



INTERIM REPORT THIRD QUARTER 2008

GJENSIDIGE BANK ASA



INTERIM REPORT AT 30 SEPTEMBER 2008

OUR BUSINESS

Gjensidige Bank was launched on 2 January 2007, and has its head office in Førde. The Bank offers a self-service concept with attractive terms, and straightforward procedures that ensure good customer experiences over the Internet. The company's products are distributed through the Group's web portal gjensidige.no and through the Bank's own customer service centre. The Bank differentiates itself from other players in the market through its association with the Gjensidige Group's brand name, customer base and distribution network. The Bank has entered into a long-term, strategic partnership with Sparebanken Sogn og Fjordane, a regional savings bank which supplies banking and administrative services to the Bank.

The Bank has agreements with The Norwegian Society of Chartered Technical and Scientific Professionals (Tekna), The Confederation of Vocational Unions (YS) and The Norwegian Society of Engineers and Technologists (NITO) regarding the provision of products to the members of those organisations. The Bank's products also form part of the Gjensidige group's loyalty programme.

Gjensidige Bank ASA is wholly owned by Gjensidige Bank Holding AS, which in turn is wholly owned by Gjensidige Forsikring BA.

Special products for farmers were launched in the spring of 2008, and now form part of the overall range of services offered to the Group's retail customers involved in farming.

The Bank had 43 employees at the close of the third quarter of 2008.

MARKETING/ CUSTOMER GROWTH

The Bank has been marketed through advertisements in national/ regional newspapers and magazines, as well as through direct marketing and online and radio advertisements.

The Bank has developed various customer service models in order to use the Group's distribution channels as efficiently as possible for the purposes of acquiring customers and selling products.

At the close of the third quarter of 2008, the company had 36,659 registered customers.

The accrual of new customers has shown an ongoing trend particularly during the last 4 weeks of the quarter.

FINANCIAL RESULTS

In the first nine months of 2008, the Bank made a pre-tax loss of NOK 65.6 million. In the year-earlier period, it made a pre-tax loss of NOK 82.0 million.

Looking at the third quarter of 2008 in isolation, the Bank made a pre-tax loss of NOK 11.3 million, whilst it made a pre-tax loss of NOK 26.3 million in the same quarter of 2007.

The company is still in the start-up phase, and had budgeted for a loss at this stage.

NET INTEREST INCOME

Net interest income for the nine months to 30 September 2008 was NOK 31.8 million. Net interest income for the third quarter in isolation was NOK 16.1 million.

OPERATING EXPENSES

Total operating expenses for the nine months to 30 September 2008 were NOK 97.5 million, against NOK 88.1 million for the same period last year. The increase in operating expenses was mainly due to the Bank having more staff.

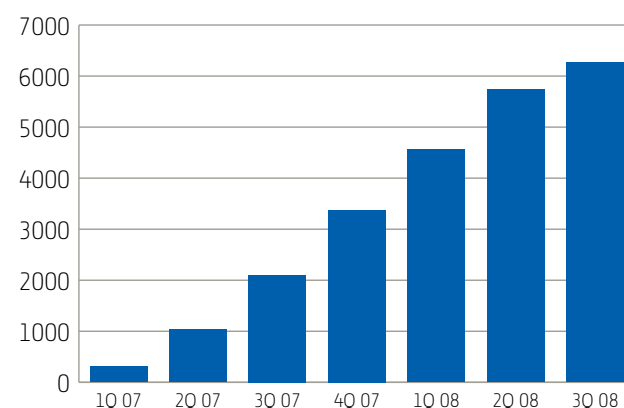
WRITEDOWNS ON LOANS

There have been no individual writedowns on loans. Groups of loans are written down for the risk relating to loans in the portfolio that have not been individually identified as being at risk of default. At 30 September 2008, group writedowns totalled NOK 14.9 million. In the year to date, new group writedowns have totalled NOK 8.2 million.

LOANS TO CUSTOMERS

Total gross loans were NOK 6,281 million at the close of the third quarter. Year-to-date loan growth was NOK 2,885 million, which represents a growth rate of 85.7%.

NOK million



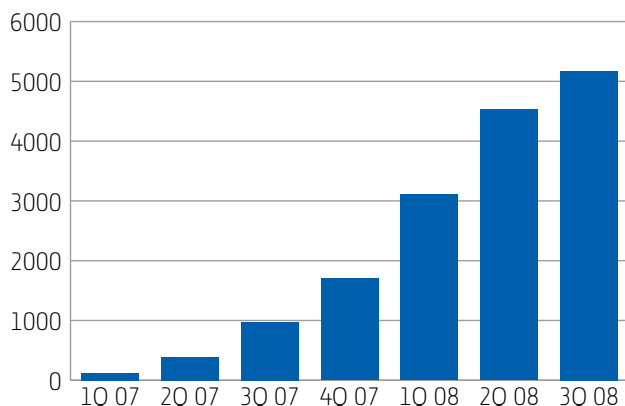
The vast majority of the loan portfolio is made up of variable rate loans. The Bank only provides loans to retail and farming customers.

86.8% of the granted loans at the turn of the quarter is pledged in housing within 80% or less of the estimated value. The average exposure just exceed NOK 1 million. None of the exposures exceed NOK 10 million.

DEPOSITS

In the third quarter, customer deposits increased by NOK 651 million. Total customer deposits were NOK 5,177 at the close of the third quarter, which represents a year-to-date growth rate of 204.4%.

NOK million



The increase in deposits means that the deposit/loan ratio is now 82.4%, against 78.9% at the close of the second quarter.

SEGMENTS

The Bank currently mainly targets retail customers, and the financial statements therefore cover the retail market. This segment is made up of organisations, loyalty customers, employees of the Gjensidige group and other customers. Customers are spread throughout Norway. As the Bank now also offers products to the farming industry, this will in due course be reported as a separate segment. At 30 September 2008 the volume of this business was insignificant.

CAPITAL ADEQUACY

At the close of the third quarter, the Bank's capital adequacy ratio was 20.1% under the new capital adequacy rules that came into force on 1 January 2008 (Basel II). During the start-up phase, the Bank has chosen to maintain a capital adequacy ratio well above the legal requirement of eight percent.

DEBT SECURITIES

The value of the Bank's net debt securities was NOK 1,200 at the close of the third quarter of 2008. Of this, NOK 1,000 million was commercial paper.

FUTURE PROSPECTS

The recent turbulence in financial markets has resulted in higher funding costs, and it is uncertain what will happen in financial markets in the future. By offering attractive interest rates on deposits, the Bank has reduced its dependency on external funding, but it will in all likelihood nevertheless need to refinance existing loans and take up new loans in order to continue growing.

The Bank is constantly adjusting its organisational structure and enhancing its expertise in order to ensure that it is in a position to achieve its ambitions for growth and to meet future challenges.

Looking forward, the Bank will continue to focus on skills development, marketing and the automation of processes in order to grow its customer base and develop its business.

The Board believes that the company will continue to progress in a satisfactory manner.

Førde, 30 September 2008/ 29 October 2008

Geir Bergskaug
Chairman

Arvid Andenæs
Deputy chairman

Marianne B. Einarsen

Ingun Ranneberg-Nilsen

Roger Nedrebø

Jan Kaare Hellevang
CEO

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

PROFIT AND LOSS ACCOUNT

Figures in NOK 1000	3Q 2008	3Q 2007	30 Sept. 2008	30 Sept. 2007	31 Dec.2007
Interest income and similar income	115,126	21,262	268,354	33,386	75,844
Interest costs and similar costs	98,978	18,439	236,588	27,745	64,586
Net interest/ credit income	16,148	2,823	31,766	5,641	11,258
Commission inc. and inc. from banking services	2,302	659	6,178	1,843	2,996
Commission costs and cost of banking services	844	204	1,894	505	834
Net commission income	1,458	455	4,284	1,338	2,162
Income from other financial investments	1,550	1,066	3,941	3,063	3,949
Total income excluding net interest	3,008	1,521	8,225	4,401	6,111
Total income	19,156	4,344	39,991	10,042	17,369
Wages, salaries and general administration expenses	14,238	18,038	57,736	47,916	76,078
Depreciation of fixed assets	2,783	4,002	7,889	8,788	11,751
Other operating expenses	10,191	4,589	31,825	31,356	38,627
Total operating expenses	27,212	26,629	97,450	88,060	126,456
Profit/ (loss) before loan losses	(8,056)	(22,285)	(57,459)	(78,018)	(109,087)
Writedowns on loans	3,255	4,000	8,172	4,000	6,742
Profit/ (loss) before taxation	(11,311)	(26,285)	(65,631)	(82,018)	(115,829)
Tax expense	(3,167)	(7,360)	(18,377)	(22,965)	(32,566)
Profit/ (loss) after taxation	(8,144)	(18,925)	(47,254)	(59,053)	(83,263)
Profit/ (loss) per share	(24)	(56)	(93)	(174)	(245)

BALANCE SHEET

Figures in NOK 1000	30 Sept. 2008	30 Sept. 2007	31 Dec.2007
ASSETS			
Cash and receivables from central banks	498,182	7,548	126,440
Loans to and receivables from credit institutions	334,075	188,494	72,570
Loans to and receivables from customers	6,280,854	2,105,096	3,381,376
- Writedowns	(14,913)	(4,000)	(6,742)
Net loans to customers	6,265,941	2,101,096	3,374,634
Commercial paper, bonds and other interest-bearing securities	129,368		
Shares (and other securities with variable returns)	83,937	78,444	79,513
Intangible assets	60,890	72,078	78,540
Fixed assets	3,508	3,322	4,033
Other assets	0	1,283	1,012
Advance payments and earned income	17,711	3,324	9,427
Total assets	7,393,612	2,455,589	3,746,169
LIABILITIES			
Debt to credit institutions	0	0	150,000
Deposits from/ debt to customers	5,177,146	975,437	1,701,080
Debt incurred through the issue of securities	1,199,806	900,000	1,350,000
Other liabilities	26,790	14,569	13,737
Accrued costs and advance income	217,079	25,729	15,708
Total liabilities	6,620,821	1,915,735	3,230,525
EQUITY			
Paid-up equity	909,784	602,000	602,000
Retained earnings	(136,993)	(62,146)	(86,356)
Total equity	772,791	539,854	515,644
Total debt and equity	7,393,612	2,455,589	3,746,169

KEY FIGURES

	30 Sept. 2008	30 Sept. 2007	31 Dec. 2007
Net interest as a % of average total assets	0.74 %	0.65 %	0.71 %
Losses as a % of gross loans excl. credit institutions	0.13 %	0.19 %	0.20 %
Return on equity - annualised ¹⁾	(12.73) %	(24.66) %	(26.86) %
Customer deposits as % of gross loans to customers	82.43 %	46.34 %	50.31 %
Capital adequacy ratio ²⁾	20.06 %	35.12 %	20.81 %
Average total assets (figures in NOK 1000)	5,737,425	1,164,395	1,588,422
Average full-time equivalent employees	39	30	27
Registered customers (number) ³⁾	36,659	15,996	22,244
Registered customers who are also insurance customers	20,347	8,487	11,516

1) Profit/ (loss) before taxation/ average adjusted equity during the period

2) The calculations at 30.09.2007 and 31 Dec. 2007 were done using the old rules/ Basel I

3) Registered customers include both people who have registered to become customers (started the process of becoming customers) and people who have actively started using the bank. As of 30 June 2008, people who have been customers for more than 6 months without starting to use the bank actively have been omitted.

CASH FLOW STATEMENT

Figures in NOK 1000

	30 Sept. 2008	30 Sept. 2007	31 Dec. 2007
Cash flows from operating activities			
Net loans to customers	(2,899,478)	(2,105,096)	(3,381,376)
Net deposits from customers	3,476,066	975,437	1,701,080
Interest payments by customers	239,720	24,365	62,071
Interest paid to customers	(1,943)	(50)	(30,109)
Net interest received from credit institutions, etc.	18,415	5,101	7,832
Net other commission income	4,284	813	2,162
Operating expenses	(89,560)	(79,403)	(109,675)
Net outflow/ inflow from purch./ sale of interest-bearing fin. instr.	(130,000)	200,000	200,000
Net cash flow from operating activities	617,504	(978,833)	(1,548,016)
Cash flow from investing activities			
Net purchase of intangible assets and fixed assets	(4,939)	(4,777)	(5,317)
Net cash flow from investing activities	(4,939)	(4,777)	(5,317)
Cash flow from financing activities			
Net inflow/ outflow from loans from credit institutions	(300,194)	900,000	1,500,000
Net interest payment on financing activities	(41,380)	(10,511)	(23,679)
Net inflow/ outflow from other short-term items	24,255	15,984	(2,858)
Paid-up equity	218,000	252,000	252,000
Net group contribution received/ dividends	120,000	0	4,700
Net cash flow from financing activities	20,681	1,157,473	1,730,163
Total cash flow	633,246	173,863	176,831
Cash flow for the period			
Opening cash balance	199,011	22,180	22,180
Closing cash balance	832,257	196,042	199,011
Net cash inflow/ outflow	633,246	173,863	176,831
Specification of cash and cash equivalents			
Receivables from central banks	498,182	7,548	126,440
Deposits at financial institutions	334,075	188,494	72,570
Cash and cash equivalents on cash flow statement	832,257	196,042	199,011

The cash flow statement shows inflows and outflows of cash and cash equivalents over the course of the year.

The statement is adjusted for items that do not result in cash flows, such as provisions, depreciation and writedowns of loans and guarantees.

Cash flows are classified as operating activities, investing activities or financing activities.

Cash and cash equivalents is defined as cash and receivables from central banks and credit institutions.

HISTORICAL QUARTERLY RESULTS

Figures in NOK 1000	3Q 2008	2Q 2008	1Q 2008	4Q 2007	3Q 2007	2Q 2007	1Q 2007
Interest income and similar income	115,126	87,988	65,240	42,458	21,262	9,637	2,487
Interest costs and similar costs	98,978	78,640	58,970	36,841	18,439	7,703	1,603
Net interest/ credit income	16,148	9,348	6,270	5,617	2,823	1,934	884
Commission inc. and inc. from banking services	2,302	2,051	1,825	1,153	659	902	282
Commission costs and cost of banking services	844	573	477	329	204	187	114
Net commission income	1,458	1,478	1,348	824	455	715	168
Income from other financial investments	1,550	1,252	1,140	886	1,066	820	1,177
Total income	19,156	12,078	8,758	7,327	4,344	3,469	2,229
Wages, salaries and general administration expenses	14,238	23,997	19,500	28,162	18,038	19,468	10,410
Depreciation of fixed assets	2,783	2,628	2,479	2,963	4,002	3,737	1,049
Other operating expenses	10,191	11,523	10,112	7,271	4,589	16,195	10,572
Total operating expenses	27,212	38,148	32,091	38,396	26,629	39,400	22,031
Profit/ (loss) before loan losses	(8,056)	(26,070)	(23,333)	(31,069)	(22,285)	(35,931)	(19,802)
Writedowns on loans	3,255	3,112	1,804	2,742	4,000		
Profit/ (loss) before taxation	(11,311)	(29,182)	(25,137)	(33,811)	(26,285)	(35,931)	(19,802)

EQUITY STATEMENT

Figures in NOK 1000

Opening equity, 1 Jan. 2007 – IFRS	343,523
New equity 2007	252,000
The current profit provided to the P & L Account of 2007	(83,263)
The current income and expenses provided to the equity account of 2007	0
Net group contribution 2007	3,384
Closing equity 2007 – IFRS	515,644
New equity 2008	218,000
Profit/ (loss) for third quarter 2008	(47,253)
Net group contribution 2008	86,400
Closing equity at 30 Sept. 2008 – IFRS	772,791

NOTES

Note 1 Accounting principles

Gjensidige Bank ASA reports its results in line with international accounting standards (IFRS). The interim financial statements have been presented in accordance with IAS 34 "Interim Financial Reporting". The same accounting and calculation principles have been used as for the most recent full-year financial statements.

LOANS AND RECEIVABLES

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

For loans and receivables, an assessment is made at each balance sheet date as to whether there is objective evidence that a receivable/loan or a group of receivables/loans is impaired. Individual write-downs are made first, before determining any group writedowns.

If there is objective evidence that a financial asset is impaired, the estimated loss is written down. Objective evidence means that an event has occurred that indicates that the loan is impaired. This may be information about damaged credit histories, bankruptcy or some other default.

INTANGIBLE ASSETS

Intangible assets, whether acquired separately or as a group, are capitalised at fair value as at the date of acquisition. Intangible assets include customised software developed by the Bank. These assets are carried at cost less accumulated depreciation and any writedowns. The depreciation period and method is reviewed annually. When capitalising new intangible assets, it must be possible to demonstrate that it is probable that future economic benefits attributable to the

asset will flow to the company. It must also be possible to reliably estimate the cost of the asset. The need for writedowns is assessed when there is evidence of impairment. Beyond that, the writedown on intangible assets and reversal of writedowns is done in the same way as for fixed assets.

FIXED ASSETS

The company's fixed assets consist of fixtures, machinery and IT systems used by the company for its own operations. Fixed assets are carried at cost less accumulated depreciation and any writedowns. They are depreciated on a straight line basis over their anticipated useful life. Where fixed assets or significant portions of a fixed asset have different useful lives, they are capitalised and depreciated separately. The anticipated useful life and residual value, unless insignificant, is reviewed annually. The carrying value of an asset is written down if its recoverable amount is less than its carrying value.

CUSTOMER DEPOSITS AND DEBT INCURRED THROUGH THE ISSUE OF SECURITIES

Customer deposits and debt incurred through the issue of securities are initially recognised at fair value, and subsequently at amortised cost using the effective interest rate method.

ACCOUNTING FOR INCOME AND EXPENSES

Interest income and interest costs

For all financial instruments measured at amortised cost, interest income and interest costs are recognised in the profit and loss account using the effective interest rate method. The calculation takes into account all direct and attributable costs that form an integral part of the effective interest rate.

OPERATING EXPENSES

Wages, salaries and other operating expenses are accrued and expensed within the reporting period.

Note 2 Segmental information

Customer deposits by sector and industry	30 Sept. 08	30 June 08	31 Mar. 08	31 Dec. 07	30 Sept. 07	30 June 07	31 Mar. 07
Wage-earners, etc.	5,177,146	4,525,627	3,105,492	1,701,080	975,437	387,936	122,043
Total deposits	5,177,146	4,525,627	3,105,492	1,701,080	975,437	387,936	122,043

Of the total customer deposits, NOK 58.9 millions are from Gjensidigestiftelsen and NOK 129 millions are from Gjensidige Forsikring.

Loans to customers by sector and industry	30 Sept. 08	30 June 08	31 Mar. 08	31 Dec. 07	30 Sept. 07	30 June 07	31 Mar. 07
Wage-earners, etc.	6,280,854	5,739,448	4,562,047	3,381,376	2,105,096	1,033,012	308,276
Gross loans	6,280,854	5,739,448	4,562,047	3,381,376	2,105,096	1,033,012	308,276

Note 3 Seasonal variations

The company is still in the start-up phase, and seasonal variations cannot yet be identified.

Note 4 Significant events after the end of the reporting period

There have not been any significant events after the end of the interim reporting period.

Note 5 Business combinations

There were no business combinations in the third quarter.

Note 6 Changes in contingent liabilities or contingent assets since the previous balance sheet date

There have been no changes in contingent liabilities or contingent assets since the previous balance sheet date.

Note 7 Equity

Figures in NOK 1000	Share capital	Share premium account	Other paid-up equity	Total paid-up equity	Other equity	Total equity
Equity at 1 Jan. 2007	250,000	100,000	0	350,000	(3,093)	346,907
Capital increase	180,000	72,000		252,000		252,000
Profit/ (loss) 1 Jan.-30 Sept. 2007			0	0	(59,053)	(59,053)
Equity at 30 Sept. 2007	430,000	172,000	0	602,000	(62,146)	539,854
Equity at 31 Dec. 2007	430,000	172,000	0	602,000	(86,356)	515,644
Adjustment for previously received group contribution (after tax)			3 384	3,384	(3,384)	0
Capital increase 2008	156,000	62,000		218,000		218,000
Group contribution received (after tax)			86,400	86,400		86,400
Profit/ (loss) 1 Jan.-30 Sept. 2008					(47,253)	(47,253)
Equity at 30 Sept. 2008	586,000	234,000	89,784	909,784	(136,993)	772,791

Note 8 Off-balance sheet liabilities

The company has no off-balance sheet liabilities.

Note 9 Gjeld ved utstedelse av verdipapirer

Figures in NOK 1000	30.09.08	30.09.07	31.12.07
Commercial paper and other short-term borrowings	1,000,000	900,000	1,350,000
Bond debt	300,000	–	–
Own bonds, not amortised	(100,000)	–	–
Total debt incurred through the issue of securities	1,200,000	900,000	1,350,000
Term to maturity			
Remaining term to maturity (face value)			
Payable on request	–	–	–
Maximum 3 months	600,000	300,000	300,000
3 months-1 year	400,000	600,000	1,050,000
1-5 years	200,000	–	–
More than 5 years	–	–	–
Total	1,200,000	900,000	1,350,000
Issued during the reporting period	850,000	300,000	1,350,000
Repaid during the reporting period	1,000,000	–	–

Note 10 Losses on loans and guarantees

Figures in NOK 1000	30.09.08	30.09.07	31.12.07
Change in individual writedowns over the reporting period	–	–	–
Change in group writedowns over the reporting period	8,171	4,000	6,742
Losses realised during the period covered by previous writedowns	–	–	–
Losses realised during the period not covered by previous ind. writedowns	–	–	–
Recoveries for the period against previous periods' realised losses	–	–	–
= Loan losses for the period	8,171	4,000	6,742
Provisions against loans and guarantees			
Individual writedowns at the start of the period	0	0	0
+ Increase in ind. writedowns against loans which had previously been written down	0	0	0
- Recoveries against ind. writedowns from previous periods	0	0	0
+ Writedowns against loans which had not previously been written down individually	0	0	0
- Losses realised for which individual writedowns had previously been made	0	0	0
Individual writedowns at the end of the period	0	0	0
Losses realised during the reporting period	0	0	0
Group writedowns at the start of the period	6,742	0	0
+ Change in group writedowns over the reporting period	8,171	4,000	6,742
Group writedowns at the end of the period	14,913	4,000	6,742
Total writedowns at the end of the period	14,913	4,000	6,742
Loans in default and at risk of default			
Loans in default			
Gross defaults over 90 days	6,509	457	578
- Individual writedowns	0	0	0
Net loans in default	6,509	457	578
Loss severity	0%	0%	0%
Other loans at risk of default			
Loans at risk of default (not in default)	0	0	0
- Individual writedowns	0	0	0
Net other loans at risk of default	0	0	0
Loss severity	0%	0%	0%

Note 11 Capital adequacy

Figures in NOK 1000	30 Sept. 08	30 June 08	31 Mars 08	31 Dec. 07 ¹⁾
Paid-up equity	820,000	820,000	700,000	0
Other equity	(47,209)	(39,065)	(111,493)	0
Equity	772,791	780,935	588,507	0
Deductions				
Deferred tax assets	(18,546)	(15,379)	(33,769)	0
Other intangible assets	(42,513)	(44,017)	(44,470)	0
Core capital	711,732	721,539	510,268	437,106
Additional capital	0	0	0	0
Total equity and subordinated loan capital	711,732	721,539	510,268	437,106
Risk-weighted capital	3,548,250	3,193,825	2,561,913	2,100,713
Minimum requirement for equity and subordinated loan capital	283,860	255,506	204,953	168,057
Core capital ratio (%)	20.1 %	22.6 %	19.9 %	20.8 %
Capital adequacy ratio (%)	20.1 %	22.6 %	19.9 %	20.8 %

1) The calculation for 2007 was done using the old rules/ Basel I

The interim accounts have not been audited



GJENSIDIGE

gjensidige.no

Gjensidige Bank ASA
Postboks 313
6802 Førde
E-mail: bank@gjensidige.no
Phone: +47 03100