Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2017 - 31.12.2017

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:	15.02.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

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	2017	2016
RESULTATREGNSKAP			
Renteinntekter og lignende inntekter			
Renter og lignende inntekter av utlån til og fordringer på kredittinstitusjoner	4	9 819 000	9 903 000
Renter og lignende inntekter av utlån til og fordringer på kunder	4	466 909 000	391 420 000
Renter og lignende inntekter av sertifikater, obligasjoner og andre rentebærende verdipapirer	4	1 927 000	841 000
Sum renteinntekter og lignende inntekter		**478 655 000**	**402 164 000**
Rentekostnader og lignende kostnader			
Renter og lignende kostnader på utstedte verdipapirer	4	253 119 000	234 868 000
Andre rentekostnader og lignende kostnader	4	43 909 000	54 446 000
Sum rentekostnader og lignende kostnader		**297 028 000**	**289 314 000**
Netto rente- og kredittprovisjonsinntekter		**181 627 000**	**112 850 000**
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		2 364 000	2 351 000
Sum provisjonsinntekter og inntekter fra banktjenester		**2 364 000**	**2 351 000**
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		-12 756 000	60 000
Sum netto verdiendring og gevinst/tap på valuta og verdipapirer som er omløpsmidler		**-12 756 000**	**60 000**
Andre driftsinntekter			
Andre driftsinntekter		588 000	588 000
Sum andre driftsinntekter		**588 000**	**588 000**

Resultatregnskap

Beløp i: NOK	Note	2017	2016
Lønn og generelle administrasjonskostnader			
Lønn	5	1 442 000	1 337 000
Pensjoner	5	163 000	142 000
Sosiale kostnader	5	310 000	223 000
Lønn m.v.		**1 915 000**	**1 702 000**
Administrasjonskostnader	5	435 000	441 000
Sum lønn og generelle administrasjonskostnader		**2 350 000**	**2 143 000**
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	13 634 000	13 892 000
Sum andre driftskostnader		**13 634 000**	**13 892 000**
Tap på utlån, garantier m.v.			
Tap på utlån	6	-5 540 000	
Sum tap på utlån, garantier m.v.		**-5 540 000**	**0**
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		**161 379 000**	**99 814 000**
Skatt på ordinært resultat	7	40 345 000	28 542 000
Resultat av ordinær drift etter skatt		**121 034 000**	**71 272 000**
Resultat av ekstraordinære poster		**0**	**0**
Resultat for regnskapsåret		**121 034 000**	**71 272 000**
Overføringer og disponeringer			
Overført til sparebankens fond		121 034 000	71 272 000
Sum disponeringer og overføringer		**121 034 000**	**71 272 000**

Resultatregnskap

Beløp i: NOK	Note	2017	2016

Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Utlån til og fordringer på kredittinstitusjoner			
Utlån til og fordringer på kredittinstitusjoner uten avtalt løpetid eller oppsigelsesfrist	9	804 529 000	581 279 000
Sum netto utlån og fordringer på kredittinstitusjoner		**804 529 000**	**581 279 000**
Utlån til og fordringer på kunder			
Factoring		**0**	**0**
Nedbetalingslån	6,10	21 105 527 000	18 262 481 000
Uspesifiserte tapsavsetninger	6,10	919 000	6 459 000
Sum netto utlån og fordringer på kunder		**21 104 608 000**	**18 256 022 000**
Sertifikater, obligasjoner og andre rentebærende verdipapirer med fast avkastning			
Sertifikater og obligasjoner	11	61 805 000	39 806 000
Utstedt av det offentlige		**61 805 000**	**39 806 000**
Sertifikater og obligasjoner	11	78 197 000	100 382 000
Utstedt av andre		**78 197 000**	**100 382 000**
Sum sertifikater, obligasjoner og andre rentebærende verdipapirer med fast avkastning		**140 002 000**	**140 188 000**
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	104 000	
Sum immaterielle eiendeler		**104 000**	**0**

Balanse

Beløp i: NOK	Note	2017	2016
Varige driftsmidler			
Sum varige driftsmidler		**0**	**0**
Andre eiendeler			
Finansielle derivater	12,24	100 339 000	117 095 000
Sum andre eiendeler		**100 339 000**	**117 095 000**
Forskuddsbetalte ikke påløpte kostnader og opptjente ikke mottatte inntekter			
Opptjente ikke mottatte inntekter	8	36 790 000	34 370 000
Forskuddsbetalte ikke påløpte kostnader	8	421 000	416 000
Sum forskuddsbetalte ikke påløpte kostnader og opptjente ikke mottatte inntekter		**37 211 000**	**34 786 000**
SUM EIENDELER		**22 186 793 000**	**19 129 370 000**
BALANSE - GJELD OG EGENKAPITAL			
GJELD			
Gjeld til kredittinstitusjoner			
Lån og innskudd fra kredittinstitusjoner uten avtalt løpetid eller oppsigelsesfrist	13,21	3 261 835 000	2 750 208 000
Sum gjeld til kredittinstitusjoner		**3 261 835 000**	**2 750 208 000**
Innskudd fra og gjeld til kunder			
Sum innskudd fra og gjeld til kunder		**0**	**0**
Gjeld stiftet ved utstedelse av verdipapirer			
Obligasjonsgjeld	14,16	17 076 000 000	14 864 874 000
Sum gjeld stiftet ved utstedelse av verdipapirer		**17 076 000 000**	**14 864 874 000**
Annen gjeld			
Annen gjeld	17	61 329 000	62 618 000
Sum annen gjeld		**61 329 000**	**62 618 000**
Påløpte kostnader og mottatt ikke opptjente inntekter	7	43 660 000	22 244 000

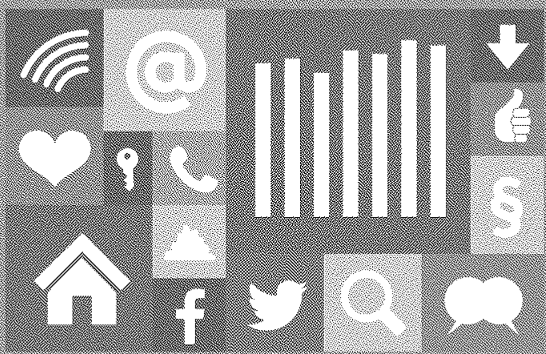
Balanse

Beløp i: NOK	Note	2017	2016
Avsetninger for påløpte kostnader og forpliktelser			
Utsatt skatt	7		6 490 000
Sum avsetninger for påløpte kostnader og forpliktelser		**0**	**6 490 000**
Ansvarlig lånekapital			
Sum ansvarlig lånekapital		**0**	**0**
Sum gjeld		**20 442 824 000**	**17 706 434 000**
EGENKAPITAL			
Innskutt egenkapital			
Aksjekapital/grunnfondsbeviskapital		221 000 000	208 000 000
Selskapskapital		**221 000 000**	**208 000 000**
Overkursfond		999 020 000	812 020 000
Sum innskutt egenkapital		**1 220 020 000**	**1 020 020 000**
Opptjent egenkapital			
Annen egenkapital		523 949 000	402 916 000
Sum opptjent egenkapital		**523 949 000**	**402 916 000**
Sum egenkapital		**1 743 969 000**	**1 422 936 000**
SUM GJELD OG EGENKAPITAL		**22 186 793 000**	**19 129 370 000**

Gjensidige

Annual report 2017

Gjensidige Bank Boligkreditt



Contents

About the reporting
Gjensidige publishes a web-based annual report on www.gjensidige.no/reporting.
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. Gjensidige Bank ASA is a wholly owned subsidiary of Gjensidige Forsikring ASA. The Company's registered business address is in Oslo.

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

By the end of 2017, the Company had issued covered bonds with a total face value of NOK 16,991.0 million, divided between NOK 16,302.0 million placed in the market and NOK 689.0 million on the parent Company's balance sheet. The bonds have an average remaining maturity of approximately 3.4 years, with an AAA rating from Standard & Poor's.

At the end of 2017, the Company had 12,226 mortgages with an outstanding balance of NOK 21,105.5 million. The loan portfolio is of high quality. The weighted loan-to-value ratio, indexed, was 48.8 per cent.

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

Comments on the annual accounts

Profit and loss account

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

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

Previous year's figures are shown in brackets.

In 2017, the Company made a profit after tax expense of NOK 121.0 million (71.3 million). Net interest income increased due to improved margin and lending growth.

Net interest income for 2017 amounted to NOK 181.6 million (112.9 million). Increased lending volume and improved margin increased the interest income. The net interest margin[1] was 0.81 per cent (0.60).

In 2017, operating expenses totalled NOK 16.0 million (16.0 million). Lending growth has increased purchasing of services from Gjensidige Bank ASA, but was offset by reduction of cost related to Euro Medium Term Covered Programme established in 2016.

The cost/income ratio was 9.3 per cent (13.8).

[1] The net interest margin is calculated as net interest income in per cent of average total assets.

Write-downs and losses
The Company uses the banking Group's guidelines for assessing and writing down losses on loans, which are recognised in accordance with the principles of IAS39. The group write-downs decreased by NOK 5.5 million (0). The balance of group write-downs amounted to NOK 0.9 million (6.5). The decrease is driven by improved conditions for customers to serve their debt.

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

Balance sheet

At the end of 2017, the Company had total assets amounting to NOK 22,186.8 million (19,129.4 million). The Company is mainly funded by issuing covered bonds in the Norwegian market.

Lending
At the end of 2017, gross lending totalled NOK 21,105.5 million (18,262.5 million).

The entire lending portfolio has been acquired from Gjensidige Bank ASA. It consists of loans with variable interest rates. The average loan commitment was NOK 1.7 million per loan at the end of 2017. The largest single exposure was NOK 8.8 million and 17.3 per cent of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 23.7 per cent of the lending portfolio consisted of loans with credit lines (fleksilån).

The loan portfolio had a weighted loan-to-value ratio, indexed, of 48.8 per cent (48.3) at the end of 2017. The value of the properties is updated quarterly by Eiendomsverdi AS.

Rating
Gjensidige Bank Boligkreditt AS has a long-term and short-term counterparty credit ratings of A/A-1, outlook 'stable'. The covered bonds portfolio issued by Gjensidige Bank Boligkreditt AS has a long term rating of AAA; outlook 'stable.

Gjensidige Bank Boligkreditt AS will hold the amount of overcollateralisation required to maintain the current rating for Gjensidige Bank Boligkreditt AS`s covered bond program. This commitment is published on the bank`s website.

Debt securities
Net issues of debt securities amounted to NOK 17,076.0 million at the end of 2017, compared to NOK 14,864.9 million at the end of 2016, an increase of NOK 2,211.1 million. The debt securities consist solely of covered bonds, with a total face value of NOK 16,991.0 million. The Company issued covered bonds totalling NOK 5,233.0 million and NOK 3,009.0 was repaid.

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

As of 31 December 2017, the Company`s cover pool was over collateralised with 128.2 per cent.

Liquidity
At the end of 2017, the Company had net liquid assets of NOK 944.5 million, divided between NOK 804.5 million in bank deposits, NOK 61.6 million in covered bonds and NOK 78.4 million in treasury bills.

The Company has a credit facility with Gjensidige Bank ASA that is sufficient at all times to cover the total repayment of the outstanding bonds that fall due within the next 12 months. In addition The Company has a long-term credit facility of NOK 2,000.0 million and a short-term credit facility of up to NOK 4,000.0 million. Unutilised credit facilities amounted to NOK 2,783.2 million at the end of 2017.

The liquidity situation is considered to be good.

Capital adequacy and equity
At the end of 2017, the Company had a common equity Tier 1 capital ratio of 21.7 per cent (19.3). The total capital held by the Company was NOK 1,743.7 million (1,422.7). The capital includes net profit for 2017.

The Company's equity at the end of 2017 was NOK 1,744.0 million (1,422.9 million), representing 7.9 per cent (7.4) of total assets.

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

Key risk and uncertainty factors

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

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

All loans are purchased from Gjensidige Bank ASA in accordance with regulatory requirements. In addition, there are requirements relating to risk and that the loans shall be residential mortgages. Gjensidige Bank ASA provides loans to customers based on credit scores, combined with an individual assessment of their ability to repay the loans.

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 2017, the weighted, indexed loan-to-value ratio was 48.8 per cent. There were two loans in default for over 90 days. Sensitivity analyses are performed regularly in which the consequences of a fall in the housing market are analysed. The Board has adopted minimum requirements for the cover pool and what can be included in it. The Board considers the Company's collateral to be sufficient in the event of a significant decline in house prices.

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

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

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

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

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

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

At the end of the year, the Company had interest rate swaps with a nominal value of NOK 1,450.0 million. In the time interval over three months, the Company is exposed to a profit or loss effect of NOK 0.52 million given a change in interest rates of one percentage point.

Spread risk refers to the risk of losses as a result of changes in credit margins. The Company limits the spread risk relating to assets by investing in high-quality securities with limited 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 2017, 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 8.8 million. The exposure related to the ten largest loans (limit) is approximately NOK 79.7 million. The Company's liquidity reserves consists of bank deposits in the parent company, securities issued by the Norwegian government and Norwegian covered bonds (OMF).

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

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

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

The annual risk assessment of the Company is conducted by the CEO. The output of the risk assessment is reported to the Board.

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

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

The Company has appointed an independent investigator that monitors the register of issued bonds. Regular reviews are conducted to assure that the register is booked correctly. Findings are reported to the Board and the Financial Supervisory Authority of Norway.

Internal control and risk management related to financial reporting

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

Corporate social responsibility

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

Corporate governance

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

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

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

Governing bodies

Risk Committee

1 January 2017 Gjensidige Forsikring ASA established a risk committee at the group level for Gjensidige Forsikring ASA and its subsidiaries. The committee shall be a preparatory committee for the Board consisting of Chairman and three Board members from

Gjensidige Forsikring ASA. The risk committee has quarterly meetings. The committee regularly assesses the Company to ensure that business administration and controls are in accordance with the risk level in the business. To ensure an adequate degree of independence, the Risk Committee consists of board members who do not take part in the management of the business.

The Board

The Board is composed of four members elected by the Supervisory Board.

Members are elected for a period of one year. One of the board members is not an employee of the Gjensidige Group. The Board supervises the management of the Company, and it shall ensure that its operations are organised in a satisfactory manner, which includes ensuring that its bookkeeping and asset management are properly audited.

There has been no change in the Board in 2017.

External auditor

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

Internal auditor

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

Working environment

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

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

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

The Company has one employee, who is based in the bank`s branch in Førde. The working environment is considered to be good. Gjensidige Bank ASA purchases the services of the CEO of Gjensidige Bank Boligkreditt AS, corresponding to 40 per cent of a full-time position. The Company had no sick leave in 2017. There were no personal injuries, damage to property or accidents in the Company in 2017.

Gender equality and diversity

There are two men and two women in the Board. The CEO is a man. The Board and management take a proactive approach to promoting equal opportunity in the Company.

The Company follows the Group's guidelines and regulations concerning corporate social responsibility, including those relating to discrimination/diversity and ethics.

The natural environment

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

Strategy and outlook for 2018

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

After a period of weak growth in Norway`s mainland (non-oil) economy since the oil price fall in 2014, the cyclical downturn now appears to be over. Low interest rates, a weak domestic currency and expansionary fiscal policy have helped to accelerate the rate of growth in the mainland economy. Unemployment has subsided.

The ministry of Finance tightened the regulation of mortgage lending at the turn of 2017. The Financial Supervisory Authority of Norway will advise The Ministry of Finance on possible amendments to the residential mortgage lending regulations by 1 March 2018. The house prices have fallen somewhat in the last half-year. The decrease is not dramatic, and the level of house prices still remains high. The likely trend in the housing market ahead is however uncertain.

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

Events after the balance sheet date

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

Allocation of profit

It is proposed to transfer the Company's profit before other comprehensive income of NOK 121.0 million to other equity.

Oslo, 15 February 2018
The Board of Gjensidige Bank Boligkreditt AS

Jørgen Ringdal
Chair

Erik Ranberg

Sirianne Haaje Nes

Solbjørg Lie

Jan Kåre Raae
CEO

Financial statements and notes

Income statement

NOK thousands	Note	1.1.-31.12.2017	1.1.-31.12.2016
Interest income etc.	4	478,655	402,164
Interest costs etc.	4	(297,028)	(289,315)
Net interest income		**181,627**	**112,850**
Commission income and income from bank services		2,364	2,351
Net gains on financial instruments at fair value		(12,756)	60
Other operating income		588	588
Net commission income and other operating income		**(9,805)**	**2,999**
Total income		**171,822**	**115,849**
Personnel expenses	5	(1,915)	(1,702)
Other operating expenses	5	(14,069)	(14,333)
Total operating expenses		**(15,983)**	**(16,035)**
Profit / (loss) before loan losses		**155,839**	**99,813**
Write-downs and losses	6	5,540	
Profit / (loss) before tax expense		**161,379**	**99,813**
Tax expense	7	(40,345)	(28,542)
Profit / (loss) for the period		**121,034**	**71,272**
Gjensidige Bank Boligkreditt AS 's shareholders		121,034	71,272
Earnings per share, NOK (basic and diluted)		931.03	548.24

Statement of comprehensive income

NOK thousands	Note	1.1.-31.12.2017	1.1.-31.12.2016
Profit/ (loss) for the period		**121,034**	**71,272**
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		**121,034**	**71,272**

Balance sheet

NOK thousands	Note	31.12.2017	31.12.2016
Assets			
Loans to and claims on credit institutions	9	804,529	581,279
Loans to and claims on customers	6,10	21,104,607	18,256,022
Certificates, bonds and other interest-bearing securities	11	140,002	140,188
Financial derivatives	12,24	100,339	117,095
Deferred tax assets	7	104	
Other assets	8	37,210	34,787
Total assets		**22,186,793**	**19,129,370**
Liabilities and equity			
Liabilities to credit institutions	13,21	3,261,835	2,750,208
Liabilities opened for the issue of securities	14.16	17,076,000	14,864,874
Financial derivatives	12,24	6,186	7,177
Other liabilities	17	55,142	55,441
Current tax	7	43,660	22,244
Deferred tax liabilities	7		6,490
Total liabilities		**20,442,824**	**17,706,434**
Equity			
Share capital		221,000	208,000
Share premium		999,020	812,020
Other equity		523,949	402,917
Total equity		**1,743,969**	**1,422,937**
Total liabilities and equity		**22,186,793**	**19,129,370**
Number of shares at the end of the period		130,000	130,000

Oslo, 15 February 2018
The Board of Gjensidige Bank Boligkreditt AS

Jørgen Ringdal
Chair

Erik Ranberg

Sirianne Haaje Nes

Solbjørg Lie

Jan Kåre Raae
CEO

Statement of changes in equity

NOK thousands	Share capital	Share premium	Total paid-in equity	Other equity	Total equity
Equity 1.1.2016	208,000	812,020	1,020,020	331,664	1,351,684
New equity 2016					
Share-based payment transactions settled in equity				(19)	(19)
Profit/ (loss) for the period 1.1.-31.12.2016				**71,272**	**71,272**
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 1.1.-31.12.2016				**71,272**	**71,272**
Equity 31.12.2016	**208,000**	**812,020**	**1,020,020**	**402,917**	**1,422,937**
Equity 1.1.2017	208,000	812,020	1,020,020	402,917	1,422,937
New equity 2017	13,000	187,000	200,000		200,000
Share-based payment transactions settled in equity				(2)	(2)
Profit/ (loss) for the period 1.1.-31.12.2017				**121,034**	**121,034**
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 1.1.-31.12.2017				**121,034**	**121,034**
Equity 31.12.2017	**221,000**	**999,020**	**1,220,020**	**523,949**	**1,743,969**

Statement of cash flows

NOK thousands	1.1.-31.12.2017	1.1.-31.12.2016
Operating activities		
Net payment of loans to customers	(2,842,558)	(3,058,538)
Payment of interest from customers	463,869	389,243
Net payment of interest from credit institutions etc.	9,412	7,394
Taxes paid	(22,244)	(36,087)
Net other commission income	2,952	2,939
Payment to operations	(15,462)	(14,884)
Net received/paid (-)upon purchase and sale of financial instruments and interest-bearing securities	186	(92,179)
Net cash flow from operating activities	**(2,403,845)**	**(2,802,113)**
Investment activities		
Net purchase of intangible assets and fixed assets		
Net cash flow from investing activities		
Financing activities		
Net paid(-)/received when taking out loans with credit institutions and covered bonds	2,725,197	3,012,310
Net payment of interest on financing activities	(294,821)	(285,001)
Net paid(-)/received for other short-term positions	(3,279)	5,713
Capital increase	200,000	
Net cash flow from financing activities	**2,627,096**	**2,733,022**
Total cash flow	**223,251**	**(69,091)**
Cash flow for the year		
Cash and cash equivalents 1.1.	581,279	650,370
Cash and cash equivalents 31.12.	804,529	581,279
Net payment made(-)/received of cash	**223,251**	**(69,091)**
Specification of liquid assets		
Deposits with credit institutions	804,529	581,279
Liquid assets in statement of cash flow	**804,529**	**581,279**

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

Accounting policies

General

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

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

The financial statements per 31 December 2017 were approved by the Board on 15 February 2018.

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

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

Changes in accounting policies

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

New standards and interpretations not yet adopted

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2017. They have not been applied when preparing this financial statement. Those that may be relevant to Gjensidige Bank Boligkreditt AS are mentioned below. Gjensidige Bank Boligkreditt AS does not plan early implementation of these standards.

- **IFRS 9 Financial instruments (2014)**

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

IFRS 9 contains three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. 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 which contractual cash flow properties they have. IFRS 9 introduces a new requirement in connection with financial liabilities earmarked at fair value, where changes in fair value that can be attributed to the liabilities' credit risk are presented in other comprehensive income rather than over profit or loss.

According to prevailing rules, impairment for credit losses shall only be recognised when objective evidence of impairment losses exists. Impairment provisions according to IFRS 9 shall be measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value with the changes in fair value recognised in other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly, the provision should equal lifetime expected credit losses. This dual approach replaces today's collective impairment model.

During 2017, the Company has worked extensively to put together an internal model to comply with the new IFRS9 guidelines. The new impairment requirements are expected to have a limited impact on the provisioning for expected credit losses which amounted to NOK 0.9 million at the end of 2017. The changes generated by the new requirements will be accounted for through profit and loss, considering the materiality level. The impact on the Common Equity Tier 1 capital ratio rules was assessed as limited as well. IFRS 9 is effective from 1 January 2018.

1.1 Inputs, assumptions and techniques used for estimating impairment

1.1.1 Credit Scores and Risk Classes

The Company uses credit scores extensively in its credit assessment and monitoring process. Different credit scores are used for the different product groups in the Company 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.

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

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

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

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

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

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

1.3 Significant increase in credit risk
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 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.

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.

1.4 Impairment
Definition of impairment – objective evidence
The Company considers a financial asset to be in default when:

- The Company becomes aware of significant financial difficulty of the borrower (bankruptcy/ Legal debt settlement).
- The Company for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a change in term that would not otherwise have been considered (for example a restructuring of the loan).
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization (initiation of Legal Debt Settlement / Bankruptcy).

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

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

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

1.5 Measurement of Expected Credit Loss (ECL).
The key inputs into the measurement of ECL are the Probability of default (PD), Exposure at default (EAD) and Loss given default (LGD). These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

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

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

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

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

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

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

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

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

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

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

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

1.6 Derecognition and write-off
The Company considers an asset to be derecognised if:

- The contractual rights to the cash flows from the financial assets expire (example the loan reaches its end of term and is fully paid off, or the loan is prepaid by the customer).
- The financial asset is transferred and the transfer qualifies for derecognition (example, sale of an asset or group of assets).
- When the Company has no reasonable expectation of recovering the financial asset in entirety or in part.

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

1.7 Approach for the Companys Investment and Hedge Accounting
The Company has completed the analysis related to classification and measurement of the liquidity portfolio investments and hedge accounting. No material changes in classification or measurement are identified, and hence no significant quantitative impact is expected moving from IAS 39 to IFRS 9.

1.8 Impact of the change to IFRS9 on the current allowance levels
The new impairment requirements are expected to have a limited impact on the provisioning for expected credit losses which amounted to NOK 0.9 million at the end of 2017. The changes generated by the new requirements will be accounted for through profit and loss, considering the materiality level. The impact on the Common Equity Tier 1 capital ratio rules was assessed as limited as well.

- **IFRS 15 Revenue from Contracts with Customers (2014)**

IFRS15 applies to the annual reporting period beginning on or after 1 January 2018 and covers all contracts with customers. IFRS 15 establishes a framework for the recognition and measurement of revenue. It is assumed that the change will not have a material effect.

- **Amendments to IFRS 2 Classification and measurement of share-based payment transactions (2016)**

IFRS 2 has been amended regarding the classification and measurement of share-based payment transactions with a net settlement feature for withholding tax obligations. 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 amendments are effective from 1 January 2018. The tax obligation in the Group's remuneration scheme will be reclassified from liability to equity as at 1 January 2018. From this date the tax obligation will be accounted for as an equity-settled share-based payment transaction instead of cash-settled share-based payment transaction. Our preliminary assessment is that the amendment is not expected to have a significant effect on the financial statements.

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

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

Principles for recognising income and expenses
Net interest income

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

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

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

Commission income and expenses

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

Other operating income

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

Operating expenses

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

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

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

Inclusion of non-financial assets in the balance sheet

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

Impairment of non-financial assets

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

- A significant drop in profitability in relation to past or expected future profitability
- Significant changes in the Company's use of assets or overall strategy for its activities
- A significant downturn in the industry or the economy

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

Financial instruments

Recognition and derecognition

Financial assets and liabilities are recognised in the balance sheet when the Company becomes a party to the instrument's contractual terms. Ordinary purchases and sales of financial instruments are recognised on the transaction date. When a financial asset or a financial liability is initially recognised (asset/liability not recognised at fair value through profit or loss), it is measured at fair value plus transaction costs that are directly related to the purchase or issue of the financial asset or liability.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the business transfers the financial asset in a transaction in which all or practically all the risk and rewards related to ownership of the asset are transferred. Financial liabilities are derecognised once ceased either the contract is fulfilled, canceled or expired.

Classification of financial instruments

When initially recognised, financial assets are classified in one of the following categories, depending on the purpose of the investment:

- Loans and receivables, carried in the balance sheet at amortised cost
- Financial assets that are to be recognised at fair value with fair value changes through profit or loss (Fair value option)
- Available-for-sale financial assets, measured at fair value with changes in value recognised in equity
- Held-for-trading financial assets measured at fair value through profit or loss
- Investments held to maturity, carried at amortised cost
- Derivatives classified as hedging instruments

When initially recognised, financial liabilities are classified in one of the following categories:

- Financial liabilities defined as liabilities measured at fair value with fair value changes through profit or loss
- Other financial liabilities carried at amortised cost

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments or determinable payments. Loans and receivables are initially recognised at fair value, and thereafter at amortised cost using the effective interest rate method. When calculating the effective interest rate, cash flows are estimated and all the contractual terms of the financial instruments are taken into account.

On each balance sheet date, loans, receivables and other financial assets measured at amortised cost are reviewed to determine whether there is objective evidence that a receivable/loan or a group of receivables/loans has been impaired. Individual write-downs are made first, before determining any group write-downs.

If there is objective evidence that a financial asset is impaired, a write-down is made for the estimated loss. 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 at the initial rate or rate subsequently agreed with the customer). Objective evidence means occurrences indicating that the loan is impaired. Such evidence can include information about impaired credit histories, bankruptcy or other defaults. For further information, see Note 25 Risk and risk management on Write-downs and losses.

At fair value through the income statement

On implementing IFRS, and in subsequent periods for initial recognition in the accounts, all financial assets and liabilities can be measured at fair value through profit or loss if they have been purchased with the intention of being sold, or:

- the classification reduces a mismatch in the measurement or recognition that would otherwise have arisen as a result of different rules for the measurement of assets and liabilities
- financial assets and liabilities are included in a portfolio that is managed and evaluated regularly at fair value

Financial assets and liabilities measured at fair value through profit or loss are measured at fair value on the balance sheet date. Changes in fair value are recognised through profit or loss. Changes in fair value are included in 'Net income/(loss) on financial instruments'.

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.

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 to what extent they are traded in active markets. Instruments are classified in their entirety at one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement as a whole.

Quoted prices in active markets are considered 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 is preferably 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.

Hedge accounting

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

Amortised cost method

Financial instruments that are not measured at fair value are valued at amortised cost and the income is calculated using the internal rate of return method. In the internal rate of return method, the investment's internal rate of return is used. It is determined by discounting the contractual cash flows within the anticipated term to maturity. Cash flows include establishment fees and the costs of transactions that are not covered by the customer. Amortised cost is the current value of such cash flows discounted by the internal rate of return.

Debt to credit institutions

Liabilities to credit institutions are recognised and measured after initial recognition at amortised cost using the effective interest method.

Interest expenses on these instruments are included in 'Net interest income'.

Debt securities in issue

Debt securities include certificates of deposit or bonds issued by the Company. Debt securities are carried at fair value upon initial recognition and at amortised cost using the effective interest method in subsequent periods. When calculating the effective interest rate, cash flows are estimated and all the contractual terms of the financial instruments are taken into account.

Interest expenses and the amortisation of premium/discount on instruments are recognised in 'Net interest income' using the IRR method.

Liabilities and equity

In accordance with the underlying financial reality, financial instruments are classified as liability or equity.

Accounting provisions

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

Pensions

The Company is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension plans meet the requirements of the Act.

The Company has a defined contribution plan.

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

Share-based payments

The Group 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 is 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 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 transactions 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 for the period with an associated liability in the balance sheet. The liability in the arrangement settled in cash is measured at fair value on each balance sheet date up to and including the date of settlement, and changes in fair value are recognised in the income statement. Employers' social security costs are recognised in the income statement over the expected vesting period.

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.

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

Taxation

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

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

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

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

1. Equity

Share capital

Gjensidige Bank Boligkreditt AS is a wholly owned subsidiary of Gjensidige Bank ASA. Gjensidige Bank ASA is a wholly owned subsidiary of Gjensidige Forsikring ASA. Share capital for Gjensidige Bank Boligkreditt AS as per 31 December 2017 was NOK 221.0 million divided on 130,000 shares at 1,700 per share. As per 31 December 2016 share capital was NOK 208.0 million divided on 130.000 at 1,600 per share.

Share premium

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

Other equity

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

2. Critical accounting estimates and judgements

General

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

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

Write-downs and losses

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

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

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

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 18 Fair value of financial instruments.

Impairment of financial assets

Financial assets that are not carried at fair value are evaluated for impairment if there is objective evidence on the balance sheet date that a financial asset or a group of financial assets has fallen in value. For further information, see Note 25 Risk and risk management on write-downs and losses.

3. Segment information

Gjensidige Bank Boligkreditt AS only has one business segment: lending to private customers. The segment consists of loans to private customers, and the entire loan portfolio is purchased from Gjensidige Bank ASA. The Company's full accounts therefore fall entirely under the 'Retail market' segment.

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

4. Net interest income

NOK thousands	1.1.-31.12.2017	1.1.-31.12.2016
Interest income		
Loans to and receivables from credit institutions	9,819	9,903
Loans to and receivables from customers	466,909	391,419
Interest-bearing securities	1,927	841
Other income		
Total interest income[1]	**478,655**	**402,164**
Interest expense		
Deposits from/ debt to credit institutions		
Issued securities	253,119	234,869
Other interest expenses	43,909	54,446
Total interest expenses[2]	**297,028**	**289,315**
Net interest income	**181,627**	**112,850**
[1] Of this total interest income on financial assets that are not measured at fair value	476,728	401,323
[2] Interest expenses on financial liabilities that are not measured at fair value		

5. Operating expenses

NOK thousands	1.1.-31.12.2017	1.1.-31.12.2016
Wages, salaries etc.	1,442	1,337
Pension costs	163	142
Employer's National Insurance contributions	297	208
Other staff-related expenses	13	15
Total personnel expenses	**1,915**	**1,702**
IT expenses	435	441
Consultancy fees	10,544	9,613
Other operating expenses	3,090	4,279
Total other expenses	**14,069**	**14,333**
Ordinary depreciation		
Total operating expenses	**15,983**	**16,035**
Auditor's fee (incl. VAT)		
Statutory audit[1]	56	66
Other assurance services	125	125
Other non-assurance services	165	582
Total payments to auditor	**347**	**773**
Number of employees	1	1
Average numbres of employees	1	1

[1] 2017 figures relates to new auditor

5. Operating expenses (cont.)

Salary and other benefits to management and governing bodies in 2017

NOK thousands Name and position	Fixed salary/ fee	Earned varia- bie salary	Calc. value of total benefits other than cash	Rights earned in the finan- cial year according to pension plan	Annual vesting share based pay- ment	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	1,064	138	20	163	145	821	1,005	1,814	894			
The Board												
Jørgen Ringdal, Chair									22,143			
Erik Ranberg[1]									8,218	851	4,40%	20.8.2033
Sirianne Haaje Nes									3,646			
Solbjørg Lie	73											
Total for senior executives and the Board	**1,137**	**138**	**20**	**163**	**145**	**821**	**1,005**	**1,814**	**34,901**	**1,850**		
General assembly												
Helge Leiro Baastad									49,264			

[1] Loan in parent company Gjensidige Bank ASA

Salary and other benefits to management and governing bodies in 2016

NOK thousands Name and position	Fixed salary/ fee	Earned varia- bie salary	Calc. value of total benefits other than cash	Rights earned in the finan- cial year according to pension plan	Annual vesting share based pay- ment	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	980	117	19	142	119	808	1,154	1,909	935			
The Board												
Jørgen Ringdal, Chair									19,811			
Erik Ranberg[1]									5,906	888	4.40%	20.8.2033
										300	2.20%	28.11.2026
Sirianne Haaje Nes (15.9-31.12)									3,325			
Linn Therese Soltvedt (17.3-14.9)												
Karin Remøe (1.1-16.3)									28			
Solbjørg Lie	71											
Total for senior executives and the Board	**1,051**	**117**	**19**	**142**	**119**	**808**	**1,154**	**1,909**	**30,005**	**1,188**		
General assembly												
Helge Leiro Baastad									43,491			

[1] Loan in parent company Gjensidige Bank ASA

5. Operating expenses (cont.)

Remuneration policies

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

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

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

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

Decision-making process

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

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

- Drafting proposals for and following up compliance with the Group's guidelines and framework for remuneration
- Annually considering and proposing the remuneration of the CEO
- Annually considering and drafting proposals for the CEO's scorecard
- Acting as adviser to the CEO in connection with the annual assessment of the remuneration of the senior group management
- Considering the management's proposed 'Statement on the stipulation of pay and other remuneration for executive personnel' cf. the Public Limited Liability Companies Act section 6-16a.
- Considering other important personnel matters relating to executive personnel

Guidelines for the upcoming financial year

Remuneration of the CEO

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

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

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

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

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

Share savings programme

The Board has decided to continue the Group's share savings programme for employees in 2018. The CEO and executive personnel are entitled to take part in the programme on a par with other Gjensidige employees. Under the current programme, employees can save through deductions from their salary for the purchase of shares in Gjensidige Forsikring ASA for up to NOK 75,000 per year. Purchases take place quarterly following publication of the results. A discount of 20 per cent of the purchase price is offered, limited upwards to NOK 3,000. For those who keep the shares and are still employed in the Group, one bonus share is awarded for every four share they have owned for more than two years.

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

The Board confirms that the guidelines on executive pay for 2017 set out in last year's declaration have been complied with.

The Board has decided to pay all full-time employees a bonus of up to NOK 28,200.

6. Write-downs and losses on loans

NOK thousands	31.12.2017	31.12.2016
Write-downs and losses for the period		
+/- Change in group write-downs for the period	(5,540)	
+/- Change in individual write-downs for the period		
+ Write off during the period		
- Payments on previously written off accounts		
Write-downs and losses for the period	**(5,540)**	
Individual write-downs		
Individual write-downs at the start of the period		
+/- Change in individual write-downs for the period		
Individual write-downs at the end of the period		
Group write-downs		
Group write-downs at the start of the period	6,459	6,459
+/- Change in group write-downs for the period	(5,540)	
Group write-downs at the end of the period	**919**	**6,459**
Total write-downs at the end of the period	**919**	**6,459**
Defaulted loans		
Gross default over 90 days	2,643	2,556

7. Tax expense

NOK thousands	1.1.-31.12.2017	1.1.-31.12.2016
Tax payable	43,660	22,244
Change in deferred tax/tax assets	(6,594)	11,373
Other adjustments to previous years	3,278	(5,075)
Tax expense	**40,345**	**28,542**
Reconciliation of tax expense		
Profit/ (loss) before tax expense	161,379	99,813
Expected tax at nominal tax rate of 25%	40,345	24,953
Other adjustments to previous years		3,588
Tax expense	**40,345**	**28,542**
The average effective tax rate	25%	29%
Deferred tax assets / (Deferred tax liabilities)		
Deferred tax assets arising from temporary differences		
- Current assets	19	28
- Financial instruments	85	(6,518)
Deferred tax assets / (Deferred tax liabilities)	**104**	**(6,490)**
Net changes in deferred tax assets/ deferred tax through profit or loss are as follows:		
Current assets	(8)	(15)
Financial instruments	6,602	(11,358)
At the end of the year	**6,594**	**(11,373)**

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

8. Other assets

NOK thousands	31.12.2017	31.12.2016
Earned income not yet received	36,789	34,370
Advance payments	421	416
Total	**37,210**	**34,787**

9. Loans to and receivables from credit institutions

NOK thousands	31.12.2017	31.12.2016
Loans and receivables without an agreed term to maturity, amortised cost	804,455	581,214
Loans and receivables with an agreed term to maturity, amortised cost	74	64
Total loans and receivables to credit institutions, amortised cost	**804,529**	**581,279**

10. Analysis of loans

NOK thousands	31.12.2017	31.12.2016
Loans to customers, amortised cost	21,105,527	18,262,482
Loans to customers, fair value		
Total gross loans to customers	**21,105,527**	**18,262,482**
Individual write-downs		
Group write-downs (see note 6)	919	6,459
Net loans to customers	**21,104,607**	**18,256,022**
Loans by sector and industry		
Private individuals	21,105,527	18,262,482
Total	**21,105,527**	**18,262,482**

Loans by region based on customers residential address:

	31.12.2017		31.12.2016	
NOK thousands	**Loans**	**Per cent**	**Loans**	**Per cent**
Oslo	5,171,142	24.50%	4,593,361	25.15%
Akershus	4,369,098	20.70%	3,925,012	21.49%
Eastern Norway	3,868,131	18.33%	3,096,953	16.96%
Southern Norway	377,378	1.79%	326,580	1.79%
Western Norway	4,133,594	19.59%	3,618,732	19.82%
Central Norway	2,145,709	10.17%	1,824,232	9.99%
Northern Norway, Svalbard	991,569	4.70%	829,898	4.54%
Abroad	48,908	0.23%	47,715	0.26%
Total gross loans by geographical area	**21,105,527**	**100.00%**	**18,262,482**	**100.00%**

Gjensidige Bank Boligkreditt AS has no guarantees to customers

11. Interest-bearing securities

NOK thousands	31.12.2017	31.12.2016
Short-term government bonds	61,805	39,806
Covered bonds	78,404	100,614
Exchange rate adjustment	(207)	(232)
Total	**140,002**	**140,188**
Stock exchange listed securities	140,002	140,188
Unlisted securities		
Total	**140,002**	**140,188**

12. Financial derivatives

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

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

NOK thousands 31.12.2017	Gross nominal volume	Carrying amount assets	Carrying amount liabilities
Interest rate swaps	1,450,000	100,339	6,186
Currency swaps			
Total	**1,450,000**	**100,339**	**6,186**

NOK thousands 31.12.2016	Gross nominal volume	Carrying amount assets	Carrying amount liabilities
Interest rate swaps	1,450,000	140,188	7,177
Currency swaps			
Total	**1,450,000**	**140,188**	**7,177**

13. Liabilities to credit institutions

NOK thousands	31.12.2017	31.12.2016
Debt without an agreed term to maturity, amortised cost		
Debt with an agreed term to maturity, at amortised cost	3,261,835	2,750,208
Total debt to credit institutions, amortised cost	**3,261,835**	**2,750,208**

14. Liabilities opened for the issue of securities

NOK thousands					Face value
ISIN Number	**Currency**	**Rate**	**Due**	**Ext.due**	**31.12.2017**
NO0010660327	NOK	Floating	21.9.2018	21.9.2019	402,000
NO0010662737	NOK	Floating	6.5.2019	6.5.2020	2,289,000
NO0010680283	NOK	Floating	3.3.2020	3.3.2021	2,850,000
NO0010687429	NOK	Fixed	11.9.2020	13.9.2021	850,000
NO0010727738	NOK	Floating	12.5.2021	12.5.2022	4,000,000
N00010770852	NOK	Floating	20.5.2022	20.5.2023	4,000,000
NO0010789266	NOK	Floating	23.5.2023	23.5.2024	2,000,000
NO0010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
Total debt incurred through the issue of securities					**16,991,000**

NOK thousands					Face value
ISIN Number	**Currency**	**Rate**	**Due**	**Ext.due**	**31.12.2016**
NO0010641897	NOK	Floating	11.4.2017	11.4.2018	550,000
NO0010660327	NOK	Floating	21.9.2018	21.9.2019	2,450,000
NO0010662737	NOK	Floating	6.5.2019	6.5.2020	2,700,000
NO0010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
NO0010680283	NOK	Floating	3.3.2020	3.3.2021	2,850,000
NO0010687429	NOK	Fixed	11.9.2020	13.9.2021	850,000
NO0010727738	NOK	Floating	12.5.2021	12.5.2022	2,767,000
N00010770852	NOK	Floating	20.5.2022	20.5.2023	2,000,000
Total debt incurred through the issue of securities					**14,767,000**

Standard contract terms (loan terms) apply to the signed loan agreements, with requirements for overcollateralization of 110 per cent. Gjensidige Bank Boligkreditt AS met all existing terms and conditions in 2017. In 2016 the Company established a EMTCN program. The program is not yet in use.

15. Liabilities from financing activitites

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

16. Hedge accounting

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

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

Fair value hedges

The Company uses fair value hedges to manage its interest rate risk. Hedging is performed to hedge against fluctuations in the value of issued fixed rate bonds due to changes in interest rates. Interest rate swaps designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. For the hedged item, the fixed rate bond, a change in fair value attributable to the hedged risk is accounted for as an addition to or deduction from the carrying value in the balance sheet and in the income statement.

If the hedge ceases, changes made to the carrying value of the hedged item are amortised over the remaining life using the effective interest method, if the hedging instrument is a financial instrument recognised using the effective interest method.

Fair value interest rate risk

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

NOK thousands	31.12.2017	31.12.2016
Instrument:		
Interest rate swap	94,153	109,917
Total	**94,153**	**109,917**

Gains (losses) on fair value hedges

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

NOK thousands	31.12.2017	31.12.2016
Hedging instrument:		
Interest rate swap	(10,942)	(22,941)
Hedge item:		
Bond debt	10,874	23,012
Total	**(68)**	**71**

Hedge effectiveness

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

Per cent	31.12.2017	31.12.2016
Hedge effectiveness - prospektiv	102-108%	101-106%
Hedge effectiveness - retrospektiv	99-100%	99-100%

17. Provisions and other liabilities

NOK thousands	31.12.2017	31.12.2016
Accounts payable		
Liabilities to public authorities	74	64
Accrued interest expenses	46,064	45,715
Accrued personnel cost	128	119
Other accrued expenses and deferred income	8,875	9,543
Total other liabilities	**55,142**	**55,441**

18. Off-balance sheet commitments and contingent liabilities

NOK thousands	31.12.2017	31.12.2016
Unused credit facilities	1,828,251	1,761,912
Total contingent liabilities	**1,828,251**	**1,761,912**

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

19. Fair value of financial instruments

Method used to calculate the fair value of financial instruments

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

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled for in an orderly transaction between market participants on the measurement date. Different valuation techniques and methods are used to estimate fair value, depending on the type of financial instruments and the extent to which they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Prices quoted in active markets are considered to be the best estimate of an asset/liability's fair value. When quoted prices in active markets are not available, the fair value of financial assets/ liabilities will preferably be estimated on the basis of valuation techniques based on observable market data . When neither quoted prices in active markets nor observable market data are available, the fair value of financial assets/liabilities is estimated based on valuation techniques that are based on non-observable market data. For assets and liabilities for which amortised cost and fair value are virtually identical, book values and the fair value are presented with identical amounts.

Quoted prices in active markets

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

Valuation based on observable market data

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

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/ liabilities is estimated based on valuation techniques which are based on non-observable market data. A financial asset/ liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

Sensitivity financial assets level three

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

Financial instruments measured at amortised cost

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

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

Off-balancesheet obligations and guarantees

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

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

19. Fair value of financial instruments (cont.)

NOK thousands	31.12.2017 Carrying amount	31.12.2017 Fair value	31.12.2016 Carrying amount	31.12.2016 Fair value
Classification of financial instruments				
Net loans to and receivables from credit institutions				
Loans to and receivables from credit institutions, amortised cost	804,529	804,529	581,279	581,279
Loans to and receivables from credit institutions	**804,529**	**804,529**	**581,279**	**581,279**
Bonds and other fixed-income securities				
Certificates and bonds, fair value	140,002	140,002	140,188	140,188
Total bonds and other fixed-income securities	**140,002**	**140,002**	**140,188**	**140,188**
Net loans to customers				
Loans to and receivables from customers, amortised cost	21,105,527	21,105,527	18,262,482	18,262,482
Total loans before individual and group write-downs	**21,105,527**	**21,105,527**	**18,262,482**	**18,262,482**
- Write-downs of individual loans				
- Group write-downs	919	919	6,459	6,459
Total net loans to customers	**21,104,607**	**21,104,607**	**18,256,022**	**18,256,022**
Other assets				
Financial derivatives, fair value	100,339	100,339	117,095	117,095
Other financial assets, amortised cost	36,789	36,789	34,370	34,370
Total other financial assets	**137,129**	**137,129**	**151,465**	**151,465**
Total financial assets	**22,186,268**	**22,186,268**	**19,128,954**	**19,128,954**
Classification of financial liabilities				
Liabilities to credit institutions				
Loans and deposits from credit institutions, amortised cost	3,261,835	3,261,835	2,750,208	2,750,208
Total liabilities to credit institutions	**3,261,835**	**3,261,835**	**2,750,208**	**2,750,208**
Debt Securities				
Commercial paper and bonds, amortised cost	15,531,824	15,650,394	13,304,988	13,324,510
Liability incurred through the issue of securities, fair value hedge	1,544,176	1,559,334	1,559,886	1,563,153
Total debt securities	**17,076,000**	**17,209,728**	**14,864,874**	**14,887,663**
Other financial liabilities				
Financial derivatives, fair value	6,186	6,186	7,177	7,177
Other financial liabilities, amortised cost	48	48	48,027	48,027
Total other financial liabilities	**6,234**	**6,234**	**55,205**	**55,205**
Total financial liabilities	**20,344,070**	**20,477,797**	**17,670,287**	**17,693,076**

19. Fair value of financial instruments (cont.)

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

	31.12.2016			
NOK thousands	Level 1	Level 2	Level 3	Total
Loans to and receivables from customers, fair value				
Interest-bearing securities, fair value	39,830	100,358		140,188
Financial derivatives, fair value		117,095		117,095
Total assets measured at fair value	**39,830**	**217,453**		**257,283**
Financial derivatives, fair value		7,177		7,177
Total liabilities measured at fair value		**7,177**		**7,177**
Liability incurred through the issue of securities, amortised cost		13,324,510		13,324,510
Total liabilities measured at amortised cost		**13,324,510**		**13,324,510**
Liability incurred through the issue of securities, fair value hedge		1,563,153		1,563,153
Total liabilities included in fair value hedge		**1,563,153**		**1,563,153**

There were no major moves between levels 1 and 2 in 2017.

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

20. Cover pool

NOK thousands	31.12.2017	31.12.2016
Gross loans to customers	21,105,527	18,262,482
Number of loans	12,226	11,110
Loans in default over 90 days	2,643	2,556
Total value basis for loans	59,573,936	52,107,340
Weighted average remaining life (months)	258	221
Weighted indexed average loan-to-value ratio	49%	48%
Lending to customers divided by weighted loan-to-value:		
Loan-to-value 0-40 per cent	6,171,483	5,257,459
Loan-to-value 40-50 per cent	4,247,097	3,736,742
Loan-to-value 50-60 per cent	4,736,342	4,521,322
Loan-to-value 60-75 per cent	5,647,194	4,573,144
Loan-to-value over 75 per cent	303,410	173,816
Total	**21,105,527**	**18,262,482**
Composition cover pool:		
Mortgage[1]	21,084,243	18,249,394
Substitute assets:		
Bank deposits Gjensidige Bank ASA	650,655	429,243
Covered bonds (rated AAA)	38,082	50,173
Treasury bills	31,888	19,903
Derivative	84,108	95,050
Total	**21,888,976**	**18,843,763**

[1] The part of loans exceeding 75 and loans default over 90 days are not included in the value of the cover pool.

21. Related parties

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

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

Gjensidige Bank Boligkreditt AS has access to strong credit facilities with Gjensidige Bank ASA. This ensure that the Company can pay interest and principal to the covered bonds owners, and finance the transferring of loans and the cover pool.

Further information about the credit agreements:
a) long-term credit facility of up to NOK 2,000.0 million. Expiry date 31 December 2019.
b) short-term credit facility of up to NOK 4,000.0 million. Expiry date 30 November 2018.
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 2017, the credit limit of the agreement was NOK 402.0 million.

NOK 10,107.9 million in loans to and claims on customers was transferred from Gjensidige Bank ASA to Gjensidige Bank Boligkreditt AS in 2017.

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

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

NOK thousands	**31.12.2017**	**31.12.2016**
Interest income deposit Gjensidige Bank ASA	9,819	9,903
Interest expense liability Gjensidige Bank ASA	43,909	54,446
Interest expense covered bonds Gjensidige Bank ASA	21,434	21,601
Purchase of services from Gjensidige Bank ASA	10,197	8,840
Services to Gjensidige Bank ASA (outsoursing the CEO)	588	588

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

NOK thousands	**31.12.2017**	**31.12.2016**
Deposit in Gjensidige Bank ASA	804,455	581,214
Liability to Gjensidige Bank ASA	3,273,300	2,762,595
Covered Bonds to Gjensidige Bank ASA	693,378	661,075

22. Events after the balance sheet day

No significant events have occurred after the balance sheet date.

23. Capital adequacy

NOK thousands	31.12.2017	31.12.2016
Share capital and share premium	1,220,020	1,020,020
Other equity	523,949	402,917
Equity	**1,743,969**	**1,422,937**
Deductions		
Goodwill and other intangible assets		
Value adjustments due to the requirements for prudent valuation	(247)	(264)
Common equity Tier 1 capital	**1,743,722**	**1,422,673**
Net primary capital	**1,743,722**	**1,422,673**
Minimum requirement for equity and subordinated debt		
Credit risk		
Of which:		
Institutions	18,452	15,497
Mass market positions	2,323	3,660
Positions secured by mortgage	590,166	534,282
Overdue positions	215	212
Covered bonds	628	806
Other positions	61	33
Total minimum requirement credit risk	**611,845**	**554,490**
Operational risk	21,941	20,450
CVA-risk	10,020	13,312
Minimum requirement for net primary capital	**643,806**	**588,252**
Basis of calculation of balance sheet items not included in trading portfolio	**7,582,622**	**6,549,075**
Basis of calculation of off-balance sheet items not included in trading portfolio	**65,440**	**382,048**
Risk-weighted assets (calculation basis for capital adequacy ratio)	**8,047,573**	**7,353,149**
Buffer requirements		
Systemic risk buffer	241,427	220,594
Conservation buffer	201,189	183,829
Countercyclical buffer	160,951	110,297
Total buffer requirement for common equity Tier 1 capital	**603,568**	**514,720**
Pillar 2 requirement 1.5% for common equity Tier 1 capital set by The Financial Supervisory Authority of Norway	**120,714**	
Available Core Tier 1 capital net minimum requirement	**657,300**	**577,061**
Capital adequacy		
Capital adequacy ratio	21.7%	19.3%
Tier 1 capital ratio	21.7%	19.3%
Common equity Tier 1 capital ratio	21.7%	19.3%
Leverage ratio	7.7%	7.1%

For credit risk the standard method is used, while basis method is used for oparational risk. In 2017 The Financial Supervisory Authority of Norway set a Pillar 2 requirement on additional 1.5 per cent of risk-weighted assets for Gjensidige Bank Group, covered by Common equity Tier 1 capital. The requirement for countercyclical buffer increased from 1.5 per cent to 2.0 per cent from 31 December 2017. Total requirement for common equity Tier 1 capital is 13.5 per cent and 17.0 per cent for primary capital as of year end 2017.

24. Classification of financial instruments

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

NOK thousands Balance 31.12.2016	Financial instruments measured at fair value through profit or loss	Available for sale	Financial assets and liabilities at amortised cost	Financial assets and liabilities at cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Assets							
Loans to and claims on credit institutions			581,279				581,279
Loans to and claims on customers			18,256,022				18,256,022
Certificates, bonds and other interest-bearing securities	140,188						140,188
Financial derivatives					117,095		117,095
Other assets			34,370			416	34,787
Total assets	**140,188**		**18,871,671**		**117,095**	**416**	**19,129,370**
Liabilities and equity							
Liabilities to credit institutions			2,750,208				2,750,208
Liabilities opened for the issue of securities			14,864,874				14,864,874
Financial derivatives					7,177		7,177
Other liabilities			48,027			29,657	77,685
Deferred tax liabilities						6,490	6,490
Total liabilities			**17,663,109**		**7,177**	**36,147**	**17,706,434**
Total equity						**1,422,937**	**1,422,937**
Total liabilities and equity			**17,663,109**		**7,177**	**1,459,084**	**19,129,370**

25. Risk and risk management

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

Capital adequacy regulations

The capital regulations are built on three pillars:

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

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

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

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

Credit risk

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

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

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

The handling of individual loan customers and the administration of loans are managed by Gjensidige Bank ASA in accordance with the SLA. The weighted loan to value ratio, indexed was 48.8 per cent for the portfolio. Approximately 71.9 per cent of the loan portfolio is within 60 per cent of collateral value.

As of 31 December 2017, the Company's gross lending was NOK 21,105.5 million and two loans were in default over 90 days. The loan portfolio is mainly secured by residences in Eastern Norway. The largest single exposure was NOK 8.8 million. Development of the loan portfolio is monitored through monthly credit risk reports with the focus on LTV, the development of property prices, geographical distribution, credit scores and delinquency.

The Company uses application score models and behaviour score models set by the bank. The models predict the probability of default in for decisions related to top-ups, collections, group write-downs and other portfolio management decisions. With the help

Credit risk liquidity portfolio by counterparty:

NOK thousands	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	31.12.2017	31.12.2016
Loans to and claims on credit institutions			804,529			804,529	581,279
State and government guaranteed bonds	61,797					61,797	39,830
Covered bonds	78,205					78,205	100,358
Total	**140,002**		**804,529**			**944,531**	**721,467**

Credit risk derivatives by counterparty:

NOK thousands	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	31.12.2017	31.12.2016
Other			94,153			94,153	109,918
Total			**94,153**			**94,153**	**109,918**

25. Risk and risk management (cont.)

The table below shows the lending portfolio and provisions as of 31 December 2017 and 31 December 2016 segmented by the risk groups:

31.12.2017 NOK million	Gross lending	Guarantees	Total off-balance commitments	Individual Provisions	Other exposure	Maximum credit exposure
Low	20,855		1,825			22,679
Medium	106		1			107
High	140		2			142
Not classified	1		1			2
Impaired and written down	3					3
Total	**21,105**		**1,828**			**22,933**
Group provisions						
Total net	**21,105**		**1,828**			**22,933**

31.12.2016 NOK million	Gross lending	Guarantees	Total off-balance commitments	Individual Provisions	Other exposures	Maximum credit exposure
Low	18,141		1,751			19,892
Medium	48		4			52
High	69		1			70
Not classified	2					2
Impaired and written down	3					3
Total	**18,262**		**1,756**			**20,019**
Group provisions	6					6
Total net	**18,256**		**1,756**			**20,012**

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 22,932.9 million.

Write-downs and losses

Write-downs and losses include group provisions, individual provisions (write-downs) and recognised losses.

If a borrower does not meet the contractual obligation to pay instalments or overdraws a credit beyond the limits granted, then the loan will be considered to be in a state of default. For secured loans, significant exposures are reviewed individually for objective evidence of impairment (fall in value) on a quarterly basis and, when required, an individual provision (write-down) is made. In addition, for secured loans an individual review for write-down is also made for all delinquent loans over 30 days delinquency and over a certain specified amount.

The Company also has models for calculating write-downs on groups of loans that are not impaired. Using scores, the group write-down models estimate the likelihood of loss in these groups of loans, and compute the corresponding provisions required to cover for such losses.

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

During the year group provisions decreased with NOK 5.5 million.

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

Market risk

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

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

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

As of 31 December 2017 the Company has a positive interest rate exposure over 3 months of 52 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 limited maturity, where the value is expected to be less exposed to changes in the credit spread. The Company does not hedge the spread risk on its own bond issues.

Concentration risk

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

As of 31 December 2017, the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The largest exposure is about NOK 8.8 million. The exposure related to the ten largest loans (limit) is about NOK 79.7 million. The Company's liquidity reserves consist of bank deposits in parent company, securities issued by the Norwegian government and Norwegian covered bonds (OMF).

Liquidity risk

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

The Company manages its liquidity risk by having a liquid securities portfolio and credit facilities in Gjensidige Bank ASA. It also matches the maturities of its assets and liabilities. The credit facility in Gjensidige Bank ASA shall be sufficient at all times to cover the total repayment of the outstanding bonds in the next 12 months. The Company had a long-term credit facility of up to NOK 2,000.0 million, as well as short-term vendor financing of up to NOK 4,000.0 million. Unutilised credit facilities amounted to NOK 2,783.2 million at the end of the year.

Operational risk

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

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

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

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

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

26. Credit risk

Credit exposure for loans

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

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

Commitments by customer groups

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

Loans by geographical area based on the collateral address

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

Total commitments by remaining maturity

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

26. Credit risk (cont.)

Age analysis of loans that are due

31.12.2017 NOK thousands	Loans and receivables to/ from customers	Guarantees	Accrued interest	Total commitments
Default 1 - 30 days	206,842		456	207,298
Default 31 - 60 days				
Default 61 - 90 days	1,497		12	1,509
Default over 90 days	2,643		45	2,688
Total	**210,983**		**513**	**211,496**
Overdue loans over 90 days by geographical area				
Eastern Norway	702		45	746
Western Norway	1,942			1,942
Central Norway				
Northern Norway				
Total	**2,643**		**45**	**2,688**

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

Credit risk by customer groups

31.12.2017 NOK thousands	Total loans with impairment	Total commitments	Total value changes	Total impairment	Total value changes over income statement
Private individuals		22,933,778			
Total		**22,933,778**			

Commitments by customer groups

31.12.2016 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Average size of loans	Gross non-performing loans	Individual impairment	Net non-performing loans
Private individuals	18,262,482		1,761,912	20,024,393	1,644	2,556		2,556
Total	**18,262,482**		**1,761,912**	**20,024,393**	**1,644**	**2,556**		**2,556**
- Group write-downs	6,459			6,459				
+ other changes in value								
Total loans and receivables to/from customers	**18,256,022**		**1,761,912**	**20,017,934**	**1,644**	**2,556**		**2,556**

Loans by geographical area based on the collateral address

31.12.2016 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non-performing loans	Individual impairment	Net non-performing loans
Eastern Norway	11,717,157		974,952	12,692,108	2,556		2,556
Western Norway	3,612,789		455,614	4,068,402			
Central Norway	1,793,336		210,193	2,003,529			
Northern Norway	803,058		72,657	875,715			
Southern Norway	336,143		48,496	384,639			
Abroad							
Total	**18,262,482**		**1,761,912**	**20,024,393**	**2,556**		**2,556**

26. Credit risk (cont.)

Total commitments by remaining maturity

31.12.2016 NOK thousands	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Average size of loans	Gross non-performing loans	Individual impairment	Net non-performing loans
1 month	31		598	629				
1-3 months	12,833		13,430	26,263				
3-12 months	124,481		106,459	230,940				
1-5 years	1,172,538		762,813	1,935,351				
More than 5 years	16,952,599		878,613	17,831,212	2,556		2,556	2,556
Total	**18,262,482**		**1,761,912**	**20,024,393**	**2,556**		**2,556**	**2,556**

Age analysis of loans that are due

31.12.2016 NOK thousands	Loans and receivables to/ from customers	Guarantees	Accrued interest	Total commitments
Default 1 - 30 days	92,557		10,869	103,426
Default 31 - 60 days				
Default 61 - 90 days	1,054		35	1,088
Default over 90 days	2,556		119	2,675
Total	**96,166**		**11,023**	**107,189**
Overdue loans over 90 days by geographical area				
Eastern Norway	2,556		119	2,675
Western Norway				
Central Norway				
Northern Norway				
Total	**2,556**		**119**	**2,675**

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

31.12.2016 NOK thousands	Total loans with impairment	Total commitments	Total value changes	Total impairment	Total value changes over income statement
Private individuals		20,024,393			
Total		**20,024,393**			

27. Liquidity risk

As of 31 December 2017, the Company had net liquid assets of NOK 944.5 million, divided between NOK 804.5 million in bank deposits, NOK 61.6 million in covered bonds and NOK 78.4 million in treasury bills.

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

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

31.12.2016 **NOK thousands**	**1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**No fixed maturity**	**Total**
Loans to and claims on credit institutions	581,279						581,279
Loans to and claims on customers	86,073	184,021	887,357	5,038,324	15,544,526		21,740,301
Certificates, bonds and other interest-bearing securities	115	320	110,712	30,113			141,260
Other financial assets	34,370					117,095	151,465
Derivatives – gross inflows		52,625	179,475	86,400			318,500
Total financial assets	**701,837**	**236,966**	**1,177,544**	**5,154,837**	**15,544,526**	**117,095**	**22,932,805**
Liabilities to credit institutions	3,935	7,870	785,255	2,035,800			2,832,861
Liabilities opened for the issue of securities	2,657	51,949	763,238	12,277,394	2,703,604		15,798,841
Unused credit facilities	1,761,912						1,761,912
Derivatives – gross outflows	6,357	18,983	83,182	37,246			145,768
Total financial liabilities	**1,774,860**	**78,802**	**1,631,675**	**14,350,440**	**2,703,604**		**20,539,382**

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 2017.

Effect on income statement / equity

2017	**Interest**	
NOK thousands	**-1.5%**	**1.5%**
Asset swap	(75,527)	75,527
Loans to and receivables from credit institutions	(9,051)	9,051
Loans to and receivables from customers	(210,041)	210,041
Interest-bearing securities	(1,212)	1,212
Liabilities to credit institutions	36,696	(36,696)
Liabilities opened for the issue of securities (variable interest)	152,982	(152,982)
Liabilities opened for the issue of securities (fixed interest)	75,527	(75,527)
Total	**(30,626)**	**30,626**

2016	**Interest**	
NOK thousands	**-1.5%**	**1.5%**
Asset swap	(97,875)	97,875
Loans to and receivables from credit institutions	(6,539)	6,539
Loans to and receivables from customers	(181,747)	181,747
Interest-bearing securities	(1,213)	1,213
Liabilities to credit institutions	30,940	(30,940)
Liabilities opened for the issue of securities (variable interest)	131,089	(131,089)
Liabilities opened for the issue of securities (fixed interest)	97,875	(97,875)
Total	**(27,470)**	**27,470**

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

29. Equity-based remuneration

Description of the share-based payment scheme

As at 31 December 2017, Gjensidige has the following share-based payment arrangements.

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

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

The fair value at the grant date is measured based on the market price. The amount is recognised as payroll expenses at grant date. No specific company-related or market-related entitlement criteria apply to the shares, but the Company may carry out a reassessment if subsequent results and development suggest that the bonus was based on incorrect assumptions. The expected allocation is set to 100 per cent. The value of the cash-settled share is adjusted at each reporting period based on the share price at this time. 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 per cent, limited upwards to NOK 3,000 kroner per year, which corresponds to the maximum tax-exempt discount. Employees will receive one bonus share for every four shares they have owned for more than two years, provided that they are still employed by the Company or have become retired.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years.

Fair value measurement

The fair value of the shares allocated through the share-based payment for executive personnel is calculated on the basis of the share price at grant date. The amount is recognised immediately. The cash-settled share is adjusted consecutively based on the share price at the reporting time.

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	
	2017	**2016**	**2017**	**2016**
Weighted average share price (NOK)	135.00	143.60	139.26	141.86
Expected turnover	N/A	N/A	10%	10%
Expected sale	N/A	N/A	5%	5%
Lock-in period (years)	3	3	2	2
Expected dividend (NOK per share)[1]	6.57	6.67	6.57	6.67

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

Personnel expenses

NOK thousands	31.12.2017	31.12.2016
Share-based remuneration	67	76
Share savings programme for employees	10	6
Total	**77**	**83**

29. Equity-based remuneration (cont.)

Share savings programme	Number of bonus shares 2017	Number of bonus shares 2016
Outstanding 1.1.	103	66
Granted during the period	65	49
Movement to (from) during the period		
Released	(54)	(12)
Cancelled during the period		
Forfeited during the period		
Exercised during the period		
Expired during the period		
Outstanding 31.12	**114**	**103**
Exercisable 31.12.	**0**	**0**
Average remaining life on outstanding bonus shares	1.00	0.96
Weighted average fair value of allocated bonus shares	120.27	122.90
Weighted average share price of bonus shares exercised during the period	139.43	142.43

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

Remuneration scheme	Number of shares 2017	Number of cash-settled shares 2017	Number of shares 2016	Number of cash-settled shares 2016
Outstanding 1.1.	997	912	1,097	1,001
Granted during the period	437	384	426	382
Forfeited during the period				
Cancelled during the period				
Exercised during the period	(525)	(480)	(602)	(552)
Expired during the period				
Modification dividend during the period	44	45	76	81
Outstanding 31.12	**953**	**861**	**997**	**912**
Exercisable 31.12.				
Average remaining life				

	2017	2016
Weighted average fair value of allocated shares[2]	135.00	143.60
Weighted average share price of bonus shares exercised during the period	133.53	143.59
The value of shares granted that are to be cash-settled	154.90	149.20

[2]The fair value is calculated based on the market value of the share at the time of allocation.

Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the annual report and financial statements for Gjensidige Bank Boligkreditt AS for the calendar year 2017 and as of 31 December 2017 (Annual Report 2017).

We declare that, to the best of our knowledge, the financial statements for 2017 have been prepared in accordance with IFRS as adopted by the EU, and in accordance with additional requirements set out in the Accounting Act, and taking into account the limitations of accounting regulations for banks, credit institutions and financing companies. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the annual report gives a true picture of important events in the accounting period and their impact on the financial statements, related material transactions and the most important risks and uncertainties faced by the company in the next accounting period.

Oslo, 15 February 2018
The Board of Gjensidige Bank Boligkreditt AS

Jørgen Ringdal
Chair

Erik Ranberg

Sirianne Haaje Nes

Solbjørg Lie

Jan Kåre Raae
CEO

Auditor's report

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

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 2017, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises the Annual report for 2017, but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsiblities 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.

Auditor's report

Deloitte.

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 International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Auditor's report

Deloitte.

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, 15 February 2018
Deloitte AS

Eivind Skaug

Eivind Skaug
State Authorised Public Accountant

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

Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 3800 employees and offer insurance, banking and pension in Norway and insurance in Denmark, Sweden and the Baltic states. The Group's operating income was NOK 27 billion in 2017, while total assets were NOK 149 billion.

Gjensidige Bank Boligkreditt AS
Schweigaards gate 14
NO-0185 OSLO, Norway
Phone +47 915 03100

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
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
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