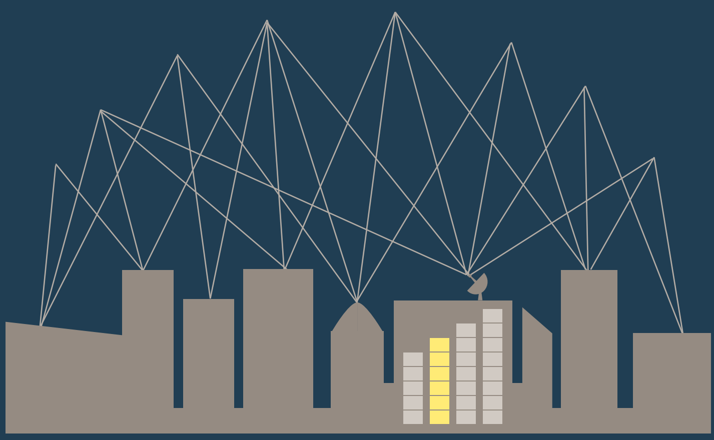
Interim Report 2nd quarter 2018

Gjensidige Bank



Gjensidige Bank Group highlights
First half-year and second quarter 2018

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

Year-to-date

- Pre-tax profit: NOK 339.5 million (224.4)
- Operating income: NOK 509.6 million (498.2)
- Operating expenses: NOK 211.2 million (206.9)
- Cost/income ratio: 41.4 per cent (41.5)
- Write-downs and losses: NOK positive 41.1 million (66.8)

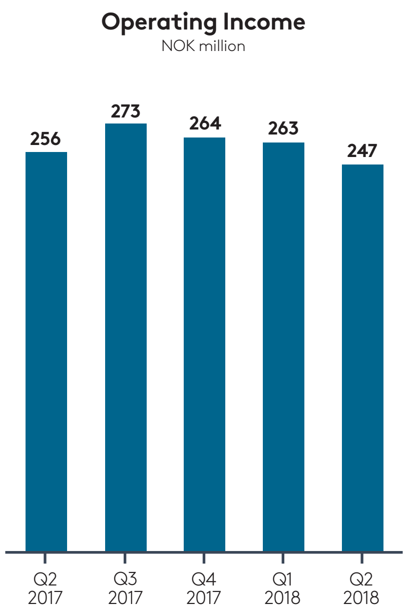
- Return on equity, annualised[1]: 13.8 per cent (11.1)
- Common equity Tier 1 capital: NOK 3.8 billion (3.1)
- Common equity Tier 1 capital ratio: 14.7 per cent (13.5)

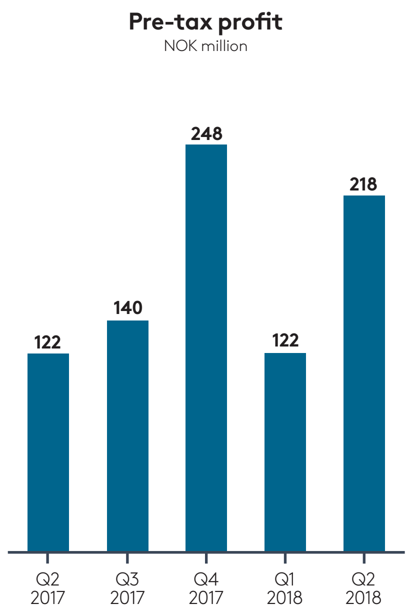
- Gross lending: NOK 48.2 billion (44.3)
- Customer deposits: NOK 24.1 billion (22.2)
- Asset under management: NOK 38.4 billion (42.8)

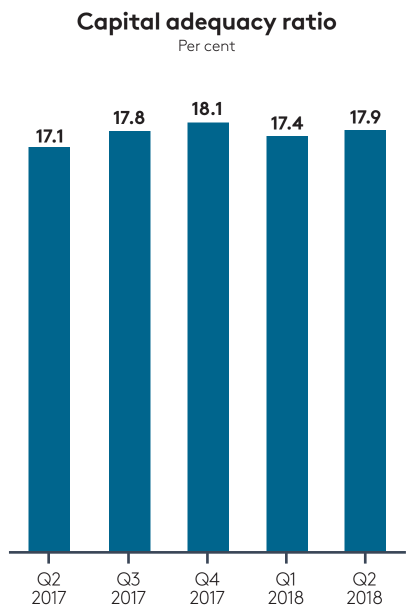
Second quarter

- Pre-tax profit: NOK 217.7 million (121.7)
- Operating income: NOK 247.1 million (255.6)
- Operating expenses: NOK 107.6 million (100.3)
- Write-downs and losses: NOK positive 78.2 million (33.6)

- Return on equity, annualised[1]: 17.5 per cent (11.7)







[1] Return on equity, annualised = Shareholders' share of profit for the period / average shareholders' equity for the period, annualised

Year-to-date development

Earnings performance
The profit before tax expense increased to NOK 339.5 million (224.4). The improvement was due to a gain of NOK 130.5 million on the sale of a portfolio of impaired and written-off unsecured loans during the second quarter Excluding the impact of the sale, the profit before tax expense was NOK 209.0 million. The improvement in the net interest margin driven by portfolio growth was offset by increased acquisition costs and write-downs and losses as well as lower gains on financial instruments.

Total income amounted to NOK 509.6 million (498.2).

Net interest income amounted to NOK 506.0 million (464.5). The improvement was driven by lending growth.

Net commission income and other income amounted to NOK 3.6 million (33.7). The decrease was the result of higher acquisition costs driven by business growth and lower gains on financial instruments.

Net interest margin[1] was 1.94 per cent (2.00). The decrease was driven by the portfolio mix and margin as a result of competition in the market.

Operating expenses were NOK 211.2 million (206.9).

The cost/income ratio decreased to 41.4 per cent (41.5), driven by the increased income.

Total write-downs and losses resulted in an income of NOK 41.1 million (a loss of 66.8), primarily related to the unsecured lending portfolio. Total write-downs and losses, excluding the impact of the sale of a portfolio of non-performing loans, amounted to NOK 85.7 million. The new IFRS rules have been implemented and last year's financials are therefore not directly comparable. The transition from IAS 39 to IFRS 9 rules led to an increase of NOK 13.9 million in the losses and provisioning balance at the beginning of the year. The impact was charged directly to equity, after adjusting for the impact of tax.

The overall portfolio has high quality.

Write-downs and losses were minus 0.18 per cent (0.32) of average gross lending. Excluding the impact of the sale of the non-performing portfolio, write-downs and losses were 0.37 per cent of average gross lending, driven by the change in portfolio mix.

Gross lending in default over 90 days decreased to NOK 372.4 million (465.7), driven by the sale of the impaired unsecured lending portfolio. Gross loans in default over 90 days were 0.77 per cent (1.05) of total gross lending, a result of the portfolio sale.

The weighted average loan-to-value ratio[2] was estimated to be 60.7 per cent (60.3) for the mortgage portfolio.

Lending, deposits and investments growth
Gross lending increased by 8.9 per cent and amounted to NOK 48,206.0 million (44,264.3) at the end of the period. Deposits increased by 8.6 per cent, reaching NOK 24,066.0 million (22,153.9). The deposits-to-loans ratio was 49.9 per cent (50.0).

The accounting principle for fixed interest customer loans changed from amortised cost to fair value after the implementation of IFRS 9. The one-time effect of this change of principle was positive and amounted to NOK 19.4 million before tax in the first quarter. It was charged directly to equity after adjusting for tax.

Assets under management reached NOK 38.4 billion (42.8) at the end of the period. The decrease was driven by the termination of an institutional mandate.

Capital adequacy
At the end of the period, the Gjensidige Bank Group had a capital adequacy ratio of 17.9 per cent (17.1). The total capital held by the bank was NOK 4,578.0 million (3,869.6), of which NOK 3,758.4 million (3,052.0) was common equity Tier 1 capital. The common equity Tier 1 capital ratio was 14.7 per cent (13.5). Year to date accounts for 2018 were subject to a limited audit. As a result, the year to date profit was included in the capital.

Rating
As 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 CreditWatch with positive implications. The change took place on 4 July 2018.

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 was published on the bank`s website.

Debt securities issued
Net issues of debt securities, including subordinated debt, amounted to NOK 26,065.9 million (23,462.0) at the end of the period. The total face value of the securities issued by the bank was NOK 26,057.4 million.

[1] The net interest margin is calculated as net interest income as a percentage of average total assets, annualised.
[2] The loan-to-value ratio estimate 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.

New issues in the period were NOK 3,750.0 million. Gjensidige Bank Boligkreditt AS issued covered bonds totalling NOK 2,000.0 million. Gjensidige Bank ASA issued senior bonds totalling NOK 1,750.0 million. Repayments through ordinary maturity and buy back of bond from investors were NOK 1,135.0 million in the period.

Liquidity
At the end of the period, the Gjensidige Bank Group had net liquid assets of NOK 6,444.5 million, divided between NOK 728.5 million in bank deposits and NOK 5,716.0 million in debt securities. Of the latter assets NOK 25.1 million were investments in covered bonds from Gjensidige Bank Boligkreditt AS (eliminated in the consolidated accounts). The net liquid assets were at an adequate level that covers the bond debt that is due in the next 22 months.

Development during the quarter

Earnings performance
The profit before tax expense increased to NOK 217.7 million (121.7). The improvement was the result of the gain on sale of the portfolio of non-performing loans. Excluding the impact of the sale, the profit before tax expense was NOK 87.2 million. The improvement in the net interest margin driven by portfolio growth was offset by increased acquisition costs and write-downs and losses as well as lower gains on financial instruments. Expenses were also higher than prior year.

Total income in the quarter was NOK 247.1 million (255.6). The increase in income driven by business growth was offset by lower gains on financial instruments and increased acquisition costs.

Net interest income amounted to NOK 255.5 million (242.3). The improvement was driven by business growth.

Net commission income and other income amounted to negative NOK 8.4 million (13.3). The decrease was a result of higher acquisition costs driven by business growth and lower gains on financial instruments.

Operating expenses amounted to NOK 107.6 million (100.3), driven by business growth.

The cost/income ratio was 43.5 per cent (39.3).

Total write-downs and losses resulted in an income of NOK 78.2 million (loss of 33.6), primarily related to the unsecured lending portfolio. Excluding the impact of the sale of the non-performing portfolio, total write-downs and losses amounted to NOK 48.6 million. The new IFRS rules have been implemented and last year's financials are therefore not directly comparable.

Lending, deposits and investments growth
Gross lending growth was NOK 896.8 million (1,367.1). Deposits increased by NOK 302.0 million (553.2).

Key risk and uncertainty factors
The bank's financial risk mainly comprises credit, liquidity and interest rate risk. The risk is reported on a monthly basis and assessed in accordance with the principles, strategies and risk thresholds defined by the Board.

Credit risk represents the risk of losses arising as a result of customers and other counterparties failing to repay their debts when they fall due. The bank uses risk classification models to calculate the risk associated with its exposure to customers. The lending performance is considered to be satisfactory and is monitored closely.

Liquidity risk is the risk that the bank will be unable to meet all its financial obligations when they fall due, or be unable to fund its lending activities. The bank established a legal framework that allows it to attract liquidity from the external market. Moreover, in order to reduce the risk, liquidity forecasts are continuously updated and reviewed. The bank's current liquidity reserve gives it time to implement necessary measures in a situation of an acute liquidity freeze.

Interest rate risk is the risk that equity will fall in value as a result of unexpected changes in the interest rate levels in the market. Such changes in interest rate levels may lead to a fall in the market value of fixed-interest assets. Alternatively, the market value of fixed-interest debt/liabilities may increase.

Events after the balance sheet date
On 2 July 2018 Gjensidige Forsikring ASA entered into a share purchase agreement with Nordea for the sale of Gjensidige Bank ASA. The parties also entered into a strategic partnership agreement with respect to mutual distribution of non-life insurance and financing products in Norway. The agreed purchase price was NOK 5.5 billion, subject to certain adjustments based on the performance of the bank until closing of the transaction. Closing is expected to take place during Q1 2019, subject to customary regulatory approvals.

Outlook

While preparing for the potential completion of the sale to Nordea, Gjensidige Bank will continue to focus on a sustainable and profitable growth of the business. Customer process improvements supported by digitalization are part of the bank's competitive offer.

Different competitors vary in their approach and interpretation of the guidelines given from the FSA in Q4 2017 regarding unsecured lending. The bank is aiming to continue growing its portfolio as a relevant player in the market, while preserving the margins.

Oslo, 12 July 2018
The Board of Gjensidige Bank ASA

Mats C. Gottschalk Chair	Per Kumle	Marianne B. Einarsen	Anita Gundersen

Janneke Tranås Hjorth	Hans-Jacob Starheim	Krister Georg Aanesen CEO

Income statement

Gjensidige Bank Group

NOK thousands	Note	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Interest income etc, amortised cost		416,965	391,651	820,874	759,454	1,584,208
Interest income etc, fair value		15,441	12,035	27,062	23,303	47,488
Interest costs etc.		(176,899)	(161,411)	(341,927)	(318,264)	(639,434)
Net interest income		**255,507**	**242,275**	**506,010**	**464,493**	**992,261**
Dividends from investments in shares and funds						
Commission income and income from bank services		27,754	28,648	53,003	53,340	101,490
Commission costs and costs of bank services		(34,170)	(23,942)	(61,128)	(39,379)	(85,841)
Net gains on financial instruments at fair value		(5,058)	5,021	4,362	12,804	11,056
Other operating income		3,028	3,562	7,386	6,901	16,187
Net commission income and other operating income		**(8,446)**	**13,289**	**3,623**	**33,666**	**42,891**
Total income		**247,062**	**255,564**	**509,633**	**498,159**	**1,035,152**
Personnel expenses		(39,310)	(35,745)	(85,623)	(76,766)	(170,155)
Depreciation		(4,696)	(3,722)	(8,950)	(7,145)	(15,064)
Other operating expenses		(63,558)	(60,859)	(116,609)	(123,033)	(227,258)
Total operating expenses		**(107,564)**	**(100,327)**	**(211,182)**	**(206,943)**	**(412,477)**
Profit / (loss) before loan losses		**139,497**	**155,237**	**298,451**	**291,216**	**622,675**
Write-downs and losses	5	78,215	(33,558)	41,071	(66,784)	(10,327)
Profit / (loss) before tax expense		**217,712**	**121,679**	**339,522**	**224,431**	**612,347**
Tax expense		(54,428)	(30,510)	(84,881)	(56,199)	(153,240)
Profit / (loss) for the period		**163,284**	**91,169**	**254,642**	**168,233**	**459,107**
Earnings per share (NOK) (basic and diluted)		186.4	104.1	290.7	192.0	524.1

Statement of comprehensive income

Gjensidige Bank Group

NOK thousands	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Profit/ (loss) for the period	**163,284**	**91,169**	**254,642**	**168,233**	**459,107**
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Actuarial gains/ (loss) on pensions					(2,439)
Tax on items that are not reclassified to profit or loss					610
Total items that are not reclassified subsequently to profit or loss					**(1,829)**
Items that may be reclassified subsequently to profit or loss					
Tax on items that may be reclassified to profit or loss					
Total items that may be reclassified subsequently to profit or loss					
Total components of other comprehensive income					**(1,829)**
Total comprehensive income for the period	**163,284**	**91,169**	**254,642**	**168,233**	**457,278**

Balance sheet
Gjensidige Bank Group

NOK thousands	Note	30.6.2018	30.6.2017	31.12.2017
Assets				
Cash and claims on central banks		61,105	473,864	229,633
Loans to and claims on credit institutions		667,388	343,241	200,496
Loans to and claims on customers	2,4	48,205,962	44,264,273	46,056,133
-Write-downs	5	(222,444)	(432,653)	(180,276)
Net loans to customers		47,983,518	43,831,620	45,875,857
Certificates, bonds and other interest-bearing securities		5,690,833	4,625,687	4,957,463
Shares (and other securities with variable yield)		4,645	4,645	4,645
Intangible assets		28,870	23,064	25,200
Deferred tax assets		14,695	19,864	
Fixed assets		4,062	3,344	3,823
Other assets		116,712	129,259	123,794
Advance payments and accrued income		291,382	91,884	113,883
Total assets		**54,863,209**	**49,546,472**	**51,534,794**
Liabilities and equity				
Deposits and liabilities to customers	2	24,066,031	22,153,865	23,765,670
Liabilities opened for the issue of securities	3,9	25,616,141	23,012,283	23,083,373
Other liabilities		150,458	42,177	77,713
Current tax		84,881	56,108	123,946
Deferred tax liabilities				6,798
Accrued costs and advance payment of income		317,031	199,094	103,671
Provision for commitments and costs		24,242	17,183	24,242
Subordinated debt	3	449,801	449,722	449,761
Total liabilities		**50,708,585**	**45,930,432**	**47,635,173**
Equity				
Share capital		978,492	978,492	978,492
Share premium		1,107,154	1,107,154	1,107,154
Perpetual Tier 1 capital	10	369,812	369,393	369,599
Other paid-in equity		3,779	3,779	3,779
Other equity		1,695,387	1,157,222	1,440,598
Total equity		**4,154,624**	**3,616,040**	**3,899,622**
Total liabilities and equity		**54,863,209**	**49,546,472**	**51,534,794**

Statement of changes in equity

Gjensidige Bank Group

NOK thousands	Share capital	Share premium	Perpetual Tier 1 capital	Other paid-in equity	Total paid-in equity	Other equity	Total equity
Equity 1.1.2017	**976,740**	**892,452**	**299,071**	**3,779**	**2,172,042**	**992,404**	**3,164,446**
Comprehensive income							
Profit/(loss)			5,410		5,410	162,823	168,233
Total components of other comprehensive income							
Total comprehensive income 1.1.-30.6.2017			**5,410**		**5,410**	**162,823**	**168,233**
Transactions with owners of the company							
Capital expansion	1,752	214,702			216,454	1,741	218,195
Share-based payment transactions settled in equity						254	254
Perpetual Tier 1 capital			69,825		69,825		69,825
Paid interest on Perpetual Tier 1 capital			(4,914)		(4,914)		(4,914)
Total transactions with owners of the company 1.1.-30.6.2017	**1,752**	**214,702**	**64,911**		**281,366**	**1,995**	**283,361**
Equity 30.6.2017	**978,492**	**1,107,154**	**369,393**	**3,779**	**2,458,818**	**1,157,222**	**3,616,040**
Comprehensive income							
Profit/(loss)			6,003		6,003	284,871	290,874
Total components of other comprehensive income						(1,829)	(1,829)
Total comprehensive income 1.7.-31.12.2017			**6,003**		**6,003**	**283,042**	**289,045**
Transactions with owners of the company							
Capital expansion							
Share-based payment transactions settled in equity						335	335
Perpetual Tier 1 capital							
Paid interest on Perpetual Tier 1 capital			(5,798)		(5,798)		(5,798)
Total transactions with owners of the company 1.7.-31.12.2017			**(5,798)**		**(5,798)**	**335**	**(5,463)**
Equity 31.12.2017	**978,492**	**1,107,154**	**369,599**	**3,779**	**2,459,024**	**1,440,598**	**3,899,622**
Adjustment due to amendment to IFRS 2						**2,193**	**2,193**
Adjustment on initial application of IFRS 9						**4,156**	**4,156**
Equity 1.1.2018	**978,492**	**1,107,154**	**369,599**	**3,779**	**2,459,024**	**1,446,947**	**3,905,971**
Comprehensive income							
Profit/(loss)			6,072		6,072	248,570	254,642
Total components of other comprehensive income							
Total comprehensive income 1.1.-30.6.2018			**6,072**		**6,072**	**248,570**	**254,642**
Transactions with owners of the company							
Capital expansion							
Share-based payment transactions settled in equity						(129)	(129)
Perpetual Tier 1 capital							
Paid interest on Perpetual Tier 1 capital			(5,859)		(5,859)		(5,859)
Total transactions with owners of the company 1.1.-30.6.2018			**(5,859)**		**(5,859)**	**(129)**	**(5,988)**
Equity 30.6.2018	**978,492**	**1,107,154**	**369,812**	**3,779**	**2,459,237**	**1,695,387**	**4,154,624**
Number of shares at end of period	876,000						

Statement of cash flows

Gjensidige Bank Group

NOK thousands	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Operating activities			
Net payment of loans to customers	(2,151,134)	(3,007,237)	(4,912,206)
Net payment of deposits by customers	300,361	883,513	2,495,318
Payment of interest from customers	797,503	732,219	1,508,986
Payment of interest to customers	(64,319)	(45,717)	(257,236)
Net payment of interest from credit institutions etc.	(26,128)	(20,610)	(19,351)
Taxes paid	(144,871)	(92,754)	(92,754)
Net other commission income	163,046	72,332	164,390
Payment to operations	(305,027)	(222,654)	(502,715)
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	(720,141)	(1,070,932)	(1,418,987)
Net cash flow from operating activities	**(2,150,711)**	**(2,771,841)**	**(3,034,555)**
Investment activities			
Net purchase of intangible assets and fixed assets	(12,859)	(10,866)	(21,401)
Net cash flow from investment activities	**(12,859)**	**(10,866)**	**(21,401)**
Financing activities			
Net paid(-)/received when taking out loans with credit institutions and covered bonds	2,628,840	3,388,152	3,462,424
Net payment of interest on financing activities	(138,250)	(141,875)	(308,754)
Net received/paid (-) for other short-term positions	(22,798)	(26,549)	(41,872)
Tier 1 issuance		70,000	70,000
Tier 1 interest payments	(5,859)	(4,914)	(10,711)
Capital increases		195,000	195,000
Net cash flow from financing activities	**2,461,932**	**3,479,814**	**3,366,087**
Total cash flow	**298,363**	**697,107**	**310,131**
Cash flow for the period			
Liquid assets at start of period	430,129	119,998	119,998
Liquid assets at end of period	728,492	817,105	430,129
Net payment received/made(-) of cash	**298,363**	**697,107**	**310,131**
Specification of liquid assets			
Claims on central banks	61,105	473,864	229,633
Deposits with credit institutions	667,388	343,241	200,496
Liquid assets in statement of cash flow	**728,492**	**817,105**	**430,129**

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
Gjensidige Bank Group

1. Accounting policies

The consolidated financial statements as of the second quarter of 2018, concluded on 30 June 2018, comprise Gjensidige Bank ASA and its subsidiary 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 consolidated financial statements as of the second 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 for the basis form 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 banks' 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 , deposits 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". The category consists of two sub-categories; Mandatorily measured at fair value through profit or loss and Designated at fair value through profit or loss (fair value option).

Mandatorily measured at fair value through profit or loss contain the banks liquidity portfolio, managed and reported at fair value, and derivatives. The bank also applies fair value option on fixed interest loans to customers, to reduce accounting mismatch with the related interest rate swaps measured 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. Loans to customers in the parent company (Gjensidige Bank ASA) is required to be measured at fair value over other comprehensive income, as loans can be held to maturity and sold to Gjensidige Bank Boligkreditt AS.

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 bank uses credit scores extensively in its credit assessment and monitoring process. Different credit scores are used for the different product groups in the bank 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). For commercial customers that the bank has in relation to its car finance business, the bank uses a combination of key measures including financial ratios (profit margins, equity ratio, financial leverage ratios, etc.) and non-financial (years in business, reputation of owners and management, type and amount of security where applicable) in addition to external credit ratings from the credit reference agencies.

The bank 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 an statistically estimate of the likelihood that a default event will occur. The bank define an engagement as defaulted 90 days after contractual due (immaterial outstanding amounts are not considered) or if the bank is aware of any significant loss event has happen, for example legal debt settlement (gjeldsordning) or bankruptcy. Credit risk classes are a primary input into the determination of the PD for exposures. The bank collects performance and default information about its credit risk exposures analysed by type of product and borrower at an individual exposure level. For some portfolios, where there is not enough data or history to develop custom score, the credit score information purchased from external credit reference agencies is also used.

The bank employs statistical models to analyze 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.

For some of the smaller portfolios that have limited data and historical performance data, the bank utilizes information of similar portfolio if possible or judgment based on credit experience in determining the probability of defaults.

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 are 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 bank 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 bank. 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 bank 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 bank's historical experience, credit assessment and includes forward-looking information.

For the bank'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 bank 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 bank 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 a 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 banks 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, bank 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 bank 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 bank'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 bank 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 bank's restructuring policy, the estimate of PD reflects whether the modification has improved or restored the bank's ability to collect interest and principal and the bank's previous experience of similar forbearance action. As part of this process, the bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

1.3.2 Incorporation of forward looking information

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

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 30.6.2018 for the years 2018 to 2022.

	2018	2019	2020	2021	2022
Unemployment rate					
Alternative A	3.5%	3.4%	3.3%	3.3%	3.3%
Base case	3.9%	3.8%	3.7%	3.7%	3.7%
Alternative B	5.9%	5.9%	5.9%	5.9%	5.9%
Household Lending Rates					
Alternative A	2.4%	2.8%	3.1%	3.3%	3.3%
Base case	2.7%	3.1%	3.4%	3.7%	3.7%
Alternative B	4.1%	4.7%	5.1%	5.6%	5.6%
Housing prices					
Alternative A	0.0%	0.3%	1.0%	1.3%	1.3%
Base case	0.0%	0.3%	0.9%	1.2%	1.2%
Alternative B	0.0%	0.2%	0.5%	0.6%	0.6%

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 bank considers a financial asset to be in default when:

- The bank becomes aware of significant financial difficulty of the borrower (bankruptcy/ Legal debt settlement).
- The bank 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 bank 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 bank 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 bank 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 portfolios in respect of which the bank has limited historical data, either judgment using credit experience or external benchmark information is used to supplement the internally available data.

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, bank 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 bank 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 bank also estimates the Exposure at Default within 12 months of the observation dates for these accounts. To this the bank 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 bank 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 bank 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 bank expects to receive from the impaired asset

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

- 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 bank 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 bank has no reasonable expectation of recovering the financial asset in entirety or in part.

The last criteria includes a write-off event when the bank 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
Cash and claims on central banks	229,633				229,633
Loans to and claims on credit institutions	200,496				200,496
Net loans to customers[1,2]	44,097,420	1,783,979			45,881,399
Certificates, bonds and other interest-bearing securities		4,957,463			4,957,463
Financial derivatives		124,721			124,721
Shares (and other securities with variable yield)		4,645			4,645
Intangible assets				25,200	25,200
Fixed assets				3,823	3,823
Other assets	66,763			46,193	112,956
Total assets	**44,594,312**	**6,870,808**		**75,216**	**51,540,336**

[1]Fixed interest loans to customers reclassified from amortised cost to Fair value option.

[2]Loans to customers in the parent company (Gjensidige Bank ASA) will satisfy the criteria for measurement at fair value over other comprehensive income, as loans can be held to maturity and sold to Gjensidige Bank Boligkreditt AS.

NOK thousands 1.1.2018	Amortised cost (AC)	Fair value through profit or loss (FVPL)	Non financial liabilities	Total
Liabilities to credit institutions				
Deposits and liabilities to customers	23,765,670			23,765,670
Liabilities opened for the issue of securities	23,083,373			23,083,373
Financial derivatives		16,272		16,272
Other liabilities	121,929		43,182	165,111
Current tax			123,946	123,946
Deferred tax liabilities			6,798	6,798
Provision for pension liability			24,242	24,242
Subordinated debt	449,761			449,761
Total liabilites	**47,420,733**	**16,272**	**198,168**	**47,635,173**

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 statement of financial position balances from IAS 39 to IFRS 9

Total positive impact on equity from IFRS 9 at transition amounts to NOK 4.2 million after tax.

NOK thousands	IAS 39 carrying amount 31. 12 2017	Re-classifications	Re-measurements	IFRS 9 carrying amount 1. 1. 2018
Net loans to customers at amortised cost	45,875,857	(1,764,584)	(13,853)	44,097,420
Net loans to customers at fair value[1]		1,764,584	19,395	1,783,979
Financial assets	**45,875,857**		**5,542**	**45,881,399**

[1]Fixed interest loans to customers reclassified from amortised cost to Fair value option.

Reconciliation of provisions from IAS 39 to IFRS 9

The total negative impact on equity from IFRS 9 at transition amounts to NOK 10.4 million after tax.

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	180,276			
Remeasurement ECL allowance			13,853	
Closing balance under IFRS 9				194,129
Total financial assets measured at amortised cost	**180,276**		**13,853**	**194,129**

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 consolidated financial statements. Those that may be relevant to Gjensidige Bank ASA are mentioned below. Gjensidige Bank ASA 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 Group'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

NOK thousands	30.6.2018	31.3.2018	31.12.2017	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016
Deposit by sector and industry								
Retail market	16,348,016	16,340,758	16,447,371	16,345,414	16,488,898	16,018,478	16,114,844	15,683,920
Other	7,718,015	7,423,228	7,318,298	6,518,424	5,664,966	5,582,142	5,155,508	4,694,383
Total deposits	**24,066,031**	**23,763,986**	**23,765,670**	**22,863,837**	**22,153,865**	**21,600,619**	**21,270,352**	**20,378,302**
Loans to customers divided by sector and industry								
Private individuals	46,320,627	45,562,407	44,591,821	44,371,708	43,225,310	41,996,495	40,529,975	39,269,939
Commercial business	1,885,335	1,746,714	1,464,313	1,168,427	1,038,964	900,629	719,535	645,158
Gross loans	**48,205,962**	**47,309,121**	**46,056,133**	**45,540,136**	**44,264,273**	**42,897,124**	**41,249,510**	**39,915,096**

3. Liabilities on the issue of securities

	Nominal value			Carrying amount		
NOK thousands	**30.6.2018**	**30.6.2017**	**31.12.2017**	**30.6.2018**	**30.6.2017**	**31.12.2017**
Liabilities opened for the issue of securities						
Bond debt [1]	19,707,350	19,106,351	18,222,350	19,671,928	19,077,707	18,206,619
Subordinated debt	450,000	450,000	450,000	449,801	449,722	449,761
- Own non-amortised certificates/bonds		(435,000)	(280,000)		(436,876)	(280,584)
Total liabilities at amortised cost	**20,157,350**	**19,121,351**	**18,392,350**	**20,121,729**	**19,090,553**	**18,375,796**
Liabilities opened for the issue of securities						
Bond debt	5,900,000	4,250,000	5,050,000	5,944,213	4,371,452	5,157,338
Total liabilities included in fair value hedge	**5,900,000**	**4,250,000**	**5,050,000**	**5,944,213**	**4,371,452**	**5,157,338**
Total liabilities	**26,057,350**	**23,371,351**	**23,442,350**	**26,065,942**	**23,462,005**	**23,533,134**

[1] Minus covered bonds held by Gjensidige Bank ASA issued by Gjensidige Bank Boligkreditt AS with a nominal at NOK 25.0 million (2,065.0 million) as of 30 June 2018. The cover pool market value was NOK 32.6 million (2,465.3 million).

3. Liabilities on the issue of securities (cont.)

Maturity

Remaining maturity (nominal value)	**30.6.2018**	**30.6.2017**	**31.12.2017**
2017		845,000	
2018	563,850	1,649,351	1,045,850
2019	2,947,000	4,577,000	3,600,000
2020	4,800,000	4,800,000	4,800,000
2021	5,400,000	5,100,000	5,100,000
2022	5,146,500	3,200,000	4,746,500
2023	5,350,000	1,850,000	2,800,000
2025	1,350,000	850,000	850,000
2027	500,000	500,000	500,000
Total	**26,057,350**	**23,371,351**	**23,442,350**

The maturity of subordinated debt is presented at first call date in the above table.

New issues in 2018	3,750,000		
Repayments in 2018	1,135,000		

4. Finance leases

Gjensidige Bank ASA presents finance leases in the financial statements under loans to and receivables from customers. The lease agreements only comprise cars.

The figures all refer to Gjensidige Bank ASA. Gjensidige Bank Boligkreditt AS does not engage in finance leasing.

NOK thousands	**30.6.2018**	**30.6.2017**	**31.12.2017**
Gross investment in finance leases, receivable:			
Less than 1 year	281,483	104,549	230,569
1 - 5 years	623,966	471,678	518,964
More than 5 years	9,999	479	1,242
Total	915,448	576,706	750,775
Unearned finance income	(52,073)	(34,816)	(41,942)
Net investment in finance leases	**863,375**	**541,890**	**708,833**
Net investment in finance leases, receivable:			
Less than 1 year	9,255	89,798	212,583
1 - 5 years	594,031	451,613	495,008
More than 5 years	260,089	479	1,242
Net investment in finance leases	**863,375**	**541,890**	**708,833**
Non-guaranteed residual values accruing to the benefit of the lessor			
Accumulated provision for uncollectible minimum lease payments receivable			
Contingent rents recognised as income in the period			

5. Write-downs and losses on loans

Write-downs and losses on loans

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Write-downs and losses for the period			
+/- Change in group write-downs for the period	24,236	43,140	(209,484)
+/- Change in individual write-downs for the period	4,079	1,915	2,209
+ Write-off during the period	(68,079)	27,595	228,429
- Payments on previously written-off accounts	(1,307)	(5,866)	(10,826)
Write-downs and losses for the period	**(41,071)**	**66,784**	**10,328**
Individual write-downs			
Individual write-downs at the start of the period	11,223	9,014	9,014
+/- Change in individual write-downs for the period	4,079	1,915	2,209
Individual write-downs at the end of the period	**15,302**	**10,929**	**11,223**
Group write-downs			
Group write-downs at the start of the period	182,906	378,537	378,537
+/- Change in group write-downs for the period	24,236	43,140	(209,484)
Group write-downs at the end of the period	**207,141**	**421,677**	**169,053**
Total write-downs at the end of the period	**222,444**	**432,606**	**180,276**
Defaulted loans			
Gross default over 90 days	372,440	465,659	254,362

5. 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 and advances to customers				
Low	39,735,687	870,837	57,247	40,663,772
Medium	3,180,339	614,879	9,057	3,804,275
High	404,679	498,967	39,118	942,764
Not classified	368,163	14,045	1,131	383,339
Impaired and written down			265,472	265,472
Adjustment	(3,489)			(3,489)
Gross customer asset	**43,685,379**	**1,998,729**	**372,026**	**46,056,133**
Loss allowance	35,772	51,543	106,814	194,129
Net customer asset	**43,649,607**	**1,947,186**	**265,212**	**45,862,004**

30.6.2018 NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans and advances to customers				
Low	42,391,528	79,474	88,617	42,559,620
Medium	3,607,069	588,449	104,635	4,300,153
High	449,927	364,642	52,162	866,730
Not classified	201,114	5,750	8,271	215,135
Impaired and written down	1,724	44	254,300	256,068
Adjustment [1]	8,255			8,255
Gross customer asset	**46,659,617**	**1,038,359**	**507,985**	**48,205,962**
Loss allowance	38,888	42,433	141,123	222,444
Net customer asset	**46,620,729**	**995,927**	**366,862**	**47,983,518**

[1]Market value adjustment for fixed asset loans and overaft facility balance with credit balance.

Loans and advances to customers by past due status

	30.6.2018		1.1.2018	
NOK thousands	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and advances to customers				
0-29 days	47,467,178	63,709	45,457,656	60,532
30-59 days	257,773	10,296	239,126	15,031
60-89 days	108,570	26,853	104,990	24,754
90+ days	372,440	121,585	254,362	93,813
Total	**48,205,962**	**222,444**	**46,056,133**	**194,129**

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

Movement in the loss allowance

NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total balance sheet allowance
Loss allowance – Loans and advances to customers				
Loss allowance as at 1.1.2018	**35,772**	**51,543**	**106,814**	**194,129**
Transfer to stage 1	1,028	(11,078)	(893)	(10,944)
Transfer to stage 2	(1,302)	25,065	(479)	23,283
Transfer to stage 3	(1,739)	(15,230)	80,717	63,749
Increases due to change in credit risk	10,015	3,788	2,737	16,540
Decreases due to change in credit risk	(1,229)	(1,250)	79	(2,400)
Write-offs	(3,658)	(10,404)	(51,931)	(65,993)
Other Changes			4,079	4,079
Loss allowance as at 30.6.2018	**38,888**	**42,433**	**141,123**	**222,444**

NOK thousands	30.6.2018	1.1.2018
Stage 1	38,888	35,772
Stage 2	42,433	51,543
Stage 3	141,123	106,814
Total	**222,444**	**194,129**
Stage 1	17.5%	18.4%
Stage 2	19.1%	26.6%
Stage 3	63.4%	55.0%
Total	**100.0%**	**100.0%**

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

Balance sheet migration

NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 credit impaired	Total
Loans and advances to customers				
Gross carrying amount as at 1.1.2018	**43,685,379**	**1,998,729**	**372,026**	**46,056,133**
Transfer to stage 1	977,709	(988,769)	(27,474)	(38,535)
Transfer to stage 2	(373,932)	365,648	(8,534)	(16,819)
Transfer to stage 3	(172,648)	(128,235)	294,948	(5,935)
New financial assets orginated or purchased	9,261,173	101,673	17,085	9,379,932
Write-offs	(1,265,366)	(21,328)	(13,940)	(1,300,634)
Change due to change in credit risk	(5,464,441)	(289,358)	(122,777)	(5,876,576)
Other Changes	11,744		(3,349)	8,395
Gross carrying amount as at 30.6.2018	**46,659,617**	**1,038,359**	**507,985**	**48,205,962**
Loss allowance as at 30.6.2018	38,888	42,433	141,123	222,444

NOK thousands	30.6.2018	1.1.2018
Stage 1	46,659,617	43,685,379
Stage 2	1,038,359	1,998,729
Stage 3	507,985	372,026
Total	**48,205,962**	**46,056,133**
Stage 1	96.8%	94.9%
Stage 2	2.2%	4.3%
Stage 3	1.1%	0.8%
Total	**100.0%**	**100.0%**

6. Capital adequacy

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Primary capital			
Share capital and share premium	2,085,646	2,085,646	2,085,646
Other equity	1,699,166	1,162,369	1,444,377
Total equity (exclusive perpetual Tier 1 capital)	**3,784,812**	**3,248,015**	**3,530,023**
Deduction			
Profit not included in the calculation of net primary capital		(168,233)	
Goodwill and other intangible assets	(28,870)	(23,064)	(25,200)
Value adjustments due to the requirement for prudent valuation	(7,461)	(4,765)	(5,098)
Increase			
IFRS 9 transitional arrangements for credit loss provisioning	9,870		
Common equity Tier 1 capital	**3,758,351**	**3,051,953**	**3,499,725**
Perpetual Tier 1 capital	369,812	368,025	369,599
Tier 1 capital	**4,128,163**	**3,419,978**	**3,869,324**
Supplementary capital			
Subordinated debt	449,801	449,600	449,761
Net primary capital	**4,577,964**	**3,869,578**	**4,319,085**
Credit risk:			
Of which:			
Local and regional authorities			
Institutions	17,399	14,629	10,455
Enterprises	162,387	93,865	119,757
Mass market positions	587,675	492,317	553,873
Positions secured by mortgage	1,053,041	1,011,185	1,018,898
Overdue positions	36,199	37,802	30,005
Covered bonds	30,386	24,057	25,779
Shares in securities fund	2,852	3,129	3,238
Equity positions	372	372	372
Other positions	20,509	6,266	841
Total minimum requirement credit risk	**1,910,820**	**1,683,620**	**1,763,216**
Operational risk	131,598	113,001	131,598
CVA-risk	8,744	14,881	11,333
Minimum requirement for net primary capital	**2,051,163**	**1,811,502**	**1,906,147**
Basis of calculation of balance sheet items not included in trading portfolio	**22,736,968**	**19,933,158**	**21,204,109**
Basis of calculation of off-balance sheet items not included in trading portfolio	**1,148,319**	**1,112,091**	**836,094**
Risk-weighted assets (calculation basis for capital adequacy ratio)	**25,639,534**	**22,643,772**	**23,826,838**

6. Capital adequacy (cont.)

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Buffer requirements			
Systemic risk buffer	769,186	679,313	714,805
Conservation buffer	640,988	566,094	595,671
Countercyclical buffer	512,791	339,657	476,537
Total buffer requirement for common equity Tier 1 capital	**1,922,965**	**1,585,064**	**1,787,013**
Pillar 2 requirement 1.5% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	**384,593**	**339,657**	**357,403**
Available common equity Tier 1 capital net min.requirement	**297,014**	**108,263**	**283,102**
Capital adequacy			
Capital adequacy ratio	17.9%	17.1%	18.1%
Tier 1 capital ratio	16.1%	15.1%	16.2%
Common equity Tier 1 capital ratio	14.7%	13.5%	14.7%
Leverage ratio	7.2%	6.6%	7.2%

New standard IFRS 9 guidelines for credit loss provisioning were implementet 1.1.2018. The bank use transitional arrangements for IFRS 9.

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Numbers without use of transitional arrangements:			
Common equity Tier 1 capital	3,748,481		
Tier 1 capital	4,118,293		
Net primary capital	4,568,094		
Common equity Tier 1 capital ratio	14.6%		
Tier 1 capital ratio	16.1%		
Capital adequacy ratio	17.8%		

Year to date accounts for 2018 were subject to a limited audit. As a result, the year to date profit was included in the capital. The capital in the second quarter of 2017 did not include the profit between 1.1.-30.6.2017.

7. 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 ensures 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 2019.
b) short-term credit facility of up to NOK 4,000.0 million. Expiry date 30 November 2018.
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 30 June 2018, the credit limit of the agreement was NOK 1,362.0 million.

All transactions between the parent company Gjensidige Bank ASA and the subsidiary Gjensidige Bank Boligkreditt AS have been eliminated in the consolidated financial statements.

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

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Interest expense Gjensidige Bank Boligkreditt AS deposit in Gjensidige Bank ASA	4,995	4,987	9,819
Interest income receivables Gjensidige Bank Boligkreditt AS	24,434	25,669	43,909
Interest income covered bonds Gjensidige Bank Boligkreditt AS	8,683	8,717	21,434
Services to Gjensidige Bank Boligkreditt AS	5,702	4,928	10,197
Purchase of services from Gjensidige Bank Boligkreditt AS	459	294	588
Purchase of services from Gjensidige Forsikring ASA	18,113	19,412	36,732
Services to Gjensidige Pensjonsforsikring AS	7,270	9,216	19,349
Services to Gjensidige Pensjonskasse	471	520	1,016
Services to Gjensidigestiftelsen	1,489	2,919	5,813

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

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Gjensidige Bank Boligkreditt AS's deposit in Gjensidige Bank ASA	695,111	670,533	804,455
Receivables Gjensidige Bank Boligkreditt AS	3,808,876	2,206,070	3,273,300
Placement of covered bonds from Gjensidige Bank Boligkreditt AS	25,136	2,080,580	693,378
Liability to Gjensidige Forsikring ASA	272	238	100
Liability to Gjensidige Pensjonsforsikring AS	(1,684)	471	911
Receivables Gjensidige Pensjonskasse	156	52	48
Receivables Gjensidigestiftelsen		1,038	999

8. Contingent liabilities and security

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Loan commitment	5,519,229	5,241,944	4,026,613
Unutilised credit facility	4,308,935	3,966,302	4,074,625
Total contingent liabilities	**9,828,164**	**9,208,246**	**8,101,238**
Securities provided as collateral for loans from/credit facility with Norges Bank	588,511	877,127	762,643
Total securities provided	**588,511**	**877,127**	**762,643**

9. 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.

9. Fair value of financial instruments (cont.)

NOK thousands	30.6.2018 Carrying amount	30.6.2018 Fair value	30.6.2017 Carrying amount	30.6.2017 Fair value	31.12.2017 Carrying amount	31.12.2017 Fair value
Assets						
Cash to and receivables from central banks	61,105	61,105	473,864	473,864	229,633	229,633
Cash to and receivables from central banks	**61,105**	**61,105**	**473,864**	**473,864**	**229,633**	**229,633**
Loans to and receivables from credit institutions, amortised cost	667,388	667,388	343,241	343,241	200,496	200,496
Loans to and receivables from credit institutions	**667,388**	**667,388**	**343,241**	**343,241**	**200,496**	**200,496**
Loans to and receivables from customers, amortised cost	46,367,571	46,367,571	43,831,620	43,856,983	45,875,857	45,895,252
Loans to and receivables from customers, fair value	1,615,947	1,615,947				
Loans to and receivables from customers	**47,983,518**	**47,983,518**	**43,831,620**	**43,856,983**	**45,875,857**	**45,895,252**
Interest-bearing securities, fair value	5,690,833	5,690,833	4,625,687	4,625,687	4,957,463	4,957,463
Interest-bearing securities	**5,690,833**	**5,690,833**	**4,625,687**	**4,625,687**	**4,957,463**	**4,957,463**
Financial derivatives, fair value	81,850	81,850	124,998	124,998	124,721	124,721
Financial derivatives	**81,850**	**81,850**	**124,998**	**124,998**	**124,721**	**124,721**
Shares available for sale	4,645	4,645	4,645	4,645	4,645	4,645
Shares	**4,645**	**4,645**	**4,645**	**4,645**	**4,645**	**4,645**
Other financial assets, amortised cost	76,927	76,927	42,688	42,688	66,763	66,763
Total other financial assets	**76,927**	**76,927**	**42,688**	**42,688**	**66,763**	**66,763**
Total financial assets	**54,566,266**	**54,566,266**	**49,446,743**	**49,472,106**	**51,459,579**	**51,478,973**
Liabilities						
Deposits and liabilities to customers, amortised cost	24,066,031	24,064,967	22,153,865	22,154,828	23,765,670	23,767,791
Deposits and liabilities to customers	**24,066,031**	**24,064,967**	**22,153,865**	**22,154,828**	**23,765,670**	**23,767,791**
Liability incurred through the issue of securities, amortised cost	19,671,928	19,842,583	18,640,831	18,778,836	17,926,035	18,063,803
Liability incurred through the issue of securities, fair value hedge	5,944,213	5,992,992	4,371,452	4,410,053	5,157,338	5,194,677
Liability incurred through the issue of securities	**25,616,141**	**25,835,575**	**23,012,283**	**23,188,889**	**23,083,373**	**23,258,481**
Financial derivatives, fair value	77,259	77,259	13,966	13,966	16,272	16,272
Financial derivatives	**77,259**	**77,259**	**13,966**	**13,966**	**16,272**	**16,272**
Subordinated debt, amortised cost	449,801	457,002	449,722	457,748	449,761	457,534
Subordinated debt	**449,801**	**457,002**	**449,722**	**457,748**	**449,761**	**457,534**
Other financial liabilities, amortised cost	230,765	230,765	201,360	201,360	121,929	121,929
Other financial liabilities	**230,765**	**230,765**	**201,360**	**201,360**	**121,929**	**121,929**
Total financial liabilities	**50,439,997**	**50,665,568**	**45,831,195**	**46,016,790**	**47,437,005**	**47,622,007**
Off-balance sheet obligations and guarantees						
Guarantees	4,800	4,800	4,300	4,300	5,300	5,300
Mortgage assets [1]	588,511	588,511	877,127	877,127	762,643	762,643

[1] Securities provided as collateral for loans from/credit facility with Norges Bank.

9. Fair value of financial instruments (cont.)

	30.6.2018			
NOK thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans to and receivables from customers, fair value		1,615,947		1,615,947
Interest-bearing securities, fair value	899,210	4,791,623		5,690,833
Shares			4,645	4,645
Financial derivatives, fair value		81,850		81,850
Total financial assets, fair value	**899,210**	**6,489,420**	**4,645**	**7,393,276**
Loans to and receivables from customers, amortised cost			46,367,571	46,367,571
Total financial assets, amortised cost			**46,367,571**	**46,367,571**
Financial derivatives, fair value		77,259		77,259
Total financial liabilities, fair value		**77,259**		**77,259**
Deposits and liabilities to customers, amortised cost			24,064,967	24,064,967
Liability incurred through the issue of securities, amortised cost		19,842,583		19,842,583
Subordinated debt, amortised cost		457,002		457,002
Total financial liabilities, amortised cost		**20,299,586**	**24,064,967**	**44,364,552**
Liability incurred through the issue of securities, fair value hedge		5,992,992		5,992,992
Total financial liabilities, fair value hedge		**5,992,992**		**5,992,992**

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

	30.6.2017			
NOK thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans to and receivables from customers, fair value		1,799,484		1,799,484
Interest-bearing securities, fair value	699,699	4,295,969		4,995,668
Shares			4,645	4,645
Financial derivatives, fair value		82,685		82,685
Total financial assets, fair value	**699,699**	**6,178,138**	**4,645**	**6,882,482**
Loans to and receivables from customers, amortised cost			45,277,022	45,277,022
Total financial assets, amortised cost			**45,277,022**	**45,277,022**
Financial derivatives, fair value		74,889		74,889
Total financial liabilities, fair value		**74,889**		**74,889**
Deposits and liabilities to customers, amortised cost			23,765,497	23,765,497
Liability incurred through the issue of securities, amortised cost		18,936,642		18,936,642
Subordinated debt, amortised cost		458,267		458,267
Total financial liabilities, amortised cost		**19,394,910**	**23,765,497**	**43,160,406**
Liability incurred through the issue of securities, fair value hedge		5,227,459		5,227,459
Total financial liabilities, fair value hedge		**5,227,459**		**5,227,459**

9. Fair value of financial instruments (cont.)

	31.12.2017			
NOK thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest-bearing securities, fair value	824,440	4,133,023		4,957,463
Shares			4,645	4,645
Financial derivatives, fair value		124,721		124,721
Total financial assets, fair value	**824,440**	**4,257,744**	**4,645**	**5,086,830**
Loans to and receivables from customers, amortised cost			45,895,252	45,895,252
Total financial assets, amortised cost			**45,895,252**	**45,895,252**
Financial derivatives, fair value		16,272		16,272
Total financial liabilities, fair value		**16,272**		**16,272**
Deposits and liabilities to customers, amortised cost			23,767,791	23,767,791
Liability incurred through the issue of securities, amortised cost		18,063,803		18,063,803
Subordinated debt, amortised cost		457,534		457,534
Total financial liabilities, amortised cost		**18,521,338**	**23,767,791**	**42,289,128**
Liability incurred through the issue of securities, fair value hedge		5,194,677		5,194,677
Total financial liabilities, fair value hedge		**5,194,677**		**5,194,677**

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

Reconciliation of financial assets valued based on non-observable market data (level 3) 30.6.2018

NOK thousands	**As at 1.1.2018**	**Net realised/ unrealised gains recognised in profit orloss**	**Purchases**	**Sales**	**Transfer into/ out of level 3**	**As at 30.6.2018**
Shares	4,645					4,645
Total financial assets measured at fair value	**4,645**					**4,645**

Sensitivity of financial assets valued based on non-observable market data (level 3) 30.6.2018

NOK thousands		**Sensitivity**
Shares	Decrease in value 10%	
Total financial assets measured at fair value		

Level 3 shares represent a total of NOK 4.654 thousand in unquoted shares in Visa Norge and Bank Axept AS. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0

9. Fair value of financial instruments (cont.)

Reconciliation of financial assets valued based on non-observable market data (level 3) 30.6.2017 NOK thousands	As at 1.1.2017	Net realised/ unrealised gains recognised in profit orloss	Purchases	Sales	Transfer into/ out of level 3	As at 30.6.2017
Shares	4,645					4,645
Total financial assets measured at fair value	**4,645**					**4,645**

Sensitivity of financial assets valued based on non-observable market data (level 3) 30.6.2017

NOK thousands		Sensitivity
Shares	Decrease in value 10%	
Total financial assets measured at fair value		

Reconciliation of financial assets valued based on non-observable market data (level 3) 31.12.2017 NOK thousands	As at 1.1.2017	Net realised/ unrealised gains recognised in profit orloss	Purchases	Sales	Transfer into/ out of level 3	As at 31.12.2017
Shares	4,645					4,645
Total financial assets measured at fair value	**4,645**					**4,645**

Sensitivity of financial assets valued based on non-observable market data (level 3) 31.12.2017

NOK thousands		Sensitivity
Shares	Decrease in value 10%	
Total financial assets measured at fair value		

10. Perpetual Tier 1 capital

The bank has issued perpetual Tier 1 capital instruments with a total nominal value of NOK 370 million. The instruments are perpetual but the bank can repay the capital on specific dates, for the first time five years after it was issued. The interest rate to be paid is floating 3-month NIBOR plus a fixed credit spread.

The agreed terms for the instruments meet the requirements in the EU's CRR regulations and it is included in the bank's Tier 1 capital for capital adequacy purposes. This means that the bank has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments does not meet the requirement for a liability in IAS 32 and are therefore presented on the line perpetual Tier 1 capital under equity. Further, it implies that the interest is not presented under Total interest expenses but as a reduction in Other equity. Correspondingly, seen in isolation, the benefit of the tax deduction for the interest will lead to an increase in Other equity and not be presented as a deduction under the line Tax expense, since it is the shareholder who benefits from the tax deduction.

Declaration

Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the interim report and financial statements for Gjensidige Bank ASA for the period 1 January to 30 June 2018.

We declare that, to the best of our knowledge, the interim financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with IFRS as adopted by the EU, and in accordance with additional requirements set out in the Accounting Act, and taking into account the limitations of accounting regulations for banks. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the report gives a true picture of important events in the accounting period and their impact on the financial statements, related material transactions and the most important risks and uncertainties faced by the bank in the next accounting period.

Oslo, 12 July 2018
The Board of Gjensidige Bank ASA

Mats C. Gottschalk
Chair

Per Kumle

Marianne B. Einarsen

Anita Gundersen

Janneke Tranås Hjorth

Hans-Jacob Starheim

Krister Georg Aanesen
CEO

Quarterly earnings performance

Gjensidige Bank Group

NOK thousands	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Interest income etc, amortised cost	416,965	403,910	419,121	405,633	391,651	367,803	350,707	341,742
Interest income etc, fair value	15,441	11,621	12,071	12,113	12,035	11,268	11,531	10,517
Interest costs etc.	(176,899)	(165,028)	(159,544)	(161,626)	(161,411)	(156,853)	(151,701)	(145,124)
Net interest income	**255,507**	**250,503**	**271,648**	**256,120**	**242,275**	**222,218**	**210,536**	**207,135**
Dividends from investments in shares and funds								12,330
Commission income and income from bank services	27,754	25,249	20,212	27,938	28,648	24,692	11,579	14,078
Commission costs and costs of bank services	(34,170)	(26,958)	(24,686)	(21,776)	(23,942)	(15,437)	(16,641)	(11,285)
Net gains on financial instruments at fair value	(5,058)	9,420	(8,929)	7,180	5,021	7,784	1,812	24,905
Other operating income	3,028	4,358	5,409	3,877	3,562	3,338	4,363	3,600
Total income	**247,062**	**262,571**	**263,654**	**273,338**	**255,564**	**242,595**	**211,648**	**250,764**
Personnel expenses	(39,310)	(46,312)	(50,456)	(42,932)	(35,745)	(41,021)	(34,894)	(33,059)
Depreciations	(4,696)	(4,254)	(4,074)	(3,846)	(3,722)	(3,422)	(2,858)	(2,454)
Other operating costs	(63,558)	(53,051)	(63,008)	(41,218)	(60,859)	(62,173)	(53,000)	(56,751)
Total operating expenses	**(107,564)**	**(103,617)**	**(117,538)**	**(87,996)**	**(100,327)**	**(106,616)**	**(90,753)**	**(92,264)**
Profit / (loss) before loan losses	**139,497**	**158,954**	**146,116**	**185,343**	**155,237**	**135,978**	**120,895**	**158,501**
Write-downs and losses	78,215	(37,144)	101,477	(45,020)	(33,558)	(33,226)	(26,454)	(19,354)
Profit / (loss) before tax expense	**217,712**	**121,810**	**247,593**	**140,323**	**121,679**	**102,752**	**94,442**	**139,147**

Key figures

Gjensidige Bank Group

In addition to the financial statements according to IFRS, Gjensidige Bank Group uses different alternative performance measures (APM) to present the business in a more relevant way for its different stakeholders. The alternative performance measures have been used consistent over time, and relevant definitions have been disclosed. Comparable figures are provided for all alternative performance measures.

		1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Net interest margin, annualised [1]	%	1.94	2.00	2.03
Write-downs and losses in per cent, annualised [2]	%	(0.18)	0.32	0.02
Non-performing loans in per cent of gross lending [3]	%	0.77	1.05	0.55
Return on equity, annualised [4]	%	13.85	11.09	14.15
Deposit-to-loan ratio at the end of the period [5]	%	49.9	50.0	51.6
Capital adequacy ratio [6]	%	17.9	17.1	18.1
Tier 1 capital ratio [7]	%	16.1	15.1	16.2
Common equity Tier 1 capital ratio [8]	%	14.7	13.5	14.7
Cost/income ratio [9]	%	41.4	41.5	39.8
Liquditiy Coverage Ratio	%	257	208	216
Average total assets	NOK thousands	52,601,480	46,917,172	48,797,125
Number of employees	Number	171	160	169
Total deposit above NOK 2 million	NOK billion	8.05	6.38	7.84
Shared customers' share of gross lending [10]	%	74.4	76.10	75.0

1 Net interest margin, annualised = Net interest income/average total assets.
2 Write-downs and losses in per cent, annualised = 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 Deposit-to-loan ratio = Deposits in per cent of gross lending
6 Capital adequacy ratio= Net primary capital / risk-weighted assets. Year to date accounts for 2018 were subject to a limited audit. As a result, the year to date profit was included in the capital. The capital in the second quarter of 2017 did not include the profit between 1.1.-30.6.2017.
7 Tier 1 capital ratio = Tier 1 capital / risk-weighted assets. Year to date accounts for 2018 were subject to a limited audit. As a result, the year to date profit was included in the capital. The capital in the second quarter of 2017 did not include the profit between 1.1.-30.6.2017.
8 Common equity Tier 1 capital ratio = Common equity Tier 1 capital / risk-weighted assets. Year to date accounts for 2018 were subject to a limited audit. As a result, the year to date profit was included in the capital. The capital in the second quarter of 2017 did not include the profit between 1.1.-30.6.2017.
9 Cost/income ratio = Total operating costs/ total income.
10 Shared customer's share of gross lending = total lending balance of the customers shared with Gjensidige Forsikring ASA as per cent of the total lending balance of the bank

Income statement
Gjensidige Bank ASA

NOK thousands	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Interest income etc, amortised cost	308,567	284,326	605,376	560,390	1,161,208
Interest income etc, fair value	18,567	16,760	35,254	30,762	66,995
Interest costs etc.	(114,663)	(103,180)	(226,786)	(204,002)	(417,568)
Net interest income	**212,471**	**197,906**	**413,845**	**387,149**	**810,635**
Dividends from investments in shares and funds					
Commission income and income from bank services	27,169	28,051	51,830	52,158	99,126
Commission costs and costs of bank services	(34,170)	(23,942)	(61,128)	(39,379)	(85,841)
Net gains on financial instruments at fair value	2,449	6,275	11,405	14,103	23,812
Other operating income	5,910	6,126	13,088	11,829	26,384
Net commission income and other operating income	**1,357**	**16,510**	**15,196**	**38,711**	**63,480**
Total income	**213,829**	**214,416**	**429,040**	**425,860**	**874,115**
Personnel expenses	(38,767)	(35,390)	(84,545)	(75,944)	(168,240)
Depreciation	(4,696)	(3,722)	(8,950)	(7,145)	(15,064)
Other operating expenses	(62,956)	(59,493)	(115,120)	(120,260)	(223,975)
Total operating expenses	**(106,419)**	**(98,605)**	**(208,614)**	**(203,348)**	**(407,279)**
Profit / (loss) before loan losses	**107,409**	**115,811**	**220,426**	**222,511**	**466,836**
Write-downs and losses	77,781	(33,424)	41,004	(66,650)	(15,868)
Profit / (loss) before tax expense	**185,190**	**82,387**	**261,430**	**155,862**	**450,968**
Tax expense	(46,298)	(20,687)	(65,358)	(39,056)	(112,896)
Profit / (loss) for the period	**138,893**	**61,700**	**196,073**	**116,806**	**338,073**
Earnings per share (NOK) (basic and diluted)	158.6	70.4	223.8	133.3	385.9

Balance sheet

Gjensidige Bank ASA

NOK thousands	30.6.2018	30.6.2017	31.12.2017
Assets			
Cash and claims on central banks	61,105	473,864	229,633
Loans to and claims on credit institutions	4,462,809	2,536,474	3,462,258
Loans to and claims on customers	25,729,295	22,168,730	24,950,607
-Write-downs	(221,591)	(426,059)	(179,357)
Net loans to customers	25,507,704	21,742,671	24,771,250
Certificates, bonds and other interest-bearing securities	5,575,503	6,565,960	5,510,839
Shares (and other securities with variable yield)	4,645	4,645	4,645
Ownership interest in group companies	1,220,030	1,220,030	1,220,030
Intangible assets	28,870	23,064	25,200
Deferred tax assets	14,591	23,075	
Fixed assets	4,062	3,344	3,823
Other assets	41,089	20,480	23,454
Advance payments and accrued income	261,030	63,172	88,137
Total assets	**37,181,438**	**32,676,779**	**35,339,268**
Liabilities and equity			
Liabilities to credit institutions	386,927	366,904	496,271
Deposits and liabilities to customers	24,374,215	22,457,494	24,073,853
Liabilities opened for the issue of securities	7,900,240	5,998,045	6,700,750
Other liabilities	144,736	35,450	71,452
Current tax	65,358	38,965	80,285
Deferred tax liabilities			6,902
Accrued costs and advance payment of income	263,926	151,301	60,068
Provision for commitments and costs	24,242	17,183	24,242
Subordinated debt	449,801	449,722	449,761
Total liabilities	**33,609,444**	**29,515,064**	**31,963,586**
Equity			
Share capital	978,492	978,492	978,492
Share premium	1,107,154	1,107,154	1,107,154
Perpetual Tier 1 capital	369,812	369,393	369,599
Other paid-in equity	3,789	3,789	3,789
Other equity	1,112,747	702,887	916,649
Total equity	**3,571,994**	**3,161,715**	**3,375,682**
Total liabilities and equity	**37,181,438**	**32,676,779**	**35,339,268**

Statement of changes in equity

Gjensidige Bank ASA

NOK thousands	Share capital	Share premium	Perpetual Tier 1 capital	Other paid-in equity	Total paid-in equity	Other equity	Total equity
Equity 1.1.2017	**976,740**	**892,452**	**299,071**	**3,789**	**2,172,052**	**589,487**	**2,761,539**
Comprehensive income							
Profit/(loss)			5,410		5,410	111,395	116,806
Total components of other comprehensive income							
Total comprehensive income 1.1.-30.6.2017			**5,410**		**5,410**	**111,395**	**116,806**
Transactions with owners of the company							
Capital expansion	1,752	214,702			216,454	1,741	218,195
Share-based payment transactions settled in equity						263	263
Perpetual Tier 1 capital			69,825		69,825		69,825
Paid interest on Perpetual Tier 1 capital			(4,914)		(4,914)		(4,914)
Total transactions with owners of the company 1.1.-30.6.2017	**1,752**	**214,702**	**64,911**		**281,366**	**2,004**	**283,370**
Equity 30.6.2017	**978,492**	**1,107,154**	**369,393**	**3,789**	**2,458,828**	**702,887**	**3,161,715**
Comprehensive income							
Profit/(loss)			6,003		6,003	215,264	221,267
Total components of other comprehensive income						(1,829)	(1,829)
Total comprehensive income 1.7.-31.12.2017			**6,003**		**6,003**	**213,435**	**219,438**
Transactions with owners of the company							
Capital expansion							
Share-based payment transactions settled in equity						327	327
Perpetual Tier 1 capital							
Paid interest on Perpetual Tier 1 capital			(5,798)		(5,798)		(5,798)
Total transactions with owners of the company 1.7.-31.12.2017			**(5,798)**		**(5,798)**	**327**	**(5,470)**
Equity 31.12.2017	**978,492**	**1,107,154**	**369,599**	**3,789**	**2,459,034**	**916,649**	**3,375,682**
Adjustment due to amendment to IFRS 2						**2,059**	**2,059**
Adjustment on initial application of IFRS 9						**4,156**	**4,156**
Equity 1.1.2018	**978,492**	**1,107,154**	**369,599**	**3,789**	**2,459,034**	**922,864**	**3,381,898**
Comprehensive income							
Profit/(loss)			6,072		6,072	190,000	196,073
Total components of other comprehensive income							
Total comprehensive income 1.1.-30.6.2018			**6,072**		**6,072**	**190,000**	**196,073**
Transactions with owners of the company							
Capital expansion							
Share-based payment transactions settled in equity						(118)	(118)
Perpetual Tier 1 capital							
Paid interest on Perpetual Tier 1 capital			(5,859)		(5,859)		(5,859)
Total transactions with owners of the company 1.1.-30.6.2018			**(5,859)**		**(5,859)**	**(118)**	**(5,976)**
Equity 30.6.2018	**978,492**	**1,107,154**	**369,812**	**3,789**	**2,459,247**	**1,112,747**	**3,571,994**
Number of shares at end of period	876,000						

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 27 billion in 2017, while total assets were NOK 149 billion.

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