



## Interim Report 3<sup>rd</sup> quarter 2019

Gjensidige Bank



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Gjensidige Bank ASA 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 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.

Read more about us on [Nordea.com](https://www.nordea.com).

# Key financial figures

## Summary of income statement

NOKt	Jan-Sep 2019	Jan-Sep 2018	Year 2018
Net interest income	822,749	760,158	1,021,295
Net commission income and other operating income	-23,992	2,464	-15,652
<b>Total income</b>	<b>798,758</b>	<b>762,622</b>	<b>1,005,642</b>
Staff costs	121,427	133,998	189,325
Other expenses	230,844	205,612	299,098
<b>Total operating expenses</b>	<b>352,271</b>	<b>339,610</b>	<b>488,423</b>
Loan losses (negative figures are reversals)	167,377	-9,419	69,962
<b>Operating profit</b>	<b>279,110</b>	<b>432,431</b>	<b>447,257</b>
Income tax expense	69,778	108,108	112,380
<b>Net profit for the period</b>	<b>209,333</b>	<b>324,323</b>	<b>334,877</b>

## Summary of balance sheet

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Loans to the public (gross)	53,533,898	49,169,056	51,582,467
Allowance for loan losses	-480,278	-251,011	-329,424
Deposits and borrowings from the public	19,219,551	23,558,173	23,122,977
Total assets	60,092,722	54,639,053	57,898,780
Equity	4,979,855	4,221,403	4,384,415
Assets under management	32,055,800	39,865,709	30,315,081

## Ratios and key figures

		Jan-Sep 2019	Jan-Sep 2018	Year 2018
Net interest margin, annualised	%	1.89	1.90	1.89
Loss rate	%	0.43	-0.03	0.14
Non-performing loans in % of gross lending <sup>1</sup>	%	1.62	1.00	1.07
Return on equity, annualised	%	6.16	11.43	8.64
Deposit-to-loan ratio at the end of the period	%	35.9	47.9	44.8
Capital adequacy ratio <sup>2</sup>	%	18.1	17.9	17.8
Tier 1 capital ratio <sup>2</sup>	%	17.1	15.8	15.8
Common equity Tier 1 capital ratio <sup>2</sup>	%	15.6	14.4	14.2
Cost/income ratio	%	44.1	44.5	48.6
Liquidity Coverage Ratio	%	617	209	289
Average total assets	NOKt	58,290,257	53,364,342	54,113,810
Number of employees	Number	165	170	171
Total deposit above NOK 2 million	NOK billion	5.84	8.28	8.13

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

<sup>2</sup> Year to date accounts for 2019 were subject to a limited audit. As a result, the year to date profit was included in the capital. The capital in the third quarter of 2018 did not include the profit between 1.1.-30.9.2018.

For more detailed information regarding ratios and key figures defined as Alternative performance measures, see [www.nordea.com/en/investor-relations/](http://www.nordea.com/en/investor-relations/).

# Gjensidige Bank ASA

## Introduction

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

Gjensidige Bank ASA is a wholly owned subsidiary of Nordea Bank Abp. The bank was established in 2007 and has administrative offices in Oslo and Førde. The sale of Gjensidige Bank ASA to Nordea Bank Abp was finalized on 1 March 2019.

## Income statement

The profit before tax expense decreased to NOK 279.1m (NOK 432.4m). Adjusted for impaired and written-off portfolio sale in June 2018 and other non-recurring items in both periods profit before tax expenses amounted to NOK 275.4m (NOK 308.9m). The decrease was mainly driven by higher write-downs and losses and expenses.

Total income amounted to NOK 798.8m (NOK 762.6m).

Net interest income amounted to NOK 822.7m (NOK 760.2m). The improvement was driven by lending growth, partially offset by lower lending margins.

Net commission income and other income amounted to NOK minus 24.0m (NOK 2.5m). The decrease was a result of higher acquisition costs driven by business growth.

Net interest margin<sup>1</sup> was 1.89% (1.90%). The decrease was driven by the change in portfolio composition and increase in financing cost.

Operating expenses were NOK 352.3m (NOK 339.6m). The increase was driven by higher acquisition expenses and technology expenses.

The cost/income ratio decreased to 44.1% (44.5%), driven by increase in income.

Total write-downs and losses amounted to NOK 167.4m (income of NOK 9.4m). The increase was driven by non-recurring items mentioned above. Excluding these items, total write-downs and losses amounted to NOK 170.8m (NOK 114.7m).

Write-downs and losses were 0.43% (minus 0.03%) of average gross lending. Adjusted for non-recurring items, write-downs and losses were 0.44% (0.32%) of average gross lending.

Gross lending in default over 90 days increased to NOK 865.9m (NOK 490.3m). The increase is driven by a combination of portfolio growth, mainly in car finance, leading to higher impairment and a sale of impaired unsecured loans portfolio in 2018 and consequently low outflow from 90+ relative to inflow. Gross loans in default over 90 days were 1.62% (1.00%) of total gross lending.

The weighted average loan-to-value ratio<sup>2</sup> was estimated to be 60.5% (60.7%) for the mortgage portfolio.

## Lending, deposits and investments growth

Gross lending increased by 8.9% and amounted to NOK 53,533.9m (NOK 49,169.1 m) as of 30 September 2019. Deposits decreased by 18.4% to NOK 19,219.6m (NOK 23,558.2m).

Assets under management decreased to NOK 32.1b (NOK 38.9b) as of 30 September 2019. The decrease was driven by the termination of an institutional mandate and lower assets from Gjensidige Pensjonsforsikring.

## Capital position

As of 30 September 2019, the Gjensidige Bank Group had a capital adequacy ratio of 18.1% (17.9%). The total capital held by the bank was NOK 5,250.2m (NOK 4,671.8m), of which NOK 4,505.1m (NOK 3,752.2m) was common equity Tier 1 capital. The common equity Tier 1 capital ratio was 15.6% (14.4%). Year to date accounts for 2019 were subject to a limited audit. As a result, the year to date profit was included in the capital.

## 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. This commitment was published on the bank's website.

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

<sup>2</sup> The loan-to-value ratio estimate is calculated on the basis of the exposure on the reporting date and the property valuation, including any higher priority pledge(s), at the time the loan was approved.

**Debt securities issued**

Net issues of debt securities, including subordinated loan capital, amounted to NOK 25,957.9m (NOK 26,191.4m) as of 30 September 2019. The total face value of the securities issued by the bank was NOK 25,904.5m.

Repayments through ordinary maturity and buy back of bonds from investors were NOK 3,956.0m in 2019.

**Liquidity**

As of 30 September 2019, the Gjensidige Bank Group had net liquid assets of NOK 8,791.1m, divided bet-

ween NOK 1,258.6m in bank deposits and NOK 7,532.6m in debt securities. Of the latter assets NOK 2,232.5m were investments in covered bonds from Gjensidige Bank Boligkreditt AS (eliminated in the consolidated accounts). The net liquid assets were at an adequate level that covers the bond debt that is due in the next 20 months.

**Events after the balance sheet date**

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

**Gjensidige Bank ASA**

Oslo, 24 October 2019



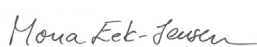
John Arne Sætre  
Chairman



Sjur Loen  
Board member



Marte Kopperstad  
Board member



Mona Eek-Jensen  
Board member



Per Kumle  
Board member



Hans-Jacob Starheim  
Employee representative



Krister G. Aanesen  
Chief Executive Officer

# Income statement

## Gjensidige Bank Group

NOKt	Note	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Year 2018
Interest income etc, amortised cost		501,409	422,288	1,422,404	1,243,162	1,681,970
Interest income etc, fair value		20,652	18,109	59,466	45,171	62,624
Interest costs etc.		238,215	186,249	659,121	528,175	723,300
<b>Net interest income</b>		<b>283,845</b>	<b>254,148</b>	<b>822,749</b>	<b>760,158</b>	<b>1,021,295</b>
Dividends from investments in shares and funds				1,053		
Fee and commission income		30,865	27,881	110,707	80,884	119,032
Fee and commission expense		50,623	35,242	152,200	96,370	145,752
Net gains on financial instruments at fair value		1,252	5,613	15,139	9,975	1,709
Other operating income		528	590	1,309	7,976	9,359
<b>Net commission income and other operating income</b>		<b>-17,977</b>	<b>-1,159</b>	<b>-23,992</b>	<b>2,464</b>	<b>-15,652</b>
<b>Total income</b>		<b>265,868</b>	<b>252,990</b>	<b>798,758</b>	<b>762,622</b>	<b>1,005,642</b>
Staff costs		40,808	48,375	121,427	133,998	189,325
Depreciation		6,917	5,045	20,976	13,995	19,063
Other operating expenses		68,900	75,008	209,868	191,617	280,035
<b>Total operating expenses</b>		<b>116,625</b>	<b>128,428</b>	<b>352,271</b>	<b>339,610</b>	<b>488,423</b>
<b>Profit / (loss) before loan losses</b>		<b>149,242</b>	<b>124,561</b>	<b>446,487</b>	<b>423,012</b>	<b>517,219</b>
Loan losses	5	54,148	31,653	167,377	-9,419	69,962
<b>Operating profit</b>		<b>95,095</b>	<b>92,909</b>	<b>279,110</b>	<b>432,431</b>	<b>447,257</b>
Income tax expense		23,774	23,227	69,778	108,108	112,380
<b>Net profit for the period</b>		<b>71,321</b>	<b>69,681</b>	<b>209,333</b>	<b>324,323</b>	<b>334,877</b>
Basic/diluted earnings per share, NOK		81.4	79.5	239.0	370.2	382.3

# Statement of comprehensive income

## Gjensidige Bank Group

NOKt	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Year 2018
<b>Net profit for the period</b>	<b>71,321</b>	<b>69,681</b>	<b>209,333</b>	<b>324,323</b>	<b>334,877</b>
<b>Components of other comprehensive income</b>					
<b>Items that are not reclassified subsequently to profit or loss</b>					
Actuarial gains/ (loss) on pensions					119
Tax on items that are not reclassified to profit or loss					-30
<b>Items that may be reclassified subsequently to profit or loss</b>					
Tax on items that may be reclassified to profit or loss					
<b>Total components of other comprehensive income</b>					<b>89</b>
<b>Total comprehensive income for the period</b>	<b>71,321</b>	<b>69,681</b>	<b>209,333</b>	<b>324,323</b>	<b>334,966</b>

# Balance sheet

## Gjensidige Bank Group

NOKt	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>Assets</b>				
Cash and balances with central banks		64,331	59,618	53,932
Loans to credit institutions	7	1,194,219	260,791	422,648
Loans to the public	2,4,5	53,053,619	48,918,046	51,253,043
Interest-bearing securities	9	5,300,077	4,951,651	5,746,698
Derivatives	9	61,740	71,842	69,629
Shares (and other securities with variable yield)		11,934	7,386	7,386
Intangible assets		32,920	32,606	34,253
Deferred tax assets		21,546	15,717	14,126
Fixed assets		2,734	4,061	3,982
Other assets		-2,938	39,014	5,639
Advance payments and accrued income		352,539	278,321	287,443
<b>Total assets</b>		<b>60,092,722</b>	<b>54,639,053</b>	<b>57,898,780</b>
<b>Liabilities and equity</b>				
Liabilities to credit institutions	7	9,250,000		
Deposits and borrowings from the public	2	19,219,551	23,558,173	23,122,977
Debt securities in issue	3,7,9	25,658,054	25,641,646	29,382,398
Derivatives	9	21,641	77,412	28,174
Current tax liabilities		69,778	108,108	104,956
Other liabilities		148,831	86,340	31,603
Accrued expenses and prepaid income		422,190	371,959	271,505
Retirement benefit obligations		22,958	24,242	22,958
Subordinated loan capital	3	299,863	549,771	549,794
<b>Total liabilities</b>		<b>55,112,867</b>	<b>50,417,650</b>	<b>53,514,365</b>
<b>Equity</b>				
Share capital		980,244	978,492	979,368
Share premium reserve		1,600,402	1,107,154	1,201,278
Perpetual Tier 1 capital	10	445,238	369,895	444,848
Other paid-in equity		3,779	3,779	3,779
Retained earnings		1,740,859	1,437,760	1,755,142
Net profit for the period		209,333	324,323	
<b>Total equity</b>		<b>4,979,855</b>	<b>4,221,403</b>	<b>4,384,415</b>
<b>Total liabilities and equity</b>		<b>60,092,722</b>	<b>54,639,053</b>	<b>57,898,780</b>

# Statement of changes in equity

## Gjensidige Bank Group

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
<b>Balance at 1 Jan 2019</b>	<b>979,368</b>	<b>1,201,278</b>	<b>444,848</b>	<b>3,779</b>	<b>1,755,142</b>	<b>4,384,415</b>
Net profit for the period			12,261		197,072	209,333
Other comprehensive income, net of tax						
<b>Total comprehensive income</b>			<b>12,261</b>		<b>197,072</b>	<b>209,333</b>
Capital expansion	876	399,124				400,000
Share-based payment transactions settled in equity					-2,022	-2,022
AT1 capital						
Paid interest on AT 1 capital			-11,871			-11,871
<b>Balance at 30 Sep 2019</b>	<b>980,244</b>	<b>1,600,402</b>	<b>445,238</b>	<b>3,779</b>	<b>1,950,192</b>	<b>4,979,855</b>

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
<b>Balance at 1 Jan 2018</b>	<b>978,492</b>	<b>1,107,154</b>	<b>369,599</b>	<b>3,779</b>	<b>1,432,401</b>	<b>3,891,425</b>
Net profit for the period			12,499		322,378	334,877
Other comprehensive income, net of tax					89	89
<b>Total comprehensive income</b>			<b>12,499</b>		<b>322,467</b>	<b>334,966</b>
Capital expansion	876	94,124				95,000
Share-based payment transactions settled in equity					274	274
AT1 capital			74,719			74,719
Paid interest on AT 1 capital			-11,968			-11,968
<b>Balance at 31 Dec 2018</b>	<b>979,368</b>	<b>1,201,278</b>	<b>444,848</b>	<b>3,779</b>	<b>1,755,142</b>	<b>4,384,415</b>

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
<b>Balance at 1 Jan 2018</b>	<b>978,492</b>	<b>1,107,154</b>	<b>369,599</b>	<b>3,779</b>	<b>1,446,947</b>	<b>3,905,971</b>
<b>Net profit for the period</b>			9,221		315,102	324,323
Other comprehensive income, net of tax						
<b>Total comprehensive income</b>			<b>9,221</b>		<b>315,102</b>	<b>324,323</b>
AT1 capital					34	34
Share-based payment transactions settled in equity						
Paid interest on AT 1 capital			-8,925			-8,925
<b>Balance at 30 Sep 2018</b>	<b>978,492</b>	<b>1,107,154</b>	<b>369,895</b>	<b>3,779</b>	<b>1,762,083</b>	<b>4,221,403</b>

Number of shares at end of period 876,000

The difference in the balance at 1 Jan 2018 relates to accounting principle for fixed interest customer loans. When implementing the IFRS 9 accounting principle for fixed interest customer loans changed from amortised cost to fair value. A one time effect led to a positive impact of NOK 19.4 million before tax booked during 1st quarter 2018. The impact was charged directly against equity, after adjusting for the impact of the tax. After a re-evaluation during 4th quarter 2018 the accounting principle for fixed interest customer loans was changed back to amortised cost and the booking made 1st quarter 2018 was reversed.

# Cash flow statement

## Gjensidige Bank Group

NOKt	Jan-Sep 2019	Jan-Sep 2018	Year 2018
Operating activities			
Net payment of loans to customers	-1,881,915	-3,091,641	-5,498,628
Net payment of deposits by customers	-3,903,426	-207,497	-647,019
Payment of interest from customers	1,331,757	1,191,471	1,612,136
Payment of interest to customers	-70,385	-89,153	-297,230
Net payment of interest from credit institutions etc.	-54,332	-3,399	-10,286
Taxes paid	-108,419	-144,871	-144,871
Net other commission income	30,220	179,231	194,345
Payment to operations	-463,397	-434,047	-591,772
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	422,655	2,482	-778,711
<b>Net cash flow from operating activities</b>	<b>-4,697,241</b>	<b>-2,597,424</b>	<b>-6,162,037</b>
Investment activities			
Net purchase of intangible assets and fixed assets	-18,395	-21,639	-28,275
<b>Net cash flow from investment activities</b>	<b>-18,395</b>	<b>-21,639</b>	<b>-28,275</b>
Financing activities			
Net paid(-)/received when taking out loans with credit institutions and covered bonds	5,280,555	2,768,236	6,455,439
Net payment of interest on financing activities	-345,317	-256,251	-349,719
Net received/paid (-) for other short-term positions	174,240	6,282	-26,707
Issued Additional Tier 1 capital			74,719
Paid interest on Additional Tier 1 capital	-11,871	-8,925	-11,968
Capital increases	400,000		95,000
<b>Cash flow from financing activities</b>	<b>5,497,607</b>	<b>2,509,343</b>	<b>6,236,762</b>
<b>Cash flow for the period</b>	<b>781,971</b>	<b>-109,721</b>	<b>46,451</b>
Cash and cash equivalents			
Cash and cash equivalents at 1 January	476,580	430,129	430,129
Cash and cash equivalents at end of the period	1,258,551	320,408	476,580
<b>Change</b>	<b>781,971</b>	<b>-109,721</b>	<b>46,451</b>
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	64,331	59,618	53,932
Loans to credit institutions	1,194,219	260,791	422,648
<b>Total cash and cash equivalents</b>	<b>1,258,551</b>	<b>320,408</b>	<b>476,580</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

## Gjensidige Bank Group

### Note 1 Accounting policies

The consolidated financial statements as of the third quarter of 2019, concluded on 30 September 2019, comprise Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS. With the exception of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2018.

The consolidated financial statements as of the third 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 ASA 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 ASA are mentioned below. Gjensidige Bank ASA 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 ASA's 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 limited audit of the third quarter accounts for 2019 has been conducted.

## Note 2 Segment information

NOKt	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Deposit by sector and industry								
Retail market	14,011,422	14,327,489	14,395,522	15,248,247	15,575,702	16,348,016	16,340,758	16,447,371
Other	5,208,129	6,356,140	7,362,448	7,874,731	7,982,470	7,718,015	7,423,228	7,318,298
<b>Total deposits</b>	<b>19,219,551</b>	<b>20,683,630</b>	<b>21,757,970</b>	<b>23,122,977</b>	<b>23,558,173</b>	<b>24,066,031</b>	<b>23,763,986</b>	<b>23,765,670</b>
Loans to customers divided by sector and industry								
Private individuals	51,300,415	49,667,800	48,350,696	49,458,634	47,187,441	46,320,627	45,562,407	44,591,821
Commercial business	2,233,483	2,342,381	2,240,090	2,123,833	1,981,615	1,885,335	1,746,714	1,464,313
<b>Gross loans</b>	<b>53,533,898</b>	<b>52,010,181</b>	<b>50,590,786</b>	<b>51,582,467</b>	<b>49,169,056</b>	<b>48,205,962</b>	<b>47,309,121</b>	<b>46,056,133</b>

## Note 3 Liabilities on the issue of securities

NOKt	Nominal value			Carrying amount		
	30 Sep 2019	30 Sep 2018	31 Dec 2018	30 Sep 2019	30 Sep 2018	31 Dec 2018
Liabilities opened for the issue of securities						
Bond debt <sup>1</sup>	19,500,500	19,743,500	22,110,500	19,507,648	19,737,472	22,137,072
Subordinated loan capital	300,000	550,000	550,000	299,863	549,771	549,794
- Own non-amortised certificates/bonds	-696,000			-696,000		
<b>Total liabilities at amortised cost</b>	<b>19,104,500</b>	<b>20,293,500</b>	<b>22,660,500</b>	<b>19,111,511</b>	<b>20,287,243</b>	<b>22,686,866</b>
Liabilities opened for the issue of securities						
Bond debt	6,800,000	5,900,000	7,200,000	6,846,407	5,904,174	7,245,326
<b>Total liabilities included in fair value hedge</b>	<b>6,800,000</b>	<b>5,900,000</b>	<b>7,200,000</b>	<b>6,846,407</b>	<b>5,904,174</b>	<b>7,245,326</b>
<b>Total liabilities</b>	<b>25,904,500</b>	<b>26,193,500</b>	<b>29,860,500</b>	<b>25,957,917</b>	<b>26,191,418</b>	<b>29,932,192</b>

<sup>1</sup> Minus covered bonds held by Gjensidige Bank ASA issued by Gjensidige Bank Boligkreditt AS with a nominal at NOK 2,223.0m (25.0m) as of 30 September 2019. The cover pool market value was NOK 2,650.5m (32.6m).

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

### Maturity

Remaining maturity (nominal value)	30 Sep 2019	30 Sep 2018	31 Dec 2018
2018			
2019	531,000	2,947,000	2,264,000
2020	3,027,000	5,000,000	5,250,000
2021	7,100,000	5,800,000	7,100,000
2022	7,446,500	5,146,500	7,446,500
2023	5,950,000	5,450,000	5,950,000
2025	1,350,000	1,350,000	1,350,000
2027	500,000	500,000	500,000
<b>Total</b>	<b>25,904,500</b>	<b>26,193,500</b>	<b>29,860,500</b>

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

New issues in 2019

Repayments in 2019 3,956,000

## Note 4 Finance leases

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

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

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Gross investment in finance leases, receivable:			
Less than 1 year	292,047	263,687	247,645
1 - 5 years	918,436	685,058	845,548
More than 5 years	10	2,039	1,272
Total	1,210,493	950,784	1,094,465
Unearned finance income	-72,410	-55,376	-68,638
<b>Net investment in finance leases</b>	<b>1,138,083</b>	<b>895,408</b>	<b>1,025,827</b>
Net investment in finance leases, receivable:			
Less than 1 year	258,206	240,567	219,255
1 - 5 years	879,867	652,802	805,300
More than 5 years	10	2,039	1,272
<b>Net investment in finance leases</b>	<b>1,138,083</b>	<b>895,408</b>	<b>1,025,827</b>

Non-guaranteed residual values accruing to the benefit of the lessor

Accumulated provision for uncollectible minimum lease payments receivable

Contingent rents recognised as income in the period

## Note 5 Write-downs and losses on loans

### Write-downs and losses on loans

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>Write-downs and losses for the period</b>			
+/- Change in group write-downs for the period (ECL)	150,854	56,882	135,295
+ Write-off during the period	16,621	-64,756	7,049
- Payments on previously written-off accounts	-99	-1,544	-72,382
<b>Write-downs and losses for the period</b>	<b>167,377</b>	<b>-9,419</b>	<b>69,962</b>
<b>Loss allowance</b>			
Loss allowance at the start of the period	329,424	194,129	194,129
+/- Change in loss allowance for the period	150,854	56,882	135,295
<b>Loss allowance at the end of the period</b>	<b>480,278</b>	<b>251,011</b>	<b>329,424</b>
Defaulted loans			
Gross default over 90 days	865,863	490,340	553,643

### Credit quality by risk group

30 Sep 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	45,865,739	103,893	34,868	46,004,500
Medium	4,791,797	567,067	22,621	5,381,485
High	536,024	484,542	38,352	1,058,918
Not classified	294		905,573	905,867
Impaired and written down	186,825	7,564	582	194,971
Adjustment <sup>1</sup>	-11,842			-11,842
<b>Total</b>	<b>51,368,836</b>	<b>1,163,066</b>	<b>1,001,996</b>	<b>53,533,898</b>
Loss allowance	57,739	47,366	375,173	480,278
<b>Total net</b>	<b>51,311,096</b>	<b>1,115,700</b>	<b>626,823</b>	<b>53,053,619</b>

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

30 Sep 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	43,062,516	67,544	55,595	43,185,655
Medium	3,880,214	603,436	20,911	4,504,560
High	483,677	346,755	28,286	858,719
Not classified	93,535	3,847	188	97,570
Impaired and written down	1,413	5,316	505,742	512,471
Adjustment <sup>1</sup>	10,081			10,081
<b>Total</b>	<b>47,531,436</b>	<b>1,026,898</b>	<b>610,722</b>	<b>49,169,056</b>
Loss allowance	40,071	36,148	174,792	251,011
<b>Total net</b>	<b>47,491,365</b>	<b>990,751</b>	<b>435,930</b>	<b>48,918,046</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	44,981,375	102,610	52,075	45,136,060
Medium	4,127,112	584,889	16,493	4,728,494
High	547,681	369,887	30,988	948,556
Not classified	184,008	11,919	2	195,929
Impaired and written down	585		583,642	584,227
Adjustment <sup>1</sup>	-10,800			-10,800
<b>Total</b>	<b>49,829,961</b>	<b>1,069,305</b>	<b>683,200</b>	<b>51,582,467</b>
Loss allowance	46,377	40,302	242,745	329,424
<b>Total net</b>	<b>49,783,584</b>	<b>1,029,003</b>	<b>440,455</b>	<b>51,253,043</b>

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

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

NOKt	30 Sep 2019		30 Sep 2018		31 Dec 2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	52,270,839	85,136	48,367,189	74,47	50,657,522	80,151
30-59 days	270,663	27,484	223,019	18,159	254,235	20,822
60-89 days	126,532	18,647	88,508	12,051	117,066	15,191
90+ days	865,863	349,010	490,340	146,053	553,643	213,260
<b>Total</b>	<b>53,533,898</b>	<b>480,278</b>	<b>49,169,056</b>	<b>251,011</b>	<b>51,582,467</b>	<b>329,424</b>

## Note 5 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>46,377</b>	<b>40,302</b>	<b>242,745</b>	<b>329,424</b>
Transfer to stage 1	658	-9,231	-3,392	-11,965
Transfer to stage 2	-1,637	28,878	-631	26,611
Transfer to stage 3	-3,338	-17,391	107,503	86,775
New Financial assets originated during the period	20,573	9,999	17,548	48,120
Financial assets that have been derecognised	-7,608	-5,576	-20,627	-33,811
Changes in balance with no transfer between stages	2,715	384	32,026	35,125
<b>Loss allowance as at 30 Sep 2019</b>	<b>57,740</b>	<b>47,366</b>	<b>375,173</b>	<b>480,279</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>35,772</b>	<b>51,543</b>	<b>106,814</b>	<b>194,129</b>
Transfer to stage 1	885	-814	-70	
Transfer to stage 2	-18,938	19,088	-149	
Transfer to stage 3	-71,078	-37,745	108,823	
New Financial assets originated during the period	14,693	6,215	8,541	29,449
Financial assets that have been derecognised	-5,578	-12,229	-53,510	-71,317
Changes in balance with no transfer between stages	84,316	10,091	4,343	98,750
<b>Loss allowance as at 30 Sep 2018</b>	<b>40,071</b>	<b>36,148</b>	<b>174,792</b>	<b>251,011</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>35,772</b>	<b>51,543</b>	<b>106,814</b>	<b>194,129</b>
Transfer to stage 1	804	-12,242	-1,848	-13,286
Transfer to stage 2	-1,015	19,291	-147	18,129
Transfer to stage 3	-2,796	-16,268	135,636	116,572
New Financial assets originated during the period	22,392	10,986	17,136	50,514
Financial assets that have been derecognised	-7,411	-14,259	-54,931	-76,602
Changes in balance with no transfer between stages	-1,369	1,251	40,086	39,967
<b>Loss allowance as at 31 Dec 2018</b>	<b>46,376</b>	<b>40,302</b>	<b>242,745</b>	<b>329,424</b>

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

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Stage 1	57,740	40,071	46,376
Stage 2	47,366	36,148	40,302
Stage 3	375,173	174,792	242,745
<b>Total</b>	<b>480,279</b>	<b>251,011</b>	<b>329,424</b>
Stage 1	12.0%	16.0%	14.1%
Stage 2	9.9%	14.4%	12.2%
Stage 3	78.1%	69.6%	73.7%
<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>49,829,961</b>	<b>1,069,305</b>	<b>683,200</b>	<b>51,582,467</b>
Transfer to stage 1	327,932	-296,504	-31,428	
Transfer to stage 2	-616,948	626,106	-9,159	
Transfer to stage 3	-280,863	-124,987	405,850	
New financial assets originated	15,405,386	178,165	76,252	15,659,802
Financial assets that have been derecognised	-10,998,596	-235,491	-79,698	-11,313,785
Change in balances due to payments	-2,296,994	-53,528	-53,270	-2,403,792
Other Changes <sup>1</sup>	-1,043		10,248	9,206
<b>Gross carrying amount as at 30 Sep 2019</b>	<b>51,368,836</b>	<b>1,163,066</b>	<b>1,001,996</b>	<b>53,533,898</b>
Loss allowance as at 30 Sep 2019	57,739	47,366	375,173	480,278

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

## Note 5 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>43,685,379</b>	<b>1,998,729</b>	<b>372,026</b>	<b>46,056,133</b>
Transfer to stage 1	865,811	-838,781	-27,031	
Transfer to stage 2	-343,092	350,383	-7,291	
Transfer to stage 3	-234,010	-144,119	378,128	
New financial assets originated	13,615,978	182,602	51,446	13,850,026
Financial assets that have been derecognised	-8,329,689	-440,441	-132,789	-8,902,920
Change in balances due to payments	-1,742,511	-81,475	-24,621	-1,848,607
Other Changes <sup>1</sup>	13,570	0	854	14,424
<b>Gross carrying amount as at 30 Sep 2018</b>	<b>47,531,436</b>	<b>1,026,898</b>	<b>610,722</b>	<b>49,169,056</b>
Loss allowance as at 30 Sep 2018	40,071	36,148	174,792	251,011

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>43,685,379</b>	<b>1,998,729</b>	<b>372,026</b>	<b>46,056,133</b>
Transfer to stage 1	808,028	-779,446	-28,582	
Transfer to stage 2	-357,004	363,182	-6,178	
Transfer to stage 3	-284,233	-138,967	423,201	
New financial assets originated	18,720,245	296,404	95,600	19,112,249
Financial assets that have been derecognised	-10,602,923	-576,136	-145,219	-11,324,277
Change in balances due to payments	-2,132,219	-94,460	-27,648	-2,254,327
Other Changes <sup>1</sup>	-7,311			-7,311
<b>Gross carrying amount as at 31 Dec 2018</b>	<b>49,829,961</b>	<b>1,069,305</b>	<b>683,200</b>	<b>51,582,467</b>
Loss allowance as at 31 Dec 2018	46,376	40,302	242,745	329,424

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

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Stage 1	51,368,836	47,531,436	49,829,961
Stage 2	1,163,066	1,026,898	1,069,305
Stage 3	1,001,996	610,722	683,200
<b>Total</b>	<b>53,533,898</b>	<b>49,169,056</b>	<b>51,582,467</b>
Stage 1	96.0%	96.7%	96.6%
Stage 2	2.2%	2.1%	2.1%
Stage 3	1.9%	1.2%	1.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



## Note 6 Capital adequacy

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Primary capital			
Share capital and share premium	2,580,646	2,085,646	2,180,646
Other equity	1,953,971	1,765,862	1,758,921
<b>Total equity (exclusive perpetual Tier 1 capital)</b>	<b>4,534,617</b>	<b>3,851,508</b>	<b>3,939,567</b>
Deduction			
Profit not included in the calculation of net primary capital		-69,681	
Goodwill and other intangible assets	-32,920	-32,606	-34,253
Value adjustments due to the requirement for prudent valuation	-5,395	-6,908	-5,845
Increase			
IFRS 9 transitional arrangements for credit loss provisioning	8,831	9,870	9,870
<b>Common equity Tier 1 capital</b>	<b>4,505,133</b>	<b>3,752,183</b>	<b>3,909,340</b>
Perpetual Tier 1 capital	445,238	369,895	444,848
<b>Tier 1 capital</b>	<b>4,950,371</b>	<b>4,122,077</b>	<b>4,354,188</b>
Supplementary capital			
Subordinated loan capital	299,863	549,771	549,794
<b>Net primary capital</b>	<b>5,250,234</b>	<b>4,671,849</b>	<b>4,903,982</b>
Credit risk:			
Of which:			
Central governments or central banks	4,309		
Institutions	24,383	8,889	10,689
Enterprises	187,712	164,949	180,147
Mass market positions	706,970	614,407	628,711
Positions secured by mortgage	1,101,453	1,063,946	1,112,466
Overdue positions	69,063	49,335	47,024
Covered bonds	30,564	29,313	34,186
Shares in securities fund			
Equity positions	955	591	591
Other positions	40,993	21,257	31,670
<b>Total minimum requirement credit risk</b>	<b>2,166,403</b>	<b>1,952,687</b>	<b>2,045,483</b>
Operational risk	145,619	131,598	145,619
CVA-risk	5,049	6,307	6,930
<b>Minimum requirement for net primary capital</b>	<b>2,317,071</b>	<b>2,090,591</b>	<b>2,198,033</b>
<b>Basis of calculation of balance sheet items not included in trading portfolio</b>	<b>26,041,062</b>	<b>23,236,228</b>	<b>24,406,273</b>
<b>Basis of calculation of off-balance sheet items not included in trading portfolio</b>	<b>1,038,974</b>	<b>1,172,355</b>	<b>1,162,270</b>
<b>Risk-weighted assets (calculation basis for capital adequacy ratio)</b>	<b>28,963,385</b>	<b>26,132,393</b>	<b>27,475,409</b>

## Note 6 Capital adequacy (cont.)

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Buffer requirements			
Systemic risk buffer	868,902	783,972	824,262
Conservation buffer	724,085	653,310	686,885
Countercyclical buffer	579,268	522,648	549,508
Total buffer requirement for common equity Tier 1 capital	2,172,254	1,959,929	2,060,656
<b>Pillar 2 requirement 1.5% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway</b>	<b>434,451</b>	<b>391,986</b>	<b>412,131</b>
<b>Available common equity Tier 1 capital net min.requirement</b>	<b>595,076</b>	<b>224,310</b>	<b>200,160</b>
Capital adequacy			
Capital adequacy ratio	18.1%	17.9%	17.8%
Tier 1 capital ratio	17.1%	15.8%	15.8%
Common equity Tier 1 capital ratio	15.6%	14.4%	14.2%
Leverage ratio	8.0%	7.3%	7.3%

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% for primary capital.

New standard IFRS 9 guidelines for credit loss provisioning were implementet 1.1.2018. The bank use transitional arrangements for IFRS 9. The new rules for loss provisions increased the bank's loss and provision with NOK 13.9 million. Equity was reduced by NOK 10.4 million adjusted for tax. In accordance with transitional arrangements, the effect increased of loss and provision will be phased in over five years.

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Numbers without use of transitional arrangements:			
Common equity Tier 1 capital	4,496,302	3,742,313	3,899,470
Tier 1 capital	4,941,540	4,112,207	4,344,318
Net primary capital	5,241,403	4,661,979	4,894,112
Common equity Tier 1 capital ratio	15.5%	14.3%	14.2%
Tier 1 capital ratio	17.1%	15.7%	15.8%
Capital adequacy ratio	18.1%	17.8%	17.8%

Year to date accounts for 2019 were subject to a limited audit. As a result, the year to date profit was included in the capital. The capital in the third quarter of 2018 did not include the profit between 1.1.-30.9.2018.

## Note 7 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 September 2019, the credit limit of the agreement was NOK 3,700.0 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 Sep 2019	30 Sep 2018	31 Dec 2018
Interest expense Gjensidige Bank Boligkreditt AS deposit in Gjensidige Bank ASA	9,566	7,786	10,467
Interest income receivables Gjensidige Bank Boligkreditt AS	37,188	40,763	53,953
Interest income covered bonds Gjensidige Bank Boligkreditt AS	19,297	8,787	10,861
Services to Gjensidige Bank Boligkreditt AS	8,724	8,633	11,612
Purchase of services from Gjensidige Bank Boligkreditt AS	688	688	917
Interest expense Nordea Bank Abp	43,426		
Interest income deposit in Nordea Bank Abp	3,622		

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

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Gjensidige Bank Boligkreditt AS's deposit in Gjensidige Bank ASA	665,788	952,292	694,837
Receivables Gjensidige Bank Boligkreditt AS	1,895,383	5,011,996	3,651,742
Placement of covered bonds from Gjensidige Bank Boligkreditt AS	2,232,500	25,136	710,265
Liability to Nordea Bank Abp	9,354,893		
Debt securities in issue Nordea Bank Abp	333,305		
Gjensidige Bank ASA's deposit in Nordea Bank Abp	1,109,522		

## Note 8 Contingent liabilities and security

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
Guarantees	5,500	4,800	5,300
Loan commitment	3,782,956	5,759,623	5,210,725
Unutilised credit facility	4,446,604	4,356,331	4,451,277
<b>Total contingent liabilities</b>	<b>8,229,559</b>	<b>10,115,954</b>	<b>9,667,302</b>
Securities provided as collateral for loans from/credit facility with Norges Bank	777,824	588,009	776,771
<b>Total securities provided</b>	<b>777,824</b>	<b>588,009</b>	<b>776,771</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 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 Sep 2019		30 Sep 2018		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>						
Cash to and receivables from central banks	64,331	64,331	59,618	59,618	53,932	53,932
<b>Cash to and receivables from central banks</b>	<b>64,331</b>	<b>64,331</b>	<b>59,618</b>	<b>59,618</b>	<b>53,932</b>	<b>53,932</b>
Loans to and receivables from credit institutions, amortised cost	1,194,219	1,194,219	260,791	260,791	422,648	422,648
<b>Loans to and receivables from credit institutions</b>	<b>1,194,219</b>	<b>1,194,219</b>	<b>260,791</b>	<b>260,791</b>	<b>422,648</b>	<b>422,648</b>
Loans to and receivables from customers, amortised cost	53,053,619	53,055,928	48,918,046	48,918,046	51,253,043	51,268,139
<b>Loans to and receivables from customers</b>	<b>53,053,619</b>	<b>53,055,928</b>	<b>48,918,046</b>	<b>48,918,046</b>	<b>51,253,043</b>	<b>51,268,139</b>
Interest-bearing securities, fair value	5,300,077	5,300,077	4,951,651	4,951,651	5,746,698	5,746,698
<b>Interest-bearing securities</b>	<b>5,300,077</b>	<b>5,300,077</b>	<b>4,951,651</b>	<b>4,951,651</b>	<b>5,746,698</b>	<b>5,746,698</b>
Derivatives, fair value	61,740	61,740	71,842	71,842	69,629	69,629
<b>Derivatives</b>	<b>61,740</b>	<b>61,740</b>	<b>71,842</b>	<b>71,842</b>	<b>69,629</b>	<b>69,629</b>
Shares available for sale	11,934	11,934	7,386	7,386	7,386	7,386
<b>Shares</b>	<b>11,934</b>	<b>11,934</b>	<b>7,386</b>	<b>7,386</b>	<b>7,386</b>	<b>7,386</b>
Other financial assets, amortised cost	96,736	96,736	57,867	57,867	65,975	65,975
<b>Total other financial assets</b>	<b>96,736</b>	<b>96,736</b>	<b>57,867</b>	<b>57,867</b>	<b>65,975</b>	<b>65,975</b>
<b>Total financial assets</b>	<b>59,782,658</b>	<b>59,784,966</b>	<b>54,327,200</b>	<b>54,327,200</b>	<b>57,619,311</b>	<b>57,634,408</b>
<b>Liabilities</b>						
Liability to credit institutions, amortised cost	9,250,000	9,250,000				
<b>Liability to credit institutions</b>	<b>9,250,000</b>	<b>9,250,000</b>				
Deposits and liabilities to customers, amortised cost	19,219,551	19,219,368	23,558,173	23,557,071	23,122,977	23,122,612
<b>Deposits and liabilities to customers</b>	<b>19,219,551</b>	<b>19,219,368</b>	<b>23,558,173</b>	<b>23,557,071</b>	<b>23,122,977</b>	<b>23,122,612</b>
Liability incurred through the issue of securities, amortised cost	18,811,648	19,113,734	19,737,472	19,887,533	22,137,072	22,252,988
Liability incurred through the issue of securities, fair value hedge	6,846,407	6,905,979	5,904,174	5,951,380	7,245,326	7,265,790
<b>Liability incurred through the issue of securities</b>	<b>25,658,054</b>	<b>26,019,713</b>	<b>25,641,646</b>	<b>25,838,912</b>	<b>29,382,398</b>	<b>29,518,779</b>
Derivatives, fair value	21,641	21,641	77,412	77,412	28,174	28,174
<b>Derivatives</b>	<b>21,641</b>	<b>21,641</b>	<b>77,412</b>	<b>77,412</b>	<b>28,174</b>	<b>28,174</b>
Subordinated loan capital, amortised cost	299,863	304,053	549,771	555,525	549,794	553,018
<b>Subordinated loan capital</b>	<b>299,863</b>	<b>304,053</b>	<b>549,771</b>	<b>555,525</b>	<b>549,794</b>	<b>553,018</b>
Other financial liabilities, amortised cost	297,765	297,765	255,256	255,256	137,106	137,106
<b>Other financial liabilities</b>	<b>297,765</b>	<b>297,765</b>	<b>255,256</b>	<b>255,256</b>	<b>137,106</b>	<b>137,106</b>
<b>Total financial liabilities</b>	<b>54,746,874</b>	<b>55,112,539</b>	<b>50,082,258</b>	<b>50,284,177</b>	<b>53,220,450</b>	<b>53,359,689</b>
Off-balance sheet obligations and guarantees						
Guarantees	5,500	5,500	4,800	4,800	5,300	5,300
Mortgage assets <sup>1</sup>	785,685	785,685	588,009	588,009	784,462	784,462

<sup>1</sup> Securities provided as collateral for loans from/credit facility with Norges Bank.

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

NOKt	30 Sep 2019			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	5,300,077			5,300,077
Shares		4,547	7,387	11,934
Derivatives, fair value		61,740		61,740
<b>Total financial assets, fair value</b>	<b>5,300,077</b>	<b>66,287</b>	<b>7,387</b>	<b>5,373,751</b>
Loans to and receivables from customers, amortised cost			53,055,928	53,055,928
<b>Total financial assets, amortised cost</b>			<b>53,055,928</b>	<b>53,055,928</b>
Derivatives, fair value		21,641		21,641
<b>Total financial liabilities, fair value</b>		<b>21,641</b>		<b>21,641</b>
Deposits and liabilities to customers, amortised cost			19,219,368	19,219,368
Liability incurred through the issue of securities, amortised cost		19,113,734		19,113,734
Subordinated loan capital, amortised cost		304,053		304,053
<b>Total financial liabilities, amortised cost</b>		<b>19,417,786</b>	<b>19,219,368</b>	<b>38,637,154</b>
Liability incurred through the issue of securities, fair value hedge		6,905,979		6,905,979
<b>Total financial liabilities, fair value hedge</b>		<b>6,905,979</b>		<b>6,905,979</b>

Interest-bearing securities in the bank portfolio are moved from level 2 to level 1 in 2019.

NOKt	30 Sep 2018			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	5,638,937			5,638,937
Shares		4,547	7,387	11,934
Derivatives, fair value		66,416		66,416
<b>Total financial assets, fair value</b>	<b>5,638,937</b>	<b>70,963</b>	<b>7,387</b>	<b>5,717,287</b>
Loans to and receivables from customers, amortised cost			51,582,669	51,582,669
<b>Total financial assets, amortised cost</b>			<b>51,582,669</b>	<b>51,582,669</b>
Derivatives, fair value		26,538		26,538
<b>Total financial liabilities, fair value</b>		<b>26,538</b>		<b>26,538</b>
Deposits and liabilities to customers, amortised cost			20,683,895	20,683,895
Liability incurred through the issue of securities, amortised cost		19,664,947		19,664,947
Subordinated loan capital, amortised cost		303,639		303,639
<b>Total financial liabilities, amortised cost</b>		<b>19,968,586</b>	<b>20,683,895</b>	<b>40,652,481</b>
Liability incurred through the issue of securities, fair value hedge		6,903,692		6,903,692
<b>Total financial liabilities, fair value hedge</b>		<b>6,903,692</b>		<b>6,903,692</b>

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

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

NOKt	31 Dec 2018			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	846,216	4,900,482		5,746,698
Shares			7,386	7,386
Derivatives, fair value		69,629		69,629
<b>Total financial assets, fair value</b>	<b>846,216</b>	<b>4,970,111</b>	<b>7,386</b>	<b>5,823,714</b>
Loans to and receivables from customers, amortised cost			51,268,139	51,268,139
<b>Total financial assets, amortised cost</b>			<b>51,268,139</b>	<b>51,268,139</b>
Derivatives, fair value		28,174		28,174
<b>Total financial liabilities, fair value</b>		<b>28,174</b>		<b>28,174</b>
Deposits and liabilities to customers, amortised cost			23,122,612	23,122,612
Liability incurred through the issue of securities, amortised cost		22,252,988		22,252,988
Subordinated loan capital, amortised cost		553,018		553,018
<b>Total financial liabilities, amortised cost</b>		<b>22,806,006</b>	<b>23,122,612</b>	<b>45,928,618</b>
Liability incurred through the issue of securities, fair value hedge		7,265,790		7,265,790
<b>Total financial liabilities, fair value hedge</b>		<b>7,265,790</b>		<b>7,265,790</b>

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

Reconciliation of financial assets valued based on non-observable market data (level 3)	Net realised/ unrealised gains				Transfer into/ out of level 3	As at 30 Sep 2019
	As at 1 Jan 2019	recognised in profit or loss	Purchases	Sales		
<b>NOKt</b>						
Shares	7,386					7,386
<b>Total financial assets measured at fair value</b>	<b>7,386</b>					<b>7,386</b>

### Sensitivity of financial assets valued based on non-observable market data (level 3) 30 Sep 2019

NOKt	Sensitivity
Shares	Decrease in value 10%
<b>Total financial assets measured at fair value</b>	

Level 3 shares represent a total of NOK 7.386 thousand in unquoted shares in Visa Norge and Bank Asept AS. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0.

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

Reconciliation of financial assets valued based on non-observable market data (level 3)		Net realised/ unrealised gains				
NOKt	As at 1 Jan 2018	recognised in profit or loss	Purchases	Sales	Transfer into/ out of level 3	As at 30 Sep 2018
Shares	4,645					4,645
<b>Total financial assets measured at fair value</b>	<b>4,645</b>					<b>4,645</b>

### Sensitivity of financial assets valued based on non-observable market data (level 3) 30 Sep 2018

NOKt	Sensitivity
Shares	Decrease in value 10%
<b>Total financial assets measured at fair value</b>	

Reconciliation of financial assets valued based on non-observable market data (level 3) 31 Dec 2018		Net realised/ unrealised gains				
NOKt	As at 1 Jan 2018	recognised in profit or loss	Purchases	Sales	Transfer into/ out of level 3	As at 31 Dec 2018
Shares	4,645	2,741				7,386
<b>Total financial assets measured at fair value</b>	<b>4,645</b>	<b>2,741</b>				<b>7,386</b>

### Sensitivity of financial assets valued based on non-observable market data (level 3) 31 Dec 2018

NOKt	Sensitivity
Shares	Decrease in value 10%
<b>Total financial assets measured at fair value</b>	

## Note 10 Perpetual Tier 1 capital

The bank has issued perpetual Tier 1 capital instruments with a total nominal value of NOK 445 million. The instruments are perpetual but the bank can repay the capital on specific dates, for the first time five years after it was issued. The interest rate to be paid is floating 3-month NIBOR plus a fixed credit spread.

The agreed terms for the instruments meet the requirements in the EU's CRR regulations and it is included in the bank's Tier 1 capital for capital adequacy purposes. This means that the bank has a

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



# Quarterly earnings performance

## Gjensidige Bank Group

NOKt	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Interest income etc, amortised cost	501,409	469,797	451,198	438,808	422,288	416,965	403,910	419,121
Interest income etc, fair value	20,652	18,940	19,875	17,453	18,109	15,441	11,621	12,071
Interest costs etc.	238,215	215,551	205,355	195,125	186,249	176,899	165,028	159,544
<b>Net interest income</b>	<b>283,845</b>	<b>273,186</b>	<b>265,718</b>	<b>261,137</b>	<b>254,148</b>	<b>255,507</b>	<b>250,503</b>	<b>271,648</b>
Dividends from investments in shares and funds		1,053						
Fee and commission income	30,865	38,536	41,305	38,148	27,881	27,754	25,249	20,212
Fee and commission expense	50,623	52,577	49,000	49,382	35,242	34,170	26,958	24,686
Net gains on financial instruments at fair value	1,252	3,610	10,276	-8,267	5,613	-5,058	9,420	-8,929
Other operating income	528	88	693	1,383	590	3,028	4,358	5,409
<b>Total income</b>	<b>265,868</b>	<b>263,898</b>	<b>268,992</b>	<b>243,020</b>	<b>252,990</b>	<b>247,062</b>	<b>262,571</b>	<b>263,654</b>
Staff costs	40,808	35,675	44,944	55,328	48,375	39,310	46,312	50,456
Depreciation	6,917	7,187	6,872	5,068	5,045	4,696	4,254	4,074
Other operating costs	68,900	62,019	78,948	88,418	75,008	63,558	53,051	63,008
<b>Total operating expenses</b>	<b>116,625</b>	<b>104,881</b>	<b>130,764</b>	<b>148,813</b>	<b>128,428</b>	<b>107,564</b>	<b>103,617</b>	<b>117,538</b>
<b>Profit / (loss) before loan losses</b>	<b>149,242</b>	<b>159,017</b>	<b>138,228</b>	<b>94,207</b>	<b>124,561</b>	<b>139,497</b>	<b>158,954</b>	<b>146,116</b>
Loan losses	54,148	54,282	58,946	79,381	31,653	-78,215	37,144	-101,477
<b>Operating profit</b>	<b>95,095</b>	<b>104,734</b>	<b>79,282</b>	<b>14,826</b>	<b>92,909</b>	<b>217,712</b>	<b>121,810</b>	<b>247,593</b>

# Income statement

## Gjensidige Bank ASA

NOKt	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Year 2018
Interest income etc, amortised cost	383,496	316,494	1,077,394	921,871	1,249,709
Interest income etc, fair value	30,051	17,318	78,881	52,572	71,788
Interest costs etc.	154,979	118,110	420,855	344,896	467,307
<b>Net interest income</b>	<b>258,568</b>	<b>215,702</b>	<b>735,420</b>	<b>629,547</b>	<b>854,191</b>
Dividends from investments in shares and funds			1,053		
Fee and commission income	30,297	27,299	108,969	79,129	116,695
Fee and commission expense	50,623	35,242	152,200	96,370	145,752
Net gains on financial instruments at fair value	1,185	5,367	14,901	16,772	8,637
Other operating income	3,362	3,520	10,033	16,609	20,971
<b>Net commission income and other operating income</b>	<b>-15,779</b>	<b>944</b>	<b>-17,243</b>	<b>16,140</b>	<b>550</b>
<b>Total income</b>	<b>242,789</b>	<b>216,646</b>	<b>718,177</b>	<b>645,686</b>	<b>854,741</b>
Staff costs	40,228	47,824	119,686	132,369	186,586
Depreciation	6,917	5,045	20,976	13,995	19,063
Other operating expenses	68,472	74,650	208,953	189,770	277,782
<b>Total operating expenses</b>	<b>115,617</b>	<b>127,519</b>	<b>349,615</b>	<b>336,134</b>	<b>483,432</b>
<b>Profit / (loss) before loan losses</b>	<b>127,172</b>	<b>89,127</b>	<b>368,561</b>	<b>309,553</b>	<b>371,309</b>
Loan losses	53,639	31,676	167,233	-9,329	69,671
<b>Operating profit</b>	<b>73,533</b>	<b>57,451</b>	<b>201,328</b>	<b>318,881</b>	<b>301,638</b>
Income tax expense	18,383	14,363	50,332	79,720	75,976
<b>Net profit for the period</b>	<b>55,150</b>	<b>43,089</b>	<b>150,996</b>	<b>239,161</b>	<b>225,662</b>
Basic/diluted earnings per share, NOK	63.0	49.2	172.4	273.0	257.6

# Statement of comprehensive income

## Gjensidige Bank ASA

NOKt	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Year 2018
<b>Profit/ (loss) for the period</b>	<b>55,150</b>	<b>43,089</b>	<b>150,996</b>	<b>239,161</b>	<b>225,662</b>
<b>Components of other comprehensive income</b>					
<b>Items that are not reclassified subsequently to profit or loss</b>					
Actuarial gains/ (loss) on pensions					119
Tax on items that are not reclassified to profit or loss					-30
Unrealised gain/(loss) on loans to customers, fair value over other comprehensive income					1,917
Items that may be reclassified subsequently to profit or loss					
Tax on items that may be reclassified to profit or loss					-479
<b>Total components of other comprehensive income</b>					<b>1,527</b>
<b>Total comprehensive income for the period</b>	<b>55,150</b>	<b>43,089</b>	<b>150,996</b>	<b>239,161</b>	<b>227,189</b>

# Balance sheet

## Gjensidige Bank ASA

NOKt	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>Assets</b>			
Cash and balances with central banks	64,331	59,618	53,932
Loans to credit institutions	3,071,841	5,258,828	4,058,578
Loans to the public	31,218,426	25,729,875	26,605,643
Interest-bearing securities	7,367,789	4,836,561	6,317,066
Derivatives	7,390	8,371	3,326
Shares (and other securities with variable yield)	11,934	7,386	7,386
Ownership interest in group companies	1,220,030	1,220,030	1,220,030
Intangible assets	32,920	32,606	34,253
Deferred tax assets	19,288	15,613	11,868
Fixed assets	2,734	4,061	3,982
Other assets	-2,938	39,014	5,639
Advance payments and accrued income	333,967	264,020	264,647
<b>Total assets</b>	<b>43,347,711</b>	<b>37,475,984</b>	<b>38,586,350</b>
<b>Liabilities and equity</b>			
Liabilities to credit institutions	9,915,788	644,108	382,327
Deposits and borrowings from the public	19,219,551	23,866,356	23,435,487
Debt securities in issue	9,014,990	8,204,832	10,106,188
Derivatives	17,283	71,994	23,018
Current tax liabilities	50,332	79,720	66,397
Other liabilities	148,787	86,299	31,424
Accrued expenses and prepaid income	369,987	336,485	217,625
Retirement benefit obligations	22,958	24,242	22,958
Subordinated loan capital	299,863	549,771	549,794
<b>Total liabilities</b>	<b>39,059,539</b>	<b>33,863,808</b>	<b>34,835,219</b>
<b>Equity</b>			
Share capital	980,244	978,492	979,368
Share premium reserve	1,600,402	1,107,154	1,201,278
Perpetual Tier 1 capital	445,238	369,895	444,848
Other paid-in equity	3,789	3,789	3,789
Retained earnings	1,107,503	913,686	1,121,848
Net profit for the period	150,996	239,161	
<b>Total equity</b>	<b>4,288,172</b>	<b>3,612,176</b>	<b>3,751,131</b>
<b>Total liabilities and equity</b>	<b>43,347,711</b>	<b>37,475,984</b>	<b>38,586,350</b>

# Statement of changes in equity

## Gjensidige Bank ASA

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
<b>Balance at 1 Jan 2019</b>	<b>979,368</b>	<b>1,201,278</b>	<b>444,848</b>	<b>3,789</b>	<b>1,121,848</b>	<b>3,751,131</b>
Net profit for the period			12,261		138,735	150,996
Other comprehensive income, net of tax						
<b>Total comprehensive income</b>			<b>12,261</b>		<b>138,735</b>	<b>150,996</b>
Capital expansion	876	399,124				400,000
Share-based payment transactions settled in equity					-2,085	-2,085
AT1 capital						
Paid interest on AT 1 capital			-11,871			-11,871
<b>Balance at 30 Sep 2019</b>	<b>980,244</b>	<b>1,600,402</b>	<b>445,238</b>	<b>3,789</b>	<b>1,258,498</b>	<b>4,288,172</b>

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
<b>Balance at 1 Jan 2018</b>	<b>978,492</b>	<b>1,107,154</b>	<b>369,599</b>	<b>3,789</b>	<b>908,318</b>	<b>3,367,352</b>
Net profit for the period			12,499		213,164	225,662
Other comprehensive income, net of tax					89	89
<b>Total comprehensive income</b>			<b>12,499</b>		<b>213,253</b>	<b>225,751</b>
Capital expansion	876	94,124				95,000
Share-based payment transactions settled in equity					277	277
AT1 capital			74,719			74,719
Paid interest on AT 1 capital			-11,968			-11,968
<b>Balance at 31 Dec 2018</b>	<b>979,368</b>	<b>1,201,278</b>	<b>444,848</b>	<b>3,789</b>	<b>1,121,848</b>	<b>3,751,131</b>

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
<b>Balance at 1 Jan 2018</b>	<b>978,492</b>	<b>1,107,154</b>	<b>369,599</b>	<b>3,789</b>	<b>922,864</b>	<b>3,381,898</b>
Net profit for the period			9,221		229,940	239,161
Other comprehensive income, net of tax						
<b>Total comprehensive income</b>			<b>9,221</b>		<b>229,940</b>	<b>239,161</b>
Share-based payment transactions settled in equity					42	42
AT1 capital						
Paid interest on AT 1 capital			-8,925			-8,925
<b>Balance at 30 Sep 2018</b>	<b>978,492</b>	<b>1,107,154</b>	<b>369,895</b>	<b>3,789</b>	<b>1,152,847</b>	<b>3,612,176</b>

Number of shares at end of period 876,000

The difference in the balance at 1 Jan 2018 relates to accounting principle for fixed interest customer loans. When implementing the IFRS 9 accounting principle for fixed interest customer loans changed from amortised cost to fair value. A one time effect led to a positive impact of NOK 19.4 million before tax booked during 1st quarter 2018. The impact was charged directly against equity, after adjusting for the impact of the tax. After a re-evaluation during 4th quarter 2018 the accounting principle for fixed interest customer loans was changed back to amortised cost and the booking made 1st quarter 2018 was reversed.

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