Gjensidige

4th Quarter and Preliminary Full Year 2018 Report

Gjensidige Bank Boligkreditt

Gjensidige Bank Boligkreditt AS highlights
4th Quarter and preliminary Full Year 2018 report

In the following, figures in brackets refer to the amount or percentage for the corresponding period the year before.

Year as a whole

- Pre-tax profit: NOK 145.6 million (161.4)
- Operating income: NOK 163.4 million (171.8)
- Operating expenses: NOK 17.5 million (16.0)
- Write-downs and losses: NOK 0.3 million (positive 5.5)

- Return on equity[1]: 6.1 per cent (7.5)
- Common equity Tier 1 capital: NOK 1,853.1 million (1,743.7)
- Common equity Tier 1 capital ratio: 20.2 per cent (21.7)
- Capital injection: NOK 0 million (200.0)

- Gross lending: NOK 24.6 billion (21.1)
- Weighted indexed loan-to-value ratio[2]: 51.2 per cent (48.8)

- Covered bond issued, nominal value: NOK 19.9 billion (17.0)
- Cover pool: NOK 25.3 billion (21.9)

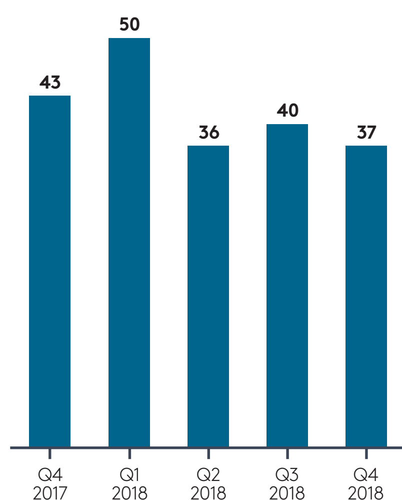
Fourth quarter

- Pre-tax profit: NOK 32.1 million (45.5)
- Operating income: NOK 37.2 million (43.2)
- Operating expenses: NOK 4.7 million (3.7)
- Write-downs and losses: NOK 0.4 million (positive 6.0)

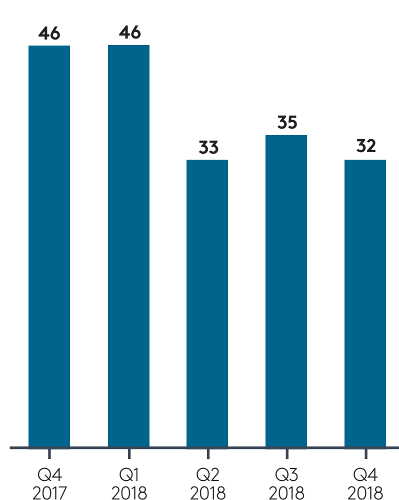
- Return on equity, annualised[1]: 5.2 per cent (7.9)

- Capital injection: NOK 0 million (0)

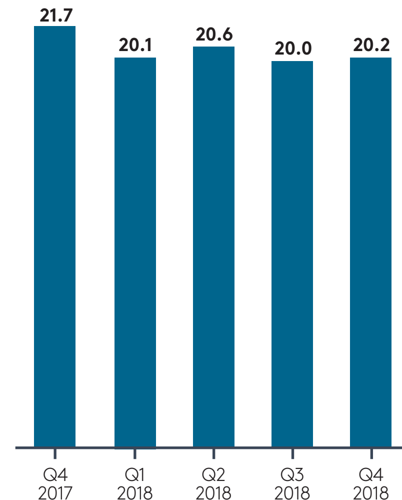
Operating Income
NOK million



Pre-tax profit
NOK million



Capital adequacy ratio
Per cent



[1] Return on equity, annualised = Shareholders' share of profit for the period / average shareholders' equity for the period, annualised
[2] Weighted indexed loan-to-value ratio: quarterly updated house prices

The business

Gjensidige Bank Boligkreditt AS is wholly owned subsidiary of Gjensidige Bank ASA. The Company's registered business address is in Oslo.

At the end of Q2 2018 Gjensidige Forsikring ASA, the owner of Gjensidige Bank ASA, entered into a Share Purchase Agreement with Nordea for the sale of the bank. The agreed purchase price was NOK 5.5 billion for 100 per cent of the share capital of Gjensidige Bank ASA, payable fully in cash at completion, subject to certain adjustments based on the performance of the bank until closing of the transaction. The parties have also entered into a strategic partnership agreement with respect to mutual distribution of non-life insurance and financing products in Norway. The closing is expected to take place during Q1 2019, subject to customary regulatory approvals.

The Company is licensed by the Financial Supervisory Authority of Norway and the object is to furnish and/or provide residential mortgage loans, and to primarily finance the lending portfolio by issuing covered bonds.

Development during the year

Earnings performance

The profit before tax expense amounted to NOK 145.6 million (161.4). The decrease was mainly driven by lower interest margin.

Total income amounted to NOK 163.4 million (171.8).

Net interest income amounted to NOK 167.1 million (181.6).

Net commission income and other operating income amounted to negative NOK 3.7 million (negative 9.8) mainly due to repurchasing of own covered bond.

The net interest margin[1] was 0.70 per cent (0.81).

Total operating expenses were NOK 17.5 million (16.0). Lending growth has increased purchasing of services from Gjensidige Bank ASA.

The group write-downs were NOK 0.3 million (decreased by 5.5). The balance of group write-downs amounted to NOK 1.2 million (0.9).

The group write-downs are intended to cover losses on commitments that are not individually identified as doubtful.

The Company uses the Banking Group's guidelines for assessing and writing down loans. No individual write-downs related to individual commitments have been made. At the end of 2018, the Company had two loans in default over 90 days.

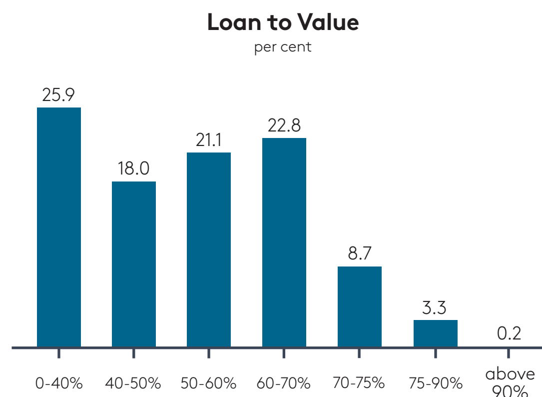
The write-downs and losses were in line with expectations.

Lending

At the end of 2018, the Company had 13,767 loans with a total outstanding balance of NOK 24,648.6 million (21,105.5). The portfolio continues to be of high quality.

The entire lending portfolio has been acquired from Gjensidige Bank ASA. It consists of loans with variable interest rates. The average loan commitment was NOK 1.8 million per loan at the end of 2018. The largest single exposure was NOK 9.2 million and 14.6 per cent of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 20.9 per cent of the lending portfolio consisted of loans with credit lines (fleksilån).

Gjensidige Bank Boligkreditt AS has a weighted loan-to-value ratio, indexed, of 51.2 per cent (48.8).



Segments

The target group for Gjensidige Bank Boligkreditt AS is the retail market. This segment includes customers who are members of partner organisations, loyalty programme customers with Gjensidige Forsikring ASA and other private customers. These customers are spread throughout Norway.

Geographical distribution of the loan portfolio based on residential address:

Geographical Distribution	per cent
Oslo	22.3
Akershus	21.6
Western Norway	19.5
Eastern Norway-ex. Oslo and Akershus	19.3
Central Norway	10.5
Northern Norway	4.8
Southern Norway	2.0
Total	**100.0**

Capital adequacy

At the end of 2018, the Company had a common equity Tier 1 capital ratio of 20.2 per cent (21.7). The total capital held by the Company was NOK 1,853.1 million (1,743.7). The capital includes net profit for 2018.

Rating

As a result of the Share Purchase Agreement between Gjensidige Forsikring ASA and Nordea, S&P Global Ratings placed its 'A' long-term and 'A-1' short-term issuer credit ratings for Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS, on

[1] The net interest margin is calculated as net interest income as a percentage of average total assets, annualised.

CreditWatch with positive implications. The change took place on 4 July 2018. The covered bonds portfolio issued by Gjensidige Bank Boligkreditt AS has a long-term rating of AAA; outlook 'stable.

Gjensidige Bank Boligkreditt AS will hold the amount of overcollateralisation required to maintain the current rating for Gjensidige Bank Boligkreditt AS`s covered bond program. This commitment is published on the bank`s website.

Debt securities issued

The Company had issued covered bonds with a total face value of NOK 19,850.0 million at the end of 2018. The portfolio includes seven loans, the first of which matures on 6 May 2019 (extended due date to 5 May 2020).

In order to gain access to international capital markets, Gjensidige Bank Boligkreditt AS has established a Euro Medium Term Covered Bond Programme amounting to Euro 2 billion.

Liquidity

At the end of 2018, the Company had net liquid assets of NOK 834.8 million, of which NOK 694.9 million in bank deposits, NOK 78.3 million in covered bonds and NOK 61.6 million in treasury bills.

The Company has a long-term credit facility with the parent company of NOK 2,000.0 million and a short-term credit facility of up to NOK 4,000.0 million. Unutilised credit facilities amounted to NOK 2,364.0 million at the end of 2018. In addition the Company has a credit facility agreement that allows Gjensidige Bank Boligkreditt AS to borrow money in order to repay its outstanding bond debt.

Development during the quarter

Earnings performance

The profit before tax expense amounted to NOK 32.1 million (45.5) for the quarter. The reduction is driven by lower interest margin and increased commission income due to repurchasing of own covered bond.

Total income for the quarter was NOK 37.2 million (43.2).

Net interest income was NOK 36.5 million (54.0). The reduction is driven by lower interest margin.

Net commission income and other operating income were NOK 0.7 million (negative 10.9). The negative commission income in 2017 was mainly due to repurchasing of own covered bond.

Total operating expenses were NOK 4.7 million (3.7).

The group write-downs were NOK 0.4 million (decreased by 6.0) in the quarter.

Events after the balance sheet date

No significant events have occurred after the end of the quarter.

Outlook

Gjensidige Bank Boligkreditt AS shall ensure that Gjensidige Bank ASA has a diversified funding structure. The Company continuously considers the possibility of issuing further covered bonds, depending on the state of the financial markets and the collateral available to the Company.

Growth in the Norwegian economy has been solid since autumn 2016, and the job market has improved. The global upturn, higher oil prices and low interest rates have contributed to drive growth. The policy rate was raised from 0,5 per cent to 0,75 per cent in September 2018, and the forecast for the policy rate indicates a gradual rise to 2 per cent at the end of 2021. With the policy rate in line with the forecast, inflation is projected to remain close to the target of 2 per cent, at the same time as unemployment remains low.

Prospect for increased employment and higher wage growth ahead will support the house price development, while higher interest rate dampen the rise. We expect a modest house price development.

In the Board's view, the Company has a good and robust balance.

Oslo, 23 January 2019
The Board of Gjensidige Bank Boligkreditt AS

Jørgen Ringdal
Chair

Erik Ranberg

Sirianne Haaje Nes

Solbjørg Lie

Jan Kåre Raae
CEO

Income statement

NOK thousands	Note	Q4 2018	Q4 2017	1.1.-31.12.2018	1.1.-31.12.2017
Interest income etc, amortised cost		126,841	122,325	496,829	476,728
Interest income etc, fair value		311	252	1,697	1,927
Interest costs etc.		(90,659)	(68,553)	(331,422)	(297,028)
Net interest income		**36,493**	**54,023**	**167,104**	**181,627**
Commission income and income from bank services		583	586	2,338	2,364
Net gains on financial instruments at fair value		(131)	(11,594)	(6,928)	(12,756)
Other operating income		229	147	917	588
Net commission income and other operating income		**681**	**(10,862)**	**(3,673)**	**(9,805)**
Total income		**37,174**	**43,162**	**163,430**	**171,822**
Personnel expenses		(1,110)	(578)	(2,739)	(1,915)
Other operating expenses		(3,613)	(3,075)	(14,781)	(14,069)
Total operating expenses		**(4,723)**	**(3,653)**	**(17,520)**	**(15,983)**
Profit / (loss) before loan losses		**32,450**	**39,509**	**145,910**	**155,839**
Write-downs and losses	4	(381)	6,000	(291)	5,540
Profit / (loss) before tax expense		**32,070**	**45,509**	**145,619**	**161,379**
Tax expense		(8,017)	(11,377)	(36,405)	(40,345)
Profit/ (loss) for the period		**24,052**	**34,132**	**109,215**	**121,034**
Earnings per share (NOK) (basic and diluted)		185.0	262.6	840.1	931.0

Statement of comprehensive income

NOK thousands	Q4 2018	Q4 2017	1.1.-31.12.2018	1.1.-31.12.2017
Profit/ (loss) for the period	**24,052**	**34,132**	**109,215**	**121,034**
Components of other comprehensive income				
Items that are not reclassified subsequently to profit or loss				
Items that may be reclassified subsequently to profit or loss				
Total components of other comprehensive income				
Total comprehensive income for the period	**24,052**	**34,132**	**109,215**	**121,034**

Balance sheet

NOK thousands	Note	31.12.2018	31.12.2017
Assets			
Loans to and claims on credit institutions	6	694,913	804,529
Loans to and claims on customers	2	24,648,610	21,105,527
-Write-downs	4	(1,210)	(919)
Net loans to customers		24,647,400	21,104,607
Certificates, bonds and other interest-bearing securities		139,898	140,002
Deferred tax assets		2,258	104
Other assets		66,303	100,339
Advance payments and accrued income		38,532	37,210
Total assets		**25,589,304**	**22,186,793**
Liabilities and equity			
Liabilities to credit institutions	6	3,636,007	3,261,835
Liabilities opened for the issue of securities	3	19,986,475	17,076,000
Other liabilities		74,950	61,328
Current tax		38,559	43,660
Deferred tax liabilities			
Total liabilities		**23,735,991**	**20,442,824**
Equity			
Share capital		221,000	221,000
Share premium		999,020	999,020
Other equity		633,294	523,949
Total equity		**1,853,314**	**1,743,969**
Total liabilities and equity		**25,589,304**	**22,186,793**

Statement of changes in equity

NOK thousands	Share capital	Share premium	Total paid-in equity	Other equity	Total equity
Equity 1.1.2017	**208,000**	**812,020**	**1,020,020**	**402,917**	**1,422,937**
Comprehensive income					
Profit/(loss)				121,034	121,034
Total components of other comprehensive income					
Total comprehensive income 1.1.-31.12.2017				**121,034**	**121,034**
Transactions with owners of the company					
Capital expansion	13,000	187,000	200,000		200,000
Share-based payment transactions settled in equity				(2)	(2)
Total transactions with owners of the company 1.1.-31.12.2017	**13,000**	**187,000**	**200,000**	**(2)**	**199,998**
Equity 31.12.2017	**221,000**	**999,020**	**1,220,020**	**523,949**	**1,743,969**
Adjustment due to amendment to IFRS 2				**133**	**133**
Equity 1.1.2018	**221,000**	**999,020**	**1,220,020**	**524,083**	**1,744,103**
Comprehensive income					
Profit/(loss)				109,215	109,215
Total components of other comprehensive income					
Total comprehensive income 1.1.-31.12.2018				**109,215**	**109,215**
Transactions with owners of the company					
Capital expansion					
Share-based payment transactions settled in equity				(4)	(4)
Total transactions with owners of the company 1.1.-31.12.2018				**(4)**	**(4)**
Equity 31.12.2018	**221,000**	**999,020**	**1,220,020**	**633,294**	**1,853,314**
No. shares at end of period	130.000				

Statement of cash flows

NOK thousands	1.1.-31.12.2018	1.1.-31.12.2017
Operating activities		
Net payment of loans to customers	(3,542,168)	(2,842,558)
Payment of interest from customers	484,016	463,869
Net payment of interest from credit institutions etc.	10,913	9,412
Taxes paid	(43,660)	(22,244)
Net other commission income	3,255	2,952
Payment to operations	(17,121)	(15,462)
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	104	186
Net cash flow from operating activities	**(3,104,662)**	**(2,403,845)**
Financing activities		
Net paid(-)/received when taking out loans with credit institutions and covered bonds	3,309,115	2,725,197
Net payment of interest on financing activities	(316,632)	(294,821)
Net received/paid (-) for other short-term positions	2,563	(3,279)
Capital increases		200,000
Net cash flow from financing activities	**2,995,046**	**2,627,096**
Total cash flow	**(109,616)**	**223,251**
Cash flow for the period		
Liquid assets at start of period	804,529	581,279
Liquid assets at end of period	694,913	804,529
Net payment received/made(-) of cash	**(109,616)**	**223,251**
Specification of liquid assets		
Deposits with credit institutions	694,913	804,529
Liquid assets in statement of cash flow	**694,913**	**804,529**

The statement of cash flows shows payments of cash and cash equivalents made and received throughout the year. The statement has been adjusted for items that do not initiate cash flows, such as provisions, depreciation and write-downs of loans and guarantees. Cash flows are classified as operating activities, investment activities or financing activities. The liquid assets are defined as cash and claims on central banks and loans to and claims on credit institutions.

Notes

1. Accounting policies

The financial statements as of the fourth quarter of 2018, concluded on 31 December 2018, comprise Gjensidige Bank Boligkreditt AS. With the exception of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2017.

The financial statements as of the fourth quarter of 2018 have been prepared in accordance with IFRS and IAS 34 Interim Financial Reporting. The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2017.

IFRS 9 Financial instruments
IFRS 9 introduces new requirements for the classification and measurement of financial instruments, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting.

Each financial instrument has been classified into one of the following categories:

Financial assets:
- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

Financial assets will be classified either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on how they are managed and which contractual cash flow properties they have.

Financial liabilities:
- amortised cost
- fair value through profit or loss

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories form the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the below table "Classification and measurement of financial instruments under IFRS 9 " the classification of the financial instrument on the Companys balance sheet into different categories under IFRS 9 is presented.

Amortised cost:
Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement. This category consists of mainly loans and liabilities opened for the issue of securities.

Financial assets and liabilities at fair value through profit or loss:
Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair value are recognised directly in the income statement in the item "Net result from financial instruments at fair value".

Financial assets at fair value through other comprehensive income:
Financial assets held to receive contractual cash flows and for sale shall be measured at fair value with changes in value taken over other comprehensive income. Interest income and write-downs should be recorded in the ordinary result.

Impairment
Impairment provisions according to IFRS 9 shall be measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value with the changes in fair value recognised in other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly from the initial recognition or if the asset is classified as impaired, the provision should equal lifetime expected credit losses. This dual approach replaces today's collective impairment model.

1.1 Inputs, assumptions and techniques used for estimating impairment

1.1.1 Credit Scores and Risk Classes
The Company uses credit scores extensively in its credit assessment and monitoring process. Different credit scores are used for the different product groups in the Company depending on the nature of the exposure and the type of borrower. Credit scoring models are validated to be predictive of the risk of default on an annual basis.

The scores used for retail exposures are computed using application data declared by the customer, external bureau data, other external customer data and internal performance data (for example payment behavior).

The Company determines a credit risk class to each exposure based on credit scoring models and by applying experienced credit judgement. Credit risk classes are defined using historical data which are indicative of risk of default. Credit risk classes are defined and calibrated such that the risk of default occurring increases by increasing risk class.

Credit risk class is defined at initial recognition based on the score at initial recognition which in turn is based on the available information about the borrower. Thereafter the scores are generated and monitored for the customer on a regular basis. When the scores are generated periodically during the life of the exposure, based on the credit history, the score may change and this may result in an exposure being moved to a different credit risk class compared to the initial recognition.

The risk-classes are further grouped in Risk Groups: Low Risk, Medium Risk, High Risk, Unclassified and already Defaulted accounts based on defined ranges of Probability of Default.

1.1.2 Definition of Probability of Default (PD)
The probability of default is a statistically estimate of the likelihood that a default event will occur. The Company defines an engagement as defaulted 90 days after contractual due (immaterial outstanding amounts are not considered) or if the Company are aware of any significant loss event has happened, for exam-

ple legal debt settlement (gjeldsordning) or bankruptcy. Credit risk classes are a primary input into the determination of the PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower at an individual exposure level.

The Company use statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

1.2 Low credit risk accounts
A financial exposure is considered to be a low credit risk account, if the financial exposure has a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. In addition, adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Financial exposure is not considered to have low credit risk simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk.

The Company considers accounts to be in low risk, if they have not met the definition of Significant Increase in Credit Risk as defined in section 1.3 below, or Impairment as defined in section 1.4 below. In addition, accounts that are in the Low Risk Group on the reporting date, these are considered to be Low Credit Risk accounts.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated by the Company. The computation of 12-month ECLs is described in the section below.

1.3 Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and includes forward-looking information.

For the Company's exposures, the historical analysis shows that default patterns are not concentrated at a specific point during the expected life of the financial instrument. Given this, changes in the risk of a default occurring over the next 12 months have been considered as approximation of the changes in the lifetime risk of a default occurring.

The Company uses a "point in time" process where the internal evaluation reflects an assessment of the borrower's current condition and/or most likely future condition over the next 12 months horizon from the assessment period. As such, the internal evaluation changes as the borrower's condition changes over the course of the credit/business cycle.

Significant increase in credit risk is determined for an exposure by comparing the estimated 12 months probability of default (PD) at the reporting date with the estimated 12 months PD at the time of initial recognition of the exposure. Accounts that are classified as low risk at the reporting date are excluded from this determination. If the risk class at reporting date is determined to have increased by greater than 2 classes compared to initial recognition, the exposure is classified as having a significant increase in credit risk.

The criteria for determining whether credit risk has increased significantly includes a "rebuttable presumption" i.e. a backstop based on delinquency. If the exposure is 30 days to 89 days past due at the reporting date, irrespective of the risk class or migration of risk, the exposure is classified as having significant increase in credit risk.

In addition, the Company may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators which may be indicative of increase in risk. For example, based on an individual assessment of a delinquent customer in the collections process the exposure may be classified as impaired. In such cases, an individual measurement of impairment is done based on the Company best estimate of the present value of the cash flows that is expected to be received, including from the repossession and sale of any assets if available. In estimating these cash flows, the Company makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral.

1.3.1 Modified contractual assets and restructured assets
In limited cases, the Company may also change the terms of the loan to customers in financial difficulties (referred to as "restructuring" or "forbearance activities") to assist willing customer to repay and minimize the risk of default. Under the Company's policy, loan restructuring is granted on a selective basis if the debtor is currently unable to pay or if there is a high risk of default. In such cases, the Company assesses if there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, reducing the interest rate or changing the timing of interest or principal payments or other amendments to the terms of loan (but not including increase of the outstanding exposure) to make it possible for the customer to pay.

For financial assets modified as part of the Company's restructuring policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considersconsiders various behavioural indicators.

1.3.2 Incorporation of forward looking information
The Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The Company uses the analysis published by Norges Bank which establishes which macroeconomic factors drives the increase of problem loans in banks. Based on this analysis, the Company has taken PD to be impacted by increase in unemployment and increase in the interest rate levels. The external information used includes economic data and forecasts published by The Central Bureau of Statistics (SSB).

The Company applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Company for strategic planning and budgeting.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 4.12.2018 for the years 2019 to 2022.

	2019	2020	2021	2022
Unemployment rate				
Alternative A	3.4%	3.4%	3.3%	3.3%
Base case	3.8%	3.8%	3.7%	3.7%
Alternative B	5.9%	5.9%	5.9%	5.9%
Household Lending Rates				
Alternative A	2.6%	2.9%	3.3%	3.3%
Base case	2.9%	3.2%	3.7%	3.7%
Alternative B	4.4%	4.8%	5.6%	5.6%
Housing prices				
Alternative A	1.5%	1.3%	0.7%	0.7%
Base case	1.4%	1.2%	0.6%	0.6%
Alternative B	0.7%	0.6%	0.3%	0.3%

Predicted relationships between the key indicators and default and loss rates are based on internal and external analysis.

1.4 Impairment
Definition of impairment – objective evidence
The Company considers a financial asset to be in default when:

- The Company becomes aware of significant financial difficulty of the borrower (bankruptcy/ Legal debt settlement).
- The Company for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a change in term that would not otherwise have been considered (for example a restructuring of the loan).
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization (initiation of Legal Debt Settlement / Bankruptcy).

In addition, the Company has established a "rebuttable presumption" (backstop) that default does not occur later than when a financial asset is 90 days past due.

Credit lines are also considered as being past due once the customer has breached an advised limit.

All exposures meeting the above requirement of default are classified as impaired.

1.5 Measurement of Expected Credit Loss (ECL).
The key inputs into the measurement of ECL are the Probability of default (PD), Exposure at default (EAD) and Loss given default (LGD). These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a given point in time, calculated based on statistical scoring models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

LGD is the size of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and historical recovery costs of any related collateral. LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

For accounts that are determined to have low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated. 12-month ECLs is defined as a portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

For undrawn credit lines, the Company estimates the 12-month ECLs based on its expectations of the portion of the loan commitment that will be drawn down within 12 months of the reporting date.

To estimate the 12 months ECL, the Company uses the historical data to see the performance of customers in low credit risk and derives the probability of default that results from all possible events over the 12 months from observation. Using historical data, the Company also estimates the Exposure at Default within 12 months of the observation dates for these accounts. To this the Company applies its historically observed net present value of cash flows using an effective interest rate for that group of accounts. The ECL is computed as the multiple of the PD, EAD and LGD thus derived.

For all exposures that meet the criteria of significant increase in credit risk or are classified as impaired on the reporting date, the Company computes a loss allowance (ECL) over the lifetime of the loan. This is equal to the ECLs that result from all possible default events over the expected life of a financial instrument. In order to estimate the lifetime ECL, the Company estimates the risk of a default occurring on the financial instrument during its expected life.

The ECL is estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between:

- The contractual cash flows that are due to an entity under the contractual terms and

- The cash flows that the Company expects to receive from the impaired asset

When estimating lifetime ECLs for undrawn credit line, the Company:

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment
- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

1.6 Derecognition and write-off

The Company considers an asset to be derecognised if:

- The contractual rights to the cash flows from the financial assets expire (example the loan reaches its end of term and is fully paid off, or the loan is prepaid by the customer).
- The financial asset is transferred and the transfer qualifies for derecognition (example, sale of an asset or group of assets).
- When the Company has no reasonable expectation of recovering the financial asset in entirety or in part.

The last criteria includes a write-off event when the Company determines that it has no reasonable expectation of cash flows from the customer.

Classification and measurement of financial instruments under IFRS 9

NOK thousands 1.1.2018	Amortised cost (AC)	Fair value through profit or loss (FVPL)	Fair value through other comprehensive income (FVOCI)	Non financial assets	Total
Loans to and claims on credit institutions	804,529				804,529
Net loans to customers	21,104,607				21,104,607
Certificates, bonds and other interest-bearing securities		140,002			140,002
Financial derivatives		100,339			100,339
Deferred tax assets				104	104
Other assets	36,789			422	37,211
Total assets	**21,945,926**	**240,342**		**526**	**22,186,793**

NOK thousands 1.1.2018	Amortised cost (AC)	Fair value through profit or loss (FVPL)	Non financial liabilities	Total
Liabilities to credit institutions	3,261,835			3,261,835
Liabilities opened for the issue of securities	17,076,000			17,076,000
Financial derivatives		6,186		6,186
Other liabilities	47,970		7,172	55,142
Current tax			43,660	43,660
Total liabilites	**20,385,806**	**6,186**	**50,833**	**20,442,824**

The following tables reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018

Reconciliation of provisions from IAS 39 to IFRS 9

NOK thousands	IAS 39 carrying amount 31.12.2017	Re-classifications	Re-measurements	IFRS 9 carrying amount 1.1.2018
Loans and advances to customers				
Opening balance under IAS 39	919			
Remeasurement ECL allowance				
Closing balance under IFRS 9				919
Total financial assets measured at amortised cost	**919**			**919**

New standards and interpretations not yet adopted

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2018. They have not been applied when preparing these financial statements. Those that may be relevant to Gjensidige Bank Boligkreditt AS are mentioned below. Gjensidige Bank Boligkreditt AS does not plan early implementation of these standards.

- **IFRS 16 Leases (2016)**

IFRS 16 requires all leases to be reported on a company's balance sheet as assets and liabilities. Earlier classification of leases as either operating leases or finance leases are removed. All leasing will be treated as finance leases. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. IFRS 16 is effective 1 January 2019. It is assumed that the change will not have a material effect.

Based on our preliminary assessments and on the basis of Gjensidige Bank Boligkreditt AS's current operations, other amendments to standards and interpretation statements will not have a material effect.

Preparation of the interim accounts involves using assessments, estimates and assumptions that affect the use of accounting policies and recognised amounts for assets and liabilities, revenues and expenses. The actual results may deviate from these estimates. The most material assessments relating to the use of the company's accounting policies and the key sources of uncertainty in the estimates are the same when preparing the interim accounts as in the annual accounts for 2017.

All amounts are shown in NOK thousands unless otherwise indicated. Due to rounding off differences, figures and percentages may not add up exactly to the totals indicated.

A complete audit of the interim report has not been carried out.

2. Segment information

Gjensidige Bank Boligkreditt AS has only one business segment, which is lending to private customers. The segment consists of loans to private customers, and the entire loan portfolio is purchased from Gjensidige Bank ASA. The company's full accounts therefore fall entirely under the segment «Retail market».

3. Liabilities on the issue of securities

NOK thousands	31.12.2018	31.12.2017
Liabilities opened for the issue of securities		
Bond debt	18,445,000	15,541,000
Total liabilities incurred through the issue of securities	**18,445,000**	**15,541,000**
Liabilities opened for the issue of securities		
Bond debt	1,450,000	1,450,000
Total liabilities included in fair value hedge	**1,450,000**	**1,450,000**
Total liabilities	**19,895,000**	**16,991,000**
Maturity		
Remaining maturity (nominal value)		**31.12.2017**
2018		402,000
2019	1,095,000	2,289,000
2020	3,700,000	3,700,000
2021	5,000,000	4,000,000
2022	5,000,000	4,000,000
2023	4,500,000	2,000,000
2025	600,000	600,000
Total	**19,895,000**	**16,991,000**
New issues in 2018	4,500,000	
Repayments in 2018	1,596,000	

NOK thousands

ISIN Number	Currency	Rate	Due	Ext.Due	Nominal value
NO0010662737	NOK	Floating	6.5.2019	6.5.2020	1,095,000
NO0010680283	NOK	Floating	3.3.2020	3.3.2021	2,850,000
NO0010687429	NOK	Fixed	11.9.2020	13.9.2021	850,000
NO0010727738	NOK	Floating	12.5.2021	12.5.2022	5,000,000
N00010770852	NOK	Floating	20.5.2022	20.5.2023	5,000,000
NO0010789266	NOK	Floating	23.5.2023	23.5.2024	4,500,000
NO0010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
Total liabilities through the issuance of excluding own securities					**19,895,000**

4. Write-downs and losses on loans

Write-downs and losses on loans

NOK thousands	31.12.2018	31.12.2017
Write-downs and losses for the period		
+/- Change in group write-downs for the period	291	(5,540)
+/- Change in individual write-downs for the period		
+ Write-off during the period		
- Payments on previously written-off accounts		
Write-downs and losses for the period	**291**	**(5,540)**
Individual write-downs		
Individual write-downs at the start of the period		
+/- Change in individual write-downs for the period		
Individual write-downs at the end of the period		
Group write-downs		
Group write-downs at the start of the period	919	6,459
+/- Change in group write-downs for the period	291	(5,540)
Group write-downs at the end of the period	**1,210**	**919**
Total write-downs at the end of the period	**1,210**	**919**
Defaulted loans		
Gross default over 90 days	2,591	2,643

4. Write-downs and losses on loans (cont.)

Credit quality by risk group

1.1.2018 NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	20,570,088		9,156	20,579,243
Medium	29,761	351,828	1,112	382,701
High	6,093	131,156	2,732	139,981
Not classified	958			958
Impaired and written down			2,643	2,643
Total	**20,606,899**	**482,985**	**15,643**	**21,105,527**
Loss allowance	551	96	272	919
Total net	**20,606,348**	**482,888**	**15,371**	**21,104,607**

31.12.2018 NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	23,002,837		6,398	23,009,234
Medium	8,589	69,997	2,514	81,100
High	4,580	62,234	5,838	72,652
Not classified	1,442,685	40,641	(3,978)	1,479,349
Impaired and written down			6,274	6,274
Total	**24,458,691**	**172,872**	**17,047**	**24,648,610**
Loss allowance	880	85	245	1,210
Total net	**24,457,811**	**172,787**	**16,802**	**24,647,400**

Loans to and claims on customers by past due status

	31.12.2018		1.1.2018	
NOK thousands	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	24,643,421	1,153	21,101,386	844
30-59 days	1			
60-89 days	2,596	17	1,497	10
90+ days	2,591	40	2,643	65
Total	**24,648,610**	**1,210**	**21,105,526**	**919**

4. Write-downs and losses on loans (cont.)

The following tables reconcile the opening and closing balances for accumulated loan loss allowance on financial Instruments.

Reconciling items includes the following:
-Changes in allowance due to the origination of new financial instruments during the period.
-Changes in allowance due to the derecognition of financial instruments during the period.
-Transfers between stages due to changes in credit risk. This includes the difference in loan loss allowance balance from one period to another.
-Changes in balance with no transfer between stages are related to financial instruments that did not move between stages but had changes in balances and hence resulting in changes in loan loss allowance.

Balances shown are loan loss allowance balances as of end of period except for “financial assets that have been derecognised” which are as of the beginning of period.

Loss allowance

NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total balance sheet allowance
Loss allowance as at 1.1.2018	**551**	**96**	**272**	**919**
Transfer to stage 1	36	(43)	(120)	(126)
Transfer to stage 2	(2)	60		58
Transfer to stage 3	(1)		181	180
New Finanicial assets originated during the period	352	17	22	392
Financial assets that have been derecognised	(100)	(44)	(108)	(252)
Changes in balance with no transfer between stages	44	(2)	(3)	39
Loss allowance as at 31.12.2018	**880**	**85**	**245**	**1,210**

NOK thousands	31.12.2018	1.1.2018
Stage 1	880	551
Stage 2	85	96
Stage 3	245	272
Total	**1,210**	**919**
Stage 1	72.7%	59.9%
Stage 2	7.0%	10.5%
Stage 3	20.3%	29.6%
Total	**100.0%**	**100.0%**

4. Write-downs and losses on loans (cont.)

The following tables reconcile the opening and closing balances on gross carrying amount.

Reconciling items includes the following:
- Transfers between stages due to changes in credit risk.
- Changes due to the origination of new financial instruments during the period.
- Changes due to the derecognition of loans during the period, including down-payment of loans, write-offs and sale of assets.

Balances shown are as of end of period except for "financial assets that have been derecognised" which are as of beginning of period and "down-payments" which are computed as the difference of the beginning of period and closing period balances.

Loans to and claims on customers

NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1.1.2018	**20,606,899**	**482,985**	**15,643**	**21,105,527**
Transfer to stage 1	218,340	(212,089)	(6,251)	
Transfer to stage 2	(57,832)	57,832		
Transfer to stage 3	(5,882)	(6,139)	12,021	
New financial assets originated	9,877,904	55,751	771	9,934,426
Financial assets that have been derecognised, including down payments	(5,335,484)	(191,420)	(4,655)	(5,531,560)
Other changes	(845,253)	(14,049)	(482)	(859,783)
Gross carrying amount as at 31.12.2018	**24,458,691**	**172,872**	**17,047**	**24,648,610**
Loss allowance as at 31.12.2018	880	85	245	1,210

NOK thousands	31.12.2018	1.1.2018
Stage 1	24,458,691	20,606,898
Stage 2	172,872	482,985
Stage 3	17,047	15,643
Total	**24,648,610**	**21,105,526**
Stage 1	99.2%	97.6%
Stage 2	0.7%	2.3%
Stage 3	0.1%	0.1%
Total	**100.0%**	**100.0%**

5. Capital adequacy

NOK thousands	31.12.2018	31.12.2017
Primary capital		
Share capital and share premium	1,220,020	1,220,020
Other equity	633,294	523,949
Total equity	**1,853,314**	**1,743,969**
Deduction		
Profit not included in the calculation of net primary capital		
Value adjustments due to the requirement for prudent valuation	(211)	(247)
Common equity Tier 1 capital	**1,853,103**	**1,743,722**
Net primary capital	**1,853,103**	**1,743,722**
Credit risk:		
Of which:		
Institutions	13,410	18,452
Mass market positions	3,107	2,323
Positions secured by mortgage	688,972	590,166
Overdue positions	211	215
Covered bonds	630	628
Other positions	486	61
Total minimum requirement credit risk	**706,815**	**611,845**
Operational risk	22,555	21,941
CVA-risk	5,936	10,020
Minimum requirement for net primary capital	**735,307**	**643,806**
Basis of calculation of balance sheet items not included in trading portfolio	**8,810,890**	**7,582,622**
Basis of calculation of off-balance sheet items not included in trading portfolio	**24,302**	**65,440**
Risk-weighted assets (calculation basis for capital adequacy ratio)	**9,191,333**	**8,047,573**
Buffer requirements		
Systemic risk buffer	275,740	241,427
Conservation buffer	229,783	201,189
Countercyclical buffer	183,827	160,951
Total buffer requirement for common equity Tier 1 capital	**689,350**	**603,568**
Pillar 2 requirement 1.5% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	**137,870**	**120,714**
Available surplus common equity Tier 1 capital net min. requirement	**612,273**	**657,300**
Capital adequacy		
Capital adequacy ratio	20.2%	21.7%
Tier 1 capital ratio	20.2%	21.7%
Common equity Tier 1 capital ratio	20.2%	21.7%
Leverage ratio	7.2%	7.7%

For credit risk the standard method is used, while basis method is used for oparational risk. The Financial Supervisory Authority of Norway has set a Pillar 2 requirement on additional 1.5 per cent of risk-weighted assets for Gjensidige Bank Group, covered by Common equity Tier 1 capital. Total regulatory requirement for common equity Tier 1 capital is 13.5 per cent and 17.0 per cent for primary capital.

6. Related parties

Gjensidige Bank ASA is a directly owned subsidiary of Gjensidige Forsikring ASA. Gjensidige Bank Boligkreditt AS is a wholly owned subsidiary of Gjensidige Bank ASA. All transactions and agreements with related parties are carried out in accordance with the arm's length principle.

Gjensidige Bank Boligkreditt AS purchases services such as customer support and loan management, as well as day-to-day management and administrative services, from Gjensidige Bank ASA.

Gjensidige Bank Boligkreditt AS has access to strong credit facilities with Gjensidige Bank ASA. This ensure that the Company can pay interest and principal to the covered bonds owners, and finance the transferring of loans and the cover pool.

Further information about the credit agreements:
a) Long-term credit facility of up to NOK 2,000.0 million. Expiry date 31 December 2020.
b) Short-term credit facility of up to NOK 4,000.0 million. Expiry date 30 November 2019.
c) Credit facility agreement that enables Gjensidige Bank Boligkreditt AS to borrow money in order to repay its outstanding bond debt. The credit facility shall be sufficient to cover the total repayment of the outstanding bonds over the next 12 months. As of 31 December 2018, the credit limit of the agreement was NOK 1,095.0 million.

The list below shows the transactions with related parties that are recognised in the income statement

NOK thousands	31.12.2018	31.12.2017
Interest income deposit Gjensidige Bank ASA	10,467	9,819
Interest expense liability Gjensidige Bank ASA	53,953	43,909
Interest expense covered bonds Gjensidige Bank ASA	10,861	21,434
Purchase of services from Gjensidige Bank ASA	11,612	10,197
Services to Gjensidige Bank ASA (outsourcing the CEO)	917	588

The list below shows assets / liabilities with / to related parties

NOK thousands	31.12.2018	31.12.2017
Deposit in Gjensidige Bank ASA	694,837	804,455
Liability to Gjensidige Bank ASA	3,651,742	3,273,300
Covered Bonds to Gjensidige Bank ASA	710,265	693,378

7. Contingent liabilities

NOK thousands	31.12.2018	31.12.2017
Unused credit facilities	1,963,344	1,828,251
Total contingent liabilities	**1,963,344**	**1,828,251**

8. Fair value of financial instruments

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled for in an orderly transaction between market participants on the measurement date.

Different valuation techniques and methods are used to estimate fair value, depending on the type of financial instruments and the extent to which they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Prices quoted in active markets are considered to be the best estimate of an asset/liability's fair value. When quoted prices in active markets are not available, the fair value of financial assets/ liabilities will preferably be estimated on the basis of valuation techniques based on observable market data. When neither quoted prices in active markets nor observable market data are available, the fair value of financial assets/liabilities is estimated based on valuation techniques that are based on non-observable market data.

Quoted prices in active markets

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. A financial asset/liability is considered valued based on quoted prices in active markets if fair value is estimated based on easily and regularly available prices and these prices represent actual and regularly occurring transactions at arm's length principle. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

Valuation based on observable market data

When quoted prices in active markets are not available, the fair value of financial assets/ liabilities is preferably estimated on the basis of valuation techniques based on observable market data. A financial asset/liability is considered valued based on observable market data if fair value is estimated with reference to prices that are not quoted, but are observable either directly (as prices) or indirectly (derived from prices). Financial assets/liabilities valued based on observable market data are classified as level two in the valuation hierarchy.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data. A financial asset/liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/ liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

Sensitivity financial assets level three

The sensitivity analysis for financial assets that are valued on the basis of non-observable market data shows the effect on profits of realistic and plausible market outcomes. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in value. A fall in value of ten per cent is deemed to be a realistic and plausible market outcome for shares and similar interests, as well as bonds and other securities with a fixed return that are included in level three of the valuation hierarchy.

8. Fair value of financial instruments (cont.)

NOK thousands	31.12.2018 Carrying amount	31.12.2018 Fair value	31.12.2017 Carrying amount	31.12.2017 Fair value
Assets				
Loans to and receivables from credit institutions, amortised cost	694,913	694,913	804,529	804,529
Loans to and receivables from credit institutions	**694,913**	**694,913**	**804,529**	**804,529**
Loans to and receivables from customers, amortised cost	24,648,610	24,648,610	21,105,527	21,105,527
Total loans before individual and group write-downs	**24,648,610**	**24,648,610**	**21,105,527**	**21,105,527**
- Group write-downs	1,210	1,210	919	919
Total net loans to customers	**24,647,400**	**24,647,400**	**21,104,607**	**21,104,607**
Certificates and bonds, fair value	139,898	139,898	140,002	140,002
Total bonds and other fixed-income securities	**139,898**	**139,898**	**140,002**	**140,002**
Financial derivatives, fair value	66,303	66,303	100,339	100,339
Financial derivatives	**66,303**	**66,303**	**100,339**	**100,339**
Other financial assets, amortised cost	38,107	38,107	36,789	36,789
Total other financial assets	**38,107**	**38,107**	**36,789**	**36,789**
Total financial assets	**25,586,622**	**25,586,622**	**22,186,268**	**22,186,268**
Liabilities				
Loans and deposits from credit institutions, amortised cost	3,636,007	3,636,007	3,261,835	3,261,835
Total liabilities to credit institutions	**3,636,007**	**3,636,007**	**3,261,835**	**3,261,835**
Commercial paper and bonds, amortised cost	18,475,317	18,584,378	15,531,824	15,650,394
Liability incurred through the issue of securities, fair value hedge	1,511,158	1,524,224	1,544,176	1,559,334
Total debt securities	**19,986,475**	**20,108,602**	**17,076,000**	**17,209,728**
Financial derivatives, fair value	5,156	5,156	6,186	6,186
Financial derivatives	**5,156**	**5,156**	**6,186**	**6,186**
Other financial liabilities, amortised cost	61,388	61,388	47,970	47,970
Total other financial liabilities	**61,388**	**61,388**	**47,970**	**47,970**
Total financial liabilities	**23,689,025**	**23,811,152**	**20,391,992**	**20,525,719**

8. Fair value of financial instruments (cont.)

	31.12.2018			
NOK thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest-bearing securities, designated at fair value	61,596	78,302		139,898
Financial derivatives, fair value		66,303		66,303
Total financial assets measured at fair value	**61,596**	**144,606**		**206,202**
Liabilities opened for the issue of securities, measured at fair value				
Financial derivatives, fair value		5,156		5,156
Total financial liabilities measured at fair value		**5,156**		**5,156**
Liability incurred through the issue of securities, amortised cost		18,584,378		18,584,378
Total financial liabilities measured at amortised cost		**18,584,378**		**18,584,378**
Liability incurred through the issue of securities, fair value hedge		1,524,224		1,524,224
Total financial liabilities included in fair value hedge		**1,524,224**		**1,524,224**

There were no major moves between levels 1 and 2 in 2018.

	31.12.2017			
NOK thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest-bearing securities, designated at fair value	61,797	78,205		140,002
Financial derivatives, fair value		100,339		100,339
Total financial assets measured at fair value	**61,797**	**178,544**		**240,341**
Liabilities opened for the issue of securities, measured at fair value				
Financial derivatives, fair value		6,186		6,186
Total financial liabilities measured at fair value		**6,186**		**6,186**
Liability incurred through the issue of securities, amortised cost		15,650,394		15,650,394
Total financial liabilities measured at amortised cost		**15,650,394**		**15,650,394**
Liability incurred through the issue of securities, fair value hedge		1,559,334		1,559,334
Total financial liabilities included in fair value hedge		**1,559,334**		**1,559,334**

There were no major moves between levels 1 and 2 in 2017.

Quarterly earnings performance

NOK thousands	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Interest income etc, amortised cost	126,841	124.914	123,370	121,704	122,325	124,682	121,410	108,311
Interest income etc, fair value	311	894	264	227	252	416	1,054	205
Interest costs etc.	(90,659)	(87.362)	(80,599)	(72,802)	(68,553)	(74,839)	(78,094)	(75,541)
Net interest income	**36,493**	**38.446**	**43,036**	**49,129**	**54,023**	**50,259**	**44,370**	**32,975**
Commission income and income from bank services	583	582	585	588	586	596	597	585
Net gains on financial instruments at fair value	(131)	246	(7,506)	463	(11,594)	137	(1,255)	(45)
Other operating income	229	229	229	229	147	147	147	147
Total income	**37,174**	**39.503**	**36,344**	**50,409**	**43,162**	**51,139**	**43,859**	**33,662**
Personnel expenses	(1,110)	(551)	(543)	(535)	(578)	(515)	(356)	(466)
Other operating costs	(3,613)	(3.518)	(3,713)	(3,937)	(3,075)	(2,999)	(4,077)	(3,918)
Total operating expenses	**(4,723)**	**(4.069)**	**(4,256)**	**(4,472)**	**(3,653)**	**(3,514)**	**(4,433)**	**(4,384)**
Profit / (loss) before loan losses	**32,450**	**35.434**	**32,088**	**45,938**	**39,509**	**47,626**	**39,426**	**29,278**
Write-downs and losses	(381)	23	434	(367)	6,000	(326)	(134)	
Profit / (loss) before tax expense	**32,070**	**35.457**	**32,522**	**45,570**	**45,509**	**47,300**	**39,292**	**29,278**

Alternative Performance Measures

Gjensidige Bank Boligkreditt ASs Alternative Performance Measures (APMs) are presented to provide users of Gjensidige Bank Boligkreditt ASs financial reporting with relevant information and tools to be able to establish a view on Gjensidige Bank Boligkreditt ASs performance.

Average total assets are calculated based on daily observations of the total balance divided by the number of days in the period.

Net interest margin is calculated as annualised net interest income divided by average total assets. The measure reflects the margin between interest paid and interest received. It is an important measure to evaluate the profitability of the bank's lending operations.

Profit related measures

Profit related measures are provided for enhanced insight into the underlying performance of the business. Cost-to-income ratio and Return on Equity are commonly used by analysts and investors to evaluate the financial performance of banks and the banking industry.

Cost / income ratio is calculated as total expense divided by total income. The measure reflects the operating efficiency of the bank.

Return on Equity (ROE) is calculated as profit for the period as a percentage of average shareholder equity in the period. Tier-1 accrued interest have been included in the ROE calculation. For interim periods the profit for the period is annualised using the number of days in the period to the total number of days in the year. The average equity is calculated using a linear average over the reporting period. Average equity includes net profit for the period and dividend until paid and excludes Additional Tier 1 capital.

Average customer assets are calculated based on daily observations of gross loans to customers divided by the number of days in the period.

Loss rate is calculated as the loan losses of the period divided by the average customer assets of the period. The measure is commonly used by banks and industry analysts to indicate the performance and quality of the lending book. For interim periods the loan losses for the period is annualised using the number of days in the period to the total number of days in the year.

LTV (Loan to Value) is calculated on the basis of the exposure on the reporting date and the property valuation, including any higher priority pledge(s), at the time the loan was approved. The LTV is provided as a measure of lending risk exposure.

The liquidity requirements are intended to guarantee satisfactory liquidity management by ensuring that the institutions have sufficient liquid assets to cover their liabilities on maturity and have stable and long-term financing at all times. **The Liquidity Coverage Ratio (LCR)** is intended to ensure that institutions can convert sufficient assets to cash to cover expected net liquidity outflows over the next 30 days in stressed situations in the money and capital markets. **The NetStable Funding Ratio (NSFR)** is intended to ensure that less liquid assets are financed over the long term.

Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes consolidated shareholders' equity excluding unaudited retained earnings, proposed dividend, deferred tax assets, intangible assets in the banking operations.

Common Equity Tier 1 (CET 1) capital ratio is calculated as Common equity tier 1 capital divided by total risk exposure amount.

Tier 1 capital ratio is calculated as Tier 1 capital divided by total risk exposure amount. Tier 1 capital consist of both CET 1 capital and Additional Tier 1 capital.

Capital adequacy ratio is total own funds divided by total risk exposure amount. Total own funds are the sum of Tier 1 and Tier 2 capital.

Key figures

		1.1.-31.12.2018	1.1.-31.12.2017
Net interest margin, annualised [1]	%	0.70	0.81
Loss rate [2]	%		(0.03)
Non-performing loans in per cent of gross lending [3]	%	0.01	0.01
Return on equity, annualised [4]	%	6.06	7.48
Capital adequacy ratio [5]	%	20.2	21.7
Tier 1 capital ratio [6]	%	20.2	21.7
Common equity Tier 1 capital ratio [7]	%	20.2	21.7
Liquditiy Coverage Ratio	%	273	294
Average total assets	NOK thousands	23,962,995	22,354,150
Cover pool	NOK thousands	25,271,713	21,888,976
Number of loans	Number	13,767	12,226
Weighted indexed loan-to-value ratio [8]	%	51.2	48.8
Weighted average remaining life [9]	Year	21.8	21.5

1 Net interest margin, annualised = Net interest income/average total assets
2 Loss rate = Write-downs and losses/average gross lending
3 Gross default over 90 days
4 Return on equity, annualised = Shareholders' share of profit for the period / average shareholders' equity for the period, annualised
5 Capital adequacy ratio= Net primary capital / risk-weighted assets. The result of the period is not included in the calculation for the quarters, with the exception of fourth quarter.
6 Tier 1 capital ratio = Tier 1 capital / risk-weighted assets. The result of the period is not included in the calculation for the quarters, with the exception of fourth quarter.
7 Common equity Tier 1 capital ratio = Common equity Tier 1 capital / risk-weighted assets. The result of the period is not included in the calculation for the quarters, with the exception of fourth quarter.
8 Quarterly updated house prices
9 Excluded flexi loans from Q1 2017

Gjensidige Bank ASA, a wholly-owned subsidiary of Gjensidige Forsikring ASA, offers digital day-to-day-banking services, home lending, financing and savings.

Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 3800 employees and offer insurance, banking and pension in Norway and insurance in Denmark, Sweden and the Baltic states. The Group's operating income was NOK 26 billion in 2018, while total assets were NOK 157 billion.

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