Annual Report Union Bank of Norway 1999

Gjensidige NOR

Contents

Financial summary

	1999	1998	1997	1996	1995
Net interest income	**4,603**	2,909	2,512	2,441	2,668
Capital gains	**221**	178	166	176	215
Other operating income, net	**1,492**	1,387	1,642	1,326	1,045
Operating expenses	**4,041**	2,961	2,982	2,812	2,503
Operating profit before losses	**2,275**	1,513	1,338	1,131	1,425
Losses (gains) on loans	**201**	128	(46)	(40)	51
Losses (gains) on long-term financial assets	**(386)**	(255)	92	(2)	(32)
Operating profit	**2,460**	1,640	1,292	1,173	1,406
Net profit	**1,784**	1,185	916	815	1,071
Return on equity	**17.3%**	15.4%	13.7%	13.8%	19.9%
Interest margin	**2.6%**	2.1%	2.0%	2.3%	2.7%
Effective yield on primary capital certificates	**33%**	(18%)	38%	31%	34%
Earnings per primary capital certificate	**28.34**	28.07	20.11	19.39	25.99
RISK amount (in NOK) as at 1 Jan	**Ca. 18.70**	12.29	20.84	21.98	4.39
Growth in lending	**37.1%**	10.8%	18.9%	14.0%	9.6%
Growth in depsoits	**31.5%**	6.1%	0.4%	8.3%	5.5%
Total assets	**196,356**	147,500	132,484	114,569	101,521
Losses (gains) on loans	**0.1%**	0.1%	(0.0%)	(0.0%)	0.1%
Capital base (eligible)	**15,958**	14,554	10,973	10,775	9,615
Capital ratio	**10.8%**	13.1%	11.4%	13.2%	13.3%
Of which Core (Tier 1) capital	**7.2%**	8.5%	6.9%	7.5%	7.9%

Amounts in NOK million. See pp. 48-49 for further key figures and and definitions.

* Figures not adjusted to reflect changes in accounting legislation effective as from 1999.

Highlights 1999

ONLINE BANKING
The new online bank was launched in April. By the end of the year close to 60,000 customers were registered users. In September Union Bank of Norway launched the country's first Internet bank for small businesses.

NATIONAL INSURANCE ADMINISTRATION A NEW CUSTOMER
The National Insurance Administration chose Union Bank of Norway to disburse social security and pensions as from June onwards. The National Insurance Administration is the country's biggest user of payments services, with 750,000 transactions per month.

SUCCESSFUL START-UP ON 22 JUNE 1999
Gjensidige NOR was formally established on 22 June. Union Bank of Norway took over Gjensidige Bank, and thus became market leader in special financing and credit cards. Gjensidige Bank's databases were successfully transferred to Union Bank of Norway's systems the previous weekend.

HECTIC START FOR DIRECT BANKING DIVISION
The merger brought 75,000 customers to the new direct banking service, Gjensidige NOR24. The computer systems functioned right from the start, but a heavy influx of customers and telephone capacity problems resulted in reduced access in the first few weeks.

SHARE TRADING VIA THE INTERNET
Karl Johan Fonds introduced online share trading in August. All shares and primary capital certificates quoted on the Oslo Stock Exchange can be traded, and customers have access to portfolio tools and relevant market information. Units in Avanse can be subscribed for via the Union Bank of Norway's online facility.

SHARED PREMISES
Since the formation of the new group, eight pilot branches have been established bringing together banking and insurance under the same roof. Work on co-locating banking and insurance is under way at a number of localities. By year-end 11 bank and insurance branches had co-located, thereby laying the basis for substantial cost savings. Four pilot regions, each with joint management, have also been established.

A NATIONWIDE SAVINGS BANK
In September Union Bank of Norway opened new bank branches in Steinkjer and Namsos. In the course of 1999 the Gjensidige NOR group acquired a nationwide distribution network for banking products.

BIG IN ESTATE AGENCY
Gjensidige NOR Eiendom reinforced its position as one of the country's biggest estate agency undertaking. "Trygg og enkel bolighandel" (House-buying made simple and safe) combines estate agency with banking and insurance products in a single product package.

NOR 1-2-3 - A NEW CONCEPT IN DAY-TO-DAY BANKING
A new concept of day-to-day banking was launched in October offering unlimited use of automated services at a fixed subscription price. The concept has been well received in the market thanks to a purposive effort across the branch network.

TRANSITION TO 2000 WITHOUT A HITCH
After several years' preparations the cross-over into 2000 went off without problems for Union Bank of Norway.

A strong savings bank looking to the future

The formation of the Gjensidige NOR group has turned Union Bank of Norway into a nationwide bank and enhanced its market power. Union Bank of Norway is now even better equipped to tackle the challenges in the financial market ahead.

A NATIONWIDE REGIONAL BANK

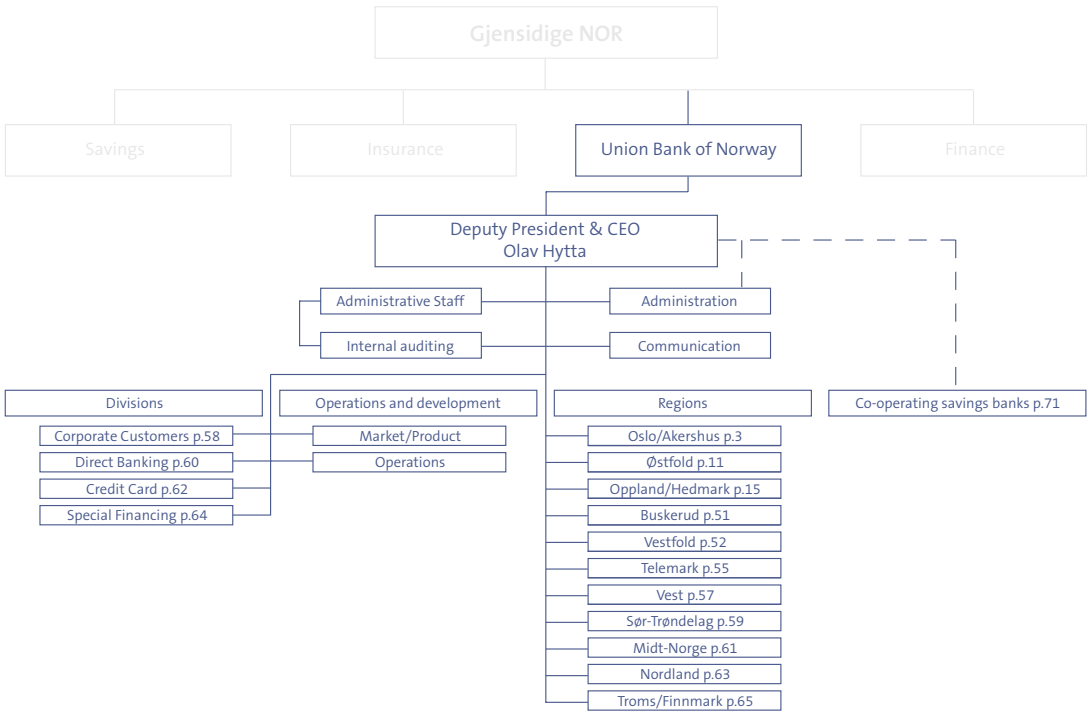
Union Bank of Norway has taken its place as a future-oriented savings bank with an effective distribution network and state-of-the-art technology. In the year behind us Union Bank of Norway established new regions and new collaboration agreements with regional and local savings banks, turning it into a nationwide bank. Thanks to its acquisition of Gjensidige Bank, Union Bank of Norway now offers the country's biggest direct banking service. The takeover has also made the bank the market leader in credit cards and special financing. In the course of 1999 the district branches in Tromsø, Bodø, Trondheim and Bergen became regions in their own right. In September 1999 the bank opened new branches in Steinkjer and Namsos, thereby extending its branch network to all counties in the country.

OSLO/AKERSHUS BIGGEST

Region Oslo/Akershus is by far the biggest region. It has accumulated broad-based, specialised competence and intends to further develop its services to the corporate sector. It is a dominant player in the region's retail market, with a market share of 20 per cent in Oslo and 29 per cent in Akershus. It has achieved excellent results and a customer satisfaction rating fully on a par with its main competitors.

Four pilot regions and eight pilot branches have been established to test various concepts for Gjensidige NOR's future operations. The regions have already seen benefits from increased cross-sales and have achieved efficiency gains as a result of co-location and collaboration. A detailed co-location plan has been drawn up which will be implemented in the space of two to three years. Banking and insurance were brought together under one roof in a number of localities in 1999.

Gjensidige NOR has further developed co-operation with regional and local savings banks in districts where the bank has no branch representation. The pilot region in Hedmark County involves a collaboration between Sparebanken Hedmark and Gjensidige Hedmark.



Subsidiaries and associated companies, pages 66-69

RETAIL MARKET
A nationwide branch network gives Union Bank of Norway considerable competitive power despite the fact that customers are increasingly turning to automated services. Fewer and fewer customers visit their local bank for over-the-counter banking services and manual transactions. Cash is predominately withdrawn from cash dispensers and at stores. Bills are increasingly paid by avtalegiro (automatic deduction service for bills paid at regular intervals), telegiro and Internet-based services. The branch network has adapted to this trend and further developed its competence in counselling services. The branches are at the same time the main distribution channel for automated services. The bank's "multi-relationship customer" programme has attracted more than 100,000 customers and is helping to increase customer loyalty. New benefits are continually incorporated in the multi-relationship customer concept.

The bank has established customer service centres in several regions designed to handle customers' approaches more efficiently and to enable a greater focus to be given to existing and potential customers. This is helping to enhance the quality of the bank's customer portfolio. The results in terms of increased sales and customer satisfaction are excellent.

Alongside an extensive branch network we have the country's leading player in the field of direct banking, Gjensidige NOR24. This entity has 70,000 customers and delivers simple, standardised products on favourable terms to the retail market via the Internet and by telephone.

CORPORATE MARKET
The regional bank has increasingly marked itself out as a bank for commerce and industry. It caters mainly to small and medium-sized firms, but also has the competence needed to handle bigger corporate customers at the national and international level. The bank has established regional centres to cater to corporate customers and secure the bank's competence and decision-making power at the local level. The bank offers tailored concepts to various market segments such as small firms, lawyers, agriculture etc.

Union Bank of Norway's Corporate Customer Division offers products and services to the biggest companies in the country. The division caters both to customers operating solely in Norway and customers operating internationally.

OPERATIONS AND DEVELOPMENT
The Operations and Development Divisions have contributed appreciably to the results achieved by the bank. Union Bank of Norway has a professional marketing and product development environment which designs and develops cost-effective solutions tailored to customers' needs. On the technology front the bank's highly competent in-house staff and extensive collaboration with external suppliers ensure that the bank's systems are geared to the future. The bank has effective administrative and operations units which provide rational operating and control systems and support for the day-to-day running of the bank.

Union Bank of Norway has already seen appreciable gains on the purchasing and logistics front since the establishment of the Gjensidige NOR group. New main agreements have been negotiated with several of the group's suppliers and a major potential exists for further savings, both by establishing even better agreements and by increasing the use made of such agreements throughout the organisation.

PROFITABLE FOR THE OWNERS
Union Bank of Norway has the strength and potential needed to ensure that its short- and long-term objectives will be attained. The owners will earn a competitive return. Union Bank of Norway intends to be the natural choice for retail and corporate customers and, together with the other companies making up Gjensidige NOR, the most attractive employer in the Norwegian financial industry.

REGION OSLO/AKERSHUS

This region encompasses the counties of Oslo and Akershus with a population of 950,000, i.e. 22 per cent of the population of Norway. The area features strong population growth and buoyant commercial development.

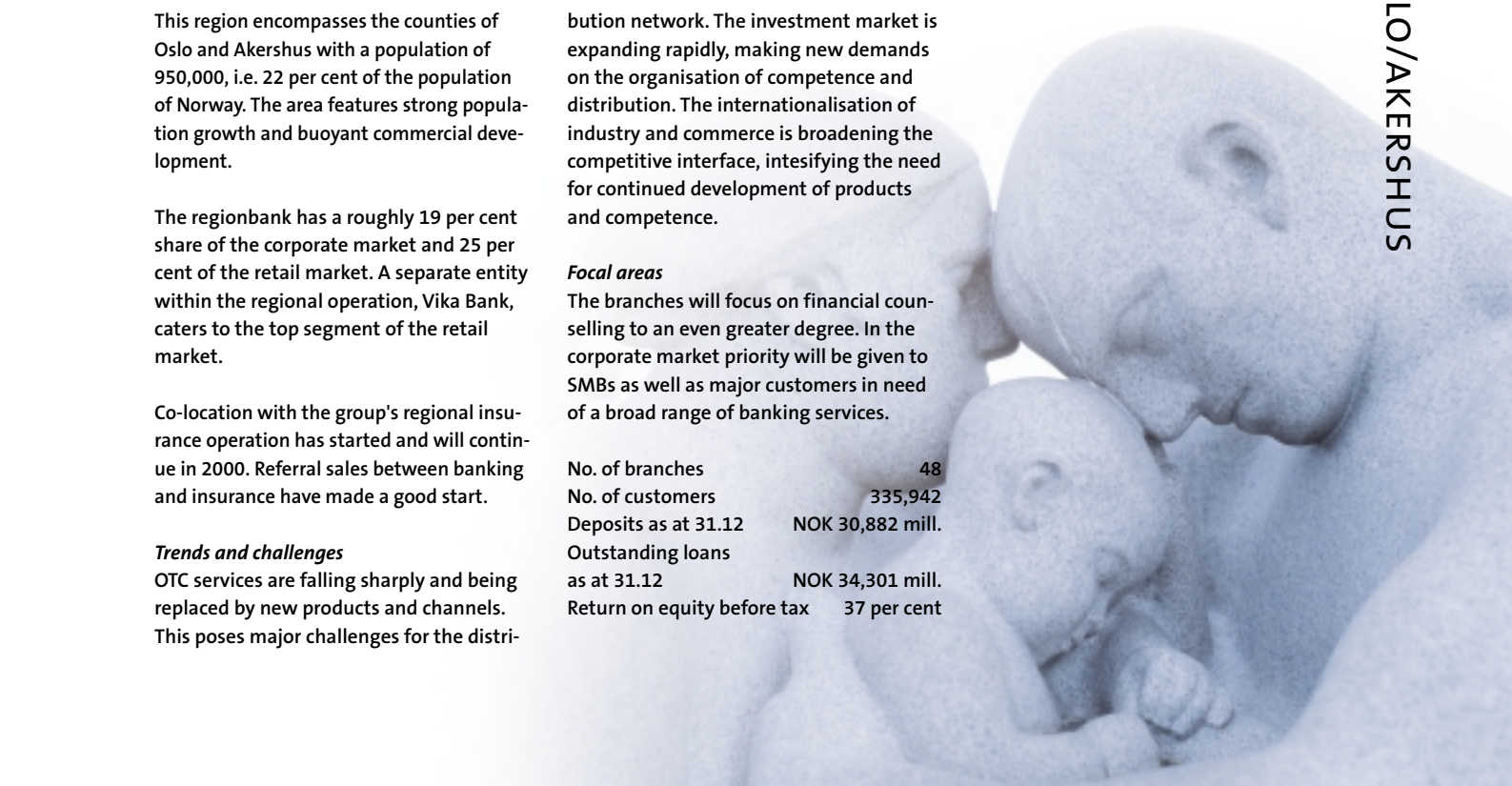
The regionbank has a roughly 19 per cent share of the corporate market and 25 per cent of the retail market. A separate entity within the regional operation, Vika Bank, caters to the top segment of the retail market.

Co-location with the group's regional insurance operation has started and will continue in 2000. Referral sales between banking and insurance have made a good start.

Trends and challenges
OTC services are falling sharply and being replaced by new products and channels. This poses major challenges for the distribution network. The investment market is expanding rapidly, making new demands on the organisation of competence and distribution. The internationalisation of industry and commerce is broadening the competitive interface, intesifying the need for continued development of products and competence.

Focal areas
The branches will focus on financial counselling to an even greater degree. In the corporate market priority will be given to SMBs as well as major customers in need of a broad range of banking services.

No. of branches	**48**
No. of customers	**335,942**
Deposits as at 31.12	**NOK 30,882 mill.**
Outstanding loans as at 31.12	**NOK 34,301 mill.**
Return on equity before tax	**37 per cent**



Online with the regional bank

1999 was an eventful year for the Norwegian financial industry, and the undoubted high point for us was the establishment of Gjensidige NOR. Plans for establishing the new conglomerate were made public in April 1998. Since then the Norwegian banking and insurance sector has witnessed mergers, alliance building and foreign acquisitions, but also rapid technological evolution. So far developments have shown that Gjensidige NOR's formation is at least as justified now as it was a year and a half ago.

With the formation of the new group, Union Bank of Norway has acquired a nationwide distribution network. The strength of the regional bank lies in its familiarity with local conditions and personal relationships, which together with a complete product range and advanced technological applications provide us with considerable market power.

In the space of just a few years the way customers use their local bank has changed appreciably in parallel with the growing popularity of automated services. The distribution network has to be dimensioned and its facilities adapted in step with changing market needs. Our branches are shifting their focus to sales and advisory services associated with day-to-day banking, lending, savings and investment, and, in many localities, property and insurance. In areas where we have a substantial presence we are establishing financial services centres offering specialised expertise. In smaller localities we adapt to the needs of the market. This entails major demands on our staff in terms of competence and capacity for adjustment.

The Internet is a highly effective communication medium which will largely revolutionise the financial industry. It will enable us to refine concepts targeted at various segments of both the retail and corporate market. Customers will increasingly prefer a high level of automation offering cost-effective solutions. This will squeeze prices and margins, but with its new direct banking facility Union Bank of Norway is well positioned to thrive. Concurrently we see the emergence of a private market requiring close, personal follow-up and desiring the most advanced technological solutions.

Customers will still need a focal point for their finances, and most of them still prefer to have the same bank handle their incoming and outgoing payments. The basic current account is at the core of both our retail and corporate business, and in that respect we are well positioned at the heart of the customer's finances. As technology progresses we will be linking new facilities to the current account, as we have already done with telegiro, online banking and, soon, the mobile WAP technology. The current account is also a good starting point for meeting customer needs for financing, savings and insurance products.

Most of our salary account customers already use automated services such as bill payment by telephone, and the number using the online bank is increasing apace. Experience so far shows that online-bank users get in touch with us more often than other customers, giving us a unique opportunity to communicate our products and solutions on the customer's terms. This channel will enable us to develop relationships with customers who do not call on their local branch as often as they used to.

Technological evolution presents major opportunities, but also new challenges. The financial sector will evolve, and new alliances will be forged across sectors and industries. New technology creates room for new niche players, as has always been the case. Our capacity for adjustment and innovation will be critical to our success.

Gjensidige NOR's size and breadth bodes well for our ability to cater to customer needs in the future. With the advent of new distribution channels, breadth will become even more valuable, and our size ensures that we have the power to develop new, effective solutions in step with the market. Equally important as the regional bank's local knowledge is Gjensidige NOR's customer base containing more than 2 million customer relationships. The information gathered in the Group's data warehouse gives us unique opportunities in terms of cross-selling and marketing.

We have made good progress in our effort to create a Gjensidige NOR based on shared values and shared goals. The Group's overriding aim is to create added value in our key business areas; banking, insurance and savings. It is gratifying to see the commitment and enthusiasm displayed by the organisation in its effort to achieve our ambitious goals.

Sverre Høegh Krohn
President & CEO

Olav Hytta
Deputy President & CEO

1999 Report of the Board of Directors to the Group Executive Board

NEW GROUP OFF TO A GOOD START

The year 1999 saw a good start for Union Bank of Norway in a newly formed financial group. The result before losses was NOK 2,460 million compared with NOK 1,640 million in 1998. The post-tax result was NOK 1,784 million compared with NOK 1,185 million the previous year. This entails a return on equity of 17.3 per cent compared with 15.4 per cent in 1998.

The result reflects efficient operation in all units, high portfolio quality, low net losses, a committed staff, but also a favourable macroeconomic setting. The formation of the Gjensidige NOR financial group has also boosted Union Bank of Norway's performance through a substantial increase in earnings.

The organisation succeeded in maintaining a clear focus on customers and markets through a demanding merger process. Union Bank of Norway and the Gjensidige Group were given authorisation to form the Gjensidige NOR financial group on 11 June and the formal establishment took place on 22 June.

In the course of 1999 Union Bank of Norway achieved a nationwide distribution network with five new regions - Vest, Sør-Trøndelag, Midt-Norge, Nordland and Troms/Finnmark - and now covers the entire country in conjunction with 16 collaborating savings banks.

RESULTS FOR 1999

The good results are mainly attributable to sound operation of ordinary banking activities and to an increase of about NOK 800 million in net interest income, adjusted for the takeover of Gjensidige Bank. The bank succeeded in maintaining margins in a period of strong volume growth. The new divisions, Credit Card and Special Financing, delivered solid performances. Payments service earnings are also rising as a result of steadily growing use of automated services. However, substantial costs were incurred towards the end of 1999. Loss provisions made in the fourth quarter also diminished the results for the year. The disposal of NOR Forsikring brought a gain of NOK 283 million, while the sale of the remaining shares in the Linstow property company realised a gain of NOK 151 million.

In the 1999 accounts NOK 150 million is expensed on co-ordination costs related to the formation of the new financial group, and NOK 50 million is expensed in connection with the winding up of Elcon Securities.

Large increase in interest income - customer margin maintained

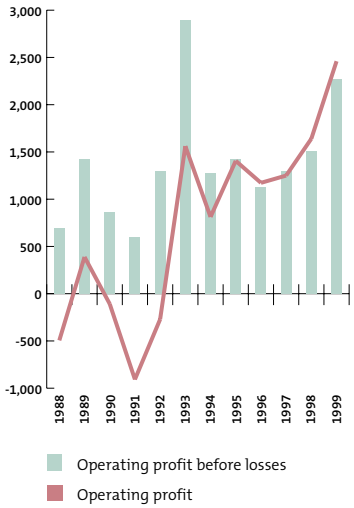
Net interest income rose in all by NOK 1,694 million on the 1998 figure. About NOK 900 million of this increase refers to the takeover of Gjensidige Bank. The remainder is attributable to higher loan and deposit volumes, return on higher equity capital, and improved net interest income in the subsidiaries. Net interest income came to 2.6 per cent of average total assets, compared with 2.1 per cent in 1998.

For the year as a whole the customer margin averaged 3.0 per cent, i.e. the same as in 1998 and somewhat higher than in 1997. The fact that the bank has maintained its customer margin gives cause for satisfaction. (The customer margin rose with the interest rate increase in the autumn of 1998, and was expected to fall with declining market rates through 1999.) The customer margin has in general been on the low side in recent years, a fact that the banks will probably have to live with in the next years.

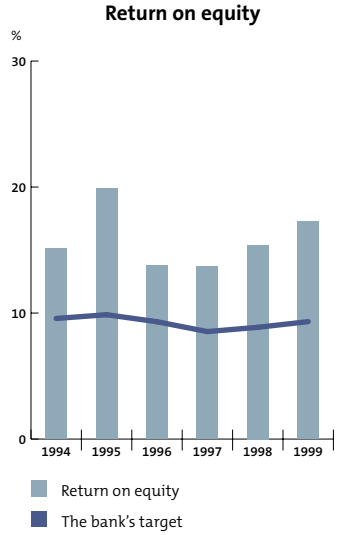
Increase in other operating income

Other operating income was NOK 105 million higher than in 1998. The biggest

Operating profit



Return on equity



contributors were payments services (NOK 90 million, net) and estate agency (NOK 48 million). Gains on currency trading and securities came to NOK 221 million against NOK 178 million in 1998.

Operating expenses
Operating expenses in the bank group rose by NOK 1,080 million (36.5 per cent). When adjusted for the takeover of Gjensidige Bank and one-off costs associated with the group formation, costs rose by 7.6 per cent in the bank group and 7 per cent in the parent bank. Reasons for the higher expenses include the winding up of Gjensidige Bank, changes in the composition of the group and a substantial, systematic marketing effort. Personnel costs also rose. This was related to ordinary wage growth, costs related to pensions, and to performance-related pay which normally accrue at year-end.

Staffing in banking and special financing activities was reduced by 154 person-years in 1999 and totalled 4,078 person-years at year-end.

In light of the good result anticipated for 1999, the bank's Board of Directors decided in December to allocate NOK 45 million to the employee fund. The fund's resources are for the most part placed in primary capital certificates in Union Bank of Norway.

Losses and defaults
In 1999 losses of NOK 201 (1998: 128) million, net, were expensed. Gross losses came to NOK 405 (1998: 264) million, of which NOK 251 million is attributable to commitments taken over from Gjensidige Bank. Losses for the year measure 0.24 per cent of gross outstanding loans. Defaults came to NOK 961 (1998: 499) million, net, corresponding to 0.6 per cent of gross outstanding loans. The growth in net defaults is entirely related to the takeover of Gjensidige Bank.

In addition to the specified losses, NOK 57 (1998: 61) million was set aside as general loss provisions which now total NOK 1,315 million. The Board of Directors regard this level as satisfactory.

In the long term the Board of Directors expect losses approaching 0.5 per cent of gross outstanding loans as an annual average based on the current risk profile. For 2000 substantially lower losses are expected.

Share disposal
Union Bank of Norway sold its remaining 35 per cent stake in the listed property company Linstow ASA in 1999. This company was established to develop properties taken over by the bank during the banking crisis, and was merged with Nydalens Compagnie in 1998. The remaining 35 per cent were sold in the third quarter, producing a book gain of NOK 151 million. The sale of NOR Forsikring to Gjensidige Livsforsikring for NOK 564 million produced a book gain of NOK 283 million.

Balance sheet
The bank group's total assets rose from NOK 148 to 196 billion, i.e. an increase of 33 per cent, or NOK 16 billion when adjusted for the takeover of Gjensidige Bank.

DISTRIBUTION OF PROFIT FOR THE YEAR

The Board of Directors recommend that the profit for the year recorded by the parent bank be distributed as follows:

(figures in millions of kroner)

	1999	1998
Dividend on PCCs, NOK 14 per PCC (1998: NOK 11.50)	656	539
Allocation to dividend -adjustment fund	756	262
Allocation to savings bank's fund	484	325
Group contribution made	-	19
Total distributed	1,896	1,145

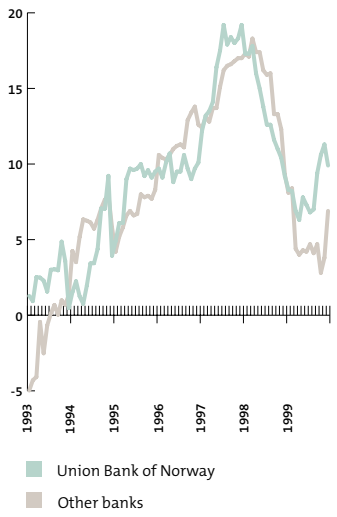
The above distribution assigns to PCC holders a share of the profit for the year corresponding to their share of the equity capital. This is in accordance with the bank's dividend policy.

STRUCTURAL CHANGES IN THE FINANCIAL INDUSTRY

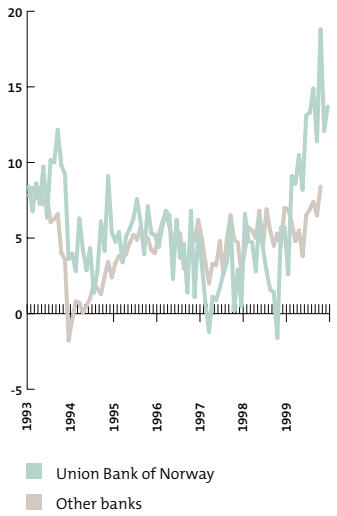
The financial industry is undergoing major structural changes both in the national and international arena. The establishment of the Gjensidige NOR Group puts us in a good position to meet the growing competition in the Norwegian market from Norwegian as well as foreign players. Gjensidige NOR is Norway's second largest financial conglomerate and leads the field in a number of areas.

The Norwegian market has witnessed increasing concentration with the merger between Den norske Bank and Postbanken and Sparebank 1 Group's acquisition of Vår Bank og Forsikring.

Lending growth



Deposit growth



Nordic banks have strengthened their presence, for example with Den Danske Bank's takeover of Focus Bank. The State's owner role in the two major commercial banks has yet to be clarified.

GROUP FORMATION

The establishment of the new financial group was a major challenge for the entire organisation. The merger also entailed organisational changes and new functions for many staff.

Gjensidige Bank's Retail Customer Division was amalgamated with the Direct Banking Division, NOR24, although many customers were transferred to regional units based on individual service preferences. Corporate functions were transferred to the Oslo Akershus region and the Corporate Customer Division, while special financing operations were merged with NOR Finans in Gjensidige NOR Finans.

The technical merger with Gjensidige Bank was completed in the space of a weekend with the transfer of customer data for 80,000 customers to Fellesdata and Union Bank of Norway's own systems. Thorough preparations and a concerted effort on the part of everyone involved enabled a successful conversion within tight deadlines.

Today Gjensidige NOR is a complete financial conglomerate with major opportunities for cross sales between banking and insurance. Gjensidige NOR has been granted a licence by the Data Inspectorate to co-ordinate its customer databases in a joint data warehouse. Commissions on cross-sales are regulated through a set of agreements.

Work on bringing together banking and insurance under one roof is under way at a number of sites. Co-location enables substantial cost savings since premises can be sold or rental agreements terminated, and staffing needs often diminish. Four pilot regions and eight trial branches have been established to test various management models for the regions.

Transactions

The formation of the new group by Gjensidige and Union Bank of Norway entailed several major transactions in 1999.

Union Bank of Norway acquired Gjensidige Bank for NOK 2,563 million from Gjensidige Forsikring. The deal was funded via a primary capital certificate issue of NOK 2,084 million in the autumn of 1998.

NOR Forsikring was sold to Gjensidige Livsforsikring for NOK 564 million.

Avanse Forvaltning was merged with Gjensidige Fondsforvaltning with Avanse as the acquiring company. After the merger Union Bank of Norway owns 65.7 per cent of the shares in Avanse and Gjensidige NOR Spareforsikring 26.5 per cent, leaving the group as a whole with 92.2 per cent of the shares. The remaining stock is held by collaborating savings banks.

The stockbrokers Karl Johan Fonds and Elcon Securities were merged and taken forward in Karl Johan Fonds which is now owned by Union Bank of Norway and Gjensidige Forsikring, each with a 50 per cent stake. Union Bank of Norway expensed NOK 50 million in connection with the transaction after the disagreement arising with staff at Elcon Securities which led to the staff leaving the company.

COST PROJECT

The Board of Directors of Union Bank of Norway see a need to reduce costs. The establishment of the Gjensidige NOR financial group is expected to provide a basis for cost reductions in the region of NOK 200 million by 2001. Responsibility for achieving cost savings is assigned to the individual entity but is controlled by a central project which was established in the autumn of 1999, well ahead of proceedings on the budget for 2000.

The takeover of Gjensidige Bank added 858 new person-years to Union Bank of Norway. By year-end staffing at the co-ordinated units was 90 person-years lower than at the time of the merger. Co-ordination of IT solutions and joint functions in Union Bank of Norway, effective from the first day after the takeover of Gjensidige Bank, produced savings corresponding to a good NOK 60 million on an annual basis. Moreover, funding costs associated with deposits and liabilities taken over from Gjensidige Bank were reduced by several tens of millions of kroner.

In the autumn of 1999 it was decided to transfer responsibility for debt recovery to Lindorff (previously Creditreform), a subsidiary of Gjensidig Forsikring. Fifteen person-years are being transferred to Lindorff's local branches. Recoveries of amounts previously written off are expected to increase. Lindorff is the country's biggest debt-collection agency whose level of expertise, systems and routines would be difficult for the bank to maintain and develop over time on its own.

Board of Directors f.l. Hans-Kristian Sætrum, Vermund Lyngstad, Torkel Wetterhus, Stephen Gravlie Kuntz, Bjørn Sund, Per Myklebust, Per Terje Vold, Arnt Moe, Hans Aug. Hanssen, Per Otterdahl Møller and Sverre Finstad. Lisbeth Lindberg was not present when the picture was taken.

At the local level the Oslo Akershus region closed two branches and terminated extended opening hours as from end-1999. These two steps alone have resulted in a staff cutback of 40 person-years. They were taken in response to changes in the public's use of the branches in question.

MARKET TREND

Lending grew 9.9 per cent in 1999, i.e. more quickly than in the overall market (6.9 per cent). Union Bank of Norway is the second largest institution in the Norwegian market for loans. The growth should be viewed in light of the macroeconomic setting, with growing real disposable income in the household sector and a steep increase in property prices in 1999 as in 1998. Lending growth is greatest to the personal market (12.3 per cent), where the debt:finance ratio has edged down. This entails improved security, but also means that a larger portion of the lending portfolio qualifies for the best terms. During 1999 the bank cut home-loan interest rates five times by a total of 2.4 percentage points.

The trend in traditional deposit account savings was buoyant in 1999 with 11.6 per cent growth in the retail market and 16.4 per cent in the corporate market. Deposit growth in the market as a whole measured 8.4 per cent. A new NIBOR-based margin account was launched for corporate customers and has been well received in the market.

The bank enjoys a strong position among small and medium-size firms, and its ambition to be the best player for selected major corporate customers has been crowned with success. The bank's international position was confirmed when the financial journal Euromoney in June selected Union Bank of Norway as the best forex bank as regards Norwegian kroner.

With the takeover of Gjensidige Bank, Union Bank of Norway has become the market leader in the fields of credit cards and special financing (leasing, factoring, car finance and financing of capital goods). Gjensidige NOR Finans strengthened its position as the country's largest finance company over the year. Profitability rose despite growing competition from manufacturer- and importer-owned companies.

The Credit Card Division offers short-term, unsecured credit for liquidity-equalisation purposes and has more than 450,000 active customers distributed on a total of 16 card concepts. The Division's lending growth measured 14 per cent and results are good in all market segments.

DIRECT BANKING AND THE BRANCH NETWORK

The new Direct Banking Division (Gjensidige NOR 24) was operative right from the day after the group formation. Although technical conversion was successful, the new banking facility came in for a hectic start owing to heavy customer demand and telephone capacity problems in the first few weeks. With the establishment of Gjensidige NOR24 the division has reached a critical size giving Union Bank of Norway a leading position in an expanding market segment.

In parallel with its development of direct banking, Union Bank of Norway is on the offensive with the branch network. A new bank region was established in mid-Norway with new branches in Steinkjer and Namsos. New bank branches are also planned in other localities where Gjensidige Forsikring has a firm footing in the market. After sizeable investment in recent years, the branch network is well equipped for effective distribution of products and services with the emphasis on counselling services and sales.

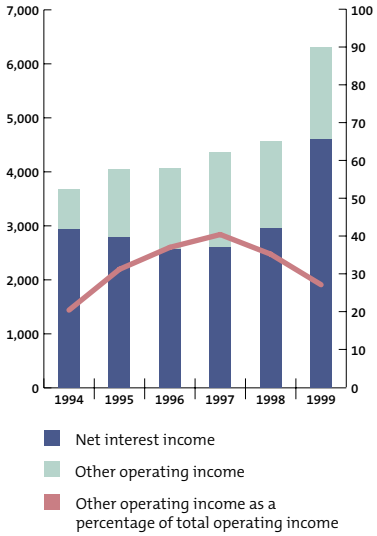
Online banking and NOR 1-2-3

Two important launches in 1999 were online banking and NOR 1-2-3. By the time of its official launch in April the online bank had already attracted 15,000 users. By year-end the number had risen to 54,000 and visits to the bank's home page had reached one million per week. In September the bank's customers were offered access to Internet share trading through Karl Johan Fonds. The bank also offers units in mutual funds via the Internet.

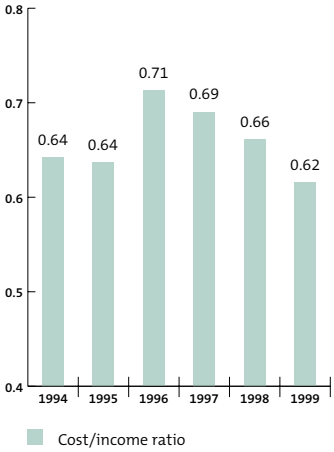
A strength of Union Bank of Norway's internally developed online banking facility is its complete integration in the bank's systems. This was made possible by the sizeable investments previously made by the bank in the "Troll platform". Troll has now been sold to collaborating savings banks, and Sparebanken Møre is the first such bank to install the online banking solution.

A new concept in day-to-day banking, NOR 1-2-3, offers customers unlimited use

Net interest income and other operating income



Cost/income ratio



of automated services, including unlimited access to the internet bank, for a fixed monthly charge. The launch took place in October and the concept has been very well received in the market. New customers generally opt for NOR 1-2-3, showing that a fixed monthly price is a more attractive proposition than a unit price for day-to-day banking services.

SAVINGS BANK CO-OPERATION
Collaboration with regional and local savings banks was appreciably strengthened in 1999 with the addition of six new banks and a move to make the collaboration more binding. The new collaborating banks enable nationwide distribution of products and services based on Union Bank of Norway's IT platform. Union Bank of Norway's Stavanger branch and the associated customer portfolio were sold to Sandnes Sparebank as a step in the above collaboration.

Y2K CROSSOVER WITHOUT A HITCH
No problems were registered in the bank's systems in connection with the transition to the year 2000. Preparations for the millennium crossover started as early as 1996, and a series of extensive projects involving testing and verification were carried out. The bank was able to clear all its systems within the deadlines set by Kredittilsynet (Norway's financial supervision authorities).

Preparations for the date change were carried out with great enthusiasm in the affected parts of the organisation. Few faults were brought to light, and the process was highly beneficial since a number of technical solutions were upgraded and the bank's general preparedness strengthened.

EQUITY CAPITAL
At year-end the bank's primary capital certificate capital came to NOK 4,689 million. In the twelve months to 31 December 1999 the value of the bank's PCCs rose from NOK 147.50 to NOK 185.00. This entails a return of 33 per cent taking into account dividend received in 1999. Union Bank of Norway's market value totalled NOK 8.7 billion at end-1999, making it the 14th largest company on the Oslo Stock Exchange in terms of market capitalisation. Union Bank of Norway is among the most traded companies listed on the Exchange.

The Board of Directors has recommended a dividend of NOK 14 per PCC for 1999. At year-end the group's capital adequacy ratio was 10.8 per cent, and the core capital ratio 7.2 per cent. Although this is lower than the stated goals of 12 per cent and 8 per cent respectively, the Board of Directors view the capital situation as satisfactory. The accounts for 1999 were compiled based on continued operation.

ORGANISATION AND ENVIRONMENT
Eight branches fell victim to armed robbery in 1999 (1998: three branches). Four security vehicles carrying money consignments for the bank were also robbed. Threat of robbery is a major strain for many employees. Substantial resources and efforts have been, and will continue to be, devoted to protecting security vehicles and branches against attack.

Sickness absence totalled 28,733 days, or 4.3 per cent, in 1999. Seven minor injuries were registered among staff at our premises in working hours in 1999. Much attention was given to health, environmental and safety matters over the year.

The bank conducted a full-day catastrophe drill for the management and crisis staff with external assistance in 1999. The focus was on brutal attacks on money transports and the head office as well as on serious IT breakdowns.

Union Bank of Norway's activities entail negligible pollution of the external environment.

RISK MANAGEMENT
The Board of Directors have adopted an over-arching risk policy. A framework has been established for integrated measurement and reporting of risk with designated persons responsible for each of the areas credit, market, liquidity and administrative risk. The Board of Directors state that the bank's risk exposure is low and within the limits set.

Although the new Credit Card and Special Financing Divisions incur higher expected normal losses than traditional banking operations, they contribute to diversification and thereby higher risk-spreading for the bank as a whole.

Two international rating agencies have upgraded their credit rating of the bank after the formation of the new group, viz. Fitch IBCA in June and Japan Credit Rating Agency (JCR) in January 2000. This will have a positive effect on the bank's funding terms in the capital market.

MAJOR DISPUTES
In 1998 the Supreme Court ruled in favour of the contention of Oslo Næringsselskap's winding-up estate that the bank was liable in damages for the fact that the Galleri Oslo construction project was not fully financed. The Supreme Court's ruling was confined to the issue of liability and did not assess the amount of damages. The estate and the bank disagree on the size of the damages claim, and the estate has now instituted proceedings against the bank claiming NOK 250 million plus interest. The bank views the amount set aside to cover its liability in damages as sufficient.

CAPITAL STRUCTURE AND FINANCIAL STRATEGY
Lending growth and changes in saving behaviour have resulted in greater dependence on funding from sources other than ordinary customer deposits. The bank's liquidity policy is designed to ensure prudent and controlled management of current financial needs. In the Board of Directors' view the bank's financial management has maintained a robust structure with diversification across various markets, instruments and maturities. In the board's view Union Bank of Norway's liquidity risk is low.

BOARD OF DIRECTORS AND BANK MANAGEMENT
With the establishment of the Gjensidige NOR Group, the three principal companies' committees of representatives in the Group appointed on 14 June a joint Group Executive Board with Hans Bø, lawyer, as chairman and Harald Schjoldager, supreme court advocate, as deputy chairman. The Group Executive Board is Union Bank of Norway's formal board.

Powers related to Union Bank of Norway's operations are delegated to the bank's Board of Directors, which is the bank's "virksomhetsstyre" as described in the Financial Institutions Act section 2a-16. The Board of Directors was also appointed by the Committee of Representatives on 14 June, with Bjørn Sund, managing director, as chairman; Per Otterdal Møller, director, as deputy chairman; and the following as board members: Hans Aug. Hanssen, Stephen Gravlie Kunz, Lisbeth Lindberg, Vermund Lyngstad, Arnt Moe, Per Myklebust, Per Terje Vold, Torkel

Wetterhus, Hans-Kristian Sætrum and Sverre Finstad. The two last-mentioned are employee representatives.
Sverre Høegh Krohn is Group President and CEO while Olav Hytta is Deputy President and CEO.

REGULATORY SETTING
The Board of Directors view the specifically Norwegian equity capital requirements as a distortion to fair competition. The Directors consider an unharmonised set of rules to be a problem in the face of competition from foreign banks which are free to operate in Norway under their home country rules. Gjensidige NOR is making an active effort for savings banks to be allowed to convert to limited companies.

OUTLOOK
The macroeconomic setting is expected to remain favourable, and the bank is well positioned to meet growing competition in the Norwegian market. The bank's core capital ratio will limit growth in 2000. The bank is currently experiencing a good supply of new business, and will base its priorities on strict requirements as to return on equity. Savings and investment segments will continue to receive high priority.

Union Bank of Norway has agreed to sell its 33 per cent stake in Fellesdata to EDB Business Partner ASA. This stake is valued at NOK 79 million in the bank's accounts. Disposal is expected to be completed in the first half of 2000, and will produce a pre-tax gain of NOK 739 million.

The Board of Directors anticipate a good result in 2000 as in 1999.

WORDS OF APPRECIATION
The year 1999 was an excellent and eventful year for Union Bank of Norway, with major challenges for the entire organisation. The establishment of Norway's second largest financial conglomerate and the acquisition of Gjensidige Bank required a major effort and capacity for reorganisation. The Board of Directors would like to thank the employees for their fine effort through the year. The Board of Directors decided in November to salute the employees for their considerable contribution to the good result for the year by setting aside NOK 45 million to the employee fund.

Kjell O. Kran has led the bank from the turn of the year 1987/1988 until his retirement on 10 August 1999 upon reaching retirement age. The Board would like to thank Kjell O. Kran for his splendid effort during these years.

Oslo, 31 December 1999 / 9 March 2000
The Board of Directors of Union Bank of Norway

REGION ØSTFOLD

Region Østfold has a population of 247,000, about 20,000 of which live in towns or urban areas. Østfold is an industrial county, but service trades are expanding. Transport and communications are a priority task and an important key to further growth.

Focus on the customer
The regional bank's organisation focuses on sales and customer care, and enjoys a high rate of customer satisfaction. Decision-making power is decentralised and close to the customer.

Referral sales between banking and insurance are well under way. Co-location started in 1999 and the regional bank sees major opportunities both in terms of co-location and cross-selling.

Moderate growth
1999 was a year of vigorous growth, notably on the deposit front. The bank aims for somewhat more moderate growth in 2000 with the emphasis on portfolio quality and automation. The bank has a 30 per cent share of a market which is becoming increasingly competitive.

No. of bank branches	**11**
No. of customers	**106,123**
Deposits as at 31.12	**NOK 6,552 mill.**
Outstanding loans as at 31.12	**NOK 9,841 mill.**
Return on equity before tax	**25 per cent**

Report of the Group Executive Board

The Report of the Board of Directors was dealt with by the Group Executive Board on 9 March 2000 and approved as part of the formal Directors' Report for Union Bank of Norway for 1999.

ESTABLISHMENT OF GJENSIDIGE NOR
Gjensidige NOR was established on 22 June 1999. In the second half-year important transactions and co-ordination programmes were completed as planned. In parallel with this a systematic, comprehensive effort was made to maintain market positions during the new Group's establishment phase.

OBJECTIVE
Gjensidige NOR was established to strengthen its constituent companies with the aim of becoming the leading financial group in Norway. To do this the Group must be best in terms of value creation over time.

Gjensidige NOR
- has to operate cost-effectively. Comprehensive profitability processes have been initiated in all core areas.
- has to maintain high customer satisfaction. Surveys in 1999 show that the Group enjoys a strong position in the Norwegian market.
- wishes to be seen as an attractive employer for high-quality employees. Staff satisfaction surveys are being co-ordinated across the Group.
- has the country's widest range of financial products and services. This will be enhanced on a continuous basis in parallel with customers' changing preferences and needs.
- will maintain a broad-based distribution capacity. The Group will continue to focus on an extensive branch network and a decentralised management system while at the same time adapting to market demand for new distribution channels.
- will maintain a risk profile in the various product areas that is geared to achieving maximum value creation over time.
- will direct investments and equity into areas offering high return.

If the Group's efforts are successful, customers can expect a high return on investments in Gjensidige NOR's products and owners can expect high earnings on primary capital certificates.

Gjensidige NOR comprises three parent companies of equal standing: Union Bank of Norway, Gjensidige Forsikring and Gjensidige NOR Spareforsikring. In the Group's initial phase the drive to achieve high value creation will centre on optimising operations in each of these three main companies. In subsequent phases increasing emphasis will be put on achieving cost and income synergies between them.

GROUP TREND - EFFICIENCY MEASURES
Wide-ranging transactions and co-ordination programmes were carried out in the Group between the start-up date and year-end. Gjensidige Bank was absorbed by Union Bank of Norway, and NOR Forsikring was taken over by Gjensidige Livsforsikring which has been renamed Gjensidige NOR Spareforsikring. Companies in the same line of business were merged. In the run-up to the formation of the Group all risk products were hived off from Gjensidige NOR Spareforsikring to Gjensidige Forsikring, and 16 fire insurance companies opted to merge with Gjensidige Forsikring.

All planned changes in the Group structure were completed by the end of 1999, leaving the Group with three core areas: banking, savings and insurance. Comprehensive cost-reduction programmes have been initiated in all core areas

to exploit the cost effects of the restructuring. The Executive Board commends the manner in which the substantial changes in the Group structure have been carried out. To the Executive Board's knowledge, the re-organisation process has taken place without major problems.

The formation of the Group entailed non-recurring expenses. A total of NOK 478 million was earmarked to cover co-ordination and restructuring costs in 1999.

MARKET POSITION

With a customer base numbering some 1.7 million, Gjensidige NOR is now positioned among the three biggest players in virtually all important financial sub-markets. Surveys conducted over a number of years have shown that both Union Bank of Norway and Gjensidige are strong names in banking and insurance respectively. The Group Executive Board emphasises that Gjensidige NOR intends to preserve and further develop a decentralised structure with substantial decision-making power close to the customer.

Gjensidige NOR has expanded its market shares in important areas such as mutual fund investment and retail lending since the Group came into being. The Group Executive Board is pleased to state that the considerable focus on internal re-organisation in the establishment phase has not impaired Gjensidige NOR's market position.

In December Gjensidige NOR received a licence to set up a Group-wide customer database. This database will be an important tool in increasing sales of banking and savings products to the insurance company's customers and sales of insurance products to the savings bank's customers (cross sales) in the years ahead.

A high level of customer satisfaction is important for attaining the market and profitability targets set by Gjensidige NOR. Customer satisfaction is measured on a regular basis and corrective steps are taken where results are not satisfactory.

STAFF

Gjensidige NOR has coordinated pension entitlements, working time provisions and most other staff benefits. In the view of the Group Executive Board a unified Group-wide labour market promotes staff opportunities for self-development. Management development has high priority. Active efforts were devoted to management development across the entire Group in 1999.

Early in 2000 a wide-ranging, staff-satisfaction survey was carried out on a Group-wide basis. The results are currently being broken down on individual units. The survey will be carried out on an annual basis as an important tool for the evolution of the Group.

DISTRIBUTION

Gjensidige NOR has the country's most extensive branch network. When the Group was formed the network comprised 417 branches nationwide. Customers are also serviced via the branch networks of collaborating savings banks and independent fire insurance companies. In due course branches will be co-located and utilised in a better manner than today to facilitate marketing and to cut costs. Various customer-service concepts are being tried out at eight pilot branches to find the best solutions for the future.

New distribution channels are becoming more and more important. Union Bank of Norway's online bank gains about 1,000 new users each week. Over the year the Group Executive Board expects more than 100,000 of the bank's customers to switch to this distribution channel to meet their day-to-day banking needs. The Group will

Group Executive Board f.l. Amund Skarholt, Marianne Hagen, Roar Arntzen, Jorund Stellberg, Jørgen Tømmerås, Berit Wenaas, Harald Schjoldager, Tor Ivar Bråten, Odd Kr. Hamborg, Stig Harald Trygstad, Ingjerd Skjeldrum, Hans Bø and Sverre Høegh Krohn

unity access to its Internet-based facilities through a joint Group portal, which will be among the country's most accessed pages. Product development in the Group will focus on applications geared to the Internet distribution channel.

Upon the formation of the Group a substantial share of Gjensidige Bank's customers were transferred to the Direct Banking Division (Gjensidige NOR24), providing it with a stronger financial foundation and turning it into the country's biggest direct banking facility.

The financial sector's distribution systems are evolving rapidly. The Group Executive Board will monitor the Group's distribution strategy closely.

FINANCIAL POSITION

With total assets of NOK 276 billion, Gjensidige NOR is the country' second largest financial group (the extended Gjensidige NOR Group's total assets come to NOK 348 billion). In 1999 the Group posted a pre-tax profit of NOK 3.8 billion. Tax amounted to NOK 1,063 million. Group equity totalled NOK 18 billion at year-end. The capital adequacy ratio was 13.2 per cent, of which core capital accounted for 9.8 per cent.

OUTLOOK

Structural conditions

In the space of a few years the Norwegian market has come to be dominated by groups offering all, or most, financial products and services. 1999 alone has seen UniDanmark/Tryg Baltica make a bid for Vesta, the Sparebank 1 Group take over the Vår Group, and the formation of Gjensidige NOR.

1999 brought major changes in non-life insurance. Of the three large non-life companies, only Gjensidige Forsikring will still be in Norwegian hands a short while from now.

This reflects the rapid transformation of the Norwegian market from a competitive arena essentially for domestic players into an international market place.

The rapid internationalisation of the financial industry is increasingly impacting on Gjensidige NOR. The Group Executive Board is keen to see the Group develop business relationships with foreign companies in relevant areas as and when required with a view to strengthening the Group's competitive power in the Norwegian market. Such collaboration will not be confined to Nordic enterprises.

The Group Executive Board points out that the free international competition puts a heavier onus on the authorities to provide Norwegian businesses with a regulatory framework as favourable as that enjoyed by our competitors from abroad. In some areas the Norwegian financial industry lacks a level playing field at present.

Economic prospects

Economic prospects for the current year are good. Low unemployment, stable low interest rates and a buoyant trend in Norwegian and European stockmarkets are expected in 2000. These are important factors for the Group's core business areas.

The cross-sales potential was among the chief economic justifications for establishing Gjensidige NOR. Sales figures in the second half of 1999 confirm this potential. In the current year the Group will present a more coordinated image to customers by establishing joint branches, developing customer-oriented applications and, in due course, by utilising the Group-wide customer database.

The Group Executive Board will ensure that extensive cost-cutting programmes are carried through as planned. The programmes will impact on cost levels in 2000 and achieve a fuller effect from 2001 onwards.

The Group will continue to work on its financial structure and internal organisation with a view to enhancing value creation. This will include looking into alternative ways of utilising the Groups' core capital to the best possible advantage of each of the three parent companies and the Group as a whole.

Market competition in the Group's core business areas is intensifying. This puts pressure on interest margins, charges and premium earnings. The Group Executive Board will closely monitor the progress made with plans and measures to ensure greater value creation across the Group.

The Group Executive Board expects 2000 to bring good results for Gjensidige NOR.

A WORD OF APPRECIATION

Establishing Gjensidige NOR has required a substantial willingness to adjust on the part of all staff. The Board is impressed by the fact that it has proved possible to carry out major organisational changes in parallel with high levels of market activity and a good financial performance. The Board sees the Group's excellent work environment and corporate culture as a highly important prerequisite for changes ahead.

The Group Executive Board would like to extend its sincere appreciation to all staff for the good results achieved in a number of areas in Gjensidige NOR in 1999.

Oslo, 31 December 1999 / 9 March 2000
Group Executive Board of Gjensidige NOR

Hans Bø
chairman

Harald Schjoldager
deputy chairman

Roar Arntzen

Tor Ivar Bråten

Marianne Hagen

Odd Kr. Hamborg

Amund Skarholt

Ingjerd Skjeldrum

Jorund Stellberg

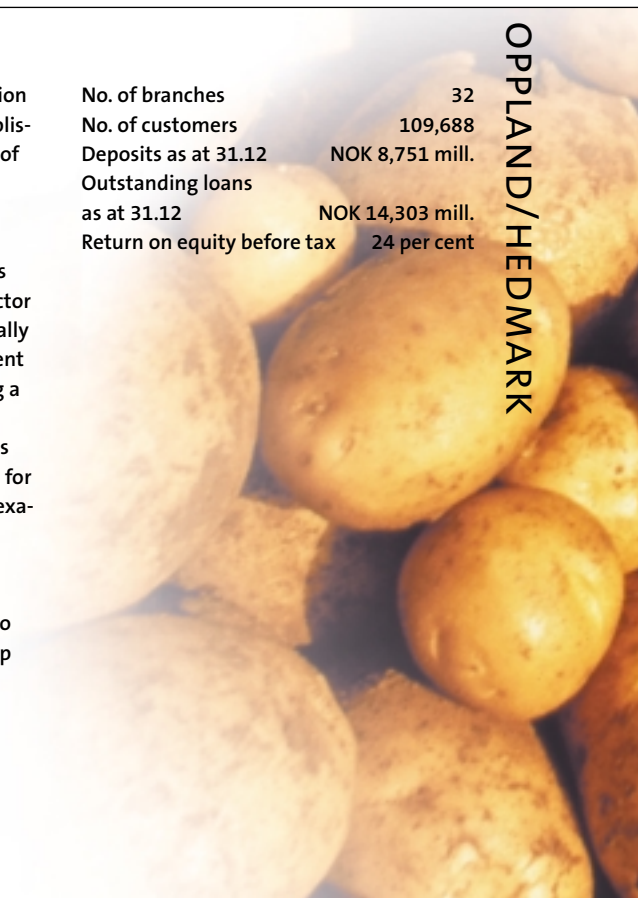
Stig Harald Trygstad

Jørgen Tømmerås

Berit Wenaas

Sverre Høegh Krohn
Group President and CEO

REGION OPPLAND/HEDMARK



This region covers Oppland County plus the municipality of Ringsaker in Hedmark County. The region has a varied industrial and commercial base, and the group's banking operation caters mainly to the property, corporate and retail trade, travel and tourism, wood-processing and agriculture sectors.

Stable growth in customer base

The bank is the leading player in the retail market and shows stable customer growth. It leads the field in the corporate market within its market segments. The market situation is stable with no new entrants of appreciable size. Electronic payments transactions are on the increase both in the retail and coporate markets.

The Gjensidige NOR group's first pilot branch opened in Dokka in 1999. A progress plan for co-location with the group's insurance operation in the region has been adopted with a view to establishing a joint presence towards the end of 2000.

Strengthened competence

The bank intends to further develop its competence vis-à-vis the corporate sector by setting up customer teams specifically for this market. The investment segment has been strengthened by establishing a new Foreign Exchange/Finance Department, and 11 customer-advisors who are currently undergoing training for this segment are due to sit their final examination in June 2000.

Monitoring of key customers will be further improved, and the bank aims to increase the share of multi-relationship customers in its customer base.

No. of branches	32
No. of customers	109,688
Deposits as at 31.12	NOK 8,751 mill.
Outstanding loans as at 31.12	NOK 14,303 mill.
Return on equity before tax	24 per cent

Profit and loss account

In NOK million

PARENT BANK					GROUP		
1999	1998	1997		Note	**1999**	1998	1997
10,941	8,100	5,906	Interest income	3	**13,845**	9,278	6,902
7,551	5,369	3,437	Interest expenses	3	**9,242**	6,369	4,390
3,390	2,731	2,469	Net interest income		**4,603**	2,909	2,512
564	183	228	Dividend and similar income	5	**150**	126	95
1,097	968	927	Commission income	5	**1,414**	1,263	1,248
328	287	312	Commission expenses	5	**473**	347	358
222	180	156	Capital gains	4	**221**	178	166
80	88	79	Other operating income	5	**401**	345	657
1,635	1,132	1,078	**Other operating income, net**		**1,713**	1,565	1,808
5,025	3,863	3,547	**Operating income**		**6,316**	4,474	4,320
1,346	1,168	1,131	Personnel expenses	6,7	**1,852**	1,442	1,413
293	286	302	IT and development costs	8	**368**	305	321
622	514	450	Other administrative expenses	8	**858**	619	556
2,261	1,968	1,883	Personnel and administrative expenses		**3,078**	2,366	2,290
152	162	133	**Depreciation and write-downs**		**283**	217	215
272	252	232	Properties and premises	8	**284**	212	285
120	82	88	Other operating expenses	8	**246**	166	192
111	0	0	Provision for Group co-ordination charges	8	**150**	0	0
503	334	320	Other operating expenses		**680**	378	477
2,916	2,464	2,336	**Operating expenses**		**4,041**	2,961	2,982
2,109	1,399	1,211	**Operating profit before provisions and losses**		**2,275**	1,513	1,338
118	119	(43)	Losses (gains) on loans	9	**201**	128	(46)
(171)	(270)	67	Losses (gains) on long-term financial assets	10	**(386)**	(255)	92
2,162	1,550	1,187	**Operating profit**		**2,460**	1,640	1,292
266	405	285	**Tax**	11	**676**	455	376
1,896	1,145	902	**Net profit**		**1,784**	1,185	916
			Allocation of profit				
656	539	389	Dividend on primary capital certificates				
0	19	68	Group contributions made	36			
756	262	199	Transferred to dividend adjustment reserve				
484	325	246	Transferred to savings bank's reserve				
1,896	1,145	902	**Total allocations**				
			Earnings per primary capital certificate (in NOK)	28	**28.34**	28.07	20.11
Ca. 18.70	12.29	20.84	RISK amount (in NOK) at 1 Jan in subsequent year	11			

Balance sheet

In NOK million

PARENT BANK					GROUP		
1999	1998	1997	**Assets**	**Note**	**1999**	1998	1997
4,481	1,638	1,242	Cash and deposits with Central Bank of Norway		**4,484**	1,638	1,242
20,728	11,645	9,274	Receivables from credit institutions	14	**5,893**	9,300	7,174
130,592	103,293	95,509	**Gross loans to customers**	15,16,17	**167,978**	122,485	110,948
952	769	1,063	Specific loss provisions	15,16,17,18	**1,131**	797	1,087
996	835	785	Unspecified loss provisions	17,18	**1,314**	931	870
128,644	101,689	93,661	**Net loans to customers**		**165,533**	120,757	108,991
5	42	75	Repossessed properties	21	**51**	47	79
12,018	8,720	5,079	CDs and bonds	37	**12,338**	8,505	6,051
377	423	811	Shares and mutual fund units	37,38	**407**	469	864
398	786	230	Associated companies	19,37,38	**724**	1,087	447
3,421	1,656	2,484	Group companies	19,37,38	**187**	153	131
14	83	127	Intangible assets		**8**	48	180
809	777	526	Fixed assets	20,21	**2,328**	2,323	4,603
3,809	2,626	2,261	Other assets and accruals	22	**4,403**	3,173	2,722
174,704	130,085	115,770	**Total assets**		**196,356**	147,500	132,484
			Liabilities and equity				
34,578	24,295	21,063	Borrowings from credit institutions	23	**38,585**	29,037	24,448
92,252	70,250	66,285	Customer deposits	24	**92,712**	70,514	66,484
27,761	17,980	14,096	CDs and bonds	25,26	**41,228**	28,088	25,057
4,557	3,985	3,629	Other liabilities, accruals and allocations	27	**7,205**	5,053	4,575
1,300	951	1,234	Dated subordinated loan capital	26	**1,350**	1,006	1,329
4,755	4,409	3,859	Perpetual subordinated loan capital	26,29	**4,755**	4,409	3,859
165,203	121,870	110,166	**Total liabilities**		**185,835**	138,107	125,752
4,689	4,689	2,605	Primary certificate capital	28,29,35	**4,689**	4,689	2,605
4,689	4,689	2,605	**Called-up capital**		**4,689**	4,689	2,605
2,592	2,096	1,771	Savings bank's reserve	28,29	**2,592**	2,096	1,771
2,220	1,430	1,228	Dividend adjustment reserve	28,29	**2,220**	1,430	1,228
			Group's equity in subsidiaries	28,29	**1,020**	1,178	1,128
4,812	3,526	2,999	**Earned equity**		**5,832**	4,704	4,127
9,501	8,215	5,604	**Total equity**		**10,521**	9,393	6,732
174,704	130,085	115,770	**Total liabilities and equity**		**196,356**	147,500	132,484
			Interest rate and liquidity risk, financial derivatives	30,31,32			
			Foreign exchange and off-balance sheet liabilities	33,34			

Oslo, 31 December 1999 / 9 March 2000
Group Executive Board of Union Bank of Norway

Hans Bø
Chairman

Harald Schjoldager
Deputy Chairman

Roar Arntzen

Tor Ivar Bråten

Marianne Hagen

Jorund Stellberg

Odd Kr. Hamborg

Amund Skarholt

Stig Harald Trygstad

Jørgen Tømmerås

Ingjerd Skjeldrum

Berit Wenaas

Sverre Høegh Krohn
President and CEO

Accounting Policy

INTRODUCTION
The accounts for 1999 are in conformity with new accounting legislation which came into force on 1 January 1999. Effects of new accounting principles are detailed in Note 28. In cases of reclassification, previous years' figures have been rendered comparable.

The Savings Banks Act employs the term "equalisation reserve" (utjevningsfond). Union Bank of Norway's financial statements consistently employ the term "dividend adjustment reserve" (utbyttereguleringsfond) since this is considered to be more informative.

CONSOLIDATION
The consolidated accounts include Union Bank of Norway and companies in which ownership is regarded as long term, and where the bank alone or together with subsidiaries holds more than 50 per cent of the share capital and/or has a deciding influence on the company's operations. These companies are shown in Note 38. The consolidated accounts also include associated companies and joint ventures. Subsidiaries, associated companies and joint ventures that were sold or purchased over the year are consolidated up to, or as from, the quarter that they were part of the Group.

Acquisitions are accounted for by the acquisition method. All identifiable assets and liabilities are recorded in the balance sheet at their value as at the time of purchase. If the cost price of the shares exceeds the true value of identifiable assets less liabilities, and this is due to expectations of future earnings, the difference is recorded in the balance sheet as goodwill to be written off over the expected lifetime, normally five years. Minority interests are calculated on after-tax profit. Assets and liabilities, and all profit and loss items, are shown inclusive of minority interests' share in the consolidated accounts. Minority interests are included in the Group's equity. Balances, gains, interest and dividend between Group companies are eliminated.

Where consolidation of foreign subsidiaries is concerned, profit and loss accounts and balance sheet items in foreign currencies are translated at the midprices in effect on 31 December. Translation differences are charged directly to Group equity.

Companies acquired or established to secure loans are not regarded as long-term investments and are consequently not consolidated.

Shares in subsidiaries are valued in the parent bank's accounts in accordance with the cost method.

Associated companies and joint ventures
Associated companies are companies in which the bank holds an ownership interest between 20 and 50 per cent, and where this interest provides a basis for influence and is a long-term investment forming a natural part of the Group's business. These companies are shown in Note 19 and 38. The term "joint ventures" refers to companies which Union Bank of Norway for the most part owns together with Gjensidige Forsikring/Gjensidige NOR Spareforsikring and where both parties own 50 per cent. These companies are also shown in Notes 19 and 38.

Associated companies are included in the Group accounts in accordance with the equity method if profits (losses) are viewed as significant for the Group. With this method, the Group's share of the result of the year after deduction of tax is recorded. The shares are recorded in the balance sheet at historical cost, adjusted for the Group's share of the profit and for dividend received. The acquisition method is also applied to associated companies (see "Consolidation" above).

In the parent bank's accounts investments in associated companies and joint ventures are valued at historical cost, and otherwise valued in line with other fixed assets.

ENTRY OF INCOME AND EXPENSES
Interest and commissions are recorded in the profit and loss account as they are earned in the case of income, or incurred in the case of expenses.
Arrangement fees on loans are recorded as income in full in the year the loans are established since they are deemed to cover the cost of arranging the loans.
Share dividends are recorded as income in the year they are received. However, share dividends and *group contributions* from subsidiaries are recorded as income to the receiving company in the year the provision is made by the donor company. Group contributions received by the parent company are classified as dividends to the extent they reflect a return on invested capital.
Gain on sale of assets is only recorded when there has been a transfer of risk to the buyer. *Gain / loss on sale* of securities is calculated on the average cost price of securities sold. Purchases and sales of securities are recorded on the settlement date.

FOREIGN EXCHANGE
Assets and liabilities in foreign currency are translated at the mid-prices in effect on 31 December. Income and expenses in foreign currencies are translated into Norwegian kroner at the exchange rates in effect on the transaction date.

FINANCIAL DERIVATIVES
Financial derivatives are agreements with customers or financial institutions to fix

future interest rates, foreign exchange rates or stock prices. They include forward exchange contracts, interest-rate and/or currency swaps, interest rate options (caps, floors), currency options, forward rate agreements (FRAs), interest rate futures, options on interest rate futures and share options. Financial derivatives are classified either as trading or hedging transactions when entered into. Contracts entered into for own account with a view to resale to exploit price or interest rate movements in the short term are included in the trading portfolio. Other contracts are included in the hedging portfolio.

Outstanding contracts in the *trading portfolio* are recorded at market value as at 31 December. Changes in market value are recorded net in the profit and loss account as capital gain (loss) on foreign exchange and financial derivatives.

The *hedging portfolio* comprises contracts intended to neutralise an existing or expected interest rate and/or foreign exchange risk in the balance sheet. Hence a considerable degree of negative correlation is required between the change in value of the hedging contract and the hedged item. Financial derivatives employed to hedge the bank's balance sheet items or other financial instruments are valued jointly with the hedged item. Income or costs arising from the contracts are recorded jointly with the hedged items.

Transfers between the trading and hedging portfolios are made at market prices, and internal gains and losses are not eliminated.

BONDS, CDS, SHARES, AND UNITS

Stock exchange listed bonds, CDs and shares included in a trading portfolio are valued at true value (market value). To be included in a trading portfolio an investment must be intended for resale to achieve gains on short-term price or interest rate movements. Furthermore, the financial instrument must be traded on a stock exchange or other regulated market, and have a good ownership spread and liquidity.

Bonds and CDs (apart from the trading portfolio) which are classified as current assets are valued collectively at acquisition cost or market value, whichever is lowest.

Short-term share investments (apart from the trading portfolio) are similarly valued collectively at acquisition cost or market value, whichever is lowest. Portfolio valuation is employed since the portfolios are managed on a collective basis.

Bonds - hedging transactions. Bonds are classified as hedging transactions based on the following criteria:

- Items that are hedging transactions must be clearly defined, either individually or on a portfolio basis.
- There must be a high degree of negative correlation between the hedging transactions and the hedged items.

Income or costs associated with bonds that are hedging instruments are recorded in the profit and loss account in conformity with the hedged items.

Long-term shareholdings are recorded at acquisition cost. Should the value of the shares fall significantly below cost price and the drop in value is not expected to be of a transient nature, the shares are written down. Where the basis for the write-down has permanently disappeared, the write-down is reversed.

LOSSES ON LOANS

Defaults. The bank treats a loan as being in default at the latest 90 days after due date or after an unauthorised overdraft arose. Loans where debt negotiations or bankruptcy proceedings have started are also defined as defaults.

Specific loss provisions. Where the bank has identified a problem loan resulting from bankruptcy or debt negotiations, debt collection proceedings, distress, distraint or other default, a specific loss provision is made.

Probable loan losses are also assessed in other customer circumstances such as deterioration of liquidity, capital strength or earning power, or a change in the value of the collateral furnished. The requisite specific loss provision is made if there is a preponderant likelihood that a loss will arise in the relatively near future.

In the event of bankruptcy, composition with creditors or debt settlement negotiations, the loss valuation is based on the value of the collateral furnished. Collateral is assessed at market value. In the event of other kinds of default the customer's financial situation, including debt-servicing capacity, is taken into account, in addition to the value of the collateral, when assessing the loss.

Unspecified loss provisions are intended to cover losses which circumstances on the balance sheet date indicate are likely to be incurred on loans for which specific loss provisions have not been made. Unspecified loss provisions are intended to cover categories of loans that, based on evidence on the balance sheet date, represent a manifest loss risk (e.g. in high-risk branches of industry, risk category or geographical location; historic loss patterns, evident project risk etc.). Changes in the size of the loan portfolio are also taken into account.

Realised loan losses. Loan losses realised through bankruptcy, confirmed composition with creditors, unsuccessful distraint, court judgement, cessation of enforcement by the bank, or where the bank has otherwise relinquished the loan or part of it, are recorded as realised losses by the bank.

Non-performing loans. Interest, commissions, and fees on defaulted loans cease to be recorded as income if expected to be lost. Concurrently, unpaid interest, commissions, and fees that have been recorded as income in the current year are reversed.

Reclassification. A loan previously subject to loss provision is reclassified (as a performing loan) once this has been rectified, i.e. where the applicable repayment schedule has been resumed and the loan is no longer considered a problem loan. To ensure that the reclassification is realistic there is normally a six-month delay from the date of reclassification to the date the loan receives a clean bill of health, while at the same time the bank expects the borrower to continue to follow the agreed repayment plan. Where previous loss provisions are reversed in full, interest not previously recorded as income is also booked to income.

LEASING AND FACTORING

Leasing contracts are treated as financial leasing, that is, the present value of future payments is recorded in the accounts as loans to customers. Lease payments are taken to income based on the annuity method. Ordinary depreciation for the year is recorded as a deduction under

interest on loans in the profit and loss account. Ordinary depreciation includes accrued depreciation of pre-paid rent received from the lessee, as well as annuity depreciation in accordance with the depreciation schedule.

In the case of factoring, purchased accounts receivable are recorded as loans. The non-financed part of the accounts receivable (the margin) is recorded as debt to factoring customers. Hence net lending is the difference between customer accounts receivable and the margin.

Fixed assets

Fixed assets are recorded at acquisition cost plus any revaluation, less any write-down and straight-line ordinary depreciation. The Union Bank of Norway Group applies the following rates of depreciation:

Asset	Annual depreciation
Sites, art work	0%
Buildings	2%
Fixtures and fittings	10%
Goodwill	20%
Vehicles	20-25%
Machinery, IT equipment	25%

Where the true value of an asset, or of a portfolio of assets, is substantially lower than book value, and the decline is not expected to be of a transient nature, the asset is written down to its true value. As a general rule the need to make a write-down is assessed individually for each asset. In the case of real property, however, any need for write-downs of bank premises is assessed on a portfolio basis with reference to the premises' close connection with the bank's activities and the fact that the premises are managed as a group of properties.

FIXED-INTEREST BOND LOANS/ ISSUED BONDS

Premiums/discounts upon disbursement of loans, upon issue of debt instruments, upon early redemption of loans, and upon repurchase of debt instruments, are recorded in the balance sheet. Income/expenses are accounted for on an accruals basis as an adjustment to current interest income/expenses over the period to the next interest rate adjustment date or, in the case of fixed-interest loans, over the entire loan term.
Direct costs incurred in raising long-term loans are recorded as reductions to the loan amounts and written down over the period to the next interest rate adjustment date or maturity date.

TAX

The tax charge for the year in the profit and loss account comprises tax payable on the year's income, the parent bank's capital tax, and the year's change in deferred tax.

Temporary differences are differences between tax and accounting balance sheet values that arise in one period and are reversed in a subsequent period. Tax-reducing temporary differences and losses to be carried forward are offset against tax-increasing temporary differences that are reversed in the same period. Deferred tax in the balance sheet is calculated on the net amount. Tax-reducing differences and losses carried forward that remain after offsetting are recorded in the balance sheet as deferred tax benefits in conformity with the general valuation rules. Deferred tax and deferred tax benefits are presented net in the balance sheet.

Deferred tax and deferred tax benefits are booked at nominal values.

PENSION COSTS AND PENSION COMMITMENTS

The Union Bank of Norway Group adheres to the Norwegian Accounting Standard on pension expenses. This standard employs the present value of projected future pension benefits. The estimated accrued commitment, both regarding pensions covered through operations and pensions covered by a pension fund or insurance company, is compared with the value of the pension plan assets. The difference, adjusted for variance in estimates and effects of changed assumptions, is recorded as debt in the balance sheet. Variance in estimates and effects of changed assumptions and pension plans are amortised over the employees' expected residual term of employment. The pension cost is recorded in the profit and loss account under personnel expenses.

NEW ACCOUNTING ACT

A new Accounting Act has entailed the following changes in the parent bank's and the Group's accounting policy:

- Net deferred tax benefits are shown in the balance sheet.
- Securities satisfying the requirements made of the trading portfolio are valued at their true (market) value.
- Group contributions to subsidiaries are entered as equity capital contributions and added to the cost price of the shares.

Notes to the accounts

1 ESTABLISHMENT OF GJENSIDIGE NOR

The financial group Gjensidige NOR was formally established on 22 June 1999. This entailed a number of changes in the group structure of Union Bank of Norway, and accounting figures are therefore not directly comparable. The transactions involved are listed below. Note 2 gives pro forma accounting data for Union Bank of Norway including Gjensidige Bank.

The companies forming the Gjensidige NOR group are subject to joint control. Hence for the following transactions the pooling-of-interest method is employed where this is in accordance with the law and generally accepted accounting principles (GAAP). Since GAAP does not permit the use of the pooling-of-interest method in the case of acquisition of shares or contents, the majority of the transactions are nonetheless accounted for by the acquisition method.

In line with applicable agreements, the following transactions were carried out in the second quarter:

1. Acquisition of shares in Gjensidige Bank AS
Union Bank of Norway purchased the shares in Gjensidige Bank for NOK 2,563 million. Of this figure, NOK 41 million referred to interest expensed in the second quarter. Gjensidige Bank's book equity stood at NOK 1,999 million at 31 March 1999, entailing payment of a premium of NOK 523 million over and above book equity. Moreover, costs in connection with the acquisition were capitalised, mainly broker's commissions of NOK 28 million, as part of the cost price of the acquisition. The premium of NOK 618 million (including deferred tax in an amount of NOK 67 million) was allocated to the loan portfolio and is to be expensed over 8 years. Expensing the premium will reduce interest income by NOK 77 million per annum. Gjensidige Bank's results were included in the consolidated accounts as from the second quarter.

2. Sale of shares in NOR Forsikring AS
The sale of NOR Forsikring to Gjensidige Livsforsikring produced a pre-tax gain of NOK 283 million for Union Bank of Norway. This gain is included in the profit and loss account as a gain on disposal of long-term financial assets.

Licences were granted for the following transactions in the third quarter:

3. Avanse Forvaltning
This company's owner structure was changed. In that connection the company was valued at NOK 1,280 million, i.e. NOK 1,229 million above book equity. Shares worth NOK 50 million were purchased and shares worth NOK 168 million were subscribed in a company issue. This is NOK 206 million more than book equity. The premium of NOK 286 million (including deferred tax of NOK 80 million) is treated as premium on the customer portfolio, and is expensed as a commission cost over five years at NOK 57 million per year. The company also underwent a demerger whereby Fondsavanse, which owned 15.96% of the company's shares prior to the issue, was demerged for a cash consideration of NOK 204 million. Licences for the above transactions were granted on 2 July, 9 September and 10 September 1999, and the transactions are reflected in the accounts as from the third quarter.

Licences were granted for the following transactions in the fourth quarter of 1999.

4. Avanse Forvaltning
Gjensidige Fondsforvaltning was merged with Avanse Forvaltning. The merger is accounted for by the pooling-of-interest method since the companies are subject to joint control. Gjensidige NOR Spareforsikring owns 26.5% and Union Bank of Norway 65.7% of the shares in the merged company. Hence all profit and loss items for the full-year 1999 for what was previously Gjensidige Fondsforvaltning are included in Union Bank of Norway's fourth quarter consolidated accounts. These items can be summarised as follows:

Commission income – funds management	54
Operating expenses	55
Financial income	2
Profit for the year	1

5. Gjensidige NOR Kapitalforvaltning
The discretionary asset management activities of Gjensidige Livsforsikring and Gjensidige Skadeforsikring were merged with NOR Aktiv Forvaltning to create a single discretionary asset management unit. In that connection Gjensidige was valued at NOK 300 million and NOR Aktiv Forvaltning at NOK 75 million. Union Bank of Norway has acquired shares in an amount of NOK 112.5 million (NOK 97.5 million above book equity) in the merged company from Gjensidige NOR Spareforsikring, such that the company is half-owned by Union Bank of Norway and therefore shows in the accounts as a joint venture. The premium is treated as a premium associated with the customer relationship to Gjensidige, and is expensed over five years at NOK 19.5 million per year.

A licence has yet to be received for the following transaction:

6. Gjensidige NOR Fondsforsikring
Union Bank of Norway will acquire a 50% stake in Gjensidige NOR Fondsforsikring (previously Gjensidige Investeringsvalg AS, a unit-linked company wholly owned by Gjensidige NOR Spareforsikring). The purchase amount will be about NOK 22.5 million above the company's book equity. The premium will be capitalised as goodwill and amortised over five years. The transaction will be reflected in the accounts upon receipt of a licence.

2 PRO FORMA ACCOUNTS FOR UNION BANK OF NORWAY, INCL. GJENSIDIGE BANK

Pro forma accounts as of 31.12.99 have been prepared as if the acquisition of shares in Gjensidige Bank AS had been effective 1 January 1999. In addition to the actual year-end figures, the following profit and loss items were incorporated for the first quarter:

* Premium on the loan portfolio was written off in an amount of NOK 23 million.(*)
* Financing costs were expensed in an amount of NOK 43 million.
* The tax effect of the above items represents an amount of NOK 19 million (income).

(*) As from the third quarter the write-offs are expensed in an amount of NOK 19.3 million per quarter (cf. Note 1, Section 1), and the change in deferred tax in an amount of NOK 2.1 million per quarter.

	Pro forma as at 31.12.99	UBN 4Q99	UBN 3Q99	UBN 2Q99	Pro forma 1Q99	UBN 1Q99	GjnsBnk 1Q99	Pro forma 1998**
From the profit and loss account								
Net interest income	**4,908**	**1,256**	1,277	1,196	1,179	874	371	4,223
Other operating income, net	**1,737**	**438**	378	389	532	508	24	1,622
Operating expenses	**4,273**	**1,218**	946	1,127	982	750	232	3,906
Operating profit before allocations and losses	**2,372**	**476**	709	458	729	632	163	1,939
Losses (gains) on loans and guarantees	**234**	**137**	47	40	10	(23)	33	241
Losses (gains) on long-term financial assets	**(386)**	**(6)**	(152)	(278)	50	50	0	(255)
Operating profit	**2,524**	**345**	814	696	669	605	130	1,953
Tax	**694**	**93**	250	175	176	158	37	549
Net profit	**1,830**	**252**	564	521	493	447	93	1,404
From the balance sheet								
Assets								
Loans to customers, net	**165,532**	160,585	156,498	152,562	123,398	28,529	149,707	
Other assets	**30,824**	27,735	32,584	28,161	27,849	2,534	26,793	
Total assets	**196,356**	188,320	189,082	180,723	151,247	31,063	176,500	
Liabilities and equity								
Customer deposits	**92,712**	87,410	91,627	84,880	73,604	11,276	81,403	
Other liabilities	**93,123**	90,011	87,112	85,800	67,809	17,788	85,576	
PCC capital	**4,689**	4,689	4,689	4,689	4,689		4,689	
Other equity	**5,832**	6,210	5,654	5,354	5,145	1,999	4,832	
Total liabilities and equity	**196,356**	188,320	189,082	180,723	151,247	31,063	176,500	
Risk-weighted assets	**147,856**	144,399	145,314	135,613	114,553	25,676	131,286	
Capital adequacy ratio	**10.8%**	10.1%	10.3%	11.4%	13.1%	8.6%	11.5%	
Capital ratio incl. 50% of net profit for the period		10.9%	10.7%	11.6%	13.3%	8.9%		
Core (Tier 1) capital adequacy	**7.2%**	6.5%	6.5%	7.1%	8.2%	7.4%	7.3%	
Core (Tier 1) capital adequacy incl. 50% of net profit for the period		7.3%	7.0%	7.3%	8.5%	7.7%		

(**) Not restated in accordance with the new Accounting Act.

3 INTEREST INCOME AND EXPENSES

PARENT BANK					GROUP		
1999	1998	1997			**1999**	1998	1997
881	589	278	Interest on deposits with and loans to credit institutions		**631**	470	251
9,343	7,071	5,260	Interest on loans to customers	1)	**12,521**	8,326	6,194
49	50	85	Net interest income on loans previously written off		**49**	50	85
668	390	283	Interest on CDs and bonds		**644**	432	372
10,941	8,100	5,906	**Interest income**		**13,845**	9,278	6,902
1,706	1,162	617	Interest on loans from credit institutions		**2,078**	1,340	740
4,202	2,833	1,925	Interest on customer deposits		**4 391**	2,855	1,921
1,229	913	425	Interest on CDs and bond loans		**2,348**	1,711	1,248
350	411	380	Interest on subordinated loan capital		**357**	413	391
64	50	90	Levy to Savings Banks' Guarantee Fund	(2)	**68**	50	90
7,551	5,369	3,437	**Interest expenses**		**9,242**	6,369	4,390
3,390	2,731	2,469	**Net interest income**		**4,603**	2,909	2,512

(1) Premium on the loan portfolio upon the acquisition of Gjensidige Bank was written off in an amount of NOK 52 million (parent bank: NOK 32 million) in 1999.
(2) Reclassified from operating expenses starting 1999. For 2000 no levy to the Savings Banks' Guarantee Fund will be required since the Fund totals NOK 5,500 million and therefore fills the minimum capital requirement. The full levy would have totalled NOK 129 million for Union Bank of Norway. Owing to the acquisition of Gjensidige Bank the bank will nonetheless expense a levy of NOK 6 million to the Fund.

When the new Financial Institutions Act comes into force on 01.07.2000, float income will no longer accrue to the banks. Based on current interest rates and turnover, the income shortfall for Union Bank of Norway will be NOK 35 million on an annual basis.

Note 3, continued

Average interest rate for selected balance sheet items

PARENT BANK				GROUP		
Interest amount	Average capital	**Average rate**		Interest amount	Average capital	**Average rate**
			Asset items			
9,343	122,518	**7.63%**	Loans to customers			
53	724	**7.32%**	CDs and bonds in the trading portfolio	53	724	**7.32%**
615	9,273	**6.63%**	CDs and bonds in the banking portfolio	657	9,958	**6.60%**
			Liability items			
1,706	25,154	**6.78%**	Loans and deposits from credit institutions	2,108	32,517	**6.48%**
4,202	82,737	**5.08%**	Customer deposits	4,211	83,051	**5.07%**
1,228	22,477	**5.46%**	CDs and bond debt	2,264	35,669	**6.35%**

The parent bank's rates shown above are based on actual interest amounts in the profit and loss account measured against the day-to-day average balances computed in the bank's general ledger.

4 CAPITAL GAINS (LOSSES)

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
34	37	(2)	Capital gains (losses) on bonds and CDs	**34**	35	(3)
92	(42)	55	Capital gains (losses) on shares and primary capital certificates (PCCs)	**92**	(46)	64
155	151	120	Foreign currency gains	**147**	154	123
(59)	34	(17)	Gains (losses) on financial derivatives	**(52)**	35	(18)
222	180	156	**Capital gains**	**221**	178	166

The figures for 1997 and 1998 are in keeping with the new Accounting Act adjusted for unrealised capital gains/losses on bonds and shares in the trading portfolio.

5 OTHER OPERATING INCOME, NET

PARENT BANK					GROUP		
1999	1998	1997			**1999**	1998	1997
20	57	22	Dividends		**21**	56	22
50	31	31	Income from ownership interests in associated companies/joint ventures	(1)	**123**	65	46
494	95	175	Income from ownership interests in subsidiaries		**6**	5	27
564	183	228	**Share dividends and other profit income**		**150**	126	95
59	47	46	Guarantee commissions		**60**	47	46
56	58	56	Interbank fees		**64**	58	56
637	550	497	Money transfer fees		**646**	550	497
87	89	84	Asset management activities	(2)	**330**	280	269
			Securities broking activities	(3)		136	205
29	28	26	Life insurance (Gjensidige NOR Spareforsikring)		**30**	28	26
229	196	218	Other commissions and fees		**284**	164	149
1,097	968	927	**Commission income**		**1,414**	1,263	1,248
62	54	54	Interbank fees		**64**	54	54
187	188	198	Money transfer fees, external costs		**194**	188	198
79	45	60	Other commissions and fees	(4)	**215**	105	106
328	287	312	**Commission expenses**		**473**	347	358
222	180	156	**Capital gain**		**221**	178	166
0	3	4	Operating income, real estate	(5)	**45**	46	354
2	8	5	Gains on disposals of fixed assets		**13**	15	24
			Real estate agency commissions		**218**	170	148
78	77	70	Additional operating income		**125**	114	131
80	88	79	**Other operating income**		**401**	345	657
1,635	1,132	1,078	**Other operating income, net**		**1,713**	1,565	1,808

(1) Includes a gain of NOK 50 million on Linstow's sale of Hotel Royal Christiania in the first quarter of 1999.
(2) Includes NOK 55 million from Gjensidige Fondsforvaltning; see Note 1, Section 4, concerning Avanse Forvaltning.
(3) Karl Johan Fonds was consolidated according to the equity method up to and including the first quarter of 1999.
(4) Includes premium on Avanse Forvaltning written off in an amount of NOK 29 million.
(5) The steep reduction from 1997 is due to the loss of income from Linstow ASA which was consolidated according to the equity method as from 1998 and sold off in 1999. Real property operating income from Linstow ASA was included in an amount of NOK 328 million in 1997.

6 PERSONNEL COSTS

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
949	859	808	Salaries	**1,332**	1,114	1,070
109	76	79	Pensions	**129**	84	89
243	203	199	Social costs	**346**	214	209
45	30	45	Allocation to employee fund	**45**	30	45
1,346	1,168	1,131	**Personnel costs**	**1,852**	1,442	1,413

Remuneration to governing bodies/CEO/auditor

Gjensidige NOR was established on 22 June 1999 with a Group Executive Board and a President and CEO (Sverre Høegh Krohn) who are shared by the principal companies making up Gjensidige NOR. Four Deputy Presidents were appointed of whom Olav Hytta is responsible for Banking and Karl-Olav Hovden for Finance. A Main Board of Directors was established for Union Bank of Norway. Corresponding Main Boards of Directors were established for Gjensidige Forsikring and Gjensidige NOR Spareforsikring.

Expenses on the Group Executive Board and President/CEO are apportioned in equal shares on the three main companies. The information on remuneration states the sum total of remuneration to the individual Board of Directors/President/CEO. The remuneration can be summarised as follows (all figures in NOK):

	1999	1998	1997
Group Executive Board, Gjensidige NOR (from 22.06.99)	**772,900**		
Main Board of Directors, Union Bank of Norway (*)	**1,310,402**	1,279,000	1,072,000
Committee of Representatives, Union Bank of Norway	**424,000**	518,000	233,090
Control Committee, Union Bank of Norway	**302,120**	295,000	273,680

(*) Includes remuneration to the Group Board of Directors of Union Bank of Norway which operated up to 22.06.99

No agreement has been entered into regarding special compensation in connection with the termination of the position of chairman of the Group Executive Board, chairman of the Main Board of Directors or chairman of the Committee of Representatives.

Salary for President and CEO Sverre Høegh Krohn was NOK 1,866,000 in 1999, while the estimated value of benefits in kind was NOK 65,000. Mr. Høegh Krohn is entitled by agreement to retire at the age of 60. His pension will be decremented from 100% (60 yrs) to 70% (67 yrs) of his salary at the time of retirement.

Mr. Høegh Krohn had no outstanding loans with Union Bank of Norway at 31.12.99.

Under a compensation agreement Deputy President Olav Hytta has with the bank in the event that the bank terminates his employment contract, he will receive full pay for two years after termination. He also has an agreement with the bank entitling him to retire at the age of 60. His pension will equal 70% of his salary at the time of his retirement. Mr. Hytta's total outstanding loans with Union Bank of Norway came to NOK 613,000 at 31.12.99.

Under a compensation agreement Deputy President Karl-Olav Hovden has with the bank in the event that the bank terminates his employment contract, he will receive full pay for two years after termination. He also has an agreement with the bank entitling him to retire at the age of 60. His pension will equal 70% of his salary at the time of his retirement. Mr. Hovden's total outstanding loans with Union Bank of Norway came to NOK 3,000 at 31.12.99.

Kjell O. Kran was Group President and CEO of Union Bank of Norway until 10 August 1999. Up to that point he received, for 1999, a salary of NOK 1,226,000 (1998: NOK 1,761,000, 1997: NOK 1,666,000), plus benefits in kind estimated at NOK 129,000 (1998: NOK 137,000, 1997: NOK 160,000). In 1998 he also received a one-off supplement of NOK 200,000. In the first two years of retirement Mr. Kran receives a pension equal to his salary at the time of his retirement. The pension will thereafter be 70% of his final salary.

Fees paid to external auditors were expensed in an amount of NOK 1,405,000 (1998: NOK 1,362,000, 1997: NOK 1,432,200) in the parent bank and NOK 5,001,000 (1998: NOK 3,732,000, 1997: NOK 3,712,000) in the Group. The parent bank purchased consulting services totalling NOK 728,000 (1998: NOK 2,585,500, 1997: NOK 776,108) from external auditors, while the corresponding figure for the Group is NOK 1,784,000 (1998: NOK 2,950,000, 1997: NOK 1,291,000).

Loans to employees and members of governing bodies

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
1,905	1,727	1,651	Loans to employees	**1,943**	1,781	1,698
47	1	1	Loans to members of governing bodies	**48**	1	1

Of total loans to employees as at 31.12.99, loans to parent bank retirees came to NOK 144 (1998: 144; 1997: 139) million.

The increase in loans to members of governing bodies is due to the fact that under new regulations on annual accounts members of the Committee of Representatives (numbering 88 in Union Bank of Norway) have to be included in the overview as from 1999. In addition to the above, four of the 12 members of the Group Executive Board had loans with the bank. These loans totalled NOK 2.4 million. Three of the 12 members of the Main Board of Directors had loans with the bank. These totalled NOK 0.8 million. None of the loans carried terms differing from the general terms applied to employees. None of the members of the Control Committee had outstanding loans with Union Bank of Norway as at 31.12.99.

As at 31.12.99 guarantees totalling NOK 0.2 million were in effect for four employees. As at 31.12.99 Union Bank of Norway had not provided guarantees or other form of security for members of its governing bodies.

The interest subsidy on loans to employees of the parent bank was NOK 0 (1998: 1; 1997: 13) million, and was recorded as a reduction in the bank's interest income (not as a personnel cost) on grounds of negligible significance. The subsidy is computed on the basis of a standard rate of 5% (1998: 4%; 1997: 5%) set by the Norwegian parliament for tax purposes.

Staffing

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
3,071	2,768	2,768	Full-time positions as at 31.12	**4,078**	3,328	3,304
3,355	3,048	3,082	Employees as at 31.12	**4,475**	3,662	3,691
3,174	3,065	3,098	Average no. of employees	**4,121**	3,629	3,634

The acquisition of Gjensidige Bank entailed a staff increase of 858 person-years. Reductions totalling 108 full-time positions limited the net staff increase in 1999 to 750 full-time positions, from 3,328 to 4,078 full-time position equivalents. Of the reductions, 60 person-years are due to the fact that staffing at Karl Johan Fonds and NOR Aktiv Forvaltning is no longer included in the bank group's staffing, 13 full-time positions to the sale of the Stavanger regional branch and 23 full-time positions to labour shedding through retirement incentive packages. Furthermore, staffing rose by 25 full-time positions owing to Avanse Forvaltning's merger with Gjensidige Fondsforvaltning. Net other staff reductions amounted to 37 full-time positions. As at 31.12.99 NOK 23 million remains of the provision of NOK 155 million for restructuring costs that was made in the fourth quarter of 1996. This allocation will continue to run to 2001 and covers costs of staff reductions achieved through instruments designed to encourage voluntary retirement.

7 PENSION COSTS AND PENSION COMMITMENTS

Union Bank of Norway has its own pension fund for ordinary retirement and disability pensions, i.e. for salaries up to 12 times the basic amount ("G") available under the National Insurance Scheme, and a retirement age of 67 years. The bank also has non-funded pension commitments for employees earning in excess of 12 times the basic amount, as well as early retirement and discretionary pensions which have been provided for in the accounts. Provision has also been made for the bank's commitments related to the AFP (National early retirement) programme.

Pension funds are valued at their market value at 31 December. Pension commitments are computed on the basis of the terms listed below. In the case of funded commitments, employment tax contributions are expensed upon payment to the pension fund. In the case of non-funded commitments, provision is made for employment tax contributions (on capitalised commitments taxable at a rate of 14.1%). Employment tax contributions are classified as other long-term liabilities; see Note 27.

	1999	1998	1997		**1999**	1998	1997
Discount rate	**7%**	7%	7%	Pension increases	**2%**	2%	2%
Expected return	**8%**	8%	8%	Voluntary departure	Standard reductions		
Salary increases	**4%**	4%	4%	Share taking early retirement	**54%**	54%	54%
Increase in basic amount	**3%**	3%	3%	Improved basis, disability pension	**K93**	K93	K93

Pension costs

PARENT BANK						GROUP				
	1999		1998	1997			**1999**		1998	1997
Funded	**Non-funded**	**Total**	Total	Total		**Funded**	**Non-funded**	**Total**	Total	Total
63	**19**	**82**	67	65	Present value of accrued pension commitments	**77**	**23**	**100**	74	73
103	**26**	**129**	109	105	Interest costs on accrued pension commitments	**110**	**27**	**137**	112	108
(107)	-	**(107)**	(101)	(90)	Expected return on pension funds	**(115)**		**(115)**	(103)	(92)
2	**3**	**5**	1	(1)	Variance actual/projected values	**4**	**3**	**7**	1	0
61	**48**	**109**	76	79	**Net pension expenses**	**76**	**53**	**129**	84	89
3,485	**189**	**3,674**	3,630	3,828	Number of active members (*)	**4,165**	**191**	**4,356**	3,841	4,056
1,365	**221**	**1,586**	1,555	1,507	Number of retirees	**1,378**	**223**	**1,601**	1,566	1,518
4,850	**410**	**5,260**	5,185	5,335	**Total number persons covered**	**5,543**	**414**	**5,957**	5,407	5,574

(*) As of 31.12.98 employees of subsidiaries were transferred to group pension plans outside the parent bank; at 31.12.97 they comprised 112 members of the parent bank's pension fund.

Pension commitments

PARENT BANK						GROUP				
	1999		1998	1997			**1999**		1998	1997
Funded	**Non-funded**	**Total**	Total	Total		**Funded**	**Non-funded**	**Total**	Total	Total
1,599	-	**1,599**	1,213	1,269	Pension funds at market value	**1,691**	-	**1,691**	1,259	1,314
1,610	**391**	**2,001**	1,688	1,627	Estimated pension commitment	**1,712**	**412**	**2,124**	1,731	1,671
11	**391**	**402**	475	358	Net pension commitment	**21**	**412**	**433**	472	357
15	**(132)**	**(117)**	(131)	(23)	Variance not booked to profit and loss account	**0**	**(132)**	**(132)**	(131)	(25)
26	**259**	**285**	344	335	Net pension commitment in balance sheet	**21**	**280**	**301**	341	332
					Pension commitment in balance sheet	**35**	**280**	**315**	353	343
					Excess funding in balance sheet	**14**		**14**	11	11
					Net pension commitment	**21**	**280**	**301**	342	332

Note 7, continued

The increase in the parent bank's pension commitment in 1999 is mainly due to the takeover of Gjensidige Bank and a change in the pension plan for parent bank employees. The change in the pension plan entailed an increase in the level of pension in the Pension Fund from 67% to 70%, bringing the pension scheme into line with Gjensidige NOR as a whole. This led to a higher pension commitment at year-end compared with previous years. Pension fund resources also increased as a result of the takeover of Gjensidige Bank.

In some subsidiaries the value of pension fund resources exceeds the present value of accrued pension commitments. In accordance with the Norwegian pension standard, this excess funding is recorded in the Group's balance sheet since it is likely to be used to cover future pension commitments.

8 OPERATING EXPENSES

PARENT BANK					GROUP		
1999	1998	1997			**1999**	1998	1997
1,346	1,168	1,131	**Personnel expenses**	(1)	**1,852**	1,442	1,413
293	286	302	IT and development costs	(2)	**368**	305	321
46	41	38	Office supplies		**68**	47	44
123	90	71	Telecommunications, postage		**169**	110	89
213	172	161	Professional fees, substitute personnel, other services		**255**	191	187
79	69	60	Travel, staff training		**109**	82	73
161	142	120	Marketing		**257**	189	163
915	800	752	**Administrative expenses**		**1,226**	924	877
2,261	1,968	1,883	**Personnel and administrative expenses**		**3,078**	2,366	2,290
152	162	133	**Depreciation and write-downs**		**283**	217	215
1	1	1	Operating expenses, real estate		**74**	76	164
271	251	231	Rent and operating expenses, rented premises		**210**	136	121
272	252	232	**Properties and premises**		**284**	212	285
58	55	59	Operating assets, expensed		**66**	59	65
1	0	1	Losses on sales of fixed assets		**5**	9	48
61	27	28	Miscellaneous operating expenses		**175**	98	79
111	0	0	Provision for Group co-ordination charges, Gjensidige Bank/ Union Bank of Norway		**150**	0	0
231	82	88	**Additional operating expenses**		**396**	166	192
503	334	320	**Other operating expenses**		**680**	378	477
2,916	2,464	2,336	**Operating expenses**		**4,041**	2,961	2,982

(1) Allocation to employees' fund expensed in an amount of NOK 45 (1998: 30, 1997:45) million.
(2) Cost reimbursements from cooperating savings banks for IT applications were recorded as a deduction of NOK 16 (1998: 48, 1997: 0) million.

Co-ordination charges, Gjensidige Bank / Union Bank of Norway
In the accounts for the second quarter of 1999, NOK 150 million was set aside for co-ordination of Gjensidige Bank and Union Bank of Norway. NOK 32 million of this allocation remained at 31.12.

Rental commitments
Union Bank of Norway operates through a large number of offices and branches. The great majority of these premises are under leasing agreements. At 31.12.99 the Group's overall annual external rental commitments totalled NOK 62 (1998: 103, 1997: 90) million. The leasing agreements vary in duration; the average residual term is 5 years (1998: 5 years, 1997: 5 years).

9 LOSSES (GAINS) ON LOANS AND GUARANTEES

PARENT BANK					GROUP			
	Of which GB					Of which GB		
1999	1999	1998	1997		**1999**	1999	1998	1997
49	11	21	50	Realised losses exceeding previous years' specific loss provisions	**128**	90	22	51
66	23	75	21	Increase in specific loss provisions	**91**	44	79	23
153	90	155	122	New specific loss provisions	**186**	117	163	130
268	124	251	193	**Gross losses**	**405**	251	264	204
19	1	21	47	Reduction in specific loss provisions due to reduced risk	**43**	18	25	56
67	1	79	124	Reversal of specific loss provisions due to reclassification	**67**	2	82	125
86	2	100	171	**Reductions in and reversals of specific loan loss provisions**	**110**	20	107	181
100	10	82	65	Recovered on previously realised loan losses	**151**	52	90	72
36	0	50	0	Increase (reduction) in unspecified loss provisions	**57**	12	61	3
118	112	119	(43)	**Loss (gain) on loans and guarantees**	**201**	191	128	
109	0	460	181	Realised losses (additional) covered by specific provisions from previous years	**139**	29	461	188

Of total losses in 1999, the 20 largest losses amounted to NOK 179 (1998: 181, 1997: 95) million.

10 LOSSES (GAINS) ON LONG-TERM FINANCIAL ASSETS

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
			Write-downs of shares in subsidiaries			
50			Vigar AS/Elcon Securities	**50**		
		(12)	Hafjell Invest AS			
			Write-downs, other long-term shareholdings			
	(93)	93	Fokus Bank ASA		(93)	93
1	3	(2)	Other	**1**	3	(2)
51	(90)	79	**Total write-downs**	**51**	(90)	91
			Losses (gains) on disposal of shares in / liquidation of subsidiaries / associated companies			
			NOR Forsikring AS	**(283)**		
61			Liquidation of Gjensidige Bank AS			
(281)	(176)		Sale of Linstow ASA	**(151)**	(161)	
		(14)	SPN Fonds AS			
			Losses (gains) on sale of other long-term shareholdings			
	(4)	2	Fokus Bank ASA		(4)	2
(2)			Other	**(3)**		(1)
(222)	(180)	(12)	**Net losses (gains)**	**(437)**	(165)	1
(171)	(270)	67	**Losses (gains) on long-term financial assets**	**(386)**	(255)	92

Vigar AS/Elcon Securities
In the first quarter of 1999 Union Bank of Norway made a write-down in an amount of NOK 50 million on losses arising in connection with the liquidation of Elcon Securities.

NOR Forsikring
In the second quarter of 1999 Union Bank of Norway sold NOR Forsikring AS to Gjensidige NOR Spareforsikring. Trough the sale a gain of NOK 283 million was realised (NOK 204 million after tax). The gain shows in the profit and loss account as a gain on sale of long-term financial assets.

Linstow
In the third quarter of 1999 Union Bank of Norway sold all its 15.7 million shares in Linstow for NOK 52 per share to Anders Wilhelmsen Group. The shares had a book value of NOK 42.21 per share in Union Bank of Norway' consolidated accounts. The sale produced a pre-tax gain of NOK 151 million for Union Bank of Norway. The gain shows in the profit and loss account as a gain on sale of long-term financial assets.

11 TAX

	PARENT BANK		
	1999	1998	1997
Tax base			
Pre-tax profit	**2,162**	1,550	1,187
Group contributions made	**192**	19	67
Permanent differences	**20**	(46)	59
Dividends received from subsidiaries	**376**	71	117
Tax-related loss, liquidation of Gjensidige Bank	**844**		
Changes in temporary differences			
Change in write-down of securities	**7**	(50)	79
Fixed assets	**(36)**	(5)	(1)
Pension commitments	**(59)**	9	8
Other temporary differences and basis for the year's tax credit	**(90)**	(9)	(72)
Tax base	**592**	1,359	1,076
Tax payable	**166**	381	302

Note 11, continued

PARENT GROUP 1999	1998	1997		GROUP 1999	1998	1997
			Tax charge			
173	376	301	Income tax (*)	**556**	470	368
23	12	4	Capital tax	**23**	12	4
70	17	(20)	Change in deferred tax	**97**	(27)	4
266	405	285	**Total tax charge**	**676**	455	376
			Tax increasing temporary differences			
0	0	0	Fixed assets	**236**	234	270
0	0	0	Revaluations and premiums on acquisitions	**610**	136	152
140	159	75	Securities	**184**	164	85
216	31	52	Other tax increasing differences	**845**	347	423
356	190	127	**Total tax increasing differences**	**1,875**	881	930
			Tax reducing differences and tax loss carry-forwards carry			
6	42	47	Fixed assets	**11**	49	120
285	344	335	Pension commitments	**315**	353	343
114	101	94	Other tax reducing differences	**129**	287	293
0	0	0	Tax loss carry-forward	**0**	0	7
405	487	476	**Total tax reducing differences**	**455**	689	763
(49)	(297)	(349)	**Net tax increasing (reducing) differences**	**1,420**	192	167
(14)	(84)	(100)	**Deferred tax (net)**	**406**	60	54

(*) In connection with Group contributions made/received, the tax charge is recorded by the company in which the income was earned, allowing for the previous year's insufficient/excess tax provision.

Deferred tax / deferred tax benefit

Tax reducing temporary differences are offset against tax increasing temporary differences that are reversing in the same period. Deferred tax is calculated on the net amount. Negative differences which remain after offsetting, and which may not be recorded in the balance sheet as deferred tax benefit in the parent bank's accounts due to the upper-limit rule, are recorded in the consolidated accounts. This is based on an assessment of future Group earnings. Deferred tax/deferred tax benefit is presented net in the balance sheet.

RISK	1999	1998	1997
Basis for calculation for the year	**693**	1,546	1,221
- 28% tax	**194**	433	342
+ tax credit on dividends received	**29**	67	38
- dividend allocated	**656**	539	389
+/- realised RISK	**722**	(65)	15
+ non-taxable group contribution	**283**	0	0
Change in retained, taxed capital	**877**	576	543
Number of PCCs (in whole thousands)	**46,889**	46,889	26,050
RISK (in NOK) per PCC at 1.1 of the following year	**Ca. 18.70**	12.29	20.84

Dividends / Group contributions

As part of Union Bank of Norway's tax planning, the parent bank allocated group contributions of NOK 192 (1998: 19, 1997: 67) million, gross, to subsidiaries. The parent bank will receive NOK 655 (1998: 96, 1997: 176) million in group contributions/dividends from its group companies. Gjensidige NOR Finans has received NOK 176 million in group contributions from the parent bank, at the same time as the company has made group contributions of NOK 273 million without tax effect. The net of these amounts is shown in the parent bank's accounts as income from group companies since it is considered to be return on invested capital. By both making and receiving group contributions from the same subsidiaries, PCC holders have received positive RISK values.

12 REGIONAL/DIVISIONAL KEY FIGURES

1999		Corporate Customer Division	Region Østfold	Region Oslo/ Akershus	Region Oppland/ Hedmark	Region Buskerud	Region Vestfold	Region Telemark
Number of bank branches			21	48	32	26	24	10
Full-time positions		270	261	792	302	242	329	85
Number of customers (*)		3,581	106,123	335,942	109,688	95,960	120,519	25,920
Number of accounts (*)		9,928	197,563	621,033	212,563	178,870	239,359	48,680
(Amounts in NOK million)								
Deposits at 31 Dec.	**1999**	**15,777**	**6,522**	**30,882**	**8,751**	**7,754**	**8,131**	**1,763**
	1998	11,643	5,730	26,655	7,846	6,834	7,102	1,585
	1997	11,839	5,484	24,605	7,358	6,748	6,734	1,540
Loans at 31 Dec.	**1999**	**17,926**	**9,841**	**34,301**	**14,303**	**10,258**	**14,177**	**2,994**
	1998	14,672	8,798	28,277	11,785	8,916	12,490	2,474
	1997	15,324	7,966	26,504	10,917	8,086	11,432	2,146

Note 12, continued

		Corporate Customer Division	Region Østfold	Region Oslo/ Akershus	Region Oppland/ Hedmark	Region Buskerud	Region Vestfold	Region Telemark
Profit and loss account								
Operating income	**1999**	708	405	1 439	494	391	574	108
Operating expenses		337	244	770	280	231	319	75
Profit before losses		**371**	**161**	**669**	**214**	**160**	**255**	**33**
Losses		13	(9)	(82)	(5)	(6)	(6)	(1)
Profit after losses		**358**	**170**	**751**	**219**	**166**	**261**	**34**
Profit after losses	1998	422	158	621	173	136	183	29
Profit after losses	1997	274	147	482	155	131	218	(**) 13
Pre-tax ROE	**1999**	21%	25%	37%	24%	24%	29%	12%
Costs/income ratio		48%	60%	54%	57%	59%	56%	69%
Losses in % of loans		0.1%	(0.1%)	(0.2%)	(0.0%)	(0.1%)	(0.0%)	(0.1%)

1999	Region Vest	Region Sør-Trøndelag	Region Midt-Norge	Region Nordland	Region Troms Finnmark	Total regions	Other (***)	Total parent bank
Number of bank branches	2	2	2	1	2	170	2	172
Full-time positions	37	34	13	21	33	2,149	652	3,071
Number of customers (*)	9,334	9,797	948	5,255	10,321	829,807	65,655	899,043
Number of accounts (*)	18,265	27,416	1,904	11,153	21,617	1,578,423	131,370	1,719,721
(Amounts in NOK million)								
Deposits	**677**	**818**	**68**	**317**	**750**	**66,433**	**10,042**	**92,252**
Loans	**2,996**	**3,801**	**227**	**1,569**	**2,535**	**97,002**	**15,664**	**130,592**
Profit and loss account								
Operating income	59	85		37	73	3,665	652	5,025
Operating expenses	29	30	3	16	28	2,025	554	2,916
Profit before losses	**30**	**55**	**(3)**	**21**	**45**	**1,640**	**98**	**2,109**
Losses	8	(2)		(3)	3	(103)	37	(53)
Profit after losses	**22**	**57**	**(3)**	**24**	**42**	**1,743**	**61**	**2,162**
Pre-tax ROE	16%	35%	(75%)	31%	31%	29%		(****) 20%
Costs/income ratio	49%	35%		43%	38%	55%	85%	58%
Losses in % of loans	0.3%	(0.1%)	0.0%	(0.2%)	0.1%	(0.1%)	0.2%	(0.0%)

(*) Excl. about 300,000 credit card accounts.
(**) Refers to the period 01.07-31.12.
(***) Incl. Gjensidige NOR24, Credit Cards and other group- and staff-related functions: staffing, operating expenses, balance sheet items and related returns.
(****) After tax.

13 PROFIT ATTRIBUTABLE TO PARENT BANK AND GROUP COMPANIES

	Parent bank (1)	Gjensidige NOR Finans (2)	Finax	Spare-bank Kreditt	UBNI Lux.	Avanse forvaltn. (3)	Gjensidige NOR Eiendom	Gjensidige Bank (4)	Associated companies	Other (5)	**Union Bank Group**
Net interest income	3,390	399	206	141	46	5	2	470		(56)	**4,603**
Net other operating income	1,141	(2)	4	1	21	183	219	112	123	(89)	**1,713**
Operating expenses	2,916	197	136	37	37	150	191	394		(17)	**4,041**
Operating profit before losses	1,615	200	74	105	30	38	30	188	123	(128)	**2,275**
Losses (gains)	77	32	35	4	(1)	0	0	12		(344)	**(185)**
Operating profit 1999	1,538	168	39	101	31	38	30	176	123	216	**2,460**
Operating profit 1998	1,494	39		63	29	37	(11)		65	(76)	1,640
Operating profit 1997	978	33		53	24	47	5		25	127	1,292
Assets under management	174,945	18,175	1,372	15,822	6,225	27,181					**283,558**
Assets under management	131,260	2,848		14,760	6,296	15,537					172,432
Assets under management	115,630	2,231		14,035	4,209	17,137					156,927

(1) Group contributions and dividend from group companies not included. Gain on sale of shares in Linstow included in an amount of NOK 151 million.
(2) Incl. Gjensidige Bank Finans and NOR Finans; in 1998 and 1997 NOR Finans only.
(3) Merged with Gjensidige Fondsforvaltning in 1999.
(4) Co-ordination costs included in an amount of NOK 39 million. The company was liquidated in 1999.
(5) Incl. other subsidiaries and group eliminations. Union Bank of Norway's share of the gain on the sale of NOR Forsikring included in an amount of NOK 283 milllion

14 RECEIVABLES FROM CREDIT INSTITUTIONS

PARENT GROUP				GROUP		
1999	1998	1997		**1999**	1998	1997
414	750	401	Deposits at call	**721**	768	708
20,350	10,929	8,895	Term deposits and fixed maturity loans (*)	**5,208**	8,566	6,488
(36)	(34)	(22)	Specified loss provisions	**(36)**	(34)	(22)
20,728	11,645	9,274	**Receivables from credit institutions**	**5,893**	9,300	7,174

(*) Of which NOK 581 (1998: 589, 1997: 290) million refers to subordinated loans with the parent bank, and NOK 331 (1998: 339, 1997: 40) million to subordinated loans with the Group.

15 GROSS LOANS TO CUSTOMERS

PARENT GROUP				GROUP		
1999	1998	1997		**1999**	1998	1997
119,763	96,845	89,558	Instalment loans	**145,653**	114,695	103,946
8,787	4,773	4,201	Overdraft facilities and working capital credits	**8,754**	4,784	4,206
2,042	1,675	1,750	Construction loans	**2,042**	1,675	1,750
0	0	0	Financial leasing	**10,436**	1,217	953
0	0	0	Factoring	**1,093**	114	93
130,592	103,293	95,509	**Gross loans to customers (*)**	**167,978**	122,485	110,948

(*) Of which NOK 264 (1998: 229, 1997: 140) million refers to subordinated loans with the parent bank, and NOK 266 (1998: 229, 1997: 139) to subordinated loans with the Group.

16 DEFAULTED, DOUBTFUL AND NON-ACCRUAL LOANS

Defaulted loans

PARENT BANK						GROUP				
	Of which						Of which GB			
1999	from GB*	1998	1997	1996		**1999**	30.06.99	1998	1997	1996
					Retail market					
731	304	462	546	641	Gross defaulted loans	**998**	539	486	583	673
273	153	152	211	275	Specified loss provisions	**427**	301	160	218	283
458	151	310	335	366	**Net defaults, retail market**	**571**	238	326	365	390
37%	50%	33%	39%	43%	**Level of provisions, retail market**	**43%**	56%	33%	37%	42%
					Corporate market					
687	64	591	1,101	1,196	Gross defaulted loans	**925**	179	629	1,147	1,261
520	32	448	668	768	Specified loss provisions (1)	**538**	10	456	677	773
167	32	143	433	428	**Net defaults, corporate market**	**387**	169	173	470	488
76%	50%	76%	61%	64%	**Level of provisions, corporate market**	**58%**	6%	72%	59%	61%
					All loans					
1,418	368	1,053	1,647	1,837	Gross defaulted loans	**1,923**	718	1,115	1,730	1,934
793	185	600	879	1,043	Specified loss provisions	**965**	311	616	895	1,056
625	183	453	768	794	**Net defaults**	**958**	407	499	835	878
56%	50%	57%	53%	57%	**Level of provisions, all loans**	**50%**	43%	55%	52%	55%

* Incl. converted portfolio (at 30.06.99) and credit card portfolio (at 01.09.99) transferred from Gjensidige Bank.
(1) Of which credit institutions: NOK 36 (1998: 34, 1997: 22, 1996: 27) million.

Doubtful loans

PARENT BANK						GROUP				
	Of which						Of which GB			
1999	from GB*	1998	1997	1996		**1999**	30.06.99	1998	1997	1996
414	81	457	449	584	Doubtful loans	**472**	90	522	481	660
195	36	204	205	292	Specific loss provisions	**202**	16	216	215	311
219	45	253	244	292	Net doubtful loans	**270**	74	306	266	349
47%	44%	45%	46%	50%	Level of provisions	**43%**	18%	41%	45%	47%

Non-accrual loans

PARENT BANK						GROUP				
	Of which						Of which GB			
1999	from GB*	1998	1997	1996		**1999**	30.06.99	1998	1997	1996
222	88	142	182	211	Net non-accrual retail loans	**288**	164	154	217	224
25	46	75	385	359	Net non-accrual corporate loans	**114**	85	100	411	386
247	134	217	567	570	Net non-accrual loans (1)	**402**	249	254	628	610
1,040	319	817	1,446	1,614	Gross non-accrual loans (1)	**1,205**	421	870	1,523	1,663

(1) Net and gross non-accrual loans are included in the table "Defaulted loans"
For 1996 and 1997 individual defaulted loans for which loss provisions have been made are presented. Under the Norwegian Banking, Insurance and Securities Commission's regulations on the recording of losses, defaulted customers' total borrowings are presented as from 1998. Net defaults came to 0.6% of the net loan portfolio (1998: 0.4%, 1997: 0.8%).

In 1999 foregone interest on non-accrual loans in the parent bank came to NOK 44 (1998: 47, 1997: 72) million.

17 COMMITMENTS BY SECTOR

	Gross loans		Losses		Guarantees		Unutilised credit facilities	
Sector	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998
Retail market	**81,712**	59,137	**(49)**	(77)	**158**	78	**1,208**	913
Public administration	**1,026**	1,008	**0**	0	**0**	0	**563**	476
Agriculture, forestry, fishing and hunting	**3,448**	2,488	**(1)**	(3)	**104**	179	**629**	565
Manufacturing	**7,356**	3,196	**58**	31	**1,017**	971	**989**	941
Construction, power and water supply	**5,663**	2,806	**4**	(2)	**1,004**	1,092	**1,000**	1,027
Retailing, hotel and restaurant trade	**10,294**	7,593	**(6)**	18	**676**	483	**2,084**	2,031
Shipping	**3,801**	3,571	**28**	0	**823**	887	**55**	62
Real estate management	**33,549**	28,083	**17**	63	**718**	401	**1,923**	1,380
Financing	**6,311**	4,132	**49**	27	**1,257**	963	**1,462**	810
Transportation and other services	**6,862**	4,901	**(4)**	(6)	**525**	411	**680**	526
Foreign	**7,956**	5,570	**36**	3	**591**	306	**567**	9
Total commitments to customers	**167,978**	122,485	**132**	54	**6,873**	5,771	**11,160**	8,740
Credit institutions	**1,019**	1,234	**0**	11	**730**	1,307	**106**	68
All commitments	**168,997**	123,719	**132**	65	**7,603**	7,078	**11,266**	8,808
Increase (reduction) in general loan loss provisions			**57**	61				
Losses on guarantees			**12**	2				
Losses (gains) on loans and guarantees			**201**	128				

See Note 12 for the geographical distribution of the parent bank's loan portfolio and Note 34 for guarantees specified by type.

	Defaulted loans		Doubtful loans		Spec. loss prov.	
Sector	**1999**	1998	**1999**	1998	**1999**	1998
Retail market	**796**	469	**64**	82	**336**	199
Public administration	**4**	4	**0**	0	**0**	0
Agriculture and forestry, fishing and hunting	**30**	35	**16**	18	**7**	14
Manufacturing	**130**	47	**62**	18	**84**	48
Construction, power and water supply	**63**	25	**7**	6	**13**	14
Retailing, hotel and restaurant trade	**81**	68	**99**	100	**78**	79
Shipping	**20**	5	**0**	0	**38**	2
Real estate management	**158**	107	**200**	137	**249**	209
Financing	**160**	96	**11**	109	**93**	103
Transportation and other services	**75**	52	**13**	18	**25**	37
Foreign	**367**	203	**0**	0	**226**	98
Total commitments to customers	**1,884**	1,111	**472**	488	**1,149**	803
Credit institutions	**39**	4	**0**	34	**36**	34
All commitments	**1,923**	1,115	**472**	522	**1,185**	837

18 LOSS PROVISIONS

Specific loss provisions

PARENT BANK					GROUP	
1999	1998	1997		**1999**	1998	1997
809	1,139	1,339	Provisions at 1 January	**837**	1,163	1,371
109	460	181	Reversals on realisation of losses	**192**	461	188
159			Addition on purchase of Gjensidige Bank	**286**		
		8	Addition on exchange of assets and liabilities with Sparebanken Pluss (net)			8
147	130	(27)	Provisions (net)	**254**	135	(28)
1,006	809	1,139	**Provisions at 31 December** (*)	**1,185**	837	1,163

(*) Of which NOK 36 (1998: 34, 1997: 22) million refers to loans and NOK 18 (1998: 5, 1997: 54) million refers to guarantees.

Unspecified loss provisions

PARENT BANK				GROUP	
1999	1998	1997		**1999**	1998	1997
835	785	785	Provisions at 1 January	**931**	870	867
125			Addition on purchase of Gjensidige Bank	**353**		
36	50		Increase	**30**	61	3
996	835	785	**Provisions at 31 December**	**1,314**	931	870

19 JOINT VENTURES AND ASSOCIATED COMPANIES

Values and profits in joint ventures

		KJF	GN Asset management	GN Office operation	Total JCA
Parent bank	Book value at 1 January				**0**
	Book value at 31 December		122	1	**123**
	Bank's receivables from joint ventures				**0**
	Bank's debt to joint ventures	43	43	86	**172**
Group	Book value at 1 January				**0**
	Additions	137	122	1	**260**
	Write-down (see Note 10)	50			**50**
	Share of profit	2	(1)		**1**
	Write-off of goodwill of premium		5	5	**10**
	Book value at 31 December	84	116	1	**201**
	Ownership interest	50.0%	50.0%	50.0%	

Values and profits in associated companies

		Sandnes Eiendom AS	Linstow Eiendom ASA	Eksport-finans A/S (*)	Felles-data A/S	Total assoc. comp.
Parent bank	Book value at 1 January		533	231	22	**786**
	Book value at 31 December			254	22	**276**
	Bank's receivables from associated companies			84	88	**172**
	Bank's debt to associated companies				58	**58**
Group	Book value at 1 January		617	405	66	**1,088**
	Additions (reductions)	1	(663)	23		**(639)**
	Share of profit after tax		62	42	19	**123**
	Dividend received		16	28	6	**50**
	Book value at 31 December	1	0	442	79	**522**
	Ownership interest	50.0%		20.0%	33.0%	

(*) See also Note 34 concerning funding guarantee.

Associated company-Fellesdata

Union Bank of Norway has fixed price and volume agreements with Fellesdata for the purchasing of computing power, systems maintenance and the running of applications, which total about NOK 165 million. This is in addition to agreements based on variable resource demand. Total purchases from Fellesdata came to NOK 221 million in 1999.

On 24 February 2000 EDB Business Partner ASA offered NOK 2,480 million for 100% of Fellesdata's shares. The offer was conditional on acquiring at least 67% of the shares. This condition was met on the offer date. Union Bank of Norway holds 33% of the shares in Fellesdata AS. These are recorded at a value of NOK 79 million. The sale is expected to go ahead before the end of the first half of 2000, and will produce a pre-tax profit of NOK 739 for the bank.

20 TANGIBLE FIXED ASSETS

PARENT BANK				GROUP	
Machinery, equipment, vehicles	Buildings and other properties			Machinery equipment, vehicles	Buildings and other properties
1,296	16	Acquisition cost at 1 January		1,437	1,913
189		Additions over the year		231	52
		Additions upon takeover		75	10
		Disposals, group companies		7	4
44		Disposals over the year		84	90
1,441	16	Acquisition costs at 31 December		1,652	1,881
531	4	Ordinary depreciation at 1 January		626	401
152		Ordinary depreciation over the year		193	47
		Additions upon takeover		22	3
		Write-downs over the year			15
		Disposals, ordinary depreciation, group companies		6	
39		Disposals, ordinary depreciation over the year		72	24
644	4	Ordinary depreciation at 31 December		763	442
797	**12**	**Book value at 31 December**		**889**	**1,439**
		Investments and sales in past five years			
157	11	Investments	1995	180	1,323
8	261	Sales		11	161
63	0	Investments	1996	93	447
9	2	Sales		14	321
397	1	Investments	1997	440	345
5	7	Sales		7	316
392	2	Investments	1998	411	93
9	3	Sales		11	32
189	**0**	**Investments**	**1999**	**231**	**52**
4	**0**	**Sales**		**9**	**73**

21 REAL ESTATE AND REPOSSESSED ASSETS

		1999				1998	1997
Property category		Annual rent (1)	1 000 sq. m	Price per sq. m	Book value	Book value	Book value
Bank buildings		**133**	**166**	**7,693**	**1,277**	1,320	1,253
Commercial properties		**6**	**2**	**13,500**	**27**	34	2,162
Total commercial properties	(2)	**139**	**168**	**7,762**	**1,304**	1,354	3,415
Sites					**46**	49	293
Homes, holiday homes etc.					**10**	14	17
Miscellaneous properties					**130**	142	369
Total					**1,490**	1,559	4,094

(1) Rent paid in the accounting year, excl. shared expenses.
(2) Of which intra-group rent accounts for NOK 109 (1998: 115, 1997: 154) million.
rents accounts for NOK 109 (1998: 115, 1997: 154) million.

Occupancy rates for rental properties

	1999				1998	1997
Property category (All areas in 1, 000 sq. m.)	Group internal rentals	Group external rentals	Vacant	Vacancy in %	Vacancy in %	Vacancy in %
Bank premises	**110**	**39**	**17**	**10%**	11%	10%
Commercial properties	**1**	**1**	**0**	**0%**	33%	8%
Total commercial properties	**111**	**40**	**17**	**10%**	12%	9%

Bank premises	Book value	1, 000 sq. m.
Kirkegaten 18, Oslo	**278**	**18**
Tollbugata 30, Oslo	**94**	**6**
Øvre Slottsgate 3, Oslo	**78**	**6**
Storgata 3, Gjøvik	**70**	**7**
Kirkegaten 17, Oslo	**57**	**6**
Other bank premises	**700**	**123**
Total bank premises	**1,277**	**166**

22 OTHER ASSETS AND ACCRUALS

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
309	224	236	**Financial derivatives**	**309**	224	236
155	581	557	Forward-dated assets	**155**	581	557
2,122	717	696	Other receivables and assets	**2,213**	851	876
2,277	1,298	1,253	**Other assets**	**2,368**	1,432	1,433
1,072	1,033	690	Earned income	**1,450**	1,435	958
151	71	81	Pre-paid expenses	**262**	71	81
0	0	0	Excess funding of pension commitments	**14**	11	11
0	0	1	Other accruals	**0**	0	3
1,223	1,104	772	**Accruals**	**1,726**	1,517	1,053
3,809	2,626	2,261	**Financial derivatives, other assets and accruals**	**4,403**	3,173	2,722

23 BORROWINGS FROM CREDIT INSTITUTIONS

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
2,943	2,745	2,097	Deposits and loans at call	**2,447**	2,623	2,526
31,635	21,550	18,966	Term deposits and fixed maturity loans	**36,138**	26,414	21,922
34,578	24,295	21,063	**Funding from credit institutions**	**38,585**	29,037	24,448

24 DEPOSITS FROM CUSTOMERS

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
68,045	50,754	47,088	Call accounts	**68,199**	50,570	46,923
24,207	19,496	19,197	Term deposits	**24,513**	19,944	19,561
92,252	70,250	66,285	**Deposits from customers**	**92,712**	70,514	66,484

Customer deposits by sector

	1999		1998	1997
Sector	**Amount**	**Share**	Amount	Amount
Retail market	**46,172**	**49.8%**	33,713	30,641
Public administration	**4,326**	**4.7%**	4,279	5,506
Agriculture and forestry, fishing and hunting	**1,500**	**1.6%**	1,430	1,368
Manufacturing	**2,615**	**2.8%**	2,098	1,902
Construction, power and water supply	**3,972**	**4.3%**	3,808	2,896
Retailing, hotel and restaurant trade	**5,264**	**5.7%**	4,532	4,192
Shipping	**1,194**	**1.3%**	637	976
Real estate management	**5,022**	**5.4%**	3,105	3,417
Financing	**11,285**	**12.2%**	7,980	6,921
Transportation and other services	**9,126**	**9.8%**	7,530	7,221
Foreign	**2,236**	**2.4%**	1,402	1,444
Customer deposits	**92,712**	**100.0%**	70,514	66,484

See Note 10 for geographical distribution of deposits with the parent bank.

25 CD AND BOND ISSUES

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
5,365	1,745	4,612	CDs and other short-term borrowings	**9,283**	2,560	6,080
7	0	0	Repurchased unamortised CDs	**207**	0	0
23,420	18,861	9,807	Bond debt and other long-term borrowings	**36,818**	30,740	22,124
1,017	2,626	323	Repurchased unamortised bonds	**4,666**	5,212	3,147
27,761	17,980	14,096	**CD and bond issues**	**41,228**	28,088	25,057

26 MATURITY STRUCTURE OF BOND ISSUES AND SUBORDINATED LOAN CAPITAL

Bond Issues

PARENT BANK				GROUP		
NOK	Currency	Total	Maturity	NOK	Currency	Total
2,150		2,150	2000	5,521		5,521
320	3,154	3,474	2001	321	3,154	3,475
570	6,389	6,959	2002	2,426	6,389	8,815
2,183	1,996	4,179	2003	4,022	1,996	6,018
	5,160	5,160	2004		5,160	5,160
500		500	2005 and later	3,182		3,182
1	(20)	(19)	Capitalised costs	1	(20)	(19)
5,724	**16,679**	**22,403**	**Book value at 31.12.99**	**15,473**	**16,679**	**32,152**

The bank's repurchased bonds are deducted. As of 31.12.99 the nominal value of bond debt (including subordinated loans) came to NOK 43,728 (1998: 37,452, 1997: 26,892) million, gross. The nominal value of repurchased bonds came to NOK 5,168 (1998: 5,390, 1997: 3,147) million, the market value of repurchased bonds came to NOK 5,129 (1998: 5,385, 1997: 3,234) million, while the book value of repurchased bonds came to NOK 5,165 (1998: 5,379, 1997: 3,147) million.

Note 26, continued

Subordinated loan capital

Year raised	Currency	Amount	Interest terms (1)	Maturity	Borrower	Call date		Book value 31.12.99
Dated								
1997	USD	75	3-month LIBOR + 0.30% p.a.	2007	Parent bank	2002	604	
1997	NOK	300	6.10%	2007	Parent bank	2002	300	
1998	USD	50	3-month LIBOR + 0.35% p.a.	2008	Parent bank	2003	402	
					Capitalised costs		(6)	1,300
					UBNI			50
Perpetual								
Parent bank								
1994	USD	75	9.10% p.a.		Parent bank	2000	603	
1994	USD	(7.5)	9.10% p.a. repurchased		Parent bank	2000	(60)	
1994	JPY	5,000	5.85% p.a.		Parent bank	2000	394	
1994	JPY	(2,500)	5.85% p.a. repurchased		Parent bank	2000	(197)	
1994	USD	78	9.12% p.a.		Parent bank	2001	628	
1996	USD	105	7.65% p.a.		Parent bank	2006	845	
1996	JPY	10,000	4.00% p.a.		Parent bank	2011	788	
1998	USD	150	7.35% p.a.		Parent bank	2003	1,207	
1998	USD	(30)	7.35% p.a. repurchased		Parent bank	2003	(241)	
1999	JPY	10,000	4.51% p.a.		Parent bank	2029	788	4,755
							Total	**6,105**

(1)Varying FRN terms apply after the call date in the case of all loans.

All amounts are used in the same currency as they were borrowed in, or swapped to USD and used in USD. Hence no exchange rate gains or losses have arisen on the loan capital. Fixed-interest borrowings are swapped to floating rate terms.

In addition, the parent bank has granted subordinated loans to Sparebank Kreditt and Gjensidige NOR Finans of NOK 200 million and NOK 50 million respectively.

27 OTHER LIABILITIES AND ACCRUALS

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
1,277	1,179	1,236	Cheques, giros, etc. under clearing	**1,277**	1,179	1,236
188	393	306	Tax provision	**326**	488	363
673	558	457	Allocated dividend, group contributions	**666**	551	408
575	736	612	Miscellaneous liabilities	**1,256**	904	824
2,713	2,866	2,611	**Other liabilities**	**3,525**	3,122	2,831
1,541	770	629	**Accrued costs and unearned income**	**2,902**	1,494	1,120
285	344	335	Pension commitments	**315**	353	343
0	0	0	Deferred tax (*)	**406**	60	214
18	5	54	Specific loss provisions for guarantee liabilities	**18**	5	54
0	0	0	Other provisions for liabilities	**39**	19	13
303	349	389	**Provisions for liabilities**	**778**	437	624
4,557	3,985	3,629	**Other liabilities, accruals and provisions for liabilities**	**7,205**	5,053	4,575

(*)Deferred tax benefit / deferred tax are recorded net as from 1998.

28 TOTAL EQUITY AND EARNINGS PER PCC

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
8,116	5,448	5,021	Equity at 31 December previous year	**9,331**	6,638	6,125
12	40	17	Valuation change, securities	**12**	51	21
88	116	86	Deferred tax / deferred tax benefit	**29**	0	(2)
			Minority interests	**21**	43	44
8,216	5,604	5,124	Restated equity at 31.12 previous year	**9,393**	6,732	6,188
45			Correction Sparebank Kreditt (1)			
8,261	5,604	5,124	Restated equity at 01.01 current year	**9,393**	6,732	6,188
			Change in primary capital certificate capital			
	2,084		Gross addition from new issue		2,084	
		35	Addition from conversion of subordinated loan capital			35
			Change in dividend adjustment reserve			
	(60)		Issue costs		(60)	
756	262	199	Addition from allocation of profit for the year	**756**	262	199
			Change in other equity			
484	325	246	Addition to savings bank's reserve upon allocation of profit for the year	**484**	325	246
			Net addition from mergers/demergers	**2**		
			Addition/reduction from allocation of profit for the year	**(112)**	45	65
			Translation difference	**(2)**	5	(1)
9,501	8,215	5,604	**Equity at 31 December**	**10,521**	9,393	6,732
			which breaks down as follows			
4,689	4,689	2,605	Primary capital certificate capital	**4,689**	4,689	2,605
2,220	1,430	1,228	Dividend adjustment reserve	**2,220**	1,430	1,228
			Group equity in subsidiaries	**1,020**	1,178	1,128
2,592	2,096	1,771	Savings bank's reserve	**2,592**	2,096	1,771
9,501	8,215	5,604	**Equity**	**10,521**	9,393	6,732

(1) After the bank closed the accounts for 1998, Sparebank Kreditt revised its accounts for 1998. As a consequence the company was able to receive a group contribution from and transfer a dividend to Union Bank of Norway. The net effect, NOK 45 million, was added to equity capital in the parent bank's accounts as at 1 January 1999 and distributed between the dividend adjustment reserve and savings bank's reserve based on the PCC owner share as at 31 December 1998.

A new accounting act went into force on 1 January 1999 and the resultant changes have been entered to equity capital as at 1 January 1999. For the sake of comparison the changes are incorporated as if the new accounting act had come into force on 1 January 1997. Under the new act, market-based current financial assets included in the trading portfolio are shown at market value, deferred tax is included in the balance sheet since the "upper limit" rule no longer applies, and the minority share is included in the group's profit and equity.

The original law amendment also required use of the equity method for valuing investments in subsidiaries and associated companies. This was done in the bank's three first quarterly accounts for 1999. In December 1999 a law amendment was proposed entailing, for the annual accounts for 1999, a choice between the cost method and the equity method in the parent company as regards investments in subsidiaries. In the preliminary accounts for 1999 Union Bank of Norway employed the cost method to value the parent bank's shares in subsidiaries. The equity method was applied to investments in associated companies and joint ventures. In its recommendation for changes related to the equity method, the parliamentary financial affairs committee proposed that the method should also be voluntary for associated companies and joint ventures. Union Bank of Norway subsequently decided to use the cost method in the parent bank accounts also when valuing shares in associated companies and joint ventures.

Earnings per PCC

The purpose of calculating earnings per PCC is to present an earnings measure for holders of Union Bank of Norway's primary capital certificates. The calculations shown below are in compliance with "Preliminary Norwegian Accounting Standard for profit per share".

The earnings per share is calculated by dividing the profit accruing to the PCC holders by a time-weighted average of the number of outstanding PCCs.

		1999
A	Primary capital certificate capital at 1 January	4,689
	Dividend adjustment reserve at 31 December 1998	1,356
	+ items entered directly to equity	108
B	Adjusted dividend adjustment reserve at 1 January	1,464
C	Adjusted PCC capital at 1 January (A+B)	6,153
	Savings bank's reserve at 31 December 1998	2,071
	+ items entered direclty to equity	37
D	Adjusted savings bank's reserve at 1 January	2,108
E	Adjusted equity, parent bank at 1 January (C+D)	8,261
F	PCC owner share at 1 January (C/E)	74.5%
G	Number of primary capital certificates entitled to dividend	46,889,356
H	Net profit	1,784
	Profit per certificate (H*F/G)	28.34

29 CAPITAL ADEQUACY

Group	1999		1998		1997	
Core capital (Tier 1)	**10,599**	**7.2%**	9,434	8.5%	6,669	6.9%
Additional capital (Tier 2)	**3,933**	**2.7%**	4,054	3.7%	3,670	3.8%
Supplementary capital (Tier 3)	**1,526**	**1.0%**	1,261	1.1%	1,213	1.3%
Other items (net)	**(100)**	**(0.1%)**	(195)	(0.2%)	(579)	(0.6%)
Capital base	**15,958**	**10.8%**	14,554	13.1%	10,973	11.4%
Calculation base	**147,856**		110,799		96,672	
Parent Bank						
Core capital	**9,481**	**8.1%**	8,116	9.0%	5,448	6.9%
Additional capital	**3,933**	**3.4%**	4,053	4.5%	3,669	4.7%
Supplementary capital	**1,230**	**1.1%**	931	1.0%	849	1.1%
Other items (net)	**(100)**	**(0.1%)**	(130)	(0.1%)	(558)	(0.7%)
Capital base	**14,544**	**12.5%**	12,970	14.4%	9,408	12.0%
Calculation base	**116,718**		90,257		78,491	

Specification of the calculation base

	Nominal amount by risk class					**1999**	1998	1997
	0 %	10 %	20 %	50 %	100 %	**Risk-weighted volume**	Risk-weighted volume	Risk-weighted volume
Banking portfolio								
Cash and bank deposits	4,149		7,037			**1,407**	1,618	1,204
Short-term investments in securities	1,935	700	11,549		643	**3,023**	2,960	2,852
Loans	2,361	5	10,437	67,361	95,608	**131,376**	93,480	82,801
Other receivables	349		1,794	930	1,654	**2,478**	1,800	1,448
Fixed assets	239	5	359		2,918	**2,990**	5,083	5,488
Total assets	9,033	710	31,176	68,291	100,823	**141,275**	104,941	93,793
Interest rate and foreign exchange instruments	125		40,303		353	**396**	404	349
Other off-balance sheet items	369		1,545	10	6,940	**5,505**	4,438	3,440
Total off-balance sheet items						**5,901**	4,842	3,789
Total banking portfolio						**147,176**	109,783	97,582
Trading portfolio incl. foreign exchange risk						**3,280**	2,901	1,663
Deductions for								
Loss provisions and subordinated capital in other financial institutions						**2,600**	1,885	2,573
Total calculation base						**147,856**	110,799	96,672

Subordinated loans' contribution to meeting capital requirements in the next 6 years

	1999	2000	2001	2002	2003	2004	2005
Current subordinated loans	5,570	5,570	5,570	5,348	5,387	5,387	5,387
20% reduction	111	148	185	0	171	418	664
Eligible as equity	**5,459**	**5,422**	**5,385**	**5,348**	**5,216**	**4,969**	**4,723**

To illustrate the effect of differing scenarios for repayment of subordinated capital under current loan agreements, two sets of calculations have been prepared. In the first model, which excludes calls, the bank does not exercise its right to call subordinated loans.

The calculation base employed is the one in effect at end-1999, profit from 1999 onwards is nil and there is no change in other equity items not affected by the 20% reductions.

Capital, excluding calls

	1999	2000	2001	2002	2003	2004	2005
Subordinated capital	15,958	15,926	15,893	15,861	15,734	15,491	15,245
Capital ratio	10.8	10.8	10.8	10.7	10.6	10.5	10.3

Applying the assumptions outlined above, but in a scenario in which the bank does exercise its right to call subordinated loans as specified in the loan agreement, the path will be as shown below.

Call is also an option for the bank's perpetual subordinated loans (see Note 26).

Capital, including calls

	1999	2000	2001	2002	2003	2004	2005
Subordinated capital	15,958	15,369	14,804	13,914	12,655	12,654	12,654
Capital ratio	10.8	10.4	10.0	9.4	8.6	8.6	8.6

30 LIQUIDITY RISK / RESIDUAL TIME TO MATURITY

Liquidity risk

In simplified terms, liquidity risk can be defined as the risk of the bank being unable to meet its obligations as they fall due. A key measure in this respect is the bank's net lending/deposit situation which indicates the bank's dependence on the money market. Union Bank of Norway has made little use of its borrowing facilities with Norges Bank. At end-1999 the parent bank's deposit/loan ratio was 71% (1998: 68%, 1997: 69%), which is in line with other major players in the Norwegian market. For the Group the ratio at year-end was 55% (1998: 58%, 1997: 60%).

		Up to 1 month	1- 3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Total
Cash and receivables from central banks etc.	NOK	4,315	0	0	0	0	0	4,315
	For.curr.	169	0	0	0	0	0	169
Loans to and receivables from credit institutions	NOK	1,005	1,102	183	849	72	0	3,211
	For.curr.	483	1,329	513	357	0	0	2,682
Loans to customers (*)	NOK	3,579	4,621	20,430	43,579	83,063	0	155,272
	For.curr.	1,300	1,572	2,176	4,429	3,229	0	12,706
Loss provisions	NOK	0	0	0	0	0	(2,219)	(2,219)
	For.curr.	0	0	0	0	0	(227)	(227)
Bonds, CDs, other interest-bearing securities	NOK	1,511	2,727	3,624	2,351	1,413	0	11,626
	For.curr.	0	0	132	376	204	0	712
Other assets	NOK	513	626	1,652	346	180	3,875	7,192
	For.curr.	78	66	111	0	0	662	917
Total assets	**NOK**	**10,923**	**9,076**	**25,889**	**47,125**	**84,728**	**1,656**	**179,397**
	For.curr.	**2,030**	**2,967**	**2,932**	**5,162**	**3,433**	**435**	**16,959**
Borrowings from credit institutions	NOK	7,350	355	821	21	0	0	8,547
	For.curr.	12,321	13,761	2,819	930	207	0	30,038
Deposits from and debt to customers	NOK	44,115	1,978	42,944	1,714	185	0	90,936
	For.curr.	481	348	946	1	0	0	1,776
Debt created by issuing securities	NOK	2,525	3,638	8,434	6,327	3,625	0	24,549
	For.curr.	0	0	0	16,679	0	0	16,679
Other liabilities	NOK	1,414	1,107	1,051	145	617	2,005	6,339
	For.curr.	336	410	58	0	0	62	866
Subordinated loan capital	NOK	0	0	0	0	300	0	300
	For.curr.	0	0	0	50	5,755	0	5,805
Equity	NOK	0	0	0	0	0	10,030	10,030
	For.curr.	0	0	0	0	0	491	491
Total liabilities and equity	**NOK**	**55,404**	**7,078**	**53,250**	**8,207**	**4,727**	**12,035**	**140,701**
	For.curr.	**13,138**	**14,519**	**3,823**	**17,660**	**5,962**	**553**	**55,655**
Net liquidity exposure on balance sheet items	NOK	(44,481)	1,998	(27,361)	38,918	80,001	(10,379)	38,696
	For.curr.	(11,108)	(11,552)	(891)	(12,498)	(2,529)	(118)	(38,696)
Off-balance sheet financial derivatives	NOK	(11,103)	(6,647)	(10,716)	(8,641)	(1,405)	0	(38,512)
	For.curr.	11,103	6,647	10,716	8,641	1,405	0	38,512
Net total, all items	**NOK**	**(55,584)**	**(4,649)**	**(38,077)**	**30,277**	**78,596**	**(10,379)**	**184**
	For.curr.	**(5)**	**(4,905)**	**9,825**	**(3,857)**	**(1,124)**	**(118)**	**(184)**

(*) Overdraft facilities and construction loans are included in the interval 3 -12 months.

The above table was compiled in accordance with regulations issued by the Ministry of Finance. It does not show the actual liquidity risk incurred by the Group and does not form part of the Group's internal liquidity management.

31 INTEREST RATE RISK / RESIDUAL PERIOD TO INTEREST RATE ADJUSTMENT

Interest rate risk

Interest rate risk arises from the bank's lending and borrowing activities in the Norwegian and international money and capital markets. Interest rate risk results from the fact that fixed-interest periods for the bank's assets and liabilities do not match.

The bank's board of directors has set upper limits for the bank's interest rate risk. These limits apply to trading activities and central interest rate positioning. Exposures are continuously monitored to ensure that the limits are observed. The overall limit for interest rate exposure in NOK and foreign currencies expresses the maximum loss (unrealised) the bank could incur in the event of an unfavourable general interest rate movement of 1%.

The parent bank's maximum limit for interest rate risk is set at NOK 350 (1998: 350, 1997: 300) million. The utilisation at year-end was 42% (1998: 39%, 1997: 22%) and the average for the year was 35% (1998: 25%, 1997: 27%).

		NOK						
		Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Total
Cash and receivables from central banks	NOK	3,683	0	0	0	0	632	4,315
	For.curr.	0	0	0	0	0	169	169
Loans to and receivables from credit institutions	NOK	1,115	1,006	701	317	72	0	3,211
	For.curr.	145	1,329	871	337	0	0	2,682
Loans to customers (*)	NOK	63,431	70,271	8,500	8,692	4,378	0	155,272
	For.curr.	4,929	4,295	3,482	0	0	0	12,706
Loss provisions	NOK	0	0	0	0	0	(2,219)	(2,219)
	For.curr.	0	0	0	0	0	(227)	(227)
Bonds, CDs, other interest-bearing securities	NOK	1,571	3,401	3,836	1,757	1,061	0	11,626
	For.curr.	5	240	138	278	51	0	712
Other assets	NOK	42	84	107	0	0	6,959	7,192
	For.curr.	0	0	0	0	0	917	917
Total assets	**NOK**	**69,842**	**74,762**	**13,144**	**10,766**	**5,511**	**5,372**	**179,397**
	For.curr.	**5,079**	**5,864**	**4,491**	**615**	**51**	**859**	**16,959**
Borrowings from credit institutions	NOK	7,350	323	874	0	0	0	8,547
	For.curr.	12,345	14,746	2,740	0	207	0	30,038
Deposits from customers	NOK	35,831	53,830	748	383	4	140	90,936
	For.curr.	481	1,286	8	1	0	0	1,776
Debt created by issuing securities	NOK	2,541	7,516	8,170	3,596	2,726	0	24,549
	For.curr.	0	16,679	0	0	0	0	16,679
Other liabilities	NOK	168	295	109	50	0	5,717	6,339
	For.curr.	0	0	88	0	0	778	866
Subordinated loan capital	NOK	0	0	0	300	0	0	300
	For.curr.	0	0	740	2,643	2,422	0	5,805
Equity	NOK	0	0	0	0	0	10,030	10,030
	For.curr.	0	0	0	0	0	491	491
Total liabilities and equity	**NOK**	**45,890**	**61,964**	**9,901**	**4,329**	**2,730**	**15,887**	**140,701**
	For.curr.	**12,826**	**32,711**	**3,576**	**2,644**	**2,629**	**1,269**	**55,655**
Net interest rate exposure on balance sheet items	**NOK**	**23,952**	**12,798**	**3,243**	**6,437**	**2,781**	**(10,515)**	**38,696**
	For.curr.	**(7,747)**	**(26,847)**	**915**	**(2,029)**	**(2,578)**	**(410)**	**(38,696)**
Off-balance sheet financial derivatives	NOK	(9,486)	611	(13,333)	(11,786)	(4,533)	0	(38,527)
	For.curr.	11,310	8,781	13,420	2,723	2,497	0	38,731
Net total, all items	**NOK**	**14,466**	**13,409**	**(10,090)**	**(5,349)**	**(1,752)**	**(10,515)**	**169**
	For.curr.	**3,563**	**(18,066)**	**14,335**	**694**	**(81)**	**(410)**	**35**

(*) Overdraft facilities and construction loans are included in the interval 1-3 months.

The above table was been compiled in accordance with regulations issued by the Ministry of Finance. It does not show actual interest rate risk incurred by the Group and does not form part of the Group's internal interest rate risk management.

32 FINANCIAL DERIVATIVES

Financial derivatives are traded in order to cover liquidity and market risk arising from the bank's ordinary activities (hedging portfolio). The bank also employs financial derivatives in own-account trading (trading portfolio).

Forward exchange contracts: Contracts between two parties to exchange foreign currencies on a specified future date at a fixed price.

FRAs: Agreements to hedge an interest rate for a future period for a fixed amount. When the contract expires, only the difference between the agreed interest rate and the market interest rate is exchanged.

Interest rate options: Contracts giving the buyer the right to demand payment of the difference between the interest rate in the money market and the interest rate agreed to by the seller. The difference is calculated on a fixed amount for a specified period.

Currency options: Agreements giving the buyer the right to buy or sell a specific quantity of one foreign currency in exchange for another on a future date at a fixed price.

Interest rate swaps: Contracts in which two parties agree to exchange interest payment obligations on a fixed amount for a specified period.

Note 32, continued

Interest rate futures: Standardised contracts where the counterparties agree to exchange both interest rate obligations and currencies for a fixed amount for a specified period. The contracts are traded on the futures exchange. The value of interest rate futures follows the price trend on underlying interest rate instruments.

Interest rate and currency swaps: Contracts in which the parties exchange both currency and interest payments on a specified amount for a specified period.

Nominal values
The nominal amount for forward exchange contracts is calculated as the sum of currencies (including Norwegian kroner) bought and sold based on the foreign exchange rates in effect on 31 December. The nominal amount for the other derivatives is the sum of the nominal amounts of contracts entered into (contracts in foreign currencies are translated at the exchange rate in effect on 31 December).

PARENT BANK					GROUP			
Nominal		True Value			Nominal		True value	
31.12.1999	Average 1999	31.12.1999	Average 1999	Type of Derivative	31.12.1999	Average 1999	31.12.1999	Average 1999
				Trading portfolio				
930,227	785,166	7	22	Interest rate related	930,170	785,109	7	22
285,741	218,828	180	32	Foreign currency related (*)	287,468	221,909	180	32
1,215,968	1,003,994	187	54	**Total trading portfolio**	1,217,638	1,007,018	187	54
				Hedging portfolio				
33,622	32,002	(81)	61	Interest rate related	34,437	32,718	(81)	67
10,118	10,217	84	170	Foreign currency related (*)	10,402	10,719	84	170
43,740	42,219	3	231	**Total hedging portfolio**	44,839	43,437	3	237

(*)Inclusive of interest rate and currency swaps.

Financial derivatives in the trading portfolio are valued and booked at market value, i.e. the above true values are identical to market values. Market prices from independent sources are used to compute market values. Some market prices are calculated by interpolating and extrapolating available prices.

Financial derivatives that are hedging transactions are valued in accordance with the principle applied to the hedged item. True value (market value) in the banking portfolio has a corresponding countervalue in items in the balance sheet. Isolated gains/losses on financial instruments do not appear in the trading portfolio.

In the case of open positions in forward exchange transactions, interest rate and currency swaps and currency options, the bank runs a risk of changes both in the conversion rate (currency risk) and market interest rates (interest rate risk) between the currencies involved. The bank's trading activity in this area is mainly interest rate related. Positions in the other derivatives entail risk of interest rate changes (interest rate risk).

The bank is exposed to counterparty risk (credit risk) with all types of derivatives except futures. Credit risk is the risk that a counterparty will fail to meet his contractual obligations. The bank sets internal limits to its exposure to counterparties. Monthly reports are prepared on credit risk represented by counterparties. The bulk of Union Bank of Norway's credit risk exposure is in the ordinary loan portfolio. No agreements exist on netting (set-off) of contracts.

33 FOREIGN CURRENCY POSITION AND RISK

Foreign currency - assets and liabilities

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
12,338	11,936	9,160	On-balance sheet foreign currency assets	**16,312**	17,439	12,511
50,837	29,278	28,001	On-balance sheet foreign currency liabilities	**55,363**	34,960	31,943
193,311	110,010	58,278	Forward exchange contracts, purchases	**195,078**	111,318	61,051
154,970	92,863	39,553	Forward exchange contracts, sales	**155,820**	93,833	41,539

Net position by currency at 31. 12. 99:

PARENT BANK						GROUP					
CHF	EUR	JPY	USD	Other		CHF	EUR	JPY	USD	Other
7	67	1	30	63	Cash	7	68	1	30	63
469	1,241	568	7,108	1,320	Loans	1,730	2,158	1,194	6,698	2,312
0	37	0	48	46	Loss provisions	0	37	0	48	46
0	52	0	144	12	Bonds / CDs	0	235	0	465	12
20	294	29	556	489	Other assets	28	323	30	581	508
496	**1,617**	**598**	**7,790**	**1,838**	**Total assets**	**1,765**	**2,747**	**1,225**	**7,726**	**2,849**
970	11,393	309	10,517	4,157	Deposits	1,992	12,154	1,027	10,995	5,352
0	5,073	0	11,627	0	Security debt	0	5,073	0	11,627	0
3	200	56	572	124	Other liabilities	13	258	56	596	125
0	0	1,774	4,061	0	Subordinated loan capital	0	50	1,774	4,061	0
0	0	0	0	0	Equity	0	210	0	0	0
973	**16,666**	**2,139**	**26,777**	**4,281**	**Total liabilities and equity**	**2,005**	**17,745**	**2,857**	**27,279**	**5,477**
(477)	**(15,049)**	**(1,541)**	**(18,987)**	**(2,443)**	**Net total, balance sheet items**	**(240)**	**(14,998)**	**(1,632)**	**(19,553)**	**(2,628)**
2,058	23,273	6,871	154,257	6,852	Forward exchange purchases	2,067	23,277	6,975	155,332	6,858
1,584	8,258	5,363	135,324	4,442	Forward exchange sales	1,835	8,303	5,372	135,804	4,469
(3)	**(34)**	**(33)**	**(54)**	**(33)**	**Net total, all items**	**(8)**	**(24)**	**(29)**	**(25)**	**(239)**

Foreign exchange risk

Foreign exchange risk can be defined as the risk of loss due to changes in currency exchange rates. The bank's board of directors sets limits for the bank's overnight foreign currency position. The limit for the parent bank is NOK 1,500 million. Routines are in place for daily monitoring of the bank's foreign currency exposure. A situation report is presented at each meeting of the Board. Forward exchange contracts (see Note 33) are employed to hedge foreign currency positions on the balance sheet and for trading purposes. At 31.12.99 the net aggregate currency position was NOK 31 (1998: 84, 1997: 106) million. The daily average in 1999 was NOK 185 (1998: 142, 1997: 229) million. The highest foreign currency position was NOK 545 (1998: 611, 1997: 548) million, corresponding to 3.7% (1998: 4.7%, 1997: 5.8%) of the parent bank's capital. The maximum limit set by Norges Bank for Union Bank of Norway's foreign currency position is NOK 4,363 million.

34 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

PARENT BANK					GROUP		
1999	1998	1997			**1999**	1998	1997
19,458	9,499	8,563	Unutilised credit facilities		11,266	8,808	8,352
19,458	**9,499**	**8,563**	**Commitments**		**11,266**	**8,808**	**8,352**
902	606	726	Payment guarantees		902	606	726
2,174	1,937	1,793	Contract guarantees		2,174	1,937	1,793
712	1,296	1,681	Funding guarantee, Eksportfinans		712	1,296	1,681
2,336	2,149	1,282	Other loan guarantees		2,336	2,149	1,282
622	149	91	Guarantees for tax		622	149	91
898	1,022	1,374	Other guarantees for customers		857	941	1,150
7,644	**7,159**	**6,947**	**Guarantee liabilities**		**7,603**	**7,078**	**6,723**
10,981	4,592	3,985	Pledged CDs and bonds	(*)	11,023	4,592	3,985
0	0	0	Pledged assets, book value		110	11	12
18,625	**11,751**	**10,932**	**Contingent liabilities**		**18,736**	**11,681**	**10,720**

(*) Refers to the parent bank's overnight borrowing from Norges Bank, for 1997 also to security (with the Banking, Insurance and Securities Commission as ultimate rights holder) for the parent bank's stockbroking and options trading activities. The securities' nominal value is NOK 10,987 (1998: 4,568, 1997: 3,976) million, and the liabilities for which they provide security total NOK 12,097 (1998: 5,025, 1997: 4,366) million.

Disputes

In 1998 the Supreme Court ruled in favour of the claim of Oslo Næringsselskap's estate in bankruptcy that the bank was liable in damages for the lack of full financing for its construction project. The Supreme Court's ruling was confined to the question of liability, and did not consider the size of the compensation. The estate and the bank disagree on the size of the claim for compensation, and the estate has now brought action against the bank claiming NOK 250 million plus interest. The bank considers a sufficient amount has been set aside to cover its legal liability.

No other disputes in excess of NOK 100 million are pending.

35 UNION BANK OF NORWAY'S 20 LARGEST PCC HOLDERS

(Figures in whole thousands)

	Owner	Number of PCCs		Owner	Number of PCCs
1	State Street Bank	2,127	11	Haslum Industri A/S	410
2	Folketrygdfondet	1,810	12	Hafslund Invest AS	401
3	Chase Manhattan Bank (England)	1,531	13	Den norske Bank ASA	400
4	Brown Brothers Harrisman	1,000	14	Sparebanken Hedmark	355
5	Orkla ASA	991	15	Tonsenhagen Forretningssenter	352
6	Principal Life Insurance	725	16	Morgan Stanley	336
7	Norsk Hydros Pensjonskasse	706	17	Institusjonen Fritt Ord	329
8	Chase Manhattan Bank (USA)	691	18	Oslo Kommunale Pensjonskasse	326
9	Bankers Trust Company	659	19	Sparebanken NOR - ansattes fond	312
10	Boston Safe Deposit & Trust	439	20	Framo Invest A/S	309

The 20 biggest owners altogether hold 14,209,000 primary capital certificates, i.e. 30% of all outstanding PCCs. The number of PCCs held by members of the Group Executive Board, Board of Directors, Committee of Representatives and senior staff of Gjensidige NOR is shown on pp. 70-71.

36 INFORMATION ON RELATED PARTIES

Remuneration paid to the Group Executive Board and the Group President and CEO is shown in Note 6. Values in and results of joint ventures and associated companies are shown in Note 19. Subsidiaries consolidated in the Union Bank of Norway Group are listed in Note 38. Pursuant to the Financial Institutions Act, all intra-Group transactions are subject to ordinary business terms and policies.

Note 36, continued

Intra-group transactions and balances with consolidated subsidiaries

	PARENT BANK		
Profit and loss account	**1999**	1998	1997
Income			
Interest on loans	**69**	54	114
Interest on deposits with credit inst.	**338**	207	93
Interest on bonds and CDs	**103**	32	0
Dividends/group contributions received (*)	**494**	95	176
Other income	**87**	96	98
Total income	**1,091**	484	481
Expenses			
Interest on customer deposits	**22**	11	10
Interest on deposits from credit inst.	**49**	16	20
Rent/share of joint expenses	**250**	243	219
Other expenses		5	25
Total expenses	**321**	275	274
(*) Dividends and Group contributions from:			
Sparebank Kreditt (**)	**73**	4	49
Gjensidige NOR Finans	**146**		
NOR Forsikring Holding	**216**	18	39
Union Bank of Norway Int.	**18**	20	30
Avanse Forvaltning	**18**	29	12
Gjensidige NOR Eiendomsmegling	**19**		4
Karl Johan Fonds		21	14
Hafjell alpinsenter		1	20
Linstow Eiendom			13
Sparebankgårdene			(6)
Miscellaneous	**4**	2	1
Total	**494**	95	176

	PARENT BANK		
Balance sheet	**1999**	1998	1997
Assets			
Loans	**949**	940	2,303
Deposits with credit institutions (*)	**16,929**	4,409	3,359
Bonds and CDs	**332**	1,166	0
Other receivables	**322**	123	262
Total assets	**18,532**	6,638	5,924
Liabilities			
Deposits from customers	**179**	245	266
Deposits form credit institutions	**1,014**	466	239
Other liabilities		19	69
Total liabilities	**1,193**	730	574
Commitments and guarantees	**90**	101	245
Group contributions paid to:			
Sparebankgårdene	**12**		
Vigar	**4**		
Hafjell alpinsenter			39
NOR Eiendomsmegling		17	1
NOR Finans			26
Miscellaneous		2	1
Total	**16**	19	67

(*) Of which NOK 250 (1998: 250, 1997: 250) million was subordinated loan capital.

(**) After the bank closed its accounts for 1998, Sparebank Kreditt revised its accounts for 1998. Instead of making a Group contribution of NOK 4 million to Union Bank of Norway, the company received a Group contribution of NOK 41 million from the parent bank, while Sparebank Kreditt allocated adividend in the amount of NOK 77 million to Union Bank of Norway. These changes have been booked to the bank's equity as at 1 January 1999. See also Note 28.

Gjensidige NOR

Regarding transactions between Union Bank of Norway, Gjensidige Forsikring and Gjensidige NOR Spareforsikring in connection with the formation of Gjensidige NOR, see Note 1. Ordinary vendor's guarantees were given for these transactions.

At end-1999 Gjensidige NOR Spareforsikring held 282,200 PCCs in Union Bank of Norway to a market value of NOK 52 million, and Gjensidige Forsikring held 269,426 PCCs worth NOK 50 million.

As at 31 December 1999 Union Bank of Norway had the following outstanding accounts with Gjensidige Forsikring and Gjensidige NOR Spareforsikring:

	Gjensidige Forsikring	Gjensidige NOR Spareforsikring
Deposits from customers	334	452
Other liabilities	16	3
Total liabilities	**350**	**455**

In 1999 Gjensidige Bank purchased a number of operating and administrative services from Gjensidige Forsikring. The following expenses are accordingly included in Union Bank of Norway's consolidated accounts for 1999:

Administrative services	16
Rent, joint expenses	47
Joint IT services	33
Sale of banking services	10
Group costs	2
Total	**108**

In addition Union Bank of Norway paid its share of Group expenses in Gjensidige NOR in an amount of NOK 13 million. Group overhead expenses are included in the budget for 2000 in an amount of NOK 32 million, which comprises about 54 per cent of aggregate Group overhead expenses.

As part of the work of co-ordinating and improving the efficiency of operating functions in the Gjensidige NOR Group, a set of agreements has been drawn up governing the delivery of operating services between different areas of the Gjensidige NOR Group. The agreements specify which services are to be delivered and the price agreed for 2000.

A list of operating agreements that Union Bank of Norway has entered into with other companies in the Gjensidige NOR Group follows below:

Services rendered	**Purchaser**	**Agreed price**
Purchasing function	Gjensidige Forsikring	9
Purchasing function	Gjensidige NOR Spareforsikring	2
Personnel function	Gjensidige NOR Finans	1
Operation of factoring system	Gjensidige NOR Finans	6

Services purchased	**Seller**	**Agreed price**
Various office operation services	Gjensidige Forsikring	8
Various office operation services	Gjensidige NOR Finans	5
Pay function etc.	Gjensidige NOR Spareforsikring	10
Telephony services	Gjensidige Forsikring	1

37 INVESTMENTS IN SECURITIES

Trading portfolio

		BOOK VALUE			MARKET VALUE			
Investments in:		**1999**	1998	1997	**1999**	1998	1997	Acquisition cost
CDs								
Government and government-guaranteed		**0**	0	75	**0**	0	75	**0**
Other		**0**	63	145	**0**	63	145	**0**
Total CDs		**0**	63	220	**0**	63	220	**0**
Bonds								
Government and government-guaranteed		**36**	522	131	**36**	522	131	**36**
Credit institutions		**77**	261	160	**77**	261	160	**77**
Other Norwegian		**12**	115	91	**12**	116	91	**12**
Subordinated loans		**2**	41	1	**2**	40	1	**2**
Total bonds	Total	**127**	939	383	**127**	939	383	**127**
	Stock exchange listed	**127**			**127**			**127**
Total CDs and bonds		**127**	1,002	603	**127**	1,002	603	**127**
Shares (2)								
Norwegian (short-term)		**21**	61	84	**21**	61	84	**20**
Units in mutual funds		**128**	133	145	**128**	133	145	**98**
Primary capital certificates		**84**	37	16	**84**	37	16	**70**
	Stock exchange listed	**105**			**105**			**90**
	Unlisted	**128**			**128**			**98**
Total shares and units		**233**	231	245	**233**	231	245	**188**
	Stock exchange listed	**232**			**232**			**217**
	Unlisted	**128**			**128**			**98**
Total securities in trading portfolio		**360**	1,233	848	**360**	1,233	848	**315**

Banking portfolio

			BOOK VALUE			MARKET VALUE			
Investments in:	Risk weighting		**1999**	1998	1997	**1999**	1998	1997	Acquisition cost
CDs									
Government and government-guaranteed	0%		**1,239**	1,100	2,840	**1,240**	1,100	2,841	**1,239**
Other	20%		**5,866**	1,828	220	**5,866**	1,828	220	**5,866**
Other	100%		**125**	11	0	**125**	11	0	**125**
Total CDs	7,230		**2,939**	3,060	7,231	**2,939**	3,061	7,230	
Bonds (1)									
Government and government-guaranteed	0%		**485**	1,241	264	**495**	1,241	265	**485**
Credit institutions	20%		**3,262**	2,357	964	**3,215**	2,356	955	**3,262**
Other Norwegian	10%		**389**	20	18	**389**	21	19	**389**
Other Norwegian	100%		**83**	81	45	**82**	81	45	**83**
Foreign	0%		**4**	2	2	**4**	2	2	**4**
Foreign	20%		**0**	192	371	**0**	192	371	**0**
Foreign	100%		**180**	167	175	**196**	169	185	**180**
Subordinated loans	100%		**578**	504	549	**573**	503	550	**578**
Total bonds			**4,981**	4,564	2,388	**4,954**	4,565	2,392	**4,981**
		Stock exchange listed	**5,975**			**5,935**			**5,975**
		Unlisted	**6,236**			**6,250**			**6,236**
Total CDs and bonds			**12,211**	7,503	5,448	**12,185**	7,504	5,453	**12,211**
Shares (2)									
Norwegian (short term)	100%		**1**	0	0	**1**	0	0	**1**
Foreign (short term)	100%		**0**	12	0	**0**	19	0	**0**
Norwegian (long term)	20%		**22**	21	426	**0**			**22**
Norwegian (long term)	100%		**59**	58	50	**0**			**74**
Foreign (long term)	20%		**11**	25	22	**0**			**11**
Foreign(long term)	100%		**6**	2	1	**0**			**6**
Units in mutual funds	100%		**74**	120	120	**85**	134	135	**74**
		Stock exchange listed	**1**						**1**
		Unlisted	**172**						**187**
Total shares and units			**173**	238	619				**188**
Associated companies	20%		**442**	405	377				
	100%		**281**	682	70				
Total associated companies				723	1,087	**447**			
Group companies (3)	100%		**187**	150	131				
		Stock exchange listed	**5,976**						
		Unlisted	**7,318**						
Total securities in banking portfolio			**13,294**	8,978	6,645				

Securities are specified by important currencies in Note 33.
(1) Secured bonds in the portfolio have a book value NOK 40 million higher than market value.
(2) See Note 38 for list of individual shares.
(3) Refers to NOR Forsikrings Holding AS / NOR Forsikring AS, which has been consolidated according to the equity method.

38 SHAREHOLDINGS

Amounts in NOK 1,000		Company's capital	No. of shares	Owner-ship (%)	Nominal value	Book-value	Market-value
SHARES ETC., HELD BY PARENT BANK AS CURRENT ASSETS							
Vestfold Sparebank	(1)	50,000	1,000	0.2	100	100	161
Sparebanken Rana	(1)	50,935	29,700	5.8	2,970	4,303	4,901
Sparebanken Møre	(1)	552,615	125,938	2.3	12,594	18,162	24,558
Sandnes Sparebank	(1)	260,000	68,450	2.6	6,845	9,917	10,336
Sparebanken Pluss	(1)	125,000	99,700	8.0	9,970	14,899	17,946
Sparebanken Rogaland	(1)	744,000	33,500	0.5	3,350	7,059	8,375
Sparebanken Vest	(1)	250,000	100	0.0	10	12	20
Sparebanken Midt-Norge	(1)	600,000	54,400	0.9	5,440	10,901	12,403
Sparebanken Nord-Norge	(1)	649,249	30,000	0.5	3,000	4,776	5,160
Avanse Global Obligasjon		375,000		37,500	37,500	36,956	
Avanse Globale Vekstmarkeder		375,000		37,500	37,500	60,446	
Avanse USA		225,000		22,500	22,500	30,058	
Avanse Lange Obligasjoner		5,136		51,359	50,000	50,913	
Bolig- og Næringsbanken ASA		487,710	52,000	0.5	2,600	10,150	9,620
Misc. shares held as current assets						10,862	12,732
Price adjustment, trading portfoilio						44,597	
Total shares etc., held by parent bank as current assets						**283,238**	**284,585**
SHARES HELD BY REST OF GROUP AS CURRENT ASSETS							
Avanse Europa			80,000		8,000	8,000	10,080
Avanse Globale Vekstmarkeder			80,000		8,000	8,000	12,895
Avanse USA			80,000		8,000	8,000	10,687
Misc. shares held as current assets						216	216
Total shares held by rest of Group as current assets						**24,216**	**33,878**
Total shares held by Union Bank of Norway Group as current assets						**307,454**	**318,463**
							Share of Equity
SHARES HELD BY PARENT BANK AS FIXED ASSETS							
Shares/units in subsidiaries							
Sparebankenes Kredittselskap A/S		708,000	7,080,000	100.0	708,000	835,552	1,083,010
NOR Forsikrings Holding A/S		195,750	156,255	79.8	156,255	169,987	187,612
Sparebankgårdene A/S		204,920	204,920	100.0	204,920	213,914	450,976
Avanse Forvaltning as		3,265	2,144,791	65.7	2,145	231,937	47,582
Gjensidige NOR Eiendomsmegling Holding A/S		39,100	1,955	100.0	39,100	44,200	47,413
Gjensidige NOR Finans a.s		995,011	995,011	100.0	995,011	1,297,884	1,373,139
Hafjell Alpinsenter AS		26,330	2,633	100.0	26,330	12,400	59,519
Gran Eiendom A/S		3,900	3,900	100.0	3,900	3,900	6,215
Greåker Industripark A/S		3,000	3,000	100.0	3,000	3,000	7,817
Vigar A/S		1,015	10,150	100.0	1,015	45,330	24,184
Kjøpekonto AS		50	50	100.0	50	46	46
Norgeskortet AS		50	50	100.0	50	44	44
Telerent AS		50	500	100.0	50	32	32
UBN Reinsurance S.A., Luxembourg	NOK('000)	11,000	11,000	100.0	11,000	11,000	27,716
Finax Finansservice AS, Danmark	DKK('000)	48,500	48,500	100.0	48,500	414,434	280,228
Union Bank of Norway Int. S.A., Luxembourg	LUF('000)	700,000	70,000	100.0	700,000	137,381	210,817
Total shares/units in subsidiaries						3,421,041	3,806,350
SHARES IN ASSOCIATED COMPANIES/JOINT VENTURES							
Eksportfinans ASA		1,354,500	25,800	20.0	270,900	253,842	441,936
Fellesdata AS		60,000	495,000	33.0	19,800	21,530	79,423
Gjensidige NOR Kapitalforvaltning ASA		50,000	25,000	50.0	25,000	122,500	24,394
Gjensidige NOR Kontordrift AS		1,000	500	50.0	500	502	502
Total shares in associated companies and joint ventures						**398,374**	**546,255**

(1) Primary capital certificates

Profits for the most important subsidiaries are shown in Note 10.
Registered offices are shown on p. 72.

Note 38, continued

Amounts in NOK 1,000		Company's capital	No. of shares	Owner-ship (%)	Nominal value	Book value	Share of equity
OTHER SHARES ETC., HELD AS FIXED ASSETS							
Sikon Øst ASA		50,013	52,500	10.5	5,250	10,475	
Four Seasons Venture A/S	(*)	256	62,000	24.2	62	62	
Four Seasons Venture II A/S		186,720	1,500	0.8	1,500	1,560	
AS Globusgården	(*)	1,300	624	48.0	624	624	
AS Sparebankmateriell - Spama	(*)	3,156	7,674	24.3	767	747	
BBS/Bank-Axept Holding AS		165,000	1,169,032	17.7	29,226	29,226	
Buskerud Telemark Vestfold Investeringsfond AS		49,004	25,883	5.3	2,588	2,588	
Norsk Oppgjørssentral ASA - NOS		15,653	2,365,100	15.1	2,365	21,286	
Trumf Holding AS	(*)	1,334	3,334	25.0	333	335	
Visa Norge A/S	(*)	8,000	1,600	20.0	1,600	397	
Norsk Tillitsmann AS		10,500	11,974	11.4	1,197	1,197	
Grenland Investeringsfond AS		47,000	1,000	2.1	1,000	1,000	
Viking Ship Finance Ltd.	CHF('000)	30,000	9,000	9.0	2,700	11,185	
Misc. shares held as fixed assets						12,615	
Total misc. shares held as fixed assets						**93,297**	
Total shares/units held as fixed assets by the parent bank						**3, 912,712**	
SHARES HELD BY REST OF GROUP AS FIXED ASSETS							
Shares in subsidiaries							
Sparebankenes Kredittselskap A/S							
SK eiendom A/S		50	50	100.0	50	50	44
Karihaugen eiendom A/S		1,000	1,000	100.0	1,000	1,293	1,293
Gjensidige NOR Eiendomsmegling Holding A/S							
Gjensidige NOR Eiendomsmegling Oslo Akershus A/S		11,000	11,000	100.0	11,000	13,000	13,076
Gjensidige NOR Eiendomsmegling Follo A/S		250	2,500	100.0	250	4,758	1,102
Gjensidige NOR Eiendomsmegling Vestfold A/S		950	950	100.0	950	2,060	5,381
Gjensidige NOR Eiendomsmegling Oppland Hedmark A/S		2,000	2,000	100.0	2,000	2,224	2,461
Gjensidige NOR Eiendomsmegling Østfold A/S		2,000	2,000	100.0	2,000	2,200	2,429
Gjensidige NOR Eiendomsmegling Buskerud A/S		4,000	4,000	100.0	4,000	9,868	5,594
Gjensidige NOR Eiendomsmegling Bergen A/S		2,200	2,200	100.0	2,200	3,220	2,784
Gjensidige NOR Eiendomsmegling Telemark A/S		2,000	2,000	100.0	2,000	2,000	1,961
Total shares in subsidiaries						**40,673**	**36,125**
SHARES IN JOINT VENTURES							
Karl Johan Fonds ASA		40,200	201,000	50.0	20,100	61,100	84,325
Sandnes Eiendom AS		1,960	980	50.0	980	3,035	1,308
Total shares in joint ventures						**64,135**	**85,633**
OTHER SHARES HELD AS FIXED ASSETS							
A/S Bøndenes Hus	(*)	350	1,691	48.3	169	456	
Kirkegt. 74 A/S	(*)	500	250	50.0	250	250	
Misc. shares held as fixed assets						3,966	
Total shares held as fixed assets by rest of Group						**4,672**	

(*) Company not included by equity method since profit/loss elements immaterial for Union Bank of Norway Group.

The following companies are new to the Group: Gjensidige NOR Finans AS (merger between NOR Finans a.s. and Gjensidige Bank Finans AS), Finax Finansservice AS, Kjøpekonto AS, Gjensidige NOR Kontordrift AS and Sandnes Eiendom AS.

Mergers: NOR Eiendomsmegling Ringerike A/S merged with Gjensidige NOR Eiendomsmegling Buskerud A/S; NOR Eiendomsmegling Rogaland A/S merged with Sandnes Eiendom AS.
The following companies were sold off: Linstow ASA, NOR forsikring AS.

Changes in holdings of long-term financial assets

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
101	493	122	Value in balance sheet at 1 January	**106**	499	127
(7)	(482)	462	Acquisitions (disposals)	**(8)**	(483)	463
1	3	93	Write-downs in accounting year	**0**	3	93
0	93	2	Reversals of previous years' write-downs	**0**	93	2
93	101	493	**Value in balance sheet at 31 December**	**98**	106	499

Cash flow statement

in NOK million

PARENT BANK				GROUP		
1999	1998	1997		**1999**	1998	1997
10,976	7,746	5,866	Interest receipts	**13,853**	8,780	6,909
6,927	5,104	3,292	Interest payments	**8,099**	5,863	4,165
1,178	1,243	1,333	Other receipts	**1,642**	1,580	2,081
2,703	2,388	2,644	Operating expenses	**3,572**	2,810	3,312
100	82	65	Recovered on losses previously written off	**151**	90	72
401	301	276	Tax paid	**741**	357	380
2,223	1,278	1,052	**Net cash flow from operations**	**3,234**	1,420	1,205
(27,178)	(8,196)	(15,044)	(Increase) lending	**(45,194)**	(11,952)	(17,492)
(656)	(118)	(263)	Decrease (increase) in other receivables	**(1,038)**	12	(404)
(3,231)	(3,685)	2,182	(Increase) in short-term securities	**(3,752)**	(2,506)	2,728
(9,083)	(2,371)	(3,182)	Decrease (increase) in deposits with and loans to credit institutions	**3,407**	(2,126)	(1,835)
(40,148)	(14,370)	(16,307)	**Net cash flow from current financial activities**	**(46,577)**	(16,572)	(17,003)
(189)	(394)	(398)	(Increase) in tangible assets	**(334)**	(548)	(785)
(4,436)	(151)	(492)	(Increase) in other fixed assets	**(501)**	(525)	(433)
3,310	1,098	120	Disposal of fixed assets	**1,342**	3,126	339
(1,315)	553	(770)	**Net cash flow from investments**	**507**	2,053	(879)
22,002	3,965	137	Increase in customer deposits	**22,198**	4,030	260
695	267	421	Increase in subordinated loan capital	**690**	227	419
45	2,024	35	Increase in equity	**(2)**	2,029	35
10,283	3,232	8,732	Increase in loans and deposits from credit institutions	**9,548**	4,589	9,505
9,058	3,447	7,070	Increase in other liabilities	**13,248**	2,620	6,828
42,083	12,935	16,395	**Net cash flow from long-term financing activities**	**45,682**	13,495	17,047
2,843	396	370	**Net changes in liquid assets**	**2,846**	396	370
1,638	1,242	872	Liquid assets at 1 January	**1,638**	1,242	872
4,481	1,638	1,242	Liquid assets at 31 December	**4,484**	1,638	1,242

Auditor's report for 1999

TO THE GROUP COMMITTEE OF REPRESENTATIVES OF UNION BANK OF NORWAY

We have audited the annual financial statements of Union Bank of Norway as of 31 December 1999, showing a profit of NOK 1,896 mill. for the parent bank and a profit NOK 1,784 mill. for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Group Executive Board, the Board of Directors and the Group President and CEO. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and Norwegian good auditing practice. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the bank's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the bank and of the group as of 31 December 1999, and the results of its operations and its cash flows for the year then ended, in accordance with Norwegian good accounting practice
- the bank's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with Norwegian law and good accounting practice
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, 9 March 2000
PricewaterhouseCoopers DA

Einar Westby
State Authorised Public Accountant
(Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

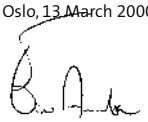
Statement by the control committee

TO THE GROUP COMMITTEE OF REPRESENTATIVES OF UNION BANK OF NORWAY

The Group Control Committee has carried out the commissions required by Section 13 of the Norwegian Savings Banks Act. The Group Control Committee has examined the financial statements and the auditors' report and recommends that the presented profit and loss account and the balance sheet are adopted as the 1999 financial statement of Union Bank of Norway.

Oslo, 13 March 2000


Arne Meltvedt


Einar Amundsen


Jan Torgersen

Key figures, Union Bank of Norway Group

in NOK million (unless otherwise specified)

			1999	1998	1997	1996*	1995*
Profit and loss account							
Net interest income			**4,603**	2,909	2,512	2,441	2,668
Capital gains			**221**	178	166	176	215
Other operating income			**1,492**	1,387	1,642	1,326	1,045
Operating income			**6,316**	4,474	4,320	3,943	3,928
Operating expenses			**4,041**	2,961	2,982	2,812	2,503
Operating profit before losses			**2,275**	1,513	1,338	1,131	1,425
Loan losses (gains)			**201**	128	(46)	(40)	51
Losses (gains) on long-term financial assets			**(386)**	(255)	92	(2)	(32)
Operating profit before taxes			**2,460**	1,640	1,292	1,173	1,406
Net profit			**1,784**	1,185	916	851	1,071
Balance sheet							
Loans, retail market			**81,712**	59,137	53,823	46,641	42,757
Loans, corporate market			**86,266**	63,348	57,125	47,089	40,044
Specific loan loss provisions			**1,131**	797	1,087	1,340	1,722
Unspecified loan loss provisions			**1,314**	931	870	867	888
Customer deposits			**92,712**	70,514	66,484	66,224	61,174
Total assets at 31 December			**196,356**	147,500	132,484	114,569	101,521
Average total assets	(ATA)		**177,000**	140,200	123,600	107,900	97,900
Total assets under management			**278,521**	172,405	156,927	134,543	122,380
Primary capital certificate capital			**4,689**	4,689	2,605	2,570	2,463
Savings bank's reserve			**2,592**	2,096	1,771	1,499	1,270
Dividend adjustment reserve			**2,220**	1,430	1,228	951	739
Group's equity in subsidiaries			**1,020**	1,178	1,128	1,105	1,090
Total equity			**10,521**	9,393	6,732	6,125	5,562
Operations and profitability							
Interest income	(in % of ATA)		**7.8%**	6.6%	5.6%	6.6%	7.4%
Interest expenses	(in % of ATA)		**5.2%**	4.5%	3.6%	4.3%	4.6%
Interest margin	(in % of ATA)		**2.6%**	2.1%	2.0%	2.3%	2.7%
Operating income	(in % of ATA)		**3.6%**	3.2%	3.5%	3.7%	4.0%
Operating income (excl. capital gains) - change from previous year			**41.9%**	3.4%	10.3%	1.5%	(5.1%)
Cost ratio	(in % of ATA)		**2.3%**	2.1%	2.4%	2.6%	2.6%
Costs per NOK earned		1	**0.64**	0.66	0.69	0.71	0.64
Costs per NOK earned excl. capital gains			**0.66**	0.69	0.72	0.75	0.67
Operating profit before losses and write-downs	(in % of ATA)		**1.3%**	1.1%	1.1%	1.1%	1.5%
Return on total assets	(operating profit after taxes in % of ATA)		**1.0%**	0.8%	0.7%	0.8%	1.1%
Return on equity		2	**17.3%**	15.4%	13.7%	13.8%	19.9%
Key figures, primary capital certificates							
Market price at 31 December (in NOK) - actual			**185**	147.50	260	200	163.50
Market price at 31 December (in NOK) - adjusted		‡	**185**	147.50	211	162	132
Book equity per PCC (in NOK, incl. allocation of dividend)		‡	**177**	161	155	148	143
Price/book value		1,04	**0.92**	1.36	1.10	0.93	
Effective yield per PCC		3	**33%**	(18%)	38%	31%	34%
PCC ownership percentage		4	**72.7%**	74.5%	68.4%	70.1%	71.6%
Earnings per PCC (in NOK)		5,‡	**28.34**	28.07	20.11	19.39	25.99
Diluted yield per PCC		6,‡	**28.34**	28.07	20.06	19.25	25.18
Dividend per PCC (in NOK) - actual			**14.00**	11.50	15.00	15.00	15.00
Dividend per PCC (in NOK) - adjusted		‡	**14.00**	11.50	12.15	12.15	12.15
Direct yield (allocated dividend in % of market price at year-end)			**7.6%**	7.8%	5.8%	7.5%	9.2%
Allocated dividend in per cent of PCC holders' share of profit			**49%**	63%	60%	63%	48%
Pay-out ratio (gross)		7	**37%**	46%	42%	45%	34%
RISK amount (in NOK) at 1 January in subsequent year			**Ca. 18.70**	12.29	20.84	21.98	4.39
Balance sheet							
Growth in lending			**37.1%**	10.8%	18.9%	14.0%	9.6%
Growth in deposits			**31.5%**	6.1%	0.4%	8.3%	5.5%
Deposit/loan ratio		8	**55%**	58%	60%	71%	74%
Growth in total assets			**33.1%**	11.3%	15.6%	12.9%	6.9%
Defaults, provisions and loan losses							
Defaults, gross			**1.1%**	0.9%	1.6%	2.1%	3.0%
Defaults, net			**0.6%**	0.4%	0.8%	1.0%	1.4%
Provision ratio on defaulted loans			**50%**	55%	52%	55%	54%
Unspecified loan loss provisions in per cent of gross lending			**0.8%**	0.8%	0.8%	0.9%	1.1%
Losses on loans and guarantees in per cent of gross lending			**0.1%**	0.1%	(0.04%)	(0.04%)	0.1%
Capital adequacy							
Capital base (eligible)			**15,958**	14,554	10,973	10,775	9,615
Calculation base			**147,856**	110,799	96,672	81,856	72,480
Capital ratio			**10.8%**	13.1%	11.4%	13.2%	13.3%
Of which Core (Tier 1) capital			**7.2%**	8.5%	6.9%	7.5%	7.9%
Full-time positions at 31 December			**4,078**	3,328	3,304	3,349	3,325

For definitions, see bottom of next page.

Analysis of key figures

NET INTEREST INCOME
Net interest income is positively affected by higher lending and deposit volumes and more efficient utilisation of the balance sheet, and negatively by a lower deposit/loan ratio.

Net interest income came to NOK 4,603 million in 1999, or 2.6 per cent of average total assets. This compares with 1998 figures of NOK 2,909 million and 2.1 per cent. When adjusted for Gjensidige Bank, net interest income rose by NOK 800 million. Higher lending and deposit volumes and increased equity improved net interest income, while a somewhat lower deposit/loan ratio had a contrary effect.

The bank's average customer spread (i.e. the difference between average-customer borrowing and deposit rates) was maintained at the same level as in 1998, i.e. 3 per cent. The customer spread at end-1999 was 2.9 per cent.

In 1999 the bank's outstanding loan volume rose 9.9 per cent, while customer deposits rose 13.7 per cent. Due to a lower deposit/loan ratio (approx. 40 per cent) in Gjensidige Bank, the share of loans funded by deposits fell from 58 per cent to 55 per cent. This means that a larger share of operations now has to be financed from relatively more expensive funding sources.

OTHER INCOME
As in 1998 other income showed a substantial increase - 10 per cent in 1999 - the main contributors being payments services and real estate brokering. The business taken over from Gjensidige Bank are however highly interest rate oriented and include a relatively small share of other income. Moreover, income earned by Karl Johan Fonds (NOK 136 million in 1998) is no longer included in other income since this company is now only 50 per cent owned by Union Bank of Norway. As a result other income measures 27 per cent of total income in 1999 compared with 35 per cent in 1998.

EXPENSES
When adjusted for changes in the Group's composition, expenses showed an increase of NOK 218 million, or 7.6 per cent, in 1999. Expenses measured 2.3 per cent of average total assets compared with 2.1 per cent in 1998. The most significant contributor to this development is wage growth.

Expenses measured 64 per cent of earnings in 1999 compared with 66 per cent the previous year. In other words, for each krone earned as net interest income and other operating income, 64 øre went to expenses. This left 36 øre to cover losses, taxes and return on equity.

LOSSES
In 1999 the bank recorded a net loss of 0.1 per cent of its gross lending volume. Over the past five years losses have averaged less than 0.1 per cent of gross loans.

EARNINGS FOR PCC HOLDERS
Union Bank of Norway's PCC holders achieved a sound return on investment in 1999. A price increase from NOK 147.50 to NOK 185, and a cash dividend of NOK 11.50, entail a yield of 33 per cent.

Direct yield (cash dividend allocated of NOK 14 per PCC, as a ratio of the market price of NOK 185 per PCC) is 7.6 per cent, which is competitive in relation to our biggest commercial bank competitors.

The bank's profit per PCC, based on PCC holders' owner share in the bank (74.5 per cent) was NOK 28.34. This entails a price/earnings ratio of 6.5.

Owing to the disbursement of cash dividend of NOK 14 per PCC for 1999, PCC holders' owner share in the bank fell from 74.5 per cent in 1999 to 72.7 per cent at the start of 2000.

Definitions
1 Ratio of operating expenses to operating income.
2 After-tax operating profit in per cent of average equity (incl. minority interests).
3 Dividend paid plus change in market price from 1 Jan. to 31 Dec., in per cent of market price on 1 Jan.
4 PCC holders' share of total equity at year-end.
5 PCC holders' share of after-tax operating profit divided by average number of PCCs entitled to dividend.
6 As (5) but where the numerator is adjusted for the reduced interest expense (after tax) and the denominator is adjusted for growth in PCC capital as a result of full subordinated loan conversion.
7 Dividend in per cent of after-tax operating profit.
8 Customer deposits in per cent of gross loans to customers at 31 December.
* Figures not adjusted to reflect changes in accounting legislation effective as from 1999.
‡ For purposes of comparison, previous years' figures are adjusted by a factor of 0.8103 due to the issue of PCCs at par (below market value) in October 1998.

Versatile technology

Union Bank of Norway's core technology is geared to recycling, utilisation across various channels and effective resource use. The proof came in December 1999 when it took the bank very little time to convert its entire Internet bank to WAP functionality. The service is ready and waiting and can go live as soon as a market for it comes into being.

Union Bank of Norway's technology platform comprises a number of basis systems and various channels residing on these systems. About five years ago an important policy choice was made as regards the bank's IT architecture. One option was to leave the basic core systems as they were and concentrate on developing the various channels, i.e. branch network, telephone, cash dispensers (ATM) and the Internet. The other was to expand the core systems so that the bulk of development took place independently of the overlying channels. The latter option was implemented and looks to have been a correct choice.

Union Bank of Norway's IT core comprises three tiers. First, the traditional banking systems, which are indispensable. Second and third, a data warehouse and a so-called middle-ware tier. This IT core architecture enables the development of solutions which function independently of the use to which the systems are to be put. The same information, security routine and technology can therefore be used in all channels. This is one of the strengths of Union Bank of Norway's approach. The security routine for telegiro is a pertinent example. This solution is also used for the online bank, funds and share trading and will be used in the forthcoming WAP facility.

Advanced data warehouse

Union Bank of Norway has long experience in data warehousing, a unique national and international customer database, and is two to three years ahead of its competitors in this field. The database is used for reporting and analysis purposes, for dialogue marketing and management information systems. Ethical issues set limits for the bank today, not technology. Shortly before Christmas 1999 Gjensidige NOR was authorised to open a Group-wide data warehouse. Union Bank of Norway's experience enables the Group to exploit the voluminous information stored in a database covering more than two million customers. This database contains a substantial potential for relationship building and additional sales. The Group is very well positioned to operate within the framework set by the licence since the technology, tools and competence are already in place.

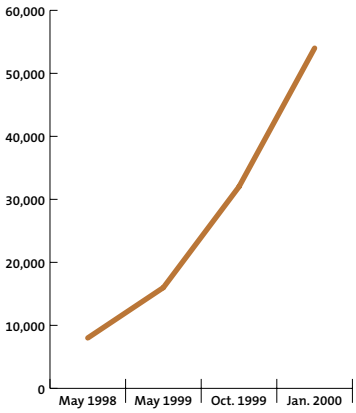
Using technology to build customer loyalty

Union Bank of Norway's Internet effort will focus mainly on its own customers. A large conglomerate such as Gjensidige NOR is likely to enjoy a high level of customer loyalty because of the simplicity of dealing with one single institution. It has been asserted that customer loyalty cannot be achieved through automation of services. However, Union Bank of Norway regards technology as one of several avenues for building customer relationships. Many customers communicate with the bank exclusively via the Internet. The relationships are there the whole time; they are merely moved from the bank branch into the customer's computer.

Branch network

The branch network is where our core business is conducted. All technological innovations are designed to promote efficient and rational work practices, and hence improved customer handling.

Online customers



There is a potential here for substantial savings. A best-price project recently completed in the branch network documents potential savings worth millions of kroner due to optimised internal administrative procedures. Union Bank of Norway has excellent, probably Norway's best, routines. More than 250 product agreements can be generated while the customer is present at the branch, through just a few clicks. Previously branches had to update a multitude of forms. Now it is administrative routines and procedures that are updated. At a meeting with the customer, information can be fed into the system, documents and agreements can be generated and advice on recommended products to the individual customer can be shown on screen. As a result there are fewer sources of error and the advice given is better. NORetail is the system used by Union Bank of Norway's branches to handle money transactions. It is a paperless system enabling the customer to sign electronically. It is also a queuing system and an important tool for staff planning at branches.

Telephone system
The telephone is many customers' doorway to the regional bank, being used both for automated payments and for direct customer contact with the customer service centre. In future the telephone may become relatively less important than other channels such as the Internet. We see clear evidence of this in our direct banking service which in the next two to three years will switch from offering banking by phone to being an Internet bank that also offers telephone services.

Automated bank branches
Union Bank of Norway envisages a small number of automated bank branches in the future such as the one at Grensen in Oslo. The great majority of Union Bank's cash dispensers will be for cash withdrawals, but new technology will change the way customers use cash dispensers.

Competitive Internet solutions without major investment
The experience gained in constructing an integrated technology platform for the branch network was turned to account in the Internet effort which started in 1996. Today Union Bank of Norway and its subsidiaries figure on the Internet with the same design, security and technological platform - all designed to simplify communication with the customer. Advertising and sales information are integrated in the solutions. This has been achieved at a relatively modest investment outlay. The money spent on developing operations at the Web Farm has produced results. Internet services are located in an online environment with an uptime approaching 100 per cent, and all online bank transactions are carried out in real time.

The Union Bank's Internet effort is a supplement to the regional bank and regional customer services. It is designed to support the activities of the branch network and the regions. Hence it is the regional bank's Internet service that the customer meets at www.nor.no. The Internet is intended to shift branch activity away from OTC to advisory services. The Internet is part of the bank, not a separate unit. The Internet effort could certainly have been organised differently, but in our view the competence needed in a pure Internet environment was precisely the same as the competence already present in the product, marketing and IT departments. Adopting a cross-departmental approach to Internet solutions enables us to achieve sound solutions with modest use of resources. Since the various departments work in an integrated manner in various channels they are able to apply an overall recycling approach across the branch network, the telephony systems and the online bank. The Direct Banking Division will spearhead new technological solutions in

REGION BUSKERUD

Buskerud County has a population of 235,000. It features varied farming and forestry, substantial manufacturing activity and, especially in the Hallingdal valley, travel and tourism.

The regional bank is highly automated, and posted a large increase in the number of online banking customers in the second half of 1999. While the bank's main customer base is in the retail market, it is also highly active in the corporate market.

Pilot region
Region Buskerud is one of Gjensidige NOR's pilot regions. The co-location process is well under way. The largest entities, situated in Drammen, will co-locate in April 2000.

Competition in the county is intense. The regional bank has a market share of around 25 per cent. The aim is to maintain this share.

Counselling and cross-selling
The regional bank will continue its focus on counselling in the savings and investment segments. It has high expectations of co-location with insurance and of cross-sales. Special attention will be given to service quality and cost effectiveness in 2000.

No. of bank branches	**26**
No. of customers	**95,960**
Deposits as at 31.12	**NOK 7,754 mill.**
Outstanding loans as at 31.12	**NOK 10,258 mill.**
Pre-tax return on equity	**24 per cent**

the Group. This will enable solutions to be tested in an environment where the customer has few barriers to a new technology before being implemented in the bank as a whole.

At year-end Union Bank of Norway had 54,000 online customers. We regard all retail customers with a basic personal account as potential online customers. 290,000 customers have a telegiro agreement with Union Bank of Norway; these customers are already automated and have access to and are familiar with the security routine. We also have 130,000 corporate customers with a business account whom we similarly regard as potential online customers. In the course of the coming year we expect Union Bank of Norway to have between 100,000 and 150,000 online customers. In the course of a three-year period we expect 30 per cent of the customer base (250,000 customers) to be utilising Union Bank of Norway's Internet facilities.

The main activities in the period just ahead will focus on further development of the online bank, share trading and mutual funds trading. We also plan to further develop Web services for commerce and industry, introduce online loan applications and pre-approvals, open the way for formal online contracts, switch from snail-mail to e-mail and open a mobile online bank (WAP).

In the course of the year Gjensidige NOR will offer personalised Internet services. We envisage an internal portal showing the customer's total engagement with Gjensidige NOR on a customised opening page which comes up when the customer keys in his account number and code. A single click will bring up an account overview, new bills, bills to be paid automatically on the due date, insurance information and movements on mutual fund and share portfolios.

A mobile online banking facility will go live as soon as a market comes into being. The launch will take place in the course of 2000. The services will in the first instance comprise bill payment, transfers, account statements and account overviews. A new programme for mutual funds trading via the Internet is being developed in conjunction with Avanse, and an online interface with Avanse's systems is in the pipeline. eFaktura (electronic invoicing) is a project where Union Bank of Norway, among other banks and BBS, is at the cutting edge of new technology: In the course of the year invoice issuers will be able to send invoices direct to the payer's Internet bank. The invoice will appear on the recipient's screen when he accesses the bank online. Customers will be able to choose how they wish to be alerted of incoming bills, e.g. by e-mail or by text message to their mobile phone. Once the service is fully integrated with WAP technology the customer will be alerted via his mobile phone, and he will be able to choose whether to pay the bill immediately, have it paid automatically on the due date, or not to pay it. The technology will meld into a user-friendly interface offering a combination of physical invoices, online banking and WAP technology.

REGION VESTFOLD

Vestfold has about 250,000 inhabitants. The county has a favourable climate and attractive residential areas and is experiencing a substantial net population inflow. It features a varied and solid economy with a high capacity for restructuring. Important IT environments are emerging. Summer tourism and trade are also important.

Collaboration makes for synergies

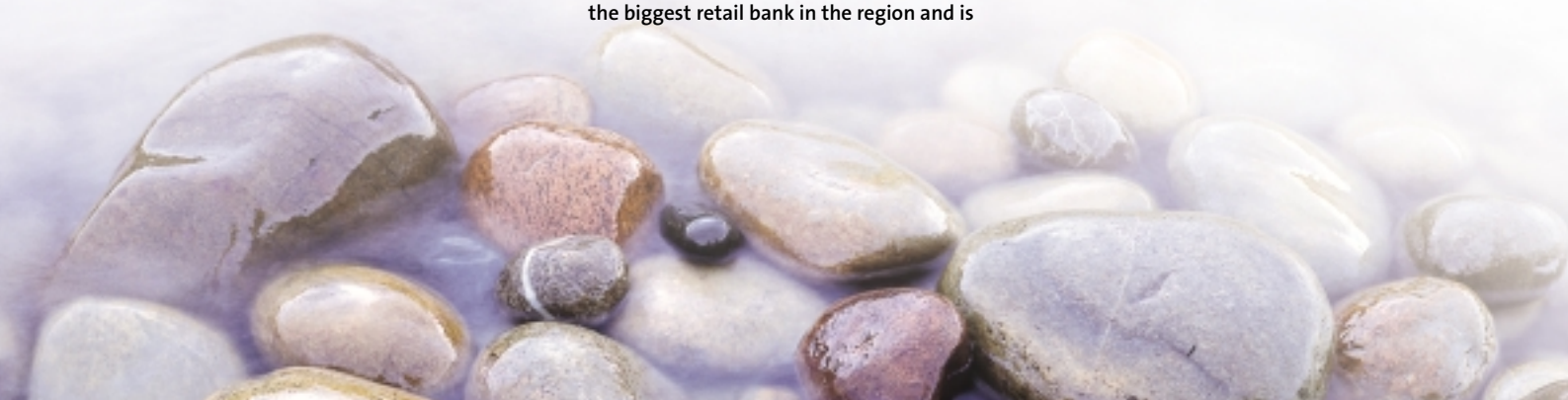
The branch network provides good coverage across the county and focuses on personal contact and counselling services. Vestfold is an economically strong county and the bank is a solid player in the savings market. The bank has invested heavily in a partnership with Gjensidige NOR Eiendom and has high expectations of its collaboration with the group's insurance arm.

Vestfold is one of Gjensidige NOR's four pilot regions. The new organisation took effect on 1 January 2000, and co-location will reach completion in the spring of 2000.

Exploiting cross-sales

Union Bank of Norway is unquestionably the biggest retail bank in the region and is on a par with its competitors in terms of market share in industry and commerce. The regionbank intends to exploit the major potentials offered by cross-sales and to focus on preserving the regionbank's strong economy and profitability.

No. of branches	24
No. of customers	120,519
Deposits as at 31.12	NOK 8,131 mill.
Outstanding loans as at 31.12	NOK 14,177 mill.
Return on equity before tax	29 per cent



Equity and ownership

Capital strength

At year-end Union Bank of Norway's tier 1 capital adequacy measured 7,2% (1998: 8.5%). This was after a 1.7 percentage point reduction resulting from the acquisition of Gjensidige Bank in the second quarter. Despite sound earnings in recent years the bank's capital adequacy ratio has not risen owing to strong lending growth, averaging 12%. While lending growth slowed in the first half of 1999, falling interest rates and rising house prices in the autumn caused it to pick up slightly to reach 9,9% at year-end. Prospects for lending growth at the start of 2000 are moderate, and tier 1 capital adequacy for the full year is expected to be just over 7%, as in 1999.

The bank's high tier 1 capital ratio of 8.5% in 1998 was due to an increase of capital worth NOK 2,084 million in October 1998 as a step in the acquisition of Gjensidige Bank. Primary certificate capital (NOK 4,689 million at year-end) showed no change in 1999. Should a need for tier 1 capital from external sources arise in 2000, Hybrid tier 1 will be given priority for this purpose. The Ministry of Finance has in principal approved the use of Hybrid tier 1 capital instruments.

In 1999 Union Bank of Norway raised a perpetual subordinated loan of JPY 10 billion (about NOK 650 billion). In the second quarter the bank redeemed a subordinated loan worth JPY 4.5 billion (about NOK 293 million), and other perpetual loans were repaid in a total amount of NOK 468 million. The bank took over a time-limited subordinated loan of NOK 300 million from Gjensidige Bank. Supplementary capital rose from NOK 5.3 billion to NOK 6.0 billion overall in 1999.

Credit assessment of Union Bank of Norway

Union Bank of Norway is rated by three rating companies: Moody's, Fitch IBCA and JCR (Japan Credit Rating Agency). It has been rated by Fitch IBCA and JCR since 1978 and by Moody's since 1996.

JCR upgraded its rating of Union Bank of Norway from AA- to AA in January 2000. The following ratings are effective for long-term borrowings:

• Moody's	A2
• Fitch IBCA	A+
• JCR	AA

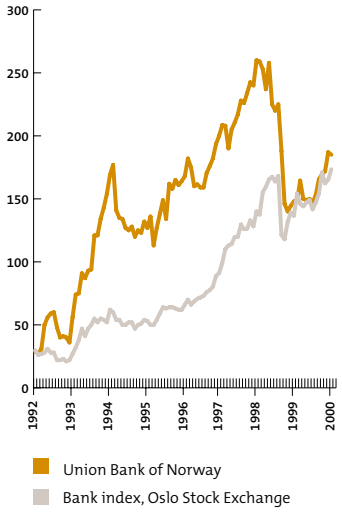
These values are on a par with those scored by the other major banks in Norway.

The bank has an ongoing European Medium Term Note Programme of USD 2.5 billion as of 31.12.1999. An EMTN programme is a standardised set of terms designed for borrowing purposes. Moody's and Fitch IBCA's assessment of loans raised under this programme matches the rating levels shown above. At end-1999 Union Bank of Norway's bond debt under the programme came to about NOK 18 billion.

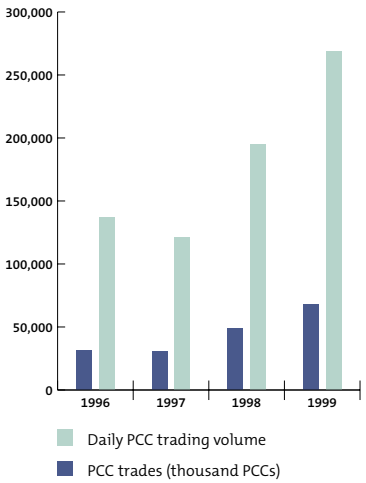
Ownership

Interest in Union Bank of Norway's primary capital certificates (PCCs) has generally been high among both institutional and private investors. In 1999 the number of PCC holders increased by some 8,000 to reach about 24,000 by year-end. The sizeable increase is primarily due to the allocation of 10 PCCs to each employee in the Gjensidige NOR Group upon the establishment of the new Group in June 1999. Moreover, in the autumn of the same year the bank invited employees to buy PCCs at a discount. This also influenced the number of owners.

Market price development 1992-1999



PCC trading



Twenty-eight per cent of the primary capital certificates are held by wage-earners and pensioners, i.e. 6 percentage points up on 1998. The 60 biggest investors own 44% of the primary certificate capital. The foreign share fell from about 33% to about 23% in 1999. This is a bigger reduction than in the Norwegian stock market in general where the foreign share fell to about 31% in the same period.

The biggest PCC holders are State Street Bank (nominee accounts), the National Insurance Fund, Chase Manhattan Bank (nominee accounts), Brown Brothers Harrisman (nominee accounts) and Orkla ASA.

Return on the primary capital certificate
Cash dividend on PCCs in Union Bank of Norway was fixed at NOK 14 per certificate. Earnings pr PCC amount to NOK 28.34. The owner fraction forming the basis for the distribution of profit between PCC holders and the savings bank's fund is 74.5%. This fraction remained unchanged through 1999, and is 72.7% at the start of 2000. Application of the profit is in accordance with the bank's dividend policy (see below under the section on investor policy). Each certificate is backed by book equity (incl. dividend for 1999) totalling NOK 177.

Rules governing primary capital certificates
In February 1999 the Ministry of Finance amended the primary capital certificate regulations to bring them into line with the new Companies Act.

The Bank Law Commission's recommendation to amend the Financial Institutions Act to give each savings bank a freer hand in putting together its committee of representatives has yet to be adopted by the authorities. The amendment allowing PCC holders to elect up to 40% of the members of the committee of representatives is expected to be adopted in the course of 2000.

The Bank Law Commission has yet to take a final stand on savings banks' right to convert to limited companies. Union Bank of Norway actively supports this option.

Investor policy
As part of its investor-care activity the bank stresses that information to the market should be consistent, timely and based on transparency of all relevant details needed by the market to make a well-informed assessment of the primary capital certificate as an investment medium. Information to the market is provided via accounts presentations, meetings with brokers, Internet home pages, and communication of all accounts reports to the owners. Regular contact with analysts, brokers, owners and potential owners will continue to receive priority in 2000.

In 1999 Union Bank of Norway launched an investor magazine, NOTERT, for readers of Scandinavian languages. The magazine is sent to PCC holders on a quarterly basis.

In connection with the establishment of a group with Gjensidige in June 1999, all Group employees were allocated 10 PCCs in Union Bank of Norway. In December 1999 all employees of Gjensidige NOR were invited to buy PCCs in the bank at a discount. Both these steps are in keeping with the management's view that staff ownership participation stimulates greater effort and commitment among Group staff.

In addition Union Bank of Norway has an employee fund the bulk of whose resources are invested in the bank's PCCs (NOK 45 million set aside for the financial year 1999).

Market trend for the bank's primary capital certificate in 1999
The market price for Union Bank of Norway's primary capital certificate ended the year at NOK 185 per PCC, compared with NOK 148 one year previously. Despite a price rise of 32.7% (dividend-adjusted), this figure was somewhat weaker than the PCC index which climbed 36% in 1999, but stronger than the financial index which rose 25%. All in all the Oslo Stock Exchange recorded a 45.5% increase in 1999. Possible reasons for Union Bank of Norway PCC's price trend are: the lacklustre stockmarket in which the increase of capital was carried out in the autumn of 1998, the market's wait-and-see attitude to the new Gjensidige NOR group, uncertainty regarding the regulatory regime for the financial sector in Norway, and Norwegian authorities' handling of foreign banks' attempted acquisitions in Norway.

At year-end Union Bank of Norway's PCCs' market capitalisation came to NOK 8,720 million, and the bank's market value places it among the 15 biggest companies on the Oslo Stock Exchange. Liquidity in Union Bank of Norway's PCC was sound throughout 1999, and the PCC was the Exchange's 18th most traded security.

Moves are under way to have the PCC index incorporated in the Oslo Stock Exchange's all-share index. The issue has been raised with the Exchange twice previously, without success. Based on its meetings with the professional investor market, the bank views the non-inclusion of its PCC in the all-share index as a disadvantage.

Union Bank of Norway's dividend policy is being continued after the formation of the Gjensidige NOR Group:
"Union Bank of Norway's objective is to achieve results that provide the basis for a return on the bank's equity capital that is competitive in the market.

An aim is to allocate to primary capital certificate holders - in the form of cash dividend and allocation to the dividend-equalisation fund - a sum that that reflects their share of the equity capital.

Priority will be given to achieving a sound annual cash dividend in order to ensure a direct return that is competitive with comparable investment mediums in the market.

Variations may occur in the relative distribution between cash dividend and the allocation to the dividend-equalisation fund in situations where particular importance must be attached to the use made of the bank's equity capital".

Risk management in Union Bank of Norway

Banking requires continual monitoring and control of risk, both to service customers' financial needs and for the bank's own account. Risk management is an age-old aspect of our business. Modern risk management - using models and techniques based on advanced statistical theory - is being introduced in most larger financial institutions. International capital adequacy rules for banks - introduced in 1988 and fully effective in Norway as from 1992 - have served to speed up the process. The rules were a first attempt to base banks' capital needs on the risk represented by the various types of loan. The consultation document produced by the European Commission at the end of last year is an exciting - but also exacting - continuation of the ideas from 1988.

Union Bank of Norway's Directors established an over-arching risk policy for the bank in 1998. The policy document sets out guidelines for the Group's ambitions and approach to risk, lays a framework for integrated measurement and reporting of risk and describes key elements of risk management in all relevant areas. The document's aspirations take full account of developments now in evidence internationally in the field of risk management. A continual effort is being made to improve practical risk-handling throughout the Group based on the document.

Credit risk
The bank's credit activity is operated in accordance with policy and guidelines established by the Directors and involves a hierarchy of personal lending authorisations. All corporate commitments are

REGION TELEMARK

Telemark County has a population of about 163,000. The country has varied natural amenities featuring both fjords and mountains. It has Norway's biggest industrial area, in Herøya, and substantial hydro-electric power development.

The regional bank's market shares in the various segments range from 10 to 14 per cent. In the past year the bank posted 28 per cent lending growth and 15 per cent growth in deposits. Its focus on estate agency has borne fruit.

Successful co-location
The regional bank collaborates well with the group's regional insurance arm and a successful co-location was completed at the bank's premises in Notodden in August 1999. Co-location is planned in further localities in 2000.

Rising market share
1999 was a positive year featuring higher market shares, improved earnings and greater customer and staff satisfaction. A new branch was established in Porsgrunn in 1998 which broke even in its very first year of operation. The regional bank aims to increase its share of the market, particularly in Grenland. A focal area for 2000 will be quality enhancement.

No. of bank branches	**10**
No. of customers	**25,920**
Deposits as at 31.12	**NOK 1,763 mill.**
Outstanding loans as at 31.12	**NOK 2,994 mill.**
Pre-tax return on equity	**12 per cent**

classified on an annual basis. Customers are assigned to 20 risk classes based on their earnings and financial position and on the collateral they provide. These classes are then sorted into three risk categories: low, medium and high. Less than 10 per cent of lending volumes go to customers considered to represent a high credit risk. In 1999 higher interest rates and tougher market conditions for some trades prompted a slight portfolio shift from low to medium risk. Even so, overall portfolio risk is still considered to be at a very comfortable level.

The classification system is a part of the bank's overall risk surveillance. It also tells loan officers what return the individual customer commitment requires in order to meet potential loss costs and what capital is needed to support the commitment.

In 1999 the bank used for the first time a new credit assessment model developed by the international firm KMV. The model represents the cutting edge in the field of modern credit risk management. It has given the bank much new insight into important credit risk mechanisms. As shown by the chart on the right, there are (in some cases wide) differences across customer segments between loan volumes and the capital needed to underpin them (economic capital). These differences will in due course necessarily be reflected in the profitability required in the various segments. With the freeze to allow for Y2K preparations behind it, the bank is now implementing the model in its ordinary lending procedures.

Market risk

Market risk is the sum of all Group positions and business volumes in the capital, foreign exchange and stock markets. The pace of market and product development in this area is very rapid. The bank is concerned to keep abreast of developments, while at the same time ensuring that expertise and operating and control routines are in place before new business areas go into operation. In the past three or four years the bank has maintained a cautious approach to exposure to market risk. The Directors have set exposure limits for the various risk areas, and operations are to a large extent conducted well within these limits.

In 1999 the bank put into use a new system for measuring market risk. The system, developed by Reuters, measures values at risk in most of the bank's market positions. It employs advanced statistical models to compute risk and is regarded as a state-of-the-art system. It now delivers daily position and risk reports on operations in the Markets Division. Some testing and quality assurance of data needs to be carried out, and experience gained, before the model is ready to take its place as an integrated part of the bank's overall risk management system.

Liquidity risk

Changes in customer saving behaviour and heavy demand for bank loans means that banks' dependence on other sources of capital has risen in the past three to five years. After its acquisition of Gjensidige Bank A/S, Union Bank of Norway's funding in Norwegian and international markets is in the region of NOK 60-70 billion (incl. subsidiaries' own volumes). In order to secure the bank full financial freedom of action (and to reduce liquidity risk) the following objectives have been defined:

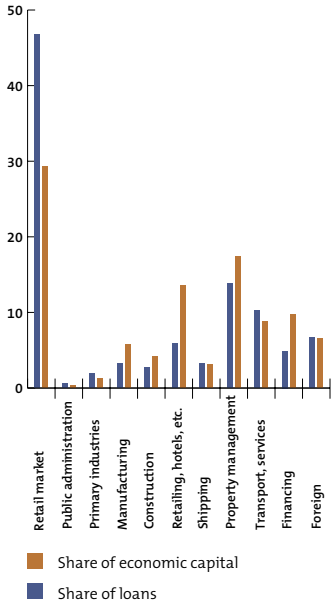
- Sound current earnings
- Unquestionable capital strength
- Rational spread of funding across instruments, markets and maturities
- Funding with an average term to maturity of at least 1.5 years.

The two last-mentioned goals have prompted the bank to intensify its focus on borrowing in new loan instruments in capital markets in Europe and the USA. New long-term borrowings enabled the bank to stay, last year as previously, well in excess of the minimum limit of 1.5 years' average residual maturity. In January 2000 Union Bank of Norway signed a US commercial paper program giving it access to the vast US money market.

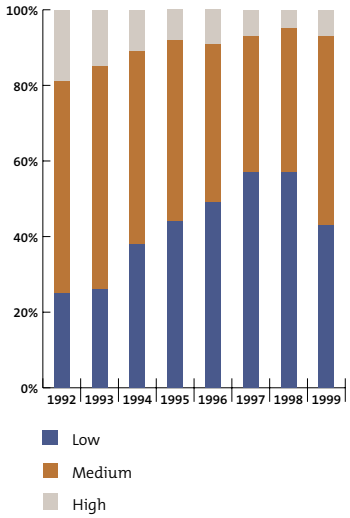
Administrative risk

Administrative or operational risk refers to all loss sources inherent in the current operation of the bank, such as failure of systems and routines; errors due to lack of expertise; various forms of attack against the bank, customers or staff (robbery, cheque forgery, embezzlement, computer crime), and fire etc. Technological innovations and clear signs of increasing crime in the community mean that administrative risk requires greater attention than ever. Union Bank of Norway places the onus for handling risk at the individual manager's doorstep. At the start of 2000 a new risk-assessment and quality-assurance tool will be

Loan volumes and economic capital



Loan volumes and economic capital
Share of economic capital



put into use. The programme, encompassing the bank's management groups, will be based on the bank's objectives and an analysis of key risk factors and associated control measures.

Risk-adjusted performance measurement
Business carrying high risk should produce a higher return than low-risk activity. To enable differentiated profit requirements for the various business segments, the bank has for several years employed an internal distribution formula for each segment's capital needs in accordance with the official capital adequacy rules. In connection with the budget process for the current year the overview for each segment was extended to include estimated "normal losses". Growth ambitions for each unit were then adjusted based on the level of loss-adjusted profits which the unit can deliver in relation to the supporting capital.
The risk-adjusted results vary widely. Earnings are currently particularly high in the credit card field and in the Oslo/ Akershus region. Three or four regions need to improve their earnings in order to exceed the minimum level pursuant to the bank's internal profit requirements.

The bank gives high priority to risk-adjusted performance measurement. The reliability of data used for this purpose will improve thanks to the introduction of the above-mentioned models for classification of credit risk.

REGION VEST

Hordaland County has a population of 432,000, of which 228,000 live in Bergen. The area features a differentiated economy with particular emphasis on oil-related and maritime activities. Hordaland is Norway's biggest salmon and trout farming county.

The group's banking operation in this region has branches in Hordaland and covers Nord-Rogaland and Sunnhordaland/ Hardanger through collaboration with six local savings banks.

The bank is a major player in property financing, while on the industry and commerce side it is significantly involved with maritime activities and fish farming.

The bank has clear-cut ambitions in the retail market and is focusing its effort on the multi-relationship customer concept.

Co-location strategically important
The regional bank is co-located with insurance operation in Bergen and the co-operation is viewed as strategically important for success.

Focus on counselling
The bank will further develop its traditional regional activities, and strengthen its counselling services in both the retail and corporate market. Competition in the region is tough. All central players are represented. The bank's market share is 4 per cent.

No. of branches	2
No. of customers	9,334
Deposits as at 31.12	NOK 677 mill.
Outstanding loans as at 31.12	NOK 2,996 mill.
Return on equity before tax	16 per cent

Corporate Customer Division

The Corporate Customer Division serves Union Bank of Norway's largest and most exacting corporate customers, including customers with extensive international operations. The division is a driving force in the bank's business environment, both by virtue of its customer structure and through product development and specialist staff, such as Union Bank of Norway Markets.

The corporate market is served by several environments in Union Bank of Norway. The regions themselves cater to small and medium-size firms through their own local corporate customer centres. In addition the Oslo/Akershus region services some of the large corporate customers itself. Most major customers are serviced by the Corporate Customer Division. The division also supplies a substantial volume of products and services to Norwegian savings banks. Alongside attending to important liquidity functions, the division is responsible for international payments services, and clearing and depot functions for international banks and Norwegian finance institutions. A number of international banks have opted for Union Bank of Norway and the Corporate Customer Division as their main bank in Norway, and the division aims to increase its market share in this area.

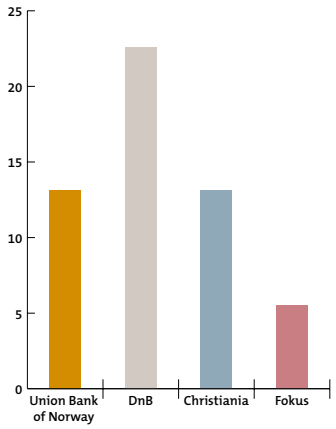
Highlights in 1999

The division had a good year in 1999 featuring a number of substantial customer transactions and events. Several new customers were acquired: the National Insurance Administration, Stento, Statsskog, Union, Norwegian Church Aid, Rikstoto and MMI 4Fakta all chose Union Bank of Norway as their main bank. There has been an increasing demand for cash management in recent years and the product range has shown sound, buoyant growth. The division boasts modern, competitive products, and development projects in progress are expected to maintain the bank's good market position in the years ahead.

Market position

The Corporate Customer Division has taken its place as a competitive service provider to most industries and is an important partner for major Norwegian companies in the manufacturing, trading, property, shipping and finance sectors.

Firms' main bank, market shares



Highlights

- *New currency account with improved functionality launched with the implementation of the Euro*
- *Contract into force with Bank of America (BoA) for cash management services for BoA's corporate customers in Norway.*
- *Union Bank of Norway selected as arranger/agent for Alpharma syndicated loan worth USD 300 million.*
- *National Insurance Administration (NAI) a new volume customer. NAI is Norway's biggest user of payments services in terms of number of transactions.*
- *Development of Web-based payment transmission solution for commerce and industry started.*
- *Energy seminar in Amsterdam drawing 83 major participants.*
- *Release of Nornett version 2.1 (electronic payments transmission system)*
- *New multi-currency group account system.*
- *Union Bank of Norway (Markets) selected as the world's best bank for trading in Norwegian kroner by the respected journal Euromoney.*
- *Online banking introduced for corporate customers.*
- *Watch. Union Bank of Norway is the only Norwegian bank participating in the project aiming for the establishing of global clearing of international payments.*

The bank is above all a preferred partner for non-profit organisations, the public sector, energy and power utilities and asset managers.

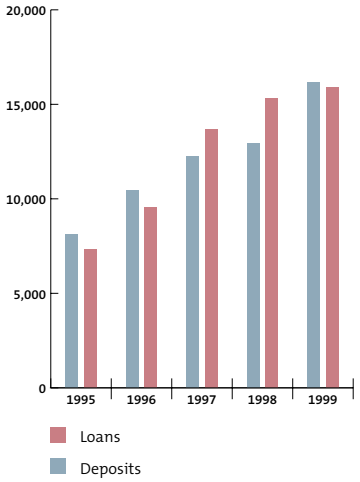
Competition among the banks has intensified in recent years with the entry of foreign banks into the Norwegian market. Union Bank of Norway has a strong position among firms with less than 50 employees, and services 12 per cent of both the deposit and loan market for firms with more than five employees.

Objectives and strategies
Union Bank of Norway aims to be the best corporate market bank in Norway. The years immediately ahead will see stiff competition in the corporate market from Norwegian and foreign banks. Major domestic and foreign institutions will be tough competitors in a market that features squeezed margins, credit capacity and focus on international payments solutions. Competition for wholesale contracts with Norwegian savings banks and other small banks will also intensify. This will be met by developing our own organisation and through collaboration with international players. The division attaches great importance to international payments solutions and cash management. The Corporate Customer Division offers excellent solutions in this field which will remain in focus in the years ahead.

The Corporate Customer Division has singled out certain areas for special attention in the next three years. First, it intends to strengthen its market position in all customer segments, particularly among major Norwegian companies. Second, it will manage operations with close attention to return on equity. Third, it will measure, manage and price risk attending its operations in a professional manner. The division intends to be a leading provider of products and services to the corporate market.

As at 31.12.1999 the Corporate Customer Division had outstanding loans worth NOK 16,320 million (1998: 14,672m), and deposits worth NOK 16,063 million (1998: 11,643m). Staffing totals 268 person-years. In the past two years emphasis has been placed on consolidating of its capital position and on monitoring and further developing existing customer relationships.

Annual Average, 1995-1999
in million of kroner



REGION SØR-TRØNDELAG

Sør-Trøndelag has a population of about 260,000. The population of Trondheim and its neighbouring municipalities is on the increase while that of the rest of the region is declining. Trondheim is a centre of higher education and technology.

The regional bank's income base mainly comprises traditional mortgage lending. Income from payments transmission services is on a buoyant trend. Business volume is showing sound growth but without associated cost increases.

Co-location
The group's regional banking and insurance operations are scheduled to be assembled in a future-oriented finance establishment on the main square in Trondheim in the course of 2001. The banking concept's main focus will be on investment, savings and counselling.

Growth ambitions
The bank aims to achieve substantial growth over time, thereby creating a better balance with the insurance operation which historically has a strong footing in the region. The bank will focus on organic growth in Trondheim and has signed its first collaboration agreement with a local savings bank outside Trondheim. Union Bank of Norway is the fourth largest bank in the region in terms of total assets.

No. of branches	**2**
No. of customers	**9,797**
Deposits as at 31.12	**NOK 818 mill.**
Outstanding loans as at 31.12	**NOK 3,801 mill.**
Return on equity before tax	**35 per cent**

Direct Banking Division

The Direct Banking Division (Gjensidige NOR24) currently has 70,000 customers and intends in the three years ahead to further develop its position as the country's leading direct banking facility. The total market potential is 800,000 persons. The aim is for the customer to experience Gjensidige NOR24 as the country's most modern full-service bank.

Gjensidige NOR24 had outstanding loans worth NOK 9.0 billion and deposits totalling NOK 5.7 billion as at 31.12.99. Profit came to NOK 14 million, i.e. NOK 22 million better than budgeted, showing that the division has achieved profitability sooner than expected. The division is a bank in its own right and operates independently of Union Bank of Norway in the market. The core of its operations comprises customer accounts directly linked to automatic services.

Gjensidige NOR24 offers straightforward savings products, loan products and day-to-day banking products to retail customers who wish to do their banking by telephone or online. Gjensidige NOR24 aims to be a dominant player in this market. This will be achieved through high customer satisfaction, favourable prices, simple product solutions and intensive marketing. Customer satisfaction will be achieved through premium service, year-round 24-hour accessibility and competent staff.

Gjensidige NOR24's target group comprises customers who use automated services and are therefore not in need of a traditional branch network. According to a consumer survey (by MMI) this group totals more than 800,000 persons and is growing steadily.

Highlights in 1999

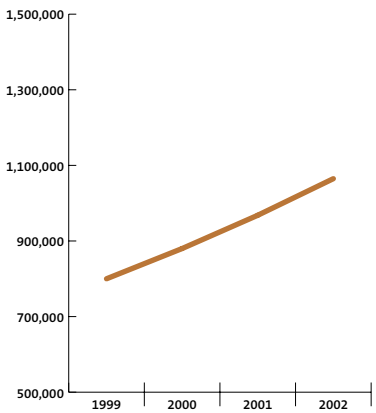
Gjensidige NOR24 was established on 22 June 1999 as a result of the merger between Gjensidige Bank's Retail Customer Division and NOR24. The direct banking facility resides on a technological platform from Fellesdata and Union Bank of Norway's own systems. In the week leading to the merger, Gjensidige Bank's entire customer database was transferred from Telenor Novit to Fellesdata. The first few months brought some teething problems and reduced telephone access. The division resumed marketing operations in November and was fully staffed by year-end (150 employees, 130 person-years).

Market position

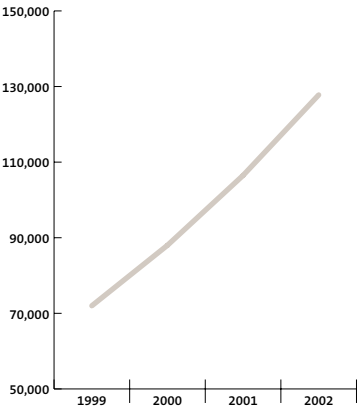
Gjensidige NOR24 currently has 9 per cent of the estimated total market for direct-banking customers. The number of potential customers is growing by an estimated 10 per cent annually. The division aims to increase its share of the potential total market by 1 per cent per year.

There is a steady influx of new entrants to the market for direct banking, both Norwegian and foreign. Several foreign banks have already registered names in Norway. Deutsche Bank and Den Danske Bank have registered, respectively, Comdirect Bank and Den Direkte Bank. The market comprises several segments: There are banks without a single branch offering purely direct-banking programmes. There are also banks offering basic services online and by phone, but which have located counselling services to dedicated branches. And there are intermediate solutions where the direct-banking entity is a sales channel. Gjensidige NOR24 offers a pure direct-banking service.

Potential customers



Gjensidige NOR 24



The competitive situation in the banking market features small price variations among banks, but wider differences in prices charged to various customer groups in the individual bank. A major effort is under way to build up loyalty programmes targeted at the mass market and various customer segments. Banks are increasing their focus on counselling, and greater use is being made of technology and contact centres in order to increase the effectiveness both of customer contact and in-house work processes.

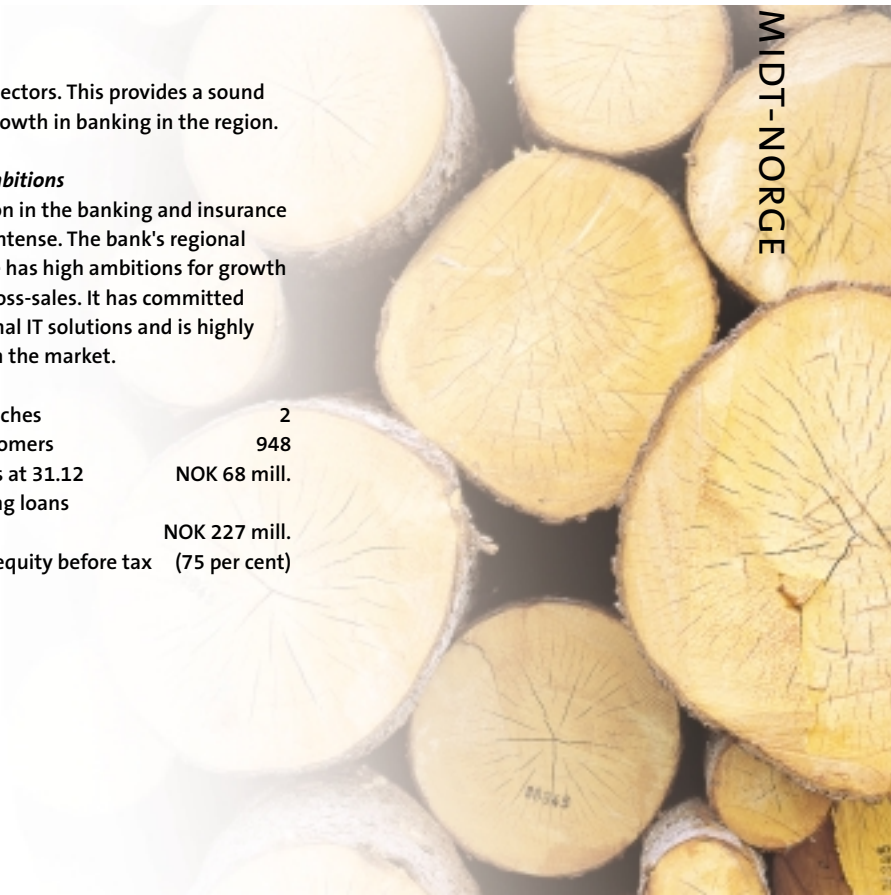
Objectives and strategies
Gjensidige NOR24 has made some important choices aimed at consolidating and further developing its position as the leading player in direct banking. In the three years ahead the main strategic objectives will be
a) to develop Internet-based solutions designed to give us a leading position in the market
b) to strengthen our position in the savings and investment market and
c) to further develop the direct-banking concept.

Technology is evolving rapidly in the field of direct banking. For Gjensidige NOR24 this means that new requirements for telephonic and online access and functionality have to be met. Internet solutions need to be integrated with the bank's internal systems, and hooked up to click-and-call solutions. A further aim is to develop credit score models to reduce the time spent on credit assessment and administrative procedures.

Return on equity is currently 11 per cent, which Gjensidige NOR24 aims to raise to 14 per cent over the next three years. Deposits are forecast to expand by 10 per cent in the current year and by 15 per cent in each of the two following years. Sales of Avanse's mutual funds are a focal area for the division. The aim is to expand the customer's funds portfolio from NOK 100 million to NOK 500 million by the end of 2002. Gjensidige NOR24 has launched a share-trading account which has been well received and is expected to prove an attractive supplement to the range of savings and investment products.

Gjensidige NOR24's portfolio includes a large number of customers with just one account with the bank. To secure long-term customer relationships and profitability the division needs to establish multi-product relationships with as many of its customers as possible. The aim is to expand this portion from 35 to 65 per cent in the planning period. There is potential here for substantially increased sales to existing customers, and new customers are now recruited exclusively on a multi-relationship basis.

REGION MIDT-NORGE



Region Midt-Norge is a pilot region for Gjensidige NOR, operating under joint management. It stretches from Stjørdal in the south to Saltfjellet in the north and has a population of about 180,000.

Alongside its own branch network the bank's regional head office has a fruitful co-operation with Sparebanken Rana in Helgeland. It set up two new branches, in Steinkjer and Namsos, in the autumn of 1999. Co-location with the group's insurance operation in the region is well under way.

Banking operations making good progress
Banking operations in Nord-Trøndelag are well under way. The main emphasis is on lending, and deposit volumes are also satisfactory. The group has a firm footing in the insurance market with strong market shares in the retail, agriculture and corporate sectors. This provides a sound basis for growth in banking in the region.

Growth ambitions
Competition in the banking and insurance market is intense. The bank's regional head office has high ambitions for growth through cross-sales. It has committed staff, rational IT solutions and is highly regarded in the market.

No. of branches	2
No. of customers	948
Deposits as at 31.12	NOK 68 mill.
Outstanding loans as at 31.12	NOK 227 mill.
Return on equity before tax	(75 per cent)

Credit Card Division

The Credit Card Division has 16 credit and payment card concepts in the market, making it one of Norway's key players in the field. The Division's headquarters are in Trondheim and it has several distribution channels, both directly in the mass market and indirectly through partners and affinity groups.

The division meets customers' cash-flow, financing and payment needs mainly through short-term, unsecured revolving credit. Earnings on its products derive from interest, commissions and annual charges. Collaboration with business and commerce builds on more than 40 years' experience and constitutes a major part of the Division's activity. More than 15 years' experience underlies the services it offers big organisations. A number of new concepts have been launched in recent years which are also showing buoyant growth in the market.

Highlights in 1999

The year 1999 continued previous years' sound growth, with good results in all market areas. In June the credit card operations in the former Gjensidige Bank and Union Bank of Norway's NORkort were integrated into a single division. This gave the division responsibility for all credit and payment card operations in Union Bank of Norway and added bank-branded concepts to the product portfolio. The Smart Club Card - an international payment card with VISA functionality - was also launched in the period. The card is available to Smart Club's members totalling some 250,000. The division established a presence in the corporate market in the course of the year.

Market situation

The division's share of the Norwegian retail market for unsecured credit is about 20 per cent.

Outstanding loans totalled about NOK 3,500 as at 31.12.1999. The year brought a volume increase of 14 per cent. The division has more than 450,000 customers.

The Credit Card Division's operations comprise the following market areas:

Indirect market

This market includes all card concepts, (private labels, co-branded cards and own cards) sold through retail partners, whether for financing at retail point or encompassing charge and credit cards offered by the chain to its customers as a step in an overall loyalty-building programme. The division is the market leader in this area. Important partners are Elkjøp, Skeidar, Smart Club, Expert, G-Sport, Ide-kjeden and Intersport.

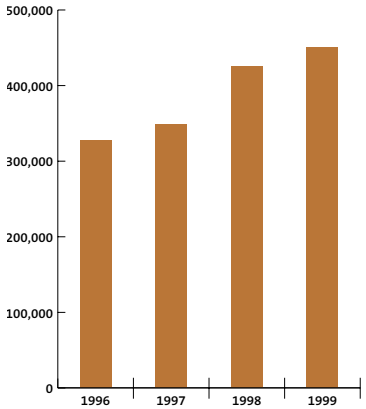
Organisation market

This market includes card concepts sold to members of major organisations and affinity concepts. The division is the market leader in this area. Important partners are the Federation of Norwegian Professional Associations, the Confederation of Academic and Professional Unions in Norway, the Confederation of Vocational Unions, the Norwegian Union of Teachers and the Norwegian Automobile Association.

Direct retail market

This market includes credit and charge cards sold directly to individual customers with or without an account with the bank. Products are sold through direct mail, advertising and selected distribution points. The division is one of the biggest players in this market.

Customers



Corporate market
This market includes charge and credit cards used by employers of small businesses and large corporations for travel and representation purposes and purchase cards. The division has pilot products and programmes in this area that are either undergoing testing or development and will be launched in 2000.

Personal loans
This market includes unsecured loans sold through agents. The division is one of the biggest players in this market and has a well established distribution network.

Objectives and strategies
Due to specific tailoring of products to different distribution channels and to a wide range of customer segments, the bank and the division frequently meet themselves as competitors. This is both natural and necessary. The bank has to cater to customers' overall needs for credit and charge cards in all sub-markets in which it is represented. Hence Union Bank of Norway has to offer competing services and brands in and between the retail channels, the customers of the bank, other customers and both organisation and affinity group members. The division's strategy is to seek to ensure that its own credit cards are the customers' "number two card". There is a large potential for increased sales to Union Bank of Norway' customers.

The growing use of plastic cards in the population is accompanied by growing competition in the credit card market. Products are being launched apace both by established and new players. New submarkets, especially the corporate market, are expanding vigorously. Profile- and brand building as well as status and image are becoming increasingly important in the competition for market shares. There is a heavy focus on technology in this industry and substantial resources are devoted to the development of Internet solutions and smart cards.

The Credit Card Division's main competitors are the biggest banks and finance companies who focus on cards. The competitive situation features growing use of cards and an increasingly blurred distinction between charge cards and credit cards. Traditional charge card issuers are offering a credit element, and vice versa.

Faced with this competitive situation, the Credit Card Division's main focus will be on maintaining a high-quality sales culture and sales effort. The Division needs to base improvement measures on customer-satisfaction and staff-performance ratings. This will in turn provide the basis for customer segmentation and concept development. The division will retain its focus on innovation for both new and existing products. We consider it important to establish a position in the corporate market. Our aim is to intensify our focus on synergies in the division including access to the bank's overall customer base. The division also wishes to engage in pro-active customer recruitment within the framework of a prudent credit policy.

REGION NORDLAND

Region Nordland covers the county of Nordland from Saltfjellet in the south to Harstad in the north and has a population of about 160,000. Thanks to its proximity to the sea and opulent natural resources, the economy is built up around the harvesting and extraction of raw materials. There is a major potential for increased value creation in Nordland through further development of export-oriented industries.

Focus on multi-relationship customers
The bank's customer base, especially in the corporate market in Bodø, has greatly expanded over the past two or three years. The past year's focus on multi-relationship customers has produced good results. The bank is the preferred provider of home-loans. A main challenge in the year ahead will be to increase the bank's share of the retail market.

The group's insurance operation has a broader branch network in the region than the bank, and the regional bank sees a potential in utilising this distribution channel until further co-location has been achieved.

Prudent growth
The goal of the bank's regional operation is to achieve prudent growth and to offer the right products to the best customers. The market share in Bodø, where the group's only branch is located, is about 10%. Competition is intense in a market dominated by local and regional banks.

No. of branches	**1**
No. of customers	**5,255**
Deposits as at 31.12	**NOK 317 mill.**
Outstanding loans as at 31.12	**NOK 1569 mill.**
Return on equity before tax	**31 per cent**

Special Financing Division

Gjensidige NOR Finans AS offers leasing, secured consumer financing and factoring. The company is the biggest finance company in the country. A broad, nationwide distribution system involving 18 regional and sales offices and a 430-strong workforce ensure a firm local footing and customer focus.

Gjensidige NOR Finans's business idea is to meet corporate and retail customers' needs for capital-goods finance through leasing and lending, and to meet firms' needs in terms of liquidity and improved efficiency through factoring. The company is a result of the merger between the special financing units in Gjensidige Bank and Gjensidige NOR Finans. With total assets of NOK 18.4 billion, Gjensidige NOR Finans is the biggest company of its kind in the country. Its operations are based on a strong sales and market focus with the emphasis on indirect distribution (sales financing) through close collaboration with capital goods suppliers, car importers and car dealers.

Highlights in 1999

1999 was a good year featuring several significant events. The group's special-financing operations were established as a separate company and a new organisation was implemented. The company retained its own regional structure based on close collaboration with the remaining regional distribution entities in the group. Gjensidige NOR Finans maintained its position as market leader and enhanced its profitability.

Market situation

Gjensidige NOR Finans leads the field within its product areas.

Market shares as at 31.12.99

Leasing:	35.6 per cent
Car loans:	38.3 per cent
Factoring:	48.1 per cent

The company is the country's leading player (incl. banks and other credit institutions) in car finance and funds the purchase of one in ten newly registered cars.

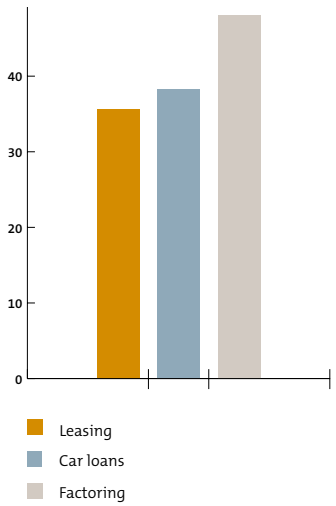
Finance companies have shown vigorous market growth in recent years, above all in leasing. Almost 15 per cent of corporate real investment, apart from in real estate, is leasing-financed. In addition to traditional areas such as transport, construction, graphic industry, private cars and computers, leasing has grown in importance in the financing of equipment for the offshore industry, maritime transport and aircraft equipment.

The product area factoring has shown buoyant growth in recent years and accounts for an increasing share of the company's overall activities. This product is less exposed to cyclical fluctuations, and a variety of factoring solutions are utilised by a growing number of firms. Gjensidige NOR Finans, the only factoring company to do so, has added a payment transfer element to its factoring product.

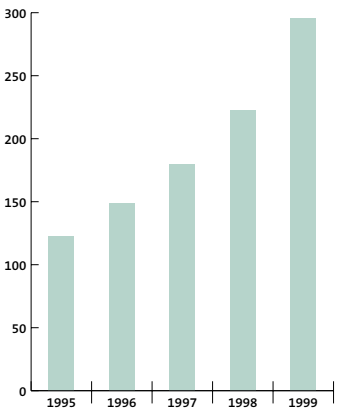
Gjensidige NOR Finans finances a broad range of manufacturing and trading enterprises ranging from big Norwegian and international conglomerates to small local companies. The biggest individual deal in 1999 was the leasing of real properties to the tune of NOK 350 million. The bulk of the company's corporate customers are small and medium-size companies.

Structural changes in the Norwegian financial system have resulted in new competitive structures among finance

Market shares as at 31.12.99



Operating profit, pro forma



companies. Recent years have seen the emergence of numerous importer- or producer-owned companies, i.e. captives. These comprise Norwegian- and foreign-owned companies as well as branches of foreign credit institutions. This trend is also expected in other sectors in the period ahead.

The passage of a new accounting act and changes in tax and duty rules have been accompanied by the emergence of new products and product variants. This particularly applies to operational leasing (off-balance) solutions and leasing alternatives. Growth has been strongest in IT- and computer-related activities. In the years ahead finance companies must expect to have to offer combination solutions with elements of financing, administrative solutions and risk positioning in respect of both physical and financial and assets. This will pose new requirements for finance companies and put a premium on fully satisfactory and competitively neutral legislation.

Objectives and strategies

Given the current competitive situation Gjensidige NOR's branch network, and the bank branches in particular, will gain increasing significance as a distribution channel. In the three years ahead the group aims to have 25 per cent of total sales transacted via the branch network.

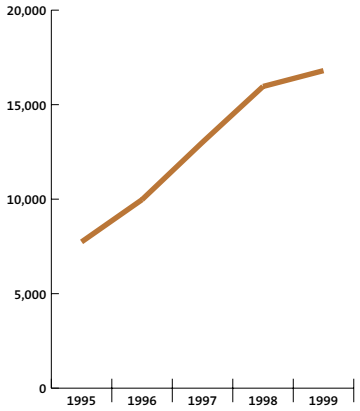
Gjensidige NOR Finans has established the following objectives:

- to be Norway's best finance company
- to be the market leader within its product areas
- to achieve a profitability above the group's average required rate of return

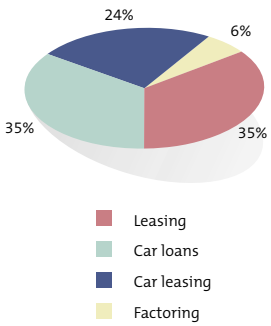
In addition to requirements in terms of its own profit performance and market position, Gjensidige NOR Finans intends to play its part in profiling the group's range of services and thereby increase the group's competitive power. A pre-tax return on equity 15 percentage points above the risk-free interest rate is required of the division on an annual basis.

To attain these objectives the division will rely on an independent sales organisation with a firm local footing and with specialist competence in products, sales and relationship-building. The division will maintain the breadth of its current distribution channels and concurrently develop new channels. Each product needs to be profitable. The marketing effort will build on understanding and knowledge of the market, development and customers, and will prioritise profiling and customer loyalty. IT operations will be business- and solution-oriented, and will be the division's own responsibility.

Total loans



Productmix



REGION TROMS/FINNMARK

This is the biggest region in the group in terms of geographical area. It has a population of 224,000. The economy is dominated by the fisheries, fish farming, tourism and mining/minerals. The region is far-flung and much of it sparsely populated. So long as the fishing industry maintains current activity levels, prospects ahead are excellent.

High degree of automation

The bank has a heavy focus on lending, both for property and residential purposes, but is also significantly involved in manufacturing and the primary industries. It has one of the highest levels of automation in the group.

Considerable potential

The bank plans to co-locate with the group's insurance operation in the course of 2000. Gjensidige Forsikring has a strong footing in the region, and the potentials for the bank are substantial.

Although competition in key localities such as Tromsø and Vadsø is intense, the bank has retained its market share. The bank expects integration and co-location with the insurance operation to boost growth.

No. of branches	2
No. of customers	10,321
Deposits as at 31.12	NOK 750 mill.
Outstanding loans as at 31.12	NOK 2,535 mill.
Return on equity before tax	31 per cent

GJENSIDIGE NOR EIENDOM AS

SUBSIDIARY

The Group's estate agency operation is among the biggest in the country with a market share of 12 per cent. The profit of NOK 30 million reflects sound operations and utilisation of previous years' investments.

Gjensidige NOR Eiendom operates traditional estate agency activities, primarily in the residential and recreational property sectors. The company's intention is to lead the field in Norway in terms of market position and performance. After several lean years, Gjensidige NOR Eiendom recorded pre-tax profit of NOK 30 million in 1999, equivalent to 14 per cent of gross sales income.

Highlights in 1999

Gjensidige Forsikring took over responsibility for the company's change-of-ownership insurances in October 1999. A new, comprehensive estate agency service ("House-buying made simple and safe") - a result of product development on a group-wide basis - was launched in the same period. 1999 was the first year that the company reaped the full benefits of heavy IT investments. All branches are now operating on the new system, and the settlement function in particular has benefited from the above investments. IT operations were assigned to a separate department in 1999.

Market conditions

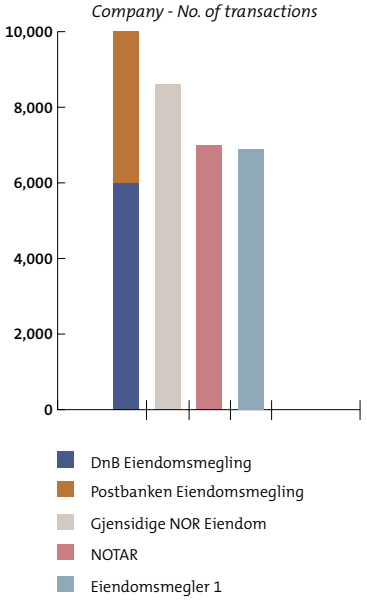
The year 1999 brought concentration in the industry. Postbanken's merger with Den norske Bank in November 1999 put a new estate agency operation in the number one spot in Norway both in terms of number of branches and number of property transactions. Gjensidige NOR Eiendom's market share rose from 10 to 12 per cent on a national basis. Market share rose especially in the Oppland/ Hedmark region. Apart from the above merger, the competitive situation was stable and devoid of dramatic changes.

Objectives and strategies

Gjensidige NOR Eiendom aims to be among the country's leading estate agencies with an operating margin of 10 per cent of gross sales income. Further development of IT tools and the emergence of Internet-based sales and presentation solutions will require further investment in the years ahead. Collaboration with other entities in Gjensidige NOR gives the company a competitive advantage owing to customer referrals and development of new estate agency services.

Transactions in 1999

Company - No. of transactions



SPAREBANKENES KREDITTSELSKAP AS

SUBSIDIARY

Sparebank Kreditt specialises in long-term property financing secured by mortgage on real property. The pre-tax operating profit in 1999 was NOK 101 million, i.e. an improvement of 61 per cent over 1998.

The company has been a wholly-owned subsidiary of Union Bank of Norway since November 1993 and markets loans through direct dialogue with its customers. The company's operations cover the whole country, but the bulk of its lending is in Oslo/ Akershus and eastern Norway in general. A limited product range and a relatively small number of customers/commitments mean that operations are not dependent on costly technology. In 1999 operating expenses measured 0.24 per cent of total assets. The cost ratio has fallen for a number of years, and the objective is to bring it down to 0.20 over a three-year period.

Highlights in 1999

The year 1999 was highly successful for Sparebank Kreditt, with a profit improvement of more than 60 per cent. The company is in the process of putting negative result effects of earlier interest rate positions behind it, and this, together with low losses and increasing margins, has led to the favourable trend. The collaboration with Union Bank of Norway has given the company highly competitive funding and virtually eliminated interest rate risk on the company's operations.

Market conditions

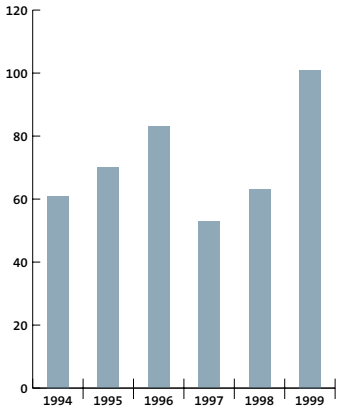
Sparebank Kreditt has a strong position in the market and now includes most of the major property companies among its borrowers. The market features increasing professionalisation and concentration of players on the borrower side. Most of the main competitors are other mortgage institutions and the bigger commercial banks.

Objectives and strategies

In order to limit risk exposure Sparebank Kreditt imposes clear-cut requirements as to profitability and value of projects to be funded. The company seeks in a cost-effective manner to survey the market and approaches the customer directly. Sound personal relations are crucial to success in this market. A return on equity at least 5 per cent above the risk-free rate of interest is expected.

Pre-loss operating profit

(in millions of kroner)



FINAX

SUBSIDIARY

Finax Finansservice AS is the market leader in consumer finance in Denmark. Its principal product is AcceptCard. The company recorded a pre-tax profit of NOK 39 million in 1999.

Finax arranges credits to Danish consumers, both directly through its own channels and indirectly through the retail trade. Costs incurred in developing and running the new card system proved heavier than expected, impacting negatively on the result for the year.

Highlights in 1999
The year 1999 saw the development, testing and implementation of a new card administration system. The system is now in stable, round-the-clock operation, although minor teething problems have to be expected in the first quarter of 2000. A new call centre was put into use in October. In the same period a new card concept featuring a high monthly charge and low interest rate was launched and was well received in the market.

Market conditions
Competition in the market for independent credits in Denmark is intense. A broad range of products and services is offered by the major banks and other financial institutions. Finax is the biggest provider of consumer credit by way of cards in Denmark. The company accounts for 20 per cent of the market for financing capital goods. The aim is to raise this share to 30 per cent over a five-year period.

Objective and strategies
Finax aims to achieve a 20 per cent return on equity. The company expects a growth of between 5 and 10 per cent in both customers and lending volume. Growth is only an objective in its own right if it strengthens the prospect for sound earnings in the long term. Finax faces a special challenge in meeting the competition from bank-based cards that are widely accepted internationally.

UNION BANK OF NORWAY INTERNATIONAL S.A.

SUBSIDIARY

Union Bank of Norway is currently the only Norwegian bank operating in Luxembourg. The company returns solid profits and in 1999 recorded a pre-tax operating profit of NOK 31.2 million.

Union Bank of Norway International S.A. (UBNI) was established in 1985 and is a wholly-owned subsidiary of Union Bank of Norway. UBNI comprises three departments. Private Banking offers retail banking services to Scandinavians residing abroad. Corporate Credit provides foreign currency loans, credit facilities and project finance to Scandinavian customers, and also participates in syndications. Treasury mainly serves the two above-mentioned departments.

Highlights in 1999
The year 1999 featured high-quality banking operations, and the bank has incurred only negligible losses since 1990. It holds total assets worth NOK 6.175 billion and has a 15.5 per cent return on equity.

Market conditions
Luxembourg provides a favourable setting for international "private banking", but also requires a high standard of ethics. The bank has just under 1,000 private customers with a Nordic background resident in more than 50 countries.

Objectives and strategies
UBNI's main objective is to increase the number of Scandinavian private customers (minimum initial capital is USD 10,000). The market for well-off expatriate Norwegians is growing and the need for international private banking services will entail an expansion for the company in this area. The focus is on asset management, and neither home-loans nor day-to-day banking services are offered. The bank extends loans to small and small-to-medium-size Nordic financial institutions and works closely with savings banks in Norway.

AVANSE FORVALTNING AS

SUBSIDIARY

Avanse is the Gjensidige NOR Group's mutual fund company and is a result of the merger of Gjensidige Fondsforvaltning and Avanse Forvaltning. The company is the top player in a growing Norwegian savings market.

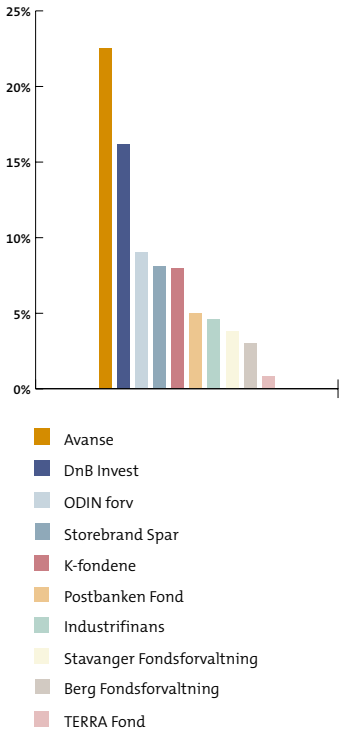
Union Bank of Norway owns 65.7 per cent of Avanse Forvaltning. The company reports to the core business area Savings in Gjensidige NOR. The branch network is the main distribution channel for Avanse's products. About 80 per cent of new subscriptions take place via Union Bank of Norway and collaborating savings banks. Most of Avanse's mutual funds performed better than their reference indices for 1999 and many achieved their goal of being among the 25 per cent best performers in the field.

Highlights 1999
In December Avanse Forvaltning merged with Gjensidige Fondsforvaltning, which resulted in a total of 40 funds and 430,000 customers. Avanse launched four international funds in 1999 which have been well received in the market. The company also formalised a sub-advisory agreement with Merrill Lynch Mercury Asset Management, a leading global investment adviser. In 1999 a new portfolio management system and a new shareholder system were introduced to enhance the company's ability to handle future challenges.

Market conditions
Avanse Forvaltning has a market share of 23 per cent, making it the largest player in the Norwegian market. It primarily addresses existing and potential customers in the Gjensidige NOR Group. Avanse Forvaltning aims to raise its market share to 24 per cent over a two-year period.

Objective and strategies
Avanse Forvaltning's objective is to offer the most clearly profiled and well known mutual funds in Norway. In the first half of 2000 the number of funds will be reduced to 23 through fund mergers, and the product range will be broadened through the establishment of new funds. Although Gjensidige NOR's branch network will remain the main distribution channel for investment products, new channels and players will be of significance. Over the next two years Avanse Forvaltning expects 5 per cent of sales to take place via the Internet. The company aims to launch a further developed asset trading facility for the Internet in the course of 2000. Distribution via independent brokers is anticipated to grow, if defined contribution becomes a reality. Distrubution via Group sales of Unit Linked products is expected to expand in the years ahead.

Market share



KARL JOHAN FONDS ASA

ASSOCIATED COMPANY

Karl Johan Fonds is the Gjensidige NOR group's investment company. It is owned by Union Bank of Norway and Gjensidige Forsikring, each with a 50 per cent holding.

Karl Johan Fonds offers services in the primary and secondary market for equity capital instruments, i.e. shares, primary capital certificates and options. In 1999 the company recorded a pre-tax profit of about NOK 20 million. This figure applies to Karl Johan Fonds in isolation. The merger with Elcon Finans, a company devoid of activity, had a negative effect of about NOK 10 million on the result of the merged entity.

Highlights in 1999
In February the Oslo Stock Exchange's new decentralised trading system went live, and has functioned admirably. In August Karl Johan Fonds launched its Internet share-trading facility. This form of trading has evolved rapidly over the year, and up to about 20 per cent of daily trades on the Oslo Stock Exchange have been transacted via the Internet. The company wishes to play its part in this trend. In December 1999 5 per cent of all hits on Union Bank of Norway's Internet pages were accounted for by the share trading page, which is equivalent to 250,000 hits monthly.

Market conditions
Competition in the market is intense and there is some pressure on commissions. Karl Johan Fonds accounted for 3.4 per cent of equities turnover and 12 per cent of options turnover on the Oslo Stock Exchange in 1999.

Objectives and strategies
Karl Johan Fonds aims to develop its operations so as to achieve a position which better reflects the group's standing in its other business segments. The company accordingly wants to take its place as a market leader across the broad range of its activities and as the unquestioned market leader in the retail field. To succeed, the company attaches particular importance to developing its foreign customer portfolio, to participating in market making in options and to becoming a substantial player in share trading on the Internet. Another priority will be to exploit the potential inherent in intra-group synergies.

GJENSIDIGE NOR KAPITALFORVALTNING ASA

ASSOCIATED COMPANY

Gjensidige NOR Kapitalforvaltning is an investment fund manager licensed in Norway to offer discretionary asset management and counselling services. The company has a market share of 21 per cent of funds managed discretionary in Norway and manages assets worth NOK 60 billion.

Gjensidige NOR Kapitalforvaltning is one of the country's oldest, biggest and most professional asset managers with an international network of contacts and product range and a large customer portfolio. The company is owned by Union Bank of Norway (50 per cent), Gjensidige Forsikring (20 per cent) and Gjensidige NOR Spareforsikring (30 per cent). The company belongs under Gjensidige NOR's core business area Savings.

Highlights in 1999

The company was established in 1999 by a merger between NOR Aktiv Forvaltning and the asset management function of the Gjensidige group. Commercial agreements have been formalised with Group company customers, in addition to a number of external customers. The company recorded good performances in 1999, in many cases appreciably better than the references agreed with the customers. Substantial start-up costs, associated above all with IT systems, resulted in a deficit of NOK 2.5 million for the year.

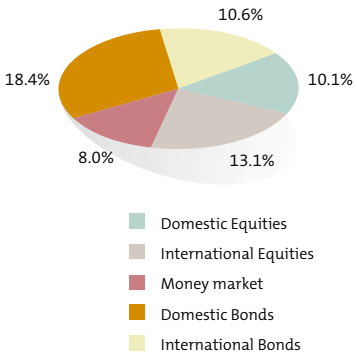
Market conditions

The company's target group is investors with a portfolio worth NOK 20-100 million or more. Customers are pension funds, organisations, foundations and wealthy individuals.

Objectives and strategies

The aim is to establish a fund management company with a wide range of Norwegian as well as international investment products and to raise the market share to 25 per cent of funds managed on a discretionary basis in Norway. The market consists of close to 30 Norwegian competitors and a growing number of foreign players. Price competition is intense and margins are under pressure. The company expects tough competition for volumes inasmuch as high volume makes for economies of scale.

Distribution of total funds under management



GJENSIDIGE NOR FONDSFORSIKRING AS

ASSOCIATED COMPANY

Gjensidige NOR Fondsforsikring offers Unit Linked products. They are designed to be easy to grasp, attractive and profitable and are distributed to selected retail and corporate customers via the Group's branch network.

The company provides unit-linked products, i.e. life assurance products where the customer is free to select an investment profile, typically by choosing among security funds mediated by the company. No guaranteed return is currently provided. The company is an independent product supplier, in the first instance to Gjensidige NOR's overall distribution system. The company reports to the core business area Savings in Gjensidige NOR.

Highlights in 1999

For the two-year old company one of the main events of 1999 was its reorganisation in connection with the formation of the Gjensidige NOR Group. Union Bank of Norway has an agreement to acquire 50 per cent of the company, whose head office was relocated to Trondheim. As from October the company's products were distributed through Union Bank of Norway's branch network. Three new funds from Avanse Forvaltning joined the product range on 1 October, and the company's new product, Flexipensjon, gained its first corporate customer in December.

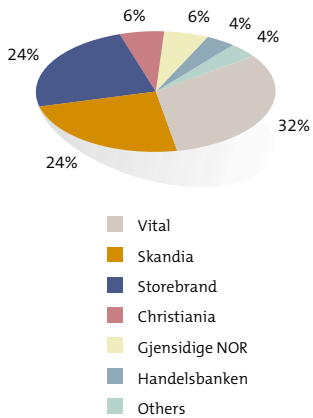
Market conditions

The company's position in the market is currently weak, at about 6 per cent market share. However, the company is confident that the Group's distributive power will improve this share in the years ahead.

Objective and strategies

The company's main objective is to gain a market share of 15-20 per cent and achieve a satisfactory profit by 2003. The company is about to install Internet technology for viewing account information, changing investment profiles and registering and cancelling staff memberships in corporate pension agreements. The main challenges ahead will be to increase market penetration through both the savings bank network and the insurance network, to offer a wider array of funds (including funds from respected external providers) and to develop products in the field of contribution-based occupational pension plans. The company aims to develop two new products in this field in 2000 in the expectation that this type of pension plan will be permitted as from 1 January 2001.

Estimated market shares



Governing bodies

The figures in brackets refer to the representative's holdings of primary capital certificates at 31 December 1999. Certificates held by close family members and companies in which the representative has a decision-making position are included in the figures, in compliance with the accounting regulations issued by the NBISC.

GROUP EXECUTIVE BOARD GJENSIDIGE NOR
Hans Bø, Horten, Chairman (12,700)
Harald Schjoldager, Oslo, Deputy Chairman
Tor Ivar Bråten, Nord-Odal (10)
Marianne Hagen, Asker (137)
Odd Kr. Hamborg, Oslo (10)
Sverre Høegh Krohn, Oslo (6,052)
Amund Skarholt, Stockholm (150)
Ingjerd Skjeldrum, Drammen (800)
Jorund Stellberg, Austrheim
Stig Harald Trygstad, Trondheim (52)
Jørgen Tømmerås, Overhalla (1,150)
Berit Wenaas, Oslo

Group Management Gjensidige NOR
Sverre Høegh Krohn,
President & CEO (6,052)
Olav Hytta, Deputy President (855)
Lars Austin, Deputy President (52)
Bente Rathe, Deputy President (52)
Karl-Olav Hovden,
Deputy President (1,742)
Jan Asker, Group Director (52)
Jørgen Ringdal, Group Director (302)
Rein Øsebak, Group Director (1,285)
Frode Helgerud, Group Director corporate communications (3,092)

COMMITTEE OF REPRESENTATIVES
Finn Mørch Andersen, Larvik,
Chairman (2,160)
Anders Sølvberg (1,000), Førde,
Deputy Chairman, Sparebanken
Sogn og Fjordane (137,294)*

Representatives elected by holders of primary capital certificates
Nils H. Bastiansen, Bærum,
Folketrygdfondet (1,810,850)*
Svein Brustad, Asker, Telespar (76,540)*
Jan-Erik Dyvi, Oslo (90,000)
Klara Eriksen, Bærum (6,120)
Olaf Gohn, Bærum, Oslo Kommunale
Pensjonskasse (326,130)*
Fred N. Johanssen, Bærum, Haslum
Industri (570,000)*
Hans A. Iversen, Arendal,
Sparebanken Sør (75,000)*
Stephen Gravlie Kunz *1)*, Oslo,
Hafslund Invest (401,210)*
Erik Sture Larre jr., Oslo,
Tonsenhagen Forr. sentrum AS (367,458)*
Helge Lem, Nesodden, OBOS (55,000)*
Trond Mohn, Bergen,
Frank Mohn (755,000)*
Anders Sølvberg, Førde (1,000),
Sparebanken Sogn og Fjordane (137,294)*
Per Sindre Aas, Oslo (350),
Skogbrand Forsikringsselskap
Morten Aasheim, Bærum,
Mustad (222,860)*

Representatives elected by and among depositors
Finn Mørch Andersen, Larvik (2,160)
Tore Brønner, Asker
Hans P. Bye, Sigdal (50)
Fredrik W.B. Gervad, Nesodden
John Grimstad, Råde (522)
Arne H. Grøv, Sør-Aurdal
Jan R. Holmen, Skien
Tore J. Høidahl, Oslo (100)
Sten Sture Larre, Oslo
Ola A. Robøle, Nedre Eiker (360)
Jørn Rødølen, Sel
Øyvind Sandholt, Nannestad (450)
Helge Storsveen, Rælingen (270)
Signe Surlien, Svelvik (90)
Terje Westby, Sarpsborg

Publicly appointed representatives
Sonja Adriansen, Ullensaker
Eldrid Barland, Tønsberg
Kjell Berge, Gjerdrum
Turid Dankertsen, Oslo (135)
Odd Foss, Lillehammer (300)
Turid Førrisdal, Rakkestad (500)
Marianne Hagen *2)*, Asker (72)
Solveig Lillian Hamre, Vestre Slidre
Tore Karsten Lindem, Lardal
Egil Nordengen, Varteig
May-Britt Nordli, Hole
Roger Ryberg, Hurum
Annette Smedshaug, Oslo
Anne Bjørg Thoen, Oslo (55)

Employee representatives
Sigrun Ballo, Vadsø (219)
Margrete Bekkedal, Ringebu (222)
Rune Bernbo, Oslo (10)
Hellen T. Bjørnholdt, Tønsberg (159)
Kristin Ellingsen, Drammen (117)
Erik Grøtting, Oslo (876)
Bjørn Vidar Halvorsen, Sandefjord (113)
Jon Sigurd Hjørnerød, Gressvik (263)
Elin Horn, Oslo (316)
Vigdis Gardsteig Kaasa, Ytre Vinje (10)
Per Kristian Larsen *3)*, Hønefoss
Eli Rusdal, Oslo (42)
Kjell Rønningen, Dokka (575)
Hans-Kristian Sætrum *4)*, Oslo (842)
Geir Erik Westgaard, Sarpsborg

Control Committee
Arne Meltvedt, Oslo, formann
Einar Amundsen, Oslo
Jan Torgersen, Drammen

Independent Auditors
PriceWaterhouseCoopers
Einar Westby, State Authorised Public Accountant

Board of Directors
Bjørn Sund, Lillehammer,
Chairman (3,000)
Per Otterdal Møller, Skien, Deputy Chairman, Norsk Hydro (724,070)*
Sverre Finstad, Lillehammer (employee representative) (164)
Hans August Hanssen, Stokke (100)
Stephen Gravlie Kunz, Oslo,
Hafslund Invest (401,210)*

Lisbeth Lindberg, Oslo
Vermund Lyngstad, Rakkestad
Arnt Moe, Lillehammer (9,000)
Per Myklebust, Sarpsborg
Hans-Kristian Sætrum, Oslo, (employee representative) (842)
Per Terje Vold, Bærum
Torkel Wetterhus, Nore og Uvdal (1,620)

Bank Management
Sverre Høegh Krohn, President & CEO (6,052)
Olav Hytta, Deputy President & CEO (855)
Mona Strøm Arnøy, Director corporate communications (maternity leave) (10)
Eivind Grønstad, Const. Director corporate communications (1,052)
Bjørn Asp, Managing Director (52)
Bård Benum, Managing Director (52)
Halvard M. Bergby, Managing Director (696)
Øyvind Birkeland, UBN Group Director (2,237)
Egil Dalviken, Director (3,877)
Øyvind Fauskanger, Managing Director (52)
Rolf Erik Gundersen, Managing Director (699)
Trond D. Haukvik, Managing Director (407)
Einar Hvidsten, Development Director (251)
Kari Jørgensen, Managing Director (52)
Tore Kjelsrud, Managing Director (910)
Tore V. Knudsen, Director, Head of Staff (8,690)
Erik Kongelf, Managing Director (52)
Morten Ronæss, Managing Director (52)
Åsmund Skår, Managing Director (616)
Aslaug Spilde, Operations Director (52)
Knut Sørensen, Managing Director (662)
Per Runar Thoresen, Managing Director (10)
Bjørn Walle, Managing Director (354)

* Primary capital certificates owned by the institution the representative is elected on behalf of.

1) Retired, member of Board of Directors
2) Retired, member of Group Executive Board
3) Retired
4) Retired, member of Board of Directors

CO-OPERATING SAVINGS BANKS

Nationwide distribution
Union Bank of Norway has collaboration agreements with six regional savings banks, covering parts of the country not coming under the bank's own regional structure. The bank also operates agreements with savings banks covering parts of regions where either Union Bank of Norway or a collaborating bank has weak market coverage.

Collaboration makes for increased sales
The collaboration is designed to strengthen competitive power in local markets. The agreements ensure economies of scale in technology and product development, among other things. The collaborating bank represents Gjensidige NOR and purveys all Gjensidige NOR's financial products, apart from the traditional banking products and services, in its area. This will hopefully result in additional sales over and above what Gjensidige NOR could have achieved unaided.

Sparebanken Hedmark covers Hedmark County and forms - together with the group's insurance region - Gjensidige NOR's pilot region, Hedmark. Sparebanken SØR covers the counties of Aust- and Vest-Agder. Sandnes Sparebank covers Rogaland south of Boknafjorden. Sparebanken Sogn og Fjordane covers Sogn og Fjordane County and Sparebanken Møre covers Møre og Romsdal County. Sparebanken Rana covers Helgeland in Nordland County.

Union Bank of Norway has collaboration agreements with the following savings banks in Region Vest: Etne, Hardanger, Kvinnherad, Haugesund, Skudenes & Aakra and Sauda Sparebank. In Sogn og Fjordane the bank collaborates with Luster Sparebank and in Trøndelag with Hegra Sparebank. In Møre og Romsdal Union Bank of Norway collaborates with Tingvoll and Surnadal Sparebank.

In the longer term the aim is for collaborating banks to form part of a regional banking and insurance tier within Gjensidige NOR's structure. This process is well under way in several localities.

Management and key contacts as of 1 January 2000

UNION BANK OF NORWAY
Head-office address: Kirkegaten 18
Mailing address: P.O. Box 1172 Sentrum
N-0107 Oslo
Telephone: (+47) 22 31 90 50
Telefax: (+47) 22 31 92 60

PRESIDENT & CEO
Sverre Høegh Krohn
Office address: Drammensveien 288
Mailing address: P.O. Box 276
N-1326 Lysaker
Telephone:(+47) 22 96 80 80
Telefax:(+47) 22 96 91 00

DEPUTY PRESIDENT & CEO
Olav Hytta
Office address: Kirkegaten 18
Mailing address: P.O. Box 1172 Sentrum
N-0107 Oslo
Telephone: (+47) 22 31 90 50
Telefax: (+47) 22 31 92 60

ADMINISTRATION
Eivind Grønstad, Director
Egil Dalviken, Director
(Co-operating savings banks)

INFORMATION AND PUBLIC AFFAIRS
Mona Strøm Arnøy, Director Corporate Communications

INTERNAL AUDIT
Thomas Winsnes, UBN Group Internal Auditor

STAFF DIVISION
Tore V. Knudsen, Director, Head of Staff

Staff Section/UBN Group Accounts
Roar Lie, Accounting Director
Staff Section/UBN Group Controller
Arnt Eilertsen, Director
Staff Section/Risk Management
Jan Riiser, UBN Director
Staff Section/ Legal Affairs
Helge Forfang, Attorney-at-law
Staff Section/Personnel
Geir Nagel, Personnel Director
Staff Section/Security
Bjørn Tore Saltvik, Security Director
Staff Section /Credit Risk Management
Steinar Ouren, Managing Director

MARKETING AND PRODUCTS DIVISION
Einar Hvidsten, Development Director

OPERATIONS DIVISION
Aslaug Spilde, Operations Director

GJENSIDIGE NOR24
(Direct Banking Division)
Hallvard Bergby, Managing Director
Office address: Strandveien 12, Lysaker
Mailing address: P.O. Box 35, N-1324 Lysaker
Telephone:(+47) 22 96 90 00

GJENSIDIGE NOR FINANCE
(Special Financing Division)
Erik Kongelf, Managing Director
Office address: Strandveien 18, Lysaker
Mailing address: P.O. Box 177, N-1325 Lysaker
Telephone: (+47) 22 96 90 00

CREDIT CARD DIVISION
Bård Benum, Managing Director
Office address: Munkegaten 22, Trondheim
Mailing address: N-7469 Trondheim
Telephone: (+47) 73 58 75 00

CORPORATE CUSTOMER DIVISION
Øyvind Birkeland, UBN Group Director

Corporate & International
Anders Lægreid, General Manager
Trine Loe, General Manager
Finance/Products/Market
Mette Krabberød, General Manager
Financial Institutions
Egil Blakstad, General Manager
International Operations & Settlement
Bente A. Landsnes, General Manager
Markets
John Egil Skajem, General Manager
Payments & Trade Finance
Geir Reigstad, General Manager

GROUP FINANCE
Karl-Olav Hovden, Deputy President

Group Market Risk Management
Jan Otto Lahn, Director
Group Finance
Geir Bergvoll, Chief Financial Officer
Finance/Division Secretariat
Arne Huser, Executive Director
Economics
Nils Terje Furunes, Chief Economist
Business Development
Marianne Andreassen, Director
Long Term Funding
Helge Stray, Director

CONTACT PERSONS FOR INTERNATIONAL BUSINESS AT UNION BANK OF NORWAY
Financial Institutions
Egil Blakstad, Senior General Manager
Telephone: (+47) 22 31 94 85
International Banking Relations
Rolf Nagel Dahl, Deputy General Manager
Telephone: (+47) 22 31 99 40
Custody
Ulf Norén, Deputy General Manager
Telephone: (+47) 22 31 80 42
Liv Kari Kroken, Deputy General Manager
Telephone: (+47) 22 31 97 41
UBN Group Finance
Geir Bergvoll, Chief Financial Officer
Telephone: (+47) 22 31 99 80
Investor Relations
Ann-Kristin Sandvik, Deputy Director
Telephone: (+47) 22 31 87 26
Long Term Funding
Helge Stray, Director
Telephone: (+47) 22 31 81 09
Bjørg Liene, Deputy Director
Telephone: (+47) 22 31 93 68
Thor Tellefsen, Deputy Director
Telephone: (+47) 22 31 85 41
UBN Markets
John E. Skajem, General Manager
Telephone: (+47) 22 31 98 54
Operations/Settlements
Bente A. Landsnes, General Manager
Telephone: (+47) 22 31 89 38
Corporate and International
Anders Lægreid, General Manager
Telephone: (+47) 22 31 86 73
Trine Loe, General Manager
Telephone: (+47) 22 31 87 43
Large Corporates
Hans Christer Elowsson, General Manager (Shipping)
Telephone: (+47) 22 31 92 50
Anders Lægreid, General Manager (Manufacturing Industries)
Telephone: (+47) 22 31 86 73
Bjørn Erik Hammerstad, Deputy General Manager (Trade/Real Estate)
Telephone: (+47) 22 31 90 06
Trine Sundt, Deputy General Manager (Energy)
Telephone: (+47) 22 31 84 74
Harald Furuly, Deputy General Manager (Non-profit Organizations)
Telephone: (+47) 22 31 86 87
Knut Olav Moen, General Manager (Public Sector)
Telephone: (+47) 22 31 89 75
Sven Hove, Deputy General Manager (Loan Syndication)
Telephone: (+47) 22 31 86 68

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Union Bank of Norway
Kirkegaten 18
P. O. Box 1172 Sentrum,
N-0107 Oslo
Telephone: (+47) 22 31 90 50
http://www.nor.no/investor/english

Gjensidige NOR