



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

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: 13.02.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

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 | 2019 | 2018 |
|--|------|--------------------|--------------------|
| RESULTATREGNSKAP | | | |
| Renteinntekter og lignende inntekter | | | |
| Renter og lignende inntekter av utlån til og fordringer på kredittinstitusjoner | 4 | 12 992 000 | 10 467 000 |
| Renter og lignende inntekter av utlån til og fordringer på kunder | 4 | 521 116 000 | 486 362 000 |
| Renter og lignende inntekter av sertifikater, obligasjoner og andre rentebærende verdipapirer | 4 | 454 000 | 1 697 000 |
| Sum renteinntekter og lignende inntekter | | 534 562 000 | 498 526 000 |
| Rentekostnader og lignende kostnader | | | |
| Renter og lignende kostnader på gjeld til kredittinstitusjoner | 4 | | 147 000 |
| Renter og lignende kostnader på utstedte verdipapirer | 4 | 371 989 000 | 277 322 000 |
| Andre rentekostnader og lignende kostnader | 4 | 45 958 000 | 53 953 000 |
| Sum rentekostnader og lignende kostnader | | 417 947 000 | 331 422 000 |
| Netto rente- og kredittprovisjonsinntekter | | 116 615 000 | 167 104 000 |
| Utbytte og andre inntekter av verdipapirer med variabel avkastning | | | |
| Sum utbytte og andre inntekter av verdipapirer med variabel avkastning | | 0 | 0 |
| Provisjonsinntekter og inntekter fra banktjenester | | | |
| Andre gebyrer og provisjonsinntekter | | 2 310 000 | 2 338 000 |
| Sum provisjonsinntekter og inntekter fra banktjenester | | 2 310 000 | 2 338 000 |
| Provisjonskostnader og kostnader ved banktjenester | | | |
| Sum provisjonskostnader og kostnader ved banktjenester | | 0 | 0 |
| Netto verdiendring og gevinst/tap på valuta og verdipapirer som er omløpsmidler | | | |
| Netto verdiendring og gevinst/tap på sertifikater, obligasjoner og andre rentebærende verdipapirer | | -4 000 | -6 928 000 |
| Sum netto verdiendring og gevinst/tap på valuta og verdipapirer som er omløpsmidler | | -4 000 | -6 928 000 |
| Andre driftsinntekter | | | |
| Andre driftsinntekter | | 917 000 | 917 000 |



Resultatregnskap

| Beløp i: NOK | Note | 2019 | 2018 |
|---|------|--------------------|--------------------|
| Sum andre driftsinntekter | | 917 000 | 917 000 |
| Lønn og generelle administrasjonskostnader | | | |
| Lønn | 5 | 1 775 000 | 2 134 000 |
| Pensjoner | 5 | 184 000 | 193 000 |
| Sosiale kostnader | 5 | 340 000 | 412 000 |
| Lønn m.v. | | 2 299 000 | 2 739 000 |
| Administrasjonskostnader | 5 | 435 000 | 433 000 |
| Sum lønn og generelle administrasjonskostnader | | 2 734 000 | 3 172 000 |
| Avskrivninger m.v. av varige driftsmidler og immaterielle eiendeler | | | |
| Sum avskrivninger m.v. av varige driftsmidler og immaterielle eiendeler | | 0 | 0 |
| Andre driftskostnader | | | |
| Andre driftskostnader | 5 | 14 572 000 | 14 348 000 |
| Sum andre driftskostnader | | 14 572 000 | 14 348 000 |
| Tap på utlån, garantier m.v. | | | |
| Tap på utlån | 6 | 380 000 | 291 000 |
| Sum tap på utlån, garantier m.v. | | 380 000 | 291 000 |
| Nedskrivning/reversering av nedskrivning og gevinst/tap på verdipapirer som er anleggsmidler | | | |
| Sum nedskrivning/reversering av nedskrivning og gevinst/tap på verdipapirer som er anleggsmidler | | 0 | 0 |
| Resultat av ordinær drift | | 102 152 000 | 145 620 000 |
| Skatt på ordinært resultat | 7 | 25 538 000 | 36 405 000 |
| Resultat av ordinær drift etter skatt | | 76 614 000 | 109 215 000 |
| Resultat av ekstraordinære poster | | 0 | 0 |
| Resultat for regnskapsåret | | 76 614 000 | 109 215 000 |
| Overføringer og disponeringer | | | |
| Overført til sparebankens fond | | 76 614 000 | 109 215 000 |



Resultatregnskap

| Beløp i: NOK | Note | 2019 | 2018 |
|-----------------------------------|-------------|-------------|-------------|
| Sum disponeringer og overføringer | | 76 614 000 | 109 215 000 |



Balanse

| Beløp i: NOK | Note | 2019 | 2018 |
|--|------|-----------------------|-----------------------|
| BALANSE - EIENDELER | | | |
| Utlån til og fordringer på kredittinstitusjoner | | | |
| Utlån til og fordringer på kredittinstitusjoner uten avtalt løpetid eller oppsigelsesfrist | 9 | 513 847 000 | 694 913 000 |
| Sum netto utlån og fordringer på kredittinstitusjoner | | 513 847 000 | 694 913 000 |
| Utlån til og fordringer på kunder | | | |
| Factoring | | 0 | 0 |
| Nedbetalingslån | 6,10 | 21 864 705 000 | 24 648 610 000 |
| Uspesifiserte tapsavsetninger | 6,10 | 1 589 000 | 1 210 000 |
| Sum netto utlån og fordringer på kunder | | 21 863 116 000 | 24 647 400 000 |
| Sertifikater, obligasjoner og andre rentebærende verdipapirer med fast avkastning | | | |
| Sertifikater og obligasjoner | 11 | 85 945 000 | 61 551 000 |
| Utstedt av det offentlige | | 85 945 000 | 61 551 000 |
| Sertifikater og obligasjoner | 11 | 78 431 000 | 78 347 000 |
| Utstedt av andre | | 78 431 000 | 78 347 000 |
| Sum sertifikater, obligasjoner og andre rentebærende verdipapirer med fast avkastning | | 164 376 000 | 139 898 000 |
| Aksjer, andeler og andre verdipapirer med variabel avkastning | | | |
| Sum aksjer, andeler og andre verdipapirer med variabel avkastning | | 0 | 0 |
| Eierinteresser i tilknyttede selskaper | | | |
| Sum eierinteresser i tilknyttede selskaper | | 0 | 0 |
| Eierinteresser i konsernselskaper | | | |
| Sum eierinteresser i konsernselskaper | | 0 | 0 |
| Immaterielle eiendeler | | | |
| Utsatt skattefordel | 7 | 243 000 | 2 258 000 |
| Sum immaterielle eiendeler | | 243 000 | 2 258 000 |



Balanse

| Beløp i: NOK | Note | 2019 | 2018 |
|---|-------|-----------------------|-----------------------|
| Varige driftsmidler | | | |
| Sum varige driftsmidler | | 0 | 0 |
| Andre eiendeler | | | |
| Finansielle derivater | 12,24 | 40 629 000 | 66 303 000 |
| Sum andre eiendeler | | 40 629 000 | 66 303 000 |
| Forskuddsbetalte ikke påløpte kostnader og opptjente ikke mottatte inntekter | | | |
| Opptjente ikke mottatte inntekter | 8 | 41 198 000 | 38 108 000 |
| Forskuddsbetalte ikke påløpte kostnader | 8 | 63 000 | 424 000 |
| Sum forskuddsbetalte ikke påløpte kostnader og opptjente ikke mottatte inntekter | | 41 261 000 | 38 532 000 |
| SUM EIENDELER | | 22 623 472 000 | 25 589 304 000 |
| BALANSE - GJELD OG EGENKAPITAL | | | |
| GJELD | | | |
| Gjeld til kredittinstitusjoner | | | |
| Lån og innskudd fra kredittinstitusjoner uten avtalt løpetid eller oppsigelsesfrist | 13,21 | 1 728 317 000 | 3 636 007 000 |
| Sum gjeld til kredittinstitusjoner | | 1 728 317 000 | 3 636 007 000 |
| Innskudd fra og gjeld til kunder | | | |
| Sum innskudd fra og gjeld til kunder | | 0 | 0 |
| Gjeld stiftet ved utstedelse av verdipapirer | | | |
| Obligasjonsgjeld | 14,16 | 18 860 857 000 | 19 986 475 000 |
| Sum gjeld stiftet ved utstedelse av verdipapirer | | 18 860 857 000 | 19 986 475 000 |
| Annen gjeld | | | |
| Finansielle derivater | 14,24 | 4 086 000 | 5 156 000 |
| Annen gjeld | 17 | 76 698 000 | 69 793 000 |
| Sum annen gjeld | | 80 784 000 | 74 949 000 |
| Påløpte kostnader og mottatt ikke opptjente inntekter | 7 | 23 523 000 | 38 559 000 |



Balanse

| Beløp i: NOK | Note | 2019 | 2018 |
|---|------|-----------------------|-----------------------|
| Avsetninger for påløpte kostnader og forpliktelser | | | |
| Sum avsetninger for påløpte kostnader og forpliktelser | | 0 | 0 |
| Ansvarlig lånekapital | | | |
| Sum ansvarlig lånekapital | | 0 | 0 |
| Sum gjeld | | 20 693 481 000 | 23 735 990 000 |
| EGENKAPITAL | | | |
| Innskutt egenkapital | | | |
| Aksjekapital/grunnfondsbeviskapital | | 221 000 000 | 221 000 000 |
| Selskapskapital | | 221 000 000 | 221 000 000 |
| Overkursfond | | 999 020 000 | 999 020 000 |
| Sum innskutt egenkapital | | 1 220 020 000 | 1 220 020 000 |
| Opptjent egenkapital | | | |
| Annen egenkapital | | 709 971 000 | 633 294 000 |
| Sum opptjent egenkapital | | 709 971 000 | 633 294 000 |
| Sum egenkapital | | 1 929 991 000 | 1 853 314 000 |
| SUM GJELD OG EGENKAPITAL | | 22 623 472 000 | 25 589 304 000 |
| POSTER UTENOM BALANSEN | | | |
| Betingede forpliktelser | 18 | 1 972 755 000 | 1 963 344 000 |



Skattedirektoratet

| | | |
|---------------------------|-----------------|---------------|
| Saksbehandler | Deres dato | Vår dato |
| Torstein Kinden Helleland | 06.06.2016 | 23.08.2016 |
| Telefon | Deres referanse | Vår referanse |
| 22078139 | Are Fuglehaug | 2016/540322 |

GJENSIDIGE FORSIKRING ASA
Postboks 700 Sentrum
0106 OSLO

Søknad om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 6. juni 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Gjensidige Bank ASA org. nr. 990 323 429
Gjensidige Bank Boligkreditt AS org. nr. 994 000 845
Gjensidige Pensjonsforsikring AS org. nr. 988 343 773

Bakgrunn

Selskapene inngår i Gjensidige konsern hvor konsernspiss er Gjensidige Forsikring ASA. Ettersom Gjensidige konsern har virksomhet i flere land, herunder Norge, Danmark, Sverige og de tre baltiske land, er konsernets arbeidsspråk i økende grad engelsk. Videre har konsernet ansatte fra mange nasjoner, slik at det allerede i dag er noen virksomhetsområder som utelukkende har engelsk som arbeidsspråk.

Gjensidige Forsikring ASA har dispensasjon fra språkkravet i verdipapirhandelloven § 5-13. Gjensidige Bank ASA og Gjensidige Bank Boligkreditt AS har utstedt obligasjoner som er notert på markedsplassen Nordic ABM. Gjensidige Pensjonsforsikring AS er i prosess med å utstede obligasjoner på samme markedsplass. Regelverket til obligasjoner notert på Nordic ABM gir adgang til utsteder å kunne sende børsmeldinger på engelsk. Selskapene har som følge av dette kun sendt børsmeldinger på engelsk. Obligasjonenes investorer består av en stor del av utenlandske investorer som ikke behersker norsk. Den norske investorgruppen antas å beherske engelsk på en god måte, slik at denne gruppen ikke vil bli skadelidende dersom årsrapport og årsberetning kun blir utarbeidet på engelsk.

Gjensidige konsern er en viktig markedsaktør og har en stor markedsandel i Norge. Den private forbruker som har interesse i å tilegne seg informasjon om Gjensidige konsern må kunne gjøre dette på en lettfattelig måte. Selv om årsrapport og årsberetning til selskapene kun vil bli utarbeidet på engelsk, vil tilsvarende rapporter for de øvrige selskapene i Gjensidigekonsernet i Norge fremdeles bli utarbeidet på både norsk og engelsk. I disse rapportene vil det fremdeles være mulig å tilegne seg informasjon om selskapene. Det er på

| | | |
|------------------------|--|-------------|
| Postadresse | Besøksadresse: | Sentralbord |
| Postboks 9200 Grønland | Se www.skatteetaten.no | 800 80 000 |
| 0134 Oslo | Org.nr: 996250318 | Telefaks |
| | E-post: skatteetaten.no/sendepost | 22 17 08 60 |



denne bakgrunn konsernets vurdering at Gjensidige fremdeles sikrer tilstrekkelig informasjon til samtlige som ønsker å tilegne seg informasjon om Gjensidige konsern, samt det enkelte selskap i konsernet.

Regelverk

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Gjensidige Bank ASA og Gjensidige Pensjonsforsikring AS

Skattedirektoratet er innforstått med at Gjensidige Bank ASA og Gjensidige Pensjonsforsikring AS har behov for å ha sitt årsregnskap og årsberetning på engelsk. Det er også opplyst at de mest sentrale brukerne av selskapets årsregnskap og årsberetning etter formodningen ikke vil ha behov for at disse utarbeides på norsk. Gjensidige Bank ASA har utstedt obligasjoner som er notert på markedsplassen Nordic ABM. Gjensidige Pensjonsforsikring AS er i prosess med å utstede obligasjoner på samme markedsplass. Regelverket til obligasjoner notert på Nordic ABM gir adgang til utsteder å kunne sende børsmeldinger på engelsk.

Det er særlig hensynet til brukerne av regnskapsinformasjonen som skal vurderes ved dispensasjonsbehandlingen. I dette tilfelle mener Skattedirektoratet at selskapene har en så stor betydning og posisjon i det norske samfunnet generelt at kretsen av regnskapsbrukere må defineres vidt. Dette forsterkes av at selskapene også retter seg mot privatkunder, og derfor har en stor krets



av norske private kunder. Det ligger et klart ønske i regnskapslovens krav om at disse dokumentene skal utarbeides på norsk.

Med den sentrale posisjonen selskapene har i Norge, og interessen for selskapene som finnes i brede lag av den norske befolkningen, finner Skattedirektoratet derfor ikke å kunne gi dispensasjon fra kravet om at årsregnskapet og årsberetningen skal utarbeides på norsk for Gjensidige Bank ASA og Gjensidige Pensjonsforsikring AS. Dette er også i henhold til Skattedirektoratets dispensasjonspraksis. Selskapene har med dette fått avslag på søknaden.

Vedtak truffet av Skattedirektoratet i saker som gjelder bestemmelsene i regnskapsloven kan påklages til Finansdepartementet etter forvaltningsloven § 28. Klagen må fremsettes skriftlig til Skattedirektoratet innen tre uker fra tidspunktet selskapet mottar dette brevet.

Gjensidige Bank Boligkreditt AS

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Gjensidige Bank Boligkreditt AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapets virksomhet er konsernintern og medfører ingen kontakt med privatkunder. Videre er det vektlagt at selskapet er et heleid datterselskap og at eierkretsen er begrenset. Selskapet har obligasjoner notert på Nordic ABM som gir adgang til utsteder å kunne sende børsmeldinger på engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



Nordea

Annual report 2019

Gjensidige Bank Boligkreditt



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

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



Contents

| | Page | | Page |
|--|-------------|---|-------------|
| The Board's Report for Gjensidige Bank Boligkreditt AS | 3 | 14. Liabilities opened for the issue of securities | 32 |
| Income statement | 9 | 15. Liabilities from financing activities | 32 |
| Statement of comprehensive income | 9 | 16. Hedge accounting | 32 |
| Balance sheet | 10 | 17. Provisions and other liabilities | 34 |
| Statement of changes in equity | 11 | 18. Off-balance sheet commitments and contingent liabilities | 34 |
| Statement of cash flows | 12 | 19. Fair value of financial instruments | 35 |
| Accounting policies | 13 | 20. Cover pool | 39 |
| Notes | | 21. Related parties | 40 |
| 1. Equity | 20 | 22. Events after the balance sheet day | 40 |
| 2. Critical accounting estimates and judgements | 20 | 23. Capital adequacy | 41 |
| 3. Segment information | 21 | 24. Classification of financial instruments | 42 |
| 4. Net interest income | 22 | 25. Risk and risk management | 43 |
| 5. Operating expenses | 22 | 26. Credit risk | 47 |
| 6. Write-downs and losses on loans | 25 | 27. Liquidity risk | 50 |
| 7. Tax expense | 29 | 28. Sensitivity analysis | 51 |
| 8. Other assets | 29 | 29. Equity based remuneration | 52 |
| 9. Loans to and receivables from credit institutions | 30 | | |
| 10. Analysis of loans | 30 | Other information | |
| 11. Interest-bearing securities | 31 | Declaration from the Board and CEO | 54 |
| 12. Financial derivatives | 31 | Auditor's report | 55 |
| 13. Liabilities to credit institutions | 31 | | |

About the reporting

A web-based annual report is published on www.nordea.com/en/investor-relations/.
The annual report will not be printed.



The Board's Report for Gjensidige Bank Boligkreditt AS

The business

Gjensidige Bank Boligkreditt AS (herein called the Company) is a wholly owned subsidiary of Gjensidige Bank ASA. The Company's registered business address is in Oslo. Gjensidige Bank ASA is a wholly owned subsidiary of Nordea Bank Abp. The sale of Gjensidige Bank ASA to Nordea Bank Abp was finalized on 1 March 2019.

The Company is licensed by the Financial Supervisory Authority of Norway to issue covered bonds. The objective is to provide 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 2019, the Company had issued covered bonds with a total face value of NOK 18,800.0m, divided between NOK 16,314.0m placed in the market and NOK 2,486.0m on the parent Company's balance sheet. The covered bonds have an average remaining maturity of approximately 2.0 years, rated AAA by Standard & Poor's.

At the end of 2019, the Company had 12,532 mortgages with an outstanding balance of NOK 21,864.7m. The loan portfolio is of high quality. The weighted loan-to-value ratio, indexed, was 48.6%.

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 the basis for the going concern assumption and that the annual accounts have been prepared on that basis.

Previous year's figures are shown in brackets.

In 2019, the Company made a profit after tax expense of NOK 76.6m (NOK 109.2m). The decrease was mainly driven by lower interest margin.

Net interest income for 2019 amounted to NOK 116.6m (NOK 167.1m).

Net commission income and other operating income amounted to NOK 3.2m (NOK negative 3.7m). The improvement is mainly driven due to cost related to repurchasing of own covered bond in 2018.

The net interest margin¹ was 0.49% (0.70%).

In 2019, operating expenses totalled NOK 17.3m (NOK 17.5m). Most of the expenses are related to Transfer and Servicing Agreement with Gjensidige Bank ASA.

The cost/income ratio 14.4% (10.7%).

Write-downs and losses

The Company uses the banking Group's guidelines for assessing and recognizing loan impairments, which are recognized in accordance with IFRS9 using an expected loss model. The loan losses were NOK 0.4m (NOK 0.3m). The balance of loss allowance amounted to NOK 1.6m (NOK 1.2m). At the end of 2019, the Company had five loans in default over 90 days.

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

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



Balance sheet

At the end of 2019, the Company had total assets amounting to NOK 22,623.5m (NOK 25,589.3m). The Company is mainly funded by covered bonds issued in the Norwegian market.

Lending

At the end of 2019, gross lending totalled NOK 21,864.7m (NOK 24,648.6m).

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 1.7m per loan at the end of 2019. The largest single exposure was NOK 9.0m and 15.8% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 22.7% of the lending portfolio consisted of loans with credit lines (fleksilån).

The loan portfolio had a weighted loan-to-value ratio, indexed, of 48.6% (51.2%) at the end of 2019. The value of the properties is updated quarterly by Eiendomsverdi AS.

Rating

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

Gjensidige Bank Boligkreditt AS will hold the amount of overcollateralisation required to maintain the current rating for Gjensidige Bank Boligkreditt AS's covered bond program.

Debt securities

Net issues of debt securities amounted to NOK 18,861.0m at the end of 2019, compared to NOK 19,986.5m at the end of 2018, a decrease of NOK 1,125.5m. The debt securities consist solely of covered bonds, with a total face value of NOK 18,800.0m. The Company did not issue covered bond in 2019, and NOK 1,095.0m was repaid.

As of 31 December 2019, the Company's cover pool was over collateralised with 17.4%.

Liquidity

At the end of 2019, the Company had net liquid assets of NOK 678.2m, divided between NOK 513.9m in bank deposits, NOK 78.2m in covered bonds and NOK 86.2m 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 1,000.0m and a short-term credit facility of up to NOK 6,000.0m. Unutilised credit facilities amounted to NOK 5,271.7m at the end of 2019.

The liquidity situation is considered to be good.

Capital adequacy and equity

At the end of 2019, the Company had a common equity Tier 1 capital ratio of 23.7% (20.2%). The total capital held by the Company was NOK 1,929.8m (NOK 1,853.1m). The capital includes net profit for 2019.

The Company's equity at the end of 2019 was NOK 1,930.0m (NOK 1,853.3m), representing 8.5% (7.2%) 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 regular 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 order to be included in the cover pool. In addition, there are other 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 2019, the weighted, indexed loan-to-value ratio was 48.6%. There were five 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.

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, and the Board seeks to ensure 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 1,450.0m. In the time interval over three months, the Company is exposed to a profit or loss effect of NOK 0.67m 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 2019, 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 9.0m. The exposure related to the ten largest loans (limit) is approximately NOK 82.8m. 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 (RCSA) 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.

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 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.

Compliance risk

Nordea defines compliance risk as the risk of failure to comply with applicable laws, regulations, standards, supervisory requirements and related internal rules governing Nordea's activities in any jurisdiction where Nordea operates.

The primary governance principle in Nordea for internal control is the adherence to the three lines of defence model.

First line of defence (1st LoD) is represented by the Business Areas and Group Functions. All employees in the first line of defence have a role of understanding and adhering to prudent risk management and for compliance with external and Group Internal Rules as part of performing their tasks. All managers are fully responsible for the risks they assume and for compliance within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.

Group Risk and Compliance (GRC) represents Nordea's independent second line of defence (2nd LoD) function. GRC oversees the implementation of the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework including the Compliance Risk Framework and oversees that all risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on. GRC is organized in divisions with individual risk type responsibility. The following divisions are part of GRC; Group Credit Risk Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Balance Sheet Risk Controls, Risk Models, Group Compliance and GRC COO.

Group Compliance (GC) within GRC constitutes the compliance function and is responsible for developing and maintaining the risk management framework for managing compliance risk and for guiding the business in their implementation of the framework to ensure continuous adherence to the framework. GC is responsible for regular reporting to the Board and the CEO at least quarterly. GC reports on the status and development of Gjensidige Bank Boligredtt's compliance risks including information on major deficiencies along with consequence analyses of emerging risks and trends; status and key observations from monitoring activities and investigations; general updates on Financial Supervisory Authority interactions and impact; and preparations on regulatory change.

Group Internal Audit (GIA) represents the third line of defence (3rd LoD). GIA conducts risk-based and general audits and reviews that the Internal Governance arrangements, processes and mechanisms are sound and effective, implemented and consistently applied. GIA is also in charge of the independent review of the first two lines of defence including ensuring that the segregation of duties is defined and established between risk management (first line) and risk control (second line).

Internal control and risk 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.



Corporate social responsibility and environmental concerns

For information about Nordea and Nordea's subsidiaries sustainability work, see the Annual Report of Nordea Bank Abp and Nordea's Sustainability report available on <https://www.nordea.com/en/sustainability/>.

Corporate governance

Corporate governance is a priority for the Board. The board puts particular emphasis on the composition and structure of the company's governing bodies and the responsibilities of the Board, as well as on communication, information, risk management and auditing. The Board of Gjensidige Bank Boligkreditt AS has approved ethical rules, and its employee has access to the company's policies, guidelines, ethical rules, instructions and other information on the Nordea Group's intranet.

The Articles of Association, instructions and management and reporting systems establish clear roles and responsibilities within the company and vis-à-vis the Nordea Group.

A detailed statement on how Nordea Bank Abp fulfils the recommendation and statutory accounting requirements for corporate governance reporting is provided in the Nordea Group's annual report. It is also available at <https://www.nordea.com/en/about-nordea/corporate-governance/>.

Governing bodies

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 business administration and controls are in accordance with the risk level in the business.

The sale of Gjensidige Bank ASA to Nordea Bank Abp was finalized on 1 March 2019 and at the same time the Board was replaced with new members. See note 5.

External auditor

The external auditor performs the statutory audit and approves the annual financial statements and other financial information provided by the Company.

The general assembly has chosen PricewaterhouseCoopers AS as external auditor.

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.

Working environment

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 Company 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 Group 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% of a full-time position. The Company had no sick leave in 2019. There were no personal injuries, damage to property or accidents in the Company in 2019.

Gender equality and diversity

There are three men and one woman 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 in-



creased use of video conferences, and responsible waste management with extensive use of separation at source.

Outlook for 2020

After three interest rate hikes last year, we expect interest rates to be on hold in 2020. With more moderate economic growth ahead, the rate of increase in housing prices should also remain moderate in the years ahead and just about match income growth. Unemployment will remain stable at low levels while wage settlements will boost households' purchasing power.

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 76.6m to other equity.

Gjensidige Bank Boligkreditt AS

Oslo, 13 February 2020


Børre Gundersen
Chairman


Anders Frank-Læssøe
Board member


Elen M. Stiksrud
Board member


Alex Madsen
Board member


Jan Kåre Raae
Chief Executive Officer



Income statement

| NOKt | Note | 2019 | 2018 |
|---|------|----------------|----------------|
| Interest income etc, amortised cost | 4 | 534,108 | 496,829 |
| Interest income etc, fair value | 4 | 454 | 1,697 |
| Interest costs etc. | 4 | 417,947 | 331,422 |
| Net interest income | | 116,615 | 167,104 |
| Fee and commission income | | 2,310 | 2,338 |
| Net gains on financial instruments at fair value | | -4 | -6,928 |
| Other operating income | | 917 | 917 |
| Net commission income and other operating income | | 3,223 | -3,673 |
| Total income | | 119,838 | 163,430 |
| Staff costs | 5 | 2,299 | 2,739 |
| Other operating expenses | 5 | 15,007 | 14,781 |
| Total operating expenses | | 17,307 | 17,520 |
| Profit / (loss) before loan losses | | 102,532 | 145,910 |
| Loan losses | 6 | 380 | 291 |
| Operating profit | | 102,152 | 145,619 |
| Income tax expense | 7 | 25,538 | 36,405 |
| Net profit for the period | | 76,614 | 109,215 |
| Gjensidige Bank Boligkreditt AS's shareholders | | 76,614 | 109,215 |
| Earnings per share, NOK (basic and diluted) | | 589.34 | 840.11 |

Statement of comprehensive income

| NOKt | Note | 2019 | 2018 |
|--|------|---------------|----------------|
| Net profit for the period | | 76,614 | 109,215 |
| Components of other comprehensive income | | | |
| Items that are not subsequently reclassified to profit or loss | | | |
| Items that may subsequently be reclassified to profit or loss | | | |
| Total components of other comprehensive income | | | |
| Total comprehensive income for the period | | 76,614 | 109,215 |



Balance sheet

| NOKt | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|-------|-------------------|-------------------|
| Assets | | | |
| Loans to credit institutions | 9 | 513,847 | 694,913 |
| Loans to the public | 6,10 | 21,863,116 | 24,647,400 |
| Interest-bearing securities | 11 | 164,376 | 139,898 |
| Derivatives | 12,24 | 40,629 | 66,303 |
| Deferred tax assets | 7 | 243 | 2,258 |
| Other assets | 8 | 41,261 | 38,532 |
| Total assets | | 22,623,472 | 25,589,304 |
| Liabilities and equity | | | |
| Deposits by credit institutions | 13,21 | 1,728,317 | 3,636,007 |
| Debt securities in issue | 14,16 | 18,860,857 | 19,986,475 |
| Derivatives | 12,24 | 4,086 | 5,156 |
| Current tax | 7 | 23,523 | 38,559 |
| Other liabilities | 17 | 76,699 | 69,794 |
| Deferred tax liabilities | 7 | | |
| Total liabilities | | 20,693,481 | 23,735,991 |
| Equity | | | |
| Share capital | | 221,000 | 221,000 |
| Share premium | | 999,020 | 999,020 |
| Other equity | | 709,970 | 633,294 |
| Total equity | | 1,929,990 | 1,853,314 |
| Total liabilities and equity | | 22,623,472 | 25,589,304 |
| Number of shares at the end of the period | | 130,000 | 130,000 |

Gjensidige Bank Boligkreditt AS

Oslo, 13 February 2020


Børre Gundersen
Chairman


Anders Frank-Læssøe
Board member


Elen M. Stiksrud
Board member


Alex Madsen
Board member


Jan Kåre Raae
Chief Executive Officer



Statement of changes in equity

| NOKt | Share capital | Share premium reserve | Total paid-in equity | Other equity | Total equity |
|--|----------------|-----------------------|----------------------|----------------|------------------|
| Balance at 1 Jan 2019 | 221,000 | 999,020 | 1,220,020 | 633,294 | 1,853,314 |
| Net profit for the period | | | | 76,614 | 76,614 |
| Other comprehensive income, net of tax | | | | | |
| Total comprehensive income | | | | 76,614 | 76,614 |
| Capital expansion | | | | | |
| Share-based payment transactions settled in equity | | | | 63 | 63 |
| Balance at 31 Dec 2019 | 221,000 | 999,020 | 1,220,020 | 709,970 | 1,929,990 |

| NOKt | Share capital | Share premium reserve | Total paid-in equity | Other equity | Total equity |
|--|----------------|-----------------------|----------------------|----------------|------------------|
| Balance at 1 Jan 2018 | 221,000 | 999,020 | 1,220,020 | 524,083 | 1,744,103 |
| Net profit for the period | | | | 109,215 | 109,215 |
| Other comprehensive income, net of tax | | | | | |
| Total comprehensive income | | | | 109,215 | 109,215 |
| Capital expansion | | | | | |
| Share-based payment transactions settled in equity | | | | -4 | -4 |
| Balance at 31 Dec 2018 | 221,000 | 999,020 | 1,220,020 | 633,294 | 1,853,314 |



Cash flow statement

| NOKt | 2019 | 2018 |
|---|-------------------|-------------------|
| Operating activities | | |
| Net payment of loans to customers | 2,784,051 | -3,542,168 |
| Payment of interest from customers | 517,712 | 484,016 |
| Net payment of interest from credit institutions etc. | 13,839 | 10,913 |
| Taxes paid | -38,559 | -43,660 |
| Net other commission income | 3,227 | 3,255 |
| Payment to operations | -19,256 | -17,121 |
| Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities | -24,478 | 104 |
| Net cash flow from operating activities | 3,236,538 | -3,104,662 |
| Investment activities | | |
| Net purchase of intangible assets and fixed assets | | |
| Net cash flow from investing activities | | |
| Financing activities | | |
| Net receipts/payments on deposits from credit institutions | -1,908 | 374,171 |
| Receipts of interest-bearing securities | | 4,500,000 |
| Payment of interest-bearing securities | -2,873,000 | -1,615,000 |
| Interest payments on interest-bearing securities | -542,696 | -264,126 |
| Net cash flow from financing activities | -3,417,604 | 2,995,046 |
| Cash flow for the period | -181,066 | -109,616 |
| Cash and cash equivalents | | |
| Cash and cash equivalents at beginning of the period | 694,913 | 804,529 |
| Cash and cash equivalents at end of the period | 513,847 | 694,913 |
| Change | -181,066 | -109,616 |
| The following items are included in cash and cash equivalents: | | |
| Loans to credit institutions | 513,847 | 694,913 |
| Total cash and cash equivalents | 513,847 | 694,913 |

The statement of cash flows shows payments of cash and cash equivalents made and received throughout the year. The statement has been adjusted for items that do not initiate cash flows, such as provisions, depreciation and write-downs of loans and guarantees. Cash flows are classified as operating activities, investment activities or financing activities. The liquid assets are defined as cash and claims on central banks and loans to and claims on credit institutions.



Accounting policies

General

Gjensidige Bank Boligkreditt AS is wholly owned subsidiary of Gjensidige Bank ASA. The company's head office is located at Essendrops gate 7, Oslo, Norway. Gjensidige Bank ASA is a wholly owned subsidiary of Nordea Bank Abp. The sale of Gjensidige Bank ASA to Nordea Bank Abp was finalized on 1 March 2019.

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 2019 were approved by the Board on 13 February 2020.

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.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Gjensidige Bank Boligkreditt AS at 1 January 2019:

• IFRS 16 Leases (2016)

IFRS 9 was implemented at 1 January 2019. 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 for balance sheet items that are measured at amortised cost statement.

Interest income is calculated by applying the effective interest rate to the gross carrying amount except for financial assets that are credit impaired. For those financial assets, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

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. Other financial assets 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.

For further information, see Note 24 Classification of financial instruments.

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 re-recognised in the items "Interest income etc, amortised cost" and "Interest costs etc." 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. Interest income is classified as interest in the income statement, all other changes in fair value are recognized in the income statement in the item "Net gains on 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.



Impairment

Impairment provisions according to IFRS 9 are measured using an expected loss model. The impairment rules in IFRS 9 applies to financial assets measured at amortized cost and at fair value through 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.

1. Inputs, assumptions and techniques used for estimating impairment

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 generated 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.

1.2 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

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and includes forward-looking information.

For the Company's exposures, the historical analysis shows that default patterns are not concentrated at a specific point during the expected life of the financial instrument. Given this, changes in the risk of a default occurring over the next 12 months have been considered as approximation of the changes in the lifetime risk of a default occurring.

The Company uses a "point in time" process where the internal evaluation reflects an assessment of the borrower's current condition and/or most likely future condition over the next 12 months horizon from the assessment period. As such, the internal evaluation changes as the borrower's condition changes over the course of the credit/business cycle.

Significant increase in credit risk is determined for an exposure by comparing the estimated 12 months probability of default (PD) at the reporting date with the



estimated 12 months PD at the time of initial recognition of the exposure. Accounts that are classified as low risk at the reporting date are excluded from this determination. If the risk class at reporting date is observed to have increased by more than a predetermined level compared to initial recognition, the exposure is classified as having a significant increase in credit risk.

The criteria for determining whether credit risk has increased significantly includes a "rebuttable presumption" i.e. a backstop based on delinquency. If the exposure is 30days to 89days past due at the reporting date, irrespective of the risk class or migration of risk, the exposure is classified as having significant increase in credit risk.

In addition, the Company may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators which may be indicative of increase in risk. For example based a individual assessment of a delinquent customer in the collections process the exposure may be classified as impaired. In such cases, an individual measurement of impairment is done based on the Company's best estimate of the present value of the cash flows that is expected to be received, including from the repossession and sale of any assets if available. In estimating these cash flows, bank makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral.

An engagement migrates to a lower stage when the terms of the original migration are no longer present.

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 31.12.2019 for the years 2020 to 2022.

| | 2020 | 2021 | 2022 |
|--------------------------------|------|------|------|
| Unemployment rate | | | |
| Alternative A | 3.3% | 3.3% | 3.3% |
| Base case | 3.7% | 3.7% | 3.7% |
| Alternative B | 5.7% | 5.7% | 5.7% |
| Household Lending Rates | | | |
| Alternative A | 3.1% | 3.1% | 3.2% |
| Base case | 3.4% | 3.4% | 3.5% |
| Alternative B | 5.1% | 5.1% | 5.3% |
| Housing prices | | | |
| Alternative A | 2.0% | 2.4% | 2.4% |
| Base case | 1.8% | 2.2% | 2.2% |
| Alternative B | 0.9% | 1.1% | 1.1% |

Predicted relationships between the key indicators and default and loss rates are based on the analysis published by Norges Bank: <http://www.norges-bank.no/Publisert/Signerte-publikasjoner/Penger-og-Kreditt/Penger-og-Kreditt-12007/Faktorer-bak-bankenes-problemlan/>

Based on this analysis, the bank has taken PD to be impacted by increase in unemployment and increase in the interest rate levels. An increase of 1 percentage point in unemployment is assumed to give a 11% in PD. Increase in general interest rate will increase customers payments on both loans with the bank and with other banks. An increase of 1 percentage point in interest level is assumed to give a 7% increase in PD. These increases are applied to the PD at a portfolio level.

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 re-structuring 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.

An engagement migrates to a lower stage when the terms of the original migration are no longer present.

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 esti-

mates 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.

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%.

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.

Variable remuneration programs

Nordea Executive Incentive Program (EIP) reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall be paid in the form of cash over a five- year period. EIP shall not exceed



annual fixed salary. The changes, including social expenses, are recognized in the income statement under staff costs.

Share-based payments

As at 31 December 2019, Gjensidige Bank Group has no share-based payment scheme.

As at 31 December 2018, Gjensidige Bank Group had, as part of Gjensidige Group, the following share-based payment arrangements as described below.

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 Nordea Bank Abp. Share capital for Gjensidige Bank Boligkreditt AS as per 31 December 2019 was NOK 221.0 million divided on 130,000 shares at 1,700 per share. As per 31. December 2018 share capital was NOK 221.0 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

Impairment provisions according to IFRS 9 are measured using an expected loss model. The impairment rules in IFRS 9 applies to financial assets measured at amortized cost and at fair value through other com-

prehensive 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.

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 macro-economic variables on the bank's defaults 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.

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 based on market conditions for equivalent loans that have not been written down.

For further information, see Note 17 Fair value of financial instruments.

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

| NOKt | 2019 | 2018 |
|--|----------------|----------------|
| Interest income etc, amortised cost | | |
| Loans to credit institutions | 12,992 | 10,467 |
| Loans to the public | 521,116 | 486,362 |
| Total interest income etc, amortised cost | 534,108 | 496,829 |
| Interest income etc, fair value | | |
| Interest-bearing securities | 454 | 1,697 |
| Total interest income etc, fair value | 454 | 1,697 |
| Interest costs etc | | |
| Deposits from/ debt to credit institutions | | 147 |
| Issued securities | 371,990 | 277,321 |
| Other interest expenses | 45,958 | 53,953 |
| Total interest costs etc | 417,947 | 331,422 |
| Net interest income | 116,615 | 167,104 |

5. Operating expenses

| NOKt | 2019 | 2018 |
|---|---------------|---------------|
| Wages, salaries etc. | 1,775 | 2,134 |
| Pension costs | 184 | 193 |
| Employer's National Insurance contributions | 338 | 412 |
| Other staff-related costs | 2 | |
| Total staff costs | 2,299 | 2,739 |
| IT expenses | 435 | 433 |
| Consultancy fees | 11,742 | 11,824 |
| Other operating expenses | 2,830 | 2,524 |
| Total other expenses | 15,007 | 14,781 |
| Ordinary depreciation | | |
| Total operating expenses | 17,307 | 17,520 |
| Auditor's fee (incl. VAT) | | |
| Statutory audit | 120 | 58 |
| Other assurance services | 64 | 95 |
| Other non-assurance services | | 61 |
| Total payments to auditor | 184 | 213 |
| 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 2019

| NOKt Name and position | Fixed salary/ fee | Earned variable salary | Other benefits | Rights earned in the finan- cial year according to pension plan | Loans | Interest rate | The current Re- payment schedule |
|--|----------------------|------------------------------|-------------------|---|-------|------------------|--|
| Senior executives | | | | | | | |
| Jan Kåre Raae, CEO | 1,200 | 797 | 22 | 185 | | | |
| The Board | | | | | | | |
| Børre Steen Gundersen, Chairman (1.3-31.12) | | | | | | | |
| Anders Frank-Læssøe (1.3-31.12) | | | | | | | |
| Elen Margrethe Stiksrud (1.3-31.12) | | | | | | | |
| Alex Madsen (1.3-31.12) | | | | | | | |
| Jørgen Ringdal, Chairman (1.1-28.2) | | | | | | | |
| Erik Ranberg ¹ (1.1-28.2) | | | | | | | |
| Sirianne Haaje Nes (1.1-28.2) | | | | | | | |
| Solbjørg Lie (1.1-28.2) | 32 | | | | | | |
| Total for senior executives and the Board | 1,232 | 797 | 22 | 185 | | | |

Salary and other benefits to management and governing bodies in 2018

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

¹ Loan in parent company Gjensidige Bank ASA.

Share-based payment / allocation in 2018 relates to Share-based pay scheme in the Gjensidige group.

5. Operating expenses (cont.)

Remuneration policies

The Company has established a remuneration scheme that applies to all employees. The Company is covered by the Nordea Group's guidelines for remuneration scheme. The remuneration schemes are disclosed in more detail in the Nordea Group's annual report. The bank is also subject to the rules on remuneration schemes in the Financial Undertakings Regulations.

The Groups policy shall support the bank to attract, develop and retain motivated, competent and performance-oriented employees. Ensure that employees are offered a competitive and marked aligned total reward offering. The policy shall support sustainable results and the long-term interest of the shareholders and ensure that remunerations is aligned with efficient risk management, the groups purpose and values and regulations. Remuneration to employees shall not encourage excessive risk-taking or counteract the Groups long-term interest. An upper limit for variable remuneration applies.

The determination 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.

Decision-making process

The Board of Gjensidige Bank Boligkreditt AS serves as the Company's remuneration Committee.

It is primarily responsible for:

- The Board's annual statement on Gjensidige Boligkreditt AS's remuneration policy
- The annual evaluation of matters concerning salary and other remuneration to the CEO

- Guidelines for salary and other remuneration to executive personnel
- Statement of salary and other remuneration to executive personnel, including:
 - o Guidelines for determining salary and other remuneration for the coming fiscal year
 - o 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
 - o 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 Nordeas'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 CEO takes part in Nordea Executive Incentive Program (EIP). EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall be paid in the form of cash over a five- year period. EIP shall not exceed annual fixed salary.

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.



6. Write-downs and losses on loans

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|--|--------------|--------------|
| Loan losses for the period | | |
| +/- Change in group write-downs for the period | 380 | 291 |
| Write-downs and losses for the period | 380 | 291 |
| Loss allowance | | |
| Loss allowance at the start of the period | 1,210 | 919 |
| +/- Change in loss allowance for the period | 380 | 291 |
| Loss allowance at the end of the period | 1,589 | 1,210 |
| Defaulted loans | | |
| Gross default over 90 days | 5,034 | 2,591 |

Credit quality by risk group

| 31 Dec 2019 NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------|
| Loans to and claims on customers | | | | |
| Low | 21,596,394 | | 5,461 | 21,601,855 |
| Medium | 5,886 | 89,148 | | 95,034 |
| High | 7,833 | 140,608 | 13,916 | 162,356 |
| Not classified | 449 | | | 449 |
| Impaired and written down | | | 5,034 | 5,034 |
| Adjustment | -23 | | | -23 |
| Total | 21,610,538 | 229,756 | 24,411 | 21,864,705 |
| Loss allowance | 480 | 114 | 995 | 1,589 |
| Total net | 21,610,058 | 229,642 | 23,415 | 21,863,116 |
| 31 Dec 2018 | | | | |
| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
| Loans to and claims on customers | | | | |
| Low | 23,002,837 | | 6,398 | 23,009,234 |
| Medium | 8,589 | 69,997 | 2,514 | 81,100 |
| High | 4,580 | 62,234 | 5,838 | 72,652 |
| Not classified | 1,442,685 | 40,641 | -3,978 | 1,479,349 |
| Impaired and written down | | | 6,274 | 6,274 |
| Total | 24,458,691 | 172,872 | 17,047 | 24,648,610 |
| Loss allowance | 880 | 85 | 245 | 1,210 |
| Total net | 24,457,811 | 172,787 | 16,802 | 24,647,400 |



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

Loans to and claims on customers by past due status

| NOKt | 31 Dec 2019 | | 31 Dec 2018 | |
|--------------|-----------------------|----------------|-----------------------|----------------|
| | Gross carrying amount | Loss allowance | Gross carrying amount | Loss allowance |
| 0-29 days | 21,849,171 | 1,415 | 24,643,421 | 1,153 |
| 30-59 days | 6,682 | 71 | 1 | |
| 60-89 days | 3,817 | 24 | 2,596 | 17 |
| 90+ days | 5,034 | 79 | 2,591 | 40 |
| Total | 21,864,705 | 1,589 | 24,648,610 | 1,210 |

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

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total balance sheet allowance |
|--|-------------------------|-------------------------|-------------------------|----------------------------------|
| Loss allowance as at 1 Jan 2019 | 880 | 85 | 245 | 1,210 |
| Transfer to stage 1 | 10 | -10 | | |
| Transfer to stage 2 | -42 | 48 | -6 | |
| Transfer to stage 3 | -897 | | 897 | |
| New Financial assets originated during the period | 68 | 4 | | 71 |
| Financial assets that have been derecognised | -266 | -54 | -72 | -391 |
| Changes in balance with no transfer between stages | 727 | 41 | -69 | 699 |
| Loss allowance as at 31 Dec 2019 | 480 | 114 | 995 | 1,589 |

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



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

Loss allowance

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|--------------|---------------|---------------|
| Stage 1 | 480 | 880 |
| Stage 2 | 114 | 85 |
| Stage 3 | 995 | 245 |
| Total | 1,589 | 1,210 |
| Stage 1 | 30.2% | 72.7% |
| Stage 2 | 7.2% | 7.0% |
| Stage 3 | 62.6% | 20.3% |
| Total | 100.0% | 100.0% |

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

Reconciling items includes the following:

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

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

Loans to and claims on customers

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|--|-------------------------|-------------------------|-------------------------|-------------------|
| Gross carrying amount as at 1 Jan 2019 | 24,458,691 | 172,872 | 17,047 | 24,648,610 |
| Transfer to stage 1 | 63,640 | -59,966 | -3,674 | |
| Transfer to stage 2 | -154,805 | 155,713 | -908 | |
| Transfer to stage 3 | -20,675 | | 20,675 | |
| New financial assets originated | 3,835,077 | 28,219 | | 3,863,296 |
| Financial assets that have been derecognised | -7,122,651 | -74,292 | -7,373 | -7,204,317 |
| Change in balances due to payments | -987,731 | -2,647 | -1,356 | -991,734 |
| Other Changes | 1,538,993 | 9,857 | | 1,548,850 |
| Gross carrying amount as at 31 Dec 2019 | 21,610,538 | 229,756 | 24,411 | 21,864,705 |
| Loss allowance as at 31 Dec 2019 | 480 | 114 | 995 | 1,589 |



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

Loans to and claims on customers

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------|
| Gross carrying amount as at 1 Jan 2018 | 20,606,899 | 482,985 | 15,643 | 21,105,527 |
| Transfer to stage 1 | 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 |
| Change in balances due to payments | -845,253 | -14,049 | -482 | -859,783 |
| Other changes | | | | |
| Gross carrying amount as at 31 Dec 2018 | 24,458,691 | 172,872 | 17,047 | 24,648,610 |
| Loss allowance as at 31 Dec 2018 | 880 | 85 | 245 | 1,210 |

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|--------------|-------------------|-------------------|
| Stage 1 | 21,610,538 | 24,458,691 |
| Stage 2 | 229,756 | 172,872 |
| Stage 3 | 24,411 | 17,047 |
| Total | 21,864,705 | 24,648,610 |
| Stage 1 | 98.8% | 99.2% |
| Stage 2 | 1.1% | 0.7% |
| Stage 3 | 0.1% | 0.1% |
| Total | 100.0% | 100.0% |



7. Tax expense

| NOKt | 2019 | 2018 |
|--|---------------|---------------|
| Tax payable | 23,523 | 38,559 |
| Change in deferred tax/tax assets | 2,015 | -2,154 |
| Other adjustments to previous years | | |
| Tax expense | 25,538 | 36,405 |
| Reconciliation of tax expense | | |
| Profit/ (loss) before tax expense | 102,152 | 145,619 |
| Expected tax at nominal tax rate of 25% | 25,538 | 36,405 |
| Other adjustments to previous years | | |
| Tax expense | 25,538 | 36,405 |
| The average effective tax rate | 25% | 25% |
| Deferred tax assets / (Deferred tax liabilities) | | |
| Deferred tax assets arising from temporary differences | | |
| - Current assets | 10 | 14 |
| - Financial instruments | 234 | 2,245 |
| Deferred tax assets / (Deferred tax liabilities) | 243 | 2,258 |
| Net changes in deferred tax assets/ deferred tax through profit or loss are as follows: | | |
| Current assets | 4 | 6 |
| Financial instruments | 2,011 | -2,160 |
| Total | 2,015 | -2,154 |

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

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|--------------------------------|---------------|---------------|
| Earned income not yet received | 41,198 | 38,107 |
| Advance payments | 63 | 424 |
| Total | 41,261 | 38,532 |



9. Loans to and receivables from credit institutions

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|---|----------------|----------------|
| Loans and receivables without an agreed term to maturity, amortised cost | 513,719 | 694,837 |
| Loans and receivables with an agreed term to maturity, amortised cost | 128 | 76 |
| Total loans and receivables to credit institutions, amortised cost | 513,847 | 694,913 |

10. Analysis of loans

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|---------------------------------------|-------------------|-------------------|
| Loans to customers, amortised cost | 21,864,705 | 24,648,610 |
| Total gross loans to customers | 21,864,705 | 24,648,610 |

Loss allowance

| | | |
|-----------------------------|-------|-------|
| Loss allowance (see note 6) | 1,589 | 1,210 |
|-----------------------------|-------|-------|

| | | |
|--|-------------------|-------------------|
| Loans to and receivables from customers | 21,863,116 | 24,647,400 |
|--|-------------------|-------------------|

Loans by sector and industry

| | | |
|---------------------|------------|------------|
| Private individuals | 21,864,705 | 24,648,610 |
|---------------------|------------|------------|

| | | |
|--------------|-------------------|-------------------|
| Total | 21,864,705 | 24,648,610 |
|--------------|-------------------|-------------------|

Loans by region based on customers residential address:

| NOKt | 31 Dec 2019 | | 31 Dec 2018 | |
|---|-------------------|----------------|-------------------|----------------|
| | Loans | Per cent | Loans | Per cent |
| Oslo | 5,199,630 | 23.78% | 5,842,563 | 23.70% |
| Akershus | 4,703,843 | 21.51% | 4,959,782 | 20.12% |
| Eastern Norway | 4,144,975 | 18.96% | 4,680,596 | 18.99% |
| Southern Norway | 387,881 | 1.77% | 472,073 | 1.92% |
| Western Norway | 4,089,867 | 18.71% | 4,799,030 | 19.47% |
| Central Norway | 2,140,131 | 9.79% | 2,609,800 | 10.59% |
| Northern Norway, Svalbard | 1,132,512 | 5.18% | 1,218,798 | 4.94% |
| Abroad | 65,866 | 0.30% | 65,966 | 0.27% |
| Total gross loans by geographical area | 21,864,705 | 100.00% | 24,648,610 | 100.00% |

Gjensidige Bank Boligkreditt AS has no guarantees to customers

11. Interest-bearing securities

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|----------------------------------|----------------|----------------|
| Short-term government bonds | 85,945 | 61,551 |
| Covered bonds | 78,448 | 78,658 |
| Exchange rate adjustment | -17 | -310 |
| Total | 164,376 | 139,898 |
| Stock exchange listed securities | 164,376 | 139,898 |
| Unlisted securities | | |
| Total | 164,376 | 139,898 |

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.

| NOKt 31 Dec 2019 | Gross nominal volume | Carrying amount assets | Carrying amount liabilities |
|---------------------|----------------------------|------------------------------|-----------------------------------|
| Interest rate swaps | 1,450,000 | 40,629 | 4,086 |
| Currency swaps | | | |
| Total | 1,450,000 | 40,629 | 4,086 |
| NOKt 31 Dec 2018 | Gross nominal volume | Carrying amount assets | Carrying amount liabilities |
| Interest rate swaps | 1,450,000 | 66,303 | 5,156 |
| Currency swaps | | | |
| Total | 1,450,000 | 66,303 | 5,156 |

13. Liabilities to credit institutions

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|--|------------------|------------------|
| Debt without an agreed term to maturity, amortised cost | | |
| Debt with an agreed term to maturity, at amortised cost | 1,728,317 | 3,636,007 |
| Total debt to credit institutions, amortised cost | 1,728,317 | 3,636,007 |



14. Liabilities opened for the issue of securities

| NOKt | | | | | | Face value |
|--|----------|----------|-----------|-----------|--|-------------------|
| ISIN Number | Currency | Rate | Due | Ext.due | | 31 Dec 2019 |
| N00010680283 | NOK | Floating | 3.3.2020 | 3.3.2021 | | 2,850,000 |
| N00010687429 | NOK | Fixed | 11.9.2020 | 13.9.2021 | | 850,000 |
| N00010727738 | NOK | Floating | 12.5.2021 | 12.5.2022 | | 5,000,000 |
| N00010770852 | NOK | Floating | 20.5.2022 | 20.5.2023 | | 5,000,000 |
| N00010789266 | NOK | Floating | 23.5.2023 | 23.5.2024 | | 4,500,000 |
| N00010678766 | NOK | Fixed | 8.5.2025 | 8.5.2026 | | 600,000 |
| Total debt incurred through the issue of securities | | | | | | 18,800,000 |

| NOKt | | | | | | Face value |
|--|----------|----------|-----------|-----------|--|-------------------|
| ISIN Number | Currency | Rate | Due | Ext.due | | 31 Dec 2018 |
| N00010662737 | NOK | Floating | 6.5.2019 | 6.5.2020 | | 1,095,000 |
| N00010680283 | NOK | Floating | 3.3.2020 | 3.3.2021 | | 2,850,000 |
| N00010687429 | NOK | Fixed | 11.9.2020 | 13.9.2021 | | 850,000 |
| N00010727738 | NOK | Floating | 12.5.2021 | 12.5.2022 | | 5,000,000 |
| N00010770852 | NOK | Floating | 20.5.2022 | 20.5.2023 | | 5,000,000 |
| N00010789266 | NOK | Floating | 23.5.2023 | 23.5.2024 | | 4,500,000 |
| N00010678766 | NOK | Fixed | 8.5.2025 | 8.5.2026 | | 600,000 |
| Total debt incurred through the issue of securities | | | | | | 19,895,000 |

Standard contract terms (loan terms) apply to the signed loan agreements, with requirements for overcollateralization of 110%. Gjensidige Bank Boligkreditt AS met all existing terms and conditions in 2019.

15. Liabilities from financing activities

| NOKt | 1 Jan 2019 | Cash flow | Non cash flow | | 31 Dec 2019 |
|--|-------------------|-------------------|-----------------------|----------------|-------------------|
| | | | Exchange rate changes | Other changes | |
| Deposits by credit institutions | 3,636,007 | -1,908 | | -1,905,782 | 1,728,317 |
| Debt securities in issue | 19,986,475 | -3,415,696 | | 2,290,078 | 18,860,857 |
| Total liabilities from financing activities | 23,622,482 | -3,417,604 | | 384,296 | 20,589,174 |

| NOKt | 1 Jan 2018 | Cash flow | Non cash flow | | 31 Dec 2018 |
|--|-------------------|------------------|-----------------------|----------------|-------------------|
| | | | Exchange rate changes | Other changes | |
| Deposits by credit institutions | 3,261,835 | 374,171 | | | 3,636,007 |
| Liabilities opened for the issue of securities | 17,076,000 | 2,620,874 | | 289,600 | 19,986,475 |
| Total liabilities from financing activities | 20,337,836 | 2,995,046 | | 289,600 | 23,622,482 |

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%.

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:

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|---|------------------|------------------|
| Hedge instrument: | | |
| Interest rate swap | 36,543 | 61,148 |
| Interest rate swap nominal value | 1,450,000 | 1,450,000 |
| Interest rate swap | | |
| Fixed rate bond issued | -36,415 | -55,966 |
| Fixed rate bond issued nominal value | 1,450,000 | 1,450,000 |

Gain/(loss) on fair value hedges

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

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|----------------------------|-------------|-------------|
| Hedging instrument: | | |
| Interest rate swap | -19,635 | -28,111 |
| Hedge item: | | |
| Bond debt | 19,551 | 28,109 |
| Total | -84 | -2 |

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

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 Dec 2019 | 31 Dec 2018 |
|------------------------------------|-------------|-------------|
| Hedge effectiveness - prospektiv | 100-101% | 102-113% |
| Hedge effectiveness - retrospektiv | 100-102% | 98-100% |

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

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|--|---------------|---------------|
| Accounts payable | | |
| Liabilities to public authorities | 128 | 179 |
| Accrued personnel cost | 206 | 141 |
| Other accrued expenses and deferred income | 76,364 | 69,475 |
| Total other liabilities | 76,699 | 69,794 |

18. Off-balance sheet commitments and contingent liabilities

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|-------------------------------------|------------------|------------------|
| Unused credit facilities | 1,972,755 | 1,963,344 |
| Total contingent liabilities | 1,972,755 | 1,963,344 |

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 10% is deemed to be a realistic and plausible market outcome for shares and similar interests, as well as bonds and other securities with a fixed return that are included in level three of the valuation hierarchy.



19. Fair value of financial instruments (cont.)

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.



19. Fair value of financial instruments (cont.)

| NOKt | 31 Dec 2019 | | 31 Dec 2018 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Classification of financial instruments | | | | |
| Net loans to and receivables from credit institutions | | | | |
| Loans to and receivables from credit institutions, amortised cost | 513,847 | 513,847 | 694,913 | 694,913 |
| Loans to and receivables from credit institutions | 513,847 | 513,847 | 694,913 | 694,913 |
| Bonds and other fixed-income securities | | | | |
| Certificates and bonds, fair value | 164,376 | 164,376 | 139,898 | 139,898 |
| Total bonds and other fixed-income securities | 164,376 | 164,376 | 139,898 | 139,898 |
| Net loans to customers | | | | |
| Loans to and receivables from customers, amortised cost | 21,864,705 | 21,864,705 | 24,648,610 | 24,648,610 |
| Total loans before loss allowance | 21,864,705 | 21,864,705 | 24,648,610 | 24,648,610 |
| - Loss allowance | 1,589 | 1,589 | 1,210 | 1,210 |
| Total net loans to customers | 21,863,116 | 21,863,116 | 24,647,400 | 24,647,400 |
| Other assets | | | | |
| Derivatives, fair value | 40,629 | 40,629 | 66,303 | 66,303 |
| Other financial assets, amortised cost | 41,198 | 41,198 | 38,107 | 38,107 |
| Total other financial assets | 81,827 | 81,827 | 104,411 | 104,411 |
| Total financial assets | 22,623,166 | 22,623,166 | 25,586,622 | 25,586,622 |
| Classification of financial liabilities | | | | |
| Liabilities to credit institutions | | | | |
| Loans and deposits from credit institutions, amortised cost | 1,728,317 | 1,728,317 | 3,636,007 | 3,636,007 |
| Total liabilities to credit institutions | 1,728,317 | 1,728,317 | 3,636,007 | 3,636,007 |
| Debt Securities | | | | |
| Commercial paper and bonds, amortised cost | 17,374,234 | 17,480,237 | 18,475,317 | 18,584,378 |
| Liability incurred through the issue of securities, fair value hedge | 1,486,623 | 1,500,114 | 1,511,158 | 1,524,224 |
| Total debt securities | 18,860,857 | 18,980,351 | 19,986,475 | 20,108,602 |
| Other financial liabilities | | | | |
| Derivatives, fair value | 4,086 | 4,086 | 5,156 | 5,156 |
| Other financial liabilities, amortised cost | 71,663 | 71,663 | 61,388 | 61,388 |
| Total other financial liabilities | 75,749 | 75,749 | 66,544 | 66,544 |
| Total financial liabilities | 20,664,923 | 20,784,416 | 23,689,025 | 23,811,152 |



19. Fair value of financial instruments (cont.)

| NOKt | 31 Dec 2019 | | | Total |
|--|---------------|-------------------|---------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Interest-bearing securities, fair value | 86,200 | 78,177 | | 164,376 |
| Derivatives, fair value | | 40,629 | | 40,629 |
| Total assets measured at fair value | 86,200 | 118,805 | | 205,005 |
| Derivatives, fair value | | 4,086 | | 4,086 |
| Total liabilities measured at fair value | | 4,086 | | 4,086 |
| Liability incurred through the issue of securities, amortised cost | | 17,480,237 | | 17,480,237 |
| Total liabilities measured at amortised cost | | 17,480,237 | | 17,480,237 |
| Liability incurred through the issue of securities, fair value hedge | | 1,500,114 | | 1,500,114 |
| Total liabilities included in fair value hedge | | 1,500,114 | | 1,500,114 |

| NOKt | 31 Dec 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 |
| Derivatives, fair value | | 66,303 | | 66,303 |
| Total assets measured at fair value | 61,596 | 144,606 | | 206,202 |
| Derivatives, fair value | | 5,156 | | 5,156 |
| Total liabilities measured at fair value | | 5,156 | | 5,156 |
| Liability incurred through the issue of securities, amortised cost | | 18,584,378 | | 18,584,378 |
| Total liabilities measured at amortised cost | | 18,584,378 | | 18,584,378 |
| Liability incurred through the issue of securities, fair value hedge | | 1,524,224 | | 1,524,224 |
| Total liabilities included in fair value hedge | | 1,559,334 | | 1,559,334 |

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

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

| NOKt | 31 Dec 2019 | | 31 Dec 2018 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Nominal value | Market value | Nominal value | Market value |
| Assets | | | | |
| Loans to the public | 21,864,705 | 21,864,705 | 24,648,610 | 24,648,610 |
| - whereof pool of eligible loans | 21,830,675 | 21,830,675 | 24,606,705 | 24,606,705 |
| Supplementary assets and derivatives: | 424,182 | 460,544 | 608,972 | 665,008 |
| - whereof CIRS | | | | |
| - whereof IRS | | 36,362 | | 55,997 |
| Total cover pool | 22,254,857 | 22,291,219 | 25,215,677 | 25,271,713 |
| Debt securities in issue (net outstanding amount) | 18,800,000 | 18,980,351 | 19,895,000 | 20,108,602 |
| Over-collateralization calculated on net outstanding covered bonds | 18.4% | 17.4% | 26.7% | 25.7% |
| Debt securities in issue (issued amount) | 18,800,000 | 18,980,351 | 19,895,000 | 20,108,602 |
| Over-collateralization calculated on issued covered bonds ¹ | 18.4% | 17.4% | 26.7% | 25.7% |

¹ without deduction for holdings of own bonds

21. Related parties

Gjensidige Bank ASA is a directly owned subsidiary of Nordea Bank Abp. Gjensidige Bank Boligkreditt AS is a wholly owned subsidiary of Gjensidige Bank ASA. All transactions and agreements with related parties are carried out in accordance with the arm's length principle.

Gjensidige Bank Boligkreditt AS purchases services such as customer support and loan management, as well as day-to-day management and administrative services, from Gjensidige Bank ASA.

Gjensidige Bank Boligkreditt AS has access to strong credit facilities with Gjensidige Bank ASA. This 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 1,000.0 million. Expiry date 31 December 2021.

b) short-term credit facility of up to NOK 6,000.0 million. Expiry date 30 November 2020.

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 2019, the credit limit of the agreement was NOK 3,700.0 million.

NOK 6,473.8 million in loans to and claims on customers was transferred from Gjensidige Bank ASA to Gjensidige Bank Boligkreditt AS in 2019.

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

| NOKt | 2019 | | 2018 |
|------------------------|---------------------|-----------------|---------------------|
| | Gjensidige Bank ASA | Nordea Bank Abp | Gjensidige Bank ASA |
| Net interest income | 65,169 | 14,575 | -54,347 |
| Other operating income | 11,510 | | 917 |
| Andre driftskostnader | 32,198 | | -11,612 |

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

| NOKt | 31 Dec 2019 | | 31 Dec 2018 |
|------------------------------|---------------------|-----------------|---------------------|
| | Gjensidige Bank ASA | Nordea Bank Abp | Gjensidige Bank ASA |
| Deposit | 513,246 | 601 | 694,837 |
| Loans to credit institutions | 1,736,594 | | 3,651,742 |
| Interest-bearing securities | 2,495,854 | 317,604 | 710,265 |

The sale of Gjensidige Bank ASA to Nordea Bank Abp was finalized on 1 March 2019. The list shows transactions for the period 1.1.2019-28.2.2019

Transactions between Gjensidige Bank ASA and other legal entities or branches in the Nordea Group are performed according to market based principles in conformity with OECD requirements on transfer pricing.

22. Events after the balance sheet day

No significant events have occurred after the balance sheet date.



23. Capital adequacy

| NOKt | 31 Dec 2019 | 31 Dec 2018 |
|---|------------------|------------------|
| Share capital and share premium | 1,220,020 | 1,220,020 |
| Other equity | 709,970 | 633,294 |
| Equity | 1,929,990 | 1,853,314 |
| Deductions | | |
| Goodwill and other intangible assets | | |
| Value adjustments due to the requirements for prudent valuation | -209 | -211 |
| Common equity Tier 1 capital | 1,929,781 | 1,853,103 |
| Net primary capital | 1,929,781 | 1,853,103 |
| Minimum requirement for equity and subordinated debt | | |
| Credit risk | | |
| Of which: | | |
| Central government or central banks | 49 | |
| Institutions | 11,229 | 13,410 |
| Mass market positions | 2,074 | 3,107 |
| Positions secured by mortgage | 611,427 | 688,972 |
| Overdue positions | 800 | 211 |
| Covered bonds | 627 | 630 |
| Other positions | 5 | 486 |
| Total minimum requirement credit risk | 626,210 | 706,815 |
| Operational risk | 22,755 | 22,555 |
| CVA-risk | 2,632 | 5,936 |
| Minimum requirement for net primary capital | 651,596 | 735,307 |
| Basis of calculation of balance sheet items not included in trading portfolio | 7,794,530 | 8,810,890 |
| Basis of calculation of off-balance sheet items not included in trading portfolio | 33,089 | 24,302 |
| Risk-weighted assets (calculation basis for capital adequacy ratio) | 8,144,954 | 9,191,333 |
| Buffer requirements | | |
| Systemic risk buffer | 244,349 | 275,740 |
| Conservation buffer | 203,624 | 229,783 |
| Countercyclical buffer | 203,624 | 183,827 |
| Total buffer requirement for common equity Tier 1 capital | 651,596 | 689,350 |
| Pillar 2 requirement 1.7% for common equity Tier 1 capital set by The Financial Supervisory Authority of Norway (1.5% in 2018) | 138,464 | 137,870 |
| Available Core Tier 1 capital net minimum requirement | 773,198 | 612,273 |
| Capital adequacy | | |
| Capital adequacy ratio | 23.7 % | 20.2% |
| Tier 1 capital ratio | 23.7 % | 20.2% |
| Common equity Tier 1 capital ratio | 23.7 % | 20.2% |
| Leverage ratio | 8.4 % | 7.2% |

For credit risk the standard method is used, while basis method is used for operational risk. The Financial Supervisory Authority of Norway has end of Q4 2019 set a Pillar 2 requirement on additional 1.7% 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 14.2% and 17.7% for primary capital as of year end 2019.



24. Classification of financial instruments

| NOKt | Financial instruments measured at fair value through profit or loss | Financial assets and liabilities at amortised cost | Financial derivatives as hedging instruments | Non-financial assets and liabilities | Total |
|---|---|--|--|--------------------------------------|-------------------|
| Balance 31 Dec 2019 | | | | | |
| Assets | | | | | |
| Loans to and claims on credit institutions | | 513,847 | | | 513,847 |
| Loans to and claims on customers | | 21,863,116 | | | 21,863,116 |
| Certificates, bonds and other interest-bearing securities | 164,376 | | | | 164,376 |
| Deferred tax assets | | | | 243 | 243 |
| Derivatives | | | 40,629 | | 40,629 |
| Other assets | | 41,198 | | 63 | 41,261 |
| Total assets | 164,376 | 22,418,161 | 40,629 | 306 | 22,623,472 |
| Liabilities and equity | | | | | |
| Liabilities to credit institutions | | 1,728,317 | | | 1,728,317 |
| Liabilities opened for the issue of securities | | 18,860,857 | | | 18,860,857 |
| Derivatives | | | 4,086 | | 4,086 |
| Other liabilities | | 71,663 | | 28,558 | 100,221 |
| Total liabilities | | 20,660,837 | 4,086 | 28,558 | 20,693,481 |
| Total equity | | | | 1,929,990 | 1,929,990 |
| Total liabilities and equity | | 20,660,837 | 4,086 | 1,958,549 | 22,623,472 |
| Balance 31 Dec 2018 | | | | | |
| Assets | | | | | |
| 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 |
| Derivatives | | | 66,303 | | 66,303 |
| Other assets | | 38,107 | | 424 | 38,532 |
| Total assets | 139,898 | 25,380,420 | 66,303 | 2,683 | 25,589,304 |
| Liabilities and equity | | | | | |
| Liabilities to credit institutions | | 3,636,007 | | | 3,636,007 |
| Liabilities opened for the issue of securities | | 19,986,475 | | | 19,986,475 |
| Derivatives | | | 5,156 | | 5,156 |
| Other liabilities | | 61,388 | | 46,966 | 108,353 |
| Total liabilities | | 23,683,870 | 5,156 | 46,966 | 23,735,991 |
| Total equity | | | | 1,853,314 | 1,853,314 |
| Total liabilities and equity | | 23,683,870 | 5,156 | 1,900,279 | 25,589,304 |

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 as 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% 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.

Credit risk liquidity portfolio by counterparty:

| NOKt | AAA Fair value | AA Fair value | A Fair value | BBB Fair value | Unrated | 31.12.2019 |
|--|-------------------|------------------|-----------------|-------------------|---------|----------------|
| Loans to and claims on credit institutions | | | 513,847 | | | 513,847 |
| State and government guaranteed bonds | 86,200 | | | | | 86,200 |
| Covered bonds | 78,177 | | | | | 78,177 |
| Total | 164,376 | | 513,847 | | | 678,223 |

Credit risk derivatives by counterparty:

| NOKt | AAA Fair value | AA Fair value | A Fair value | BBB Fair value | Unrated | 31.12.2019 |
|--------------|-------------------|------------------|-----------------|-------------------|---------|---------------|
| Other | | | 36,543 | | | 36,543 |
| Total | | | 36,543 | | | 36,543 |

25. Risk and risk management (cont.)

Credit risk liquidity portfolio by counterparty:

| NOKt | AAA Fair value | AA Fair value | A Fair value | BBB Fair value | Unrated | 31.12.2018 |
|--|---------------------------|--------------------------|-------------------------|---------------------------|----------------|-------------------|
| Loans to and claims on credit institutions | | | 694,913 | | | 694,913 |
| State and government guaranteed bonds | 61,596 | | | | | 61,596 |
| Covered bonds | 78,302 | | | | | 78,302 |
| Total | 139,898 | | 694,913 | | | 834,811 |

Credit risk derivatives by counterparty:

| NOKt | AAA Fair value | AA Fair value | A Fair value | BBB Fair value | Unrated | 31.12.2018 |
|--------------|---------------------------|--------------------------|-------------------------|---------------------------|----------------|-------------------|
| Other | | | 61,147 | | | 61,147 |
| Total | | | 61,147 | | | 61,147 |

The table below shows the lending portfolio and provisions as of 31 December 2019 and 31 December 2018, segmented by the risk groups:

| 31.12.2019 NOK million | Gross lending | Guarantees | Total off- balance commitments | Individual Provisions | Other exposure | Maximum credit exposure |
|-----------------------------------|----------------------|-------------------|---|----------------------------------|---------------------------|------------------------------------|
| Low | 21,602 | | 1,969 | | | 23,571 |
| Medium | 95 | | 2 | | | 97 |
| High | 162 | | 2 | | | 164 |
| Not classified | | | | | | |
| Impaired and written down | 5 | | | | | 5 |
| Total | 21,865 | | 1,973 | | | 23,837 |
| Loss allowance | 2 | | | | | 2 |
| Total net | 21,863 | | 1,973 | | | 23,836 |

| 31.12.2018 NOK million | Gross lending | Guarantees | Total off- balance commitments | Individual Provisions | Other exposures | 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 |
| Total | 24,649 | | 1,963 | | | 26,612 |
| Loss allowance | 1 | | | | | 1 |
| Total net | 24,647 | | 1,963 | | | 26,611 |



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 48.6% for the portfolio. Approximately 74% of the loan portfolio is within 60% of collateral value.

As of 31 December 2019, the Company's gross lending was NOK 21,864.7m and five loans were in default over 90 days. The loan portfolio is mainly secured by residences in Eastern Norway. The largest single exposure was NOK 9.0m. 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 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 23,835.9m.

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-, cur-

rency-, 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. 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 500 MY and minus 300 MY is permitted. In the interval below three months the interest rate risk exposure shall not exceed plus / minus 2 000. When the limit over three months 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 2019, the Company has a positive interest rate exposure over 3 months of 67 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 investing 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.

| 31 Dec 2019 | | Loan-to-value, secured loans | | 31 Dec 2018 | | |
|----------------------------|------------------------|------------------------------|-------------------|----------------------------|------------------------|---------------------|
| Distribution as percentage | Gross carrying amounts | Unused credit lines | Nokt | Distribution as percentage | Gross carrying amounts | Unused credit lines |
| 21.07% | 4,606,565 | 439,775 | 0% - 40% | 17.57% | 4,331,451 | 411,961 |
| 41.61% | 9,097,541 | 838,897 | 40% - 60% | 35.33% | 8,709,402 | 811,816 |
| 35.62% | 7,787,510 | 657,886 | 60% - 80% | 43.35% | 10,685,789 | 706,058 |
| 1.19% | 260,412 | 19,629 | 80% - 90% | 3.06% | 753,164 | 16,961 |
| 0.22% | 49,039 | 6,937 | 90% - 100% | 0.20% | 50,505 | 5,965 |
| 0.29% | 63,639 | 8,143 | >100% | 0.48% | 118,298 | 10,136 |
| 100.00% | 21,864,705 | 1,971,267 | Home Loans | 100.00% | 24,648,610 | 1,962,896 |



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 2019, the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The largest exposure is about NOK 9.0m. The exposure related to the ten largest loans (limit) is about NOK 82.8m. 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 1,000.0m, as well as short-term vendor financing of up to NOK 6,000.0m. Unutilised credit facilities amounted to NOK 5,271.7m 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, Gjensidige Forsikring ASA and Nordea Bank Apb. The agreement is regulated by an SLA that sets requirements for quality and timely deliveries. In Mars 2019 the Bank converted to Nordea's operational risk management system "NORMS" for the assessment and management of undesirable incidents.

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% 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

| 31.12.2019 NOKt | 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 | 21,864,705 | | 1,972,755 | 23,837,460 | 1,745 | 5,034 | | 5,034 |
| Total | 21,864,705 | | 1,972,755 | 23,837,460 | 1,745 | 5,034 | | 5,034 |
| - Loss allowance | 1,589 | | | 1,589 | | | | |
| + other changes in value | | | | | | | | |
| Total loans and receivables to/from customers | 21,863,116 | | 1,972,755 | 23,835,871 | 1,745 | 5,034 | | 5,034 |

Loans by geographical area based on the collateral address

| 31.12.2019 NOKt | Loans and receivables to/from customers | Guarantees | Unused credit facilities | Total commitments | Gross non- performing loans | Individual impairment | Net non- performing loans |
|--------------------|--|------------|--------------------------------|----------------------|-----------------------------------|--------------------------|---------------------------------|
| Eastern Norway | 14,142,134 | | 1,152,564 | 15,294,698 | | | |
| Western Norway | 4,077,452 | | 488,460 | 4,565,911 | | | |
| Central Norway | 2,113,442 | | 192,063 | 2,305,505 | 2,674 | | 2,674 |
| Northern Norway | 1,124,689 | | 80,511 | 1,205,200 | 869 | | 869 |
| Southern Norway | 406,989 | | 59,157 | 466,147 | 1,491 | | 1,491 |
| Abroad | | | | | | | |
| Total | 21,864,705 | | 1,972,755 | 23,837,460 | 5,034 | | 5,034 |

Total commitments by remaining maturity

| 31.12.2019 NOKt | 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 | 87 | | -9 | 78 | | | |
| 3-12 months | 2,883 | | 46 | 2,929 | | | |
| 1-5 years | 188,986 | | 249 | 189,235 | | | |
| More than 5 years | 21,672,749 | | 1,972,469 | 23,645,218 | 5,034 | | 5,034 |
| Total | 21,864,705 | | 1,972,755 | 23,837,460 | 5,034 | | 5,034 |



26. Credit risk (cont.)

Age analysis of loans that are due

| 31.12.2019 NOKt | Loans and receivables to/ from customers | Guarantees | Accrued interest | Total commitments |
|----------------------|--|------------|---------------------|----------------------|
| Default 1 - 29 days | 218,067 | | 640 | 218,707 |
| Default 30 - 59 days | 6,682 | | 35 | 6,717 |
| Default 60 - 89 days | 3,817 | | 33 | 3,850 |
| Default 90+ days | 5,034 | | 78 | 5,112 |
| Total | 233,600 | | 786 | 234,386 |

Overdue loans over 90 days by geographical area

| | | | | |
|-----------------|--------------|--|-----------|--------------|
| Eastern Norway | | | | |
| Western Norway | 2,674 | | 28 | 2,702 |
| Central Norway | 869 | | 26 | 895 |
| Northern Norway | 1,491 | | 24 | 1,516 |
| Total | 5,034 | | 78 | 5,112 |

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

| 31.12.2019 NOKt | Total loans with impairment | Total commitments | Total value changes | Total impairment | Total value changes over income statement |
|---------------------|--------------------------------|----------------------|------------------------|------------------|--|
| Private individuals | 5,112 | 23,837,460 | | | |
| Total | 5,112 | 23,837,460 | | | |

Commitments by customer groups

| 31.12.2018 NOKt | 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 |
| Total | 24,648,610 | | 1,963,344 | 26,611,953 | 2,016 | 2,591 | | 2,591 |
| - Loss allowance | | 1,210 | | 1,210 | | | | |
| + other changes in value | | | | | | | | |
| Total loans and receivables to/from customers | 24,647,400 | | 1,963,344 | 26,611,743 | 2,016 | 2,591 | | 2,591 |

Loans by geographical area based on the collateral address

| 31.12.2018 NOKt | 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 | | | | | | | |
| Total | 24,648,610 | | 1,963,344 | 26,611,953 | 2,591 | | 2,591 |



26. Credit risk (cont.)

Total commitments by remaining maturity

| 31.12.2018 NOKt | 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 |
| Total | 24,648,610 | | 1,963,344 | 26,611,953 | 2,591 | | 2,591 |

Age analysis of loans that are due

| 31.12.2018 NOKt | 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 |
| Total | 160,748 | | 191 | 160,939 |

Overdue loans over 90 days by geographical area

| | | | | |
|-----------------|--|--------------|-----------|--------------|
| Eastern Norway | | | | |
| Western Norway | | 2,591 | 41 | 2,632 |
| Central Norway | | | | |
| Northern Norway | | | | |
| Total | | 2,591 | 41 | 2,632 |

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 NOKt | Total loans with impairment | Total commitments | Total value changes | Total impairment | Total value changes over income statement |
|---------------------|--------------------------------|----------------------|------------------------|------------------|--|
| Private individuals | 2,632 | 26,611,953 | | | |
| Total | 2,632 | 26,611,953 | | | |



27. Liquidity risk

As of 31 December 2019, the Company had net liquid assets of NOK 678.2m, divided between NOK 513.9m in bank deposits, NOK 78.4m in covered bonds and NOK 85.9m in treasury bills.

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

| 31.12.2019 | | | | | | | |
|---|------------------|-------------------|--------------------|-------------------|--------------------------|--------------------------|-------------------|
| NOKt | 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 | 513,847 | | | | | | 513,847 |
| Loans to and claims on customers | (23) | 229,401 | 1,145,326 | 5,381,688 | 19,868,452 | 3,442,986 | 30,067,830 |
| Certificates, bonds and other interest-bearing securities | 125 | 322 | 140,696 | 25,246 | | | 166,389 |
| Other financial assets | 41,198 | | | | | 40,629 | 81,827 |
| Derivatives – gross inflows | | | 52,625 | 86,400 | 21,600 | | 160,625 |
| Total financial assets | 555,147 | 229,723 | 1,338,647 | 5,493,334 | 19,890,052 | 3,483,615 | 30,990,518 |
| Liabilities to credit institutions | 3,131 | 6,262 | 755,719 | 1,022,800 | | | 1,787,913 |
| Liabilities opened for the issue of securities | | 2,953,660 | 1,161,746 | 15,105,232 | 621,600 | | 19,842,238 |
| Unused credit facilities | 1,972,755 | | | | | | 1,972,755 |
| Derivatives – gross outflows | | 9,094 | 21,844 | 60,833 | 7,542 | | 99,313 |
| Total financial liabilities | 1,975,886 | 2,969,016 | 1,939,309 | 16,188,865 | 629,142 | | 23,702,219 |
| 31.12.2018 | | | | | | | |
| NOKt | 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 |
| Total financial assets | 768,892 | 71,958 | 522,615 | 2,053,653 | 28,216,028 | 3,667,167 | 35,300,313 |
| 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 |
| Total financial liabilities | 1,968,182 | 96,433 | 3,073,237 | 21,046,763 | 660,432 | | 26,845,046 |

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 2019.

Effect on income statement / equity

| 2019 | Interest | |
|--|----------------|---------------|
| | -1.5% | 1.5% |
| NOKt | | |
| Asset swap | -42,739 | 42,739 |
| Loans to and receivables from credit institutions | -5,781 | 5,781 |
| Loans to and receivables from customers | -217,596 | 217,596 |
| Interest-bearing securities | -1,422 | 1,422 |
| Liabilities to credit institutions | 19,444 | -19,444 |
| Liabilities opened for the issue of securities (variable interest) | 170,789 | -170,789 |
| Liabilities opened for the issue of securities (fixed interest) | 42,739 | -42,739 |
| Total | -34,566 | 34,566 |

| 2018 | Interest | |
|--|----------------|---------------|
| | -1.5% | 1.5% |
| NOKt | | |
| 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 |
| Total | -31,856 | 31,856 |

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

29. Equity-based remuneration

Description of the share-based payment scheme

As at 31 December 2019, Gjensidige Bank Group has no share-based payment scheme.

As at 31 December 2018, Gjensidige Bank Group had, as part of Gjensidige Group, 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% is distributed as equity and only just 50% 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%. 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. Saving 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%, 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 | |
|--|---------------------|--------|-------------------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| Weighted average share price (NOK) | 142.00 | 149.10 | 142.00 | 130.55 |
| Expected turnover | N/A | N/A | N/A | 10% |
| Expected sale | N/A | N/A | N/A | 5% |
| Lock-in period (years) | 3 | 3 | N/A | 2 |
| Expected dividend (NOK per share) ¹ | 9.56 | 4.50 | N/A | 4.50 |

¹The 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% 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.



29. Equity-based remuneration (cont.)

| Personnel expenses | 31 Dec 2019 | 31 Dec 2018 |
|---------------------------------------|-------------|-------------|
| NOKt | | |
| Share-based remuneration | 1 | 68 |
| Share savings programme for employees | 71 | 10 |
| Total | 72 | 78 |

| Share savings programme | Number of bonus shares 2019 | Number of bonus shares 2018 |
|--|-----------------------------|-----------------------------|
| Outstanding 1 Jan | 139 | 114 |
| Granted during the period | 6 | 74 |
| Movement to (from) during the period | | |
| Released | -50 | -49 |
| Cancelled during the period | | |
| Forfeited during the period | -95 | |
| Exercised during the period | | |
| Expired during the period | | |
| Outstanding 31 Dec | 0 | 139 |
| Exercisable 31 Dec | 0 | 0 |
| Average remaining life on outstanding bonus shares | 0,00 | 1,02 |
| Weighted average fair value of allocated bonus shares | 126,05 | 115,89 |
| Weighted average share price of bonus shares exercised during the period | 142,00 | 130,55 |

The weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.

| Remuneration scheme | Number of shares 2019 | Number of cash-settled shares 2019 | Number of shares 2018 | Number of cash-settled shares 2018 |
|---|-----------------------|------------------------------------|-----------------------|------------------------------------|
| Outstanding 1 Jan | 962 | 858 | 953 | 861 |
| Granted during the period | 494 | 432 | 453 | 396 |
| Forfeited during the period | | | | |
| Cancelled during the period | | | | |
| Exercised during the period | -486 | -438 | -487 | -442 |
| Expired during the period | | | | |
| Modification dividend during the period | 40 | 42 | 43 | 43 |
| Outstanding 31 Dec | 1,010 | 894 | 962 | 858 |
| Exercisable 31 Dec | | | | |
| Average remaining life | 0,71 | 0,71 | 0,71 | 0,71 |

| | 2019 | 2018 |
|--|--------|--------|
| Weighted average fair value of allocated shares ² | 143,00 | 149,10 |
| Weighted average share price of bonus shares exercised during the period | 143,00 | 147,91 |
| The value of shares granted that are to be cash-settled | 184,24 | 135,20 |

²The 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 2019 and as of 31 December 2019 (Annual Report 2019).

We declare that, to the best of our knowledge, the financial statements for 2019 have been prepared in accordance with IFRS as adopted by the EU, and in accordance with additional requirements set out in the Accounting Act, and taking into account the limitations of accounting regulations for banks, credit insti-

tutions 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.

Gjensidige Bank Boligkreditt AS

Oslo, 13 February 2020


Børre Gundersen
Chairman


Anders Frank-Læssøe
Board member


Elen M. Stiksrud
Board member


Alex Madsen
Board member


Jan Kåre Raae
Chief Executive Officer



Auditor's report



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 2019, the 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 give a true and fair view of the financial position of the Company as at 31 December 2019, 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 information in the annual report, except 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.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Auditor's report



Independent Auditor's Report - Gjensidige Bank Boligkreditt AS

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.

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

(2)



Auditor's report



Independent Auditor's Report - Gjensidige Bank Boligkreditt AS

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 the Board of Directors 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 proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

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, 13 February 2020
PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant

(3)



Gjensidige Bank Boligkreditt AS
Essendropsgt. 7
P.O. Box 1166 Sentrum
0107 Oslo, Norway
Phone +47 915 03100