

Merita Group Annual Report 1996



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* The Report of Merita Bank's Board of Management is not included in this annual report as a separate section. Its contents correspond to the Banking section of the Report of the Board of Directors of Merita Ltd. The Report of the Board of Management, duly signed by the Board of Management and verified by the Supervisory Board, has been presented to the Bank's Auditors. It will be presented to the Annual General Meeting of Shareholders and filed with the Finnish Trade Register.



1996 in brief

<i>FIM million</i>	1996	1995
Profit on ordinary operations	1 203	491
Profit before appropriations and taxes	2 021	-126
Income/cost ratio (banking)	1.49	1.39
Total assets	271 950	278 683
Equity capital	14 788	12 928
Equity capital per share, FIM	12.85	10.62
Earnings per share, FIM	1.19	0.52
Capital adequacy, %	11.1	10.3
Number of employees, 31.12.	13 943	15 881

The Merita Group performed well in 1996. The key element in the rise in profits was the improved profitability of banking business. The year's result strengthened the Group's equity base and restored its dividend-paying ability. The Group's insurance business grew vigorously.

The integration of the Unitas and Kansallis Groups was largely finalized. The unification of branch networks and data systems and the harmonization of services were completed by the year-end.

Merita consolidated its position in Finland's neighbouring areas. A branch focusing on corporate clients was opened in Stockholm in April. The Bank's Baltic rim strategy also includes operations in Tallinn, St. Petersburg and Warsaw.

During the year, the Group took steps to strengthen its investment banking operations. As of 1st June 1996 these were reorganized as a separate unit, Merita Investment Banking.

In the autumn the Group embarked on a major real estate development project in Helsinki involving the renovation of the Kämp hotel, a landmark building of historical and cultural value.



Chief Executive's statement

Developments in the Finnish economy during the past year were broadly in line with our expectations. The slowdown which had begun towards the end of 1995 proved to be short-lived, and GDP growth accelerated significantly in the late months of the year. While the pick-up in economic growth contributed to Merita's performance, the improvement in results derives in no small measure from the cost savings resulting from the Kansallis-Unitas merger.

Merita's performance in 1996 may be termed satisfactory, despite temporary problems experienced in banking services early in the year when the integration of the two banks' massive data systems caused unexpected failures in transaction processing. However, by the summer these difficulties were overcome, and customer service at branches reverted to normal. As a whole, the integration of banking business proceeded as planned, even somewhat ahead of schedule. The restructuring of the branch network and the harmonization of services were virtually completed by the end of the year.

A phased negotiation process in respect of the merger's impact on the workforce was completed during the year. It was not possible to avoid redundancies. Although every effort was made to provide an open and accurate picture of the underlying reasons, the principles and the timetable, this obviously caused uncertainty among staff. We are all the more indebted to them for work well done.

Merita retained its position among its customers, and no unforeseen changes occurred in market share. The Group's operating result was in line with projections. The faster than expected contraction in non-performing receivables was a positive surprise. Loan losses already dipped below levels considered to be normal, and they promise to decline further during the current year. Against this background, and with merger-related cost savings materializing as scheduled, we are well positioned for 1997.

For all banks, including Merita, Finland's prospective entry into the European Economic and Monetary Union will bring additional expenses and a loss of income. However, change also opens new opportunities. I am confident that Merita is equipped to exploit the potential offered by the euro environment. Preparations have begun in good time.

Our aim last year was to achieve a result which would permit us to resume payment of dividend. I am happy that we succeeded in this. During the current decade, our shareholders have invested almost FIM 5 billion in the Unitas and Kansallis Groups. It is high time they received a return on their investment. Over the coming years we aim to pay dividends which will increase in line with profits.



Vesa Vainio

Timo and Kirsi Helosuo want to do their banking when it best suits them, that is, evenings and weekends. Merita's Solo electronic banking facilities accessible by telephone, PC or ATM are ideal for their needs. And three-year-old Karoliina is happy as Mum and Dad have more time to spend with her. The family's home loan was also provided by Merita.



The Merita Group

Description of the Group

Merita is the market leader in Finland and one of the largest financial services groups in the Nordic region. It was created out of the merger of the Kansallis Banking Group and the Unitas Group in 1995. The name of the parent company, Unitas Ltd, was changed to Merita Ltd at the end of 1995. Merita Ltd is a holding company listed on the Helsinki Stock Exchange. It has approximately 340,000 shareholders.

Merita Group companies engage in banking and finance, insurance, equity and real estate investment and real estate brokerage.

Banking

The core of the Merita Group is its banking arm Merita Bank Ltd with its subsidiaries. It carries on the business of Finland's two oldest commercial banks, Union Bank of Finland Ltd (established in 1862) and Kansallis-Osake-Pankki (established in 1889), whose banking operations were merged in June 1995. The Merita Bank Group accounts for 98 per cent of the Merita Group's total assets and 80 per cent of its total turnover.

Merita Bank is a universal bank providing a wide range of services to households, companies and institutions primarily in Finland but increasingly also in Finland's neighbouring areas. Merita Bank is organized into three main business areas: Retail Bank, Corporate Bank and Investment Banking.

Retail Bank

The Retail Bank's clientele comprises three million personal customers and 150,000 corporate and institutional customers.

Through its nationwide service network, the Retail Bank offers financing, investment and payment services designed to meet the various needs of its clientele.

The mix of banking products offered by Merita Retail Bank is complemented by the financial services of subsidiaries. Industrial Bank of Finland Ltd provides long-term investment financing for companies and public-sector organizations. Merita Finance Ltd is responsible for the Group's leasing, hire purchase, factoring and vendor finance services, while Merita Customer Finance Ltd concentrates on consumer finance. Tukirahoitus Oy specializes in leasing finance for office automation, telecommunications and information technology. Merita Capital Ltd provides venture capital and has one capital fund, Profita Fund I, under management. Merita Bank Luxembourg S.A. specializes in portfolio management and private banking services and manages three international investment funds.

Corporate Bank

The Corporate Bank provides services to large corporations and institutions in Finland and globally through its own international network and correspondent banks worldwide. Today it is expanding increasingly in the Baltic rim area, i.e. Sweden, Russia, the Baltic states and Poland. The Corporate Bank has specialist departments for international trade and payment services, custodial services and other international business. It is also responsible for the Bank's International Treasury.

Investment Banking

The Group's investment banking operations are organized as a separate business area, Merita Investment Banking, which comprises Merita Bank's trading and capital market operations in Finland and abroad, the Bank's subsidiaries Merita Securities Ltd and Merita Fund Management Ltd, and Merita Ltd's subsidiary Merita Corporate Finance Ltd. In addition, Investment Banking includes Merita Asset Management Ltd, acquired in the summer of 1996.

The Trading and Capital Markets division operates on the domestic and international foreign exchange, money and capital markets. The division provides trading services with an extensive coverage of both cash and derivative instruments as well as syndicated loan and debt issue services to customers of the Merita Group. Trading operations are a matrix-based organization which makes the Trading and Capital Markets division directly responsible for trading

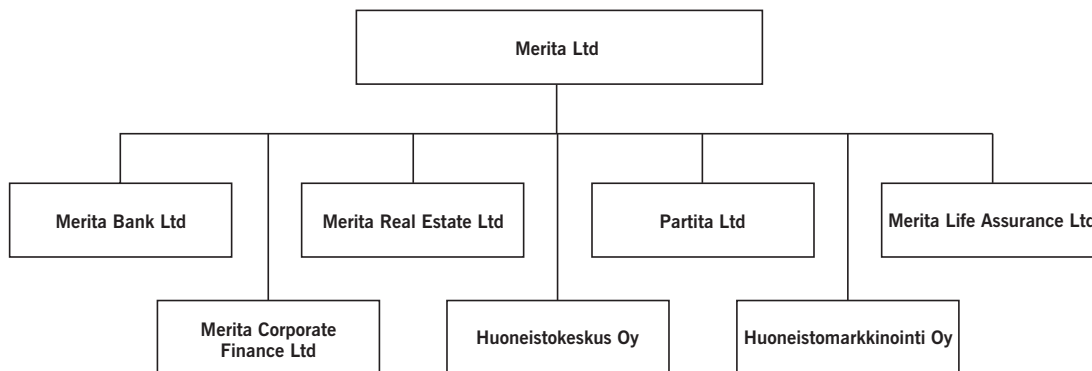
Merita Bank's mission

Merita Bank with its service and cooperation networks is dedicated to developing and providing competitive and profitable financial services responding to customer requirements.

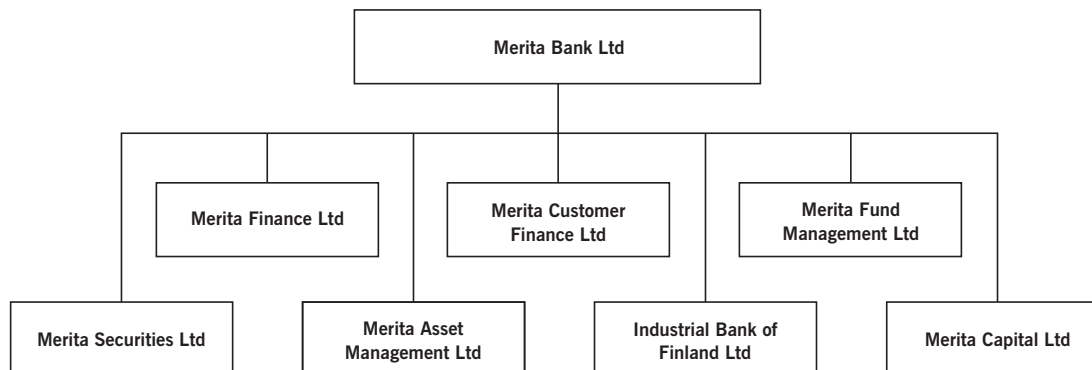
The Bank actively offers its services to households, companies and institutions in Finland and its neighbouring areas and caters to the needs of these customers on a global scale. It also offers its services to all those looking for Finnish financial know-how.

Group structure 1.1.1997

Merita Group



Merita Bank Group



The charts include the principal subsidiaries.

activities in all the overseas branches and subsidiaries of the Bank.

Merita Securities Ltd is the Bank's securities brokerage and investment research arm. It is a member of the Helsinki Stock Exchange. Merita Fund Management Ltd is responsible for the management of the Group's 11 mutual funds. Merita Asset Management specializes in portfolio management for institutional customers. Business related to mergers and acquisitions, the planning of equity issues, corporate and sectoral restructuring and related advisory services is conducted through Merita Corporate Finance Ltd.

Insurance

Merita Life Assurance Ltd, established in 1993, offers conventional and unit-linked life assurance and pension insurance plans under the Selektä brand name. These products, offered through Merita branches, are designed to complement the bank's range of products and services. Based on the 1996 figures, Merita Life Assurance Ltd is Finland's largest life assurance company in terms of premium income.

Equity investments

Both Merita and its staff pension funds have significant ownership holdings in Finnish companies. The equity investments of the Merita holding group are managed by Partita Ltd, which also engages in securities trading.

Real estate business

The Group's real estate holdings are managed by Merita Real Estate Ltd, the largest private-sector owner of real estate in Finland. Its

Merita Group and pension funds Major equity holdings 31.12.1996

	Share- holding, %	% of votes
Enso-Gutzeit Oy	1.0	0.2
Huhtamäki Oy	3.5	7.4
Kesko Ltd	3.0	–
Metra Corporation	4.9	7.2
Nokia Corporation	3.4	7.9
Pohjola Insurance Co	15.9	27.4
Sampo Insurance Co	18.5	18.2
Oy Stockmann Ab	3.3	4.9
Tamro Group Ltd	10.2	10.2
UPM-Kymmene Group	4.9	4.9

business includes the ownership and management of real estate and the sale, leasing and maintenance of properties. Merita's real estate holdings comprise 2.7 million square metres of floor space, consisting mainly of shop and office premises. In terms of capital employed, properties located in or near Helsinki represent 70 per cent of the total portfolio.

Real estate brokerage

Merita's subsidiaries Huoneistokeskus Oy and Huoneistomarkkinointi Oy provide real estate brokerage services. 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.

Human resources

The total number of Merita Group employees at the end of the year was 13,943. Of these, 12,853 were employed by the Merita Bank Group. A total of 396 were based outside Finland.

Merita Group Personnel 31.12.1996

Merita Bank Ltd	11 747
Contant Group	161
Fidenta Oy	221
Merita Customer Finance Ltd	212
Merita Asset Management Ltd	11
Merita Capital Ltd	5
Merita Securities Ltd	57
Merita Fund Management Ltd	16
Merita Finance Ltd	297
Industrial Bank of Finland Ltd	11
Tukirahoitus Oy	17
Merita Life Assurance Ltd	40
Partita Ltd	14
Merita Real Estate Ltd	119
Yhdysluolto Oy	146
Other Merita Real Estate Group companies	195
Merita Corporate Finance Ltd	12
Huoneistokeskus Oy	476
Huoneistomarkkinointi Oy	65
Other	121
Total	13 943

Merita Group Personnel abroad 31.12.1996

London	147
Luxembourg	42
New York	93
Singapore	50
Tallinn	21
Stockholm	20
Representative offices	23
Total	396

Service networks

Domestic network

The integration of Merita Bank's branch network was completed in 1996. At the end of the year the Bank's domestic branch network comprised a corporate service centre and 478 branches offering over-the-counter services at 553 locations. The stripping of overlap has enabled significant rationalization without compromising on nationwide coverage.

While the basic principle of the Bank's service concept is that all units provide access to the full spectrum of the Group's expertise, some branches specialize in targeted customer segments. The network includes all-round branches, which offer the broadest range of commercial and consumer services, consumer banking branches focusing mainly on households, and neighbourhood branches, which offer a more limited range of services for day-to-day banking transactions. 19 service counters providing sales and advisory services are located in large shopping centres. In addition, service counters are maintained, for example, in old people's homes, workplaces and mobile banking units.

Sophisticated asset management and investment advisory services are provided by 24 asset management units, the four outlets of Merita Private Bank and Merita Bank Luxembourg S.A. The Corporate Division has a Helsinki-based service centre catering to large corporate customers, and the district organization includes 22 corporate service units specializing in financial services to medium-sized companies.

Real estate brokerage services are available at the 49 sales offices of Huoneistokes-

kus Oy and the seven outlets of Huoneistomarkkinointi Oy.

The services of other subsidiaries, which do not maintain distribution networks of their own, are offered through Merita Bank branches.

International network

Merita's international network has been designed primarily for the needs of Finnish corporate customers. During the year, the Group continued to consolidate its presence in Sweden, Russia and the Baltic states. A branch was opened in Stockholm in April 1996.

The international network includes banking outlets in London, New York, Singapore, Stockholm and Tallinn and a private banking subsidiary in Luxembourg. The range of international banking services is complemented by representative offices located in Beijing, Frankfurt, Hong Kong, Moscow, Paris, St. Petersburg, Sao Paulo, Tokyo and Warsaw.

Electronic banking

Merita is a trail-blazer in the field of electronic banking. Its electronic services, marketed under the Solo brand, comprise a wide range of products from daily household banking to sophisticated cash management services for large corporations. Merita customers have access to the Bank's own 1,400-plus Solo payment ATMs and more than 2,000 cash dispensers managed by ATM Automatia Ltd, a joint venture of the leading Finnish banking groups.

The Solo electronic service range com-

prises payments, statements, transaction inquiries and securities trading, available under an all-in-one service agreement embracing both PC and telephone banking facilities. It is accessible via all data networks, including the Internet. Merita's Solo payment facility available on the Internet enables customers to shop and pay for purchases during a single Internet session.

Risk management

The Merita Group's risk management organization measures and monitors risks and develops risk management procedures for the needs of all Group units. Its highest decision-making body is the Risk Management Committee, which consists mainly of members of Merita Bank's Board of Management and is chaired by the Chief Executive Officer. The key function of the Risk Management Committee is to formulate the Group's risk management strategy and principles. It decides on major issues relating to the Group's lending and balance sheet risks, capital adequacy and liquidity, and fixes overall limits for market risks.

The Risk Management Committee supervises three permanent working groups which monitor observance of the Group's risk management strategies and principles and decide on measures to be taken within this framework.

For someone who has to ensure the daily welfare of 20-plus horses, smooth and speedy banking is a must. Liisa and Simo Helenius have been using the same Merita branch for over 30 years. They feel their bank understands the daily banking requirements of a business owner.



Merita Ltd: Report of the Board of Directors

Operating environment

GDP growth in Finland decelerated in late 1995 and remained slow throughout the first half of 1996. This slowdown resulted largely from weak export performance, notably the drop in exports to the EU area due to the recession in Western Europe. The trend was reversed in the latter half of the year as exports regained momentum and GDP growth accelerated. However, owing to the slack performance of the economy during the first six months, the full-year growth rate was only 3.2 per cent, below the 1995 figure.

The rise in private consumption likewise accelerated towards the year-end and was 3.5 per cent for the full year. Investment increased by 5.3 per cent, which was less than in 1995. For most of the year, investment growth rested on machinery and equipment, but during the last few months there were signs of a pick-up also in housing construction. Prices of old housing rose by approximately 13 per cent and selling times shortened.

The trade account remained well in surplus. The current account surplus was also virtually unchanged from the previous year. The Finnish markka showed remarkable stability. In October it was linked to the European Exchange Rate Mechanism, ERM.

Inflation stayed exceedingly low, with prices rising by less than 1 per cent. The Bank of Finland lowered its tender rate on several occasions during the year. Short-term market interest rates came down accordingly and were on average 2 percentage points lower than in 1995. The short-term interest rate spread against Germany shrank to nil. Low inflation, the fall in international interest

rates and expectations of Finland's accession to EMU also had a downward impact on bond yields and reduced the spread against Germany.

The increase in State revenue exceeded earlier estimates, and the central government borrowing requirement diminished. However, State finances still showed a distinct deficit. The State's net borrowing, slightly under FIM 40 billion, represented nearly 7 per cent of GDP. Thanks to the surplus in the local government and social insurance sector, the overall public sector deficit was much lower.

In the falling interest rate environment, bank deposits lost some of their appeal to investors. Against this background and considering that the December 1995 figures were boosted by a number of exceptional items, markka deposits showed surprising stability during the year.

Despite the contraction in bank deposits, bank liquidity remained buoyant. Markka lending was slow to respond to the general economic recovery and low interest rates and increased by only 2 per cent compared with the previous year-end. However, with a persistent fall in foreign currency credits, total lending continued to decline. At the close of the year, markka deposits with Finnish banks clearly exceeded markka lending. The volume of total deposits was also higher than that of total lending.

Share prices sustained an upward trend throughout the year, reflecting the fall in interest rates and the pick-up in economic growth. At the end of the year the HEX all-share index of the Helsinki Stock Exchange

showed a 12-month gain of 46.5 per cent. Equity trading was lively, and total turnover rose to FIM 102 billion.

The real estate market also developed favourably. The office rent index of the KTI Finland research institute for centrally located office premises in Helsinki was up 9 per cent on the preceding year. There was even a shortage of certain types of business premises in the Helsinki area.

The banking sector saw no dramatic changes in the competitive setting. The foreign banks already established in Finland were joined by a few new entrants opening a branch or a representative office during the year. According to market research, foreign banks failed to make much headway in either the corporate or the household sector. Insurance companies were increasingly active in marketing products designed to offer an alternative to bank deposits. On the other hand, the largest banks and banking groups have established life assurance operations of their own.

Improvement in Group results

The year saw a strengthening in Group performance. The key contributory factor to the improvement in results was the rise in the profitability of banking business, attributable to post-merger pruning of overlap and the implementation of cost savings. Another beneficial factor was the significant decline in loan losses.

After interest of FIM 200 million on the capital certificates held by the Government and other charges of a similar nature, the Merita Group's consolidated profit on ordinary operations was FIM 1,203 million, up from FIM 491 million in 1995. Profit before appropriations and taxes was FIM 2,021 million, compared with a clearly negative result for the preceding year. A major factor behind the rise was the actuarial surplus refunded by the Merita Ltd Pension Fund.

The year's result strengthened the Group's equity base and restored its dividend-paying ability.

The 1996 and 1995 figures are not comparable as such because the merger of the Unitas and Kansallis Groups took place

on 1st April 1995. For this reason the results of the Kansallis Group were included in the 1995 consolidated accounts of Merita Ltd only for the last three quarters. Taking into account the first-quarter result of the Kansallis Group and excluding one-off merger-related charges, the 1995 consolidated profit on ordinary operations would have been FIM 174 million.

Subsequent comparisons between the Merita Group's income and expenses and corresponding aggregate income and expense items of the Unitas and Kansallis Groups are based on a pro forma profit and loss account, shown on page 14, in which the combined figures of Unitas and Kansallis have been adjusted for one-off merger-related charges totalling FIM 1.8 billion.

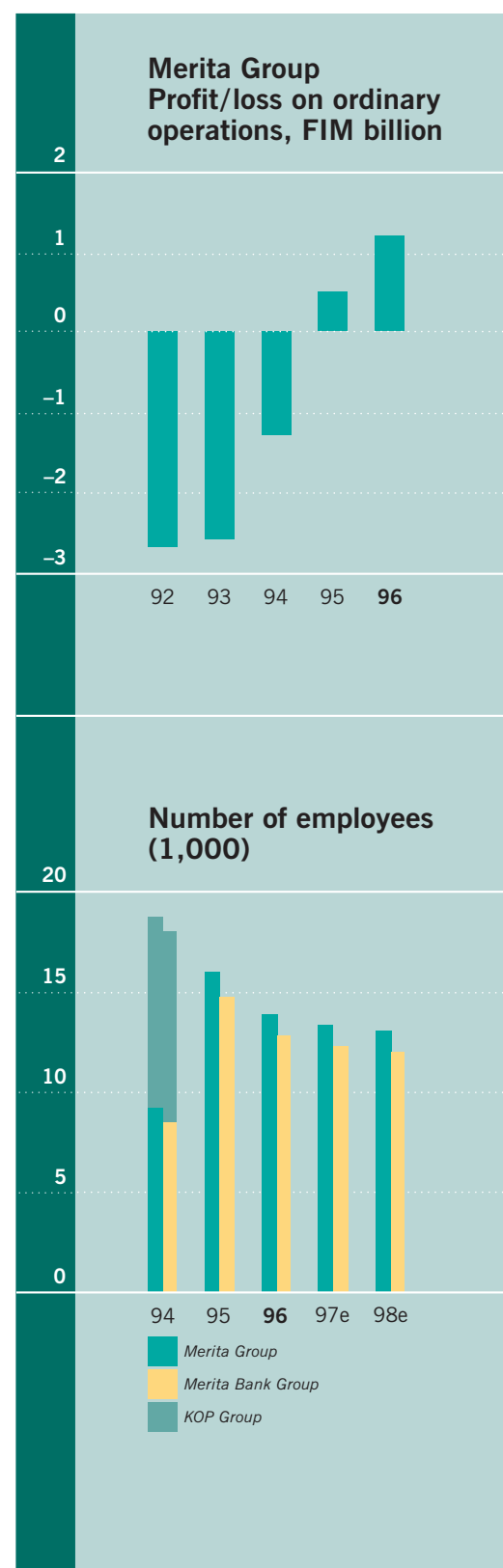
Business volume

Group turnover, i.e. the aggregate amount of interest income, dividend and commission income, income from leasing operations, net income from securities trading and foreign exchange dealing and other operating income,

Major subsidiaries directly owned by Merita Ltd

FIM million	Profit/loss before appropriations and taxes	Total assets
Merita Bank Group	1 322	267 573
Merita Real Estate Group	-154	24 588
Merita Life Assurance Ltd ¹	45	4 364
Partita Ltd	33	994
Merita Corporate Finance Ltd	11	19
Huoneistokeskus Oy ¹	0	265
Huoneistomarkkinointi Oy ¹	2	83

¹ Consolidated by the equity method. Summaries of the financial statements of these companies are shown in Notes to the financial statements, p. 74.



was FIM 22,455 million. The sharpest increase was registered in insurance business. The premium income of Merita Life Assurance Ltd rose almost five-fold to FIM 3,027 million. However, this growth is not shown as income in the consolidated profit and loss account, as the insurance subsidiary is consolidated by the equity method, i.e. by including its net result only.

Despite the generally favourable economic environment, the volume of the Group's banking business showed no growth. Although interest rates fell distinctly during the year, markka-denominated lending stagnated and foreign currency lending continued to decline. The low level of interest rates diverted customer funds from time deposits to other investment targets, such as life and pension insurance. Banking accounted for 80 per cent of the Merita Group's consolidated turnover.

Net income from financial operations

Consolidated net income from financial operations was almost FIM 330 million lower than the combined figure of the Unitas and Kansallis Groups for 1995. Most of this fall is attributable to interest paid by Merita Bank on the capital certificates held by the Government, which was calculated for the full year in 1996. Pursuant to the terms and conditions of these instruments, the 1995 figures included interest on Kansallis-Osake-Pankki's capital certificate for the four months from September to December and similar interest payable by Union Bank of Finland for one day. Other factors exerting

an adverse influence on net income from financial operations were changes in the Group structure in late 1995 and 1996, notably the disposal of Nordfinanz Bank Zurich in the autumn of 1995.

Tight competition affected interest rate spreads on new loans. The spread between Merita Bank's interest-bearing markka-denominated assets and liabilities narrowed in the first half of the year but later widened again to 2.7 percentage points, thus almost regaining the 1995 year-end level. This resulted in part from the lowering of interest rates on the Bank's current accounts as of the beginning of August. Net income from financial operations benefited from a major contraction in non-performing receivables,

which, combined with lower interest rates, reduced the Group's funding costs.

Other income

The Group's commission and fee income declined somewhat compared with the aggregate figure posted by the Unitas and Kansallis Groups for the preceding year. The weakest trend was in lending fees and guarantee commissions. On the other hand, income from securities brokerage increased appreciably.

The rise in share prices and lively market activity enhanced opportunities for profitable operations on the equity market. Equity transactions boosted net income from securities trading by FIM 919 million. This figure

Merita Group development 1.1.–31.12.1996

<i>FIM million</i>	Merita Group 1–12/96	Pro forma ¹ Merita + KOP 1–12/95
Net income from financial operations	4 095	4 421
Other income	5 192	4 769
Total income	9 286	9 190
Personnel expenses	–2 963	–3 438
Other expenses	–2 683	–2 840
Depreciation	–1 046	–629
Total expenses	–6 692	–6 907
Loan losses	–1 495	–2 525
Change in unallocated write-offs	–	400
Loan losses, net	–1 495	–2 125
Write-downs on securities	–6	–11
Profit from companies carried under the equity method	110	28
Profit on ordinary operations	1 203	174

¹ Combined figures of the Merita Group for the year 1995 and the Kansallis Group for the first quarter of 1995 after one-off adjustments for pre-merger harmonization of accounting principles (FIM 1.8 billion). The figures given here are unofficial and unaudited, and they are being published solely for the purpose of facilitating the summary assessment of business developments.

includes trading profits of FIM 571 million and reversals of earlier write-downs, FIM 347 million.

With an increase also in net income from trading in debt securities, total net income from securities trading grew by almost FIM 400 million compared with the corresponding combined income of the Unitas and Kansallis Groups in 1995.

Net income from foreign exchange dealing was down almost FIM 100 million on the aggregate figure of the Unitas and Kansallis Groups the year before. The market trading volume was lower than in 1995, reflecting the stability of the markka.

Other operating income, of which nearly three quarters derives from real estate business, increased by approximately FIM 170 million compared with corresponding combined income of the Unitas and Kansallis Groups for the preceding year. Real estate income rose by nearly FIM 100 million.

Other operating income also includes almost FIM 100 million representing gains on the sale of real estate and real estate shares.

The increase in the aggregate profit of companies consolidated by the equity method reflected strong business performance notably in the life assurance sector.

Expenses and depreciation charges

The integration of banking business and the stripping of double service facilities continued throughout the year. As a result of this rationalization, the Group's administrative and operating expenses fell by a good FIM 600 million compared with the combined Unitas-Kansallis expenses for 1995.

The rise in depreciation charges reflects write-downs on certain individual real estate items. As an integral part of its real estate management, the Group constantly monitors the value of its real estate portfolio and individual properties. Based on such reappraisals, write-downs totalling FIM 328 million were entered on certain properties. These stemmed in part from merger-related changes in the use of premises and in part from the shelving of earlier development plans.

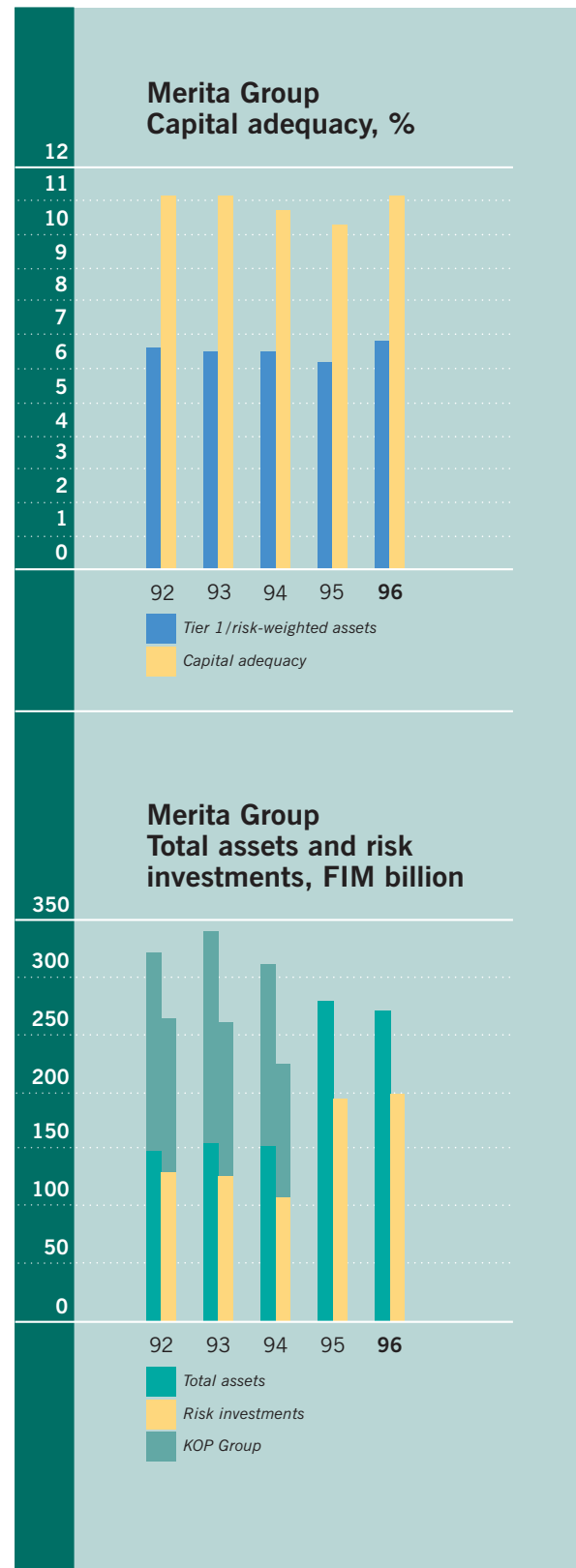
Loan losses

After recoveries of losses booked in earlier years totalling FIM 528 million, the net loan loss charge was FIM 1,495 million. This was a good FIM 1 billion less than the combined loan losses of the Unitas and Kansallis Groups in 1995 before the amount charged in 1995 against the unallocated credit write-off carried forward from previous years.

Extraordinary income and expenses

Extraordinary income was boosted by the actuarial surplus refunded to Group companies by the Merita Ltd Pension Fund. Of this refund, which totalled FIM 1,225 million, Merita Ltd received 47 per cent and the Merita Bank Group 53 per cent. Merita Bank also incurred an extraordinary expense item of FIM 336 million in respect of the unwinding of a hedging arrangement made for the Pension Fund's equity portfolio in 1994.

The actuarial surplus and the related tax credit under the avoir fiscal system are discussed in Notes to the financial statements on pages 64 and 72. Subsequent to this transfer, the assets of the Merita Ltd Pension Fund, at



current values, exceeded its actuarial and other liabilities by approximately FIM 1 billion.

Total assets

Total consolidated assets of the Merita Group at the end of the year were FIM 272 billion, down slightly less than FIM 7 billion on the preceding year. Banking business accounted for 98 per cent of total consolidated assets.

Non-performing receivables

Non-performing receivables decreased by FIM 3.1 billion to FIM 4.2 billion. At the end of the year, loans granted at interest rates of 3 per cent or lower amounted to FIM 4.5 billion, down FIM 2.2 billion on the end of 1995. Under this heading, zero-interest-rate loans dropped by more than FIM 0.8 billion to slightly under FIM 2 billion.

The decline in zero-interest-rate receivables and other low-interest loans stemmed in part from a restructuring within the Group of the former Puolimatka-related portfolio. On the other hand, this arrangement led to a rise of somewhat over 1 billion in the Group's temporary holdings of foreclosed assets.

Capital adequacy

The capital adequacy ratio of the Merita Group sustained a healthy level. At the end of the year, the capital adequacy ratio was 11.1 per cent, a rise of 0.8 percentage point from the end of 1995. The good result for the year strengthened the equity base, and the ratio of Tier I capital to risk-weighted assets rose to 6.8 per cent.

Human resources

During the year, the number of Merita Group employees declined by 1,938 to 13,943. This compares with an aggregate 18,772 employed by the Unitas and Kansallis Groups at the end of 1994. The average number of employees during the year was 14,755. Developments in the number of employees are discussed in Notes to the financial statements on page 65.

Litigation

Two actions dismissed by the Helsinki District Court are pending in the Helsinki Court of Appeal. One of these concerns a complaint filed by Mr. Seppo Jääskeläinen and Hanse Oy concerning resolutions of the 1995 Annual General Meeting of Shareholders of Unitas Ltd, including those concerning the merger plan of the Kansallis and Unitas Groups. This complaint was rejected by the Helsinki District Court in October 1995. The

other complaint was filed by Delta-Expo Oy and Suomen Kylmettjä Oy against the merger-related resolutions of the 1995 Annual General Meeting of Kansallis-Osake-Pankki. This was rejected by the Helsinki District Court in March 1996.

In a civil process pending in the Helsinki District Court, individual plaintiffs are claiming compensatory damages from Merita Ltd in respect of the public offering of Kansallis-Osake-Pankki's shares in 1994. The District Court has announced that it will give its decision at the latest on 27th March 1997. In a criminal process associated with the marketing of the said public offering and ended on December 19, 1996, the Helsinki District Court rejected all charges filed against certain of the members of the Supervisory Board and Board of Management of the former Kansallis-Osake-Pankki. The case is currently pending in the Helsinki Court of Appeal in respect of the former Chief Executive Officer.

Merita Group – Capital adequacy ¹

<i>FIM million</i>	1992	1993	1994	1995	1996
Tier 1	8 644	8 156	7 101	12 051	13 575
Tier 2	5 907	5 909	4 643	9 092	9 514
./ deductions	46	82	175	1 156	1 524
Tier 3	–	–	–	–	431
Total own funds	14 505	13 983	11 569	19 987	21 995
Risk-weighted assets	130 857	125 999	108 453	193 357	198 322
Capital adequacy, %	11.1	11.1	10.7	10.3	11.1
Tier 1/ risk-weighted assets, %	6.6	6.5	6.5	6.2	6.8

¹ In accordance with the Credit Institutions Act the market risk capital requirement and the Tier 3 capital available for this purpose are included in the calculation of capital adequacy as from 31.12.1996. This change had no significant impact on Merita's capital adequacy ratio.

Ice hockey is not the only interest shared by Jesse Laukkonen, Toni Idman and Mikko Murtomäki. They are all members of the Merita Junior Club, where they have lots of fun and learn sensible money management from an early age.



Banking

The Merita Bank Group made favourable progress during 1996. The business integration of its predecessor groups proceeded according to plan and was largely completed by the year-end.

The Merita Bank Group reported a consolidated profit on ordinary operations of FIM 1,116 million, up from FIM 425 million in 1995. Its consolidated profit before appropriations and taxes was FIM 1,322 million, against a loss posted for 1995. These figures are not comparable as such, since the Kansallis Group was not included in the Merita Bank Group's 1995 accounts until 1st June.

Income

Net income from financial operations was FIM 4,582 million. An upward impact of slightly over FIM 100 million resulted from the harmonization of interest rates on current accounts as of the beginning of August. Other favourable developments were the decline in non-performing loans and the fall in interest rates. Negative factors included interest paid on capital certificates, a total of FIM 238 million, compared with FIM 44 million in the preceding year. The terms and conditions of the capital certificates, including provisions on their convertibility into shares, are set out in Notes to the financial statements on page 66.

The Merita Bank Group's other income, i.e. income derived from other than financial operations, amounted to FIM 3,774 million. Dividend income totalled FIM 168 million and commission and fee income FIM 2,302 million. Commissions and fees were boosted by earnings from securities brokerage and new issue services. Lending and guarantee com-

missions were adversely affected by slack credit demand.

Net income from securities trading was FIM 786 million. Of this, FIM 477 million stemmed from equity trading, while reversals of earlier write-downs on the equity portfolio totalled FIM 116 million. The loss of FIM 31 million posted on other securities under this heading resulted principally from interest-rate-related derivative products.

The Merita Real Estate Group, which is included in the consolidated accounts of the Merita Bank Group by the equity method, reported a negative result.

Expenses

Total expenses of the Merita Bank Group for the year under review were FIM 5,597 million. Personnel expenses amounted to FIM 2,880 million, which was clearly less than in 1995, taking into account Kansallis-Osake-Pankki's personnel expenses for the first five months. Expenses resulting from severance payments to redundant employees, FIM 157 million in total, were covered by the charge entered for that purpose in the 1995 accounts. FIM 37 million remains under this charge for further severance payments without encumbering Group results. Other administrative expenses, totalling FIM 996 million, were boosted by one-off branch integration expenses. The sharpest fall was registered in EDP expenses, despite one-off expense items incurred in connection with the integration of data systems. Other operating expenses amounted to FIM 1,336 million.

Non-recurring expenses arising from the integration of banking business totalled approximately FIM 150 million.

The Merita Bank Group's depreciation charges increased as a result of write-downs on redundant hardware and software in connection with the unification and upgrading of the Group's EDP systems.

After these non-recurring charges, the income/cost ratio of the Merita Bank Group was 1.49, compared with 1.39 the year before.

Loan losses

Recoveries of earlier write-offs within the Merita Bank Group amounted to FIM 483 million. This consisted mainly of a large number of minor items. After recoveries, the net charge for loan losses was FIM 1,507 million. No losses were charged against the FIM 200 million unallocated credit write-off carried forward from 1995. This amount thus remains available in its entirety for the absorption of possible future loan losses. Corporate loans accounted for 69 per cent of the year's loan losses. Foreign lending accounted for 13 per cent.

The largest single write-offs were FIM 243 million on loans to the PMA Group and FIM 96 million on loans to the Eurotunnel company.

Charges include a further write-down on Eurotunnel loans bringing their book value to 60 per cent of nominal value. At the end of the year, the Eurotunnel portfolio was carried at FIM 306 million.

Extraordinary income and expenses

The Merita Bank Group's share of the actuarial surplus refunded by the Merita Ltd Pension Fund was FIM 640 million. This is reported under extraordinary income. The Bank also incurred an extraordinary expense item of FIM

Merita Bank Ltd – Major domestic subsidiaries

<i>FIM million</i>	Profit/loss before appropriations and taxes	Total assets
Merita Finance Ltd	256	10 492
Merita Customer Finance Ltd	122	3 358
Merita Asset Management Ltd	17	75
Merita Fund Management Ltd	17	36
Merita Capital Ltd	1	57
Merita Securities Ltd	32 ¹	44
Industrial Bank of Finland Ltd	40	2 220
Tukirahoitus Oy	11	221

¹ Result of securities brokerage operations for the year disregarding changes in the corporate structure.

336 million in respect of the unwinding of a hedging arrangement made for the Pension Fund's equity portfolio in 1994.

The actuarial surplus and the related tax credit under the avoiron fiscal system are discussed in Notes to the financial statements on pages 64 and 72.

Business areas

As of 1st June 1996, Merita Bank has been organized into three main business areas:

Retail Bank, Corporate Bank and Investment Banking. Of these, both the Retail Bank and Investment Banking reported firmly positive results. The performance of the Corporate Bank also developed favourably, although it still posted a minor loss.

Retail Bank

The Retail Bank made satisfactory progress, and its result was ahead of target. The rise in the profitability of this business segment reflected the decline in non-performing receivables and the drop in loan losses. While still burdened by one-time branch integra-

tion expenses, nearly all of the 40 districts in Finland reported profitable results.

Branch operations during the year were marked by the post-merger integration of banking business, which at times affected customer service, at large branches in particular. However, service reverted to normal during the summer, and both internal and external surveys confirmed that queuing times at counters were on a par with rivals, in many cases actually shorter.

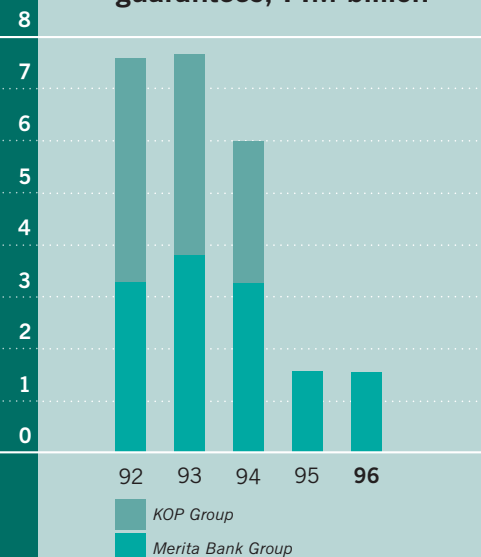
The number of personal customers maintaining an active relationship with Merita Bank last year was approximately 1.4 million. Based on polls conducted at regular intervals, 38 per cent of these were using Merita as their principal bank. This was virtually the same percentage as in the preceding year. In services to small and medium-sized companies, Merita also retained a stable position.

During the year, the Bank harmonized the terms and conditions governing its current accounts. This involved a review of deposit rates, which had long remained unchanged despite the general decline in interest rates.

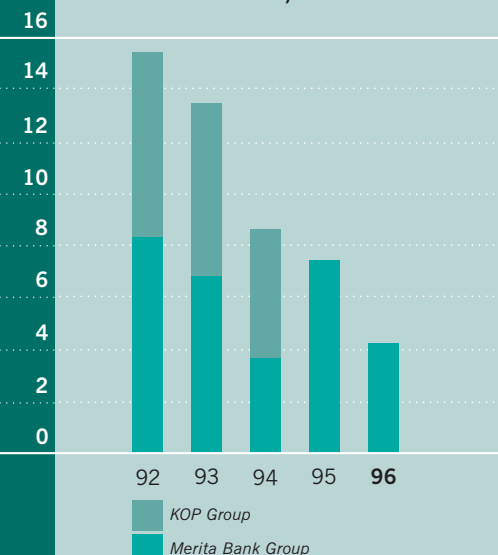
Merita Bank Group Income/cost ratio



Merita Bank Group Write-offs on loans and guarantees, FIM billion



Merita Bank Group Non-performing receivables, FIM billion



As of 1st August 1996, all Merita current accounts have carried interest at 1 per cent.

The restructuring of the branch network was completed during the year. At the year-end, the Bank had 478 branches, which, together with sub-outlets, offered over-the-counter services at 553 locations. At the time of their merger, Kansallis-Osake-Pankki and Union Bank of Finland had a total of 776 branches providing services at 865 locations.

Among the Bank's subsidiaries, Merita Finance Ltd saw an increase of approximately FIM 1 billion in credits outstanding to its clientele. At the year-end these slightly exceeded FIM 10 billion. The company enjoyed a healthy level of profitability, posting a profit before appropriations and taxes of FIM 256 million. Its subsidiary Tukirahoitus Oy, acquired in spring 1996, also reported a profitable performance. Against an increasingly competitive environment, Merita Customer Finance Ltd achieved a good result, ending the year with a profit before appropriations and taxes of FIM 122 million.

The Industrial Bank of Finland reported a profit before appropriations and taxes of FIM 40 million, up 20 per cent on the preceding year. During the year it raised FIM 578 million of new capital through unsecured public debt issues. Pursuant to a decision made in the autumn, Merita Bank will channel its future lending to local authorities through Industrial Bank of Finland.

Merita Capital Ltd was responsible for the management of Profita Fund I, a capital fund established in November 1996, which had capital assets of FIM 73 million at the year-end.

Corporate Bank

The negative result reported by the Corporate Bank reflected the still relatively large volume of non-performing receivables, temporary holdings of foreclosed assets and zero- and low-interest-rate loans. However, the clear decline in these items towards the end of the year had a beneficial impact on performance. The portfolio of non-performing receivables was halved during the year, and income was boosted by disposals of foreclosed assets and recoveries of earlier write-offs.

Of the Group's foreign units, London, New York and Singapore reported firmly profitable results. The Tallinn Branch, opened in 1995, and the Stockholm Branch, operational since the spring of 1996, did not yet achieve profitability.

The Bank retained its international business market share and earnings level on the Finnish market.

Investment Banking

As of 1st June 1996, the Group's investment banking operations were reorganized as a new business area, Merita Investment Banking. This business area reported a profitable result for the year. The market position of Merita Fund Management Ltd strengthened in the latter half of the year, and its year-end market share was 25.2 per cent. The net asset value of Merita mutual funds increased by FIM 1.6 billion to FIM 2.9 billion. This figure includes the three funds of Investa Fund Management Ltd, for which Merita Fund Management assumed responsibility in connection with the acquisition of this company in the summer.

Merita Securities Ltd accounted for 12.2

per cent of total equity trading on the Helsinki Stock Exchange. In the summer it also began remote trading on the Stockholm Stock Exchange. Another subsidiary organized under Investment Banking, Merita Corporate Finance Ltd, was active notably in the fields of equity financing and consulting services. It enjoyed a particularly strong position on the equity market and was involved as Finnish or Nordic lead manager in all Finnish privatization issues and offerings.

Following its acquisition by Merita Bank in the summer, the name of Investa Asset Management Ltd was changed to Merita Asset Management Ltd. This company concentrates on the management of institutional customers' assets.

Changes in the Board of Management

As of 1st June 1996, Mr. Harri Hollmén relinquished his position as a member of Merita Bank's Board of Management, where he had been responsible for the former Treasury and Capital Markets business area, to become Managing Director of Investment Banking. In this connection he became partner in three Investment Banking subsidiaries, i.e. Merita Corporate Finance Ltd, Merita Fund Management Ltd and Merita Securities Ltd.

Mr. Peter Fagernäs, who under the previous organization was responsible for asset management, resigned from the Board of Management as of 1st June. Mr. Eino Halonen, Executive Vice President in charge of Retail Bank Consumer Banking, was appointed an Ordinary Member of the Board of Management as of the same date. Mr. Harri Sailas, heading the Uusimaa Region, and Mr. Jussi Laitinen, with responsibility for the Trading and Capital Markets

Division of Merita Investment Banking, were appointed Deputy Members of the Board of Management.

Human resources

The year-end number of employees within the Merita Bank Group was 12,853, compared with 14,877 a year earlier. Of these, 10,397 were employed by the Retail Bank, 1,005 by the Corporate Bank and 352 by Investment Banking. Prior to the merger, the aggregate number of employees at Kansallis-Osake-Pankki and Union Bank of Finland was 18,084. Under severance packages already agreed upon, Group staff is projected to decline by a further 600 or more during 1997. Developments in the Group's personnel structure are discussed in Notes to the financial statements on page 65.

The phased negotiation process in respect of merger-related redundancies ended in November. A total of 4,348 employment contracts were terminated as a result of this process.

Integration of EDP systems

The integration of Merita's EDP systems was principally completed in February. It was the most massive project of its kind ever carried out in Finland, involving, among other things, the combination of the merged banks' customer accounts - deposits, loans, payments and custodial assets - over a single weekend.

The integration process initially affected the smooth functioning of the systems, resulting in occasional failures in transaction processing. The situation was normalized in the summer.

Total assets

Total consolidated assets of the Merita Bank Group at the end of the year were FIM 268 billion, down FIM 7.3 billion on the end of 1995.

With part of the funds in deposit accounts moving to other investment targets, the share of deposits in the Merita Bank Group's funding mix contracted. At the end of the year, deposits represented 54 per cent of total funding. Capital market funding accounted for 10 per cent and money market funding for 36 per cent.

The sharp contraction in foreign currency credits and the flat trend in FIM lending led to a change in the application of funds. The proportion of loans in total funds employed at the year-end was 60 per cent, while money and capital market investments accounted for 32 per cent.

At the end of the year, the Bank's overall interest rate spread, i.e. that between all interest-bearing FIM assets and liabilities, was 2.7 percentage points, compared with 2.8 percentage points in 1995.

The decline in market interest rates was also reflected in the Merita prime rate, which was lowered on four occasions during the year and was 3.75 per cent at the year-end.

Deposits

In the low interest rate environment, an increasing amount of funds was diverted from conventional deposit accounts to mutual funds and insurance products and, through their intermediary, ultimately to Government bonds and Treasury bills. The Government also raised an increasing amount of funding

from high-yield bonds issued on the retail market.

As a result, the Merita Bank Group's deposits from the public and public-sector organizations contracted. Part of these funds were transferred to investment products offered by other Merita Group companies. The fall in interest rates led to a change in the deposit structure: there was a shift of focus from taxable fixed-term accounts to tax-exempt current and fixed-term accounts. At the end of the year, total deposits stood at FIM 128 billion, down FIM 7.7 billion on 1995.

Markka-denominated deposits carried in the books of the Merita Bank Group at the year-end totalled FIM 115.7 billion, which was FIM 7.8 billion less than a year earlier. Various types of taxable accounts accounted for somewhat over 40 per cent.

The year-end total of foreign currency deposits, equalling FIM 12.3 billion, was virtually unchanged from the end of 1995.

At the end of the year, Merita Bank's market share of domestic deposits was 42.0 per cent, slightly lower than the year before. Its share of

Merita Bank Group Deposits 31.12.1996 ¹

	FIM billion	Share %
Cheque accounts	19.4	15.1
Other current accounts	48.6	37.9
Fixed-term accounts	41.5	32.4
Other Finnish markka accounts	6.1	4.8
Foreign currency accounts	11.0	8.6
Deposit accounts in subsidiaries	1.5	1.1
Total	128.0	100.0

¹ Deposits from the public and public sector organizations

Merita Bank Group – Application of funds 31.12.1996

<i>FIM million</i>	<i>Domestic</i>	<i>Foreign</i>	<i>Total</i>
Finnish markka credits	122 384	570	122 954
Foreign currency credits	13 662	12 397	26 059
Total credits	136 046	12 967	149 013
Finnish markka money and capital market investments	29 638	4 876	34 514
Foreign currency money and capital market investments	2 118	44 344	46 462
Total money and capital market investments	31 756	49 220	80 976
Shares	2 630	279	2 909
Shares in subsidiaries and associated companies	16 203	355	16 558
Total shares	18 833	634	19 467
Total application of funds	186 635	62 821	249 456
Other assets			18 117
Balance sheet total			267 573

Merita Bank Group – Funding 31.12.1996

<i>FIM million</i>	<i>Domestic</i>	<i>Foreign</i>	<i>Total</i>
Finnish markka deposits	114 980	745	115 726
Foreign currency deposits	9 170	3 141	12 311
Total deposits	124 150	3 887	128 037
Bonds issued on the retail market	1 805	–	1 805
Retail market funding	125 955	3 887	129 841
Finnish markka money market liabilities	41 898	4 510	46 408
Foreign currency money market liabilities	3 234	35 076	38 311
Money market funding	45 132	39 587	84 719
Finnish markka capital market liabilities	2 729	999	3 728
Foreign currency capital market liabilities	–	19 242	19 242
Capital market funding	2 729	20 241	22 970
Total funding	173 815	63 715	237 530
Other liabilities			16 282
Equity capital			13 761
Balance sheet total			267 573

markka deposits was 40.7 per cent and that of foreign currency deposits 69.7 per cent.

In the course of the year, Merita Bank revised its domestic deposit rates in line with the general decline in interest rates. The average interest rate paid by the Bank on markka deposits fell by 1.2 percentage points to 1.8 per cent. As of 1st August, Merita Bank has applied a uniform interest rate of 1 per cent to all current accounts.

Domestic market funding

The Merita Bank Group's markka funding from the domestic money market increased during the year and totalled FIM 41.9 billion at the year-end.

In November the Bank launched a FIM 2 billion tap issue targeted mainly at the domestic capital market. At the first auction in November, FIM 353 million of this issue was sold.

International funding

The drop in foreign currency credits reduced the need for funding from the international money and capital markets. The Merita Bank Group's total international money and capital market funding at the end of the year was FIM 59.8 billion. The gross amount of funding raised by Merita Bank from the international money markets rose to FIM 40.2 billion. However, the Bank's investments in these markets increased even more and at the year-end exceeded the year's new funding. International capital market funding contracted, amounting to FIM 17.6 billion at the end of the year.

During the year, the Bank issued step-up perpetual subordinated notes on the U.S. market equalling approximately FIM 1.2 billion

Merita Bank – Market shares, % ¹

	31.12. 1996	Average in 1996	31.12. 1995
Finnish markka deposits	40.7	41.5	42.4
Foreign currency deposits	69.7	70.1	70.5
Total deposits	42.0	42.8	43.8
Finnish markka credits	43.9	44.4	44.7
Foreign currency credits	63.5	63.5	63.4
Total lending	45.5	46.3	46.8

¹ Excluding credits outstanding in the books of banks transformed into asset management companies

(USD 250 million). The notes qualify as Lower Tier 2 capital for the purpose of calculating capital adequacy. Floating-rate notes in the amount of FIM 1 billion were issued under the Euro Medium Term Note programme. Two tap issues were launched on the Estonian market for 2.5 and 4 years, under which the equivalent of FIM 72 million was issued in seven tranches during the year. The total amount outstanding under the Euro Commercial Paper programme at the end of the year was FIM 2.6 billion.

Domestic lending

At the end of the year, the Merita Bank Group's total lending to the public and public-sector organizations stood at FIM 145.1 billion, down FIM 6.6 billion on the preceding year. The Group's markka-denominated lending was FIM 119.1 billion, against FIM 120.3 billion one year earlier.

The foreign currency lending of the Merita Bank Group contracted by FIM 5.4 billion to FIM 25.9 billion.

Merita Bank's year-end share of total

markka lending by Finnish banks was 43.9 per cent, down 0.8 percentage point on the preceding year. Merita's share of domestic lending in foreign currencies was 65.5 per cent.

Households accounted for slightly under FIM 60 billion, i.e. 45 per cent, of the Bank's lending to the public and public-sector organizations. Housing loans represented 66 per cent of all loans to the household sector, consumer credits 12 per cent and student loans 8 per cent. Corporate and commercial loans accounted for 39 per cent of the Bank's total lending. Household borrowing increased towards the end of the year as the pick-up in the housing market sparked a rise in new housing loans. However, the Bank's overall housing loan portfolio did not increase.

During the year, the Group's leasing receivables increased from FIM 3.9 billion to FIM 4.3 billion.

In the falling interest rate environment, interest rates on new loans continued to decline throughout the year. The year-end average interest rate on total markka lending was 5.5 per cent.

The proportion of base-rate-linked loans in the Bank's total markka lending decreased to 20 per cent, while the proportion of Helibor- and prime-rate-linked loans increased. The greater part of the markka lending volume, i.e. 52 per cent, consisted of Helibor-linked loans. At the year-end, prime-rate-linked loans accounted for 12 per cent.

International lending

The Bank's international financing operations were conducted in part from Helsinki and in

Merita Bank Group Loan portfolio 31.12.1996 ¹

	FIM billion	Share %
Base-rate-linked	23.4	16.1
Prime-rate-linked	13.7	9.4
Market-rate-linked	64.5	44.4
Other domestic markka credits	4.8	3.3
Domestic foreign currency credits	14.7	10.1
Foreign credits	11.8	8.1
Loans granted by domestic subsidiaries	10.6	7.3
Loans granted by foreign subsidiaries	1.8	1.2
Total	145.3	100.0

¹ Receivables from the public and public sector organizations. Unallocated write-offs have not been deducted.

Merita Bank – Breakdown of loan portfolio 31.12.1996 ¹

	FIM billion	Share %
Corporates	52.2	39.3
Financial and insurance institutions	0.2	0.2
Public sector organizations	1.1	0.9
Non-profit organizations	7.8	5.8
Households	59.7	44.9
Foreign borrowers	11.8	8.9
Total	133.0	100.0
Of household credits:		
housing loans	39.6	66.3
consumer credits	6.9	11.6
student loans	4.5	7.6

¹ Receivables from the public and public sector organizations. Unallocated write-offs have not been deducted.

part through the branches in London, New York, Singapore, Stockholm and Tallinn. At the year-end, the international lending portfolio totalled FIM 14.3 billion, broadly unchanged from 1995. Most of these exposures were to OECD countries.

Non-performing receivables

The year saw a significant contraction in the Group's non-performing receivables. On the last day of the year these totalled FIM 4.2 billion, down FIM 3.1 billion on the end of 1995. The principal single items underlying this decline were slightly less than FIM 300 million arising from the confirmation of an official corporate restructuring programme for the Finnish cooperative Elanto and almost FIM 200 million from the sell-off of ex-Soviet exposures. Otherwise the contraction resulted from a large number of smaller loans to a broad clientele.

Low-interest-rate loans

At the year-end, the Merita Bank Group's portfolio of loans granted at interest rates of 3 per cent or lower was FIM 7.4 billion, i.e. FIM 2.2 billion less than the year before.

Under this heading, zero-interest-rate loans dropped by FIM 1.1 billion to FIM 2.4 billion.

The volume of zero- and low-interest-rate loans carried on the balance sheet was reduced notably by the redemption of Tuko Oy's bonds with warrants in connection with the disposal of the Group's ownership interest in this company and by the restructuring of the former Puolimatka-related portfolio.

Domestic market investments

The Merita Bank Group's total investments in the domestic money and capital markets contracted in the late months of the year, amounting to FIM 31.8 billion at the year-end. However, the year's average stayed at the 1995 level. Merita Bank's money market investments averaged FIM 13.0 billion during the year and totalled FIM 13.4 billion at the year-end.

Investments in long-term debt securities stayed at a low level, while most of the year's purchases focused on securities acquired for trading purposes. At the close of the year, domestic debt securities in Merita Bank's trading account totalled FIM 6.5 billion, of which FIM 4.3 billion consisted of Finnish Government bonds. Debt securities in the investment account totalled FIM 10.0 billion, with Finnish Government bonds accounting for FIM 2.7 billion.

International investments

The Merita Bank Group's investments in the international money and capital markets increased during the year and amounted to FIM 49.2 billion at the year-end. The year-end amount of Merita Bank's money market investments was FIM 42.9 billion. Investments in the international capital markets also showed an upward trend. At the close of the year, Merita Bank's international bond portfolio totalled FIM 5.4 billion.

Derivative instruments

The Bank continued to expand its operations on the derivative markets. The sharpest increase was registered in markka- and

foreign-currency-denominated forward rate agreements and interest rate swaps, the notional principal amount of which increased from FIM 701.5 billion to FIM 1,330.3 billion. The notional principal amount of currency-related derivatives also rose to FIM 506.8 billion from FIM 287.7 billion at the end of 1995.

Option trading increased during the year. The notional principal amount of currency-related options outstanding at the year-end was FIM 164.0 billion, up from FIM 33.1 billion at the end of 1995, and that of interest-rate-related options was FIM 26.1 billion, against FIM 9.8 billion a year earlier.

The year-end credit equivalent of derivative contracts, calculated in accordance with the applicable capital adequacy regulations, was FIM 21.4 billion, compared with FIM 14.3 billion at the end of 1995. Interest-rate-related contracts accounted for FIM 9.0 billion and currency-related contracts for FIM 12.4 billion.

Merita Bank Group Geographic breakdown of claims

<i>FIM million</i>	31.12.1996	%
Finland	163 521	72.5
Other Nordic countries	10 255	4.5
Other Western Europe	28 531	12.6
CIS	232	0.1
Other Eastern Europe	315	0.1
North America	12 745	5.6
Latin America	489	0.2
Middle East	30	0.0
Far East	8 938	4.0
Other	641	0.3
Total	225 697	100.0

Receivables from credit institutions and central banks, receivables from the public and public sector organizations and debt securities

Merita Bank Group Interest-rate- and currency-related derivatives 31.12.1996

<i>FIM billion</i>	For hedging purposes	For other than hedging purposes	Total
Interest-rate-related derivatives			
Futures and forwards	5	1 057	1 062
Options purchased	3	7	10
Options written	–	16	16
Interest-rate swaps	36	231	267
Total	44	1 311	1 355
Currency-related derivatives			
Futures and forwards	119	207	325
Options purchased	–	78	78
Options written	–	86	86
Interest-rate and currency swaps	8	10	18
Total	127	381	507
Total interest-rate- and currency-related derivatives	171	1 692	1 862

Capital requirement for calculation of capital adequacy FIM 0.403 billion.

Impact of low interest rates

The fall in domestic interest rates led to a contraction in corporate forward business. The focus of customer trading shifted from the forward market to options, which saw a rise in volume. The Bank also made an increasing use of derivatives in its proprietary trading.

The decline in interest rates was reflected in the interest rate profile of assets and liabilities. The use of derivatives enabled effective hedging of positions arising from this change in the balance sheet structure.

Reduction in counterparty risks

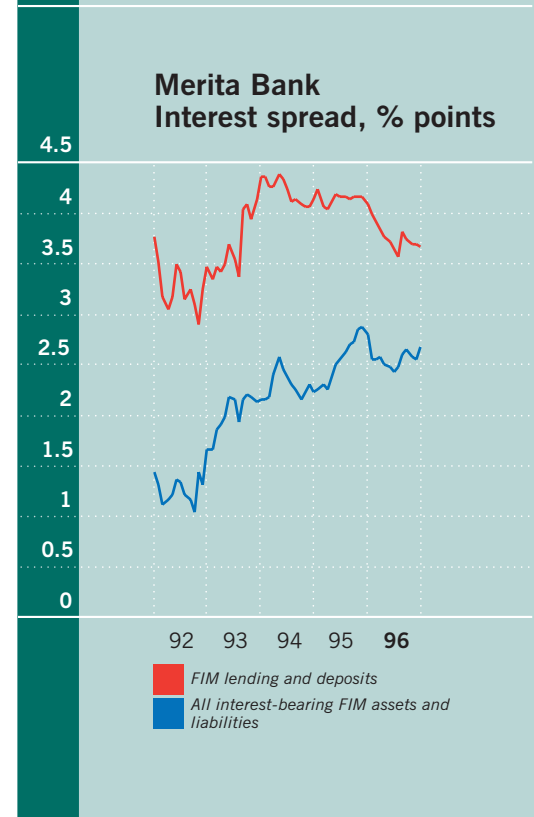
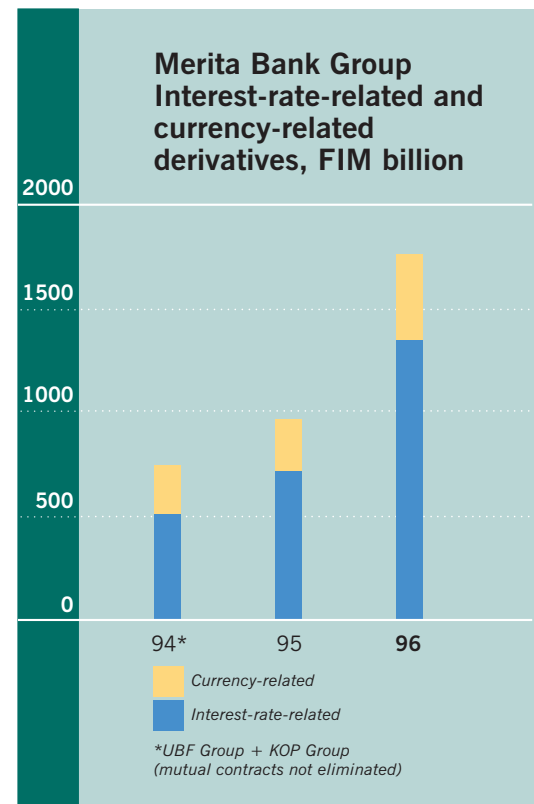
The growth in the volume of derivative business has not increased the Bank's operational risks. On the contrary, the shift from conventional on-balance-sheet instruments to derivative products has reduced both credit risks and risks arising from payment flows.

At the same time, the increasing use of derivatives and the development of the markets have enabled a more effective management of market risks. Risk management and accounting systems were further developed during the year.

The Bank's risk management procedures cover risks relating to derivative products as well as those relating to cash instruments. These are controlled, monitored and limited by means of both static and probability-type VAR (value-at-risk) models.

Capital adequacy

The Merita Bank Group's capital adequacy ratio at the end of the year was 11.3 per cent, up 0.4 percentage point on the previous year-end. The good result posted for the year strengthened the equity base, and the Tier I ratio rose by 0.2 percentage point to 6.5 per cent.



Merita Bank – Agency ratings

	31.12. 1996	31.12. 1995
Standard & Poor's:		
Long-term	BBB+	BBB
Short-term	A-2	A-2
Moody's:		
Long-term	A2	A2
Short-term	P-1	P-1
IBCA:		
Long-term	A	A
Short-term	A1	A1
Thomson Bankwatch:		
Long-term	A+	A+
Short-term	TBW-1	TBW-1

Ratings raised further

Subsequent to the merger in 1995, Moody's, Thomson Bankwatch and IBCA raised their credit ratings for Merita Bank. The Bank's ratings continued to develop favourably in 1996. Standard & Poor's upgraded the long-term debt rating for Merita Bank from BBB to BBB+.

Merita Bank Group – Capital adequacy ¹

FIM million	1992	1993	1994	1995	1996
Tier 1	7 999	7 540	7 367	12 389	12 938
Tier 2	5 900	5 600	4 642	9 078	9 500
./ deductions	4	4	29	152	210
Tier 3	–	–	–	–	326
Total own funds	13 895	13 136	11 980	21 315	22 555
Risk-weighted assets	130 671	126 552	109 280	195 989	199 002
Capital adequacy, %	10.6	10.4	11.0	10.9	11.3
Tier 1/ risk-weighted assets, %	6.1	6.0	6.7	6.3	6.5
Merita Bank Ltd					
capital adequacy, %	11.0	10.9	11.2	11.3	11.9

¹ In accordance with the Credit Institutions Act the market risk capital requirement and the Tier 3 capital available for this purpose are included in the calculation of capital adequacy as from 31.12.1996. This change had no significant impact on Merita's capital adequacy ratio.

Merita Bank Group outlook

The Finnish economy, which has been gaining momentum since late 1996, seems set to continue growing vigorously during the current year. Despite the marked acceleration in GDP growth, the outlook remains balanced. Inflation promises to stay low. The prospective rise in exports should sustain a comfortable surplus in the current account. No domestic pressures for monetary tightening which would lead to a significant rise in interest rates are thus in sight.

Naturally, Finnish interest rates are not immune to monetary developments in other EU countries. These do not point to a tightening in policies until late 1997 at the earliest. Assuming no abrupt changes in the inflation outlook, both short-term interest rates and bond yields may be expected to stay below last year's levels.

The foreign exchange markets may experience occasional turbulence during the year.

However, barring a major deterioration in the Finnish economy and notably in exports, this will hardly lead to a major rise in short-term interest rates.

Although markka lending is expected to resume a cautious upward trend in the current year, this is unlikely to exert a major influence on Merita Bank Group results until next year. The profit on ordinary operations is, nevertheless, expected to improve appreciably in 1997. This projection is based on the continued likelihood of low interest rates, which reduce funding costs, the contraction in underperforming assets and the steady, albeit decelerating, decline in non-performing receivables.

The downtrend in loan losses is expected to continue in 1997. Other favourable developments include the fall in one-off integration expenses and the permanent cost benefits derived from the merger, the full impact of which is gradually being felt.

The Merita Group continues to prepare for Finland's accession to EMU. This will mean some extra expenses this year. The overall cost of transition during 1997–2002 is estimated at FIM 200 million.

Based on information currently available, Finland's potential entry into EMU will have a net negative impact on the income of the Merita Bank Group. The single currency will affect earning opportunities notably in foreign exchange and money market trading. However, the overall loss of income as compared with the 1995 level is unlikely to exceed FIM 200–300 million annually.

* 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 44–74. *

Family, work and leisure-time activities are important things in Sylva Vahtera's life. With the Selektia Pension Plan offering an early retirement option, she can look to the future with confidence. "What appeals to me in pension saving is the reasonably good yield and, of course, tax deductibility", she says.



Insurance

The results reported by Merita Life Assurance Ltd in its fourth year of operations exceeded expectations. Key factors behind its vigorous performance were a rise in premium income and low operating costs. Premiums written before reinsurers' share increased from FIM 620 million to FIM 3,027 million. The fastest growth was registered in personal life assurance plans, which contributed FIM 2,754 million to total premium income.

The premium reserve of Merita Life Assurance at the end of the year was FIM 3,987 million. The company's guaranteed interest rate on non-unit-linked life and pension plans is 4.5 per cent. In addition, a bonus of 2.5 per cent will be distributed on personal life and pension plans for 1996. FIM 45.7 million was reserved for future bonus payments.

Merita Life Assurance Ltd is Finland's leading life assurance company in terms of 1996 premium income. Based on preliminary figures, its market share, including all types of insurance, was 25.8 per cent, up from 8.7 per cent the year before.

Merita holding group Equity holdings 31.12.1996

<i>FIM million</i>	Book value	Market value
Merita Group	4 566	5 556
– of which Merita Ltd	1 086	1 184
Partita Ltd	506	699
Merita Bank Ltd	2 816	3 468
Pension funds	2 124	3 062
Total	6 689	8 618

Excl. subsidiary and associated company holdings, fore-closed assets and assets acquired for the reorganization of customers' business operations.

Equity investments

Merita had a successful year on the equity market, and the profit from these operations was clearly better than expected. Equity transactions made a substantial contribution to the Group's net income from securities trading, accounting for FIM 571 million. Of this, FIM 120 million was posted from the sale of holdings in Tuko Oy and SYP-Invest Oy and the remainder from the actual trading portfolio. Merita was also active on the equity derivatives market.

Net reversals of previous write-downs on the equity portfolio totalled FIM 347 million. Dividend income of FIM 219 million was reported under "other income".

At the close of the year, the book value of the Group's equity holdings was FIM 4,566 million, compared with a market value of FIM 5,556 million. The corresponding figures at the end of 1995 were FIM 4,398 million and FIM 4,277 million, respectively.

In connection with the refund of the Merita Ltd Pension Fund's actuarial surplus, discussed earlier in this report, Merita Bank Ltd and Nordica Invest Oy, which is another wholly owned subsidiary of Merita Ltd, purchased a total of 4.5 million Nokia K shares in January 1997 for a total price of FIM 1,198 million.

Real estate business

Merita Real Estate Ltd owns and manages most of the Group's real estate assets. The capital employed in the Group's real estate portfolio at the end of the year was FIM 24.6 billion, of which FIM 7 billion consisted of fore-closed assets acquired in satisfaction of Merita Bank's loans. An increase of FIM 1.3 billion in real estate holdings carried in the consolidated balance sheet of the Merita Group resulted from a rearrangement of real estate business relating to the PMA Group. Disposals during the year totalled FIM 920 million, of which FIM 320 million related to foreign properties.

The Merita Real Estate Group posted a loss on ordinary operations of FIM 164 million for the year under review. This included write-downs in a total amount of FIM 326 million and net capital gains of somewhat over FIM 100 million.

Premises occupied by companies in the Merita Group accounted for approximately one fifth of total floor space. The rents applicable to these premises represented the current market level.

The average potential yield on Merita Real Estate's leasable properties was 5.1 per cent, and the year-end occupancy rate was 84 per cent. Residential properties, land and development projects are not included in these figures. The Group's real estate assets are carried at estimated current market values.

A number of new development projects were launched during the year. The most important of these was the renovation of the Kämp hotel, a historical and cultural landmark, as part of a major shopping and office complex development in central Helsinki. The estimated cost of this project is FIM 250 million.

Real estate brokerage

Reflecting the recovery in the Finnish housing market, the number of homes sold during the year increased, exceeding the historical average. The number of sale transactions handled by the Group's residential estate agency Huoneistokeskus Oy was 14,000, an increase of 2,300 on the preceding year. Brokerage fees earned during the year totalled FIM 217 million, up FIM 37 million on 1995. The company's profit before appropriations and taxes was FIM 0.1 million. The modest result reported for the year is attributable to write-downs on a few individual properties.

Huoneistomarkkinointi Oy, the Group's commercial real estate agency, registered a total of 396 new leases and handled 146 sale transactions amounting to FIM 272 million. Valuation services sustained the level attained over previous years. Huoneistomarkkinointi reported a profit before appropriations and taxes of FIM 2 million.

Merita Group outlook

In late 1996, the Finnish economy entered a phase of vigorous expansion which seems set to continue in 1997. Despite the rapid pace of growth, the overall outlook remains balanced, and inflation is expected to stay low. The prospective increase in exports should sustain a comfortable surplus in the current account. No indigenous pressures for monetary tightening are thus foreseeable, and the chance of a significant rise in interest rates appears remote.

To some extent, of course, movements in Finnish interest rates follow developments in other member countries of the European Union. These do not point to a tightening in policies until late 1997 at the earliest. Assuming no abrupt changes in the inflation outlook, both short-term interest rates and bond yields may be expected to stay below last year's levels.

The foreign exchange markets could experience occasional turbulence during the year. However, barring a major deterioration in the Finnish economy and especially exports, this will hardly lead to a major rise in short-term interest rates.

The employment situation is improving,

albeit but slowly against the vigorous rate of GDP growth. However, households can look forward to a strengthening in their overall position, as disposable incomes are boosted by a slight easing in income tax. Rising consumption, low interest rates and growing consumer confidence are finally paving the way for a revival in housing construction.

With the gradual pick-up in housing investment, total investment is likely to continue growing next year. Industrial investment is losing momentum and may assume a downward trend. While a shortage of business premises is already emerging in the Greater Helsinki area, industrial construction continues to trend downward. Capital spending on machinery and equipment is also decelerating.

Companies continue to enjoy a strong financial position, reflecting the vigorous performance of the economy. Home-market companies should also see a gradual rise in profitability.

The current economic upswing, the rise in corporate profitability and the low level of interest rates bode well for the Helsinki Stock

Merita Group – Real estate investments 31.12.1996

	Floor area 1000 m ²	Capital employed FIM billion	Yield, % (effective)	Yield, % (potential)	Vacancy rate %
Shops and offices	1 377	15.4	3.9	4.8	15.6
Industrial premises and warehouses	474	1.5	3.2	6.2	22.6
Hotels	169	1.0	5.7	5.9	2.1
Foreign properties	55	0.7	6.3	6.5	5.9
Commercial real estate, total	2 075	18.7	4.1	5.1	15.9
Residential properties	137	1.0	2.9	4.1	17.2
Land and development projects	292	2.6			
Acquired during the year	188	1.3			
Shares in real estate investment companies		1.0			
Real estate investments, total	2 692	24.6			

Shares and shareholders

Exchange. However, the Finnish equity market remains sensitive to external shocks. The situation on the real estate market is improving cautiously as economic growth continues, but no instant turnaround is in sight.

Although markka-denominated lending is expected to resume a cautious upward trend in 1997, the prospective rise in lending will hardly exert a major influence on Merita Bank Group results until next year. Even so, the profit on ordinary operations is expected to improve appreciably in 1997. This projection is based on the continued likelihood of low interest rates and the steady contraction in non-performing and underperforming assets, which reduce the Group's funding costs.

The downward trend in loan losses is also believed to continue during the current year. Other favourable developments include the decline in one-off integration expenses and the permanent cost benefits derived from the merger, the full impact of which is gradually being felt.

The Group continues to prepare for Finland's entry into the Economic and Monetary Union. This will mean a certain amount of extra expenses in the current year. The overall transition costs to be incurred during 1997-2002 are estimated at FIM 200 million.

Based on information currently available, Finland's possible accession to EMU will have a net negative impact on the income of the Merita Group. The single currency will affect earning opportunities notably in foreign exchange and money market trading. However, the resultant overall loss of income as compared with the 1995 level is unlikely to exceed FIM 200-300 million annually.

The price of the Merita A share on the last business day of the year, 30th December, was FIM 14.40, up 31 per cent on the 1995 closing price of FIM 11.00. The B share rose by 45 per cent from FIM 10.90 at the end of 1995 to FIM 15.80 at the end of 1996.

During the year, the HEX all-share index gained 46.5 per cent. The 32.3 per cent rise in the bank and finance index was somewhat below the average.

Total trading in Merita shares on the Helsinki Stock Exchange amounted to FIM 3,553 million, compared with FIM 1,816 million in 1995. Trading in A shares increased by FIM 1,760 million to FIM 3,413 million, while trading in B shares decreased from FIM 163 million to FIM 140 million.

In connection with the merger of the Kansallis and Unitas Groups at the end of 1995, the shareholders of Kansallis-Yhtymä received one Unitas A share for each three Kansallis-Yhtymä shares held. As a result, the share capital of Unitas Ltd (as of the end of 1995 Merita Ltd) increased by approximately FIM 3.5 billion. The share turnover figures for 1996 and 1995 are therefore not comparable.

Authorizations not exercised

The share capital of Merita Ltd at the close of the year was FIM 8,304,514,490. Pursuant to the Articles of Association, the minimum share capital is FIM 4,000 million and the maximum share capital FIM 16,000 million. The share capital can be increased or lowered within these limits without amending the Articles of Association.

The Annual General Meeting of Shareholders on March 19, 1996 authorized the Board of Directors within one year of said meeting to decide on an increase in the share capital, in one or several tranches, by a maximum total of FIM 300 million through an issue of up to 30 million new A and/or B shares with a nominal value of FIM 10 each. Under this authorization, the Board may decide on an issue of shares, convertible bonds and/or bonds with equity warrants on such terms and conditions as it sees fit.

The maximum aggregate increase in the share capital under the above authorizations is FIM 300 million. The authorizations had not been exercised by February 13, 1997.

Dividend entitlement

Since the Board of Directors proposes that the General Meeting declare a dividend of 2 per cent of nominal value on A shares for the year 1996, a dividend of 16 per cent is proposed on B shares in accordance with the Articles of Association. This consists of a pre-emptive dividend of 8 per cent for 1996 and the unpaid pre-emptive dividend of 8 per cent outstanding for 1995.

Bonds with equity warrants

The bonds with equity warrants issued by Union Bank of Finland Ltd to its employees in 1990 matured on March 12, 1996. The principal amount outstanding and repaid at maturity was FIM 86.05 million. The respective warrants still outstanding entitle the holders to subscribe for a total of 4,959,061 A shares of Merita Ltd at a price

Merita Ltd shares ¹

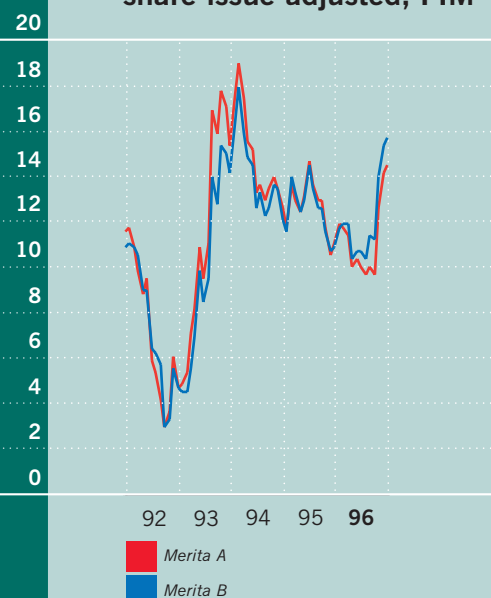
	1992	1993	1994	1995	1996
A, B and C shares total					
Average number of shares, million	363.9	388.8	484.0	743.8	830.5
Number of shares, 31.12., million	363.9	484.0	484.0	830.5	830.5
Market capitalization, 31.12., FIM mill. 1	707.4	7 227.7	5 857.7	9 128.2	12 052.6
Earnings per share (EPS), FIM	-7.42	-7.14	-2.61	0.52	1.19 ²
Equity per share, FIM (net asset value)	20.66	13.58	11.00	10.62	12.85 ²
Dividend payout ratio, %	-	-	-	-	21.6
A shares					
Trading average, FIM	5.45	14.00	16.12	12.80	11.30
Trading low, FIM	2.10	4.20	12.00	10.20	9.10
Trading high, FIM	12.42	20.99	20.60	15.10	15.20
Shares traded, 1 000	29 658	74 071	125 085	129 141	294 667
% of all A shares	12.3	27.4	30.0	31.0	38.6
Average number of shares, million	275.5	297.6	416.8	676.6	763.3
Number of shares, 31.12., million	275.5	416.8	416.8	763.3	763.3
Market capitalization, 31.12., FIM mill. 1	228.7	6 293.6	5 084.9	8 395.8	10 990.8
Dividend/share, FIM (proposal)	-	-	-	-	0.20
Effective dividend yield, %	-	-	-	-	1.4
Price/earnings (P/E)	-	-	-	21.3	12.1
B shares					
Trading average, FIM	6.25	11.68	14.61	12.90	12.09
Trading low, FIM	2.36	3.63	11.30	10.30	10.00
Trading high, FIM	11.35	17.26	19.20	15.00	16.50
Shares traded, 1 000	11 091	26 331	23 591	12 622	10 506
% of all B shares	22.0	48.7	35.1	18.8	15.6
Average number of shares, million	55.5	58.0	67.2	67.2	67.2
Number of shares, 31.12., million	55.5	67.2	67.2	67.2	67.2
Market capitalization, 31.12., FIM mill. 1	241.9	934.1	772.8	732.5	1 061.8
Dividend/share, FIM (proposal)	-	-	-	-	1.60
Effective dividend yield, %	-	-	-	-	10.1
Price/earnings (P/E)	-	-	-	21.1	13.3
C shares ³					
Trading average, FIM	6.20	11.35	-	-	-
Trading low, FIM	2.46	3.95	-	-	-
Trading high, FIM	16.67	20.18	-	-	-
Shares traded, 1 000	7 767	8 443	-	-	-
% of all C shares	26.9	28.1	-	-	-
Average number of shares, million	32.9	33.2	-	-	-
Number of shares, 31.12., million	32.9	-	-	-	-
Market capitalization, 31.12., FIM mill. 1	236.8	-	-	-	-

¹ Share-issue-adjusted, calculated in accordance with the provisions of the Finnish Financial Supervision, see p. 34.

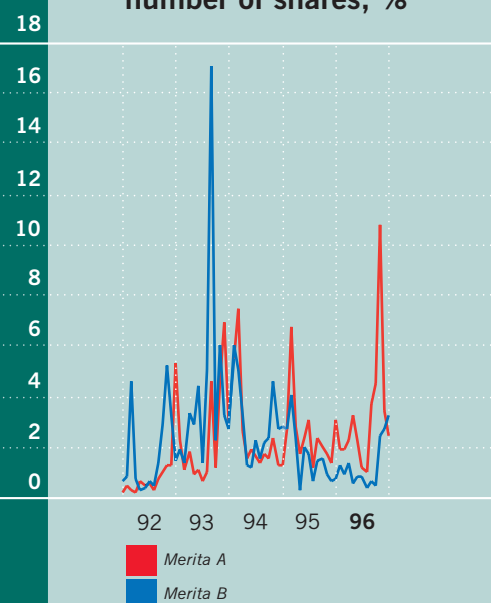
² Assuming exercise of all subscription rights carried by convertible bonds and bonds with equity warrants, EPS would be 1.14 and equity capital per share would be higher than that shown on the table.

³ C shares were converted to A shares on 23.12.1993.

Share price development, share-issue-adjusted, FIM



Monthly trading volume in relation to the total number of shares, %



of FIM 28.94 per share. Warrants expiring on March 12, 1997 are exercisable into 3,306,041 A shares. The remaining warrants will expire on March 12, 1998.

Convertible bonds

In 1992, convertible bonds were issued in the amount of FIM 906.1 million, each bond of FIM 10,000 being convertible into 300 A shares of Merita Ltd 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 increase by a maximum of 27,182,400, carrying an aggregate 271,824,000 votes. The corresponding

maximum increase in the company's 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 1996.

Preferred capital certificates held by the Government

Merita Bank is liable for preferred capital certificates held by the Government in the total amount of FIM 3,475 million. These comprise FIM 1,726 million accepted by Kansallis-Osake-Pankki on 28th August 1992 as its share of the capital injection

offered by the Finnish Government to all Finnish banks and FIM 1,749 million accepted by Union Bank of Finland on 30th December 1992. The capital certificates are carried in the Bank's accounts as equity capital items. Their terms and conditions, including provisions on convertibility into shares, are set out in Notes to the financial statements on page 66.

Over 340,000 shareholders

The year-end number of Merita shareholders was 341,208, approximately 15,000 fewer than at the end of 1995. Further information on Merita shares and shareholders is provided in Notes to the financial statements on pages 65–67.

Increases in Merita Ltd's share capital 1992–1996

Form and time of increase	Subscription ratio or subscriber	Subscription price, FIM	Number of new shares	Dividend entitlement	Increase in share capital FIM million	New share capital FIM million
Rights issue 13.9.–13.10.1993	3:1 100 new shares for 1 conv. 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.–13.10.1993	public	A:15.70	A: 30 000 000	1/1 1994	300.0	4 659.9
Directed issue 3.11.1993	Government Guarantee Fund	A:15.90	A: 18 000 000	1/1 1994	180.0	4 839.9
Directed issue 29.12.1995	1 new Merita Ltd share for each 3 Kansallis-Yhtymä Oy shares	A:10.00	A:346 457 170	1/1 1995	3 464.6	8 304.5

* *The financial statements of Merita Ltd and the Merita Group and the proposal of the Board of Directors for the disposal of the profit are presented on pages 37–43 and 51–74.* *

Helvi Koskinen likes to transact her over-the-counter business with friendly and familiar Merita staff. For bill payments, she uses the Bank's direct debit or standing order service.



Financial and share-related indicators

The financial and share-related indicators in this Annual Report have been calculated in accordance with Finnish Financial Supervision regulations as follows:

Share-related indicators

Earnings/share (EPS):

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

Effective dividend yield, %:

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

Trading average (share-issue-adjusted):

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

Trading volume, %:

$$\frac{\text{Number of shares traded during the period}}{\text{Adjusted number of shares, year average}} \times 100$$

Market capitalization on closing day:

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

Equity /share:

$$\frac{\text{Equity (incl. voluntary reserves and depreciation difference after deduction of deferred tax liability)}}{\text{Adjusted number of shares on closing day}}$$

Dividend payout ratio, % :

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

Dividend/share:

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

Price/earnings ratio (P/E):

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

Financial indicators

Turnover:

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

Return on assets, % (ROA):

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

Income/cost ratio:

$$\frac{\text{Net income from financial operations} + \text{dividend income} + \text{commission income} + \text{net income from securities trading and foreign exchange dealing} + \text{other operating income}}{\text{Commission expenses} + \text{administrative expenses} + \text{depreciation} + \text{other operating expenses}}$$

Return on equity, % (ROE):

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

Equity to total assets, %:

$$\frac{\text{Equity (incl. voluntary reserves and depreciation difference after deduction of deferred tax liability) + minority interest}}{\text{Total assets on closing day}} \times 100$$

Average number of employees:

Average of number of employees calculated per end of each month during the period

The balance sheet item Preferred capital investments is not included in equity capital in the calculation of these indicators.

Exchange rates 31.12.1996 (The Bank of Finland's rates of exchange for key currencies)

FIM 1.0000	GBP 7.8690	DEM 2.9880	BEF 0.1449	FRF 0.8862	SGD 3.3158
USD 4.6439	SEK 0.6748	NLG 2.6624	CHF 3.4392	JPY 0.0400	ECU 5.7700

Merita in figures ¹

Merita Group 31.12., FIM million	1992	1993	1994	Adjusted 1994	1995	1996
Turnover	16 963	14 141	13 104	12 259	20 554	22 455
Net income from financial operations	1 702	2 182	2 359	2 636	3 841	4 095
% of turnover	10.0	15.4	18.0	21.5	18.7	18.2
Profit/loss on ordinary operations	-2 702	-2 564	-1 273	-1 273	491	1 203
% of turnover	-15.9	-18.1	-9.7	-10.4	2.4	5.4
Profit/loss before appropriations and taxes	-2 599	-2 564	-1 173	-1 173	-126	2 021
% of turnover	-15.3	-18.1	-8.9	-9.6	-0.6	9.0
Profit/loss on ordinary operations after taxes	-2 670	-2 798	-1 307	-1 299	398	1 000
% of turnover	-15.7	-19.8	-10.0	-10.6	1.9	4.5
Equity capital	9 269	8 322	7 492	7 478	12 928	14 788
Total assets	149 145	153 786	151 723	151 640	278 683	271 950
Earnings/share, FIM (EPS)	-7.42	-7.14	-2.63	-2.61	0.52	1.19
Dividend payout ratio, %	-	-	-	-	-	21.6
Equity capital/share, FIM ²	20.66	13.58	11.03	11.00	10.62	12.85
Return on assets, % (ROA)	-1.78	-1.85	-0.86	-0.85	0.18	0.36
Return on equity, % (ROE) ²	-30.1	-39.0	-21.5	-21.5	5.5	10.0
Equity to total assets, % ²	5.1	4.4	3.5	3.5	3.3	4.0
Capital adequacy ratio, %	11.1	11.1	10.7	10.7	10.3	11.1
Other income	1 945	2 377	3 056	2 750	4 317	5 192
Administrative and operating expenses	2 585	2 747	3 086	3 057	5 434	5 646
Loan and guarantee losses	3 262	3 773	3 180	3 180	1 726	1 495
Funding	131 281	136 855	134 881	136 157	247 343	242 497
Lending	119 879	120 865	122 241	123 375	219 768	218 410
Contingent liabilities	34 026	31 244	27 712	27 712	44 039	45 704
Gross capital expenditure on fixed assets	1 548	440	483	483	979	1 173
% of turnover	9.1	3.1	3.7	3.9	4.8	5.2
Number of employees, 31.12.	8 474	8 163	9 302	9 302	15 881	13 943
Number of employees, annual average	8 674	8 308	9 335	9 335	15 431	14 755

Merita Bank Group 31.12., FIM million	1992	1993	1994	Adjusted 1994	1995	1996
Turnover	16 787	13 872	12 371	11 525	17 227	17 916
Net income from financial operations	1 735	2 162	2 447	2 691	3 871	4 582
Profit/loss on ordinary operations	-2 595	-2 509	-1 427	-1 427	425	1 116
% of turnover	-15.5	-18.1	-11.5	-12.4	2.5	6.2
Profit/loss before appropriations and taxes	-2 181	-2 662	-1 364	-1 364	-132	1 322
% of turnover	-13.0	-19.2	-11.0	-11.8	-0.8	7.4
Profit/loss on ordinary operations after taxes	-2 587	-2 522	-1 477	-1 469	426	904
Equity capital	8 462	7 669	7 718	7 703	12 622	13 729
Return on assets, % (ROA)	-1.77	-1.68	-0.97	-0.96	0.20	0.33
Return on equity, % (ROE) ²	-33.5	-39.0	-25.1	-25.0	6.0	9.9
Equity to total assets, % ²	4.5	4.0	3.7	3.6	3.1	3.6
Total assets	147 802	153 338	152 139	152 055	274 862	267 573
Contingent liabilities	34 026	31 366	27 797	27 797	48 274	48 940
Capital adequacy ratio, %	10.6	10.4	11.0	11.0	10.9	11.3
Income/cost ratio	1.22	1.40	1.50	1.56	1.39	1.49
Employees (man hours per year)	6 792	6 298	7 157	7 157	11 706	11 247
Domestic branches	338	371	375	375	674	553
Foreign branches	5	5	5	5	5	6

¹ The indicators are calculated using the formulas shown on page 34. 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 amended regulations. The Kansallis Banking Group and the Unitas Group merged on 1.4.1995 and the 1995 and 1996 figures are therefore not comparable with each other or with those for earlier years.

² The balance sheet item "Preferred capital investments" is not included in equity capital.

Jukka Ilvestie's dream has come true. He is studying to become a professional pilot.

"I needed a loan to finance my studies, and I talked to Merita. They provide attentive service also to young people."



Merita Ltd and Merita Bank Ltd
Financial information

Merita Ltd – Consolidated profit and loss account

FIM million	1.1.–31.12.1996		1.1.–31.12.1995 ¹		Note no
Interest income					34
On receivables from credit institutions and central banks	1 728		1 258		
On receivables from the public and public sector organizations	9 074		10 157		
On debt securities	1 826		2 826		
Other interest income	<u>160</u>	12 789	<u>324</u>	14 565	
Net income from leasing operations		309		302	
Interest expenses ²					34
On liabilities to credit institutions and central banks	1 711		2 339		
On liabilities to the public and public sector organizations	3 651		4 724		
On debt securities issued to the public	2 504		3 152		
On subordinated liabilities	798		725		
On preferred capital investments	238		44		
Other interest expenses	<u>101</u>	-9 003	<u>41</u>	-11 026	
Net income from financial operations		4 095		3 841	
Dividend income		219		139	34
Commission income		2 303		2 078	
Commission expenses		-42		-15	
Net income from securities trading and foreign exchange dealing					
Net income from securities trading					
Debt securities	230		77		
Shares and participations	919		653		
Other	<u>-35</u>	1 114	<u>42</u>	773	
Net income from foreign exchange dealing		<u>216</u>	<u>270</u>	1 043	
Other operating income		1 381		1 072	23
Administrative expenses					
Personnel expenses					
Wages and salaries	2 242		2 199		
Pension expenses	360		424		28
Other social security expenses	266		288		
Other personnel expenses	<u>95</u>	2 963	<u>84</u>	2 994	
Other administrative expenses		<u>1 006</u>		<u>920</u>	-3 913
Depreciation		-1 046		-522	
Other operating expenses		-1 677		-1 520	23
Loan and guarantee losses					24
Loan and guarantee losses	1 495		2 126		
Change in unallocated write-offs	<u>-</u>	-1 495	<u>-400</u>	-1 726	
Write-downs on securities held as financial fixed assets		-6		-11	
Share of profit/loss of companies carried under the equity method		110		26	
Profit on ordinary operations		1 203		491	
Extraordinary income		1 232		11	37
Extraordinary expenses		-414		-628	37
Profit/loss before appropriations and taxes		2 021		-126	
Increase (-) / decrease (+) in voluntary reserves and depreciation difference		-86		293	20
Direct taxes					
Taxes for the year and previous years	130		241		
Increase (-) / decrease (+) in deferred tax liability	<u>-74</u>	-204	<u>147</u>	-94	
Minority interest		-11		-14	
Profit for the year		1 720		59	

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

² Comparative figures have been adjusted for transfers between individual items.

Merita Ltd – Profit and loss account

FIM million	1.1.–31.12.1996		1.1.–31.12.1995		Note no
Interest income					34
On receivables from credit institutions and central banks	5		9		
On debt securities	91		104		
Other interest income	<u>10</u>	106	<u>2</u>	115	
Interest expenses					34
On liabilities to credit institutions and central banks	1		–		
On debt securities issued to the public	222		214		
On subordinated liabilities	55		73		
Other interest expenses	<u>1</u>	–280	<u>5</u>	–291	
Net income from financial operations		–173		–177	
Dividend income		392		8	34
Commission income		0		0	
Commission expenses		–0		–	
Net income from securities trading and foreign exchange dealing					
Net income from securities trading					
Debt securities	5		1		
Shares and participations	231		–10		
Other	<u>–</u>	236	<u>0</u>	–9	
Other operating income		12		226	23
Administrative expenses					
Personnel expenses					
Wages and salaries	7		7		25
Pension expenses	–3		1		28
Other social security expenses	1		0		
Other personnel expenses	<u>0</u>	5	<u>0</u>	9	
Other administrative expenses		<u>29</u>	<u>21</u>	–30	
Depreciation		–0		–1	
Other operating expenses		–66		–7	23
Loan and guarantee losses		–39		–	24
Write-downs on securities held as financial fixed assets		–36		–1	
Profit on ordinary operations		291		10	
Extraordinary income		772		–	37
Extraordinary expenses		–		–2	
Profit before appropriations and taxes		1 063		8	
Increase (–) / decrease (+) in voluntary reserves and depreciation difference					
Change in reserve for general banking risks	8		–		
Change in other voluntary reserves	<u>123</u>	130	<u>–</u>	–	
Direct taxes		–67		–12	
Profit/loss for the year		<u>1 126</u>		<u>–4</u>	

Merita Ltd – Consolidated balance sheet

FIM million	31.12.1996		31.12.1995		Note no
Assets					
Liquid assets					
Cash in hand		962		1 364	
Receivables from central banks repayable on demand		<u>2 060</u>	3 022	<u>6 724</u>	8 088
Receivables from credit institutions and central banks					
Receivables from central banks not repayable on demand		22		24	2,5,7
Receivables from credit institutions repayable on demand	1 119			2 457	
Other	<u>42 166</u>	<u>43 285</u>	43 307	<u>29 991</u>	32 472
Receivables from the public and public sector organizations					
Unallocated write-offs			142 373		149 258
			-200		-200
Leased assets					
			4 270		3 938
Debt securities					
Issued by public sector organizations		11 070		15 755	1,2,5,
Other		<u>21 882</u>	32 952	<u>22 507</u>	7,10,11
Shares and participations					
			4 617		4 423
Shares and participations in associated companies and subsidiaries					
Credit institutions		3		12	
Other		<u>3 566</u>	3 569	<u>3 576</u>	3 588
Intangible assets					
Group consolidation goodwill		747		852	13
Other intangible assets		<u>147</u>	893	<u>63</u>	915
Tangible assets					
Land and buildings					13
Owner-occupied	3 074			4 876	14
Other	<u>10 700</u>	13 775		<u>7 884</u>	12 761
Shares and participations in real estate companies					14,15
Owner-occupied	730			1 060	
Other	<u>6 862</u>	7 593		<u>5 735</u>	6 795
Machinery and equipment		774		799	
Other tangible assets		<u>601</u>	22 743	<u>790</u>	21 145
Other assets					
Cash items in the process of collection		1 176		1 894	
Guarantee claims		1 011		1 484	
Other		<u>785</u>	2 972	<u>3 163</u>	6 541
Accruals and prepayments					
Interest		7 979		7 846	
Other		<u>3 453</u>	11 432	<u>2 407</u>	10 253
			<u>271 950</u>		<u>278 683</u>

Liabilities and shareholders' funds**Liabilities****Due to credit institutions and central banks**

Due to central banks		486			4 448				2
Due to credit institutions									
Repayable on demand	2 161				942				
Other	38 494	40 655	41 141		36 839	37 781		42 229	

Due to the public and public sector organizations

Deposits									2
Repayable on demand	79 241				74 073				
Other	48 694	127 935			61 016	135 089			
Other liabilities		11 612	139 547			12 075		147 164	

Debt securities issued to the public

Bonds		6 285						14 259	1,2,17
Other		41 437	47 722					33 561	

Other liabilities

Cash items in the process of collection		4 712						6 045	
Other		2 689	7 401					2 769	8 815

Accruals and deferred income

Interest		6 419						5 605	
Other		1 913	8 332					1 159	6 764

Statutory provisions

Pension provisions		93						81	38
Other statutory provisions		743	836					752	833

Subordinated liabilities

			11 884					11 808	17-19
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Deferred tax liability

			97					23	
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Minority interest

			203					298	
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Equity capital

Restricted equity									20
Share capital	8 305				8 305				31
Ordinary reserve	339				521				
Revaluation reserve	261				261				
Preferred capital investments	4 120	13 024			4 112	13 199			32
Non-restricted equity									
Loss from previous years	-287				-520				
Transferred from voluntary reserves and depreciation difference	331				191				
Profit for the year	1 720	1 763	14 788		59	-270		12 928	

			271 950						
--	--	--	---------	--	--	--	--	--	--

								278 683	
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Off-balance-sheet commitments

Commitments on behalf of customers in favour of third parties									26
Bills of exchange	735				1 202				
Guarantees and pledges	28 417	29 152			38 483	39 685			
Irrevocable commitments in favour of customers		16 552	45 704			4 354		44 039	

Merita Ltd – Balance sheet

FIM million	31.12.1996		31.12.1995		Note no
Assets					
Receivables from credit institutions and central banks					
Receivables from central banks repayable on demand		39		85	2
Debt securities					
Issued by public sector organizations	46		336		1,2,7,10,11
Other	905	951	1 098	1 434	
Shares and participations					
Shares and participations in Group associated companies					
Other than credit institutions		–		12	10–13
Shares and participations in Group companies					
Credit institutions	8 863		8 863		13,36
Other	1 754	10 617	1 649	10 513	13,36
Intangible assets					
		0		0	13
Tangible assets					
Land and buildings					13
Owner-occupied	0		6		14
Other	13	13	7	13	
Machinery and equipment		1		0	
Other tangible assets		0	0	14	
Other assets					
Guarantee claims		4		–	
Other		9		421	421
Accruals and prepayments					
Interest		27		61	
Other		801		57	117
		<u>13 549</u>		<u>13 503</u>	
Liabilities and shareholders' funds					
Liabilities					
Due to credit institutions and central banks					
Due to credit institutions		649		–	2
Debt securities issued to the public					
Bonds	2 177		2 521		1,2,17
Other	49	2 226	1 246	3 766	
Other liabilities					
		6		98	
Accruals and deferred income					
Interest		92		53	
Other		8		32	85
Statutory provisions					
Pension provisions		2		2	38
Other statutory provisions		19		–	2
Voluntary reserves and depreciation difference					
Reserve for general banking risks		–		8	
Other voluntary reserves		–		123	130
Subordinated liabilities					
		906		906	18,19
Equity capital					
Restricted equity					
Share capital	8 305		8 305		20
Ordinary reserve	211	8 516	394	8 698	31
Non-restricted equity					
Reversals of revaluations		–		–178	
Profit/loss for the year	1 126	1 126	–4	–182	8 516
		<u>13 549</u>		<u>13 503</u>	
Off-balance-sheet commitments					
Commitments on behalf of customers in favour of third parties					
Guarantees and pledges		246		710	710
		<u>246</u>		<u>710</u>	

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

Proposals of the Board of Directors to the General Meeting of Shareholders

Result for the year and respective action

The consolidated distributable equity capital as at 31st December 1996 is FIM 1,432 million.

The non-restricted equity capital of the parent company as at 31st December 1996 is FIM 1,125,780,686.70.

FIM 1,125,780,686.70 of this has arisen from the year under review.

We propose that:

1. A dividend be paid as follows:

– FIM 0.20 on A shares, totalling	FIM 152,650,289.80
– FIM 1.60 on B shares, totalling	FIM 107,520,000.00
	<u>FIM 260,170,289.80</u>
2. FIM 865,610,396.90 of the profit for the year be retained in the profits account.

Helsinki, 12th February 1997

Timo Peltola
Casimir Ehrnrooth
Jouko K. Leskinen
Vesa Vainio

E.J.Toivanen
Veikko Jääskeläinen
Tauno Matomäki
Iiro Viinanen

Auditors' Report

to the shareholders of Merita Ltd

We have audited the accounting records and the financial statements as well as the governance by the Board of Directors and the Chief Executive of Merita Ltd for the financial year 1996. 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 governance.

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 statements presentation. The purpose of our audit of the governance 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 regarding the distribution of retained earnings 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, 12th February 1997

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.–31.12.1996		1.1.–31.12.1995 ¹		Note no
Interest income					34
On receivables from credit institutions and central banks	1 729			1 152	
On receivables from the public and public sector organizations	9 227			9 112	
On debt securities	2 025			2 764	
Other interest income	<u>149</u>	13 130		<u>446</u>	13 474
Net income from leasing operations		311			256
Interest expenses ²					34
On liabilities to credit institutions and central banks	1 688			2 022	
On liabilities to the public and public sector organizations	3 591			4 293	
On debt securities issued to the public	2 443			2 737	
On subordinated liabilities	799			646	
On preferred capital investments	238			44	
Other interest expenses	<u>100</u>	<u>-8 860</u>		<u>117</u>	-9 858
Net income from financial operations		4 582			3 871
Dividend income		168			50
Commission income		2 302			1 890
Commission expenses		-30			-11
Net income from securities trading and foreign exchange dealing					
Net income from securities trading					
Debt securities	223		113		
Shares and participations	593		264		
Other	<u>-31</u>	<u>786</u>	<u>49</u>	426	
Net income from foreign exchange dealing		<u>217</u>		<u>223</u>	648
Other operating income		331			510
Administrative expenses					
Personnel expenses					
Wages and salaries	2 176		1 937		
Pension expenses	351		351		28
Other social security expenses	258		253		
Other personnel expenses	<u>94</u>	<u>2 880</u>	<u>73</u>	2 615	
Other administrative expenses		<u>996</u>		<u>814</u>	-3 429
Depreciation		-385			-320
Other operating expenses		-1 336			-1 255
Loan and guarantee losses					24
Loan and guarantee losses	1 507			1 973	
Change in unallocated write-offs	<u>-</u>	<u>-1 507</u>		<u>-400</u>	-1 573
Write-downs on securities held as financial fixed assets		-6			-3
Share of profit/loss of companies carried under the equity method		-130			46
Profit on ordinary operations		1 116			425
Extraordinary income		646			11
Extraordinary expenses		-440			-568
Profit/loss before appropriations and taxes		1 322			-132
Increase (-) / decrease (+) in voluntary reserves and depreciation difference		-190			220
Direct taxes					
Taxes for the year and previous years	138			119	
Increase (-) / decrease (+) in deferred tax liability	<u>-74</u>	<u>-212</u>		<u>120</u>	1
Minority interest		-11			-15
Profit for the year		909			74

¹ 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.

² Comparative figures have been adjusted for transfers between individual items.

Merita Bank Ltd – Profit and loss account

FIM million	1.1.–31.12.1996		1.1.–31.12.1995 ¹		Note no
Interest income					34
On receivables from credit institutions and central banks	2 217		1 557		
On receivables from the public and public sector organizations	8 219		7 972		
On debt securities	2 065		2 805		
Other interest income	<u>130</u>	12 631	<u>383</u>	12 718	
Interest expenses²					34
On liabilities to credit institutions and central banks	1 782		2 039		
On liabilities to the public and public sector organizations	3 488		4 113		
On debt securities issued to the public	2 339		2 505		
On subordinated liabilities	793		635		
On preferred capital investments	238		44		
Other interest expenses	<u>90</u>	-8 731	<u>71</u>	-9 407	
Net income from financial operations		3 900		3 311	
Dividend income		408		251	34
Commission income		1 958		1 611	
Commission expenses		-26		-8	
Net income from securities trading and foreign exchange dealing					
Net income from securities trading					
Debt securities	228		88		
Shares and participations	589		242		
Other	<u>-33</u>	784	<u>77</u>	407	
Net income from foreign exchange dealing		<u>212</u>	<u>207</u>	613	
Other operating income		422		678	23
Administrative expenses					
Personnel expenses					
Wages and salaries	2 011		1 762		25
Pension expenses	333		319		28
Other social security expenses	244		239		
Other personnel expenses	91		71		
Other administrative expenses	<u>928</u>	-3 607	<u>758</u>	-3 148	
Depreciation		-351		-232	
Other operating expenses		-1 273		-1 186	23
Loan and guarantee losses					24
Loan and guarantee losses	1 493		1 899		
Change in unallocated write-offs	<u>-</u>	-1 493	<u>-400</u>	-1 499	
Write-downs on securities held as financial fixed assets					
Write-downs (-)	-		63		
Reversals of write-downs (+)	-	-	125	62	
Profit on ordinary operations		933		453	
Extraordinary income		626		693	37
Extraordinary expenses		-401		-564	37
Profit before appropriations and taxes		1 159		581	
Direct taxes		-120		-48	
Profit for the year		1 039		533	

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

² Comparative figures have been adjusted for transfers between individual items.

Merita Bank Ltd – Consolidated balance sheet

FIM million	31.12.1996		31.12.1995		Note no
Assets					
Liquid assets					
Cash in hand		962		1 364	
Receivables from central banks repayable on demand	2 060	3 022	6 724	8 088	
Receivables from credit institutions and central banks					
Receivables from central banks not repayable on demand		22		24	2,5,7
Receivables from credit institutions repayable on demand	1 115		2 445		
Other	42 162	43 277	29 989	32 434	32 457
Receivables from the public and public sector organizations					
Unallocated write-offs		145 260		151 865	2,4,5,7
		-200		-200	6
Leased assets					
		4 270		3 938	9,14
Debt securities					
Issued by public sector organizations		11 022		15 418	1,2,5,
Other	26 338	37 360	27 036	42 454	7,10,11
Shares and participations					
		2 909		2 877	10-13,15
Shares and participations in associated companies and subsidiaries					
Credit institutions		3		13	
Other	16 555	16 558	16 821	16 834	13,36
Intangible assets					
Group consolidation goodwill		64		67	13
Other intangible assets		88		61	128
Tangible assets					
Land and buildings					13
Owner-occupied	60		91		14
Other	22	83	28	119	
Shares and participations in real estate companies					14,15
Owner-occupied	13		10		
Other	1	14	2	13	
Machinery and equipment		691		759	
Other tangible assets		403		445	1 336
Other assets					
Cash items in the process of collection		1 176		1 894	
Guarantee claims		1 007		1 484	
Other		738		1 443	4 821
Accruals and prepayments					
Interest		8 060		7 864	
Other		2 772		2 398	10 263
		<u>267 573</u>		<u>274 862</u>	

FIM million

31.12.1996

31.12.1995

Note no

Liabilities and shareholders' funds**Liabilities****Due to credit institutions and central banks**

Due to central banks		486			4 448				2
Due to credit institutions									
Repayable on demand	2 161				942				
Other	37 355	39 516	40 002		36 590	37 533		41 980	

Due to the public and public sector organizations

Deposits									2
Repayable on demand	79 342				74 664				
Other	48 695	128 037			61 050	135 715			
Other liabilities		10 274	138 311			11 032		146 746	

Debt securities issued to the public

Bonds		5 865						13 135	1,2,17
Other		41 481	47 345					32 257	

Other liabilities

Cash items in the process of collection		4 712						6 045	
Other		2 518	7 229					2 634	8 679

Accruals and deferred income

Interest		6 386						5 572	
Other		1 845	8 231					1 093	6 664

Statutory provisions

Pension provisions		91						79	38
Other statutory provisions		634	725					727	806

Subordinated liabilities

11 871 11 807 17-19

Deferred tax liability

97 23

Minority interest

32 143

Equity capital

Restricted equity									20
Share capital	6 024				6 024				31
Ordinary reserve	2 180				2 180				
Revaluation reserve	248				248				
Preferred capital investments	4 120	12 572			4 112	12 564			32
Non-restricted equity									
Loss from previous years	-1				-74				
Transferred from voluntary reserves and depreciation difference	250				58				
Profit for the year	909	1 157	13 729		74	58		12 622	

267 573274 862**Off-balance-sheet commitments**

Commitments on behalf of customers in favour of third parties									26
Bills of exchange	735				1 202				
Guarantees and pledges	31 644	32 379			42 664	43 866			
Irrevocable commitments in favour of customers		16 562	48 940			4 408		48 274	

Merita Bank Ltd – Balance sheet

FIM million	31.12.1996		31.12.1995		Note no
Assets					
Liquid assets					
Cash in hand		961		1 363	
Receivables from central banks repayable on demand		<u>2 060</u>	3 021	<u>6 724</u>	8 087
Receivables from credit institutions and central banks					
Receivables from central banks not repayable on demand		22		24	2,7
Receivables from credit institutions repayable on demand	1 107			2 423	
Other	<u>53 892</u>	<u>54 999</u>	55 021	<u>39 206</u>	41 653
Receivables from the public and public sector organizations					
Unallocated write-offs		<u>132 871</u>	132 671	140 226	2,4,5,7
		-200		-200	6
Debt securities					
Issued by public sector organizations		10 937		15 359	1,2,5,7,10,11
Other		<u>26 940</u>	37 877	<u>28 531</u>	43 890
Shares and participations					
			2 847		2 820
Shares and participations in Group associated companies					
Other than credit institutions			14 760		15 029
Shares and participations in Group companies					
Credit institutions		1 928		2 055	13,36
Other		<u>2 048</u>	3 976	<u>1 952</u>	4 007
Intangible assets					
			81		53
Tangible assets					
Land and buildings					13
Owner-occupied				56	13
Other	27	48		26	14
Shares and participations in real estate companies	<u>21</u>				82
Owner-occupied				6	14,15
Other	9	10		0	7
Machinery and equipment	<u>0</u>	658		727	
Other tangible assets		<u>430</u>	1 146	<u>455</u>	1 270
Other assets					
Cash items in the process of collection		1 176		1 869	
Guarantee claims		1 008		1 482	
Other		<u>710</u>	2 894	<u>1 424</u>	4 775
Accruals and prepayments					
Interest		8 123		7 978	
Other		<u>2 594</u>	10 717	<u>2 226</u>	10 204
			<u>265 011</u>		<u>271 815</u>

FIM million

31.12.1996

31.12.1995

Note no

Liabilities and shareholders' funds**Liabilities****Due to credit institutions and central banks**

Due to central banks		486			4 448			2
Due to credit institutions								
Repayable on demand	2 144			928				
Other	<u>39 419</u>	<u>41 563</u>	<u>42 048</u>	<u>38 435</u>	<u>39 363</u>		43 811	

Due to the public and public sector organizations

Deposits								2
Repayable on demand	79 372			74 707				
Other	<u>47 355</u>	<u>126 728</u>		<u>59 723</u>	134 430			
Other liabilities		<u>9 404</u>	<u>136 132</u>		<u>10 129</u>		144 559	

Debt securities issued to the public

Bonds		4 283			10 919			1,2,17
Other		<u>41 752</u>	<u>46 036</u>		<u>32 794</u>		43 713	

Other liabilities

Cash items in the process of collection		4 546			5 969			
Other		<u>2 327</u>	<u>6 873</u>		<u>2 510</u>		8 479	

Accruals and deferred income

Interest		6 366			5 468			
Other		<u>1 582</u>	<u>7 948</u>		<u>855</u>		6 323	

Statutory provisions

Pension provisions		88			76			38
Other statutory provisions		<u>601</u>	<u>690</u>		<u>683</u>		759	

Subordinated liabilities

			<u>11 814</u>				11 747	17-19
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Equity capital

Restricted equity								20
Share capital	6 024			6 024				31
Ordinary reserve	<u>2 052</u>			<u>2 052</u>				
Preferred capital investments	<u>4 120</u>	<u>12 196</u>		<u>4 112</u>	12 188			32
Non-restricted equity								
Profit/loss from previous years	236			-17				
Reversals of revaluations	-			-280				
Profit for the year	<u>1 039</u>	<u>1 275</u>	<u>13 471</u>	<u>533</u>	236		12 424	

265 011271 815**Off-balance-sheet commitments**

Commitments on behalf of customers								26
in favour of third parties								
Bills of exchange	734			1 187				
Guarantees and pledges	<u>34 269</u>	<u>35 003</u>		<u>44 073</u>	45 260			
Irrevocable commitments in favour of customers		<u>13 051</u>	<u>48 054</u>		<u>3 519</u>		<u>48 780</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 of Shareholders

Result for the year and respective action

The consolidated distributable equity capital as at 31st December 1996 is FIM 907 million.

The non-restricted equity capital of the parent company as at 31st December 1996 is FIM 1,274,920,529.43, consisting of the following items:

– profit for the year	FIM 1,038,885,104.20
– profit from previous years	FIM 236,035,425.23
	<u>FIM 1,274,920,529.43</u>

We propose that:

1. A dividend of FIM 0.70 be paid per share, totalling FIM 421,676,722.60
2. For worthy public causes be reserved FIM 1,500,000
3. FIM 615,708,381.60 of the profit for the year be retained in the profits account. Including the profit from previous years, the undistributed profit funds thus amount to FIM 851,743,806.83.

Helsinki, 11th February 1997

Vesa Vainio
Markku Pohjola
Kalevi Kontinen

Pertti Voutilainen
Eino Halonen
Jorma Laakkonen

Carl-Johan Granvik
Kari Jordan
Ari Laakso

Statement of the Supervisory Board

The financial statements of Merita Bank Ltd for the year 1996 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, 11th February 1997

For and on behalf of the Supervisory Board:

Maunu Ihalainen

Edward Andersson

Aino Sallinen

Auditors' Report

to the General Meeting of Merita Bank Ltd

We have audited the accounting records and the financial statements as well as the governance by the Supervisory Board, the Board of Management and the Chief Executive of Merita Bank Ltd for the financial year 1996. 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 governance.

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 statements presentation. The purpose of our audit of the governance 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, the President, the Deputy 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 regarding the distribution of retained earnings is in compliance with Finnish legislation.

Helsinki, 12th February 1997

Eric Haglund
Authorized Public Accountant

Pekka Nikula
Authorized Public Accountant

Mauri Palvi
Authorized Public Accountant

Mauno Tervo
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.

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.

However, real estate companies have not been consolidated, where they may be excluded from consolidated financial statements due to their minor significance. Pursuant to permission of the Finnish 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 (foreclosed assets) or for the reorganization of customers' business operations, are not included in the consolidated financial statements.

Information on Group and associated companies and their treatment in the consolidated financial statements is provided in Notes to the financial statements on pages 68–74.

Consolidation

The financial statements of Group companies which are credit or financial institutions or investment service, fund management or ancillary service companies 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 accounting principles applied in consolidation are discussed in Notes to the financial statements on page 74.

Foreign currency items

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

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 this amount differs from the nominal value, the difference is spread over the maturity period as interest. Where the estimated realizable value 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 estimated realizable value.

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 not held as financial fixed assets are reported at the lower of cost or estimated realizable value. The estimated realizable value applied in respect of listed securities is the final closing price of the year. The estimated realizable value 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 discounted by market rate of interest.

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

Securities held as financial fixed assets

Shares in subsidiaries and associated companies, other shares 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 estimated realizable value of such securities is permanently lower than cost, the difference is recognized as expenses. Any difference between the cost and nominal value of debt securities is accrued in interest income.

Tangible and intangible assets and depreciation

Real estate shares are entered in the balance sheet at cost or, where the estimated realizable value is permanently lower than cost, at the estimated realizable value. Buildings and other tangible and intangible assets are carried at cost less depreciation according to plan. Where their estimated realizable value is permanently lower than book value, the difference is booked under expenses as additional depreciation. Variable costs arising from acquisition of tangible and intangible assets are included in the cost of the asset.

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.

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 mainly over 40–60 years. Other acqui-

sition costs of tangible and intangible assets are depreciated under the straight line method mainly 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 depreciation difference 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 or purchased on binding repurchase and resale terms and securities lent are included in the original balance sheet item irrespective of the agreement. Any difference between the sale and purchase price is recognized as interest and spread over the life of the agreement. Securities borrowed are not entered in the balance sheet.

Statutory provisions

The balance sheet item “Statutory provisions” covers liability for pensions payable out of Group companies’ funds and other specific future expenditure and losses the incurrance of which is probable. Items relating to valuation of assets are entered as deductions from the corresponding asset item.

Voluntary reserves

Finnish legislation permits general reserves in accounting. These voluntary reserves relate to taxation and their amount does not reflect envisaged risks. The voluntary reserves of Group companies are broken down in the consolidated balance sheet into equity capital and deferred tax liability. In accordance with the Finnish Financial Supervision regulation, separate items for the change in voluntary reserves adjusted with deferred tax liability, and the change in deferred tax liability are shown on the profit and loss account. No part of voluntary reserves is included in equity

capital for the purpose of calculating 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 type 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, loan loss provisions against specific items, losses on the sale of assets acquired to replace a receivable arising out of financing a customer and write-downs not based on public quotations, 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 amount. Recoveries of items previously written off as loan losses are reversed against current period loan losses. For the determination of write-offs collateral assets are valued at estimated realizable value 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 were reported in the 1993 and 1994 accounts 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 90 days past due. In the case of customers declared bankrupt a receivable is entered as non-performing as of the bankruptcy declaration date. Receivables based on guarantees are 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 are therefore not indicative of future loan losses.

Once an item has been classified as non-performing, interest receivables are deducted from income.

Extraordinary items

Exceptional income and expenses, significant in amount and unrelated to the ordinary business operations of Group companies, are classified as extraordinary income and expenses. Extraordinary items are specified in Notes to the financial statements on page 72.

Pension arrangements

The arrangement of pensions for employees and pension liabilities are discussed in Notes to the financial statements on page 64.

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 derivative contracts concerning specific items to be hedged, 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-related derivative contracts not concluded for hedging purposes is not entered as income.

Interest-type items arising from forward agreements are accrued as interest.

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

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. Notes 1–38 include corresponding consolidated figures.

1 Breakdown of debt securities under assets and debt securities issued to the public under liabilities at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Debt securities (assets)								
Certificates of deposit	12 097	6 037	–	–	12 097	6 036	11 990	6 036
Commercial paper	281	5 958	–	–	281	6 059	271	6 049
Treasury bills	2 024	6 659	–	33	2 022	6 624	2 015	6 599
Local authority paper	22	–	–	–	22	–	7	–
Subordinated debt securities	1 151	927	–	–	1 503	1 197	1 585	1 289
Convertible bonds	565	977	905	993	1 178	1 681	1 165	1 663
Bonds with equity warrants	–	683	–	–	–	683	–	683
Other bonds	16 537	16 779	46	344	19 872	19 802	20 657	21 349
Other	275	241	–	64	385	373	185	221
Total	32 952	38 262	951	1 434	37 360	42 454	37 877	43 890
Debt securities issued to the public								
Certificates of deposit	34 050	25 959	–	–	34 442	25 959	34 714	26 392
Commercial paper	348	1 324	49	1 246	–	20	–	–
Bonds	6 285	14 259	2 177	2 521	5 865	13 135	4 283	10 919
Other	7 039	6 278	–	–	7 039	6 278	7 039	6 402
Total	47 722	47 821	2 226	3 766	47 345	45 392	46 036	43 713

2 Maturity breakdown of receivables and liabilities 31.12.1996

	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	32 790	39	32 783	40 336
Receivables from the public and public sector organizations	20 132	–	20 860	18 579
Debt securities	25 522	–	25 672	25 897
<i>3–12 months</i>				
Receivables from credit institutions and central banks	9 239	–	9 238	10 601
Receivables from the public and public sector organizations	21 349	–	21 544	17 590
Debt securities	1 067	10	1 741	2 239
<i>1–5 years</i>				
Receivables from credit institutions and central banks	1 104	–	1 104	3 344
Receivables from the public and public sector organizations	54 518	–	56 626	50 896
Debt securities	4 524	25	6 725	6 659
<i>Over 5 years</i>				
Receivables from credit institutions and central banks	173	–	173	739
Receivables from the public and public sector organizations	46 173	–	46 031	45 606
Debt securities	1 840	917	3 222	3 082
Liabilities				
<i>Less than 3 months</i>				
Due to credit institutions and central banks	26 159	–	26 076	28 001
Due to the public and public sector organizations	59 201	–	59 057	57 694
Debt securities issued to the public	23 730	–	23 861	23 771
<i>3–12 months</i>				
Due to credit institutions and central banks	9 069	–	8 760	8 884
Due to the public and public sector organizations	18 266	–	18 199	17 857
Debt securities issued to the public	15 089	452	14 856	14 699
<i>1–5 years</i>				
Due to credit institutions and central banks	3 549	649	2 850	2 849
Due to the public and public sector organizations	34 471	–	34 193	34 125
Debt securities issued to the public	8 880	574	8 606	7 545
<i>Over 5 years</i>				
Due to credit institutions and central banks	2 364	–	2 316	2 314
Due to the public and public sector organizations	27 609	–	26 862	26 455
Debt securities issued to the public	22	1 200	22	22

Both the Merita Group and the Merita Bank Group had receivables from the public and public sector organizations payable on demand for FIM 61 million. Merita Bank Ltd had no such receivables. 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 31.12.1996

	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	5 290	38 017	39	–	5 286	38 012	15 033	39 988
Receivables from the public and public sector organizations	116 727	25 445	–	–	119 120	25 940	108 408	24 264
Debt securities	24 503	8 450	951	–	28 910	8 450	29 744	8 132
Other assets	47 921	5 598	12 558	1	36 805	5 050	34 601	4 841
Total	194 441	77 509	13 548	1	190 121	77 452	187 786	77 225
Liabilities								
Due to credit institutions and central banks	6 104	35 037	350	299	5 344	34 658	5 643	36 405
Due to the public and public sector organizations	126 961	12 586	–	–	125 718	12 593	125 088	11 044
Debt securities issued to the public	35 475	12 246	2 226	–	35 099	12 246	33 789	12 246
Subordinated liabilities	1 517	10 366	906	–	1 505	10 366	1 505	10 308
Other liabilities	11 445	5 125	126	–	11 069	5 116	10 067	5 444
Total	181 503	75 360	3 608	299	178 735	74 980	176 092	75 448

4 Receivables from the public and public sector organizations by sector and respective specific loan loss provisions at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Corporates	54 703	58 448	–	–	57 642	60 723	52 246	55 323
Financial and insurance institutions	205	1 451	–	–	205	1 451	202	1 442
Public sector organizations	1 795	2 088	–	–	1 795	2 088	1 137	1 520
Non-profit organizations	8 214	7 460	–	–	7 953	7 460	7 768	7 269
Households	64 495	67 272	–	–	64 495	67 272	59 687	62 976
Foreign borrowers	12 961	12 538	–	–	13 171	12 870	11 831	11 695
Unallocated credit write-off	–200	–200	–	–	–200	–200	–200	–200
Total	142 173	149 058	–	–	145 060	151 665	132 671	140 026

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Specific loan loss provisions 1.1.1996	8 774	–	–	–	8 774	8 774	–	–
New provisions made during the period (+)	1 280	–	–	–	1 277	1 205	–	–
Provisions unwound during the period (–)	446	–	–	–	401	340	–	–
Loan losses covered by specific loan loss provisions and realized during the period (–)	2 128	–	–	–	2 128	2 114	–	–
Specific loan loss provisions 31.12.1996	7 479	–	–	–	7 522	7 525	–	–

A breakdown of loan and guarantee losses booked before 1996 into realized loan losses and specific loan loss provisions is available in respect of Merita Bank Ltd only.

5 Debt securities held as financial fixed assets and other receivables: difference between the nominal value and the book value at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Difference between nominal value and lower book value								
Debt securities	111	137	–	–	116	137	114	107
Receivables from credit institutions and central banks	–	–	–	–	–	–	–	–
Receivables from the public and public sector organizations	266	326	–	–	266	326	261	326
Total	377	463	–	–	382	463	375	434

(continued)	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Difference between book value and lower nominal value								
Debt securities	363	93	-	-	362	93	355	91
Receivables from credit institutions and central banks	-	-	-	-	-	-	-	-
Receivables from the public and public sector organizations	-	-	-	-	-	-	-	-
Total	363	93	-	-	362	93	355	91

6 Non-performing and other zero-interest-rate receivables by sector at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Non-performing receivables								
Corporates	2 122	3 926	-	-	2 122	3 926	2 068	3 822
Financial and insurance institutions	16	55	-	-	16	55	16	55
Public sector organizations	-	-	-	-	-	-	-	-
Non-profit organizations	86	174	-	-	86	174	86	174
Households	1 548	2 005	-	-	1 548	2 005	1 490	1 919
Foreign borrowers	629	1 376	4	-	624	1 376	610	1 350
./. Unallocated credit write-off	-200	-200	-	-	-200	-200	-200	-200
Total ¹	4 201	7 337	4	-	4 196	7 337	4 070	7 121
% of receivables and contingent liabilities ²	2.0	3.5	0.4	-	2.0	3.4	2.1	3.5
Other zero-interest-rate receivables								
Corporates	1 499	2 349	-	-	1 750	2 872	1 690	2 810
Financial and insurance institutions	-	70	-	-	-	70	-	70
Public sector organizations	-	-	-	-	-	-	-	-
Non-profit organizations	4	76	-	-	4	76	4	76
Households	131	106	-	-	131	106	127	102
Foreign borrowers	324	184	-	-	468	343	468	353
./. Unallocated credit write-off	-	-	-	-	-	-	-	-
Total ¹	1 957	2 785	-	-	2 353	3 467	2 288	3 412
% of receivables and contingent liabilities ²	1.0	1.3	-	-	1.1	1.6	1.2	1.7

¹ In addition, non-performing and zero-interest-rate receivables for FIM 2 164 million carried at the risk of the Government Guarantee Fund (31.12.1995 FIM 2 239 million).

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 at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Debentures	440	447	-	-	596	605	674	698
of which issued by Group companies	-	-	-	-	-	-	83	93
by associated companies	1	-	-	-	1	-	-	-
Other debt securities	584	480	905	905	779	591	911	591
of which issued by Group companies	-	-	905	905	-	-	139	-
by associated companies	-	367	-	-	-	367	-	367
Receivables from credit institutions and central banks	-	8	-	-	-	8	350	310
of which from Group companies	-	-	-	-	-	-	350	310
from associated companies	-	-	-	-	-	-	-	-
Receivables from the public and public sector organizations	322	528	-	-	302	528	284	528
of which from Group companies	88	40	-	-	88	40	88	40
from associated companies	14	-	-	-	14	-	14	-
Total	1 346	1 464	905	905	1 678	1 733	2 219	2 127

Receivables from Group and associated companies include receivables from companies acquired to replace collateral security or for the reorganization of customers' business operations and not included in the consolidated accounts.

8 Loans and guarantees granted to members of controlling and administrative boards 31.12.1996

	Merita Ltd	Merita Bank Ltd
Members and deputy members of the Supervisory Board	–	210
Members and deputy members of the Board of Directors and the Board of Management, Chairman, President and Managing Directors	2	12
Auditors and deputy auditors	–	0

Incl. loans and guarantees granted by companies belonging to the Group or consolidation group concerned to members of controlling and administrative boards and to corporations or individuals sharing material financial interests with such members, as defined in the Credit Institutions Act.

9 Leased assets at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Prepayments	25	46	–	–	25	46	–	–
Machinery and equipment	2 721	2 164	–	–	2 721	2 164	–	–
Fixed assets and buildings	1 356	1 632	–	–	1 356	1 632	–	–
Other assets	168	96	–	–	168	96	–	–
Total	4 270	3 938	–	–	4 270	3 938	–	–

10 Book values of securities by asset type and securities lending 31.12.1996

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	Publicly listed	Other	Publicly listed	Other	Publicly listed	Other	Publicly listed	Other
Debt securities								
Not held as financial fixed assets		20 456		46		21 797		21 510
Other		12 497		905		15 562		16 367
Shares and participations								
Not held as financial fixed assets	2 699	239	55	–	2 142	235	2 134	202
Other	1 431	249	973	58	387	146	387	124
Securities lending								
Shares lent	9	–	–	–	1	–	1	–
Average loan period	0.5 mth	–	–	–	0.5 mth	–	0.5 mth	–

The Merita Group had no borrowed securities at the end of the period.
The breakdown and valuation policies are presented under Accounting policies.

11 Difference between market value and the lower book value of securities at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Securities not held as financial fixed assets								
Debt securities	159	131	4	11	147	121	151	137
Publicly listed shares and participations	815	161	12	–	610	107	608	106
Publicly listed shares and participations held as financial fixed assets	190	23	86	9	58	15	58	13

12 Long-term equity holdings 31.12.1996

<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 Bank Ltd					
Oy Datatie Ab, Helsinki	data communication	105	9.0	1	2
Helsinki Telephone Co., Helsinki	telecommunication	3 083	0.0	3	8
Helsinki Money Market Centre Ltd, Helsinki	money market clearing centre	9 850	14.5	10	10
Helsinki Halli Oy, Helsinki	multi-purpose hall	16	0.3	0	1
Indekon Oy, Lappeenranta	investment company	21 180	6.7	2	3
International Moscow Bank, Moscow	bank	3 300	12.0	41	44
Kehitysyhtiö Savon Teknia Oy, Kuopio	capital fund	48 127	9.3	2	3
MTV Finland, Helsinki	radio and TV operations	2 755	5.0	1	3
Nordberg Capital Inc., New York	investment bank	1 079	5.3	0	1
Oy Radiolinja Ab, Helsinki	telecommunication	944	2.2	5	5
Oy Wedeco Ab, Vaasa	capital investment	10	3.5	0	1
Pikespo Invest Oy, Tampere	development company	25 500	11.1	3	3
Finnish Central Securities Depository Ltd, Helsinki	central securities register	5 850	13.0	6	12
Central Share Register of Finland, Helsinki	registration of shares	20	4.8	1	1
TT Tieto Oy, Espoo	data processing	200 000	2.3	2	20
Sampo Insurance Co, Turku	insurance	957 643	6.3	19	367
Vuotekno Oy, Helsinki	promotion of business and industry	10	6.7	1	1

In addition, 152 companies the total book value of which is FIM 11 million.

Shares held by other Merita Bank Group companies

Helsinki Telephone Co., Helsinki	telecommunication	301	0.0	0	1
Helsinki Halli Oy, Helsinki	multi-purpose hall	24	0.4	0	2

In addition, 37 companies the total book value of which is FIM 3 million.

Shares held by Merita Ltd

Central Share Register of Finland, Helsinki	registration of shares	20	4.8	1	1
TT Tieto 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, Turku	insurance	1 850 516	12.2	37	672

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

Shares held by other Merita Group companies

Bastionen A/S, Copenhagen	real estate investment	30 000	4.5	32	32
Castrum Oy, Helsinki	real estate investment	1 485 752	11.4	15	9
Keskus Sato Oy, Helsinki	real estate investment	126 000	10.0	1	22
Suomen Tilirahoitus Oy, Helsinki	finance company	240	15.0	2	2
Tampereen Kiinteistöinvest Oy, Tampere	real estate investment	12 500	0.8	1	1
Tropiclandia Oy, Vaasa	spa hotel	1 400	9.3	1	1
Vaasan Matkailu Oy, Vaasa	travel agency	1 100	9.0	1	1
Pohjola Insurance Co., Helsinki	insurance	977 596	2.4	5	62

In addition, 36 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 period

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Land, buildings and shares in real estate companies				
Book value 1.1.1996	19 557	13	132	88
Increase ¹	2 756	1	16	1
Decrease	416	0	42	24
Depreciation ²	529	–	9	8
Book value 31.12.1996	21 368	13	97	57
Revaluations included in book value	717	–	–	–
Shares in subsidiaries and associated companies and other shares and participations				
Book value 1.1.1996	5 222	11 348	17 541	19 725
Increase ³	621	349	207	208
Decrease	587	13	650	685
Depreciation ⁴	7	36	87	–
Book value 31.12.1996	5 249	11 648	17 091	19 248
Revaluations included in book value	–	–	514	–
Machinery and equipment and other tangible and intangible items				
Book value 1.1.1996	2 504	1	1 332	1 235
Increase ⁵	712	0	359	335
Decrease	391	–	28	17
Depreciation ⁶	557	0	417	384
Book value 31.12.1996	2 268	1	1 247	1 169

No revaluations were made or reversed during the period.

¹ A good FIM 2 billion of the increase is due to the broadening of the consolidation base, see Note 40. The rest arises from various minor items (all < FIM 100 million).

² Incl. FIM 7 million entered under loan losses.

³ Major individual items: Reversal of write-downs on Sampo Insurance Company shares held by Merita Ltd, FIM 207 million, and an additional capital investment in Merita Life Assurance Ltd, FIM 137 million. Part of the increase stems from the book value, FIM 156 million, of Pitäjänmäen Kiinteistöt Oy, which became an associated company during the period. The corresponding real estate assets were previously included in leased assets.

⁴ Incl. items entered under write-downs on securities held as financial fixed assets.

⁵ A good FIM 100 million of the increase is due to the broadening of the consolidation base. The most significant investment under this item, FIM 106 million, is replacement of the Bank's workstations.

⁶ Incl. FIM 34 million entered under extraordinary expenses.

14 Book value of non-owner-occupied real estate holdings at the end of the period

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
	1996	1995	1996	1995
Domestic real estate holdings				
Residential premises	1 083	993	–	2
Business and office premises	12 368	9 701	13	7
Industrial real estate	1 089	767	–	–
Agricultural and forest land	–	360	–	–
Other land areas	1 398	711	–	–
Financial leasing properties ¹	1 356	1 632	1 356	1 632
Other	1 021	248	0	0
Foreign real estate holdings	603	840	–	–
Total	18 919	15 252	13	7
			1 380	1 663
			21	26

¹ Included in the balance sheet item Leased assets.

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

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Foreclosed assets								
Real estate holdings ¹	4 724	3 393	–	–	22	32	21	26
Other shares and participations	1 452	1 452	–	–	1 452	1 432	1 432	1 432
Other assets	74	2	–	–	1	1	1	1
Shares and participations acquired for the reorganization of customers' business operations	475	756	–	–	475	756	475	756
Total	6 725	5 602	–	–	1 950	2 221	1 929	2 215

¹ In addition, FIM 1.6 billion has been lent to foreclosed real estate companies.

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

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Assets pledged as collateral								
Debt securities	2 951	1 737	–	–	2 951	1 737	2 930	1 398
Shares and participations	137	113	4	15	103	63	103	63
Real estate holdings	479	581	–	–	–	–	–	–
Leased assets	522	–	–	–	522	–	–	–
Other assets	16	–	–	–	16	–	–	–
Underlying liabilities and commitments								
Due to credit institutions and central banks	2 000	3 000	–	–	2 000	3 000	2 000	3 000
Due to the public and public sector organizations	923	–	–	–	444	–	–	–
Debt securities issued to the public	38	32	–	–	38	32	–	–
Other liabilities and commitments	472	344	–	–	441	344	441	344
Assets sold on binding repurchase terms								
Debt securities	699	4 595	–	–	699	4 595	699	4 595
Shares and participations	–	1	–	–	–	–	–	–

17 Difference between the nominal value and the book value of liabilities at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Difference between nominal value and lower book value								
Due to the public and public sector organizations	26	–	–	–	26	–	26	–
Debt securities issued to the public	472	639	1	11	471	628	470	623
Subordinated liabilities	17	51	–	–	17	51	17	51
Total	515	689	1	11	514	679	512	674
Difference between book value and lower nominal value								
Due to the public and public sector organizations	6	–	–	–	6	–	6	–
Debt securities issued to the public	10	9	–	1	10	8	7	4
Subordinated liabilities	19	0	–	–	19	0	19	0
Total	35	9	–	1	35	8	32	4

18 Convertible bonds and bonds with equity warrants in issue 31.12.1996

	Outstanding amount FIM million	Termination of conversion period	Number of bonds in issue	Number and type of shares available for conversion
Issued by Merita Ltd				
Convertible bonds 1992	906	17.8.2042	90 608	27 182 400, A
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 Merita Ltd Board of Directors to issue shares, equity warrants and convertible bonds are explained under Shares and shareholders on pages 30–32. Conversion rights related to the Government's preferred capital investments are discussed under Note 32.

19 Subordinated liabilities at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Liabilities with book value exceeding 10% of all subordinated liabilities	2 185 ^{1,2}	2 214 ^{1,2}	906 ¹	906 ¹	1 279 ²	1 308 ²	1 279 ²	1 308 ²
Other subordinated liabilities ³	9 699	9 594	–	–	10 592	10 499	10 535	10 440
Total	11 884	11 808	906	906	11 871	11 807	11 814	11 747
of which perpetual bonds	3 087	3 924	906	906	3 086	3 018	3 086	3 018
Perpetual bonds directed to Group companies	–	–	–	–	905	905	905	905
Perpetual bonds directed to associated companies	–	–	–	–	–	–	–	–

¹ Merita Ltd FIM 906 million, interest rate 5.3% (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 1 279 million, USD 275 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 Not callable by the creditors. According to the terms of six debenture loans issued between 1987 and 1989 the creditors may demand immediate repayment if the Bank fails to meet the loan terms. FIM 452 million of these loans is included in own funds for the purpose of calculating capital adequacy as per 31.12.1996.

20 Changes in equity capital during the period

	Restricted equity				Non-restricted equity			
	Share capital	Ordinary reserve	Re-valuation reserve	Preferred capital certificates	Transferred from voluntary reserves ³	Accumulated profit/loss	Profit for the year	Total equity capital
Merita Group ¹								
1.1.1996	8 305	521	261	4 112	191	–461	–	12 928
Increase	–	1	–	8	141	182	1 720	2 051
Decrease	–	–182	–	–	–	–9	–	–191
31.12.1996	8 305	339	261	4 120	331	–287	1 720	14 788
Merita Ltd ¹								
1.1.1996	8 305	394	–	–	–	–182	–	8 516
Increase	–	–	–	–	–	182	1 126	1 308
Decrease	–	–182	–	–	–	–	–	–182
31.12.1996	8 305	211	–	–	–	–	1 126	9 642
Merita Bank Group ²								
1.1.1996	6 024	2 180	248	4 112	58	–	–	12 622
Increase	–	0	0	8	192	1	909	1 110
Decrease	–	–	–	–	–	–2	–	–2
31.12.1996	6 024	2 180	248	4 120	250	–1	909	13 729

(continued)	Restricted equity				Non-restricted equity			Total equity capital
	Share capital	Ordinary reserve	Re-valuation reserve	Preferred capital certificates	Transferred from voluntary reserves ³	Accumulated profit	Profit for the year	
Merita Bank Ltd²								
1.1.1996	6 024	2 052	–	4 112		236	–	12 424
Increase	–	–	–	8		–	1 039	1 047
Decrease	–	–	–	–		–	–	–
31.12.1996	6 024	2 052	–	4 120		236	1 039	13 471

Pursuant to their Articles of Association Group companies have no obligation to transfer any part of the 1996 profit to restricted equity.

¹ Accumulated losses were covered out of the ordinary reserve for FIM 182 million. Other changes were mainly the result of exchange rate movements. See also ref. 3.

² The changes were mainly the result of exchange rate movements.

³ Group companies increased their voluntary reserves in the net amount of FIM 160 million in the Merita Group and FIM 264 million in the Merita Bank Group. Voluntary reserves are included in the consolidated balance sheet under equity capital after deduction of deferred tax liability. The tax rate applicable during the period was 28%.

21 Breakdown of income by sector and geographical market 1.1.–31.12.1996

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
By sector				
Banking	7 790	–	7 790	7 685
Mortgage banking	54	–	54	–
Credit card operations	332	–	332	–
Finance company operations	512	–	510	–
Fund management	36	–	36	–
Investment services	117	–	80	–
Securities trading	210	–	–	–
Real estate investment	988	–	–	–
Real estate operations	284	–	-9	–
Real estate brokerage ¹	263	–	–	–
Data processing	126	–	126	–
Insurance ¹	3 172	–	–	–
Other	475	466	2	–
Total	14 359	466	8 921	7 685
By geographical market				
Finland	13 813	466	8 406	7 275
Great Britain	242	–	236	236
Luxembourg	61	–	56	–
Sweden	1	–	1	1
Singapore	57	–	57	23
Estonia	6	–	6	6
The United States	160	–	160	144
Other	18	–	–	–
Total	14 359	466	8 921	7 685

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 income. In respect of insurance operations the item includes net premiums written and investment income. Intra-group items have not been eliminated.

¹ Included in the consolidated profit and loss account under Share of profit/loss of companies carried under the equity method.

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 during the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Income								
Rental and dividend income from real estate holdings	917	716	–	6	1	145	0	95
Capital gains on the sale of real estate holdings	92	35	–	173	7	16	–	283
Other income	372	321	12	46	323	349	422	299
Total	1 381	1 072	12	226	331	510	422	678
Expenses								
Rental expenses	402	378	1	1	710	556	693	532
Expenses on real estate holdings	518	474	1	1	6	130	4	110
Capital losses on the sale of real estate holdings	17	2	0	–	0	1	–	1
Other expenses	739	667	64	5	619	568	576	543
Total	1 677	1 520	66	7	1 336	1 255	1 273	1 186

24 Loan and guarantee losses and write-downs on securities held as financial fixed assets during the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Balance sheet item								
Receivables from credit institutions and central banks	7	17	–	–	7	10	7	10
Receivables from the public and public sector organizations	1 594	2 218	–	–	1 591	2 075	1 522	1 989
Leased assets	12	14	–	–	12	14	–	–
Guarantees and other off-balance-sheet items	45	40	39	–	6	40	–	40
Other	366	232	–	–	374	197	369	191
Charged against the unallocated credit write-off	–	–400	–	–	–	–400	–	–400
Loan and guarantee losses, gross	2 023	2 121	39	–	1 989	1 936	1 898	1 830
Deductions	528	395	–	–	483	363	405	331
Loan and guarantee losses in the profit and loss account	1 495	1 726	39	–	1 507	1 573	1 493	1 499
% of receivables and contingent liabilities ¹	0.7	0.8	3.4	–	0.7	0.7	0.8	0.7
Write-downs on securities held as financial fixed assets	6	11	36	1	6	3	–	63

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Loan losses realized during the period, total	2 459	–	2 459	2 431
Loan losses covered by specific loan loss provisions and realized during the period	–2 128	–	–2 128	–2 114
Recoveries of loan losses realized in previous years	+82	–	+82	+65
Specific loan loss provisions made during the period	+1 691	+39	+1 658	+1 591
Provisions unwound during the period	–446	–	–401	–340
Loan and guarantee losses in the profit and loss account	1 495	39	1 507	1 493

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

Collateral for loans written off has been valued as shown in the Accounting Policies.

A breakdown of loan and guarantee losses booked before 1996 into realized loan losses and specific loan loss provisions is available in respect of Merita Bank Ltd only.

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 1.1.–31.12.1996

	Merita Ltd		Merita Bank Ltd	
	Salaries and remunerations	Pension commitments	Salaries and remunerations	Pension commitments
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	4	1	15	5

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

26 Off-balance-sheet commitments at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Guarantees	28 302	38 483	246	710	31 529	42 664	34 269	44 073
of which on behalf of subsidiaries	–	–	239	695	–	–	98	339
on behalf of associated companies	11	14	–	–	2 436	3 004	2 436	3 004
Bill liabilities	735	1 202	–	–	735	1 202	734	1 187
of which on behalf of subsidiaries	–	–	–	–	–	–	–	–
on behalf of associated companies	–	–	–	–	–	–	–	–
Credit commitments	6 154	2 746	–	–	6 154	2 746	3 020	1 913
of which to subsidiaries	–	–	–	–	–	–	–	–
to associated companies	–	–	–	–	–	–	–	–
Other commitments	10 512	1 608	–	–	10 522	1 662	10 032	1 607
of which to subsidiaries or on their behalf	–	–	–	–	–	–	–	–
to associated companies or on their behalf	–	–	–	–	10	54	–	40
Total	45 704	44 039	246	710	48 940	48 274	48 054	48 780
Derivative contracts: credit equivalents	21 418	14 411	6	–	21 418	14 411	21 388	14 343
Interest-rate-linked derivative contracts	8 984	4 993	–	–	8 984	4 993	9 011	5 066
Currency-linked derivative contracts	12 434	9 419	6	–	12 434	9 419	12 377	9 277
Derivative contracts: value of the underlying instruments								
Contracts made for hedging purposes								
<i>Interest-rate-linked derivatives</i>								
Futures and forwards	5 391	–	–	–	5 391	–	5 391	–
Options purchased	3 181	–	–	–	3 181	–	3 181	–
Options written	–	–	–	–	–	–	–	–
Interest rate swap agreements	35 389	70 877	–	–	35 389	70 877	36 046	72 221
<i>Currency-linked derivatives</i>								
Futures and forwards	118 556	106 399	–	–	118 556	106 399	118 344	103 360
Options purchased	–	–	–	–	–	–	–	–
Options written	–	–	–	–	–	–	–	–
Interest rate and currency swap agreements	7 972	21 122	301	–	8 094	21 122	7 914	20 889
<i>Equity-linked derivatives</i>								
Futures and forwards	–	1	–	–	–	1	–	–
Options purchased	743	1	–	–	743	1	743	1
Options written	–	–	–	–	–	–	–	–
Futures and forwards, total	123 947	106 400	–	–	123 947	106 400	123 736	103 360
Other contracts, total	47 285	92 001	301	–	47 407	92 001	47 884	93 112

(continued)	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Contracts made for other than hedging purposes								
<i>Interest-rate-linked derivatives</i>								
Futures and forwards	1 056 756	517 748	–	–	1 056 756	517 748	1 056 756	517 548
Options purchased	6 457	4 397	–	–	6 457	4 397	6 457	4 397
Options written	16 416	5 369	–	–	16 416	5 369	16 416	5 369
Interest rate swap agreements	231 429	110 839	–	–	231 429	110 839	232 088	111 737
<i>Currency-linked derivatives</i>								
Futures and forwards	206 553	130 093	–	–	206 553	130 093	206 571	130 068
Options purchased	78 349	16 532	–	–	78 349	16 532	78 349	16 532
Options written	85 603	16 585	–	–	85 603	16 585	85 603	16 585
Interest rate and currency swap agreements	10 022	247	–	–	10 022	247	10 022	247
<i>Equity-linked derivatives</i>								
Futures and forwards	10	9	–	–	10	9	10	–
Options purchased	419	0	–	–	52	0	52	–
Options written	66	–	–	–	66	–	54	–
Futures and forwards, total	1 263 318	647 850	–	–	1 263 318	647 850	1 263 337	647 616
Other contracts, total	428 761	153 968	–	–	428 394	153 968	429 041	154 867

27 Leasing liabilities

The nominal value of rentals to be paid by Merita Bank Ltd in 1997 is FIM 13 million and in subsequent years FIM 7 million. Other Group companies have no material leasing liabilities.

28 Liabilities arising from pension commitments 31.12.1996

Statutory pensions for employees of domestic Group companies are arranged through insurance. The statutory employment pension liabilities previously carried by the Kansallis-Osake-Pankki Pension Fund were transferred under the general employment pension insurance scheme as from 1.1.1996. Statutory pensions for employees of foreign units are arranged in accordance with local laws and regulations.

Supplementary pensions for employees are arranged through Merita Ltd Pension Fund and Foundation. The Group's pension commitments, FIM 1 561 million in the Merita Ltd Pension Fund and FIM 1 834 million in the Merita Ltd Pension Foundation, are fully covered. The pension institutions charged no contributions for the year 1996.

The pension liability arising from pensions payable directly out of Group companies' funds amounts to FIM 93 million in the Merita Group and FIM 91 million in the Merita Bank Group. A statutory provision in the full amount of these liabilities has been entered in the balance sheet.

Refund of the surplus accrued in the Merita Ltd Pension Fund:

With the permission of the Ministry for Social Affairs and Health the Merita Ltd Pension Fund refunded the surplus accrued in the Pension Fund, FIM 1 225 million, to the employer companies in connection with the closing of accounts for the year 1996. The share of Merita Ltd was FIM 574 million, that of Merita Bank Ltd FIM 626 million and that of the Merita Bank Group FIM 640 million. Due to its exceptional nature, the refund of the surplus is shown in the profit and loss account under extraordinary income. On 31.12.1996 the market value of assets covering the liabilities of the Pension Fund, after the above refund, exceeded the amount of liabilities by approximately FIM 1 billion.

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, non-contentious jurisdiction, and loan intermediation.

On 31.12.1996 loans out of customer funds arranged through the Group's intermediary amounted to FIM 1 885 million.

30 Personnel

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Average number of employees 1996 ¹	14 755	12	13 707	12 595
Change from previous year, persons	-676	1	-791	-723
%	-4.4	9.1	-5.5	-5.4
Full-time	13 509	12	12 576	11 503
Change from previous year, persons	-635	1	-677	-606
Part-time	1 246	-	1 131	1 092
Change from previous year, persons	-41	-	-114	-117
Employees by sector 31.12.1996 ²				
Banking	11 789	-	11 789	11 747
Mortgage banking	11	-	11	-
Credit card operations	212	-	212	-
Finance company operations	533	-	533	-
Fund management	16	-	16	-
Investment services	81	-	69	-
Securities trading	14	-	-	-
Real estate investment	152	-	-	-
Real estate operations	308	-	-	-
Real estate brokerage	541	-	-	-
Data processing	221	-	221	-
Insurance	40	-	-	-
Other	25	12	2	-
Total	13 943	12	12 853	11 747
Employees by geographical market 31.12.1996				
Finland ³	13 570	12	12 480	11 416
Great Britain	147	-	147	147
Luxembourg	42	-	42	-
Sweden	20	-	20	20
Singapore	50	-	50	50
Estonia	21	-	21	21
The United States	93	-	93	93
Total	13 943	12	12 853	11 747

¹ Average of end-of-month numbers of employees. The figures also include the personnel of companies which belonged to the Group in 1995 but were included in the consolidated financial statements for the first time in 1996. The Group holding in Fidenta Oy is 40%. The company is included in consolidation due to majority of voting rights. The employees of Fidenta Oy are included in the number of Group employees (data processing). These factors have been taken into account when adjusting the 1995 figures for comparison.

² Partly deviating from the previous year, the entire personnel of a company has been entered under the sector in which the company mainly operates.

³ Including 23 persons employed by 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 31.12.1996 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 31.12.1996

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Government preferred capital investments	3 475	–	3 475	3 475
Other FIM-denominated preferred capital investments	251	–	251	251
Foreign-currency-denominated preferred capital investments	394	–	394	394
Total	4 120	–	4 120	4 120

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 and on the condition that repayment will not cause the Bank's or its Group's capital adequacy to fall below the statutory minimum. 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 non-restricted 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.

Until the end of 1997, the interest rate applicable to Government preferred capital investments is 0.50 percentage point above the cost of one-year Treasury Notes, with a subsequent step-up structure.

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. If the Bank pays annual interest for the full year on the capital certificates as from 1.1.1996, the conversion option will not be triggered. According to the Bank's 1996 closing accounts verified by the Supervisory Board, there is no impediment to payment of interest for 1996. If the preferred 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.

33 Shareholders and management's interests 31.12.1996

Merita Ltd

Largest shareholders according to the shareholder register

	Number of shares	% of share stock	% of votes
Arsenal Asset Management Company	63 933 333	7.7	8.3
UPM-Kymmene Group	22 567 614	2.7	2.8
Pohjola Insurance Company	14 770 842	1.9	1.9
Suomi Mutual Life Assurance Company	13 582 261	1.6	1.7
Sampo Insurance Company	12 243 333	1.5	1.5
Pension Insurance Company Ilmarinen	9 956 215	1.2	1.3
Merita Ltd Pension Foundation	9 734 028	1.2	1.3
Meiji Mutual Life Insurance Company	8 538 666	1.0	1.1
Pension-Varma Mutual Insurance Company	8 415 204	1.0	1.1
Onninen Investment Ltd	7 900 600	1.0	1.0

Members of Merita Ltd's Board of Directors own a total of 224 800 Merita A shares and a total of 110 960 B shares, i.e. 335 760 shares in all. The total number of votes carried by these shares is 2 358 960, representing 0.03% of the total number of votes carried by the company's shares.

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

Members and deputy members of Merita Bank Ltd's Board of Management own a total of 37 414 Merita A shares and a total of 5 550 B shares, i.e. 42 964 shares in all. The total number of votes carried by these shares is 379 690, representing 0.005% of the total number of votes carried by the company's shares.

Members and deputy members of Merita Bank Ltd's Board of Management hold equity warrants issued by the company to its personnel exercisable into 463 922 Merita A shares in the years 1997–98. Assuming exercise of all subscription rights carried by the warrants, the total percentage of votes carried by the shares held by members and deputy members of the Merita Bank Ltd's Board of Management would be 0.07%.

At the year-end 20.1% of Merita Ltd shares were registered under nominees. These shares represent 21.5% of the votes. Nominee-registered shares and shares registered in the name of foreign beneficial owners represent 21.8% of all Merita Ltd shares and 23.3% of the votes.

Shareholders by sector

	% of shareholders	% of shares
Private corporates	1.4	14.3
Public corporates	0.0	8.4
Financial and insurance institutions	0.0	7.2
Public sector organizations	0.1	6.9
Non-profit organizations	1.0	4.1
Households	97.2	37.3
Foreign owners	0.3	21.8
Total	100.0	100.0

(continued)

Distribution of shareholding

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share stock
1-1 000	263 597	77.3	72 784 590	8.8
1 001-10 000	73 198	21.5	191 666 969	23.1
10 001-100 000	4 174	1.2	92 360 570	11.1
100 001-	231	0.1	305 520 826	36.8
Nominee-registered	8	0.0	166 852 155	20.1
On collective book-entry accounts			1 266 339	0.2
Total	341 208	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 bonds or equity warrants issued by the company.

34 Financial income received from and financial expenses paid to Group and associated companies 1.1.–31.12.1996

	Merita Ltd		Merita Bank Ltd ¹	
	Group companies	Associated companies	Group companies	Associated companies
Interest income	78	–	980	110
Interest expenses	133	–	233	6
Dividend income	368	–	203	30

The figures do not include interest income of FIM 63 million and dividend income of FIM 3 million received from or interest expenses of FIM 6 million paid to non-consolidated Group and associated companies acquired to secure receivables.

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 31.12.1996

	Merita Ltd		Merita Bank Ltd ¹	
	Group companies	Associated companies	Group companies	Associated companies
Receivables				
Receivables from credit institutions and central banks	39	–	12 535	5
Receivables from the public and public sector organizations	–	–	4 250	1 155
Debt securities	905	–	5 464	876
Other receivables	–	–	104	–
Accruals and prepayments	215	–	255	10
Total	1 160	–	22 608	2 046
Liabilities				
Due to credit institutions and central banks	–	–	2 071	266
Due to the public and public sector organizations	–	–	392	24
Debt securities issued to the public	1 757	–	897	5
Subordinated liabilities	0	–	905	–
Other liabilities	–	–	0	–
Accruals and deferred income	62	–	96	15
Total	1 819	–	4 362	310

The figures do not include receivables of FIM 1 385 million from and liabilities of FIM 394 million to non-consolidated Group and associated companies acquired to secure receivables.

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

36 Subsidiaries and associated companies 1996

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 1996
Subsidiaries directly owned by Merita Ltd							
<i>Domestic</i>							
Banks							
Merita Bank Ltd, Helsinki		602 395 318	100	100	6 024	8 863	1 039
Financial institutions							
Nordica Invest Oy, Helsinki	1	170	100	100	0	0	1
Partita Ltd, Helsinki		1 827 220	100	100	365	690	23
Investment service companies							
Merita Corporate Finance Ltd, Helsinki (former name Prospectus Limited)	1	38 750	78	78	4	4	8
Insurance company							
Merita Life Assurance Ltd, Espoo (former name Stella Life Insurance Company Ltd)	2	86 000	100	100	86	240	33
Real estate brokerage companies							
Huoneistokeskus Oy, Helsinki	2	280	70	70	2	84	2
Huoneistomarkkinointi Oy, Helsinki	1,2	50 000	100	100	5	23	2
Real estate investment company							
Merita Real Estate Ltd		10 610 000	100	100	10 610	15 257	-68
Other companies							
Unitas Congress Center Ltd, Helsinki (former name Unitas-opisto Oy)	2	100	100	100	1	1	1
Subsidiaries of Merita Real Estate Ltd							
<i>Domestic</i>							
Real estate investment companies							
Henrikin Liikekiinteistöt Oy, Helsinki	1	22 000	100	100	0	46	2
Merita Real Estate Development Ltd, Helsinki (former name Sabinvest Oy)		46 500	100	100	47	53	5
PMA-Invest Oy, Helsinki (Group company since 31.12.1996)		5 100	100	100	1	107	-11
Pons Brevis Oy, Helsinki	1	45 015	100	100	45	120	-122
Rasi Hotelliikiinteistöt Oy, Helsinki (included in the consolidated financial statements for the first time in 1996)		100 000 000	100	100	40	20	-3
Ukon Vakka Oy, Helsinki	1	6	100	100	0	22	-0
Vaasan Hotelliikiinteistöt Oy, Vaasa (included in the consolidated financial statements for the first time in 1996)		19 600	100	100	20	0	1
Real estate companies							
Aleksanterinkatu 13 Koy, Helsinki		1 600	100	100	0	303	-1
Aleksanterinkatu 17 Koy, Helsinki		14 127	93	93	1	577	-5
Aleksanterinkatu 36 A Koy, Helsinki		30	100	100	0	108	-1
Aleksanterinkatu 36 B Koy, Helsinki		100	100	100	0	161	-2
Aleksis Kiven katu 3-5 Koy, Helsinki	1	22 069	100	100	22	273	-5
Aleksis Kiven katu 7 Koy, Helsinki	1	8 505	100	100	9	88	-1
Bulevardi 1 Koy, Helsinki		5 400	100	100	5	70	-1
Espoon Asemakujja 2 Koy, Espoo		13 200	100	100	3	85	-2
Fleminginkatu 27 Koy, Helsinki	1	113 671	100	100	11	242	-3
Helsingin Erottajanmäki Koy, Helsinki		150	100	100	0	79	-1
Helsingin Väinämöisenlinna Koy, Helsinki	1	83 739	100	100	42	141	-2
Hotelli Pohjanhovi Oy, Rovaniemi		50	100	100	0	2	0
Jyväskylän Kauppakatu 31 Koy, Jyväskylä		5 000	100	100	0	80	-1
Jyväskylän Kolmikulma Koy, Jyväskylä	1	187 536	96	96	19	143	0
Kajaanin Liiketalo Koy, Kajaani		150	100	100	0	63	-1
Kauppakeskus Kluuvi Koy, Helsinki	1	273 273	100	100	137	584	-9
Keskuskatu 1 B Koy, Helsinki		150	100	100	0	95	-1
Keskustahotelli Koy, Helsinki		28 492	100	100	28	24	-5
Kiinteistö-Kompas Oy, Helsinki	1	550	85	85	48	84	-0
Kämp-Kiinteistöt Oy, Helsinki	1	13 200	100	100	0	125	-2
Levytie 2 Koy, Helsinki		5 400	100	100	54	107	-2
Mannerheimintie 2 Koy, Helsinki		7 800	100	100	8	100	-1
Mechelininkatu 34 A Koy, Helsinki		15 000	100	100	0	25	-2
Mercurius Oy, Helsinki	1	68 418	100	100	34	87	-2
Mikonkatu 9 Koy, Helsinki		9 552	100	100	1	167	-24
Mikonlinna Oy Ab, Helsinki		10 000	100	100	1	314	-1
Niittykummun Toimistotalo Oy, Espoo		1 500	100	100	0	117	-2
Opastinsilta 8 Koy, Helsinki		7 729	100	100	1	62	-1
Paulon Talo Koy, Helsinki	1	36 877	100	100	18	114	-17
Porkkalankatu 5 Koy, Helsinki		101	100	100	0	76	-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 1996
Ruosilantie 16 Koy, Helsinki	1	41 633	100	100	42	342	-42
Siltasaarekatu 14 Koy, Helsinki		7 315	100	100	1	129	-52
Simonkatu 8 Koy, Helsinki	1	7 302	100	100	0	201	-74
Sörnäistenkatu 1 Koy, Helsinki		45 000	100	100	0	316	-3
Tietotalo Koy, Espoo		15 000	100	100	0	536	-8
Tikkurilan Kauppakeskus Koy, Vantaa	2	489 705	84	84	25	169	-3
Turunlinnantie 10 Koy, Helsinki		15 000	100	100	0	74	-1
Vasa Torgcentrum Fast Ab, Vaasa		15	100	100	0	96	-1
Veromies Koy, Vantaa		1 160	100	100	1	61	0
Other real estate operation companies							
Yhdyshuolto Oy, Helsinki		400	100	100	0	1	5
<i>International</i>							
Real estate investment companies							
Merita Real Estate (U.K.) Ltd, London	1	21 000 500	100	100	165	72	-3
Sakau (Luxembourg) S.A., Luxembourg	1	309 996	100	100	46	6	-5
The Wiels Centre Holding B.V., Amsterdam		15 000	100	100	40	9	0
Real estate companies							
Place de l'Etoile S.A., Luxembourg	1	4 501	100	100	65	79	0
Subsidiaries of Merita Bank Ltd							
<i>Domestic</i>							
Banks							
Industrial Bank of Finland Ltd, Helsinki		1 080 000	100	100	108	187	29
Financial institutions							
Helsingin Pantti-Osakeyhtiö, Helsinki	1	484 866	100	100	10	35	4
Merita Customer Finance Ltd, Helsinki	1	14 000	100	100	140	280	74
Merita Capital Ltd, Helsinki		25 000	100	100	25	25	1
Merita Finance Ltd, Helsinki		39 650 000	100	100	793	1 250	20
Perimistöimistö Contant Oy, Turku	1	500	100	100	1	24	0
Tukirahoitus Oy, Oulu		71	100	100	1	28	6
(Group company since 9.4.1996)							
Investment service companies							
Merita Asset Management Ltd, Helsinki (former name Investa Asset Management Oy) (Group company since 19.6.1996)		5 000	100	100	50	69	12
Merita Delta Ltd, Helsinki (former name Kansallis Brokers Ltd, previously Merita Securities Ltd)		50 000	100	100	50	50	3
Merita Securities Ltd, Helsinki (former name KOP-Rahasto Oy)	1	99 450	77	77	10	9	14
Fund management companies							
Investa Fund Management Ltd, Helsinki (Group company since 19.6.1996)		40 000	100	100	4	4	1
Merita Fund Management Ltd, Helsinki		172 000	86	86	17	17	12
Real estate companies							
Lahden Hansa Oy, Lahti		30 000	100	100	0	141	-0
Levytie 6 Koy, Helsinki	1	147	100	100	156	156	0
Ristipellontie 4 Koy, Helsinki		1 484	100	100	148	158	0
Tampereen Kirkkokatu 7 Koy, Tampere	1	280	100	100	297	297	0
Vantaan Jaakonkatu 3, Vantaa		100	100	100	0	0	-0
VKR-Kiinteistöt Oy, Vantaa		60	60	60	1	6	0
Other companies/data processing							
Fidenta Oy, Espoo		4 000	40	60	0	1	26
Merita Systems Oy, Helsinki (former name UBF-Systems Oy)		300	60	60	0	0	-0
<i>International</i>							
Banks							
American Scandinavian Banking Corp., New York		20 000	100	100	23	52	1
Merita Bank Luxembourg S.A., Luxembourg	1	41 000	100	100	141	168	16
Merita Merchant Bank Singapore Ltd, Singapore		35 000 000	100	100	116	116	19
Financial institutions							
Merita Securities (U.K.) Ltd, London (former name Kansallis Securities Ltd)	1	701 001	100	100	6	6	0
Merita Holdings (U.K.) Ltd, London	1	49 010 000	100	100	386	12	0
Merita Finance (U.K.) Ltd., London (former name UBF-Finance Ltd.)		100 000	100	100	1	1	0
Associated companies of Merita Ltd							
<i>Domestic</i>							
Other companies							
Rakennus Oy Leo Heinänen, Helsinki		576	30	30	1	4	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 1996
Associated companies of Merita Real Estate Ltd							
<i>Domestic</i>							
Real estate investment companies							
Aleksin Alueen Kehitys Oy, Helsinki		13 498	46	46	0	0	0
Kansalliset Liikekiinteistöt Oy, Helsinki	1	419	50	50	419	430	10
Kiinteistösjointus Oy Citycon, Helsinki	1	10 952 000	36	36	110	105	3
Oy Realinvest Ab, Helsinki		16 533 200	48	48	413	413	17
World Trade Center Helsinki Oy, Helsinki		5	33	33	0	0	0
Real estate companies							
Helsingin Keskuskatu 6 Koy, Helsinki	1	14 585	48	48	15	182	-7
Lippulaiva Koy, Espoo	1	4 000	50	50	1	105	-15
Myrrmanni Koy, Vantaa	1	18 040	48	48	0	334	0
Associated companies of Merita Bank Ltd							
<i>Domestic</i>							
Financial institutions							
Automatia Rahakortit Oy, Helsinki		9 000	33	33	9	9	-7
Eurocard Oy, Helsinki	1	10 690	28	28	11	12	10
Luottokunta, Helsinki		18 360	29	29	9	53	70
Finnish Securities and Derivatives Exchange Clearing House, Helsinki	1	440 878	44	44	31	45	16
TP-Salkku Oy, Helsinki		3 000	20	20	2	2	11
Real estate companies							
Pitäjänmäen Kiinteistöt Oy, Helsinki		25 975	49	49	156	156	-0
Other companies							
ATM Automatia Ltd, Helsinki		6	33	33	30	30	15
Innoventure Oy, Helsinki		750	25	25	1	8	-0
Pulpros Oy, Helsinki		29 340	49	49	29	44	3
Suomen Asiakastieto Oy, Helsinki	1	24 000	28	28	4	0	12
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	-2

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.

Other companies included in the consolidated financial statements; total assets of 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	65	1 498	1 582	2	100	97
Associated companies	-	-	-	63	1 398	1 485
Other companies						
Subsidiaries	34	215	39	20	2	2
Associated companies	7	34	4	20	217	41

Companies merged, dissolved or transferred outside the Group during the year

	Ref.	Line of business	Total assets	Profit/loss for the year 1996
<i>Domestic</i>				
Kansallis Mortgage Bank Ltd, Helsinki	1	Mortgage banking	107	1
Subsidiary of Merita Bank Ltd, merged with Merita Bank Ltd on 29.2.1996				
Pohjola Finance Oy, Helsinki	1	Finance company	234	0
Subsidiary of Merita Finance Ltd as from 1.4.1996, formerly associated company, merged with Merita Finance Ltd on 31.5.1996				
Merita Real Estate Development Ltd, Helsinki		Real estate investment	2 893	-8
(former name Yhdyskiinteistöt Oy)				
Subsidiary of Merita Real Estate Ltd, merged on 1.10.1996 with Sabinvest Oy, which later changed its name to Merita Real Estate Development Ltd				
<i>International</i>				
Merita Bank (Bahamas) Ltd, Nassau		Banking	35	12
Subsidiary of Merita Bank Ltd, dissolved on 30.11.1996				

Companies merged, dissolved or transferred outside the Group during the year (continued)	Ref.	Line of business	Total assets	Profit/loss for the year 1996
Orava Investments (Jersey) Ltd, Jersey Subsidiary of Merita Holdings (U.K.) Ltd, dissolved on 11.7.1996	1	Finance company	0	-0
UBF Vastgoed B.V., Amsterdam Subsidiary of Merita Real Estate Ltd, sold outside the Group on 2.9.1996		Real estate investment	136	0

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

In addition to the above, 3 subsidiaries were merged, 7 subsidiaries dissolved and 14 subsidiaries sold outside the Group during 1996. The impact of these companies on consolidated accounts is insignificant.

The positive impact on non-restricted equity capital of the subsidiary mergers, dissolutions and transfers in 1996 was FIM 30 million in the Merita Group. In the Merita Bank Group these had no impact on non-restricted equity capital.

Companies excluded from the consolidated financial statements

	Ref.	Number of shares	Share-holding %	Voting rights %	Total nominal value	Total book value	Latest confirmed profit/loss for the year
Holdings acquired to secure receivables							
Subsidiaries of Merita Bank Ltd							
<i>Domestic</i>							
Alcom Oy, Helsinki	3	6 312 000	57	57	9	3	-40
Huurre Group Oy, Tampere	3	101 500	100	100	10	1	37
Laxma Yhtymä Oy, Orivesi	3	485 000	100	100	5	0	-9
Mantica Oy, Helsinki	3	400 000	100	100	4	0	-9
P.T.A. Group Oy, Kuopio	3	55 000	100	100	6	0	-21
PMA-Yhtymä Oy, Vantaa	3	1 740 005	100	100	87	0	-260
Savon Hotellit Oy, Helsinki		990	100	100	1	0	-1
Sponsor Oy, Helsinki	3	53 885 235	100	100	108	1 432	86
Starckjohann Oy, Lahti	3	71 718 714	55	55	72	361	31
Teräsbetoni Oy, Helsinki	3	1 001 000	100	100	10	0	53
Tunturiyöryä Oy, Turku	3	2 502 560	99	99	25	30	-46
Turo Tailor Oy, Kuopio		4 200	100	100	2	25	5

Subsidiaries of Merita Real Estate Ltd

<i>Domestic</i>							
Itälähdenkatu 2 Koy, Helsinki		6 686	100	100	40	33	1
Kanavaranta 3 Oy, Helsinki		6 958	100	100	49	48	-0
Kolohongan Teollisuuskiinteistö, Vantaa		24 860	100	100	0	112	0
Lahden Hämeenkatu 20 Koy, Lahti		8 135	67	67	0	30	0
Mikonkatu 17 Koy, Helsinki		15 000	100	100	2	129	-1
Porin Itäpuisto 2-4 Koy, Pori		829	92	92	1	4	5
Tapiolan Vesiputoustalo Koy, Espoo		1 142	100	100	0	159	0
Turun Brahenkatu 8 Koy, Turku		6 670	100	100	33	33	-0
Vantaan Vanha Porvoontie 221 Koy, Vantaa		55	55	55	0	69	0
Vetokuja 1 Koy, Vantaa		13 877	100	100	2	48	-0
<i>International</i>							
G.H.R. Albisano, Albisano		499 000	100	100	1	13	-1
Karas Holding Ag, Zug		3 600	100	100	2	5	-0
Sopoka B.V., Rotterdam	3	19 999	100	100	53	0	-7

Associated companies of Merita Bank Ltd

<i>Domestic</i>							
Huippupaikat Oy, Siilinjärvi		835	33	33	1	0	-2
Oy Palace Hotel Ab, Helsinki		5 000	29	29	1	4	-0
Rocla Oy, Järvenpää		1 173 339	34	34	6	12	5
Sasmox Oy, Kuopio		281	44	44	1	0	24

Associated companies of Merita Real Estate Ltd

<i>Domestic</i>							
Helsingin Sorvaajankatu 9 Koy, Helsinki		140	50	50	0	37	-1
Turun Arvokiinteistöt Oy, Turku	3	1 148 416	47	46	20	5	4
Turun Verkahovi Koy, Turku		7 901	41	41	1	78	0

Associated real estate companies excluded from the consolidated financial statements due to their minor significance

Associated companies of Merita Real Estate Ltd

<i>Domestic</i>							
Lahden Trio Koy, Lahti		40 000	22	22	40	104	-0
Länsi-Helsingin Liikekeskus Oy, Helsinki		4 155	35	35	0	51	-0
Lönnfred Koy, Helsinki		12 100	31	31	1	19	0

³ Group data

Other companies excluded from the consolidated financial statements; total assets of 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	914	3 405	3 093	11	247	158
Associated companies	358	2 654	1 524	1 261	5 812	4 458
Other companies						
Subsidiaries	9	78	2	7	61	2
Associated companies	1	2	0	3	20	0

37 Extraordinary income and expenses 1.1.-31.12.1996

	Merita Ltd		Merita Bank Ltd	
	Group	Parent company	Group	Parent company
Income				
Actuarial Pension Fund surplus refunded	1 224	574	640	626
Corporate tax credit	8	–	6	–
Group contribution	–	198	–	–
Total	1 232	772	646	626
Expenses				
Pension Fund option premium refunded	336	–	336	336
One-off costs relating to the merger				
Personnel expenses	24	–	24	12
Rental liabilities	18	–	18	18
Depreciation	35	–	35	34
Group contribution	–	–	26	–
Total	414	–	440	401

The refund of the actuarial surplus of Merita Ltd Pension Fund, FIM 1 225 million, is discussed under Note 28.

The refund of the surplus is not deductible in the Pension Fund's income taxation, but pursuant to an amendment to the Corporate Tax Act, the recipient is entitled to a corresponding avoic fiscal tax credit in its taxation. The tax credit of FIM 476 million related to the refund will be booked as income as taxes eligible for tax credit are imposed on the recipient companies. The Merita Group has FIM 8 million of such tax credits included in its 1996 financial statements. The corresponding figure for the Merita Bank Group is FIM 6 million. The tax credit is entered under extraordinary income.

38 Statutory provisions at the end of the period

	Merita Ltd				Merita Bank Ltd			
	Group		Parent company		Group		Parent company	
	1996	1995	1996	1995	1996	1995	1996	1995
Pension provisions	93	81	2	2	91	79	88	76
Guarantee and other similar provisions	290	253	–	–	290	253	284	253
Rental provisions	246	147	–	–	177	147	177	147
Provisions for severance payments to employees made redundant	37	194	–	–	37	194	37	194
Provisions for stamp duty claims	66	50	19	–	47	50	47	50
Other	104	109	–	–	83	84	57	39
Total	836	833	21	2	725	806	690	759

39 Changes in the consolidated financial statements

No changes were made to the accounting policies applicable to the consolidated financial statements during the year 1996.

40 Changes in the Group structure

Changes in the Group structure are shown under Note 36; these changes had no material impact on the consolidated financial statements.

The 1996 consolidated financial statements include such subsidiaries acquired to secure Group receivables which were not consolidated in previous years. Consolidation is based on a decision to transfer the operations of these companies under the Group's ordinary business operations. The impact of the companies on the Group's performance is minor. The real estate assets carried in the consolidated balance sheet increased by a good FIM 2 billion due to the consolidation of these companies.

41 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.

42 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 period
Subsidiaries									
Alcom Oy ¹	1.1.-31.12.1995	163	*	*	16	12	7	-37	-40
Huurre Group Oy ¹	1.1.-31.12.1995	340	*	*	23	7	6	29	37
Laxma Yhtymä Oy ¹	1.1.-31.12.1995	82	72	11	4	3	3	-9	-9
Mantica Oy ¹	1.3.1995-29.2.1996	695	*	*	20	29	2	-11	-9
P.T.A. Group Oy ¹	1.1.-31.12.1995	176	93	76	-1	11	12	3	-21
PMA-Yhtymä Oy ¹	1.1.-31.12.1995	2 121	2 004	202	-101	67	106	16	-260
Savon Hotellit Oy	1.9.1995-31.8.1996	22	5	1	3	2	3	-0	-1
Starckjohann Oy ¹	1.1.-31.12.1995	2 894	*	*	159	72	9	-53	31
Teräsbetoni Oy ¹	1.1.-31.12.1995	436	*	*	-58	16	-10	139	53
Tunturipyörä Oy ¹	1.1.-31.12.1995	322	*	*	-1	7	13	-29	-46
Turo Tailor Oy	1.4.1995-31.12.1995	55	*	*	7	2	2	2	5
Associated companies									
Huippupaikat Oy	1.7.1995-30.6.1996	27	11	6	11	6	5	-2	-2
Palace Hotel Oy Ab	1.1.-31.12.1995	37	*	*	3	2	-1	-0	-0
Rocla Oy	1.1.-31.12.1995	191	131	42	16	4	7	-0	5
Sasmox Oy	1.1.-31.12.1995	23	15	5	3	27	1	49	24

* 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	66	-	69	-69	1	-	203
Huurre Group Oy ¹	30	-	101	12	3	0	115
Laxma Yhtymä Oy ¹	31	-	46	-19	-	-	96
Mantica Oy ¹	260	4	57	-21	68	-	199
P.T.A. Group Oy ¹	60	-	76	-19	1	-	153
PMA-Yhtymä Oy ¹	362	-	1 774	-571	166	3	2 528
Savon Hotellit Oy	41	-	3	-1	-	-	45
Starckjohann Oy ¹	540	21	867	242	67	-	1 079
Teräsbetoni Oy ¹	55	0	284	71	4	-	406
Tunturipyörä Oy ¹	87	-	180	0	16	-	250
Turo Tailor Oy	10	-	37	10	0	-	37
Associated companies							
Huippupaikat Oy	82	-	6	-30	-	-	119
Palace Hotel Oy Ab	26	-	2	-0	-	-	28
Rocla Oy	10	-	98	12	1	-	96
Sasmox Oy	15	-	6	4	0	-	18

¹ Group data

During 1996 the Bank strengthened the balance sheets of these companies in the amount of approximately FIM 140 million through conversion of loans either directly to equity capital or to subordinated debt. The most significant conversion was made in PMA-Yhtymä Oy, FIM 60 million.

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 financing structure. The measures are taken together with other owners and lenders and the company's management with regard to the prevailing market situation and competitive setting.

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.

43 Consolidation of subsidiaries other than financial or credit institutions, fund management or investment service companies or ancillary service companies and associated companies

Associated companies and those subsidiaries which are not financial or credit institutions, fund management, investment service or ancillary service companies as referred to in the regulations of the Financial Supervision are consolidated by the equity method.

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.

Summaries of the profit and loss accounts 1.1.–31.12.1996 and balance sheets as at 31.12.1996 of major subsidiaries consolidated by the equity method:

	Merita Life Assurance Ltd		Huoneistokeskus Oy	Huoneistomarkkinointi Oy
Net premiums written ¹	3 006	Operating income	234	40
Net investment income	180	Expenses and depreciation	-212	-35
Claims incurred ¹	-76	Profit before appropriations		
Change in provision for unearned premiums ¹	-2 995	and taxes	0	2
Operating expenses	-70	Profit for the period	2	2
Balance on technical account	44			
Profit for the period	33	Fixed assets and other		
		long-term expenditure	95	23
Equity capital and reserves	273	Current and liquid assets	170	60
Technical provisions	4 012	Equity capital and reserves	27	11
Total assets	4 364	Total assets	265	83

¹ After reinsurers' share

44 Subsidiaries other than financial or credit institutions, fund management, investment service or ancillary service companies: Intra-Group receivables, liabilities and directorships

These subsidiaries comprise Merita Life Assurance Ltd, Huoneistokeskus Oy, Huoneistomarkkinointi Oy, Unitas Congress Center Ltd and Yritysausopalvelu Oy. The consolidated balance sheet of Merita Ltd includes receivables from these companies in the amount of FIM 114 million and liabilities to these companies in the amount of FIM 184 million.

Among the five Members and four Deputy Members of the Board of Directors of Merita Life Assurance Ltd, Mr. Eino Halonen and Mr. Martti Huhtamäki (Members) and Mr. Kari Jordan and Mr. Ari Laakso (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. Eino Halonen, Mr. Heikki Hyppönen and Mr. Harri Sailas are also Members or Deputy Members of the Board of Management of Merita Bank Ltd. Furthermore, Mr. Heikki Hyppönen is one of the five Members on the Board of Directors of Huoneistomarkkinointi Oy.

45 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 deficit is FIM 0.5 million in the Merita Group and FIM 0.9 million in the Merita Bank Group.

In the consolidated accounts of the Merita Group, FIM 0.3 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 0.01 million.

46 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 1 661 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 as explained in the Accounting Policies. Goodwill is depreciated by equal annual instalments over periods ranging from 5 to 10 years. FIM 914 million of the elimination surplus in the consolidated balance sheet of Merita Ltd is allocated to real estate assets. FIM 675 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 the financial year 1996, i.e. FIM 75 million annually. Depreciation charged on goodwill in 1996 totalled FIM 131 million in the Merita Group and FIM 18 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 minority interests in the consolidated profit and loss account and balance sheet.

47 Other internal equity holdings

On 31.12.1996, Merita Life Assurance Ltd owned 33 333 shares of Merita Ltd. The total nominal value of these shares was FIM 0.3 million and the cost value FIM 0.6 million.

Kauko Karhumaa, a marketing representative for kitchen furniture, knows that his customers are entitled to expect nothing but the highest quality service and products. To visit customers in different parts of Finland, he drives some 45,000 miles a year. For him, the A1 Car Credit Scheme of Merita Finance Ltd was the easiest and most flexible financing alternative.



Merita Group: Organization 1st March 1997

Business areas

Retail Bank

Markku Pohjola

Helsinki Region and Commercial Banking

Kari Jordan

Districts:

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
Espoo: Olli-Petteri Lehtinen
Vantaa: Raimo Mäkilä

Centralized support units and subsidiaries:

Legal and Collection Services:
Hannu Sipilä
Commercial Banking, Development and Support: Jukka M.S. Salonen
Merita Capital Ltd: Jouko Helomaa
Merita Finance Ltd: Jarmo Laiho
Industrial Bank of Finland Ltd:
Seppo Leinonen

Central Finland and Consumer Banking

Eino Halonen

Districts:

South Häme: Kari Tainio
South Pirkanmaa: Liisa Takovaara
Central Finland: Markku Haapasalmi
Central Uusimaa: Pekka Ojala
Kymenlaakso: Antti Hyvärinen
Lahti: Markku Ahtela
North Pirkanmaa: Antti Varheenmaa
Päijät-Häme: Pirkko Hyvärinen
Tampere: Matti Tossavainen

Centralized support units and subsidiaries:

Consumer Banking, Development and Support: Jukka Perttula
Trade Union Banking Services:
Yrjö-Olavi Aav
Merita Customer Finance Ltd:
Matti Willamo
Merita Life Assurance Ltd:
Seppo Ilvessalo
Huoneistokeskus Oy: Kari Kallio

West Finland, Network Banking and Domestic Payments

Bo Harald

Districts:

South Ostrobothnia: Markku Lilja
East Uusimaa: Kari Hämäläinen

West Uusimaa: Ari Kourilehto
Raasepori: Lars Winberg
Coastal Ostrobothnia: Leif Lindeman
Salo-Loimaa: Markku Fagerlund
Satakunta: Simo Erkkilä
Satavakka: Pekka Miettinen
Turku: Martti Oksa
Turunmaa and Aland: Börje Nygård
Greater Turku Area: Altti Kuorikoski

Centralized support units:
Direct and Telephone Banking:
Riitta Pennanen
Solo Electronic Banking Services:
Matti Karvonen

East and North Finland, Production and Productivity

Harri Sailas

Districts:

South Karelia: Jukka Anttolainen
South Savo: Eero Raunio
East Savo: Leena Roiha
Jokilaaksot: Aimo Ylitälo
Kainuu: Kalevi Mäkiäho
Kemi-Tornio: Ahti Salmela
Central Savo: Esko Puustinen
Oulu: Kyösti Kajomaa
North Karelia: Pekka Nuutila
North Savo: Heikki Ursin
Rovaniemi: Esko Määttä

Centralized support units:

Consumer Service Support:
Timo Linnavuori
Service Network Development:
Markku Mikkola

Retail Bank Controller: Harri Ronimus
Lending and Risk Management:
Matti Kiiski

Corporate Bank

Carl-Johan Granvik

Corporate Division

Jorma Laakkonen

Customer Relations:
Pentti Mansukoski
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 Treasury

Fanny Borgström

International Network

Hannu Halttunen
Area Management: Hannu Kujala
Custody Services: Ulf Sjögren
Country & Bank Risk Management:
Kari Markkula

Credit Support

Risto Wartiovaara
International Credits: Esa Tuomi
Corporate Analysis: Heikki Keravuori

International Units

London: Hannu Linnoinen
New York: Theo Mezger
Singapore: Mikael Währn
Stockholm: Anders Abrahamson
Tallinn: Heikki Viitanen

Corporate Bank Controller: Ari Kaperi

Investment Banking

Harri Hollmén

Administration: Pirjo Jääskeläinen
Human Resources: Anita Varjonen
Research: Juha Ahtola

Trading and Capital Markets

Jussi Laitinen
Derivatives: Ari Kohonen
International Units: David Britton
International Money and Bond Markets: Jussi Laitinen
Foreign Exchange & Domestic Money and Bond Markets: Henri Nummisalo
Capital Markets: Matti Copeland
Strategic Positions: Ingmar Ehrman
Treasury Sales: Satu Huber

Subsidiaries:

Merita Asset Management Ltd:
Eero Heliövaara
Merita Corporate Finance Ltd:
Harri Hollmén
Merita Securities Ltd:
Reijo Knuutinen
Merita Fund Management Ltd:
Maarit Näkyvä

Equity Investments

Ari Laakso

Partita Ltd: Juha Korhonen

Real Estate

Pertti Voutilainen
Merita Real Estate Ltd:
Heikki Hyppönen
Huoneistomarkkinointi Oy:
Leo Latvanen

Support units

Merita Data

Kalevi Kontinen

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

Group Administration

Ari Laakso

Pension Institutions: Pekka Lahtinen
Human Resources Development:
Juhani Honka
Human Resources: Pekka Lahtinen
Legal and Tax Services:
Kari Suominen
Security: Jouko Varjonen
Occupational Health Services:
Kirsti Pakkala

Financial Control & Accounting

Martti Huhtamäki

Accounting: Viri Heilala
Financial Control: Erik Palmén
Financial Planning: Aarne Pulliainen

Risk Management and Corporate Planning

Kalevi Kontinen

Customer Risks: Pekka Mensonen
Credit and Market Risks:
Jukka Sarkanen

Corporate Communications

Eira Palin-Lehtinen

Internal Audit

Kari Ahonen

Administration and management

Merita Ltd

Board of Directors and President

Pursuant to law, the Board of Directors of Merita Ltd is responsible for the administration of the company and the proper organization of its operations in accordance with the Articles of Association. The Board of Directors decides on major principles of policy and issues of wide implications which, with regard to the scope and nature of the company's and the Group's operations, are not deemed to constitute part of the day-to-day administration of the parent company or other Group companies.

The Annual General Meeting of Shareholders elects new members to the Board of Directors each year to replace those due to retire by rotation. The General Meeting also determines the Directors' remuneration. The Board of Directors elects from among its members a Chairman and a Deputy Chairman for a term of one year at a time.

The Directors' term of office is three years, expiring at the conclusion of the third Annual General Meeting subsequent to election. The retirement age is 70 years. The Board of Directors consists of eight members, of whom only Mr. Vesa Vainio, President and Chief Executive Officer of Merita Ltd, is employed by the Merita Group.

Pursuant to law, the President is responsible for the company's day-to-day administration in accordance with orders and instructions given by the Board of Directors. The Board appoints the President and determines his remuneration. The current President is Mr. Vesa Vainio, Chief Executive Officer, who has been appointed to serve in this capacity until further notice. His term of office on the Board of Directors is three years, like that of the other Directors.

The emoluments paid to the Chairman of the Board of Directors, the other Directors and the President and Chief Executive Officer are discussed in Notes to the financial state-

ments on page 63. Information on the Directors, the President and the Directors' terms of office is presented on page 78.

Merita Bank Ltd Board of Management and President

The Board of Management of Merita Bank Ltd serves as its Board of Directors. It also serves as the Executive Committee of the entire Merita Group and prepares matters to be submitted to the Board of Directors of Merita Ltd.

The Board of Management consists of nine ordinary members and five deputy members, all of whom are employed by the Bank. Deputy members attend Board meetings when so required by their respective areas of responsibility.

The Bank's Supervisory Board appoints and discharges the Chairman of the Board of Management (Chief Executive Officer), the members and deputy members of the Board of Management and the President, who is also a member of the Board of Management, and determines their remuneration. The current President is Mr. Pertti Voutilainen. The members and deputy members of the Board of Management are appointed to serve until further notice.

No separate remuneration was paid to the Chairman of the Board of Management (Chief Executive Officer), Mr. Vesa Vainio, for the discharge of these duties. The emoluments paid to the other members of the Board of Management are set out in Notes to the financial statements on page 63. Information on the members and deputy members of the Board of Management and their respective areas of responsibility is presented on page 80.

Supervisory Board

The duty of the Bank's Supervisory Board is to ensure that the Bank is managed with due diligence and expertise in accordance with the law and the Articles of Association. The

Supervisory Board appoints the members and deputy members of the Bank's Board of Management and the President and determines their remuneration. It also issues general policy directives on issues of far-reaching importance, ensures an audit of the bank's management and administration at least twice a year and convenes the General Meeting of Shareholders. The Supervisory Board further decides on the granting of credit to members of the Board of Management.

New members to replace those due to retire by rotation are elected to the Supervisory Board each year by the Annual General Meeting of Shareholders. Representatives of staff are elected separately in accordance with the law. Since the Bank is a wholly owned subsidiary of Merita Ltd, the sole shareholder's voting rights are exercised at its General Meetings by a duly appointed representative of Merita Ltd in accordance with the instructions of the Board of Directors.

The term of office of a member of the Supervisory Board is three years, and the retirement age is 70 years. The Supervisory Board elects from among its members a Chairman and two Deputy Chairmen for a term of one year at a time. The Supervisory Board currently consists of 53 members, of whom five are representatives of staff. Apart from staff representatives, no members of the Supervisory Board are employed by the Bank or any other company of the Merita Group. The members of the Supervisory Board and their respective terms of office are listed on pages 78–79.

Auditors

A minimum of three Auditors are appointed for Merita Ltd and Merita Bank Ltd by their respective Annual General Meetings for a term of one year at a time. The Auditors must be public accountants or audit firms authorized by the Finnish Central Chamber of Commerce. The Auditors of Merita Ltd and Merita Bank Ltd are listed on page 78.

Merita Ltd 31st December 1996

Board of Directors

Timo Peltola, 50

Chairman of the Board of Directors of Merita Ltd since 1995; President and CEO, Huhtamäki Oy Deputy Chairman of the Supervisory Board, Pension Insurance Company Ilmarinen Ltd
Term expires: 1999

E.J. Toivanen, 69

Deputy Chairman of the Board of Directors of Merita Ltd since 1992; Chairman of the Board of Directors, Onvest Oy and Onninen Oy
Term expires: 1997

Casimir Ehrnrooth, 65

Member of the Board of Directors of Merita Ltd since 1992; Deputy Chairman of the Board of Directors, UPM-Kymmene Group; Chairman of the Board of Directors, Nokia Corporation
Term expires: 1998

Veikko Jääskeläinen, 65

Member of the Board of Directors of Merita Ltd since 1995; Professor, Helsinki School of Economics and Business Administration, Management Training
Term expires: 1998

Jouko K. Leskinen, 53

Member of the Board of Directors of Merita Ltd since 1994; President and CEO, Sampo Group; Chairman of the Board of Directors, Tamro Ltd
Term expires: 1999

Tauno Matomäki, 59

Member of the Board of Directors of Merita Ltd since 1995; Deputy Chairman of the Board of Directors, UPM-Kymmene Group; Chairman of the Supervisory Board, Pohjola Insurance Company Ltd; Chairman of the Board of Directors, PVO Group; Chairman of the Board of Directors, Rauma Ltd; Chairman of the Supervisory Board, Industrial Power Company Ltd
Term expires: 1997

Vesa Vainio, 54

Member of the Board of Directors of Merita Ltd since 1992; President and CEO, Merita Ltd
Term expires: 1998
Cf. Merita Bank Ltd, Board of Management

Iiro Viinanen, 52

Member of the Board of Directors of Merita Ltd since 1996; President, The Pohjola Group; Chairman of the Board of Directors, Pohjola Insurance Company Ltd; Deputy Chairman of the Board of Directors, Nokia Corporation; Deputy Chairman of the Supervisory Board, Huhtamäki Oy
Term expires: 1997

Auditors

Eric Haglund
Authorized Public Accountant
KPMG Wideri Oy Ab

Pekka Nikula
Authorized Public Accountant
SVH Coopers & Lybrand Oy

Mauri Palvi
Authorized Public Accountant
KPMG Wideri Oy Ab

Mauno Tervo
Authorized Public Accountant
SVH Coopers & Lybrand Oy

Deputy Auditors

KPMG Wideri Oy Ab
Authorized audit firm

SVH Coopers & Lybrand Oy
Authorized audit firm

Merita Bank Ltd 31st December 1996

Supervisory Board

Edward Andersson, 63
Professor
Chairman of the Supervisory Board, 1997 *)

Aino Sallinen, 49
Rector, University of Jyväskylä
Deputy Chairman of the Supervisory Board, 1997

Maunu Ihalainen, 59
Administrative Director of the Finnish Social Democratic Party
Deputy Chairman of the Supervisory Board, 1998

Krister Ahlström, 56
President and CEO
A. Ahlstrom Corporation, 1997

Kalevi Aro, 49
President
Aro-Yhtymä Oy, 1997

Fredrik Björnberg, 58
Chairman of the Board
Myllykoski Oy, 1999

Mauri Eerola, 60
Third President of the Central Union of Agricultural Producers and Forest Owners, 1998

Georg Ehrnrooth, 56
President and CEO
Metra Corporation, 1999

Reino Hanhinen, 53
President and CEO
YIT-Corporation, 1998

Erik Hartwall, 55
Managing Director
Hartwall Group Ltd, 1999

Ari Heiniö, 51
Managing Director
OY Stockmann AB, 1999

Paula Hopponen, 41
Chief Shop Steward
Merita Bank Ltd

Gustav Hägglund, 58
General, Chief of Defence, Finnish Defence Forces, 1999

Jukka Härmälä, 50
President and CEO
Enso Oy, 1999

Jaakko Ihamuotila, 57
Chairman and CEO
Neste Oy, 1998

Risto Ihamuotila, 58
Professor,
Chancellor, University of Helsinki, 1999

Liisa Joronen, 52
Chairman of the Board
SOL Palvelut Oy, 1999

L.J. Jouhki, 52
President and CEO
Thomesto Trading Companies Ltd, 1998

Jyrki Juusela, 53
Chairman and CEO
Outokumpu Oy, 1999

Heimo Karinen, 57
Chairman and CEO
Kemira Oy, 1999

Mikko Ketonen, 51
Chairman of the Board
TS-Yhtymä Oy, 1998

Eero Kinnunen, 59
Chairman and CEO
Kesko Ltd, 1999

Mikko Kivimäki, 57
Chairman and CEO
Rautaruukki Oy, 1998

Markku Koskenniemi, 54
President
Tammerneon Oy, 1999

Jere Lahti, 53
President and CEO
SOK Corporation, 1998

Jarmo Leppiniemi, 48
Professor,
President, Finnish Shareholders'
Association, 1999

Pekka Luhtanen, 59
Managing Director
L-Fashion Group Oy, 1997

Juhani Majjala, 57
President and CEO
Lassila & Tikanoja Group, 1997

Markku Mannerkoski, 60
Director General
Technical Research Centre of
Finland, 1997

Pirjo Manninen, 51
Bank officer
Merita Bank Ltd

Uolevi Manninen, 59
Former President and CEO
Tuko Oy, 1998

Björn Mattsson, 55
President & CEO
Cultor Ltd., 1998

Kurt Nordman, 58
Chairman and CEO
Helsinki Telephone Company Ltd,
1998

Kalevi Numminen, 64
President and CEO
IVO Group Ltd, 1997

Jorma Ollila, 46
President and CEO
Nokia Corporation, 1997

Sinikka Partanen, 55
Deputy Chief Shop Steward
Merita Bank Ltd

Heikki Pentti, 50
Chairman
Lemminkäinen Oy, 1998

Harri Piehl, 56
President
JP Operations Management Ltd,
1998

Paavo Pitkänen, 54
Managing Director
Pension-Varma Mutual
Insurance Co. , 1998

Antti Potila, 58
President and CEO
Finnair Oy, 1998

Olli Reenpää, 62
Managing Director
Otava Publishing Company Ltd,
1998

Kaija Roukala-Hyvärinen, 43
Chief Shop Steward
Merita Bank Ltd

Martin Saarikangas, 59
President and CEO
Kvaerner Masa-Yards Inc., 1997

Matti Salminen, 55
Chief Executive
Raisio Group, 1997

Eva-Riitta Siitonen, 56
Mayor, City of Helsinki
Resigned as Deputy Chairman
of the Supervisory Board on May 29, 1996
and will not offer herself for re-election at
the Annual General Meeting in 1997.

Kari O. Sohlberg, 56
Managing Director and CEO
Oy G.W. Sohlberg Ab, 1998

Sven Sohlström, 59
Managing Director
Oy Katternö Ab, 1997

Marianne Stenius, 45
Professor,
Rector, Swedish School of
Economics and Business
Administration, 1999

Reijo Ståhlberg, 44
Branch manager
Merita Bank Ltd

Matti Sundberg, 54
Chairman of the Board,
President and CEO
Valmet Corporation, 1997

Ilkka Suominen, 57
President and CEO
Alko Group Ltd, 1997

Christoffer Taxell, 48
President and CEO
Partek Corporation, 1998

Pekka Tuomisto, 56
Director General
The Social Insurance Institution,
1999

**) The information provided on each member of the Supervisory Board includes the final year of his or her term of office. Apart from representatives of staff, members of the Supervisory Board are elected for a term expiring at the conclusion of the third Annual General Meeting following election.*

Merita Bank Ltd 1st March 1997

Merita Bank Ltd

Board of Management

Ordinary Members:

Vesa Vainio, 54

Chairman of the Board and Chief Executive Officer; President and CEO, Merita Ltd since 1992;

Chairman of the Board of Directors, Central Chamber of Commerce; Member of the Board of Directors, Metra Corporation, Nokia Corporation, UPM-Kymmene Group and Sampo Insurance Company Ltd; President, Kymmene Corporation (1991–1992)

Pertti Voutilainen, 56

President since 1995; Chairman of the Board of Directors, Finnish Bankers' Association; Chairman, Centre for Finnish Business and Policy Studies; Deputy Chairman of the Supervisory Board, Pohjola Insurance Company Ltd (Member of the Board of Directors as of 1st July 1997); Member of the Board, European Banking Federation; Member of the Supervisory Board, Huhtamäki Oy; Chairman and CEO, Kansallis-Osake-Pankki (1992–1995); Chairman of the Executive Board, Outokumpu Oy (1980–1991)

Carl-Johan Granvik, 47

Managing Director since 1995; Area of responsibility: Corporate Bank; Chairman of the Board of Directors, Sponsor Oy; Employed by the Bank since 1974, most recently as Member of the Board of Management of Union Bank of Finland Ltd (1991–1995), General Manager of the London Branch (1989–1991) and Managing Director of the Luxembourg subsidiary (1987–1989)

Markku Pohjola, 48

Managing Director since 1995; Area of responsibility: Retail Bank; Deputy Chairman of the Board of Directors of Luottokunta; Member of the Supervisory Board, Pension Insurance Company Ilmarinen Ltd; Employed by the Bank since 1972,

most recently as Executive Vice President of Union Bank of Finland Ltd (1994–1995), Member of the Board of Management since 1987, Chief Financial Officer (1987–1993), Managing Director of the Luxembourg subsidiary (1985–1987)

Kari Jordan, 40

Executive Vice President, Member of the Board of Management since 1995;

Area of responsibility: Retail Bank: Helsinki Districts and Commercial Banking;

Member of the Board of Directors, Sponsor Oy and the Helsinki Chamber of Commerce;

Executive Vice President, Kansallis-Osake-Pankki (1994–1995); Member of the Board, Okobank Group (1987–1994)

Kalevi Kontinen, 55

Executive Vice President, Member of the Board of Management since 1995;

Area of responsibility: Information Technology, Risk Management and Corporate Planning;

Member of the Supervisory Board, Oy Datatie Ab and Radiolinja Oy; Member of the Board of Directors, TT Tieto Oy; Member of the Board of Management, Union Bank of Finland Ltd (1984–1995); Docent of Data Processing, University of Helsinki (1974–1982); Independent Consultant, Data Processing (1981–1984); Deputy Managing Director, Tietotehdas Oy (1980–1981)

Jorma Laakkonen, 53

Executive Vice President, Member of the Board of Management since 1995;

Area of responsibility: Corporate Division; Employed by the Bank in 1970–1973 (Union Bank of Finland Ltd) and again since 1979, most recently as Member of the Board of Management of Union Bank of Finland Ltd (1991–1995), General Manager of the New York Branch (1988–1991) and Managing Director of the Singapore subsidiary (1985–1988)

Ari Laakso, 49

Executive Vice President, Member of the Board of Management since 1995;

Area of responsibility: Group Administration, Equity Investments; Member of the Supervisory Board, Life Assurance Company Nova and Luottokunta; Member of the Board of Directors, Helsinki Chamber of Commerce and Finnish Institute of Management;

Employed by the Bank since 1972, most recently as Executive Vice President of Union Bank of Finland Ltd (1993–1995) and Member of the Board of Management (1985–1995)

Eino Halonen, 47

Executive Vice President, Member of the Board of Management since 1996;

Area of responsibility: Retail Bank, Central Finland and Consumer Banking;

Member of the Board of Directors, ATM Automatia Ltd, Automatia Rahakortit Oy, Finnish Central Securities Depository Ltd and Mortgage Society of Finland; Member of the Supervisory Board, Luottokunta;

Employed by the Bank since 1971, most recently as Senior Vice President, Corporate Banking and Consumer Banking, Kansallis-Osake-Pankki, Retail Bank (1991–1995); Deputy Member of the Board of Management of Merita Bank Ltd (1995–1996)

Deputy members:

Bo Harald, 48

Executive Vice President, Deputy Member of the Board of Management since 1995; Area of responsibility: Retail Bank: West Finland, Network Banking and Domestic Payments; Employed by the Bank since 1975, most recently as Member of the Board of Management of Union Bank of Finland Ltd (1986–1995), General Manager of the London Branch (1983–1986) and Deputy Managing Director of the Singapore subsidiary (1980–1982)

Martti Huhtamäki, 57

Executive Vice President, Deputy Member of the Board of Management since 1995; Area of responsibility: Financial Control and Accounting, Life Assurance; Member of the Board of Management of Union Bank of Finland Ltd (1991–1995); Chief Financial Officer, Sampo Group (1986–1991)

Heikki Hyppönen, 51

Executive Vice President, Deputy Member of the Board of Management since 1995; Area of Responsibility: Merita Real Estate Ltd (Managing Director); Member of the Board of Management of Union Bank of Finland Ltd (1988–1995); Director, Real Estate, Polar Group (1979–1988)

Jussi Laitinen, 40

Executive Vice President, Deputy Member of the Board of Management since 1996; Area of Responsibility: Investment Banking: Trading and Capital Markets; Employed by the Bank since 1993 in foreign exchange and money market trading; Chief Financial Officer, Spontel Oy (1988–1993)

Harri Sailas, 45

Executive Vice President, Deputy Member of the Board of Management since 1996; Area of Responsibility: Retail Bank: East and North Finland, Production, Productivity and Network Development; Member of the Board of Directors, Espoo Chamber of Commerce; Employed by the Bank since 1975, most recently as Regional Manager, Central Finland and Uusimaa Regions, Kansallis-Osake-Pankki (1990–1995)

Auditors

The Auditors of Merita Bank Ltd are the same as those of the parent company Merita Ltd, listed on page 78.

Merita Group in Finland

Merita Ltd and its subsidiaries

Merita Ltd

Aleksanterinkatu 30
P.O.Box 84, FIN-00101 HELSINKI
Telephone: +358 9 12341
Telefax: +358 9 165 42211

Merita Bank Ltd

Head office:
Aleksanterinkatu 30, Helsinki
FIN-00020 MERITA
Telephone: +358 9 1651
Telefax: +358 9 165 42838
Telex: mrit fi 124407
SWIFT-address: MRITFIHH
Internet: <http://www.merita.fi>

Huoneistokeskus Oy

Melkonkatu 16 A
FIN-00210 HELSINKI
Telephone: +358 9 180 3750
Telefax: +358 9 180 3786
Managing Director:
Kari Kallio

Huoneistomarkkinointi Oy

Mannerheimintie 4
FIN-00100 HELSINKI
Telephone: +358 9 680 851
Telefax: +358 9 646 842
Managing Director:
Leo Latvanen

Merita Life Assurance Ltd

Asemakuja 2, Espoo
FIN-00020 MERITA
Telephone: +358 9 165 27601
Telefax: +358 9 859 4622
Managing Director:
Seppo Ilvessalo

Merita Real Estate Ltd

Asemapäällikönkatu 7, Helsinki
FIN-00020 MERITA
Telephone: +358 9 828 51
Telefax: +358 9 828 57890
Managing Director:
Heikki Hyppönen

Merita Corporate Finance Ltd

Pohjoisesplanadi 33 A
FIN-00100 HELSINKI
Telephone: +358 9 478 5031
Telefax: +358 9 4785 0341
Managing Director:
Harri Hollmén

Partita Ltd

Pohjoisesplanadi 27 C
FIN-00100 HELSINKI
Telephone: +358 9 625 921
Telefax: +358 9 625 247
Managing Director:
Juha Korhonen

Unitas Congress Center Ltd

Ramsinniementie 14
FIN-00980 HELSINKI
Telephone: +358 9 31911
Telefax: +358 9 319 1400
Managing Director:
Pirjo Ruotsalainen

Yhdyshuolto Oy

Asemapäällikönkatu 7
FIN-00520 HELSINKI
Telephone: +358 9 828 51
Telefax: +358 9 828 57972
Managing Director:
Ilkka J. Kari

Subsidiaries of Merita Bank Ltd

Fidenta Oy

Nihtisillantie 3
P.O.Box 24, FIN-02631 ESPOO
Telephone: +358 9 82 820
Telefax: +358 9 523 133
Managing Director:
Ulla-Maija Keränen

Oy Helsingin Huutokauppakamari

Sörnäisten rantatie 29
FIN-00580 HELSINKI
Telephone: +358 9 773 3098
Telefax: +358 9 773 3126
Managing Director:
Martti Huotelin

Helsingin Pantti-Osakeyhtiö

Mikonkatu 15
FIN-00100 HELSINKI
Telephone: +358 9 270 5301
Telefax: +358 9 2705 3029
Managing Director:
Martti Huotelin

Merita Customer Finance Ltd

Sörnäistenkatu 1, Helsinki
FIN-00020 MERITA
Telephone: +358 9 77281
Telefax: +358 9 773 2337
Managing Director:
Matti Willamo

Merita Asset Management Ltd

Fabianinkatu 27, Helsinki
FIN-00020 MERITA
Telephone: +358 9 1651
Telefax: +358 9 165 43818
Managing Director:
Eero Heliövaara

Merita Capital Ltd

Aleksanterinkatu 36 A, Helsinki
FIN-00020 MERITA
Telephone: +358 9 1651
Telefax: +358 9 625 878
Managing Director:
Jouko Helomaa

Merita Securities Ltd

Fabianinkatu 29 B, Helsinki
FIN-00020 MERITA
Telephone: +358 9 12341
Telefax: +358 9 1234 0400
Telex: 125811 unisc fi
Managing Director:
Reijo Knuutinen

Merita Fund Management Ltd

Fabianinkatu 29 B, Helsinki
FIN-00020 MERITA
Telephone: +358 9 12341
Telefax: +358 9 612 1426
Managing Director:
Maarit Näkyvä

Merita Finance Ltd

Sörnäistenkatu 1, Helsinki
FIN-00020 MERITA
Telephone: +358 9 18581
Telefax: +358 9 1858 9140
Managing Director:
Jarmo Laiho

Perimistoimisto Contant Oy

Aurakatu 8
P.O.Box 20, FIN-20101 TURKU
Telephone: +358 2 270 000
Telefax: +358 2 270 0100
Managing Director:
Lassi Karppinen

Industrial Bank of Finland Ltd

Aleksanterinkatu 36 A
P.O.Box 165,
FIN-00101 HELSINKI
Telephone: +358 9 165 42901
Telefax: +358 9 608 951
Managing Director:
Seppo Leinonen

Tukirahoitus Oy

Kirkkokatu 21 B
FIN-90100 OULU
Telephone: +358 8 880 9830
Telefax: +358 8 880 9809
Managing Director:
Kari Haapasalo

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 048623
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

Merita Bank Ltd

Tallinn Branch

Harju 6
EE 0001 TALLINN
Telephone: +372 6 314040
Telefax: +372 6 314153
General Manager: Heikki Viitanen

Associated bank

International Moscow Bank

9 Prechistsenskaya Naberezhnaya
(Kropotkinskaya Nab.)
119034 MOSCOW
Telephone: +7 501 258 7317
Telefax: +7 501 258 7368
Deputy President: Ilkka Salonen

International Moscow Bank

St. Petersburg Branch
Street address: 1/12, Voznesensky Pr.
190000 ST. PETERSBURG
Mailing address: P.O. Box 97
FIN-53501 LAPPEENRANTA
Telephone: +7 812 219 4394
Telefax: +7 812 315 3406
Manager: Petri Loikkanen

Representative offices

Brazil

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CEP - 01426-001
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Telephone: +55 11 881 9499
Telefax: +55 11 881 9368
Representative: Marie Sjödaahl

China

Merita Bank Ltd
Beijing Representative Office
905 Landmark Tower
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Telefax: +86 10 6501 2182
Representative: Danny Wen

France

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Paris Representative Office
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Telephone: +33 1 428 60298
Telefax: +33 1 428 60805
Representative: Minna Lehtonen

Germany

Merita Bank Ltd
Frankfurt Representative Office
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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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Telephone: +852 2523 7505
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 1-
chome
Chuo-ku
TOKYO 103
Telephone: +81 3 5641 2551
Telefax: +81 3 5641 2550
Representatives: Jukka Suomela,
Setsuko Montgomery

Poland

Merita Bank Ltd
Warsaw Representative Office
Jana Pawla II 73
01 038 WARSAW
Telephone: +48 22 387 036
Telefax: +48 22 384 202
Representative: Sami Loukkola

Russia

Merita Bank Ltd
Moscow Representative Office
Street address: Ulitsa Chaplygina 20
103062 MOSCOW
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Telephone: +7 095 721 1646
Sat.tel. +7 501 721 1646
Telefax: +7 095 721 1647
Sat.fax: +7 501 721 1647
Representatives: Sirpa Sara-aho,
Jaani Pietikäinen

Merita Bank Ltd
St. Petersburg Representative Office
Street address: Nevsky Prospekt 57,
4th Floor
Mailing address: P.O.Box 16
FIN-53501 LAPPEENRANTA
Telephone: +7812 301 73 79
Telefax: +7812 301 73 89
Representative: Hanna Loikkanen

Information on Group development

The Group will publish an Interim Report on 7th May, 13th August and 5th November 1997.

