated credit write-off carried in the 1994 accounts of Union Bank of Finland Ltd. This leaves FIM 200 million available for the covering of future losses without encumbering the result.

The downward impact of the reduction in the workforce began to be felt in personnel expenses towards the end of the year. Non-recurring personnel expenses arising from redundancies, a total of FIM 407 million, are reported under "extraordinary expenses".

As a statutory provision, a total of FIM 100 million was charged in the accounts of the Merita Bank Group against the year's profit for rental liabilities in respect of business premises. FIM 32 million of this is

booked under "other expenses" and FIM 68 million under "extraordinary expenses". The latter item stems from premises vacated as a result of branch integrations.

Pursuant to a ruling by the Finnish tax authorities, certain debt securities subscribed in private placements in previous years and carried in the bank's books are to be interpreted as normal lending rather than securities and therefore subject to stamp duty. In consequence, stamp duties are being claimed from the Group in arrears. A statutory provision of FIM 50 million was charged for this purpose in the 1995 accounts under "operating expenses". The bank intends to appeal the ruling.

The year's depreciation charges follow the adopted depreciation schedule. A one-off charge of FIM 44 million in respect of premises vacated and systems dismantled as a result of the merger is included in "extraordinary expenses".

Most non-recurring personnel expenses charged in 1995

Non-recurring severance payments to employees charged under "extraordinary expenses" cover all severance payments

arising from redundancies agreed last year. In addition, they include a FIM 194 million statutory provision for severance payments arising from redundancies scheduled for subsequent years.

One-off merger-related expenses charged under "extraordinary expenses" in the consolidated accounts of the Merita Bank Group totalled FIM 519 million. The total amount of such charges in the accounts of the Merita Bank Group is FIM 650 million.

The FIM 336 million gain posted on the sale of the Group's Swiss subsidiary Nordfinanz Bank Zurich is booked in Merita Bank's accounts under "extraordinary income". This transaction had no material impact on the results of the Merita Bank Group.

After extraordinary items, appropriations, taxes and minority interest, the Merita Bank Group reported a net profit of FIM 74 million and Merita Bank Ltd a net profit of FIM 533 million for the year under review.

The result of Merita Bank reflects the sale of the equity interest in Nordfinanz Bank Zurich and capital gains on disposals of real estate holdings. These boosted the parent bank's results but had no impact on the results of the Merita Bank Group.

Subsidiaries profitable

All major subsidiaries of Merita Bank, with the exception of Merita Capital Ltd, reported profits for 1995. The figures of Nordfinanz Bank Zurich are included in the consolidated accounts of the Merita Bank Group until the end of November.

Strong capital adequacy sustained

The improvement in performance and the decrease in risk assets had a favourable impact on the capital adequacy of Merita Bank and its Group in the latter part of the year. Risk assets were reduced notably by the decline in lending and the sale of Nordfinanz Bank Zurich. At the end of the year,

the capital adequacy ratio of the Merita Bank Group was 10.9 per cent, compared with 10.4 per cent at the end of June.

Ratings upgraded

The merger prompted an upward revision of the bank's international credit ratings.

Moody's upgraded its senior debt rating from A3 to A2 and its short-term debt rating from P2 to P1. The Thomson Bankwatch rating rose from A to A+ and the IBCA rating from A- to A. Standard & Poor's confirmed its earlier BBB rating held by both of the merged banks.

Merita Bank Group – Capital adequacy

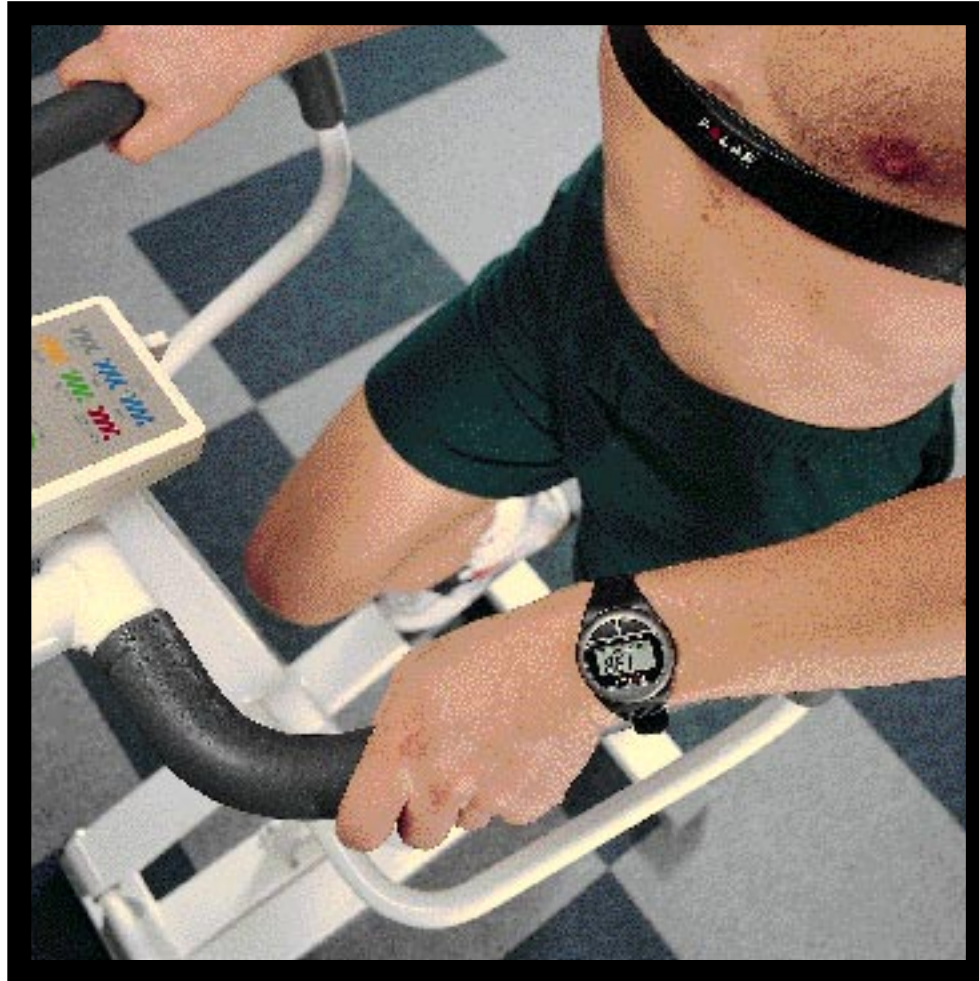
FIM million	1991	1992	1993	1994	1995
Tier 1	8 154	7 999	7 540	7 367	12 389
Tier 2	4 388	5 900	5 600	4 642	9 078
./ deductions	4	4	4	29	152
Total own funds	12 539	13 895	13 136	11 980	21 315
Risk-weighted assets	130 344	130 671	126 552	109 280	195 989
Capital adequacy, %	9.6	10.6	10.4	11.0	10.9
Tier 1/risk-weighted assets, %	6.3	6.1	6.0	6.7	6.3
Merita Bank Ltd, capital adequacy, %	10.3	11.0	10.9	11.2	11.3

Merita Bank – Agency ratings

	31.12.1995	31.12.1994
Standard & Poor's:		
Senior	BBB	BBB
Short-term	A-2	A-2
Moody's:		
Senior	A2	A3
Short-term	P-1	P-2
I.B.C.A.:		
Senior	A	A-
Short-term	A1	A1
Thomson Bankwatch:		
Senior	A+	A
Short-term	TBW-1	TBW-1

* * *

The financial statements of Merita Bank Ltd and the Merita Bank Group and the proposal of the Board of Management for the disposal of the profit are presented on pages 46–75.



Polar Electro

Polar Electro, located in Kempele, Northern Finland, is a manufacturer of heart rate monitoring equipment. It exports some 95 per cent of its production. The Group's net sales in 1995 totalled FIM 500 million. The company has 700 employees.

Financial ratio formulas

The financial ratios in this Annual Report have been calculated in accordance with Finnish Financial Supervision regulations and the Helsinki Stock Exchange recommendations.

Dividend payout ratio, %:

$$\frac{\text{Dividend paid for the period}}{\text{Profit/loss on ordinary operations}} \times 100$$

Dividend/share:

$$\frac{\text{Dividend paid for the period}}{\text{Adjusted number of shares on closing day}}$$

Effective dividend yield, %:

$$\frac{\text{Dividend/share}}{\text{Adjusted share price on closing day}} \times 100$$

Earnings/share (EPS):

$$\frac{\text{Profit/loss on ordinary operations -/+ minority interest - taxes}}{\text{Adjusted number of shares, year average}}$$

Equity/share:

$$\frac{\text{Equity + voluntary reserves and depreciation difference after deduction of deferred tax liability at the end of the year}}{\text{Adjusted number of shares on closing day}}$$

Equity to total assets, %

$$\frac{\text{Equity + minority interests + voluntary reserves and depreciation difference after deduction of deferred tax liability}}{\text{Total assets}} \times 100$$

Market capitalization on closing day:

$$\text{Number of shares} \times \text{last quotation on closing day}$$

Price/earnings ratio (P/E):

$$\frac{\text{Adjusted share price on closing day}}{\text{Earnings/share}}$$

Return on assets, % (ROA):

$$\frac{\text{Profit/loss on ordinary operations after taxes}}{\text{Total assets (average for beginning and end of year)}} \times 100$$

Return on equity, % (ROE):

$$\frac{\text{Profit/loss on ordinary operations after taxes}}{\text{Equity capital + minority interest + voluntary reserves and depreciation difference after deduction of deferred tax liability (average for beginning and end of year)}} \times 100$$

Trading average (share-issue-adjusted):

$$\frac{\text{Share turnover (FIM)}}{\text{Adjusted number of shares traded during the financial period}}$$

Turnover:

Interest income, income from leasing operations, dividend and commission income, net income from securities trading and foreign exchange dealing and other operating income

Preferred capital investments have not been included in equity capital in the calculation of the ratios.

Exchange rates 31.12.1995

The Bank of Finland's rates of exchange on 31.12.1995 of currencies of greatest significance for the financial statements:

FIM	1.0000	DEM	3.0435	FRF	0.8906
USD	4.3586	NLG	2.7185	JPY	0.0423
GBP	6.7410	BEF	0.1482	SGD	3.0835
SEK	0.6546	CHF	3.7884	ECU	5.5970

Merita in figures ¹

Merita Group 31.12., FIM million	1991	1992	1993	1994	Adjusted 1994	1995
Turnover	17 666	16 963	14 141	13 104	12 259 ²	20 554
Net income from financial operations	2 100	1 702	2 182	2 359	2 636	3 841
% of turnover	11.9	10.0	15.4	18.0	21.5	18.7
Profit/loss on ordinary operations	-128	-2 702	-2 564	-1 273	-1 273	491
% of turnover	-0.7	-15.9	-18.1	-9.7	-10.4	2.4
Profit/loss before appropriations and taxes	-163	-2 599	-2 564	-1 173	-1 173	-126
% of turnover	-0.9	-15.3	-18.1	-8.9	-9.6	-0.6
Profit/loss on ordinary operations after taxes	-226	-2 670	-2 798	-1 307	-1 299	398
% of turnover	-1.3	-15.7	-19.8	-10.0	-10.6	1.9
Equity capital	10 172	9 269	8 322	7 492	7 478	12 928
Total assets	150 598	149 145	153 786	151 723	151 640	278 683
Earnings/share, FIM (EPS)	-0.72	-7.42	-7.14	-2.63	-2.61	0.52
Dividend payout ratio, %	-	-	-	-	-	-
Equity capital/share, FIM ⁵	27.95	20.66	13.58	11.03	11.00	10.62
Return on assets, % (ROA)	-0.16	-1.78	-1.85	-0.86	-0.85	0.18
Return on equity, % (ROE) ⁵	-2.2	-30.1	-39.0	-21.5	-21.5	5.5
Equity to total assets, % ⁵	6.8	5.1	4.4	3.5	3.5	3.3
Capital adequacy ratio, %	10.1	11.1	11.1	10.7	10.7	10.3
Other income	1 986	1 945	2 377	3 056	2 750	4 317
Administrative and operating expenses	2 770	2 585	2 747	3 086	3 057	5 434
Loan and guarantee losses	1 113	3 262	3 773	3 180	3 180	1 726
Funding	131 072	131 281	136 855	134 881	136 157 ³	247 343
Lending	126 131	119 879	120 865	122 241	123 375 ⁴	219 768
Contingent liabilities	36 542	34 026	31 244	27 712	27 712	44 039
Gross capital expenditure on fixed assets	1 210	1 548	440	483	483	979
% of turnover	6.9	9.1	3.1	3.7	3.9	4.8
Number of employees, 31.12.	8 807	8 474	8 163	9 158	9 158	15 488
Number of employees, annual average	9 015	8 674	8 308	9 191	9 191	15 062

Merita Bank Group 31.12., FIM million⁶

Turnover	17 666	16 787	13 872	12 371	11 525	17 227
Net income from financial operations	2 100	1 735	2 162	2 447	2 691	3 871
Profit/loss on ordinary operations	-128	-2 595	-2 509	-1 427	-1 427	425
Profit/loss on ordinary operations after taxes	-226	-2 587	-2 522	-1 477	-1 469	426
Equity capital	10 172	8 462	7 669	7 718	7 703	12 622
Total assets	150 598	147 802	153 338	152 139	152 055	274 862
Contingent liabilities	36 542	34 026	31 366	27 797	27 797	48 274
Capital adequacy ratio, %	10.1	10.6	10.4	11.0	11.0	10.9

Merita Bank Ltd

Domestic funding	61 231	67 838	82 358	90 950	91 831	171 201
International funding	57 278	54 402	47 944	39 237	39 237	63 837
Domestic lending	80 809	79 595	83 322	77 335	78 334	158 288
Foreign receivables	24 278	23 889	24 086	20 309	20 309	48 355
Employees (man hours per year)	7 067	6 792	6 298	7 157	7 157	11 706
Domestic branches	329	324	358	360	360	619
Foreign branches	4	5	5	5	5	5
Other service points	23	14	13	15	15	55

¹ Ratios are calculated using the formulas given on page 36 (EPS, see also table on page 14). The figures for 1994 are presented separately in accordance with the accounting regulations applicable in 1994 and 1995. The figures for previous years have not been adjusted to comply with the new regulations. The Kansallis Banking Group and the Unitas Group merged on 1.4.1995 and the 1995 figures are therefore not comparable with those for earlier years. The major changes caused by the new accounting regulations are:

² Part of the items previously booked under interest income and expenses are now entered as a deduction from net income from securities trading. This reduces turnover.

³ Liabilities to the State previously not included in funding are now included in funding under "Liabilities to the public and public sector organizations".

⁴ Securities purchased on binding resale terms previously not included in lending are now included in lending under Receivables.

⁵ Preferred capital investments are not included in equity capital.

⁶ Due to changes in the Group structure on 1.7.1991, the figures presented for the year 1991 are those of Unitas.



UPM-Kymmene Corporation

Created from the merger of Kymmene Corporation and Repola Ltd, UPM-Kymmene Corporation will officially commence operation on 1st May 1996. It is Europe's largest manufacturer of forest products and one of the world's leading suppliers in the field. The company's forest industry group has net sales of approximately FIM 45 billion and some 34,000 employees.

Merita Ltd and Merita Bank Ltd: Financial information

The merger of the Kansallis and Unitas Groups has significantly affected the comparability of financial data for 1995 and 1994.

Merita Group

- * The Kansallis Group became part of the Unitas Group on 1st April 1995.
- * Unitas Ltd was renamed Merita Ltd on 29th December 1995.
- * The 1995 accounts of the Merita Group include the results of the Kansallis Group as of 1st April 1995, i.e. for nine months.
- * The comparative figures for 1994 are those of the Unitas Group.

Merita Bank Group

- * The business of the Kansallis Group was transferred to the Union Bank of Finland Group on 1st June 1995.
- * Union Bank of Finland was renamed Merita Bank Ltd on 2nd June 1995.
- * The accounts of Merita Bank Ltd and the Merita Bank Group include the result of the business transferred to the Merita Bank Group as of 1st June 1995, i.e. for seven months.
- * The comparative figures for 1994 are those of Union Bank of Finland Ltd and the Union Bank of Finland Group.

Merita Ltd – Consolidated profit and loss account

FIM million	1.1.–31.12.1995		1.1.–31.12.1994		Note no
Interest income					
On receivables from credit institutions and central banks		1 258		218	
On receivables from the public and public sector organizations		10 157		6 110	
On debt securities		2 826		2 064	
Other interest income		<u>324</u>	14 565	<u>226</u>	8 618
Net income from leasing operations			302		104
Interest expenses					
On liabilities to credit institutions and central banks		3 818		2 050	
On liabilities to the public and public sector organizations		4 499		2 183	
On debt securities issued to the public		1 673		1 120	
On subordinated liabilities		725		486	
On preferred capital investments		44		–	
Other interest expenses		<u>266</u>	–11 026	<u>247</u>	–6 086
Net income from financial operations			3 841		2 636
Dividend income			139		68
Commission income			2 078		1 291
Commission expenses			–15		–36
Net income from securities trading and foreign exchange dealing					
Net income from securities trading					
Debt securities	77			–7	
Shares and participations	653			520	
Other	<u>42</u>	773		<u>9</u>	
Net income from foreign exchange dealing		<u>270</u>	1 043	<u>170</u>	693
Other operating income			1 072		735
Administrative expenses					
Personnel expenses					
Wages and salaries	2 199			1 311	
Pension expenses	424			271	
Social security expenses	288			85	
Other personnel expenses	<u>84</u>	2 994		<u>47</u>	
Other administrative expenses		<u>920</u>	–3 913	<u>774</u>	–2 488
Depreciation			–522		–272
Other operating expenses			–1 520		–569
Loan and guarantee losses					
Loan and guarantee losses		2 126		3 330	
Change in unallocated write-offs		<u>–400</u>	–1 726	<u>–150</u>	–3 180
Write-downs on securities held as financial fixed assets			–11		–147
Share of profit/loss of companies carried under the equity method			<u>26</u>		<u>–4</u>
Profit/loss on ordinary operations			491		–1 273
Extraordinary income			11		124
Extraordinary expenses			<u>–628</u>		<u>–23</u>
Loss before appropriations and taxes			–126		–1 173
Increase (–)/decrease (+) in voluntary reserves and depreciation difference			293		38
Direct taxes					
Taxes for the year and previous years		241		34	
Increase (–) / decrease (+) in deferred tax liability		<u>147</u>	–94	<u>8</u>	–26
Minority interest			<u>–14</u>		<u>–1</u>
Profit/loss for the year			<u>59</u>		<u>–1 162</u>

The figures include income and expenses of the Kansallis Banking Group as of 1st April 1995.

Merita Ltd – Profit and loss account

<i>FIM million</i>	1.1.–31.12.1995		1.1.–31.12.1994		Note no
Interest income					
On receivables from credit institutions and central banks	9		4		
On debt securities	104		191		
Other interest income	2	115	0	195	
Interest expenses					
On debt securities issued to the public	214		174		
On subordinated liabilities	73		67		
Other interest expenses	5	-291	5	-246	
Net income from financial operations		-177		-51	
Dividend income		8		6	
Commission income		0		0	
Net income from securities trading and foreign exchange dealing					
Net income from securities trading					
Debt securities	1		-28		
Shares and participations	-10		-0		
Other	0	-9	0	-28	
Other operating income		226		56	23
Administrative expenses					
Personnel expenses					
Wages and salaries	7		5		25
Pension expenses	1		1		28
Social security expenses	0		1		
Other personnel expenses	0	9	0	6	
Other administrative expenses		21		8	
Depreciation		-1		-2	
Other operating expenses		-7		-9	23
Write-downs on securities held as financial fixed assets		-1		-	24
Profit/loss on ordinary operations		10		-41	
Extraordinary income		-		198	
Extraordinary expenses		-2		-2 570	37
Profit/loss before appropriations and taxes		8		-2 413	
Direct taxes		-12		17	
Loss for the year		-4		-2 396	

Merita Ltd – Consolidated balance sheet

FIM million	31.12.1995		31.12.1994		Note no
Assets					
Liquid assets					
Cash in hand	1 364		771		
Receivables from central banks repayable on demand	<u>6 724</u>	8 088	<u>7</u>	778	
Receivables from credit institutions and central banks					
Receivables from central banks not repayable on demand	24		1 376		2,5,7
Receivables from credit institutions repayable on demand	2 457		991		
Other	<u>29 991</u>	<u>32 448</u>	<u>11 192</u>	<u>12 183</u>	13 559
Receivables from the public and public sector organizations					
Unallocated write-offs	149 258		78 686		2,4,5,7
	<u>-200</u>	<u>149 058</u>	<u>-600</u>	<u>78 086</u>	6
Leased assets					
		3 938		1 269	9
Debt securities					
Issued by public sector organizations	15 755		4 450		1,2,5,7,10,11
Other	<u>22 507</u>	<u>38 262</u>	<u>28 655</u>	33 106	
Shares and participations					
		4 423		3 679	10-13,15
Shares and participations in associated companies and subsidiaries					
Credit institutions	12		-		13,36
Other	<u>3 576</u>	<u>3 588</u>	<u>705</u>	705	
Intangible assets					
Group consolidation goodwill	852		47		13
Other intangible assets	<u>63</u>	<u>915</u>	<u>42</u>	89	
Tangible assets					
Land and buildings					
Owner-occupied	4 876		573		14
Other	<u>7 884</u>	<u>12 761</u>	<u>970</u>	1 543	
Shares and participations in real estate companies					
Owner-occupied	1 060		2 392		14,15
Other	<u>5 735</u>	<u>6 795</u>	<u>3 855</u>	6 247	
Machinery and equipment	799		514		
Other tangible assets	<u>790</u>	<u>21 145</u>	<u>246</u>	8 550	
Other assets					
Cash items in the process of collection	1 894		494		
Guarantee claims	1 484		890		
Other	<u>3 163</u>	<u>6 541</u>	<u>3 088</u>	4 473	
Accruals and prepayments					
Interest	7 846		5 256		
Other	<u>2 407</u>	<u>10 253</u>	<u>2 090</u>	7 347	
		<u>278 683</u>		<u>151 640</u>	

FIM million	31.12.1995			31.12.1994			Note no
Liabilities and shareholders' funds							
Liabilities							
Due to credit institutions and central banks							
Due to central banks		4 448			2		2
Due to credit institutions							
Repayable on demand	942			430			
Other	<u>36 839</u>	<u>37 781</u>	<u>42 229</u>	<u>26 542</u>	<u>26 971</u>	<u>26 973</u>	
Due to the public and public sector organizations							
Deposits							2
Repayable on demand	74 073			19 188			
Other	<u>61 016</u>	<u>135 089</u>		<u>39 998</u>	59 186		
Other liabilities		<u>12 075</u>	<u>147 164</u>		<u>1 002</u>	60 188	
Debt securities issued to the public							
Bonds		14 259			9 113		1,2,
Other		<u>33 561</u>	<u>47 821</u>		<u>26 571</u>	35 684	17,18
Other liabilities							
Cash items in the process of collection		6 045			2 417		
Other		<u>2 769</u>	<u>8 815</u>		<u>7 413</u>	9 830	
Accruals and deferred income							
Interest		5 605			4 448		
Other		<u>1 159</u>	<u>6 764</u>		<u>1 076</u>	5 525	
Statutory provisions							
Pension provisions		81			1		38
Other provisions		<u>752</u>	<u>833</u>		<u>43</u>	44	
Subordinated liabilities							
			<u>11 808</u>			5 900	17,19
Deferred tax liability							
			<u>23</u>			15	
Minority interest							
			<u>298</u>			3	
Equity capital							
Restricted equity							20
Share capital	8 305			4 840			31
Ordinary reserve	521			3 067			
Revaluation reserve	261			261			
Preferred capital investments	<u>4 112</u>	<u>13 199</u>		<u>2 152</u>	10 320		32
Non-restricted equity							
Loss from previous years	-520			-1 863			
Transferred from voluntary reserves and depreciation difference	191			183			
Profit/loss for the year	<u>59</u>	<u>-270</u>	<u>12 928</u>	<u>-1 162</u>	<u>-2 842</u>	<u>7 478</u>	
			<u>278 683</u>			<u>151 640</u>	
Off-balance-sheet commitments							
Commitments on behalf of customers in favour of third parties							26
Bills of exchange	1 202			935			
Guarantees and pledges	<u>38 483</u>	<u>39 685</u>		<u>25 654</u>	26 589		
Irrevocable commitments in favour of customers		<u>4 354</u>	<u>44 039</u>		<u>1 123</u>	<u>27 712</u>	

Merita Ltd – Balance sheet

FIM million	31.12.1995		31.12.1994		Note no
Assets					
Receivables from credit institutions and central banks					2,5
Receivables from credit institutions not repayable on demand		85		63	
Debt securities					1,2,5,7,10,11
Issued by public sector organizations	336		108		
Other	1 098	1 434	1 335	1 444	
Shares and participations		908		294	10-13
Shares and participations in group associated companies					13,36
Other than credit institutions		12		15	
Shares and participations in group companies					13,36
Credit institutions	8 863		5 153		
Other	1 649	10 513	807	5 960	
Intangible assets		0		0	13
Tangible assets					13
Land and buildings					14
Non-owner-occupied			7		
Shares and participations in real estate companies					14
Owner-occupied	6		16		
Other	7	13	281	297	
Machinery and equipment		0		1	
Other tangible assets		0	14	9	314
Other assets		421		39	
Accruals and prepayments					
Interest	61		53		
Other	57	117	211	264	
		<u>13 503</u>		<u>8 392</u>	
Liabilities and shareholders' funds					
Liabilities					
Debt securities issued to the public					1,2,17,18
Bonds	2 521		2 000		
Other	1 246	3 766	-	2 000	
Other liabilities		98		91	
Accruals and deferred income					
Interest	53		33		
Other	32	85	5	38	
Statutory provisions					38
Pension provisions		2		-	
Voluntary reserves and depreciation difference					
Reserve for general banking risks	8		-		
Other reserves	123	130	123	123	
Subordinated liabilities		906		906	17-19
Equity capital					20
Restricted equity					31
Share capital	8 305		4 840		
Ordinary reserve	394	8 698	2 790	7 630	
Non-restricted equity					
Reversal of revaluations	-178		-		
Loss for the year	-4	-182	8 516	-2 396	-2 396
		<u>13 503</u>		<u>8 392</u>	
Off-balance-sheet commitments					26
Commitments on behalf of customers in favour of third parties					
Guarantees and pledges		710	710	756	756

Proposals of the Board of Directors to the General Meeting of Shareholders and Auditors' Report

Proposals of the Board of Directors to the General Meeting

Result for the year and respective action

The accrued consolidated loss as at 31st December 1995 is FIM 461 million.

The accrued loss of the parent company as at 31st December 1995 is FIM 182 million. FIM 4,028,038.06 of this has arisen from the year under review.

We propose:

1. that no dividend be paid;
2. that the accrued loss, FIM 182,454,972.85, be covered out of the ordinary reserve.

Helsinki, 14th February 1996

	Timo Peltola	
E.J.Toivanen	Casimir Ehrnrooth	Veikko Jääskeläinen
Jouko K. Leskinen	Tauno Matomäki	Yrjö Niskanen
Vesa Vainio		

Auditors' Report

to the shareholders of Merita Ltd

We have audited the accounting records and the financial statements as well as the administration by the Board of Directors and the Chief Executive of Merita Ltd for the financial year 1995. The financial statements, which include the report of the Board of Directors, consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Chief Executive. Based on our audit, we express our opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with generally accepted Finnish auditing standards. These standards require that we plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements, the assessment of the accounting principles used and significant estimates made by the management, as well as the evaluation of the overall financial statement presentation. The purpose of our audit of the administration has been to see that the Board of Directors and the Chief Executive have complied with the rules of the Finnish Companies Act and Credit Institutions Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Credit Institutions Act, Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company result of operations for the financial period under audit as well as of the Group's and the parent company's financial position at the year-end. The financial statements may be adopted and the Chairman and Deputy Chairman of the Board of Directors and other members of the Board of Directors as well as the Chief Executive of the parent company may be discharged from liability for the financial year audited by us. The proposal by the Board of Directors to the General Meeting of Shareholders to distribute no dividend and to cover the accrued loss, FIM 182,454,972.85, out of the ordinary reserve is in compliance with the Finnish Companies Act.

We have reviewed the interim financial statements published by the company during the year. It is our understanding that the interim financial statements have been prepared in accordance with the rules and regulations governing the preparation of such statements in Finland.

Helsinki, 14th February 1996

Eric Haglund Authorized Public Accountant	Pekka Nikula Authorized Public Accountant
Mauri Palvi Authorized Public Accountant	Mauno Tervo Authorized Public Accountant

Merita Bank Ltd – Consolidated profit and loss account

FIM million	1.1.–31.12.1995		1.1.–31.12.1994		Note no
Interest income					
On receivables from credit institutions and central banks		1 152		474	
On receivables from the public and public sector organizations		9 112		6 110	
On debt securities		2 764		1 873	
Other interest income		446	13 474	225	8 683
Net income from leasing operations			256		104
Interest expenses					
On liabilities to credit institutions and central banks		3 501		2 317	
On liabilities to the public and public sector organizations		4 066		2 183	
On debt securities issued to the public		1 258		941	
On subordinated liabilities		646		412	
On preferred capital investments		44		–	
Other interest expenses		343	–9 858	242	–6 095
Net income from financial operations			3 871		2 691
Dividend income			50		41
Commission income			1 890		1 286
Commission expenses			–11		–36
Net income from securities trading and foreign exchange dealing					
Net income from securities trading					
Debt securities	113			26	
Shares and participations	264			378	
Other	49	426		8	412
Net income from foreign exchange dealing		223	648	170	582
Other operating income			510		662
Administrative expenses					
Personnel expenses					
Wages and salaries	1 937			1 293	
Pension expenses	351			269	28
Social security expenses	253			83	
Other personnel expenses	73	2 615		46	1 691
Other administrative expenses		814	–3 429	761	–2 452
Depreciation			–320		–273
Other operating expenses			–1 255		–603
Loan and guarantee losses					
Loan and guarantee losses		1 973		3 330	24
Change in unallocated write-offs		–400	–1 573	–150	–3 180
Write-downs on securities held as financial fixed assets			–3		–147
Share of profit/loss of companies carried under the equity method			46		–
Profit/loss on ordinary operations			425		–1 427
Extraordinary income			11		124
Extraordinary expenses			–568		–61
Loss before appropriations and taxes			–132		–1 364
Increase (–)/decrease (+) in voluntary reserves and depreciation difference			220		38
Direct taxes					
Taxes for the year and previous years		119		50	
Increase (–) / decrease (+) in deferred tax liability		120	1	8	–42
Minority interest			–15		–1
Profit/loss for the year			74		–1 369

The figures include the result of the business operations transferred from the Kansallis Banking Group to the Merita Bank Group as of 1st June 1995.

Merita Bank Ltd – Profit and loss account

<i>FIM million</i>	1.1.–31.12.1995		1.1.–31.12.1994		Note no	
Interest income						
On receivables from credit institutions and central banks		1 557		977		
On receivables from the public and public sector organizations		7 972		5 265		
On debt securities		2 805		1 819		
Other interest income		383	12 718	145	8 206	
Interest expenses						
On liabilities to credit institutions and central banks		3 518		2 400		
On liabilities to the public and public sector organizations		3 885		2 090		
On debt securities issued to the public		1 026		607		
On subordinated liabilities		635		381		
On preferred capital investments		44		–		
Other interest expenses		299	–9 407	145	–5 624	
Net income from financial operations			3 311		2 583	
Dividend income			251		144	
Commission income			1 611		1 167	
Commission expenses			–8		–	
Net income from securities trading and foreign exchange dealing						
Net income from securities trading						
Debt securities	88		–47			
Shares and participations	242		249			
Other	77	407	17	220		
Net income from foreign exchange dealing		207	613	163	382	
Other operating income			678		542	23
Administrative expenses						
Personnel expenses						
Wages and salaries	1 762		1 192		25	
Pension expenses	319		175		28	
Social security expenses	239		146			
Other personnel expenses	71	2 390	54	1 568		
Other administrative expenses		758	–3 148	537	–2 105	
Depreciation			–232		–385	
Other operating expenses			–1 186		–747	23
Loan and guarantee losses					24	
Loan and guarantee losses		1 899		3 352		
Change in unallocated write-offs		–400	–1 499	–150	–3 202	
Write-downs on securities held as financial fixed assets						
Write-downs (–)		63		125		
Reversal of write-downs (+)		125	62	–	–125	
Profit/loss on ordinary operations			453		–1 746	
Extraordinary income			693		–	37
Extraordinary expenses			–564		–8	37
Profit/loss before appropriations and taxes			581		–1 753	
Increase (–)/decrease (+) in voluntary reserves and depreciation difference						
Change in other reserves			–		9	
Direct taxes			–48		–10	
Profit/loss for the year			533		–1 753	

The figures include the result of the banking operations transferred from Kansallis-Osake-Pankki to Merita Bank as of 1st June 1995.

Merita Bank Ltd – Consolidated balance sheet

FIM million	31.12.1995		31.12.1994		Note no
Assets					
Liquid assets					
Cash in hand	1 364		771		
Receivables from central banks repayable on demand	<u>6 724</u>	8 088	<u>7</u>	778	
Receivables from credit institutions and central banks					
Receivables from central banks not repayable on demand	24		1 376		2,5,7
Receivables from credit institutions repayable on demand	2 445		991		
Other	<u>29 989</u>	<u>32 434</u>	<u>11 192</u>	<u>12 183</u>	13 559
Receivables from the public and public sector organizations					
Unallocated write-offs	151 865		78 686		2,4,5,7
	<u>-200</u>	<u>151 665</u>	<u>-600</u>	78 086	6
Leased assets					
		3 938		1 269	9
Debt securities					
Issued by public sector organizations	15 418		5 391		1,2,5,7,10,11
Other	<u>27 036</u>	<u>42 454</u>	<u>29 496</u>	34 887	
Shares and participations					
		2 877		2 740	10-13,15
Shares and participations in associated companies and subsidiaries					
Credit institutions	13		-		13,36
Other	<u>16 821</u>	<u>16 834</u>	<u>443</u>	443	
Intangible assets					
Group consolidation goodwill	67		37		13
Other intangible assets	<u>61</u>	<u>128</u>	<u>42</u>	79	
Tangible assets					
Land and buildings					13
Owner-occupied	91		778		14
Other	<u>28</u>	<u>119</u>	<u>963</u>	1 740	
Shares and participations in real estate companies					14,15
Owner-occupied	10		2 391		
Other	<u>2</u>	<u>13</u>	<u>3 593</u>	5 983	
Machinery and equipment		759		511	
Other tangible assets		<u>445</u>	<u>1 336</u>	<u>237</u>	8 471
Other assets					
Cash items in the process of collection	1 894		494		
Guarantee claims	1 484		890		
Other	<u>1 443</u>	<u>4 821</u>	<u>3 042</u>	4 427	
Accruals and prepayments					
Interest	7 864		5 451		
Other	<u>2 398</u>	<u>10 263</u>	<u>1 865</u>	7 316	
		<u>274 862</u>		<u>152 055</u>	

FIM million	31.12.1995			31.12.1994			Note no
Liabilities and shareholders' funds							
Liabilities							
Due to credit institutions and central banks							
Due to central banks		4 448			2		2
Due to credit institutions							
Repayable on demand	942			430			
Other	<u>36 590</u>	<u>37 533</u>	<u>41 980</u>	<u>26 542</u>	<u>26 971</u>	<u>26 973</u>	
Due to the public and public sector organizations							
Deposits							2
Repayable on demand	74 664			19 355			
Other	<u>61 050</u>	<u>135 715</u>		<u>39 998</u>	59 353		
Other liabilities		<u>11 032</u>	<u>146 746</u>		<u>1 002</u>	60 355	
Debt securities issued to the public							
Bonds		13 135			9 149		1,2,
Other		<u>32 257</u>	<u>45 392</u>		<u>26 571</u>	35 720	17,18
Other liabilities							
Cash items in the process of collection		6 045			2 417		
Other		<u>2 634</u>	<u>8 679</u>		<u>7 365</u>	9 782	
Accruals and deferred income							
Interest		5 572			4 654		
Other		<u>1 093</u>	<u>6 664</u>		<u>907</u>	5 561	
Statutory provisions							
Pension provisions		79			1		38
Other provisions		<u>727</u>	<u>806</u>		<u>43</u>	44	
Subordinated liabilities							
			<u>11 807</u>			5 899	17,19
Deferred tax liability							
			<u>23</u>			14	
Minority interest							
			<u>143</u>			3	
Equity capital							
Restricted equity							20
Share capital	6 024			5 099			31
Ordinary reserve	2 180			2 049			
Revaluation reserve	248			261			
Preferred capital investments	<u>4 112</u>	<u>12 564</u>		<u>2 152</u>	9 561		32
Non-restricted equity							
Loss from previous years	-74			-548			
Transferred from voluntary reserves and depreciation difference	58			59			
Profit/loss for the year	<u>74</u>	<u>58</u>	<u>12 622</u>	<u>-1 369</u>	<u>-1 858</u>	<u>7 703</u>	
			<u>274 862</u>			<u>152 055</u>	
Off-balance-sheet commitments							
Commitments on behalf of customers in favour of third parties							26
Bills of exchange	1 202			935			
Guarantees and pledges	<u>42 664</u>	<u>43 866</u>		<u>25 740</u>	26 675		
Irrevocable commitments in favour of customers		<u>4 408</u>	<u>48 274</u>		<u>1 123</u>	<u>27 797</u>	

Merita Bank Ltd – Balance sheet

FIM million	31.12.1995		31.12.1994		Note no
Assets					
Liquid assets					
Cash in hand	1 363		771		
Receivables from central banks repayable on demand	<u>6 724</u>	8 087	<u>5</u>	775	
Receivables from credit institutions and central banks					
Receivables from central banks not repayable on demand	24		1 379		2,5,7
Receivables from credit institutions Repayable on demand	2 423		316		
Other	<u>39 206</u>	<u>41 629</u>	<u>16 014</u>	<u>16 329</u>	17 708
Receivables from the public and public sector organizations					
Unallocated write-offs	140 226		71 470		2,4, 5,7
	<u>-200</u>	<u>140 026</u>	<u>-600</u>	70 870	6
Debt securities					
Issued by public sector organizations	15 359		4 811		1,2,5, 7,10,11
Other	<u>28 531</u>	<u>43 890</u>	<u>32 328</u>	37 139	
Shares and participations					
		2 820		2 221	10-13,15
Shares and participations in group associated companies					
Other than credit institutions		15 029		484	13,36
Shares and participations in group companies					
Credit institutions	2 055		1 148		13,36
Other	<u>1 952</u>	<u>4 007</u>	<u>919</u>	2 067	
Intangible assets					
		53		38	13
Tangible assets					
Land and buildings					13
Owner-occupied	56		537		14
Other	<u>26</u>	82	<u>881</u>	1 418	
Shares and participations in real estate companies					14,15
Owner-occupied	6		2 655		
Other	<u>0</u>	7	<u>3 162</u>	5 818	
Machinery and equipment	727		488		
Other tangible assets	<u>455</u>	<u>1 270</u>	<u>233</u>	7 956	
Other assets					
Cash items in the process of collection	1 869		493		
Guarantee claims	1 482		890		
Other	<u>1 424</u>	<u>4 775</u>	<u>1 206</u>	2 589	
Accruals and prepayments					
Interest	7 978		5 417		
Other	<u>2 226</u>	<u>10 204</u>	<u>1 798</u>	7 215	
		<u>271 815</u>		<u>149 061</u>	

<i>FIM million</i>	31.12.1995			31.12.1994			Note no
Liabilities and shareholders' funds							
Liabilities							
Due to credit institutions and central banks							
Due to central banks		4 448			2		2
Due to credit institutions							
Repayable on demand	928			281			
Other	38 435	39 363	43 811	<u>27 875</u>	<u>28 157</u>	<u>28 158</u>	
Due to the public and public sector organizations							
Deposits							2
Repayable on demand	74 707			19 506			
Other	59 723	134 430		<u>38 932</u>	<u>58 437</u>	<u>58 999</u>	
Other liabilities		10 129	144 559		<u>561</u>	<u>58 999</u>	
Debt securities issued to the public							
Bonds		10 919			6 871		1,2,17,18
Other		32 794	43 713		<u>26 629</u>	<u>33 499</u>	
Other liabilities							
Cash items in the process of collection		5 969			2 415		
Other		2 510	8 479		<u>7 501</u>	<u>9 916</u>	
Accruals and deferred income							
Interest		5 468			4 552		
Other		855	6 323		<u>658</u>	<u>5 210</u>	
Statutory provisions							
Pension provisions		76			–		38
Other provisions		683	759		–	–	
Subordinated liabilities							
			11 747			<u>5 750</u>	17–19
Equity capital							
Restricted equity							
Share capital	6 024			5 099			20
Ordinary reserve	2 052			1 770			31
Revaluation reserve	–			261			
Preferred capital investments	4 112	12 188		<u>2 152</u>	<u>9 282</u>		32
Non-restricted equity							
Loss from previous years	-17			–			
Reversal of revaluations	-280			–			
Profit/loss for the year	533	236	12 424	<u>-1 753</u>	<u>-1 753</u>	<u>7 529</u>	
				271 815		149 061	
Off-balance-sheet commitments							
Commitments on behalf of customers in favour of third parties							
Bills of exchange	1 187			960			
Guarantees and pledges	44 073	45 260		<u>28 173</u>	<u>29 133</u>		
Irrevocable commitments in favour of customers		3 519	48 780		<u>925</u>	<u>30 057</u>	

Proposals of the Board of Management to the General Meeting, Statement of the Supervisory Board and Auditors' Report

Proposals of the Board of Management to the General Meeting

Result for the year and respective action

The consolidated distributable equity capital as at 31st December 1995 is FIM 0.

The parent company's non-restricted equity capital as at 31st December 1995 is FIM 236 million, consisting of the following items:

– Profit for the year	533,391,356.23
– Losses from previous years and reversal of revaluations	<u>–297,355,931.00</u>
	236,035,425.23

We propose:

1. that no dividend be paid;
2. that the profit for the year, FIM 533,391,356.23 be retained in the profits account.

Helsinki, 13th February 1996

	Vesa Vainio	
Pertti Voutilainen	Carl-Johan Granvik	Markku Pohjola
Peter Fagernäs	Harri Hollmén	Kari Jordan
Kalevi Kontinen	Jorma Laakkonen	Ari Laakso

Statement of the Supervisory Board

The financial statements of Merita Bank Ltd for the year 1995 have been drawn up in accordance with the principles confirmed by the Supervisory Board. The Supervisory Board has verified these statements for presentation to the General Meeting and endorses the Board of Management's proposal in respect of the result for the year.

Helsinki, 13th February 1996

For and on behalf of the Supervisory Board:

	Edward Andersson	
Eva-Riitta Siitonen		Maunu Ihalainen

Auditors' Report

to the General Meeting of Merita Bank Ltd

We have audited the accounting records and the financial statements as well as the administration by the Supervisory Board, the Board of Management and the Chief Executive of Merita Bank Ltd for the financial year 1995. The financial statements, which comprise the report of the Board of Management, consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements, have been prepared by the Board of Management and the Chief Executive and verified by the Supervisory Board. Based on our audit, we express our opinion on these financial statements and the bank's administration.

We have conducted our audit in accordance with generally accepted Finnish auditing standards. These standards require that we plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements, an assessment of the accounting principles used and significant estimates made by the management as well as an evaluation of the overall financial statement presentation. The purpose of our audit of the administration has been to see that the Supervisory Board, the Board of Management and the Chief Executive have complied with the rules of the Finnish Credit Institutions Act, Commercial Banks Act and Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Credit Institutions Act, Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent bank result of operations for the financial period under audit and of the Group's and the parent bank's financial position at the year-end. The financial statements may be adopted and the members of the Supervisory Board, the Chairman of the Board of Management as Chief Executive Officer, President, the Managing Directors and other members and deputy members of the Board of Management of the bank can be discharged from liability for the financial year audited by us.

The proposal submitted to the General Meeting by the Board of Management and endorsed by the Supervisory Board to distribute no dividend and to retain the year's profit, FIM 533,391,356.23, in the profits account is in compliance with Finnish legislation.

Helsinki, 14th February 1996

Eric Haglund	Pekka Nikula
Authorized Public Accountant	Authorized Public Accountant
Mauri Palvi	Mauno Tervo
Authorized Public Accountant	Authorized Public Accountant

Accounting policies

The policies outlined below apply to the financial statements of both Merita Ltd and its Group and Merita Bank Ltd and its Group.

The financial statements have been drawn up and are presented in accordance with the provisions of the Credit Institutions Act and the Finnish Financial Supervision regulations.

The financial statements of subsidiaries are included in the consolidated financial statements in accordance with the parent company's accounting policies. Figures are expressed in Finnish markkas.

Scope of the consolidated financial statements

The consolidated financial statements include the financial statements of the parent company, and of those subsidiaries and associated companies which it owns directly or indirectly.

Despite the group or associated company relationship, real estate companies have not been consolidated, when, in accordance with the Financial Supervision regulation, they may be excluded from consolidated financial statements due to their minor significance. Pursuant to permission of the Financial Supervision, companies in respect of which the group or associated company relationship is based on assets not held as financial fixed assets, acquired to replace collateral security for a receivable (foreclosed assets) or for the reorganization of customers' business operations, are not included in the consolidated financial statements.

Consolidation

The financial statements of group companies which are credit or financial institutions or ancillary service companies as referred to in the Financial Supervision regulations have been combined line by line applying the acquisition method. Voluntary reserves and depreciation difference in subsidiary companies' balance sheets at the time of acquisition have not

been included in equity capital in the elimination of internal shareholdings. The financial statements of other group companies and associated companies have been combined applying the equity method.

The principles applied in the consolidation of group and associated companies as well as the treatment of the conversion difference arising out of consolidation are discussed in "Notes to the financial statements".

Foreign currency items

The balance sheet items and commitments of group companies have been converted into Finnish markkas using the Bank of Finland's rates of exchange on the last day of the year. However, items entered in the balance sheet under tangible and intangible assets have been converted using rates quoted by the Bank of Finland on the acquisition date, unless the acquisition is covered by a corresponding foreign currency denominated liability.

The profit and loss account items of foreign group and associated companies have been converted into Finnish markkas using the annual mean rate of exchange calculated at the rates quoted by the Bank of Finland on the last day of each month.

Receivables and liabilities attaching to currency swap agreements have been booked using the rate of exchange of the original currency of the agreement.

Receivables and liabilities

Receivables and liabilities are carried at the price paid or received on acquisition. Where the amount paid or received differs from the nominal value of the receivable or liability, the difference is spread over the maturity period as interest and an increase or a decrease in the book value of the receivable or liability. When the expected selling price of a receivable on the closing day is lower than the book value defined as specified above, the receivable

is entered in the balance sheet at the expected selling price.

Items included in the balance sheet under Other assets, Other liabilities and Accruals have been booked at nominal value. However, items stemming from derivative contracts entered in the balance sheet as assets or liabilities are valued as presented below under "Derivative contracts".

Securities not held as financial fixed assets

Securities which are not held as financial fixed assets are reported at the lower of cost or expected selling price. The expected selling price applied in respect of listed securities is the final closing price of the year. The expected selling price applied in respect of non-listed shares is the lower of book value or expected selling price and, in respect of non-listed debt securities, the present value of the principal and interest flow of the receivable discounted by market rate of interest.

The difference between cost and nominal value of debt securities, when significant, is accrued in interest income.

Capital gains and losses on and value adjustments to securities not held as financial fixed assets are recognized in the profit and loss account under "Net income from securities trading". However, the impact on profit or loss of the sale of or unrealized write-down on foreclosed assets or assets acquired for the reorganization of customers' business operations is entered in loan losses.

Securities held as financial fixed assets

Shares in subsidiaries and associated companies, other shares and participations necessary for the acquisition of services required by the Group and debt securities intended to be held until maturity are classified as securities held as financial fixed assets.

Securities held as financial fixed assets are valued at cost. Where the expected selling price of such securities is permanently lower than cost, the difference is recognized as expenses. The difference between the cost and nominal value of debt securities is accrued in interest income.

Tangible and intangible assets and depreciation

Buildings are carried at cost less depreciation according to plan. Where the expected selling price of a building is permanently lower than its book value, the difference is booked under expenses as additional depreciation. Real estate shares are entered in the balance sheet at cost or, where the expected selling price is permanently lower than cost, at the expected selling price. The difference between cost and the lower expected selling price is included in write-downs on securities held as financial fixed assets. Unrealized write-downs on foreclosed real estate assets are recognized as loan losses.

With the permission of the Finnish Financial Supervision, certain real estate holdings have been revalued in previous years. The surplus on revaluation has been entered under the revaluation reserve. No depreciation has been charged on revaluations. Where the revalued assets have been sold or the grounds for the revaluation have ceased to exist, the revaluation has been reversed.

The acquisition cost of tangible and intangible assets includes the variable costs arising from the acquisition.

Capital gains and losses on the sale of tangible and intangible assets are netted and booked under other operating income. However, capital gains and losses on the sale of assets in own use are, when significant, entered under extraordinary income or expenses. The impact on profit or loss of the sale of foreclosed real estate assets is recognized as loan losses.

The depreciation plans of group companies follow uniform depreciation policies based on the estimated useful life of the asset. Depreciation on buildings and structures is computed on a straight line basis over 40-60 years. Machinery and equipment and other acquisition costs of tangible and intangible assets are depreciated under the straight line method over 5-15 years. Depreciation according to plan on leased assets is charged at amounts corresponding to repayments of principal included in leasing rents.

Depreciation entered in the financial statements of group companies engaged in leasing operations may exceed depreciation according to plan. The accumulated difference between financial and fiscal depreciation is shown separately in the consolidated balance sheet in the same way as voluntary reserves.

Securities repurchase and resale agreements and securities lending and borrowing

Securities sold on binding repurchase and resale terms and securities lent are included in the original balance sheet item irrespective of the agreement. The difference between the sale price entered as a liability and the repurchase price is recognized as interest expenses and spread over the life of the agreement. Securities bought on binding resale and repurchase terms are classified as receivables and the difference between the purchase and resale price is amortized and booked as accrued interest income over the life of the agreement. Securities borrowed are not entered in the balance sheet.

Statutory provisions

The balance sheet item "Statutory provisions" covers the liability for pensions payable out of the group companies' funds and other such future expenditure to which the companies have committed themselves and which is not

expected to yield corresponding income and such specific future losses the incurrence of which is probable. Items relating to valuation of assets are not entered as statutory provisions but as deductions from the corresponding asset item.

Voluntary reserves

Finnish legislation permits general reserves in accounting. These voluntary reserves relate to profit planning and taxation and neither their amount nor changes therein reflects envisaged risks. The voluntary reserves of group companies, including the difference between financial and fiscal depreciation, are broken down in the consolidated balance sheet into equity capital and deferred tax liability. However, the deferred tax liability is not shown separately in so far as group companies have confirmed losses available for the balancing of losses. No part of voluntary reserves is taken into account as equity capital in the calculation of distributable funds.

Preferred capital investments

Preferred capital investments, included in restricted equity capital in accordance with the Credit Institutions Act, are shown as a separate item in the balance sheet. No collateral may be provided for this kind of investment and it is not callable by the investor. Repayment is subject to permission of the Financial Supervision. Interest may be paid only out of distributable funds.

Net income on leasing operations

Net income on leasing operations as shown in the consolidated profit and loss account covers leasing rents less depreciation according to plan.

Loan and guarantee losses

Realized loan losses, specific loan loss provisions made by receivable item, losses on the

sale of and write-downs on assets acquired to replace collateral security arising out of financing a customer (temporary holdings) are included in loan and guarantee losses. A specific loan loss provision is made once it has become probable that no payment will be received on the principal of a receivable. Recoveries of items written off as loan losses in previous years and capital gains on the sale of temporary holdings as referred to above are reversed against current period loan losses. For the determination of write-offs collateral assets are valued at the expected selling price at the time of disposal.

Unallocated probable write-offs

Unallocated probable write-offs are write-offs the specification and breakdown of which is not possible at the time of closing the accounts. With the permission of the Finnish Financial Supervision these have been deducted from the result for the years 1993 and 1994 and shown as a separate item in the profit and loss account and the balance sheet, in which they are shown as a decrease in the loan portfolio.

Non-performing receivables

The entire principal of a receivable is considered non-performing when interest, principal or part thereof is unpaid 90 days after maturity. In the case of customers declared bankrupt a receivable is entered as non-performing as of the bankruptcy declaration date. A receivable based on a guarantee is considered non-performing upon payment based on the guarantee.

Most receivables are secured or collateralized. The value of the collateral determines the amount of the possible loss. Non-performing receivables therefore do not correspond to future loan losses.

Once a receivable has been classified as non-performing, interest income accrued but

not paid is deducted from interest income and accruals.

Extraordinary items

Pursuant to the Financial Supervision regulation, significant merger gains and losses, gains and losses on the sale of shares held as financial fixed assets and owner-occupied real estate as well as exceptional income and expenses unrelated to the ordinary business operations of group companies are classified as extraordinary income and expenses.

Pension arrangements

Statutory pensions for employees of domestic group companies are arranged partly through insurance and partly through the Group's own pension fund. Supplementary pensions for employees are arranged through the Group's own joint pension funds. Liability for pensions payable out of group companies' funds is based on supplementary benefits payable in certain cases on grounds of long service. Pension liabilities are fully covered.

Pensions for employees of foreign units are arranged in accordance with the regulations of the country concerned.

Derivative contracts

Changes in the value of derivative contracts are recognized as income or expenses on the basis of the market price on the closing date, with the following exceptions:

In evaluating hedging agreements the change in the value of the item hedged has been taken into account, neutralizing the impact on results. Possible increase in the market value of equity-linked derivative contracts not concluded for hedging purposes is not entered as income.

Interest-type items arising from forward agreements are spread over the life of the agreement.

Items entered in the balance sheet on the basis of derivative contracts are included in accruals.

Changes in accounting policies

The most significant changes in accounting policies in 1995 are based on new regulations to credit institutions issued by the Finnish Financial Supervision. These changes relate to the breakdown of profit and loss account and balance sheet items, the scope of consolidated financial statements, the presentation of voluntary reserves in consolidated financial statements and statutory provisions for future expenses and losses. Other changes entailed by the new regulations have in no significant way affected the Group's accounting policies.

The 1994 figures have been amended to correspond to the prevailing format of the profit and loss account and the balance sheet and to the presentation of voluntary reserves. Unlike the previous year, real estate companies and associated companies are combined in the consolidated financial statements as specified in Note 36 to the financial statements. Items charged against the year's profit in 1995 as statutory provisions are specified in Note 38.

Notes to the financial statements (figures in millions of Finnish markkas unless otherwise stated)

The notes are presented in the order prescribed by the Finnish Financial Supervision.

1 Breakdown of debt securities 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Debt securities (assets)				
Certificates of deposit	6 037	–	6 036	6 036
Commercial paper	5 958	–	6 059	6 049
Treasury bills	6 659	33	6 624	6 599
Local authority paper	–	–	–	–
Subordinated debt securities	927	–	1 197	1 289
Convertible bonds	977	993	1 681	1 663
Bonds with equity warrants	683	–	683	683
Other bonds	16 779	344	19 802	21 349
Other	241	64	373	221
Total	38 262	1 434	42 454	43 890
Debt securities issued to the public				
Certificates of deposit	25 959	–	25 959	26 392
Commercial paper	1 324	1 246	20	–
Bonds	14 259	2 521	13 135	10 919
Other	6 278	–	6 278	6 402
Total	47 821	3 766	45 392	43 713

2 Maturity breakdown of receivables and liabilities 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Receivables				
<i>Less than 3 months</i>				
Receivables from credit institutions and central banks	25 678	85	25 666	31 470
Receivables from the public and public sector organizations	26 074	–	28 764	23 003
Debt securities	21 881	51	26 615	22 228
<i>3–12 months</i>				
Receivables from credit institutions and central banks	6 277	–	6 276	9 194
Receivables from the public and public sector organizations	22 816	–	22 816	21 267
Debt securities	9 265	157	9 106	11 285
<i>1–5 years</i>				
Receivables from credit institutions and central banks	211	–	211	820
Receivables from the public and public sector organizations	59 192	–	59 192	55 452
Debt securities	2 287	122	2 165	5 677
<i>Over 5 years</i>				
Receivables from credit institutions and central banks	305	–	305	170
Receivables from the public and public sector organizations	40 976	–	40 893	40 304
Debt securities	4 829	1 103	4 568	4 699
Liabilities				
<i>Less than 3 months</i>				
Due to credit institutions and central banks	24 414	–	24 411	25 999
Due to the public and public sector organizations	97 533	–	98 157	96 926
Debt securities issued to the public	20 195	996	19 176	17 948
<i>3–12 months</i>				
Due to credit institutions and central banks	5 741	–	5 690	5 935
Due to the public and public sector organizations	20 558	–	20 476	20 153
Debt securities issued to the public	17 778	1774	16 807	16 450
<i>1–5 years</i>				
Due to credit institutions and central banks	5 533	–	5 517	5 517
Due to the public and public sector organizations	15 196	–	14 918	14 797
Debt securities issued to the public	9 598	996	9 159	8 100
<i>Over 5 years</i>				
Due to credit institutions and central banks	6 542	–	6 362	6 360
Due to the public and public sector organizations	13 878	–	13 195	12 684
Debt securities issued to the public	250	–	250	1 215

The bank had no receivables from the public or public sector organizations repayable on demand. Cheque accounts and other demand deposit accounts are included in the shortest maturity category. Other current accounts are classified in different maturity categories on the basis of their historical pattern.

3 Breakdown of assets and liabilities into Finnish markka and foreign currency items 31.12.1995

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	FIM	Foreign currency	FIM	Foreign currency	FIM	Foreign currency	FIM	Foreign currency
Assets								
Receivables from credit institutions and central banks	5 314	27 157	85	–	5 314	27 144	12 092	29 561
Receivables from the public and public sector organizations	118 107	30 951	–	–	120 315	31 350	110 321	29 705
Debt securities	31 841	6 421	1 434	–	36 033	6 421	37 860	6 030
Other assets	53 459	5 432	11 976	8	43 663	4 623	41 919	4 328
Total	208 721	69 962	13 496	8	205 324	69 537	202 192	69 623
Liabilities								
Due to credit institutions and central banks	10 168	32 061	–	–	10 119	31 862	10 368	33 443
Due to the public and public sector organizations	134 848	12 316	–	–	134 424	12 323	133 609	10 950
Debt securities issued to the public	29 082	18 738	3 766	–	26 654	18 738	24 850	18 862
Subordinated liabilities	1 806	10 002	906	–	1 805	10 002	1 805	9 942
Other liabilities	12 554	3 881	185	–	12 298	3 873	11 754	3 807
Total	188 458	76 999	4 857	–	185 299	76 798	182 387	77 004

4 Receivables from the public and public sector organizations by sector and respective specific loan loss provisions 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Corporates	58 448	–	60 723	55 323
Financial institutions	1 451	–	1 451	1 442
Public sector organizations	2 088	–	2 088	1 520
Non-profit organizations	7 460	–	7 460	7 269
Households	67 272	–	67 272	62 976
Foreign borrowers	12 538	–	12 870	11 695
Unallocated credit write-off	–200	–	–200	–200
Total	149 058	–	151 665	140 026

As of 1.1.1996, items booked as loan losses have been separately registered as realized losses and specific loan loss provisions. No such breakdown is available for 1995.

5 Debt securities and other receivables held as financial fixed assets: difference between nominal value and book value 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Difference between nominal value and lower book value				
Debt securities	137	–	137	107
Receivables from credit institutions and central banks	–	–	–	–
Receivables from the public and public sector organizations	326	–	326	326
Total	463	–	463	434
Difference between book value and lower nominal value				
Debt securities	93	–	93	91
Receivables from credit institutions and central banks	–	–	–	–
Receivables from the public and public sector organizations	–	–	–	–
Total	93	–	93	91

6 Non-performing and other zero-interest-rate receivables by sector 31.12.1995

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	Non-performing receivables	Other zero-interest receivables	Non-performing receivables	Other zero-interest receivables	Non-performing receivables	Other zero-interest receivables	Non-performing receivables	Other zero-interest receivables
Corporates	3 926	2 349	–	–	3 926	2 872	3 822	2 810
Financial institutions	55	70	–	–	55	70	55	70
Public sector organizations	–	–	–	–	–	–	–	–
Non-profit organizations	174	76	–	–	174	76	174	76
Households	2 005	106	–	–	2 005	106	1 919	102
Foreign borrowers	1 376	184	–	–	1 376	343	1 350	353
./. Unallocated credit write-off	-200	–	–	–	-200	–	-200	–
Total ¹	7 337	2 785	–	–	7 337	3 467	7 121	3 412
% of receivables and contingent liabilities ²	3.5	1.3	–	–	3.4	1.6	3.5	1.7

¹ In addition, non-performing and zero-interest-rate receivables for FIM 2 239 million carried at the risk of the Government Guarantee Fund.

² Receivables from the public and public sector organizations, leased assets, debt securities held as financial fixed assets, guarantee claims and commitments on behalf of customers in favour of third parties.

7 Subordinated receivables 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Debentures	447	–	605	698
of which issued by group companies	–	–	–	93
by associated companies	–	–	–	–
Receivables from credit institutions and central banks	8	–	8	310
of which from group companies	–	–	–	310
from associated companies	–	–	–	–
Receivables from the public and public sector organizations	528	–	528	528
of which from group companies	–	–	–	–
from associated companies	–	–	–	–
Other receivables	480	905	591	591
of which from group companies	–	905	–	–
from associated companies	–	–	–	–
Total	1 464	905	1 733	2 127

8 Loans and guarantees granted to members of controlling and administrative boards 31.12.1995

	Merita Ltd ¹	Merita Bank Ltd ¹
Members and deputy members of the Supervisory Board	–	261
Members and deputy members of the Board of Directors and the Board of Management, Chairman, President and Managing Directors	6	16
Auditors and deputy auditors	0	0

¹ Incl. loans and guarantees granted by the companies belonging to the Group or consolidation group concerned to members of the controlling and administrative boards of the parent companies and to corporations or individuals sharing material interests with such members.

9 Leased assets 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Prepayments	46	–	46	–
Machinery and equipment	2 164	–	2 164	–
Fixed assets and buildings	1 632	–	1 632	–
Other assets	96	–	96	–
Total	3 938	–	3 938	–

10 Book values of securities by asset type and securities lending 31.12.1995

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
Debt securities								
Not held as financial fixed assets	25 391		441		27 280		27 489	
Other	12 871		993		15 174		16 401	
	Publicly listed	Other	Publicly listed	Other	Publicly listed	Other	Publicly listed	Other
Shares and participations								
Not held as financial fixed assets	2 537	250	84	–	1 940	244	1 926	205
Other	1 423	213	766	58	593	100	593	97
	Book value	Average loan period	Book value	Average loan period	Book value	Average loan period	Book value	Average loan period
Securities lent	1	1.5 mth	–	–	–	–	–	–
Securities borrowed	–	–	–	–	–	–	–	–

The breakdown and valuation policies are presented under "Accounting policies".

11 Difference between market value and the lower book value of securities 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Securities not held as financial fixed assets				
Debt securities	131	11	121	137
Publicly quoted shares and participations	161	–	107	106
Publicly quoted shares and participations held as financial fixed assets	23	9	15	13

12 Long-term equity holdings 31.12.1995

Line of business	Number of shares owned	Share-holding %	Total nominal value of shares owned	Total book value of shares owned
Shares held by Merita Bank Ltd				
Helsinki Telephone Co., Helsinki	3 067	0.0	3	7
Helsinki Money Market Centre Ltd, Helsinki	9 850	14.5	10	10
Indekon Oy, Lappeenranta	21 180	6.7	2	3
International Moscow Bank, Moscow	3 300	12.0	41	41
Kehitysyhtiö Savon Teknia Oy, Kuopio	48 127	9.3	2	3
MTV Finland, Helsinki	3 333	6.0	2	4
Nordberg Capital Inc., New York	1 079	5.3	0	1
Oy Datatie Ab, Helsinki	105	9.0	1	2
Oy Radiolinja Ab, Helsinki	944	2.2	5	5
Oy Wedeco Ab, Vaasa	10	3.4	0	1
Pikespo Invest Oy, Tampere	25 500	11.0	3	3
Skandinaviska Enskilda Banken, Stockholm	5 804 528	1.1	38	206
Central Share Register of Finland, Helsinki	20	4.8	1	1
Tietotehdas Oy, Espoo	200 000	2.3	2	20
Sampo Insurance Co, Helsinki	957 519	6.3	19	367
Vuotekno Oy, Helsinki	10	6.7	1	1

In addition, 164 companies the total book value of which is FIM 11 million.

Other shares held by the Merita Bank Group

Helsingin Halli Oy, Helsinki	ice stadium	1	subscr. pending	1	1
Helsinki Telephone Co., Helsinki	telecommunication	301	0.0	0	1

In addition, 28 companies the total book value of which is FIM 2 million.

<i>(continued)</i>	<i>Line of business</i>	<i>Number of shares owned</i>	<i>Share- holding %</i>	<i>Total nominal value of shares owned</i>	<i>Total book value of shares owned</i>
Shares held by Merita Ltd					
Central Share Register of Finland, Helsinki	registration of shares	20	4.8	1	1
Tietotehdas Oy, Espoo	data processing	130 000	1.5	1	11
Unsa Oy, Helsinki	securities company	563 780	9.9	56	56
Pohjola Insurance Co., Helsinki	insurance	3 087 000	7.6	15	290
Sampo Insurance Co., Helsinki	insurance	1 849 695	12.2	37	464

In addition, 3 companies the total book value of which is FIM 0 million.

Other shares held by the Merita Group

Pohjola Insurance Co., Helsinki	insurance	977 596	2.4	5	62
Tampereen Kiinteistöinvest Oy, Tampere	real estate investment	12 500	0.8	1	1
Turun Arvokiinteistöt, Turku	real estate investment	33 000	1.5	1	1
Keskus Sato Oy, Helsinki	real estate investment	126 000	10.0	1	22
Bastionen A/S, Copenhagen	real estate holding	30 000	4.5	32	32

In addition, 14 companies the total book value of which is FIM 2 million.

Group subsidiaries and associated companies (Note 36) and real estate companies are not listed under this note.

13 Shares held as financial fixed assets and tangible and intangible assets: book values and changes therein during the financial period 1995

	Merita Ltd		Merita Bank Ltd	
	<i>Group</i>	<i>Parent company</i>	<i>Group</i>	<i>Parent company</i>
Land, buildings and shares in real estate companies				
Book value 1.1.1995	7 790	304	7 724	7 022
Increase	12 094	12	357	262
Decrease	147	125	7 886	6 649
Depreciation	178	-	35	6
Revaluations	-	-	-	-
Reversals of revaluations	2	178	27	541
Book value 31.12.1995	19 557	13	132	88
Revaluations included in book value	717	-	-	-
Shares in subsidiaries and associated companies and other shares and participations				
Book value 1.1.1995	2 189	6 193	977	3 251
Increase	4 106	5 200	17 526	19 401
Decrease	1 062	45	977	3 051
Depreciation	11	-	3	-125
Revaluations	-	-	-	-
Reversals of revaluations	-	-	-	-
Book value 31.12.1995	5 222	11 348	17 524	19 725
Revaluations included in book value	-	-	514	-
Machinery and equipment and other tangible and intangible items				
Book value 1.1.1995	849	10	826	760
Increase	2 043	0	808	702
Decrease	69	8	16	1
Depreciation	318	1	286	226
Book value 31.12.1995	2 504	1	1 333	1 235
These items include no revaluations				

Most of the changes result from measures taken in connection with the merger of the Kansallis Banking Group and the Unitas Group and from other changes in the composition of the Group.

Major capital expenditure items in 1995: data systems and equipment FIM 121 million (Merita Bank Ltd) and the World Trade Center construction project FIM 44 million (Merita Real Estate Ltd) and FIM 49 million (Merita Bank Ltd).

14 Book value of non-owner-occupied real estate holdings 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Domestic real estate holdings				
Residential premises	993	–	2	–
Business and office premises	9 701	7	–	–
Industrial real estate	767	–	1	–
Agricultural and forest land	360	–	–	–
Other land areas	711	–	–	–
Financial leasing properties	1 632	–	1 632	–
Other	248	0	1	0
Foreign real estate holdings	840	–	26	26
Total	15 252	7	1 663	26

15 Book value of foreclosed assets and assets acquired for the reorganization of customers' business operations, 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Foreclosed assets				
Real estate holdings	3 393	–	32	26
Other shares and participations	1 452	–	1 432	1 432
Other assets	2	–	1	1
Shares and participations acquired for the reorganization of customers' business operations	756	–	756	756
Total	5 602	–	2 221	2 215

16 Assets pledged as collateral on behalf of the company or other parties, underlying liabilities and commitments and assets sold on binding repurchase terms 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Assets pledged as collateral				
Debt securities	1 737	–	1 737	1 398
Shares and participations	113	15	63	63
Real estate holdings	581	–	–	–
Underlying liabilities and commitments				
Due to credit institutions and central banks	3 000	–	3 000	3 000
Debt securities issued to the public	32	–	32	–
Other liabilities	302	–	302	302
Collateral for external liabilities or other commitments	42	–	42	42
Assets sold on binding repurchase terms				
Debt securities	4 595	–	4 595	4 595
Shares and participations	1	–	–	–

17 Difference between the nominal value and book value of liabilities 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Difference between nominal value and lower book value				
Due to credit institutions and central banks	–	–	–	–
Due to the public and public sector organizations	–	–	–	–
Debt securities issued to the public	639	11	628	623
Subordinated liabilities	51	–	51	51
Other liabilities	–	–	–	–
Total	689	11	679	674
Difference between book value and lower nominal value				
Due to credit institutions and central banks	–	–	–	–
Due to the public and public sector organizations	–	–	–	–
Debt securities issued to the public	9	1	8	4
Subordinated liabilities	0	0	0	0
Other liabilities	–	–	–	–
Total	9	1	8	4

18 Convertible bonds and bonds with equity warrants in issue, 31.12.1995

	Amount outstanding FIM million	Termination of conversion/subscription period	Number of bonds in issue	Number and type of shares available for conversion/subscription
Issued by Merita Ltd				
Bonds with equity warrants 1990	86	12.3.1998	86 050	A-8 265 102
Convertible bonds 1992	906	17.8.2042	90 608	A-27 182 400
Issued by Merita Bank Ltd				
Convertible bonds 1992 ¹	905	17.8.2042	905	78 696 085

¹ Directed to Merita Ltd

Current authorizations held by the Board of Directors to issue shares, equity warrants and convertible bonds and the conversion rights related to the Government's preferred capital investments are discussed under "Shares and shareholders" on pages 14–17.

19 Subordinated liabilities 31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Liabilities with book value exceeding 10% of all subordinated liabilities				
all subordinated liabilities	2 214 ^{1,2}	906 ¹	1 308 ²	1 308 ²
Other subordinated liabilities ³	9 594	–	10 499	10 440
Total	11 808	906	11 807	11 747
of which perpetual bonds	3 924	906	3 923	3 923
Bonds directed to group companies	–	–	–	–
Bonds directed to associated companies	–	–	–	–

¹ Merita Ltd FIM 906 million, interest rate 7.78% (floating), maturing 17.8.2042. Merita Ltd has the right to extend the loan period. Not callable by the creditors. In the event of dissolution of the company, the liability is subordinate to the company's other commitments, while ranking equal with the company's other debentures or other comparable debts. Share conversion and other conditions, see Note 18.

² Merita Bank Ltd FIM 1 308 million, USD 300 million, interest rate 9.75%, maturing 15.12.1998. The issuer is the bank's New York branch. In the event of dissolution of the company, the liability is subordinate to the company's other commitments, while ranking equal with the bank's other debentures and other comparable debts. Holders are entitled to call the bonds i.a. if interest is 30 days overdue or if the operations of the New York branch are closed. No equity conversion option.

³ According to the terms of seven debenture loans issued between 1987 and 1989 the creditors may demand immediate repayment if the bank fails to meet the loan terms. FIM 1 056 million of these loans has been included in own funds for the purpose of calculating capital adequacy as per 31.12.1995. Otherwise, the loans are not callable by the creditors.

20 Changes in equity capital 1995

	Restricted equity				Non-restricted equity			Total equity capital
	Share capital	Ordinary reserve	Re-valuation reserve	Preferred capital investments	Transferred from voluntary reserves ⁵	Accumulated profit/loss	Profit/loss for the year	
Merita Group ¹								
1.1.1995	4 840	3 067	261	2 152	183	-3 025	-	7 478
Increases	3 465	1	-	1 977	8	2 573	59	8 082
Decreases	-	-2 547	-	-17	-	-68	-	-2 631
31.12.1995	8 305	521	261	4 112	191	-520	59	12 928
Merita Ltd ²								
1.1.1995	4 840	2 790	-	-	-	-2 396	-	5 234
Increases	3 465	-	-	-	-	2 396	-	5 861
Decreases	-	-2 396	-	-	-	-178	-4	-2 579
31.12.1995	8 305	394	-	-	-	-178	-4	8 516
Merita Bank Group ³								
1.1.1995	5 099	2 049	261	2 152	59	-1 918	-	7 703
Increases	925	2 035	-	1 977	-1	1 921	74	6 931
Decreases	-	-1 905	-13	-17	-	-77	-	-2 012
31.12.1995	6 024	2 180	248	4 112	58	-74	74	12 622
Merita Bank Ltd ⁴								
1.1.1995	5 099	1 770	261	2 152	-	-1 753	-	7 529
Increases	925	2 035	-	1 977	-	1 753	533	7 224
Decreases	-	-1 753	-261	-17	-	-297	-	-2 328
31.12.1995	6 024	2 052	-	4 112	-	-297	533	12 424

Pursuant to their Articles of Association group companies have no obligation to transfer any part of the 1995 profit to restricted equity.

¹ Equity capital was increased by a share issue of FIM 3 465 million and the preferred capital certificates of FIM 1 977 million issued by Kansallis-Osake-Pankki in respect of which Merita Bank has assumed the issuer's liability. The amount of accumulated losses covered out of the ordinary reserve was FIM 2 431 million. Due to the mergers of subsidiaries FIM 42 million was transferred from the ordinary reserve to non-restricted equity. Other changes were mainly the result of exchange rate movements and changes in accounting policies.

² Equity capital was increased by a share issue of FIM 3 465 million. The amount of accumulated losses covered out of the ordinary reserve was FIM 2 396 million. Other changes reflect the reversal of revaluations in connection with the disposal of real estate assets.

³ Equity capital was increased by a share issue of FIM 2 960 million and the preferred capital certificates of FIM 1 977 million issued by Kansallis-Osake-Pankki in respect of which Merita Bank has assumed the issuer's liability. The amount of accumulated losses covered out of the ordinary reserve was FIM 1 788 million. Due to the mergers of subsidiaries FIM 42 million was transferred from the ordinary reserve to non-restricted equity. Other changes were mainly the result of exchange rate movements and changes in accounting policies.

⁴ Equity capital was increased by a share issue of FIM 2 960 million and the preferred capital certificates of FIM 1 977 million issued by Kansallis-Osake-Pankki in respect of which Merita Bank has assumed the issuer's liability. The amount of accumulated losses covered out of the ordinary reserve was FIM 1 753 million. Other changes reflect the reversal of revaluations in connection with the disposal of real estate assets and the impact of exchange rate movements and changes in accounting policies.

⁵ Voluntary reserves are included in equity capital after deduction of deferred tax liability. The tax rate applicable at the beginning of 1995 was 25% and that applicable at the end of the year was 28%. Most of the reserves transferred from the Kansallis Banking Group to the Merita and Merita Bank Groups were released during the year 1995.

21 Breakdown of income by sector and geographical market 1.1.-31.12.1995

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
By sector				
Banking	7 525	-	6 735	6 464
Mortgage banking	56	-	53	-
Credit card operations	178	-	151	-
Finance company operations	795	-	415	-
Fund management	32	-	29	-
Securities trading	46	-	46	-
Real estate investment	587	-	33	-
Real estate operations	216	-	39	-
Real estate brokerage	210	-	-	-
Insurance	666	-	-	-
Other	219	48	129	-

Total	10 529	48	7 629	6 464
		Merita Ltd		Merita Bank Ltd
<i>(continued)</i>	<i>Group</i>	<i>Parent company</i>	<i>Group</i>	<i>Parent company</i>
By geographical market				
Finland	10 030	48	6 972	6 106
The Netherlands	14	–	4	–
Belgium	3	–	–	–
Great Britain	202	–	196	196
Luxembourg	91	–	86	–
France	4	–	4	3
Singapore	58	–	53	16
Switzerland	203	–	156	–
Estonia	2	–	2	2
The United States	–79	–	155	141
Total	10 529	48	7 629	6 464

Income includes the group companies' net income from financial operations, dividend and commission income, net income from securities trading and foreign exchange dealing and other operating income. In respect of insurance operations the item includes gross premiums written and investment income. Intra-group items have not been eliminated.

22 Net income on leasing operations

The parent companies, Merita Ltd and Merita Bank Ltd, are not engaged in leasing operations. The item "Net income from leasing operations" in the consolidated profit and loss account includes only leasing rents and depreciation on leased assets according to plan.

23 Other operating income and expenses 1.1.–31.12.1995

	Merita Ltd		Merita Bank Ltd	
	<i>Group</i>	<i>Parent company</i>	<i>Group</i>	<i>Parent company</i>
Income				
Rental and dividend income from real estate holdings	716	6	145	95
Capital gains on the sale of non-owner-occupied real estate holdings ¹	35	173	16	283
Other income	321	46	349	299
Total	1 072	226	510	678
Expenses				
Rental expenses	378	1	556	532
Expenses on real estate holdings	474	1	130	110
Capital losses on the sale of real estate holdings	2	–	1	1
Other expenses	667	5	568	543
Total	1 520	7	1 255	1 186

¹ Capital gains booked as income in the parent companies in connection with the transfer of the real estate assets of Unitas Ltd and Union Bank of Finland Ltd to Merita Real Estate Ltd as a contribution in kind were eliminated in consolidation.

24 Loan and guarantee losses and write-downs on securities held as financial fixed assets 1.1.–31.12.1995

	Merita Ltd		Merita Bank Ltd	
	<i>Group</i>	<i>Parent company</i>	<i>Group</i>	<i>Parent company</i>
Balance sheet item				
Receivables from credit institutions and central banks	17	–	10	10
Receivables from the public and public sector organizations	1 828	–	1 810	1 725
Leased assets	14	–	14	–
Guarantees and other off-balance-sheet items	431	–	305	304
Other	232	–	197	191
Charged against the unallocated credit write-off	–400	–	–400	–400
Loan and guarantee losses, gross	2 121	–	1 936	1 830
Deductions	395	–	363	331
Loan and guarantee losses in the profit and loss account	1 726	–	1 573	1 499
% of receivables and contingent liabilities ¹	0.8	–	0.7	0.7
Write-downs on securities held as financial fixed assets	11	1	3	63

Specific loan loss provisions have been allocated to respective receivable items.

Collateral for loans written off has been valued at the expected selling price at the time of disposal.

As of 1.1.1996, items booked as loan losses have been separately registered as realized losses and specific loan loss provisions. No such breakdown is available for 1995.

¹ Receivables from the public and public sector organizations, leased assets, debt securities held as financial fixed assets, guarantee claims and commitments given on behalf of customers in favour of third parties.

25 Salaries and remunerations paid to members of controlling and administrative boards and respective pension commitments

	Merita Ltd	Merita Bank Ltd
Salaries and remunerations 1.1.–31.12.1995		
Members and deputy members of the Supervisory Board	–	1
Members and deputy members of the Board of Directors and the Board of Management, the Chairman, President and Managing Directors	3	15
Pension commitments 31.12.1995		
Members and deputy members of the Supervisory Board	–	–
Members and deputy members of the Board of Directors and the Board of Management, the Chairman, President and Managing Directors	1	3

No salaries or remunerations depending on the company's financial performance have been paid to the above persons.

26 Off-balance-sheet commitments 31.12.1995

	Merita Ltd		Merita Bank Ltd					
	Group	Parent company	Group	Parent company				
Guarantees	38 483	710	42 664	44 073				
of which on behalf of subsidiaries	–	695	–	339				
on behalf of associated companies	14	–	–	3 058				
Bills of exchange	1 202	–	1 202	1 187				
of which on behalf of subsidiaries	–	–	–	–				
on behalf of associated companies	–	–	–	–				
Credit commitments	2 746	–	2 746	1 913				
of which to subsidiaries	–	–	–	–				
to associated companies	–	–	–	–				
Other commitments	1 608	–	1 662	1 607				
of which to subsidiaries or on their behalf	–	–	–	–				
to associated companies or on their behalf	–	–	54	40				
Total	44 039	710	48 274	48 780				
Derivative contracts: credit equivalents	14 411	–	14 411	14 343				
Interest-rate-linked derivative contracts	4 993	–	4 993	5 066				
Currency-linked derivative contracts	9 419	–	9 419	9 277				
Derivative contracts: value of the underlying instruments (gross)	<i>For hedging purposes</i>	<i>Other</i>	<i>For hedging purposes</i>	<i>Other</i>	<i>For hedging purposes</i>	<i>Other</i>		
Interest rate, currency and equity-linked derivative contracts								
<i>Interest rate-linked derivatives</i>								
Futures and forwards	–	517 748	–	–	–	517 748	–	517 548
Options purchased	–	4 397	–	–	–	4 397	–	4 397
Options written	–	5 369	–	–	–	5 369	–	5 369
Interest rate swap agreements	70 877	110 839	–	–	70 877	110 839	72 221	111 737
<i>Currency-linked derivatives</i>								
Futures and forwards	106 399	130 093	–	–	106 399	130 093	103 360	130 068
Options purchased	–	16 532	–	–	–	16 532	–	16 532
Options written	–	16 585	–	–	–	16 585	–	16 585
Interest rate and currency swap agreements	21 122	247	–	–	21 122	247	20 889	247
<i>Equity-linked derivatives</i>								
Futures and forwards	1	9	–	–	1	9	–	–
Options purchased	1	0	–	–	1	0	1	–
Options written	–	–	–	–	–	–	–	–
Futures and forwards, total	106 400	647 850	–	–	106 400	647 850	103 360	647 616
Other contracts, total	92 001	153 968	–	–	91 001	153 968	93 112	154 867

27 Leasing liabilities

The nominal value of rentals to be paid by Merita Bank Ltd in 1996 is FIM 26 million and in subsequent years FIM 7 million. Other group companies have no material leasing liabilities.

28 Liabilities arising from pension commitments 31.12.1995

The Group's pension commitments in respect of the Union Bank of Finland Ltd pension fund amount to FIM 1 575 million and those in respect of the Kansallis-Osake-Pankki pension fund to FIM 1 980 million. The pension liability arising from pensions payable directly out of group companies' funds amounts to FIM 79 million. All pension liabilities are fully covered.

29 Fiduciary services

The fiduciary services offered by the Group include safe custody and management of customers' assets, legal consulting, portfolio accounting services for associations, foundations and estates and assistance in estate inventories, estate administration and non-contentious jurisdiction.

On 31.12.1995 loans out of customer funds arranged through the Group's intermediary amounted to FIM 2 413 million.

30 Personnel

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Average number of employees 1995	15 062	11	14 251	13 318
Change from previous year, persons	5 871	1	5 581	5 138
%	63.9	10.0	64.4	62.8
Full-time	13 764	11	13 006	12 109
Change from previous year, persons	5 232	1	4 964	4 551
Part-time	1 268	–	1 245	1 209
Change from previous year, persons	639	–	617	587
Employees by sector 31.12.1995				
Banking	13 783	–	13 783	13 740
Mortgage banking	11	–	11	–
Credit card operations	96	–	96	–
Finance company operations	482	–	482	–
Fund management	15	–	15	–
Real estate brokerage	543	–	0	–
Real estate investment	114	–	0	–
Securities trading	89	–	62	–
Insurance	29	–	–	–
Other	326	11	157	–
Total	15 488	11	14 606	13 740
Employees by geographical market 31.12.1995				
Finland ¹	15 154	11	14 272	13 449
Great Britain	141	–	141	141
Luxembourg	43	–	43	0
Singapore	48	–	48	48
Estonia	19	–	19	19
The United States	83	–	83	83
Total	15 488	11	14 606	13 740

¹ Including personnel of foreign representative offices.

31 Shares

Shares of Merita Ltd

Merita Ltd has two classes of shares: A and B. The nominal value of the shares is FIM 10. Pursuant to the Articles of Association there are a minimum of 365 million and a maximum of 1 460 million A-shares and a minimum of 35 million and a maximum of 140 million B-shares. The current number of A-shares in issue is 763 251 449, representing 92% of the total, and the number of B-shares is 67 200 000, i.e. 8% of the total.

At a General Meeting each A-share carries ten votes and each B-share one vote.

In the event of an increase in the share capital holders of A-shares have pre-emptive right to subscribe for new A-shares and holders of B-shares for new B-shares.

B-shares carry pre-emptive right over A-shares to a fixed annual dividend payable out of distributable profit funds of 8% of the nominal value of the share. If, in any year, such dividend cannot be distributed, B-shares entitle the holder to obtain the balance out of profit funds disposable in the subsequent year prior to payment of dividend on A-shares. In the event that it is not possible to distribute the outstanding amount on B-shares in the subsequent year, B-shares are no longer entitled to receive the outstanding amount in later years. If a dividend in excess of 8% of the nominal value of the share is paid on A-shares, an additional dividend of half the amount by which the dividend paid on A-shares exceeds 8% is paid on B-shares.

On 31.12.1995 Merita Ltd held no shares of its own.

Shares of Merita Bank Ltd

The nominal value of Merita Bank Ltd shares is FIM 10. Pursuant to the Articles of Association the bank's minimum share capital is FIM 4 billion and maximum share capital FIM 16 billion. All the 602 million shares in issue are held by Merita Ltd.

32 Preferred capital investments

Government preferred capital investments	3 475
Other FIM-denominated preferred capital investments	251
Foreign-currency-denominated preferred capital investments	387
Total	4 112

The preferred capital investments constitute liabilities of Merita Bank Ltd and are thus included in the balance sheet of both the Merita Bank Group and the Merita Group.

Interest may be paid on preferred capital investments only out of the bank's distributable funds. In the event that interest or part thereof cannot be paid due to lack of distributable funds, the investor has no right to claim payment of such interest later. However, full interest for the financial year must be paid on preferred capital investments before the bank may pay dividend on its share capital.

The bank may repay the preferred capital investments only with the permission of the Finnish Financial Supervision. The capital certificates are not callable by the investors.

In the event that the bank decreases its share capital in order to cover losses for which its equity capital and ordinary reserve are insufficient, the bank may, in the same proportion, decrease the principal amount of the capital investments. Upon such decrease in the principal amount, distributable funds shall primarily be used for restoring the principal of the capital investments to the original amount.

Share conversion and other terms and conditions relating to Government preferred capital investments are discussed on pages 16–17.

33 Shareholders and management's interests, 31.12.1995

Merita Ltd

Largest shareholders according to the shareholder register

	<i>Number of shares</i>	<i>% of share stock</i>	<i>% of votes</i>
Arsenal Asset Management Co.	63 933 333	7.7	8.3
Pohjola Insurance Co.	14 770 842	1.8	1.9
Suomi Mutual Life Assurance Co.	13 582 261	1.6	1.7
Sampo Insurance Co.	12 243 333	1.5	1.5
Pension-Varma Mutual Insurance Co.	10 918 204	1.3	1.4
Ilmarinen Pension Insurance Co.	9 956 215	1.2	1.3
Repola Ltd	9 925 494	1.2	1.3
Kansallis-Osake-Pankki Pension Fund	9 734 028	1.2	1.3
Kymmene Corporation	8 975 454	1.1	1.0
Meiji Mutual Life Insurance Co.	8 538 666	1.0	1.1

Members of Merita Ltd's Board of Directors own a total of 126 870 Merita A-shares and a total of 110 960 B-shares, i.e. 237 830 shares in all. The total number of votes carried by these shares is 1 379 660, representing 0.02% of the total number of votes carried by the company's shares.

Members of the Board of Directors hold no convertible bonds or equity warrants issued by the company.

At the year-end, 16.9% of Merita Ltd shares were registered under nominees. These shares represent 18.0% of the votes. Nominee-registered shares and shares registered in the name of foreign owners represent 18.9% of all Merita Ltd shares and 20.2% of the votes.

Shareholders by sector

	<i>% of shareholders</i>	<i>% of shares</i>
Corporates	1.5	17.2
Financial institutions	0.1	12.7
Public sector organizations	0.0	8.7
Non-profit organizations	1.0	4.1
Households	97.2	38.3
Foreign owners	0.2	18.9
Total	100.0	100.0

Distribution of shareholding

<i>Number of shares</i>	<i>Number of shareholders</i>	<i>% of shareholders</i>	<i>Number of shares</i>	<i>% of share stock</i>
1–1 000	275 532	77.4	76 555 653	9.2
1 001–10 000	76 265	21.4	197 809 116	23.8
10 001–100 000	4 140	1.2	90 405 058	10.9
100 001–	229	0.1	324 325 041	39.1
Nominee-registered	11	0.0	139 955 398	16.9
On joint book-entry accounts			1 401 183	0.2
Total	356 177	100.0	830 451 449	100.0

Merita Bank Ltd

All Merita Bank Ltd shares are held by Merita Ltd. Members of the Board of Management hold no convertible bonds or equity warrants issued by the company.

34 Financial income received from and financial expenses paid to group and associated companies 1.1.–31.12.1995

	Merita Ltd	Merita Bank Ltd ¹
Interest income		
from group companies	88	1 021
from associated companies	–	37
Interest expenses		
to group companies	157	284
to associated companies	–	0
Dividend income		
from group companies	0	189
from associated companies	3	3

¹ Incl. income received from and expenses paid to Merita Ltd and its group and associated companies.

35 Receivables from and liabilities to group and associated companies 31.12.1995

	Merita Ltd	Merita Bank Ltd ¹
Receivables from group companies		
Receivables from credit institutions and central banks	85	10 117
Receivables from the public and public sector organizations	–	2 685
Debt securities	941	6 667
Other receivables	10	1
Total	1 036	19 471
Receivables from associated companies		
Receivables from credit institutions and central banks	–	–
Receivables from the public and public sector organizations	–	1 052
Debt securities	–	175
Total		1 227
Liabilities to group companies		
Due to credit institutions and central banks	–	2 251
Due to the public and public sector organizations	–	754
Debt securities issued to the public	1 462	638
Subordinated liabilities	–	905
Other liabilities	–	18
Total	1 462	4 566
Liabilities to associated companies		
Due to credit institutions and central banks	–	–
Due to the public and public sector organizations	–	1
Debt securities issued to the public	–	–
Other liabilities	–	–
Total	–	1

¹ Incl. receivables from and liabilities to Merita Ltd and its group and associated companies.

36 Subsidiaries and associated companies 1995

The Merita Group has two parallel sub-groups, the Merita Real Estate Group and the Merita Bank Group. The group companies of the Merita Real Estate Group are associated companies of the Merita Bank Group. The Merita Bank Group controls 95.19% of the shares and 49.75% of the votes of Merita Real Estate Ltd.

Companies included in the consolidated financial statements	Ref.	Number of shares	Share-holding %	Voting rights %	Total nominal value	Total book value	Profit/loss for the year 1995
Subsidiaries directly owned by Merita Ltd							
<i>Domestic</i>							
Bank							
Merita Bank Ltd, Helsinki (former name Union Bank of Finland Ltd)		602 395 318	100	100	6 024	8 863	517
Financial institutions							
Nordica Invest Oy, Helsinki	1	170	100	100	0	0	1
Partita Ltd, Helsinki		1 827 220	100	100	365	690	211
Prospectus Limited, Helsinki	1	14 000	100	100	1	37	8
Insurance company							
Stella Life Insurance Company Ltd, Espoo (name changed to Merita Life Assurance Ltd on 1.2.1996)	2	36 000	100	100	36	90	0
Real estate brokerage companies							
Huoneistokeskus Oy, Helsinki	2	280	70	70	2	84	1
Huoneistomarkkinointi Oy, Helsinki	1,2,3	50 000	100	100	5	23	3
Real estate investment company							
Merita Real Estate Ltd (commenced operations on 1.6.1995)		10 610 000	100	100	10 610	15 257	-3
Subsidiaries of Merita Real Estate Ltd							
<i>Domestic</i>							
Real estate investment companies							
Henrikin Liikekiinteistöt Oy, Helsinki	1	22 000	100	100	0	62	-1
Pons Brevis Oy, Helsinki	1	45 015	100	100	45	95	-24
Sabinvest Oy, Helsinki		6 000	100	100	6	1	1
Ukon Vakka Oy, Helsinki	1	6	100	100	0	37	0
Yhdyskiinteistöt Oy, Helsinki (name changed to Merita Real Estate Development Ltd on 7.2.1996)		4 500	100	100	5	42	0
Other companies							
Yhdyshuolto Oy, Helsinki		400	100	100	0	1	0
<i>International</i>							
Real estate investment companies							
Merita Real Estate (U.K.) Ltd, London (former name Kansallis Real Estate Ltd)	1	21 000 500	100	100	142	62	-11
Sakau (Luxembourg) S.A., Luxembourg	1	309 996	100	100	46	6	-1
UBF Vastgoed B.V., Amsterdam		60 000	100	100	163	163	0
Subsidiaries of Merita Bank Ltd							
<i>Domestic</i>							
Banks							
Kansallis Mortgage Bank Ltd, Helsinki	1	10 000	100	100	100	100	34
Industrial Bank of Finland Ltd, Helsinki		1 080 000	100	100	108	187	25
Financial institutions							
Helsingin Pantti-Osakeyhtiö, Helsinki	1	484 866	100	100	10	35	4
Merita Customer Finance Ltd, Helsinki (former name Kansalliskortti Oy)	1	14 000	100	100	140	280	19
Merita Capital Ltd, Helsinki (former name SYP-Finance Oy)		25 000	100	100	25	25	-1
Merita Finance Ltd, Helsinki (former name Finnish Customer Finance Ltd)		39 629 476	100	100	793	1 249	233
Perimistöimisto Contant Oy, Turku	1	500	100	100	1	24	9
Fund management companies							
KOP-Rahasto Oy, Helsinki	1	1 300	100	100	13	12	3
Merita Fund Management Ltd, Helsinki (former name UBF Fund Management Ltd)		200 000	100	100	20	20	14
Securities brokerage company							
Merita Securities Ltd, Helsinki (former name UBF Securities Ltd)		50 000	100	100	50	50	15
Other companies							
Fidenta Oy, Espoo (former name Yhdystieto Oy)		4 000	40	60	0	1	25
UBF-Systems Oy, Helsinki (name changed to Merita Systems Oy on 10.1.1996)		300	60	60	0	0	1
Unitas-opisto Oy, Helsinki (name will be changed to Unitas Congress Center Ltd)		100	100	100	1	1	1

Companies included in the consolidated financial statements (continued)	Ref.	Number of shares	Share- holding %	Voting rights %	Total nominal value	Total book value	Profit/ loss for the year 1995
<i>International</i>							
Banks							
American Scandinavian Banking Corp., New York		20 000	100	100	22	49	1
Merita Bank Luxembourg S.A., Luxembourg (former name Nordfinanz Bank Zurich (Luxembourg) S.A.)	1	41 000	100	100	155	185	33
Merita Bank (Bahamas) Ltd, Nassau (former name Union Bank of Finland (Bahamas) Limited)		500	100	100	22	22	9
Merita Merchant Bank Singapore Ltd, Singapore (former name Union Bank of Finland (Singapore) Ltd.)		35 000 000	100	100	108	108	18
Financial institutions							
Kansallis Securities Ltd, London	1	201 001	100	100	1	1	-1
Merita Holdings (U.K.) Ltd, London (former name Kansallis Holdings (U.K.) Ltd)	1	39 010 000	100	100	263	0	-247
Orava Investments (Jersey) Limited, Jersey	1	250 000	100	100	2	2	0
UBF-Finance Ltd., London		100 000	100	100	1	1	0
Associated companies of Merita Ltd	2						
<i>Domestic</i>							
Financial institutions							
SYP-Invest Oy, Helsinki		1 875 987	36	47	38	67	51
Other companies							
Rakennus Oy Leo Heinänen, Helsinki		576	30	30	1	4	0
Associated companies of Merita Real Estate Ltd	2						
<i>Domestic</i>							
Real estate investment companies							
Aleksin Alueen Kehitys Oy, Helsinki		12 774	46	46	0	0	0
Kansalliset Liikekiinteistöt Oy, Helsinki	1	419	50	50	415	430	-2
Kiinteistösihtoutus Oy Citycon, Helsinki	1	10 952 000	36	36	110	105	2
Oy Realinvest Ab, Helsinki		16 133 200	48	48	403	403	1
World Trade Center Helsinki Oy, Helsinki		5	33	33	0	0	0
Associated companies of Merita Bank Ltd	2						
<i>Domestic</i>							
Financial institutions							
Eurocard Oy, Helsinki	1	10 690	28	28	11	12	14
Luottokunta, Helsinki		13 160	31	31	7	50	87
Pohjola Finance Oy, Helsinki	1	12 500	50	50	13	13	3
Finnish Securities and Derivatives Exchange Clearing House, Helsinki	1	189 439	38	38	13	23	24
Tietoperintä Oy, Helsinki		3 000	20	20	2	3	4
Other companies							
ATM Automatia Ltd, Helsinki		6	33	33	30	30	17
Automatia Rahakortit Oy, Helsinki		2 000	33	33	2	2	0
Innoventure Oy, Helsinki		750	25	25	1	8	0
Pulpros Oy, Helsinki		29 340	49	49	29	44	5
Suomen Asiakastieto Oy, Helsinki	1	24 000	28	28	4	0	8
YIT MNS Projektit Oy, Helsinki		3 600	24	24	0	0	0
<i>International</i>							
Financial institutions							
Estonian Industrial Leasing Ltd, Tallinn		6 000	40	40	2	2	-1
Freja Finance S.A., Luxembourg	1	17 800	33	33	26	0	-5

¹ Became a group/associated company in connection with the merger of the Kansallis Banking Group and the Unitas Group on 1.4.1995.

² Combined in the consolidated financial statements applying the equity method.

³ Financial period 1.9.1994-31.12.1995

Other companies included in the consolidated financial statements: real estate companies and other companies whose total assets are less than FIM 60 million	Merita Group			Merita Bank Group		
	Number of companies	Total assets	Book value of shares	Number of companies	Total assets	Book value of shares
Real estate companies						
Subsidiaries	111	9 394	8 865	8	1 257	1 055
Associated companies	3	1 175	618	106	9 311	8 428
Other companies						
Subsidiaries	43	415	58	25	5	3
Associated companies	4	26	0	21	422	55

Companies merged, dissolved or transferred outside the Group during the year	<i>Ref.</i>	<i>Line of business</i>	<i>Total assets</i>	<i>Profit/loss for the year 1995</i>
<i>Domestic</i>				
Ferrentia Oy, Helsinki Subsidiary of Merita Finance Ltd, merged with Merita Finance Ltd on 30.11.1995	1	Financial institution	17	0
Inde Trading Oy, Helsinki Subsidiary of Merita Finance Ltd, merged with Merita Finance Ltd on 31.10.1995	1	Financial institution	2	0
Kansa Yritysrahoitus Oy, Helsinki Subsidiary of Merita Finance Ltd, merged with Merita Finance Ltd on 29.9.1995	1	Financial institution	25	1
Kansallis Brokers Ltd, Helsinki Subsidiary of Merita Bank Ltd, merged with Merita Bank Ltd on 20.12.1995	1	Securities trading	26	0
Kansallis Finance Ltd, Helsinki Subsidiary of Merita Bank Ltd, merged with Merita Finance Ltd on 31.7.1995	1	Financial institution	6 185	6
Kansallis-Yhtymä Oy, Helsinki (former name Kansallis-Osake-Pankki) Subsidiary of Merita Ltd, merged with Merita Ltd on 29.12.1995	1	Holding company	10 265	-2 483
Finnish Corporate Finance Ltd, Helsinki Subsidiary of Merita Bank Ltd, merged with Merita Bank Ltd on 31.12.1995		Financial institution	80	1
Tenor Oy, Helsinki Subsidiary of Merita Bank Ltd, merged with Merita Bank Ltd on 7.12.1995		Financial institution	196	-1
<i>International</i>				
Kansallis International Bank (Asia-Pacific) Ltd, Singapore Subsidiary of Kansallis-Yhtymä Oy, dissolved on 31.8.1995	1	Banking	43	0
Kansallis Investment Corp. Inc., New York Subsidiary of Merita Bank Ltd, dissolved on 31.5.1995	1	Financial institution	11	-4
Merita Bank Luxembourg S.A., Luxembourg (former name Union Bank of Finland International S.A.) Subsidiary of Merita Bank Ltd, merged on 22.12.1995 with Nordfinanz Bank Zurich (Luxembourg) S.A. which has changed its name to Merita Bank Luxembourg S.A.		Banking	1 812	17
Nordfinanz Bank Zurich, Zurich Subsidiary of Merita Bank Ltd, sold outside the Group on 30.11.1995	1	Banking	9 022	146
Nordfinanz Bank Zurich (Overseas) Ltd, Nassau Subsidiary of Nordfinanz Bank Zurich, sold outside the Group on 30.11.1995	1,4	Banking		
Reetbay Investments, Dublin Subsidiary of Merita Bank Luxembourg S.A., dissolved on 29.12.1995		Financial institution	15	5
Tileyard Road Ltd, Lontoo (former name Orava Properties Ltd) Subsidiary of Merita Real Estate Ltd, sold outside the Group on 5.12.1995	1	Real estate investment	30	-16
Union Bank of Finland (France) S.A., Paris Subsidiary of Merita Bank Ltd, dissolved on 9.6.1995		Banking	71	-2

The impact on consolidated non-restricted equity capital of the subsidiary mergers, dissolutions and transfers in 1995 was FIM 42 million in both the Merita Group and the Merita Bank Group.

¹ Became a group company in connection with the merger of the Kansallis Banking Group and the Unitas Group on 1.4.1995

⁴ Financial statements included in the figures of Nordfinanz Bank Zurich, no separate information available.

Companies excluded from the consolidated financial statements							Latest confirmed profit/loss for the year
Holdings acquired to secure receivables	Ref.	Number of shares	Share-holding %	Voting rights %	Total nominal value	Total book value	
Subsidiaries of Merita Bank Ltd							
<i>Domestic</i>							
Alcom Oy, Helsinki	5	6 950 652	63	63	10	3	-13
Huurre Group Oy, Tampere	5	99 165	98	98	10	0	-55
Laxma Yhtymä Oy, Orivesi	5	485 000	100	100	5	0	-18
Mantica Oy, Helsinki	5	170 000	100	100	17	0	-44
P.T.A. Group Oy, Kuopio	5	18 314	67	67	2	0	-1
PMA-Yhtymä Oy, Vantaa	5	1 720 005	100	100	86	0	-157
Savon Hotellit Oy, Helsinki		516	100	100	1	0	-3
SKT-Invest Oy, Tampere	5	931	93	93	5	0	53
Sponsor Oy, Helsinki	5	53 885 235	100	100	108	1 432	83
Starckjohann Oy, Lahti	5	72 805 714	56	56	73	357	-50
Teräsbetoni Oy, Helsinki	5	520 663	52	52	5	0	4
Tunturipyörä Oy, Turku	5	2 482 705	99	100	25	21	2
Turo Tailor Oy, Kuopio		4 200	100	100	2	25	2
Subsidiaries of Merita Real Estate Ltd							
<i>Domestic</i>							
PMA-kiinteistöt Oy, Helsinki	5	97 322	100	100	10	0	-41
Rasi Hotelliikiinteistöt Oy, Helsinki	5	100 000 000	100	100	40	20	-11
Vaasan Hotelliikiinteistöt Oy, Vaasa	5	19 600	100	100	20	0	-2
<i>International</i>							
Sopoka B.V., Rotterdam	5	19 999	100	100	54	0	-7
Associated companies of Merita Bank Ltd							
<i>Domestic</i>							
Ekström Oy, Helsinki	5	38 000	23	35	1	2	-6
Rocla Oy, Järvenpää		726 000	33	33	4	4	14
Sasmox Oy, Kuopio		240	38	38	1	0	-9
SVUL:n Huippupaikat Oy, Siilinjärvi	6	835	33	33	1	1	
Tuko Oy, Helsinki	5	7 877 683	29	29	79	313	-9

⁵ Group data

⁶ Owned by Merita Bank Ltd since December 1995, no financial statements available.

Other companies excluded from the consolidated financial statements: real estate companies acquired to secure receivables and other companies whose total assets are less than FIM 60 million	Merita Ltd			Merita Bank Ltd		
	Number of companies	Total assets	Book value of shares	Number of companies	Total assets	Book value of shares
Real estate companies						
Subsidiaries	330	3 265	2 382	11	189	170
Associated companies	359	3 323	1 609	678	6 399	3 822
Other companies						
Subsidiaries	7	0	0	7	0	0
Associated companies	1	28	6	1	28	6

37 Extraordinary income and expenses

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Income				
Capital gains on the sale of subsidiaries	–	–	–	370
Merger profits	–	–	–	52
Capital gains on the sale of fixed assets	11	–	11	271
Total	11	–	11	693
Expenses				
Pension liabilities covered	51	2	26	25
One-off costs relating to the merger				
Personnel expenses	442	–	407	394
Rental liabilities	68	–	68	68
Depreciation	44	–	44	44
Capital losses relating to mergers, dissolution and disposal of assets	24	–	24	34
Total	628	2	568	564

38 Statutory provisions

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Pension provisions	79	2	79	76
Guarantee and other similar provisions	253	–	253	253
Rental provisions	147	–	147	147
Provisions for severance payments to employees made redundant	194	–	194	194
Provisions for stamp duty claims	50	–	50	50
Other	109	–	84	39
Total	833	2	806	759

Notes to the consolidated financial statements

Most of the supplementary consolidated financial information is provided in connection with the foregoing notes to the financial statements of the parent companies (Notes 1–38).

1 Changes in the consolidated financial statements

Changes in the accounting policies are discussed under "Accounting policies" on page 55. When consolidation was extended to include real estate subsidiaries and associated companies, the results of these companies accrued during Group ownership were charged against consolidated non-restricted equity capital. The net amount charged in the Merita Group was FIM 40 million and that in the Merita Bank Group FIM 50 million.

2 Changes in the Group structure

The merger of the Kansallis and Unitas Groups entailed major changes in the Group structure. The merger arrangements are discussed in the Reports of the Board of Directors of Merita Ltd and the Board of Management of Merita Bank Ltd. The resultant changes in the Group structure are also set out in Note 36.

3 Special procedures approved by the Financial Supervision

With the permission of the Finnish Financial Supervision, the consolidated financial statements do not include companies in respect of which the group or associated company relationship is based on equity holdings acquired for temporary ownership to secure Group receivables.

These equity holdings are carried at the lower of cost or estimated market value at the date of closing the accounts. The non-consolidation of these companies has no such impact on the Group's performance or financial position as would impair the accuracy or sufficiency of the information provided in the consolidated financial statements.

4 Non-consolidated subsidiaries and associated companies

These comprise equity interests in subsidiary and associated companies acquired for the purpose of restructuring a customer's operations and intended as temporary. The companies in question engage in business materially different from that of the Group. The table below is based on their latest official accounts.

Profit and loss account data	Financial period	Turnover	Variable expenses	Fixed costs	Operating profit	Depreciation	Financial income and expenses	Extraordinary items	Profit/loss for the year
Subsidiaries									
Alcom Oy ¹	1.1.–31.12.1994	169	*	*	12	17	9	0	-13
Huurre Group Oy ¹	1.10.1993–31.12.1994	386	*	*	-4	17	11	-22	-55
Laxma Yhtymä Oy ¹	1.1.–31.12.1994	91	83	13	-3	3	13	1	-18
Mantica Oy ¹	1.3.1994–28.2.1995	672	*	*	19	33	5	-41	-44
P.T.A. Group Oy ^{1,2}	1.1.–31.12.1994	233	133	89	11	11	1	0	-1
PMA-Yhtymä Oy ¹	1.1.–31.12.1994	3 300	3 074	186	56	56	138	-22	-157
Savon Hotellit Oy	1.9.1994–31.8.1995	27	6	17	4	2	5	-0	-3
SKT-Invest Oy ¹	1.10.1994–30.9.1995	9	*	*	4	3	7	59	53
Starckjohann Oy ¹	1.1.–31.12.1994	2 981	*	*	157	82	13	-128	-50
Teräsbetoni Oy ¹	1.7.1994–31.12.1994	444	*	*	-41	25	0	73	4
Tunturipyörä Oy ¹	1.1.–31.12.1994	361	*	*	-8	9	8	0	2
Turo Tailor Oy	1.4.1994–31.3.1995	72	*	*	8	2	3	0	2
Associated companies									
Ekström Oy ¹	1.1.–31.12.1994	252	189	52	12	6	9	-2	-6
Rocla Oy	1.1.–31.12.1994	150	107	36	7	4	9	18	14
Sasmox Oy	1.1.–31.12.1994	13	9	4	-1	9	0	0	-9
Tuko Oy	1.1.–31.12.1994	10 483	*	*	374	207	204	-57	-9

* Not available

Balance sheet data	Fixed assets	Valuation items (assets)	Current and financial assets	Equity capital	Provisions	Valuation items (liabilities)	Liabilities
Subsidiaries							
Alcom Oy ¹	97	-	91	-29	0	-	217
Huurre Group Oy ¹	30	-	136	-61	5	-	222
Laxma Yhtymä Oy ¹	45	-	49	-9	2	-	101
Mantica Oy ¹	253	5	102	-35	100	-	227
P.T.A. Group Oy ^{1,2}	71	-	97	2	7	-	158
PMA-Yhtymä Oy ¹	410	0	1 798	-311	137	1	2 374
Savon Hotellit Oy	42	-	4	0	-	-	46
SKT-Invest Oy ¹	127	0	7	-59	-	-	128
Starckjohann Oy ¹	629	23	970	213	77	-	1 291
Teräsbetoni Oy ¹	167	0	406	-123	40	-	564
Tunturipyörä Oy ¹	94	-	246	49	19	-	272
Turo Tailor Oy	11	-	39	6	0	-	43
Associated companies							
Ekström Oy ¹	60	-	103	7	-	-	156
Rocla Oy	13	-	84	5	0	-	91
Sasmox Oy	42	1	5	-21	0	-	68
Tuko Oy	3 451	-	2 373	194	335	-	5 487

¹ Group data

² The bank had a majority holding in Avardo Oy, which has gone bankrupt. P.T.A. Group Oy is a subsidiary of Avardo Oy.

Measures taken to restructure a customer's business operations include analysis of operations, structural arrangements, planning and implementation of restructuring and development measures and strengthening of the capital and financial structure. Restructuring programmes are implemented in cooperation with other owners and lenders and the company's management with regard to the prevailing market conditions and competitive situation.

The shares are held by Merita Bank Ltd.

Furthermore, the consolidated accounts exclude foreclosed real estate companies and, pursuant to regulations issued by the Financial Supervision, such minor real estate companies the non-consolidation of which has no material impact on the Group's results or financial position. The compilation of financial information on such companies within the schedule set for the consolidated financial accounts would require an unreasonable amount of work compared with the additional informative value to be gained by their consolidation.

The number of non-consolidated companies and the book values of their shares are shown in Note 36.

5 Consolidation of associated companies and subsidiaries other than financial or credit institutions or ancillary service companies

Associated companies and those subsidiaries which are not financial or credit institutions or ancillary service companies as referred to in the regulations of the Financial Supervision are consolidated by the equity method in accordance with the instructions of the Accounting Board.

The valuation and allocation principles followed by these companies do not differ from those applied by the Group in any way which would have a material impact on the consolidated financial statements.

6 Subsidiaries other than financial or credit institutions or service companies: Intra-Group receivables, liabilities and directorships

These subsidiaries comprise Stella Life Insurance Company Ltd (name changed to Merita Life Assurance Co on 1st February 1996), Huoneistokeskus Oy and Huoneistomarkkinointi Oy. The consolidated balance sheet of Merita Ltd includes receivables from these companies in the amount of FIM 89 million and liabilities to these companies in the amount of FIM 160 million.

Among the five Members and five Deputy Members of the Board of Directors of Stella Life Insurance Company Ltd, Mr. Martti Huhtamäki and Mr. Eino Halonen (Members) and Mr. Ari Laakso and Mr. Kari Jordan (Deputy Members) are also Ordinary or Deputy Members of the Board of Management of Merita Bank Ltd. On the five-member Board of Directors of Huoneistokeskus Oy, Mr. Ari Laakso, Mr. Heikki Hyppönen and Mr. Eino Halonen are also Members or Deputy Members of the Board of Management of Merita Bank Ltd. Furthermore, Mr. Heikki Hyppönen is one of the six Members on the Board of Directors of Huoneistomarkkinointi Oy.

7 Consolidation of foreign subsidiaries, joint ventures and associated companies: Currency translation and translation surplus/deficit

The profit and loss account items of foreign subsidiaries and associated companies have been translated into Finnish markkas at the annual mean rates of exchange based on the rates quoted by the Bank of Finland on the last day of each month. On and off balance sheet items of group companies have been translated at the rates of exchange quoted by the Bank of Finland on the last day of the year.

In the consolidated accounts, any surplus or deficit arising from the translation of group companies' profit or loss for the year as a result of the difference between the annual mean rate of exchange and the rate of exchange prevailing at the date of closing the accounts is applied against profits from previous years. Such translation surplus in both the Merita Group and the Merita Bank Group is FIM 10 million.

In the consolidated accounts of the Merita Group, FIM 7 million has been charged against profits from previous years for the deficit arising from the elimination of internal ownership as a result of the difference between the rate of exchange applicable at the time of acquisition of the respective equity holding and the rate of exchange prevailing at the date of closing the accounts. The corresponding charge in the consolidated accounts of the Merita Bank Group is FIM 0.2 million.

8 Amount and reporting of any elimination surplus/deficit arising from the elimination of internal ownership

In the consolidated accounts, any difference between the amount paid for a subsidiary's shares and the corresponding share of the subsidiary's equity capital at the time of acquisition is allocated partly on "goodwill" or "consolidation reserve" and partly on the subsidiary's assets. Such elimination difference in the consolidated accounts of the Merita Group amounts to FIM 1 371 million and that in the consolidated accounts of the Merita Bank Group to FIM 66 million. Depreciation charges on allocations on different types of assets are computed in accordance with the relevant depreciation schedules. Goodwill is depreciated by equal annual instalments over periods ranging from 5 to 10 years. FIM 518 million of the elimination difference in the consolidated balance sheet of Merita Ltd is allocated to real estate assets. FIM 750 million of the goodwill in the consolidated balance sheet of Merita Ltd stems from the merger of the Kansallis and Unitas Groups in 1995. This part of the goodwill will be depreciated over 10 years as from 1st January 1996. Depreciation charged on goodwill in 1995 totalled FIM 48 million in the Merita Group and FIM 36 million in the Merita Bank Group.

In the consolidated accounts, non-Group owners' shares of the results and equity capital of subsidiaries consolidated according to the acquisition method are shown as a minority interests.

Following the merger of the Kansallis and Unitas Groups on 1st April 1995, the shareholders of Kansallis-Yhtymä Oy represented a minority interest in the Unitas Group until they became shareholders of Merita Ltd on 29th December 1995. With the permission of the Financial Supervision, that part of the consolidated equity capital of Kansallis-Yhtymä Oy which corresponds to the holdings of its minority shareholders during the period 1st April–29th December 1995 is presented in the Interim Report issued on 30th June 1995 under "other restricted equity capital".

9 Internal equity holdings

On 31st December 1995, Stella Life Insurance Company Ltd owned 33,333 shares of Merita Ltd. The total nominal value of these shares is FIM 0.3 million and the cost value FIM 0.6 million.

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Rapala-Normark Group

The internationally renowned Rapala fishing lures are made in Finland, at the Vääksy plant of the Rapala-Normark Group, the world's largest lure factory. The Group also has production units in Ireland.

Rapala-Normark employs over 700 people and exports its products to 135 countries.

Group net sales approximate FIM 550 million.

Merita Ltd and Merita Bank Ltd controlling boards 31st December, 1995

Merita Ltd

Board of Directors

Timo Peltola, 49
*Chairman of the Board
President and CEO
Huhtamäki Oy*

E.J. Toivanen, 68
*Chairman of the Board
Onninen Oy*

Casimir Ehrnrooth, 64
*Chairman of the Board
Kymmene Corporation and Nokia
Corporation*

Veikko Jääskeläinen, 64
*Rector
Helsinki School of Economics and
Business Administration*

Jouko K. Leskinen, 52
*President and CEO
Sampo Group*

Tauno Matomäki, 58
*President and CEO
Repola Ltd*

Yrjö Niskanen, 63
*Chairman of the Boards
Pohjola Group*

Vesa Vainio, 53
*President and CEO
Merita Ltd*

Auditors

Eric Haglund
Authorized Public Accountant

Pekka Nikula
Authorized Public Accountant

Mauri Palvi
Authorized Public Accountant

Mauno Tervo
Authorized Public Accountant

Deputy Auditors

KPMG Wideri Oy Ab
Authorized audit firm

SVH Coopers & Lybrand Oy
Authorized audit firm

Merita Bank Ltd

Supervisory Board

Edward Andersson, 62
*Professor
Chairman of the Supervisory Board*

Eva-Riitta Siitonen, 55
*Governor of the Province of
Uusimaa
Deputy Chairman of the Supervisory
Board*

Maunu Ihalainen, 58
*Administrative Director, Finnish
Social Democratic Party
Deputy Chairman of the Supervisory
Board*

Krister Ahlström, 55
*President and CEO
A.Ahlström Osakeyhtiö*

Kalevi Aro, 48
*President
Aro-Yhtymä Oy*

Fredrik Björnberg, 57
*Chairman of the Board
Myllykoski Oy*

Mauri Eerola, 59
*Third President, Central Union of
Agricultural Producers and Forest
Owners*

Georg Ehrnrooth, 55
*President and CEO
Metra Corporation*

Reino Hanhinen, 52
*President and CEO
YIT-Corporation Ltd*

Erik Hartwall, 54
*President and CEO
Hartwall Group Ltd*

Ari Heiniö, 50
*Managing Director
Oy Stockmann Ab*

Paula Hopponen, 40
*Chief Shop Steward
Merita Bank Ltd*

Jukka Härmälä, 49
*President and CEO
Enso Group*

Jaakko Ihamuotila, 56
*Chairman and CEO
Neste Oy*

Risto Ihamuotila, 57
*Professor,
Rector, University of Helsinki*

Liisa Joronen, 51
*Chairman of the Board
the SOL Group*

L.J. Jouhki, 51
*President and CEO
Thomesto Trading Companies Ltd*

Jyrki Juusela, 52
*Chairman and CEO
Outokumpu Oy*

Heimo Karinen, 56
*Chairman and CEO
Kemira Oy*

Mikko Ketonen, 50
*Chairman of the Board
TS-Yhtymä Oy*

Eero Kinnunen, 58
*Chairman and CEO
Kesko Ltd*

Mikko Kivimäki, 56
*President and CEO
Rautaruukki Oy*

Markku Koskenniemi, 53
*Managing Director
Tammerneon Oy*

Jere Lahti, 52
*President and CEO
Suomen Osuuskauppojen
Keskuskuunta*

Sirpa Lappalainen, 44
*Branch manager
Merita Bank Ltd*

Jarmo Leppiniemi, 47
*Professor,
President, Finnish Shareholders'
Association*

Pekka Luhtanen, 58
*Managing Director
L-Fashion Group Oy*

Juhani Majjala, 56
*Managing Director
Lassila & Tikanoja Group*

Markku Mannerkoski, 59
*Director General
Technical Research Centre of
Finland*

Pirjo Manninen, 50
*Bank officer
Merita Bank Ltd*

Uolevi Manninen, 58
*President and CEO
Tuko Oy*

Björn Mattsson, 54
*President & CEO
Cultor Ltd.*

Kurt Nordman, 57
*Chairman and CEO
Helsinki Telephone Company Ltd*

Kalevi Numminen, 63
*President and CEO
IVO Group*

Jorma Ollila, 45
*President and CEO
Nokia Corporation*

Sinikka Partanen, 54
*Deputy Chief Shop Steward
Merita Bank Ltd*

Heikki Pentti, 49
*Chairman
Lemminkäinen Oy*

Harri Piehl, 55
*Chief Executive Officer
Kymmene Corporation*

Paavo Pitkänen, 53
*Managing Director
Pension-Varma Mutual
Insurance Co.*

Antti Potila, 57
*Chairman and CEO
Finnair Oy*

Olli Reenpää, 61
*Managing Director
Otava Publishing Company*

Merita Bank Ltd

Kaija Roukala-Hyvärinen, 42
Chief Shop Steward
Merita Bank Ltd

Martin Saarikangas, 58
President and CEO
Kvaerner Masa-Yards Inc.

Aino Sallinen, 48
Professor,
Rector, University of Jyväskylä

Matti Salminen, 54
Chief Executive
Raisio Group

Kari O. Sohlberg, 55
Managing Director and CEO
Oy G.W. Sohlberg Ab

Sven Sohlström, 58
Managing Director
Oy Katternö Ab

Marianne Stenius, 44
Professor,
Rector, Swedish School of
Economics and Business
Administration

Reijo Ståhlberg, 43
Branch manager
Merita Bank Ltd

Matti Sundberg, 53
Chairman of the Board, President
and CEO
Valmet Corporation

Ilkka Suominen, 56
President and CEO
Alko Group Ltd

Christoffer Taxell, 47
President and CEO
Partek Corporation

Pekka Tuomisto, 55
Director General
The Social Insurance Institution

Board of Management

Ordinary Members:

Vesa Vainio, 53
Chairman of the Board and Chief
Executive Officer

Pertti Voutilainen, 55
President

Carl-Johan Granvik, 46
Managing Director

Markku Pohjola, 47
Managing Director

Peter Fagernäs, 43
Executive Vice President

Harri Hollmén, 46
Executive Vice President

Kari Jordan, 39
Executive Vice President

Kalevi Kontinen, 54
Executive Vice President

Jorma Laakkonen, 52
Executive Vice President

Ari Laakso, 48
Executive Vice President

Deputy Members:

Eino Halonen, 46
Executive Vice President

Bo Harald, 47
Executive Vice President

Martti Huhtamäki, 56
Executive Vice President

Heikki Hyppönen, 50
Executive Vice President

Merita Bank Ltd: Organization, 1st February 1996

Vesa Vainio, Chairman and Chief Executive Officer
Pertti Voutilainen, President

Main business areas

Retail Bank

Markku Pohjola

Helsinki Region: Bo Harald
Helsinki City: Jussi Suutarinen
Helsinki South: Martti Tynnismaa
Helsinki East: Pekka Palmu
Helsinki Central: Jukka Hako
Helsinki South West: Kaj Holmberg
Helsinki West: Pirjo Björk
Helsinki North: Pertti Kiviniemi

East Finland Region: Markku Ahtela
South Karelia: Jukka Anttolainen
South Savo: Eero Raunio
East Savo: Leena Roiha
Central Savo: Esko Puustinen
Central Finland: Markku Haapasalmi
Kymenlaakso: Pekka Stepanow
Lahti: Antti Hyvärinen
North Karelia: Pekka Nuuttila
North Savo: Heikki Ursin
Päijät-Häme: Tuomo Hillu

South West Finland Region:
Martti Oksa
South Häme: Kari Tainio
Raasepori: Lars Winberg
Salo-Loimaa: Markku Fagerlund
Satakunta: Simo Erkkilä
Satavakka: Pekka Miettinen
Turku: Pirkko Hyvärinen
Turunmaa and Aland: Börje Nygård
Greater Turku Area: Altti Kuorikoski

West Finland Region:
Matti Tossavainen
Pirkanmaa South: Liisa Takovaara
South Ostrobothnia: Markku Lilja
Pirkanmaa North: Antti Varheenmaa
Coastal Ostrobothnia: Leif Lindeman
Tampere: Timo Toivonen

North Finland Region:
Kyösti Kaijomaa
Jokilaakso District: Aimo Ylitalo
Kainuu: Kalevi Mäkiäho
Kemi-Tornio: Ahti Salmela
Oulu: Mikko Mäkelä
Rovaniemi: Ilkka Rinne

Uusimaa Region: Harri Sailas
Espoo: Harri Tilli
Uusimaa East: Heikki Viitanen
Uusimaa Central: Pekka Ojala
Uusimaa West: Risto Ahtela
Vantaa: Raimo Mäkilä

Consumer Banking

Eino Halonen

Consumer Services: Matti Hakavuori
Consumer Service Support:
Timo Linnavuori
Product and Marketing Support:
Veijo Manninen
Merita Customer Finance Ltd:
Matti Willamo
Järjestöpankki (Trade Union
Services): Yrjö-Olavi Aav

Commercial Banking

Kari Jordan

Branch Steering and Support:
Seppo Leinonen
Legal and Collection Services:
Hannu Sipilä
Electronic Banking: Riitta Pennanen
Corporate Finance and Credits:
Jukka Fahlgren
Product Support and Corporate
Analysis: Jukka M.S. Salonen
Merita Capital Ltd: Jouko Helomaa
Merita Finance Ltd: Jarmo Laiho
Industrial Bank of Finland Ltd:
Henrik von Fieandt

Financial Control: Harri Ronimus

Corporate Bank

Carl-Johan Granvik

Corporate Division

Jorma Laakkonen

Customer Relations: Jukka Niemi
Financial Services: Risto Halava

International Trade Services

Kari Kangas

Documentary Payments:
Pekka Heino
International Payments:
Kari Pulkkinen
Foreign Guarantees: Jarmo Saari
Foreign Currency Credits:
Hannu Reilin
Export Finance: Kari Kangas

International Network

Hannu Halttunen

Area Management: Hannu Kujala
Institutional Relations:
Jukka Suomela
Custody Services: Ulf Sjögren
Country & Bank Risk Management:
Kari Markkula

International Units

London: Hannu Linnoinen
New York: Theo Mezger
Singapore: Mikael Währn
Stockholm: Anders Abrahamson
Tallinn: Erkki Monthan

Credit Support

Risto Wartiovaara
International Credits:
Johnny Backman
Projects: Klaus Keravuori
Corporate Analysis: Heikki Keravuori

Corporate Bank Controller: Ari Kaperi

Treasury and Capital Markets

Harri Hollmén

Capital Markets

Funding: Fanny Borgström
Debt Issues and Syndicated Loans:
Matti Copeland

Trading

Money and Bond Markets & Foreign
Exchange: Jussi Laitinen
Customer Trading: Maarit Näkyvä
International Treasury Units:
David Britton

Asset/Liability Management

Back Office: Jouko Haapanen
Treasury Accounting and Control:
Pirjo Jääskeläinen
Risk Management Project:
Juha Ahola

Economic Research: Juha Ahtola

Asset Management

Peter Fagnäs

Private Bank: Eero Heliövaara
Merita Securities Ltd:
Reijo Knuutinen
Merita Fund Management Ltd:
Jussi Mustonen
Merita Bank Luxembourg S.A.:
Jan-Peter Rehn
Administration: Kari Virta

Support units

Data and Services

Kalevi Kontinen

Bank Service Systems: Esa Niskanen
Bank Data Systems: Tauno Laine
Information Technology:
Kristian Stockmann
Data Production: Pauli Ukkonen

Group Administration

Ari Laakso

Pension Funds: Pekka Lahtinen
Human Resources: Pekka Lahtinen
Human Resources Development:
Hannu Riihivaara
Legal & Tax Services: Kari Suominen
Network Development: Markku Mikkola
Security: Jouko Varjonen
Occupational Health Services:
Kirsti Pakkala

Financial Control & Accounting

Martti Huhtamäki

Accounting: Viri Heilala
Financial Control: Erik Palmén

Risk Management and

Corporate Planning

Kalevi Kontinen

Customer Risks: Pekka Menonen
Credit and Market Risks:
Jukka Sarkanen
Strategic and Operational Risks:
Kalevi Kontinen
Data Network Services: Matti Karvonen

Corporate Communications:

Eira Palin-Lehtinen

Internal Audit: Kari Ahonen

Merita Group in Finland

Merita Ltd and its subsidiaries

Merita Ltd

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P.O.Box 84, FIN-00101 HELSINKI
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Merita Bank Ltd

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Telex:
124407 mrit fi (general)
124525 mrex fi (treasury)
122161 mrex fi (derivatives)
Telefax: +358 0 1655 3595
SWIFT address: MRITFIHH

Huoneistokeskus Oy

Melkonkatu 16 A
FIN-00210 HELSINKI
Telephone: +358 0 180 3750
Telefax: +358 0 180 3786
Managing Director:
Simo Rajakallio

Huoneistomarkkinointi Oy

Mannerheimintie 4
FIN-00100 HELSINKI
Telephone: +358 0 680 851
Telefax: +358 0 646 842
Managing Director:
Eero Ilkka

Merita Life Assurance Ltd

Asemakuja 2
P.O.Box 73, FIN-02770 ESPOO
Telephone: +358 0 1651
Telefax: +358 0 859 4622
Managing Director:
Seppo Ilvessalo

Merita Real Estate Ltd

Asemapäällikönkatu 7, Helsinki
FIN-00020 MERITA
Telephone: +358 0 82851
Telefax: +358 0 8285 7890
Managing Director:
Heikki Hyppönen

Partita Ltd

Pohjoisesplanadi 27 C
FIN-00100 HELSINKI
Telephone: +358 0 625 921
Telefax: +358 0 625 247
Managing Director:
Kari Ranki

Prospectus Limited

Mikonkatu 1 B
FIN-00100 HELSINKI
Telephone: +358 0 478 5031
Telefax: +358 0 4785 0341
Managing Director:
Leo Vatanen

Subsidiaries of Merita Bank Ltd

Industrial Bank of Finland Ltd

Aleksanterinkatu 36 A
P.O.Box 165, FIN-00101 HELSINKI
Telephone: +358 0 1654 2901
Telefax: +358 0 608 951
Managing Director:
Henrik von Fieandt

Merita Customer Finance Ltd

Sörnäistenkatu 1, Helsinki
FIN-00020 MERITA
Telephone: +358 0 77281
Telefax: +358 0 773 2337
Managing Director: Matti Willamo

Merita Capital Ltd

Aleksanterinkatu 36 A, Helsinki
FIN-00020 MERITA
Telephone: +358 0 1651
Telefax: +358 0 625 878
Managing Director:
Jouko Helomaa

Merita Finance Ltd

Sörnäistenkatu 1, Helsinki
FIN-00020 MERITA
Telephone: +358 0 18581
Telefax: +358 0 1858 9140
Managing Director:
Jarmo Laiho

Merita Fund Management Ltd

Fabianinkatu 29 B, Helsinki
FIN-00020 MERITA
Telephone: +358 0 632 304
Telefax: +358 0 612 1426
Managing Director:
Jussi Mustonen

Merita Securities Ltd

Fabianinkatu 29 B, Helsinki
FIN-00020 MERITA
Telephone: +358 0 12341
Telefax: +358 0 612 1145
Telex: 125811 unisc fi
Managing Director:
Reijo Knuutinen

Perimistoimisto Contant Oy

Aurakatu 8
P.O.Box 20, FIN-20101 TURKU
Telephone: +358 21 270 000
Telefax: +358 21 270 0100
Managing Director:
Lassi Karppinen

Unitas Congress Center Ltd

Ramsinniementie 14
P.O.Box 6, FIN-00981 HELSINKI
Telephone: +358 0 31911
Telefax: 358 0 319 1400
Managing Director:
Pirjo Ruotsalainen

Fidenta Oy

Nihtisillantie 3
P.O.Box 24, FIN-02631 ESPOO
Telephone: +358 0 82820
Telefax: +358 0 523 133
Managing Director:
Ulla-Maija Keränen

Oy Helsingin Huutokaupakamari

Sörnäisten rantatie 29
FIN-00580 HELSINKI
Telephone: +358 0 773 3098
Telefax: +358 0 773 3126
Managing Director:
Pirjo Saukko

Helsingin Pantti-Osakeyhtiö

Iso Roobertinkatu 17–19 D 24
FIN-00120 HELSINKI
Telephone: +358 0 645 637
Telefax: +358 0 601 065
Managing Director:
Martti Huotelin

Merita Bank international network

Branches, subsidiaries and associated bank

Merita Bank Ltd London Branch

19 Thomas More Street
LONDON E1 9YW
Telephone: +44 171 265 3333
Telefax: +44 171 709 7003
General Manager:
Hannu Linnoinen

Merita Bank Luxembourg S.A.

189 avenue de la Faiencerie
P.O. Box 569
L-2015 LUXEMBOURG
Telephone: +352 477 6111
Telefax: +352 477 611 251
Managing Director: Jan-Peter Rehn

Merita Bank Ltd New York Branch American Scandinavian Banking Corporation Merita Bank Ltd Grand Cayman Branch

437 Madison Avenue
NEW YORK, NY 10022
Telephone: +1 212 318 9300
Telefax: +1 212 421 4420
General Manager/President:
R. Theo Mezger

Merita Bank Ltd Singapore Branch Merita Merchant Bank Singapore Ltd.

50 Raffles Place # 15-01
Shell Tower
SINGAPORE 0104
Telephone: +65 225 8211
Telefax: +65 225 5469
General Manager/
Managing Director: Mikael Währn

Merita Bank Ltd Stockholm Branch

Street address: Norrlandsgatan 15,
House C, 5th floor
Mailing address: Box 7484
S-103 92 STOCKHOLM
Telephone: +46 8 440 8300
Telefax: +46 8 411 9940
General Manager:
Anders Abrahamson
Branch to be opened in April 1996

Merita Bank Ltd Tallinn Branch

Harju 6
EE 0001 TALLINN
Telephone: +372 6 314040
Telefax: +372 6 314153
General Manager: Erkki Monthan

Associated bank

International Moscow Bank

Proohistenskaya (Kropoikinskaya)
Nabereshnaya 9/11
119034 MOSCOW
Telephone: +7 501 258 7317
Telefax: +7 501 258 7368
Deputy President / Acting President:
Ilkka Salonen

International Moscow Bank

St. Petersburg Branch
Street address:
1/12, Voznesensky Pr.
Mailing address: P.O. Box 97
FIN-53501 LAPPEENRANTA
Telephone: +7 812 219 4394
Telefax: +7 812 315 3406
Manager: Väinö Esilä

Representative offices

Brazil

Merita Bank Ltd
Sao Paulo Representative Office
The office will move to new premises
in spring 1996.
Interim contacts:
Merita Bank Ltd
Area Management, Helsinki
FIN-00020 MERITA
Telephone: +358 0 1651
Telefax: +358 0 1655 3595

China

Merita Bank Ltd
Beijing Representative Office
905 Landmark Tower
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Telephone: +86 10 501 2181
Telefax: +86 10 501 2182
Representatives: Harri Valkonen,
Danny Wen

France

Merita Bank Ltd
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25 Place Vendôme
F-75001 PARIS
Telephone: +33 1 428 60298
Telefax: +33 1 428 60805
Representative: Minna Lehtonen

Germany

Merita Bank Ltd
Frankfurt Representative Office
Liebigstrasse 11
60323 FRANKFURT
Telephone: +49 69 710 1811
Telefax: +49 69 175 511
Representative: Markku Ahonen

Hong Kong

Merita Bank Ltd
Hong Kong Representative Office
3705 Peregrine Tower
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Telefax: +852 2526 7674
Representatives: Harri Valkonen,
Raymond Kwong

Japan

Merita Bank Ltd
Tokyo Representative Office
SF Kayabacho Building, 4th Floor
10-5 Nihonbashi Kayabacho
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TOKYO 103
Telephone: +81 3 5641 2551
Telefax: +81 3 5641 2550
Representative: Ilkka Laukkonen

Poland

Merita Bank Ltd
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Jana Pawla II 73
01 038 WARSAW
Telephone: +48 22 387 036
Telefax: +48 22 384 202
Representative: Bertil Wogensen

Russia

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Pokrovsky bld 4/17, Kv. 4
101000 MOSCOW
Telephone: +7502 220 4661
Telefax: +7502 220 4662
Representative: Sirpa Sara-aho

Merita Bank Ltd
St. Petersburg Representative Office
Entrance: Nevsky Prospekt 57,
4th Floor
Mailing address: PL 16
53501 LAPPEENRANTA
Telephone: +7812 301 73 79
Telefax: +7812 301 73 89
Representative: Hanna Loikkanen

Sweden

Merita Bank Ltd
Stockholm Representative Office
Street address: Norrlandsgatan 15,
House C, 5th floor
Mailing address: Box 7484
S-103 92 STOCKHOLM
Telephone: +46 8 440 8300
Telefax: +46 8 411 9940
*To be upgraded to branch status in
April 1996*

Information on Group development

The Group will publish an interim statement on 9th May and 6th November and an Interim Report on 14th August.