

# Annual Report 2014

Gjensidige Bank Group

Gjensidige Bank ASA



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# The Bank confirms its position

In 2014, Gjensidige Bank confirmed its position in the Norwegian retail banking market. We gave our customers stable and attractive terms that made it easier for them to be prepared for economic opportunities and challenges. In addition to our favorable terms, our customers were satisfied with good service on digital platforms and in dialogue with our advisors. We build long-term customer relationships. Our customers recommend us to their friends and family and an increasing number of Norwegians choose Gjensidige Bank -The customer friendly bank.

The bank is working hard to adapt to evolving needs and wants of the customer. Extensive resources have been established to enhance simplification and streamlining of customer processes in the past year. Under the slogan -'Easy to join and good to stay' all bank processes and communication streams have been upgraded with the customer always as the primary focus. A few examples were: simplifications such as mobile BankID and BankID without Java; services such as Chat and direct follow-up of new customers; lifting barriers for customers who switch to Gjensidige Bank. Exercising consistent good prices followed by great service.

Gjensidige Bank is the member bank for YS, NITO and Tekna. In close cooperation with the

organizations we give members consistent and good terms. In a market characterized by individual rates and minor transparency, this creates confidence and long-term-relationships. Acquisition of customers from the organizations has been strong and satisfaction among members is strong. The members who come to us, choose to stay. We are proud of that accomplishment and business relationship and will show our appreciation by being even better and building on this confidence going forward.

The bank is challenging the incumbents on car financing through Norwegian car dealers. Timesaving solutions for insurance and financing which allow the customer to purchase and drive the car from the dealer the same day. These actions coupled with favorable pricing models, are well received by the market. We expect further growth from this initiative in the future. Leasing and stock financing are now complementing our offering to the industry.

The banks' brand for unsecured loans, OPP Finans, has consolidated its position in the market and has strengthened its offering further with very competitive pricing and increased lending limits for customers who need, and qualify for, increased financial flexibility.

The uncertainty in the world's economy and financial market have become somewhat weaker of late. The negative developments in the oil prices affect the Norwegian economy and households now show more moderation and caution. We take this into consideration and want to further strengthen the bank and our customers' assets for the future. We work purposefully with stricter capital requirements. The way we manage our financing costs allows for good terms for our customers. We continue with cost control and increased automation and simplification. Investments in simple digital solutions for our customers are also investments in a robust and flexible bank.

Standard & Poor's upgraded the outlook for our A- rating to positive. The amendment was based on their assessment of the bank's

strategic position in the Gjensidige Group. This strengthens our standing in the capital market and provides the bank with better funding conditions and profitability.

2014 has been the year for strengthened relations, simplifications and solid growth. Our employees deliver leading banking expertise at every stage in the value chain, welcome new customers, and provide the best possible service, every day. Strong customer satisfaction survey results are confirmed by praise received in conversations with our customers and partners. A great organization; strong and good partners; solid customer portfolio; we are positioned for further growth with positive customer focus.

Hans O. Harén  
CEO

# The Board's report for the Gjensidige Bank ASA Group

## Business

Gjensidige Bank ASA is an online bank servicing the Norwegian retail market. The aim is to be "the customer friendly bank" where customers feel welcome and have their banking needs well provided for. That means excellent service via the online channel and in direct dialogue with the customer. It also means products and services catering to the banking needs for families at competitive terms.

The bank offers mortgages, car financing, unsecured loans, savings, credit cards and current accounts.

Customers access the bank at [gjensidige.no](http://gjensidige.no) and on mobile and tablet bank applications. Customer service representatives can be reached at 03100 or via chat and financial advisers are available at Gjensidige's financial offices. By combining internet banking with a local presence, the bank has a unique position compared with other internet-based banks. For car financing the bank also cooperates with a growing network of car dealers. Unsecured loans are distributed via [oppfinans.no](http://oppfinans.no) and through direct marketing.

The bank has agreements with The Norwegian Society of Graduate Technical and Scientific Professionals (Tekna), the Confederation of Vocational Unions (YS) and the Norwegian Society of Engineers and Technologists (NITO) and offers tailored products and services at favorable prices to the organization members.

Gjensidige Bank ASA is a wholly owned subsidiary of Gjensidige Bank Holding AS,

which in turn is a wholly owned subsidiary of Gjensidige Forsikring ASA. The bank was established in 2007 and has administrative offices in Oslo and Førde.

The bank has access to funding with covered bonds via Gjensidige Bank Boligkreditt AS, a wholly owned subsidiary of Gjensidige Bank ASA.

The bank wants to be innovative and forward-looking but does not carry out its own research and development (R&D).

The annual report is consolidated and consists of Gjensidige Bank ASA and Gjensidige Bank Boligkreditt AS.

## Comments on the annual accounts

### Profit and loss accounts

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

As required by the Norwegian accounting legislation, the Board confirms that the Company will continue its operations and the annual accounts have been prepared under this assumption.

The figures disclosed are related to Gjensidige Bank ASA Group. The figures in brackets refer to Gjensidige Bank ASA, also mentioned as "parent company" throughout the report. If there is no number given in brackets, the figure stated applies only to Gjensidige Bank ASA Group.

The result after tax expense was a profit of NOK 184.5 million (86.1 million) in 2014, compared to a profit of NOK 137.5 million (55.7 million) in 2013. The positive development was mainly a result of the increased net interest income, coming from customer lending growth. Cost efficiency and lower write-downs of loans also contributed to the result.

The pre-tax return on equity in 2014 was 13.2 per cent, compared to 12.0 per cent in 2013.

Net interest income amounted to NOK 613.8 million (473.8 million) in 2014, compared with NOK 546.1 million (425.1 million) in 2013. Net interest margin<sup>1</sup> was 2.17 per cent compared to 2.42 per cent in 2013. The decline is a result of strong growth in the secured lending during 2014.

Net commission income and other operating income were NOK 49.4 million (52.6 million) in 2014, compared to NOK 53.3 million (53.6 million) in 2013. The decrease was driven by lowers gains from financial instruments.

Operating expenses were NOK 357.9 million (354.8 million) in 2014, compared with NOK 341.3 million (337.0 million) in 2013. The increase is driven by volume growth and running costs related to the car financing product launched during 2013. The increase in expenses was also driven by fixed assets write off due to systems replacements and changes in the contract with the bank's systems and technology provider. Project costs decreased as compared to prior year when they had been generated by the launch of the car financing product.

The cost/income ratio was 54.0 per cent, compared with 56.9 in 2013. The improvement was driven by the increased income and by expense efficiency.

The development in earnings is according to expectations.

### **Write-downs and losses**

Write-downs and losses follow IAS 39 regulations. In 2014 the bank recognized NOK 51.8 million (53.6 million) in write-downs and losses compared to NOK 67.1 million (64.2 million) in 2013. Write-offs were NOK 20.7 million compared to NOK 42.6 million in 2013 and were mostly related to loans previously included in group write-downs. The majority of write-downs and losses arise from the unsecured loans portfolio.

Gross lending in default over 90 days amounted to NOK 300.9 million (297.5 million) as of year-end compared to NOK 279.3 million (279.3 million) in 2013. The total written down balance on loans in 2014 was NOK 355.2 million (346.7 million) compared with NOK 324.4 million (314.2 million) in 2013. The increase was primarily a result of portfolio growth. Gross lending in default over 90 days was 1.1 per cent of gross lending as of the end of the year as compared to 1.2 per cent in 2013, driven by the increased share of the secured lending in the total portfolio.

A write-down is booked if there is an objective evidence that an individual loan or group of loans have been subject to impairment (i.e. a fall in value). Write-down is calculated for the fall in value and is equal to 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 (i.e. the effective interest calculated at initial rates or subsequently agreed with the customer). In case of higher loan balances (mainly secured loans), the write-down on the impaired accounts is assessed primarily at an individual level, while in the case of smaller loans sizes (mainly unsecured loans), the write-down is computed at a group level.

The bank also has models for calculating write-downs on groups of loans that are not impaired. Using scores, the group write-down

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

models estimate the likelihood of loss in these groups of loans and compute the corresponding write-down requirement to cover for such losses.

A final write-off is recognized when it is highly likely that the loan will not be repaid and in such instances any corresponding write-down previously built will be reversed.

The Board assesses the credit risk and the write-down levels to be satisfactory.

#### **Events after the balance sheet date**

There have been no events after the balance sheet dates that have a material impact on the financial statements.

### **Balance sheet**

At the end of 2014, the bank had total assets amounting to NOK 29,494.8 million (21,964.0 million), compared to NOK 26,752.4 million (19,658.4 million) in 2013.

#### **Lending**

Gjensidige Bank group's gross lending increased by 13.9 per cent over the year. At the end of 2014 the loans gross balance amounted to NOK 27,546.5 million (17,374.5 million), compared to NOK 24,193.9 million (13,936.3 million) in 2013. The portfolio mainly consists of loans with adjustable interest rates. The bank lends to consumers and agricultural customers. At the end of the year, 86.0 per cent of the bank's lending to customers was secured by a mortgage on residential or agricultural property.

The loans secured by a mortgage on residential or agricultural property have an average balance of NOK 1.5 million.

The weighted average loan to value<sup>2</sup> was estimated at 62.4 per cent for the mortgage portfolio.

#### **Deposits**

Gjensidige Bank group recorded 11.8 per cent increase in customer deposits in 2014, and at the end of the year the deposits balance amounted to NOK 16,703.4 million, compared with NOK 14,938.3 million in 2013.

#### **Rating**

In the beginning of July Standard & Poor's upgraded the outlook for Gjensidige Bank ASA and Gjensidige Bank Boligkreditt AS from "negative" to "stable" and kept the long term rating unchanged to A-. The amendment was based on their assessment of the strategic position the bank has within Gjensidige Group. The outlook for the covered bonds portfolio issued by Gjensidige Bank Boligkreditt AS was also changed to 'stable' as a result while the long term-rating remained AAA.

#### **Debt securities issued**

Net outstanding debt securities amounted to NOK 10,200.3 million (2,518.9 million) at the end of 2014, compared with NOK 9,771.6 million (2,452.9 million) at the end of 2013. Of these, NOK 1,746.0 million will be repaid in the next two years. Gjensidige Bank ASA and Gjensidige Bank Boligkreditt AS issued bonds totaling net NOK 1,650.0 million during the year. Gjensidige Bank ASA had a reserve of covered bonds totalling NOK 1,107.1 million issued by Gjensidige Bank Boligkreditt AS.

#### **Liquidity**

At the end of the period the Gjensidige Bank Group had net liquid assets of NOK 3,082.4 million, divided between NOK 136.1 million in bank deposits and NOK 2,946.3 million in debt securities. Of these assets NOK 1,107.1 million were investments in covered bonds from Gjensidige Bank Boligkreditt AS (eliminated in the consolidated accounts). Some of these assets are listed on the Oslo Alternative Bond Market (ABM). The net liquid assets were at an adequate level that covers the bond debt that will fall due the next 34 months.

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

The deposit to loan ratio was 60.6 per cent (96.1) as compared to 61.7 per cent in 2013, driven by the higher growth in customer assets.

The access to external funding is good.

### **Capital adequacy and equity**

At the end of 2014, the bank had a capital adequacy ratio of 15.7 per cent (19.3), compared with 14.6 per cent (17.9) in 2013. This was mainly driven by the increase in the bank's capital base. Net regulatory capital amounted to NOK 2,245.2 million at the end of the year, an increase from NOK 1,788.0 as of end of 2013. The increase was driven by the net profit for 2014 and the subordinated loan issued in the second quarter. The subordinated loan amounted to NOK 250.0 million.

Core Tier 1 ratio was 13.9 per cent, lower than the 14.6 per cent at the end of 2013

The bank's target level for capital adequacy ratio was 13.5 per cent as at 31. December 2014.

At the end of 2014, shareholders equity was NOK 2,012.6 million (1,788.9 million), compared with 1,830.4 million (1,705.1 million) in 2013; this is equivalent to 6.8 per cent of total assets.

The Board evaluates the equity and capital adequacy ratio of the group and parent company as satisfactory and sufficient in relation to the group's operations.

### **Corporate social responsibility**

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

The bank's corporate social responsibility

affects the management and governance of its business, people and skills, administration, operations and commercial development. The bank relies on the vote of confidence from the society. The bank's organization shall at all times prioritize high ethical standards. This shall be achieved by increasing the awareness of our employees and elected officers to our ethical rules.

## **Ownership and governance**

### **Good corporate governance**

Corporate governance is a priority for the Board. The Gjensidige group follows the Norwegian code of corporate governance dated 30. October 2014. A detailed statement of how Gjensidige fulfils the recommendation and accounting legal requirements for corporate governance report is provided in the Group's annual report and is also available at [www.gjensidige.no/group](http://www.gjensidige.no/group).

The bank puts particular emphasis on the members and the structure of its governing bodies, the responsibilities of the Board, communication and information, and risk management and auditing. The Board of Gjensidige Bank ASA has approved ethical rules, and all employees have access to its policy, guidelines, ethical rules, instructions and other information through the group's intranet.

The Articles of Association, instructions, management and reporting systems establish clear roles and responsibilities within the bank.

## **Governing body**

### **Supervisory board**

The Supervisory board is composed of 15 members and 6 deputy members and is shared by Gjensidige Bank ASA and Gjensidige Bank Holding AS. Gjensidige Bank Boligkreditt AS has the same Supervisory board but with no employee representative. The Supervisory board shall monitor the Board and CEO's administration of the group and ensure that its objects are promoted in accordance with



legislation, the Articles of Association and the decisions of the Annual General Meeting and the Supervisory board.

#### **Control committee**

The committee, composed of three members and one deputy member, is appointed annually by the Annual General Meeting. One member satisfies the requirements that apply to judges, cf. the second sub-section of Section 54 of the Courts of Justice Act of 13 August 1915. This member is approved by the Financial Supervisory Authority of Norway. The control committee shall supervise the Company's activities, i.e. monitor that its operations comply with relevant legislation and the Articles of Association. The Control committee is shared by Gjensidige Bank ASA, Gjensidige Bank Boligkreditt AS and Gjensidige Bank Holding AS.

Gjensidige Group is granted permission from The Financial Supervisory Authority of Norway (Finanstilsynet) to appoint one Control committee for all companies in the group which by law are required to have a Control committee. The companies must be registered in Norway. The company's Control committee is therefore the same as the Control committee in Gjensidige Forsikring ASA.

#### **Risk committee**

A Risk committee was established in December 2013. The Risk committee is a subcommittee of the Board and consist of two members from the Board. The Risk committee is a preparatory committee which helps the Board monitor and control the overall risk. The committee regularly assesses the company to ensure that business administration and controls are according to the risk level of the business. To ensure an adequate level of independence the Risk committee consists of board members who are not part of the actual management of the business.

#### **The Board**

The Board is composed of 5 members and 1 deputy member elected by the Supervisory board. The deputy member is permanent.

Members are elected for a period of one year. Two of the Board members are not employed by the Gjensidige Group. The Board supervises the management of the bank. It shall ensure that the bank's operations are organised in a satisfactory manner, which includes ensuring that its bookkeeping and asset management are properly audited.

Anita Gundersen replaced Kari Anne Mørk as of 30. May 2014.

Hans Jacob Starheim replaced Rune Vosseteig as employee representative as of 7. April 2014.

#### **External auditor**

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

KPMG is the bank's external auditor.

#### **Internal auditor**

The internal auditor shall help reassure the Board and the senior management that the bank has appropriate and effective processes for risk management, internal control and corporate governance. The internal auditor reports to the Board.

Gjensidige Forsikring ASA's corporate audit unit acts as the bank's internal auditor.

### **Key risk and uncertainty factors**

#### **Financial risk**

The bank is exposed to credit, liquidity and market risks. Risks are monitored and reported regularly in accordance with the principles, strategies, limits and Risk appetite statement adopted by the Board.

**Credit risk**

Credit risk represents the risk of losses arising from customers or other counterparties failing to repay their debts or contractual obligations when they are due. The bank's high level credit strategy and credit policies are defined by the Board and approved on an annual basis. The credit strategy includes guidelines on credit risk profiles, and is the Board's most important tool in relation to managing the bank's credit risk. The credit strategy is reviewed each year. The Board follows up the credit strategy through monthly reports which monitor compliance with the Board's credit guidelines. The bank uses risk classification models to calculate the risk associated with its credit exposure.

**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 and stock markets. The bank's financial strategy sets the limits and guidelines for managing the market risk. Risk exposure and development is continuously monitored and reported to the Board. The group has no exposure in equities and has no currency risk. The bank's exposure to interest rate risk shall be kept low, and spread risk moderate in relation to its core capital.

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

At the end of the year the bank had interest rate swaps with a nominal value of NOK 2,345.0 million and was exposed to a loss of about NOK 1.6 million given the unexpected change in interest rates of one percentage point.

Spread risk refers to the risk of loss as a result of changes in credit spreads. The bank limits

the spread risk on assets by investing in high quality securities with limited maturity, where the value are less exposed to changes in the credit spread. The bank is not hedging the spread risk on own bond issues.

**Liquidity risk**

Liquidity risk is the risk of the bank not being able to meet its debt obligations when due and/or not being able to finance growth of its assets without incurring a substantial increase in costs. The bank's financial strategy sets the limits and guidelines for managing the liquidity risk. The Board seeks to ensure that the banks liquidity risk level is moderate.

As part of the liquidity management, the bank holds high quality liquid assets according to regulatory requirements for liquidity risk management. The securities can be used as collateral for both short- and long-term loans from the central bank of Norway.

To ensure that the group's liquidity risk is kept at a moderate level, the bank shall diversify the funding through both retail and commercial deposits, and both senior and covered bonds.

Gjensidige Bank Boligkreditt AS was established in the spring of 2009 and has license from the Financial Supervisory Authority of Norway to operate as a residential mortgage company. The cover bond company enables the group to diversify the funding sources. By the end of 2014 about 37 per cent of total loans were transferred to the mortgage company. The bank has set limits for maximum transfer of mortgages to the cover bond company in order to have a reserve to issue covered bonds in a potential future crisis scenario.

**Operational risk**

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

Quarterly internal control self-assessment

(RCSA) is performed to ensure that procedures and processes are followed. The outcome of the internal control self-assessment is reported to the CEO. Monthly operational risk meetings ("Operational Risk Reviews") are held, where incidents, AML activities, internal controls testing, fraud development, IT / Security and customer complaints are important focus areas.

Annual risk assessment process takes place in all main business areas based on the banks overall objectives / strategies for the plan period. The CEO, in consultation with the bank's management team, assesses the strategic / business risks together with operational risks. The most significant risks and the countermeasures to minimize those are raised to the Board. The aim of the subsequent reporting of the risk situation and risk developments is to examine the bank's overall risk profile and use this knowledge to make the correct business and strategic decisions. The reporting to the Board is conducted on a quarterly basis.

In connection with the financial reporting, authority are in place in order to limit the number of people who can approve expenses. Daily controls in the finance department are in place to ensure that, at any given time, there are controls on all accounting entries and all payments made. Internal deadlines have been set for completion of reporting and reconciliations as well as corporate deadlines for reporting to the Group. In connection with the quarterly / annual publication of accounts, the bank follows the group's guidelines for board meetings to approve the financial reports.

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

An independent compliance function has been established via Compliance officer to help

ensure that the bank does not incur government sanctions, financial or reputational losses as result of non-compliance with laws, rules and standards. The compliance function identifies, assesses, gives advice on, monitors and reports the compliance risk.

A risk management function has been established in the bank via Risk manager that is responsible for overseeing the bank's risk management system, and shall have an overview of the risks the bank is or may be exposed to. The risk management function shall ensure that management and the Board at all times are adequately informed about the bank's risk profile.

The risk management reports of 2014 showed that overall risk level was acceptable and within the bank's risk appetite statement. Monthly financial reports are prepared and distributed to each department head and the bank's management team.

## **Working environment**

During 2014 Gjensidige Bank ASA as an inclusive workplace enterprise, has continued its focus and commitment to sound corporate culture and good working environment. The PTU (employee satisfaction survey) is conducted annually to track the development. Systematic work and focus on the working environment will continue to be a focus area in 2015.

The bank participates in the government's inclusive workplace program. It also encourages and promotes physical and cultural activities through its systematic health, safety and environment (HSE) related work. Sickness absence was 5.2 per cent in 2014. 1.8 per cent accounted for short-term absence (absences of less than 16 days). Out of the 35,596 scheduled workdays in the 2014 financial year, sickness absence made up for 1,851 days. The total sickness absence showed an increase while short-term absence showed a positive development compared to 2013.

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.

There were no material personal injuries, property damage or accidents at the bank in 2014.

### **Gender equality and diversity**

Ensuring equal opportunities is important for Gjensidige Bank ASA. Women and men shall have the same career development opportunities, personal development and compensation levels. The bank focuses on a fair remuneration policy, where women and men with the same competency in the same position are rewarded impartially. At the end of 2014 the bank had 64 male and 70 female employees. At the end of the year, the bank's senior management team consisted of 7 men and 2 women. 38.5 per cent of all line managers are women, and the bank seeks to increase the percentage of women managers.

Gjensidige Bank ASA seeks to facilitate the balance between private and business matters and grant part-time positions at the request of the employee. By the end of 2014 6 employees, by own wish, had part time positions, of which 5 are women. Working hours and the opportunity for flexible hours is distributed equally between the genders. For some operational positions where there are, requirements for regular working hours, no flexible hours are granted.

Two of the Board's five permanent members are women.

The bank has hiring policies, ethical guidelines and HSE routines designed to ensure compliance with the Act related to Gender Equality.

### **Discrimination and accessibility**

The bank is committed to promoting all human equality. As such, it aims to ensure

that everyone is entitled and able to participate in society on an equal footing, regardless of any disability, and to prevent discrimination on the grounds of disability. The bank has hiring policies, ethical guidelines and HSE routines designed to ensure compliance with the Anti-discrimination and Accessibility Act.

### **The environment**

The bank's operations result in minimal pollution of the environment. Internal environmental measures focus on energy saving, reducing travel through the use of videoconferencing, standardised printers and copy machines that print on both sides of the paper, and responsible waste management.

### **Objectives and strategies**

The bank's objectives are to:

- Bring value to our customers' life by offering a long-term competitive range of banking services through easy-to-use & intuitive online solutions and friendly service
- Contribute to strengthening relationships with existing Gjensidige customers and attract new customer segments to the group
- Deliver sustainable growth, with increasing expense efficiency through improved value chains and automation

### **Summary and outlook**

The bank has delivered consistently stronger performance since its launch in 2007. A growing customer base, loan volume, and savings and increasingly broad customer relationships have contributed to improved earnings and returns. Growth was sustained by a healthy expense base and a controlled credit risk environment.

In 2014 customer footings increased with 13.1 per cent while pre-tax earnings were 32.7 per cent higher than prior year. Pre-tax return on equity increased to 13.2 per cent, compared with 12.0 per cent in 2013.

Going forward Gjensidige Bank will continue

offering a wide range of financial services through customer friendly digital solutions, the group's financial branches and partnering car dealer networks. The focus will continue to be highly competitive terms, agile and high quality services for customers in all business areas. The bank aims to maintain the excellent cooperation with its partner organizations and Gjensidige Insurance, which are essential for its development in both the retail banking and car finance markets. The partner agreements signed in 2014 give new and exciting business opportunities. The car finance initiative launched in 2013 showed promising development in 2014 and further efforts will be made to ensure future growth. The unsecured lending brand OPP Finans will continue to be an important focus area.

The economic environment is still uncertain. Many European economies are still under stress, and the recent development in the oil prices, is expected to affect both the Norwegian

economy and households in both the short and long term and will therefore impact the bank's activity; this is a development closely followed and acted upon.

Profitability wise, further development of the customer relationships will translate into improved income and good margins. The bank will continue its efforts to have an efficient expense base and adequate impairment levels.


Gjensidige Bank shall at all times meet the regulatory capital requirements.

The Board regards the bank's earnings performance and growth as satisfactory.


### Allocation of profit before other comprehensive income

The parent company's profit before other comprehensive income of NOK 86.1 million is suggested transferred to other equity.

Oslo, 10. March 2015  
The Board of Gjensidige Bank ASA

  
Mats C. Gottschalk  
Chairman

  
Per Kumle

  
Anita Gundersen

  
Marianne B. Einarsen

  
Hans-Jacob Starheim  
Employee repr.

  
Hans O. Harén  
CEO

# Income statement

Parent Company			Consolidated		
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	Note	1.1.-31.12.2014	1.1.-31.12.2013
878,451	1,028,350	Interest income etc.	4	1,327,926	1,135,041
(453,342)	(554,542)	Interest costs etc.	4	(714,128)	(588,908)
<b>425,110</b>	<b>473,808</b>	<b>Net interest income</b>		<b>613,798</b>	<b>546,133</b>
31,934	36,338	Commission income and income from bank services	5	38,754	34,446
(5,516)	(10,195)	Commission costs and costs of bank services	5	(10,195)	(5,516)
2,307	83	Net gains on financial instruments at fair value	6	(846)	2,979
24,911	26,389	Other operating income		21,695	21,419
<b>53,636</b>	<b>52,616</b>	<b>Net commission income and other operating income</b>		<b>49,409</b>	<b>53,328</b>
<b>478,746</b>	<b>526,424</b>	<b>Total income</b>		<b>663,207</b>	<b>599,461</b>
(99,658)	(114,699)	Personnel expenses	7	(116,120)	(101,007)
(18,728)	(16,033)	Depreciations	7,10,11	(16,033)	(18,728)
(218,649)	(224,057)	Other operating expenses	7	(225,724)	(221,593)
<b>(337,034)</b>	<b>(354,789)</b>	<b>Total operating expenses</b>		<b>(357,878)</b>	<b>(341,328)</b>
<b>141,711</b>	<b>171,635</b>	<b>Profit / (loss) before loan losses</b>		<b>305,329</b>	<b>258,133</b>
(64,228)	(53,585)	Write-downs and losses	17	(51,784)	(67,132)
<b>77,483</b>	<b>118,050</b>	<b>Profit/ (loss) before tax expense</b>		<b>253,545</b>	<b>191,001</b>
(21,765)	(31,913)	Tax expense	8	(69,021)	(53,551)
<b>55,718</b>	<b>86,136</b>	<b>Profit / (loss) for the period</b>		<b>184,524</b>	<b>137,450</b>
55,718	86,136	Gjensidige Bank ASA 's shareholders		184,524	137,450
63.6	98.3	Earnings per share, NOK (basic and diluted)		210.6	156.9

# Statement of comprehensive income

Parent Company			Consolidated		
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>55,718</b>	<b>86,136</b>	<b>Profit/ (loss) for the period</b>		<b>184,524</b>	<b>137,450</b>
<b>Components of other comprehensive income</b>					
<b>Items that are not reclassified subsequently to profit or loss</b>					
(762)	(3,382)	Actuarial gains/ (loss) on pensions	23	(3,382)	(762)
213	913	Tax on items that are not reclassified to profit or loss	8	913	213
<b>(549)</b>	<b>(2,469)</b>	<b>Total items that are not reclassified subsequently to profit or loss</b>		<b>(2,469)</b>	<b>(549)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
<b>(549)</b>	<b>(2,469)</b>	<b>Total components of other comprehensive income</b>		<b>(2,469)</b>	<b>(549)</b>
<b>55,170</b>	<b>83,668</b>	<b>Total comprehensive income for the period</b>		<b>182,055</b>	<b>136,901</b>

# Balance sheet

Parent Company			Consolidated		
31.12.2013	31.12.2014	NOK thousand	Note	31.12.2014	31.12.2013
Assets					
875,557	79,750	Cash and claims from central banks		79,750	875,557
1,672,088	1,253,858	Loans to and claims from credit institutions	13	56,358	161,948
13,622,154	17,027,748	Loans to and claims from customers	14,15,16,17,25	27,191,357	23,869,553
2,760,814	2,855,661	Certificates, bonds and other interest-bearing securities	12	1,839,173	1,668,050
	155	Shares (and other securities with variable yield)	29	155	
570,030	570,030	Shares in subsidiaries	29		
33,695	15,390	Intangible assets	10	15,390	33,695
546	655	Fixed assets	11	655	546
8,687	11,455	Deferred tax assets	8	13,465	8,778
114,828	149,271	Other assets	9	298,516	134,321
19,658,399	21,963,974	Total assets		29,494,819	26,752,448
Liabilities and equity					
437,257	811,589	Liabilities to credit institutions	13	350,000	
14,938,297	16,703,350	Deposits and liabilities to customers	18	16,703,350	14,938,297
2,452,931	2,268,914	Liabilities opened for the issue of securities	19,20,33	9,950,349	9,771,588
115,155	127,396	Other liabilities	8,22,34	214,686	202,483
9,640	13,840	Provision for pension liability	23	13,840	9,640
	250,000	Subordinated loan capital	21	250,000	
17,953,279	20,175,089	Total liabilities		27,482,225	24,922,008
Equity					
972,360	972,360	Share capital		972,360	972,360
576,832	576,832	Premium reserve		576,832	576,832
3,789	3,789	Other paid-in equity		3,779	3,779
152,139	235,904	Other equity		459,622	277,470
1,705,120	1,788,885	Total equity		2,012,593	1,830,440
19,658,399	21,963,974	Total liabilities and equity		29,494,819	26,752,448

Oslo, 10. March 2015  
The Board of Gjensidige Bank ASA

  
Mats C. Gottschalk  
Chairman

  
Per Kumle

  
Anita Gundersen

  
Marianne B. Einarsen

  
Hans-Jacob Starheim  
Employee repr.

  
Hans O. Harén  
CEO

# Statement of changes in equity

Consolidated NOK thousand	Share capital	Premium reserve	Other paid-in equity	Total paid-in equity	Other equity	Total equity
Equity 1.1.2013	876,000	332,192	3,779	1,211,971	139,984	1,351,955
New equity 2013	96,360	244,640		341,000		341,000
Group contributions paid (after tax)						
Share-based payment transactions settled in equity					584	584
<b>Profit/ (loss) for the period 1.1.-31.12.2013</b>					<b>137,450</b>	<b>137,450</b>
<b>Components of other comprehensive income</b>						
<b>Items that are not reclassified subsequently to profit or loss</b>						
Actuarial gains/ (loss) on pensions					(762)	(762)
Tax on items that are not reclassified to profit or loss					213	213
<b>Total items that are not reclassified subsequently to profit or loss</b>					<b>(549)</b>	<b>(549)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>						
<b>Total components of other comprehensive income</b>						
<b>Total comprehensive income for the period 1.1.-31.12.2013</b>					<b>136,901</b>	<b>136,901</b>
<b>Equity 31.12.2013</b>	<b>972,360</b>	<b>576,832</b>	<b>3,779</b>	<b>1,552,971</b>	<b>277,470</b>	<b>1,830,440</b>
Equity 1.1.2014	972,360	576,832	3,779	1,552,971	277,470	1,830,440
New equity 2014						
Group contributions paid (after tax)						
Share-based payment transactions settled in equity					97	97
<b>Profit/ (loss) for the period 1.1.-31.12.2014</b>					<b>184,524</b>	<b>184,524</b>
<b>Components of other comprehensive income</b>						
<b>Items that are not reclassified subsequently to profit or loss</b>						
Actuarial gains/ (loss) on pensions					(3,382)	(3,382)
Tax on items that are not reclassified to profit or loss					913	913
<b>Total items that are not reclassified subsequently to profit or loss</b>					<b>(2,469)</b>	<b>(2,469)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>						
<b>Total components of other comprehensive income</b>						
<b>Total comprehensive income for the period 1.1.-31.12.2014</b>					<b>182,055</b>	<b>182,055</b>
<b>Equity 31.12.2014</b>	<b>972,360</b>	<b>576,832</b>	<b>3,779</b>	<b>1,552,971</b>	<b>459,622</b>	<b>2,012,593</b>
Number of shares at end of period	876,000					



# Statement of changes in equity (cont.)

Parent Company NOK thousand	Share capital	Premium reserve	Other paid-in equity	Total paid-in equity	Other equity	Total equity
Equity 1.1.2013	876,000	332,192	3,789	1,211,981	96,373	1,308,354
New equity 2013	96,360	244,640		341,000		341,000
Group contributions paid (after tax)						
Share-based payment transactions settled in equity					596	596
<b>Profit/ (loss) for the period 1.1.-31.12.2013</b>					<b>55,718</b>	<b>55,718</b>
<b>Components of other comprehensive income</b>						
<b>Items that are not reclassified subsequently to profit or loss</b>						
Actuarial gains/ (loss) on pensions					(762)	(762)
Tax on items that are not reclassified to profit or loss					213	213
<b>Total items that are not reclassified subsequently to profit or loss</b>					<b>(549)</b>	<b>(549)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>						
<b>Total components of other comprehensive income</b>					<b>(549)</b>	<b>(549)</b>
<b>Total comprehensive income for the period 1.1.-31.12.2013</b>					<b>55,170</b>	<b>55,170</b>
<b>Equity 31.12.2013</b>	<b>972,360</b>	<b>576,832</b>	<b>3,789</b>	<b>1,552,981</b>	<b>152,139</b>	<b>1,705,120</b>
Equity 1.1.2014	972,360	576,832	3,789	1,552,981	152,139	1,705,120
New equity 2014						
Group contributions paid (after tax)						
Share-based payment transactions settled in equity					97	97
<b>Profit/ (loss) for the period 1.1.-31.12.2014</b>					<b>86,136</b>	<b>86,136</b>
<b>Components of other comprehensive income</b>						
<b>Items that are not reclassified subsequently to profit or loss</b>						
Actuarial gains/ (loss) on pensions					(3,382)	(3,382)
Tax on items that are not reclassified to profit or loss					913	913
<b>Total items that are not reclassified subsequently to profit or loss</b>					<b>(2,469)</b>	<b>(2,469)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>						
<b>Total components of other comprehensive income</b>					<b>(2,469)</b>	<b>(2,469)</b>
<b>Total comprehensive income for the period 1.1.-31.12.2014</b>					<b>83,668</b>	<b>83,668</b>
<b>Equity 31.12.2014</b>	<b>972,360</b>	<b>576,832</b>	<b>3,789</b>	<b>1,552,981</b>	<b>235,904</b>	<b>1,788,885</b>
Number of shares at end of period	876,000					

# Statement of cash flow

Parent Company			Consolidated	
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	1.1.-31.12.2014	1.1.-31.12.2013
<b>Operating activities</b>				
(3,799,306)	(3,438,175)	Net payment of loans to customers	(3,352,584)	(6,869,661)
3,357,840	1,765,053	Net payment of deposits by customers	1,765,053	3,357,840
751,541	891,064	Payment of interest from customers	1,251,465	1,072,957
(369,255)	(472,266)	Payment of interest to customers	(472,266)	(369,255)
(5,833)	(16,432)	Net payment of interest from credit institutions etc.	2,837	13,542
(24,738)	(22,531)	Taxes paid	(54,801)	(35,396)
91,605	87,227	Net other commission income	51,553	42,323
(323,635)	(320,911)	Payment to operations	(324,553)	(327,510)
		Other income		
(861,767)	(86,568)	Net receiv./paid (-) upon purchase and sale of financial instruments and interest-bearing securities	(170,861)	(464,282)
<b>(1,183,548)</b>	<b>(1,613,540)</b>	<b>Net cash flow from operating activities</b>	<b>(1,304,155)</b>	<b>(3,579,442)</b>
<b>Investment activities</b>				
(19,511)	(9,998)	Net purchase of intangible assets and fixed assets	(9,998)	(19,511)
(280,000)		Investments in subsidiary		
<b>(299,511)</b>	<b>(9,998)</b>	<b>Net cash flow from investing activities</b>	<b>(9,998)</b>	<b>(19,511)</b>
<b>Financing activities</b>				
1,514,381	425,087	Net paid(-)/received when taking loans from credit institutions, bonds and certificates	635,467	4,358,548
(12,890)	(14,965)	Net payment of interest on financing activities	(195,937)	(153,099)
30,617	(620)	Net paid(-)/received for other short-term positions	(26,774)	3,335
341,000		Paid-up equity		341,000
<b>1,873,109</b>	<b>409,502</b>	<b>Net cash flow from financing activities</b>	<b>412,756</b>	<b>4,549,784</b>
<b>390,050</b>	<b>(1,214,036)</b>	<b>Total cash flow</b>	<b>(901,397)</b>	<b>950,831</b>
<b>Cash flow for the year</b>				
2,157,595	2,547,645	Cash and cash equivalents 1.1.	1,037,505	86,674
2,547,645	1,333,609	Cash and cash equivalents 31.12.	136,108	1,037,505
<b>390,050</b>	<b>(1,214,036)</b>	<b>Net payment made(-)/received of cash</b>	<b>(901,397)</b>	<b>950,831</b>
<b>Specification of liquid assets</b>				
875,557	79,750	Claims from central banks	79,750	875,557
1,672,088	1,253,858	Deposits with financial institutions	56,358	161,948
<b>2,547,645</b>	<b>1,333,609</b>	<b>Liquid assets in statement of cash flow</b>	<b>136,108</b>	<b>1,037,505</b>

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 on loans and guarantees. The cash flows are classified as operating activities, investing activities or financing activities. Cash is defined as cash and receivables from central banks and credit institutions.

## 1. Accounting policies

### General

Gjensidige Bank ASA is a company owned by Gjensidige Forsikring ASA through Gjensidige Bank Holding AS, and it is domiciled in Norway. The company's head office is located at Schweigaards gate 14, Oslo, Norway. The main activity of the company is ordinary banking services to retail customers. The accounting policies applied in the company accounts are described below.

The consolidated and parent company financial statements have been prepared in accordance with the Norwegian Accounting Act and International Financial Reporting Standards (IFRS).

### Changes in the 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 comparisons. If items in the financial statement are reclassified, comparative figures must be calculated for the previous periods and be reported in the financial statements.

### New and changed standards being used by the group

Gjensidige Bank ASA has implemented the following new standards and changes to standards, including any improvements in other standards, with effect from 1. January 2014.

- IFRS 10 Consolidated Financial Statements introduces a new control model that focuses on whether the group has control of an investment object, exposure or rights to a variable return on its investment object and the ability to use its control to influence this return.
- IFRS 12 Disclosure of interests in other entities increases the requirements to disclose information about the Groups interests in subsidiaries for accounting periods starting on or after 1. January 2014. One of the most significant changes is that information must be provided about the assessments that form the basis for the decision regarding whether the group has control of another entity.
- IAS 32 Financial instruments- presentation clarify when financial assets and liabilities are to be presented net.

None of these changes have had a significant importance for the accounts of Gjensidige Bank ASA.

### New standards and interpretations not yet adopted

- 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 15 Revenue from Contracts with Customers issued in May 2014 applies to annual reporting period beginning on or after 1. January 2017 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.

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

## Consolidation policies

### Subsidiaries

Subsidiaries are entities controlled by Gjensidige Bank ASA. Gjensidige Bank ASA controls a company when it is exposed or

entitled, to variable returns from its involvement in the company and have the opportunity to influence these returns through its power over the company. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases. The subsidiaries accounting policies are altered as required in order to correspond with the policies chosen by the Group.

The following companies meet the criteria for subsidiaries and are included in the consolidated financial statement:

- Gjensidige Bank Boligkreditt AS, 100 per cent shareholder and share of votes.

Investments in subsidiaries are included in the company financial statements using the historical cost method.

### Transactions eliminated through consolidation

Intra-group balances and transactions together with unrealised income and expenses from intra-group transactions are eliminated in the consolidated accounts.

### Business combinations

Business combinations are accounted for using the acquisition method. The historical cost of the business combination is measured at fair value (on the date of acquisition) of acquired assets, incurred liabilities and equity instruments issued by the Group in exchange for control of acquired companies and includes any costs directly attributable to the business combination.

If, after a reassessment of the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities, the value exceeds the acquisition cost of the business combination, the excess is immediately recognised in the income statement.

## Principles for recognising income and expenses

### Net interest income

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

Interest rate income on writedowns on commitments is calculated as internal interest rates of the written down value.

Also see: "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. Charges 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 then service has been completed. Commission costs are transaction-based and are recognised in the period the services were received.

### Net gain/loss on items measured at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value are recognised under the financial statement item "Net gain/(loss) on financial instruments". Realised and unrealised gains and losses are a result of:

- Shares/ownership interests and other stock market related instruments
- Interest-bearing securities and other interest rate instruments
- Currency gains/losses

### Other operating income

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

### Operating expenses

Operating expenses consists of wages, administration and sales costs. These costs are accrued and expensed in the relevant accounting period.

### Currency

The company and Group's presentation currency and functional currency are Norwegian kroner. Transactions involving the purchase and sale of foreign currency denominated securities and financial instruments are translated into NOK using the exchange rate on the date of the purchase/ sale. The holdings of foreign securities and financial documents are valued in Norwegian kroner according to the exchange rate on the balance sheet day. Cash and cash equivalents are also valued at the exchange rate on the balance sheet date.

### Segments

The bank has primarily only retail customers. This segmentation best reflects the way the business is run by the management. Financial information relating to segments is presented in a separate note.

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

Assets and liabilities are included on the bank's balance sheet when the bank obtain 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.

### Fixed assets

Fixed assets consist of fixtures, machinery and IT-systems that are used within the company. Fixed assets are valued at the cost of acquisition with accumulated depreciations and write-downs. They are depreciated on a straight line basis over their anticipated useful life. Where operating assets or significant parts of an operating asset have different lifespan, these are capitalised and depreciated separately. Unless it is insignificant the expected usable lifespan and the residual value is reviewed annually. The carrying value of an asset is written down if its recoverable amount is less than its carrying value.

### Intangible assets

#### Other intangible assets

Intangible assets, whether acquired separately or as a group, are carried on the balance sheet at the cost of acquisition. Intangible

assets include customised software developed by the bank. This is carried on the balance sheet at its historical cost plus the costs of readying the software for use, less accumulated depreciations and write-downs. When capitalising the carrying amount of new intangible assets, the probability of the financial benefits accruing to the company from the asset must be demonstrated. Additionally, it must be possible to reliably estimate the cost of the asset.

Capitalised software expenses are depreciated across its expected useful lifespan, which normally is three to five years. The depreciation period and method is assessed annually. An evaluation is made of the need for write-downs when there are indications of impairment. The write-down of intangible assets and the reversal of write-downs are otherwise done in the same manner as that described for fixed assets.

Direct costs include expenses for employees who are directly involved in software development, materials and a number of relevant administrative expenses (overhead expenses). Expenses connected to the maintenance of software and IT systems are recognised directly in profit or loss.

### Goodwill

Capitalised goodwill is not amortised. For the Group, goodwill arises through the acquisition of other companies, and represents the excess value paid over and above individually valued assets. This excess value is tested for impairment for each interim report.

### Impairment of non-financial assets

The company reviews the carrying value for assets and identifiable intangible assets annually or more frequently if there are occurrences or changes in the assumptions 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
- Significant downturn for the industry or the economy

Previous impairment losses, except for goodwill, will be reversed if the assumptions for the impairments no longer exist. 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 that does not have 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 where all or practically all the risk and rewards related to ownership of the asset are transferred.

## 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 on 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 day loans, receivables and other financial assets measured at amortized cost are reviewed to determine if there is objective evidence that a receivable/loan or a group of receivables/loans have 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 to 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 (i.e. the effective interest calculated at initial rates or subsequently agreed with the customer). Objective evidence means occurrences indicating that the loan is impaired. Such evidence may include information about damaged credit histories, bankruptcy or other defaults.

### Leasing

A lease is classified as a finance lease when substantially all the risk and rewards incidental to ownership are transferred to a lessee. All other leases are classified as operating leases.

Finance leases are presented in the financial statements under loans to and receivables from customers as a receivable equal to the net investment in the lease. The net investment represents the minimum lease payments, any unguaranteed residual values and any direct expenses incurred by the lessor in negotiating and arranging a lease discounted at the interest rate implicit in the lease. Monthly lease payments consist of interest income and repayment of principal. Interest income is allocated to different accounting periods to reflect a constant periodic rate of return on the Group's net investment in terms of the leases contracts.

### 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 have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- The financial assets are included in a portfolio that is managed and evaluated regularly at fair value

The banking operation has established a liquidity portfolio which is continuously measured and reported at fair value. The bank has a goal of having low interest rate risk and plans and manages the interest rate risk so that one aggregates fixed-rate positions on both deposits, loans and placements in a model, and then use interest rate swaps to balance out potential remaining risk. Interest rate swaps are measured at fair value, and in order to avoid inconsistent measurement, bonds and certificates with fixed interest-rates issued before 2013 subject to interest rate hedging are measured at fair value. From 2013 the bank uses hedge accounting for new bonds and certificates with fixed interest-rates subject to interest rate hedging.

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

### Available-for-sale

Securities available for sale are non-derivative financial assets that are designated as such or that are not classified in any other category. Securities in this category are measured at fair value, while changes in fair value are recognised through the statement of comprehensive income. Each quarter these assets are tested for impairment. If the impairment is significant the total loss - measured as the difference between the cost of acquisition and fair value less any impairment of the financial asset that has previously been recognised in the income statement - is deducted from equity and recognised in the income statement. Impairments of shares and similar instruments recognised in the income statement are reversed through the statement of comprehensive income.

### Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and with a fixed maturity date, and that the company has the intention and capability of holding until maturity, with the exception of:

- Those that the company initially designates at fair value through profit or loss
- Those that meet the definition of loans and receivables

Held to maturity assets are measured at amortised cost using the effective interest rate method.

### Financial derivatives

The trading of financial derivatives is subject to strict limitations. All derivatives are measured at market value on the contract date. Subsequent measurement is done at fair value with changes in value being recognised as they occur. Fair value for derivatives are 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.

### Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent 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.

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 is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data.

### Hedge accounting

The bank uses fair value hedges to manage its interest rate risk. Fair value hedges are used when derivatives ensures changes in the fair value of recognized assets or liabilities with a specific risk. Derivatives are recognised in the income statement. Changes in value of the hedged item, attributable to the hedged risk, adjusts the carrying amount of the asset and is recognized in the income statement.

The use of hedge accounting requires that the hedge is effective. A hedge is regarded as highly effective if it at inception and throughout the hedge period 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 individually level. At inception the hedging effectiveness is measured on the basis of an interest rate shock on the individual instrument level. When assessing the hedge effectiveness retrospectively, fair value of the hedged instrument is measured and compares it with the change in fair value of the hedged item. The result must be within a 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. The internal rate of return is determined by discounting the contractual cash flows within the anticipated term to maturity. Cash flows include establishment fees and the costs of transaction 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 and deposits from customers

Liabilities to credit institutions and customers are recognised, depending on the counterpart, either as a debt to credit institutions or as deposits from customers, regardless of the calculation method used. Interest expense on these instruments is included in "Net interest income" using the internal rate of return method. Other fair value changes are included in "Net income/(loss) on financial instruments".

### Debt securities in issue

Debt securities include certificates of deposit or bonds issued by the bank, as well as repurchased bonds issued by the bank. Debt securities are initially recognised at fair value. In subsequent periods, issued debt securities that are not hedged in, for example, an interest rate swap, are recognised 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.

Interest rate costs and the amortisation of premium/discount on instruments are recognised in "Net interest rate income" using the IRR method. Fixed-rate securities that are hedged with floating-rate interest rate swaps are designated at fair value through profit or loss in order to avoid inconsistency.

### Dividends

Dividends from investments are recognised when the Company has an unconditional right to receive the dividends. Dividends payable are recognised as liabilities at the point in time when the General Meeting approves the payment of dividends.

### 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 has both defined-benefit and defined-contribution pension schemes for its employees.

Liabilities to contribute to defined-contribution pension schemes are expensed in the income statement at the time they arise.

The defined-benefit pension scheme entitled employees to future pension benefits. Pension liabilities are estimated assuming that pension rights accrue in a straight line, and on the basis of assumptions relating to years of service, discount rates, future returns on pension scheme assets, future increases in wages, pensions and National Insurance Scheme benefits and actuarial assumptions relating to mortality rates, staff turnover, etc.

Pension assets are measured at fair value (surrender value) and have been deducted from liabilities in the net pension liabilities presented on the balance sheet. Any overfunding is recognised if it is likely that it can be used to reduce future pension contributions.

Actuarial gains and losses are recognised in equity through the statement of comprehensive income.

The net pension liability is the difference between the current value of the pension liability and the fair value of the pension assets. As stipulated by the relevant Norwegian standard, employer's NIC contributions are taken into account in periods where there is a pension shortfall. Net pension liabilities for defined benefits and defined contributions schemes are shown on the balance sheet as other assets, in the event of a surplus, and other liabilities, in the event of a shortfall.

### Taxation

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



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

The deferred tax assets and liabilities are recognised using the balance method on all temporary differences that arise between taxable and accounting values of assets and liabilities. Deferred tax assets are calculated on unused loss carry forwards and unused tax credits. The tax asset is only recognised to the extent that it is probable that future taxable profits may be used to offset temporary differences, unused tax loss carry-forwards and unused tax credits. The carrying values of deferred tax assets and deferred tax are subject to regular reviews. 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.

### Share-based payments

Fair value at the issuing date for share-based payment schemes awarded to employees is recognised as a personnel expense with a corresponding increase in other paid equity. Share-based payment schemes that are realised are immediately expensed on the date of issuing. Non-realised shares are included in the measurement of fair value and no adjustment is made to the expensed figure when such shares are not realised. Share-based payment schemes comprise shares in Gjensidige Forsikring ASA and also include schemes where one of the shareholders of Gjensidige Forsikring ASA settles the shares.

## 2. Critical accounting estimates and judgements

### General

The preparation of the financial statements under IFRS and the application of the adopted accounting policies require that management 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 prerequisites 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 the existing and future periods.

Gjensidige Bank ASA accounting principles in which assessments, estimates and prerequisites may significantly diverge from the actual results are discussed below.

### Write-downs and losses

Loans and claims are evaluated each balance day to assess whether there is objective evidence that a 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. The write-down equals to 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 (i.e. the effective interest calculated at initial rates or subsequently agreed with the customer). Objective evidence means evidence of occurrences indicating that the loan is impaired. This may be information about damaged credit histories, bankruptcy or defaults.

### Equipment and intangible assets

Equipment and intangible assets are reviewed annually to ensure that the depreciation method and period used match economic realities. The same applies to the residual value. Assets are written down if there is evidence of impairment.

### 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 by means of valuation methods. These valuation methods are based primarily on the market conditions on the balance sheet date.

### Impairment of financial assets

Financial assets that are not carried at fair value are tested 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.

### Pension liabilities

The present value of pension liabilities is calculated on the basis of actuarial and financial assumptions. Any change in the assumptions affects the estimated liability. Change in the discount rate is the assumption most significant to the value of the pension liability. The discount rate and other assumptions are normally reviewed once a year when the actuarial calculations are performed unless there have been significant changes during the year.

In 2012 Gjensidige changed the method of determining the discount rate for pension liabilities. Currently an OMF-interest (covered bonds) is used while previously government bonds were used in the calculation.

## 3. Segment information

The bank has primarily only retail customers. This segment is composed of organizational, benefit, agricultural customers, employees of Gjensidige Group and other customers.

The bank also offers deposit products to the business market. Volume related to this product is currently of a size that it is not reported as a separate segment.

The bank operates only in Norway and reporting of secondary geographical segments provides little additional information. Loan assets is however geographically split in a separate note.

## 4. Net interest income

Parent Company			Consolidated	
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	1.1.-31.12.2014	1.1.-31.12.2013
<b>Interest income</b>				
9,604	7,236	Loans to and receivables from credit institutions	7,221	9,604
778,814	916,903	Loans to and receivables from customers	1,276,199	1,104,662
41,732	63,223	Interest-bearing securities	44,492	20,774
48,301	40,988	Other income	14	
<b>878,451</b>	<b>1,028,350</b>	<b>Total interest income<sup>1</sup></b>	<b>1,327,926</b>	<b>1,135,041</b>
<b>Interest expenses</b>				
6,623	6,214	Deposits from/ debt to credit institutions	699	299
379,748	465,914	Deposits from/ debt to customers	465,914	379,748
<b>Issued securities</b>				
48,482	60,410	- valued at amortised cost	225,506	190,321
8,452	7,307	- valued at fair value	7,307	8,452
	4,509	Subordinated loan capital	4,509	
10,037	10,189	Other interest expenses	10,192	10,088
<b>453,342</b>	<b>554,542</b>	<b>Total interest expenses<sup>2</sup></b>	<b>714,128</b>	<b>588,908</b>
<b>425,110</b>	<b>473,808</b>	<b>Net interest income</b>	<b>613,798</b>	<b>546,133</b>
836,719	965,128	<sup>1</sup> Of this total interest income on financial assets that are not at fair value	1,283,433	1,114,267
444,890	547,235	<sup>2</sup> Of this total interest expenses on financial liabilities that are not at fair value.	706,820	580,456
Includes interest income and interest expenses on derivatives.				

## 5. Net commission income

Parent Company			Consolidated	
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	1.1.-31.12.2014	1.1.-31.12.2013
<b>Commission income</b>				
160	224	Interbank fees	224	160
16,621	18,490	Card fees	18,490	16,621
10,756	11,713	Payment transactions	11,715	10,758
3,917	3,944	Loan fees	6,358	6,427
480	1,966	Other commission income	1,967	480
<b>31,934</b>	<b>36,338</b>	<b>Total commission income</b>	<b>38,754</b>	<b>34,446</b>
<b>Commission expenses</b>				
1,448	1,392	Interbank fees	1,392	1,448
2,768	3,089	Payment transactions	3,089	2,768
1,301	5,713	Other commission expenses	5,713	1,301
<b>5,516</b>	<b>10,195</b>	<b>Total commission expenses</b>	<b>10,195</b>	<b>5,516</b>
<b>26,418</b>	<b>26,143</b>	<b>Total net commission</b>	<b>28,559</b>	<b>28,930</b>



## 6. Net gains on financial instruments at fair value

Parent Company			Consolidated	
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	1.1.-31.12.2014	1.1.-31.12.2013
(7,819)	8,791	Net income on foreign currency trading and financial derivatives	136,947	(16,146)
<b>(7,819)</b>	<b>8,791</b>	<b>Net income on financial instruments, trading portfolio</b>	<b>136,947</b>	<b>(16,146)</b>
1,045	6,219	Net income on commercial paper and bonds	5,501	1,701
		Net income on shares/ ownership interests		
9,081	(14,926)	Net income on financial liabilities <sup>1</sup>	(143,294)	17,424
<b>10,126</b>	<b>(8,707)</b>	<b>Net income on financial instruments measured at fair value</b>	<b>(137,793)</b>	<b>19,125</b>
<b>2,307</b>	<b>83</b>	<b>Net gains on financial instruments at fair value</b>	<b>(846)</b>	<b>2,979</b>

<sup>1</sup>Gain in value for the group attributable to credit risk is NOK 0 in 2014 and NOK 0.85 million in 2013.

## 7. Operating expenses

Parent Company			Consolidated	
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	1.1.-31.12.2014	1.1.-31.12.2013
78,397	90,262	Wages, salaries, etc.	91,464	79,533
		<b>Pension costs</b>		
5,299	5,747	- defined contributions schemes	5,820	5,373
643	819	- defined benefits schemes	819	643
11,458	13,038	Employer's NICs	13,182	11,592
3,862	4,833	Other staff-related expenses	4,836	3,867
<b>99,658</b>	<b>114,699</b>	<b>Total personnel expenses</b>	<b>116,120</b>	<b>101,007</b>
60,973	69,130	IT expenses	69,578	61,414
86,337	90,920	Marketing, etc.	90,920	86,337
18,286	17,228	Other administrative expenses	17,322	18,437
24,316	13,246	Consultancy fees	18,114	28,077
28,737	33,533	Other operating expenses	29,790	27,328
<b>218,649</b>	<b>224,057</b>	<b>Total other expenses</b>	<b>225,724</b>	<b>221,593</b>
18,728	16,033	Ordinary depreciation	16,033	18,728
<b>337,034</b>	<b>354,789</b>	<b>Total operating expenses</b>	<b>357,878</b>	<b>341,328</b>
		<b>Auditor's fee</b>		
466	475	Statutory auditing – KPMG <sup>1</sup>	538	529
		Audit-related services <sup>1</sup>		82
241	125	Other services – KPMG <sup>1</sup>	237	366
		Tax-related services		
		Internal auditing		
<b>708</b>	<b>600</b>	<b>Total payments to auditor</b>	<b>774</b>	<b>977</b>
130	138	Average full-time equivalent employees	139	131
135	142	Full-time equivalent employees at the end of the period	143	136

<sup>1</sup>Services to audit are disclosed including VAT.

## 7. Operating expenses (cont.)

Salary and other benefits to management and governing body in 2014

NOK thousand Name and position	Fixed salary/ fee	Earned variable salary	Calc. value of total benefits other than cash	Pension cost	Annual vesting share based payment	Number of shares assigned, not rede- emed	Number of shares released	Number of shares out- standing	Number of shares held	Loans	Interest rate	The current repayment schedule
<b>Senior executives</b>												
Hans Olov Harén, CEO	2,432	325	219	444	325	2,953	4,469	10,111	5,807	1,466	3,10 %	25.2.2040
Teemu Alaviitala, CFO	1,370	160	154	96	160	1,308	1,342	3,712	3,028	1,215	3,10 %	20.6.2037
Lene Steinum, Director IT and Innovation	1,080	120	150	100	120	1,061	865	2,634	1,959			
Tor Egil Nedrebø, Director Treasury and Branch manager	1,003	117	159	88	122	951	797	2,624	755			
Ole Bjørn Harang, Director Market and Distribution	1,242	145	154	286	145	1,185	812	2,942	2,313			
Alexander von Hirsch, Director Consumer Finance	1,015	77	154	88	77	895	391	1,937				
Stig Heide, Director Products	1,262	147	154	107	147	1,204	952	3,131	689			
Rajeev Prabhu, Director Credit Risk	1,880	219	145	101	219	1,810	2,352	5,792	1,227	5,194	3,10 %	20.9.2037
Nina Felicity Mydske, Director Operations	1,034	121	153	99	121	980	210	1,615	2,061	3,390	3,20 %	20.8.2033
Jan Kåre Raae, CEO Gjensidige Bank Boligkreditt AS	920	112	14	73	112	917	706	2,351	1,336			
<b>The Board</b>												
Mats Gottschalk, Chairman									5,207			
Per Kumle	158								3,253			
Anita Gundersen (30.5.-31.12)									997			
Kari Anne Mørk (1.1.-29.5)									1,304			
Marianne Broholm Einarsen	158											
Hans Jacob Starheim, employee repr.	383								3			
<b>Total for senior executives and the Board</b>	<b>13,936</b>	<b>1,543</b>	<b>1,456</b>	<b>1,482</b>	<b>1,548</b>	<b>13,264</b>	<b>12,896</b>	<b>36,849</b>	<b>29,939</b>	<b>11,264</b>		
<b>Control committee</b>												
Sven Iver Steen, Chairman	67											
Hallvard Strømme	42											
Liselotte Aune Lee	42											
Vigdis Myhre Næsseth	37											
<b>Total</b>	<b>187</b>											
<b>Supervisory board</b>												
Helge Leiro Baastad, Chairman												
<b>Total</b>												

## 7. Operating expenses (cont.)

### Salary and other benefits to management and governing body in 2013

NOK thousand Name and position	Fixed salary/ fee	Earned variable salary	Calc. value of total benefits other than cash	Pension cost	Annual vesting share based payment	Number of shares assig- ned, not rede- emed	Number of shares released	Number of shares out- standing	Number of shares held	Loans	Interest rate	The current repayment schedule
<b>Senior executives</b>												
Hans Olov Harén, CEO	2,338	308	222	385	308	3,743		10,277		1,613	3.80%	25.2.2040
Teemu Alaviitala, CFO	1,328	139	14	90	139	1,587		3,252		6,339	3.50%	20.6.2037
Lene Steinum, Director IT and Innovation	990	103	17	95	103	1,246		2,178				
Tor Egil Nedrebø, Director Treasury and Branch manager	968	101	153	84	101	1,281		2,052				
Ole Bjørn Harang, Director Market and Distribution	1,203	126	154	182	126	1,540		2,177				
Alexander von Hirsch, Director Consumer Finance	900	95	165	79	95	1,097		1,175				
Stig Heide, Director Products	1,226	128	150	100	128	1,555		2,463				
Rajeev Prabhu, Director Credit Risk	1,836	193	143	75	193	2,398		5,563		5,343	3.40%	20.9.2037
Nina Felicity Mydske, Director Operations	930	104	154	91	104	589		631		5,081	3.35%	20.8.2033
Jan Kåre Raae, CEO Gjensidige Bank Boligkreditt AS	874	94	16	74	94	1,934		1,830				
<b>The Board</b>												
Mats Gottschalk, Chairman												
Per Kumle	153											
Kari Anne Mørk												
Marianne Broholm Einarsen	153											
Rune Vossseteig, employee repr.	476	48	16									
Hans Jacob Starheim, deputy employee repr.	383	93	15									
<b>Total for senior executives and the Board</b>	<b>13,757</b>	<b>1,535</b>	<b>1,218</b>	<b>1,255</b>	<b>1,394</b>	<b>16,970</b>		<b>31,598</b>		<b>18,376</b>		
<b>Control committee</b>												
Sven Iver Steen, Chairman	65											
Hallvard Strømme	41											
Liselotte Aune Lee	41											
Vigdís Myhre Næsseth	37											
<b>Total</b>	<b>183</b>											
<b>Supervisory board</b>												
Helge Leiro Baastad, Chairman												
<b>Total</b>												

The company has no other remuneration to the Managing Director and has not committed itself to the CEO or chairman to give special consideration upon termination of appointment.

## 7. Operating expenses (cont.)

### Declaration from the board regarding salaries and other remuneration

#### Gjensidige Bank ASA remuneration policies

The bank has established a remuneration scheme that applies to all employees. The remuneration shall be competitive but not leading. It is expected that the staff takes a overall view of what the group offers of compensation and benefits. The Group's remuneration arrangements should be transparent and performance-based, so that as much as possible is perceived as fair and predictable. It should be a correlation between the performance and the remuneration provided. Remuneration and career development should be linked to the achievement of the Group, its strategic and financial goals and values, where both quantitative and qualitative objectives are taken into consideration. Measurement criteria shall promote long-term value creation, and as far as possible, taking into account the actual cost of capital. The compensation scheme will help promote and provide incentives for risk management, discourage excessive risk-taking and to help avoid conflicts of interest. Fixed base salary shall be the main element of the total remuneration, which also consists of variable pay, pensions and fringe benefits.

#### Decision process

The Board has established a remuneration committee consisting of three members.

The main responsibilities the Committee is to prepare matters for the Board and:

- Prepare proposals and follow up implementation of the bank's guidelines and limits for the remuneration
- Annually review and recommend remuneration to the CEO
- Annual review and propose scorecard for the CEO
- Be an advisor to the CEO regarding the annual review of remuneration to the management team members
- Assess the administration's proposed "Declaration of salary and other remuneration to senior executives" see Act § 6-16a.
- Consider other key benefits for senior executives

### Guidelines for the coming financial year

#### Remuneration to the CEO

CEO's salary and other benefits shall be determined by the Board based on a comprehensive assessment taking into account Gjensidige Bank's compensation scheme and the market wage for similar type of position. Salaries is reviewed annually and determined on the basis of developments in society in general and the financial sector in particular. The variable salary (bonus) is determined by the Board based on agreed objectives and deliverables, and may not exceed 30 per cent of the base salary including holiday pay. Variable pay is not included in pensionable salary. The assessment takes into account the company's results last two years, and 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 disposed 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 given performance-based payments other than the above bonus, but can be given fringe benefits such as company car and reimbursement of expenses for electronic communications. Assignments of such fringe benefits shall be related to the executive function of the company, and otherwise be in line with market practice.

The current CEO retirement age is 66 years, and he has pension rights in accordance to Gjensidige Bank ASAs closed defined benefit pension scheme with some special individual agreements related to his former employment in Citibank International Plc.

The current CEO is entitled to 18 months' salary if he retires before reaching retirement age, provided that he is not dismissed due to gross breach of duty or other material breach of employment contract.

#### Remuneration to other senior executives

CEO determines the financial terms for other senior managers based on frames that have been discussed with the remuneration committee, which shall be in accordance with the Group's framework for a similar position level. Gjensidige Bank's compensation scheme is applied.

The total remuneration is determined by the need to offer competitive terms in the various business areas, and will help to attract and retain leaders who promote the Group's growth and profitability.

Salaries are reviewed annually and determined on the basis of developments in society in general and the financial sector in particular. Variable salary (bonus) for senior employees may be granted based on specific performance measurements of defined target areas and assessment set in the scorecard and derived from the Group's strategies and goals. It takes into account a combination of business performance last two years, the concerned business unit and an assessment of personal contribution.

Half of the variable remuneration will be given in form of shares in Gjensidige Forsikring ASA, where 1/3 can be disposed of the next three years. The bound variable remuneration can be reduced if subsequent results and developments indicate that it was based on incorrect assumptions. The variable salary (bonus) can not exceed more than 3 months' salary including holiday pay. The variable pay is not included in pensionable salary.

The CEO may, after consultation with the compensation committee do deviations for certain positions if it is necessary to provide competitive terms. Allocation of fringe benefits for senior executives should be related to their function in the group and also be in line with market practice.

The Company's executives have a retirement age of 67 except for the Director Marked and Distribution which has a retirement age of 65 years.

The Director Marked and Distribution has a defined benefit pension scheme that is continued from previous employment in Gjensidige Forsikring ASA. For other employees, there is a defined contribution plan for salaries up to 12 G.

#### Remuneration of employees with work essential to the company's risk exposure

The variable pay (bonus) to employees with work that is essential to the company's risk exposure may be granted, based on specific performance measurements of defined target areas and discretionary assessment set out in the scorecard and derived from the Group's strategies and goals. The assessment takes into account a combination of business performance last two years, the concerned business unit, and an assessment of personal contribution. Half of the variable remuneration will be given in the form of shares of Gjensidige Forsikring ASA, where 1/3 can be disposed of the next three years. The bound variable remuneration can be reduced if subsequent results and developments indicate that it was based on incorrect assumptions. The variable salary (bonus) can not exceed more than 30 per cent of their annual salary including holiday pay. Variable pay is not included in pensionable salary. The CEO may, after consultation with the compen-

sation committee, do deviations for certain positions if it is necessary to provide competitive terms. Allocation of pension and fringe benefits follows the group's general scheme.

It is at present time no such employees employed by Gjensidige Bank ASA, which is not included among senior executives.

#### **Remuneration of employees with supervisory responsibilities**

Remuneration of employees with supervisory responsibilities should be independent of the results of the activities they control.

The variable pay (bonus) to employees with supervisory responsibilities is based on a discretionary assessment of the contribution from that entity provided in scorecards, as well as personal contributions in general. Half of the variable remuneration will be given in the form of shares in Gjensidige Forsikring ASA, where 1/3 can be disposed of the next three years. The variable salary (bonus) can not exceed more than 30 per cent of their annual salary including holiday pay. Variable pay is not included in pensionable salary. The bound variable remuneration can be reduced if subsequent results and developments indicate that it was based on incorrect assumptions.

Allocation of pension and fringe benefits follows the group's general scheme.

Control functions are provided largely by the group, and it is at present no such employees employed by Gjensidige Bank ASA.

#### **Remuneration of elected representatives and other employees with similar remuneration as senior executives**

Remuneration will be following the above guidelines. The employee representative of Gjensidige Bank ASA is given a wage increase of three wage levels.

#### **Guidelines for shares, warrants, etc. for the coming financial year**

Of the variable salary in 2015, given to the CEO and other employees who are covered by regulations on remuneration, 50 per cent of gross earned variable pay will be granted in the form of shares in Gjensidige Forsikring ASA. The shares awarded by a third each of the next three years.

The CEO and the senior executives have, equal to all other employees in the Gjensidige, access to participate in the group's share saving plan for employees. Under the current program, the employee can save, through salary deductions, shares in Gjensidige Forsikring ASA limited to NOK 75,000 per year. The shares can be bought on a quarterly basis after the publication of the results. A contribution is granted of 20 per cent of the purchase price, limited to NOK 1,500. It is awarded one bonus share for every four shares you have owned for more than two years for those who retain the shares and still are employed by the Group.

#### **Statement for the management remuneration policy in the previous accounting year**

The Board confirms that the guidelines regarding executive pay for 2014 given in last year's declaration has been followed.

The Board has decided to give all full-time employees a bonus of up to NOK 24,500.

## 8. Tax expenses

Parent Company			Consolidated	
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	1.1.-31.12.2014	1.1.-31.12.2013
22,506	33,743	Tax payable	72,246	54,252
(802)	(1,855)	Change in deferred tax/tax assets	(3,774)	(762)
61	25	Inadequate tax provisions in previous years	549	61
<b>21,765</b>	<b>31,913</b>	<b>Tax expense</b>	<b>69,021</b>	<b>53,551</b>
<b>Reconciliation of tax expense</b>				
77,483	118,050	Profit/ (loss) before tax expense	253,545	191,001
21,695	31,873	Expected tax at nominal tax rate of 27%	68,457	53,481
9	15	Tax effect of permanent differences	15	9
61	25	Inadequate tax provisions in previous years	549	61
<b>21,765</b>	<b>31,913</b>	<b>Tax expense</b>	<b>69,021</b>	<b>53,551</b>
<b>Deferred tax assets</b>				
Deferred tax assets arising from temporary differences				
2,699	3,737	- Pension liabilities	3,737	2,699
5,216	6,537	- Tangible assets	6,598	5,306
772	1,181	- Financial instruments	3,130	772
<b>8,687</b>	<b>11,455</b>	<b>Net deferred tax assets</b>	<b>13,465</b>	<b>8,778</b>
<b>Net changes in deferred tax assets/ deferred tax through profit or loss are as follows:</b>				
Group contribution				
1,128	1,494	Current assets	1,467	1,089
(506)	437	Financial instruments	2,385	(506)
180	221	Pension liabilities	221	180
	(297)	Adjustments to previous years	(300)	
<b>802</b>	<b>1,855</b>	<b>Close of year</b>	<b>3,774</b>	<b>763</b>
<b>Current and deferred taxes recognised directly in equity</b>				
213	913	Deferred tax relating to items recognised directly in equity	913	213
<b>213</b>	<b>913</b>	<b>Total</b>	<b>913</b>	<b>213</b>

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

## 9. Other assets

Parent Company			Consolidated	
1.1.-31.12.2013	1.1.-31.12.2014	NOK thousand	1.1.-31.12.2014	1.1.-31.12.2013
104,794	125,245	Earned income not yet received	147,775	122,512
6,966	4,678	Advance payments	5,006	8,741
3,049	19,351	Derivatives	145,737	3,049
19	(2)	Other	(2)	19
<b>114,828</b>	<b>149,271</b>	<b>Total</b>	<b>298,516</b>	<b>134,321</b>

## 10. Intangible assets

Consolidated NOK thousand	Capitalised project costs	Capitalised software	Goodwill	Total
Cost or adjusted value 1.1.2013	85,041	53,732	1,500	140,273
Acquired	8,194	10,892		19,086
Disposed of	(5,586)	(3,768)		(9,354)
<b>Cost or adjusted value 31.12.2013</b>	<b>87,649</b>	<b>60,856</b>	<b>1,500</b>	<b>150,005</b>
Accumulated depreciation and writedowns 1.1.2013	61,364	36,437		97,801
Depreciation for the year	7,503	11,006		18,509
Writedowns for the year				
<b>Accumulated depreciation and writedowns 31.12.2013</b>	<b>68,867</b>	<b>47,443</b>		<b>116,309</b>
<b>Carrying value 31.12.2013</b>	<b>18,782</b>	<b>13,413</b>	<b>1,500</b>	<b>33,695</b>
Cost or adjusted value 1.1.2014	87,649	60,856	1,500	150,005
Acquired		9,665		9,665
Disposed of	(5,587)	(6,574)		(12,161)
<b>Cost or adjusted value 31.12.2014</b>	<b>82,062</b>	<b>63,947</b>	<b>1,500</b>	<b>147,509</b>
Accumulated depreciation and writedowns 1.1.2014	68,867	47,443		116,309
Depreciation for the year	6,873	8,936		15,809
Writedowns for the year				
<b>Accumulated depreciation and writedowns 31.12.2014</b>	<b>75,740</b>	<b>56,379</b>		<b>132,119</b>
<b>Carrying value 31.12.2014</b>	<b>6,322</b>	<b>7,568</b>	<b>1,500</b>	<b>15,390</b>
Useful life	6-10 years	3 years		

Goodwill is related to aquisition of business as of 15. December 2009. Goodwill is not amortised, but is assessed with regards to write-down.

## 10. Intangible assets (cont.)

Parent Company NOK thousand	Capitalised project costs	Capitalised software	Goodwill	Total
Cost or adjusted value 1.1.2013	85,041	51,807	1,500	138,348
Acquired	8,194	10,892		19,086
Disposed of	(5,586)	(3,768)		(9,354)
<b>Cost or adjusted value 31.12.2013</b>	<b>87,649</b>	<b>58,931</b>	<b>1,500</b>	<b>148,081</b>
Accumulated depreciation and writedowns 1.1.2013	61,364	34,512		95,876
Depreciation for the year	7,503	11,006		18,509
Writedowns for the year				
<b>Accumulated depreciation and writedowns 31.12.2013</b>	<b>68,867</b>	<b>45,518</b>		<b>114,385</b>
<b>Carrying value 31.12.2013</b>	<b>18,782</b>	<b>13,413</b>	<b>1,500</b>	<b>33,695</b>
Cost or adjusted value 1.1.2014	87,649	58,931	1,500	148,081
Acquired		9,665		9,665
Disposed of	(5,587)	(6,574)		(12,161)
<b>Cost or adjusted value 31.12.2014</b>	<b>82,062</b>	<b>62,023</b>	<b>1,500</b>	<b>145,585</b>
Accumulated depreciation and writedowns 1.1.2014	68,867	45,518		114,385
Depreciation for the year	6,873	8,936		15,809
Writedowns for the year				
<b>Accumulated depreciation and writedowns 31.12.2014</b>	<b>75,740</b>	<b>54,454</b>		<b>130,194</b>
<b>Carrying value 31.12.2014</b>	<b>6,322</b>	<b>7,568</b>	<b>1,500</b>	<b>15,390</b>
Useful life	6-10 years	3 years		

Goodwill is related to aquisition of business as of 15. December 2009. Goodwill is not amortised, but is assessed with regards to write-down.



## 11. Fixed assets

(Figures relate to Gjensidige Bank ASA as there are no differences between the parent company and Group)

Parent Company NOK thousand	Improvements to leased premises	Machinery, fixtures, fittings and vehicles	Total
Cost or adjusted value 1.1.2013	5,834	3,047	8,881
Acquired		425	425
Disposed of		(24)	(24)
<b>Cost or adjusted value 31.12.2013</b>	<b>5,834</b>	<b>3,448</b>	<b>9,282</b>
Accumulated depreciation and writedowns 1.1.2013	5,834	2,683	8,516
Depreciation for the year		219	219
Writedowns for the year			
<b>Accumulated depreciation and writedowns 31.12.2013</b>	<b>5,834</b>	<b>2,902</b>	<b>8,735</b>
<b>Carrying value 31.12.2013</b>		<b>546</b>	<b>546</b>
Cost or adjusted value 1.1.2014	5,834	3,448	9,282
Acquired		333	333
Disposed of			
<b>Cost or adjusted value 31.12.2014</b>	<b>5,834</b>	<b>3,781</b>	<b>9,615</b>
Accumulated depreciation and writedowns 1.1.2014	5,834	2,902	8,735
Depreciation for the year		224	224
Writedowns for the year			
<b>Accumulated depreciation and writedowns 31.12.2014</b>	<b>5,834</b>	<b>3,126</b>	<b>8,959</b>
<b>Carrying value 31.12.2014</b>		<b>655</b>	<b>655</b>
Useful life	4 years	5 years	

## 12. Interest bearing securities

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
446,291	770,906	Short-term government debt	770,906	839,843
2,311,045	1,702,392	Covered bonds	686,704	821,445
3,478		Value adjustment and amortisation		6,762
	382,363	Money market funds and other securities	382,363	
<b>2,760,814</b>	<b>2,855,661</b>	<b>Total</b>	<b>1,839,973</b>	<b>1,668,050</b>
2,510,808	2,605,659	Stock exchange listed securities	1,839,973	1,668,050
250,006	250,001	Unlisted securities		
<b>2,760,814</b>	<b>2,855,661</b>	<b>Total</b>	<b>1,839,973</b>	<b>1,668,050</b>

The maximum credit exposure of financial assets for Gjensidige Bank ASA and Gjensidige Bank Group valued at fair value through profit or loss account constitute NOK 2,181 and 1,839 million as at 31. December 2014.

## 13. Loans to and receivables from credit institutions

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
<b>Loans to and receivables from credit institutions</b>				
1,672,088	1,253,858	Loans and receivables without an agreed term to maturity	56,358	161,948
		Loans and receivables with an agreed term to maturity		
<b>1,672,088</b>	<b>1,253,858</b>	<b>Gross loans to and receivables from credit institutions</b>	<b>56,358</b>	<b>161,948</b>
		Write-downs on loans that have been individually tested for impairment		
		Write-downs on loans that have been collectively tested for impairment		
<b>1,672,088</b>	<b>1,253,858</b>	<b>Net loans to and receivables from credit institutions</b>	<b>56,358</b>	<b>161,948</b>
<b>Liabilities to credit institutions</b>				
437,257	461,589	Loans and deposits from credit institutions without agreed terms or notice periods		
	350,000	Loans and deposits from credit institutions with agreed terms or notice periods	350,000	
<b>437,257</b>	<b>811,589</b>	<b>Debt to credit institutions</b>	<b>350,000</b>	

## 14. Loans to and receivables from customers

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
<b>Loans to and receivables from customers</b>				
		Loans and receivables without an agreed term to maturity		
13,936,311	17,374,487	Loans and receivables with an agreed term to maturity	27,546,513	24,193,929
<b>13,936,311</b>	<b>17,374,487</b>	<b>Gross loans to and receivables from customers</b>	<b>27,546,513</b>	<b>24,193,929</b>
(2,950)	(3,325)	Write-downs on loans that have been individually reviewed for impairment	(3,325)	(2,950)
(311,208)	(343,414)	Write-downs on loans that have been collectively reviewed for impairment	(351,832)	(321,427)
<b>13,622,154</b>	<b>17,027,748</b>	<b>Net loans to and receivables from customers</b>	<b>27,191,357</b>	<b>23,869,553</b>

## 15. Loans by geographic area

Parent Company					Consolidated			
31.12.2013		31.12.2014		NOK thousand	31.12.2014		31.12.2013	
Loans	Per cent	Loans	Per cent	Loans by region	Loans	Per cent	Loans	Per cent
2,404,193	17.3 %	3,101,642	17.9 %	Oslo	5,404,871	19.6 %	4,704,064	19.4 %
2,231,508	16.0 %	2,785,556	16.0 %	Akershus	5,123,136	18.6 %	4,544,631	18.8 %
3,649,174	26.2 %	4,305,055	24.8 %	Eastern Norway	5,954,032	21.6 %	5,343,785	22.1 %
402,903	2.9 %	528,081	3.0 %	Southern Norway	736,119	2.7 %	657,443	2.7 %
3,064,535	22.0 %	3,904,587	22.5 %	Western Norway	6,139,393	22.3 %	5,339,748	22.1 %
1,340,099	9.6 %	1,697,483	9.8 %	Central Norway	2,717,611	9.9 %	2,335,088	9.7 %
833,907	6.0 %	1,049,982	6.0 %	Northern Norway, Svalbard	1,467,109	5.3 %	1,251,764	5.2 %
9,993	0.1 %	2,102	0.0 %	Abroad	4,242	0.0 %	17,405	0.1 %
<b>13,936,311</b>	<b>100.0 %</b>	<b>17,374,487</b>	<b>100.0 %</b>	<b>Total gross loans by geographic area</b>	<b>27,546,513</b>	<b>100.0 %</b>	<b>24,193,929</b>	<b>100.0 %</b>

### Loans by sector and industry

Consolidated	Gross loan		Individual write-downs		Group write-downs		Net loans	
NOK thousand	2014	2013	2014	2013	2014	2013	2014	2013
Public sector								
Industry and mining								
Power, water, building and construction								
Commerce, hotels and restaurants								
Bus. services, prop. man. and fin. services								
Other service industries								
Private individuals	27,546,513	24,193,929	(3,325)	(2,950)	(351,832)	(321,427)	27,191,356	23,869,553
<b>Total loans by sector and industry</b>	<b>27,546,513</b>	<b>24,193,929</b>	<b>(3,325)</b>	<b>(2,950)</b>	<b>(351,832)</b>	<b>(321,427)</b>	<b>27,191,356</b>	<b>23,869,553</b>

### Loans by sector and industry

Parent Company	Gross loan		Individual write-downs		Group write-downs		Net loans	
NOK thousand	2014	2013	2014	2013	2014	2013	2014	2013
Public sector								
Industry and mining								
Power, water, building and construction								
Commerce, hotels and restaurants								
Bus. services, prop. man. and fin. services								
Other service industries								
Private individuals	17,374,487	13,936,311	(3,325)	(2,950)	(343,414)	(311,208)	17,027,747	13,622,154
<b>Total loans by sector and industry</b>	<b>17,374,487</b>	<b>13,936,311</b>	<b>(3,325)</b>	<b>(2,950)</b>	<b>(343,414)</b>	<b>(311,208)</b>	<b>17,027,747</b>	<b>13,622,154</b>

## 16. Finance leases

Gjensidige Bank ASA present finance leases as loans to and receivables from customers. The lease agreements consists only of cars.

The figures all refer to Gjensidige Bank ASA . Gjensidige Bank Boligkreditt AS do not hold finance leasing.

NOK thousand	31.12.2014	31.12.2013
<b>Gross investment in finance leases, receivable:</b>		
Less than 1 year	3,185	
1 - 5 years	22,264	
More than 5 years	615	
Total	26,064	
Unearned finance income	(2,412)	
<b>Net investment in finance leases</b>	<b>23,652</b>	
<b>Net investment in finance leases, receivable:</b>		
Less than 1 year	2,304	
1 - 5 years	20,736	
More than 5 years	612	
<b>Net investment in finance leases</b>	<b>23,652</b>	
Unguaranteed residual values accruing to the benefit of the lessor		
Accumulated allowance for uncollectible minimum lease payments receivable		
Contingent rents recognised as income in the period		

## 17. Write-downs and losses on loans

### Reconciliation of individual and group write-downs on loans and receivables

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
<b>Write-downs and losses for the period</b>				
21,299	32,206	+/- Change for the period in group write-downs	30,405	24,203
260	374	+/- Change for the period in individual write-downs	374	260
116	261	+ Losses on loans previously individually written down	261	116
49,360	28,775	+ Losses on loans not previously individually written down <sup>1</sup>	28,775	49,360
(6,807)	(8,031)	- Payments on previously written off accounts	(8,031)	(6,807)
<b>64,228</b>	<b>53,586</b>	<b>Write-downs and losses for the period</b>	<b>51,784</b>	<b>67,132</b>
<b>Individual write-downs</b>				
2,690	2,950	Individual write-downs at the start of the period	2,950	2,690
	(146)	- Reversal of previously individually write-down on written off accounts	(146)	
		+Increase in write-downs		
1,246	2,360	+New write-downs	2,360	1,246
(986)	(1,839)	-Reversal of previous write-downs	(1,839)	(986)
<b>2,950</b>	<b>3,325</b>	<b>Individual write-downs at the end of period</b>	<b>3,325</b>	<b>2,950</b>
<b>Group write-downs</b>				
289,909	311,208	Group write-downs at the start of the period	321,427	297,224
21,299	32,206	+/- Change for the period in group write-downs	30,405	24,203
<b>311,208</b>	<b>343,414</b>	<b>Group write-downs at the end of the period</b>	<b>351,832</b>	<b>321,427</b>
<b>314,158</b>	<b>346,739</b>	<b>Total write-downs at the end of the period</b>	<b>355,156</b>	<b>324,377</b>
<b>Defaulted loans</b>				
279,255	297,541	Gross default over 90 days	300,906	279,255

<sup>1</sup> These loans have been previously included in group provisioning

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
<b>Losses by sector and industry</b>				
		Public sector		
		Industry and mining		
		Power, water, building and construction		
		Commerce, hotels and restaurants		
		Bus. services, prop. man. and fin. services		
		Other service industries		
64,228	53,586	Private individuals	51,784	67,132
<b>64,228</b>	<b>53,586</b>	<b>Total losses by sector and industry</b>	<b>51,784</b>	<b>67,132</b>

## 18. Customer deposits

The figures all refer to Gjensidige Bank ASA . Gjensidige Bank Boligkreditt AS do not hold deposits.

NOK thousand	31.12.2014		31.12.2013	
	Deposits	Per cent	Deposits	Per cent
Deposits from/ debt to customers w/o agreed term to maturity	15,563,044	93.2 %	13,125,197	87.9 %
Deposits from/ debt to customers with agreed term to maturity	1,140,306	6.8 %	1,813,100	12.1 %
<b>Total</b>	<b>16,703,350</b>	<b>100.0 %</b>	<b>14,938,297</b>	<b>100.0 %</b>
Average interest rate		2.5 %		3.1 %
Deposits covered by deposit guarantee	14,022,613	84.0 %	11,674,900	78.2 %
<b>Deposits by sector and industry</b>				
Retail market	14,768,454	88.4 %	12,182,438	81.6 %
Other	1,934,896	11.6 %	2,755,859	18.4 %
<b>Total deposits by sector and industry</b>	<b>16,703,350</b>	<b>100.0 %</b>	<b>14,938,297</b>	<b>100.0 %</b>
<b>Deposits by region</b>				
Oslo	3,373,275	20.2 %	3,178,641	21.3 %
Akershus	2,644,796	15.8 %	2,529,621	16.9 %
Eastern Norway	3,638,960	21.8 %	3,166,240	21.2 %
Southern Norway	361,766	2.2 %	314,341	2.1 %
Western Norway	4,211,201	25.2 %	3,725,515	24.9 %
Central Norway	1,449,259	8.7 %	1,195,296	8.0 %
Northern Norway, Svalbard	987,433	5.9 %	794,070	5.3 %
Abroad	36,660	0.2 %	34,573	0.2 %
<b>Total deposits by region</b>	<b>16,703,350</b>	<b>100.0 %</b>	<b>14,938,297</b>	<b>100.0 %</b>

## 19. Liabilities opened for the issue of securities

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
<b>Liabilities opened for the issue of securities</b>				
1,748,473	1,849,402	Bond debt <sup>1</sup>	8,213,256	8,085,390
	250,000	Subordinated loan capital	250,000	
<b>1,748,473</b>	<b>2,099,402</b>	<b>Total liabilities opened for the issue of securities</b>	<b>8,463,256</b>	<b>8,085,390</b>
<b>Liabilities opened for the issue of securities</b>				
396,501	419,512	Bond debt <sup>1</sup>	1,737,093	1,378,240
<b>396,501</b>	<b>419,512</b>	<b>Total liabilities included in fair value hedge</b>	<b>1,737,093</b>	<b>1,378,240</b>
<b>Liabilities opened for the issue of securities</b>				
307,958		Bond debt		307,958
<b>307,958</b>		<b>Total liabilities at fair value</b>		<b>307,958</b>
<b>2,452,931</b>	<b>2,518,914</b>	<b>Total liabilities opened for the issue of securities</b>	<b>10,200,349</b>	<b>9,771,588</b>

<sup>1</sup>Minus covered bonds held by Gjensidige Bank ASA issued by Gjensidige Bank Boligkreditt AS with nominal value at NOK 1,102,0 million as of 31. Desember 2014. The cover pool market value was NOK 1,366.2 million.

Part of the funding (NOK 300.0 million) are measured at fair value option matured in 2014. Through 2014, the value of the this bond debt where written down by NOK 8.0 million.

The bank considers that changes in value of the debt securities does come from general changes in credit spreads and risk-free rate in the financial market.

The method used to assess the specific credit risk is comparing the pricing / credit spreads on the bank's commercial paper and bond debt with the pricing / credit spreads on other Norwegian certificate / bond equivalent issuers.

## 20. Hedge accounting

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

1. When entering into a hedge, the correlation between the hedge instrument and the objective is documented. In addition the hedges goal and strategy is documented
2. The hedge is expected to be highly effective by offsetting changes in fair value or cash flows of an identified object
3. The effectiveness of the hedge can be reliably measured
4. There is adequate documentation when entering into a hedge which among other things shows that the hedging is effective
5. For cash flow hedges, For cash flow hedges, the forthcoming transaction must be probable
6. The hedge is evaluated regularly and has proven to be effective for the accounting period , ie within the range 80-125 %

### Fair value hedges

The bank uses fair value hedges to manage its interest rate risk. Hedge is performed to hedge against fluctuations in 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 is recognised in the income statement. For the hedged item, the fixed rate bond, change in fair value attributable to the hedged risk is accounted for as an addition to or deduction from the carrying value on the balance sheet and in the income statement .

If the hedge ceases, value changes made to the carrying value of the hedged item is 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 fixed interest rate the bank uses interest rate swaps. The fair value of derivatives included in the fair value hedge are as follows:

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
<b>Instrument:</b>				
(3.513)	19,351	Interest rate swap	145,737	(21.730)
<b>(3.513)</b>	<b>19,351</b>	<b>Total</b>	<b>145,737</b>	<b>(21.730)</b>

#### Gains (losses) on fair value hedges

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

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
<b>Hedging instrument:</b>				
(3.513)	22,864	Interest rate swap	150,887	(11.804)
<b>Hedge item:</b>				
3.499	(23,012)	Bond debt	(151,380)	11.842
<b>(14)</b>	<b>(148)</b>	<b>Total</b>	<b>(493)</b>	<b>38</b>



## 21. Subordinated capital

FRN Gjensidige BANK ASA 2014/2044 SUB	
Name	
ISIN	NO0010713118
Issuer	Gjensidige Bank AS
Principal Amount	250
Currency	NOK
Issue date	17.6.2014
Maturity date	17.6.2024
Next call date	17.6.2019
Interest rate	NIBOR 3M + 1,55 %
General terms:	
Regulatory regulation	CRD IV
Regulatory call	Yes

## 22. Other liabilities

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
(5)		Accounts payable		(5)
3,965	11,824	Derivatives	20,874	22,219
76,139	88,219	Other liabilities	122,982	103,771
35,055	27,353	Accrued interest expenses	70,830	76,499
<b>115,155</b>	<b>127,396</b>	<b>Total other liabilities</b>	<b>214,686</b>	<b>202,483</b>

## 23. Pensions

Gjensidige Bank ASA 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 defined benefit pension plan is a closed plan. New employees become members of the defined contribution pension plan.

### Defined contribution plan

Defined contribution pension is a private pension plan that supplements the National Insurance scheme. Benefits from the pension plan come in addition to retirement pension from the National Insurance scheme. The retirement age is 67.

Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

In Gjensidige Bank ASA, contributions are paid for employees corresponding to the limit on tax-free contributions, currently five per cent of their salary from 1 to 6 times the National Insurance basic amount (G) and eight per cent from 6 to 12 G.

Gjensidige Bank ASA has defined contribution pension plan corresponding to the plan in Gjensidige Forsikring.

Contributions to the defined contribution plan are recognised as an expense in the year the contribution is paid.

### Defined benefit plan

#### Description of the plan

Together with benefits from the National Insurance scheme and any paid-up policies from former employment relationships, the retirement pension amounts to approximately 70 per cent of the final salary, given a full earning period of 30 years. The retirement age is 67.

Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules. In addition, Gjensidige Bank ASA has pension liabilities to some employees over and above the ordinary group pension agreement. This applies to employees with a lower retirement age, employees who earn more than 12 times the National Insurance basic amount (G) and supplementary pensions.

The ordinary retirement pension is a funded plan where the employer contributes payments to pension funds. Pension beyond the common collective agreement is an unfunded plan paid from operations.

#### Recognition

Pension liabilities are valued at the present value of the future pension benefits that, for accounting purposes, are deemed to have been accrued on the reporting date. Future pension benefits are calculated on the basis of the expected salary at the time of retirement. The estimated liability on the reporting date is used when measuring the accrued pension liability. Pension assets are valued at market value (transfer value). The estimated value on the reporting date is used for the valuation of pension assets. The net pension liability is the difference between the present value of the pension liability and the value of the pension assets. A provision is made for employer's National Insurance contributions during periods when underfunding arise. The net pension liability is shown in the balance sheet on the line for Pension liabilities. If there is a net overfunding in the funded plan, this is recognized as Pension assets.

The difference between the estimated pension liability and the estimated value of pension assets as of the previous financial year and

the actuarial pension liability and the fair value of the pension assets as of the beginning of the year is recognized under Other comprehensive income.

In the calculation for 2014, this difference gave an effect on the equity of NOK 3.4 million compared to NOK 0.8 million in 2013.

#### Actuarial assumptions

The expected return on the pension assets is stipulated on the basis of how the assets are invested. The expected return is estimated for each asset class and it is determined in consultation with external advisers. Present and future market expectations, where available, and the historical return is taken into account.

The discount rate is based on a yield curve stipulated on the basis of the covered bond yield. The discount rate is based on observed interest approximately ten years ahead. The market's long-term view of the interest rate level is estimated on the basis of the required real interest rate, inflation and future credit risk. An interpolation has been made in the period between the observed interest and long-term market expectations. A discount curve has thus been calculated for each year in which pensions will be disbursed. The discount rate for a pension payment is 2.06 per cent (3.92) in year 10, 2.48 per cent (4.41) in year 15, 2.76 per cent in year 20, 2.94 per cent in year 25, 2.94 per cent (4.68) in year 30 and 3.19 per cent in year 40.

The discount rate is the assumption that has the greatest impact on the value of the pension liability. Wage growth, pension increases and the adjustment of the National Insurance basic amount are based on historical observations and expected future inflation. Because the average age of the employees who are members of the defined contribution plan is above 55 years, wage growth does not contain a career supplement, and the determined wage growth may therefore be lower than is otherwise normal in the market. The decreasing wage trend applied to Gjensidige Bank ASA for 2014 shows an average salary increase of 3.1 per cent (2.6).

Gjensidige uses GAP07, which is a dynamic mortality model that takes account of the expected development in life expectancy. The assumptions on which the model is based are tested at regular intervals.

The sensitivity analysis is based on only one assumption being changed at a time, while all the others remain constant. This is seldom the case, since several of the assumptions co-vary. The sensitivity analysis has been prepared using the same method as the actuarial calculation of the pension liability in the balance sheet is based on.

#### Risk

The risk in the net pension liability is a combination of the pension plan itself, the pension liability, the pension assets and the co-variation between liabilities and pension assets.

Gjensidige is entitled to change the closed defined benefit plan, and any changes will occur no later than 31 December 2016.

Gjensidige's pension assets are invested in Gjensidige Pensjonskasse. Gjensidige's pension assets are managed as an investment choice portfolio. This means that Gjensidige decides itself how the pension assets are invested within a set of limits that are approved by the board of the pension fund. Gjensidige has a separate investment committee that decides how the pension assets are allocated. The investment choice portfolio entails a financial risk for Gjensidige.

The financial risk is related to investments in equities, interest-bearing securities and property. Most of the investments are in securi-

## 23. Pensions (cont.)

ties funds and bonds. The financial risk comprises stock market, interest rate, credit, currency and liquidity risk.

Financial risk in pension assets is estimated using defined stress parameters for each asset class and assumptions about how the development of the different asset classes will co-vary.

The biggest risk factor is interest rate risk.

### Interest rate risk

The pension assets' exposure to interest rate risk is deemed to be moderate because the market value-weighted duration is 3 years.

The pension liabilities are exposed to interest rate risk. The discount rate is composed of market interest rates for ten years, while, from year 20, it is based on long-term equilibrium interest rates, and between year ten and year 20, it is interpolated linearly between market interest rates and long-term equilibrium interest rates. A shift in the market interest rates will thereby directly affect the value of the cash flows until year ten and then have a falling effect for the next ten years. From year 20, the market interest rates will only have a marginal effect.

The pension liabilities will increase by approximately 20.6 per cent in the event of a parallel shift in the whole yield curve (an interest rate fall) of minus one percentage point. The value will fall approximately 17.0 per cent in the event of an increase in the interest rate.

### Credit risk

The pension assets' exposure to credit risk is deemed to be moderate. The credit risk is managed by limits on the biggest commitment and rating for individual investments. Most of the pension fund's fixed-income investments shall be within investment grade.

The pension liabilities are exposed to credit risk since the covered bond yield is used as the basis for determining the discount rate. The credit mark-up for covered bond exposure is composed of the market mark-up for ten years, while from year 20 it is based on long-term equilibrium mark-ups, and between year ten and year 20, it is interpolated linearly between the market mark-up and the long-term equilibrium mark-ups. A shift in the credit mark-ups will thereby directly affect the value of the cash flows until year ten and then have a falling effect for the next ten years. From year 20, the market mark-ups will only have a marginal effect.

### Stock market risk

Over the year, the pension fund has been exposed to stock market risk through unit trusts and purchase options. The exposure was 6.0 per cent at the end of the year. The pension assets have low exposure to the stock market. The greatest stock market risk is deemed to be the risk of a fall in the stock market.

### Currency risk

All investments in foreign fixed-income funds are currency hedged. Investments have been made in currency-hedged funds. Foreign equity investments shall as a rule be currency hedged. Amounts due to the pension assets in Norwegian kroner shall at all times correspond to at least 70 per cent of the actuarial provisions. At year end, approximately one per cent of the pension assets were exposed to currency risk.

The pension liabilities are only exposed to Norwegian kroner (NOK).

### Liquidity risk

The liquidity risk in the pension assets is deemed to be low, since there are short-term investments at all times that exceed short-term liabilities. The investments are deemed to be sufficiently liquid.

### Life expectancy and disability

The life expectancy assumptions are based on the table GAP07 developed by Gabler AS, a firm of actuarial consultants. This table has been used since 31. December 2007. The assumptions on which the table is based are systematically followed up every year. The table is unbiased and dynamic, so that life expectancy is improved every year.

No information has become available in 2014 to indicate that GAP07 should be changed. There is uncertainty about how life expectancy will develop, especially for men. The Financial Supervisory Authority of Norway has adopted separate minimum requirements for life expectancy prices (K2013) for pension plans. These requirements concern the minimum price a life insurance company or pension fund shall charge to insure benefits. These minimum prices thus affect the size of the contributions that must be made towards the annual earnings and for the minimum requirement for pension assets.

GAP07 has a shorter life expectancy than K2013. Everything else being equal, this will mean that payment of the minimum requirement for pension assets will be based on a higher life expectancy than the corresponding measurement of the liability. This means that a future increase in pensions will be included in the liability as a result of the payment being based on a longer life expectancy.

The disability frequency is based on table IR73. It measures disability in the long term. The prevalence of disability is low compared with many other employers.

The Group's employees can be involved in big disaster-like events such as plane crashes, bus crashes, as spectators at sporting events or through incidents in the workplace. If such an event occurs, the pension liability could significantly increase. The Group has invested in disaster insurance that means that it will receive compensation if such an event occurs.

### Wage growth

Future pension benefits depend on future wage growth and the development of the National Insurance basic amount (G). If wage growth for the Company's employees is lower than the increase in G, the benefits will be reduced. The Group assumes that wage growth is age-dependent. A younger employee can expect higher annual wage growth than an older employee. This means that wage growth is dependent on age.

Wage growth is based on expectations of growth in real wages in Norway and inflation in Norway. Inflation is also part of the interest rate. An increase in inflation will thus influence both wage growth and the increase in the interest rate. Normally, this could reduce the pension liability somewhat.

Real wage growth is estimated for Norway and is largely based on macroeconomic projections. The prevailing consensus in macroeconomic circles is that it should be in the range of 1.5 to 2 per cent. The average for the last 20 years has been 1.9 per cent.

Real wage growth is corrected for the age effect, so that the real wage growth for younger employees is stronger than for older employees. A pension plan rarely has the same age composition as the economy as a whole. This is particularly the case for Gjensidige's pension plan, which is closed for new entrants.

## 23. Pensions (cont.)

In the long term, inflation will be in the range of 1.5 to 2.5 per cent. Norges Bank has an inflation target of 2.5 per cent.

Gjensidige manages employees' wage growth based on collective agreements and individual agreements. From year to year shifts in wage levels may occur.

The pension liability will increase by approximately 6.2 per cent if real wage level increases by 1 percentage point.

### Operational risk

The management of the pension plans has been transferred to Gjensidige Pensjonskasse. Gjensidige Pensjonskasse has its own employees and makes substantial purchases of services from professional suppliers of pension fund management and asset management services. The pension fund is subject to internal control. Gjensidige considers the operational risk as low.

### Minimum requirement for the level of pension assets

The pension assets must meet certain minimum requirements defined in Norwegian laws, regulations and in orders issued by the Financial Supervisory Authority of Norway.

If the level of the pension assets falls below a lower limit, Gjensidige will have to pay extra pension contributions to bring them up to the lower limit. On certain conditions, the Group will also be repaid pension assets.

In 2013, Gjensidige Pensjonskasse was ordered to use a life expectancy assumption that deviates significantly from the life expectancy assumptions used pursuant to IAS 19. This requirement increases the minimum requirement for pension assets. Gjensidige expects this minimum requirement to remain unchanged in the years ahead.

Both in 2013 and 2012, the Finance Supervisory Authority of Norway wanted to lower the interest rate from 2.5 per cent to 2 per cent for accrued benefits. This was stopped by the Ministry of Finance. In 2014, however, the Ministry of Finance changed highest rate to 2 per cent. Gjensidige expects that there is a high risk that interest rates will be lowered to 1 per cent if long-term government bond yields will remain at the level of 31 December 2014.

The minimum level of the pension assets is also affected by capital adequacy requirements and solvency margin requirements. The regulations relating to pension funds (IORP) are currently under development in the EU, but Norway has decided that life insurance

companies and pension funds shall be subject to the same regulations, namely Solvency II. This could mean that Gjensidige will have to increase its pension assets.

Gjensidige resumes that a continued low interest rates in future and changes in EU-based rules will entail an increase in future contributions to the funded pension plan.

### Collective pension (AFP)

As a member of Finance Norway, Gjensidige has a collective (AFP) pension agreement for its employees. AFP is a defined benefit plan that is financed jointly by very many employers. The administrator of the pension plan has not presented calculations that allocate the pension assets or liabilities in the plans to the individual member enterprises. Gjensidige therefore recognises the plan as a defined contribution plan.

If the administrator of the AFP plan presents such allocation figures, this could result in the plan being recognized as a defined benefit plan. It is difficult, however, to arrive at an allocation key that is acceptable to the Group. An allocation key based on the Group's share of total annual pay will not be acceptable since such a key is too simple and will not reflect the financial liabilities in a good manner. Given the way the financing structure relating to the AFP plan is organised, invoiced premiums are expected to increase in the years ahead. If, or when, sufficient data are made available for calculations to be made, it cannot be ruled out that the liability that must be recognised will be substantial.

The liability to pay a contribution pursuant to the old scheme is recognized as a company-specific defined benefit plan. A contribution still has to be paid in connection with the Company's own early retirement pensioners who choose the old AFP plan until the pension promise has been fully honoured. The pension promise to former employees who have chosen to retire on a pension before 1 January 2011 will thus be honoured as originally agreed until they have all reached the age of 67. As a result, there will be no reduction or settlement for this group of employees.

All employees who reached the age of 62 after 1 January 2011 could draw a pension under the new AFP plan from 1 January 2011. This means that the liability relating to earned entitlements in the old AFP plan has lapsed in full.

## 23. Pensions (cont.)

NOK thousand	2014	2013
<b>Present value of the defined benefit obligation</b>		
At 1.1.	12,228	10,860
Current service cost	463	431
Employers' national insurance contributions of current service cost	65	61
Interest cost	501	456
Actuarial gains and losses	3,791	444
Employers' national insurance contributions of benefits paid	(13)	(23)
<b>At 31.12.</b>	<b>17,037</b>	<b>12,228</b>
<b>Amount recognized in the balance sheet</b>		
Present value of unfunded plans	12,817	9,231
Present value of funded plans	4,219	2,997
<b>Present value of the defined benefit obligation</b>	<b>17,037</b>	<b>12,228</b>
Fair value of plan assets	(3,196)	(2,588)
<b>Net defined benefit obligation</b>	<b>13,840</b>	<b>9,640</b>
<b>Net pension liability in the balance sheet</b>	<b>13,840</b>	<b>9,640</b>
<b>Fair value of plan assets</b>		
At 1.1.	2,588	2,625
Expected return on plan assets	106	115
Actuarial gains and losses	410	(318)
Contributions by plan participants	105	190
Employers' national insurance contributions of benefits paid	(13)	(23)
<b>At 31.12.</b>	<b>3,196</b>	<b>2,588</b>
<b>Remeasurements of the net defined benefit liability/asset recognized in other comprehensive income</b>		
Current service cost	463	431
Interest cost	501	456
Expected return on plan assets	(106)	(115)
Employers' national insurance contributions	65	61
<b>Total defined benefit pension cost</b>	<b>924</b>	<b>832</b>
<b>The expense is recognized in the following line in the income statement</b>		
Total operating expenses	924	832
<b>Actuarial gains and losses recognized in other comprehensive income</b>		
Cumulative amount as at 1.1.	(357)	405
Recognized during the period	(3,382)	(762)
<b>Cumulative amount at 31.12.</b>	<b>(3,739)</b>	<b>(357)</b>

## 23. Pensions (cont.)

Per cent	2014	2013
<b>Actuarial assumptions</b>		
Discount rate	2.50 %	4.10 %
Expected return on plan assets	3.10 %	2.60 %
Change in social security base amount	3.10 %	4.00 %
Future pension increases	1.90 %	2.50 %
<b>NOK thousand</b>	<b>2014</b>	<b>2013</b>
<b>Other specifications</b>		
Amount recognized as expense for the defined contribution plan	4,461	4,204
Amount recognized as expense for Fellesordningen LO/NHO	1,267	906
Expected contribution to Fellesordningen LO/NHO next year	1,300	908
Expected contribution to the defined benefit plan for the next year	300	100

Per cent	Change in pension benefits 2014	Change in pension benefits 2013
<b>Sensitivity</b>		
10% increased mortality	(5.1 %)	(5.2 %)
10% decreased mortality	3.9 %	3.9 %
+ 1% point discount rate	(17.0 %)	(17.5 %)
- 1% point discount rate	20.6 %	21.3 %
+1% point salary adjustment	6.2 %	7.1 %
- 1% point salary adjustment	(5.7 %)	(6.6 %)
+ 1% point social security base amount	(1.5 %)	(1.8 %)
- 1% point social security base amount	1.6 %	1.8 %
+ 1% point future pension increase	15.5 %	15.9 %
- 1% point future pension increase	(13.3 %)	(13.6 %)

NOK thousand	2014	2013	2012	2011	2010
<b>Historical information</b>					
Present value of the defined benefit obligation	17,037	12,228	10,860	13,134	4,984
Deficit in the plan	3,196	2,588	2,625	1,642	567
<b>Cumulative amount at 31.12.</b>	<b>13,840</b>	<b>9,640</b>	<b>8,235</b>	<b>11,491</b>	<b>4,417</b>

Valuation hierarchy NOK thousand	Level 1: Quoted prices in active markets	Level 2: Valuation techniques based on observable market data	Level 3: Valuation techniques based on non-observable market data	Total as of 31.12.2014
Shares and similar interests		192		192
Bonds		237	2,624	2,861
Derivatives			99	99
Bank			45	45
<b>Total</b>	<b>237</b>	<b>2,960</b>		<b>3,196</b>

## 24. Fair value of financial instruments

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

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

See Note 1 Accounting principles

#### 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 cre-

dit institutions are measured at fair value based on the equivalent interest rate as 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 balance sheet 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 on the balance sheet under provisions.

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

Consolidated NOK thousand	31.12.2014		31.12.2013	
	Book value	Adjustment to fair value	Book value	Adjustment to fair value
<b>Assets</b>				
<b>Cash and receivables from central banks</b>	<b>79,750</b>	<b>79,750</b>	<b>875,557</b>	<b>875,557</b>
Loans to and receivables from credit institutions, amortised cost	56,358	56,358	161,948	161,948
<b>Loans to and receivables from credit institutions</b>	<b>56,358</b>	<b>56,358</b>	<b>161,948</b>	<b>161,948</b>
Loans to and receivables from customers, amortised cost	27,191,357	27,221,595	23,869,553	23,880,833
Loans to and receivables from customers, fair value				
<b>Loans to and receivables from customers</b>	<b>27,191,357</b>	<b>27,221,595</b>	<b>23,869,553</b>	<b>23,880,833</b>
Interest-bearing securities, receivables and loans, amortised cost				
Interest-bearing securities, fair value	1,839,173	1,839,173	1,668,050	1,668,050
<b>Interest-bearing securities</b>	<b>1,839,173</b>	<b>1,839,173</b>	<b>1,668,050</b>	<b>1,668,050</b>
Derivatives	145,737	145,737	3,049	3,049
<b>Derivatives</b>	<b>145,737</b>	<b>145,737</b>	<b>3,049</b>	<b>3,049</b>
Other financial assets, amortised cost	147,775	147,775	122,512	122,512
<b>Total other financial assets</b>	<b>147,775</b>	<b>147,775</b>	<b>122,512</b>	<b>122,512</b>
<b>Total financial assets</b>	<b>29,460,149</b>	<b>29,490,388</b>	<b>26,700,669</b>	<b>26,711,949</b>
<b>Liabilities</b>				
Liability to credit institutions, amortised cost	350,000	350,000		
<b>Liability to credit institutions</b>	<b>350,000</b>	<b>350,000</b>		
Deposits and liabilities to customers, measured at amortised cost	16,703,350	16,704,109	14,938,297	14,932,620
Deposits and liabilities to customers, measured at fair value				
<b>Deposits and liabilities to customers</b>	<b>16,703,350</b>	<b>16,704,109</b>	<b>14,938,297</b>	<b>14,932,620</b>
Liability incurred through the issue of securities, amortised cost	8,213,256	8,303,587	8,085,390	8,134,817
Liability incurred through the issue of securities, fair value hedge	1,737,093	1,765,972	1,378,240	1,387,144
Liability incurred through the issue of securities, fair value			307,958	307,958
<b>Liability incurred through the issue of securities</b>	<b>9,950,349</b>	<b>10,069,559</b>	<b>9,771,588</b>	<b>9,829,919</b>
Derivatives	20,874	20,874	22,219	22,219
<b>Derivatives</b>	<b>20,874</b>	<b>20,874</b>	<b>22,219</b>	<b>22,219</b>
Subordinated loan capital, amortised cost	250,000	248,383		
<b>Subordinated loan capital</b>	<b>250,000</b>	<b>248,383</b>		
Other financial liabilities, amortised cost	64,656	64,656	67,487	67,487
<b>Other financial liabilities</b>	<b>64,656</b>	<b>64,656</b>	<b>67,487</b>	<b>67,487</b>
<b>Total financial liabilities</b>	<b>27,339,229</b>	<b>27,457,581</b>	<b>24,799,591</b>	<b>24,852,245</b>
<b>Off balance sheet obligations and guarantees</b>				
Guarantees	8,500	8,500	5,000	5,000
Mortgage assets <sup>1</sup>	684,861	685,233	724,213	723,370

<sup>1</sup> Mortgage assets include bonds and commercial paper mortgaged with Norges Bank as security for loans / credit facility with Norges Bank.



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

Parent Company	31.12.2014		31.12.2013	
	Book value	Adjustment to fair value	Book value	Adjustment to fair value
<b>NOK thousand</b>				
<b>Assets</b>				
<b>Cash and receivables from central banks</b>	<b>79,750</b>	<b>79,750</b>	<b>875,557</b>	<b>875,557</b>
Loans to and receivables from credit institutions, measured at amortised cost	1,253,858	1,253,858	1,672,088	1,672,088
<b>Loans to and receivables from credit institutions</b>	<b>1,253,858</b>	<b>1,253,858</b>	<b>1,672,088</b>	<b>1,672,088</b>
Loans to and receivables from customers, measured at amortised cost	17,027,748	17,057,986	13,622,154	13,633,435
Loans to and receivables from customers, designated at fair value				
<b>Loans to and receivables from customers</b>	<b>17,027,748</b>	<b>17,057,986</b>	<b>13,622,154</b>	<b>13,633,435</b>
Interest-bearing securities, receivables and loans, amortised cost	675,008	675,518	749,815	748,710
Interest-bearing securities, fair value	2,180,652	2,180,652	2,010,999	2,010,999
<b>Interest-bearing securities</b>	<b>2,855,660</b>	<b>2,856,170</b>	<b>2,760,814</b>	<b>2,759,709</b>
Derivatives	19,351	19,351	3,049	3,049
<b>Derivatives</b>	<b>19,351</b>	<b>19,351</b>	<b>3,049</b>	<b>3,049</b>
Other financial assets, amortised cost	125,245	125,245	104,793	104,793
<b>Total other financial assets</b>	<b>125,245</b>	<b>125,245</b>	<b>104,793</b>	<b>104,793</b>
<b>Total financial assets</b>	<b>21,361,612</b>	<b>21,392,360</b>	<b>19,038,455</b>	<b>19,048,631</b>
<b>Liabilities</b>				
Liability to credit institutions, measured at amortised cost	811,589	811,589	437,257	437,257
<b>Liability to credit institutions</b>	<b>811,589</b>	<b>811,589</b>	<b>437,257</b>	<b>437,257</b>
Deposits and liabilities to customers, measured at amortised cost	16,703,350	16,704,109	14,938,297	14,932,620
Deposits and liabilities to customers, measured at fair value				
<b>Deposits and liabilities to customers</b>	<b>16,703,350</b>	<b>16,704,109</b>	<b>14,938,297</b>	<b>14,932,620</b>
Liability incurred through the issue of securities, measured at amortised cost	1,849,402	1,871,097	1,748,473	1,758,049
Liability incurred through the issue of securities, fair value hedge	419,512	426,328	396,501	398,464
Liability incurred through the issue of securities, measured at fair value			307,958	307,958
<b>Liability incurred through the issue of securities</b>	<b>2,268,914</b>	<b>2,297,425</b>	<b>2,452,931</b>	<b>2,464,470</b>
Derivatives	11,824	11,824	3,965	3,965
<b>Derivatives</b>	<b>11,824</b>	<b>11,824</b>	<b>3,965</b>	<b>3,965</b>
Subordinated loan capital, amortised cost	250,000	248,383		
<b>Subordinated loan capital</b>	<b>250,000</b>	<b>248,383</b>		
Other financial liabilities, amortised cost	27,984	27,984	35,053	35,053
<b>Other financial liabilities</b>	<b>27,984</b>	<b>27,984</b>	<b>35,053</b>	<b>35,053</b>
<b>Total financial liabilities</b>	<b>20,073,661</b>	<b>20,101,314</b>	<b>17,867,503</b>	<b>17,873,366</b>
<b>Off balance sheet obligations and guarantees</b>				
Guarantees	8,500	8,500	5,000	5,000
Mortgage assets <sup>1</sup>	684,861	685,233	724,213	723,370

<sup>1</sup> Mortgage assets include bonds and commercial paper mortgaged with Norges Bank as security for loans/ credit facility with Norges Bank.

Assets and liabilities that are measured at fair value, whether this is because they are part of the trading portfolio, were designated at fair value on initial recognition or are held as available for sale, shall be classified according to how reliable the fair value estimate is. There are three classification levels, with level 1 assets having prices quoted in active markets. Level 2 valuations are directly or indirectly based on observable prices for similar assets. Level 3 valuations are not based on observable prices, and instead rely on e.g. our own valuation models.

For assets and liabilities which amortised cost and fair value is highly identical book values and the fair value is presented with of identical amounts equal to amortised cost, and not included in the fair value hierarchy below.

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

Consolidated		31.12.2014		
NOK thousand	Level 1	Level 2	Level 3	Total
Loans to and receivables from customers, designated at fair value				
Interest-bearing securities, fair value	770,906	1,068,267		1,839,173
Derivatives		145,737		145,737
<b>Total financial assets measured at fair value</b>	<b>770,906</b>	<b>1,214,004</b>		<b>1,984,910</b>
Loans to and receivables from customers, measured at amortised cost				
			27,221,595	27,221,595
<b>Total financial assets measured at amortised cost</b>			<b>27,221,595</b>	<b>27,221,595</b>
Deposits and liabilities to customers, measured at fair value				
Liability incurred through the issue of securities, fair value				
Derivatives		20,874		20,874
<b>Total financial liabilities measured at fair value</b>		<b>20,874</b>		<b>20,874</b>
Deposits and liabilities to customers, measured at amortised cost				
			16,691,249	16,691,249
Liability incurred through the issue of securities, amortised cost		8,303,587		8,303,587
Subordinated loan capital, amortised cost		248,383		248,383
<b>Total financial liabilities measured at amortised cost</b>		<b>8,551,970</b>	<b>16,691,249</b>	<b>25,243,219</b>
Liability incurred through the issue of securities, fair value hedge				
		1,765,972		1,765,972
<b>Total financial liabilities included in fair value hedge</b>		<b>1,765,972</b>		<b>1,765,972</b>

Consolidated		31.12.2013		
NOK thousand	Level 1	Level 2	Level 3	Total
Loans to and receivables from customers, designated at fair value				
Interest-bearing securities, fair value	843,966	824,084		1,668,050
Derivatives		3,049		3,049
<b>Total financial assets measured at fair value</b>	<b>843,966</b>	<b>827,133</b>		<b>1,671,099</b>
Loans to and receivables from customers, measured at amortised cost				
			23,880,833	23,880,833
<b>Total financial assets measured at amortised cost</b>			<b>23,880,833</b>	<b>23,880,833</b>
Deposits and liabilities to customers, measured at fair value				
Liability incurred through the issue of securities, fair value				
		307,958		307,958
Derivatives		22,219		22,219
<b>Total financial liabilities measured at fair value</b>		<b>330,177</b>		<b>330,177</b>
Deposits and liabilities to customers, measured at amortised cost				
			14,932,620	14,932,620
Liability incurred through the issue of securities, amortised cost		8,134,817		8,134,817
<b>Total financial liabilities measured amortised cost</b>		<b>8,134,817</b>	<b>14,932,620</b>	<b>23,067,437</b>

There were no major moves between levels 1 and 2 in 2014.

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

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

Parent Company		31.12.2014		
NOK thousand	Level 1	Level 2	Level 3	Total
Loans to and receivables from customers, designated at fair value				
Interest-bearing securities, fair value	770,906	1,409,747		2,180,653
Derivatives		19,351		19,351
<b>Total financial assets measured at fair value</b>	<b>770,906</b>	<b>1,429,098</b>		<b>2,200,004</b>
Loans to and receivables from customers, measured at amortised cost				
Interest-bearing securities, receivables and loans, amortised cost		675,518	17,057,986	17,057,986
<b>Total financial assets measured at amortised cost</b>		<b>675,518</b>	<b>17,057,986</b>	<b>17,733,504</b>
Deposits and liabilities to customers, measured at fair value				
Liability incurred through the issue of securities, fair value				
Derivatives		11,824		11,824
<b>Total financial liabilities measured at fair value</b>		<b>11,824</b>		<b>11,824</b>
Deposits and liabilities to customers, measured at amortised cost				
Liability incurred through the issue of securities, amortised cost		1,871,097	16,691,249	16,691,249
<b>Total financial liabilities measured at amortised cost</b>		<b>1,871,097</b>	<b>16,691,249</b>	<b>18,562,346</b>
Liability incurred through the issue of securities, fair value hedge				
<b>Total financial liabilities included in fair value hedge</b>		<b>426,328</b>		<b>426,328</b>

Parent Company		31.12.2013		
NOK thousand	Level 1	Level 2	Level 3	Total
Loans to and receivables from customers, designated at fair value				
Interest-bearing securities, fair value	447,176	1,563,824		2,010,999
Derivatives		3,049		3,049
<b>Total financial assets measured at fair value</b>	<b>447,176</b>	<b>1,566,873</b>		<b>2,014,048</b>
Loans to and receivables from customers, measured at amortised cost				
Interest-bearing securities, receivables and loans, amortised cost		748,710	13,633,435	13,633,435
<b>Total financial assets measured at amortised cost</b>		<b>748,710</b>	<b>13,633,435</b>	<b>14,382,145</b>
Deposits and liabilities to customers, measured at fair value				
Liability incurred through the issue of securities, fair value				
Derivatives		3,965		3,965
<b>Total financial liabilities measured at fair value</b>		<b>311,923</b>		<b>311,923</b>
Deposits and liabilities to customers, measured at amortised cost				
Liability incurred through the issue of securities, amortised cost		1,758,049	14,932,620	14,932,620
<b>Total financial liabilities measured at amortised cost</b>		<b>1,758,049</b>	<b>14,932,620</b>	<b>16,690,669</b>
Liability incurred through the issue of securities, fair value hedge				
<b>Total financial liabilities included in fair value hedge</b>		<b>398,464</b>		<b>398,464</b>

There were no major moves between levels 1 and 2 in 2014.

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

## 25. Age analysis of overdue loans

### Age analysis of overdue but not impaired loans

#### Consolidated

31.12.2014

NOK thousand	< 1 month	1- 3 months	More than 3 months	Total
Loans to and receivables from credit institutions				
Loans to and receivables from customers	382,975	95,039	300,906	778,921
Overdrafts				
Loans to and receivables from customers and credit institutions				
Classified as financial assets measured at fair value through profit or loss upon initial recognition				
<b>Total</b>	<b>382,975</b>	<b>95,039</b>	<b>300,906</b>	<b>778,921</b>

#### Parent Company

31.12.2014

NOK thousand	< 1 month	1- 3 months	More than 3 months	Total
Loans to and receivables from credit institutions				
Loans to and receivables from customers	350,904	93,535	297,541	741,980
Overdrafts				
Loans to and receivables from customers and credit institutions				
Classified as financial assets measured at fair value through profit or loss upon initial recognition				
<b>Total</b>	<b>350,904</b>	<b>93,535</b>	<b>297,541</b>	<b>741,980</b>

#### Consolidated

31.12.2013

NOK thousand	< 1 month	1- 3 months	More than 3 months	Total
Loans to and receivables from credit institutions				
Loans to and receivables from customers	419,865	95,001	279,255	794,122
Overdrafts				
Loans to and receivables from customers and credit institutions				
Classified as financial assets measured at fair value through profit or loss upon initial recognition				
<b>Total</b>	<b>419,865</b>	<b>95,001</b>	<b>279,255</b>	<b>794,122</b>

#### Parent Company

31.12.2013

NOK thousand	< 1 month	1- 3 months	More than 3 months	Total
Loans to and receivables from credit institutions				
Loans to and receivables from customers	367,571	91,965	279,255	738,791
Overdrafts				
Loans to and receivables from customers and credit institutions				
Classified as financial assets measured at fair value through profit or loss upon initial recognition				
<b>Total</b>	<b>367,571</b>	<b>91,965</b>	<b>279,255</b>	<b>738,791</b>

## 25. Age analysis of overdue loans (cont.)

The list shows loans that are more than NOK 1000 overdue and accounts that are more than NOK 1000 overdrawn.

If any loan or account is overdue, all credits provided to the customer are included.

All loans are assessed individually once they reach 90 days passed due.

For loans individually written down the total customer engagement was NOK 10.8 million per 31. December 2014.

Factors that caused impairment is objective evidence of impairment which includes significant financial problem for the debtor.

Expected future cash flows are lower than the loan balance and the difference is recorded as an individual impairment.

## 26. Related parties

### Overview related parties

Gjensidige Bank Holding AS is the parent company (100%), while Gjensidige Forsikring ASA is the Group's parent company. Gjensidige Bank Boligkreditt AS is a subsidiary (100%). 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.

### Transactions with related parties

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

NOK thousand	1.1.-31.12.2014		1.1.-31.12.2013	
	Income	Expense	Income	Expense
<b>Net interest income</b>				
Gjensidige Bank Boligkreditt AS	66,651	5,515	77,537	6,324
Gjensidige Forsikring ASA				1,437
Glitne Invest AS				
<b>Other income</b>				
Gjensidige Bank Boligkreditt AS	4,694		3,492	
<b>Other expenses</b>				
Gjensidige Bank Boligkreditt AS		528		518
Gjensidige Forsikring ASA		31,503		28,937
<b>Total</b>	<b>71,345</b>	<b>37,545</b>	<b>81,029</b>	<b>37,216</b>

### Balance with related parties

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

NOK thousand	31.12.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Gjensidige Bank Boligkreditt ASA	2,311,441	461,589	3,099,472	437,257
- of which covered bonds	1,107,135		1,580,325	
Gjensidige Forsikring ASA		295		1,050
<b>Total</b>	<b>2,311,441</b>	<b>461,884</b>	<b>3,099,472</b>	<b>438,307</b>

For transactions with senior management and board, see note 7

When Gjensidige Bank Boligkreditt AS was established an agreement was signed with Gjensidige Bank ASA for the delivery of services related to loan administration and operations of the Company. Gjensidige Bank Boligkreditt AS is granted a long-term credit facility of up to NOK 1,000 million, as well as short-term vendor financing of up to NOK 1,500 million. In addition, the Company has a credit facility agreement that provides Gjensidige Bank Boligkreditt AS ability to borrow money for repayment of outstanding bonds.

NOK 3,660.5 million in loans to and claims from customers was transferred from Gjensidige Bank ASA to Gjensidige Bank Boligkreditt AS in 2014.

## 27. Capital adequacy

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
1,549,192	1,549,192	Share capital and premium reserve fund	1,549,192	1,549,192
155,928	239,693	Other equity	463,401	281,248
<b>1,705,120</b>	<b>1,788,885</b>	<b>Equity</b>	<b>2,012,593</b>	<b>1,830,440</b>
<b>Deductions</b>				
(33,695)	(15,390)	Goodwill and other intangible assets	(15,390)	(33,695)
(8,687)		Deferred tax assets		(8,778)
	(2,228)	Value adjustments due to the requirements for prudent valuation	(2,006)	
<b>1,662,737</b>	<b>1,771,267</b>	<b>Net equity</b>	<b>1,995,197</b>	<b>1,787,967</b>
Additional capital				
	250,000	Subordinated loan capital	250,000	
<b>1,662,737</b>	<b>2,021,267</b>	<b>Net subordinated capital</b>	<b>2,245,197</b>	<b>1,787,967</b>
<b>Minimum requirement for equity and subordinated debt</b>				
<b>Credit risk</b>				
Of which:				
80,382	37,014	Institutions	3,946	3,133
1,486	13,562	Enterprises	13,562	2,946
236,308	272,776	Mass market positions	282,828	246,176
299,276	386,053	Positions secured by mortgage	690,570	605,190
60,901	35,608	Overdue positions	35,881	60,901
18,488	13,632	Covered bonds	5,501	6,568
	2,563	Shares in securities' fund	2,563	
1,043	2,833	Other positions	3,262	664
<b>697,884</b>	<b>764,042</b>	<b>Total minimum requirement credit risk</b>	<b>1,038,113</b>	<b>925,578</b>
68,624	72,254	Operationell risk	87,519	77,848
	2,021	CVA-risk	21,107	
Deductions:				
(24,897)		Group write-downs		(25,715)
<b>741,611</b>	<b>838,317</b>	<b>Minimum requirement for net primary capital</b>	<b>1,146,739</b>	<b>977,711</b>
<b>8,091,209</b>	<b>8,576,078</b>	<b>Basis of calculation balance sheet items not included in trading portfolio</b>	<b>11,749,623</b>	<b>10,739,864</b>
<b>632,336</b>	<b>974,450</b>	<b>Basis of calculation off balance sheet items not included in trading portfolio</b>	<b>1,222,277</b>	<b>829,859</b>
<b>9,268,323</b>	<b>10,478,965</b>	<b>Risk-weighted assets (calculation basis for capital adequacy ratio)</b>	<b>14,334,237</b>	<b>12,221,237</b>
<b>Buffer requirements</b>				
185,366	314,369	Systemic risk buffer 3.0 % (2.0 % before 1.7.2014)	430,027	244,425
231,708	261,974	Conservation buffer 2.5 %	358,356	305,531
		Countercyclical buffer 0 %		
<b>417,075</b>	<b>576,343</b>	<b>Total buffer requirement for core Tier 1 capital</b>	<b>788,383</b>	<b>549,956</b>
<b>828,588</b>	<b>723,370</b>	<b>Availabel core Tier 1 capital net minimum requirement of 10 % (9 % before 1.7.2014)</b>	<b>561,773</b>	<b>688,056</b>
<b>Capital adequacy</b>				
17.9 %	19.3 %	Capital adequacy ratio	15.7 %	14.6 %
17.9 %	16.9 %	Tier 1 capital ratio	13.9 %	14.6 %
17.9 %	16.9 %	Core Tier 1 ratio	13.9 %	14.6 %
	7.4 %	Leverage ratio	6.2 %	

## 28. Classification of financial instruments

Consolidated NOK thousand Balance 31.12.2014	Financial instruments measured at fair value through profit or loss		Financial assets and liabilities at amortise cost	Financial derivates as hedging instruments	Non-financial assets and liabilities	Total
	Trading portfolio	Designated at fair value				
Assets						
Cash and claims from central banks			79,750			79,750
Loans to and claims from credit institutions			56,358			56,358
Loans to and claims from customers			27,191,357			27,191,357
Certificates, bonds and other interest-bearing securities		1,839,173				1,839,173
Shares and ownership interests			155			155
Intangible assets					15,390	15,390
Fixed assets					655	655
Deferred tax assets					13,465	13,465
Derivatives				145,737		145,737
Other assets			147,775		5,004	152,779
Total assets		1,839,173	27,475,395	145,737	34,514	29,494,819
Liabilities and equity						
Liabilities to credit institutions			350,000			350,000
Deposits and liabilities to customers			16,703,350			16,703,350
Liabilities opened for the issue of securities			9,950,349			9,950,349
Derivatives				20,874		20,874
Other liabilities			64,656		129,156	193,812
Provision for pension liability					13,840	13,840
Subordinated loan capital			250,000			250,000
Total liabilities			27,318,355	20,874	142,996	27,482,225
Total equity					2,012,593	2,012,593
Total liabilities and equity			27,318,355	20,874	2,155,589	29,494,819

## 28. Classification of financial instruments (cont.)

Parent Company NOK thousand Balance 31.12.2014	Financial instruments measured at fair value through profit or loss		Financial assets and liabilities at amortise cost	Financial derivates as hedging instruments	Non-financial assets and liabilities	Total
	Trading portfolio	Designated at fair value				
Assets						
Cash and claims from central banks			79,750			79,750
Loans to and claims from credit institutions			1,253,858			1,253,858
Loans to and claims from customers			17,027,748			17,027,748
Certificates, bonds and other interest-bearing securities		2,180,653	675,008			2,855,661
Shares and ownership interests			155			155
Shares in subsidiaries			570,030			570,030
Intangible assets					15,390	15,390
Fixed assets					655	655
Deferred tax assets					11,455	11,455
Derivatives			19,351			19,351
Other assets			125,245		4,675	129,920
Total assets		2,180,653	19,751,146		32,176	21,963,974
Liabilities and equity						
Liabilities to credit institutions			811,589			811,589
Deposits and liabilities to customers			16,703,350			16,703,350
Liabilities opened for the issue of securities			2,268,914			2,268,914
Derivatives				11,824		11,824
Other liabilities			27,984		87,588	115,572
Provision for pension liability					13,840	13,840
Subordinated loan capital			250,000			250,000
Total liabilities			20,061,837	11,824	101,428	20,175,089
Total equity					1,788,885	1,788,885
Total liabilities and equity			20,061,837	11,824	1,890,313	21,963,974



## 28. Classification of financial instruments (cont.)

Consolidated NOK thousand Balance 31.12.2013	Financial instruments measured at fair value through profit or loss		Financial assets and liabilities at amortise cost	Financial derivates as hedging instruments	Non-financial assets and liabilities	Total
	Trading portfolio	Designated at fair value				
Assets						
Cash and claims from central banks			875,557			875,557
Loans to and claims from credit institutions			161,948			161,948
Loans to and claims from customers			23,869,553			23,869,553
Certificates, bonds and other interest-bearing securities		1,668,050				1,668,050
Shares and ownership interests						
Intangible assets					33,695	33,695
Fixed assets					546	546
Deferred tax assets					8,778	8,778
Derivatives				3,049		3,049
Other assets			122,512		8,760	131,272
<b>Total assets</b>		<b>1,668,050</b>	<b>25,029,570</b>	<b>3,049</b>	<b>51,779</b>	<b>26,752,448</b>
Liabilities and equity						
Liabilities to credit institutions						
Deposits and liabilities to customers			14,938,297			14,938,297
Liabilities opened for the issue of securities		307,958	9,463,630			9,771,588
Derivatives				22,219		22,219
Other liabilities			67,487		112,776	180,263
Provision for pension liability					9,640	9,640
<b>Total liabilities</b>		<b>307,958</b>	<b>24,469,414</b>	<b>22,219</b>	<b>122,416</b>	<b>24,922,008</b>
<b>Total equity</b>					<b>1,830,440</b>	<b>1,830,440</b>
<b>Total liabilities and equity</b>		<b>307,958</b>	<b>24,469,414</b>	<b>22,219</b>	<b>1,952,856</b>	<b>26,752,448</b>

## 28. Classification of financial instruments (cont.)

	Financial instruments measured at fair value through profit or loss					
Parent Company NOK thousand Balance 31.12.2013	Trading portfolio	Designated at fair value	Financial assets and liabilities at amortise cost	Financial derivates as hedging instruments	Non-financial assets and liabilities	Total
Assets						
Cash and claims from central banks			875,557			875,557
Loans to and claims from credit institutions			1,672,088			1,672,088
Loans to and claims from customers			13,622,154			13,622,154
Certificates, bonds and other interest-bearing securities		2,010,999	749,815			2,760,814
Shares and ownership interests						
Shares in subsidiaries			570,030			570,030
Intangible assets					33,695	33,695
Fixed assets					546	546
Deferred tax assets					8,687	8,687
Derivatives				3,049		3,049
Other assets			104,793		6,986	111,779
<b>Total assets</b>		<b>2,010,999</b>	<b>17,594,437</b>	<b>3,049</b>	<b>49,914</b>	<b>19,658,399</b>
Liabilities and equity						
Liabilities to credit institutions			437,257			437,257
Deposits and liabilities to customers			14,938,297			14,938,297
Liabilities opened for the issue of securities		307,958	2,144,973			2,452,931
Derivatives				3,965		3,965
Other liabilities			35,053		76,136	111,189
Provision for pension liability					9,640	9,640
<b>Total liabilities</b>		<b>307,958</b>	<b>17,555,580</b>	<b>3,965</b>	<b>85,776</b>	<b>17,953,279</b>
<b>Total equity</b>					<b>1,705,120</b>	<b>1,705,120</b>
<b>Total liabilities and equity</b>		<b>307,958</b>	<b>17,555,580</b>	<b>3,965</b>	<b>1,790,896</b>	<b>19,658,399</b>

## 29. Shares and ownership interests

Parent Company			Consolidated	
31.12.2013	31.12.2014	NOK thousand	31.12.2014	31.12.2013
	155	Ownership interest/shares	155	
570,030	570,030	Shares in subsidiaries		
<b>570,030</b>	<b>570,185</b>	<b>Total</b>	<b>155</b>	
		Stock exchange listed securities		
570,030	570,185	Unlisted securities	155	
<b>570,030</b>	<b>570,185</b>	<b>Total</b>	<b>155</b>	

### 31.12.2014

Specification of ownership interest/shares	Book value	Market value	Voting shares %
<b>Fixed assets</b>			
Gjensidige Bank Boligkreditt AS	570,030	NA	100 %
Bank Asept AS	155	NA	0,16 %
BankID Norge AS		NA	0,24 %

### 31.12.2013

Specification of ownership interest/shares	Book value	Market value	Voting shares %
<b>Fixed assets</b>			
Gjensidige Bank Boligkreditt AS	570,030	NA	100 %

## 30. Risk and risk management

Gjensidige Bank ASA is exposed to credit risk, market risk, liquidity risk and operational risk. The Board approves Risk Appetite statement and the guidelines and policies for managing the bank's risks. The largest risk is the credit risk.

The Board of Gjensidige Bank ASA has the final responsibility for limiting and following up on the risks in the bank.

The bank's management is responsible for implementing and adhering to policies, guidelines, management and reporting related to the bank's risk management.

### Capital adequacy regulations

The 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 bank is using the standard method for reporting credit risk, and the basic method for reporting operational risk.

**Pillar 2:** The bank prepares the ICAAP document in accordance with its own ICAAP process. Guidelines for ICAAP are Board approved. The document is prepared with a broad involvement of management and specialists in the bank, as well as involvement of the Board.

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

### The bank's risk areas

The bank's risk areas are evaluated continuously, and the strategy for the risk areas is adopted annually by the Board. The bank deploys statistical modelling to calculate capital requirements given the chosen level of confidence for most of the risk categories. The capital requirements are calculated for the risk areas for the entire strategy period in the current strategy plan, showed in the bank's ICAAP document, and capital adequacy is reported to the Board quarterly.

### Credit risk

Credit risk refers to the risk the bank faces related to a borrower's failure to repay a loan or credit or to meet their contractual obligation to the bank. The bank's credit risk originates from loans and credits to consumers in Norway. The bank is also exposed to credit risk through the placements within the liquidity reserve.

The Board sets the overall limit for the bank's credit risk appetite through its Credit Strategy and Policy and risk appetite statement. Gjensidige Bank ASA offers a wide range of lending products including secured as well as unsecured loans and credits to meet a variety of needs of the consumers in the country.

Secured lending mainly includes loans and credits secured by residential property.

The bank also has a sizable portfolio of unsecured consumer finance lending. On this portfolio the bank has higher returns proportionate to the level of credit risk in the portfolio. A major part of the credit losses are related to unsecured consumer finance lending portfolio. The bank uses risk based pricing models driven by scores and the portfolio shows a healthy profitability.

Credit risk related to the bank's liquidity portfolio is assessed as low.

## Models for monitoring credit risk

The bank uses application score models based on internal and external customer data for decisions relating to customer's application for a loan or credit. In addition the bank uses behaviour score models which predict the probability of default for decisions related to top-ups, collections, group provisioning and other portfolio management decisions.

With the help of these score models the lending portfolios in the bank are grouped into several risk categories starting from the best (lowest) risk to the highest (worst) risk segments based on their probability of default. These risk categorizations are done mainly to assist in various credit decisions. These are then further grouped into three main risk classes: Low risk, Medium risk and

High risk which is used for the bank's monthly portfolio monitoring, reporting and follow-up of the customer base.

The Board considers the credit risk levels in the bank's portfolio to be satisfactory.

The bank's maximum credit exposure is NOK 32,475.8 million.

The weighted average portfolio loan to value is estimated at 62.4 per cent for the portfolio secured against property. This is estimated based on the exposure at the reporting date as a ratio of the property value as estimated at loan approval, including any higher priority pledge(s). The bank has no loans exceeding 100 per cent of loan to value ratio.

The table below shows the portfolio and provisions as of 31. December 2014 segmented by the risk classes:

Consolidated NOK million	Gross lending	Guarantees	Total off balance commitments to customers:	Individual Provisions	Other non-customer exposure	Maximum credit exposure
Low	22,103		4,244			26,347
Medium	3,796		945			4,741
High	1,095		72			1,167
Not classified	1	5	11			17
Past due and impaired	551			3		554
<b>Total 31.12.2014</b>	<b>27,547</b>	<b>5</b>	<b>5,273</b>	<b>3</b>		<b>32,828</b>
Group provisions	352					352
<b>Total net 31.12.2014</b>	<b>27,195</b>	<b>5</b>	<b>5,273</b>	<b>3</b>		<b>32,476</b>

Parent company NOK million	Gross lending	Guarantees	Total off balance commitments to customers:	Individual Provisions	Other non-customer exposure	Maximum credit exposure
Low	12,872		2,629			15,501
Medium	3,001		816			3,818
High	986		67			1,053
Not classified	1	5	11			17
Past due and impaired	514			3		517
<b>Total 31.12.2014</b>	<b>17,374</b>	<b>5</b>	<b>3,524</b>	<b>3</b>		<b>20,907</b>
Group provisions	343					343
<b>Total net 31.12.2014</b>	<b>17,031</b>	<b>5</b>	<b>3,524</b>	<b>3</b>		<b>20,564</b>

## Basic accounting principles

The bank's accounts are prepared in accordance with IFRS regulations and the accounting regulations (Utlånsforskriften) issued by the Finansdepartementet (Ministry of Finance). This means that all items in the profit and loss statement and balance including recognition of receivables and provisioning and losses on loans and credits sheet follow these principles.

## Amortisation of loans

Loans are valued and measured at amortised cost according to the effective interest method. The bank undertakes regular assessments of the conditions forming the basis for amortisation, including the expected term of the portfolio. If the estimate changes, the adjustment is included as income or expense in the accounts.

## Write-downs and losses

Write-downs and losses include group provisioning, individual provisioning (write-downs) and recognized losses.

If a borrower does not meet the contractual obligation of payment of instalment 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 where required an individual provision (write-down) is taken. In addition, for secured loans an individual review and write-down where required is also done on a monthly basis for all delinquent loans over 30 days and over a certain specified amount. For consumer finance loan 120 days past due delinquency is taken as an objective evidence of impairment (fall in value) and for loans meeting these criteria, the bank calculates a provision (write-down).

The bank 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 provisioning requirement to cover for such losses.

A final write-off is recognized when it is evident that the loan will not be repaid and in such instances any corresponding provision (write-down) taken will be reversed. In the unlikely event of a payment on previously written-off loan, these are recognised as a recovery on a previously written-off loan.

During the year, the total build of group and individual provisioning that has been reported is NOK 30.9 million. The actual loss recognized by the bank during 2014 is NOK 20.7 million which best reflects the total credit risk in the portfolios.

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-, currency- and stock markets.

The bank's finance strategy set by the Board provides guidelines and limits on managing market risk.

The bank's market risk is substantially related to interest rate risk and spread risk (credit risk).

Interest rate risk arises when the bank's assets and liabilities have different remaining fixed-rate period. The interest rate risk is managed by adopting fixed interest rate periods on assets and liabilities. In addition derivatives are used for hedging. Fixed interest assets and liabilities in million multiplied by the remaining interest rate period is being used to measure interest rate risk exposure. This is known as milli years (MY).

The limit for the interest rate risk under one year is a negative exposure of up to 500 milli years (MY). A limit is also provided for interest rate risks for all time periods plus/minus 300 MY. The bank's limit for cumulative exposure to interest rate risk is 500 MY. 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 bank at one percentage point change in the yield curve will be NOK 5 million. Utilisation of this limit is reported monthly to the Board.

As of 31. December 2014 the bank has a negative interest rate exposure in the 3 months to a year interval of 167 MY. The net accumulated interest rate exposure over three months is a positive 141 MY as of 31. December 2014.

By investing in solid securities with short-term maturity with expectations that the value is less exposed to changes in credit spread the bank limits its spread risk on its assets. The market value on the bank's own bonds varies with changes in the credit spreads. As a result of general market conditions and upgrade of the bank's rating the credit spread for funding in 2014 has decreased.

Gjensidige Bank ASA does not have currency or share risk. Gjensidige Bank ASA does not have market risk under Pillar 1, because the bank does not have a trading portfolio.

## Concentration risk

Concentration risk is the risk of losses due to the bank having large parts of its lending tied to single borrower or to limited geographic or business areas. The concentration risk is managed using the bank's risk frameworks.

As of 31. December 2014 the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The largest loan is about NOK 11.5 million. The exposure related to the ten largest loans (limit) is about NOK 86.7 million. The bank's liquidity reserves are mainly placed in 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. The bank has its own loss and event database for the evaluation, follow-up and storage of operational incidents.

Departmental managers within the various operational areas are responsible for identifying, limiting and controlling the operational risks within their respective areas. Operational risk sources are identified and communicated via the bank's internal procedures that are tested regularly. Follow-up of the internal control testing lies with the internal control responsible.

The bank's management has regular review of its internal controls. The bank has a complex IT infrastructure that must function at all times. It is therefore special focus on risks related to ICT/security.

The bank uses the basis method for reporting of operational risk.

## Liquidity risk

Liquidity risk is the risk of the bank not being able to meet its debt obligations when due and/or not being able to finance growth of its assets without incurring a substantial increase in costs.

The bank's finance strategy set by the Board provides guidelines and limits on managing the bank's liquidity risk. The bank has established guidelines and limits on liquidity risk and risk tolerance, guidelines for liquid assets, guidelines for stable long-term funding and contingency plans. Stress tests are being used to test the resistance of the bank's liquidity situation.

The liquidity risk because of a lack of access to liquidity is handled through having sufficient liquid assets to cover the liabilities that come to maturity.

The bank shall have liquidity reserve (buffer) in short-term deposits, liquid securities and/or committed credit facilities that in an acute liquidity freeze in the market leads to appropriate time to implement the necessary measures.

As of 31. December 2014 the liquidity reserve was NOK 3,082.4 million, divided between NOK 136.1 million in bank deposits and NOK 2,946.3 million in bonds and certificates. Of these assets NOK 1,107.1 million were investments in covered bonds from Gjensidige Bank Boligkreditt AS (eliminated in the consolidated accounts). The net liquid assets were at an adequate level that covers the bond debt that will fall due the next 34 months. Stress tests have also been completed to demonstrate bank's need for a liquidity reserve based on future scenarios of recession and/or financial crisis.

## 31. Liquidity risk

Liquidity risk is the risk that the bank will be unable to meet all of its financial obligations when they are due, or be unable to finance the assets, including the desired growth without significant additional costs. The bank's financial strategy sets the framework and guidelines for managing the liquidity risk.

At the end of the year Gjensidige Bank ASA had a liquidity reserve of NOK 3,082.4 million divided into NOK 136.1 million in deposits

and NOK 2,946.3 million in bonds and certificates. Of this, NOK 1,107.1 million were investments in bonds from Gjensidige Bank Boligkreditt AS (eliminated in the consolidated financial statements). The cash reserves are largely realisable in some days and the reserve is sufficient to cover the bond debt that will fall due the next 34 months.

The below figures are nominal amounts, and include interest payments based on the interest rates on the reporting date.

<b>Consolidated 31.12.2014 NOK thousand</b>	<b>1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Perpetual loans</b>	<b>Total</b>
Liabilities to credit institutions	350,000						350,000
Deposits and liabilities to customers	15,904,675	334,973	463,702				16,703,350
Liabilities opened for the issue of securities	11,522	35,777	292,894	8,362,562	2,417,076		11,119,830
Loan offers and unused credit facilities	6,760,412						6,760,412
Derivatives – gross outflows <sup>1</sup>	671	11,355	39,288	167,452	86,669		305,435
<b>Total liabilities</b>	<b>23,027,280</b>	<b>382,105</b>	<b>795,883</b>	<b>8,530,013</b>	<b>2,503,745</b>		<b>35,239,027</b>
<sup>1</sup> Derivatives – gross inflows	749	2,269	65,674	248,935	151,500		469,127
Financial derivatives – net outflows (negative figure implies net inflow)	(78)	9,086	(26,385)	(81,484)	(64,831)		(163,692)
<b>Consolidated 31.12.2013 NOK thousand</b>	<b>1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Perpetual loans</b>	<b>Total</b>
Liabilities to credit institutions							
Deposits and liabilities to customers	13,633,281	65,149	1,254,877				14,953,308
Liabilities opened for the issue of securities	12,631	35,468	1,251,805	6,338,410	3,319,686		10,958,000
Loan offers and unused credit facilities	4,915,054						4,915,054
Derivatives – gross outflows <sup>1</sup>	646	9,676	9,676	40,741	259,360		320,099
<b>Total liabilities</b>	<b>18,561,612</b>	<b>110,293</b>	<b>2,516,358</b>	<b>6,379,152</b>	<b>3,579,046</b>		<b>31,146,461</b>
<sup>1</sup> Derivatives – gross inflows	657	392	392	69,915	399,302		470,657
Financial derivatives – net outflows (negative figure implies net inflow)	(12)	9,285	9,285	(29,174)	(139,942)		(150,558)

## 31. Liquidity risk (cont.)

Parent Company  
31.12.2014

NOK thousand	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Perpetual loans	Total
Liabilities to credit institutions	350,000						350,000
Deposits and liabilities to customers	13,633,281	65,149	1,254,877				14,953,308
Liabilities opened for the issue of securities	12,631	35,468	1,251,805	6,338,410	3,319,686		10,958,000
Loan offers and unused credit facilities	4,915,054						4,915,054
Derivatives – gross outflows <sup>1</sup>	646	9,676	9,676	40,741	259,360		320,099
<b>Total liabilities</b>	<b>18,911,612</b>	<b>110,293</b>	<b>2,516,358</b>	<b>6,379,152</b>	<b>3,579,046</b>		<b>31,496,461</b>
<sup>1</sup> Derivatives – gross inflows	657	392	392	69,915	399,301.507		470,657
Financial derivatives – net outflows (negative figure implies net inflow)	(12)	9,285	9,285	(29,174)	(139,942)		(150,558)

Parent Company  
31.12.2013

NOK thousand	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Perpetual loans	Total
Liabilities to credit institutions							
Deposits and liabilities to customers	13,633,281	65,149	1,254,877				14,953,308
Liabilities opened for the issue of securities	3,753	7,439	361,895	1,916,840	413,600		2,703,526
Loan offers and unused credit facilities	3,269,297						3,269,297
Derivatives – gross outflows <sup>1</sup>	646	4,150	23,440	58,967			87,202
<b>Total liabilities</b>	<b>16,906,977</b>	<b>76,738</b>	<b>1,640,211</b>	<b>1,975,806</b>	<b>413,600</b>		<b>21,013,333</b>
<sup>1</sup> Derivatives – gross inflows	657	392	35,085	74,667			110,801
Financial derivatives – net outflows (negative figure implies net inflow)	(12)	3,758	(11,646)	(15,700)			(23,599)

## 32. Market risk

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

Equity risk is the risk taken on by the bank through short-term and longterm investments in shares. Gjensidige Bank ASA has no such investments.

Interest rate risk is the risk that interest rates will move at a different rate or in a different direction than assumed by the bank when planning its financing structure. Gjensidige Bank ASA is exposed to interest rate risk through borrowings in the financial markets and fixed-rate loans to customers.

Currency risk is the risk of losses as a result of exchange rates moving at a different rate or in a different direction than assumed by the bank in its planning. Gjensidige Bank ASA is not exposed to currency risk.

The capital needs for market risk is calculated in the total risk model using statistical models. The model uses a simulation based method that generates a probability distribution to market losses over a one-year period. The bank has chosen a 99.95 % confidence level. The confidence level is an expression of the security level the bank wishes to maintain. For example, a confidence level of 99.95 % means that there is only a 0.05 % likelihood that the bank has not reserved sufficient capital to cover unexpected losses.

Financial capital 99.95 %  
NOK million

	2014	2013	2012
Interest-rate risk	3.5	2.4	9.5
Equity price risk			
Foreign-exchange risk			
<b>Total</b>	<b>3.5</b>	<b>2.4</b>	<b>9.5</b>

### 33. Assets pledged as collateral

In order to receive a loan from/ credit facility with Norges Bank, collateral must be provided in the form of interest-bearing securities or deposits at Norges Bank.

NOK thousand (figures are the same for parent company and consolidated)	31.12.2014	31.12.2013
Securities provided as collateral for loans from/credit facility with Norges Bank	684,861	724,213
<b>Total</b>	<b>684,861</b>	<b>724,213</b>

### 34. Equity based remuneration

#### Description of the share-based payment scheme

##### Share-based payments for key employees with settlement in shares and cash (remuneration scheme)

Effective 2011 Gjensidige established a share-based payments by issuing shares to key employees.

As discussed in the Board's statement regarding salaries and other remuneration in Note 7, half of the variable remuneration should be given in form of shares in Gjensidige Forsikring ASA, where 1/3 can be spent of each of the next three years. Of this 50 per cent will be given as shares and 50 per cent will be cash settled to cover tax liabilities (net settlement).

The fair value at the grant date is measured based on market prices. The amount is recognised as salary expense. It is not associated with specific company-related or market-related vesting criteria for the shares, but the company can make a reassessment based on major qualitative events and / or development. The expected payout is set at 100 per cent.

##### Share purchase program for employees

In 2011 the Board in Gjensidige Insurance ASA adopted a share purchase program for employees, including employees of Gjensidige Bank ASA. All employees throughout the Group had the opportunity to buy shares for up to NOK 75,000. In 2012, the scheme was changed to a share savings plan, where all employees throughout the

Group have the opportunity to save an annual amount of up to NOK 75,000. Savings will be carried through salary deductions, which four times a year will be converted into shares. The employees will receive a discount of 20 per cent, limited yearly to NOK 1,500, which corresponds to the maximum tax rebate. For every four share held after two years, the employee will receive one bonus share, provided that the person is still employed.

The fair value at the grant date is measured based on market prices. The discount is recognised as a salary expense at the grant date. The value of bonus shares is recognised as salary expense over the vesting period of two years.

##### Measurement of fair value

The fair value of the bonus shares allocated through the share-based payment scheme for key employees is calculated on the basis of the share price at grant date. The amount is recognised immediately. The share paid in cash is adjusted regularly based on the share price at the reporting date.

The fair value of the bonus shares allocated through the share savings programme 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.



## 34. Equity based remuneration (cont.)

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

	Remuneration scheme		Share savings programme	
	2014	2013	2014	2013
Weighted average share price (NOK)	119.30	89.83	119.85	95.19
Expected turnover	1A	NA	10 %	10 %
Expected sale	1A	NA	5 %	5 %
Lock-in period (years)	3	3	2	2
Expected dividend (NOK per share) <sup>1</sup>	6.88	5.41	6.88	5.41

<sup>1</sup>The expected return is based on the Group's actual profit/loss after tax expense as of the third quarter, grossed up to a full year, plus the maximum distribution of dividend corresponding to 80 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 thousand	31.12.2014	31.12.2013
Share-based remuneration	1,102	1,752
Share savings programme for employees	129	106
<b>Total</b>	<b>1,231</b>	<b>1,858</b>

Share savings programme	Number of bonus shares 2014	Number of bonus shares 2013
Outstanding 1.1.	1,524	2,191
Granted during the period	1,417	1,132
Released	(404)	(1,516)
Cancelled during the period	(19)	(171)
Forfeited during the period	(102)	(112)
Exercised during the period		
Expired during the period		
<b>Outstanding 31.12</b>	<b>2,416</b>	<b>1,524</b>
<b>Exercisable 31.12.</b>	<b>0</b>	<b>0</b>
Average remaining life on outstanding bonus shares	0.96	1.12
Weighted average fair value of allocated bonus shares	100.79	79.30
Weighted average share price of bonus shares exercised during the period	119.60	111.70
Weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.		

## 34. Equity based remuneration (cont.)

Remuneration scheme	Number of shares 2014	Number of cash- settled shares 2014	Number of shares 2013	Number of cash- settled shares 2013
Outstanding 1.1.	16,403	15,093	9,921	9,104
Granted during the period	6,944	6,218	8,822	8,090
Forfeited during the period				
Cancelled during the period				
Exercised during the period	(6,694)	(6,160)	(3,442)	(3,157)
Expired during the period				
Modification dividend during the period	2,516	2,369	1,102	1,056
<b>Outstanding 31.12</b>	<b>19,169</b>	<b>17,520</b>	<b>16,403</b>	<b>15,093</b>
<b>Exercisable 31.12.</b>				
<b>Average remaining life</b>	<b>1.08</b>	<b>1.08</b>	<b>0.90</b>	<b>0.90</b>

	2014	2013
Weighted average fair value of allocated shares <sup>2</sup>	119.30	89,83
Weighted average share price of bonus shares exercised during the period	120.03	89,24
The value of shares granted that are to be cash-settled	122.00	115,70

<sup>2</sup>The fair value is calculated based on the market value of the share at the time of allocation.


# Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the annual report and financial statement for Gjensidige Bank ASA for calendar year 2014 and as per 31. December 2014 (Annual Report 2014).


We declare to the best of our knowledge that the financial statements for 2014 has been prepared in accordance with IFRS as adopted by the EU , together with additional requirements by the Accounting Act, and taking into account the limitations of accounting regulations for banks.

The accounting data provides a true and fair view 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 bank in the next accounting period.

Oslo, 10. March 2015  
The Board of Gjensidige Bank ASA

  
Mats C. Gottschalk  
Chairman

  
Per Kumle

  
Anita Gundersen

  
Marianne B. Einarsen

  
Hans-Jacob Starheim  
Employee repr.

  
Hans O. Harén  
CEO

# Auditor's report



**KPMG AS**  
P.O. Box 7000 Majorstuen  
Sørkedalsveien 6  
N-0306 Oslo

Telephone +47 04063  
Fax +47 22 60 96 01  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

To the Annual Shareholders' Meeting of Gjensidige Bank ASA

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Gjensidige Bank ASA, which comprise the financial statements of the parent company Gjensidige Bank ASA and the consolidated financial statements of Gjensidige Bank ASA and its subsidiaries. The parent company's and the consolidated financial statements comprise the balance sheet as at 31 December 2014, and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Offices in:

Oslo	Haugesund	Stavanger
Alta	Knarvik	Stord
Arendal	Kristiansand	Straume
Bergen	Larvik	Tromsø
Bodø	Mo i Rana	Trondheim
Elverum	Molde	Tynset
Finnsnes	Narvik	Tønsberg
Grimstad	Sandefjord	Ålesund
Hamar	Sandnessjøen	

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening.

# Auditor's report



*Independent auditor's report 2014*  
*Gjensidige Bank ASA*

## *Opinion*

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Gjensidige Bank ASA and of Gjensidige Bank ASA and its subsidiaries as at 31 December 2014, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

## **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 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.

### *Opinion on Accounting 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 the 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, 10 March 2015  
KPMG AS

Geir Moen  
*State authorized public accountant*

[Translation has been made for information purposes only]

# Statement by the control committee

## TO THE GENERAL MEETING AND THE SUPERVISORY BOARD OF GJENSIDIGE BANK ASA

In accordance with the instructions for the Control Committee, the committee has reviewed the minutes of the Board's meetings in 2014 and the pertaining case documents. The committee has met the Chairman and the Company's management. The committee has regularly reviewed the Company's interim accounts and important key figures. It has been meeting with the CEO and regular quarterly meetings with the Group Controller, the Chief Risk Officer, the Group Compliance Director and the Director for internal audits.

The Control Committee has held eight meetings in 2014. The Company's management has provided supplementary information about the Company's financial position and other matters. The committee has received satisfactory answers to its questions and been informed about matters that it requested information about.

The Company's external auditor has participated in two of the Control Committee's meetings and informed the committee about the external auditor's work. The external auditor has not submitted any management letters to the Company during the fiscal year.

The committee has reviewed the Board's report and the income statement for 2014. The committee finds the Board's assessment of the Company's financial position to be accurate and it recommends that the income statement be adopted as the Company's income statement for 2014.

Oslo, 12. March 2015

Sven Iver Steen  
Chairman

Liselotte Aune Lee

Hallvard Strømme

Vigdis Myhre Næsseth  
(Deputy member)

[Translation has been made for information purposes only]



Gjensidige is a leading Nordic insurance group built by customers, for customers. The Group has been listed on the Oslo Stock Exchange since 2010. For nearly 200 years, we have worked passionately to secure the lives, health and assets of our customers. We have about 3,500 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer retail bank, pension and savings. Operating income was NOK 23.1 billion in 2014, while total assets was NOK 114.0 billion.

This report will not be printed

Gjensidige Bank ASA  
Schweigaards gate 14  
NO-0185 OSLO, Norway