



Interim Report 2nd quarter 2019

Gjensidige Bank Boligkreditt



Gjensidige Bank Boligkreditt AS is part of the Nordea Group. We build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions. We are one of the largest banks in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalisation with around 10 million customers. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges.

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Key financial figures

Summary of income statement

NOKt	Jan-Jun 2019	Jan-Jun 2018	Year 2018
Net interest income	62,052	92,165	167,104
Net commission income and other operating income	1,798	-5,412	-3,673
Total income	63,850	86,753	163,430
Staff costs	1,161	1,078	2,739
Other expenses	6,835	7,650	14,781
Total operating expenses	7,995	8,728	17,520
Loan losses (negative figures are reversals)	-366	-67	291
Operating profit	56,221	78,092	145,619
Income tax expense	14,055	19,523	36,405
Net profit for the period	42,166	58,569	109,215

Summary of balance sheet

NOKt	30 Jun 2019	30 Jun 2018	31 Dec 2018
Loans to the public (gross)	22,846,676	22,476,666	24,648,610
Allowance for loan losses	-844	-852	-1,210
Total assets	23,660,438	23,430,925	25,589,304
Equity	1,895,542	1,802,660	1,853,314

Ratios and key figures

		Jan-Jun 2019	Jan-Jun 2018	Year 2018
Net interest margin, annualised	%	0.51	0.79	0.70
Loss rate	%	0.00	0.00	0.00
Non-performing loans in % of gross lending ¹	%	0.02	0.03	0.02
Return on equity, annualised	%	4.5	6.6	6.1
Capital adequacy ²	%	21.7	20.6	20.2
Tier 1 capital ratio ²	%	21.7	20.6	20.2
Common equity Tier 1 capital ratio ²	%	21.7	20.6	20.2
Cost/income ratio	%	12.5	10.1	10.7
Liquidity Coverage Ratio	%	377	284	273
Average total assets	NOKt	24,647,273	23,550,183	23,962,995
Cover pool	NOKt	23,332,157	23,119,650	25,271,713
Number of loans	Number	12,945	12,690	13,767
Weighted indexed loan-to-value ratio ³	%	49.1	49.5	51.2
Weighted average remaining life	Year	21.7	21.6	21.8

¹ Gross default over 90 days

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

³ 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 56.2m (NOK 78.1m). The decrease was mainly driven by lower interest margin.

Total income amounted to NOK 63.9m (NOK 86.8m).

Net interest income for the six months amounted to NOK 62.1m (NOK 92.2m).

Net commission income and other income amounted to NOK 1.8m (NOK negative 5.4m).

The net interest margin¹ was 0.51% (0.79%).

Operating expenses were NOK 8.0m (NOK 8.7m).

Total write-downs and losses amounted to positive NOK 0.4m (positive NOK 0.1m). The balance of group write-downs amounted to NOK 0.8m (NOK 0.9m).

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 four loans in default over 90 days.

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

Lending

As of 30 June 2019, the Company had 12,945 loans with a total outstanding balance of NOK 22,846.7m (NOK 22,476.7m). 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 30 June 2019. The largest single exposure was NOK 9.1m and 14.7% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 21.4% of the lending portfolio consisted of loans with credit lines (fleksilån).

Gjensidige Bank Boligkreditt AS has a weighted loan-to-value ratio, indexed, of 49.1% (49.5%).

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 30 June 2019, the Company had a common equity Tier 1 capital ratio of 21.7% (20.6%). The total capital held by the Company was NOK 1,853.1m (NOK 1,743.9m).

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 18,800.0m as of 30 June 2019. The portfolio includes seven loans, the first of which matures on 3 March 2020 (extended due date to 3 March 2021).

Liquidity

As of 30 June 2019, the Company had net liquid assets of NOK 710.7m, of which NOK 546.0m in bank deposits, NOK 78.4m in covered bonds and NOK 86.3m in treasury bills.

¹ 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 3,210.4.0m as of 30 June 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.

Key risk and uncertainty factors

Gjensidige Bank Boligkreditt AS's financial risk mainly comprises credit, liquidity and interest rate risk. Risk is reported monthly and is assessed in accordance with the principles, strategies and limits on risk adopted by the Board.

Credit risk represents the risk of losses arising from customers and other counterparties failing to repay their debts when they fall due. The company 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 company will be unable to meet all of its financial obligations when they fall due, or be unable to fund its lending activities. Limits have been determined for necessary access to liquid funds. In order to reduce the risk, liquidity forecasts are continuously updated. The company also holds an adequate liquidity buffer, designed to give it sufficient time to implement the necessary measures in the event of an acute liquidity freeze.


Interest rate risk refers to the risk of losses as a result of changes in the interest rate level. Risk limits, given certain changes in interest rate level, are set to control and manage the interest rate risk. In the management of this risk both assets and liabilities (borrowing) are incorporated. Derivatives are used for hedging purposes.

Events after the balance sheet date

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

Gjensidige Bank Boligkreditt AS

Oslo, 18 July 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	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	Year 2018
Interest income etc, amortised cost		128,966	123,370	260,983	245,075	496,829
Interest income etc, fair value		-1,039	264	-664	492	1,697
Interest costs etc.		99,983	80,599	198,267	153,401	331,422
Net interest income		27,945	43,036	62,052	92,165	167,104
Fee and commission income		580	585	1,169	1,173	2,338
Net gains on financial instruments at fair value		62	-7,506	170	-7,043	-6,928
Other operating income		229	229	459	459	917
Net commission income and other operating income		872	-6,692	1,798	-5,412	-3,673
Total income		28,816	36,344	63,850	86,753	163,430
Staff costs		489	543	1,161	1,078	2,739
Other operating expenses		3,508	3,713	6,835	7,650	14,781
Total operating expenses		3,997	4,256	7,995	8,728	17,520
Profit / (loss) before loan losses		24,820	32,088	55,855	78,025	145,910
Loan losses	4	-47	-434	-366	-67	291
Operating profit		24,866	32,522	56,221	78,092	145,619
Income tax expense		6,217	8,131	14,055	19,523	36,405
Net profit for the period		18,650	24,391	42,166	58,569	109,215
Basic/diluted earnings per share, NOK		143.5	187.6	324.4	450.5	840.1

Statement of comprehensive income

NOKt	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	Year 2018
Net profit for the period	18,650	24,391	42,166	58,569	109,215
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Items that may be reclassified subsequently to profit or loss					
Total components of other comprehensive income					
Total comprehensive income for the period	18,650	24,391	42,166	58,569	109,215

Balance sheet

NOKt	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
Assets				
Loans to credit institutions	6	545,982	695,156	694,913
Loans to the public	2,4	22,845,833	22,475,814	24,647,400
Interest-bearing securities	9	164,677	140,467	139,898
Derivatives	9	58,666	75,622	66,303
Deferred tax assets		2,258	104	2,258
Advance payments and accrued income		43,023	43,761	38,532
Total assets		23,660,438	23,430,925	25,589,304
Liabilities and equity				
Liabilities to credit institutions	6	2,789,609	3,795,466	3,636,007
Debt securities in issue	3,6	18,881,277	17,741,038	19,986,475
Derivatives	9	4,627	5,677	5,156
Current tax liabilities		14,055	19,523	38,559
Other liabilities		75,327	66,560	69,794
Total liabilities		21,764,896	21,628,264	23,735,991
Equity				
Share capital		221,000	221,000	221,000
Share premium reserve		999,020	999,020	999,020
Retained earnings		633,356	524,071	633,294
Net profit for the period		42,166	58,569	
Total equity		1,895,542	1,802,660	1,853,314
Total liabilities and equity		23,660,438	23,430,925	25,589,304

Statement of changes in equity

NOKt	Share capital	Share premium reserve	Other equity	Total equity
Balance at 1 Jan 2019	221,000	999,020	633,294	1,853,314
Net profit for the period			42,166	42,166
Other comprehensive income, net of tax				
Total comprehensive income			42,166	42,166
Capital expansion				
Share-based payment transactions settled in equity			63	63
Balance at 30 Jun 2019	221,000	999,020	675,522	1,895,542

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

NOKt	Share capital	Share premium reserve	Other equity	Total equity
Balance at 1 Jan 2018	221,000	999,020	524,083	1,744,103
Net profit for the period			58,569	58,569
Other comprehensive income, net of tax				
Total comprehensive income			58,569	58,569
Capital expansion				
Share-based payment transactions settled in equity			-12	-12
Balance at 30 Jun 2018	221,000	999,020	582,640	1,802,660

Number of shares at end of period 130.000

Cash flow statement

NOKt	Jan-Jun 2019	Jan-Jun 2018	Year 2018
Operating activities			
Net payment of loans to customers	1,802,000	-1,370,970	-3,542,168
Payment of interest from customers	253,645	239,420	484,016
Net payment of interest from credit institutions etc.	2,603	736	10,913
Taxes paid	-38,559	-43,660	-43,660
Net other commission income	1,628	1,631	3,255
Payment to operations	-9,083	-8,341	-17,121
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	-24,779	-464	104
Net cash flow from operating activities	1,987,456	-1,181,649	-3,104,662
Investment activities			
Net purchase of intangible assets and fixed assets			
Net cash flow from investment activities			
Financing activities			
Net paid(-)/received when taking out loans with credit institutions and covered bonds	-1,939,659	1,213,838	3,309,115
Net payment of interest on financing activities	-192,369	-143,152	-316,632
Net received/paid (-) for other short-term positions	-4,359	1,590	2,563
Capital increases			
Cash flow from financing activities	-2,136,387	1,072,276	2,995,046
Cash flow for the period	-148,931	-109,373	-109,616
Cash and cash equivalents			
Cash and cash equivalents at 1 January	694,913	804,529	804,529
Cash and cash equivalents at end of the period	545,982	695,156	694,913
Change	-148,931	-109,373	-109,616
The following items are included in cash and cash equivalents:			
Loans to credit institutions	545,982	695,156	694,913
Total cash and cash equivalents	545,982	695,156	694,913

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 second quarter of 2019, concluded on 30 June 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 second 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	30 Jun 2019	30 Jun 2018	31 Dec 2018
Liabilities opened for the issue of securities			
Bond debt	17,350,000	16,212,000	18,445,000
Total liabilities at amortised cost	17,350,000	16,212,000	18,445,000
Liabilities opened for the issue of securities			
Bond debt	1,450,000	1,450,000	1,450,000
Total liabilities included in fair value hedge	1,450,000	1,450,000	1,450,000
Total liabilities	18,800,000	17,662,000	19,895,000

Maturity

Remaining maturity (nominal value)	30 Jun 2019	30 Jun 2018	31 Dec 2018
2018		267,000	
2019		1,095,000	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
Total	18,800,000	17,662,000	19,895,000

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

New issues in 2019

Repayments in 2019 1,095,000

NOKt

ISIN Number			Currency	Rate	Due	Ext.Due	Nominal value
NO0010680283	NOK	Floating	NOK	Floating	3.3.2020	3.3.2021	2,850,000
NO0010687429	NOK	Fixed	NOK	Floating	11.9.2020	13.9.2021	850,000
NO0010727738	NOK	Floating	NOK	Fixed	12.5.2021	12.5.2022	5,000,000
NO0010770852	NOK	Floating	NOK	Floating	20.5.2022	20.5.2023	5,000,000
NO0010789266	NOK	Floating	NOK	Floating	23.5.2023	23.5.2024	4,500,000
NO0010678766	NOK	Fixed	NOK	Fixed	8.5.2025	8.5.2026	600,000
Total liabilities through the issuance of excluding own securities							18,800,000

Note 4 Write-downs and losses on loans

Write-downs and losses on loans

NOKt	30 Jun 2019	30 Jun 2018	31 Dec 2018
Write-downs and losses for the period			
+/- Change in group write-downs for the period (ECL)	-366	-67	291
+ Write-off during the period			
- Payments on previously written-off accounts			
Write-downs and losses for the period	-366	-67	291
Loss allowance			
Loss allowance at the start of the period	1,210	919	919
+/- Change in loss allowance for the period	-366	-67	291
Loss allowance at the end of the period	844	852	1,210
Defaulted loans			
Gross default over 90 days	4,379	6,274	2,591

Credit quality by risk group

30 Jun 2019 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	22,680,791		5,482	22,686,273
Medium	4,149	80,427		84,577
High	5,983	60,335	3,001	69,318
Not classified	3,685			3,685
Impaired and written down			4,379	4,379
Adjustment	-1,555			-1,555
Total	22,693,053	140,762	12,861	22,846,676
Loss allowance	563	73	207	844
Total net	22,692,490	140,689	12,654	22,845,833

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

30 Jun 2018 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	22,299,886		4,336	22,304,222
Medium	9,685	80,863	671	91,219
High	7,188	58,657	9,575	75,419
Not classified	-467			-467
Impaired and written down				
Adjustment			6,274	6,274
Total	22,316,291	139,520	20,855	22,476,666
Loss allowance	480	57	315	852
Total net	22,315,811	139,463	20,540	22,475,814

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

Loans to and claims on customers by past due status

NOKt	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	22,838,021	723	22,466,473	645	24,643,421	1,153
30-59 days	4,277	46	3,920	39	1	
60-89 days					2,596	17
90+ days	4,379	75	6,274	168	2,591	40
Total	22,846,676	844	22,476,666	852	24,648,610	1,210

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
Loss allowance as at 1 Jan 2019	880	85	245	1,210
Transfer to stage 1	10	-10		
Transfer to stage 2	-58	58		
Transfer to stage 3	-67	-97	164	
New Financial assets originated during the period	59			59
Financial assets that have been derecognised	-160	-20	-57	-237
Changes in balance with no transfer between stages	-101	57	-145	-188
Loss allowance as at 30 Jun 2019	563	73	207	844

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2018	551	96	272	919
Transfer to stage 1	42	-61	-146	-165
Transfer to stage 2	-3	-69		-72
Transfer to stage 3			96	96
New Financial assets originated during the period				
Financial assets that have been derecognised	-52	-21	-7	-80
Changes in balance with no transfer between stages	-57	112	99	154
Loss allowance as at 30 Jun 2018	480	57	315	852

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2018	551	96	272	919
Transfer to stage 1	36	-43	-120	-126
Transfer to stage 2	-2	60		58
Transfer to stage 3	-1		181	180
New 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
Loss allowance as at 31 Dec 2018	880	85	245	1,210

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

NOKt	30 Jun 2019	30 Jun 2018	31 Dec 2018
Stage 1	563	480	880
Stage 2	73	57	85
Stage 3	207	315	245
Total	844	852	1,210
Stage 1	66.8%	56.4%	72.7%
Stage 2	8.7%	6.7%	7.0%
Stage 3	24.6%	37.0%	20.3%
Total	100.0%	100.0%	100.0%

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
Gross carrying amount as at 1 Jan 2019	24,458,691	172,872	17,047	24,648,610
Transfer to stage 1	80,221	-75,428	-4,793	
Transfer to stage 2	-90,036	93,420	-3,385	
Transfer to stage 3	-6,760	-3,272	10,032	
New financial assets originated	3,080,739			3,080,739
Financial assets that have been derecognised	-4,229,330	-49,628	-5,839	-4,284,798
Change in balances due to payments	-598,913	-1,862	-200	-600,975
Other Changes	-1,559	4,660		3,101
Gross carrying amount as at 30 Jun 2019	22,693,053	140,762	12,861	22,846,676
Loss allowance as at 30 Jun 2019	563	73	207	844

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
Gross carrying amount as at 1 Jan 2018	20,606,899	482,985	15,643	21,105,527
Transfer to stage 1	346,553	-349,522	-6,874	-9,844
Transfer to stage 2	-57,773	55,926		-1,847
Transfer to stage 3	-4,052	-8,973	12,898	-127
New financial assets originated	1,645,559			1,645,559
Financial assets that have been derecognised	-2,764,312	-1,297	-110	-2,765,719
Change in balances due to payments	2,543,417	-39,598	-702	2,503,118
Other Changes	0	-0		-0
Gross carrying amount as at 30 Jun 2018	22,316,291	139,520	20,855	22,476,666
Loss allowance as at 30 Jun 2018	480	57	315	852

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2018	20,606,899	482,985	15,643	21,105,527
Transfer to stage 1	218,340	-212,089	-6,251	-0
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	-5,335,484	-191,420	-4,655	-5,531,560
Change in balances due to payments				
Other Changes	-845,253	-14,049	-482	-859,783
Gross carrying amount as at 31 Dec 2018	24,458,691	172,872	17,047	24,648,610
Loss allowance as at 31 Dec 2018	880	85	245	1,210

¹Market value adjustment for fixed interest loans and overaft facilities balance with credit balance.

NOKt	30 Jun 2019	30 Jun 2018	31 Dec 2018
Stage 1	22,693,053	22,316,291	24,458,691
Stage 2	140,762	139,520	172,872
Stage 3	12,861	20,855	17,047
Total	22,846,676	22,476,666	24,648,610
Stage 1	99.3%	99.3%	99.2%
Stage 2	0.6%	0.6%	0.7%
Stage 3	0.1%	0.1%	0.1%
Total	100.0%	100.0%	100.0%

Note 5 Capital adequacy

NOKt	30 Jun 2019	30 Jun 2018	31 Dec 2018
Primary capital			
Share capital and share premium	1,220,020	1,220,020	1,220,020
Other equity	675,522	582,640	633,294
Total equity	1,895,542	1,802,660	1,853,314
Deduction			
Profit not included in the calculation of net primary capital	-42,166	-58,569	
Value adjustments due to the requirement for prudent valuation	-228	-222	-211
Common equity Tier 1 capital	1,853,148	1,743,869	1,853,103
Net primary capital	1,853,148	1,743,869	1,853,103
Credit risk:			
Of which:			
Central government or central banks	452		
Institutions	12,899	15,905	13,410
Mass market positions	3,101	2,517	3,107
Positions secured by mortgage	638,552	628,346	688,972
Overdue positions	351	511	211
Covered bonds	628	630	630
Other positions	10	204	486
Total minimum requirement credit risk	655,992	648,112	706,815
Operational risk	22,555	21,941	22,555
CVA-risk	5,017	7,539	5,936
Minimum requirement for net primary capital	683,564	677,592	735,307
Basis of calculation of balance sheet items not included in trading portfolio	8,153,171	8,047,212	8,810,890
Basis of calculation of off-balance sheet items not included in trading portfolio	46,729	54,194	24,302
Risk-weighted assets (calculation basis for capital adequacy ratio)	8,544,550	8,469,902	9,191,333
Buffer requirements			
Systemic risk buffer	256,336	254,097	275,740
Conservation buffer	213,614	211,748	229,783
Countercyclical buffer	170,891	169,398	183,827
Total buffer requirement for common equity Tier 1 capital	640,841	635,243	689,350
Pillar 2 requirement 1.5% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	128,168	127,049	137,870
Available surplus common equity Tier 1 capital net min. requirement	699,634	600,432	612,273
Capital adequacy			
Capital adequacy ratio	21.7%	20.6%	20.2%
Tier 1 capital ratio	21.7%	20.6%	20.2%
Common equity Tier 1 capital ratio	21.7%	20.6%	20.2%
Leverage ratio	7.8%	7.4%	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 30 June 2019, the credit limit of the agreement was NOK 2,850.0 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	30 Jun 2019	30 Jun 2018	31 Dec 2018
Interest income deposit Gjensidige Bank ASA	6,835	4,995	10,467
Interest expense liability Gjensidige Bank ASA	27,050	24,434	53,953
Interest expense covered bonds Gjensidige Bank ASA	9,351	8,683	10,861
Purchase of services from Gjensidige Bank ASA	5,890	5,702	11,612
Services to Gjensidige Bank ASA (outsourcing the CEO)	459	459	917
Interest expense liability Nordea Bank Abp	4,886		

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

NOKt	30 Jun 2019	30 Jun 2018	31 Dec 2018
Deposit in Gjensidige Bank ASA	545,620	695,111	694,837
Liability to Gjensidige Bank ASA	2,797,342	3,808,876	3,651,742
Covered Bonds to Gjensidige Bank ASA	1,803,303	25,136	710,265
Debt securities in issue Nordea Bank Abp	250,659		
Deposit in Nordea Bank Abp	362		

Note 7 Cover pool

NOKt	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Nominal value	Market value	Nominal value	Market value	Nominal value	Market value
Assets						
Loans to the public	22,846,676	22,846,676	22,476,666	22,476,666	24,648,610	24,648,610
- whereof pool of eligible loans	22,822,558	22,822,558	22,446,754	22,446,754	24,606,705	24,606,705
Supplementary assets and derivatives:	458,238	509,599	610,559	672,896	608,972	665,008
- whereof CIRS						
- whereof IRS		51,362		62,336		55,997
Total cover pool	23,280,795	23,332,157	23,057,313	23,119,650	25,215,677	25,271,713
Debt securities in issue (net outstanding amount)	18,800,000	19,035,613	17,662,000	17,907,326	19,895,000	20,108,602
Over-collateralization calculated on net outstanding covered bonds	23.8%	22.6%	30.5%	29.1%	26.7%	25.7%
Debt securities in issue (issued amount)	18,800,000	19,035,613	17,662,000	17,907,326	19,895,000	20,108,602
Over-collateralization calculated on issued covered bonds ¹	23.8%	22.6%	30.5%	29.1%	26.7%	25.7%

¹ without deduction for holdings of own bonds

Note 8 Contingent liabilities and security

NOKt	30 Jun 2019	30 Jun 2018	31 Dec 2018
Unutilised credit facility	1,952,296	1,896,327	1,963,344
Total contingent liabilities	1,952,296	1,896,327	1,963,344

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 10% 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	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans to and receivables from credit institutions, amortised cost	545,982	545,982	695,156	695,156	694,913	694,913
Loans to and receivables from credit institutions	545,982	545,982	695,156	695,156	694,913	694,913
Loans to and receivables from customers, amortised cost	22,846,676	22,846,676	22,476,666	22,476,666	24,648,610	24,648,610
Total loans before individual and group write-downs	22,846,676	22,846,676	22,476,666	22,476,666	24,648,610	24,648,610
- Group write-downs	844	844	852	852	1,210	1,210
Total net loans to customers	22,845,833	22,845,833	22,475,814	22,475,814	24,647,400	24,647,400
Certificates and bonds, fair value	164,677	164,677	140,467	140,467	139,898	139,898
Total bonds and other fixed-income securities	164,677	164,677	140,467	140,467	139,898	139,898
Derivatives, fair value	58,666	58,666	75,622	75,622	66,303	66,303
Derivatives	58,666	58,666	75,622	75,622	66,303	66,303
Other financial assets, amortised cost	42,895	42,895	41,472	41,472	38,107	38,107
Total other financial assets	42,895	42,895	41,472	41,472	38,107	38,107
Total financial assets	23,658,053	23,658,053	23,428,532	23,428,532	25,586,622	25,586,622
Liabilities						
Loans and deposits from credit institutions, amortised cost	2,789,609	2,789,609	3,795,466	3,795,466	3,636,007	3,636,007
Total liabilities to credit institutions	2,789,609	2,789,609	3,795,466	3,795,466	3,636,007	3,636,007
Commercial paper and bonds, amortised cost	17,377,385	17,515,548	16,220,934	16,370,572	18,475,317	18,584,378
Liability incurred through the issue of securities, fair value hedge	1,503,892	1,520,065	1,520,104	1,536,754	1,511,158	1,524,224
Total debt securities	18,881,277	19,035,613	17,741,038	17,907,326	19,986,475	20,108,602
Derivatives, fair value	4,627	4,627	5,677	5,677	5,156	5,156
Derivatives	4,627	4,627	5,677	5,677	5,156	5,156
Other financial liabilities, amortised cost	68,225	68,225	57,831	57,831	61,388	61,388
Total other financial liabilities	68,225	68,225	57,831	57,831	61,388	61,388
Total financial liabilities	21,743,739	21,898,075	21,600,013	21,766,301	23,689,025	23,811,152

Note 9 Fair value of financial instruments (cont.)

NOKt	30 Jun 2019			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	86,301	78,376		164,677
Derivatives, fair value		58,666		58,666
Total financial assets measured at fair value	86,301	137,042		223,343
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		4,627		4,627
Total financial liabilities measured at fair value		4,627		4,627
Liability incurred through the issue of securities, amortised cost		17,515,548		17,515,548
Total financial liabilities measured at amortised cost		17,515,548		17,515,548
Liability incurred through the issue of securities, fair value hedge		1,520,065		1,520,065
Total financial liabilities included in fair value hedge		1,520,065		1,520,065

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

NOKt	30 Jun 2018			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	61,871	78,596		140,467
Derivatives, fair value		75,622		75,622
Total financial assets measured at fair value	61,871	154,218		216,089
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		5,677		5,677
Total financial liabilities measured at fair value		5,677		5,677
Liability incurred through the issue of securities, amortised cost		16,370,572		16,370,572
Total financial liabilities measured at amortised cost		16,370,572		16,370,572
Liability incurred through the issue of securities, fair value hedge		1,536,754		1,536,754
Total financial liabilities included in fair value hedge		1,536,754		1,536,754

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
Total financial assets measured at fair value	61,596	144,606		206,202
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		5,156		5,156
Total financial liabilities measured at fair value		5,156		5,156
Liability incurred through the issue of securities, amortised cost		18,584,378		18,584,378
Total financial liabilities measured at amortised cost		18,584,378		18,584,378
Liability incurred through the issue of securities, fair value hedge		1,524,224		1,524,224
Total financial liabilities included in fair value hedge		1,524,224		1,524,224

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

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 Boligkreditt AS for the period 1 January to 30 June 2019.

We declare that, to the best of our knowledge, the interim financial statements for the period 1 January to 30 June 2019 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.

Gjensidige Bank Boligkreditt AS

Oslo, 18 July 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

Quarterly earnings performance

NOKt	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Interest income etc, amortised cost	128,966	132,017	126,841	124,914	123,370	121,704	122,325	124,682
Interest income etc, fair value	-1,039	375	311	894	264	227	252	416
Interest costs etc.	99,983	98,284	90,659	87,362	80,599	72,802	68,553	74,839
Net interest income	27,945	34,108	36,493	38,446	43,036	49,129	54,023	50,259
Fee and commission income	580	589	583	582	585	588	586	596
Net gains on financial instruments at fair value	62	108	-131	246	-7,506	463	-11,594	137
Other operating income	229	229	229	229	229	229	147	147
Total income	28,816	35,034	37,174	39,503	36,344	50,409	43,162	51,139
Staff costs	489	672	1,110	551	543	535	578	515
Other operating costs	3,508	3,327	3,613	3,518	3,713	3,937	3,075	2,999
Total operating expenses	3,997	3,999	4,723	4,069	4,256	4,472	3,653	3,514
Profit / (loss) before loan losses	24,820	31,035	32,450	35,434	32,088	45,938	39,509	47,626
Loan losses	-47	-319	381	-23	-434	367	-6,000	326
Operating profit	24,866	31,355	32,070	35,457	32,522	45,570	45,509	47,300

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