

INTERIM REPORT  
SECOND QUARTER  
FIRST HALF-YEAR

2009

GJENSIDIGE BANK ASA

# INTERIM REPORT FOR SECOND QUARTER AND FIRST HALF-YEAR 2009

## OUR BUSINESS

Gjensidige Bank was launched in 2007, and has its head office in Førde. The Bank has a long-term, strategic partnership with Sparebanken Sogn og Fjordane, a regional savings bank which supplies banking and administrative services to the Bank.

The Bank offers a self-service concept with attractive terms, and straightforward procedures that ensure good customer experiences over the Internet. Its products are distributed through the Group's web portal [gjensidige.no](http://gjensidige.no), the Group's financial services centres and other distribution channels. In addition, the Bank has its own customer service centre, which sells the Bank's products. The Bank differentiates itself from other players in the market through its association with the Gjensidige Group's brand name, customer base and distribution network.

The Bank has agreements with The Norwegian Society of Chartered Technical and Scientific Professionals (Tekna), The Confederation of Vocational Unions (YS) and The Norwegian Society of Engineers and Technologists (NITO) regarding the provision of products to the members of those organisations. The Bank also offers a range of services to the agricultural sector, which has strong ties to Gjensidige's insurance business. The Bank's products also form part of the Gjensidige Group's loyalty programme.

Gjensidige Bank had 53 employees at the end of the second quarter of 2009.

Gjensidige Bank ASA is a wholly owned subsidiary of Gjensidige Bank Holding AS, which in turn is a wholly owned subsidiary of Gjensidige Forsikring BA.

## MARKETING AND CUSTOMER GROWTH

In its marketing in the first half of the year, the Bank mainly focused on contacting the Group's own customers through direct marketing and online advertising. In the first quarter the Bank marketed its products aggressively to the agricultural industry, largely through the trade media.

The company had 48,045 registered customers at the close of the second quarter of 2009, which was a second quarter increase of 1,398. Gjensidige Bank experienced slower growth during the recent period of financial market turbulence. However, growth picked up again towards the end of the quarter. The Bank has further developed its customer service models in order to use the Group's distribution channels as efficiently as possible for the purposes of acquiring customers and selling products.

Its banking services are being favourably received by the market, and its customer satisfaction survey in June showed that customers who have moved to Gjensidige Bank are very pleased with the service they receive.

## FINANCIAL RESULTS FOR THE FIRST HALF OF 2009

The company made a pre-tax loss of NOK 33.8 million in the first half of 2009, against a pre-tax loss of NOK 54.3 million in the year-earlier period.

The company made a pre-tax loss of NOK 13.4 million in the second quarter of 2009, against a pre-tax loss of NOK 29.2 million in the same period last year. This represents an improvement of NOK 15.8 million. The improvement was due to higher income and lower expenses.

## NET INTEREST INCOME

Net interest income in the second quarter of 2009 was NOK 11.0 million, 17.7 percent higher than in the year-earlier period. Net interest income was 0.56 percent of average total assets in the first half of 2009, against 0.60 percent for the same period last year.

## OPERATING EXPENSES

Operating expenses totalled NOK 62.6 million in the first half of 2009, against NOK 70.2 million in the first half of 2008.

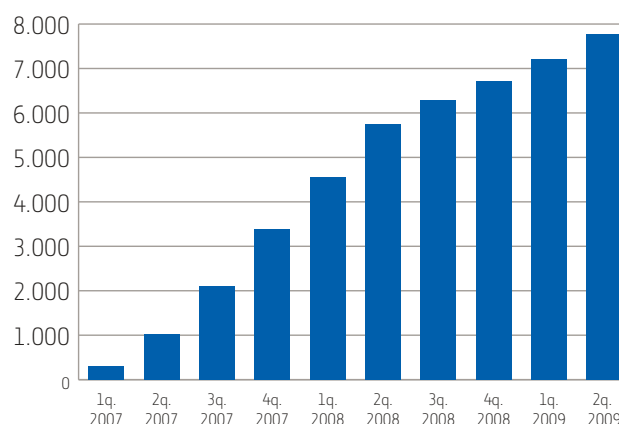
Operating expenses totalled NOK 28.4 million in the second quarter of 2009, against NOK 38.1 million in the year-earlier period.

## LOAN LOSS PROVISIONS

Specific impairment provisions rose by NOK 0.14 million in the second quarter of 2009, reaching NOK 1.7 million in total. Collective impairment provisions were also made against the values of groups of loans, to cover potential losses on loans in its portfolio that were not individually identified as being at risk of default. In the second quarter of 2009 there was only a marginal change in collective impairment provisions, which totalled NOK 12.9 million at the close of the quarter. The Bank's loan loss reserves totalled 0.19 percent of gross loans at 30 June 2009. In the first quarter of 2009, loan loss reserves totalled 0.20 percent of gross loans. The Bank believes that it has made adequate provisions, and that potential losses in its loan portfolio have been calculated conservatively.

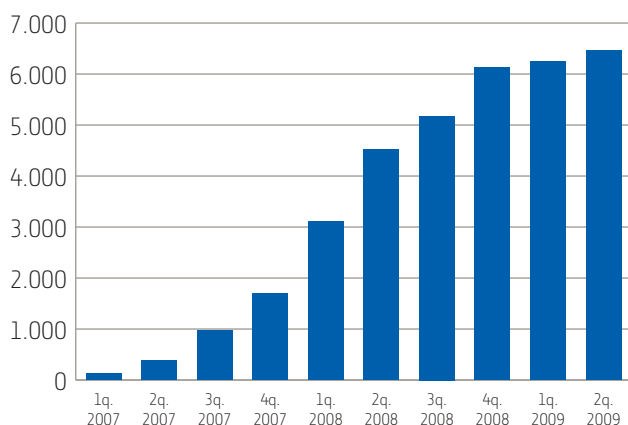
## LOANS TO CUSTOMERS

At the close of the second quarter of 2009, gross loans totalled NOK 7,776.3 million, up 516 million quarter-on-quarter, and up NOK 1,065 million, or 15.9 percent, over the first half of the year. The vast majority of the loan portfolio is made up of variable rate loans. The Bank only lends to retail customers and farmers, and most loans are secured with a mortgage. The average loan value is just under NOK 1 million. There are no individual loans of over NOK 10 million.



## CUSTOMER DEPOSITS

Customer deposits totalled NOK 6,455.6 million at the close of the second quarter of 2009, up NOK 212.8 million quarter on quarter, and up NOK 324.3 million, or 5.3 percent, over the first half of the year. The deposit/loan ratio at the close of the second quarter was 83.0 percent, down from 91.4 percent at the turn of the year.



## SEGMENTS

The Bank's target group is retail customers. This segment is mainly made up of organisations, loyalty customers, farmers, employees of the Gjensidige group and other customers. Customers are spread throughout Norway. Over half of the Bank's customers were already Gjensidige customers.

## CAPITAL ADEQUACY

At the close of the second quarter, the Bank's capital adequacy ratio was 19.0 percent (17.9 percent at the end of the first quarter). The improvement was due to the Bank receiving a Group contribution of NOK 82.0 million in the second quarter of 2009. The Bank is still aiming to maintain its capital adequacy ratio well above the legal minimum requirement of eight percent.

## DEBT SECURITIES

The value of the Bank's net debt securities was NOK 1,349.4 million at the close of the second quarter of 2009, NOK 1,149.5 million of which was commercial paper. As a result of a lower deposit/loan ratio in the first half, total outstanding debt securities rose by NOK 800 million. Gjensidige Bank Boligkreditt AS has been licensed by the Financial Supervisory Authority of Norway as a credit institution, allowing it to issue covered bonds. Gjensidige Bank plans to transfer mortgages to Gjensidige Bank Boligkreditt over the course of the autumn, in order to participate in the government's swap facility, which allows banks to swap covered bonds with government bonds.

## FUTURE PROSPECTS

We have built up an efficient organisation, and have put many important administrative functions in place. The Bank is also continuing to develop its models for selling banking services through Gjensidige Forsikring's distribution network. In the second half of 2009, 18 new branches will be opened throughout Norway, which will all offer a wide range of financial services. Group programmes will also be developed and expanded to include additional services, giving loyalty customers access to more attractive banking services. This means that the foundations have been laid for continuing to grow and develop our business.

Gjensidige Bank has achieved satisfactory growth in a period of financial turbulence, and over the course of the autumn it will use the government's swap facility to obtain financing.

Looking forward, the Bank will continue to focus on organisation development, skills development, marketing, product and concept development and the automation of processes in order to grow its customer base and develop its business.

The Board believes that the company will continue to progress in a satisfactory manner.

Førde, 10 August 2009

Geir Bergskaug  
Chairman

Arvid Andenæs  
Deputy chairman

Ingun Ranneberg-Nilsen

Marianne B. Einarsen

Roger Nedrebø

Jan Kaare Hellevang  
CEO



# PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

## PROFIT AND LOSS ACCOUNT

Figures in NOK 1000

	2q. 2009	2q. 2008	1.1.-30.6.2009	1.1.-30.6.2008	1.1.-31.12.2008
Interest income and similar income	76,706	87,988	167,518	153,228	392,943
Interest costs and similar costs	65,703	78,640	145,168	137,610	347,558
<b>Net interest/ credit income</b>	<b>11,003</b>	<b>9,348</b>	<b>22,350</b>	<b>15,618</b>	<b>45,385</b>
Commission inc. and inc. from banking services	2,844	2,051	5,491	3,876	8,738
Commission costs and cost of banking services	(945)	(573)	(1,834)	(1,050)	(2,760)
<b>Net commission income</b>	<b>1,899</b>	<b>1,478</b>	<b>3,657</b>	<b>2,826</b>	<b>5,978</b>
Income from other financial investments	2,293	1,252	3,776	2,392	5,176
<b>Total income excluding net interest</b>	<b>4,192</b>	<b>2,730</b>	<b>7,433</b>	<b>5,218</b>	<b>11,154</b>
<b>Total income</b>	<b>15,195</b>	<b>12,078</b>	<b>29,783</b>	<b>20,836</b>	<b>56,539</b>
Wages, salaries and general administration expenses	(15,995)	(23,997)	(37,040)	(43,498)	(84,771)
Depreciation of fixed assets	(3,210)	(2,628)	(6,164)	(5,106)	(10,800)
Other operating expenses	(9,225)	(11,523)	(19,349)	(21,634)	(39,243)
<b>Total operating expenses</b>	<b>28,430</b>	<b>38,148</b>	<b>62,553</b>	<b>70,238</b>	<b>134,814</b>
<b>Profit/ (loss) before loan losses</b>	<b>(13,235)</b>	<b>(26,070)</b>	<b>(32,770)</b>	<b>(49,402)</b>	<b>(78,275)</b>
Writedowns on loans	(151)	(3,112)	(1,007)	(4,916)	(6,811)
<b>Profit/ (loss) before taxation</b>	<b>(13,386)</b>	<b>(29,182)</b>	<b>(33,777)</b>	<b>(54,318)</b>	<b>(85,086)</b>
Tax expense	(3,748)	(8,172)	(9,458)	(15,209)	(23,777)
<b>Profit/ (loss) after taxation</b>	<b>(9,638)</b>	<b>(21,010)</b>	<b>(24,319)</b>	<b>(39,109)</b>	<b>(61,309)</b>
Implemented pension liabilities					(430)
<b>TOTAL Profit/ (loss)</b>	<b>(9,638)</b>	<b>(21,010)</b>	<b>(24,319)</b>	<b>(39,109)</b>	<b>(61,739)</b>
<b>Profit/ (loss) per share</b>	<b>(16)</b>	<b>(41)</b>	<b>(42)</b>	<b>(77)</b>	<b>(121)</b>

## BALANCE SHEET

Figures in NOK 1000

	30.6.2009	30.6.2008	31.12.2008
<b>ASSETS</b>			
Cash and receivables from central banks	235,414	428,999	176,529
Loans to and receivables from credit institutions	385,349	316,551	179,119
Loans to and receivables from customers	7,776,284	5,739,448	6,711,394
- Writedowns	(14,560)	(11,658)	(13,552)
Net loans to customers	7,761,724	5,727,790	6,697,842
Commercial paper, bonds and other interest-bearing securities	251,535	29,999	255,071
Shares (and other securities with variable returns)	87,021	81,888	85,182
Ownership interest in group	130		
Intangible assets	51,621	59,395	66,409
Fixed assets	3,303	3,718	3,176
Other assets	405	600	
Advance payments and earned income	12,987	10,909	14,316
<b>Total assets</b>	<b>8,789,489</b>	<b>6,659,849</b>	<b>7,477,644</b>
<b>LIABILITIES</b>			
Deposits from / debt to customers	6,455,654	4,525,627	6,131,371
Debt to credit institutions	1,349,399	1,199,695	549,853
Debt incurred through the issue of securities	41,674	31,430	5,345
Other liabilities	148,783	122,162	31,817
Accrued costs and advance income	952		952
<b>Total liabilities</b>	<b>7,996,462</b>	<b>5,878,914</b>	<b>6,719,338</b>
<b>EQUITY</b>			
Paid-up equity	907,516	909,784	848,476
Retained earnings	(114,489)	(128,849)	(90,170)
<b>Total equity</b>	<b>793,027</b>	<b>780,935</b>	<b>758,306</b>
<b>Total debt and equity</b>	<b>8,789,489</b>	<b>6,659,849</b>	<b>7,477,644</b>

# EQUITY STATEMENT

Figures in NOK 1000	Equity certificate capital	Premium reserve	Other paid-up equity	Total paid-up equity	Other equity	Total equity
Operating equity 01.01.2008	430,000	172,000		602,000	(86,356)	515,644
New equity	156,000	62,000		218,000		218,000
Net group contribution (after tax)			89,784	89,784	(3,384)	86,400
Total as at 1.1.2008-30.6.2008					(39,109)	(39,109)
<b>Equity as at 30.6.2008</b>	<b>586,000</b>	<b>234,000</b>	<b>89,784</b>	<b>909,784</b>	<b>(128,849)</b>	<b>780,935</b>
Changes in equity 1.7.08-31.12.2008		(61,308)		(61,308)	38,679	(22,629)
<b>Equity as at 31.12.2008</b>	<b>586,000</b>	<b>172,692</b>	<b>89,784</b>	<b>848,476</b>	<b>(90,170)</b>	<b>758,306</b>
Equity as at 1.1.2009	586,000	172,692	89,784	848,476	(90,170)	758,306
New equity						
Net group contribution (after tax)			59,040	59,040		59,040
Total as at 1.1.2009-30.6.2009					(24,319)	(24,319)
<b>Equity as at 30.6.2009</b>	<b>586,000</b>	<b>172,692</b>	<b>148,824</b>	<b>907,516</b>	<b>(114,489)</b>	<b>793,027</b>

# CASH FLOW STATEMENT

Figures in NOK 1000	1.1.-30.6.2009	1.1.-30.6.2008	1.1.-31.12.2008
<b>Cash flows from operating activities</b>			
Net loans to customers	(1,064,890)	(2,358,072)	(3,330,018)
Net deposits from customers	324,283	2,824,547	4,430,292
Interest payments by customers	162,029	137,059	351,969
Interest paid to customers	(795)	(525)	(273,708)
Net interest received from credit institutions, etc.	3,144	12,661	33,476
Net other commission income	2,717	2,826	5,978
Operating expenses	(56,389)	(65,132)	(124,482)
Net outflow/ inflow from purch./ sale of interest-bearing fin. instr.	5,048	(30,000)	(255,639)
<b>Net cash flow from operating activities</b>	<b>(624,853)</b>	<b>523,364</b>	<b>837,868</b>
<b>Cash flow from investing activities</b>			
Net purchase of intangible assets and fixed assets	(5,005)	(3,037)	(6,645)
Investments in subsidiary	(130)		
<b>Net cash flow from investing activities</b>	<b>(5,135)</b>	<b>(3,037)</b>	<b>(6,645)</b>
<b>Cash flow from financing activities</b>			
Net inflow/ outflow from loans from credit institutions	799,546	(300,305)	(950,370)
Net interest payment on financing activities	(20,941)	(35,945)	(62,783)
Net inflow/ outflow from other short-term items	34,499	24,462	567
Paid-up equity		218,000	218,000
Net group contribution received/ dividends	82,000	120,000	120,000
<b>Net cash flow from financing activities</b>	<b>895,104</b>	<b>26,212</b>	<b>(674,586)</b>
<b>Total cash flow</b>	<b>265,116</b>	<b>546,539</b>	<b>156,637</b>
<b>Cash flow for the period</b>			
Opening cash balance	355,648	199,011	199,011
<b>Closing cash balance</b>	<b>620,764</b>	<b>745,550</b>	<b>355,648</b>
Net cash inflow/ outflow	265,116	546,539	156,637
<b>Specification of cash and cash equivalents</b>			
Receivables from central banks	235,414	428,999	176,529
Deposits at financial institutions	385,349	316,551	179,119
<b>Cash and cash equivalents on cash flow statement</b>	<b>620,764</b>	<b>745,550</b>	<b>355,648</b>

The cash flow statement shows inflows and outflows of cash and cash equivalents over the course of the year. The statement is adjusted for items that do not result in cash flows, such as provisions, depreciation and impairments of loans and guarantees. The cash flows are classified as operating activities, investing activities or financing activities. Cash is defined as cash and receivables from central banks and credit institutions.

# NOTES

## Note 1 Accounting principles

Gjensidige Bank ASA reports its results in line with international accounting standards (IFRS). The interim financial statements have been presented in accordance with IAS 34 "Interim Financial Reporting". The same accounting and calculation principles have been used as for the most recent full-year financial statements, with the following exceptions:

- The company has changed the way in which it presents its financial statements in line with IAS 34 – Interim financial reporting, which has been revised in accordance with the new stipulations of IAS 1 – Presentation of financial statements.

- The company has implemented IFRS 8 – Operating segments, although this has not resulted in any changes to the way in which segments are reported. The Bank offers financial services to various customer groups, covering a range of products and distribution channels. The various customer groups are assessed in the same way, primarily based on volumes and customer margins within the individual groups.

For more information about accounting principles, please see Gjensidige Bank ASA's 2008 annual report.

## Note 2 Segment information

Figures in NOK 1000	30.6.2009	31.3.2009	31.12.2008	30.9.2008	30.6.2008	31.3.2008	31.12.2007
<b>Customer deposits by sector and industry</b>							
Wage-earners, etc.	6,455,654	6,242,810	6,131,371	5,177,146	4,525,627	3,105,492	1,701,080
<b>Total deposits</b>	<b>6,455,654</b>	<b>6,242,810</b>	<b>6,131,371</b>	<b>5,177,146</b>	<b>4,525,627</b>	<b>3,105,492</b>	<b>1,701,080</b>
<b>Loans to customers by sector and industry</b>							
Wage-earners, etc.	7,776,284	7,214,668	6,711,394	6,280,854	5,739,448	4,562,047	3,381,376
<b>Gross loans</b>	<b>7,776,284</b>	<b>7,214,668</b>	<b>6,711,394</b>	<b>6,280,854</b>	<b>5,739,448</b>	<b>4,562,047</b>	<b>3,381,376</b>

## Note 3 Depth incurred through the issues of securities

Figures in NOK 1000	30.6.2009	30.6.2008	31.12.2008
Commercial paper and other short-term borrowings	1,150,000	1,000,000	400,000
Bond debt	300,000	300,000	300,000
Own bonds, not amortised	(100,000)	(100,000)	(150,000)
<b>Total debt incurred through the issue of securities</b>	<b>1,350,000</b>	<b>1,200,000</b>	<b>550,000</b>
<b>Term to maturity</b>			
<b>Remaining term to maturity (face value)</b>			
Payable on request			
Maximum 3 months			350,000
3 months-1 year	1,150,000	1,000,000	
1-5 years	200,000	200,000	200,000
More than 5 years			
<b>Total</b>	<b>1,350,000</b>	<b>1,200,000</b>	<b>550,000</b>
Issued during the reporting period	1,150,000	850,000	800,000
Repaid during the reporting period	350,000	1,000,000	1,600,000

## Note 4 Losses on loans and guarantees

Figures in NOK 1000	1.1.-30.6.2009	1.1.-30.6.2008	1.1.-31.12.2008
Change in individual writedowns over the reporting period	1,004		
Change in group writedowns over the reporting period	3	4,916	6,138
Losses realised during the period covered by previous writedowns			
Losses realised during the period not covered by previous ind. writedowns			
Recoveries for the period against previous periods' realised losses			
<b>= Loan losses for the period</b>	<b>1,007</b>	<b>4,916</b>	<b>6,138</b>
<b>Provisions against loans and guarantees</b>			
Individual writedowns at the start of the period	672		
+ Increase in ind. writedowns against loans which had previously been written down			
- Recoveries against ind. writedowns from previous periods			
+ Writedowns against loans which had not previously been written down individually	1,004		672
- Losses realised for which individual writedowns had previously been made			
<b>Individual writedowns at the end of the period</b>	<b>1,676</b>		<b>672</b>
Losses realised during the reporting period			
<b>Group writedowns at the start of the period</b>	<b>12,880</b>	<b>6,742</b>	<b>6,742</b>
+ Change in group writedowns over the reporting period	3	4,916	6,138
<b>Group writedowns at the end of the period</b>	<b>12,883</b>	<b>11,658</b>	<b>12,880</b>
<b>Total writedowns at the end of the period</b>	<b>14,559</b>	<b>11,658</b>	<b>13,552</b>
<b>Loans in default and at risk of default</b>			
<b>Loans in default</b>			
Gross defaults over 90 days	19,485	2,699	8,252
- Individual writedowns	1,676		672
<b>Net loans in default</b>	<b>17,809</b>	<b>2,699</b>	<b>7,580</b>
<b>Loss severity</b>	<b>9%</b>	<b>0%</b>	<b>8%</b>
<b>Other loans at risk of default</b>			
Loans at risk of default (not in default)			
- Individual writedowns			
<b>Net other loans at risk of default</b>			
<b>Loss severity</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>



## Note 5 Capital adequacy

Figures in NOK 1000	30.6.2009	30.6.2008	31.12.2008
Paid-up equity	820,000	820,000	820,000
Other equity	(26,973)	(39,065)	(61,694)
<b>Equity</b>	<b>793,027</b>	<b>780,935</b>	<b>758,306</b>
<b>Deductions</b>			
Deferred tax assets	(11,434)	(15,379)	(24,937)
<b>Other intangible assets</b>	<b>(40,187)</b>	<b>(44,017)</b>	<b>(41,472)</b>
<b>Core capital</b>	<b>741,406</b>	<b>721,539</b>	<b>691,897</b>
<b>Additional capital</b>			
<b>Total equity and subordinated loan capital</b>	<b>741,406</b>	<b>721,539</b>	<b>691,897</b>
<b>Risk-weighted capital</b>	<b>3,903,550</b>	<b>3,193,825</b>	<b>3,696,263</b>
<b>Minimum requirement for equity</b>	<b>312,284</b>	<b>255,506</b>	<b>295,701</b>
Core capital ratio (%)	19.0 %	22.6 %	18.7 %
Capital adequacy ratio (%)	19.0 %	22.6 %	18.7 %

## Note 6 Shares

The Bank has established the Gjensidige Bank Boligkreditt AS. Gjensidige Bank ASA is the owner of 100 percent of the shares. The share capital consists of 100 shares at nominal value NOK 1.000. The shares were subscribed to NOK 1.300 each share.

The interim accounts have not been audited

# DECLARATION OF THE BOARD AND CEO

The Board of Directors and CEO have today reviewed and approved the interim report and financial statements for Gjensidige Bank ASA for the period 1 January to 30 June 2009.

We declare that, to the best of our knowledge, the financial statements for the six months from 1 January to 30 June 2009 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and contain the additional information required by the Norwegian

Accounting Act, including the regulations on financial statements for banks, and that the information contained therein provides a true picture of the assets, liabilities, financial position and results of the company, and that the interim report gives a true picture of the important events that occurred during that period, explaining their impact on the interim financial statements, as well as setting out important upcoming transactions and the most important areas of uncertainty and potential risks faced by the Bank in the coming period.

Førde, 10 August 2009

Geir Bergskaug  
Chairman

Arvid Andenæs  
Deputy chairman

Ingun Ranneberg-Nilsen

Marianne B. Einarsen

Roger Nedrebø

Jan Kaare Hellevang  
CEO

# KEY FIGURES

	1.1.-30.6.2009	1.1.-30.6.2008	1.1.-31.12.2008
Net interest as a % of average total assets, annualised <sup>1)</sup>	0.56 %	0.60 %	0.74 %
Losses as a % of gross loans excl. credit institutions	0.01 %	0.09 %	0.10 %
Return on equity - annualised <sup>2)</sup>	(8.71 %)	(15.71 %)	(12.51 %)
Customer deposits by the end of the period <sup>3)</sup>	83.02 %	78.85 %	91.36 %
Capital adequacy ratio, by the end of the period	19.0 %	22.59 %	18.72 %
Average total assets (figures in NOK 1000)	8,005,311	5,163,471	6,169,251
Average full-time equivalent employees	46	37	40
Registered customers (number), by the end of the period <sup>4)</sup>	48,045	32,008	44,413
Registered customers who are also insurance customers, by the end of the period	26,631	18,281	23,438

1) Net interest and credit income/average total assets

2) Profit/ (loss) before taxation/ average adjusted equity during the period

3) Deposits as % of gross loans to customers

4) Registered customers include both people who have registered to become customers (started the process of becoming customers) and people who have actively started using the bank. From 1 January 2009 we changed the way in which we measure number of customers, with customer registrations over three months old being excluded.



**GJENSIDIGE**

[gjensidige.com](http://gjensidige.com)

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