

Annual Report 1998
Unidanmark
Unibank



Contents

Summary	6
Financial review	8
The Danish economy	14
Business description	15
Retail Banking	15
Corporate Banking	21
Markets	23
Investment Banking	25
Risk management	26
Capital resources	33
Employees	35
Management and organisation	37
Accounts	
Accounting policies	42
The Unidanmark Group	44
Unidanmark A/S	50
Unibank A/S	55
Notes	59
Unidanmark's Local Boards	
of Shareholders	84
Unibank's Business Forum	85
Branches in Denmark	86
International directory	88
Notice of meeting	90

Management

Supervisory Board of Unidanmark

Jørgen Høeg Pedersen (Chairman)

Holger Klindt Andersen

Laurids Caspersen Boisen

Lene Haulrik*

Steffen Hvidt*

Povl Høier

Mogens Hugo Jørgensen

Brita Kierrumgaard*

Kent Petersen*

Mogens Petersen

Keld Sengeløv

* Appointed by employees

Executive Board of Unidanmark

Thorleif Krarup

Supervisory Board of Unibank

Unibank's Supervisory Board has the same members as the Supervisory Board of Unidanmark. In addition, as required by Danish banking legislation, the Danish Minister of Business and Industry has appointed one member of the Supervisory Board of Unibank, Mr Kai Kristensen.

Executive Board of Unibank

Thorleif Krarup (Chairman)

Peter Schütze (Deputy Chairman)

Christian Clausen

Jørn Kristian Jensen

Peter Lybecker

Henrik Mogensen

Vision

*We are a leading financial services company in Denmark
with a prominent position in the Nordic market.*

*We ensure our shareholders a return in line with the return of the
best among comparable Nordic financial services companies.*

*Through our customer focus, efficient business processes and technology
we create customer satisfaction and attract new customers.*

This confirms the customers in their choice of bank.

*Unibank is an attractive workplace where team spirit and customer focus
are important criteria for individual success. The corporate culture, the demands
and rewards for professionalism, enthusiasm and ability to change attract
and develop the best employees.*

*We carry out our business activities with due
respect for existing values and norms and with an understanding of
the importance a large financial services company has for society.*

Mission

We offer all types of financial services to retail customers in Denmark. Furthermore, we offer a number of products and services to selected retail customers in the Nordic countries.

In addition, we provide asset management to retail customers outside the Nordic countries.

We offer all types of banking products and services to Danish and selected Nordic companies, institutional investors, public corporations and institutions.

We offer major international investors and companies any Nordic currency and securities product, including asset management, as well as selected credit and cash management products.

Our product range, services and distribution channels are tailored according to customers' needs and Unibank's profitability requirements.

Our customers are served in an obliging and informal manner. The employees have the necessary decision-making authority and provide advice on and sell financial products and services where and when this creates value for the customer.

The Unidanmark Group - five-year financial summary

Profit and loss account (DKKm)						(EURm)
	1994	1995	1996	1997	1998	1998
Net interest income	7,904	7,324	7,116	6,717	7,005	939
Dividend income	69	109	145	169	183	25
Net fees and commissions receivable	1,399	1,361	1,670	1,932	2,283	306
Net interest and fees receivable	9,372	8,794	8,931	8,817	9,471	1,270
Securities and foreign exchange result	(897)	1,157	954	1,403	1,454	195
Other operating income	375	348	350	414	737	99
Profit before expenses	8,850	10,299	10,234	10,634	11,662	1,563
Expenses and depreciation	6,442	6,980	7,050	6,546	7,062	947
Provisions for bad and doubtful debts (net)	1,652	1,248	963	499	685	92
Profit on shares in associated and group undertakings	(155)	113	115	68	107	14
Operating profit before tax	600	2,184	2,337	3,658	4,022	539
Tax	60	68	312	779	1,215	163
Profit for the year	540	2,116	2,025	2,879	2,807	376

Balance sheet at 31 December (DKKbn)						(EURbn)
	1994	1995	1996	1997	1998	1998
Assets						
Cash in hand and balances due from credit institutions	44	55	74	80	82	11
Loans and advances	123	132	170	210	233	31
Ordinary loans and advances	104	101	116	133	151	20
Mortgage loans	9	22	37	53	69	9
Reverse repos	9	8	16	24	13	2
Debt securities and shares etc	46	59	74	82	100	13
Other assets	24	25	27	29	33	4
Total assets	236	271	344	401	447	60
Liabilities						
Balances due to credit institutions	61	73	98	103	117	16
Deposits	121	129	146	160	162	22
Repos	4	7	9	14	7	1
Debt securities in issue	13	26	53	79	99	13
Mortgage bonds	9	23	39	55	74	10
Other liabilities	20	22	29	36	44	6
Capital resources	21	20	19	23	26	3
Shareholders' funds	14	15	16	18	20	3
Total liabilities	236	271	344	401	447	60

Ratios and key figures (DKK except percentages)	1994	1995	1996	1997	1998
Return on average equity (%)	4.2	15.1	13.1	16.9	14.8
Capital adequacy ratio (%)	13.9	12.4	9.9	9.9	9.9
Capital adequacy ratio, core capital (%)	9.9	10.0	8.8	8.0	7.9
Earnings per share	10	40	38	54	53
Dividends per share	4	10	10	15	15
Share price at 31 December	233	276	305	509	578
Net asset value	253	283	308	344	381
Price/net asset value	0.9	1.0	1.0	1.5	1.5
Number of employees (full-time equivalents) at 31 December*	10,886	10,466	9,960	9,703	10,050
Cost-income ratio (%) **		77	77	71	69

Euro = DKK 7.4594 at year-end 1998.

* Exclusive of employees in unconsolidated companies.

** Expenses and depreciation as % of profit before expenses, excluding investment portfolio income and non-recurring income in 1997 and 1998. Investment portfolio income has not been computed for 1994.

Unidanmark posts a profit of DKK 2,807m for 1998

- Operating profit increased by 10% to DKK 4,022m
- Profit on core banking activities up 12% to DKK 2,432m
- Net interest income excluding investment portfolio income improved by 9% to DKK 6,660m
- Fees and commissions receivable rose by 18% to DKK 2,283m
- Core earnings increased by 10% to DKK 10,179m
- Expenses and depreciation grew by 7.9%
- Provisions for bad and doubtful debts increased to DKK 685m
- Ordinary loans and advances up 13% and mortgage loans up 32%

Unibank continued to improve its profit on core banking activities in 1998 despite a rise in loan loss provisions compared with the very low 1997 level. The improvement is a result of continuous growth in Unibank's core activities in the Danish banking, mortgage credit and insurance markets and in the Nordic markets. Despite the turbulent financial markets in 1998, investment portfolio income remained high. As Unibank's tax rate has returned to normal, profit for the year after tax is lower than the previous year.

For the purpose of describing the underlying trend in Unibank's core business, the individual items as shown in the summary profit and loss account are commented on, excluding investment portfolio income and non-recurring items.

Core earnings were DKK 10,179m, an increase of DKK 954m on 1997.

Net interest income (excluding investment portfolio income) rose by 9% or DKK 544m. The growth in lending and the higher short-term Danish interest rates more than offset the effect of the competitive regime, which in 1998 continued to put pressure on the interest spread.

Summary profit and loss account			
(DKKm)	1997	1998	Change
Net interest income, excluding investment portfolio income	6,116	6,660	544
Fees and commissions receivable	1,932	2,283	352
Securities and foreign exchange result, excluding investment portfolio income	806	905	99
Other operating income	371	331	(40)
Core earnings	9,225	10,179	954
Expenses and depreciation	6,546	7,062	517
Provisions	499	685	186
Profit on core banking activities	2,180	2,432	251
Investment portfolio income	1,365	1,077	(289)
Associated and group undertakings	68	107	38
Non-recurring income	44	406	363
Operating profit	3,658	4,022	364
Tax	779	1,215	436
Profit for the year	2,879	2,807	(72)

Fees and commissions receivable continue to grow and, despite the volatility of the financial markets, Unibank recorded increased trading volumes and earnings. Mortgage refinancing also contributed to the increase in fee income.

Unibank's higher business levels and increased IT investments led to growth in expenses and depreciation.

Net provisions for bad and doubtful debts rose compared with the historically low level in 1997.

Profit on core banking activities improved by DKK 251m to DKK 2,432m.

Unibank's investment portfolio generated substantial income in 1998 despite difficult market conditions. The decline in long-term interest rates led to lower net interest income than previously.

Non-recurring income was DKK 406m arising from repayment of VAT from previous years and repayment of fees.

Profit for the year was DKK 2,807m producing a return on equity of 15%. The Supervisory Board will propose to the Annual General Meeting that a dividend of DKK 15 per share of DKK 100 be paid for 1998. This is the same as for the previous year.

Unibank expects profit on core banking activities to remain largely unchanged compared with 1998.



Financial review

Net interest income

Net interest income was DKK 7,005m, up DKK 288m compared with 1997.

Net interest income from core lending and deposit business increased despite the pressure on the interest spread. In 1997 the pressure on the interest spread caused net interest income to fall slightly despite substantial growth in lending. Unibank's trading activities also contributed to higher net interest income whereas net interest income from Unibank's investment portfolio declined.

Lending, deposits and mortgage bonds in issue			
(DKKbn)	1997	1998	Change (%)
Ordinary loans and advances	133	151	13
Mortgage loans	53	69	32
Reverse repos	24	13	(47)
Total loans and advances	210	233	11
Ordinary deposits	146	155	6
Repos	14	7	(52)
Total deposits	160	162	1
Mortgage bonds in issue	55	74	35
Total	215	236	10

At year-end total loans and advances amounted to DKK 233bn against DKK 210bn at end-1997.

Bank lending grew by 13% to a total of DKK 151bn whereas mortgage lending was up 32% to DKK 69bn.

Lending to retail customers grew by some 2%, particularly lending for houses and cars increased. However, this growth should be seen in connection with the fact that mortgage lending to retail customers rose by 29% to DKK 59bn compared with 1997. The rise is particularly attributable to mortgage loans on home resales and a large number of mortgage refinancings.

Lending to Danish corporate customers grew by 17%, large corporates accounting for the major part of the growth.

Ordinary deposits increased by 6% to DKK 155bn. Retail customer deposits went up by more than 4%, particularly pension savings and deposits in high-interest accounts grew. In addition, Livsforsikringsaktieselskabet Enhjørningen, Unibank's life insurance company, recorded premium income of about DKK 1.7bn against DKK 1.3bn in 1997. On the corporate side, Danish deposits grew by just under 7%.

Market shares

During 1998 Unibank commanded a largely unchanged average market share of 27% of Danish lending, representing a market share of more than 20% for retail customers and 31% for corporate customers. Unikredit's average market share of gross new lending for residential properties and holiday homes was 15% in 1998, or largely the same as the previous year.

During 1998 Unibank commanded a largely unchanged average market share of 23% of Danish deposits, being roughly the same share for both retail customers and corporate customers.

Fees and commissions receivable

Net fees and commissions receivable increased by DKK 352m to DKK 2,283m, reflecting the trend of the past few years. Fees and commissions receivable now account for 24% of the total of net interest and fees receivable against 22% in 1997.

The improvement in fees and commissions receivable was due mainly to increased income from securities trading and increased asset management fees.

Net fees and commissions receivable		
(DKKm)	1997	1998
Transaction fees	596	657
Custody fees	106	113
Commissions on guarantees and documentary credits	301	343
Securities and foreign exchange fees	748	860
Asset management fees	229	351
Other	(48)	(41)
Net fees and commissions receivable	1,932	2,283

Securities trading on behalf of customers improved, among other reasons, as a result of the continuing low Danish and international interest rate levels making the return on savings invested in shares, bonds and investment fund units more attractive compared with savings in the form of traditional deposits.

There was strong growth in asset management fees, mainly reflecting the increased level of funds under management from private and institutional investors.

Trading

Trading volumes with customers in the Nordic securities markets continued to grow in 1998. Earnings from trading are recorded as net interest and fees receivable, dividends on the trading portfolios and the securities and foreign exchange result. Almost half of the improvement in core earnings arose from trading.

The positive trend in earnings was realised from both foreign exchange and interest rate products and from equity products. Trading income was lower in the second half of 1998 as a result of the generally uncertain and turbulent market conditions but in line with expectations. Because of the volatility in the equity markets in the last six months of 1998, the number of initial public offerings and equity offerings declined.

In November 1998 Aros Securities and Robert Fleming & Co. Ltd. announced that they intended to establish an investment banking joint venture. In addition to strengthening Aros's corporate finance activities such joint venture will enhance sales of Nordic products via Flemings's international representation and improve the opportunities for serving Aros's Nordic customers with international products.

Aros Securities participated in 20 equity offerings, including eight as lead manager, on the stock exchanges in Copenhagen and Stockholm, on EASDAQ, the pan-European stock market for high growth companies, and on the Nouveau Marché in France. In addition, Aros Securities participated in 14 M&A transactions and four private placements.

Aros Securities continued to record growth in equity trading. In 1998 Aros Securities was a market leader in Denmark, where competition is expected to become more intense in 1999 due to the introduction of Norex, the joint Danish-Swedish trading system.

From November 1998 Unibank's customers have been able to buy and sell Danish securities direct via the Internet and also outside the Copenhagen Stock

Exchange's normal business hours. Unibank has already noted considerable interest from customers in Unibank's online securities trading system.

In 1998 Unibank Markets arranged 32 bond issues with total proceeds of DKK 9.1bn, of which two structured products backed by Danish mortgage bonds accounted for DKK 2.9bn.

Trading in interest rate and foreign exchange products continued to increase throughout 1998, where Unibank particularly focused on preparing for trading in the euro.

Funds under management		
(DKKbn) 31 December	1997	1998
Unibank S.A., Luxembourg	25	29
Portfolio pension schemes	19	21
Investment management	59	79
Investment centres	21	23
Trust Services department	11	12
Trevis AB	3	4
Total	138	168
Uni-invest, investment fund	23	31

Unibank's asset management activities will be expanded in the first half of 1999 by the establishment of Trevis Private Banking in Stockholm and Malmö and there are plans to set up a branch office in Göteborg. In addition, a private banking branch of Unibank S.A., Luxembourg, will be opened in Zürich.

Funds managed by Unibank amounted to DKK 168bn at 31 December 1998, an increase of DKK 31bn on 1997. Funds managed by the investment fund Uni-invest amounted to DKK 31bn compared with DKK 23bn at the end of 1997.

New accounting standards

The 1998 accounts are presented in accordance with the Danish Financial Supervisory Authority's new standards. The most important changes relate to extraordinary income and charges in that these categories are no longer used.

As a consequence, a number of items which were previously recorded as extraordinary income are now included under "Other operating income". Repayment of VAT from previous years is now booked under this item.

In Unibank's Interim Report ended 30 June 1998 repayment of VAT from previous years was included in the expenses which were subject to VAT. This item is now included in the annual accounts in accordance with the new standards.

In the second half of 1998 Unibank received repayment of VAT for previous services provided by the data centres SDC and BEC. Furthermore, fees relating to the then savings bank SDS's conversion into a public limited company and the Unibank merger have been repaid. Total repayment of VAT and fees amounted to DKK 406m in 1998.

In Unibank's presentation of core earnings and profit on core banking activities, non-recurring income has been excluded so that only the annually recurring items are included in profit on core banking activities.

Write-down of property, which was previously recorded under extraordinary charges, is now recorded under expenses and depreciation. Furthermore, market values of financial instruments are now shown on a gross basis in the balance sheet whereas previously net values were shown.

The comparative figures have been restated in accordance with the new standards.

Investment portfolio income

Unibank's market risk exposure is primarily related to its investment portfolio of shares, bonds and other financial instruments.

Investment portfolio income		
(DKKm)	1997	1998
Net interest income and dividend income	769	528
Revaluation of the investment portfolio of debt securities and shares etc	596	549
Total	1,365	1,077

Investment portfolio income was DKK 1,077m against DKK 1,365m in 1997. Modest revaluation gains from Danish shares were recorded compared with the previous year. Interest rates generally fell resulting in revaluation gains while the flattening of the yield curve has caused net interest income to decline.

Unibank's overall interest rate exposure, defined as the expected loss or gain resulting from a one percentage point increase in interest rates, was DKK 746m at year-end against DKK 763m at the end of 1997. Unibank's overall exposure to interest rate risks, computed on the basis of the Value at Risk method, was DKK 73m at the end of 1998 and ranged between DKK 54m and DKK 113m during 1998.

Expenses and depreciation

Expenses and depreciation were DKK 7,062m or 69% of core earnings. This is a decline of 2 percentage points on 1997.

As a result of Unibank's high lending activity and higher trading volumes, the expansion of delivery channels and increased IT investments, expenses increased by 10% from DKK 5,942m in 1997 to DKK 6,564m in 1998.

At 31 December 1998 staff numbers amounted to 10,050, an increase of 347 compared with 1997, reflecting the higher business levels.

Depreciation and write-downs fell from DKK 603m in 1997 to DKK 498m in 1998.

An amount of DKK 104m, compared with DKK 60m in 1997, was incurred in 1998 towards projects to enhance efficiency and for the development of delivery channels and IT. This amount had been provided for in the profit and loss account in previous financial years. In 1998, 170 employees left Unibank after having entered into severance agreements. In addition, 105 employees have entered into severance agreements to leave Unibank in 1999 and 2000.

Provisions for bad and doubtful debts

Provisions for bad and doubtful debts were DKK 685m in 1998, an increase of DKK 186m compared with the historically low level in 1997. As a result of the crisis in Asia, Russia and South and Central America the favourable economic trends have been replaced by a situation of excess capacity in several sectors. As a consequence Unibank increased its provisions for commitments, particularly with customers in the shipping sector and in respect of customers with

significant business activities in the countries with troubled economies.

Unibank's exposure to credit risk in the troubled economies in Asia is limited. The business activities mainly comprise the provision of finance to subsidiaries of Nordic companies as well as trade finance. In Thailand, Malaysia, South Korea, Indonesia and the Philippines, Unibank's unsecured credit risk exposure is DKK 321m. In addition, Unibank's branch office in Hong Kong has provided finance to local businesses. The unsecured credit risk exposure of that branch office is DKK 865m.

Unibank's exposure to credit risk in Russia is also limited. The unsecured credit risk exposure is approximately DKK 32m.

Unibank's unsecured exposure to credit risk in the major countries in South and Central America - Argentina, Brazil, Chile, Mexico and Venezuela - is DKK 974m. Of this figure balances with banks account for DKK 788m. In addition, Unibank's unsecured exposure to credit risk in respect of international or regional development banks (supranational banks) in those countries is DKK 191m.

The necessary provisions have been made in respect of exposures to credit risk in Russia, Asia and South and Central America in accordance with Unibank's usual policies.

Unibank is involved in various legal proceedings, among them a number of lawsuits concerning Danish tax-related asset stripping. The proceedings are reviewed on an ongoing basis and, where necessary, provisions are made on the basis of an assessment of the risk of incurring a loss.

At 31 December 1998 accumulated provisions against losses on ordinary credits were DKK 7.5bn or 3.8% of ordinary credits and provisions. Non-accrual ordinary credits accounted for DKK 1.7bn or 0.8% of ordinary credits and provisions.

Tax

Tax amounted to DKK 1,215m for 1998, or 30% of profit before tax. For a number of years Unibank has paid tax at a relatively low rate on account of relief for previous years' losses and the utilisation of tax deductions regarding depreciation of assets. However, as from 1998 Unibank will pay tax at the normal rate.

Balance sheet

At 31 December 1998 the Group's total assets amounted to DKK 447bn, an increase of DKK 46bn or 12% on the prior year-end position.

At year-end the capital adequacy ratio stood at 9.9%, of which core capital was 7.9% against 8.0% at the end of 1997.

In 1998 Unibank issued notes relating to two new loans totalling USD 184m ranking as supplementary capital.

Distribution of profit

The post-tax profit for the year of DKK 2,807m is proposed to be distributed as follows: DKK 798m by way of dividends with DKK 2,008m being carried forward.

Employee shares

In the course of the first quarter of 1999 the Supervisory Board will decide whether the profit for 1998 warrants the issue of employee shares. The Supervisory Board will evaluate Unibank's profit for the year relative to the results of comparable banks. The cost of issuing employee shares will not exceed DKK 80m, corresponding to the statutory tax-free limit of DKK 8,000 per employee.

Prospects for 1999

The rate of economic growth has slowed down in Denmark as well as internationally. This decline is expected to ease in western Europe and North America. However, economic trends are now associated with greater uncertainty than previously. Against this background Unibank anticipates lower growth in ordinary loans and advances. Mortgage lending and securities trading volumes are expected to see sustained high growth and an increase is projected in assets under management.

As a result, core earnings are expected to increase in 1999.

Expenses are likely to grow as a result of increased IT investments, the further development of delivery channels and Unibank's moving into newly constructed head office buildings. The number of employees is forecast to remain at the same level as at the end of 1998.

Unibank anticipates that an increasingly tough competitive environment in Danish as well as international markets will impact on a growing number of companies in 1999. The finances of private individuals will also come under pressure. Consequently, Unibank expects loan loss provisions to remain at the same level as last year or to grow marginally.

Against this background Unibank expects profit on core banking activities to remain largely unchanged compared with 1998.

The results for the year will be influenced by conditions in the financial markets during 1999.

Annual General Meeting

The Supervisory Board will propose to the Annual General Meeting, which will be held on 23 March 1999 in Copenhagen, that a dividend of DKK 15 per share of DKK 100 be paid for 1998.

The Supervisory Board will, furthermore, recommend the re-election to the Supervisory Board of Povl Høier, Mogens Petersen and Keld Sengeløv.

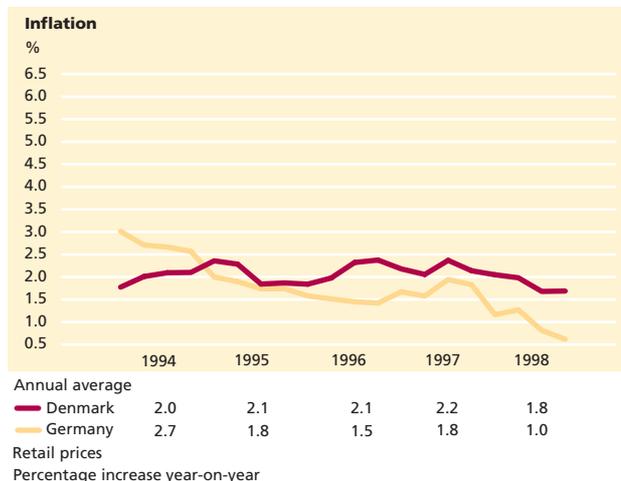
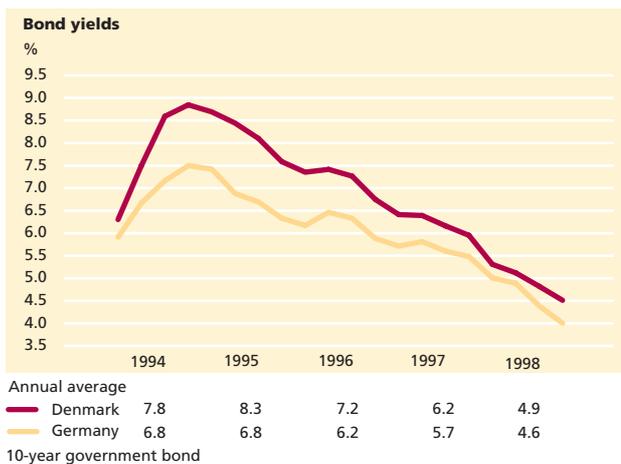
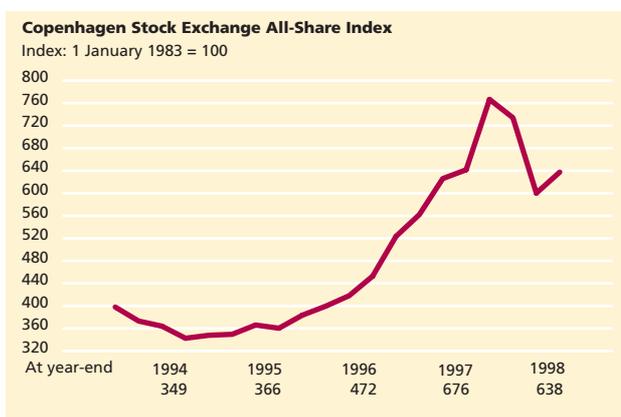


The Danish economy

In 1998 growth in the Danish economy was around 2% against some 3% in 1997.

The Danish yield curve flattened further in 1998. Long-term interest rates fell by around 1 percentage point in terms of 10-year government bonds and short-term interest rates ended the year 0.2 percentage point higher than the previous year. Short-term interest rates fluctuated, particularly in May and during the second half of the year, due to the turbulent money market. The Danish central bank adjusted the discount rate several times during the year. At year-end the discount rate was 3.5%, corresponding to the discount rate at the end of 1997.

During 1998 the Copenhagen Stock Exchange All-Share Index decreased by just under 6% whereas the trade-weighted krone index advanced by about 3% during 1998.



Business description

In order to further strengthen Unibank's development and decentralisation, Unibank was, from 1 October 1998, organised into four business areas: Retail Banking, Corporate Banking, Markets and Investment Banking.

Each business area comprises customer service, advisory services, sale and distribution, business development and operations. Unibank's cross-departmental functions are combined in Corporate Centre and Corporate Functions.

Retail Banking

Retail Banking comprises Unibank's activities in Denmark in relation to personal customers and small and medium-sized corporate customers, including mortgage lending and insurance activities. This business area also includes the domestic distribution network.

In 1998 Unibank's retail business was characterised by overall growth in most areas.

Personal customers

Unibank offers all types of financial services to personal customers. With the increasing complexity of modern lifestyles, it is more important than ever to have a financial adviser. Sound financial advice is therefore an essential element of the services offered to Unibank's customers.

Delivery channels

Unibank's branch network offers its services to around 1.7 million personal customers and about 42,000 small and medium-sized corporate customers. Unibank has 369 branch offices in Denmark, down by seven on 1997. The branch network is divided into 30 branch regions.

Unibank continuously develops and improves the efficiency of its delivery channels to make its services even more accessible to customers. In addition to being served in a branch office, customers may opt for Unidirekt, a telephone banking service, PC bank, a PC-based home banking facility, and an online securities trading system allowing customers to buy and sell securities via the Internet.

Unibank's customers may combine the use of branch services, telephone banking and home banking according to their own preferences and needs.

Unibank's customers make increasing use of the self-service facilities.

- 100,000 customers make use of Unibank's home banking facility PC bank.
- 566,000 customers use Dankort or VISA/Dankort payment and debit cards - a 2.7% increase. Customers more often choose a VISA/Dankort card than a Dankort card, the former of which saw a 10% increase.
- The number of payments with Dankort cards increased to 74 million - a 10% increase.
- 468,000 customers have a cash card.
- The number of withdrawals via Unibank's ATMs Unikontanten went up by 4% compared with 1997.
- 333,000 customers have registered for Unifon, Unibank's voice response telephone service.
- Unibank's customers make increasing use of direct debit services and entered into 295,000 new direct debit agreements - a 5.8% increase.

As more transactions are made by way of these self-service facilities, the number of transactions handled at the counter decreases and the use of cheques declines.

Whatever type of service customers choose, the intention is to collect information on the individual customers in the computer systems and make such information available to the relevant account managers. This will enable account managers to even further personalise customer service, credit assessment and advice.

Customer focus

Unibank aims to enhance customer-oriented activities and has established targets for the time spent by staff in customer-facing departments: 60% of the time should be spent on customer relations, 20% on operations etc and 20% on development tasks. Less than half the time is currently spent on customer relations. Automation of tasks and improved utilisation of new technology combined with consistent focus on how time is spent should ensure the gradual release of time for offering advice and serving customers in general.

Housing finance

Rising prices and high turnover in the housing market remained key features of 1998. Historically low interest

rates contributed to brisk mortgage refinancing activity, particularly in the first half of the year. Uncertainty relating to the implications for individual customers of the spring 1998 fiscal package, combined with the rise in interest rates in the second half of the year, dampened housing finance activity overall.

As a consequence of the flat yield curve and the low interest rate environment, Unibank's customers were advised on the opportunities of refinancing their bank loans into longer-term mortgage loans. Some customers therefore replaced ordinary consumer loans with mortgage loans.

Residential mortgage lending increased by DKK 13bn compared with 1997. Total lending by Unikredit, Unibank's mortgage banking subsidiary, exceeded DKK 69bn at the end of 1998.

In 1998 Unikredit realised a pre-tax profit of DKK 282m.

Unikredit - financial highlights			
	1996	1997	1998
Profit and loss account (DKKm)			
Net interest and fees receivable	200	273	360
Securities and foreign exchange result	(29)	4	17
Profit before expenses	171	277	377
Expenses			
Expenses	70	71	91
Depreciation	1	2	3
Loan loss provisions	0	0	1
Revaluation of shares in associated undertakings	(0)	0	1
Profit before tax	100	205	282
Balance sheet at 31 December (DKKm)			
Total assets	42,533	60,055	80,254
Mortgage loans	37,373	52,554	69,406
Mortgage bonds in issue	38,551	55,238	74,464
Shareholders' funds	3,142	3,347	4,429
Capital adequacy ratio (%)			
Capital adequacy ratio (%)	14.8	12.2	11.8

Unikredit has no significant exposure to overall interest rate movements as the portfolio of own bonds is hedged against general movements in Danish bond yields.

Assuming financial market risks is not part of Unikredit's business operations. Thus, Unikredit's earnings reflect basic mortgage lending activity.

Guarantee commissions and bond brokerage payable by Unikredit to Unibank rose from DKK 176m in 1997 to DKK 256m.

Pension and insurance

The adoption of the spring 1998 fiscal package has increased the need for advisory services in relation to personal customers' pension savings arrangements.

In spite of considerable uncertainty as to the changed tax conditions, the growth in customers' pension savings was maintained at the same level in 1998.

Unibank's securities portfolio pension schemes produced positive yields in 1998, although somewhat lower than in the preceding two years. The portfolio of Danish shares generated a positive yield in 1998 although the Copenhagen Stock Exchange All-Share Index, the relevant benchmark, decreased by 6%. As the yields should be viewed over a period of several years, the table includes the development since 1991.

Yield on Unibank's portfolio pension schemes 1991-1998 (% pa)						
	Short bonds (1)	Long bonds (1)	Index-linked bonds	Danish shares	Foreign shares	Deposits (1)
1991		13.7	10.6	13.3	4.2	7.4
1992		7.2	7.4	(12.0)	7.6	7.7
1993		23.5	21.0	43.3	35.6	6.2
1994		(6.9)	(3.6)	(2.8)	(6.3)	2.7
1995		19.0	8.5	7.8	8.7	3.3
1996	5.4(2)	12.4	8.3	27.0	16.4	2.1
1997	4.8	11.1	6.5	38.2	27.8	2.0
1998	5.9	9.9	5.9	1.2	18.6	2.6
Average 1991-1998	5.8(3)	10.9	7.9	13.0	13.4	4.2

(1) Entire yield subject to Danish real-interest tax.

(2) Yield for nine months. The portfolio was established on 1 April 1996.

(3) For the period from 1 April 1996 to 31 December 1998 only.

Life insurance company

Through Enhjørningen Liv, Unibank's 100%-owned life insurance company, Unibank offers its customers all types of pension insurance and insurance products. In addition, Enhjørningen Liv sells company pension schemes.

In 1998 Unibank's sale of pension insurance and personal insurance generated a volume of around 22,000 insurance products.

In 1998 Enhjørningen Liv offered a return on savings of 8.5% after Danish real-interest tax. The 1999 return has been fixed at 4.5% after real-interest tax.

Livsforsikringsaktieselskabet Enhjørningen - financial highlights			
	1996	1997	1998
Profit and loss account (DKKm)			
Premium income	687	1,294	1,662
Acquisition and administrative expenses	(44)	(58)	(57)
Profit/(Loss) on insurance business	19	(11)	(1)
Profit on investment business	71	175	236
Profit before tax	46	12	36
Technical reserves	928	2,107	3,642
Shareholders' funds	263	475	511
Total assets	1,238	2,630	4,205

The company's pre-tax profit for 1998 came to DKK 36m after commissions of DKK 13m payable to Unibank for the distribution of the company's insurance products.

The life insurance company is not consolidated in the accounts of the Unidanmark Group. Unibank's interest in the life insurance company is stated according to the equity method and Unibank's share of the profit after tax is included in the profit and loss account in the item "Profit on shares in associated and group undertakings".

The staff of the life insurance company are not included in the number of employees of Unibank. The number of employees of the life insurance company was 55 at the end of 1998, up from 49 in 1997.

Non-life insurance

Through the non-life insurance company Enhjørningen Skade, Unibank offers its personal customers all types of traditional non-life insurance products. The company is 60% owned by Unibank and 40% owned by the Danish insurance company Østifterne Forsikring gs.

In 1998 a total of 61,500 non-life insurance policies were sold, against 60,000 in 1997.

Skadesforsikringsaktieselskabet Enhjørningen - financial highlights			
	1996	1997	1998
Profit and loss account (DKKm)			
Premium income	3	50	116
Acquisition and administrative expenses	(19)	(27)	(31)
Loss on insurance business	(22)	(22)	(1)
Profit on investment business	19	23	23
Profit/(Loss) before tax	(2)	(6)	22
Technical reserves	18	70	137
Shareholders' funds	198	196	210
Total assets	227	288	363

The non-life insurance company recorded a pre-tax profit of DKK 22m for 1998 after commissions of DKK 5m payable to Unibank for the distribution of the

company's insurance products. The non-life insurance company is not consolidated in the accounts of the Unidanmark Group. Unibank's interest in the non-life insurance company is stated according to the equity method and Unibank's share of the profit after tax is included in the profit and loss account in the item "Profit on shares in associated and group undertakings".

The staff of the non-life insurance company are not included in the number of employees of Unibank. The number of employees of the non-life insurance company was 45 at the end of 1998, up from 29 in 1997.

Investment

Customers' interest in investing in securities is still increasing in spite of the volatility in the financial markets in 1998.

Many personal customers choose to make indirect securities investments by buying unitised funds. Net sales of units in the investment fund Uni-invest amounted to DKK 7.4bn in 1998 with total assets under management by Uni-invest increasing to DKK 30.9bn. The number of Uni-invest customers grew by 36% on 1997 to about 150,000 in 1998.

Customers' interest in making their own investment decisions is reflected in the activity in Unibank's four investment centres, which provide asset management services to personal customers.

Unifinans

Unifinans, Unibank's finance company providing loans for consumer durables as point-of-sale finance, recorded a pre-tax profit of DKK 54m in 1998. This represents a decline of DKK 19m compared with the 1997 profit. Last year's figure was influenced by an extraordinary income of DKK 9m, arising from the repayment to this subsidiary of the special tax levied on companies not subject to VAT.

Unifinans - financial highlights			
	1996	1997	1998
Profit and loss account (DKKm)			
Net interest and fees receivable	127	136	138
Securities and foreign exchange result	0	0	0
Other operating income	0	10	1
Profit before expenses	128	146	139
Expenses			
Expenses	32	36	35
Depreciation	2	2	1
Provisions for bad and doubtful debts	15	36	48
Operating profit before tax	80	73	54
Balance sheet at 31 December (DKKm)			
Total assets	1,524	1,803	1,707
Shareholders' funds	222	214	218

Corporate customers

Unibank's small and medium-sized corporate customers are served mainly by Unibank's 30 corporate banking departments and 85 retail branches. Unibank's corporate advisers, supported by the head office specialist functions, meet all the needs for advisory services no matter how complex. The local presence ensures the required understanding of, and relationship with, the business customer's community.

In 1998 lending to small and medium-sized corporate customers grew by 11.5%. Commercial mortgage lending rose by DKK 3.5bn to a total of DKK 10.5bn.

From this segment growth in deposits was 10.5% in 1998.

Euro

Prior to the launch of the euro, Unibank has enhanced its account and payments handling systems and other systems, thus meeting its corporate customers' needs for euro transactions - both in Denmark and in the international units.

In the course of 1998 comprehensive activities were undertaken to advise customers how to deal with the problems and opportunities created by the introduction of the single European currency. In 1998 Unibank published "Getting started with the euro", a booklet focusing on a number of practical aspects associated with the introduction of the euro. Its predecessor "Ready, steady - euro", published in 1997, dealt with more general issues. More than 15,000 copies of each of the two booklets have been printed.

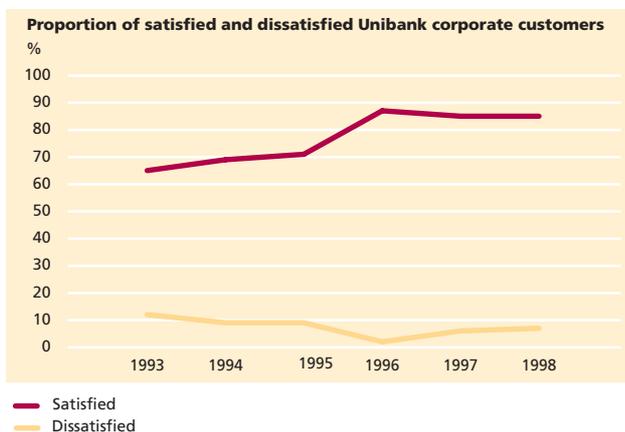
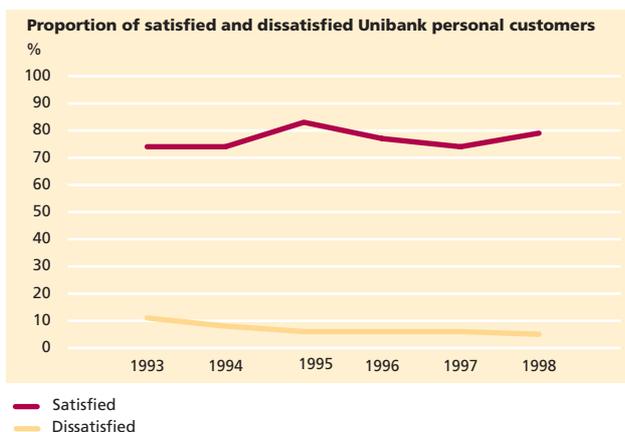
Factoring

Unifactoring, Unibank's factoring subsidiary, offers finance of receivables. This subsidiary made a pre-tax profit of DKK 4m, up by DKK 1m compared with 1997.

Customer satisfaction surveys

Each year since 1993 Unibank has carried out comprehensive image and quality surveys among personal as well as corporate customers. The purpose is to monitor on an ongoing basis how customer satisfaction and quality of service develop. The surveys are based on answers from more than 8,000 personal customers and 7,000 corporate customers each year.

Since 1993 satisfaction among Unibank's customers has shown an upward trend. Both among personal and corporate customers the proportion of satisfied customers has risen and the proportion of dissatisfied customers declined.





Corporate Banking

Unibank's corporate banking activities are undertaken by Corporate Banking Department, the international units, International Banking Department and Unileasing, one of Unibank's subsidiaries.

More than half of Denmark's 400 largest corporate groups use Unibank as one of their main banks and almost all 400 of them maintain a business relationship with Unibank. In addition, Unibank enjoys business relations with about 25% of the 1,000 largest Nordic groups.

Unibank's business volume generated by large corporates increased in 1998. Lending to the largest Danish corporates increased by around 10% while strong growth was achieved in Unibank's lending to Nordic corporates.

Nordic and international distribution

Large Danish corporate customers are served by Unibank's Copenhagen-based Corporate Banking Department. Other Nordic corporates are served in cooperation with the Nordic branches. In 1998 Unibank opened a branch office in Malmö. Now Unibank has branches in the Nordic countries in Stockholm, Oslo, Helsinki and Malmö. There are plans to open a branch in Göteborg in 1999.

Outside the Nordic region Unibank has branches in London, Frankfurt, Hamburg, Berlin, New York, Hong Kong and Singapore and representative offices situated in a number of other international locations including eastern Europe and China. The primary customers of the branches and other units outside the Nordic region are subsidiaries of large Danish and other Nordic corporates.

In connection with the ongoing enhancement of its advisory services concept, Unibank has decided to concentrate the account-holding relating to its business in Asia at its Singapore branch office. Therefore, the Hong Kong branch office will be transformed into a

representative office towards the end of 1999. The other representative offices in Asia remain unchanged.

International cash management

The launch of the euro offers companies with considerable international activities significantly improved opportunities to undertake efficient cash management.

In 1998 Unibank carried out a major development project, International Cash Management, allowing Unibank to offer corporate customers cross-border cash management solutions. Besides the Nordic countries, such solutions cover most of the other European countries as well as North America.

Structured finance

Having set up a special structured finance unit at the beginning of 1998, Unibank was quick to make its presence felt in the Nordic market for acquisition finance. During 1998 Unibank participated in seven Nordic acquisition finance transactions totalling DKK 1.7bn. In 1999 Corporate Banking will continue to focus on growing this business area.

Syndicated loans

In the Nordic market for syndicated lending 1998 also saw a high level of activity in Unibank, not least as part of its expansion of its business with Nordic corporates.

Leasing

Unileasing, the subsidiary providing leases to Unibank's corporate customers, also handles the long-term fixed-rate DFI corporate loans. Unileasing recorded a pre-tax profit of DKK 84m in 1998 compared with DKK 99m in 1997. The 1997 result was influenced by an extraordinary repayment to this subsidiary of the special tax levied on companies not subject to VAT.

Unileasing - financial highlights			
	1996	1997	1998
Profit and loss account (DKKm)			
Net interest and fees receivable	99	105	121
Securities and foreign exchange result	2	(3)	2
Other operating income	12	47	15
Profit before expenses	112	149	138
Expenses			
Expenses	34	37	37
Depreciation	2	2	3
Provisions for bad and doubtful debts	18	11	14
Profit before tax	58	99	84
Balance sheet at 31 December (DKKm)			
Total assets	7,566	8,912	11,314
Shareholders' funds	454	554	638

Markets

Markets engages in trading in foreign exchange, interest rate products and derivatives and arranges bond issues. Markets is also responsible for settlement, custody services and investment management together with the private banking activities of Trevisse Private Banking in the Nordic region and Unibank S.A., Luxembourg. In addition, Markets undertakes retail trading in equities and bonds.

In spite of the volatility in the financial markets during the second half of 1998, Unibank achieved growth in its trading volume of most interest rate products in 1998 and increased its share of the Swedish and Norwegian markets. In Sweden Unibank is among the leading bond dealers and has also increased its share of foreign exchange business. In 1998 Unibank focused on preparing for trading in the euro in terms of both foreign exchange and bonds.

Trading in foreign exchange, interest rate products and derivatives is mainly carried out in Copenhagen. These activities are also undertaken in the trading units in the Nordic branch offices, where Unibank strengthened its business in 1998, and in Unibank's international units in London, New York, Singapore and Tokyo. In New York sales of Nordic bond products increased considerably in 1998.

In November 1998 Unibank launched its online securities trading system allowing customers to buy and sell Danish securities direct via the Internet and also outside the normal business hours of the Copenhagen Stock Exchange. At end-1998 - a little over a month after the launch - the number of registered users of this system had reached 6,500.

Asset management

Total funds managed by Unibank increased from DKK 138bn at the end of 1997 to DKK 168bn at the end of 1998.

In terms of investment management Unibank won several new mandates in 1998 from institutional

investors and its asset management portfolio grew by 35% to DKK 79bn. In 1998 Unibank developed a new product for the life and pension insurance sector, comprising a number of securities accounting and risk and performance analysis facilities.

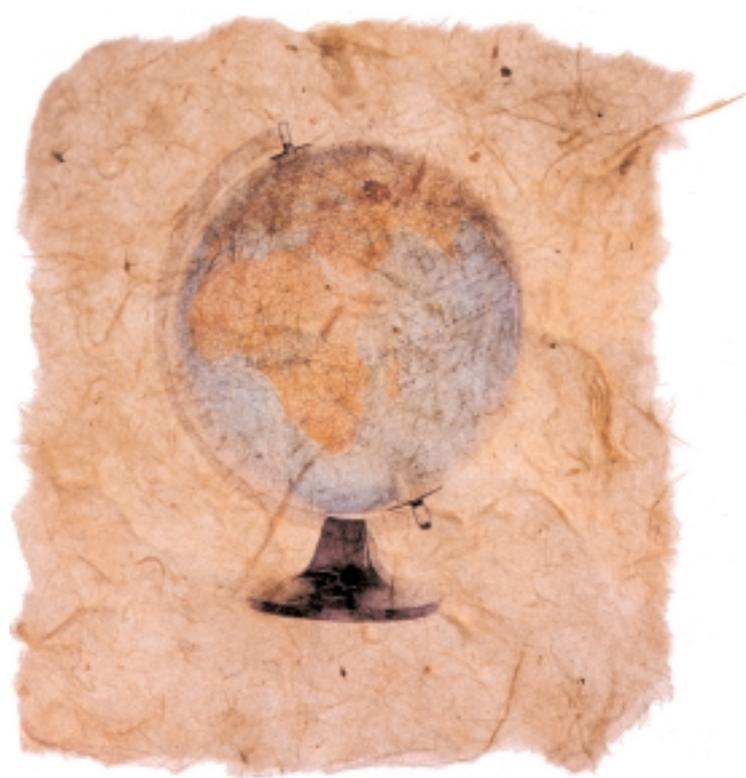
The sale of investment management products in Sweden and Finland increased during 1998 on the strength of Trevisse's institutional customer base.

Unibank S.A., Luxembourg, which provides asset management to private customers, increased total assets under management by 16% to DKK 29bn in 1998.

The Unibank S.A. Group, Luxembourg - financial highlights			
	1996	1997	1998
Profit and loss account (DKKm)			
Net interest and fees receivable	210	251	332
Securities and foreign exchange result	25	37	27
Other operating income	4	4	4
Profit before expenses	238	292	364
Expenses			
Expenses	111	133	158
Depreciation and amortisation	8	8	8
Provisions for bad and doubtful debts	14	15	2
Operating profit before tax	105	136	197
Tax	59	52	78
Profit for the year	46	84	119

Balance sheet at 31 December (DKKm)			
Total assets	14,787	15,425	13,953
Shareholders' funds	758	782	901

The Unibank S.A. Group, Luxembourg, made a pre-tax profit of DKK 197m, representing an increase of DKK 61m on 1997. In the second half of 1998 Unibank opened a representative office in the south of France. Unibank expects to open a branch of Unibank S.A., Luxembourg, in Zurich in the first six months of 1999. Thus, Unibank gains direct access to one of the world's largest markets for private banking.



Investment Banking

Unibank's investment banking activities are concentrated in Aros Securities, which offers equity distribution services to large corporates and undertakes equity research and corporate finance activities. Its corporate finance activities include equity offerings, initial public offerings, M&A and other financial advisory services.

Aros Securities's objective is to be a leading investment bank in the Nordic region. With its units in the four Nordic capitals, Aros Securities provides Nordic and international investment banking services to Nordic and international customers.

In november 1998 Aros Securities announced that it had signed heads of agreement to establish a joint venture with Robert Fleming & Co. Ltd., the international investment bank. The Flemings group has a presence in 44 countries and a staff of around 8,000. The Fleming Aros joint venture ensures Aros Securities additional support of its business activities in the Nordic region as well as internationally.

Nordic equity markets

Following the upward trend in recent years in the European and US equity markets, markets slowed down in the second half of 1998. Nonetheless, 1998 saw an increase of 28% on 1997 in the turnover of equities traded on the Nordic stock exchanges. The largest increase, 72%, was recorded in Helsinki followed by Copenhagen and Stockholm with 46% and 25% respectively. Oslo registered a decrease of 13%.

Sales & Trading

In the Nordic equity markets Aros Securities further strengthened its position in 1998, increasing its market share in Denmark, Finland and Norway. In these countries average shares were 18%, 8% and 2% respectively. Sweden saw a slight drop from 5% to 4%. The reason for this decrease is the increasingly stronger competition from large international investment banks penetrating the Swedish market, either through local representation or as remote members of the Stockholm

Stock Exchange. In Denmark, where Aros Securities maintains a leading market position, competition is also expected to become more intense due to the introduction in May 1999 of Norex, the joint Danish-Swedish trading system.

Research

Research coverage of Nordic and international equities was integrated further in 1998. The analysts expanded the marketing of Aros Securities's research products, which in keeping with investors' increasing interest become more and more sector based. In order to offer customers the quickest way of getting access to research reports, distribution via electronic media was enhanced in 1998.

Corporate Finance

Aros Securities's corporate finance business increased during 1998. In Denmark Aros Securities had a leading market position.

To further strengthen its corporate finance activities in Finland, Aros Securities acquired the Finnish company Atrium OY and integrated its activities into Aros Securities OY.

Earnings in Aros Securities grew by 33% to DKK 513m in 1998. The figure excludes the income arising from client trading in Unibank's other units.

Risk management

In the ordinary course of business, Unibank is exposed to a variety of risks, the most significant being credit and market risks. Other risks include operational and legal risks.

The aim of risk management in Unibank is to ensure that the risks to which Unibank is exposed are effectively monitored and kept within the relevant framework and limits established for the various types of risk.

Unibank continuously reviews and adjusts its risk management to ensure that its risk management standards are constantly brought into line with the standards recommended by international bodies such as the Basle Committee on Banking Supervision and the Group of Thirty representing market participants.

As another important element in Unibank's risk management, the departments involved in the management of risks each year review, evaluate and, if required, revise systems, business procedures and internal controls.

The Supervisory Board sets the framework and limits for Unibank's exposure to risks.

Credit risk

Traditionally credit risk is associated with loans, advances and guarantees, and with balances due from credit institutions. Such risk arises where the borrower is unable or unwilling to make repayments at the due date.

Unibank also incurs a credit risk when trading financial instruments and other securities. Customers use these instruments to hedge and control their exposure to market risks. The credit risk arises from trading activities where Unibank is to receive payment in settlement of a transaction.

In addition, a credit risk is associated with trading, primarily in foreign currency, in the form of a settlement risk. This risk arises when Unibank has to give a binding payment instruction to remit funds to a counterparty

before Unibank is certain that it has received the equivalent amount to the transaction as, for example, in a foreign exchange deal.

In 1998 Unibank subscribed for shares in CLSS (Continuous Linked Settlement Services), a new worldwide clearing centre for the settlement of currency transactions. The settlement risk associated with transactions cleared through CLSS can be eliminated. The clearing centre plans to become fully operational in the year 2000 for settlement of 11 currencies, including the Danish krone.

Unibank's credit risks are managed in conformity with the guidelines set by the Supervisory Board and as set out in its credit directions and in Unibank's credit policy.

Credit granting

Unibank's granting of credit is based on an individual assessment of each borrower's financial circumstances.

Credits are granted on an informed and well-founded basis and decisions are made according to an active credit assessment process. The assessment involves an evaluation of customers' potential income and thus the ability to repay credit facilities granted. With the credit assessment a strategy is adopted for the development of each commitment.

Unibank attaches great importance to decentralised granting of credit. All corporate customers and personal customers are assigned an account manager who is familiar with the customer's circumstances. The account manager concept encompasses the granting of credit and sales, advice and profitability responsibility.

Credit risk management and monitoring

All corporate commitments are reviewed at least once a year. The review is based on up-to-date material required for decision-making, including financial statements and budgets.

At the same time, customers' creditworthiness is graded on the basis of their financial position supplemented with an analysis of their financial statements.

Management's control of the quality of the lending portfolio is a continuous process throughout the year, supported by annual credit reviews. Local management is responsible for the continuous monitoring of facilities granted. The monitoring comprises regular reviews of new approvals and overdrafts as well as follow-up on the annual review of corporate commitments.

Credit reviews are undertaken by the central Credit Department by way of spot checks on all commitments which have been granted in a unit. This forms the basis for an annual assessment of each unit's lending portfolio by Credit Department.

Critical commitments

A commitment is graded as critical if there is any doubt about a customer's ability to repay a facility and hence the customer's creditworthiness.

If a commitment has been classified as critical, monitoring will be significantly increased, and specialist teams will be involved in the management of the commitment. Each critical commitment is subject to systematic review of the provisioning need.

Provisions are classified as A- or B-provisions. An A-provision indicates that the risk of loss has become probable. B-provisions indicate that a loss is considered to be inevitable but the amount of the loss cannot be fully determined.

Specific provisions are made against commitments exceeding DKK 250,000 when doubt arises about customers' ability to make repayments. Aspects considered when determining the size of the provisions to be made against a commitment include the customer's present and future financial position, a corporate customer's managerial strength and the value of any security provided.

With the close contact between account managers and customers, provisions are monitored on a continuous basis. In accordance with the usual approval procedures,

provisions are increased or reduced to reflect changes in customers' financial position.

Specific provisions are not raised against commitments below DKK 250,000. Such commitments are reviewed collectively once a year and a general provision is made on the basis of previous experience.

In accordance with the requirements of the Danish Financial Supervisory Authority, the general provision should be no less than the level of the total losses incurred on such commitments during the past three years.

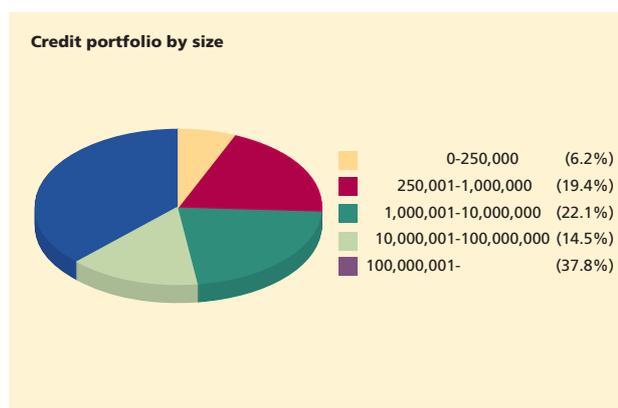
A commitment is written off as soon as it is established that the customer's ability to repay or the possibility of making repayments no longer exists. If a loss is inevitable in respect of part of a commitment, that portion of the credit will be written off.

Credit risks at end-1998

Unibank's credits at the end of 1998 were broadly distributed by size, industry sector and by geographical area.

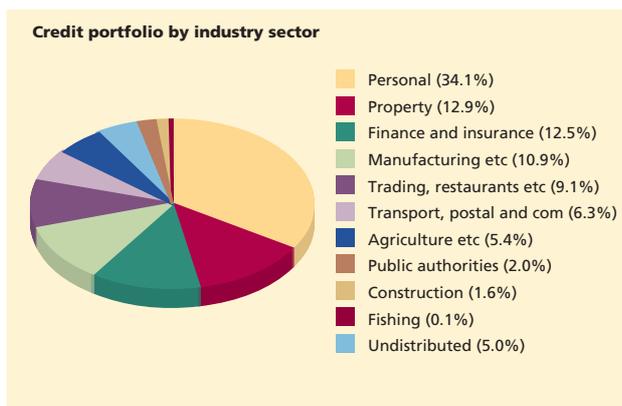
Credit portfolio

The following three charts show the composition of Unibank's credit portfolio at the end of 1998:

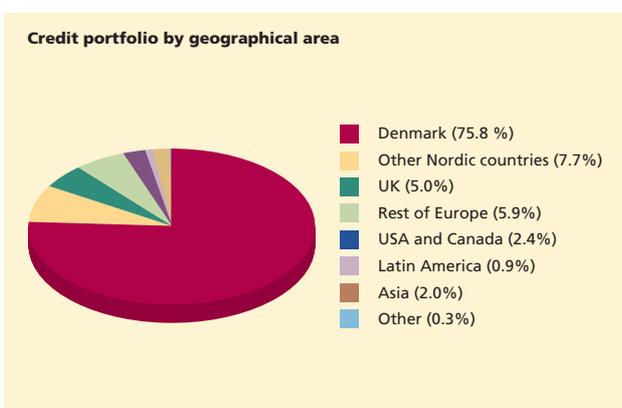


The commitments have been stated at a consolidated level and cover the entire Unibank Group. The grouping by range is based on the present balance of the relevant consolidated commitment.

The industry categories used are consistent with those used in Unibank's reports to the Danish central statistical office.



The percentage of credits to finance and insurance decreased from 18.4% at end-1997 to 12.5% at end-1998.



As a result of Unibank's targeted activities in the Nordic region, the percentage of credits to Nordic customers rose from 4.3% at end-1997 to 7.7% at end-1998.

The percentage of credits to UK customers fell from 12.3% at end-1997 to 5.0% at end-1998. This fall is attributable to a reduction in reverse repos entered into as other lending business remained largely unchanged.

Exposure in selected countries			
(DKKm)	Exposure	Secured	Unsecured
Selected countries in Asia: Thailand, Malaysia, South Korea, Indonesia and the Philippines	1,312	991	321
Of which banks	217	26	191
Of which non-banks	1,095	965	130
Russia	115	83	32
Selected countries in South and Central America: Argentina, Brazil, Chile, Mexico and Venezuela	1,038	64	974
Of which banks	822	34	788
Of which non-banks	216	30	186
Supranational banks in selected countries in South America	296	105	191
Exposure of Unibank's branch in Hong Kong	1,280	415	865

At 31 December 1998 Unibank's exposure to credit risk associated with financial instruments amounted to DKK 12.2bn. By far the greater part of this figure, DKK 10.3bn, represented the credit risk on other banks.

Provisions for bad and doubtful debts

The following three tables show Unibank's provisions for bad and doubtful debts, accumulated provisions and non-accrual credits.

Gross and net provisions for bad and doubtful debts in respect of ordinary credits			
(DKKm)	1996	1997	1998
Gross new provisions	2,365	2,279	2,582
Withdrawal of provisions no longer required	1,279	1,488	1,786
Ordinary loans written off:			
Covered by provisions	1,650	660	770
Not covered by provisions	111	55	52
Less: recoveries of loans written off	229	332	349
Net ordinary loans written off	1,531	383	473
Net new provisions	967	515	501

The amounts shown as gross new provisions represent the total of new provisions made during the period plus any increase in existing provisions.

Credit portfolio, provisions for bad and doubtful debts, and non-accrual credits			
(DKKm)	1996	1997	1998
Provisions for bad and doubtful debts	963	499	685
Of which:			
Credits to credit institutions	(4)	(16)	183
Reverse repos	-	-	-
Mortgage loans excluding bank guarantee	0	0	1
Ordinary credits	967	515	501
Average credits and credits to credit institutions	231,870	281,762	322,638
Of which:			
Credits to credit institutions	62,402	70,124	73,324
Reverse repos	14,984	21,144	22,330
Mortgage loans excluding bank guarantee	23,112	34,309	47,149
Ordinary credits	131,372	156,185	179,835
Provisions in respect of ordinary credits/average ordinary credits (%)	0.7	0.3	0.3
Provisions/average credits (%)	0.6	0.2	0.2
Accumulated provisions and non-accrual ordinary credits, at 31 December			
	1996	1997	1998
Accumulated provisions, ordinary credits	7,378	7,599	7,539
Non-accrual ordinary credits	2,784	2,175	1,654
Accumulated provisions, ordinary credits less non-accrual ordinary credits	4,594	5,424	5,885
As % of ordinary credits and provisions:			
Accumulated provisions	4.9	4.3	3.8
Non-accrual ordinary credits	1.9	1.2	0.8
Accumulated provisions less non-accrual ordinary credits	3.1	3.1	3.0

Unless otherwise indicated, figures do not include credits to credit institutions or provisions related to such credits.

Total non-accrual credits (including credits to credit institutions) were DKK 2,878m, DKK 2,247m and DKK 1,703m at 31 December 1996, 1997 and 1998.

Market risk

Market risk is the risk of adverse movements in the level of interest and exchange rates, equity prices and related options.

Market risk management

Unibank's objective is to maintain a high standard in the management of market risk. On an annual basis Unibank's management is informed as to how Unibank's risk management standards compare with the standards recommended by international bodies such as organisations, supervisory authorities and accountancy and consultancy firms.

Within the risk management framework established by the Supervisory Board, the Executive Board sets the limits for market risks in Unibank's own portfolio and the major trading units. Other departments with smaller market risks also operate within limits. Thus, all activities exposed to market risk are subject to Unibank's market risk limit structure. Unibank's market risk exposure is restricted to approved products and markets.

The limits for risks in equity prices are determined as portfolio limits, including related derivatives. Unibank establishes limits for exchange and interest rate risks on the basis of Value at Risk (VaR) measures. The VaR measure reflects a 1% probability that a potential loss will exceed the risk measure over a one-day period.

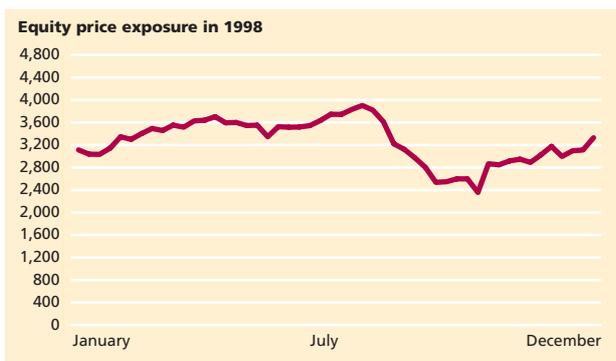
When appropriate, the VaR measures are supplemented with other risk management measures, such as position measures. Unibank regularly evaluates the VaR measures by back-testing, thereby comparing the projected risk of loss with the actual daily market value accounts. Changes in market risk measures are subject to the Executive Board's approval.

Unibank's Corporate Centre reports market risks and market value accounts on a daily basis to the Executive Board and all the trading units. Group Treasury is responsible for day-to-day control of limits for exposures and for the daily monitoring of Unibank's market risks.



Market risks in 1998

The size and composition of Unibank's market risks are continuously being revised and are based on a reasonable balancing of the risks and the earnings potential in the market. Risks are varied by adjustments to portfolios and by the use of financial instruments.



At the end of 1998 the market value of the investment portfolio of listed equities amounted to DKK 3,329m. By far the major part of the portfolio consists of Danish equities. During 1998 the market value of the portfolio of listed equities ranged between DKK 2,357m and DKK 3,902m.

During 1998 Unibank's overall interest rate exposure, VaR, ranged between DKK 54m and DKK 113m and was DKK 73m at year-end.

Unibank's interest rate exposure, defined as the expected loss or gain resulting from a one percentage point increase, was DKK 746m at 31 December 1998. Within this figure DKK 211m was attributable to krone denominated net assets. These figures are based on certain assumptions, including the prepayment behaviour of Danish mortgage bonds. The assumptions underlying the calculations are continuously being refined in the light of actual experience. There can be no

assurance that either such assumptions or Unibank's interest rate sensitivity and exposure based on such assumptions will prove correct.

Unibank's overall exposure to exchange rate risks, VaR, was low throughout 1998. At the end of 1998 this exposure was DKK 1m.

During 1998 the overall risks associated with interest rate options, foreign exchange options and equity options were at a low level.

Unibank does not have proprietary trading positions in commodities.

Liquidity risks in 1998

The surplus of base funding, primarily consisting of deposits and capital resources, including medium- and long-term debt securities, net of loans and advances and tangible assets, stood at DKK 21bn at 31 December 1998 against DKK 19bn at end-1997.

Operational risk

Operational risk is the potential for unforeseen losses, both financial and reputational, arising from failures in information systems or inadequate internal controls and procedures.

Operational risk management

In its ordinary course of conducting banking business comprising a wide range of activities and products, Unibank is exposed to operational risk. Initiatives are constantly being taken to reduce operational risk.

Data protection and security

The effective delivery of customer services and the operation of administrative functions depend upon continuous access to the IT systems supporting these services and functions. These systems are constantly monitored. In order to secure business continuity in case of a disruption in a system unit, Unibank's computer centre installations are physically separated. Unibank continues to invest in risk mitigation approaches such as contingency planning and incident management to ensure that both Unibank's organisation and its IT providers can deal with a disaster. These control procedures are tested and revised on a regular basis.

Protection of customer data

Unibank attaches great importance to securing its systems against unauthorised access, notably to protect customer-specific data. The adherence to guidelines on IT data protection and security is continuously being checked. Technical solutions are devised and updated in cooperation with Danish and foreign IT specialists.

Financial instruments

Once a year Unibank carries out a risk self-assessment process in respect of operational risk. This is to ensure that special attention is paid to the particular operational risk associated with trading financial instruments and other securities. In the self-assessment process all the departments involved in handling financial instruments review and evaluate systems, business procedures and internal controls.

Year 2000

At the end of 1998 Unibank's vital business systems had been examined and any Year 2000 problems remedied. The suppliers of hardware and software have issued statements declaring that their products will be working up to, during and after the turn of the millennium. Furthermore, these products have undergone Year 2000 tests. Technical installations were examined in 1998 and any remedial action required will be undertaken in the course of 1999.

To ensure that no major failures of functionality arise as a result of Year 2000 problems, the computer systems will be tested in a separate test environment during the first six months of 1999. In the same period, Unibank will be participating in a joint Year 2000 sector test in Denmark.

To minimise the impact on Unibank from internal and external Year 2000 problems, Unibank will make Year 2000 contingency plans for all vital business areas in 1999.

Unibank's Year 2000 activities were initiated in 1996. At the beginning of the year 2000 Unibank expects to have spent 70 man-years on this project. In addition, significant investments have been made in both software and hardware.

Legal risk

Unibank is involved in legal proceedings, among them a number of lawsuits concerning Danish tax-related asset stripping. These proceedings are reviewed on an ongoing basis and, where necessary, provisions are made on the basis of an assessment of the risk of incurring a loss.

Unibank is continuously reviewing and modifying its terms and conditions and facility documentation in consultation with its own as well as external legal advisers.

Capital resources

At year-end 1998 the Unidanmark Group's capital adequacy ratio (Tier 2) stood at 9.9% and the capital adequacy ratio calculated on the basis of core capital (Tier1) was 7.9%.

Compared with the previous year, the level of risk-weighted assets rose because of an increased lending volume. Core capital was increased by DKK 2bn as a result of the retention of profit for the year.

Supplementary capital was increased by DKK 0.9bn. In 1998 Unibank issued notes relating to two new loans totalling USD 184m ranking as supplementary capital.

Capital adequacy ratios			
(DKKbn except percentages)	1996	1997	1998
Risk-weighted items	182,7	223,9	251,8
Core capital	16,0	18,0	20,0
Supplementary capital	2,2	4,1	5,0
%			
Capital adequacy ratio, core capital (Tier 1)	8.8	8.0	7.9
Capital adequacy ratio (Tier 2)	9.9	9.9	9.9
Required capital adequacy ratio			
	8.0	8.0	8.0

Share capital

Unidanmark's share capital consists of 46.7m A shares of DKK 100 each and 6.5m B shares of DKK 100 each.

The A shares are listed on the Copenhagen Stock Exchange. Furthermore, they are included in the KFX Index, consisting of the 20 most actively traded shares. Options on Unidanmark shares are also listed on the Copenhagen Stock Exchange.

All of the B shares are owned by the Unidanmark Trust and are not transferable. Otherwise, the A shares and the B shares have equal rights.

Shareholders

Unibank's business objective is to ensure a return on equity in line with the return of the best among comparable Nordic financial services companies. A further objective is to pay a dividend of up to 35% of the fully-taxed profit for the year.

The table sets out high and low prices and turnover in the A shares as reported by the Copenhagen Stock

Exchange. During 1998 Unidanmark shares were the fourth most actively traded shares on the Copenhagen Stock Exchange. At 31 December 1998, the closing price of the A shares was DKK 578 per share compared with DKK 509 at year-end 1997, an increase of 14%. The price/net assets value remained unchanged at 1.5.

Trading history of Unidanmark shares

	High (DKK per share)	Low	Average daily trading volume (number of shares)
1996			
Q1	304	253	191,556
Q2	280	252	160,490
Q3	280	254	125,667
Q4	305	265	134,773
1997			
Q1	367	304	244,171
Q2	374	326	156,204
Q3	454	379	185,573
Q4	531	419	171,430
1998			
Q1	576	491	177,060
Q2	615	524	213,137
Q3	728	438	186,035
Q4	584	399	199,916
1999			
January	616	542	143,925

Price range - Unidanmark shares

DKK per share of DKK 100



Bid prices quoted on the Copenhagen Stock Exchange
High and low for each quarter from Q1 1996 to Q4 1998

The Supervisory Board will propose to the Annual General Meeting that a dividend of DKK 15 per share of DKK 100 be paid for 1998.

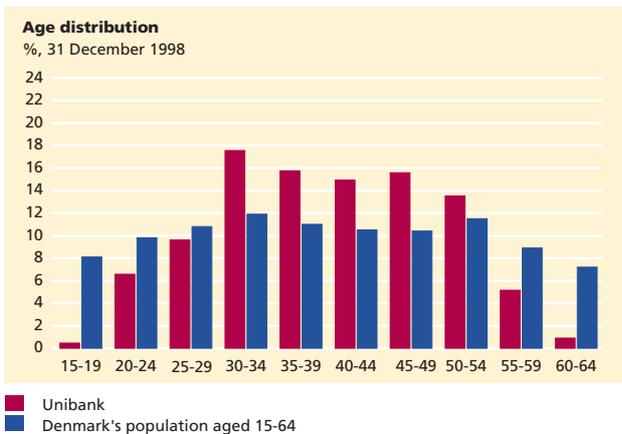
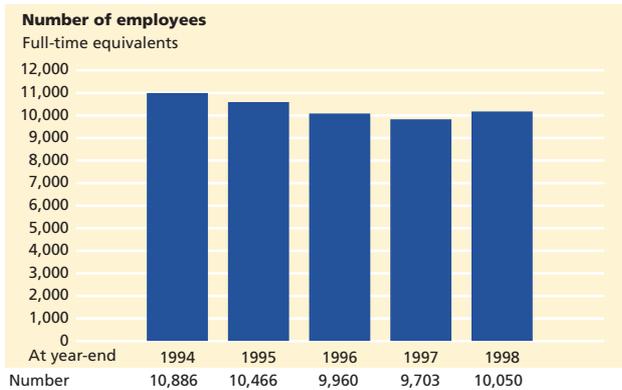
Unidanmark has approximately 260,000 shareholders, the majority of whom hold less than 1,000 shares. Two shareholders have holdings in excess of 5%. At 31 December 1998 the Unidanmark Trust held 14.1% and Danish Labour Market Supplementary Pension held 8.2%.

No single shareholder may cast votes at any general meeting representing more than 2% of the total share capital.

The Annual General Meeting will be held on 23 March in Copenhagen. In addition to general meetings, shareholders may participate in the local shareholder meetings held in Unidanmark's 76 shareholder regions in Denmark. Each region has a Local Board of Shareholders, the members of which are elected at the shareholder meetings. In 1998 some 30,000 shareholders participated in these meetings where Unibank presents a report on its activities during the past year and where shareholders may raise questions with members of the boards.

Employees

At the end of 1998 the number of staff employed by Unibank was 10,050 full-time equivalents, 347 more than at year-end 1997.

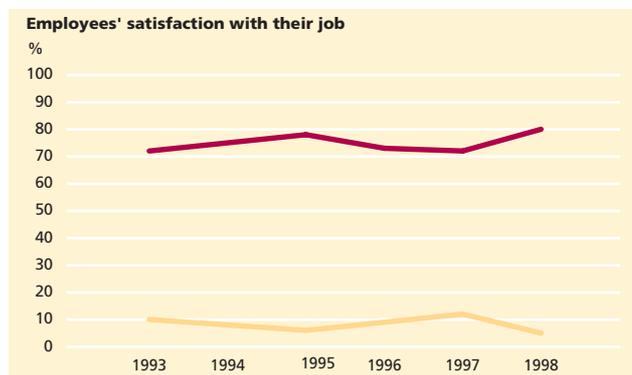


Job advertisements on the Internet

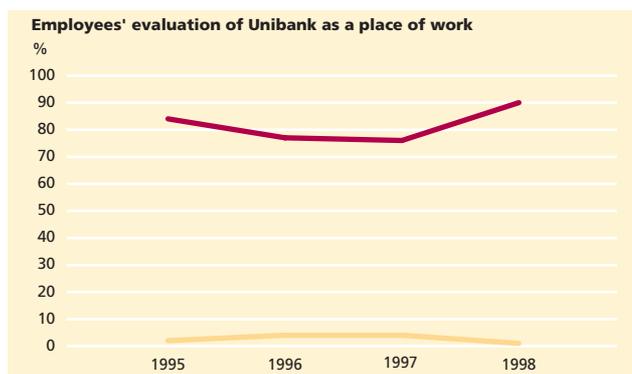
Unibank began advertising vacant positions at www.unibank.dk on the Internet in late 1998. At this site it is possible to see what positions are vacant, to obtain information about Unibank and the unit having the vacancy and to ask questions and send an application online. Unibank will develop this form of advertising on an ongoing basis. Advertising via the Internet has proved successful. In the next few years Unibank will gradually cut down on advertising vacancies through traditional media and increasingly use the Internet to draw attention to the job opportunities offered by Unibank.

Employee satisfaction

Every year since 1993 Unibank has asked a representative sample of 2,000 of its employees to answer a questionnaire on, among other things, their satisfaction with their present job and their evaluation of Unibank as an attractive place of work. Answering the questions is voluntary but traditionally response rates are high, around 70%. The development in employee satisfaction and the evaluation of Unibank as an attractive workplace should be viewed in the light of the comprehensive change programmes carried out in the branch network and in the head office during 1996 and 1997.



— Satisfied
— Dissatisfied
The chart shows the proportion of employees who are satisfied and dissatisfied respectively with their job in Unibank



— Attractive
— Not attractive
The chart shows the proportion of employees who consider Unibank an attractive workplace and the proportion of employees who take the opposite view. This question was asked for the first time in 1995

Management quality assessment

During 1998 all Unibank's managers were assessed by their employees in respect of a number of management skills. Comparisons of the managers' self-assessments with the employees' assessments provide the basis for discussion between managers and employees about scores and possible action fields. The experience from this initiative has been very positive and in future the assessments will be carried out every year.

Home PC arrangement and Computer Driving Licence

At year-end 1998 more than 8,600 employees had accepted Unibank's offer of a home PC including Internet access for 12 months free of charge. The offer requires the employees to undertake training in four modules of the so-called European Computer Driving Licence in their spare time. In early January 1999 it was decided to extend this period by a further 12 months. After that period the employees may purchase the equipment at market price.

Management

Supervisory Board

At Unidanmark's Annual General Meeting on 19 March 1998 Holger Klindt Andersen and Mogens Hugo Jørgensen were re-elected as members of the Supervisory Board. Karen Madsen, elected by the employees, resigned from the Board on 30 June 1998. On 7 September she was succeeded by Kent Petersen, elected by the employees.

With deep regret Unibank learned that the Deputy Chairman of Unidanmark's Supervisory Board, Niels Ørgaard, Professor of Law, had died on 26 October 1998. His vast experience and personality made Niels Ørgaard a driving force behind the formation and development of Unibank.

Executive Board

On 1 October Lars Eskesen, Deputy Chairman, and Preben Kendal resigned from the Executive Board of Unibank. At the same date Christian Clausen, Peter Lybecker and Henrik Mogensen were appointed to the Executive Board on taking up their appointments as Managing Directors. Peter Schütze succeeded Lars Eskesen as Deputy Chairman.

Supervisory Board of Unidanmark

Jørgen Høeg Pedersen (Chairman)
Appointed 1990. Born 1938. MSc(agricultural science).
Managing Director of Copenhagen Wholesale Market
for Fruit, Vegetables and Flowers. A member of the
Boards of Directors of Ejendomsselskabet Axelborg I/S,
RVT Fonden and Ergo Team A/S.

Holger Klindt Andersen

Appointed 1990. Born 1936. Farmer. A member of the
Boards of Directors of Dansk Andels Cementfabrik
A.m.b.A and DAC-Data.

Laurids Caspersen Boisen

Appointed 1990. Born 1939. Farmer. Managing
Director of Boisen Svineproduktion Aps. Deputy
Chairman of the Board of Directors of Emborg Foods
Aalborg A/S. A member of the Boards of Directors of
Boisen Svineproduktion Aps, Slagteriselskabet Danish
Crown A.m.b.A., DAT-Schaub Holding A/S and
Danske Andelsslagteriers Tarmsalg-Schaub & Co.
A.m.b.A.

Lene Haulrik*

Appointed 1997. Born 1959. Assistant Manager.
Chairman of the Committee of Unikreds, Unidanmark's
staff association. A member of the Board of Directors of
Tryg-Baltica, Pensionsforsikringsselskab A/S.

Steffen Hvidt*

Appointed 1990. Born 1946. Assistant Manager.

Povl Høier

Appointed 1990. Born 1942. Farmer. A member of the
Boards of Directors of K-Salat A/S and I/S Refa.
A councillor in Stubbekøbing Municipality.

Mogens Hugo Jørgensen

Appointed 1993. Born 1943. MSc(Eng), MBA.
Managing Director of C.W. Obel Aktieselskab.
Chairman of the Boards of Directors of A/S Motortramp
and D/S "Norden" A/S. A member of the Boards of
Directors of Skandinavisk Holding A/S, Skandinavisk
Tobakskompagni A/S and GN Great Nordic Ltd.

Brita Kierrumgaard*

Appointed 1990. Born 1942. Assistant Manager.
Deputy Chairman of the Committee of Unikreds.
A member of the Board of Directors of Finanssektorens
Pensionskasse (FSP).

Kent Pedersen *

Appointed 1998. Born 1967. Bank clerk. Deputy
Chairman of the Committee of Unikreds. A member of
the Central Board of the Danish Financial Services'
Union.

Mogens Petersen

Appointed 1993. Born 1940. Graduate Engineer.
Chairman of the Boards of Directors of Strategia
Holding, Elefantriste A/S and Brdr. Hartmann A/S.
A member of the Boards of Directors of Oversøhus ApS
and Virksomhedsrådgiverne Dansk Management Service
ApS.

Keld Sengeløv

Appointed 1993. Born 1953. MSc(Econ). Deputy
Managing Director of Danish State Railways. A member
of the Boards of Directors of Dansk Industri Invest A/S
and Chr. Fabers Fabrikker A/S.

* Appointed by employees

Executive Board of Unidanmark

Thorleif Krarup

Supervisory Board of Unibank

Unibank's Supervisory Board has the same members as
the Supervisory Board of Unidanmark. In addition, as
required by Danish banking legislation, the Danish
Minister of Business and Industry has appointed one
member of the Supervisory Board of Unibank, professor
Kai Kristensen, DSc(Econ).

Kai Kristensen

Appointed 1995. Born 1947. Professor, DSc(Econ),
Aarhus School of Business. Chairman of the Boards of
Directors of Markeds/Consult Holding A/S and
Markeds/Consult A/S. A member of the Boards of
Directors of Dansk Dataudstyr A/S, Data Deal A/S,

INK Data ApS, Handelsselskabet af 24. februar 1997 A/S, Handelsselskabet af 11. juni 1997 A/S, KKJ nr. 1 A/S, A/S PSE 38 nr. 1399, Nordisk Företagsekonomisk Forening and Center for Erhvervsforskning. A member of the Danish Academy of Technical Sciences and of Danish Social Science Research Council.

Executive Board of Unibank

Thorleif Krarup (Chairman)

Appointed 1992. Born 1952. BSc(Econ), Bcom (Business Finance) and Bcom (Management Accounting). Outside affiliations: Chairman of the Board of Directors of Danmarks Skibskreditfond and Deputy Chairman of the Board of Directors of the Danish Bankers Association. A member of the Boards of Directors of PBS Holding A/S, PBS Danmark A/S, PBS International A/S, PBS Multidata A/S, PBS Data A/S, PBS Finans A/S and the Banking Federation of the European Union, Director of ICC, International Chamber of Commerce and a member of the Board of Directors of Konferencecentret Klarskovgaard A/S. A member of Tilsynsrådet for Dagspressens Finansieringsinstitut (the supervisory authority of the Danish newspapers' finance corporation).

Peter Schütze (Deputy Chairman)

Appointed 1992. Born 1948. MSc(Econ). Outside affiliations: Chairman of the Boards of Directors of Unibank S.A., Luxembourg, Treviso AB, Stockholm, Uniejendom A/S, Structured Finance Servicer A/S and Unikredit Realkreditaktieselskab. A member of the Boards of Directors of the Fisheries Bank of the Kingdom of Denmark, Danmarks Skibskreditfond, the Danish Employers' Association for the Financial Sector, PBS Holding A/S, PBS Danmark A/S, PBS International A/S, PBS Multidata A/S, PBS Data A/S, PBS Finans A/S, the Copenhagen Institute for Futures Studies, Aros Securities Holding AB, Stockholm, Livsforsikringsaktieselskabet Enhjørningen, Skadeforsikringsaktieselskabet Enhjørningen and Unileasing A/S. A member of the Board of Representatives of the Agricultural Mortgage Bank, Denmark.

Christian Clausen

Appointed 1998. Born 1955. MSc(Econ). Outside affiliations: Chairman of the Board of Directors of the Danish Securities Dealers Association. Deputy Chairman of the Boards of Directors of the Copenhagen Stock Exchange A/S, the Danish FUTOP Clearing Centre and Structured Finance Servicer A/S. A member of the Boards of Directors of the Danish Securities Centre, the International Securities Market Association (ISMA), Unibank S.A., Luxembourg, Treviso AB, Stockholm, OY Treviso Ab, Helsinki, Treviso Fondsförvaltning AB, Stockholm, Treviso Kapitalförvaltning AB, Stockholm, Unibank Securities Inc., Delaware and Unikredit Realkreditaktieselskab.

Jørn Kristian Jensen

Appointed 1990. Born 1946. Holder of a diploma in Specialised Business Studies. Outside affiliations: Chairman of the Boards of Directors of the Agricultural Mortgage Bank, Denmark, Livsforsikringsaktieselskabet Enhjørningen, Skadeforsikringsaktieselskabet Enhjørningen and Unifinans A/S. A member of the Boards of Directors of DanBolig A/S, Uniejendom A/S and Unikredit Realkreditaktieselskab.

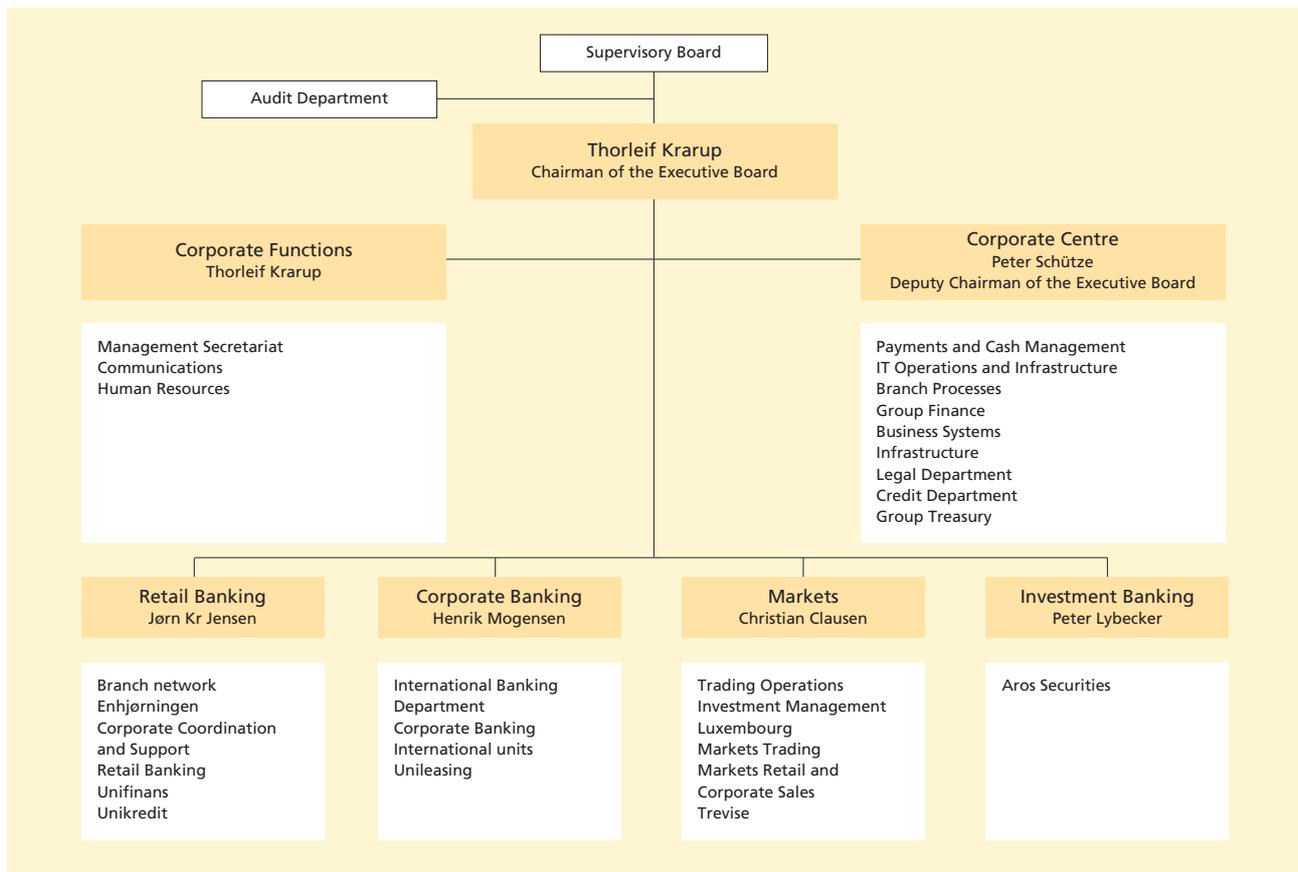
Peter Lybecker

Appointed 1998. Born 1953. MSc(Econ). Outside affiliations: Chairman of the Boards of Directors of Aros Securities Holding AB, Stockholm, Aros Securities AB, Stockholm, Aros Securities ASA, Oslo and Aros Securities OY Helsinki. A member of the Board of Directors of Unibank S.A., Luxembourg. A member of the Board of Representatives of Danish Venture Finance A/S.

Henrik Mogensen

Appointed 1998. Born 1955. MSc(Finance and Accounting). Outside affiliations: Chairman of the Board of Directors of Unileasing A/S. A member of the Board of Directors of Aros Securities Holding AB, Stockholm.

Unibank's organisation



Aros Securities
Richard Montgomery

Audit Department
Søren Lund

Branch Processes
Flemming Lademann

Business Systems
Kurt Nørrisgaard

Communications
Torben Laustsen

Corporate Banking
Asger Kastbjerg

**Corporate Coordination
and Support**
Palle O Nielsen

Credit Department
Bent Mouritsen

Enhjørningen
Stig Ellkier-Pedersen

Group Finance
Gert Aage Nielsen

Group Treasury
Claus K Møller

Human Resources
Steen Christensen

Infrastructure
Herluf Poulsen

**International Banking
Department**
Søren Aarup

International units
See "International directory"
on page 88

Investment Management
Ole Jacobsen

**IT Operations and
Infrastructure**
Jørn Petersen

Legal Department
Niels Bolt Jørgensen

Luxembourg
Jhon Mortensen

Management Secretariat
Flemming Dalby Jensen

**Markets Retail and
Corporate Sales**
Allan Polack

Markets Trading
Peter Nyegaard

**Payments and
Cash Management**
Bjarne Riis

Retail Banking
Nis Obling

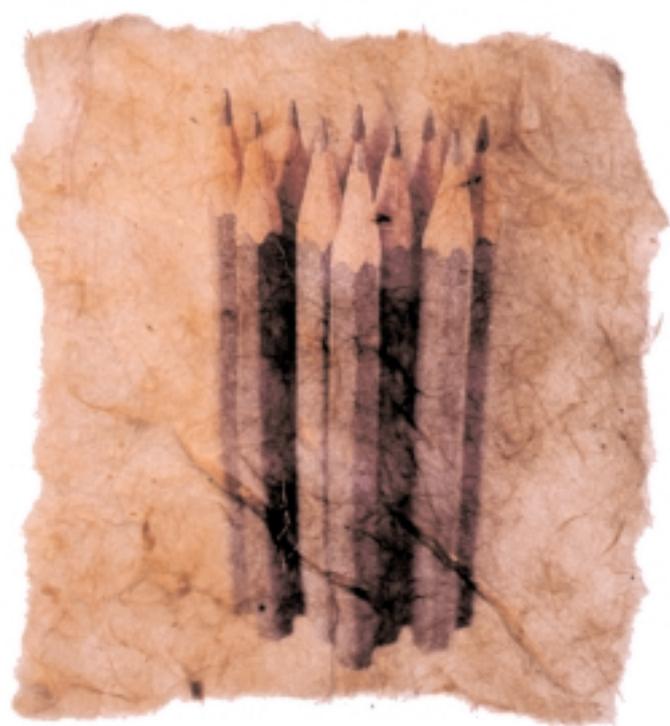
Trading Operations
Per Stenholdt

Treviso
Tommy Jacobson

Unifinans
Peter Barington

Unikredit
Erling Saaby Nielsen

Unileasing
Jørgen Høholt



Accounting policies

In 1998 the Danish Financial Supervisory Authority issued a new Executive Order for the presentation of accounts by Danish commercial banks and savings banks. The new standards have changed the classification of Extraordinary items, Other operating income, Other operating expenses and Staff and administrative expenses as well as Prepayments/Deferred income, Other assets and Other liabilities.

Furthermore, market values of financial instruments are now shown on a gross basis in the balance sheet whereas previously net values were shown. Market values are still recorded under Other assets and Other liabilities. The effect is an increase of the balance sheet at 31 December 1998 of DKK 23bn (1997: DKK 20bn).

Except where noted above, no changes have been made to the accounting policies, including valuation rules, applied in the previous year. The changes have no effect on the profit or shareholders' funds.

The comparative figures have been restated accordingly.

Basis of preparation

Legislation

The activities of the Unidanmark Group mainly comprise the banking activities carried on by Unibank A/S. The parent company Unidanmark A/S is a financial services holding company.

Consequently, the accounts have been presented in accordance with the requirements for the presentation of accounts by Danish commercial banks and savings banks.

Accounting standards

The accounts have been prepared in conformity with the guidelines issued by the Copenhagen Stock Exchange as well as Danish accounting standards with the minor adjustments resulting from the accounting rules applicable to Danish banks.

Consolidated accounts

The consolidated accounts incorporate the accounts of the parent company and its subsidiaries. The accounts of the consolidated companies comply with the Group's accounting policies.

In preparing the consolidated accounts, items of a uniform nature have been combined and intercompany shareholdings, profits, transactions and balances have been eliminated.

Subsidiaries acquired are included in the consolidated accounts from the date of acquisition. Subsidiaries sold are

included in the consolidated accounts for the period up to the date of their disposal.

Goodwill arising on acquisitions of subsidiaries and associated undertakings is deducted from shareholders' funds.

Insurance subsidiaries, and companies which are operated temporarily in settlement of previously contracted commitments or for the purpose of participating in the restructuring of the companies concerned, are not included in the consolidated accounts.

Intercompany transactions

Transactions between group companies are made on market terms or settled on the basis of the actual costs incurred.

Significant accounting policies and valuations

General

Income and charges are stated on an accrual basis with the exception of a number of fees which are taken to income and charges when due. Interest accruing on non-performing commitments is not credited to the profit and loss account.

Credits

Credits comprise balances due from credit institutions, ordinary loans and advances, mortgage loans and finance lease assets.

Credits are stated at their value on the date the transaction was made, net of principal payments and loan loss provisions.

Credits are critically reviewed on an ongoing basis to assess the risk of losses and, where necessary, write-offs or provisions have been made to cover losses.

Provisions against losses are made on an individual assessment and cover both the risk arising from the individual borrower's ability to repay and the risk associated with politically or financially unstable countries.

General provisions against losses on minor commitments are made on the basis of statistical analysis.

Amounts due from customers are written off against the provisions when Unibank considers that the customer will not be able to repay the amount due.

Fixed-income assets are written down to the market value of comparable assets. Certain fixed-income assets, the

interest rate exposure of which is hedged, are not written down.

Mortgage loans, including amortisation accounts for cash loans, and related mortgage-backed bonds are stated in the balance sheet at nominal value, net of principal payments and loan loss provisions.

Securities

Listed securities, including own shares in the parent company, are marked to market. Unlisted securities which are not traded in a market are included at the lower of cost and market value based on a conservative estimate.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Danish kroner at the official rates of exchange of the Danish central bank at the balance sheet date.

Income and charges denominated in foreign currencies are translated into Danish kroner at the rates of exchange ruling on the date the transactions are booked.

Financial instruments

Financial instruments comprise ia spot transactions, forward contracts, financial futures, swap contracts, forward rate agreements and options.

Financial instruments are marked to market unless they are held for the purpose of covering the interest rate exposure related to fixed-income assets and fixed-interest liabilities.

Shares in group and associated undertakings and other significant holdings of shares

Shares in group and associated undertakings and other significant holdings of shares are stated at net asset value.

Non-Danish krone assets and liabilities of foreign branches and subsidiaries are translated into Danish kroner at the official rates of the Danish central bank ruling on the balance sheet date.

Companies which are operated temporarily in settlement of previously contracted commitments or for the purpose of participating in the restructuring of the companies concerned are recorded at the lower of cost and estimated value.

Tangible assets

Land and buildings as well as machinery and equipment are included at cost adjusted for any improvements, depreciation and write-downs made.

If the value of the assets is lower and the decrease in value is not considered temporary, such assets are entered at the lower value.

The assets are depreciated on the basis of a conservative estimate of the assets' useful lives and residual value, if any.

Depreciation of buildings is provided on a straight line basis over a maximum period of 75 years. The cost of land is not depreciated. Machinery and equipment are depreciated systematically over a maximum period of five years. Assets of less than DKK 100,000 are fully depreciated in the year of acquisition. Assets acquired as part of a specific project are treated as one asset.

Pension commitments

The employees in the Unidanmark Group participate in a pension scheme, either through membership of an independent pension fund or through an insurance company. The staff and the Unidanmark Group pay contributions on a current basis and the Group has no further pension commitments towards the staff in question.

Taxation

Unidanmark is taxed on a pooled basis with the majority of its subsidiaries and the total Danish tax on the year's taxable income is paid by this company.

The estimated tax on the year's taxable income and the movement in provisions for deferred tax are charged to the profit and loss account.

The accumulated deferred tax liability resulting from timing differences between the accounting and taxation treatment of income and expenses is shown in the balance sheet as a provision. Net deferred tax assets are not included in the balance sheet under assets but are disclosed in a note to the accounts.

Accounting presentation

Analyses by segment

The analyses by geographical segment are generally based on the location of the branch office or subsidiary recording the transaction.

Five-year financial summary

A five-year financial summary is prepared with comparative figures that have been restated in accordance with changes in the accounting policies.

Ratios and key figures

Ratios and key figures are listed in the notes in compliance with the Danish Financial Supervisory Authority's ratio standard.

Consolidated cash flow statement

The cash flows are shown according to the indirect method on the basis of the profit for the year adjusted for illiquid items. The change for the year in cash and cash equivalents is the sum total of the adjusted profit and changes in assets and liabilities from 1 January to 31 December.

Cash and cash equivalents comprise cash in hand, balances at call due from central banks, bills eligible for refinancing with central banks, balances at call and day-to-day balances with credit institutions and liquid securities. The liquid securities are adjusted for bonds applied and received in connection with repos/reverse repos.

The Unidanmark Group Consolidated profit and loss account

(DKK '000)	Note	1996	1997	1998
Interest receivable	25	18,442,652	19,972,819	23,386,222
Interest payable	26	11,327,002	13,256,063	16,381,121
Net interest income		7,115,650	6,716,756	7,005,101
Dividend income	27	145,374	168,812	183,282
Fees and commissions receivable		1,915,896	2,349,316	2,769,462
Fees and commissions payable		246,387	417,742	486,369
Net interest and fees receivable		8,930,532	8,817,142	9,471,476
Securities and foreign exchange result	28	953,688	1,402,528	1,453,704
Other operating income	29	350,017	414,349	737,193
Staff and administrative expenses	31	6,077,986	5,935,071	6,547,234
Amortisation, depreciation and write-down of intangible and tangible assets	41, 42	959,462	603,347	498,417
Other operating expenses	32	12,206	7,240	16,795
Provisions for bad and doubtful debts		962,926	498,738	684,953
Profit on shares in associated and group undertakings	33	114,948	68,294	106,737
Operating profit before tax		2,336,606	3,657,916	4,021,711
Tax	34	311,933	779,342	1,215,123
Profit for the year		2,024,673	2,878,573	2,806,588

The Unidanmark Group Consolidated balance sheet at 31 December

(DKK '000)	Note	1996	1997	1998
Assets				
Cash in hand and balances at call due from central banks		2,748,262	4,386,008	5,768,578
Bills eligible for refinancing with central banks		36,388	52,281	13,678
Balances due from credit institutions and central banks	20, 37	71,009,630	75,983,252	75,835,487
Loans and advances (Collateral under this item includes 290,564 own shares)	11, 21	169,729,976	209,993,544	233,248,880
Debt securities	38	65,928,191	71,091,093	88,449,919
Shares etc	39	7,758,960	10,836,266	11,413,793
Shares in associated undertakings	40	197,880	175,276	182,918
Shares in group undertakings	40	382,836	590,321	632,448
Intangible assets	41	-	-	-
Tangible assets	42	4,922,904	4,111,255	3,760,027
Own shares (505,874 Unidanmark shares)		378,033	290,770	292,395
Other assets	43	20,201,517	23,064,600	27,497,670
Prepayments		428,753	390,240	365,310
Total assets		343,723,329	400,964,908	447,461,103
Liabilities				
Balances due to credit institutions and central banks	22, 44	97,608,953	103,267,649	117,385,764
Deposits	23, 45	145,570,649	159,964,632	161,523,839
Debt securities in issue	24	53,157,268	79,367,588	98,526,925
Other liabilities	46	27,945,173	35,260,600	43,895,180
Deferred income		71,966	63,638	134,360
Provisions for liabilities and charges	47	597,571	386,481	390,483
Subordinated debt and hybrid capital instruments	5	2,377,800	4,365,300	5,320,491
Shareholders' funds:				
Share capital of the parent company		5,322,520	5,322,520	5,322,520
Reserves of the parent company:				
Share premium account		1,048,800	1,048,800	1,048,800
Reserves		-	-	1,640,704
Profit retained in previous years		8,530,207	9,837,505	11,904,531
Profit retained for the year		1,492,421	2,080,195	367,506
Total shareholders' funds	1, 2	16,393,948	18,289,020	20,284,061
Total liabilities		343,723,329	400,964,908	447,461,103
Off-balance-sheet items				
Contingent liabilities	6	17,611,230	22,018,931	21,775,528
Commitments	6	14,593,985	26,846,028	29,059,549
Total off-balance-sheet items		32,205,215	48,864,959	50,835,077

Derivatives are specified in notes Nos 8-9 on pages 62-64.

Notes

The subsequent notes Nos 1-55 on pages 59-83 form an integral part of the financial statements.

The Unidanmark Group Companies

(DKKm)	Issued share capital 31 December		Shareholders' funds 31 December	
	1997	1998	1997	1998
Unidanmark A/S	5,323	5,323	18,289	20,284
Subsidiaries:				
Konferencecentret Klarskovgaard A/S, Korsør	1	1	19	24
Unibank A/S	5,000	5,000	16,992	20.113
Unibank A/S				
Subsidiaries:				
Unikredit Realkreditaktieselskab	863	1,063	3,347	4,429
Unileasing A/S	200	200	554	638
Unifinans A/S, Høje Taastrup	191	191	214	218
Unifactoring A/S, Høje Taastrup	15	15	47	52
DanBolig A/S	1	1	4	2
Structured Finance Servicer A/S	2	2	4	7
Uniejendom A/S	137	137	181	181
Forstædernes Ejendomsaktieselskab	1	1	146	147
Helgeshøjparkens Ejendomsselskab A/S	1	1	11	19
Ørstedhus A/S	1	•	21	•
AB Ejendomsinvest af 31.12.89. Nr. 2 A/S	1	•	14	•
AB Ejendomsinvest af 31.12.89. Nr. 3 A/S	1	•	20	•
Ejendomsselskabet Sparbo ApS	0	•	1	•
Anpartsselskabet af 1/9 1989	0	•	3	•
Aros Securities OY, Helsinki	25	26	36	43
Atrium Corporate Finance OY, Helsinki	•	0	•	1
Aros Securities Holding AB, Stockholm	123	165	76	150
Aros Securities AB, Stockholm	83	86	78	152
Aros Securities ASA, Oslo	37	70	16	47
Aros Securities Inc., New York	0	0	171	134
Trevis AB, Stockholm	2	2	12	6
Trevis Fondförvaltning AB, Stockholm	1	1	1	0
Trevis Kapitalförvaltning AB, Stockholm	1	1	1	0
Trevis Asset Management S.A., Luxembourg	•	1	•	1
OY Trevis AB, Helsinki	1	1	2	1
Trevis Marknadsanalys AB, Stockholm	0	0	0	0
Unibank S.A., Luxembourg	148	148	782	901
Frontrunner Management Company, Luxembourg	3	3	6	4
Dantrust Management Ltd., Guernsey	0	0	3	4
Unibank Advisory Service S.A., Marbella	0	1	0	0
Unibank Trust Corporation (I.O.M.), Douglas	6	5	8	8
UTC Secretarial Services Ltd., (I.O.M.), Douglas	0	0	0	0
Unibank (I.O.M.) Nominees Ltd., Douglas	0	0	0	0
Unibank Fund Manager (I.O.M.) Limited, Douglas	0	0	1	0
Unidanmark Finance Ltd., London	0	0	44	28
Hermes Mortgage Ltd., London	0	0	0	0
Privatbanken Leasing Limited, London	6	5	6	5
Frontrunner Finance (Netherlands) B.V., Bloemendaal	0	•	0	•
London Interstate Finance Limited, London	6	5	0	0
London Interstate Nominees Ltd., London	0	0	0	0
Unidanmark Asset Company Ltd., London	0	0	0	0
Nordic Asia Nominees Ltd., Hong Kong	0	0	0	0
Unicorp. Inc., Delaware	239	224	232	222
Uniproperty Inc., Delaware	130	121	129	125
Unibank Securities Inc., Delaware	102	96	99	93
Unifunding Inc., Delaware	0	0	0	0
Aktieselskabet af 10. oktober 1985 (previously H.C. Møller Holding A/S)	15	15	52	54

The registered offices of the companies are situated in Copenhagen unless otherwise stated. The international branches are consolidated in the accounts of Unibank A/S. All companies are 100% owned by the Unidanmark Group.

Balances of Konferencecentret Klarskovgaard A/S due to the parent company, Unidanmark A/S, amount to DKK 35m (1997: DKK 35m). No other company within the Group has any debt or guarantee commitments towards Unidanmark A/S.

Unibank A/S has provided security for subsidiaries as follows: DKK 39,098m (1997: DKK 38,567m) for subsidiaries consolidated in the accounts and DKK 2m (1997: DKK 2m) for unconsolidated subsidiaries.

	Issued share capital		According to the latest annual accounts*				Balances due to the Group		Balances due from the Group		Other Group obligations towards the undertaking	
	31 December		Shareholders' funds		Profit/(Loss)							
(DKKm)	1997	1998	31 December		1997	1998	1997	1998	1997	1998	1997	1998
Unconsolidated subsidiaries												
Insurance companies												
Livsforsikringsaktieselskabet Enhjørningen, Copenhagen	200	200	475	511	12	36	-	9	240	97	-	-
Skadeforsikringsaktieselskabet Enhjørningen, Copenhagen	160	160	196	210	(3)	14	-	2	10	11	-	-
Other companies												
A/S Ejendomsselskabet af 9/1-90, Copenhagen	15	15	4	4	0	0	-	-	4	4	-	-
Maycon Byg A/S (in liquidation), Næstved	4	4	-	-	-	-	3	3	-	-	-	0
Danbyg Holding A/S, Albertslund	25	25	351	429	27	56	1,231	1,022	99	53	1	1
Shopping City Syd A/S, Aalborg	3	3	0	0	(0)	(0)	-	-	0	0	-	-
Mediehuset 2 A/S, Copenhagen	1	1	3	2	(1)	(1)	-	-	0	0	-	-
Fly Finance 1 Ltd., UK	-	-	(16)	11	(8)	26	-	-	24	10	-	-
HM af 22.11.1990 A/S, Herning	1	1	1	1	(0)	0	-	-	1	1	-	-
H.N.S. A/S af 1995, Næstved	1	1	(2)	(2)	(0)	(0)	3	3	-	-	1	1
Hejrevej APS, Copenhagen	•	0	•	-	•	-	•	6	•	-	•	-
KIL Shipping A/S, Søllerød	•	3	•	-	•	-	•	0	•	0	•	-
Total							1,237	1,046	378	176	2	2

All companies are 100% owned by the Unidanmark Group except Skadeforsikringsaktieselskabet Enhjørningen, which is 60% owned (1997: 60%), and KIL Shipping A/S, which is 58% owned (1997: •).

The above "Other companies" have been acquired for the purpose of participating in their restructuring or with a view to settling previously contracted commitments. Consequently, they are not consolidated.

The Unidanmark Group has entered into agreements with six small undertakings as a result of which these undertakings are to be considered group undertakings. These undertakings have not been entered in the consolidated accounts. The combined shareholders' funds of these undertakings amount to about DKK 1m (1997: DKK 2m).

Total balances due from the Unidanmark Group to these undertakings amount to DKK 0m (1997: DKK 0m).

* For this or previous financial years.

(DKKm)	Issued share capital 31 December		Shareholding % (according to voting rights)		According to the latest annual accounts*	
	1997	1998	1997	1998	Profit/(Loss) 1997	1998
Associated undertakings						
A/S CVY af 15.10.92 (in liquidation), Struer	10	10	50	50		
Investeringselskabet af 10. januar 1996 A/S, Copenhagen	1	1	50	50		
Ejendomsaktieselskabet Kildebrøndegaard, Birkerød	5	5	50	50		
Vordingborg Industri- og Værkstedshuse Aps, Vordingborg	0	0	40	40		
Ejendomsselskabet Axelborg I/S, Copenhagen	-	-	33	33		
Projektformidling Midt A/S, Århus	1	1	33	33		
Industrikapital 1989 Limited Partnership I, UK	57	57	32	32		
Industrikapital 1989 Limited Partnership IV, UK	58	58	29	29		
Pengeinstitutternes BetalingsSystemer A/S, Ballerup	201	201	28	28		
Conair A/S, Copenhagen	20	20	25	25		
Scandinavian Banking Partners Holding A/S, Copenhagen	0	0	25	25		
Hercules Estates A/S, Copenhagen	200	200	25	25		
DPL Invest A/S, Hobro	81	81	25	25		
Info Kredit A/S, Copenhagen	1	1	25	25		
Industrikapital 1989 Limited Partnership II, UK	57	57	23	23		
Industrikapital 1989 Limited Partnership III, UK	57	57	21	21		
Neurotech A/S, Copenhagen	5	-	49	-		

Balances due to the Unidanmark Group amount to DKK 33m (1997: DKK 58m) and balances due from the Group amount to DKK 51m (1997: DKK 75m).

Other significant holdings of shares

Kastrup Midtpunkt Aps, Copenhagen	0	0	33	33	•	•
BMS A/S, Rødovre	25	25	20	20	11	15

Undertakings in which the Group holds more than 10% of the share capital

Aktieselskabet Videbæk Højttalerfabrik, Videbæk	3	3	17	17	(11)	(1)
Bastionen A/S, Copenhagen	665	665	17	17	43	50
Carl Bro Gruppen, Glostrup	27	27	17	17	14	20
Alf Arp-Hansen Hotel A/S, Gentofte	30	30	15	15	11	12
Fletco Holding A/S, Ikast	12	12	15	15	10	7
Miljøinvesteringsselskabet Danmark, Hellerup	155	155	15	15	1	7
Jokan Systems A/S, Purhus	23	23	12	12	1	4
Axcel Industriinvestor A/S, Copenhagen	350	399	11	14	(3)	6
Håndværkets Byfornyelse S.M.B.A., Copenhagen	10	14	13	11	0	0
Copenhagen Stock Exchange A/S, Copenhagen	40	40	11	11	(4)	17
Symbion A/S, Copenhagen	65	65	11	11	2	4
Brødrene A & O Johansen A/S, Albertslund	57	57	10	10	0	0
Realkreditnettet A/S, Copenhagen	-	10	-	10	-	-
Chr. Rasmussen Møbeletablesment A/S, Randers	1	1	13	13	1	1

Additionally, the Unidanmark Group holds at least 10% of the share capital in 13 companies (1997: 13) in which the shareholding has no book value. Balances due to the Unidanmark Group amount to DKK 368m (1997: DKK 341m) and balances due from the Group amount to DKK 305m (1997: DKK 34m). The Group's other obligations amount to DKK 6m (1997: DKK 5m).

* For this or previous financial years.

(DKKm)	The Unidanmark Group		
	1996	1997	1998
Consolidated cash flow statement			
Operating activities			
Profit for the year	2,025	2,879	2,807
Adjustment for amounts in the profit for the year with no effect on cash flow:			
Provisions for bad and doubtful debts	963	499	685
Amortisation, depreciation and write-down of intangible and tangible assets	755	424	286
Profit on shares in associated and group undertakings	115	68	107
Receivables, including interest, and expenses and interest payable	652	391	(52)
Provisions for liabilities and charges	13	(211)	4
Tax	312	779	1,215
Adjustment for amounts affecting cash flow:			
Tax paid	(57)	(478)	(1,618)
	4,779	4,350	3,433
Working capital:			
Credit institutions net	13,016	(4,262)	11,163
Loans and advances adjusted for provisions for bad and doubtful debts for the year	(38,914)	(40,762)	(23,940)
Debt securities	(5,123)	(1,752)	(17,049)
Current asset investments, shares etc	(2,381)	(3,078)	(573)
Own shares	(35)	87	(2)
Other working capital	3,969	3,525	4,752
Deposits	16,106	14,394	1,559
Mortgage bonds in issue	15,714	16,687	19,226
Net cash inflow/(outflow) from operating activities	7,129	(10,810)	(1,430)
Investing activities			
Fixed asset investments, shares etc	(2)	0	(4)
Fixed asset investments, shares in associated and group undertakings	(186)	(253)	(157)
Goodwill on the acquisition of shares in group undertaking	(139)	(185)	(13)
Tangible assets	(342)	388	65
Net cash outflow from investing activities	(669)	(50)	(109)
Financing			
Debt securities in issue, excluding mortgage bonds	11,126	9,523	(67)
Subordinated debt and hybrid capital instruments	(2,309)	1,987	955
Dividends paid in respect of previous year	(532)	(532)	(798)
Net cash inflow from financing	8,285	10,979	90
Increase/(Decrease) in cash and cash equivalents	14,745	118	(1,449)
Cash and cash equivalents at 1 January	32,127	46,871	46,988
Cash and cash equivalents at 31 December	46,871	46,988	45,539

Changes in securities holdings excluding shares in associated and group undertakings include unrealised gains.

Unidanmark A/S Profit and loss account

(DKK '000)	Note	1996	1997	1998
Interest receivable	2	15,007	8,027	50,934
Interest payable	3	33,352	19,777	26,659
Net interest income		(18,345)	(11,750)	24,274
Other operating income	4	2,973	-	28,436
Staff and administrative expenses	5	38,885	38,229	66,854
Profit on shares in associated and group undertakings		2,332,993	3,621,954	3,938,927
Operating profit before tax		2,278,736	3,571,975	3,924,783
Tax	6	254,063	693,402	1,118,194
Profit for the year		2,024,673	2,878,573	2,806,588

Distribution of profit

Profit for the year	2,024,673	2,878,573	2,806,588
Total amount available for distribution	2,024,673	2,878,573	2,806,588
Dividend	532,252	798,378	798,378
Transfer to net revaluation reserve according to the equity method	-	-	1,640,704
Transfer to shareholders' funds	1,492,421	2,080,195	367,506
Total distribution of amount available	2,024,673	2,878,573	2,806,588

Unidanmark A/S

Balance sheet at 31 December

(DKK '000)	Note	1996	1997	1998
Assets				
Balances due from credit institutions and central banks	7	284,145	4,161	505,877
Loans and advances	7	37,991	34,991	34,991
Shares in group undertakings	8	16,124,441	17,011,272	20,137,029
Other assets	7	800,972	2,851,032	801,107
Total assets		17,247,548	19,901,456	21,479,004
Liabilities				
Balances due to credit institutions and central banks	7	-	774,048	-
Other liabilities		824,492	806,811	1,001,400
Provisions for liabilities and charges	9	29,109	31,578	193,544
Shareholders' funds:				
Share capital		5,322,520	5,322,520	5,322,520
Share premium account		1,048,800	1,048,800	1,048,800
Reserves		-	-	1,640,704
Profit retained in previous years		8,530,207	9,837,505	11,904,531
Profit retained for the year		1,492,421	2,080,195	367,506
Total shareholders' funds	1	16,393,948	18,289,020	20,284,061
Total liabilities		17,247,548	19,901,456	21,479,004

The subsequent notes Nos 1-10 on pages 52-54 form an integral part of the financial statements.

Unidanmark A/S Notes

(DKKm)	1996	1997	1998
Note 1 Shareholders' funds			
Shareholders' funds at 1 January	15,040	16,394	18,289
Goodwill on the acquisition of:			
Atrium Corporate Finance OY	•	•	(13)
Trevis AB	•	(185)	•
Aros Securities Holding AB and Aros Securities OY	(139)	•	•
Profit for the year	2,025	2,879	2,807
Dividend	(532)	(798)	(798)
Shareholders' funds at 31 December	16,394	18,289	20,284

(DKKm) 1998	Share capital	Share premium account	Subsidiary reserve*	Retained profits
Movements in shareholders' funds				
At 1 January	5,323	1,049	-	11,918
Other disposals				13
Transfer from the profit for the year			1,641	368
At 31 December	5,323	1,049	1,641	12,272

* Transfer to net revaluation reserve according to the equity method.

The share capital consists of:

46,725,198 A shares of DKK 100 each (unchanged from 1997) and 6,500,000 B shares of DKK 100 each (unchanged from 1997) (held by the Unidanmark Trust). No special rights are attached to any part of the share capital.

Own shares

In pursuance of its normal banking activities, the Unibank Group has traded and granted loans on shares in Unidanmark A/S.

At end-1998 companies within the Unidanmark Group held 505,874 shares (1997: 571,257) in Unidanmark A/S (DKK 51m, nominal value) (1997: DKK 57m, nominal value).

Substantial shareholdings at 31 December 1998

The Unidanmark Trust, Heerings Gaard, Overgaden neden Vandet 11, DK-1786 Copenhagen V, held 14.1% of the share capital of Unidanmark A/S. Danish Labour Market Supplementary Pension, Kongens Vænge 8, DK-3400 Hillerød, held 8.2% of the share capital (see section 28(a) of the Danish Companies Act).

(DKKm)	1996	1997	1998
Note 2 Interest receivable/Forward premium/discount on			
Balances due from credit institutions and central banks	14	7	9
Loans and advances	1	1	1
Other	0	-	41
Total	15	8	51
Note 3 Interest payable			
Credit institutions and central banks	-	3	6
Deposits	-	0	-
Other	33	16	21
Total	33	20	27
Note 4 Other operating income			
Repayment of fees from the Danish Commerce and Companies Agency	-	-	24
Other	3	-	4
Total	3	-	28

(DKKm)	1996	1997	1998
Note 5 Staff and administrative expenses			
Salaries and emoluments to the Supervisory Board, and the Executive Board			
The Executive Board*	6	5	34
The Supervisory Board	2	2	2
The Board of Representatives	0	•	•
Total	8	7	37
* The item includes extraordinary provisions in respect of future early retirement and pension costs.			
Staff costs:			
Salaries	9	9	9
Pension costs	0	1	0
Payroll tax	0	0	0
Total	9	11	9
Other administrative expenses	22	21	21
Total staff and administrative expenses	39	38	67

There are no employees in Unidanmark A/S other than the member of the Executive Board.

Note 6 Tax			
Estimated tax on the year's income	254	550	985
Deferred tax	-	-	153
Adjustment of tax estimated in previous years	-	143	(19)
Total	254	693	1,118

The amounts include Danish tax in respect of group companies taxed on a pooled basis in Denmark.

Unidanmark A/S had a liability for deferred tax at 31 December 1998, see note 9.

Unidanmark A/S has adopted the on-account tax payment procedure.

Note 7 Balances with group undertakings in the Unidanmark Group			
Balances due from credit institutions and central banks:			
Unibank A/S, balance at call	284	4	506
Loans and advances:			
Konferencecentret Klarskovgaard A/S, balance at call (wholesale and retail trade, restaurants, hotels)	38	35	35
Other assets, dividend due from Unibank A/S	800	2,550	800
Total assets	1,122	2,589	1,341
Balances due to credit institutions:			
Unibank A/S, balance at call	-	774	-
Total liabilities	-	774	-

(DKKm) 1998

Shares in group undertakings

Note 8	Fixed asset investments	
	Total cost of acquisition at 1 January	19,559
	Total cost of acquisition at 31 December	19,559
	Upward and downward revaluation at 1 January	(2,548)
	Profit	3,939
	Dividend	800
	Other movements	(13)
	Upward and downward revaluation at 31 December	578
	Value at 31 December	20,137
	of which credit institutions	20,113
	Value at 1 January	17,011
	of which credit institutions	16,992

(DKKm)

1996

1997

1998

Note 9	Provisions for liabilities and charges			
	Provisions for pension costs and similar obligations	27	27	38
	Provisions for deferred tax*	-	-	153
	Other provisions for liabilities and charges	2	4	3
	Total	29	32	194

* A deferred tax asset amounted to DKK 240m at end-1997.

Note 10	Auditors' remuneration			
	Total remuneration of firms appointed at the Annual General Meeting to undertake the statutory audit	0	0	0
	Of which remuneration for non-audit services	-	-	-

The above amounts do not include expenses in respect of Unibank's internal audit.

Unibank A/S Profit and loss account

(DKK '000)	Note	1996	1997	1998
Interest receivable	25	15,207,695	15,627,631	17,878,221
Interest payable	26	8,724,707	9,710,725	11,867,039
Net interest income		6,482,987	5,916,906	6,011,181
Dividend income	27	145,089	165,283	182,194
Fees and commissions receivable		1,747,306	2,074,901	2,382,937
Fees and commissions payable		167,020	329,172	384,893
Net interest and fees receivable		8,208,363	7,827,919	8,191,419
Securities and foreign exchange result	28	911,646	1,188,904	1,349,003
Other operating income	29	233,653	268,103	628,988
Staff and administrative expenses	31	5,718,157	5,403,743	5,802,107
Amortisation, depreciation and write-down of intangible and tangible assets	41, 42	756,263	372,047	410,903
Other operating expenses	32	9,688	6,620	15,649
Provisions for bad and doubtful debts		938,727	437,262	615,050
Profit on shares in associated and group undertakings	33	389,826	581,734	622,044
Operating profit before tax		2,320,653	3,646,988	3,947,745
Tax	34	(8,779)	27,949	13,817
Profit for the year		2,329,432	3,619,039	3,933,927
Distribution of profit				
Profit for the year		2,329,432	3,619,039	3,933,927
Total amount available for distribution		2,329,432	3,619,039	3,933,927
Dividend		800,000	2,550,000	800,000
Transfer to net revaluation reserve according to the equity method		-	21,056	-
Transfer to shareholders' funds		1,529,432	1,047,983	3,133,927
Total distribution of amount available		2,329,432	3,619,039	3,933,927

Unibank A/S

Balance sheet at 31 December

(DKK '000)	Note	1996	1997	1998
Assets				
Cash in hand and balances at call due from central banks		2,742,726	4,380,897	5,763,379
Bills eligible for refinancing with central banks		36,388	52,281	13,678
Balances due from credit institutions and central banks	20, 37	74,844,602	78,502,851	77,004,764
Loans and advances	11, 21	125,221,818	152,494,592	158,273,282
Debt securities	38	61,234,349	63,385,575	81,779,536
Shares etc	39	7,583,217	10,576,275	11,049,278
Shares in associated undertakings	40	185,742	161,351	160,374
Shares in group undertakings	40	6,247,560	6,656,382	8,037,785
Intangible assets	41	-	-	-
Tangible assets	42	3,219,384	2,668,718	2,332,643
Other assets	43	20,027,484	22,143,516	26,982,655
Prepayments		138,845	140,099	147,765
Total assets		301,482,113	341,162,536	371,545,138
Liabilities				
Balances due to credit institutions and central banks	22, 44	99,565,030	104,160,713	121,500,039
Deposits	23, 45	153,029,656	174,434,242	172,597,471
Debt securities in issue	24	3,644,940	6,376,885	11,027,935
Other liabilities	46	26,221,057	34,513,659	40,834,026
Deferred income		4,655	4,380	4,341
Provisions for liabilities and charges	47	530,480	314,945	147,664
Subordinated debt and hybrid capital instruments	5	2,377,800	4,365,300	5,320,491
Shareholders' funds:				
Share capital		5,000,000	5,000,000	5,000,000
Share premium account		1,533,677	1,533,677	1,533,677
Reserves		-	21,056	-
Profit retained in previous years		8,045,387	9,389,696	10,445,566
Profit retained for the year		1,529,432	1,047,983	3,133,927
Total shareholders' funds	1, 2	16,108,496	16,992,412	20,113,170
Total liabilities		301,482,113	341,162,536	371,545,138
Off-balance-sheet items				
Contingent liabilities	6	44,771,078	60,240,823	60,584,619
Commitments	6	13,888,042	25,911,357	26,434,530
Total off-balance-sheet items		58,659,120	86,152,180	87,019,149

Derivatives are specified in notes Nos 8-9 on pages 62-64.

Notes

The subsequent notes Nos 1-55 on pages 59-83 form an integral part of the financial statements.

Unidanmark A/S

Copenhagen, 11 February 1999

Supervisory Board

Jørgen Høeg Pedersen (Chairman)
Lene Haulrik
Mogens Hugo Jørgensen
Mogens Petersen

Holger Klindt Andersen
Steffen Hvidt
Brita Kierrumgaard
Keld Sengeløv

Laurids C Boisen
Povl Høier
Kent Petersen

Executive Board

Thorleif Krarup

/Gert Aage Nielsen

Auditors' reports

Internal auditors' report

We have audited the financial statements and the consolidated financial statements of Unidanmark A/S for 1998 presented by management.

Basis of opinion

The audit was performed on the basis of the Danish Financial Supervisory Authority's Executive Order on the audit in financial institutions and financial groups and in accordance with generally accepted auditing standards. Based on an evaluation of the materiality and risk our audit has included an examination of business procedures and evidence supporting the amounts and other disclosures in the financial statements.

Our audit has not given rise to qualifications.

Opinion

In our opinion, the financial statements and the consolidated financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the parent company's assets and liabilities, financial position and result.

Copenhagen, 11 February 1999

Internal Audit
Søren Lund
Chief Auditor

Auditors' report

We have audited the financial statements and the consolidated financial statements of Unidanmark A/S for 1998 presented by management.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards so as to obtain reasonable assurance about whether the financial statements are free of material misstatement. Based on an evaluation of the materiality and risk our audit has included an examination of evidence supporting the amounts and other disclosures in the financial statements. We have assessed the accounting policies applied and the accounting estimates made as well as evaluated the overall financial statement presentation.

Our audit has not given rise to qualifications.

Opinion

In our opinion, the financial statements and the consolidated financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the parent company's assets and liabilities, financial position and result.

Copenhagen, 11 February 1999

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

KPMG C. Jespersen

Bent Hansen
State-Authorised Public Accountant

Finn L Meyer
State-Authorised Public Accountant

Copenhagen, 11 February 1999

Unibank A/S

Supervisory Board

Jørgen Høeg Pedersen (Chairman)
Lene Haulrik
Mogens Hugo Jørgensen
Kent Petersen

Holger Klindt Andersen
Steffen Hvidt
Brita Kierrumgaard
Mogens Petersen

Laurids C Boisen
Povl Høier
Kai Kristensen
Keld Sengeløv

Executive Board

Thorleif Krarup (Chairman)
Jørn Kr Jensen
/Gert Aage Nielsen

Peter Schütze (Deputy Chairman)
Peter Lybecker

Christian Clausen
Henrik Mogensen

Auditors' reports

Internal auditors' report

We have audited the financial statements of Unibank A/S for 1998 presented by management.

Basis of opinion

The audit was performed on the basis of the Danish Financial Supervisory Authority's Executive Order on the audit in financial institutions and financial groups and in accordance with generally accepted auditing standards. Based on an evaluation of the materiality and risk our audit has included an examination of business procedures and evidence supporting the amounts and other disclosures in the financial statements.

Our audit has not given rise to qualifications.

Opinion

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Copenhagen, 11 February 1999

Internal Audit
Søren Lund
Chief Auditor

Auditors' report

We have audited the financial statements of Unibank A/S for 1998 presented by management.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards so as to obtain reasonable assurance about whether the financial statements are free of material misstatement. Based on an evaluation of the materiality and risk our audit has included an examination of evidence supporting the amounts and other disclosures in the financial statements. We have assessed the accounting policies applied and the accounting estimates made as well as evaluated the overall financial statement presentation.

Our audit has not given rise to qualifications.

Opinion

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Copenhagen, 11 February 1999

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

KPMG C. Jespersen

Bent Hansen
State-Authorised Public Accountant

Finn L Meyer
State-Authorised Public Accountant

Notes

The Unidanmark Group and Unibank A/S

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998

Shareholders' funds and capital adequacy

Note 1	Shareholders' funds						
	Shareholders' funds at 1 January	15,040	16,394	18,289	14,718	16,108	16,992
	Goodwill on the acquisition of:						
	Atrium Corporate Finance OY	•	•	(13)	•	•	(13)
	Trevis AB	•	(185)	•	•	(185)	•
	Aros Securities Holding AB and Aros Securities OY	(139)	•	•	(139)	•	•
	Profit for the year	2,025	2,879	2,807	2,329	3,619	3,934
	Dividend	(532)	(798)	(798)	(800)	(2,550)	(800)
	Shareholders' funds at 31 December	16,394	18,289	20,284	16,108	16,992	20,113

Note 2 **Movements in shareholders' funds, Unibank A/S**

	Share capital	Share premium account	Subsidiary reserve*	Retained profits	Total shareholders' funds
At 1 January	5,000	1,534	21	10,438	16,992
Other additions				21	21
Other disposals			21	13	34
Transfer from the profit for the year				3,134	3,134
At 31 December	5,000	1,534	-	13,579	20,113

* Transfer to net revaluation reserve according to the equity method.

The share capital of Unibank A/S consists of 50 million shares of DKK 100 each, all fully owned by Unidanmark A/S.

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998

Note 3 **Capital adequacy data**

Computed according to the Danish Financial Supervisory Authority's Executive Order on capital adequacy rules for credit institutions etc

Capital adequacy ratios

Capital adequacy ratio computed according to section 21(1) of the Danish Commercial Banks and Savings Banks Act (%)

	9.9	9.9	9.9	10.3	9.9	10.7
Core capital as % of total risk-weighted items (%)	8.8	8.0	7.9	9.1	7.9	8.5

Capital structure as well as risk-weighted assets and off-balance-sheet items

Core capital	16,016	17,998	19,992	15,730	16,702	19,821
Capital resources and short-term supplementary capital	18,172	22,106	24,955	17,886	20,809	24,784
Risk-weighted items not part of the trading portfolio	160,905	196,736	225,722	151,486	184,731	208,372
Risk-weighted items with a market risk	21,813	27,179	26,032	21,345	25,710	24,124
Total risk-weighted items	182,717	223,916	251,754	172,831	210,441	232,496

Note 4 **Post-balance-sheet events**

No events have occurred after the balance sheet date which materially affect the financial position of the Unidanmark Group.

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998
Note 5	Subordinated debt and hybrid capital instruments					
	Securities with indefinite terms to maturity and other instruments, see section 22(1) of the Danish Commercial Banks and Savings Banks Act					
	Nom USD 150m, repayable on 27 September 2005, floating rate					
	892	1,024	958	892	1,024	958
	Nom USD 150m, repayable on 17 May 2006, floating rate					
	892	1,024	958	892	1,024	958
	Nom USD 200m, repayable on 28 May 2007, floating rate					
	•	1,365	1,277	•	1,365	1,277
	Nom DEM 250m, repayable on 24 September 2007, floating rate					
	•	952	952	•	952	952
	Nom USD 150m, repayable on 24 June 2008, floating rate					
	•	•	958	•	•	958
	Nom USD 34m, repayable on 21 December 2003, floating rate					
	•	•	217	•	•	217
	Subordinated debt etc:					
	Foreign loans repaid in 1997					
	594	•	•	594	•	•
	Total	2,378	4,365	5,320	2,378	5,320
	Subordinated debt and hybrid capital instruments that may be included in capital resources					
	2,378	4,365	5,320	2,378	4,365	5,320
	Expenses relating to the raising and repayment of subordinated debt and hybrid capital instruments					
	7	14	6	7	14	6

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998

Contingent liabilities and commitments

Note 6 Contingent liabilities and commitments

Contingent liabilities:

Financial guarantees	3,921	5,048	5,120	30,866	43,162	43,485
Other guarantees	12,879	15,881	15,429	13,094	15,989	15,872
Acceptances and endorsements etc	812	1,090	1,227	812	1,090	1,227
Total contingent liabilities	17,611	22,019	21,776	44,771	60,241	60,585

Commitments:

Irrevocable standby facilities	14,329	25,456	27,291	13,732	25,456	26,403
Other commitments	265	1,390	1,768	156	456	31
Total commitments	14,594	26,846	29,060	13,888	25,911	26,435

Note 7 Rent and lease commitments

Unibank has entered into lease agreements with subsidiaries which will expire within 5 years.

The capitalised value of these agreements is	•	•	•	105	82	138
Other lease commitments	2	5	2	2	5	2

The Unidanmark Group has an annual liability for rent of DKK 165m in respect of leases with a notice of termination exceeding 12 months. The remaining periods to termination extend to 20 years.

(DKKm)	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments					
Note 8	Derivatives, nominal value, by remaining term to maturity				
The Unidanmark Group					
Foreign exchange derivatives					
Forward contracts/futures, bought	251,855	150,993	1,745	-	404,593
Forward contracts/futures, sold	198,305	132,151	2,285	-	332,741
Swaps	6,316	6,872	19,383	13,364	45,934
Options, bought	11,572	7,482	-	-	19,053
Options, written	11,178	7,884	-	-	19,063
Interest rate derivatives					
Forward contracts/futures, bought	38,519	16,392	301	-	55,213
Forward contracts/futures, sold	50,767	11,929	-	-	62,696
Forward rate agreements, bought	10,648	527,414	146,204	-	684,266
Forward rate agreements, sold	12,461	536,796	141,993	-	691,251
Swaps	73,169	100,808	215,301	64,481	453,759
Options, bought	18,426	15,040	11,822	1,030	46,318
Options, written	22,742	13,568	8,373	972	45,655
Equity derivatives					
Forward contracts/futures, bought	825	-	-	-	825
Forward contracts/futures, sold	576	-	-	-	576
Options, bought	997	268	138	151	1,554
Options, written	782	375	169	153	1,479
Unibank A/S					
Foreign exchange derivatives					
Forward contracts/futures, bought	241,938	145,988	1,596	-	389,522
Forward contracts/futures, sold	192,186	130,903	2,285	-	325,374
Swaps	6,316	6,872	19,383	13,364	45,934
Options, bought	11,508	7,475	-	-	18,983
Options, written	11,164	7,870	-	-	19,034
Interest rate derivatives					
Forward contracts/futures, bought	37,798	16,392	301	-	54,491
Forward contracts/futures, sold	47,823	11,929	-	-	59,752
Forward rate agreements, bought	10,648	527,414	146,204	-	684,266
Forward rate agreements, sold	12,461	536,796	141,993	-	691,251
Swaps	73,169	100,808	215,301	64,481	453,759
Options, bought	18,426	15,040	11,822	1,030	46,318
Options, written	22,742	13,568	8,373	972	45,655
Equity derivatives					
Forward contracts/futures, bought	788	-	-	-	788
Forward contracts/futures, sold	555	-	-	-	555
Options, bought	8	0	113	151	273
Options, written	16	0	136	153	305

(DKKm)	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Derivatives, net market value, by remaining term to maturity					
The Unidanmark Group					
Foreign exchange derivatives					
Forward contracts/futures, bought	(244)	(1,065)	21	-	(1,287)
Forward contracts/futures, sold	148	636	(31)	-	753
Swaps	76	(275)	(66)	(636)	(900)
Options, bought	138	121	-	-	258
Options, written	(124)	(117)	-	-	(241)
Interest rate derivatives					
Forward contracts/futures, bought	100	15	0	-	115
Forward contracts/futures, sold	(151)	(15)	-	-	(166)
Forward rate agreements, bought	19	(389)	(250)	-	(619)
Forward rate agreements, sold	(20)	466	255	-	700
Swaps	88	(133)	(346)	(734)	(1,125)
Options, bought	87	5	33	17	141
Options, written	(54)	(4)	(21)	(19)	(98)
Equity derivatives					
Forward contracts/futures, bought	169	-	-	-	169
Forward contracts/futures, sold	(25)	-	-	-	(25)
Options, bought	58	1	120	56	235
Options, written	(30)	(10)	(133)	(56)	(229)
Net market value					(2,317)
Unibank A/S					
Foreign exchange derivatives					
Forward contracts/futures, bought	(257)	(921)	21	-	(1,157)
Forward contracts/futures, sold	123	657	(31)	-	749
Swaps	76	(275)	(66)	(636)	(900)
Options, bought	138	121	-	-	258
Options, written	(124)	(117)	-	-	(242)
Interest rate derivatives					
Forward contracts/futures, bought	98	15	0	-	114
Forward contracts/futures, sold	(150)	(15)	-	-	(164)
Forward rate agreements, bought	19	(389)	(250)	-	(619)
Forward rate agreements, sold	(20)	466	255	-	700
Swaps	88	(133)	(346)	(734)	(1,125)
Options, bought	87	5	33	17	141
Options, written	(54)	(4)	(21)	(19)	(98)
Equity derivatives					
Forward contracts/futures, bought	35	-	-	-	35
Forward contracts/futures, sold	(25)	-	-	-	(25)
Options, bought	0	0	117	56	173
Options, written	(0)	(0)	(122)	(56)	(178)
Net market value					(2,337)

(DKKm)	Market value		Market value of unguaranteed contracts	
	Positive	Negative	Positive	Negative
Note 9 Derivatives, market value				
The Unidanmark Group				
Foreign exchange derivatives				
Forward contracts/futures, bought	4,909	6,196	4,902	6,173
Forward contracts/futures, sold	5,009	4,255	5,004	4,178
Swaps	1,483	2,384	1,483	2,384
Options, bought	258	-	257	-
Options, written	-	241	-	200
Interest rate derivatives				
Forward contracts/futures, bought	209	93	179	3
Forward contracts/futures, sold	110	276	103	126
Forward rate agreements, bought	357	977	337	796
Forward rate agreements, sold	999	298	982	297
Swaps	8,824	9,948	8,823	9,948
Options, bought	141	-	135	-
Options, written	-	98	-	1
Equity derivatives				
Forward contracts/futures, bought	175	6	35	6
Forward contracts/futures, sold	14	39	13	22
Options, bought	235	-	203	-
Options, written	-	229	-	-
Total	22,723	25,040	22,457	24,134
After netting			12,211	
Unibank A/S				
Foreign exchange derivatives				
Forward contracts/futures, bought	5,058	6,215	5,050	6,187
Forward contracts/futures, sold	5,064	4,315	5,059	4,238
Swaps	1,483	2,384	1,483	2,384
Options, bought	258	-	257	-
Options, written	-	242	-	200
Interest rate derivatives				
Forward contracts/futures, bought	207	93	178	3
Forward contracts/futures, sold	113	277	105	128
Forward rate agreements, bought	357	977	337	796
Forward rate agreements, sold	999	298	982	297
Swaps	8,824	9,948	8,823	9,948
Options, bought	141	-	135	1
Options, written	-	98	-	-
Equity derivatives				
Forward contracts/futures, bought			41	63
Forward contracts/futures, sold			14	391
Options, bought			173	-1
Options, written			-	178
Total	22,732	25,069	22,632	24,209
After netting			12,160	

(DKKm)	Nominal value	Market value		Net market value
		Positive	Negative	
Note 10 Spot transactions				
The Unidanmark Group				
Foreign exchange, bought	82,109	33	177	(145)
Foreign exchange, sold	85,724	145	50	96
Interest rate contracts, bought	14,432	10	12	(2)
Interest rate contracts, sold	10,705	16	13	3
Shares, bought	487	5	6	(1)
Shares, sold	618	15	18	(3)
Other transactions, bought	-	-	-	-
Other transactions, sold	-	-	-	-
Total	194,076	224	275	(52)
Spot transactions				
Unibank A/S				
Foreign exchange, bought	83,549	33	177	(145)
Foreign exchange, sold	87,162	145	50	96
Interest rate contracts, bought	14,432	10	12	(2)
Interest rate contracts, sold	10,705	16	13	3
Shares, bought	481	5	6	(1)
Shares, sold	620	15	18	(3)
Other transactions, bought	-	-	-	-
Other transactions, sold	-	-	-	-
Total	196,950	224	275	(52)

(%) 31 December	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998

Credit risks

Note 11 Credit portfolio by industry sector

	1996	1997	1998	1996	1997	1998
Public authorities	2	2	2	2	2	2
Corporate:						
Agriculture and forestry	4	4	5	4	3	4
Fishing	0	0	0	0	0	0
Manufacturing, quarrying, energy and water	10	11	11	10	11	12
Construction	2	2	2	2	1	1
Wholesale and retail trade, restaurants, hotels	10	8	9	9	8	9
Transport, postal and communication	7	7	6	7	7	6
Finance and insurance	17	18	12	31	36	29
Property	11	12	13	12	11	13
Undistributed	3	4	5	2	3	4
Total corporate	64	66	64	77	81	79
Personal	35	32	34	21	18	19
Total	100	100	100	100	100	100

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998

Note 12 Credit risks in respect of derivatives

Positive market value after netting						
Counterparty with 0% risk weighting	678	369	350	652	353	324
Counterparty with 20% risk weighting	15,594	18,900	10,318	15,483	18,719	10,347
Counterparty with 100% risk weighting	1,676	1,969	1,543	1,650	1,944	1,489

Note 13 Subordinated balances due from

Associated undertakings	3	1	-	3	1	-
Group undertakings	-	-	-	383	381	381
Other undertakings	670	131	111	670	131	111
Total	673	132	111	1,056	513	492

Note 14 Accumulated provisions

Provisions at 31 December for credits	7,377	7,599	7,540	7,144	7,312	7,245
Provisions at 31 December for balances due from credit institutions and other items that involve a credit risk	154	153	393	154	153	393
Total	7,531	7,752	7,933	7,298	7,465	7,638

Accumulated provisions for credits as % of credits, at 31 December	3.8	3.2	2.9	4.0	3.3	3.2
Non-accrual credits at 31 December	2,784	2,175	1,654	2,729	2,102	1,579

(DKKm)	The Unidanmark Group		
	1996	1997	1998
Note 15 Provisions for bad and doubtful debts (net) by industry sector			
Public authorities	-	-	-
Corporate:			
Agriculture and forestry	55	9	106
Fishing	38	(7)	6
Manufacturing, quarrying, energy and water	191	282	(139)
Construction	(63)	15	(60)
Wholesale and retail trade, restaurants, hotels	28	394	(117)
Transport, postal and communication	(22)	87	588
Finance and insurance	(55)	(36)	26
Property	532	(594)	(63)
Undistributed	98	218	(16)
Total corporate	801	368	329
Personal	166	147	172
Total	967	515	502

(%)	The Unidanmark Group		
	1996	1997	1998
Note 16 Accumulated provisions by industry sector			
Public authorities	-	-	-
Corporate:			
Agriculture and forestry	6	6	7
Fishing	1	1	1
Manufacturing, quarrying, energy and water	10	13	9
Construction	4	4	2
Wholesale and retail trade, restaurants, hotels	15	19	18
Transport, postal and communication	10	10	18
Finance and insurance	2	3	2
Property	20	11	9
Undistributed	14	16	19
Total corporate	84	82	85
Personal	17	18	16
Total	100	100	100

(%)	The Unidanmark Group		
	1996	1997	1998
Note 17 Credit portfolio and accumulated provisions by geographical area			
Credit portfolio:			
Denmark	73	70	76
Other Nordic countries	2	4	8
UK	11	12	5
Rest of Europe	4	5	6
USA and Canada	8	5	2
Latin America	1	1	1
Asia	2	2	2
Other	0	0	0
Total	100	100	100
Accumulated provisions:			
Denmark	89	89	90
Other Nordic countries	0	-	0
UK	7	6	3
Rest of Europe	3	4	3
USA and Canada	2	1	1
Latin America	-	-	-
Asia	0	1	4
Other	-	-	-
Total	100	100	100

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998

Market risks

Note 18 Foreign exchange exposure

Total assets denominated in foreign currencies	106,971	134,138	147,271	102,534	120,395	138,346
Total liabilities denominated in foreign currencies	89,103	128,948	151,001	85,669	119,373	141,280
Foreign exchange exposure:*						
Indicator 1	1,071	1,201	699	1,049	1,203	637
Indicator 1 as % of core capital	6.7	6.7	3.5	6.7	7.2	3.2
Indicator 2	16	20	7	16	22	6
Indicator 2 as % of core capital	0.1	0.1	0.0	0.1	0.1	0.0

* Indicator 2 is an expression of foreign exchange exposure. Indicator 2 expresses the amount in Danish kroner which Unibank will lose, with a probability of 0.5%, over a 24-hour period on the basis of historic exchange rate fluctuations at unchanged positions. In relation to indicator 1 allowance is made for the volatility of the various currencies and their mutual co-variance.

Indicator 1 is solely determined by the volume of positions irrespective of the degree of risk. Indicator 1 is calculated as the numerically highest value of the sum of positive (long) positions and negative (short) positions. Balances (assets, liabilities and off-balance-sheet items) in respect of which Unibank bears the foreign exchange risk are included in the calculation of positions.

Note 19 Interest rate exposure

Interest rate exposure on total debt instruments	699	763	746	688	681	737
Interest rate exposure by the credit institution's currencies with the highest risk:						
DKK	499	469	207	492	390	222
SEK	115	163	114	114	163	113
USD	16	51	78	15	51	60
GBP		31			30	
DEM	39		243	39		243
FRF	(17)		(32)	(17)		(32)
NOK		23			23	
FIM	15	17		15	17	
NLG			40			40
Other currencies	32	8	96	30	7	92

(DKKm)	The Unidanmark Group			Unibank A/S			
	1996	1997	1998	1996	1997	1998	
Maturities by remaining term to maturity							
Note 20	Balances due from credit institutions and central banks						
	Estimated breakdown by remaining term to maturity:						
	Balances at call	6,500	6,800	2,200	5,900	6,100	1,500
	At up to 3 months' notice	55,300	63,200	68,300	56,900	65,100	69,400
	At more than 3 months' and up to 1 year's notice	8,400	5,600	4,700	9,200	6,100	4,900
	At more than 1 year's and up to 5 years' notice	500	100	400	1,700	400	900
	At more than 5 years' notice	300	100	200	1,100	800	300
	Total	71,000	76,000	75,800	74,800	78,500	77,000
Note 21	Loans and advances						
	Estimated breakdown by remaining term to maturity:						
	At call	29,600	22,100	34,700	30,000	34,600	36,000
	At up to 3 months' notice	40,500	47,500	45,100	35,400	47,100	47,100
	At more than 3 months' and up to 1 year's notice	15,700	19,100	19,400	14,700	15,600	17,800
	At more than 1 year's and up to 5 years' notice	24,100	48,400	43,900	29,500	34,500	34,000
	At more than 5 years' notice	59,900	72,900	90,200	15,700	20,700	23,400
	Total	169,700	210,000	233,200	125,200	152,500	158,300
Note 22	Balances due to credit institutions and central banks						
	Estimated breakdown by remaining term to maturity:						
	Balances at call	12,300	12,900	8,600	14,400	13,100	8,700
	At up to 3 months' notice	70,100	81,200	95,800	70,800	83,500	101,800
	At more than 3 months' and up to 1 year's notice	12,200	7,000	11,200	11,600	6,400	10,300
	At more than 1 year's and up to 5 years' notice	1,400	1,200	1,200	2,000	500	700
	At more than 5 years' notice	1,700	900	700	800	700	100
	Total	97,600	103,300	117,400	99,600	104,200	121,500
Note 23	Deposits						
	Estimated breakdown by remaining term to maturity:						
	At call	67,300	71,300	77,600	78,200	91,200	93,500
	At up to 3 months' notice	42,500	51,900	45,700	36,900	44,400	39,000
	At more than 3 months' and up to 1 year's notice	5,600	3,700	5,900	7,900	5,700	5,800
	At more than 1 year's and up to 5 years' notice	0	300	100	0	300	100
	At more than 5 years' notice	30,100	32,800	32,300	30,100	32,800	34,200
	Total	145,600	160,000	161,500	153,000	174,400	172,600
Note 24	Debt securities in issue						
	By remaining term to maturity:						
	Maturing within 3 months	11,689	21,743	16,179	1,681	2,938	3,386
	Maturing between 3 months and 1 year ahead	3,154	4,338	3,707	456	1,648	2,161
	Maturing between 1 year and 5 years ahead	3,953	6,141	11,661	1,201	1,791	5,481
	Maturing after 5 years	34,362	47,146	66,980	307	-	-
	Total	53,157	79,368	98,527	3,645	6,377	11,028

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998
Specifications						
Note 25	Interest receivable/Forward premium/discount on:					
Balances due from credit institutions and central banks	2,846	2,851	2,988	2,952	3,014	3,204
Loans and advances	11,674	13,330	15,522	8,699	9,311	10,794
Debt securities	3,619	3,414	4,235	3,482	3,089	3,742
Total derivatives	106	124	223	35	171	82
of which:						
Foreign exchange derivatives	157	274	355	68	170	185
Interest rate derivatives	(51)	(149)	(132)	(33)	1	(104)
Equity derivatives	-	-	-	-	-	-
Commodity derivatives	-	-	-	-	-	-
Other derivatives	-	1	-	-	-	-
Other	198	253	418	39	43	57
Total	18,443	19,973	23,386	15,208	15,628	17,878
Of which income on purchase and resale transactions entered under:						
Balances due from credit institutions and central banks	213	1,359	1,620	213	1,359	1,653
Loans and advances	162	752	1,148	162	752	1,125
Note 26	Interest payable to:					
Credit institutions and central banks	3,377	3,368	4,349	3,166	3,385	4,474
Deposits	4,420	4,863	5,689	4,906	5,784	6,537
Debt securities in issue	3,030	4,768	6,005	217	330	576
Subordinated debt and hybrid capital instruments	429	209	275	429	209	275
Other	72	49	63	7	3	5
Total	11,327	13,256	16,381	8,725	9,711	11,867
Of which interest payable on sale and repurchase transactions entered under:						
Credit institutions and central banks	352	1,289	1,908	352	1,289	2,051
Deposits	101	492	478	101	492	474
Note 27	Dividend income from:					
Shares	145	169	183	129	152	174
Shares in associated undertakings	-	-	-	-	-	-
Shares in group undertakings	-	-	-	16	14	8
Total	145	169	183	145	165	182

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998
Note 28 Revaluation/translation adjustment* of:						
Debt securities	929	384	971	959	515	1,094
Shares	1,430	2,633	815	1,383	2,455	773
Fixed-interest loans and advances	10	102	83	(3)	101	82
Currency	240	565	401	227	524	353
Total derivatives	(453)	(135)	(281)	(452)	(261)	(418)
of which:						
Foreign exchange derivatives	(113)	(96)	(109)	(109)	(95)	(95)
Interest rate derivatives	(350)	(117)	(171)	(356)	(241)	(323)
Equity derivatives	9	73	(0)	9	73	(0)
Commodity derivatives	-	-	-	-	-	-
Other derivatives	0	5	-	3	2	-
Total	2,156	3,548	1,989	2,114	3,334	1,884
Return to participants in portfolio pension schemes	(1,202)	(2,146)	(535)	(1,202)	(2,146)	(535)
Total	954	1,403	1,454	912	1,189	1,349

* The sub-items also contain revaluation of securities included in the portfolio pension schemes. Adjustments are made for such revaluations under the item Return to participants in portfolio pension schemes in the bottom line.

Note 29 Other operating income						
Repayment of VAT concerning SDC and BEC	-	-	196	-	-	196
Repayment of VAT concerning previous years	-	-	160	-	-	160
Repayment of fees from the Danish Commerce and Companies Agency	-	-	51	-	-	26
Repayment of the special tax levied on companies not subject to VAT	-	44	-	-	-	-
Non-recurring income	-	44	406	-	-	382
Net operating profit on property	236	231	204	143	152	148
Profit on sale of property	51	80	65	38	63	55
Other	63	60	61	53	53	44
Total	350	414	737	234	268	629

Note 30 Executive Board, Supervisory Board and Board of Representatives

Loans to and charges or guarantees issued for the members of the:

Loans etc

Executive Board	2	2	2	3	3	12
Supervisory Board	15	19	22	15	19	22

(DKKm)	The Unidanmark Group			Unibank A/S			
	1996	1997	1998	1996	1997	1998	
Note 31	Staff and administrative expenses						
	Salaries and emoluments to the Supervisory Board, the Executive Board and the Board of Representatives						
	The Executive Board*	6	5	34	12	13	24
	The Supervisory Board	4	4	4	2	2	2
	The Board of Representatives	0	•	•	•	•	•
	Total	10	9	38	14	14	26
	* The item includes extraordinary provisions in respect of future early retirement and pension costs.						
	Staff costs:						
	Salaries	3,174	3,317	3,516	2,917	2,974	3,103
	Pension costs	293	301	312	278	280	287
	Payroll tax	294	322	360	279	296	325
	Total	3,760	3,940	4,188	3,473	3,550	3,715
	Other administrative expenses	2,308	1,986	2,321	2,230	1,839	2,061
	Total staff and administrative expenses	6,078	5,935	6,547	5,718	5,404	5,802
Note 32	Other operating expenses						
	Loss on sale of property	10	7	16	8	6	15
	Other	2	1	1	2	0	0
	Total	12	7	17	10	7	16
Note 33	Profit on shares in associated and group undertakings						
	Associated undertakings	123	61	66	124	59	63
	Group undertakings	(8)	7	41	266	523	559
	Total	115	68	107	390	582	622
Note 34	Tax						
	Estimated tax on the year's income	322	637	1,075	11	25	16
	Deferred tax	8	3	165	(1)	2	2
	Adjustment of tax estimated in previous years	(18)	139	(24)	(19)	1	(4)
	Total	312	779	1,215	(9)	28	14
Note 35	Auditors' remuneration						
	Total remuneration of firms appointed at the Annual General Meeting to undertake the statutory audit						
	Of which remuneration for non-audit services	10	8	6	8	6	5
		4	2	2	4	2	2
	The above amounts do not include expenses in respect of Unibank's internal audit.						

(DKKm)	The Unidanmark Group			Unibank A/S			
	1996	1997	1998	1996	1997	1998	
Note 36	Number of employees						
	Average number of employees in the financial year converted into full-time staff:						
	Bank staff	9,891	9,528	9,684	9,403	8,992	9,073
	Non-clerical staff	263	233	221	219	190	178
	Total	10,154	9,761	9,904	9,622	9,183	9,251
	Average number of employees in unconsolidated subsidiaries converted into full-time staff:						
	The insurance companies	55	76	87	55	76	87
	Undertakings acquired temporarily	43	39	37	43	39	37
Note 37	Balances due from credit institutions and central banks						
	Balances at notice due from central banks	5,197	12,835	17,534	5,197	12,835	17,534
	Balances due from credit institutions	65,812	63,148	58,301	69,647	65,668	59,470
	Total	71,010	75,983	75,835	74,845	78,503	77,005
Note 38	Debt securities						
	Listed	64,110	69,482	85,402	59,506	61,875	78,846
	Other	1,818	1,610	3,048	1,728	1,510	2,934
	Total	65,928	71,091	88,450	61,234	63,386	81,780
	Of which own debt securities	1,896	2,887	4,079	137	15	206
	At end-1998 bonds at a market value of DKK 5,816m (1997: DKK 6,859m) had been transferred to the Danish FUTOP Clearing Centre and clearing centres outside Denmark pursuant to margin requirements.						
Note 39	Shares etc						
	Listed	7,187	9,816	10,849	7,155	9,701	10,641
	Other shares	569	1,018	560	428	876	408
	Other types of share	2	2	5	-	-	-
	Total shares etc	7,759	10,836	11,414	7,583	10,576	11,049
	At end-1998 shares at a market value of DKK 32m (1997: DKK 0m) had been lent in connection with Security Lending Agreements						
	Current asset investments marked to market	71,298	79,298	96,251	66,661	71,576	89,487
	Difference between the acquisition cost of current asset investments marked to market and the higher market value at the closing of the accounts	831	412	1,335	823	411	1,335
	Current asset investments not marked to market	2,248	2,488	3,467	2,156	2,386	3,342
	Difference between the acquisition cost of current asset investments not marked to market and the higher market value at the closing of the accounts	-	-	-	-	-	-

(DKKm)	The Unidanmark Group			Unibank A/S		
	Group undertakings	Associates, other significant share-holdings	Other types of share	Group undertakings	Associates, other significant share-holdings	Other types of share
Note 40 Fixed asset investments						
Total cost of acquisition at 1 January	718	229	142	7,218	153	-
Currency translation adjustment	-	(2)	(0)	(70)	(2)	-
Additions	2	6	5	1,019	-	-
Disposals	-	18	1	41	18	-
Total cost of acquisition at 31 December	719	216	146	8,126	133	-
Upward and downward revaluation at 1 January	(127)	(54)	-	(852)	8	-
Currency translation adjustment	-	(1)	-	18	(1)	-
Profit	41	66	•	500	63	•
Dividend	-	(43)	•	(50)	(43)	•
Goodwill on acquisition	-	-	•	-	-	•
Other movements	0	(0)	-	4	(0)	-
Upward and downward revaluation	•	-	-	•	-	-
Upward and downward revaluation written back	•	-	-	•	-	-
Upward and downward revaluation at 31 December	(87)	(33)	-	(380)	27	-
Shares in parent company	-	-	•	292	-	•
Value at 31 December	632	183	146	8,038	160	-
of which credit institutions	-	-	-	5,331	-	-
Value at 1 January	590	175	142	6,656	161	-
of which credit institutions	-	-	-	4,129	-	-

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998
The value of shares acquired in connection with settlement of prior commitments or assistance in restructuring companies amounts to	-	-	-	-	-	-

(DKKm)	The Unidanmark Group			Unibank A/S		
	Goodwill	Other	Total	Goodwill	Other	Total
Note 41 Intangible assets						
Total cost of acquisition at 1 January	-	-	-	-	-	-
Additions	13	-	13	-	-	-
Disposals	(13)	-	(13)	-	-	-
Total cost of acquisition at 31 December	-	-	-	-	-	-
Value at 31 December	-	-	-	-	-	-

(DKKm)	The Unidanmark Group			Unibank A/S		
	Land, buildings	Machinery, equipment	Total	Land, buildings	Machinery, equipment	Total
Note 42 Tangible assets						
Total cost of acquisition at 1 January	4,491	1,052	5,542	2,524	746	3,271
Currency translation adjustment	(19)	(11)	(30)	(1)	(8)	(9)
Additions	39	242	281	33	137	169
Disposals	370	316	685	340	189	528
Total cost of acquisition at 31 December	4,141	967	5,108	2,217	686	2,903

(DKKm)	The Unidanmark Group			Unibank A/S		
	Land, buildings	Machinery, equipment	Total	Land, buildings	Machinery, equipment	Total
Note 42 Tangible assets (continued)						
Downward revaluation at 1 January	811	620	1,431	171	431	602
Currency translation adjustment	(10)	(9)	(19)	(0)	(7)	(7)
Depreciation charge	19	194	213	13	136	149
Write-down	52	7	59	43	-	43
Downward revaluation written back	34	302	335	32	184	216
Downward revaluation at 31 December	838	510	1,348	194	376	570
Value at 31 December	3,303	457	3,760	2,023	310	2,333
Value at 1 January	3,679	432	4,111	2,354	315	2,669
Most recent property value (public valuation)	3,454	•	•	2,161	•	•
Full depreciation charge in the year of acquisition for machinery and equipment	•	227	227	•	219	219
(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998
Note 43 Other assets						
Positive market value of derivatives (gross)	17,257	19,528	22,946	17,213	19,213	22,956
Sundry debtors	233	460	464	310	269	435
Interest and commissions receivable	2,410	2,534	3,625	2,371	2,417	3,426
Other assets	302	543	462	134	244	166
Total	20,202	23,065	27,498	20,027	22,144	26,983
Note 44 Balances due to credit institutions and central banks						
Balances due to central banks	13,378	11,911	10,511	13,378	11,911	10,511
Balances due to credit institutions	84,231	91,357	106,875	86,187	92,250	110,989
Total	97,609	103,268	117,386	99,565	104,161	121,500
Note 45 Deposits						
At call	67,316	71,294	77,633	78,156	91,232	93,519
At notice	2,345	2,126	2,078	2,345	2,126	2,077
Time deposits	37,579	45,983	40,000	34,198	40,514	35,188
Special categories of deposit	38,331	40,562	41,813	38,331	40,562	41,813
Total	145,571	159,965	161,524	153,030	174,434	172,597
Note 46 Other liabilities						
Negative market value of derivatives (gross)	17,583	19,865	25,315	17,539	19,615	25,344
Sundry creditors	5,871	10,306	11,933	5,601	9,912	11,651
Tax payable	366	117	264	8	14	11
Dividend for the financial year	532	798	798	800	2,550	800
Lease commitments	51	38	24	-	-	-
Interest and commission payable	2,249	2,689	3,624	1,386	1,520	2,100
Other liabilities	1,294	1,448	1,936	888	904	927
Total	27,945	35,261	43,895	26,221	34,514	40,834
Note 47 Provisions for liabilities and charges						
Provisions for pension costs and similar obligations	87	61	78	59	34	39
Provisions for deferred tax	51	55	218	13	15	17
Special remuneration concerning severance schemes	249	116	43	247	111	41
Provisions concerning projects launched in connection with head office efficiency measures and the development of delivery channels and IT	200	140	36	200	140	36
Other provisions for liabilities and charges	11	15	15	11	15	15
Total	598	386	390	530	315	148

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998

Other supplementary information

Note 48 **Sale and repurchase transactions and purchase and resale transactions**

Of the below assets purchase and resale transactions amount to:

Balances due from credit institutions

and central banks

Loans and advances

20,044	29,437	32,148	20,044	29,437	32,208
16,352	24,100	12,849	16,352	24,100	12,590

Of the below liabilities sale and repurchase transactions amount to:

Balances due to credit institutions and central banks

Deposits

30,968	35,159	34,877	30,968	35,159	39,509
9,121	13,790	6,611	9,121	13,790	6,210

Assets sold as part of sale and repurchase transactions:

Assets:

Debt securities

Shares etc

37,857	48,385	41,119	37,857	48,385	45,755
13	3	1	13	3	1

Note 49 **Balances with associated undertakings and undertakings in which Unibank has other significant holdings of shares**

Assets:

Loans and advances

Total

89	77	50	89	77	50
89	77	50	89	77	50

Liabilities:

Deposits

Total

55	76	61	55	76	61
55	76	61	55	76	61

Note 50 **Balances with group undertakings**

Assets:

Balances due from credit institutions and central banks

Loans and advances

Debt securities

Total

-	-	-	6,309	4,522	3,310
956	1,237	1,046	10,072	15,270	16,939
-	-	-	1,228	2,675	3,460
956	1,237	1,046	17,609	22,466	23,709

Liabilities:

Balances due to credit institutions

Deposits

Total

-	-	-	6,368	5,330	7,602
119	378	176	14,334	23,719	19,360
119	378	176	20,701	29,049	26,962

Note 51 Securities revaluation, fixed-interest liabilities, fixed-income assets and financial instruments

On a continual basis the Unidanmark Group covers the interest rate risk relating to fixed-income assets and fixed-interest liabilities by way of financial instruments. Thereby, the level of the Group's overall sensitivity to interest rate movements is controlled taking interest rate expectations into account.

Under the standards laid down for the presentation of accounts by Danish commercial banks and savings banks, fixed-income assets cannot be written up to a value exceeding the cost of acquisition, and fixed-interest liabilities cannot be marked to market.

Financial instruments acquired to hedge against the interest rate risk relating to these fixed-income assets and fixed-interest liabilities are not marked to market in pursuance of the rules of the Danish Financial Supervisory Authority in order to maintain accounting symmetry ensuring effective hedging of the interest rate risk relating to the position hedged.

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998
Covered fixed-income assets (excluding mortgage loans):						
Loans and advances						
Book value	8,971	19,802	25,900	8,571	19,660	25,804
Purchase price	8,971	19,802	25,900	8,571	19,660	25,804
Market value	9,286	20,591	27,303	8,870	20,442	27,202
Nominal value	8,971	19,802	25,900	8,571	19,660	25,804
Underlying financial instruments (swaps)						
Market value	(315)	(789)	(1,403)	(299)	(783)	(1,398)
Nominal value	8,966	20,736	24,356	8,566	20,593	24,260
Mortgage loans are fixed-income assets which are not revalued as the interest rate risk relating to these assets is covered by mortgage bonds in issue.						
Covered fixed-interest liabilities						
Deposits						
Book value	6,982	6,715	6,339	6,982	6,715	6,339
Market value	7,227	7,106	6,825	7,227	7,106	6,825
Nominal value	6,982	6,715	6,339	6,982	6,715	6,339
Debt securities in issue						
Book value	1,045	1,632	4,104	1,045	1,632	4,104
Market value	1,172	1,767	4,179	1,172	1,767	4,179
Nominal value	1,045	1,632	4,104	1,045	1,632	4,104
Total						
Book value	8,027	8,347	10,443	8,027	8,347	10,443
Market value	8,399	8,872	11,004	8,399	8,872	11,004
Nominal value	8,027	8,347	10,443	8,027	8,347	10,443
Underlying financial instruments (swaps)						
Market value	372	526	562	372	526	562
Nominal value	7,851	8,373	10,795	7,651	8,373	10,795

(DKKm)	The Unidanmark Group			Unibank A/S		
	1996	1997	1998	1996	1997	1998
Note 52						
Income by country						
Interest income, dividends, fees and commissions, securities and foreign exchange result, and other operating income						
Deriving from:						
UK	534	628	636	507	632	660
Germany	108	183	205	108	184	205
Luxembourg	567	668	853	-	-	-
USA	338	470	402	322	449	373
Singapore	993	1,057	1,349	993	1,066	1,355
Hong Kong	142	193	165	142	193	165
Cayman Islands	258	243	263	258	243	263
Norway	6	16	15	-	0	7
Sweden	87	154	317	4	53	115
Finland	25	46	64	-	0	5

(DKKm)	1996	Unibank A/S 1997	1998
Note 53 Unibank's portfolio pension schemes			
Profit and loss account			
Interest receivable/Forward premium/discount on:			
Cash deposits	18	21	11
Index-linked bonds	162	150	153
Other bonds	376	478	571
Derivatives	(2)	2	(6)
Total	554	651	729
Dividends on:			
Shares etc	77	109	124
Total	77	109	124
Revaluation/translation adjustment of:			
Index-linked bonds	49	28	20
Other bonds	239	195	258
Shares etc	856	1,717	363
Currency	60	154	(122)
Derivatives	(13)	(1)	(3)
Shares in associated and group undertakings (in relation to Unibank A/S)	12	53	19
Total	1,202	2,146	535
Fees and commissions payable	125	145	184
Profit of the portfolio pension schemes	1,709	2,761	1,206
Assets:			
Cash deposits	1,327	750	631
Index-linked bonds	2,593	2,757	2,938
Other debt securities	5,470	7,592	8,974
Other shares etc	4,923	7,489	7,873
Shares in associated and group undertakings and other significant holdings of shares (in relation to Unibank A/S)	119	102	189
Other assets	149	107	193
Total	14,580	18,797	20,799
Liabilities:			
Total deposits	14,489	18,549	20,777
Other liabilities	91	248	22
Total	14,580	18,797	20,799
Notes:			
Average deposits	12,048	15,217	18,927

(DKKm)	1996	Unibank A/S 1997	1998
Note 53 Unibank's profit and loss account exclusive of portfolio pension schemes			
Interest receivable	14,672	14,998	17,160
Interest payable	8,111	8,972	11,025
Net interest income	6,560	6,026	6,136
Dividend income	68	57	58
Fees and commissions receivable	1,747	2,075	2,383
Fees and commissions payable	167	329	385
Net interest and fees receivable	8,208	7,828	8,191
Securities and foreign exchange result	923	1,242	1,368
Other operating income	234	268	629
Staff and administrative expenses	5,718	5,404	5,802
Amortisation, depreciation and write-down of intangible and tangible assets	756	372	411
Other operating expenses	10	7	16
Provisions for bad and doubtful debts	939	437	615
Profit on shares in associated and group undertakings	378	528	603
Operating profit before tax	2,321	3,647	3,948
Tax	(9)	28	14
Profit for the year	2,329	3,619	3,934
Notes to the profit and loss account			
Interest receivable/Forward premium/discount on			
Balances due from credit institutions and central banks	2,952	3,014	3,204
Loans and advances	8,699	9,311	10,794
Debt securities	2,944	2,462	3,018
Total derivatives	76	211	144
Interest payable to:			
Deposits	4,292	5,045	5,695
Revaluation/translation adjustment of:			
Debt securities	671	292	816
Shares	527	738	410
Fixed-interest loans and advances	(3)	101	82
Currency	167	370	476
Derivatives	(439)	(259)	(414)

(DKKm)	1996	Unibank A/S 1997	1998
Note 53 Unibank's balance sheet exclusive of portfolio pension schemes			
Assets:			
Cash in hand and balances at call with central banks	2,743	4,381	5,763
Bills eligible for refinancing with central banks	36	52	14
Balances due from credit institutions and central banks	74,845	78,503	77,005
Loans and advances	125,222	152,495	158,273
Debt securities	53,172	53,037	69,867
Shares etc	2,660	3,087	3,176
Shares in associated undertakings	186	161	160
Shares in group undertakings	6,129	6,555	7,848
Intangible assets	-	-	-
Tangible assets	3,219	2,669	2,333
Own shares	-	-	-
Other assets	19,878	22,036	26,790
Prepayments	139	140	148
Total assets	288,229	323,116	351,378
Liabilities:			
Balances due to credit institutions and central banks	99,565	104,161	121,500
Deposits*	139,868	156,636	152,452
Debt securities in issue	3,645	6,377	11,028
Other liabilities	26,130	34,266	40,812
Deferred income	5	4	4
Provisions for liabilities and charges	530	315	148
Subordinated debt and hybrid capital instruments	2,378	4,365	5,320
Shareholders' funds	16,108	16,992	20,113
Total liabilities	288,229	323,116	351,378
Off-balance-sheet items:			
Contingent liabilities	44,771	60,241	60,585
Commitments	13,888	25,911	26,435
Total off-balance-sheet items	58,659	86,152	87,019
Notes:			
* Of which cash deposits from portfolio pension schemes	1,327	750	631

Note 54 Intercompany transactions

Transactions between companies within the Unidanmark Group are conducted on the basis of market terms or on a cost basis.

Material contracts effective or entered into in 1998 between Unidanmark A/S, Unibank A/S and directly or indirectly related undertakings include the following:

Loans and advances to Unidanmark A/S

As approved by the Danish Financial Supervisory Authority, the commitment of Unibank A/S could not exceed DKK 900m. The approval was effective until 1 May 1998.

Guarantee in favour of Unikredit Realkreditatieselskab

Unibank A/S provides on an ongoing basis 5-year and 10-year guarantees in favour of its wholly-owned mortgage banking subsidiary Unikredit Realkreditatieselskab typically to cover the top 25% of the principal of mortgage loans disbursed. This guarantee commitment is computed on the basis of the remaining cash balance and amounted to DKK 17,844m at end-1998 (1997: DKK 12,109m).

(DKKm)	Unidanmark-gruppen		
	1996	1997	1998
Note 55 The Danish Financial Supervisory Authority's ratio system			
Capital adequacy and capital ratios			
Capital adequacy ratio	9.9	9.9	9.9
Capital adequacy ratio, core capital	8.8	8.0	7.9
Supplementary capital utilisation ratio	14.9	24.2	26.5
Risk-weighted items with a market risk/total risk-weighted items	11.9	12.1	10.3
Earnings			
Core earnings before provisions/shareholders' funds at 1 January	16.4	19.8	19.4
Core earnings/shareholders' funds at 1 January	10.0	16.8	15.7
Operating profit/shareholders' funds at 1 January	15.5	22.3	22.0
Operating expenses/operating income	74.1	66.8	66.6
Market risks			
Interest rate risk/core capital	4.4	4.2	3.7
Foreign exchange exposure/core capital:			
Indicator 1/core capital	6.7	5.7	3.5
Indicator 2/core capital	0.097	0.112	0.033
Liquidity			
Credits + provisions/deposits	121.6	136.0	149.1
Coverage relative to the provisions of section 28 of the Danish Commercial Banks and Savings Banks Act			
(a) 15%	227.0	234.9	312.2
(b) 10%	173.8	207.1	176.8
Land and buildings			
Land and buildings/shareholders' funds	26.5	20.1	16.3
Land and buildings acquired/shareholders' funds	0.8	0.5	0.2
Land and buildings from which no credit institution activities are conducted/capital resources	12.9	9.9	7.3
Credit risks			
Renegotiated credits/credits and provisions (1)	2.0	1.6	0.7
Provisions for renegotiated credits/total renegotiated credits (1)	82.2	78.8	79.1
A-provisions/credits and provisions	2.8	2.5	2.1
B-provisions/credits and provisions	1.0	0.7	0.8
Total provisions/credits and provisions	3.8	3.2	2.9
Provisions in respect of corporate customers/credits and provisions in respect of corporate customers (1)	4.4	3.4	3.4
Provisions in respect of personal customers/credits and provisions in respect of personal customers (1)	3.0	3.3	2.6
Total net provisions/credits and provisions	0.5	0.2	0.2
Credits/shareholders' funds (not %) (2)	10.4	11.5	11.5
Provisions made in prior periods now written off/write-offs for the year	93.7	92.3	93.6
Write-offs for the year as % of provisions at 1 January	19.6	5.2	6.2
(1) The ratio has been computed for Unibank A/S.			
(2) Credits excluding mortgage loans and reverse repos/shareholders' funds (not %)	7.1	7.3	7.4

Unidanmark's Local Boards of Shareholders and their chairmen

Aalborg Vacant	Hadsten Henning Pedersen	Køge Kristian Ebbensgaard	Skive Knud Olsen
Amager Niels Jørn Hahn	Hammel Ingvard Nygaard	Lemvig Christian Nielsen	Skjern Niels Kr Kristensen
Ballerup Grethe Christiansen	Haslev Grethe Clausen	Lolland Jørgen Møller	Slagelse Kristian Rask
Bjerringbro Arne Nordlyng	Hellerup Bente Kjølhede	Lyngby Preben Rabenhorst	Sorø Knud Frandsen
Bornholm Poul Henmar	Helsingør Henning Petersen	Løgstør Bent Knudsen	Store Heddinge Johannes Hansen
Brande Helge Jensen	Herlev Erik Tvernø	Middelfart Chr Holm Olesen	Struer Ivan Jakobsen
Brønderslev Jens Jørn Krogh Jensen	Herning Laurids C Boisen	Southern Jutland Central Svend Hansen	Svendborg Villy Eskehav
Christiansfeld/Haderslev/ Vojens Børge Lausen	Hillerød Frida Kromose	Nyborg Jørgen Nellemann	Sønderborg Erling Duus
Djursland North Peter Collet	Hjørring Peder Rosendal	Næstved Fin Krog Aage	Tarm Johannes Ricken
Djursland South Jan Skau-Andersen	Holbæk Birgitte Fink	Odder Per Højgård Andersen	Thisted Finn Ø Jeppesen
Esbjerg Finn Østergård	Holstebro Aage Pedersen	Odense Niels Ibsen	Taastrup Søren D Sørensen
Fakse Erling Elmgaard Jensen	Horsens Knud V Rasmussen	Randers Preben Byriell Olesen	Varde Boye Horsted
Falster/East Lolland Povl Høier	Hørsholm Jane Heller	Ribe Bent Lassen	Vejen/Brørup Jens Steensgaard
Fredericia Niels Jørgen Andersen	Ikast Carsten Kissmeyer	Ringkøbing Børge Sørensen	Vejle Henning Zacho Larsen
Frederiksberg/Østerbro Jytte Lindgård	Kalundborg Bruno Kjær Jensen	Ringsted Hans Schierbeck	Viborg Thorkil Dahl
Frederikshavn Søren Kamp Knudsen	Kjellerup Torben Ringbro	Roskilde Holger Hasle Nielsen	Videbæk Keld Jørgensen
Frederikssund John Olesen	Kolding Michael Baruah	Rudkøbing Sv Aage Hansen	Vordingborg Steen Sørensen
Give Ejvind Andreasen	Copenhagen City Asger Larsen	Silkeborg Tage Engelbrecht Svendsen	Åbenrå Hans Lausten Hansen
Glostrup Kurt Hockerup	Copenhagen West Jens Chr Birch	Skanderborg O Koefoed Nielsen	Århus Bente Yde Nissen

Unibank's Business Forum

Unibank's Business Forum holds two annual meetings, at which the members are briefed on the development of Unibank and current industrial and economic issues are discussed. In 1998 two new members were appointed to Unibank's Business Forum:

Lars Rohde, Danish Labour Market Supplementary Pension and
Torben Møger Pedersen, PensionSelskaberne.

The following members resigned during 1998:

Ali Nielsen, PKA died and
Preben Schou resigned in connection with his retirement.

Niels Arkil
Ove Arkil Holding A/S

Jan Berg
Incentive A/S

Jens Bigum
MD Foods amba

Niels Boserup
Copenhagen Airports A/S

Otto Christensen

Thomas Fr Duer
Højgaard Holding A/S

Jan O Frøshaug
Egmont International
Holding A/S

Steffen Harpøth
FLS Industries A/S

Niels Hougaard
Kommunernes
Pensionsforsikring A/S

Flemming Skov Jensen
LD Pension

Kjeld Johannesen
Danish Crown AmbA

Lars Nørby Johansen
Falck A/S

Leif Juul Jørgensen
J.C. Hempels
Skibsfarve-Fabrik A/S

Lars Kolind

Jørgen Lindegaard
GN Great Nordic Ltd.

Jens Kramer Mikkelsen
The City of Copenhagen

Hans Munk Nielsen
Tele Danmark A/S

Torben Møger Pedersen
PensionsSelskaberne

Erik B Rasmussen

Niels Ravn
VELUX Industri A/S

Svein Rennemo
Borealis A/S

Sven Riskær
The Industrialization Fund for
Developing Countries, IFU

Lars Rohde
Danish Labour Market
Supplementary Pension

Waldemar Schmidt
ISS International Service
System A/S

Johan Schrøder
Radiometer A/S

Palle Simonsen

Niels Bager Skadhauge

Jørgen Tandrup
Skandinavisk Tobakskompagni
A/S

Alf Tønnesson
International Masters
Publishers

Poul Vesterbæk
Grundfos A/S

Jørgen Worning
Bryggerigruppen A/S

Ninna Würtzen
Danish Cancer Society

Branches in Denmark

The branch network in Denmark is divided into 30 branch regions. The branch offices are listed under their respective branch region.

Copenhagen City

Branch Region Manager:
Lars Jensen

Copenhagen City, Axelborg, Kongens Nytorv, Nytorv, Nørreport, Raadhus, Strøget, Vesterport, ØsterPort

Frederiksberg/Østerbro

Branch Region Manager:
Ivan Rasmussen

Frederiksberg, Bispebjerg, Emdrupvej, Falkoner Allé, Fasan, Frederikssundsvej, Gl. Kongevej, Nørrebro, Peter Bangsvej, Rosenørn, Stefan, Svanemølle, Trianglen, Værnedam, Østerbro

Amager/Copenhagen West

Branch Region Manager:
Torben Nyegaard Olesen

Hvidovre, Amager, Brønshøj, Christianshavn, Enghave, Folehave, Grøndal, Holmbladsgade, Hvidovre, Husum, Islev, Kastrup, Mozarts Plads, Rødovre, Rødovre Station, Sundby, Sundbyvester, Tårnby, Valby, Vanløse

Glostrup/Taastrup

Branch Region Manager:
Sven Aage Kristensen

Glostrup, Albertslund, Brøndby, Glostrup Center, Greve Center, Hedehusene, Hundige Center, Ishøj, Solrød Center, Taastrup, Vallensbæk

Herlev/Ballerup

Branch Region Manager:
Freddy Madsen

Herlev, Ballerup, Hedegård, Måløv, Skovlunde, Smørum, Værløse

Hellerup

Branch Region Manager:
Tommy Lindved

Hellerup, Bernstorffsvej, Buddinge, Charlottenlund, Gentofte, Høje Gladsaxe, Ordrup, Søborg, Øregaard

Lyngby

Branch Region Manager:
Karl Henning Petersen

Lyngby, Bagsværd, Holte, Lyngby, Nærum, Trørød, Virum

Hørsholm

Branch Region Manager:
Kim Jacobsen

Hørsholm, Allerød, Birkerød, Bistrup, Farum, Hørsholm Midtpunkt, Lyngge, Usserød

Hillerød/Helsingør

Branch Region Manager:
Poul Drusebjerg

Hillerød, Espergårde, Fredensborg, Frederiksværk, Gefion, Gilleleje, Græsted, Helsingør, Helsingør, Hornbæk, Humlebæk, Hundested, Nivå, Skanse, Skævinge, SlotsArkade, Ålsgårde

Roskilde/Frederikssund

Branch Region Manager:
Carsten Reves

Roskilde, Frederikssund, Ganløse, Himmelev, Hvalsø, Jyllinge, Jægerspris, Kirke Hyllinge, Osted, Skibby, Slangerup, Stenløse, Søndre, Tune, Viby Sj., Ølstykke

West Zealand

Branch Region Manager:
Ole Bjørk

Holbæk, Asnæs, Dianalund, Gørlev, Hvidebæk, Høng, Hørve, Jyderup, Kalundborg, Korsør, Mørkøv, Nykøbing Sj., Skælskør, Slagelse, Stenlille, Svebølle, Svinninge, Tølløse

South Zealand

Branch Region Manager:
Knud Sandager

Ringsted, Borup, Fuglebjerg, Glumsø, Haslev, Lundby, Masnedsund, Mørn, Mogenstrup, Næstved, Præstø, Rønnede, Sorø, Stege, Stensved, Tappernøje, Vordingborg

Køge

Branch Region Manager:
Ole Hoier

Køge, Bjæverskov, Boholte, Fakse, Fakse Ladeplads, Havdrup Center, Herfølge, Hårlev, Karise, Lille Skensved, Store Heddinge, Ølby Center

Lolland/Falster

Branch Region Manager:
Ejvind N Jensen

Nykøbing F., Holeby, Lilletorv, Lindholm, Maribo, Marielyst, Nysted, Nørre-Alslev, Nørrebro, Rødby, Saksøbing, Stubbekøbing

Funen

Branch Region Manager:
Finn Rossau

Odense, Bellinge, Byparken, Dalum, Gudbjerg, Hjallesøvej, Kochsgade, Lohals, Nyborg, Næsby, Ollerup, Ringe, Rudkøbing, Svendborg, Sydlangeland, Søndersø, Tarup, Tåsinge

Southern Jutland South

Branch Region Manager:
Bruno Stenger

Aabenraa, Broager, Guderup, Løgumkloster, Nordborg, Padborg, Rødekro, Sønderborg

Southern Jutland North

Branch Region Manager:
Leif Sigaard

Haderslev, Christiansfeld,
City, Gram, Rødding,
Toftlund, Vojens

Kolding/Fredericia

Branch Region Manager:
Peder Kjølhed

Kolding, Agrtrupvej, Brørup,
Erritsø, Fredericia, Middelfart,
Strib, Vamdrup, Vejen, Vejlevej

Vejle

Branch Region Manager:
Tom Bagger

Vejle, Ejstrupholm, Give,
Nørremark, Tørring

Horsens

Branch Region Manager:
Kaj Skouboe

Horsens, Beder, Mårslet,
Odder, Skanderborg

Esbjerg

Branch Region Manager:
Preben Muchitsch

Esbjerg, Ansager, Oksbøl,
Ribe, Sædding, Tistrup, Varde

Herning

Branch Region Manager:
Torsten A Christensen

Herning, Brande, Bredgade,
Hammerum, Ikast, Kibæk,
Lind, Ringkøbing, Sdr.
Felding, Skjern, Snejbjerg,
Sunds, Tarm, Videbæk,
Vildbjerg

Silkeborg

Branch Region Manager:
Ole Bertelsen

Silkeborg, Hammel, Kjellerup,
Låsby, Nordre, Ry, Them,
Thorning, Thorsø

Århus North

Branch Region Manager:
Heine Bach

Århus, Brabrand,
Christiansbjerg, Ebeltoft,
Hasle, Hinnerup, Hjortshøj,
Hornslet, Lystrup, Møllevang,
Rønde, Skødstrup, Spørring,
Tilst, Trøjborg, Åbyhøj

Århus South

Branch Region Manager:
Hans Lund

Århus, Frederiksbjerg, Galten,
Harlev, Hasselager, Højbjerg,
Hørning, Pauls Plads,
Søndergade, Tranbjerg,
Vesterbro, Viby

Randers

Branch Region Manager:
Mogens Christensen

Randers, Allingåbro,
Assentoft, Grenå, Hadsten,
Kolind, Kristrup, Langå,
Nørre, Vorup

Viborg

Branch Region Manager:
Vagn Thorsager

Viborg, Bjerringbro, Gedsted,
Karup, Møldrup, Rødkærbro,
Skals, Skive, Vestergade,
Vestervang, Ørum, Aalestrup

North-West Jutland

Branch Region Manager:
Ole Bjerg

Holstebro, Aulum, Bedsted,
Bækmarksbro, Harboøre,
Hurup, Lemvig, Ringparkens
Butikstov, Sevel, Snedsted,
Struer, Thisted, Thyborøn,
Ulfborg, Vemb, Vinderup

North Jutland

Branch Region Manager:
Preben Poulsen

Aalborg, Brovst, Brønderslev,
Dronninglund, Farsø,
Fjerritslev, Frederikshavn,
Frejlev, Gandrup, Hals,
Hirtshals, Hjørring, Kastetvej,
Klarup, Kongerslev, Løgstør,
Nørresundby, Skørping,
Storvorde, Støvring, Suldrup,
Svenstrup, Tylstrup, Åbybro,
Års

Bornholm

Branch Region Manager:
Ole Ligaard

Rønne, Allinge, Gudhjem,
Hasle, Klemensker, Nexø,
Rønne Nord, Rønne Øst,
Svaneke, Østermarie, Aakirkeby

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Unibank A/S

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c/o Unibank A/S
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Singapore

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Ronnie Zhang

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S.W.I.F.T.: UNIBHKHH
General Manager:
Vagn Søndergaard Pedersen

Unibank is a member of the international banking association IBOS (Inter Bank Online System) and the Inter-Alpha Group of Banks.

IBOS partners

Banco Inverlat
Mexico

Banco Santander Portugal
Portugal

Banco Santander
Spain

Crédit Commercial de France
S.A.
France

First Chicago NBD
Corporation
USA

First Union National Bank
USA

ING Bank
Netherlands

Istituto Bancario San Paolo di
Torino SpA - IMI
Italy

KBC Bank
Belgium

Scotiabank
Canada

The Royal Bank of Scotland plc
UK

Inter-Alpha partners

AIB Group
Ireland

Banco Espirito Santo
Portugal

Banco Santander
Spain

Berliner Handels- und
Frankfurter Bank
Germany

Crédit Commercial de France
S.A.
France

ING Bank
Netherlands

Istituto Bancario San Paolo di
Torino SpA
Italy

KBC Bank
Belgium

MeritaNordbanken,
Meritabank
Finland

MeritaNordbanken,
Nordbanken
Sweden

National Bank of Greece
Greece

The Royal Bank of Scotland plc
UK

Japan

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Chief Representative:

Jesper Bruun-Olsen

Notice of meeting

The Annual General Meeting of Unidanmark will be held at 15.00 on 23 March 1999 at Radisson SAS Scandinavia Hotel, Amager Boulevard 70, DK-2300 Copenhagen S.

From 2 to 18 March 1999 shareholders may order admission cards and ballots from any Unibank branch office or from the company's head office, Torvegade 2, DK-1786 Copenhagen V.

Against presentation of an admission card any shareholder is entitled to attend the General Meeting. Except for certain special cases, only the shareholders whose shares were registered in their names before the official convening of the meeting are entitled to vote at the General Meeting. The right to vote may be exercised by proxy provided that an admission card has been requested in time and that a completed form of proxy has been received at the company's head office not later than 22 March 1999. No proxy may be given for a longer period than three months.

Unidanmark's 76 shareholder regions will hold shareholder meetings from 8 to 12 March 1999.

Interim report

The Group expects to announce its interim results on 19 August 1999.