



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 994 000 845  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: NORDEA DIRECT BOLIGKREDITT AS  
Forretningsadresse: Essendrops gate 7  
0368 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Jan Kåre Raae  
Dato for fastsettelse av årsregnskapet: 31.01.2019

### Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert  
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 09.03.2021



## Resultatregnskap

Beløp i: NOK	Note	2018	2017
<b>RESULTATREGNSKAP</b>			
<b>Renteinntekter og lignende inntekter</b>			
Renter og lignende inntekter av utlån til og fordringer på kredittinstitusjoner	4	10 467 000	9 819 000
Renter og lignende inntekter av utlån til og fordringer på kunder	4	486 362 000	466 909 000
Renter og lignende inntekter av sertifikater, obligasjoner og andre rentebærende verdipapirer	4	1 697 000	1 927 000
<b>Sum renteinntekter og lignende inntekter</b>		<b>498 526 000</b>	<b>478 655 000</b>
<b>Rentekostnader og lignende kostnader</b>			
Renter og lignende kostnader på gjeld til kredittinstitusjoner	4	147 000	
Renter og lignende kostnader på utstedte verdipapirer	4	277 322 000	253 119 000
Andre rentekostnader og lignende kostnader	4	53 953 000	43 909 000
<b>Sum rentekostnader og lignende kostnader</b>		<b>331 422 000</b>	<b>297 028 000</b>
<b>Netto rente- og kredittprovisjonsinntekter</b>		<b>167 104 000</b>	<b>181 627 000</b>
<b>Utbytte og andre inntekter av verdipapirer med variabel avkastning</b>			
<b>Sum utbytte og andre inntekter av verdipapirer med variabel avkastning</b>		<b>0</b>	<b>0</b>
<b>Provisjonsinntekter og inntekter fra banktjenester</b>			
Andre gebyrer og provisjonsinntekter		2 338 000	2 364 000
<b>Sum provisjonsinntekter og inntekter fra banktjenester</b>		<b>2 338 000</b>	<b>2 364 000</b>
<b>Provisjonskostnader og kostnader ved banktjenester</b>			
<b>Sum provisjonskostnader og kostnader ved banktjenester</b>		<b>0</b>	<b>0</b>
<b>Netto verdiendring og gevinst/tap på valuta og verdipapirer som er omløpsmidler</b>			
Netto verdiendring og gevinst/tap på sertifikater, obligasjoner og andre rentebærende verdipapirer		-6 928 000	-12 756 000
<b>Sum netto verdiendring og gevinst/tap på valuta og verdipapirer som er omløpsmidler</b>		<b>-6 928 000</b>	<b>-12 756 000</b>
<b>Andre driftsinntekter</b>			
Andre driftsinntekter		917 000	588 000



### Resultatregnskap

Beløp i: NOK	Note	2018	2017
<b>Sum andre driftsinntekter</b>		<b>917 000</b>	<b>588 000</b>
<b>Lønn og generelle administrasjonskostnader</b>			
Lønn	5	2 134 000	1 442 000
Pensjoner	5	193 000	163 000
Sosiale kostnader	5	412 000	310 000
<b>Lønn m.v.</b>		<b>2 739 000</b>	<b>1 915 000</b>
Administrasjonskostnader	5	433 000	435 000
<b>Sum lønn og generelle administrasjonskostnader</b>		<b>3 172 000</b>	<b>2 350 000</b>
<b>Avskrivninger m.v. av varige driftsmidler og immaterielle eiendeler</b>			
<b>Sum avskrivninger m.v. av varige driftsmidler og immaterielle eiendeler</b>		<b>0</b>	<b>0</b>
<b>Andre driftskostnader</b>			
Andre driftskostnader	5	14 348 000	13 634 000
<b>Sum andre driftskostnader</b>		<b>14 348 000</b>	<b>13 634 000</b>
<b>Tap på utlån, garantier m.v.</b>			
Tap på utlån	6	291 000	-5 540 000
<b>Sum tap på utlån, garantier m.v.</b>		<b>291 000</b>	<b>-5 540 000</b>
<b>Nedskrivning/reversering av nedskrivning og gevinst/tap på verdipapirer som er anleggsmidler</b>			
<b>Sum nedskrivning/reversering av nedskrivning og gevinst/tap på verdipapirer som er anleggsmidler</b>		<b>0</b>	<b>0</b>
<b>Resultat av ordinær drift</b>		<b>145 620 000</b>	<b>161 379 000</b>
Skatt på ordinært resultat	7	36 405 000	40 345 000
<b>Resultat av ordinær drift etter skatt</b>		<b>109 215 000</b>	<b>121 034 000</b>
<b>Resultat av ekstraordinære poster</b>		<b>0</b>	<b>0</b>
<b>Resultat for regnskapsåret</b>		<b>109 215 000</b>	<b>121 034 000</b>
<b>Overføringer og disponeringer</b>			
Overført til sparebankens fond		109 215 000	121 034 000



## Resultatregnskap

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Sum disponeringer og overføringer		109 215 000	121 034 000



### Balanse

Beløp i: NOK	Note	2018	2017
<b>BALANSE - EIENDELER</b>			
<b>Utlån til og fordringer på kredittinstitusjoner</b>			
Utlån til og fordringer på kredittinstitusjoner uten avtalt løpetid eller oppsigelsesfrist	9	694 913 000	804 529 000
<b>Sum netto utlån og fordringer på kredittinstitusjoner</b>		<b>694 913 000</b>	<b>804 529 000</b>
<b>Utlån til og fordringer på kunder</b>			
<b>Factoring</b>		<b>0</b>	<b>0</b>
Nedbetalingslån	6,10	24 648 610 000	21 105 527 000
Uspesifiserte tapsavsetninger	6,10	1 210 000	919 000
<b>Sum netto utlån og fordringer på kunder</b>		<b>24 647 400 000</b>	<b>21 104 608 000</b>
<b>Sertifikater, obligasjoner og andre rentebærende verdipapirer med fast avkastning</b>			
Sertifikater og obligasjoner	11	61 551 000	61 805 000
<b>Utstedt av det offentlige</b>		<b>61 551 000</b>	<b>61 805 000</b>
Sertifikater og obligasjoner	11	78 347 000	78 197 000
<b>Utstedt av andre</b>		<b>78 347 000</b>	<b>78 197 000</b>
<b>Sum sertifikater, obligasjoner og andre rentebærende verdipapirer med fast avkastning</b>		<b>139 898 000</b>	<b>140 002 000</b>
<b>Aksjer, andeler og andre verdipapirer med variabel avkastning</b>			
<b>Sum aksjer, andeler og andre verdipapirer med variabel avkastning</b>		<b>0</b>	<b>0</b>
<b>Eierinteresser i tilknyttede selskaper</b>			
<b>Sum eierinteresser i tilknyttede selskaper</b>		<b>0</b>	<b>0</b>
<b>Eierinteresser i konsernselskaper</b>			
<b>Sum eierinteresser i konsernselskaper</b>		<b>0</b>	<b>0</b>
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	7	2 258 000	104 000
<b>Sum immaterielle eiendeler</b>		<b>2 258 000</b>	<b>104 000</b>



## Balanse

Beløp i: NOK	Note	2018	2017
<b>Varige driftsmidler</b>			
Sum varige driftsmidler		0	0
<b>Andre eiendeler</b>			
Finansielle derivater	12,24	66 303 000	100 339 000
Sum andre eiendeler		66 303 000	100 339 000
<b>Forskuddsbetalte ikke påløpte kostnader og opptjente ikke mottatte inntekter</b>			
Opptjente ikke mottatte inntekter	8	38 108 000	36 790 000
Forskuddsbetalte ikke påløpte kostnader	8	424 000	421 000
Sum forskuddsbetalte ikke påløpte kostnader og opptjente ikke mottatte inntekter		38 532 000	37 211 000
<b>SUM EIENDELER</b>		<b>25 589 304 000</b>	<b>22 186 793 000</b>
<b>BALANSE - GJELD OG EGENKAPITAL</b>			
<b>GJELD</b>			
<b>Gjeld til kredittinstitusjoner</b>			
Lån og innskudd fra kredittinstitusjoner uten avtalt løpetid eller oppsigelsesfrist	13,21	3 636 007 000	3 261 835 000
Sum gjeld til kredittinstitusjoner		3 636 007 000	3 261 835 000
<b>Innskudd fra og gjeld til kunder</b>			
Sum innskudd fra og gjeld til kunder		0	0
<b>Gjeld stiftet ved utstedelse av verdipapirer</b>			
Obligasjonsgjeld	14,16	19 986 475 000	17 076 000 000
Sum gjeld stiftet ved utstedelse av verdipapirer		19 986 475 000	17 076 000 000
<b>Annen gjeld</b>			
Finansielle derivater	12,24	5 156 000	6 186 000
Annen gjeld	17	69 793 000	55 143 000
Sum annen gjeld		74 949 000	61 329 000
Påløpte kostnader og mottatt ikke opptjente inntekter	7	38 559 000	43 660 000

**Balanse**

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Avsetninger for påløpte kostnader og forpliktelser</b>			
<b>Sum avsetninger for påløpte kostnader og forpliktelser</b>		<b>0</b>	<b>0</b>
<b>Ansvarlig lånekapital</b>			
<b>Sum ansvarlig lånekapital</b>		<b>0</b>	<b>0</b>
<b>Sum gjeld</b>		<b>23 735 990 000</b>	<b>20 442 824 000</b>
<b>EGENKAPITAL</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital/grunnfondsbeviskapital		221 000 000	221 000 000
<b>Selskapskapital</b>		<b>221 000 000</b>	<b>221 000 000</b>
Overkursfond		999 020 000	999 020 000
<b>Sum innskutt egenkapital</b>		<b>1 220 020 000</b>	<b>1 220 020 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		633 294 000	523 949 000
<b>Sum opptjent egenkapital</b>		<b>633 294 000</b>	<b>523 949 000</b>
<b>Sum egenkapital</b>		<b>1 853 314 000</b>	<b>1 743 969 000</b>
<b>SUM GJELD OG EGENKAPITAL</b>		<b>25 589 304 000</b>	<b>22 186 793 000</b>
<b>POSTER UTENOM BALANSEN</b>			
Betingede forpliktelser	18	1 963 344 000	1 828 251 000



Gjensidige

# Annual report 2018

Gjensidige Bank Boligkreditt





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### About the reporting

Gjensidige publishes a web-based annual report on [www.gjensidige.no/reporting](http://www.gjensidige.no/reporting).  
The annual report will not be printed.



# The Board's Report for Gjensidige Bank Boligkreditt AS

## The business

At the end of Q2 2018 Gjensidige Forsikring ASA, the owner of Gjensidige Bank ASA, entered into a Share Purchase Agreement with Nordea for the sale of the bank. The agreed purchase price was NOK 5.5 billion for 100 per cent of the share capital of Gjensidige Bank ASA, payable fully in cash at completion, subject to certain adjustments based on the performance of the bank until closing of the transaction. The parties have also entered into a strategic partnership agreement with respect to mutual distribution of non-life insurance and financing products in Norway. The closing is expected to take place during Q1 2019, subject to customary regulatory approvals.

Gjensidige Bank Boligkreditt AS (herein called the Company) is a wholly owned subsidiary of Gjensidige Bank ASA. Gjensidige Bank ASA is a wholly owned subsidiary of Gjensidige Forsikring ASA. The Company's registered business address is in Oslo.

The Company is licensed by the Financial Supervisory Authority of Norway to issue covered bonds. The objective is to furnish residential mortgage loans, and to primarily finance the lending portfolio by issuing covered bonds. The Company only has residential mortgage loans purchased from Gjensidige Bank ASA.

By the end of 2018, the Company had issued covered bonds with a total face value of NOK 19,895.0 million, divided between NOK 19,187.0

million placed in the market and NOK 708.0 million on the parent Company's balance sheet. The bonds have an average remaining maturity of approximately 2.9 years, with an AAA rating from Standard & Poor's.

At the end of 2018, the Company had 13,767 mortgages with an outstanding balance of NOK 24,648.6 million. The loan portfolio is of high quality. The weighted loan-to-value ratio, indexed, was 51.2 per cent.

The Company does not carry out any research and development (R&D) activities.

## Comments on the annual accounts

### Profit and loss account

The financial statements have been prepared in compliance with IFRS (International Financial Reporting Standards).

Pursuant to the requirements of Norwegian accounting legislation, the Board confirms that the Company will continue its operations and that the annual accounts have been prepared on that basis.

Previous year's figures are shown in brackets.

In 2018, the Company made a profit after tax expense of NOK 109.2 million (121.0 million). The decrease was mainly driven by lower interest margin.

Net interest income for 2018 amounted to NOK 167.1 million (181.6 million).

<sup>1</sup> The net interest margin is calculated as net interest income in per cent of average total assets.



Net commission income and other operating income amounted to negative NOK 3.7 million (negative 9.8) mainly due to repurchasing of own covered bond.

The net interest margin<sup>1</sup> was 0.70 per cent (0.81).

In 2018, operating expenses totalled NOK 17.5 million (16.0 million). Lending growth has increased purchasing of services from Gjensidige Bank ASA.

The cost/income ratio was 10.7 per cent (9.3).

#### Write-downs and losses

The Company uses the banking Group's guidelines for assessing and writing down losses on loans. Since 1 January 2018, the bank implemented impairment provisioning in accordance with IFRS9 standards. According to the new standards, impairment provisions are measured using an expected loss model, instead of an incurred loss model which was followed previously under IAS 39. The group write-downs were NOK 0.3 million (decreased 5.5). The balance of group write-downs amounted to NOK 1.2 million (0.9). At the end of 2018, the Company had two loans in default over 90 days.

From the Board's view, the credit risk and the provision levels are satisfactory.

#### Balance sheet

At the end of 2018, the Company had total assets amounting to NOK 25,589.3 million (22,186.8 million). The Company is mainly funded by issuing covered bonds in the Norwegian market.

#### Lending

At the end of 2018, gross lending totalled NOK 24,648.6 million (21,105.5 million).

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 1.8 million per loan at the end of 2018. The largest single exposure was NOK 9.2 million and 14.6 per cent of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 20.9 per cent of the lending portfolio consisted of loans with credit lines (fleksilån).

The loan portfolio had a weighted loan-to-value ratio, indexed, of 51.2 per cent (48.8) at the end of 2018. The value of the properties is updated quarterly by Eiendomsverdi AS.

#### Rating

As a result of the Share Purchase Agreement between Gjensidige Forsikring ASA and Nordea, S&P Global Ratings placed its 'A' long-term and 'A-1' short-term issuer credit ratings for Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS, on Credit-Watch with positive implications. The change took place on 4 July 2018. The covered bonds portfolio issued by Gjensidige Bank Boligkreditt AS has a long-term rating of AAA; outlook 'stable'.

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 is published on the bank's website.

#### Debt securities

Net issues of debt securities amounted to NOK 19,986.5 million at the end of 2018, compared to NOK 17,076.0 million at the end of 2017, an increase of NOK 2,910.5 million. The debt securities consist solely of covered bonds, with a total face value of NOK 19,895.0 million. The Company issued covered bonds totalling NOK 4,500.0 million and NOK 1,596.0 was repaid.



In order to gain access to international capital markets, the Company established a Euro Medium Term Covered Bond Programme amounting to EUR 2 billion in 2016. The programme has not been taken into use yet.

As of 31 December 2018, the Company's cover pool was over collateralised with 26.7 per cent.

### Liquidity

At the end of 2018, the Company had net liquid assets of NOK 834.8 million, divided between NOK 694.9 million in bank deposits, NOK 78.3 million in covered bonds and NOK 61.6 million in treasury bills.

The Company has a credit facility with Gjensidige Bank ASA that is sufficient at all times to cover the total repayment of the outstanding bonds that fall due within the next 12 months. In addition The Company has a long-term credit facility of NOK 2,000.0 million and a short-term credit facility of up to NOK 4,000.0 million. Unutilised credit facilities amounted to NOK 2,364.0 million at the end of 2018.

The liquidity situation is considered to be good.

### Capital adequacy and equity

At the end of 2018, the Company had a common equity Tier 1 capital ratio of 20.2 per cent (21.7). The total capital held by the Company was NOK 1,853.1 million (1,743.7). The capital includes net profit for 2018.

The Company's equity at the end of 2018 was NOK 1,853.3 million (1,744.0 million), representing 7.2 per cent (7.9) of total assets.

The Board evaluates the Company's equity and capital adequacy ratio to be satisfactory and sufficient in relation to operations.

## Key risk and uncertainty factors

### Financial risk

The Company's financial risk mainly comprises credit, liquidity and interest rate risk. Risks are monitored and reported regularly in accordance with the principles, strategies, limits and risk appetite statement adopted by the Board.

### Credit risk

The Company's credit risk is the risk of losses arising as a result of customers or other counterparties failing to repay their debts or meet their contractual obligations when they fall due. The Board follows up the credit strategy through monthly reports that focus on the development of the loan portfolio, including defaults, risk classification and LTV. The Company uses risk classification models to calculate the risk associated with its credit exposure.

All loans are purchased from Gjensidige Bank ASA in accordance with regulatory requirements. In addition, there are several requirements to the quality of the loans regulated in the agreement between Gjensidige Bank ASA and Gjensidige Bank Boligkreditt AS.

The Company has mortgage loans to retail customers only. The value of the security is updated quarterly on the basis of estimates from Eiendomsverdi AS. At the end of 2018, the weighted, indexed loan-to-value ratio was 51.2 per cent. There were two loans in default for over 90 days. Sensitivity analyses are performed regularly in which the consequences of a fall in the housing market are analysed. The Board has adopted minimum requirements for the cover pool and what can be included in it. The Board considers the Company's collateral to be sufficient in the event of a significant decline in house prices.

### Liquidity risk

Liquidity risk is the risk of the Company not being able to meet its debt obligations when



they fall due and/or not being able to finance growth of its assets without incurring a substantial increase in costs. The Company's financial strategy documents set limits and guidelines for managing the liquidity risk. The company shall have low liquidity risk.

The Company manages its liquidity risk by issuing bonds with different maturities, and hold a liquidity reserve in line with regulatory requirement. The Company holds a liquidity reserve portfolio of covered bond, treasury bills and bank deposits. In addition the Company has different credit facilities with Gjensidige Bank.

The Board has adopted contingency plans for managing a potential liquidity and capital crisis.

#### **Market risk**

Market risk is the risk of losses associated with movements in market prices, which, in this context, relate to positions and activities in the interest rate, currency, credit and stock markets.

The Company's financial strategy documents set limits and guidelines for managing market risk. Risk exposure and development are continuously monitored and reported to the Board. The Company has no exposure in equities and has no currency risk. The Company's interest rate risk and spread risk related to investments shall be low in relation to the core capital.

Interest rate risk refers to the risk of losses as a result of changes in the interest rate level. Risk limits are set to manage the interest rate risk by adjusting the fixed-interest rate period of investments and borrowing. In addition, derivatives are used for hedging purposes.

At the end of the year, the Company had interest rate swaps with a nominal value of NOK 1,450.0 million. In the time interval over

three months, the Company is exposed to a profit or loss effect of NOK 0.43 million given a change in interest rates of one percentage point.

Spread risk refers to the risk of losses as a result of changes in credit margins. The Company limits the spread risk relating to assets by investing in high-quality securities with short maturity, whose value is less exposed to changes in the credit margins. The Company does not hedge the spread risk on its own bond issues.

The company has no exposure to equities and no currency risk.

#### **Concentration risk**

Concentration risk is the risk of losses due to the company having large parts of its lending tied to a single borrower or to limited geographic or business areas.

As of 31 December 2018, the portfolio is geographically diverse, with the greatest lending being in the most populous areas of the country. The largest exposure to a single borrower is approximately NOK 9.2 million. The exposure related to the ten largest loans (limit) is approximately NOK 83.0 million. The Company's liquidity reserves consist of bank deposits in the parent company, securities issued by the Norwegian government and Norwegian covered bonds (OMF).

#### **Operational risk**

Operational risk is the risk of losses resulting from inadequate or failing internal processes or systems, human error or external events.

Company activities that are outsourced to the bank are discussed at monthly risk meetings ('Operational Risk Reviews'). Operational incidents, the development of AML activities, internal control self-assessment (RSCA) results, fraud developments, IT security and customer complaints are important focus areas at these



meetings. The CEO of Gjensidige Bank ASA and the CEO of Gjensidige Bank Boligkreditt AS attend these meetings together with key managers. In addition, quarterly internal control self-assessments (RCSA) are carried out to ensure that procedures and processes are adhered to in outsourced activities.

The outsourced activities are included in the bank's annual risk assessment process. The risk assessment is conducted in all business areas based on the bank's objectives and strategies for the plan period. The main risks and risk reduction measures are regularly reported to the Board.

The annual risk assessment has been conducted and reported to the Board.

Independent risk control is performed by risk management and compliance functions. Compliance is a group function, which also covers Gjensidige Bank Boligkreditt AS, that has been established in order to avoid official sanctions, financial losses or a loss of reputation as a result of failure to comply with internal and external regulations. The Compliance function identifies, assesses, advises on, monitors and reports on the bank's risk of non-compliance with external and internal regulations. The risk management function administrates and develops the banks methodology for operational risk management, including internal controls and incident management and monitors that control measures are implemented.

The Company's internal auditor evaluates whether the bank's internal control and risk management system functions satisfactorily and reports the results of the audits to the Board and management.

The Company has appointed an independent investigator that monitors the register of issued

bonds. Regular reviews are conducted to assure that the register is booked correctly. Findings are reported to the Board and the Financial Supervisory Authority of Norway.

### **Internal control and risk management related to financial reporting**

The CEO of the Company approves all expenses. Expenses related to the CEO are approved by the chairman of the board. The Company follows Gjensidige's guidelines when preparing the quarterly and annual financial statements.

### **Corporate social responsibility**

Gjensidige's social responsibility work is described in a separate statement in the Group's annual report. The Board of Gjensidige has established guidelines for corporate social responsibility. These guidelines also apply to Gjensidige's subsidiaries and, together with the group policy for ethical investments, they are available at [www.gjensidige.no/group](http://www.gjensidige.no/group).

### **Corporate governance**

Corporate governance is a priority for the Board. The Gjensidige Group complies with the Norwegian Code of Corporate Governance as last amended on 30 October 2014. A detailed statement on how Gjensidige fulfils the recommendation and statutory accounting requirements for corporate governance reporting is provided in the Group's annual report. It is also available at [www.gjensidige.no/group](http://www.gjensidige.no/group).

The Company has adapted its practice to the Group's policies in areas that are appropriate and relevant. Particular emphasis is placed on the composition of governing bodies, the responsibilities of the Board, communication and information, and risk management and auditing. The Board of the Company has approved ethical rules, which are available on the group's intranet.



The Articles of Association, instructions and corporate governance systems establish a clear division of roles and responsibilities in the Company.

## Governing bodies

### Risk Committee

1 January 2017 Gjensidige Forsikring ASA established a risk committee at the group level for Gjensidige Forsikring ASA and its subsidiaries. The committee shall be a preparatory committee for the Board consisting of Chairman and three Board members from Gjensidige Forsikring ASA. The risk committee has quarterly meetings. The committee regularly assesses the Company to ensure that business administration and controls are in accordance with the risk level in the business. To ensure an adequate degree of independence, the Risk Committee consists of board members who do not take part in the management of the business.

### The Board

The Board is composed of four members elected by the general assembly.

The Board supervises the management of the Company, and it shall ensure that its operations are organised in a satisfactory manner, which includes ensuring that its bookkeeping and asset management are properly audited.

There has been no change in the Board in 2018.

### External auditor

Deloitte AS is chosen as the Company's external auditor and it also acts as its independent inspector, cf. Section 11-14 of the Financial Undertakings Act.

### Internal auditor

The independent internal audit function monitors that the risk management and internal control systems function as intended. The audit function reports directly to the Board. The director of Corporate Audit is formally employed by the parent company Gjensidige Bank ASA.

## Working environment

Systematic health, safety and environmental work is given high priority in Gjensidige. Working environment issues are integrated in the annual employee satisfaction survey.

The bank participates in the government's inclusive workplace programme. It also encourages and promotes physical and cultural activities. The goal is to be a health-promoting workplace.

Gjensidige Bank ASA has carefully monitored sickness absence in accordance with the rules for an inclusive workplace enterprise, and no negative circumstances have been identified that may be causing sickness absence. The HSE work is monitored through external audits and followed up internally by employees with special responsibility for HSE. All incidents that can represent a risk must be reported in the Groups nonconformity system.

The Company has one employee, who is based in the bank's branch in Førde. The working environment is considered to be good. Gjensidige Bank ASA purchases the services of the CEO of Gjensidige Bank Boligkreditt AS, corresponding to 40 per cent of a full-time position. The Company had no sick leave in 2018. There were no personal injuries, damage to property or accidents in the Company in 2018.



## Gender equality and diversity

There are two men and two women in the Board. The CEO is a man. The Board and management take a proactive approach to promoting equal opportunity in the Company. The Company follows the Group's guidelines and regulations concerning corporate social responsibility, including those relating to discrimination/diversity and ethics.

## The natural environment

The Company's operations result in minimal pollution of the environment. Internal environmental measures focus on energy efficiency, reduced travel through increased use of video conferences, and responsible waste management with extensive use of separation at source.

## Strategy and outlook for 2019

Gjensidige Bank Boligkreditt AS shall ensure that Gjensidige Bank ASA has a diversified funding structure. The Company continuously considers the possibility of issuing further covered bonds, depending on the state of the financial markets and the collateral available to the Company.

Growth in the Norwegian economy has been solid since autumn 2016, and the job market has improved. The global upturn, higher oil prices

and low interest rates have contributed to drive growth. The policy rate was raised from 0,5 per cent to 0,75 per cent in September 2018, and the forecast for the policy rate indicates a gradual rise to 2 per cent at the end of 2021. With the policy rate in line with the forecast, inflation is projected to remain close to the target of 2 per cent, at the same time as unemployment remains low.

Prospect for increased employment and higher wage growth ahead will support the house price development, while higher interest rate dampens the rise. We expect a modest house price development.

In the Board's view, the Company has a good and robust balance.

## Events after the balance sheet date

The Board is not aware of any events after the end of the financial year that have a material impact on the financial statements presented.

## Allocation of profit

It is proposed to transfer the Company's profit before other comprehensive income of NOK 109.2 million to other equity.

Oslo, 31 January 2019  
The Board of Gjensidige Bank Boligkreditt AS

  
Jørgen Ringdal  
Chair

  
Erik Ranberg

  
Sirianne Haaje Nes

  
Solbjørg Lie

  
Jan Kåre Raae  
CEO



## Financial statements and notes

### Income statement

NOK thousands	Note	1.1.-31.12.2018	1.1.-31.12.2017
Interest income etc, amortised cost	4	496,829	476,728
Interest income etc, fair value	4	1,697	1,927
Interest costs etc.	4	(331,422)	(297,028)
<b>Net interest income</b>		<b>167,104</b>	<b>181,627</b>
Commission income and income from bank services		2,338	2,364
Net gains on financial instruments at fair value		(6,928)	(12,756)
Other operating income		917	588
<b>Net commission income and other operating income</b>		<b>(3,673)</b>	<b>(9,805)</b>
<b>Total income</b>		<b>163,430</b>	<b>171,822</b>
Personnel expenses	5	(2,739)	(1,915)
Other operating expenses	5	(14,781)	(14,069)
<b>Total operating expenses</b>		<b>(17,520)</b>	<b>(15,983)</b>
<b>Profit / (loss) before loan losses</b>		<b>145,910</b>	<b>155,839</b>
Write-downs and losses	6	(291)	5,540
<b>Profit / (loss) before tax expense</b>		<b>145,619</b>	<b>161,379</b>
Tax expense	7	(36,405)	(40,345)
<b>Profit / (loss) for the period</b>		<b>109,215</b>	<b>121,034</b>
Gjensidige Bank Boligkreditt AS 's shareholders		109,215	121,034
Earnings per share, NOK (basic and diluted)		840.11	931.03

### Statement of comprehensive income

NOK thousands	Note	1.1.-31.12.2018	1.1.-31.12.2017
<b>Profit / (loss) for the period</b>		<b>109,215</b>	<b>121,034</b>
<b>Components of other comprehensive income</b>			
Items that are not subsequently reclassified to profit or loss			
Items that may subsequently be reclassified to profit or loss			
<b>Total components of other comprehensive income</b>			
<b>Total comprehensive income for the period</b>		<b>109,215</b>	<b>121,034</b>



## Balance sheet

NOK thousands	Note	31.12.2018	31.12.2017
<b>Assets</b>			
Loans to and claims on credit institutions	9	694,913	804,529
Loans to and claims on customers	6,10	24,647,400	21,104,607
Certificates, bonds and other interest-bearing securities	11	139,898	140,002
Financial derivatives	12,24	66,303	100,339
Deferred tax assets	7	2,258	104
Other assets	8	38,532	37,210
<b>Total assets</b>		<b>25,589,304</b>	<b>22,186,793</b>
<b>Liabilities and equity</b>			
Liabilities to credit institutions	13,21	3,636,007	3,261,835
Liabilities opened for the issue of securities	14.16	19,986,475	17,076,000
Financial derivatives	12,24	5,156	6,186
Other liabilities	17	69,794	55,142
Current tax	7	38,559	43,660
Deferred tax liabilities	7		
<b>Total liabilities</b>		<b>23,735,991</b>	<b>20,442,824</b>
<b>Equity</b>			
Share capital		221,000	221,000
Share premium		999,020	999,020
Other equity		633,294	523,949
<b>Total equity</b>		<b>1,853,314</b>	<b>1,743,969</b>
<b>Total liabilities and equity</b>		<b>25,589,304</b>	<b>22,186,793</b>
Number of shares at the end of the period		130,000	130,000

Oslo, 31 January 2019  
The Board of Gjensidige Bank Boligkreditt AS

  
Jørgen Ringdal  
Chair

  
Erik Ranberg

  
Sirianne Haaje Nes

  
Solbjørg Lie

  
Jan Kåre Raae  
CEO



## Statement of changes in equity

NOK thousands	Share capital	Share premium	Total paid-in equity	Other equity	Total equity
<b>Equity 1.1.2017</b>	<b>208,000</b>	<b>812,020</b>	<b>1,020,020</b>	<b>402,917</b>	<b>1,422,937</b>
<b>Comprehensive income</b>					
Profit/(loss)				121,034	121,034
Total components of other comprehensive income					
<b>Total comprehensive income 1.1.-31.12.2017</b>				<b>121,034</b>	<b>121,034</b>
<b>Transactions with owners of the company</b>					
Capital expansion	13,000	187,000	200,000		200,000
Share-based payment transactions settled in equity				(2)	(2)
<b>Total transactions with owners of the company 1.1.-31.12.2017</b>	<b>13,000</b>	<b>187,000</b>	<b>200,000</b>	<b>(2)</b>	<b>199,998</b>
<b>Equity 31.12.2017</b>	<b>221,000</b>	<b>999,020</b>	<b>1,220,020</b>	<b>523,949</b>	<b>1,743,969</b>
Adjustment due to amendment to IFRS 2				133	133
<b>Equity 1.1.2018</b>	<b>221,000</b>	<b>999,020</b>	<b>1,220,020</b>	<b>524,083</b>	<b>1,744,103</b>
<b>Comprehensive income</b>					
Profit/(loss)				109,215	109,215
Total components of other comprehensive income					
<b>Total comprehensive income 1.1.-31.12.2018</b>				<b>109,215</b>	<b>109,215</b>
<b>Transactions with owners of the company</b>					
Capital expansion					
Share-based payment transactions settled in equity				(4)	(4)
<b>Total transactions with owners of the company 1.1.-31.12.2018</b>				<b>(4)</b>	<b>(4)</b>
<b>Equity 31.12.2018</b>	<b>221,000</b>	<b>999,020</b>	<b>1,220,020</b>	<b>633,294</b>	<b>1,853,314</b>



## Statement of cash flows

NOK thousands	1.1.-31.12.2018	1.1.-31.12.2017
<b>Operating activities</b>		
Net payment of loans to customers	(3,542,168)	(2,842,558)
Payment of interest from customers	484,016	463,869
Net payment of interest from credit institutions etc.	10,913	9,412
Taxes paid	(43,660)	(22,244)
Net other commission income	3,255	2,952
Payment to operations	(17,121)	(15,462)
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	104	186
<b>Net cash flow from operating activities</b>	<b>(3,104,662)</b>	<b>(2,403,845)</b>
<b>Investment activities</b>		
Net purchase of intangible assets and fixed assets		
<b>Net cash flow from investing activities</b>		
<b>Financing activities</b>		
Net paid(-)/received when taking out loans with credit institutions and covered bonds	3,309,115	2,725,197
Net payment of interest on financing activities	(316,632)	(294,821)
Net paid(-)/received for other short-term positions	2,563	(3,279)
Capital increase		200,000
<b>Net cash flow from financing activities</b>	<b>2,995,046</b>	<b>2,627,096</b>
<b>Total cash flow</b>	<b>(109,616)</b>	<b>223,251</b>
<b>Cash flow for the year</b>		
Cash and cash equivalents 1.1.	804,529	581,279
Cash and cash equivalents 31.12.	694,913	804,529
<b>Net payment made(-)/received of cash</b>	<b>(109,616)</b>	<b>223,251</b>
<b>Specification of liquid assets</b>		
Deposits with credit institutions	694,913	804,529
<b>Liquid assets in statement of cash flow</b>	<b>694,913</b>	<b>804,529</b>

The statement of cash flows shows payments made and received of cash and cash equivalents 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.



## Accounting policies

### General

Gjensidige Bank Boligkreditt AS is wholly owned subsidiary of Gjensidige Bank ASA. Gjensidige Bank ASA is a wholly owned subsidiary of Gjensidige Forsikring ASA. The company's head office is located at Schweigaardsgate 14, Oslo, Norway.

The Company 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.

The financial statements per 31 December 2018 were approved by the Board on 31 January 2019.

All amounts in the accounts and notes are stated in thousands of Norwegian kroner (NOK) unless otherwise stated. The Company's presentation currency is NOK.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), as well as other Norwegian disclosure requirements laid down in legislation and regulations.

### Changes in accounting policies

As a main rule, all income and expenses shall be shown in the income statement. The exception to this rule is the effect of changes to accounting principles. In the event of fundamental accounting reforms/changes in accounting policies, figures for previous years must be recalculated to allow comparison. If items in the financial statement are reclassified, comparative figures must be calculated for the previous periods and reported in the financial statements.

### New standards

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2018. They have not been applied when preparing this financial statement. 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.

#### • IFRS 9 Finansielle instrumenter (2014)

IFRS 9 was implemented at 1 January 2018. The new impairment requirements did not have effect on the Company's provision for expected credit losses. For principles on classification and measurement of financial instruments and provisions for losses in 2017 see the annual report for 2017.

#### • IFRS 16 Leases (2016)

IFRS 16 requires all leases to be reported on a company's balance sheet as assets and liabilities. 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.

Gjensidige Bank Boligkreditt AS does not have any lease agreements.

Based on our preliminary assessments and on the basis of current operations, other amendments to standards and interpretation statements will not have a material effect.

### Cash flow statement

Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

### Principles for recognising income and expenses

#### Net interest income

Interest income and expenses are calculated and recognised based on the effective interest rate method. The calculation takes into account establishment fees and direct marginal transaction costs that are an integral part of the effective interest rate.

Interest is recognised through profit or loss using the internal rate of return method, both for balance sheet items that are measured at amortised cost and for items that are measured at fair value through the income statement.

Interest income on write-downs on commitments is calculated at internal interest rates of the written down value. See also: 'Value calculation of fair value' and 'Value calculation of amortised cost'.

#### Commission income and expenses

The way in which commission income from various customer services is recognised depends on the nature of the commission. Fees are recognised as income when the services are delivered or a significant part of the service has been completed. Fees received for completed services are recognised as income in the period the services were performed. Commissions received as payment for various tasks are recognised as income once the service has been completed. Commission costs are transaction-based and are recognised in the period the services were received.

#### Other operating income

Other operating income that is not related to any of the other lines of income is generally recognised when the transaction has been completed.

#### Operating expenses

Operating expenses are accrued and expensed in the relevant accounting period.

### Currency

The Company's presentation currency and functional currency is NOK.

### Segments

Gjensidige Bank Boligkreditt AS has only one business segment: lending to private customers. This segmentation best reflects the way the business is run by the management.

### Inclusion of non-financial assets in the balance sheet

Assets and liabilities are included in the Company's balance sheet when the Company obtains real control over rights to the assets or assumes real obligations. Assets are derecognised at the time the actual risk related to the assets has been transferred and the control of the rights to the assets has ended or expired.

### Impairment of non-financial assets

The Company reviews the carrying value of assets and identifiable intangible assets annually or more frequently if occurrences or changes in assumptions take place that indicate that the carrying value is irrecoverable. Indicators that are assessed as significant by the company and that can trigger testing for impairment include:

- A significant drop in profitability in relation to past or expected future profitability



- Significant changes in the Company's use of assets or overall strategy for its activities
- A significant downturn in the industry or the economy

Previous impairment losses, except for goodwill, will be reversed if the assumptions relating to the impairments no longer apply. Impairment losses are only reversed to the extent that the new carrying value does not exceed what would have been the carrying value after depreciation at the time of the reversal if there had been no impairment.

## Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial instruments, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting.

### Classification and measurement:

#### Financial assets:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

Financial assets will be classified either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on how they are managed and whether contractual cash flow are solely payments of principal and interest (SPPI).

Financial assets with cash flow that are not solely payment of principle and interest (SPPI) are measured at fair value through profit and loss. All other cash flows are classified based on the business model. In order to assess the business model, the bank has divided its financial assets into portfolios based on how they are managed to achieve a particular business goal.

#### Financial liabilities:

- amortised cost
- fair value through profit or loss

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories for the basis form how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the below table "Classification and measurement of financial instruments under IFRS 9" the classification of the financial instrument on the banks' balance sheet into different categories under IFRS 9 is presented.

#### Amortised cost:

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement. This category consists of mainly loans, deposits and liabilities opened for the issue of securities.

#### Financial assets and liabilities at fair value through profit or loss:

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair value are recognised directly in the income statement in the item "Net result from financial instruments at fair value".

The banks liquidity portfolio, managed and reported at fair value, and derivatives are measured at fair value through profit and loss.

#### Financial assets at fair value through other comprehensive income:

Financial assets held to receive contractual cash flows and for sale shall be measured at fair value with changes in value taken over other comprehensive income. Interest income and write-downs should be recorded in the ordinary result. Mortgage loans to customers in the parent company (Gjensidige Bank ASA) is required to be measured at fair value over other comprehensive income, as loans can be held to maturity and sold to Gjensidige Bank Boligkreditt AS.

#### Impairment

Impairment provisions according to IFRS 9 are measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value with the changes in fair value recognised in other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly from the initial recognition or if the asset is classified as impaired, the provision should equal lifetime expected credit losses. Since 1 January 2018 this approach has been implemented replacing the earlier collective impairment models under IAS39.

#### 1.1 Inputs, assumptions and techniques used for estimating impairment

##### 1.1.1 Credit Scores and Risk Classes

The Company uses credit scores extensively in its credit assessment and monitoring process. Different credit scores are used for the different product groups in the Company's depending on the nature of the exposure and the type of borrower. Credit scoring models are validated to be predictive of the risk of default on an annual basis.

The scores used for retail exposures are computed using application data declared by the customer, external bureau data, other external customer data and internal performance data (for example payment behavior).

The Company determines a credit risk class to each exposure based on credit scoring models and by applying experienced credit judgement. Credit risk classes are defined using historical data which are indicative of risk of default. Credit risk classes are defined and calibrated such that the risk of default occurring increases by increasing risk class.

Credit risk class is defined at initial recognition based on the score at initial recognition which in turn is based on the available information about the borrower. Thereafter the scores are gene-



rated and monitored for the customer on a regular basis. When the scores are generated periodically during the life of the exposure, based on the credit history, the score may change and this may result in an exposure being moved to a different credit risk class compared to the initial recognition.

The risk-classed are further grouped in Risk Groups: Low Risk, Medium Risk, High Risk, Unclassified and already Defaulted accounts based on defined ranges of Probability of Default.

### 1.1.2 Definition of Probability of Default (PD)

The probability of default is a statistically estimate of the likelihood that a default event will occur. The Company define an engagement as defaulted 90 days after contractual due (immaterial outstanding amounts are not considered) or if any significant loss event has happen, for example legal debt settlement (gjeldsordning) or bankruptcy. Credit risk classes are a primary input into the determination of the PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower at an individual exposure level.

The Company employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

### 1.2 Low credit risk accounts

A financial exposure is considered to be a low credit risk account, if the financial exposure has a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. In addition, adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Financial exposure are not considered to have low credit risk simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk.

The Company considers accounts to be in low risk, if they have not met the definition of Significant Increase in Credit Risk as defined in section 1.3 below, or Impairment as defined in section 1.4 below. In addition, accounts that are in the Low Risk Group on the reporting date, these are considered to be Low Credit Risk accounts.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated by the Company. The computation of 12-month ECLs is described in the section below.

### 1.3 Significant increase in credit risk

A financial exposure is considered to be a low credit risk account, if the financial exposure has a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. In addition, adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Financial exposure are not considered to have low credit risk simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk.

The Company considers accounts to be in low risk, if they have not met the definition of Significant Increase in Credit Risk as defined in section 1.3 below, or Impairment as defined in section 1.4 below. In addition, accounts that are in the Low Risk Group on the reporting date, these are considered to be Low Credit Risk accounts.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated by the Company. The computation of 12-month ECLs is described in the section below.

### 1.3.1 Modified contractual assets and restructured assets

In limited cases, the Company may also change the terms of the loan to customers in financial difficulties (referred to as "restructuring" or "forbearance activities") to assist willing customer to repay and minimize the risk of default. Under the Company's policy, loan restructuring is granted on a selective basis if the debtor is currently unable to pay or if there is a high risk of default. In such cases, the Company assesses if there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, reducing the interest rate or changing the timing of interest or principal payments or other amendments to the terms of loan (but not including increase of the outstanding exposure) to make it possible for the customer to pay.

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

### 1.3.2 Incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of Expected Credit Loss. The Company uses the analysis published by Norges Bank which establishes which macroeconomic factors drives the increase of problem loans in banks. Based on this analysis, the Company has taken PD to be impacted by increase in unemployment and increase in the interest rate levels.

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



The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 4.12.2018 for the years 2019 to 2022.

	2019	2020	2021	2022
<b>Unemployment rate</b>				
Alternative A	3.4%	3.4%	3.3%	3.3%
Base case	3.8%	3.8%	3.7%	3.7%
Alternative B	5.9%	5.9%	5.9%	5.9%
<b>Household Lending Rates</b>				
Alternative A	2.6%	2.9%	3.3%	3.3%
Base case	2.9%	3.2%	3.7%	3.7%
Alternative B	4.4%	4.8%	5.6%	5.6%
<b>Housing prices</b>				
Alternative A	1.5%	1.3%	0.7%	0.7%
Base case	1.4%	1.2%	0.6%	0.6%
Alternative B	0.7%	0.6%	0.3%	0.3%

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair value are recognised directly in the income statement in the item "Net result from financial instruments at fair value".

The banks liquidity portfolio, managed and reported at fair value, and derivatives are measured at fair value through profit and loss.

#### 1.4 Impairment Definition of impairment

The Company considers a financial asset to be in default when one or more events that have a negative impact on the financial asset's estimated future cash flows have taken place. Indications that a financial asset is impaired include observable data on the following events:

- The Company becomes aware of significant financial difficulty of the borrower (bankruptcy/ Legal debt settlement).
- Breach of contract, such as default or overdue payments as described below.
- The Company for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a change in term that would not otherwise have been considered (for example a restructuring of the loan).
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization (initiation of Legal Debt Settlement / Bankruptcy)
- When an active market for the financial asset disappears due to financial difficulties

In addition, the Company has established a "rebuttable presumption" (backstop) that default does not occur later than when a financial asset is 90 days past due.

Credit lines are also considered as being past due once the customer has breached an advised limit.

All exposures meeting the above requirement of default are classified as impaired.

#### 1.5 Measurement of Expected Credit Loss (ECL).

The key inputs into the measurement of ECL are the Probability of default (PD), Exposure at default (EAD) and Loss given default

(LGD). These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a given point in time, calculated based on statistical scoring models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

LGD is the size of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and historical recovery costs of any related collateral. LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated. 12-month ECLs is defined as a portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

For undrawn credit lines, bank estimates the 12-month ECLs based on its expectations of the portion of the loan commitment that will be drawn down within 12 months of the reporting date.

To estimate the 12 months ECL, the Company uses the historical data to see the performance of customers in low credit risk and derives the probability of default that results from all possible events over the 12 months from observation. Using historical data, the Company also estimates the Exposure at Default within 12 months of the observation dates for these accounts. To this the Company applies its historically observed net present value of cash flows using an effective interest rate for that group of accounts. The ECL is computed as the multiple of the PD, EAD and LGD thus derived.

For all exposures that meet the criteria of significant increase in credit risk or are classified as impaired on the reporting date, the Company computes a loss allowance (ECL) over the lifetime of the loan. This is equal to the ECLs that result from all possible default events over the expected life of a financial instrument. In order to estimate the lifetime ECL, the Company estimates the risk of a default occurring on the financial instrument during its expected life.

The ECL is estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between:

- The contractual cash flows that are due to an entity under the contractual terms and
- The cash flows that the Company expects to receive from the impaired asset

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

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment



- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

## 1.6 Derecognition and write-off

The Company considers an asset to be derecognised if:

- The contractual rights to the cash flows from the financial assets expire (example the loan reaches its end of term and is fully paid off, or the loan is prepaid by the customer).
- The financial asset is transferred and the transfer qualifies for derecognition (example, sale of an asset or group of assets).

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

The last criteria includes a write-off event when the Company determines that it has no reasonable expectation of cash flows from the customer.

## 1.7 Approach for the Company's Investment and Hedge Accounting

Financial instruments held to receive contractual cash flows and for sale shall be measured at fair value with changes in value taken over other comprehensive income. Interest income and write-downs should be recorded in the ordinary result. Loans to customers in the parent company (Gjensidige Bank ASA) will satisfy the criteria for measurement at fair value over other comprehensive income, as loans can be held to maturity and sold to Gjensidige Bank Boligkreditt AS.

### Classification and measurement of financial instruments under IAS 39

NOK thousands 31.12.2017	Amortised cost (AC)	Fair value through profit or loss (FVPL)	Fair value through other compre- hensive income (FVOCI)	Financial derivatives as hedging instruments	Non financial assets	Total
Loans to and claims on credit institutions	804,529					804,529
Net loans to customers	21,104,607					21,104,607
Certificates, bonds and other interest-bearing securities		140,002				140,002
Financial derivatives				100,339		100,339
Deferred tax assets					104	104
Other assets	36,789				422	37,211
<b>Total assets</b>	<b>21,945,926</b>	<b>140,002</b>		<b>100,339</b>	<b>526</b>	<b>22,186,793</b>

NOK thousands 31.12.2017	Amortised cost (AC)	Fair value through profit or loss (FVPL)	Financial derivatives as hedging instruments	Non financial liabilities	Total
Liabilities to credit institutions	3,261,835				3,261,835
Liabilities opened for the issue of securities	17,076,000				17,076,000
Financial derivatives			6,186		6,186
Other liabilities	47,970			7,172	55,142
Current tax				43,660	43,660
<b>Total liabilities</b>	<b>20,385,806</b>		<b>6,186</b>	<b>50,833</b>	<b>20,442,824</b>

### Classification and measurement of financial instruments under IFRS 9

NOK thousands 1.1.2018	Amortised cost (AC)	Fair value through profit or loss (FVPL)	Fair value through other compre- hensive income (FVOCI)	Non financial assets	Total
Loans to and claims on credit institutions	804,529				804,529
Net loans to customers	21,104,607				21,104,607
Certificates, bonds and other interest-bearing securities		140,002			140,002
Financial derivatives			100,339		100,339
Deferred tax assets				104	104
Other assets	36,789			422	37,211
<b>Total assets</b>	<b>21,945,926</b>	<b>240,342</b>		<b>526</b>	<b>22,186,793</b>



NOK thousands 1.1.2018	Amortised cost (AC)	Fair value through profit or loss (FVPL)	Non financial liabilities	Total
Liabilities to credit institutions	3,261,835			3,261,835
Liabilities opened for the issue of securities	17,076,000			17,076,000
Financial derivatives		6,186		6,186
Other liabilities	47,970		7,172	55,142
Current tax			43,660	43,660
<b>Total liabilities</b>	<b>20,385,806</b>	<b>6,186</b>	<b>50,833</b>	<b>20,442,824</b>

The following tables reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018

#### Reconciliation of provisions from IAS 39 to IFRS 9

NOK thousands	IAS 39 carrying amount 31.12.2017	Re- classifications	Re- measurements	IFRS 9 carrying amount 1.1.2018
<b>Loans and advances to customers</b>				
Opening balance under IAS 39	919			
Remeasurement ECL allowance				
Closing balance under IFRS 9				919
<b>Total financial assets measured at amortised cost</b>	<b>919</b>			<b>919</b>

## Financial instruments

### Hedge accounting

The Bank Group enters into hedging transactions to manage interest rate risk on fixed rate borrowings. These transactions are recognised as fair value hedges. Fair value hedges are used when derivatives hedge changes in the fair value of recognised assets or liabilities with a specific risk. Derivatives are recognised in the income statement. Changes in the value of the hedged item, attributable to the hedged risk, adjust the carrying amount of the asset and are recognised in the income statement.

The Company has chosen to continue to apply hedge accounting in accordance with IAS 39. The new requirement in IFRS 9 would not have resulted in any change to the accounts.

The use of hedge accounting requires that the hedge is effective. A hedge is regarded as highly effective if, at inception and throughout the hedge period, it can be expected that changes in the fair value of the hedged item essentially offset changes in the fair value of the hedged instrument. The effectiveness of the hedge is measured at the individual level. At inception, the hedging effectiveness is measured on the basis of an interest rate shock at the individual instrument level. When assessing the hedge effectiveness retrospectively, the fair value of the hedged instrument is measured and compared with the change in fair value of the hedged item. The result must be within the range of 80-125 per cent.

### Financial derivatives

The trading of financial derivatives is subject to strict limitations. All derivatives are measured at fair value on the contract date. Subsequent measurement is done at fair value with changes in value being recognised as they occur. The fair value of derivatives is measured based on listed prices whenever possible. When listed prices are not available, the Company estimates fair value based on valuation models that use observable market data.

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

### Accounting provisions

A provision is made when the Company has a legal or implicit liability as a result of a past event, and it is probable that this will lead to a payment or transfer of other assets to cover the liability.

### Pensions

The Company is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory



Occupational Pensions. The Company's pension plans meet the requirements of the Act.

The Company has a defined contribution plan.

Deductible grants to defined contribution plans are recognised as employee expenses in the income statement when accrued.

## Share-based payments

Gjensidige implemented amendments to IFRS 2 at 1 January 2018, and there was one implementation effect. The tax liability as at 31 December 2017 amounting to NOK 0.1 million was reclassified from liability to equity as at 1 January 2018.

Gjensidige has a share saving program for employees and a share-based remuneration scheme for senior executives. The share savings program is an arrangement with settlement in shares, while the remuneration scheme is an arrangement with settlement in both shares and cash.

The share-based payment arrangements are measured at fair value at the time of allocation. Fair value is accrued over the period during which employees acquire the right to receive the shares. Share-based payment arrangements which are recovered immediately are recognised as expenses at the time of allocation. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised shall be based on the number of equity instruments that eventually vest. Non-vesting conditions and possible market conditions are reflected in the measurement of fair value, and no adjustment of the amount charged as expenses is done upon failing to meet such conditions.

The cost of share-based transactions with employees is recognised as an expense over the average recovery period. For arrangements that are settled in shares, the value of the allocated shares in the period is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. For arrangements settled in cash, the value of the options granted is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. This applies to Gjensidige's obligation to withhold an amount for the employees' tax liability and transfer this amount in cash to the tax authorities on behalf of the employee. Employers' social security costs are calculated based on the fair value of the shares on each balance sheet date. The amount is recognised in the income statement over the expected vesting period and accrued according to IAS 37.

Share-based payment arrangements settled by one of the shareholders in the ultimate mother company is also recognised as a share-based payment transaction with settlement in equity.

If the entity is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment, and transfer that amount in cash to the tax authority on the employee's behalf, then the entity shall account for that obligation as an equity-settled share-based payment transaction. The tax obligation will be accounted for as an equity-settled share-based payment transaction instead of cash-settled share-based payment transaction.

See note 29 for a further description of Gjensidige's share-based payment arrangements.

## Taxation

The tax expense comprises tax payable and deferred tax. The income tax is recognised as an expense or income and, with the exception of income tax on transactions that are recognised directly in equity, is included in the income statement as a tax expense.

Payable tax is based on the Company's taxable income and is calculated in accordance with Norwegian tax regulations and tax rates.

Deferred tax assets and liabilities are recognised by applying the balance method to all temporary differences that arise between the tax and accounting values of assets and liabilities. Deferred tax assets are calculated on unused loss carryforwards and unused tax credits. The tax asset is only recognised to the extent that it is probable that future taxable profits can be used to offset temporary differences, unused tax loss carryforwards and unused tax credits. The carrying values of deferred tax assets and deferred tax are subject to regular review. Deferred tax is calculated on temporary differences and untaxed provisions. Deferred tax assets and deferred tax liabilities are not discounted.

Assets and liabilities are measured at the current tax rate in the period when the asset is realised or the liability is settled, based on the tax rate on the balance sheet date. Payable tax assets and tax liabilities, as well as deferred tax assets and tax liabilities, are offset if legally possible.

## 1. Equity

### Share capital

Gjensidige Bank Boligkreditt AS is a wholly owned subsidiary of Gjensidige Bank ASA. Gjensidige Bank ASA is a wholly owned subsidiary of Gjensidige Forsikring ASA. Share capital for Gjensidige Bank Boligkreditt AS as per 31 December 2018 was NOK 221.0 million divided on 130,000 shares at 1,700 per share. As per 31 December 2017 share capital was NOK 208.0 million divided on 130,000 at 1,700 per share.

### Share premium

Payments in excess of the nominal value per share are allocated to share premium.

### Other equity

Other earned equity consists of this year's and previous year's retained earnings.

## 2. Critical accounting estimates and judgements

### General

The preparation of the financial statements under IFRS and the application of the adopted accounting policies require the management to make assessments, prepare estimates and apply assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historic experience and other factors that are assessed as being justifiable based on the underlying conditions. The actual figures may deviate from these estimates. The estimates and the associated assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period



the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both existing and future periods.

Gjensidige Bank Boligkreditt AS's accounting principles, in which assessments, estimates and assumptions may significantly diverge from the actual results, are discussed below.

## Write-downs and losses

Loans and claims are evaluated on each balance-sheet date to assess whether there is objective evidence that an individual claim/loan or a group of claims/loans are impaired. Individual write-downs are assessed before the write-down on groups is determined. If there is objective evidence that a financial asset is impaired, a write-down is made for the estimated loss. Write-downs are done at an individual level based on individual assessment of the loan or on a group level based on Group Provisioning models. Individual write-downs are assessed before the write-down on groups is determined.

The write-down equals the difference between the outstanding balance of the loan and the net present value of estimated future cash flows, discounted by the financial asset's original effective interest rate (i.e. the effective interest rate calculated initially or subsequently agreed with the customer). Objective evidence means evidence of occurrences indicating that the loan is impaired. This can be information about bankruptcy or defaults.

A final write-off (loss) is recognised when it is evident that the loan will not be repaid and there is no collateral left to cover the loan. In such instances, any corresponding provision (write-down) will be reversed.

In certain instances, where there is a lack of data or sufficient information, the Company uses judgment based on credit experience in the assessment of expected credit loss. This includes, but is not limited to the following:

- For some portfolios, where there is not enough data or history to develop internal scoring models, the credit score information purchased from external credit reference agencies are used.
- In determining PDs, portfolio which are limited in size or have limited data, the estimate of expectation of default rates are computed as simple ratios based on historical observations at a total portfolio level rather than probabilities of default at a granular level.
- Expected life time of loan is determined by analysing historical performance in months on groups of loans taken from the initial recognition point to the time the cumulative bad rates flatten, i.e. none or limited loans turn bad incrementally. In cases, where portfolios have not reached sufficient number of months after initial recognition, historical performance of similar loan are taken.
- In determining LGD for portfolios which are limited in size, have limited data or historical performance data, the Company utilizes information of similar portfolio if possible or judgment.
- As the Company has relatively limited history, despite best efforts, the determination of the impact of changes in macroeconomic variables on the bank's default rates was not possible and hence the Company has utilized analysis published by Norges Bank which establishes the macroeconomic factors that drives the increase of problem loans in banks.

- In the Company's analysis it was seen that using the historical performance data, changes in risk levels between origination and reporting date did not conclusively indicate a significant increase in credit risk. As such the Company judgmentally uses increase by greater than 2 risk classes compared to initial recognition, as the definition of significant increase in credit risk.

For further information, see note 25 Risk and risk management on write-downs and losses.

## Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (such as unlisted shares) is determined using valuation methods. These valuation methods are primarily based on the market conditions on the balance sheet date. These valuation methods are based primarily on the market conditions at the reporting date.

- Bonds are valued based on prices collected from Nordic Bond Pricing.
- Unlisted derivatives, including interest rate and foreign exchange instruments, are valued theoretically based on observable market data. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by Bloomberg and Oslo Stock Exchange.
- Mortgage loans in the parent company is measured at fair value over OCI. For floating rate mortgages, the bank assumes that the fair value equals amortised cost, corrected for loss provision on stage 1 of the loss model.

For further information, see Note 19 Fair value of financial instruments.

## Amortised cost method

Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been written down is determined by discounting future cash flows using the internal rate of return.

## Financial assets at fair value through other comprehensive income:

Financial assets held to receive contractual cash flows and for sale shall be measured at fair value with changes in value taken over other comprehensive income. Interest income and write-downs should be recorded in the ordinary result. Mortgage loans to customers in the parent company (Gjensidige Bank ASA) is required to be measured at fair value over other comprehensive income, as loans can be held to maturity and sold to Gjensidige Bank Boligkreditt AS.

## 3. Segment information

Gjensidige Bank Boligkreditt AS only has one business segment: 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 'Retail market' segment.

The Company does not engage in activities outside Norway. Customers with foreign domicile are classified as part of the Norwegian operations. All revenues and the Company's profit are related to the business in Norway.



## 4. Net interest income

NOK thousands	1.1.-31.12.2018	1.1.-31.12.2017
<b>Interest income</b>		
Loans to and receivables from credit institutions	10,467	9,819
Loans to and receivables from customers	486,362	466,909
Interest-bearing securities	1,697	1,927
Other income		
<b>Total interest income<sup>1</sup></b>	<b>498,526</b>	<b>478,655</b>
<b>Interest expense</b>		
Deposits from/ debt to credit institutions	147	
Issued securities	277,321	253,119
Other interest expenses	53,953	43,909
<b>Total interest expenses<sup>2</sup></b>	<b>331,422</b>	<b>297,028</b>
<b>Net interest income</b>	<b>167,104</b>	<b>181,627</b>
<sup>1</sup> Of this total interest income on financial assets that are not measured at fair value	496,829	476,728
<sup>2</sup> Interest expenses on financial liabilities that are not measured at fair value		

## 5. Operating expenses

NOK thousands	1.1.-31.12.2018	1.1.-31.12.2017
Wages, salaries etc.	2,134	1,442
Pension costs	193	163
Employer's National Insurance contributions	322	297
Other staff-related expenses	90	13
<b>Total personnel expenses</b>	<b>2,739</b>	<b>1,915</b>
IT expenses	433	435
Consultancy fees	11,824	10,544
Other operating expenses	2,524	3,090
<b>Total other expenses</b>	<b>14,781</b>	<b>14,069</b>
Ordinary depreciation		
<b>Total operating expenses</b>	<b>17,520</b>	<b>15,983</b>
<b>Auditor's fee (incl. VAT)</b>		
Statutory audit	58	56
Other assurance services	95	125
Other non-assurance services	61	165
<b>Total payments to auditor</b>	<b>213</b>	<b>347</b>
Number of employees	1	1
Average numbers of employees	1	1



## 5. Operating expenses (cont.)

### Salary and other benefits to management and governing bodies in 2018

NOK thousands Name and position	Fixed salary/ fee	Earning variable salary	Calc. value of total other than cash	Rights earned in the finan- cial year according to pension plan	Annual vesting share pay- ment	Number of shares assigned, not re- deemed	Number of shares re- leased	Number of shares		Interest Loans rate	The current Re- payment schedule
								out- stand- ing	of shares held		
<b>Senior executives</b>											
Jan Kåre Raae, CEO	1,155	132	21	193	269	849	929	1,820	1,729		
<b>The Board</b>											
Jørgen Ringdal, Chair									24,322		
Erik Ranberg <sup>‡</sup>								10,497		811 2.80%	20.8.2033
Sirianne Haaje Nes									281 1.97%		28.11.2026
Solbjørg Lie	75								3,997		
<b>Total for senior executives and the Board</b>	<b>1,230</b>	<b>132</b>	<b>21</b>	<b>193</b>	<b>269</b>	<b>849</b>	<b>929</b>	<b>1,820</b>	<b>40,545</b>	<b>1,092</b>	
<b>General assembly</b>											
Helge Leiro Baastad									38,447		

<sup>‡</sup> Loan in parent company Gjensidige Bank ASA

### Salary and other benefits to management and governing bodies in 2017

NOK thousands Name and position	Fixed salary/ fee	Earning variable salary	Calc. value of total other than cash	Rights earned in the finan- cial year according to pension plan	Annual vesting share pay- ment	Number of shares assigned, not re- deemed	Number of shares re- leased	Number of shares		Interest Loans rate	The current Re- payment schedule
								out- stand- ing	of shares held		
<b>Senior executives</b>											
Jan Kåre Raae, CEO	1,064	138	20	163	145	821	1,005	1,814	894		
<b>The Board</b>											
Jørgen Ringdal, Chair									22,143		
Erik Ranberg <sup>‡</sup>								8,218		851 4.40%	20.8.2033
Sirianne Haaje Nes									999 2.09%		28.11.2026
Solbjørg Lie	73								3,646		
<b>Total for senior executives and the Board</b>	<b>1,137</b>	<b>138</b>	<b>20</b>	<b>163</b>	<b>145</b>	<b>821</b>	<b>1,005</b>	<b>1,814</b>	<b>34,901</b>	<b>1,850</b>	
<b>General assembly</b>											
Helge Leiro Baastad									49,264		

<sup>‡</sup> Loan in parent company Gjensidige Bank ASA

## 5. Operating expenses (cont.)

### Remuneration policies

The Company has established a remuneration policy based on the Group's principles. The system is meant to secure that Gjensidige attracts and keeps colleagues who performs, develops, learns and shares. The remuneration shall be competitive but not leading. Employees are expected to see the remuneration and benefits offered by the Group as an overall whole. The Group's remuneration systems shall be open and performance-based, so that they, as far as possible, are perceived as being fair and predictable. The remuneration that is paid shall correspond to the agreed performance.

Guidelines for remuneration and career development shall be linked to achievement of the Group's strategic and financial goals and core values, and both quantitative and qualitative targets shall be taken into consideration. The measurement criteria shall promote the desired corporate culture and long-term value creation, and, as far as possible, take actual capital costs into account. The remuneration system shall contribute to promoting and providing incentives for good risk management, prevent excessive risk-taking and contribute to avoiding conflicts of interest. A fixed basic salary shall be the main element of the overall remuneration, which also consists of variable pay, pension, insurance and payments in kind. Variable remuneration shall be used to reward performances beyond the expected, where both results and behaviour in form of compliance of with the company values, brand and management principles are to be assessed.

Variable remuneration shall be performance-based without being a risk driver, and shall reflect the results and contributions on company, division, department and individual level. Other elements of compensation offered should be considered attractive from both new and current employees. There is an upper limit for variable remuneration.

By decision of which functions of the company that shall be defined as employees with tasks of crucial importance for the company's risk exposure, both qualitative criteria related to the role and quantitative criteria related to the level of remuneration is to be taken into account. There must also be an individual assessment of each employee's impact on company risk.

### Decision-making process

The Board of Gjensidige Forsikring ASA has established a Remuneration Committee which also covers Gjensidige Bank Boligkreditt AS. The Committee consists of three members; the Chairman of the Board and two board members.

The remuneration committee shall prepare matters for consideration by the Board. It is primarily responsible for:

- The Board's annual statement on Gjensidige's remuneration policy
- The annual evaluation of matters concerning salary and other remuneration to the CEO
- The annual evaluation of matters concerning salary and other remuneration to the company's internal auditor
- Guidelines for salary and other remuneration to executive personnel
- Statement of salary and other remuneration to executive personnel, including:
  - Guidelines for determining salary and other remuneration for the coming fiscal year
  - Statement of the remuneration policy that has taken place during the previous financial year, including how the guidelines for the remuneration of employees have been implemented

- Statement of impact on the company and owners of implementation / changes in incentive schemes relating to shares
- Other important personnel matters relating to executive personnel
- Board's handling of completed HR processes, including talent and successor development and strategic staffing control

### Guidelines for the upcoming financial year

#### Remuneration of the CEO

The CEO's salary and other benefits are stipulated by the Board on the basis of an overall assessment that takes into account Gjensidige's remuneration scheme and market salary for corresponding positions.

The fixed salary is reviewed annually and determined on the basis of developments in society in general and in the financial sector in particular. The variable salary (bonus) is determined by the Board based on agreed objectives and delivery in relation to them. It may not exceed three months' salary including holiday pay. Variable remuneration is earned annually and is based on an overall assessment of financial and non-financial performance over the last two years. Variable pay is not included in the pension basis. The assessment takes into account the company's results in the last two years and includes an assessment of the CEO's personal contribution to the Company's core values, development and results. Half of the variable remuneration will be given in the form of shares in Gjensidige Forsikring ASA, where 1/3 can be placed at the employee's disposal in each of the next three years. The variable remuneration can be reduced if subsequent results and developments indicate that it was based on incorrect assumptions. The CEO is not paid performance-based benefits other than the above bonus, but can be granted fringe benefits such as a company car and reimbursement of expenses for electronic communications. The granting of such fringe benefits shall be related to the executive functions of the Company, and otherwise be in line with market practice.

The CEO's retirement age is 70 years, and the CEO is a member of the Company's defined contribution pension plan. There is no severance pay arrangement for the CEO.

#### Binding guidelines for shares, subscription rights, etc. for the coming financial year

Of the variable salary paid to the CEO in 2018, 50 per cent of gross earned variable pay will be granted in the form of shares in Gjensidige Forsikring ASA. A third of the shares will be allocated in each of the next three years.

#### Share savings programme

The Board has decided to continue the Group's share savings programme for employees in 2019. The CEO and executive personnel are entitled to take part in the programme on a par with other Gjensidige employees. Under the current programme, employees can save through deductions from their salary for the purchase of shares in Gjensidige Forsikring ASA for up to NOK 75,000 per year. Purchases take place quarterly following publication of the results. A discount of 20 per cent of the purchase price is offered, limited upwards to NOK 3,000. For those who keep the shares and are still employed in the Group, one bonus share is awarded for every four share they have owned for more than two years.

#### Statement concerning the management's remuneration policy in the previous accounting year

The Board confirms that the guidelines on executive pay for 2018 set out in last year's declaration have been complied with.

The Board has decided to pay all full-time employees a bonus of up to NOK 23,700.



## 6. Write-downs and losses on loans

NOK thousands	31.12.2018	31.12.2017
<b>Write-downs and losses for the period</b>		
+/- Change in group write-downs for the period	291	(5,540)
+ Write off during the period		
- Payments on previously written off accounts		
<b>Write-downs and losses for the period</b>	<b>291</b>	<b>(5,540)</b>
<b>Group write-downs</b>		
Group write-downs at the start of the period	919	6,459
+/- Change in group write-downs for the period	291	(5,540)
<b>Group write-downs at the end of the period</b>	<b>1,210</b>	<b>919</b>
<b>Total write-downs at the end of the period</b>	<b>1,210</b>	<b>919</b>
<b>Defaulted loans</b>		
Gross default over 90 days	2,591	2,643

### Credit quality by risk group

1.1.2018 NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Loans to and claims on customers</b>				
Low	20,570,088		9,156	20,579,243
Medium	29,761	351,828	1,112	382,701
High	6,093	131,156	2,732	139,981
Not classified	958			958
Impaired and written down			2,643	2,643
<b>Total</b>	<b>20,606,899</b>	<b>482,985</b>	<b>15,643</b>	<b>21,105,527</b>
Loss allowance	551	96	272	919
<b>Total net</b>	<b>20,606,348</b>	<b>482,888</b>	<b>15,371</b>	<b>21,104,607</b>
<b>31.12.2018</b>				
NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Loans to and claims on customers</b>				
Low	23,002,837		6,398	23,009,234
Medium	8,589	69,997	2,514	81,100
High	4,580	62,234	5,838	72,652
Not classified	1,442,685	40,641	(3,978)	1,479,349
Impaired and written down			6,274	6,274
<b>Total</b>	<b>24,458,691</b>	<b>172,872</b>	<b>17,047</b>	<b>24,648,610</b>
Loss allowance	880	85	245	1,210
<b>Total net</b>	<b>24,457,811</b>	<b>172,787</b>	<b>16,802</b>	<b>24,647,400</b>



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

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

NOK thousands	31.12.2018		1.1.2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	24,643,421	1,153	21,101,386	844
30-59 days	1			
60-89 days	2,596	17	1,497	10
90+ days	2,591	40	2,643	65
<b>Total</b>	<b>24,648,610</b>	<b>1,210</b>	<b>21,105,526</b>	<b>919</b>

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 de-recognised" which are as of the beginning of period.

### Loss allowance

NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total balance sheet allowance
<b>Loss allowance as at 1.1.2018</b>	<b>551</b>	<b>96</b>	<b>272</b>	<b>919</b>
Transfer to stage 1	36	(43)	(120)	(126)
Transfer to stage 2	(2)	60		58
Transfer to stage 3	(1)	(0)	181	180
New Financial assets originated during the period	352	17	22	392
Financial assets that have been derecognised	(100)	(44)	(108)	(252)
Changes in balance with no transfer between stages	44	(2)	(3)	39
<b>Loss allowance as at 31.12.2018</b>	<b>880</b>	<b>85</b>	<b>245</b>	<b>1,210</b>

NOK thousands	31.12.2018	1.1.2018
Stage 1	880	551
Stage 2	85	96
Stage 3	245	272
<b>Total</b>	<b>1,210</b>	<b>919</b>
Stage 1	72.7%	59.9%
Stage 2	7.0%	10.5%
Stage 3	20.3%	29.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>



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

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

NOK thousands	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Gross carrying amount as at 1.1.2018</b>	<b>20,606,899</b>	<b>482,985</b>	<b>15,643</b>	<b>21,105,527</b>
Transfer to stage 1	218,340	(212,089)	(6,251)	
Transfer to stage 2	(57,832)	57,832		
Transfer to stage 3	(5,882)	(6,139)	12,021	
New financial assets originated	9,877,904	55,751	771	9,934,426
Financial assets that have been derecognised, including down payments	(5,335,484)	(191,420)	(4,655)	(5,531,560)
Other changes	(845,253)	(14,049)	(482)	(859,783)
<b>Gross carrying amount as at 31.12.2018</b>	<b>24,458,691</b>	<b>172,872</b>	<b>17,047</b>	<b>24,648,610</b>
Loss allowance as at 31.12.2018	880	85	245	1,210

NOK thousands	31.12.2018	1.1.2018
Stage 1	24,458,691	20,606,898
Stage 2	172,872	482,985
Stage 3	17,047	15,643
<b>Total</b>	<b>24,648,610</b>	<b>21,105,526</b>
Stage 1	99.2%	97.6%
Stage 2	0.7%	2.3%
Stage 3	0.1%	0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>



## 7. Tax expense

NOK thousands	1.1.-31.12.2018	1.1.-31.12.2017
Tax payable	38,559	43,660
Change in deferred tax/tax assets	(2,154)	(6,594)
Other adjustments to previous years		3,278
<b>Tax expense</b>	<b>36,405</b>	<b>40,345</b>
<b>Reconciliation of tax expense</b>		
Profit/ (loss) before tax expense	145,619	161,379
Expected tax at nominal tax rate of 25%	36,405	40,345
Other adjustments to previous years		
<b>Tax expense</b>	<b>36,405</b>	<b>40,345</b>
The average effective tax rate	25%	25%
<b>Deferred tax assets / (Deferred tax liabilities)</b>		
Deferred tax assets arising from temporary differences		
- Current assets	14	19
- Financial instruments	2,245	85
<b>Deferred tax assets / (Deferred tax liabilities)</b>	<b>2,258</b>	<b>104</b>
<b>Net changes in deferred tax assets/ deferred tax through profit or loss are as follows:</b>		
Current assets	6	8
Financial instruments	(2,160)	(6,602)
<b>Total</b>	<b>(2,154)</b>	<b>(6,594)</b>

Deferred tax assets resulting from loss carryforwards are only recognised to the extent that it is probable that they will be realised. Deferred tax assets and deferred tax are offset and the net amount is entered when this is permitted by legislation and the amounts relate to the same tax authority.

## 8. Other assets

NOK thousands	31.12.2018	31.12.2017
Earned income not yet received	38,107	36,789
Advance payments	424	421
<b>Total</b>	<b>38,532</b>	<b>37,210</b>



## 9. Loans to and receivables from credit institutions

NOK thousands	31.12.2018	31.12.2017
Loans and receivables without an agreed term to maturity, amortised cost	694,837	804,455
Loans and receivables with an agreed term to maturity, amortised cost	76	74
<b>Total loans and receivables to credit institutions, amortised cost</b>	<b>694,913</b>	<b>804,529</b>

## 10. Analysis of loans

NOK thousands	31.12.2018	31.12.2017
Loans to customers, amortised cost	24,648,610	21,105,527
Loans to customers, fair value		
<b>Total gross loans to customers</b>	<b>24,648,610</b>	<b>21,105,527</b>
<b>Individual write-downs</b>		
Group write-downs (see note 6)	1,210	919
<b>Net loans to customers</b>	<b>24,647,400</b>	<b>21,104,607</b>
<b>Loans by sector and industry</b>		
Private individuals	24,648,610	21,105,527
<b>Total</b>	<b>24,648,610</b>	<b>21,105,527</b>

### Loans by region based on customers residential address:

NOK thousands	31.12.2018		31.12.2017	
	Loans	Per cent	Loans	Per cent
Oslo	5,842,563	23.70%	5,171,142	24.50%
Akershus	4,959,782	20.12%	4,369,098	20.70%
Eastern Norway	4,680,596	18.99%	3,868,131	18.33%
Southern Norway	472,073	1.92%	377,378	1.79%
Western Norway	4,799,030	19.47%	4,133,594	19.59%
Central Norway	2,609,800	10.59%	2,145,709	10.17%
Northern Norway, Svalbard	1,218,798	4.94%	991,569	4.70%
Abroad	65,966	0.27%	48,908	0.23%
<b>Total gross loans by geographical area</b>	<b>24,648,610</b>	<b>100.00%</b>	<b>21,105,527</b>	<b>100.00%</b>

Gjensidige Bank Boligkreditt AS has no guarantees to customers



## 11. Interest-bearing securities

NOK thousands	31.12.2018	31.12.2017
Short-term government bonds	61,551	61,805
Covered bonds	78,658	78,404
Exchange rate adjustment	(310)	(207)
<b>Total</b>	<b>139,898</b>	<b>140,002</b>
Stock exchange listed securities	139,898	140,002
Unlisted securities		
<b>Total</b>	<b>139,898</b>	<b>140,002</b>

## 12. Financial derivatives

Financial derivatives are linked to underlying amounts which are not carried on the balance sheet. In order to quantify the volume of derivatives, reference is made to gross nominal volume and the like.

For interest derivatives, an asset position implies a positive change in value if interest rates are reduced. An asset position in a currency derivative generates a positive change in value if the exchange rate against the NOK sees an increase.

NOK thousands 31.12.2018	Gross nominal volume	Carrying amount assets	Carrying amount liabilities
Interest rate swaps	1,450,000	66,303	5,156
Currency swaps			
<b>Total</b>	<b>1,450,000</b>	<b>66,303</b>	<b>5,156</b>
NOK thousands 31.12.2017	Gross nominal volume	Carrying amount assets	Carrying amount liabilities
Interest rate swaps	1,450,000	100,339	6,186
Currency swaps			
<b>Total</b>	<b>1,450,000</b>	<b>100,339</b>	<b>6,186</b>



## 13. Liabilities to credit institutions

NOK thousands	31.12.2018	31.12.2017
Debt without an agreed term to maturity, amortised cost		
Debt with an agreed term to maturity, at amortised cost	3,636,007	3,261,835
<b>Total debt to credit institutions, amortised cost</b>	<b>3,636,007</b>	<b>3,261,835</b>

## 14. Liabilities opened for the issue of securities

NOK thousands					Face value
ISIN Number	Currency	Rate	Due	Ext. due	31.12.2018
NO0010662737	NOK	Floating	6.5.2019	6.5.2020	1,095,000
NO0010680283	NOK	Floating	3.3.2020	3.3.2021	2,850,000
NO0010687429	NOK	Fixed	11.9.2020	13.9.2021	850,000
NO0010727738	NOK	Floating	12.5.2021	12.5.2022	5,000,000
NO0010770852	NOK	Floating	20.5.2022	20.5.2023	5,000,000
NO0010789266	NOK	Floating	23.5.2023	23.5.2024	4,500,000
NO0010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
<b>Total debt incurred through the issue of securities</b>					<b>19,895,000</b>

NOK thousands					Face value
ISIN Number	Currency	Rate	Due	Ext. due	31.12.2017
NO0010660327	NOK	Floating	21.9.2018	21.9.2019	402,000
NO0010662737	NOK	Floating	6.5.2019	6.5.2020	2,289,000
NO0010680283	NOK	Floating	3.3.2020	3.3.2021	2,850,000
NO0010687429	NOK	Fixed	11.9.2020	13.9.2021	850,000
NO0010727738	NOK	Floating	12.5.2021	12.5.2022	4,000,000
NO0010770852	NOK	Floating	20.5.2022	20.5.2023	4,000,000
NO0010789266	NOK	Floating	23.5.2023	23.5.2024	2,000,000
NO0010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
<b>Total debt incurred through the issue of securities</b>					<b>16,991,000</b>

Standard contract terms (loan terms) apply to the signed loan agreements, with requirements for overcollateralization of 110 per cent. Gjensidige Bank Boligkreditt AS met all existing terms and conditions in 2018. In 2016 the Company established a EMTCN program. The program is not yet in use.

## 15. Liabilities from financing activities

NOK thousands	31.12.2017	Cash flow	Non cash flow			31.12.2018
			Acquisitions	Exchange rate changes	Fair value changes	
Liabilities opened for the issue of securities	17,076,000	2,934,944			(24,469)	19,986,475
<b>Total liabilities from financing activities</b>	<b>17,076,000</b>	<b>2,934,944</b>			<b>(24,469)</b>	<b>19,986,475</b>

NOK thousands	31.12.2016	Cash flow	Non cash flow			31.12.2017
			Acquisitions	Exchange rate changes	Fair value changes	
Liabilities opened for the issue of securities	14,864,874	2,213,570			(2,443)	17,076,000
<b>Total liabilities from financing activities</b>	<b>14,864,874</b>	<b>2,213,570</b>			<b>(2,443)</b>	<b>17,076,000</b>

## 16. Hedge accounting

The Company's criteria for classifying a derivative as a hedging instrument are as follows:

1. When entering into a hedge, the correlation between the hedging instrument and the hedged item is documented. In addition, the hedge's goal and strategy is documented.
2. The hedge is expected to be highly effective by offsetting changes in fair value of an identified object.
3. The effectiveness of the hedge can be reliably measured.
4. There is adequate documentation when entering into a hedge that, among other things, shows that the hedging is effective.
5. The hedge is evaluated regularly and has proven to be effective during the accounting period, i.e. within the range 80-125 per cent.

### Fair value interest rate risk

To hedge exposure to changes in the fair value of financial instruments with a fixed interest rate the Company uses interest rate swaps. The fair value of derivatives included in the fair value hedge are as follows:

NOK thousands	31.12.2018	31.12.2017
<b>Instrument:</b>		
Interest rate swap	61,148	94,153
<b>Total</b>	<b>61,148</b>	<b>94,153</b>
<b>Interest rate swap nominal value</b>	<b>1,450,000</b>	<b>1,450,000</b>

### Gain/(loss) on fair value hedges

Gain/ (loss) on hedging instruments and hedged items designated in fair value hedges are as follows:

NOK thousands	31.12.2018	31.12.2017
<b>Hedging instrument:</b>		
Interest rate swap	(28,111)	(10,942)
<b>Hedge item:</b>		
Bond debt	28,109	10,874
<b>Total</b>	<b>(2)</b>	<b>(68)</b>

Gain (loss) is shown in the income statement under "Net gains on financial instruments at fair value"



## 16. Hedge accounting (cont.)

### Hedge effectiveness

The hedge is evaluated regularly and has proven to be effective for the accounting period, i.e. within the range 80-125%

Per cent	31.12.2018	31.12.2017
Hedge effectiveness – prospektiv	102-113%	102-108%
Hedge effectiveness – retrospektiv	98-100%	99-100%

Fixed leg of the interest rate swap is 100% matched to the fixed rate covered bond cash flow. Inefficiency is caused by changes in value of the floating leg of the interest rate swap.

## 17. Provisions and other liabilities

NOK thousands	31.12.2018	31.12.2017
Accounts payable		
Liabilities to public authorities	179	74
Accrued interest expenses	58,889	46,064
Accrued personnel cost	141	128
Other accrued expenses and deferred income	10,586	8,875
<b>Total other liabilities</b>	<b>69,794</b>	<b>55,142</b>

## 18. Off-balance sheet commitments and contingent liabilities

NOK thousands	31.12.2018	31.12.2017
Unused credit facilities	1,963,344	1,828,251
<b>Total contingent liabilities</b>	<b>1,963,344</b>	<b>1,828,251</b>

Unused credit facilities include approved and unused credit limits on home equity lines of credit. The Company has not received pledges of or pledged assets as security.

## 19. Fair value of financial instruments

### Method used to calculate the fair value of financial instruments

Financial instruments measured at fair value (incl. financial instruments available for sale).

#### 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. For assets and liabilities for which amortised cost and fair value are virtually identical, book values and the fair value are presented with identical amounts.

#### Quoted prices in active markets

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. A financial asset/liability is considered valued based on quoted prices in active markets if fair value is estimated based on easily and regularly available prices and these prices represent actual and regularly occurring transactions at arm's length principle. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

#### Valuation based on observable market data

When quoted prices in active markets are not available, the fair value of financial assets/ liabilities is preferably estimated on the basis of valuation techniques based on observable market data. A financial asset/liability is considered valued based on observable market data if fair value is estimated with reference to prices that are not quoted, but are observable either directly (as prices) or indirectly (derived from prices). Financial assets/liabilities valued based on observable market data are classified as level two in the valuation hierarchy.

#### Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data. A financial asset/

liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

#### Sensitivity financial assets level three

The sensitivity analysis for financial assets that are valued on the basis of non-observable market data shows the effect on profits of realistic and plausible market outcomes. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in value. A fall in value of ten per cent is deemed to be a realistic and plausible market outcome for shares and similar interests, as well as bonds and other securities with a fixed return that are included in level three of the valuation hierarchy.

#### Financial instruments measured at amortised cost

Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been written down is determined by discounting future cash flows using the internal rate of return based on market conditions for equivalent loans that have not been written down. Fair value is considered to be the carrying amount for loans and receivables measured at amortised cost. No allowance has been made for any changes in credit risk over and above the changes in estimated future cash flows for loans that have been written down.

The fair value of short-term liabilities to credit institutions is estimated as being their amortised cost. Long-term liabilities to credit institutions are measured at fair value based on the equivalent interest rate the bank pays on its own bonds. Debt securities measured at amortised cost are valued in the same way as debt securities measured at fair value, cf. note 1.

#### Off-balancesheet obligations and guarantees

Mortgaged assets are measured at fair value, cf. note 1. Other off-balance sheet obligations and guarantees are measured at their nominal value. The fair value is shown in the balance sheet under provisions.

For assets and liabilities where amortised cost and fair value are identical, carrying amount and the fair value are presented as identical amounts equal to amortised cost, and not included in the fair value hierarchy below.



## 19. Fair value of financial instruments (cont.)

NOK thousands	31.12.2018		31.12.2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Classification of financial instruments</b>				
<b>Net loans to and receivables from credit institutions</b>				
Loans to and receivables from credit institutions, amortised cost	694,913	694,913	804,529	804,529
<b>Loans to and receivables from credit institutions</b>	<b>694,913</b>	<b>694,913</b>	<b>804,529</b>	<b>804,529</b>
<b>Bonds and other fixed-income securities</b>				
Certificates and bonds, fair value	139,898	139,898	140,002	140,002
<b>Total bonds and other fixed-income securities</b>	<b>139,898</b>	<b>139,898</b>	<b>140,002</b>	<b>140,002</b>
<b>Net loans to customers</b>				
Loans to and receivables from customers, amortised cost	24,648,610	24,648,610	21,105,527	21,105,527
<b>Total loans before individual and group write-downs</b>	<b>24,648,610</b>	<b>24,648,610</b>	<b>21,105,527</b>	<b>21,105,527</b>
- Write-downs of individual loans				
- Group write-downs	1,210	1,210	919	919
<b>Total net loans to customers</b>	<b>24,647,400</b>	<b>24,647,400</b>	<b>21,104,607</b>	<b>21,104,607</b>
<b>Other assets</b>				
Financial derivatives, fair value	66,303	66,303	100,339	100,339
Other financial assets, amortised cost	38,107	38,107	36,789	36,789
<b>Total other financial assets</b>	<b>104,411</b>	<b>104,411</b>	<b>137,129</b>	<b>137,129</b>
<b>Total financial assets</b>	<b>25,586,622</b>	<b>25,586,622</b>	<b>22,186,268</b>	<b>22,186,268</b>
<b>Classification of financial liabilities</b>				
<b>Liabilities to credit institutions</b>				
Loans and deposits from credit institutions, amortised cost	3,636,007	3,636,007	3,261,835	3,261,835
<b>Total liabilities to credit institutions</b>	<b>3,636,007</b>	<b>3,636,007</b>	<b>3,261,835</b>	<b>3,261,835</b>
<b>Debt Securities</b>				
Commercial paper and bonds, amortised cost	18,475,317	18,584,378	15,531,824	15,650,394
Liability incurred through the issue of securities, fair value hedge	1,511,158	1,524,224	1,544,176	1,559,334
<b>Total debt securities</b>	<b>19,986,475</b>	<b>20,108,602</b>	<b>17,076,000</b>	<b>17,209,728</b>
<b>Other financial liabilities</b>				
Financial derivatives, fair value	5,156	5,156	6,186	6,186
Other financial liabilities, amortised cost	61,388	61,388	47,970	47,970
<b>Total other financial liabilities</b>	<b>66,544</b>	<b>66,544</b>	<b>54,156</b>	<b>54,156</b>
<b>Total financial liabilities</b>	<b>23,689,025</b>	<b>23,811,152</b>	<b>20,391,992</b>	<b>20,525,719</b>



## 19. Fair value of financial instruments (cont.)

NOK thousands	31.12.2018			Total
	Level 1	Level 2	Level 3	
Loans to and receivables from customers, fair value				
Interest-bearing securities, fair value	61,596	78,302		139,898
Financial derivatives, fair value		66,303		66,303
<b>Total assets measured at fair value</b>	<b>61,596</b>	<b>144,606</b>		<b>206,202</b>
Financial derivatives, fair value		5,156		5,156
<b>Total liabilities measured at fair value</b>		<b>5,156</b>		<b>5,156</b>
Liability incurred through the issue of securities, amortised cost		18,584,378		18,584,378
<b>Total liabilities measured at amortised cost</b>		<b>18,584,378</b>		<b>18,584,378</b>
Liability incurred through the issue of securities, fair value hedge		1,524,224		1,524,224
<b>Total liabilities included in fair value hedge</b>		<b>1,524,224</b>		<b>1,524,224</b>

NOK thousands	31.12.2017			Total
	Level 1	Level 2	Level 3	
Loans to and receivables from customers, fair value				
Interest-bearing securities, fair value	61,797	78,205		140,002
Financial derivatives, fair value		100,339		100,339
<b>Total assets measured at fair value</b>	<b>61,797</b>	<b>178,544</b>		<b>240,341</b>
Financial derivatives, fair value		6,186		6,186
<b>Total liabilities measured at fair value</b>		<b>6,186</b>		<b>6,186</b>
Liability incurred through the issue of securities, amortised cost		15,650,394		15,650,394
<b>Total liabilities measured at amortised cost</b>		<b>15,650,394</b>		<b>15,650,394</b>
Liability incurred through the issue of securities, fair value hedge		1,559,334		1,559,334
<b>Total liabilities included in fair value hedge</b>		<b>1,559,334</b>		<b>1,559,334</b>

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

If any transfers are made between levels of the fair value hierarchy, they are recognised at the end of the reporting period during which the change has occurred.



## 20. Cover pool

NOK thousands	31.12.2018	31.12.2017
Gross loans to customers	24,648,610	21,105,527
Number of loans	13,767	12,226
Loans in default over 90 days	2,591	2,643
Total value basis for loans	65,372,030	59,573,936
Weighted average remaining life (months)	262	258
Weighted indexed average loan-to-value ratio	51%	49%
<b>Lending to customers divided by weighted loan-to-value:</b>		
Loan-to-value 0-40 per cent	6,374,423	6,171,483
Loan-to-value 40-50 per cent	4,431,202	4,247,097
Loan-to-value 50-60 per cent	5,211,839	4,736,342
Loan-to-value 60-75 per cent	7,769,502	5,647,194
Loan-to-value over 75 per cent	861,644	303,410
<b>Total</b>	<b>24,648,610</b>	<b>21,105,527</b>
<b>Composition cover pool:</b>		
Mortgage <sup>1</sup>	24,606,705	21,084,243
Substitute assets:		
Bank deposits Gjensidige Bank ASA	538,972	650,655
Covered bonds (rated AAA)	38,166	38,082
Treasury bills	31,874	31,888
Derivative	55,997	84,108
<b>Total</b>	<b>25,271,713</b>	<b>21,888,976</b>

<sup>1</sup> The part of loans exceeding 75 and loans default over 90 days are not included in the value of the cover pool.



## 21. Related parties

Gjensidige Bank ASA is a directly owned subsidiary of Gjensidige Forsikring ASA. Gjensidige Bank Boligkreditt AS is a wholly owned subsidiary of Gjensidige Bank ASA. All companies in the group are to be regarded as related parties and will be specified to the extent that the Company has transactions or balances with them. All transactions and agreements with these parties are carried out in accordance with arm's length principles.

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 ensure that the Company can pay interest and principal to the covered bonds owners, and finance the transferring of loans and the cover pool.

Further information about the credit agreements:

- a) long-term credit facility of up to NOK 2,000.0 million. Expiry date 31 December 2020.
- b) short-term credit facility of up to NOK 4,000.0 million. Expiry date 30 November 2019.
- c) Credit facility agreement that enables Gjensidige Bank Boligkreditt AS to borrow money in order to repay its outstanding bond debt. The credit facility shall be sufficient to cover the total repayment of the outstanding bonds over the next 12 months. As of 31 December 2018, the credit limit of the agreement was NOK 1,095.0 million.

NOK 11,349.4 million in loans to and claims on customers was transferred from Gjensidige Bank ASA to Gjensidige Bank Boligkreditt AS in 2018.

Transactions with the Board and the Supervisory Board are not included, see note 5.

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

NOK thousands	31.12.2018	31.12.2017
Interest income deposit Gjensidige Bank ASA	10,467	9,819
Interest expense liability Gjensidige Bank ASA	53,953	43,909
Interest expense covered bonds Gjensidige Bank ASA	10,861	21,434
Purchase of services from Gjensidige Bank ASA	11,612	10,197
Services to Gjensidige Bank ASA ( outsourcing the CEO)	917	588

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

NOK thousands	31.12.2018	31.12.2017
Deposit in Gjensidige Bank ASA	694,837	804,455
Liability to Gjensidige Bank ASA	3,651,742	3,273,300
Covered Bonds to Gjensidige Bank ASA	710,265	693,378

## 22. Events after the balance sheet day

No significant events have occurred after the balance sheet date.



## 23. Capital adequacy

NOK thousands	31.12.2018	31.12.2017
Share capital and share premium	1,220,020	1,220,020
Other equity	633,294	523,949
<b>Equity</b>	<b>1,853,314</b>	<b>1,743,969</b>
Deductions		
Goodwill and other intangible assets		
Value adjustments due to the requirements for prudent valuation	(211)	(247)
<b>Common equity Tier 1 capital</b>	<b>1,853,103</b>	<b>1,743,722</b>
<b>Net primary capital</b>	<b>1,853,103</b>	<b>1,743,722</b>
<b>Minimum requirement for equity and subordinated debt</b>		
<b>Credit risk</b>		
Of which:		
Institutions	13,410	18,452
Mass market positions	3,107	2,323
Positions secured by mortgage	688,972	590,166
Overdue positions	211	215
Covered bonds	630	628
Other positions	486	61
<b>Total minimum requirement credit risk</b>	<b>706,815</b>	<b>611,845</b>
Operational risk	22,555	21,941
CVA-risk	5,936	10,020
<b>Minimum requirement for net primary capital</b>	<b>735,307</b>	<b>643,806</b>
<b>Basis of calculation of balance sheet items not included in trading portfolio</b>	<b>8,810,890</b>	<b>7,582,622</b>
<b>Basis of calculation of off-balance sheet items not included in trading portfolio</b>	<b>24,302</b>	<b>65,440</b>
<b>Risk-weighted assets (calculation basis for capital adequacy ratio)</b>	<b>9,191,333</b>	<b>8,047,573</b>
<b>Buffer requirements</b>		
Systemic risk buffer	275,740	241,427
Conservation buffer	229,783	201,189
Countercyclical buffer	183,827	160,951
<b>Total buffer requirement for common equity Tier 1 capital</b>	<b>689,350</b>	<b>603,568</b>
<b>Pillar 2 requirement 1.5% for common equity Tier 1 capital set by The Financial Supervisory Authority of Norway</b>	<b>137,870</b>	<b>120,714</b>
<b>Available Core Tier 1 capital net minimum requirement</b>	<b>612,273</b>	<b>657,300</b>
<b>Capital adequacy</b>		
Capital adequacy ratio	20.2%	21.7%
Tier 1 capital ratio	20.2%	21.7%
Common equity Tier 1 capital ratio	20.2%	21.7%
Leverage ratio	7.2%	7.7%

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 per cent 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 per cent and 17.0 per cent for primary capital as of year end 2018.



## 24. Classification of financial instruments

NOK thousands Balance 31.12.2018	Financial instruments measured at fair value through profit or loss	Available for sale	Financial assets and liabilities at amortised cost	Financial assets and liabilities at cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
<b>Assets</b>							
Loans to and claims on credit institutions			694,913				694,913
Loans to and claims on customers			24,647,400				24,647,400
Certificates, bonds and other interest-bearing securities	139,898						139,898
Deferred tax assets						2,258	2,258
Financial derivatives					66,303		66,303
Other assets			38,107			424	38,531
<b>Total assets</b>	<b>139,898</b>		<b>25,380,420</b>		<b>66,303</b>	<b>2,683</b>	<b>25,589,304</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions			3,636,007				3,636,007
Liabilities opened for the issue of securities			19,986,475				19,986,475
Financial derivatives					5,156		5,156
Other liabilities			61,388			46,966	108,354
<b>Total liabilities</b>			<b>23,683,870</b>		<b>5,156</b>	<b>46,966</b>	<b>23,735,991</b>
<b>Total equity</b>						<b>1,853,314</b>	<b>1,853,314</b>
<b>Total liabilities and equity</b>			<b>23,683,870</b>		<b>5,156</b>	<b>1,900,279</b>	<b>25,589,304</b>

NOK thousands Balance 31.12.2017	Financial instruments measured at fair value through profit or loss	Available for sale	Financial assets and liabilities at amortised cost	Financial assets and liabilities at cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
<b>Assets</b>							
Loans to and claims on credit institutions			804,529				804,529
Loans to and claims on customers			21,104,607				21,104,607
Certificates, bonds and other interest-bearing securities	140,002						140,002
Deferred tax assets						104	104
Financial derivatives					100,339		100,339
Other assets			36,789			421	37,210
<b>Total assets</b>	<b>140,002</b>		<b>21,945,926</b>		<b>100,339</b>	<b>525</b>	<b>22,186,793</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions			3,261,835				3,261,835
Liabilities opened for the issue of securities			17,076,000				17,076,000
Financial derivatives					6,186		6,186
Other liabilities			47,970			50,832	98,802
<b>Total liabilities</b>			<b>20,385,806</b>		<b>6,186</b>	<b>50,832</b>	<b>20,442,824</b>
<b>Total equity</b>						<b>1,743,969</b>	<b>1,743,969</b>
<b>Total liabilities and equity</b>			<b>20,385,806</b>		<b>6,186</b>	<b>1,794,801</b>	<b>22,186,793</b>

## 25. Risk and risk management

Gjensidige Bank Boligkreditt AS is exposed mainly to credit risk, market risk, liquidity risk and operational risk, where credit risk is the largest risk. The Board emphasises that the Company should have low risk, and limits have been established for all types of risks.

### Capital adequacy regulations

The capital regulations are built on three pillars:

- Pillar 1 Minimum capital requirements
- Pillar 2 ICAAP process for evaluation of the bank's total capital requirements
- Pillar 3 Requirements for the public disclosure of financial information

**Pillar 1:** The Company uses the standard method for reporting credit risk and the basic indicator approach for reporting operational risk.

**Pillar 2:** Gjensidige Bank ASA prepares the ICAAP document for the Gjensidige Bank Group. The ICAAP document is approved by the Board in the bank. Guidelines for ICAAP are approved by the Board. The document is prepared with broad involvement of management and specialists in the bank, as well the Board. The Board in Gjensidige Bank Boligkreditt AS is also involved as part of this process. The Board in Gjensidige Bank Boligkreditt AS has defined guidelines for common equity Tier 1 capital ratio, Tier 1 capital ratio and Capital adequacy ratio. These guidelines as in line with the requirements for Gjensidige Bank ASA and Gjensidige Bank Group, approved by the Board.

**Pillar 3:** Gjensidige Bank ASA has defined guidelines for the public disclosure of information, and they have been adopted by the Board. The Pillar 3 document is presented together with the annual report.

### Credit risk

Credit risk refers to the risk the Company faces in the event of a borrower's failure to repay a loan or credit or to meet their contractual obligations.

The Company's credit risk originates from residential mortgages to consumers in Norway. The Company is also exposed to credit risk through placements within the liquidity reserve. Risk exposure and development are continuously monitored and reported to the Board.

All loans are purchased from Gjensidige Bank ASA in accordance with regulatory requirements. At the time of purchase, the individual loans are required to be within 75 per cent of the approved value of the collateral. The value of the property is used as collateral for mortgage loans and this is updated quarterly. The value is set using estimates from Eiendomsverdi AS. Gjensidige Bank ASA provides loans to customers based on credit scores, combined with an individual assessment of their ability to repay the loan.

The handling of individual loan customers and the administration of loans are managed by Gjensidige Bank ASA in accordance with the SLA. The weighted loan to value ratio, indexed was 51.2 per cent for the portfolio. Approximately 65.0 per cent of the loan portfolio is within 60 per cent of collateral value.

As of 31 December 2018, the Company's gross lending was NOK 24,648.6 million and two loans were in default over 90 days. The loan portfolio is mainly secured by residences in Eastern Norway. The largest single exposure was NOK 9.2 million. Development of the loan portfolio is monitored through monthly credit risk reports with the focus on LTV, the development of property prices, geographical distribution, credit scores and delinquency.

The Company uses application score models and behaviour score models set by the bank. The models predict the probability of default for decisions related to top-ups, collections, group write-downs and other portfolio management decisions. With the help of these score models, the lending portfolios in the bank are grouped into risk classes, starting from the lowest risk to the worst

#### Credit risk liquidity portfolio by counterparty:

NOK thousands	AAA	AA	A	BBB	Unrated	31.12.2018	31.12.2017
	Fair value	Fair value	Fair value	Fair value			
Loans to and claims on credit institutions			694,913			694,913	804,529
State and government guaranteed bonds	61,596					61,596	61,797
Covered bonds	78,302					78,302	78,205
<b>Total</b>	<b>139,898</b>		<b>694,913</b>			<b>834,811</b>	<b>944,531</b>

#### Credit risk derivatives by counterparty:

NOK thousands	AAA	AA	A	BBB	Unrated	31.12.2018	31.12.2017
	Fair value	Fair value	Fair value	Fair value			
Other			61,147			61,147	94,153
<b>Total</b>			<b>61,147</b>			<b>61,147</b>	<b>94,153</b>

## 25. Risk and risk management (cont.)

The table below shows the lending portfolio and provisions as of 31 December 2018 and 31 December 2017 segmented by the risk groups:

31.12.2018 NOK million	Gross lending	Guarantees	Total off- balance commitments	Individual Provisions	Other exposure	Maximum credit exposure
Low	24,449		1,960			26,408
Medium	83		1			84
High	112		2			114
Not classified	3		1			4
impaired and written down	1					1
<b>Total</b>	<b>24,649</b>		<b>1,963</b>			<b>26,612</b>
Loss allowance	1					1
<b>Total net</b>	<b>24,647</b>		<b>1,963</b>			<b>26,611</b>

31.12.2017 NOK million	Gross lending	Guarantees	Total off- balance commitments	Individual Provisions	Other exposures	Maximum credit exposure
Low	20,855		1,825			22,679
Medium	106		1			107
High	140		2			142
Not classified	1		1			2
impaired and written down	3					3
<b>Total</b>	<b>21,105</b>		<b>1,828</b>			<b>22,933</b>
Loss allowance						
<b>Total net</b>	<b>21,105</b>		<b>1,828</b>			<b>22,933</b>

risk, based on their probability of default. They are then further grouped into three main risk groups: Low risk, Medium risk and High risk.

The portfolio risk is considered to be low.

In order to limit credit risk relating to the liquidity reserve, the Company has placements with solid counterparties and limits exposure to each of them. The liquidity reserve consists of bank placements with Gjensidige Bank ASA, treasury bills and covered bonds.

The Company's maximum credit exposure related to lending is NOK 26,610.7 million.

### Amortised cost:

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement. This category consists of mainly loans, deposits and liabilities opened for the issue of securities.

### Financial assets and liabilities at fair value through profit or loss:

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair value are recognised directly in the income statement in the item "Net result from financial instruments at fair value". The category consists of two sub-categories; Mandatorily measured at fair value through profit or loss and Designated at fair value through profit or loss (fair value option).

Mandatorily measured at fair value through profit or loss contain the banks liquidity portfolio, managed and reported at fair value, and derivatives.

### Financial assets at fair value through other comprehensive income:

Financial assets held to receive contractual cash flows and for sale shall be measured at fair value with changes in value taken over other comprehensive income. Interest income and write-downs should be recorded in the ordinary result. Mortgage loans to customers in the parent company (Gjensidige Bank ASA) is required to be measured at fair value over other comprehensive income, as loans can be held to maturity and sold to Gjensidige Bank Boligkreditt AS.



## Write-downs and losses

Since 1 January 2018, the Company has implemented provisioning models in line with IFRS9 requirements. The details of the guidelines followed by the bank under IFRS9 and the description of the provisioning models is given in Note 1 in accounting policies

Impairment provisions according to IFRS 9 are measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value with the changes in fair value recognised in other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly from the initial recognition or if the asset is classified as impaired, the provision should equal lifetime expected credit losses. Since 1 January 2018 this approach has been implemented replacing the earlier collective impairment models under IAS39.

A final write-off is recognised when it is evident that the loan will not be repaid and there is no collateral left to cover the loan. In such instances, any corresponding provision (write-down) will be reversed. In the event of a payment being received on a previously written-off loan, it is recognised as a recovery on a previously written-off loan.

During the year group provisions increased by NOK 0.3 million.

The Board considers the loss and the provision levels to be satisfactory.

## Market risk

Market risk is the risk of losses associated with movements in market prices, which, in this context, relates to positions and activities in the interest rate-, currency-, credit- and stock markets. The Company's financial strategy sets limits and guidelines for managing the market risk.

Risk exposure and development are continuously monitored and reported to the Board. The Company has no exposure to equities and no currency risk. The Company's exposure to interest rate risk shall be kept low, and the spread risk kept moderate in relation to the core capital.

Interest rate risk refers to the risk of a loss as a result of changes in the interest rate level. Risk arises from the Company's assets and liabilities having different remaining fixed interest periods. The Company manages interest rate risk by adapting the interest terms for assets and liabilities. In addition, derivatives are used for hedging. Interest rate risk exposure is measured in 'milli-years' (MY), which are assets and liabilities with fixed interest in NOK millions multiplied by the remaining fixed interest period. Net cumulative interest rate risk exposure over three months shall not exceed plus / minus 400 MY for any year range. Net interest rate risk exposure shall, within each time interval be within plus / minus 300 MY. However, for the interval three to 12 months, exposure within plus and minus 500 MY 300 is permitted. Interest rate risk under three months is measured and reported, but the exposure is not included in the interest risk limits. When the limit is fully utilised, the loss for the Company in the event of a one percentage point change in the yield curve will be NOK 5 million.

As of 31 December 2018, the Company has a positive interest rate exposure over 3 months of 43 MY.

Spread risk refers to the risk of a loss as a result of changes in credit spreads. The Company limits the spread risk on assets by in-

vesting in high quality securities with short maturity, where the value is expected to be less exposed to changes in the credit spread. The Company does not hedge the spread risk on its own bond issues.

## Concentration risk

Concentration risk is the risk of losses due to the Company having large parts of its lending tied to a single borrower or to limited geographic or business areas.

As of 31 December 2018, the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The largest exposure is about NOK 9.2 million. The exposure related to the ten largest loans (limit) is about NOK 83.0 million. The Company's liquidity reserves consist of bank deposits in parent company, securities issued by the Norwegian government and Norwegian covered bonds (OMF).

## Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet all its financial obligations on their due date, or be unable to finance assets, including desired growth, without a significant increase in financing costs. The Company's finance strategy set by the Board provides guidelines and limits for managing the Company's liquidity risk both inside and outside the company's cover pool. The Company shall have low liquidity risk.

The Company manages its liquidity risk by having a liquid securities portfolio and credit facilities in Gjensidige Bank ASA. It also matches the maturities of its assets and liabilities. The credit facility in Gjensidige Bank ASA shall be sufficient at all times to cover the total repayment of the outstanding bonds in the next 12 months. The Company had a long-term credit facility of up to NOK 2,000.0 million, as well as short-term vendor financing of up to NOK 4,000.0 million. Unutilised credit facilities amounted to NOK 2,364.0 million at the end of the year.

## Operational risk

Operational risk refers to the risk of a loss resulting from human errors, external events or fraud, deficiencies and/or inadequacies in the Company's internal systems, procedures or processes and compliance and reputational risk.

Services such as customer support and loan management, as well as day-to-day management and administrative services, are provided by Gjensidige Bank ASA and Gjensidige Forsikring ASA. The agreement is regulated by an SLA that sets requirements for quality and timely deliveries.

Company activities that are outsourced to the bank are also covered at monthly operational risk meetings ('Operational Risk Reviews'). Operational incidents, the development of AML activities, internal control self-assessment (RSCA) results, fraud development, IT / security and customer complaints are important focus areas at these meetings. The CEO of Gjensidige Bank ASA and CEO of Gjensidige Bank Boligkreditt AS attend these meetings together with key managers. In addition, quarterly internal control self-assessments (RCSA) are carried out to ensure that procedures and processes are followed for outsourced activities.

The annual risk assessment of Gjensidige Bank Boligkreditt AS is conducted by the CEO. The output of the risk assessment is reported to the Board.

The Company has appointed an independent investigator that monitors the register of issued bonds as required by the Financial Institutions Act. Regular reviews are conducted to ensure that the register is booked correctly. Findings are reported to the Financial Supervisory Authority.



## 26. Credit risk

### Credit exposure for loans

Mortgage customers are assessed in relation to their willingness and ability to repay their loans. Their ability to service the loans is calculated and the customers are risk assessed at the time of application. The loan to value ratio for customers in Gjensidige Bank Boligkreditt AS is less than 75 per cent at the time of transfer from Gjensidige Bank ASA.

The loans are secured through mortgages on residential property. The collateral is considered to be good and the portfolio has a low credit risk.

#### Commitments by customer groups

31.12.2018 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Average size of loans	Gross non- performing loans	Individual impairment	Net non- performing loans
Private individuals	24,648,610		1,963,344	26,611,953	2,016	2,591		2,591
<b>Total</b>	<b>24,648,610</b>		<b>1,963,344</b>	<b>26,611,953</b>	<b>2,016</b>	<b>2,591</b>		<b>2,591</b>
- Group write-downs	1,210			1,210				
+ other changes in value								
<b>Total loans and receivables to/from customers</b>	<b>24,647,400</b>		<b>1,963,344</b>	<b>26,610,743</b>	<b>2,016</b>	<b>2,591</b>		<b>2,591</b>

#### Loans by geographical area based on the collateral address

31.12.2018 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
Eastern Norway	15,577,507		1,121,625	16,699,132			
Western Norway	4,809,787		492,152	5,301,939	2,591		2,591
Central Norway	2,582,623		210,949	2,793,572			
Northern Norway	1,183,672		81,367	1,265,039			
Southern Norway	495,020		57,251	552,271			
Abroad							
<b>Total</b>	<b>24,648,610</b>		<b>1,963,344</b>	<b>26,611,953</b>	<b>2,591</b>		<b>2,591</b>

#### Total commitments by remaining maturity

31.12.2018 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
1 month							
1-3 months	1,103		12	1,115			
3-12 months	1,973		26	1,999			
1-5 years	192,945		(8)	192,938			
More than 5 years	24,452,589		1,963,313	26,415,902	2,591		2,591
<b>Total</b>	<b>24,648,610</b>		<b>1,963,344</b>	<b>26,611,953</b>	<b>2,591</b>		<b>2,591</b>



## 26. Credit risk (cont.)

### Age analysis of loans that are due

31.12.2018 NOK thousands	Loans and receivables to/ from customers	Guarantees	Accrued interest	Total commitments
Default 1 - 29 days	155,560		131	155,691
Default 30 - 59 days	1			1
Default 60 - 89 days	2,596		19	2,615
Default 90+ days	2,591		41	2,632
<b>Total</b>	<b>160,748</b>		<b>191</b>	<b>160,939</b>

### Overdue loans over 90 days by geographical area

Eastern Norway				
Western Norway	2,591		41	2,632
Central Norway				
Northern Norway				
<b>Total</b>	<b>2,591</b>		<b>41</b>	<b>2,632</b>

Only non-performing loans are classified by geographical area in this overview. Commitments are deemed to be in default when credit is overdrawn for more than 90 days and the amount is at least NOK 1,000.

### Credit risk by customer groups

31.12.2018 NOK thousands	Total loans with impairment	Total commitments	Total value changes	Total impairment	Total value changes over income statement
Private individuals	2,632	26,611,953			
<b>Total</b>	<b>2,632</b>	<b>26,611,953</b>			

### Commitments by customer groups

31.12.2017 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Average size of loans	Gross non- performing loans	Individual impairment	Net non- performing loans
Private individuals	21,105,527		1,828,251	22,933,778	1,726	2,643		2,643
<b>Total</b>	<b>21,105,527</b>		<b>1,828,251</b>	<b>22,933,778</b>	<b>1,726</b>	<b>2,643</b>		<b>2,643</b>
- Group write-downs	919			919				
+ other changes in value								
<b>Total loans and receivables to/from customers</b>	<b>21,104,607</b>		<b>1,828,251</b>	<b>22,932,858</b>	<b>1,726</b>	<b>2,643</b>		<b>2,643</b>

### Loans by geographical area based on the collateral address

31.12.2017 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
Eastern Norway	13,490,255		1,032,784	14,523,039	702		702
Western Norway	4,139,341		464,670	4,604,010	1,942		1,942
Central Norway	2,113,142		202,894	2,316,036			
Northern Norway	973,283		78,422	1,051,705			
Southern Norway	389,506		49,481	438,987			
Abroad							
<b>Total</b>	<b>21,105,527</b>		<b>1,828,251</b>	<b>22,933,778</b>	<b>2,643</b>		<b>2,643</b>



## 26. Credit risk (cont.)

### Total commitments by remaining maturity

31.12.2017 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
1 month	3			3			
1-3 months	127			127			
3-12 months	2,633			2,633			
1-5 years	151,907		28	151,935			
More than 5 years	20,950,857		1,828,223	22,779,080	2,643		2,643
<b>Total</b>	<b>21,105,527</b>		<b>1,828,251</b>	<b>22,933,778</b>	<b>2,643</b>		<b>2,643</b>

### Age analysis of loans that are due

31.12.2017 NOK thousands	Loans and receivables to/ from customers	Guarantees	Accrued interest	Total commitments
Default 1 - 29 days		206,842	456	207,298
Default 30 - 59 days				
Default 60 - 89 days		1,497	12	1,509
Default 90+ days		2,643	45	2,688
<b>Total</b>		<b>210,983</b>	<b>513</b>	<b>211,496</b>

### Overdue loans over 90 days by geographical area

Eastern Norway	702	45	746
Western Norway	1,942		1,942
Central Norway			
Northern Norway			
<b>Total</b>	<b>2,643</b>	<b>45</b>	<b>2,688</b>

Only non-performing loans are classified by geographical area in this overview. Commitments are deemed to be in default when credit is overdrawn for more than 90 days and the amount is at least NOK 1,000.

### Credit risk by customer groups

31.12.2017 NOK thousands	Total loans with impairment	Total commitments	Total value changes	Total impairment	Total value changes over income statement
Private individuals		22,933,778			
<b>Total</b>		<b>22,933,778</b>			



## 27. Liquidity risk

As of 31 December 2018, the Company had net liquid assets of NOK 834.8 million, divided between NOK 694.9 million in bank deposits, NOK 78.3 million in covered bonds and NOK 61.6 million in treasury bills.

In addition the Company has credit facility agreements with the parent company.

31.12.2018 NOK thousands	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	No fixed maturity	Total
Loans to and claims on credit institutions	694,913						694,913
Loans to and claims on customers	35,872	71,584	329,398	1,936,228	28,172,828	3,600,864	34,146,774
Certificates, bonds and other interest-bearing securities		374	140,592				140,966
Other financial assets	38,107					66,303	104,410
Derivatives – gross inflows			52,625	117,425	43,200		213,250
<b>Total financial assets</b>	<b>768,892</b>	<b>71,958</b>	<b>522,615</b>	<b>2,053,653</b>	<b>28,216,028</b>	<b>3,667,167</b>	<b>35,300,313</b>
Liabilities to credit institutions	4,838	9,677	1,678,247	2,034,000			3,726,762
Liabilities opened for the issue of securities		80,004	1,374,607	18,956,406	643,200		21,054,217
Unused credit facilities	1,963,344						1,963,344
Derivatives – gross outflows		6,752	20,382	56,357	17,232		100,723
<b>Total financial liabilities</b>	<b>1,968,182</b>	<b>96,433</b>	<b>3,073,237</b>	<b>21,046,763</b>	<b>660,432</b>		<b>26,845,046</b>

31.12.2017 NOK thousands	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	No fixed maturity	Total
Loans to and claims on credit institutions	804,529						804,529
Loans to and claims on customers	114,466	225,280	1,023,835	5,939,284	18,602,217		25,905,082
Certificates, bonds and other interest-bearing securities	30,231	32	102,370	8,063			140,696
Other financial assets	36,789					100,339	137,128
Derivatives – gross inflows			52,625	148,450	64,800		265,875
<b>Total financial assets</b>	<b>986,016</b>	<b>225,312</b>	<b>1,178,830</b>	<b>6,095,798</b>	<b>18,667,017</b>	<b>100,339</b>	<b>27,253,311</b>
Liabilities to credit institutions	3,432	6,863	1,291,920	2,025,600			3,327,815
Liabilities opened for the issue of securities		50,778	604,575	14,619,232	2,678,274		17,952,860
Unused credit facilities	1,828,251						1,828,251
Derivatives – gross outflows		5,142	15,387	55,426	21,584		97,539
<b>Total financial liabilities</b>	<b>1,831,683</b>	<b>62,783</b>	<b>1,911,883</b>	<b>16,700,258</b>	<b>2,699,858</b>		<b>23,206,465</b>

The figure includes interest. The current interest rate at the end of the year is used to calculate the interest costs.



## 28. Sensitivity analysis

A change in the market risk that occurs within one year will affect the result and equity as shown below based on the balance sheet at 31 December 2018.

### Effect on income statement / equity

2018	Interest	
	-1.5%	1.5%
<b>NOK thousands</b>		
Asset swap	(59,214)	59,214
Loans to and receivables from credit institutions	(7,818)	7,818
Loans to and receivables from customers	(245,301)	245,301
Interest-bearing securities	(1,211)	1,211
Liabilities to credit institutions	40,905	(40,905)
Liabilities opened for the issue of securities (variable interest)	181,568	(181,568)
Liabilities opened for the issue of securities (fixed interest)	59,214	(59,214)
<b>Total</b>	<b>(31,856)</b>	<b>31,856</b>
2017	Interest	
	-1.5%	1.5%
<b>NOK thousands</b>		
Asset swap	(75,527)	75,527
Loans to and receivables from credit institutions	(9,051)	9,051
Loans to and receivables from customers	(210,041)	210,041
Interest-bearing securities	(1,212)	1,212
Liabilities to credit institutions	36,696	(36,696)
Liabilities opened for the issue of securities (variable interest)	152,982	(152,982)
Liabilities opened for the issue of securities (fixed interest)	75,527	(75,527)
<b>Total</b>	<b>(30,626)</b>	<b>30,626</b>

This note shows the effect over a 12 month period of an immediate parallel change in interest rates of + 1.5 per cent and - 1.5 per cent.



## 29. Equity-based remuneration

### Description of the share-based payment scheme

As at 31 December 2018, Gjensidige has the following share-based payment arrangements.

#### Share-based remuneration for executive personnel with settlement in equity and cash (remuneration scheme)

As described in the Board's statement on salaries and other remuneration in Note 5, half of the variable remuneration should be given in form of shares in Gjensidige Forsikring ASA, one third of which can be sold in each of the following three years. Of this, rather on the big side 50 per cent is distributed as equity and only just 50 per cent is distributed as cash in order to pay tax liabilities (net of tax settlement).

The fair value at the grant date is measured based on the market price. The amount is recognised as payroll expenses at grant date with a corresponding increase in other paid-in equity, both for the part that is settled in equity and for the part that is settled in cash to cover the tax obligations. No specific company-related or market-related entitlement criteria apply to the shares, but the Company may carry out a reassessment if subsequent results and development suggest that the bonus was based on incorrect assumptions. The expected allocation is set to 100 per cent. No adjustment is made to the value of the cash-settled share based on the share price at the reporting date. The number of shares is adjusted for dividend paid.

#### Equity-settled share savings program for employees

Gjensidige has established a share savings programme for employees of the Group with the exception of employees of Gjensidige Baltic. All employees are given an opportunity to save an annual

amount of up to NOK 75,000. Savings take the form of fixed deductions from salary that is used to buy shares four times a year. The employees are offered a discount in the form of a contribution of 20 per cent, limited upwards to NOK 3,000 kroner per year, which corresponds to the maximum tax-exempt discount. Employees will receive one bonus share for every four shares they have owned for more than two years, provided that they are still employed by the Company or have become retired. No other vesting conditions exists in this arrangement.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation with a corresponding increase in other paid-in equity. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years, with a corresponding increase in other paid-in equity.

#### Fair value measurement

The fair value of the shares allocated through the share-based payment for executive personnel and the cash to cover the tax obligations is calculated on the basis of the share price at grant date. The amount is recognised immediately.

Fair value of the bonus shares allocated through the share savings program is calculated on the basis of the share price at grant date, taking into account the likelihood of the employee still being employed after two years and that he/she has not sold his/her shares during the same two-year period. The amount is recognised during the vesting period which is two years.

The following assumptions were used in the calculation of fair value at the time of calculation

	Remuneration scheme		Share savings programme	
	2018	2017	2018	2017
Weighted average share price (NOK)	149.10	135.00	130.55	139.26
Expected turnover	N/A	N/A	10%	10%
Expected sale	N/A	N/A	5%	5%
Lock-in period (years)	3	3	2	2
Expected dividend (NOK per share) <sup>1</sup>	5.15	6.57	5.15	6.57

<sup>1</sup>The expected return is based on the Group's actual profit/loss after tax expense as of the third quarter, grossed up to a full year, plus the maximum distribution of dividend corresponding to 70 per cent of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

#### Personnel expenses

NOK thousands	31.12.2018	31.12.2017
Share-based remuneration	68	67
Share savings programme for employees	10	10
<b>Total</b>	<b>78</b>	<b>77</b>



## 29. Equity-based remuneration (cont.)

	Number of bonus shares 2018	Number of bonus shares 2017
<b>Share savings programme</b>		
Outstanding 1.1.	114	103
Granted during the period	74	65
Movement to (from) during the period		
Released	(49)	(54)
Cancelled during the period		
Forfeited during the period		
Exercised during the period		
Expired during the period		
<b>Outstanding 31.12</b>	<b>139</b>	<b>114</b>
<b>Exercisable 31.12.</b>	<b>0</b>	<b>0</b>
Average remaining life on outstanding bonus shares	1.02	1.00
Weighted average fair value of allocated bonus shares	115.89	120.27
Weighted average share price of bonus shares exercised during the period	130.55	139.43
The weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.		

Remuneration scheme	Number of cash-settled shares		Number of cash-settled shares	
	Number of shares 2018	2018	Number of shares 2017	2017
Outstanding 1.1.	953	861	997	912
Granted during the period	453	396	437	384
Forfeited during the period				
Cancelled during the period				
Exercised during the period	(487)	(442)	(525)	(480)
Expired during the period				
Modification dividend during the period	43	43	44	45
<b>Outstanding 31.12</b>	<b>962</b>	<b>858</b>	<b>953</b>	<b>861</b>
<b>Exercisable 31.12.</b>				
<b>Average remaining life</b>	<b>0.71</b>	<b>0.71</b>	<b>0.75</b>	<b>0.74</b>
			<b>2018</b>	<b>2017</b>
Weighted average fair value of allocated shares <sup>2</sup>			149.10	135.00
Weighted average share price of bonus shares exercised during the period			147.91	133.53
The value of shares granted that are to be cash-settled			135.20	154.90
<sup>2</sup> The fair value is calculated based on the market value of the share at the time of allocation.				



## Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the annual report and financial statements for Gjensidige Bank Boligkreditt AS for the calendar year 2018 and as of 31 December 2018 (Annual Report 2018).

We declare that, to the best of our knowledge, the financial statements for 2018 have been prepared in accordance with IFRS as adopted by the EU, and in accordance with additional requirements set out in the Accounting Act, and taking into account the

limitations of accounting regulations for banks, credit institutions and financing companies. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the annual 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 company in the next accounting period.

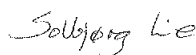
Oslo, 31 January 2019

The Board of Gjensidige Bank Boligkreditt AS

  
Jørgen Ringdal  
Chair

  
Erik Ranberg

  
Sirianne Haaje Nes

  
Solbjørg Lie

  
Jan Kåre Raae  
CEO



# Auditor's report



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To the General Meeting of Gjensidige Bank Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Gjensidige Bank Boligkreditt AS which comprise the balance sheet as at 31 December 2018, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Organisasjonsnummer: 980 21 1282

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## Auditor's report

**Deloitte**

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Gjensidige Bank Boligkreditt AS

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.



## Auditor's report

**Deloitte**

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*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 31 January 2019  
Deloitte AS

**Eivind Skaug**  
State Authorised Public Accountant (Norway)

Revisors Dokumentreferanse: DS/PT/2019/0845/AYU/36416/002/475387



## Auditor's report

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**Eivind Skaug**  
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Gjensidige Bank ASA, a wholly-owned subsidiary of Gjensidige Forsikring ASA, offers digital day-to-day-banking services, home lending, financing and savings.

Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 3900 employees and offer insurance, banking and pension in Norway and insurance in Denmark, Sweden and the Baltic states. The Group's operating income was NOK 26 billion in 2018, while total assets were NOK 157 billion.

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