



## Interim Report 1<sup>st</sup> quarter 2019

Gjensidige Bank Boligkreditt



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Gjensidige Bank Boligkreditt AS is part of the Nordea Group. Nordea build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realize their dreams, we are there to provide relevant financial solutions. We are the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalization with around 11 million customers. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges.

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# Key financial figures

## Summary of income statement

NOKt	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Net interest income	34,108	49,129	167,104
Net commission income and other operating income	927	1,280	-3,673
<b>Total income</b>	<b>35,034</b>	<b>50,409</b>	<b>163,430</b>
Staff costs	672	535	2,739
Other expenses	3,327	3,937	14,781
<b>Total operating expenses</b>	<b>3,999</b>	<b>4,472</b>	<b>17,520</b>
Loan losses (negative figures are reversals)	-319	367	291
<b>Operating profit</b>	<b>31,355</b>	<b>45,570</b>	<b>145,619</b>
Income tax expense	7,839	11,393	36,405
<b>Net profit for the period</b>	<b>23,516</b>	<b>34,178</b>	<b>109,215</b>

## Summary of balance sheet

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Loans to the public (gross)	23,499,661	22,989,371	24,648,610
Allowance for loan losses	-890	-1,286	-1,210
Total assets	24,750,100	24,019,167	25,589,304
Equity	1,876,832	1,778,208	1,853,314

## Ratios and key figures

		Jan-Mar 2019	Jan-Mar 2018	Year 2018
Net interest margin, annualised	%	0.62	0.86	0.70
Loss rate	%	0.00	0.01	0.00
Non-performing loans in per cent of gross lending <sup>1</sup>	%	0.01	0.02	0.02
Return on equity, annualised	%	5.8	7.9	6.1
Capital adequacy <sup>2</sup>	%	20.8	20.1	20.2
Tier 1 capital ratio <sup>2</sup>	%	20.8	20.1	20.2
Common equity Tier 1 capital ratio <sup>2</sup>	%	20.8	20.1	20.2
Cost/income ratio	%	11.4	8.9	10.7
Liquidity Coverage Ratio	%	281	285	273
Average total assets	NOKt	25,214,347	23,240,504	23,962,995
Cover pool	NOKt	24,342,893	23,683,610	25,271,713
Number of loans	Number	13,221	12,972	13,767
Weighted indexed loan-to-value ratio <sup>3</sup>	%	50.1	51.3	51.2
Weighted average remaining life	Year	21.7	21.6	21.8

<sup>1</sup> Gross default over 90 days

<sup>2</sup> The result of the period is not included in the calculation for the quarters, with the exception of fourth quarter.

<sup>3</sup> Quarterly updated house prices

# Gjensidige Bank Boligkreditt

## Introduction

(Previous year comparable figures for the company are shown in brackets)

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

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

## Income statement

The profit before tax expense was NOK 31.4m (NOK 45.6m). The decrease was mainly driven by lower interest margin.

Total income amounted to NOK 35.0m (NOK 50.4m).

Net interest income for the first three months amounted to NOK 34.1m (NOK 49.1m).

Net commission income and other income amounted to NOK 0.9m (NOK 1.3m).

The net interest margin<sup>1</sup> was 0.62% (0.86%).

Operating expenses were NOK 4.0m (NOK 4.5m).

Total write-downs and losses amounted to positive NOK 0.3m (negative NOK 0.4m). The balance of group write-downs amounted to NOK 0.9m (NOK 1.3m).

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

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

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

## Lending

As of 31 March 2019, the Company had 13,221 loans with a total outstanding balance of NOK 23,499.7m (NOK 22,989.4m). The portfolio continues to be of high quality.

The entire lending portfolio has been acquired from Gjensidige Bank ASA. It consists of loans with variable interest rates. The average loan commitment was NOK 1.8m per loan as of 31 March 2019. The largest single exposure was NOK 9.2m and 14.6% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 21.1% of the lending portfolio consisted of loans with credit lines (fleksilån).

Gjensidige Bank Boligkreditt AS has a weighted loan-to-value ratio, indexed, of 50.1% (51.3%).

## Segments

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

## Capital position

As of 31 March 2019, the Company had a common equity Tier 1 capital ratio of 20.8% (20.1%). The total capital held by the Company was NOK 1,853.1m (NOK 1,743.8m).

## Rating

Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS had a long-term and short-term counterparty credit rating of A+/A-1, outlook 'positive'. The covered bonds portfolio issued by Gjensidige Bank Boligkreditt AS had a long-term rating of AAA and the outlook 'positive'.

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.

## Debt securities issued

The Company had issued covered bonds with a total face value of NOK 19,850.0m as of 31 March 2019. The portfolio includes seven loans, the first of which matures on 6 May 2019 (extended due date to 5 May 2020).

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

## Liquidity

As of 31 March 2019, the Company had net liquid assets of NOK 1,134.0m, of which NOK 993.8m in bank deposits, NOK 78.5m in covered bonds and NOK 61.7m in treasury bills.

<sup>1</sup> The net interest margin is calculated as net interest income as a percentage of average total assets, annualised.

The Company has a long-term credit facility with the parent company of NOK 2,000.0m and a short-term credit facility of up to NOK 4,000.0m. Unutilised credit facilities amounted to NOK 3,219.3.0m as of 31 March 2019. In addition the Company has a credit facility agreement that allows Gjensidige Bank Boligkreditt AS to borrow money in order to repay its outstanding bond debt.

#### **Events after the balance sheet date**

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

#### **Gjensidige Bank Boligkreditt AS**

Oslo, 14 May 2019



Børre Sten Gundersen  
Chairman



Anders Frank-Læssøe  
Board member



Elen Margrethe Stiksrud  
Board member



Alex Madsen  
Board member



Jan Kåre Raae  
Chief Executive Officer

# Income statement

NOKt	Note	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Interest income etc, amortised cost		132,017	121,704	496,829
Interest income etc, fair value		375	227	1,697
Interest costs etc.		98,284	72,802	331,422
<b>Net interest income</b>		<b>34,108</b>	<b>49,129</b>	<b>167,104</b>
Fee and commission income		589	588	2,338
Net gains on financial instruments at fair value		108	463	-6,928
Other operating income		229	229	917
<b>Net commission income and other operating income</b>		<b>927</b>	<b>1,280</b>	<b>-3,673</b>
<b>Total income</b>		<b>35,034</b>	<b>50,409</b>	<b>163,430</b>
Staff costs		672	535	2,739
Other operating expenses		3,327	3,937	14,781
<b>Total operating expenses</b>		<b>3,999</b>	<b>4,472</b>	<b>17,520</b>
<b>Profit / (loss) before loan losses</b>		<b>31,035</b>	<b>45,938</b>	<b>145,910</b>
Loan losses	4	-319	367	291
<b>Operating profit</b>		<b>31,355</b>	<b>45,570</b>	<b>145,619</b>
Income tax expense		7,839	11,393	36,405
<b>Net profit for the period</b>		<b>23,516</b>	<b>34,178</b>	<b>109,215</b>
Basic/diluted earnings per share, NOK		180.9	262.9	840.1

# Statement of comprehensive income

NOKt	Jan-Mar 2019	Jan-Mar 2018	Year 2018
<b>Net profit for the period</b>	<b>23,516</b>	<b>34,178</b>	<b>109,215</b>
<b>Components of other comprehensive income</b>			
<b>Items that are not reclassified subsequently to profit or loss</b>			
Items that may be reclassified subsequently to profit or loss			
<b>Total components of other comprehensive income</b>			
<b>Total comprehensive income for the period</b>	<b>23,516</b>	<b>34,178</b>	<b>109,215</b>

# Balance sheet

NOKt	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>Assets</b>				
Loans to credit institutions	6	993,810	764,056	694,913
Loans to the public	2,4	23,498,770	22,988,085	24,647,400
Interest-bearing securities	9	140,153	140,201	139,898
Derivatives	9	62,692	74,920	66,303
Deferred tax assets		2,258	104	2,258
Advance payments and accrued income		52,417	51,801	38,532
<b>Total assets</b>		<b>24,750,100</b>	<b>24,019,167</b>	<b>25,589,304</b>
<b>Liabilities and equity</b>				
Liabilities to credit institutions	6	2,780,655	3,047,657	3,636,007
Debt securities in issue	3,6	19,981,599	19,071,267	19,986,475
Derivatives	9	4,893	5,933	5,156
Current tax liabilities		24,568	42,802	38,559
Other liabilities		81,553	73,299	69,794
<b>Total liabilities</b>		<b>22,873,268</b>	<b>22,240,958</b>	<b>23,735,991</b>
<b>Equity</b>				
Share capital		221,000	221,000	221,000
Share premium reserve		999,020	999,020	999,020
Retained earnings		633,296	524,011	633,294
Net profit for the period		23,516	34,178	
<b>Total equity</b>		<b>1,876,832</b>	<b>1,778,208</b>	<b>1,853,314</b>
<b>Total liabilities and equity</b>		<b>24,750,100</b>	<b>24,019,167</b>	<b>25,589,304</b>

# Statement of changes in equity

NOKt	Share capital	Share premium reserve	Other equity	Total equity
<b>Balance at 1 Jan 2019</b>	<b>221,000</b>	<b>999,020</b>	<b>633,294</b>	<b>1,853,314</b>
Net profit for the period			23,516	23,516
Other comprehensive income, net of tax				
<b>Total comprehensive income</b>			<b>23,516</b>	<b>23,516</b>
Capital expansion				
Share-based payment transactions settled in equity			2	2
<b>Balance at 31 Mar 2019</b>	<b>221,000</b>	<b>999,020</b>	<b>656,812</b>	<b>1,876,832</b>

NOKt	Share capital	Share premium reserve	Other equity	Total equity
<b>Balance at 1 Jan 2018</b>	<b>221,000</b>	<b>999,020</b>	<b>524,083</b>	<b>1,744,103</b>
Net profit for the period			109,215	109,215
Other comprehensive income, net of tax				
<b>Total comprehensive income</b>			<b>109,215</b>	<b>109,215</b>
Capital expansion				
Share-based payment transactions settled in equity			-4	-4
<b>Balance at 31 Dec 2018</b>	<b>221,000</b>	<b>999,020</b>	<b>633,294</b>	<b>1,853,314</b>

NOKt	Share capital	Share premium reserve	Other equity	Total equity
<b>Balance at 1 Jan 2018</b>	<b>221,000</b>	<b>999,020</b>	<b>524,083</b>	<b>1,744,103</b>
Net profit for the period			34,178	34,178
Other comprehensive income, net of tax				
<b>Total comprehensive income</b>			<b>34,178</b>	<b>34,178</b>
Capital expansion				
Share-based payment transactions settled in equity			-72	-72
<b>Balance at 31 Mar 2018</b>	<b>221,000</b>	<b>999,020</b>	<b>558,188</b>	<b>1,778,208</b>

Number of shares at end of period 130.000

# Cash flow statement

NOKt	Jan-Mar 2019	Jan-Mar 2018	Year 2018
<b>Operating activities</b>			
Net payment of loans to customers	1,148,781	-1,883,659	-3,542,168
Payment of interest from customers	128,067	118,441	484,016
Net payment of interest from credit institutions etc.	-9,041	-10,651	10,913
Taxes paid	-21,830	-12,250	-43,660
Net other commission income	819	817	3,255
Payment to operations	-4,863	-4,015	-17,121
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	-254	-199	104
<b>Net cash flow from operating activities</b>	<b>1,241,677</b>	<b>-1,791,516</b>	<b>-3,104,662</b>
<b>Investment activities</b>			
Net purchase of intangible assets and fixed assets			
<b>Net cash flow from investment activities</b>			
<b>Financing activities</b>			
Net paid(-)/received when taking out loans with credit institutions and covered bonds	-855,351	1,806,821	3,309,115
Net payment of interest on financing activities	-85,435	-54,722	-316,632
Net received/paid (-) for other short-term positions	-1,994	-1,056	2,563
Capital increases			
<b>Cash flow from financing activities</b>	<b>-942,780</b>	<b>1,751,043</b>	<b>2,995,046</b>
<b>Cash flow for the period</b>	<b>298,897</b>	<b>-40,473</b>	<b>-109,616</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	694,913	804,529	804,529
Cash and cash equivalents at end of the period	993,810	764,056	694,913
<b>Change</b>	<b>298,897</b>	<b>-40,473</b>	<b>-109,616</b>
<b>The following items are included in cash and cash equivalents:</b>			
Loans to credit institutions	993,810	764,056	694,913
<b>Total cash and cash equivalents</b>	<b>993,810</b>	<b>764,056</b>	<b>694,913</b>

The cash flow statement 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 to the financial statements

## Note 1 Accounting policies

The financial statements as of the first quarter of 2019, concluded on 31 March 2019, comprise Gjensidige Bank Boligkreditt AS. With the exception of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2018.

The financial statements as of the first quarter of 2019 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 2018.

### **Changed accounting policies and presentation**

The following new and amended standards were implemented by Gjensidige Bank ASA at 1 January 2019:

#### **IFRS 16 Leases**

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.

In connection with the sale the business to Nordea the current rent contracts has been renegotiated and is short-term. The contract expires within 12 months. There is no option to extend the agreement. There is no right-to-use assets with associated obligations in the balance sheet as of 1.1.2019 that Gjensidige Bank Boligkreditt AS must recognise.

### **Changes in IFRSs not yet applied**

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2019. They have not been applied when preparing these consolidated financial statements. Those that may be relevant to Gjensidige Bank Boligkreditt AS are mentioned below. Gjensidige Bank Boligkreditt AS does not plan early implementation of these standards.

### **Other amendments to IFRS**

Other amendments to IFRS are not assessed to have any significant impact on Gjensidige Bank Boligkreditt ASs financial statements, capital adequacy or large exposures in the period of initial application.

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 2018.

All amounts are shown in NOK thousands (NOKt) 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.

## Note 2 Segment information

Gjensidige Bank Boligkreditt AS has only one business segment, which is lending to private customers. The segment consists of loans to private customers,

and the entire loan portfolio is purchased from Gjensidige Bank ASA. The company's full accounts therefore fall entirely under the segment «Retail market».

## Note 3 Liabilities on the issue of securities

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>Liabilities opened for the issue of securities</b>			
Bond debt	18,445,000	17,541,000	18,445,000
<b>Total liabilities at amortised cost</b>	<b>18,445,000</b>	<b>17,541,000</b>	<b>18,445,000</b>
<b>Liabilities opened for the issue of securities</b>			
Bond debt	1,450,000	1,450,000	1,450,000
<b>Total liabilities included in fair value hedge</b>	<b>1,450,000</b>	<b>1,450,000</b>	<b>1,450,000</b>
<b>Total liabilities</b>	<b>19,895,000</b>	<b>18,991,000</b>	<b>19,895,000</b>

### Maturity

Remaining maturity (nominal value)	31 Mar 2019	31 Mar 2018	31 Dec 2018
2018		402,000	
2019	1,095,000	2,289,000	1,095,000
2020	3,700,000	3,700,000	3,700,000
2021	5,000,000	4,000,000	5,000,000
2022	5,000,000	4,000,000	5,000,000
2023	4,500,000	4,000,000	4,500,000
2025	600,000	600,000	600,000
<b>Total</b>	<b>19,895,000</b>	<b>18,991,000</b>	<b>19,895,000</b>

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

New issues in 2019

Repayments in 2019

### NOKt

ISIN Number	Currency	Rate	Due	Ext.Due	Nominal value
NO0010662737	NOK	Floating	6.5.2019	6.5.2020	1,095,000
NO0010680283	NOK	Floating	3.3.2020	3.3.2021	2,850,000
NO0010687429	NOK	Fixed	11.9.2020	13.9.2021	850,000
NO0010727738	NOK	Floating	12.5.2021	12.5.2022	5,000,000
NO0010770852	NOK	Floating	20.5.2022	20.5.2023	5,000,000
NO0010789266	NOK	Floating	23.5.2023	23.5.2024	4,500,000
NO0010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
<b>Total liabilities through the issuance of excluding own securities</b>					<b>19,895,000</b>

## Note 4 Write-downs and losses on loans

### Write-downs and losses on loans

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>Write-downs and losses for the period</b>			
+/- Change in group write-downs for the period (ECL)	-319	367	291
+ Write-off during the period			
- Payments on previously written-off accounts			
<b>Write-downs and losses for the period</b>	<b>-319</b>	<b>367</b>	<b>291</b>
<b>Loss allowance</b>			
Loss allowance at the start of the period	1,210	919	919
+/- Change in loss allowance for the period	-319	367	291
<b>Loss allowance at the end of the period</b>	<b>890</b>	<b>1,286</b>	<b>1,210</b>
<b>Defaulted loans</b>			
Gross default over 90 days	2,823	4,105	2,591

### Credit quality by risk group

31 Mar 2019 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Loans to and claims on customers</b>				
Low	23,348,951		4,990	23,353,942
Medium	8,342	53,244		61,586
High	8,180	64,889	6,019	79,088
Not classified	2,434			2,434
Impaired and written down			2,823	2,823
Adjustment	-212			-212
<b>Total</b>	<b>23,367,695</b>	<b>118,133</b>	<b>13,833</b>	<b>23,499,661</b>
Loss allowance	796	94	1	890
<b>Total net</b>	<b>23,366,899</b>	<b>118,039</b>	<b>13,832</b>	<b>23,498,770</b>

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

31 Mar 2018 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Loans to and claims on customers</b>				
Low	22,452,040	702	15,584	22,468,326
Medium	26,274	367,186		393,460
High	4,849	112,661	5,007	122,517
Not classified	963			963
Impaired and written down			4,105	4,105
<b>Total</b>	<b>22,484,126</b>	<b>480,549</b>	<b>24,696</b>	<b>22,989,371</b>
Loss allowance	339	221	726	1,286
<b>Total net</b>	<b>22,483,787</b>	<b>480,328</b>	<b>23,970</b>	<b>22,988,085</b>

31 Dec 2018 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Loans to and claims on customers</b>				
Low	23,002,837		6,398	23,009,234
Medium	8,589	69,997	2,514	81,100
High	4,580	62,234	5,838	72,652
Not classified	1,442,685	40,641	-3,978	1,479,349
Impaired and written down			6,274	6,274
<b>Total</b>	<b>24,458,691</b>	<b>172,872</b>	<b>17,047</b>	<b>24,648,610</b>
Loss allowance	880	85	245	1,210
<b>Total net</b>	<b>24,457,811</b>	<b>172,787</b>	<b>16,802</b>	<b>24,647,400</b>

### Loans to and claims on customers by past due status

NOKt	31 Mar 2019		31 Mar 2018		31 Dec 2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	23,488,649	816	22,976,969	767	24,643,421	1,153
30-59 days	5,021	74	3,958	58	1	
60-89 days	3,167		4,339	74	2,596	17
90+ days	2,823		4,105	387	2,591	40
<b>Total</b>	<b>23,499,661</b>	<b>890</b>	<b>22,989,371</b>	<b>1,286</b>	<b>24,648,610</b>	<b>1,210</b>

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

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

Reconciling items includes the following:

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

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

### Loss allowance

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
<b>Loss allowance as at 1 Jan 2019</b>	<b>880</b>	<b>85</b>	<b>245</b>	<b>1,210</b>
Transfer to stage 1	11	-11		
Transfer to stage 2	-58	58		
Transfer to stage 3				
New Financial assets originated during the period	56			56
Financial assets that have been derecognised	-98	-17	-40	-155
Changes in balance with no transfer between stages	5	-20	-205	-220
<b>Loss allowance as at 31 Mar 2019</b>	<b>796</b>	<b>94</b>	<b>1</b>	<b>890</b>

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
<b>Loss allowance as at 1 Jan 2018</b>	<b>551</b>	<b>96</b>	<b>272</b>	<b>919</b>
Transfer to stage 1	8	-8		
Transfer to stage 2	-45	45		
Transfer to stage 3	-27	-411	438	
New Financial assets originated during the period	52			52
Financial assets that have been derecognised	-31	-15		-46
Changes in balance with no transfer between stages	-167	513	16	362
<b>Loss allowance as at 31 Mar 2018</b>	<b>339</b>	<b>221</b>	<b>726</b>	<b>1,286</b>

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
<b>Loss allowance as at 1 Jan 2018</b>	<b>551</b>	<b>96</b>	<b>272</b>	<b>919</b>
Transfer to stage 1	36	-43	-120	-126
Transfer to stage 2	-2	60		58
Transfer to stage 3	-1		181	180
New Financial assets originated during the period	352	17	22	392
Financial assets that have been derecognised	-100	-44	-108	-252
Changes in balance with no transfer between stages	44	-2	-3	39
<b>Loss allowance as at 31 Dec 2018</b>	<b>880</b>	<b>85</b>	<b>245</b>	<b>1,210</b>

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

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Stage 1	796	339	880
Stage 2	94	221	85
Stage 3	1	726	245
<b>Total</b>	<b>890</b>	<b>1,286</b>	<b>1,210</b>
Stage 1	89.4%	26.4%	72.7%
Stage 2	10.6%	17.2%	7.0%
Stage 3	0.1%	56.5%	20.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

Reconciling items includes the following:

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

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

### Loans to and claims on customers

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Gross carrying amount as at 1 Jan 2019</b>	<b>24,458,691</b>	<b>172,872</b>	<b>17,047</b>	<b>24,648,610</b>
Transfer to stage 1	80,958	-79,435	-1,524	
Transfer to stage 2	-57,700	60,181	-2,480	
Transfer to stage 3	-3,380	-1,575	4,955	
New financial assets originated	1,853,889			1,853,889
Financial assets that have been derecognised, including down payments	-2,964,546	-33,910	-4,165	-3,002,621
Other changes	-216			-216
<b>Gross carrying amount as at 31 Mar 2019</b>	<b>23,367,695</b>	<b>118,133</b>	<b>13,833</b>	<b>23,499,661</b>
Loss allowance as at 31 Mar 2019	796	94	1	890

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

### Loans to and claims on customers

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Gross carrying amount as at 1 Jan 2018</b>	<b>20,606,899</b>	<b>482,985</b>	<b>15,643</b>	<b>21,105,527</b>
Transfer to stage 1	159,623	-159,623		
Transfer to stage 2	-172,445	172,445		
Transfer to stage 3	-2,706	-6,469	9,176	
New financial assets originated	3,427,447			3,427,447
Financial assets that have been derecognised, including down payments	-1,534,670	-54,812	-123	-1,589,605
Other changes	-21	46,024		46,002
<b>Gross carrying amount as at 31 Mar 2018</b>	<b>22,484,126</b>	<b>480,549</b>	<b>24,696</b>	<b>22,989,371</b>
Loss allowance as at 31 Mar 2018	339	221	726	1,286

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Gross carrying amount as at 1 Jan 2018</b>	<b>20,606,899</b>	<b>482,985</b>	<b>15,643</b>	<b>21,105,527</b>
Transfer to stage 1	218,340	-212,089	-6,251	
Transfer to stage 2	-57,832	57,832		
Transfer to stage 3	-5,882	-6,139	12,021	
New financial assets originated	9,877,904	55,751	771	9,934,426
Financial assets that have been derecognised, including down payments	-5,335,484	-191,420	-4,655	-5,531,560
Other changes	-845,253	-14,049	-482	-859,783
<b>Gross carrying amount as at 31 Dec 2018</b>	<b>24,458,691</b>	<b>172,872</b>	<b>17,047</b>	<b>24,648,610</b>
Loss allowance as at 31 Dec 2018	880	85	245	1,210

<sup>1</sup>Market value adjustment for fixed interest loans and overraft facilities balance with credit balance.

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Stage 1	23,367,695	22,484,126	24,458,691
Stage 2	118,133	480,549	172,872
Stage 3	13,833	24,696	17,047
<b>Total</b>	<b>23,499,661</b>	<b>22,989,371</b>	<b>24,648,610</b>
Stage 1	99.4%	97.8%	99.2%
Stage 2	0.5%	2.1%	0.7%
Stage 3	0.1%	0.1%	0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Note 5 Capital adequacy

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>Primary capital</b>			
Share capital and share premium	1,220,020	1,220,020	1,220,020
Other equity	656,812	558,188	633,294
<b>Total equity</b>	<b>1,876,832</b>	<b>1,778,208</b>	<b>1,853,314</b>
Deduction			
Profit not included in the calculation of net primary capital	-23,516	-34,178	
Value adjustments due to the requirement for prudent valuation	-208	-221	-211
<b>Common equity Tier 1 capital</b>	<b>1,853,108</b>	<b>1,743,809</b>	<b>1,853,103</b>
<b>Net primary capital</b>	<b>1,853,108</b>	<b>1,743,809</b>	<b>1,853,103</b>
<b>Credit risk:</b>			
Of which:			
Institutions	20,690	17,476	13,410
Mass market positions	3,644	2,322	3,107
Positions secured by mortgage	656,527	642,888	688,972
Overdue positions	478	304	211
Covered bonds	630	630	630
Other positions	115	137	486
<b>Total minimum requirement credit risk</b>	<b>682,084</b>	<b>663,756</b>	<b>706,815</b>
Operational risk	23,355	21,941	22,555
CVA-risk	6,095	8,561	5,936
<b>Minimum requirement for net primary capital</b>	<b>711,534</b>	<b>694,258</b>	<b>735,307</b>
<b>Basis of calculation of balance sheet items not included in trading portfolio</b>	<b>8,478,809</b>	<b>8,238,244</b>	<b>8,810,890</b>
<b>Basis of calculation of off-balance sheet items not included in trading portfolio</b>	<b>52,884</b>	<b>58,709</b>	<b>24,302</b>
<b>Risk-weighted assets (calculation basis for capital adequacy ratio)</b>	<b>8,889,818</b>	<b>8,678,223</b>	<b>9,191,333</b>
<b>Buffer requirements</b>			
Systemic risk buffer	266,695	260,347	275,740
Conservation buffer	222,245	216,956	229,783
Countercyclical buffer	177,796	173,564	183,827
<b>Total buffer requirement for common equity Tier 1 capital</b>	<b>666,736</b>	<b>650,867</b>	<b>689,350</b>
<b>Pillar 2 requirement 1.5% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway</b>	<b>133,347</b>	<b>130,173</b>	<b>137,870</b>
<b>Available surplus common equity Tier 1 capital net min. requirement</b>	<b>652,983</b>	<b>572,249</b>	<b>612,273</b>
<b>Capital adequacy</b>			
Capital adequacy ratio	20.8%	20.1%	20.2%
Tier 1 capital ratio	20.8%	20.1%	20.2%
Common equity Tier 1 capital ratio	20.8%	20.1%	20.2%
Leverage ratio	7.4%	7.2%	7.2%

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



## Note 6 Transactions with related parties

Gjensidige Bank ASA is a directly owned subsidiary of Nordea Bank Abp. 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 2020.

b) short-term credit facility of up to NOK 4,000.0 million. Expiry date 30 November 2019.

c) Credit facility agreement that enables Gjensidige Bank Boligkreditt AS to borrow money in order to repay its outstanding bond debt. The credit facility shall be sufficient to cover the total repayment of the outstanding bonds over the next 12 months. As of 31 March 2019, the credit limit of the agreement was NOK 3,945.0 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

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Interest income deposit Gjensidige Bank ASA	3,918	2,386	10,467
Interest expense liability Gjensidige Bank ASA	13,437	12,070	53,953
Interest expense covered bonds Gjensidige Bank ASA	3,498	5,293	10,861
Purchase of services from Gjensidige Bank ASA	2,979	2,821	11,612
Services to Gjensidige Bank ASA (outsourcing the CEO)	229	229	917
Interest expense liability Nordea Bank Abp	4,548		

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

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Deposit in Gjensidige Bank ASA	993,620	764,003	694,837
Liability to Gjensidige Bank ASA	2,796,679	3,061,960	3,651,742
Covered Bonds to Gjensidige Bank ASA	898,135	2,247,249	710,265
Debt securities in issue Nordea Bank Abp	159,067		
Deposit in Nordea Bank Abp	260		

## Note 7 Cover pool

NOKt	31 Mar 2019		31 Mar 2018		31 Dec 2018	
	Nominal value	Market value	Nominal value	Market value	Nominal value	Market value
<b>Assets</b>						
Loans to the public	23,499,661	23,499,661	22,989,371	22,989,371	24,648,610	24,648,610
- whereof pool of eligible loans	23,465,837	23,465,837	22,943,490	22,943,490	24,606,705	24,606,705
Supplementary assets and derivatives:	823,170	877,056	679,743	740,120	608,972	665,008
- whereof CIRS						
- whereof IRS		53,887		60,161		55,997
<b>Total cover pool</b>	<b>24,289,007</b>	<b>24,342,893</b>	<b>23,623,233</b>	<b>23,683,610</b>	<b>25,215,677</b>	<b>25,271,713</b>
Debt securities in issue (net outstanding amount)	19,895,000	20,134,078	18,991,000	19,237,396	19,895,000	20,108,602
Over-collateralization calculated on net outstanding covered bonds	22.1 %	20.9 %	24.4 %	23.1 %	26.7 %	25.7 %
Debt securities in issue (issued amount)	19,895,000	20,134,078	18,991,000	19,237,396	19,895,000	20,108,602
Over-collateralization calculated on issued covered bonds <sup>1</sup>	22.1 %	20.9 %	24.4 %	23.1 %	26.7 %	25.7 %

<sup>1</sup> without deduction for holdings of own bonds

## Note 8 Contingent liabilities and security

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Unutilised credit facility	1,915,588	1,888,285	1,963,344
<b>Total contingent liabilities</b>	<b>1,915,588</b>	<b>1,888,285</b>	<b>1,963,344</b>

## Note 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.

## Note 9 Fair value of financial instruments (cont.)

NOKt	31 Mar 2019		31 Mar 2018		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>						
Loans to and receivables from credit institutions, amortised cost	993,810	993,810	764,056	764,056	694,913	694,913
<b>Loans to and receivables from credit institutions</b>	<b>993,810</b>	<b>993,810</b>	<b>764,056</b>	<b>764,056</b>	<b>694,913</b>	<b>694,913</b>
Loans to and receivables from customers, amortised cost	23,499,661	23,499,661	22,989,371	22,989,371	24,648,610	24,648,610
<b>Total loans before individual and group write-downs</b>	<b>23,499,661</b>	<b>23,499,661</b>	<b>22,989,371</b>	<b>22,989,371</b>	<b>24,648,610</b>	<b>24,648,610</b>
- Group write-downs	890	890	1,286	1,286	1,210	1,210
<b>Total net loans to customers</b>	<b>23,498,770</b>	<b>23,498,770</b>	<b>22,988,085</b>	<b>22,988,085</b>	<b>24,647,400</b>	<b>24,647,400</b>
Certificates and bonds, fair value	140,153	140,153	140,201	140,201	139,898	139,898
<b>Total bonds and other fixed-income securities</b>	<b>140,153</b>	<b>140,153</b>	<b>140,201</b>	<b>140,201</b>	<b>139,898</b>	<b>139,898</b>
Derivatives, fair value	62,692	62,692	74,920	74,920	66,303	66,303
<b>Derivatives</b>	<b>62,692</b>	<b>62,692</b>	<b>74,920</b>	<b>74,920</b>	<b>66,303</b>	<b>66,303</b>
Other financial assets, amortised cost	50,979	50,979	50,351	50,351	38,107	38,107
<b>Total other financial assets</b>	<b>50,979</b>	<b>50,979</b>	<b>50,351</b>	<b>50,351</b>	<b>38,107</b>	<b>38,107</b>
<b>Total financial assets</b>	<b>24,746,404</b>	<b>24,746,404</b>	<b>24,017,613</b>	<b>24,017,613</b>	<b>25,586,622</b>	<b>25,586,622</b>
<b>Liabilities</b>						
Loans and deposits from credit institutions, amortised cost	2,780,655	2,780,655	3,047,657	3,047,657	3,636,007	3,636,007
<b>Total liabilities to credit institutions</b>	<b>2,780,655</b>	<b>2,780,655</b>	<b>3,047,657</b>	<b>3,047,657</b>	<b>3,636,007</b>	<b>3,636,007</b>
Commercial paper and bonds, amortised cost	18,473,896	18,611,364	17,552,738	17,701,795	18,475,317	18,584,378
Liability incurred through the issue of securities, fair value hedge	1,507,702	1,522,714	1,518,529	1,535,601	1,511,158	1,524,224
<b>Total debt securities</b>	<b>19,981,599</b>	<b>20,134,078</b>	<b>19,071,267</b>	<b>19,237,396</b>	<b>19,986,475</b>	<b>20,108,602</b>
Derivatives, fair value	4,893	4,893	5,933	5,933	5,156	5,156
<b>Derivatives</b>	<b>4,893</b>	<b>4,893</b>	<b>5,933</b>	<b>5,933</b>	<b>5,156</b>	<b>5,156</b>
Other financial liabilities, amortised cost	73,880	73,880	65,724	65,724	61,388	61,388
<b>Total other financial liabilities</b>	<b>73,880</b>	<b>73,880</b>	<b>65,724</b>	<b>65,724</b>	<b>61,388</b>	<b>61,388</b>
<b>Total financial liabilities</b>	<b>22,841,027</b>	<b>22,993,507</b>	<b>22,190,581</b>	<b>22,356,710</b>	<b>23,689,025</b>	<b>23,811,152</b>

## Note 9 Fair value of financial instruments (cont.)

NOKt	31 Mar 2019			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	61,680	78,473		140,153
Derivatives, fair value		62,692		62,692
<b>Total financial assets measured at fair value</b>	<b>61,680</b>	<b>141,165</b>		<b>202,845</b>
Liabilities opened for the issue of securities, measured at fair value				0
Derivatives, fair value		4,893		4,893
<b>Total financial liabilities measured at fair value</b>		<b>4,893</b>		<b>4,893</b>
Liability incurred through the issue of securities, amortised cost		18,611,364		18,611,364
<b>Total financial liabilities measured at amortised cost</b>		<b>18,611,364</b>		<b>18,611,364</b>
Liability incurred through the issue of securities, fair value hedge		1,522,714		1,522,714
<b>Total financial liabilities included in fair value hedge</b>		<b>1,522,714</b>		<b>1,522,714</b>

There were no major moves between levels 1 and 2 in 2019.

NOKt	31 Mar 2018			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	61,810	78,391		140,201
Derivatives, fair value		74,920		74,920
<b>Total financial assets measured at fair value</b>	<b>61,810</b>	<b>153,311</b>		<b>215,121</b>
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		5,933		5,933
<b>Total financial liabilities measured at fair value</b>		<b>5,933</b>		<b>5,933</b>
Liability incurred through the issue of securities, amortised cost		17,701,795		17,701,795
<b>Total financial liabilities measured at amortised cost</b>		<b>17,701,795</b>		<b>17,701,795</b>
Liability incurred through the issue of securities, fair value hedge		1,535,601		1,535,601
<b>Total financial liabilities included in fair value hedge</b>		<b>1,535,601</b>		<b>1,535,601</b>

NOKt	31 Dec 2018			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	61,596	78,302		139,898
Derivatives, fair value		66,303		66,303
<b>Total financial assets measured at fair value</b>	<b>61,596</b>	<b>144,606</b>		<b>206,202</b>
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		5,156		5,156
<b>Total financial liabilities measured at fair value</b>		<b>5,156</b>		<b>5,156</b>
Liability incurred through the issue of securities, amortised cost		18,584,378		18,584,378
<b>Total financial liabilities measured at amortised cost</b>		<b>18,584,378</b>		<b>18,584,378</b>
Liability incurred through the issue of securities, fair value hedge		1,524,224		1,524,224
<b>Total financial liabilities included in fair value hedge</b>		<b>1,524,224</b>		<b>1,524,224</b>

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

## Quarterly earnings performance

NOKt	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Interest income etc, amortised cost	132,017	126,841	124,914	123,370	121,704	122,325	124,682	121,410
Interest income etc, fair value	375	311	894	264	227	252	416	1,054
Interest costs etc.	98,284	90,659	87,362	80,599	72,802	68,553	74,839	78,094
<b>Net interest income</b>	<b>34,108</b>	<b>36,493</b>	<b>38,446</b>	<b>43,036</b>	<b>49,129</b>	<b>54,023</b>	<b>50,259</b>	<b>44,370</b>
Fee and commission income	589	583	582	585	588	586	596	597
Net gains on financial instruments at fair value	108	-131	246	-7,506	463	-11,594	137	-1,255
Other operating income	229	229	229	229	229	147	147	147
<b>Total income</b>	<b>35,034</b>	<b>37,174</b>	<b>39,503</b>	<b>36,344</b>	<b>50,409</b>	<b>43,162</b>	<b>51,139</b>	<b>43,859</b>
Staff costs	672	1,110	551	543	535	578	515	356
Other operating costs	3,327	3,613	3,518	3,713	3,937	3,075	2,999	4,077
<b>Total operating expenses</b>	<b>3,999</b>	<b>4,723</b>	<b>4,069</b>	<b>4,256</b>	<b>4,472</b>	<b>3,653</b>	<b>3,514</b>	<b>4,433</b>
<b>Profit / (loss) before loan losses</b>	<b>31,035</b>	<b>32,450</b>	<b>35,434</b>	<b>32,088</b>	<b>45,938</b>	<b>39,509</b>	<b>47,626</b>	<b>39,426</b>
Loan losses	-319	381	-23	-434	367	-6,000	326	134
<b>Operating profit</b>	<b>31,355</b>	<b>32,070</b>	<b>35,457</b>	<b>32,522</b>	<b>45,570</b>	<b>45,509</b>	<b>47,300</b>	<b>39,292</b>

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