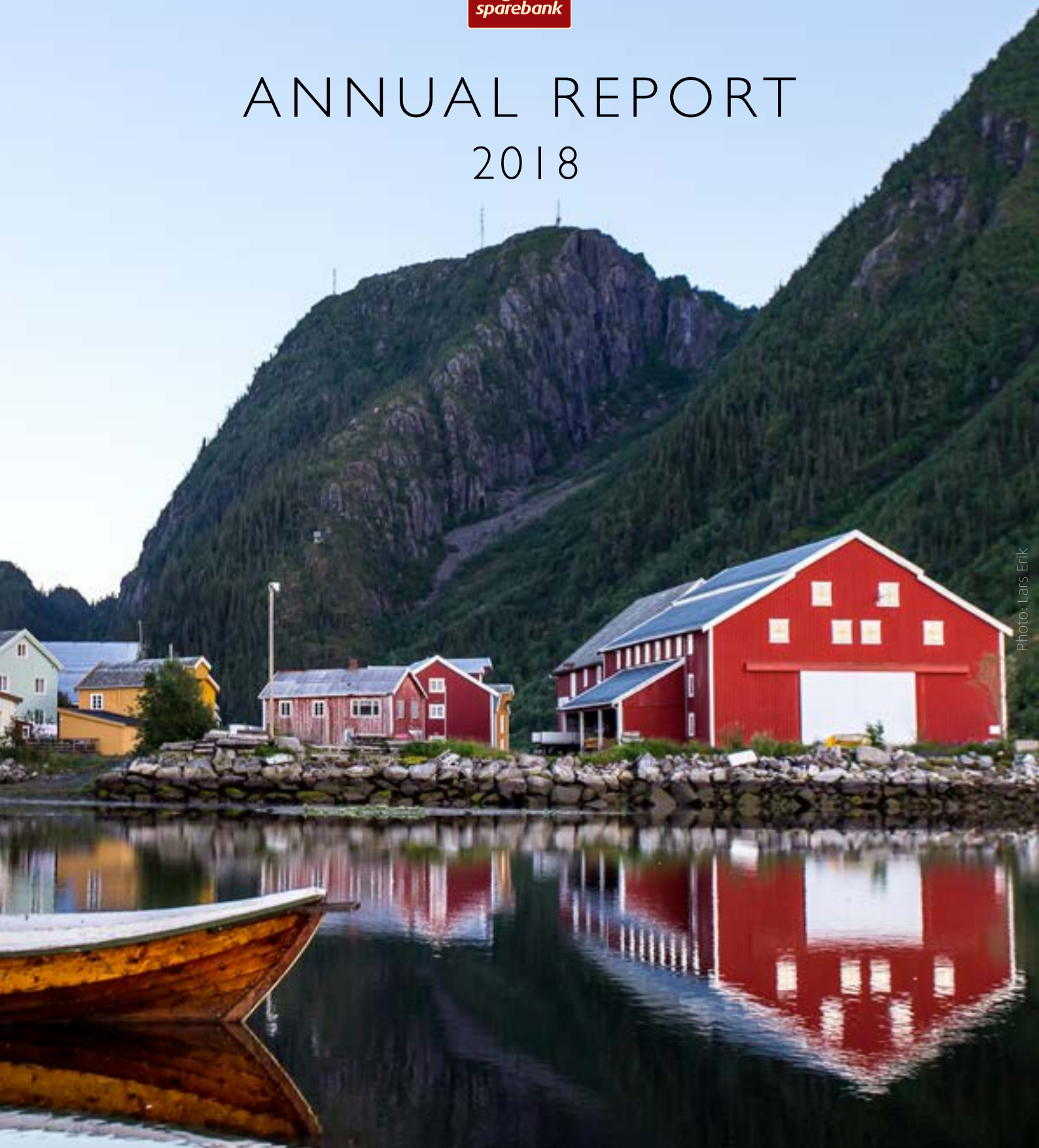




# ANNUAL REPORT 2018



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## *Comments from the CEO*

Helgeland Sparebank is the local bank of Helgeland, working every day to drive growth in the region. As a local bank, we live in symbiosis with regional business and industry, and this is apparent in the 2018 accounts, due to some heavy losses. The losses are a consequence of a few major customers struggling financially, but we are working with them to find good solutions. Losses are integral to the banking business, and write-downs for possible future losses form part of the accounting legislation. The bank is run well, and without these losses, the local bank would have delivered a strong financial result. We have good owners, and we are working to secure continued growth. Helgeland Sparebank is a robust bank and has a strong market position in Helgeland. None of our competitors managed to shake this position in 2018.

Helgeland Sparebank gives great value back to the local community in terms of returns to our local equity certificate holders, and in providing dividends on our community-owned capital. The dividends on the community-owned capital are donated for socially beneficial purposes in sport, culture, knowledge and research. All 18 municipalities benefit from this and it provides a driver for growth in volunteerism, well-being and the quality of life in Helgeland.

The vision of Helgeland Sparebank is to be a driving force for growth in Helgeland. And there is good growth in Helgeland. A lower Norwegian krone exchange rate and high salmon prices have given good impetus to Helgeland's two most important business activities: industry and salmon farming. Both these activities are export-oriented and compete on the world market. Both our industrial companies and our salmon farmers deliver high quality products and were therefore in demand on the world market throughout 2018. The outlook for the 2019 is also good.

Salmon farming and industry are the drivers of growth in Helgeland, but there is also strong growth in tourism. People increasingly want active holidays, which Helgeland can offer in a relatively concentrated area; from sea angling and kayaking to climbing and wilderness hiking, from sophisticated café life to fine local dining.

There is also great optimism in Helgeland within agriculture. Many young farmers are setting up in business, constructing new facilities and streamlining operations for the future. This has a positive knock-on effect on the community's belief in the future.

In 2018, there was also a great deal of activity within building and construction in Helgeland. Work on the E6 road through Helgeland is well underway and once the work is finished, it will bring North and South Helgeland closer together. This will be an important milestone in the work of making Helgeland a good region to live and work in. In addition to a vibrant and export-oriented business community, Helgeland has a large and stabilising public sector.



The continued presence of a large and secure public sector in Helgeland is important for the economic stability of the region. The public sector is less affected by economic conditions and the value of the Norwegian krone, but is vulnerable to political priorities and location choices.

A project has been initiated to address the needs of specialist healthcare services in our region. The bank's prediction is that a long, time-consuming process concerning the localisation of the hospital structure in Helgeland will be damaging to growth and progress. Damaging because it creates uncertainty for families, for suppliers, for the housing market and for the municipalities and their service propositions. Uncertainty inhibits investment and thereby economic growth. If Helgeland is to develop and grow, we need cooperation, interaction and unity across industries, municipalities and towns. Helgeland Sparebank seeks to be a driving force for growth and cooperation in Helgeland.

Hanne Nordgaard  
CEO





Pre-tax profit  
**NOK 185 million**



Return on equity  
**4.6%**



12-month growth in  
**5.2%**



12-month growth in  
**1.6%**



Total assets  
**NOK 33 billion**



Capital  
**15.3% core tier 1**



## *The bank's Board of Directors*

The Board of Directors of the bank consists of (from left): Former CEO of Helgeland Kraft, Ove A. Brattbakk; CFO of Mo Industripark AS, Eva Monica Hestvik; employee representative of Helgeland Sparebank, Geir Pedersen; general manager of Kunnskapsparken Helgeland AS, Bjørn Audun Risøy; employee representative of Helgeland Sparebank, Birgitte Lorentzen; advisor Nils Terje Furunes; advisor to Alstahaug Municipality, Inga-Marie Lund; and Associate Professor at the Centre for Industrial Business development at Nord University, Marianne Terese Steinmo.



## *The bank's management group*

The bank's management group consists of (from left): CEO Hanne Nordgaard, CFO Ranveig Kråkstad, Finance Director Sverre Klausen, Business Development Director Øyvind Karlsen, Corporate Market Director Bjørn-Tore Brønlund, Retail Market Director Dag-Hugo Heimstad, and Risk Management Director Anne Ekroll.



## *The retail market*

Helgeland Sparebank is indisputably Helgeland's local bank, and enjoys very strong relationships with both Helgeland expatriates and the resident population. Customer satisfaction with the bank is high and, in 2018, we maintained our market share of more than 50%.

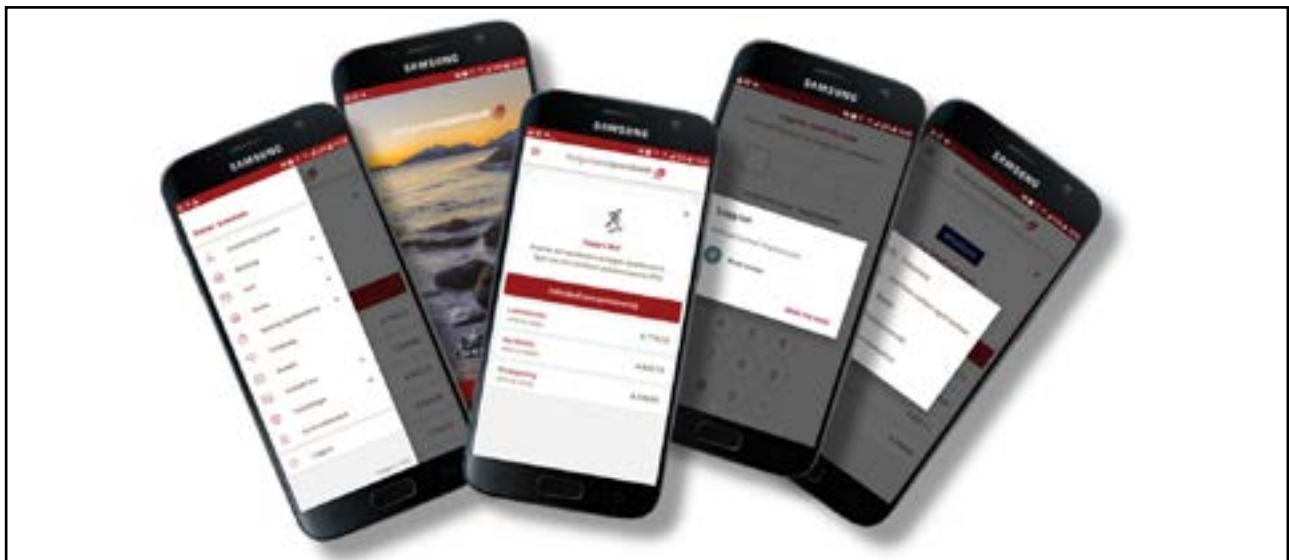
There is considerable competition in the banking market, especially in urban areas. In 2018, Helgeland Sparebank had growth of 5.6% in the retail lending market. This is lower than in 2017, but on a par with credit growth in Helgeland in 2018.

There was more activity in the Helgeland housing market in 2018 than in 2017. Several large apartment projects were completed in Mo i Rana in 2018, while a number were initiated in Mosjøen. Historically, house prices in Helgeland have shown cautious growth, and this was also the case in 2018, even if the number of sales increased considerably. In Q4, the price increase for apartments was 2.2% and for houses 3.6%. The price per square metre remains well below the levels in Trondheim and Oslo.

The growth in deposits in the retail market in 2018 was 4.3%. Despite low interest rates on bank savings, this is the form of saving that is closest to Helgelanders' hearts. In the last year, new pensions savings products have come onto the market. These aim to encourage young people in particular to make an early start in saving for their pensions. Today's welfare programmes are facing challenges and in the future it will become increasingly important for people to secure their retirement through their own savings.



The bank has been very successful in its sales of non-life and personal insurance for Frende Forsikring and is the largest insurance provider in Helgeland, with a market share of 23%. The bank is also taking an ever-greater share of the market for car and boat financing through secured loans. Helgeland Sparebank operates through Brage Finans in this area.



Use of the bank's digital customer interfaces continues to rise. Mobile banking, in terms of the number of logins, has now become our most widely used customer channel. With mobile banking, you have the bank practically in your pocket, available 24/7.

Despite this, personal interaction between the bank and the customer is just as relevant as before. This is particularly true when the customer is making a major investment or is investing in something for the first time. Face-to-face meetings are also very important when our customers find themselves in difficult situations and where financial advice and guidance are crucial.





## *The corporate market*

Helgeland is a dynamic and industrial region that is breaking new ground. Record-high turnover of more than NOK 50 billion is expected for 2018. 2018 saw high levels of activity in many sectors, streamlined operations and low unemployment. Export-oriented activity is seeing good growth in turnover and value creation thanks to low exchange rates and products in demand on the world market. The growth engines in the region are aquaculture, the metal industry and transport. The growth leader is the aquaculture industry with a large increase in turnover in the last two years. This increase is related to price and, to a lesser extent, to volume.

In the context of Northern Norway, Helgeland has the largest power producers, metal smelters, and mining, wood industry and transport companies. We have three oil/gas field centres in operation on the Continental Shelf off the coast of Helgeland, we produce more than 10% of Norwegian hydropower, and a wind farm is to be built on Øyfjellet west of Mosjøen. New industrial technologies and an increased focus on circular processes with high degrees of recycling promise great opportunities for Helgeland in the years ahead.

### **Industry, building and construction**

Helgeland is one of the country's leading industrial regions and strengthened its position through the creation, in 2017, of the Arctic Cluster Team industrial development. This cluster is expected to give a major boost to the industry through exciting projects within the circular economy. There is increasingly close industrial collaboration in Helgeland, as shown by the cooperation between Nesna and Rana on Westcon's new oil service provider contracts.

Industry, building and construction account for 40% of turnover in Helgeland and, with sales of more than NOK 16 billion, this is the region's largest business activity. Capacity in the metal industry and building and construction is well-utilised and employment is flat, despite the high growth.



### **Wholesale and retail trade, tourism and transport**

The second-largest sector in Helgeland is wholesale and retail trade, tourism and transport, with 26% of turnover. Helgeland is home to the head office of Torghatten ASA, one of the country's largest transport groups, which has operations all over Norway. Among those companies whose main activities are in Helgeland, turnover exceeds NOK 10 billion.

Experience-based tourism and the hotel industry, as well as the training and conference market, are boosting growth in the sector. In the number of hotel bednights, Helgeland has now surpassed Lofoten.

### **Services for the corporate market**

The third-largest sector is services for the corporate market in Helgeland. The sector accounts for 19% of turnover. This is a broadly composed sector that is extremely important for the competitiveness of trade and industry in Helgeland. Local access to services often helps create new and competitive solutions.





## Aquaculture and Agriculture

The aquaculture and agriculture industries comprise the fourth largest sector in the region, with more than 14% of turnover. Agriculture in Helgeland is characterised by optimism, investment in and by young people and renewal. The production of grass, milk and meat are the foundations of agriculture in Helgeland.



The aquaculture industry has developed to become a bedrock of the Helgeland economy, alongside the metal industry. The aquaculture industry's focus on industrialisation, automation and increased efforts to solve the biological challenges in production is expected to yield results and further growth.





## *A driving force for growth in Helgeland*

Helgeland Sparebank is Helgeland's local bank, and our focus is on Helgeland. As a savings bank, we have a wonderful opportunity to give something back to the local community of which we are so proud to be a part. Our aim is to be a driving force for growth in Helgeland, and therefore each year we give part of our surplus back to the community through donations for charitable and socially beneficial purposes across the region. Through our community involvement, we are pleased to help foster local quality of life, well-being and activities for young and old alike. This is our contribution to making life in Helgeland even better.

Since the start of our charitable activities in 2007, the bank has donated more than NOK 183 million to charitable and socially beneficial initiatives across the region. This has benefited many local communities, sports clubs, associations, and children and young people, and been a driver for growth in volunteerism, well-being and local quality of life. In addition, the Sparebankstiftelsen Helgeland foundation, whose founding capital comes from Helgeland Sparebank, has provided substantial funding.

Our donation policy prioritises the conditions of upbringing of children and young people in a broad sense within areas such as:

- Sport and culture and the experience economy
- Knowledge and research and innovation measures
- Sports and cultural grants
- The Drivkraft (Powerhouse) Prize – a community prize

Each of these focus areas is important in different ways for Helgeland's growth and progress.

### **The bank's donations in 2018**

Sport and outdoor activities are part of our cultural heritage, and a rich cultural life is an important factor in the region's attractiveness. Good sports and cultural facilities attract new people, which Helgeland needs in order to meet the recruitment challenges we face.





The conditions in which children and young people grow up have a high priority among the bank's donations. We know that childhood years are very important for how people manage later on in life, and in Helgeland there are many voluntary associations and organisations that put in an enormous amount of work for children and young people. This is something we value highly and we want to be an active contributor and motivator for this through our donation policy.

Many different types of clubs and associations benefited from the bank's donation policy in 2018. Festivals are flourishing in Helgeland and many different concerts and events are organised all year round – many of them with support from the bank's Donation Fund. New sports halls, improvements to shooting ranges, building and repairing climbing walls, and new artificial turf pitches were just a few of the many philanthropic and socially beneficial projects in Helgeland that received donations from the bank in 2018. In total, more than NOK 22 million were disbursed from the bank's Donation Fund and Grant Foundation in 2018.

### **Industry, knowledge, research and education**

The future will require new knowledge and innovation, and through its donation policy Helgeland Sparebank is contributing to projects involving colleges, universities and local knowledge parks to



promote local competence and competitiveness. A full 25% of the bank's total grants have gone to industry, knowledge, research and education initiatives since the charitable activities began in 2007. In 2018, the bank awarded NOK 2 million from its Grant Foundation to a new knowledge centre in Nordland, located in Mo i Rana.



### Sport and culture stipends

The bank also wishes to help ensure that young talent in sport and culture gets the attention and support it needs to grow. In 2018, the bank gave a stipend of NOK 30,000 each to 10 young athletes and 3 arts students.

### Drivkraftprisen (the Powerhouse Prize)

Helgeland Sparebank has founded the Drivkraft (Powerhouse) community prize. The prize is awarded to a person or organisation that has distinguished themselves through their commitment to individuals, groups or the local community as a whole.

In 2018, the prize was awarded to "Foreningen til Mosjøens Forskjønnelse" in the person of their leading light and driving force Bjørnar Nyland for their work in constructing the Helgeland steps built up the Øyfjellet mountain in Mosjøen. This is a stone stairway that will probably be Norway's longest continuous one when completed. The steps are in a walking area, around 1 kilometre from the town centre. So far, around 1,700 steps have been laid. The work above Trongskardet to the top of the mountain will continue in the summer of 2019.





## *Global and national development*

After a positive 2017 for the global economy, 2018 offered declining growth throughout the year and increased uncertainty about future trends. Economic growth among Norway's trading partners declined somewhat, not least due to fewer positive impulses from monetary and fiscal policies. More protectionism and the unresolved situation in relation to Brexit are among the factors contributing to increased uncertainty about the outlook.

In the USA, growth continued to pick up last year. Unemployment fell further from a historically low level, inflation gained traction at a higher level than before and wages increased slightly. Progress was particularly underpinned by an expansive fiscal policy. Due to high activity levels in the US economy, the US Federal Reserve (the Fed) raised the key interest rate on four occasions to 2.25% - 2.5%. The Fed has therefore raised the rate nine times from the base level that was kept unchanged from 2008 to 2015. In addition to a higher interest rate, the Fed is tightening the economy by scaling down the balance that increased significantly in the aftermath of the financial crisis due to the securities purchase programme. This is being done by not fully reinvesting the monthly receipts from interest and maturities on the securities holdings.

In the eurozone, growth had previously picked up after the very expansive monetary policy measures finally took effect. In 2018, however, growth fell off somewhat. Throughout the year, there was considerable uncertainty linked to the UK's exit from the EU and the budget situation in Italy. Concerning Brexit, at year end it was not clear whether a deal would be in place by the deadline, and options on the table included a new referendum, an extension of the leaving deadline, etc. In Italy, the government sought to increase the budget deficit to stimulate economic growth, but faced opposition from the European Commission due to the country's existing debt burden. At year end, consensus was reached that the deficit would be reduced from 2.4% to 2.04%.

In autumn, the European Central Bank (ECB) announced the end of the securities purchase programme. The purchases were halved from EUR 30 billion to EUR 15 billion per month after September, and the programme was terminated at year end. Unlike the Fed, the ECB will continue to fully reinvest interest and maturities, meaning that the bank's stimulus is maintained. According to the ECB, the key interest rate will not change until autumn 2019 at the earliest.



According to the IMF, GDP growth in the emerging economies will probably end up at 4.7% in 2018, unchanged from the preceding year. Growth levels are well above the rate in the developed economies, but there are large variations between countries. Throughout the year, uncertainty about global trade has increased after the USA, in particular, has adopted a more protectionist stance. The “trade war” has largely concerned the USA and China, which both increased import tariffs during the year. Despite a ceasefire being declared between Donald Trump and Xi Jinping late in the year, a full-scale trade war cannot be ruled out, which will have a negative effect on global trade and activity.

## The Norwegian economy

The Norwegian mainland economy experienced further recovery in 2018. According to Norges Bank, GDP growth for Mainland Norway likely ended up at 2.4%, a rise of four tenths from 2017. The year began somewhat better than it ended, since the second half of the year was affected by lower agricultural production following a dry summer, lower oil prices and weaker prospects for growth.

The labour market situation improved further through the year. Employment increased and unemployment was further reduced. Inflation rose substantially, notably due to electricity price



increases. Business investment also rose last year, and Norges Bank's regional network saw good growth in production and positive outlooks. For the first time since the oil price fall in 2014, petroleum investments contributed positively, whereas housing investments fell after a period of solid growth. There was moderate growth in house prices over the year. The growth in household debt was reduced but exceeded growth in income overall. As a result, the debt burden of households rose further.

Increased activity in the Norwegian economy, capacity utilisation close to normal levels and inflation near the target were key reasons behind the decision of the Executive Board of Norges Bank to raise the key policy rate from 0.50% to 0.75% in September.

This was the first interest rate rise since 2011. The Executive Board envisages a gradual rise in interest rates in the future, but wishes rate setting to proceed cautiously after a long period of low interest rates.

On the monetary policy side, the inflation target was also reduced from 2.5% to 2%. This change was based on an expectation of reduced phasing in of oil revenues in the Norwegian economy compared with the preceding year, and means that Norway now has the same inflation target as most other comparable countries.

For the first time in years, fiscal policy contracted last year. The structural, oil-corrected deficit, which measures the underlying spending of oil revenues, increased to around NOK 221 billion. This change entails a negative budgetary impulse to the economy of 0.1%, measured as a proportion of trend GDP for Mainland Norway (7.4% overall). In relation to the capital in the Government Pension Fund Global (the Oil Fund), the deficit was 2.6% in 2018, four tenths lower than the budgetary rule.



# ANNUAL REPORT AND FINANCIAL STATEMENTS



## Annual Report 2018

### Introductory Commentary 2018

Helgeland Sparebank is an independent savings bank and is the leading bank in the Helgeland. Helgeland Sparebank is the only bank with headquarters in the region, and has a solid and local based equity capital. Proximity to the customers through a decentralized office network, high competency, and knowledge about the local conditions are our most important competitive advantages.

#### Main features

- Net profit was MNOK 149. 2018 was a special year with increased loan loss provisions and low return on equity of 4.6 %
- Good profitability from other ordinary banking operations
- Positive development net interest in the last quarter
- Increased income from associated companies
- Gain from the sale of several buildings
- 12 months lending growth in the retail market is on par with last year.
- CET1 ratio of 15.3 % and unweighted leverage ratio of 9.2 %
- The Board proposes to transfer the bank's board of trustees to distribute dividend for 2018 of NOK 1.60 per equity certificate.

#### About Helgeland Sparebank

##### History

Helgeland Sparebank was established through a merge of Vefsn Sparebank, Herøy Sparebank, Brønnøysund Sparebank, Velfjord Sparebank, and Vevelstad Sparebank on 1 April 1977. The oldest of these was Vefsn Sparebank, which was established as early as 1860. In 1982, Vega Sparebank and Brønnø Sparebank also became part of Helgeland Sparebank. Finally, on 1 April 2005, the equally sized Rana Sparebank became a part of Helgeland Sparebank through a merge.

In 2007, the bank was licensed as an investment firm. The bank was a cofounder of Frende Insurance and started selling Frende Insurance products. At first, life insurance in 2007 and and from 2011 general insurance.

Helgeland Boligkreditt AS was funded in November 2008 as a whole owned daughter company of the bank. The company was licenced as a financial company in February 2009 and was established to be the bank's company for issuance of bonds.

The Board of Trustees of the bank made on October 26<sup>th</sup> 2010 the decision to convert parts of the bank's primary capital to equity share capital by issuance of EC's. The EC's were issued gratuitously to Sparebankstiftelsen Helgeland, which was created simultaneously with the conversion. The bank issued EC's of NOK 684 million transferred to the foundation.

The bank and Helgeland Boligkreditt AS was rated of the rating company Moody's in 2014.

In 2014, the bank, together with three other banks (Sparebanken Sør, Sparebanken sogn og Fjordane and Gjensidige bank), entered a comprehensive agreement with EVRY for the delivery of banking services. The agreement also included renewal of the

core systems. The agreement continued cooperation on a complete portfolio banking solutions, which will support the four banks in their efforts to develop the market's best digital solutions regardless of the channel. The agreement applied January 1<sup>st</sup> 2015 and runs till December 31<sup>st</sup> 2019. The agreement has an option to extend for further two years.

##### Vision, mission and strategy

The bank's vision is to be a driving force for growth in Helgeland. The mission is to be a profitable and leading bank in Helgeland, support to sell financial products and services to retail customers, small and medium sized companies, municipalities and institutions connected to Helgeland.

The bank has a strategic target to maintain its strong market position and be an active support in the development of the region. The lending activities are concentrated in Helgeland. The bank is trying to be an attractive, positive and competence workplace and makes effort to have a gender equal representation in controlling organs and management.

The bank's target is to give the owners a good and stabile long-term return in the shape of dividend and value increase. The two owner groups are to be treated equally and half of the profit can be distributed as dividends and gifts.

The bank has a goal to reach a return of equity which is competitive in the market seen in comparison to the bank's risk profile. The return of equity target is minimum 10 % (group).

The bank CET1 target is minimum 15.0 % and a total capital of 18.5%.

The bank's target is an annual cost growth of 1.0 %. The bank's deposit ratio is supposed to be at least 60 % and the retail customer share is supposed to amount at least 60 % (in group level).

##### The HSB group's sphere of activity

Helgeland Sparebank mainly concentrated traditional banking and financial services in the Helgeland region, together with sale of savings products, investment and insurance products, leasing and sales collateral.

To be able to offer a full financial service range the bank has cooperation and distribution agreements with Frende Insurance AS, Norne Securities AS, Brage Finance AS, Enter Card AS, Balder Betaling (Vipps) and some fund management companies.

The bank has further a close cooperation with Rede Eiendomsmedling AS, which is a real estate company that the bank owns together with Mo og Omegn Boligbyggelag and Mosjøen Boligbyggelag. Rede is collocated with the bank.

The bank has 6 offices in 6 municipalities in the Helgeland region and is the 11<sup>th</sup> largest savings bank in Norway. The HSB group serves mainly the retail market, business environment and the public sector in the Helgeland region.

The group also runs real estate rental through its daughter companies and has strategic ownerships in associated companies and product companies.

## ANNUAL REPORT

### Daughter companies

#### *Helgeland Boligkreditt AS*

The company is licenced as a credit company with permission to issue covered bonds. The company's main purpose is to ensure the HSB group a stable and long-term financing at competitive terms. The bank owns 100 % of the shares. The CEO is hired from the bank with 25 % employment.

#### *AS Sparebankbygg*

The activity consists of owning and running rental of premises in Storgt. 75 in Brønnøysund, where the bank is the largest tenant. The company is localized in Brønnøy municipality. The bank owns 100 % of the shares in the company. The company has no employees.

#### *Helgeland Sparebanks Eiendomsselskap AS*

The company runs rental of real estate localized in Mosjøen in Vefsn municipality, where the bank is the largest tenant. The bank owns 100 % of the shares in the company. The company has no employees.

#### *Helgeland Utviklingsselskap AS*

Helgeland Utviklingsselskap AS runs rental of real estate and buying and selling real estate. The company's office is located in Vefsn municipality. The bank owns 100 % of the shares in the company. The company has no employees.

#### *ANS Bankbygg Mo*

The business consists of owning and operating rental of business premises in Jernbanegata 15 in Mo i Rana. The bank is the largest tenant in the building and owns 97.5 % of the shares in the company. The company has no employees.

#### *Storgata 73 AS*

The company is a real estate company in Brønnøysund in Brønnøy municipality. The bank owns 53 % of the stocks in the company. The company has no employees.

#### *Strendene Utviklingsselskap AS*

The company is a real estate company in Sandnessjøen. The bank owns 100 % of the shares. There are no employees in the company.

### Associated companies

#### *Helgeland Invest AS*

Helgeland invest is an investment company localized in Helgeland, founded in 2011 as a result of a merger between ROI Invest AS and Helgeland Vekst AS. The company has three employees. The bank owns 48.3 % of the shares in the company.

#### *REDE Eiendomsmegling AS*

The company is the market leader in within real estate business in the Helgeland region, and is Helgeland Sparebank's collaboration partner. Helgeland Sparebank owns 40 % of the shares in the company. The company has 23 employees, whereby 18 is certified real estate brokers and 1 broker proxy with long experience from the real estate market in Helgeland. REDE eiendomsmegling AS has offices in the banks premises in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund.

### Product companies

#### *Frende Forsikring AS*

Frende Forsikring consists of the companies Frende Life insurance and Frende casualty insurance. The company was established in 2007 and has their main office in Bergen. The bank has an owner

share of 7.9 % in the parent company Frende Holding AS. The rest of the shares are owned by fourteen other independent banks.

#### *Norne Securities*

Norne Securities AS was started in 2008 and has established three company areas: ecommerce, stockbroking and corporate finance. The company has their main office in Bergen, and the bank's owner share is 7.5 %. The rest of the shares are owned by thirteen other independent saving banks and Must Invest AS.

#### *Brage Finans AS*

Brage Finans AS is a finance company with their main office in Bergen, established in 2010. The bank that owns 10 %, Brage Finans has nine other saving banks as owners. The company offers adapted finance products with main focus on leasing of all kind of assets together with personal car financing.

#### *Balder Betaling AS*

Helgeland Sparebank has an ownership interest of 6.7 %. The company is owned together with 14 other savings banks. The company has a 10.5 % ownership interest in VIPPS, and aims to further develop Vipps together with the other owners.

### Market

The bank has its main market in the 18 Helgeland municipalities bounded by Saltfjellet in the north and Trøndelag in the south. The largest cities/villages in the market are Mo i Rana, Brønnøysund and Sandnessjøen. The population in these city areas amounts to approximately 60 % of the population in Helgeland as a whole, which is approximately 78 600 residents. The bank's largest competitors are Sparebank 1 Nord Norge, DNB Bank ASA and Handelsbanken. In addition, Grong Sparebank has established an office in Mosjøen.

Helgeland Sparebank has a strong and leading market position within the retail market, with a market share of about 50 % among mortgage customers in the Helgeland region. The bank's primary market is the Helgeland region, but good retail customers with a connection to Helgeland who satisfy the bank's requirements can also receive financing. The competition is significant in the whole market area. Helgeland Sparebank offers consultations and good financial solutions to its customers through competent advisors. The bank has a widespread distributional network in Helgeland, along with modern solutions to serve customers on digital platforms. The bank has decided that all retail market and agriculture market advisors should be certified financial advisors. Helgeland Sparebank also has a strong market position among the SMEs, with a market share well above 50%.

In the agricultural segment, which traditionally is a low-risk segment, the bank is leading with a market share near 75%. The customer portfolio consists of SMEs in various industries. The bank's advisors have strong competencies within many industries and give businesses the access to professional consultation. The bank's market area is Helgeland, but good corporate customers are in some cases followed out of the region.

Helgeland Sparebank is registered in the Registry for Business Enterprises with the organisation number 937 904 029. The visitors address is Jernbanegata 15, 8622 Mo i Rana. The postal address is Postboks 68, 8601 Mo i Rana. The telephone number is +47 75 11 90 00.

# ANNUAL REPORT

## Corporate Governance and Management

Helgeland Sparebank's principles and policy for corporate governance and management should ensure that the bank's activities are in line with generally accepted perceptions about standards as well as regulatory guidelines. Good corporate governance at Helgeland Sparebank encompasses the values, goals and general principles by which the bank is governed and controlled. This is in order to ensure good cooperation between the bank's various stakeholders such as equity certificate holders, creditors, customers, employees, governing organs, management, and society in general.

The corporate governance should ensure prudent asset management and greater assurance that its objectives and strategies are implemented and achieved. The HSB group's principles and parameters for internal control and risk management are contained in separate policy documents, which are reviewed annually by the Board. These documents are the HSB group's internal framework for good governance and control, and the policy provides guidelines for the HSB group's overall approach to risk management.

In the corporate governance, Helgeland Sparebank's Board of Directors emphasizes to follow the guiding documents outlined in the Norwegian Code of Practice for Corporate Governance,.

Helgeland Sparebank has compared its policy with the reviewed Norwegian Code of Practice for Corporate Governance. The Board of Directors considers that the bank's corporate governance is satisfactory and in accordance with Norwegian recommendations.

In 2018, the bank held 12 board meetings. Development of the bank's strategy, structural changes, risk and capital management, and operating costs, have been the boards focus areas.

The Board has developed an annual plan for its work. It has emphasised the need to secure sufficient knowledge and competency among the Board's members. A self-evaluation of workstyle, competency, priorities, and collaboration between the board and the management has been conducted.

As part of the Board's work, it has chosen an audit committee and a risk committee and a remuneration committee. The committees will ensure that Helgeland Sparebank has an independent and effective internal and external audit, and that the accounting and risk reporting is in line with rules and regulations. The members of the audit and risk committee are Ove Brattbakk (leader), and Bjørn Audun Risøy and Eva Monica Hestvik. Members of the remuneration committee are Ove Brattbakk (leader), Bjørn Audun Risøy and Birgitte Lorenzen (represents the employees). The audit committee has had 9 meetings in 2018, and the risk committee has had 4 meetings and the remuneration committee 2 meetings. A detailed account of corporate governance can be found in a separate section of the annual report.

## Annual Accounts 2018

### Accounting Standards

Helgeland Sparebank produces the consolidated accounts and the parent bank's accounts in line with the International Financial Reporting Standards (IFRS). The HSB group's accounts are a consolidation of the parent bank and the subsidiaries. A further description of the accounting principles can be found in the annotations to the annual report.

The annual accounts are based on the going concern principle. The HSB group is not involved in any legal cases that are considered

significant for the HSB group's solidity or profitability. The Board of Directors is not aware of any circumstances after the turn of the year that have significant effects on the annual accounts. The numbers stated in this report are generally consolidated figures unless otherwise stated.

### Main features

The group achieved a gross profit of MNOK 185 (348). 2018 became a special year with high losses. It is good profitability in other basic operations. Net profit MNOK 149 (273) gives a return on equity of 4.6 % (8.6 %). Earnings per equity certificate are NOK 5.0 (9.5).

A dividend ratio of 41 (50) % of the dividend basis is proposed, which gives a cash dividend of NOK 1.60 (4.00) per equity certificate.

### Key figures:

(Comparison per 30.12.17)

- Net interest 1.74 (1.83) %
- Costs in percent of BTA 0.88 (0.89) %
- Write-downs on lending 0.77 (0.21) %
- Profit per EC amounts to NOK 5.0 (9.5)
- 12-month lending growth 5.2 (7.5) %
- 12-month deposit growth 1.6 (4.9) %
- CET1 ratio 15.3 (15.5) %
- Capital ratio 19.3 (18.9) %

### The net interest

Net interest income amounts to MNOK 566 by the end of the year. This is on par with the corresponding period last year. In % of average total assets, the net interest was 1.74 (1.83). Strong competition regarding price on the mortgage interest is pushing the credit margins, and has reduced the net interest the first three quarters. The key policy rate was increased from 0.50% to 0.75% on 20 September. Helgeland Sparebank increased lending and deposit rates with effect from 14th November on current portfolio. The interest rate change has given a positive effect on the net interest in the last quarter of 2018.

Through Helgeland Boligkreditt AS, the group has access to lower funding costs through the issuance of covered bonds. A higher volume of fixed-income bonds in the mortgage company has contributed to increased net interest income in NOK.

### Net commission earnings

The net commission earnings were MNOK 90 (86).

Of the income, commissions from insurance amount to MNOK 26.4 (25.8). Increased commission income from Brage Finans AS has also been recognized as income, as well as a one-time payment of MNOK 2 related to commission from the sale of life insurance.

The bank has ownership in different product companies and offers a broad product range.

The bank owns 7.9 % of the insurance company Frende Holding AS. In the leasing company Brage Finans AS, Helgeland Sparebank's owner share is 10 % and in the brokerage Norne 7.4 %. With sales with a focus on insurance and leasing will continue to be a focus area for the bank.

Net commission income has increased in NOK, and was maintained in % and was 0.28 (0.28) %.

### Net value change and profit/loss from financial investments



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Net income from financial instruments was MNOK 48, an increase of MNOK 15 compared to 2017. Income from associated companies has increased by MNOK 19 and amounts to MNOK 50 (31). MNOK 14 has been recognized as income in connection with the merger between Vipps AS, BankID AS and BankAxept AS.

The banks value of shares in the product companies Frende Holding AS and Brage Finans AS has been reduced respectively by MNOK 15 and MNOK 14. After value adjustment, the shares in the bank are valued at MNOK 190 in Frende Holding AS and MNOK 114 in Brage Finans AS. Dividends from Frende Holding AS are recognized as income of MNOK 5 (10).

### Other operating income

Other incomes are MNOK 16 (5), which is an increase of MNOK 11 compared to 2017. Gains from sale of three buildings and a plot have resulted in increased revenues by MNOK 10 in 2018.

### Operating costs

Total operating costs were MNOK 286 (275).

Wages and social costs have been reduced in NOK, while IT investments, as part of new digital solutions, have resulted in increased administration costs. At the same time, the costs on payment solutions (Vipps) increases. A profitability project was initiated in 2018, based on the potential for both increased earnings and cost reduction. The bank has in this connection leased external assistance, and this cost has been expensed as a one-off effect in 2018. The effect of measures from the profitability project will gradually come towards 2020.

A major project has also been going on in 2018, where new solutions for own bank premises are seen. This has been a process in which all the bank's employees are involved. As part of the implementation of the pre-project, the bank has hired external expertise.

Increases in other operating expenses are mainly related to the cost of acquired properties on commitments that are lost. (Gains on acquired properties, see comment under other operating revenues).

In % of BTA costs was 0.88 (0.89) %, while costs measured against income was 39.7 (39.9) %.

The bank's sick leave has been reduced and ended up being 4.1 (5.7) %.

### Expensed write-downs on commitments

Write-downs so far this year are expensed with MNOK 249 (66), of this MNOK 138 the last quarter. The losses in the 4th quarter were announced on the Stock exchange in December. The provision is related to previously lost customer groups as was explained in the quarterly presentations in Q2 and Q3. The relevant commitments are now written down considerably, but not in their entirety. The bank considers further losses on these commitments to be unlikely. The loss provision has reduced the bank's portfolio of net non-performing and doubtful commitments. The provisions are linked to individual commitments and are no indication of a general deterioration in the bank's portfolio.

### Balance development

The total assets constitute NOK 33.0 (31.9) bn. Over the last 12 months, there has been a growth in total assets with MNOK 1 119 (2 467) or 3.5 (8.4) %.

### Cash flow

The cash flow statement shows how Helgeland Sparebank has received cash and how these are used. It is based on gross cash flows from operational activities, investment- and financing activities. Increased lending to customers is financed with increased

financial debt and security holdings. The liquidity holding has decreased by MNOK 8 since year-end.

### Interest bearing assets

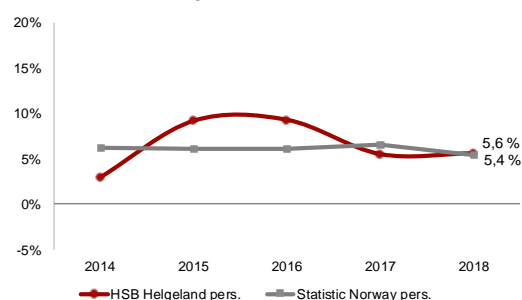
The HSB group's reserves of interest bearing assets was per 31.12.18 MNOK 3 799 (3 854). Duration in the interest bearing assets was 2.0 (2.0) years. 98 % of the portfolio is rated A- or better. 97 % is covered bonds or government/community bonds.

### Commitments

By the end of the year, gross lending constituted MNOK 27 995. The 12-month lending growth was MNOK 1 384 (1 863), or 5.2 (7.5) %. 82.5 (83.8) % of the HSB group's lending is to customers in Helgeland.

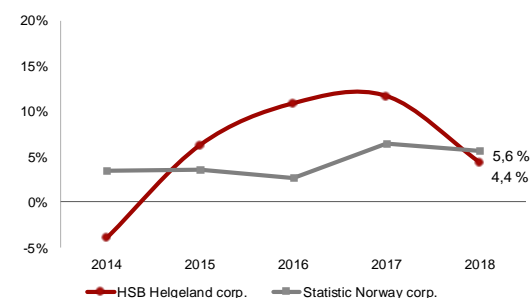
MNOK 18 649, or 66.6 (66.4) % of gross lending is lending to retail customers whereby MNOK 7 385 is transferred to the bank's mortgage company.

12-month credit growth retail market



The 12-month growth in the retail market was MNOK 989 (925), or 5.6 (5.5) %.

12-month credit growth corporate market

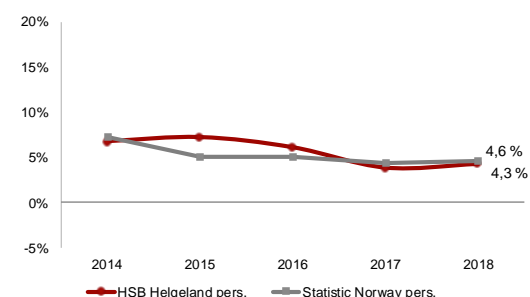


The 12-month growth for corporate customers was MNOK 395 (938), or 4.4 (11.7) %.

### Deposits from customers

By the end of the year, deposits from customers constituted MNOK 17 248. The deposits have over the last 12 months increased by MNOK 276 (799), or 1.6 (4.9) %. The bank's credit growth is on level with the national growth.

12-month deposit growth retail market

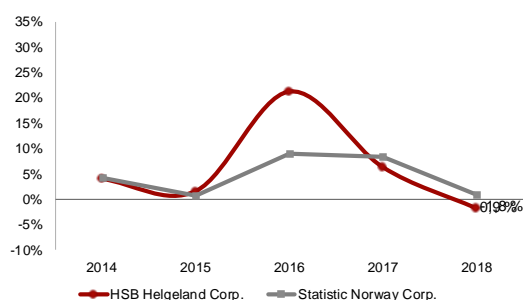


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The HSB group has stable and local depositors, whereby 89.7 (90.2) % are deposits from customers in Helgeland. The 12-month deposit growth in the retail market was MNOK 411 (352), or 4.3 (3.9) %. Of total deposits at MNOK 17 248, MNOK 9 867, or 57.2 (55.7) % are deposits from retail customers.

The 12-month deposit has been reduced in the corporate market MNOK -135 (+447), or -1.8 (+6.3) %. The deposit growth was higher in 2017 with access to several new customers in the municipal sector, while in Q2-18 we had a departure from a customer in the municipal sector. The deposit ratio is stable and was 61.6 (63.8) % in the HSB group, and 85.7 (87.1) % in the parent bank.

12-month deposit growth corporate market



### Funding

Deposits from customers are a significant funding source for the bank. The volume difference between loans to customers and deposits is funded in the Norwegian money- and securities market. Total capital market funding amounted to MNOK 11 556 (10 851). The HSB group has a long term funding. By the end of the quarter, the share of loans beyond one year was 92.2 (87.8) %. The average remaining term for these debt securities was 2.9 (2.9) years. The target for the Group is duration > 2.5 years. Duration in the mortgage company is slightly higher with 3.2 years.

The bank is continually preparing for the transferral of approved mortgages to the wholly-owned mortgage company. The volume has increased from MNOK 6 634 per 30.12.17 to MNOK 7 385 per 30.12.18. The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 30 % of gross lending and 50 % of gross lending RM. As of 30.12.18 transfer level is 26.3 % and 39.6 %.

### Rating

Helgeland Sparebank is rated by Moody's. The bank's rating is A3 with a "stable outlook". Bonds issued by Helgeland Boligkreditt AS are given an Aaa rating by Moody's.

### The equity certificate – HELG

By the end of the year the number of EC owners amounts to 2 194. The 20 largest owners are noted with 79.4 % of the EC capital. Sparebankstiftelsen Helgeland is the largest owner with 35.0 %. The number of EC's is 20 871 427. Per 31.12.18, the bank owned 29 626 of their own EC's.

The price of the EC was per 31.12.18 NOK 69.50, which is an decrease of NOK 18.50 per EC from the end of the year.

### Dividend policy

The Board of Directors approved the current dividend policy in September 2018.

The dividend policy reads as follows:

Helgeland Sparebank's goal is to manage the HSB group's resources in a way that gives the equity owners a satisfactory combined yield in the form of dividends and value increase.

The surplus will be divided equally between the EC owner's capital and the primary capital fund in line with their respective equity ownerships.

Half of the EC owner's share of the surplus can be paid as dividends, and equally half of the primary capital fund's share can be paid as gifts or transferred to foundation(s). The remaining part of the surplus is transferred to the adjustment fund and the primary capital fund respectively.

The HSB group's equity development and solidity will be given priority at the establishment of dividend levels. The expected income development under normal market conditions, external conditions and the HSB group's need for CET1 capital are further considered.

### Management of earnings in the parent bank

The parent bank's gross profit was MNOK 144. Adjusted for the fund change from unrealised profits and interest subordinated bonds, the dividend basis was MNOK 107.

Suggested management of surplus:

Pay-out ratio of 41 (50) %.

### Dividends

- MNOK 33.4 in cash dividends, which equates to NOK 1.60 per EC
- MNOK 10.4 to gift fund/foundation

### Strengthening the equity

- MNOK 48.1 to the cohesion fund, which equates to NOK 2.30 per EC
- MNOK 14.9 to the primary capital fund

The dividends are paid to the EC owners registered per 27.03.19.

The bank's EC is quoted ex-dividend 28.03.19.

### Risk and capital management

Risk and capital management is foundational to the bank's strategic development and ambitions. The main objective is to secure a realisation of the HSB group's financial and operational goals. No matter how good the risk management is, situations where losses occur can still happen. Having sufficient equity is thus important in such situations. As part of the risk management work, the need for additional capital is evaluated for each risk area. The evaluations are substantiated by different internal evaluations and estimation models. This is summarised in the bank's ICAAP.

Risk categories and definitions:

- Credit risk: the risk of losses due to customers' or counterparties' inability to meet their obligations.
- Liquidity risk: the risk that the HSB group is unable to meet its obligations at maturity.

- Market risk: the risk of losses due to changes in market prices connected to activities and positions in securities (shares and bonds) and currencies.
- Operating risk: the risk of direct or indirect losses due to failures in internal routines, systems and processes, insufficient competency, damaged assets, halted operations, system failure, and internal or external fraud.
- Compliance risk: Risk of not complying with regulatory requirements and internal routines/guidelines
- AHV (anti-money laundering) risk: Risk of not complying with the anti-money laundering and terrorist financing law and regulations, and not complying with the internal regulations with the intention of fulfilling the requirements of the law.

The risk management is central in the daily operations and in the Board's continuing work. The risk is primarily managed through policies and guidelines, frames, proxies, reporting requirements, and competency requirements.

The Board determines the HSB group's credit strategy, which covers credit risk, and the HSB group's finance strategy, which covers liquidity risk and market risk. The bank has a credit committee and finance committee for governance and follow-up of the risk in line with guidelines and proxies given by the board.

The bank's risk management unit consists of five annual positions. The Chief Risk Management Officer is directly below the CEO, and has the responsibility to monitor and coordinate the combined risk management in the bank. The CRMO reports directly to the Board of Directors.

The HSB group's internal audit consists of one annual position, and is directly subject to the Board of Directors. The internal auditor should evaluate if sufficient routines are in place in important areas in the bank in order to reduce risk. The Board annually approves the internal auditor's instructions and work plan. The internal auditor can utilise external services if needed.

## Credit risk

The credit risk is the group's greatest risk, and constitutes the risk that customers or counterparties cannot comply with their obligations to the group.

The credit risk, and its exposure, is governed by credit strategy, credit policy, credit routines, and grant regulations. Credit policy, credit routines and grant regulations were reviewed and updated in 2018, and applied from 01.01.19. The credit strategy has been adopted for a three-year period, but with annual re-assessments. The current strategy from 01.01.19 was adopted by the board on December 2018.

The group's strategy in the credit area is derived from the overall strategy, and contains guidelines and management frameworks for risk profile and risk concentrations at the portfolio level and industry level.

There are set limits for allocation of lending between the retail and corporate markets, size of engagement and number of these, exposure within industries (concentrations risk) and geographical limitations.

Management frameworks are set for allocation of lending between the retail and corporate markets, size of engagement and number of these, exposure within industries (concentration risk) and geographical limitations. The risk management framework is monitored and reported quarterly to the Board, as well as to annual portfolio reviews. The development of the credit risk is followed up through regular analyzes of the default developments in specific industries, geographical areas, the

borrower's and potential borrower's ability to service interest and installments, and an assessment of the security that underlies the credit commitments. For continuous follow-up of risk, a set of actions and action plans for the follow-up of the borrower is defined, as well as reports submitted periodically to the board. The total capital requirement for the credit risk is stated in the Group's ICAAP. The level of tolerance for credit risk is defined for selected industries and areas. Management level for the corporate market portfolio has been established. Compliance is checked and reported periodically. Stress tests are used to assess the loss potential in the credit portfolio as a result of a large fall in property prices.

The risk in the retail market portfolio has been low over time. Housing price developments show that the price increase for sold detached houses in Helgeland through 2018 flattened out or was slightly rising. With a price increase in 2018 in line with northern Norway in general, Helgeland is still much lower in sales price per square meter than the rest of northern Norway and the rest of the country. About 98 % of the retail market portfolio is secured in housing.

The risk in the corporate market portfolio is moderate. Gross lending to the corporate market increased in 2018, by MNOK 395, and is somewhat lower than developments in Norway.

The bank has a small portfolio of guaranteed foreign currency loans. The counter value was, as of 31.12.18, MNOK 91 (90). The portfolio is divided into a small number of customers where security is placed on real estate and/or deposits. The credit risk in this portfolio is low.

As of January 1<sup>st</sup> 2018, the bank has introduced a loss provision model to meet the standard and requirements set out in IFRS 9. The calculation of loss provisions is made in accordance with IFRS 9.

Write-downs on loans amounted to MNOK 249 in 2018, compared with MNOK 66 in 2017. In % of gross lending, write-downs accounted for 0.77 (0.21) %. The write-downs are related to individual commitments and are no indication of a general deterioration in the bank's loan portfolio. Normalized loan losses are expected in 2019.

At the end of the year, net default (>90 days) and doubtful commitments were MNOK 333 (183). As a percentage of gross lending, this corresponds to 1.2 (0.7) %. At the end of third quarter, net non-performing and doubtful commitments amounted to MNOK 488, and the reduction after the losses was MNOK 155.

Based on the loss rules in IFRS 9 and internal guidelines, the commitments are monitored on an ongoing basis with a view to identifying and modeling possible doubtful commitments. There is great focus and regular reviews of good credit practices and quality in credit work. Including and understanding of good follow-up and control of the customer portfolios. Compliance through individual cases is ensured through the credit committee, the managers' key controls, and the division of labor between advisors and custodians. For the corporate market, management and monitoring are ensured through continuous assessment of customer relationships, ability to pay, and security assessments. This happens through both monthly and quarterly reviews. For surveillance and development in the retail market portfolio,

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quarterly analyzes are made of the quality of new loans granted and semiannually on the total portfolio.

The loan portfolio divided by low, medium and high risk is reported based on the scoring models. Risk migration (movement between risk classes) is reported quarterly as part of the overall risk report to the board.

Following the inspection by the Financial Supervisory Authority of Norway, the bank has revised instructions and routines, increased compliance, and added expertise to ensure enforcement of regulatory and internal requirements.

Close follow-up of major corporate customers, monitoring of the probability of default in the portfolio, and for specifically defined industries are continued as priority focus areas.

At the end of 2018, the bank had 3 commitments that totaled more than 10 % of subordinated capital.

### Liquidity risk

Liquidity risk is the risk that the bank cannot meet its payment obligations when due or replace deposits when withdrawn, with the result that the bank defaults on obligations to repay deposits and granting loans.

The Bank shall at all times have sufficient liquidity to meet liabilities when due, as well as having a liquidity strategy that ensures access to long term financing. The bank will make use of the usual funding sources in the market to optimize a diversified funding structure.

The Board has established a liquidity management strategy that specifies the purpose, management objectives and risk tolerance for liquidity risk management. The strategy's main objective is to ensure that the Group has adequate liquidity management which helps to ensure the Group's ability to meet its payment obligations.

The liquidity strategy is reviewed annually by the Board.

The bank's liquidity portfolio consists mainly of solid issuers of debt securities that qualify for LCR reporting.

The Bank satisfies LCR / NSFR according to current escalation plan.

Monitoring and measuring of the liquidity condition is based on various stress test scenarios that takes into account both market-specific and bank-specific events.

The bank had LCR of 128 (117) % at year end of 2018, NSFR ended at 140 (137) % at year end.

Collaterals of the bank's assets (bonds) for borrowing in Norges Bank totaling NOK 545 (545) million, which entirety was available at year end.

Liquidity risk is reduced by spreading the borrowing over various markets, lenders, instruments and maturities.

In the management of its liquidity risk is the objective requirements for liquidity indicator 1 (according to guidelines from the Financial Supervisory Authority), long-term funding ratio, deposits coverage and liquidity buffer requirements capital, in addition to regulatory demand to LCR and NSFR considered. The Board has also determined that the share of long-term funding shall amount to at least 70 % of total borrowings. The proportion of long-term funding has been well within the limits of 2018.

The bank has liquidity reserves in the form of cash, deposits in the Bank of Norway and other banks, liquid equity instruments, fixed income assets, as well as unused credit facilities.

The minimum requirements for the liquidity buffer levels are determined in the bank's liquidity strategy. Over the past years, the HSB group has gradually adapted the buffers to the minimum requirements in line with Basel III. Per 31.12.18, the liquidity buffer capital constituted 13.2 (13.8) % of the total assets. The HSB group's combined liquidity buffer capital is considered satisfactory.

The deposit ratio is an important parameter for the follow-up of liquidity risk, and represents how much of the lending that is funded by deposits from customers. The Board has determined the minimum requirement for the deposit ratio. of 60 % This requirement was met throughout the whole of 2018.

Helgeland Boligkreditt AS. The company has become an increasingly important funding source for the HSB group. Helgeland Boligkreditt AS has gradually increased its activity, and has over the last 8 years issued ordinary covered bonds in the market. The maximum limit set for the transfer of loans to Helgeland Boligkreditt AS is per now 30 % of gross lending and 50 % of gross lending PM. At the end of 2018, transferred lending volumes were within these limits.

The overcollateralization level in the company is considered good, and was 19 (28) % by the end of the year.

The average debt to asset ratio for the loans was 56 (52) %.

### Market risk

Market risk occurs as a consequence of the bank's positions in interest and equity market, together with the interest risk concerning the banks deposit and credit portfolio. The overall market risk level mainly consists of share-, interest-, currency-, property-, credit spread-, and owner risk.

The Board has approved a strategy for market risk that determines the frames and overall goals for the HSB group's market risk tolerance, as well as frames for interest rate, credit spread and equity price risk. The strategy is reviewed annually. The HSB group has no active trading portfolios within fixed income, shares or foreign exchange.

The bank's liquidity reserves consist mainly of interest-bearing securities that qualify within the LCR. The securities consist mostly of liquid 0/10/20% - weighted securities. The securities are primarily based on FRN structure and thus have a low interest rate risk. Credit duration on the entire portfolio should be within 2.5 years and well diversified.

The bank's loans and deposits from customers are mainly based on floating interest rates. The same goes for the bank's liquidity portfolio. The bank's funding portfolio consists of FRN-based loans, and also loans at fixed rates. The interest rate risk on fixed interest loans is limited by interest swap agreements.

The bank takes on credit spread risk, primarily through the management of interest bearing assets in the bank's liquidity portfolio. The portfolio mainly consists of assets issued by Norwegian banks, mortgage companies, municipalities, governments, and non-financial institutions. The credit spread risk is within the Board's agreed frames.

The total interest rate risk is maintained at the desired level by a combined evaluation of balance posts, as well as by the use of interest rate swaps. The interest rate risk is at a low level.

The HSB group has a relatively conservative strategy for fixed income investments, where the main objective is to secure a satisfactory liquidity buffer capital for the group. There are specific requirements to the issuers' ratings. Additionally, there is a



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maximum frame for the duration in the fixed income portfolio, and that the composition should be diversified between different industries and issuers.

The bank's positions in shares are mainly strategically motivated through investments in subsidiaries, associated companies, product companies and local investment companies. The market risk connected to such equity investments is considered moderate. The bank has no active real estate management and exposure in property is related to property used in the business, eventually acquired properties to be disposed of.

### Foreign exchange risk

Helgeland Sparebank is not a foreign exchange bank, and the HSB group has no active foreign exchange portfolios. The HSB group's foreign exchange risk is therefore insignificant.

### Operational risk

Good internal control and quality check is a precondition for a satisfactory handling of operating risk. The steering documents and the control systems are built up to maintain efficient operations, risk control, prudence, accurate financial and non-financial information, compliance with laws and guidelines, and internal guidelines and strategies.

Risk evaluations are conducted on all levels. The risk evaluation is documented, and gives an overview over processes and key controls in the operative functions. A focus on the systems and processes in the operative functions contributes to a constant focus on quality and efficiency, as well as target-oriented operations in the HSB group. Operational risk is measured by evaluation of operational events assigned to defined loss event categories for random events and for summarized nonconformities detected through routine control.

Operational risk is quantified by calculation of capital needs for operational risk.

This is summarized in demands to hold some subordinated capital as safety for future expected loss which the group might be exposed to as a consequence of operational risk.

Judged from the organisation's competency, organisation and division of responsibilities, and the group's earnings and solidity, the Board considers the combined risk exposure as responsible.

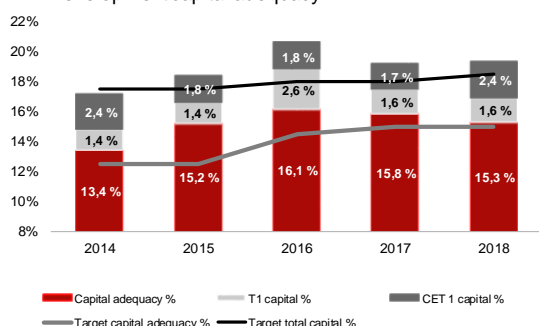
### Compliance

It is the HSB group's foundational attitude that the operations are arranged in line with prevailing laws and regulations. Increased regulatory requirements to the HSB group's activities are given high priority and compliance has had more resources added.

### Solidity

Net primary capital amounted to MNOK 3 587, hereby subordinated bonds MNOK 299 and subordinated loans MNOK 451. The HSB group has a CET1 capital of 15.3 (15.5) %, the core capital ratio was 16.9 (17.2) %. The total capital was 19.3 (18.9) %.

Development capital adequacy



This includes a proportionate consolidation of collaborative groups, which Helgeland Sparebank applies to Brage Finans. Statutory minimum requirement for a core Tier 1 capital ratio of 12.0 % (12.5) as of 31.12.19). The bank has a pillar 2 supplement of 2.2. %. The group's capital requirements including Pillar 2 supplement thus amount to 14.2 %.

The group has a capital target for core Tier 1 capital ratio of at least 15.0 % and total capital adequacy of over 18.5 %. Helgeland Sparebank uses the standard method in the capital adequacy calculation.

The group's unweighted core capital (Leverage ratio) was 9.2 % (9.3 %) at year-end. The minimum requirement is now set at 5 % for non-systemically important banks.

### The subsidiaries

#### Helgeland Boligkreditt AS (100 %)

The net profit was MNOK 52.7 (48.9) for 2018, and the equity per 31.12.18 is MNOK 601 (593).

#### AS Sparebankbygg (100 %)

For 2018, the net profit was MNOK 0.01 (-0.2), and the equity was MNOK 0.9 (0.9) at the turn of the year.

#### Helgeland Sparebanks Eiendomsselskap AS (100 %)

The net profit in 2018 was MNOK 0.5 (0.5), and the equity was MNOK 6.8 (6.3) by the end of the year.

#### Helgeland Utviklingsselskap AS (100 %)

The net profit in 2018 was MNOK -1.8 (-2.1), and the equity was MNOK 6.0 (4.0) by the end of the year.

#### ANS Sparebankbygg Mo (97 %)

The net profit in 2018 was MNOK 0.4 (0.6), and the equity was MNOK 47.5 (48.0) by the turn of the year.

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### Strendene Utviklingsselskap AS (100 %)

The net profit in 2018 was MNOK -1, and the equity was MNOK -

1. New share capital will be added in 2019.

### Storgata 73 AS (53 %)

The profit for 2018 was MNOK 0.7 (0.6), and the equity was MNOK 4.9 (4.8).

### **Associated companies**

#### Helgeland Invest AS (48.3 %)

Helgeland Sparebanks share of the profit for 2018 was MNOK 50 (31), and the equity share was MNOK 367(328) (preliminary accounting NGAP in Helgeland Invest restated in accordance to IFRS).

#### REDE Eiendomsmegling AS (40 %)

The profit for 2018 was MNOK 0 (-1), and the equity per 31.12.18 was MNOK 14 (14).

### **Corporate social responsibility**

Our vision is to be a driving force for growth at Helgeland and this is an expression of our values and actions that are rooted in our corporate responsibilities.

We are a business that will be a driving force and a partner in the local community that we are part of, both in cultural, sports, talent, education, research and economic development.

We get motivation from our customers and partners through close dialogue, learning, monitoring, and gives financial support to hundreds of activities every year.

Children and adolescents are our society's most important resources and we have a strong focus on everything that creates a meaningful and rich community for children and adolescents. Helgeland Sparebank is at the private, public and voluntary sectors in Helgeland key partners in the effort to make Helgeland a viable society.

As local savings bank we use a substantial portion of the profit after tax and dividends to charitable causes, and in 2018 the bank distributed nearly NOK 26 million for joy and benefit for young and old people in Helgeland.

Helgeland Sparebank has over many years had a focus to show its social responsibility by contributing to charitable causes, and the bank's endowment fund and gift foundation has since 2007 granted financial contributions of about 183 million to worthy causes in Helgeland.

In 2018 deposited bank NOK 10 million of the Bank's profits for charitable purposes

Sports & Outdoor is part of the cultural heritage and a rich cultural life is an important factor for the community.

Good sports and cultural events attract new residents, something Helgeland need to meet the recruitment challenges we face.

Children and adolescents have a high priority in the banks gift allocation.

Helgeland has a lot of natural resources that will be an important foundation for future economic growth and development. But the future will require new knowledge and innovation and Helgeland

Sparebank contributes actively in collaborative projects with colleges and universities to promote local expertise and competitiveness.

Overall, Helgeland Sparebank has in recent years contributed more than NOK 50 million to education and research in Helgeland.

### **Ethics**

The HSB group is dependent on confidence from its customers, public authorities, and the society in general. Helgeland Sparebank emphasises that the employees have a high ethical standard. The ethical guidelines are part of the employee manual, and are made known to all the newly employed.

### **Co-workers and work environment**

Helgeland Sparebank had by the turn of the year 156, or 150 annual positions distributed over 6 offices.

It is important to the Board of Directors that the bank has a good work environment. The bank's co-workers, their local knowledge and competence are one of our competitive advantages.

Wellbeing and satisfaction in the work environment is measured annually through various surveys. In 2018, the bank conducted a health, safety and environment survey.

The result shows a declining trend from the corresponding survey that was carried out in 2016. The bank has implemented measures to reverse the trend.

Helgeland Sparebank has a long history as an including work life employer, with well-established routines for following up co-workers and a culture for safeguarding, activity, and care. The goal is at least 96.5% presence where no absence is to be work related.

The combined absence due to sickness in 2018 was 4,1 % (5,7 %), which gives a presence of at least 95,9 %. It is below the target figure, but an improvement from 2017.

Authorizations and approvals such as both the AFR (Authorization for Financial Advisers), The GOS (Approval Scheme for Sellers and Advisors in non-life Insurance) and credit help strengthen the bank's overall expertise in the advisory area. All bank hosts are given a boost in competence by taking authorization in Credit PM in 2019. The bank's corporate advisors are in 2018 and 2019 taking part in a significant competence increase on specific subject areas. In 2018, a separate management development program was initiated for the bank's managers.

The need for digital competence is still great. New digital "employee" is a digital colleague, who takes on an increasing number of automated repetitive tasks.

Systems for continuous updating of employee competence are important. The bank therefore uses a lot of resources annually on raising competence in the form of education at colleges, internal training, job training and supervision.

Throughout the year, the bank has had a working group with issues of equality and equal pay in the working life. Efforts are being made to promote gender equality and prevent discrimination. The bank has prepared a policy and an action plan to safeguard equality and equal pay. In management positions, an even distribution between

the sexes is desired, while at the employee level, both sexes are working in the different departments.

In the bank's directory, there are 25 members including the leader, where 10 are women and 15 are men. In the Board of Directors, there are 8 permanent members, where 4 are women and 4 are men. The bank's management team consists of 7 members, where 3 are women and 4 are men.

### Corruption and internal misconduct

In the work to prevent unwanted incidents, routines and measures have been established in several areas. Routine control actions are performed to detect any fraud. In the area of personnel, efforts to prevent robbery and other threat situations are equally relevant, even though employees do not handle cash on a daily basis.

The bank has a system to report unwanted incidents by both established routines for notification, and the deviation system in the health, safety and environment area. The employee manual, management manual, and health, safety and environment manuals are made available for all employees via an App. Important information in normal or critical situations is easy available no matter where you are.

### Money laundering and terror financing

Helgeland Sparebank is working systematically to uncover and combat financial crime.

The money laundering routine ensures that the bank's money laundering policy is in line with the laws and regulations that apply. The bank's employees are widely involved in training related to the identification of possible money laundering and terrorist financing attempts. There has been e-learning in the anti-corruption field and the GDPR (General Data Protection Regulation) in the finance sector, and nanotechnology on data security and GDPR in general.

Authorities, customers and competitors must have confidence in the bank's professionalism and integrity. Suspicious transactions are handled and reported to Økokrim if relevant criteria are met. The bank has, after inspection by Finanstilsynet, revised instructions and routines, and increased the use of resources and added competence to ensure enforcement of regulatory and internal requirements.

### Environment

Helgeland Sparebank's two largest offices, Mo i Rana and Mosjøen, are approved 'environmental lighthouses.'

The focus is energy savings in the offices, waste recycling, reduction of paper usage by using tablet computers, coordinated travelling between the offices, and the use of more virtual equipment and Skype in meetings between the offices and with customers. E-learning, virtual meetings and other online information sharing in social media is used in the educational area.

### The HSB group's remuneration policy

All remuneration agreements in Helgeland Sparebank is developed in line with the Financial Services Act and the Securities Trading Act with the relevant regulations on remuneration schemes in financial institutions, asset management firms and investment funds. The guidelines that deal with the remuneration scheme in Helgeland Sparebank was last updated and approved in November 2018.

### Events after the balance sheet date

After the turn of the year, the bank has taken over the real estate company for a greater involvement. This is a commitment that the bank has previously taken on losses. Further losses on this commitment are considered unlikely.

### Prospects ahead

The turnover of housing in Helgeland as of 4th quarter 2018 has been somewhat higher than in the fourth quarter of 2017. When it comes to the price development of traded homes, this has fallen somewhat. For the two largest cities in Helgeland, Mo and Mosjøen, prices have fallen by respectively -1.3 % in Mo and -2.6 % in Mosjøen. If you see this over 12 months, the prices have increased for these places with respectively 4.9 % in Mo and 2.6 % in Mosjøen. The average for Norway has been a price increase over 12 months of 2.8 %.

The 12-month growth in the retail market is by the end of the quarter 5.6 %. This mirrors the general credit growth in 2017 and Norway as a whole in 2018. We expect moderate market growth and moderate and healthy credit growth to the retail market in 2018. The margins in this segment are under pressure; but because of the increase in the interest rate, which has full effect on results from December, the net interest rate will increase.

In the corporate market in Helgeland, the activity and willingness to invest is still high, both in the private and public sector. The 12-month growth in this segment is 4.8 %. This is lower than in 2017 and due to some restructuring of the portfolio throughout the year. The restructuring will continue in 2019 and the growth in the corporate market is therefore expected to be moderate.

The level of commission income is all together satisfying. Established measures and an offensive sales organisation provide the basis for expecting that this will be maintained in 2019 as well.

The cost level is challenging. Several large IT- projects is ending in 2019 and will give increased depreciation costs. The bank also receives increased IT-costs to be compliant in accordance to regulatory demands within GDPR and PSD II. It is a continuing focus on streamlining of the bank's organisation and work processes. The bank has initiated a profitability project to identify further measures to improve profitability. The accounting effect of this will be seen beyond 2019 and 2020 as the measures are implemented.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate in Helgeland of 1.6 % by the end of the quarter. Nordland County had an unemployment rate of 2.0 % and the national average was 2.3 %. It is expected that the level of unemployment will remain low.

Based on the losses that have been taken in 2018, normalized losses are expected in 2019.

Helgeland Sparebank has capital, and the bank is prepared to take our share of profitable growth in the region. However, an intensified competition situation in the retail market challenges the opportunities in this segment.

## ANNUAL REPORT

The activity and investment levels in a number of industries is still high, and a weak NOK is positive for the region's export companies both in aquaculture, industry and tourism.

**Thank you to the bank's employees, customers and collaboration partners**

The Board of Directors is content with the results that have been created in 2018, and would like to thank all employees for the great effort they have shown throughout the year. The Board would also like to thank customers and business connections for the good collaboration in the past year.

Board of Helgeland Sparebank  
Mo i Rana 28 February 2019

Ove Brattbakk  
Chairman

Bjørn Audun Risøy  
Vice-Chairman

Eva Monica Hestvik

Inga Marie Lund

Nils Terje Furunes

Marianne Terese Steinmo

Birgitte Lorentzen  
Employee Representative

Geir Pedersen  
Employee Representative

Hanne Nordgaard  
CEO



## CORPORATE GOVERNANCE

### Corporate Governance

The bank's policy for corporate governance shall ensure that the bank's activity management is in line with generally recognized understanding and standards, as well as Acts and Regulations. The policy describes values, objectives and established principles. The objective is to ensure good interaction between the bank's different interested parties according to whom the bank is managed and controlled in order to ensure the interests of owners, depositors, and other groups in the bank.

The bank's policy is laid down in different management documents for Helgeland Sparebank's activity. This includes *inter alia* the bank's Articles of Association, ethical guidelines, strategy document, policy documents, budget, authorizations and limitations, routine descriptions, inside rules and own-account trading, framework for management and control: guidelines for systems and processes that focus on risk evaluation and internal controls in the bank.

Helgeland Sparebank's roots are deeply anchored in Helgeland soil, and the bank is intensely interested in what is taking place here. Therefore, the bank has a vision of being the driving force for growth in Helgeland.

Because Helgeland Sparebank is a solid and robust local bank with a strong market position, the bank can contribute to the community development. The legislator has given the saving banks the opportunity to give parts of the profit back to the local community in the shape of gifts to public benefit.

The saving banks can pay dividend to the local community of the equity that is owned by the customers/community.

Settlement and growth is a condition for banking operation. Without vigorous and attractive local communities, it will become difficult to recruit work labour to companies and the public sector, something we need to promote the community development. We therefore have a common destiny – the bank and the people of Helgeland. Helgeland Sparebank giftfund is a part of the banks contribution to development, optimism and growth in both rural areas and towns in Helgeland.

In addition to the strategic and financial objectives, Helgeland Sparebank has chosen to take its environmental responsibility seriously, and has therefore decided upon its own environmental strategy.

Management documents are partly based on the Norwegian recommendation for corporate governance, as well as the Committee of European Banking Supervisors principles for overall management and control.

Helgeland Sparebank's ambition to follow the mentioned recommendations to the extent they are applicable.

In line with point one in the Norwegian recommendation for corporate governance there is a report on the bank's compliance with the points in the recommendation.

The Supervisory Board is the bank's superior body and is composed of four groups with a total of 25 members.

Depositors elect 9 members, the owners of equity certificates 10 members, and the employees in the bank 6 members. In order to change the Articles of Association a proposal for this must be

considered by two meetings of the Supervisory Board, and two-thirds of the Supervisory Board members present must vote for the proposal for change.

The Supervisory Board elects the Board of Directors of the bank which shall ensure that the bank is under good management.

### Activity

Helgeland Sparebank is a financial group consisting of the Parent bank as well as five subsidiaries at present. Reference to the bank and/or Helgeland Group in this article concerns the Group Helgeland Sparebank.

In accordance with the Articles of Association of Helgeland Sparebank, the objective of the activity is to promote savings by accepting deposits from an undefined circle of depositors, provide investment services and other financial services, and to manage in a secure manner the funds it manages in accordance with the legal rules which are in force at all times for savings banks. The bank can perform all businesses and services that are customary or natural that saving banks can perform in accordance with the given licences and the current legislation.

The Board's report contains a description of the bank's objectives and strategies. The Board and management evaluate the strategic basis at least annually. The bank's plans are adjusted and adapted on a continuous basis. The bank's strategic platform summarized under the main points vision, business idea, core values, strategic and financial objectives, as well as ethical guidelines, are updated as a result of the above-mentioned annual minimum.

The bank has a customer-oriented organisation with the focus on the private market, business market and capital market as business areas. This is supplemented by support areas and staff functions. The bank's organizational structure is dynamic and is evaluated based on necessity and framework conditions.

### Company capital and dividend

The bank's equity is composed of equity certificate capital, share premium account, primary capital, fund for unrealized gains, gift fund and equalization fund.

The bank's objective for tier capital adequacy is of minimum 15.0 % and a total capital ratio over 18.0 %.

### The Bank's dividend policy

Helgeland Sparebank's goal is to achieve financial results that give the owners of the capital a good and stable long-term return in the form of dividends and value increases in the equity. It is a goal for the Bank to treat the Bank's two owner groups equally.

The bank aims to achieve a return on equity that is competitive in the market in relation to the bank's risk profile. Goal of equity is 10% (group).

### Equal treatment for holders of equity certificates

The holders of equity certificates shall have predictable conditions both with regard to equal treatment, return and management influence.

## CORPORATE GOVERNANCE

Stock Exchange listing of equity certificates ensures that the bank accepts and complies with the market conditions which apply to the equity market and to equity certificates at any given time.

### Free transferability

The articles of association do not contain any limitations in transferability of equity certificates.

Sparebankstiftelsen Helgeland owns equity certificates in Helgeland Sparebank. According to the articles of association the Foundation cannot own less than 25% of the equity certificates in Helgeland Sparebank.

Beyond this, the only limitation is the legal requirements that at present lay down that a qualified share of the equity certificate capital (10% or more) requires the consent of the Financial Supervisory Authority of Norway.

### Supervisory Board and Control Committee

The bank's supreme body is the Supervisory Board (can be compared to the Committee of Shareholders' Representatives in a limited company), which is composed of the holders of equity certificates, customers, employees. The Supervisory Board shall ensure that the bank acts according to its purpose and in compliance with law, articles of association and decisions made by the Supervisory Board.

The Supervisory Board has 25 members and 25 deputy members. Decisions are made by ordinary majority, however, decisions regarding amendments to the articles of association require 2/3 majority of those present and at least 50 % of the Supervisory Board's members must vote for the proposal.

The elections take place in accordance with the savings bank legislation, and the provisions of the Financial Activity Act. Notices of meetings and minutes of the meetings of the Supervisory Board are forwarded to the Oslo Stock Exchange.

Elections take place in election meetings which shall be held by the end of April, and before the statutory general meeting of the Supervisory Board. Invitation to the election meeting with the Agenda, registration form and the Nomination Committee's recommendation shall be forwarded to all holders of equity certificates 6 weeks before the election meeting, and be advertised in newspapers and on the bank's home page.

### Nomination Committees

The bank shall have nomination committee which prepare

- the elections held by the Supervisory Board
- the elections by the holders of equity certificates to the Supervisory Board
- the elections by depositors to the Supervisory Board

The Nomination Committee also proposes fee scales.

The bank's home pages contain information about who are members of the different nomination committees.

### Composition of the Board of Directors and independence

The nomination committee of the Supervisory Board proposes candidates for the Board of Directors in keeping with the provisions on the composition contained in Acts and Regulations. No member

of the Board of Directors or representative of the management shall be a member of the nomination committee. The Chairperson of the Board and the Deputy Chairperson are elected in a separate election.

The Board of Directors consists of from 6 to 9 members and up to 4 deputy members.

Important criteria regarding the Board's members and composition are qualifications, capacity, independence and gender.

The majority of the Board's members shall be independent of the bank's management and main business connections.

The Board undertakes an annual evaluation of the members' independence and the Board's collective competence. Everyone Picked as a member must satisfy the demands of peculiarity as a consequence of the legislation.

### Board of Directors works

The Board holds meetings on an average of once a month and carries out its work in accordance with a plan drawn up for the year. In addition to the elected members, the bank's CEO and the internal auditor are present at the Board meetings. The Board has the overall responsibility for the management of Helgeland Sparebank and for supervising the daily management and activities of the bank.

By the Board's management responsibility is meant *inter alia* the responsibility for the organisation of the bank in an appropriate manner, responsibility for drawing up plans and budgets for the bank, responsibility for keeping itself oriented regarding the bank's financial position, and that the bank's activities, administration of assets and accounts are the subject of proper controls.

Weight is attached to the annual strategy process / review of the Strategy Plan. This lays down overriding objectives and strategies, and plans of action and budgets are drawn up based on them. The CEO prepares cases which are to be considered by the Board in co-operation with the Chairperson of the Board.

The Board has appointed an audit committee, a risk committee and a remuneration committee who must ensure that Helgeland Sparebank has independent and effective external and internal audit, that the accounting and risk reporting is in line with laws and regulations and ensure that the bank has remuneration schemes that help to promote and provide incentives for good management and control of the bank's risk and discourage excessive risk-taking

## CORPORATE GOVERNANCE

### Risk management and internal controls

Good risk and capital management is central to Helgeland Sparebank's long-term added value.

The bank shall identify, analyze, act and live with an acceptable risk level of the bank's most important business risks. Helgeland Sparebank has an objective that the bank's risk profile shall be moderate.

Risk management is connected to four risk areas:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk including HSE, IT and anti-money laundering (AHV)

The choice of method for risk evaluation shall be based on the bank's complexity and extent in the various business areas. The Board of Directors of Helgeland Sparebank requires that the bank shall be well capitalized. Capital evaluations (ICAAP) are undertaken at least once per year and the bank's capital strategy will be based on real risk in the activity supplemented with the effect of different stress scenarios.

The responsibility for performance of the bank's risk and capital management and control is divided between the Board, management and operational units. The Board is responsible for seeing that the bank has sufficient capital based on desired risk and the bank's activity. The CEO is responsible for the total risk management at the bank, including development of good models and framework for management and control. The CEO leads the bank's credit committee which considers credit matters within the authorizations decided by the Board. The CEO is a permanent member of the credit committee. The Chief Financial Officer leads the bank's finance committee which considers borrowing and appurtenant evaluation within the authorizations decided by the Board. The CEO is a permanent member of the finance committee.

The bank's management includes the position of Director responsible for risk management.

The division for risk management handles functions such as compliance responsibility, management, control and reporting. Quantification of capital requirement in connection with risk in the various business areas of the bank is an integrated part of the Board's strategy work and assessment of risk areas (ICAAP process). The Director for risk management reports to the CEO. All managers in Helgeland Sparebank are responsible for managing risk and ensuring good internal controls within their own sales responsibility and professional area in line with the bank's risk profile. In some defined cases, the Director for risk management reports directly to the board.

Helgeland Sparebank has adopted policy for risk management and internal controls which sets objectives, organisation and implementation of internal control work. Also included in this is a requirement for reporting of the status of the bank's risk picture and the quality of the internal controls as well as follow-up of risk-reducing measures.

The Bank has also employed an internal auditor, who, on behalf of the Board shall evaluate and control that appropriate routines are established for reducing risk. The internal auditor's controls shall take place on the basis of an annual auditing plan.

The bank's ethical guidelines include an information duty by employees regarding violation of internal guidelines, Acts and Regulations and the method by which such information shall be given.

### Remuneration to the Board of Directors

The Supervisory Board sets the fee scale for the bank.

The remuneration to the Board of Directors reflects the Board's responsibility, competence, time spent and complexity. The fee to the individual Board member appears in the notes to the accounts.

### Remuneration to management employees

The Board of Directors sets the remuneration to the CEO, and the principles for remuneration to management employees. The bank has per 31.12.18 no option or bonus contracts. In the notes to the annual accounts is included an overview of salaries and benefits to management employees.

The Bank has established routines for ensuring compliance with regulations concerning remuneration schemes in financial institutions, securities enterprises and management companies for collective investment funds.

### Information and communication

Helgeland Sparebank is listed on Oslo Stock Exchange and reports dates for important events such as election meetings, meetings of the Supervisory Board, and publication of financial information in the form of interim reports and annual reports and accounts. Information to the market is communicated through open investor presentations in the first, third and fourth quarterly accounting reports, as well as Stock Exchange and press releases.

The same information is put out on the bank's web pages.

### Take-over

The Act relating to Financial Activity sets limitations on how large a share of the equity certificates can be held by an owner. A question of a merger is decided by the Supervisory Boards of the savings banks in question.

### Auditor

The Supervisory Board has chosen PriceWaterhouseCoopers as the external auditor, and approves its remuneration.

PROFIT AND LOSS ACCOUNT

<i>Parent</i>		(Amounts in NOK mill.)	<i>Group</i>	
<i>bank</i>				
2017	2018		2018	2017
777	788	Interest receivable and similar income (Note 5)	957	927
285	298	Interest payable and similar costs (Note 5)	391	351
<b>492</b>	<b>490</b>	<b>Net interest- and credit commission income (note 4)</b>	<b>566</b>	<b>565</b>
97	100	Commissions receivable and income from banking services (Note 6)	100	97
11	10	Commissions payable and costs relating to banking services (Note 7)	10	11
<b>86</b>	<b>90</b>	<b>Net commission income (note 4)</b>	<b>90</b>	<b>86</b>
44	56	Dividend	6	10
31	50	Net profit from associates	50	31
-11	-12	Net profit from other financial investments	-8	-8
<b>64</b>	<b>94</b>	<b>Gains/losses on financial instruments available for sale (note 8)</b>	<b>48</b>	<b>33</b>
		Other operating income (note 9)		
8	18	Income by conversing to defined contribution	16	5
269	279	Operating costs (Notes 4,10,11,12,13,14,15,28,44)	286	275
65	249	Losses on loans guarantees etc. (notes 4,16)	249	66
<b>316</b>	<b>164</b>	<b>Gross profit</b>	<b>185</b>	<b>348</b>
60	20	Tax payable on ordinary result (note 17)	36	75
<b>256</b>	<b>144</b>	<b>Net profit (note 18)</b>	<b>149</b>	<b>273</b>
0	0	Minority share of the profit	0	0
8.9	4.8	Profit per PCC in NOK (note 18)	5.0	9,5
8.9	4.8	Diluted result per PCC, NOK (note 18)	5.0	9,5
OCI statement				
<b>256</b>	<b>144</b>	<b>Net profit</b>	<b>149</b>	<b>273</b>
Items that are not subsequently reversed through profit or loss:				
66	0	Estimate variances, pensions will not be reversed over the income statement	0	66
-2	0	Tax on extended profit	0	-2
64	0	Net extended profit or loss items	149	64
<b>320</b>	<b>144</b>	<b>Total result for the period</b>	<b>149</b>	<b>337</b>
0	0	Minority share of the profit	0	0



# BALANCE SHEET

Parent

Group

31.12.17	31.12.18	(Amounts in NOK million)	31.12.18	31.12.17
<b>ASSETS</b>				
87	82	Cash and balances at central banks (note 19,22,27,32)	82	87
1 488	1 170	Loans to and claims on credit institutions (note 20,22)	461	464
19 860	20 289	Loans to and claims on customers (note 2.1,21,22)	27 614	26 453
125	54	Financial derivatives (note 22,23)	54	125
4 126	4 132	Certificates, bonds and shares available for sale (note 2.2,22,24,25)	4 157	4 176
342	382	Investments in associated companies (note 27)	382	342
595	595	Investments in subsidiaries (note 26,28)		
11	11	Deferred tax benefit (note 29)	15	15
66	69	Fixed assets (note 30)	133	141
49	70	Other assets (note 31)	71	47
<b>26 749</b>	<b>26 854</b>	<b>Total assets</b>	<b>32 969</b>	<b>31 850</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>				
250	250	Liabilities to credit institutions without agreed maturity (note 2.2,22,33)	252	252
17 422	17 718	Deposits from customers and liabilities to customers (note 2.2,22,34)	17 248	16 972
5 375	5 058	Borrowings through the issuance of securities (note 2.2,22,23,35)	11 556	10 851
27	22	Financial derivatives (note 22,23)	22	27
149	104	Other liabilities (note 12,36)	118	161
300	451	Fundbonds and subordinated loan capital (note 37)	451	300
<b>23 523</b>	<b>23 603</b>	<b>Total liabilities</b>	<b>29 647</b>	<b>28 563</b>
<b>Equity capital</b>				
208	207	Equity share capital (note 39)	207	208
971	971	Premium fund	971	971
659	710	Cohesion fund	710	659
<b>1 836</b>	<b>1 888</b>	<b>Total equity share capital</b>	<b>1 888</b>	<b>1 836</b>
541	558	Primary capital	558	541
43	33	Gift fund	33	43
<b>584</b>	<b>591</b>	<b>Total primary capital</b>	<b>591</b>	<b>584</b>
424	440	Unrealized gains reserve	440	424
299	299	Hybrid capital	299	299
83	33	Other equity capital (note 38)	102	143
<b>3 226</b>	<b>3.251</b>	<b>Total equity capital exclusive minority interest</b>	<b>3 320</b>	<b>3 285</b>
0	0	Non-controlling interests	2	2
<b>3 226</b>	<b>3 251</b>	<b>Total equity capital</b>	<b>3 322</b>	<b>3 287</b>
<b>26 749</b>	<b>26 854</b>	<b>Total liabilities and equity capital</b>	<b>32 969</b>	<b>31 850</b>

Contingent liabilities off the Balance Sheet (note 11)

Helgeland Sparebank's Board of Directors

Mo i Rana 28. February 2019

Ove Brattbakk  
Chairman

Bjørn Audun Risøy  
Vice-Chairman

Eva Monica Hestvik

Inga Marie Lund

Nils Terje Furunes

Marianne Terese Steinmo

Birgitte Lorentzen  
Employee Representative

Geir Pedersen  
Employee Representative

Hanne Nordgaard  
CEO

## CHANGES IN EQUITY

Group												
31.12.17												
0												
	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Min. int.	Total
Equity capital as at 01.01.17	208	971	-4	443	335	516	25	15	575	123	2	3.208
Result for the period				14	25	24	13	12	84	101		273
Extended profit or loss items					64							64
Total ext. profit or loss	0	0	0	14	89	24	13	12	84	101	0	337
Gift fund				-14								-14
Transactions with owners							-7	-15				-22
Repurchase FO			1	-144								-143
Transactions with owners												0
Dividend paid										-80		-80
Equity capital 31.12.17	208	971	-3	299	424	541	31	12	659	144	2	3.287
Paid-in/accrued equity capital/retained earnings			1.176								2.111	3.287

Group												
31.12.18												
	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Min. int.	Total
Equity capital as at 01.01.18	208	971	-3	299	424	541	31	12	659	144	2	3 287
Implementation effect 01.01. IFRS 9						-1			-5	4		-2
Change in accounting policy securities 01.01					-10	2			7			-1
Equity capital as at 01.01.18				12	26	15	5	5	48	38		149
result for the period												0
Extended profit or loss items	0	0	0	12	26	15	5	5	48	38	0	149
Paid interest FO				-12								-12
Gift fund							-8	-12				-20
Transactions with owners			1									1
Dividend paid										-83		-83
Equity capital 31.12.18	208	971	-2	299	440	557	28	5	709	103	2	3 322
Paid-in/accrued equity capital/retained earnings			1 177								2 145	3 322

## CHANGE IN EQUITY

*Parent bqnk*

**31.12.18**

	ECC capital	Premium fund	Own ECCs	Own ECCs	Result for valuation	Savings bank's	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
<b>Equity capital as at 01.01.18</b>	<b>209</b>	<b>971</b>	<b>-3</b>	<b>299</b>	<b>424</b>	<b>541</b>	<b>31</b>	<b>12</b>	<b>659</b>	<b>83</b>	<b>3 226</b>
Implementation effect 01.01. IFRS 9						-1			-4		-5
Change in accounting policy securities 01.01					-10	2			8		0
result for the period				12	26	15	5	5	48	33	144
Extended profit or loss items											0
<b>Total ext. profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>26</b>	<b>15</b>	<b>5</b>	<b>5</b>	<b>48</b>	<b>33</b>	<b>144</b>
Paid interest FO				-12							-12
Gift fund							-8	-12			-20
<b>Transactions with owners</b>			1								1
Dividend paid										-83	-83
<b>Equity capital 31.12.18</b>	<b>209</b>	<b>971</b>	<b>-2</b>	<b>299</b>	<b>440</b>	<b>557</b>	<b>28</b>	<b>5</b>	<b>711</b>	<b>33</b>	<b>3 251</b>
Paid-in/accrued equity capital/retained earnings			1 178							2 073	3 251

*Parent bank*

**31.12.17**

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Other Equ.cap.	Total
<b>Equity capital as at 01.01.17</b>	<b>209</b>	<b>971</b>	<b>-4</b>	<b>443</b>	<b>335</b>	<b>516</b>	<b>25</b>	<b>15</b>	<b>575</b>	<b>77</b>	<b>3.163</b>
result for the period				14	24	25	13	12	84	84	256
Extended profit or loss items					64						64
<b>Total result at</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>88</b>	<b>25</b>	<b>13</b>	<b>12</b>	<b>84</b>	<b>84</b>	<b>320</b>
Paid interest FO				-14							-14
Gift fund							-7	-15			-22
<b>Transactions with owners</b>			1	-144							-143
Dividend paid			0							-78	-78
<b>Equity capital 31.12.17</b>	<b>209</b>	<b>971</b>	<b>-3</b>	<b>299</b>	<b>424</b>	<b>541</b>	<b>31</b>	<b>12</b>	<b>659</b>	<b>83</b>	<b>3.226</b>
Paid-in/accrued equity capital/retained earnings			1.177							2.048	3.226

## CHANGE IN EQUITY

### CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18	(Amounts in NOK million)	31.12.18	31.12.17
-850	-689	Change in lending to customers	-1 398	-1 858
701	710	Interest income lending to customers	898	870
932	278	Change deposits from customers	246	799
-170	-178	Interest cost deposit from customers	-180	-168
-280	15	Change certificates and bonds	15	-527
54	55	Interest income certificates and bonds	55	52
86	89	Commission income	90	86
-259	-266	Payments relating to operations	-267	-256
-52	-60	Paid tax	-72	-65
-30	33	Other cut-offs	37	-65
<b>132</b>	<b>-13</b>	<b>A Net liquidity change from operating activities</b>	<b>-576</b>	<b>-1 132</b>
-32	-9	Investment in long-term securities	-9	-38
0	8	Payments sale of long-term securities	8	3
-174	-23	Long-term investments in shares	-23	-21
44	56	Dividend from long-term investments in shares	7	11
<b>-162</b>	<b>32</b>	<b>B Net liquidity change from investments</b>	<b>-17</b>	<b>-45</b>
2 883	2 943	New borrowing through issuance of securities	5 390	6 078
-2 524	-3 249	Repayments – issued securities	-4 673	-4 537
-145	0	Purchase Hybrid capital	0	-145
	150	admission of responsible capital	150	
-99	-92	Interest payments borrowing through issuance of securities	-188	-178
-14	-11	Interest payments on subordinated debt	-11	-14
-78	-83	Dividend to share owners	-83	-78
<b>23</b>	<b>-342</b>	<b>C Net liquidity change financing</b>	<b>585</b>	<b>1 126</b>
-7	-323	A+B+C Net liquidity change in the period	-8	-51
1 582	1 575	Liquid funds at the start of the period	551	602
1 575	1 252	Liquid funds at the end of the period	543	551
		<b>Liquid funds specified</b>		
87	82	Cash and balances with central banks	82	87
1 488	1 170	Balances with credit institutions without notice periode	461	464
<b>1 575</b>	<b>1 252</b>	<b>Liquid funds</b>	<b>543</b>	<b>551</b>



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## NOTES

### NOTE 1 - Accounting principles Group

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#### General background

Helgeland Sparebank aims to be a profitable and leading bank in the Helgeland region. The objective of the Bank is to sell all types of financial products and services, including insurance and pension products to retail customers, small and medium-sized enterprises, municipalities and institutions in Helgeland.

The Bank's registered office is located at Jernbanegata 15, 8622 Mo i Rana. The Bank's head office is in Mo i Rana. The Bank also has 5 branches located throughout Helgeland: Mosjøen, Brønnøysund, Sandnessjøen, Sømna og Korgen.

Helgeland Sparebank is listed on Oslo Stock Exchange.

#### Accounting basis

Helgeland Sparebank prepares its consolidated financial statements and company accounts in line with the international financial reporting standards (IFRS), which are the prevailing standards in Norway. This also includes interpretations from the IFRS interpretations committee (IFRIC).

The consolidated financial statements and the company accounts are reported based on the historical cost principle with the following exception:

- Financial derivatives, which are measured at fair value with a change in value over profit
- Certificates, bonds and shares, which are measured at fair value with changes in value over profit
- Lending rate, which is measured at fair value with changes in value over profit
- Securities debt fixed interest rate, which is defines as hedging object in value hedging.

For financial assets and liabilities, amortised cost is used, with the exception of financial instruments that are reported at fair value.

Amortised cost is the amount at which the instrument was valued at first time accounting (original cost) with deduction of interests and paid repayments on the principal, with the addition of accumulated effective interest and with the deduction of all net write-downs.

Fair value is the price that would have been received when selling the asset, or paying to transfer the commitment between independent market actors at the time of reporting.

Financial instruments that are hedged objects in a value hedging are posted on the statement of financial position at amortised cost with an adjustment of fair value of the hedging risk. This will often be approximately the same as fair value.

The preparation of the accounts in line with IFRS requires the use of estimates. The use of international standards also requires that the management use judgement. Areas where the preconditions and estimations are significant are described in annotation 1.1.

The bank's Board of Directors approved the consolidated accounts on the 28<sup>th</sup> of February 2019. The annotations are an integral part of the accounts.

#### Consolidation principles

The consolidated accounts include the parent bank, subsidiaries, including underlying subsidiaries. The accounting principles are used consistently at the incorporation of the ownership interests in the subsidiaries (and associated companies) and are based on the same reporting periods as the parent company. Because of early reporting, the bank partly uses provisional accounting figures / prognoses from subsidiaries.

Internal transactions within the group, including internal profits and unrealised profit and loss, are eliminated at the preparation of the consolidated accounts.

#### Subsidiaries

Subsidiaries include all companies the bank, directly or through other subsidiaries, has control over (that is, power to manage a company's financial and operative principles with the intention of achieving benefits from the company's activities). Subsidiaries are consolidated from the point in time when the bank has achieved control, and are taken out from the point the bank no longer has control.

Subsidiaries are treated at acquisition cost in the company accounts. Write-downs are conducted when the value on the statement of financial position is higher than the value of the share of ownership.

#### Associated companies

Associated companies are companies where the group exercises significant influence, but not control. This would normally be investments between 20 to 50% of the company's equity. Accounting of investments in associated companies is treated according to the equity method in both the consolidated accounts and the company accounts. For accounting according to the equity method, the accounts are reworked in accordance with IFRS.

On the time of acquisition, the investment is included at acquisition cost. More information see note 27 who gives more information about the ownership in Helgeland Invest.

#### Segment reporting

The group's operations comprise only a strategic business area that is organised and managed together. The group runs traditional banking operations with the intermediation sales of savings, allocation, and insurance products. The bank operations are divided into segments, and between the retail market and corporate market. Income and expenses that is not directly allocated to these segments goes as unallocated.

The geographical segment is the Helgeland region, with only a small share outside of Helgeland.

#### Accounting currency

Norwegian Kroner (NOK) is the accounting currency in which also is the bank's functional currency. All values are given in million NOK, unless otherwise stated. The group has no operations abroad.

#### Presentation in the balance sheet and profit and loss account

#### Lending

Loans are posted in the statement of financial position, either as lending to, or as accounts receivable from, credit institutions or customers. Interests are included in the statement of income as interest income or similar income.

## NOTES

Value changes due to impairments are posted in the statement of income under lending losses, guarantees, etc.

Value changes on fixed interest lending, which are measured at fair value, are included in the statement of income under net profit / loss from financial instruments.

### Certificates and bonds

The balance sheet item includes the Group's certificates and bonds. All changes in value and realized gains/losses are recognized in profit or loss under net profit on financial instruments. Interest income from certificates and bonds is included in interest income and similar income.

### Financial derivatives (assets and liabilities)

The balance sheet item includes financial derivatives. Value changes relating to the derivatives are recognized in the income statement under net profit on financial instruments.

### Loans from credit institutions and deposits from customers

Commitments to credit institutions and customers are reported, depending on the counterparty, either as loans from credit institutions, or as deposits from customers. Interests are included in the statement of income under interest costs.

### Debt established by issuing securities

The balance sheet item includes debt when issuing securities. Effective interest is included in the income statement under interest expenses and similar costs. Fixed-interest securities are subject to fair value hedging. Changes in value are recognized in net income on financial instruments. In the event of early repayment or repurchase of issued bonds, any gain/loss on net profit is recognized in financial instruments.

### Subordinate loan capital

Issued subordinate loans are included in the statement of financial position. Interests are included in the statement of income under interest costs and similar costs

### Hybrid instruments

The balance sheet item includes issued hybrid capital instruments. Hybrid capital instruments are perpetual and the bank has a unilateral right to fail to pay interest to investors under given conditions. Hybrid capital instruments do not meet the definitions of financial liability in accordance with IAS 32 and are classified as equity. Interest is not presented as an interest expense in the result, but as a reduction in other equity. Tax interest hybrid capital instruments is presented in the result.

## **Changes in accounting principles and information**

### *(a) New and amended standards adopted*

#### IFRS 9 financial instruments

On 1st January 2018, the bank changed its accounting policy for recognition, de-recognition, classification and measurement of financial assets and liabilities and hedge accounting from previous IAS 39 to IFRS 9.

#### IFRS 15 Income from contracts with customers

The standard introduces a new model for recognizing revenue from customer contracts. IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Operating costs. The standard does not affect the group (effective 1st January 2018).

### *(b) New standards and interpretations not yet in use*

A number of new standards, changes to the standards and interpretations are required for future annual accounts. Among those that the group has chosen not to use early, the most important information is stated below.

#### IFRS 16 Leases

The standard presupposes that there is no longer a distinction between operational and financial leasing, because both types of agreements transfer the right of use to specific asset from the lessor to the lessee for a specific period. For the lessor, the regulations from IAS 18 are mainly continued. The standard applies to annual accounts that start on 1<sup>st</sup> January 2019. The standard has effect that leases (mainly office premises) are included in the balance sheet. See note 14.

There are no other standards or interpretations that have not come into force that are expected to have significant impact on the group's accounts.

## **Financial instruments**

IFRS 9 has a more principle-based approach than IAS 39 to whether financial assets should measure at amortized cost or at fair value. The measurement categories for financial assets in IAS 39 (fair value through profit, available-for-sale, held-to-maturity and amortized cost) have been replaced by the following three categories in IFRS 9; fair value with changes in value through profit or loss, fair value through change (OCI) and amortized cost.

Initial recognition of the asset determines the measurement of the financial asset. The business model for keeping the financial instruments will be crucial for choosing the category. The principles of financial liabilities are essentially the same as in IAS 39, with some exceptions. This relates, among other things, to changes in value from own credit risk, where the liability is measured using the fair value option and is recognized in the comprehensive income (OCI). Financial instruments held to receive contractual cash flows shall, in principle, measure at amortized cost.

Financial assets, which are both kept to receive contractual cash flows and for resale shall in principle measure at fair value with changes in value over extended earnings (OCI).

Instruments with cash flows that are not only payments of interest and principal, or where the purpose of owning the instrument is not to receive contractual cash flows, shall measure at fair value with a change in value over the result. Derivatives used in connection with hedge accounting are measured according to the principles for hedge accounting. Note 22 shows implementation effects and note 2.1.1 shown loans and write-downs in accordance with IFRS 9.

## **Recognition and derecognition**

Financial assets and liabilities capitalizes when the bank becomes a party to the instrument's contractual provisions. A financial asset is derecognized when the contractual right to the cash flows from the financial asset expire, or the bank transfers the financial asset in such a way that the risk and profit potential of the financial asset is substantially transferred. When the financial liability fulfills, are being cancelled or expires, the financial liability is derecognized.

## **Financial instruments at amortized cost**

Debt instruments that have cash flows that only represent the payment of interest and installments, and where the purpose is only to keep the instrument to receive contractual cash flow, shall be carried at amortized cost. In the Group, all loans and loans with floating interest rates are classified at amortized cost.



## NOTES

In the parent bank's accounts, there is an exception related to lending to personal customers with security in housing. Under IAS 39, such loans were classified at amortized cost, under IFRS 9 these loans were classified at fair value through comprehensive income. This comes as a consequence of the fact that several of the loans will later be sold to the bank's wholly owned mortgage companies, ie.:

Assets and liabilities:

- Lending at floating interest rate
- Debt to credit institutions and deposits from customers
- Debt securities at floating interest rate
- Subordinate debt at floating interest rate

### Lending to customers

Loans to and receivables from customers are initially measured at fair value with the addition of the direct transaction costs. During periods after the first measurement, loans at amortized cost are valued according to the effective interest method. The loans are written down in accordance with IFRS 9.

Impairment amounts are calculated as the difference between the carrying amount and the present value of future cash flows, calculated over the expected useful life of the loan. For the present value calculation, the last fixed effective interest rate on the loan or loans is written down.

### Potential exposure

Unused credits, non-discounted loans and guarantees granted are off balance sheet items presented in notes. Revenue is presented in commission income and income from banking services. Off balance sheet items included in the calculation of expected losses are presented in the balance sheet under other liabilities.

### Financial guarantees issued

Contracts that require the Bank to reimburse the holder for a loss due to a specific debtor failing to pay in accordance with the terms of a debt instrument, are classified as issued financial guarantees. Commission income is recognized over the term of the guarantee under «Commission income and revenues from banking services».

Changes in value as a result of credit commitments that have been written down are recorded under "Write-downs and losses on loans and guarantees." Expected losses calculated under IFRS 9 are capitalized under «other liabilities».

### Write-downs on loans

The rules in IFRS 9 for impairment of financial assets apply to commitments measured at amortized cost (commitments with floating interest rates are defined under this category) and for commitments measured at fair value with changes in value over comprehensive income (mortgage loans at floating interest rates in the parent bank). The standard entails requirements for loss provisions also on new commitments, by making a write down for expected credit losses as a result of expected default in the next twelve months. Expected losses for all customers at the account level are calculated. The calculation includes loans, guarantees, unutilized credit and loan commitment. For loans where the credit risk has increased substantially after initial recognition, write-downs shall be made for the expected credit loss over the maturity of the loans. The bank has developed a model in collaboration with several other banks. The model contains macro-scenarios according to IFRS 9 (3 scenarios).

According to previous rules, write-downs for losses should only occur when there was objective evidence that a loss event has occurred after the initial

recognition. According to IFRS 9, loss provisions are recognized based on expected credit loss.

Expected losses for all accounts are calculated. All account commitments are entered into one of the three "steps" in the loss model, based on their risk change since granting (change in credit risk). For a description of the individual "steps", see explanations below. All commitments that do not already have objective evidence of loss at the time of recognition are placed at the time of recognition in step 1, and are later moved to step 2; in cases where there has been a significant increase in credit risk, or step 3; in cases where there is objective evidence of loss.

### Step 1: 12 months expected loss

This includes most cases of financial assets that are covered by the general loss model. Financial instruments that have similar credit risk (or better) to what it was at initial recognition, and which are therefore not classified under steps 2 and 3, are included in this step. The estimated expected loss attributable to the accounts corresponds to expected losses from default in the next 12 months.

### Step 2: Expected loss of life.

In step 2, financial assets that have had a significant increase in credit risk are placed since initial recognition. If an account commitment is significantly worsened or not, it is defined as a function of probability of default (PD) at the time of calculation and the time of grant. The bank has chosen to define that assets with low credit risk (operationalized as assets with PD not exceeding 0.75%) remain in step 1. Expected loss for assets in step 2 is calculated over the residual maturity of the asset. The following events are always considered to have resulted in a significant increase in credit risk:

- Commitment where there is a 30 day cover. This applies to coverings from the first crown, but older than 30 days.
- Commitment where there is greater cover. This applies to overdrafts from the first day, where the balance is considerably larger than the grant.
- Commitment with changed payment obligations or refinancing (forbearance).

### Step 3: Expected loss of life

In step 3 of the loss model, assets that have had significant increase in credit risk since initial recognition and where there is objective evidence of loss at the reporting date. Expected loss for assets in step 3 is calculated over the remaining maturity of the asset. Interest income is calculated on the assets' net book value.

The same model is used for the group, parent bank and wholly-owned mortgage companies, but with different data definition when it comes to initial recognition. For the group and the parent bank, the account's grant date must be used, while for the mortgage company the score is used at the transfer date.

### Objective evidence of loss

The bank has defined that there is objective evidence of loss in a commitment in which bankruptcy, agreement proceedings have been opened or individually assessed provisions have been made.

### Defaults

## NOTES

Total commitment from a customer is considered defaults when overdue installments or interest are not paid 90 days after maturity, or framework credits are overdrawn for 90 days or more. This is in accordance with the bank's routines.

Based on current internal guidelines, commitment is continuously monitored with a view to identifying potentially doubtful commitments. Loans and other commitments that are not defaulted, but where the customer's financial situation makes it probable that the group will incur losses, are subject to individual assessment. The model does not calculate the expected loss on a customer who has individually assessed loss provision.

Follow-up of defaulted and confirmed loans in the retail market is followed up by collection agency for recovery.  
Non-performing loans in the corporate market are followed up by the bank.

### Detected losses

When it is highly probable that the losses are final, the losses are classified as recorded losses. Detected losses covered by previously made loss provisions, are entered against loss provisions.  
Detected losses without cover in previous loss provisions and over or under cover in relation to previous loss provisions are recognized in the income statement.

The bank has internal routines for marking and identifying customers who have received payment delay. A customer who has been granted payment facilitation which is covered by FT's guidelines for reporting will be marked for a minimum of 2 years.

### Modification

When the contractual cash flows from a financial asset are renegotiated or otherwise changed, and the renegotiation or amendment does not result in the derecognition of the financial asset, the gross asset value of the financial asset is recalculated and a gain or change is recognized in profit or loss. The gross asset value of the financial asset is recalculated as the present value of the renegotiated or amended contractual cash flows, discounted by the original effective interest rate of the financial asset. Any accrued costs or fees adjust the changed financial asset's carrying amount and are written down over the remaining financial asset's remaining life.

### Debt to credit institutions and deposits from customers

Debt to credit institutions and deposits from customers are recognized at amortized cost.

### Securities with floating interest rates

At initial recognition, the debt is measured at fair value with the addition of direct transaction costs. In periods after the first measurement, the debt is valued at amortized cost using the effective interest method.

### **Financial instruments at fair value on the statement of income**

Assets and liabilities:

- Lending at fixed interest rate
- Derivatives outside hedging
- Certificates, bonds (interest-bearing securities) and shares.

### Lending with fixed interest rate

Lending with fixed interest rate is valued at fair value. The bank uses interest rate derivatives to financially hedge the interest rate exposure on these loans. The use of the fair value option (FVO) significantly reduces the profit volatility

that would normally occur, using different estimation methods for lending and derivatives. The fair value is estimated by discounting the future cash flows (interests and instalments) from the loans with yield requirements derived from the yield curve on the reporting day. The credit spread on lending is estimated as an overall evaluation based on the observed changes in the market.

### Derivatives outside hedging

The agreements that the group has entered are interest rate derivatives. Derivatives are posted on the statement of financial position at fair value at the time the derivative contract is entered, and thereafter continually at fair value.

### Certificates, bonds (interest-bearing securities) and shares

Certificates, bonds and shares are classified at fair value. The liquidity reserve is defined to be investments that are not part of a trading portfolio, but which are negotiable and can be freely sold when needed. The fair value of listed investments is based on the current price at the balance sheet date. For shares that are not listed on the stock exchange and where there is no active market, known trading values are used as the basis or the last issue price. Papers without turnover are valued on the basis of available accounting information or similar.

### **Financial instrument hedging**

Assets and liabilities:

- Debt securities with fixed interest rate
- Hedging derivatives

The bank and the group use hedge accounting for securities debt at fixed interest rate. The hedge covers the interest rate risk in the bonds. Fixed-interest securities are subject to fair value hedging. Changes in value are recognized under net gains/ losses on financial instruments. In the event of early repayment or repurchase of issued bonds, any gain/loss on net gains/losses on financial instruments is recognized. The bank's policy is to ensure all exposure. The hedging instruments secure the total amount and have maturity, volume and fixed interest rate corresponding to the individual fixed interest rate loan. The floating rate in the hedging instrument is agreed with 3 months NIBOR.

IFRS 9 simplifies the requirements for hedge accounting by linking hedge effectiveness more closely to risk management activities, and thus provides greater opportunity for assessment. The requirement for a security efficiency of 80 – 125 percent has been removed and replaced by more qualitative requirements. Among other things, there must be an economic relationship between the hedging instrument and the hedged element, and the effect of credit risk must not dominate value changes in the hedging relationship. In accordance with IFRS 9, a prospective (future-oriented) efficiency test is sufficient, while hedging efficiency according to IAS 39 must be considered both retrospectively and prospectively. The ineffectiveness of the hedge, defined as the difference between the value adjustment of hedging instruments and the value adjustment of the hedged risk, is recognized in the income statement as it arises. For securities debt with fixed interest rates, value hedging is normally used. The fair value of the derivatives used in hedging relationships is shown in note 22.2.

### **Financial instruments at fair value through comprehensive income (OCI)**

Assets:

- Floating rate home loan in the parent bank

The parent bank's accounts are an exception related to lending to personal customers with security in housing. Under IAS 39, such loans were classified at amortized cost, under IFRS 9, loans should be classified at fair value

## NOTES

through comprehensive income. This comes as a consequence of the fact that the loans can be sold to the bank's wholly-owned mortgage companies at a later date.

### Interest income and interest costs

Interest income is recognized as income using the effective interest method. This entails the continuous recognition of nominal interest rates with the addition of amortization of establishment fees minus direct establishment costs. Revenue recognition of interest rates using the effective interest method is used both for balance sheet items that are valued at amortized cost and balance sheet items that are valued at fair value through profit or loss. Interest income for financial assets in steps 1 and 2 is calculated using the effective interest rate method of the financial asset's gross value, while interest income for financial assets in step 3 is calculated based on the financial asset's amortized cost.

### Commission and fee income / costs

Commission and fee income and costs are posted on the statement of income in tact with services being rendered. Included in this is among other things fees from guarantee issuance, money transferring, and insurance sale.

### Intangible assets

Intangible assets are reported on the statement of financial position when likely future financial advantages that are traceable to the asset can be shown, and the asset's original cost can be estimated reliably. Intangible assets are reported at original cost.

Development of software is recognized in the balance sheet and classified as intangible assets if the value is considered significant and the asset is expected to have lasting value. By developing software, use of own resources are activated if accrued expenses can be measured reliably. Expenses for pre projecting, implementation and training are expensed continuously. Proprietary software in the balance sheet is depreciated on a straight-line basis over its estimated useful life. The depreciations start on the point that the software is available for use in the company, so that software under development is listed as cost price till development is finished.

Intangible assets with limited life are depreciated, and potential depreciation needs are evaluated.

### Fixed assets

Lasting business assets and properties are valued at historical cost and depreciated over the assets expected financial life. It is required that different elements with different lives are split, and depreciated separately.

Ordinary depreciation is based on original cost and distributed on a straight line over the assets financial life:

- Buildings and other fixed property	30 – 40 years
- Machines, equipment, inventory, and cars	3 – 10 years

The depreciation period and method are evaluated annually to ensure that the period and method used is in line with the financial realities of the asset. The same is done for the salvage value.

### Other assets

Properties held for sale consists of properties the group has acquired as part of the recovery of impaired commitments. These are business assets the group

does not intend to keep and that will normally be sold within about 1 year. At the time of acquirement, the assets are valued at the expected realisation value, and are not subject to depreciation. These properties are classified as other assets.

### Renting agreements

#### The group as renter

Leases where most of the risk is on the contract counterparty are classified as operating leases. Rental payments are classified as an operating cost and are recognized in the income statement over the contract period. The group has no financial leases.

IFRS 16 will apply from 1<sup>st</sup> January 2019. See note 14.

#### The group as lessor

The group presents asset that are rented out as operating assets in the statement of financial position. The rental income is reported linearly over the renting period. The group has no financial rental agreements.

### Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits, other short-term, easily tradable, investments with maximum three months original duration.

### Provisions

A provision is reported when the group has an actual liability (legal or assumed) due to incidents that have occurred, when a financial settlement resulting from the commitment is likely, and the amount can be estimated reliably. Provisions are reviewed at each financial reporting date, and the level reflects the best estimate of the commitment.

### Pension obligations and pension costs

The Group has defined contribution pension plan, but there are some members left in the old defined benefit plan. See note 12 for further details.

#### Pension contribution scheme

All bank employees were in 2016 transferred from a defined benefit plan to a defined contribution plan. The contributions are recognized and amortized as pension costs. When it comes to the distribution of employees between the two schemes, please refer to the accounting note for details.

#### Defined benefit scheme

Those who remain in the defined benefit plan are members who, under the current rules cannot be transferred.

The group's pension liabilities are related to defined benefit pension schemes secured in insurance companies and uninsured schemes. Pension expenses and liabilities presented in the statement are obtained by calculations by an actuary.

The yield on covered bonds is used as the discount rate.

Note 12.2 shows the sensitivity in calculating pension costs and commitment.

The secured and unsecured liabilities are calculated as the discounted value of future pension benefits at the balance sheet date, insured and uninsured, based on the employees earning pension rights steadily throughout the working period.

Plan assets are valued and are posted net against pension liabilities in balance. Each scheme is considered separately, but the value of the surplus of a scheme and the funding in other arrangements is being offset if the pension funds can be transferred between the schemes.

## NOTES

Net pension funds are presented in the balance sheet as prepaid expenses and accrued income, whereas net pension liabilities are presented under other liabilities.

The net pension cost is included in personnel expenses, and consists of the period, the interest on the calculated obligation and the projected yield of the pension funds. The deviation between the actual yield and the calculated yield is recognized in OCI.

Effect of level change is recognized, estimate changes recorded over extended result.

### Taxes

Deferred taxes and deferred tax benefits are posted in the statement of financial position in accordance with IAS 12 on taxes.

The taxation cost in the statement of income includes both the period's payable tax and changes in deferred tax. Deferred tax/tax benefit is estimated with 25 % of the net temporary differences that exists between accounting and tax values at the end of the accounting year. Tax increasing and tax reducing temporary differences that reverse or could reverse in the same period are offset and posted net.

The deferred tax benefit is reported in the statement of financial position according to expectations of taxable income through earnings in subsequent years.

Payable tax in the statement of financial position is the period's payable tax connected to the year's result, tax on wealth, as well as payable tax connected to receive group contributions.

Wealth taxation is treated as an operating cost.

### Equity capital certificate capital

Equity consists of owners share capital, primary capital, fund for unrealized gains, other equity Group and hybrid capital.

The owners share capital consist of capital related to ECC's own ECC's, share premium and equalisation fund. The primary capital includes paid and accrued primary capital, gift funds and compensation funds.

In the parent bank, fund for unrealized gains consist of gains on value change in financial instruments where principal for value setting in accordance to IFRS departs from principal after Norsk God Regnskapsskikk.

Other equity Group is accrued equity in subsidiary companies and associated companies after group establishment and the effect from equity eliminations in the Group statement.

Subordinated bond that doesn't satisfy the definition of financial obligation in accordance to IAS 32 is included in the equity. Accrued interests subordinated bonds are allocated the subordinated bond capital continuously.

By the issuance of new ECCs, or acquisition of other enterprises, the additional costs directly related to the new ECCs or the acquisition are treated as a reduction of paid-up capital.

This year's profit is allocated to the owners of ECC's and the primary fund in accordance to the dividend policy.

Dividends from ECCs are classified as equity in the period before the dividend has been determined by the bank's general committee.

When the dividend has been determined by the general committee, it is taken out of the equity and classified as short term debt until the payment date.

When the bank or other members of the in the group buy ECCs issued by the bank, the combined purchase recompense is taken out of the total ECC capital.

### Segments

Segment reporting is divided into how different business areas are reported and followed up. The bank has two operating segments. The retail market and the corporate market, including loans transferred to the mortgage company.

### Cash flows

The cash flow statement (IAS 17) shows payments and payouts of cash and cash equivalents throughout the year. Cash and cash equivalents are defined as cash and receivables from central banks.

### Comparability

Comparative figures are adjusted where it is considered necessary in order to ensure comparability with the present year figures.

## NOTES

### Events after the reporting date

Events after the reporting date are reported in accordance with IAS 10. The information covers events that are not included in the group's financial statements, but that is of a character that is significant for the evaluation of the business.

The accounts are reported according to the going concern principle. This condition was met at the time when the Board approved the accounts.

The Board's suggested dividends are presented in the annual accounts

### NOTE 1.1 - Important accounting estimates and application of accounting principles

Parent bank/Group

The Group prepares estimates and assumptions which have an impact on reported balance sheet figures for the next accounting year. Estimates and assessments are constantly subject to evaluation and are based on historical experience and other factors including expectations in relation to future events which are deemed to be reasonable.

### Write-down of loans

Assessment of individual and group write-downs will be partly based on judgment.

Loan portfolios/guarantee obligations are continuously monitored with regard to the need for write-downs/provisions to meet possible Commitments. Impairment/provision is made in accordance with IFRS 9. See accounting principles and note 2.1.1.

Fair value of financial instruments is partly calculated based on assumptions not observable in the market. This is particularly relevant when it comes to determination of relevant credit risk addition, fair value determination for fixed rate papers in the shape of lending and securities from others. The bank has in these cases based its evaluations on the available information on the market combined with best judgement. This information will among others be credit evaluations completed by leading market operators.

### Associated companies

Helgeland Sparebank own 48.3% of Helgeland Invest (HI). The Bank finalizing its accounts early and accounts are partially based on preliminary forecasts for HI. See detailed comments in note 27.

### Fair value of financial instruments

### NOTE 2 - Financial risk management

Group and Parent bank

### Risk and capital management

Risk and capital management supports the Group's strategic development and ambitions. The main objective is to ensure realisation of the Group's financial and operational objectives. Regardless of how good risk management is, unforeseen losses can occur which require that the Group has sufficient equity. As a part of the risk management work, the necessity for additional capital for the different risk areas has been evaluated. The evaluations are supported by various internal evaluations and calculation models. This is summarized in the bank's internal capital requirement evaluation process. ICAAP).

Risk categories and definitions:

- Credit risk: the risk of loss as a result of customers or other parties not being able to meet their obligations
- Liquidity risk: the risk that the Group cannot manage to meet its obligations on the due date
- Market risk: the risk of loss as a result of changes in market prices connected to activities and positions in securities (interest and shares) and currency.
- Operational risk: the risk of direct or indirect losses due to failure in internal routines, systems and processes, insufficient competence, damage to property, interruption in operations, system faults, internal or external fraud.

Risk management is central in daily operations and in the continuing work of the Board. Risk is primarily managed through policy and guidelines, limitations, authorizations, reporting requirements and requirements regarding competence.

The Board sets the Group's credit strategy which includes credit risk, and the Group's financial strategy which includes liquidity risk and market risk. The bank has a credit committee and finance committee for management and follow-up of risk in line with authorizations given by the Board.

The bank's risk management unit constitutes five man-years. The General Manager of risk management reports directly to the Chief Executive and is responsible for monitoring and coordinating the collective risk management in the bank. The general manager of risk management reports also directly to the board

Group Internal Audit has one FTEs and reports directly to the Board. The internal auditor shall consider whether it is established satisfactory routines on the main areas of the bank to reduce the risk. The Board approves the annual internal auditor's instructions and work. The internal auditor may use external services when needed.

### Governance and company leadership

Helgeland Sparebank's principles and policy for corporate governance and company leadership shall ensure that the bank's activity management is in line with generally accepted perceptions and standards, as well as Acts and Regulations. Good activity management in Helgeland Sparebank includes the values, objectives and superior principles according to which the bank is managed and controlled in order to ensure good interaction between the bank's different interested parties such as equity certificate holders, lenders, customers, employees, governing bodies, management and the society in general.

Further, the activity management shall ensure defensible fund management and provide increased security for communicated objectives and strategies being implemented and reached. The Group's principles and framework for internal controls and risk management are stated in separate management documents which are reviewed annually by the Board. The management documents are the Group's internal framework for good management and control, and the policy gives guidelines for the Group's superior attitudes regarding risk management.



## NOTES

The Board of Helgeland Sparebank attaches weight to compliance with the principles laid down in the Norwegian Code of Practice for Corporate Governance in the management of the activity.

Helgeland Sparebank has compared its own policy to the Norwegian Code of Practice for Corporate Governance. It is the opinion of the Board that the bank's activity management is satisfactory and in accordance with the Norwegian Code.

There have in 2018 been 12 board meetings. Follow-up of the operations, strategy, structural changes and risk- and capital management have been the board's main focus areas.

The board has prepared an annual plan for its work, and emphasis is put on securing adequate knowledge and competence among the board's members. An evaluation of the working structure, competencies, priorities and collaboration between the board and the management has been conducted.

The Board has as part of its work established an audit committee, a risk committee and a remuneration committee. The committees will ensure that Helgeland Sparebank has independent internal and external audit, that the accounting and risk reporting are in compliance with laws and regulations, and that the bank has compensation schemes which help to promote and provide incentives for good management and control on risk and prevents excessive risk taking and avoid interest conflicts.

Members of the audit and risk committee are Ove Brattbakk (chairman), Bjørn Audun Risøy and Eva Monica Hestvik. Members in the remuneration committee are Ove Brattbakk (chairman), Bjørn Audun Risøy and Birgitte Lorenzen (employee representative). The Audit Committee had 9 meetings in 2018. The risk committee has had 4 meetings and the remuneration committee 2 meetings.

A comprehensive review of the ownership management and corporate management exists in its own chapter in the annual report.

### NOTE 2.1 - Credit risk

Group and Parent bank

The credit risk is the group's greatest risk, and constitutes the risk that customers or counterparties cannot comply with their obligations to the group.

The credit risk, and its exposure, is governed by credit strategy, credit policy, credit routines, and grand regulations. Credit policy, credit routines and grand regulations were reviewed and updated in 2018, and are effective from 01.01.19. The credit strategy has been adopted for a three-year period with annual assessments. The current strategy from 01.01.19 was adopted by the board on December 2018.

The group's strategy in the credit area is derived from the overall strategy, and contains guidelines and management frameworks for risk profile and risk concentrations at portfolio level and industry level. There are set limits for allocation of lending between the retail and corporate markets, size of engagement and number of these, exposure within industries (concentration risk) and geographical limitations. The risk management framework is monitored and reported on a quarterly basis to the board, and with the addition of annual portfolio reviews.

The development of credit risk is followed up through regular analyzes of the default developments in specific industries, geographical areas, borrowers' and potential borrowers' ability to service interest and installments, as well as assessing the security that underlies the credit obligation. For continuous follow-up of risk, a set of measures and action plans for the follow-up of the borrower is defines, as well as reports reported periodically to the board.

The total capital requirement for the credit risk is stated in the group's ICAAP. The level of tolerance for credit risk is defined for selected industries and areas. The management level for the corporate market portfolio is established, complied with and reported periodically. Stress tests are used to assess the loss potential in the credit portfolio as a result of a large fall in property prices.

The risk in the retail market portfolio has been low over time. Housing price developments show that the price increase for sold detached houses in Helgeland through 2018 flattened out or was slightly rising. With the price increase in 2018 in line with northern Norway in general, Helgeland is still much lower on the sales price per square meter than the rest of northern Norway and the country in general.

The risk in the corporate market portfolio is moderate. From 1<sup>st</sup> January 2018, the bank has introduced a loss provision model to meet the standard and requirements set out in IFRS 9. The calculation of loss provisions is made in accordance with IFRS 9.

Based on the loss rules in IFRS 9 and internal guidelines, the commitments are monitored continuously with a view to identification and modeling. There is a great focus and regular reviews of good credit practices and quality in credit work. Including an understanding of good follow-up and control of the customer portfolios. Compliance through individual cases is ensured through the credit committee, The managers' key controls, and the division of labor between advisors and depot division. For the corporate market, management and monitoring are ensured through continuous assessment of customer relationships, ability to pay, and security assessment. This through both monthly and quarterly reviews. For surveillance and development in the retail market portfolio, quarterly analyzes are made of the quality of newly granted loans, and half-yearly on the total portfolio.

Risk-distributed loan portfolio divided by low (risk class A-D), medium (risk class E-G) and high risk (risk class H-K) are reported based on the scoring models. The risk migration is reported quarterly as part of the overall risk report to the board.

Close follow-up of major corporate customers, monitoring of the probability of default in the portfolio, and for specific defined industries, have been continued as priority focus areas. At the end of 2018, the bank had 3 (3) commitments that totaled more than 10 % of subordinated capital.

Outstanding contractual amounts of financial assets that are recorded in the year, but still subject to enforcement activities, amounted to MNOK

## NOTES

### NOTE 2.1.1 –Risk classification of loans and credits

#### Write-downs for losses on loans and off-balance sheet items in accordance with IFRS 9

See description Note 1 accounting principles

#### Prerequisites in the calculation model

If an engagement is «significantly worsened», it is decided by comparing the probability of default (PD) at the time of grant with PD at the time of calculation.

Assessment of significant deterioration is based on both a relative increase in PD and the absolute change. The level is set so that both the relative change is significant and that the level itself is not insignificant compared to what is considered low risk. In addition, it is envisaged that if there is a major absolute change, it should in any case be regarded as significantly worse.

An engagement that at the time of calculation has a PD higher than 0.75 % and at the same time has either twice as high PD, or has received a PD which is at least 5 %-points higher, is considered to be significantly worse.

Periodically expected losses are calculated as the product of probability of default (PD), exposure in the vent of default (EAD) and loss given default (LGD), and shall be unbiased. The PD-model has been in use and validated by the bank since 2009, while the LGD model has been developed from 2017.

The bank's PD-model gives PD (probability of default), at customer level, one year ahead. The PD-model gives the likelihood that the customer will default and will default on all their commitments. The customer's PD can therefore be used at the account level.

The bank has not developed models to calculate lifetime PD. The bank therefore uses models that calculate the probability of default in the next 12 months (12 months PD). The bank has carried out analyzes of the observed default rate (default rate, DR) as a function of the age of the loan at the time of default. The analyzes show that DR increases somewhat in the early years after granting, and then decreasing. The variation in DR is considered to be at such a level that 12 months PD is a reasonable substitute for lifetime PD. The bank has relatively little data, and there is thus some uncertainty associated with the analyzes.

There have been minor adjustments in the calculation model during the reporting period, this has not produced any significant effect.

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

#### Scenarios

The data base contains historical data on the observed probability of default (PD) and loss given default (LGD).

This will form the basis for validation of model LGD when the data basis is sufficient. Three different scenarios, affecting projected LGD and PD, have been developed based on historical data and macro variables.

The validity of all scenarios is that they apply from the calculation date, that is, we are in the first scenario period at the time of calculation. This is done so that the scenarios will have an effect on the entire calculation, also steps 1 and 3.

#### Description of scenarios

The Background for determining the scenarios is an overall assessment of several macro variables and other factors of effects on the total level of

PD which is the basis for any adjustments of scenarios. There are 3 scenarios defined:

Realistic scenario is a macroeconomic scenario that represents expected future economic growth over the next 5 years. Realistic scenario is a scenario comparable to the ICAAP scenario Base case.

Optimistic scenario is a macroeconomic scenario that represents a boom with strong economic growth. In year 5, the scenario converges towards an equilibrium with realistic scenario.

Pessimistic scenario is a macroeconomic scenario that represents a downturn with weak economic growth. Pessimistic scenario could represent a downturn based on a 25-year cycle, but that will be a good deal milder than the credit crisis in the early 1990s. In year 5, the scenario converges towards an equilibrium with realistic scenario.

#### Realistic scenario

Global economy: Stable and moderate global economic growth is expected over the next 5 years.

National economy: Stable growth is expected in the Norwegian economy over the next 5 years.

Regional economy: The regional economic growth over the next 5 years is expected to be on par with the rest of the country.

#### Optimistic scenario

Global economy: Positive development and strong economic growth are expected over the next 5 years.

National economy: Oil prices will rise and the Norwegian economy will experience strong economic growth.

Regional economy: The regional economic growth is expected to be on par with the rest of the country.

#### Pessimistic scenario

Global economy: Growth in emerging markets is expected to decline. Increased protectionism will create trade barriers and global economic growth will slow down.

National economy: Oil prices are falling and, together with weak economic development among our most important trading partners, this will lead to weak development and growth in the Norwegian economy.

Regional economy: The regional economic growth is expected to be on par with the rest of the country.

#### Sensitivity assessment of key assumptions

The model is influenced by several parameters, and has a sensitivity up to 35 % against individual variables, if we adjust the parameter for BM and PM simultaneously. If we look at only one of the segments separately, the sensitivity is mostly about 20 %. The sensitivities above are calculated for that part of the portfolio, where the model has a direct impact on earnings, ie. excluding individually written down commitments. Key parameters with high sensitivity will be closely followed up and validated, as it is important that these are as accurate as possible. The model is most sensitive to parameters for LGD.

Parent bank

1.12.18

Group

31.12.18

Write-downs loans in step 1 and step 2	Base scenario	Effect of scenarios	Effect of macro scenario on calculated loss	Write-downs loans in step 1And step 2	Base scenario	Effect Scenario
78	66	12	Write-downs under IFRS 9	80	67	13

## NOTES

				<i>Group</i>
	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
<b>Gross lending</b>	With expected loss over 12 months	With expected loss over the instruments life time	With expected loss over the instruments life time	Total
<b>Gross lending pr. 01.01.18</b>	<b>21 998</b>	<b>3 336</b>	<b>317</b>	<b>25 651</b>
New loans / credits / guarantees	7 604	1 186	103	8 893
Transfers from step 1 to step 2	-1 785	1 524	0	-261
Transfers from step 1 to step 3	-209		212	3
Transfers from step 2 to step 3		-249	175	-74
			0	
Transfers from step 3 to step 2		40	-47	-7
Transfers from step 3 to step 3	32		-36	-4
Transfers from step 2 to step 1	978	-995	0	-17
Reduced portfolio	-5 624	-801	-84	-6 509
			0	
Other adjustments	-182	-702	-1	-885
<b>Gross lending pr. 31.12.18</b>	<b>22 812</b>	<b>3 338</b>	<b>638</b>	<b>26 789</b>
IB unused drafts, guarantees etc.	2 688	260	6	2 954
UB unused drafts, guarantees etc.	2 702	290	15	3 007

Transition between steps includes changes in lending from the beginning to the end of the period.

				<i>Parent bank</i>
	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
<b>Gross lending</b>	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>Gross lending pr. 01.01.18</b>	<b>15 916</b>	<b>2 777</b>	<b>316</b>	<b>19 009</b>
New loans / credits / guarantees	5 746	926	108	6 780
Transfers from step 1 to step 2	-1 471	1 220	0	-251
Transfers from step 1 to step 3	-208		211	3
Transfers from step 2 to step 3		-245	172	-73
			0	
Transfers from step 3 to step 2		40	-47	-7
Transfers from step 3 to step 3	32		-36	-4
Transfers from step 2 to step 1	798	-807	0	-9
Reduced portfolio	-4 631	-660	-84	-5 375
			0	0
Other adjustments	-412	-196	-2	-610
<b>Gross lending pr. 31.12.18</b>	<b>15 770</b>	<b>3 054</b>	<b>638</b>	<b>19 463</b>
IB unused drafts, guarantees etc.	2 240	258	6	2 504
UB unused drafts, guarantees etc.	2 228	290	15	2 533

Transition between steps includes changes in lending from the beginning to the end of the period.

## NOTES

*Group*

	Step 1	Step 2	Step 3	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>Loss deduction</b>				
<b>Loss deduction pr. 01.01.18</b>	<b>20</b>	<b>55</b>	<b>86</b>	<b>161</b>
New or increased loans / credits / guarantees	7	16	81	104
Transfers from step 1 to step 2	-5	25		20
Transfers from step 1 to step 3	-2		53	51
Transfers from step 2 to step 3		-19	90	71
				0
Transfers from step 3 to step 2		1	-9	-8
Transfers from step 3 to step 3	0		-3	-2
Transfers from step 2 to step 1	1	-12		-10
Reduced portfolio	-3	-4	-7	-15
				0
Other adjustments	-2	2	14	15
<b>Loss deduction pr. 31.12.18</b>	<b>17</b>	<b>63</b>	<b>305</b>	<b>386</b>

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

*Parent bank*

	Step 1	Step 2	Step 3	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>Loss deduction</b>				
<b>Loss deduction pr. 01.01.18</b>	<b>19</b>	<b>55</b>	<b>86</b>	<b>160</b>
New or increased loans / credits / guarantees	7	16	81	104
Transfers from step 1 to step 2	-5	25		20
Transfers from step 1 to step 3	-2		53	51
Transfers from step 2 to step 3		-19	89	70
Transfers from step 3 to step 2		1	-9	-8
Transfers from step 3 to step 3	0		-3	-2
Transfers from step 2 to step 1	1	-12		-10
Reduced portfolio	-3	-4	-7	-15
				0
Other adjustments	-2	2	14	15
<b>Loss deduction pr. 31.12.18</b>	<b>17</b>	<b>64</b>	<b>304</b>	<b>385</b>

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

## NOTES

Corporate				Group
	Step 1	Step 2	Step 3	
Gross lending	With expected loss over 12 months	With expected loss over the instruments life time	With expected loss over the instruments life time	Total
<b>Gross lending pr. 01.01.18</b>	<b>7 274</b>	<b>1 399</b>	<b>209</b>	<b>8 882</b>
New loans / credits / guarantees	2 476	503	91	3 070
Transfers from step 1 to step 2	-1 038	804	0	-234
Transfers from step 1 to step 3	-194		193	-1
Transfers from step 2 to step 3		-240	167	-73
Transfers from step 3 to step 2		31	-38	-7
Transfers from step 3 to step 3	7		-10	-3
Transfers from step 2 to step 1	391	-385		6
Reduced portfolio	-1 691	-229	-43	-1 963
Other adjustments	-336	-39	-1	-376
<b>Gross lending pr. 31.12.18</b>	<b>6 889</b>	<b>1 844</b>	<b>568</b>	<b>9 301</b>
Unused drafts, guarantees etc.	1 641	259	16	1 916
Transition between steps includes changes in lending from the beginning to the end of the period.				
	<b>0</b>			

Corporate				Parent bank
	Step 1	Step 2	Step 3	
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>Gross lending pr. 01.01.18</b>	<b>7 191</b>	<b>1 382</b>	<b>209</b>	<b>8 782</b>
New loans / credits / guarantees	2 460	494	91	3 045
Transfers from step 1 to step 2	-1 027	792	0	-235
Transfers from step 1 to step 3	-194		193	-1
Transfers from step 2 to step 3		-240	168	-72
Transfers from step 3 to step 2		31	-38	-7
Transfers from step 3 to step 3	7		-10	-3
Transfers from step 2 to step 1	387	-381	0	6
Reduced portfolio	-1 656	-225	-43	-1 924
Other adjustments	-285	-39	-2	-326
<b>Gross lending pr. 31.12.18</b>	<b>6 883</b>	<b>1 814</b>	<b>568</b>	<b>9 265</b>
Unused drafts, guarantees etc.	1 629	268	16	1 913
Transition between steps includes changes in lending from the beginning to the end of the period.				



## NOTES

*Group*

<b>Corporate</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>loss deduction</b>				
<b>Loss deduction pr. 01.01.18</b>	<b>19</b>	<b>51</b>	<b>61</b>	<b>131</b>
New or increased loans / credits / guarantees	7	15	77	99
Transfers from step 1 to step 2	-5	22		17
Transfers from step 1 to step 3	-2	1	59	58
Transfers from step 2 to step 3		-19	92	73
				0
Transfers from step 3 to step 2		1	-8	-7
Transfers from step 3 to step 3	1		-2	-1
Transfers from step 2 to step 1	1	-10		-9
Reduced portfolio	-3	-3	-12	-18
				0
Other adjustments	-2	2	25	26
<b>Loss deduction pr. 31.12.18</b>	<b>16</b>	<b>60</b>	<b>292</b>	<b>368</b>

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

*Parent bank*

<b>Corporate</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>loss deduction</b>				
<b>Loss deduction pr. 01.01.18</b>	<b>19</b>	<b>51</b>	<b>61</b>	<b>131</b>
New or increased loans / credits / guarantees	7	15	77	99
Transfers from step 1 to step 2	-5	22		17
Transfers from step 1 to step 3	-2	1	59	58
Transfers from step 2 to step 3		-19	92	73
Transfers from step 3 to step 2		1	-8	-7
Transfers from step 3 to step 3	1		-2	-1
Transfers from step 2 to step 1	1	-10		-9
Reduced portfolio	-3	-3	-12	-18
				0
Other adjustments	-2	2	24	25
<b>Loss deduction pr. 31.12.18</b>	<b>16</b>	<b>60</b>	<b>291</b>	<b>367</b>

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

## NOTES

*Group*

<b>Retail</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
	With expected loss over 12 months	With expected loss over the instruments life time	With expected loss over the instruments life time	Total
Gross lending				
<b>Gross lending pr. 01.01.18</b>	<b>14 724</b>	<b>1 937</b>	<b>108</b>	<b>16 769</b>
New loans / credits / guarantees	5 128	683	12	5 823
Transfers from step 1 to step 2	-747	720		-27
Transfers from step 1 to step 3	-15		19	4
Transfers from step 2 to step 3		-9	8	-1
			0	
Transfers from step 3 to step 2		9	-9	0
Transfers from step 3 to step 3	25		-26	-1
Transfers from step 2 to step 1	587	-610	0	-23
Reduced portfolio	-3 933	-572	-41	-4 546
			0	
Other adjustments	154	-664	0	-510
<b>Gross lending pr. 31.12.18</b>	<b>15 923</b>	<b>1 494</b>	<b>71</b>	<b>17 488</b>
Unused drafts, guarantees etc.	1 061	31	-	1 092

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with a change in value over profit, is not included.

*Parent bank*

<b>Retail</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending				
<b>Gross lending pr. 01.01.18</b>	<b>8 725</b>	<b>1 395</b>	<b>107</b>	<b>10 227</b>
New loans / credits / guarantees	3 286	432	17	3 735
Transfers from step 1 to step 2	-444	428		-16
Transfers from step 1 to step 3	-14		18	4
Transfers from step 2 to step 3		-5	5	0
Transfers from step 3 to step 2		9	-9	0
Transfers from step 3 to step 3	25		-26	-1
Transfers from step 2 to step 1	411	-426		-15
Reduced portfolio	-2 975	-435	-41	-3 451
			0	0
Other adjustments	-126	-158	0	-284
<b>Gross lending pr. 31.12.18</b>	<b>8 888</b>	<b>1 240</b>	<b>71</b>	<b>10 199</b>
Unused drafts, guarantees etc.	599	22	-	621

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with a change in value over profit, is not included.

## NOTES

*Group*

<b>Retail</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss provisions on gross loans and off-balance sheet items				
<b>Loss deduction pr. 01.01.18</b>	<b>1</b>	<b>6</b>	<b>20</b>	<b>27</b>
New or increased loans / credits / guarantees	1	2	3	6
Transfers from step 1 to step 2		2		2
Transfers from step 1 to step 3			1	1
Transfers from step 2 to step 3				0
Transfers from step 3 to step 2				0
Transfers from step 3 to step 3			-1	-1
Transfers from step 2 to step 1		-1		-1
Reduced portfolio		-2	-6	-8
				0
Other adjustments			-8	-8
<b>Loss deduction pr. 31.12.18</b>	<b>2</b>	<b>7</b>	<b>9</b>	<b>18</b>

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

*Parent bank*

<b>Retail</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss provisions on gross loans and off-balance sheet items				
<b>Loss deduction pr. 01.01.18</b>	<b>1</b>	<b>5</b>	<b>15</b>	<b>21</b>
New or increased loans / credits / guarantees	1	1	3	5
Transfers from step 1 to step 2		1		1
Transfers from step 1 to step 3			1	1
Transfers from step 2 to step 3				0
Transfers from step 3 to step 2				0
Transfers from step 3 to step 3				0
Transfers from step 2 to step 1		-1		-1
Reduced portfolio		-2	-6	-8
				0
Other adjustments			-1	-1
<b>Loss deduction pr. 31.12.18</b>	<b>2</b>	<b>4</b>	<b>12</b>	<b>18</b>

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

## NOTES

### Risk classifications

The risk classification is an integral part of the group's case management system. The system enables a monitoring of the risk development in the loan portfolio. The risk classification model that is used for both the individual and corporate customers has been developed in collaboration with several other banks. The classification system is in use for the entire customer base in 2009. For corporate customers, a default probability/score is calculated based on a number of parameters such as industry, payment remarks and audit remarks. For personal customers, the probability of default/score is calculated based on reminders, overdrafts, conditions for loans/deposits, etc. The portfolio is classified monthly and customers are given scores from A to K, where A is the lowest risk and K is the highest risk. For personal customers, an application score is also made in connection with new loan cases. In the corporate market, low and medium risk is reduced while there is an increase in high risk and non-performing loans, while write-downs have reduced net default and doubtful commitments. See note 2.1.2. For the retail market, there is little change from 2017 to 2018.

*Group*

31.12.18					31.12.18			
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
Corporate:								
4 481	256	1 052	5 789	Low risk	4 534	256	1 059	5 849
2 584	131	266	2 980	Medium risk	2 612	131	266	3 009
1 899	69	151	2 120	High risk	1 900	70	151	2 120
300	0	0	300	Commitments in default > 0 months	300		0	300
9 264	457	1 468	11 189	Total – corporate	9 346	457	1 476	11 279
Retail banking:								
9 291	14	564	9 870	Low risk	15 517	14	1 022	16 552
1 744	0	29	1 773	Medium risk	2 699	0	37	2 735
280	0	0	280	High risk	344	0	1	345
89	0	0	89	Commitments in default > 1 months	89	0	0	89
11 405	14	593	12 013	Total – retail banking	18 649	14	1 060	19 723
20 669	471	2 062	23 201	Grand total	27 995	471	2 536	31 002

*Parent bank*

*Group*

31.12.17					31.12.17			
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
Corporate:								
4 467	322	1 039	5 828	Low risk	4 555	322	1 046	5 923
2 858	143	239	3 240	Medium risk	2 864	143	240	3 247
1 328	23	77	1 428	High risk	1 334	23	77	1 434
198	3	3	204	Commitments in default > 1 months	198	3	3	204
8 851	491	1 358	10 700	Total – corporate	8 951	491	1 365	10 808
Retail banking:								
8 854	14	540	9 408	Low risk	14 572	14	980	15 567
1 854	0	38	1 892	Medium risk	2 576	0	41	2 618
320	0	4	324	High risk	408	0	4	413
133	0	2	135	Commitments in default > 0 months	104	0	2	105
11 161	14	584	11 759	Total – retail banking	17 660	14	1 027	18 701
20 012	505	1 942	22 459	Grand total	26 611	505	2 392	29 509

## NOTES

<i>Parent Bank</i>				<i>Group</i>				
31.12.18				31.12.18				
Step 1	Step 2	Step 3	Total	Loans divided on risk class and step	Trinn 1	Trinn 2	Trinn 3	Sum
12.567	-	-	12.567	Low risk	18.937	-	-	18.937
2.671	1.639	18	4.328	Medium risk	3.385	1.815	18	5.218
533	1.415	620	2.568	High risk	490	1.523	620	2.633
<b>15.771</b>	<b>3.054</b>	<b>638</b>	<b>19.463</b>	<b>Gross leding (eks.loans to real value)</b>	<b>22.812</b>	<b>3.338</b>	<b>638</b>	<b>26.788</b>

### NOTE 2.1.2 – Central banks and credit institutions

#### Central banks and credit institutions

For the balance sheet items receivables from central banks and, loans receivables from credit institutions, the bank has used the exception for low credit risk. The bank's «cash and receivables from central banks» is exclusively against Norges Bank. Norges Bank is rated Aaa by Moody's and AAA/A-1 + from S&P and thus meets the standard presumption of low credit risk. The bank's «Loans and receivables on credit institutions» is exclusively against banks with credit rating and which meets the standard's presumption of low credit risk and the bank has considered that this, compared to LGD and low exposure to provide material loss provisions. Consequently, the bank has not made any loss provisions related to this balance sheet item.

#### Loans and receivables from credit institutions by external rating

<i>Parent Bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
1 126	866	External rating S&P. AA-/A-1+	148	100
187	123	External rating S&P. A+/A-1+	132	189
95	121	External rating S&P. A/A-1	121	95
80	60	nonrated	60	80
<b>1 488</b>	<b>1 170</b>	<b>Total</b>	<b>461</b>	<b>464</b>

#### Certificates and Bonds: Classification of issuers by sector

<i>Parent Bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
100	273	public	300	150
2 156	2 078	municipality	2 078	2 156
1 353	1 315	mortgage	1 313	1 353
150	63	Bank	63	150
45	45	Other	45	45
<b>3 804</b>	<b>3 774</b>	<b>Total</b>	<b>3 799</b>	<b>3 854</b>

#### Certificates and Bonds: Classification of issuers by rating

<i>Parent Bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
2 229	2 416	AAA	2 441	2 279
1 370	1 250	AA-/AA/AA+	1 250	1 370
108	60	A+/A	60	108
79	43	BBB-/BBB/BBB+	43	79
19	5	BBB-/BBB/BBB+	5	19
<b>3 804</b>	<b>3 774</b>	<b>Total</b>	<b>3 799</b>	<b>3 854</b>

## NOTES

### NOTE 2.1.3 - Bad and doubtful loans and guarantees >3 months

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
132	305	Commitments in default for over 3 months	305	132
	-115	Write-downs step 3	-115	
14		Write-downs of commitments in default (2017)		14
<b>118</b>	<b>190</b>	<b>Total net commitments in default</b>	<b>190</b>	<b>118</b>
111	333	Other bad and doubtful commitments not in default	333	111
	-190	Write-downs step 3	-190	
46		- Write-downs of other bad and doubtful commitments not in default (2017)		46
<b>65</b>	<b>143</b>	<b>Total net bad and doubtful commitments not in default</b>	<b>143</b>	<b>65</b>
<b>183</b>	<b>333</b>	<b>Total bad and doubtful loans</b>	<b>333</b>	<b>183</b>
0.9 %	1.6 %	In % of total loans	1.2 %	0.7 %

### NOTE 2.1.3 - Bad and doubtful loans and guarantees >1 months

<i>Group and Parent bank</i>						
2018			2017			
Interval	Personal m	Corporate m.	Total	Personal m	Corporate m.	Total
<b>1-3 months &gt; 1</b>	<b>47</b>	<b>37</b>	<b>84</b>	<b>52</b>	<b>155</b>	<b>207</b>
3-6 months	17	29	46	15	27	42
6-12 months	5	208	213	5	50	55
Over 12 months	20	26	46	18	17	35
<b>Gross doubtful loans &gt; 3 months</b>	<b>42</b>	<b>263</b>	<b>305</b>	<b>38</b>	<b>94</b>	<b>132</b>
<b>Total gross doubtful loans</b>	<b>89</b>	<b>300</b>	<b>389</b>	<b>90</b>	<b>249</b>	<b>339</b>

### NOTE 2.1.4 - Bad and doubtful loans and guarantees that are not written down >0 months

<i>Group and Parent bank</i>		
Interval	31.12.18	31.12.17
<b>1-3 months</b>	<b>82</b>	<b>207</b>
3-6 months	45	35
6-12 months	99	50
Over 12 months	16	23
<b>Total &gt; 3 months</b>	<b>160</b>	<b>108</b>
Overdue receivables that are not written down	242	315

### NOTE 2.2 – Funding risk

The Board of Directors has adopted a strategy for liquidity management that specifies the purpose, management goals and risk tolerance for managing liquidity risk. The main purpose of the strategy is to ensure that the group has sound liquidity management that helps to ensure the group's ability to meet its payment obligations. The liquidity strategy is reviewed annually by the board. Particular emphasis has been placed on liquidity risk and new regulatory requirements for liquidity management in banks, which are implemented gradually in liquidity management. Liquidity risk is reduced by spreading the loans on various markets, sources of funding, instruments and maturities.

The management of the group's liquidity risk uses target requirements for liquidity indicator1, long-term funding ratio, deposit coverage and requirements for liquidity buffer capital, LCR.

The Board of Directors has determined that the share of long-term borrowing as a percentage of total borrowing shall be at least 70 %. As of 31.12.2018, the share of long-term financing was 92.2 %, which is well above the target requirement.

In order to limit the group's liquidity risk, the bank has liquidity reserves in the form of cash, deposits with Norges Bank and other banks, liquidity equity instruments, investments in money market funds, interest-bearing securities, and unutilized drawing rights. Minimum liquidity buffer level requirements have been set for the group's liquidity strategy.



## NOTES

In recent years, the group has gradually increased both the quality and the level of liquidity buffers. The group's total liquidity buffer capital is considered to be satisfactory.

The bulk of the group's liquidity reserves in the form of interest-bearing securities are invested in covered bonds, government and municipal bonds. The total duration of the fixed income portfolio is 2.0 years. The group's total liquidity reserves (cash, bank deposits and interest-bearing securities) amounted to NOK 4.3 billion, or 13.2 % of the group's total assets.

Deposit ratio is an important parameter for monitoring liquidity risk, in the proportion of loans to customers covered by deposits from

customers. The Board has set the minimum deposit coverage, and this requirement was met throughout 2018.

Helgeland Boligkreditt is an important source of funding and provision of mortgages approved for transfer to the bank's residential mortgage has high attention. As at the end of 2018, the Covered Bond was NOK 6.5 (5.5) billion.

Helgeland Sparebank is rated by Moody's. The bank's rating is 'A3' with a 'stable outlook'. Bonds issued by Helgeland Boligkreditt AS are given 'Aaa' ratings by Moody's.

### NOTE 2.2.1 - Funding risk remaining periods until maturity

	<i>Group</i>				
	<b>31.12.18</b>				
	<b>0-3 months</b>	<b>3 - 12 Months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Total Incl inter</b>
Liabilities to credit institutions	0	0	265	0	265
Deposits from and liabilities to costumers	17 251	175	0	0	17 426
Borrowings through the issuance of securities	54	865	10 186	711	11 816
Fundbonds and subordinated loan capital	0	0	0	892	892
Financial derivatives gross settlement (out flow) <sup>1)</sup>	13	34	100	0	147
<b>Total payments</b>	<b>17 318</b>	<b>1 074</b>	<b>10 551</b>	<b>1 603</b>	<b>30 546</b>
Loans to and claims on credit institutions	466	0	0	0	466
Loans to and claims on customers	2 642	46	2 152	25 013	29 853
Certificates, bonds and shares available for sale	297	971	2 414	118	3 800
<b>Total payments</b>	<b>3 405</b>	<b>1 017</b>	<b>4 566</b>	<b>25 131</b>	<b>34 119</b>
1) Financial derivatives gross settlement (in flow)		60	107		167
Loan commitment date 31.12 had no significant value and is therefore not incorporated					

	<i>Group</i>				
	<b>31.12.17</b>				
	<b>0-3 months</b>	<b>3 - 12 Months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Total Incl inter</b>
Liabilities to credit institutions	0	0	270	0	270
Deposits from and liabilities to costumers	16 950	174	0	0	17 124
Borrowings through the issuance of securities	216	872	10 238	0	11 326
Fundbonds and subordinated loan capital	0	0	304	378	682
Financial derivatives gross settlement (out flow) <sup>1)</sup>	11	34	97	0	142
<b>Total payments</b>	<b>17 177</b>	<b>1 080</b>	<b>10 909</b>	<b>378</b>	<b>29 544</b>
Loans to and claims on credit institutions	466	0	0	0	466
Loans to and claims on customers	3 155	991	5 611	18 461	28 218
Certificates, bonds and shares available for sale	873	726	2 264	80	3 943
<b>Total payments</b>	<b>4 494</b>	<b>1 717</b>	<b>7 872</b>	<b>18 541</b>	<b>32 627</b>
1) Financial derivatives gross settlement (in flow)		70	134		204

The bank conducts stress tests for the Group and has limits adopted for risk tolerance.

Loan commitment date 31.12 had no significant value and is therefore not incorporated.

## NOTES

*Parent bank*

**31.12.18**

	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total Incl inter
Liabilities to credit institutions			265		265
Deposits from and liabilities to costumers	17 704	174			17 878
Borrowings through the issuance of securities		620	4 598		5 218
Fundbonds and subordinated loan capital				892	892
Financial derivatives gross settlement (out flow) <sup>1)</sup>	13	34	100		147
<b>Total payments</b>	<b>17 717</b>	<b>828</b>	<b>4 963</b>	<b>892</b>	<b>24 400</b>
Loans to and claims on credit institutions	457		732		1 189
Loans to and claims on customers	2 642	41	1 152	18 434	22 269
Certificates, bonds and shares available for sale	272	971	2 414	118	3 775
<b>Total payments</b>	<b>3 371</b>	<b>1 012</b>	<b>4 298</b>	<b>18 552</b>	<b>27 233</b>
1) Financial derivatives gross settlement (in flow)		60	107		167

*Parent bank*

**31.12.17**

	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total Incl inter
Liabilities to credit institutions	0	0	270	0	270
Deposits from and liabilities to costumers	17 418	174	0	0	17 592
Borrowings through the issuance of securities	196	872	4 479	0	5 675
Fundbonds and subordinated loan capital	0	0	304	378	682
Financial derivatives gross settlement (out flow) <sup>1)</sup>	11	34	97	0	142
<b>Total payments</b>	<b>17 625</b>	<b>1 080</b>	<b>5 150</b>	<b>378</b>	<b>24 233</b>
Loans to and claims on credit institutions	467	0	1 042	0	1 509
Loans to and claims on customers	3 098	820	3 801	13 869	21 588
Certificates, bonds and shares available for sale	823	726	2 264	80	3 893
<b>Total payments</b>	<b>4 388</b>	<b>1 546</b>	<b>7 107</b>	<b>13 949</b>	<b>26 990</b>
1) Financial derivatives gross settlement (in flow)		70	134		204

Unutilised drawing rights facilities:

*Parent bank*

*Group*

31.12.17	31.12.18		31.12.18	31.12.17
		Assets:		
1 999	2 062	Unutilised drawing rights customers	2 536	2 449
505	471	Guarantees	471	505
476	791	Unutilised drawing rights Helgeland Boligkreditt AS		
<b>2 980</b>	<b>3 324</b>	<b>Total unutilised drawing rights</b>	<b>3 007</b>	<b>2 954</b>
		Liabilities:		
300	300	Short-term drawing rights facility 1 year	300	300
<b>300</b>	<b>300</b>	<b>Total</b>	<b>300</b>	<b>300</b>
50	50	Surplus liquidity at Norges Bank	50	50
<b>350</b>	<b>350</b>	<b>Total liabilities included surplus liquidity at Norges Bank</b>	<b>350</b>	<b>350</b>

Guarantee responsibility is stated in note 40.

Match and mismatch between maturity and interest rate on assets and liabilities are very important for risk management. It is unusual for banks to have a perfect match, since business transactions are often of uncertain nature and of many different types. An unmatched position may potentially generate profits,

## NOTES

but may also increase the risk of loss. The maturity of assets and liabilities, and the ability to replace them at an acceptable cost, is an important factor in determining the group's liquidity and its exposure to interest rate changes.

The liquidity requirement to be able to meet claims for settlement related to guarantees and letters of credit is considerably lower than the size of the obligation itself because the group generally does not expect third parties to withdraw liquidity under the guarantee. The total outstanding contractual commitments, whether to increase credits, do not necessarily represent future liquidity requirements, as many of these obligations will lapse or expire without being found.

### NOTE 2.3 - Market risk

Group & Parent bank

The board has adopted a market risk strategy that sets limits and overall targets for the group's market risk tolerance, as well as limits for interest rate, credit spread and share price risk. The strategy is reviewed annually. The group has no active trading portfolios within interest, shares or currency.

#### Interest rate risk

The interest rate risk is managed against the desired level through the interest rate fixing on interest-bearing securities and borrowings (certificates and bonds), and by using interest rate swaps to reduce interest rate risk related to fixed interest rates.

The board has established a framework for the group's total interest rate risk, and the interest rate risk is considered low.

The bank has a relatively conservative strategy for investments in interest-bearing securities, the main purpose of which is to secure satisfactory liquidity reserves for the bank.

#### Share risk

The group has placings in some listed shares and other not listed shares. The bank's positions in those other not listed shares are mainly strategically motivated through investments in shares in subsidiaries, product companies and local investment companies. The market risk connected to these share investments is regarded as moderate.

#### Sensitivity analysis of market risk

Interest-bearing securities - credit spread risk is the risk connected to securities in the interest rate portfolio, the duration of the portfolio and the issuer's credit worthiness. The Group's credit spread risk is calculated as credit risk at the time of spreading with 100 basis points. Shares - there are limits fixed for the Group's collective share risk calculated based on exposure, risk spreading and market liquidity. In calculating risk exposure,

the calculation is based on a general fall in share value of 30%. In addition, there is mark-up for risk spreading and market liquidity. The bank expresses the market risk as risk adjusted capital. Calculated market risk is within fixed limits and total limits for the market risk and is included as capital requirement in the Group's ICAAP. The bank has a large holding in Helgeland Invest AS. The stake will be subject to fluctuations in value depending on the performance of underlying companies. Ownership thereby subjects bank to an owner risk.

The total interest risk is managed against the desired level through an overall assessment of interest-bearing balance sheet items, and using interest rate swaps (3 months).

The board has established a limit of MNOK 20 for total interest rate risk in and outside the balance sheet, measured by the impact on earnings that change in the interest rate level of 2 percentage point will give. Except for a short period, exposure has been within the limits in 2018.

#### Credit spread risk

The bank assumes credit spread risk, primarily through the management of interest-bearing securities in the bank's liquidity portfolio. The portfolio mainly consists of securities issued by Norwegian banks, mortgage companies, municipalities, state and non-financial enterprises. The credit spread risk is within board-approved limits.

#### Foreign exchange risk

The Group only has smaller financial positions and cash flows in foreign currencies in the balance sheet. These items are regarded as not significant. In view of the fact that Helgeland Sparebank is not a foreign exchange bank in its own right, its foreign exchange loans are managed by a foreign exchange bank. Helgeland Sparebank has provided the necessary guarantees in favour of the foreign exchange bank. The table below summarises the Group's foreign exchange risk through guarantee liabilities relating to foreign currency loans managed by the foreign exchange bank in question as at 31.12.

### NOTE 2.3.1 - Guarantee liabilities relating to foreign exchange loans

<i>Parent bank</i>			<i>Group</i>	
31.12.18			31.12.18	
Loan amounts in foreign currencies	Guarantee liabilities in NOK		Loan amounts in foreign currencies	Guarantee liabilities in NOK
5	48 Sveitsiske franc		5	48
44	43 SEK		44	43
0	91	Total guarantee liabilities to foreign exchange loans	0	91

The bank has a small portfolio of guaranteed FX loans, the equivalent value in NOK constituted per 31.12.18 MNOK 91. The portfolio is distributed over a range of customers where there is collateral in real estate and/or deposits. The credit risk in this portfolio is considered as low.

## NOTES

### Guarantee liabilities relating to foreign exchange loans

<i>Parent bank</i>				<i>Group</i>	
31.12.17				31.12.17	
Loan amounts in foreign currencies	Guarantee liabilities in NOK		Loan amounts in foreign currencies	Guarantee liabilities in NOK	
5	46 Sveitsiske franc		5	46	
0	NOK		0	0	
44	44 SEK		44	44	
<b>90 Total guarantee liabilities to foreign exchange loans</b>				<b>90</b>	

### NOTE 2.3.2 - Interest rate risk –remaining periods until next interest rate re-fixing

							<i>Group</i>
							31.12.18
	Up to 1	1-3 months	3 months - 1 year	1-5 years	Over 5 years	No int rate change	Total
<b>ASSETS</b>							
Cash and claims on central banks	82	0	0	0	0	0	82
Loans to and claims on credit inst with no a/maturity	461	0	0	0	0	0	461
Loans to and claims on credit inst with a/maturity	0	0	0	0	0	0	0
Net loans to and claims on customers	0	26 408	0	1 206	0	0	27 614
Bonds and certificates	801	2 475	523	0	0	0	3 799
Other non-int -bearing assets (including swaps)	0		0	0	0	1,013	1 013
<b>Total assets</b>	<b>1 344</b>	<b>28 883</b>	<b>523</b>	<b>1 206</b>	<b>0</b>	<b>1,013</b>	<b>32 969</b>
<b>LIABILITIES AND EQ. CAP</b>							
Liabilities to credit inst. with no agreed maturity	0	2	0	0	0	0	2
Liabilities to credit inst. with agreed maturity	0	250	0	0	0	0	250
Deposits from and liabilities to cust no agreed mat.	0	15 871	0	0	0	0	15 871
Deposits from and liabilities to customers with agreed mat.	0	1 091	286	0	0	0	1 377
Borrowings through the issuance of securities	1 901	8 288	1 817	0	0	0	12 007
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	140	140
<b>Total liabilities</b>	<b>1 901</b>	<b>25 502</b>	<b>2 104</b>	<b>0</b>	<b>0</b>	<b>140</b>	<b>29 647</b>
<b>Net int rate sensitivity gap</b>	<b>-557</b>	<b>3.381</b>	<b>-1 581</b>	<b>1 206</b>	<b>0</b>	<b>873</b>	<b>3 322</b>

#### Cash flow and market value of interest rate risk

Cash flow interest rate risk is defined as the risk of future cash flows relating to the individual financial asset- and liabilities items involved fluctuating due to changes in market interest rates. Market value of the interest rate risk is defined as the risk of the value of a financial asset- or liabilities item fluctuating due to changes in the market interest rates. Both in the case of cash flow and market value of the interest rate risk the Bank is exposed to the effects of fluctuations in the currently applicable level of market interest rates. Unexpected changes in the level of market interest rates can trigger increases in interest margins, but they can also be reduced or such changes can result in loss. The Board of Directors has fixed a limit for the total interest rate exposure the Bank may take on. The Bank manages and guides the interest rate risk towards the desired level through the interest rate fixing of placements and funding loans, coupled with the use of interest rate swaps.

## NOTES

							<i>Group</i>
							<b>31.12.17</b>
	Up to 1	1-3 Months	3 months - 1 year	1-5 years	Over 5 years	No int rate change	Total
<b>ASSETS</b>							
Cash and claims on central banks	87	0	0	0	0	0	87
Loans to and claims on credit inst with no a/maturity	464	0	0	0	0	0	464
Loans to and claims on credit inst with a/maturity	0	0	0	0	0	0	0
Net loans to and claims on customers	0	25 515	0	938	0	0	26 453
Bonds and certificates	861	2 611	381	0	0	0	3 853
Other non-int -bearing assets (including swaps)	0		0	0	0	993	993
<b>Total assets</b>	<b>1 412</b>	<b>28 126</b>	<b>381</b>	<b>938</b>	<b>0</b>	<b>993</b>	<b>31 850</b>
<b>LIABILITIES AND EQ. CAP</b>							
Liabilities to credit inst. with no agreed maturity	0	2	0	0	0	0	2
Liabilities to credit inst. with agreed maturity	0	250	0	0	0	0	250
Deposits from and liabilities to cust no agreed mat.	0	15 719	0	0	0	0	15 719
Deposits from and liabilities to customers with agreed mat.	0	1 054	199	0	0	0	1 253
Borrowings through the issuance of securities	1 105	7 887	2 159	0	0	0	11 151
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	188	188
<b>Total liabilities</b>	<b>1 105</b>	<b>24 912</b>	<b>2 358</b>	<b>0</b>	<b>0</b>	<b>188</b>	<b>28 563</b>
<b>Net int rate sensitivity gap</b>	<b>307</b>	<b>3 214</b>	<b>-1 977</b>	<b>938</b>	<b>0</b>	<b>805</b>	<b>3 287</b>

							<i>Parent bank</i>
							<b>31.12.18</b>
	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	No interest rate change	Total
<b>ASSETS</b>							
Cash and claims on central banks	82	0	0	0	0	0	82
Loans to and claims on credit inst with no maturity	1 163	0	0	0	0	0	1 163
Loans to and claims on credit inst with maturity	0	7	0	0	0	0	7
Net loans to and claims on customers	0	19 081	0	1 208	0	0	20 289
Bonds and certificates	801	2 450	523	0	0	0	3 774
Other non-int -bearing assets (including swaps)	0	0	0	0	0	1 539	1 539
<b>Total assets</b>	<b>2 046</b>	<b>21 538</b>	<b>523</b>	<b>1 208</b>	<b>0</b>	<b>1 539</b>	<b>26 854</b>
<b>LIABILITIES AND EQ. CAP.</b>							
Liabilities to credit inst .with no agreed maturity	0	0	0	0	0	0	0
Liabilities to credit inst. with agreed maturity	0	250	0	0	0	0	250
Deposits from and liabilities to cust no agreed mat.	0	16 323	0	0	0	0	16 323
Deposits from and liabilities to cust with agreed mat.	0	1 109	286	0	0	0	1 395
Borrowings through the issuance of securities	900	2 792	1 817	0	0	0	5 509
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	126	126
<b>Total liabilities</b>	<b>900</b>	<b>20 474</b>	<b>2 103</b>	<b>0</b>	<b>0</b>	<b>126</b>	<b>23 603</b>
<b>Net interest rate sensitivity gap</b>	<b>1 146</b>	<b>1 064</b>	<b>-1 580</b>	<b>1 208</b>	<b>0</b>	<b>1 413</b>	<b>3 251</b>

## NOTES

							<i>Parent bank</i>
							<b>31.12.17</b>
	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	No interest rate change	Total
<b>ASSETS</b>							
Cash and claims on central banks	87	0	0	0	0	0	87
Loans to and claims on credit inst with no maturity	1 488	0	0	0	0	0	1 488
Loans to and claims on credit inst with maturity	0	0	0	0	0	0	0
Net loans to and claims on customers	0	18 922	0	938	0	0	19 860
Bonds and certificates	861	2 562	381	0	0	0	3 804
Other non-int -bearing assets (including swaps)	0	0	0	0	0	1 510	1 510
<b>Total assets</b>	<b>2 436</b>	<b>21 484</b>	<b>381</b>	<b>938</b>	<b>0</b>	<b>1 510</b>	<b>26 749</b>
<b>LIABILITIES AND EQ . CAP.</b>							
Liabilities to credit inst .with no agreed maturity	0	0	0	0	0	0	0
Liabilities to credit inst. with agreed maturity	0	250	0	0	0	0	250
Deposits from and liabilities to cust no agreed mat.	0	16 169	0	0	0	0	16 169
Deposits from and liabilities to cust with agreed mat.	0	1 054	199	0	0	0	1 253
Borrowings through the issuance of securities	195	3 320	2 159	0	0	0	5 675
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	0	176
<b>Total liabilities</b>	<b>195</b>	<b>20 793</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>176</b>	<b>23 523</b>
<b>Net interest rate sensitivity gap</b>	<b>2 241</b>	<b>691</b>	<b>-1 977</b>	<b>938</b>	<b>0</b>	<b>1 334</b>	<b>3 226</b>

### NOTE 3 - Sensitivity analysis for change in market prices

			<i>Group</i>
			<b>31.12.18</b>
	Effect on profit	Effect on equity	
Interest +/- 2%	9.9	0.05 %	
<b>Total liabilities</b>	<b>9.9</b>	<b>0.05 %</b>	

The Group's total interest-rate risk consists of all positions in interest-bearing financial instruments, as well as interest-rate risk relating to the bank portfolio. The Group's interest-rate risk at 31.12.18 was NOK -13.1 (-12.1) million within the specified limits. The limit on the Group's aggregate interest-rate risk on interest-rate instruments shall not exceed NOK 20 million.

The Group's total interest-rate risk will consist of: interest rate exposure (2 per cent parallel shift in the interest rate curve). The effect on equity is net profit.

			<i>Group</i>
			<b>31.12.17</b>
	Effect on profit	Effect on equity	
Interest +/- 2%	9.1	0.06 %	
<b>Total liabilities</b>	<b>9.1</b>	<b>0.06 %</b>	



## NOTES

### NOTE 4 - Segment information

Parent bank

Group

31.12.18

31.12.18

Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
201	273	16	490	Net interest and credit com. income	291	275	0	566
28	12	50	90	Net commission income	28	12	50	90
0	0	112	112	Other operating income	0	0	65	65
66	36	177	279	Operating costs	69	36	182	287
-1	250	0	249	Losses on loans guaranteed	-1	250	0	249
<b>164</b>	<b>-1</b>	<b>1</b>	<b>164</b>	<b>Result before tax</b>	<b>251</b>	<b>1</b>	<b>-67</b>	<b>185</b>
11 405	9 264	0	20 669	Loans to and claims on customers	18 649	9 346	0	27 995
-18	-362	0	-380	Write-downs	-18	-363	0	-381
0	0	6 565	6 565	Other assets	0	0	5 355	5 355
<b>11 387</b>	<b>8 902</b>	<b>6 565</b>	<b>26 854</b>	<b>Total assets per segment</b>	<b>18 631</b>	<b>8 983</b>	<b>5 355</b>	<b>32 969</b>
9 867	7 851		17 718	Dep. from customers and liab. to cust.	9 867	7 381	0	17 248
	5		5	Write-downs	0	5	0	5
		9 131	9 131	Other liabilities and equity	0	0	15 716	15 716
<b>9 867</b>	<b>7 856</b>	<b>9 131</b>	<b>26 854</b>	<b>Total liabilities and equity per segm.</b>	<b>9 867</b>	<b>7 386</b>	<b>15 716</b>	<b>32 969</b>

Parent bank

Group

31.12.17

31.12.17

Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
219	259	14	492	Net interest and credit com. income	316	262	-14	564
26	12	48	86	Net commission income	26	12	48	86
0	0	71	71	Other operating income	0	0	38	38
81	44	143	268	Operating costs	87	44	143	274
6	59	0	65	Losses on loans guaranteed	7	59	0	66
<b>158</b>	<b>168</b>	<b>-10</b>	<b>316</b>	<b>Result before tax</b>	<b>248</b>	<b>171</b>	<b>-71</b>	<b>348</b>
11 161	8 851	0	20 012	Loans to and claims on customers	17 660	8 951	0	26 611
-8	-53	0	-61	Individual write-downs	-8	-53	0	-61
-13	-78	0	-91	Collective write-downs on loans	-19	-78	0	-97
0	0	6 889	6 889	Other assets	0	0	5 397	5 397
<b>11 140</b>	<b>8 720</b>	<b>6 889</b>	<b>26 749</b>	<b>Total assets per segment</b>	<b>17 633</b>	<b>8 820</b>	<b>5 397</b>	<b>31 850</b>
9 456	7 966	0	17 422	Dep. from customers and liab. to cust.	9 456	7 516	0	16 972
0	0	9 327	9 327	Other liabilities and equity	0	0	14 878	14 878
<b>9 456</b>	<b>7 966</b>	<b>9 327</b>	<b>26 749</b>	<b>Total liabilities and equity per segm.</b>	<b>9 456</b>	<b>7 516</b>	<b>14 878</b>	<b>31 850</b>

The Group has defined its geographical segment as a main area of Norway – Helgeland. The Group's exposure to credit risk is mainly concentrated on this area. The Group only has smaller exposure to credit risk in areas other than its geographically defined main area. Helgeland is the home region of the Parent bank which is the Group's operating company.

The Group has also divided the banking operation into two segments, divided on the retail market and the corporate market. Income and costs that are not directly applicable to these segments appears undivided.

## NOTES

### NOTE 5 - Net interest- and credit commission income

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
		Interest from financial instruments at amortized cost		
23	23	Interest from credit institutions	9	9
395	404	Interest receivable on loans	868	837
<b>418</b>	<b>427</b>	<b>Total interest from financial instruments at amortized cost</b>	<b>877</b>	<b>8476</b>
		Interest from financial instruments valued to fair value over net profit		
29	25	Interest receivable on loans (fair value loans)	25	25
54	55	Interest form bearer bonds and certificates	55	56
<b>83</b>	<b>80</b>	<b>Total interest from financial instruments valued to fair value over net profit</b>	<b>80</b>	<b>81</b>
		Interest from financial instruments valued to fair value OCI		
276	281	Interest receivable on loans (loans who can transf. to the bank's mortgage)	0	0
<b>276</b>	<b>281</b>	<b>Total interest from financial instruments valued to fair value OCI</b>	<b>0</b>	<b>0</b>
<b>777</b>	<b>781</b>	<b>Total interest income</b>	<b>957</b>	<b>927</b>
		<b>Interest payable and similar cost:</b>		
163	178	Deposits from customer at amortized cost:	178	163
2	3	Deposits from customer at fair value	3	2
5	5	Interest payable on deposits and loans from credit institutions	5	5
61	55	Securities debt at amortized cost	148	138
42	45	Securities debt at fair value	45	42
12	12	Hedge fund fee	12	12
<b>285</b>	<b>298</b>	<b>Total interest payable and similar costs</b>	<b>391</b>	<b>362</b>

### NOTE 5.1 – Interest rate on some balance posts (average interest rate in %)

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
		<b>Assets</b>		
1.4 %	1.5 %	Loans to and claims on credit institutions	1.3 %	1.2 %
3.7 %	3.6 %	Loans to and claims on customers	3.3 %	3.4 %
1.8 %	1.5 %	Certificates and bonds	1.5 %	1.8 %
		<b>Liabilities</b>		
1.7 %	1.8 %	Liabilities to credit institutions	1.9 %	1.8 %
1.0 %	1.0 %	Deposits from customers and liabilities to costumers	1.0 %	1.0 %
1.9 %	1.8 %	Borrowings through the issuance of securities	1.6 %	1.7 %

## NOTES

### NOTE 5.2 – Volume of certain balance sheet items (average volume)

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
<b>Assets</b>				
1 560	1 550	Loans to and claims on credit institutions	463	487
19 366	20 229	Loans to and claims on customers	27 467	25 976
3 660	3 640	Certificates and bonds	3 679	3 710
<b>Liabilities</b>				
259	275	Liabilities to credit institutions	253	252
17 009	17 446	Deposits from customers	17 072	16 573
5 080	5 282	Borrowings through the issuance of securities	11 809	10 633

### NOTE 6 - Commissions and income from banking services

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
8	8	Guarantee commission *)	8	8
59	60	Fees relating to payments transmission services	60	59
30	32	Fees Insurance (General, Life, saving and pension)	32	30
0	0	Other fees	0	0
<b>97</b>	<b>100</b>	<b>Total commissions and income from banking services</b>	<b>100</b>	<b>97</b>

\*) Guarantee commission provided to customers in connection with completion of construction contracts.

### NOTE 7 - Commissions payable and costs relating to banking services

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
9	10	Payments transmission services	10	9
1	0	Fees - customers' use of payment terminals	0	1
1	0	Other fees	0	1
<b>11</b>	<b>10</b>	<b>Total commissions payable and costs relating to banking services</b>	<b>10</b>	<b>11</b>
<b>86</b>	<b>90</b>	<b>Net commission income</b>	<b>90</b>	<b>86</b>

### NOTE 8 – Gains/losses on financial instruments

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
0	-9	Unrealised fall in value of interest-bearing securities, available for sale	-9	0
1	1	Realised gain on interest-bearing securities, available for sale	1	1
-4	-1	Realised loss on interest-bearing securities, available for sale	-1	-4
-3	-6	Unrealised fall in value of shares, available for sale	-2	0
0	0	Realised gain on shares, available for sale	0	0
0	0	Realised loss on shares, available for sale	0	0
44	56	Dividends on shares	6	10
31	50	Share of earnings in associates from Helgeland Invest AS	50	31
0	0	Share of earnings in associates from REDE Eiendomsmegling	0	0
-2	5	Unrealised change in value, fixed interest loans at fair value and swaps	5	-2
-3	-2	Unrealised change in value, hedging instruments	-2	-3
<b>64</b>	<b>94</b>	<b>Total net gain/loss on financial instruments</b>	<b>48</b>	<b>33</b>

## NOTES

### NOTE 9 - Other operating income

Parent bank			Group	
2017	2018		2018	2017
0	0	Operating income from real estate	6	5
8	8	Other operating income (among others administration fee mortgage company)	0	0
	10	Income sale property and movables	10	
<b>8</b>	<b>18</b>	<b>Total other operating income</b>	<b>16</b>	<b>5</b>

### NOTE 10 - Total operating costs

Parent bank			Group	
2017	2018		2018	2017
134	134	Wages salaries and social costs	141	137
52	58	IT-Cost	58	48
12	13	Marketing expenses	13	12
11	12	Depreciation	12	18
6	4	Operating cost real estate	4	6
19	30	Purchased services	30	19
35	28	Other operating costs (note 14)	28	35
<b>269</b>	<b>279</b>	<b>Total operating costs</b>	<b>286</b>	<b>275</b>

### NOTE 11 - Wages salaries and social costs

Parent bank			Group	
2017	2018		2018	2017
95	95	Wages salaries and fees	97	95
20	22	Employers' social security contributions	22	20
16	14	Pension costs relating to benefit plans (note 12)	14	16
3	3	Other personnel costs	8	6
<b>134</b>	<b>134</b>	<b>Total wages salaries and social costs</b>	<b>141</b>	<b>137</b>
148	150	Number of employees measured in man-years as at 31.12	150	148
150	149	Average number of employees of man-years worked as at 31.12	149	150

### NOTE 12 - Pension costs and pension liabilities

Helgeland Sparebank is required to have an occupational pension scheme and the bank fulfils the applicable requirements set out in the relevant legislation. None of the subsidiaries have pension schemes or employees. The pension schemes include:

#### Benefit-based scheme invested in a life insurance company

All bank employees (acc. pension legislation who could be transferred from defined benefit pension plan) were transferred to a defined contribution pension with effect from 01.03.16.

Those who remain in the defined benefit plan are members who, under the applicable rules cannot be transferred

The scheme covers 0 (0) employees, as well as 15 (15) people who receive an ongoing pension from the scheme. The pension scheme entitles employees to future pension disbursements of 66% of their salary upon retirement, subject to a maximum of 12 National Insurance basic amounts (G).

#### Defined contribution-based scheme

Starting at 3.1.16, all employees (which could be transferred) was transferred to a defined contribution scheme. The grant in the scheme is 7% of salary between 0-7,1G and 25.1% of salary between 7.1G and 12G. The pension scheme also covers inability.

## NOTES

The pension contribution scheme now includes 154(153) active and 6(3) people no longer able to work.

### Contractual pension

The bank and finance industry have entered into an agreement concerning a contractual pension (AFP). There are no persons left in this agreement.

### Senior management scheme

Refer to note 28.4

#### NOTE 12.1 – Obligation and expenses concerning pension schemes

<i>Parent bank</i>				<i>Group</i>	
31.12.18				31.12.18	
Expense	Obligation			Obligation	Expense
1	22	Benefit-based scheme		22	1
11	0	Defined contribution scheme		0	11
2	0	Contractual pension		0	2
<b>14</b>	<b>22</b>	<b>Total lending to elected representatives and employees Total</b>		<b>22</b>	<b>14</b>

<i>Parent bank</i>				<i>Group</i>	
31.12.17				31.12.17	
Expense	Obligation			Obligation	Expense
3	26	Benefit-based scheme		26	3
11	0	Defined contribution scheme		0	11
2	0	Contractual pension		0	2
<b>16</b>	<b>26</b>	<b>Total lending to elected representatives and employees Total</b>		<b>26</b>	<b>16</b>

#### NOTE 12.2 – Economic assumptions and effects of changes

Through the defined benefit-based pension plans, the company is exposed to the following risks:

##### Investment volatility

Pension obligations are calculated using a discount interest rate determined on the basis of bond interest rates. If investment of the pension schemes' funds produces a lower return than the bond rate, a deficit is created.

##### Change in the bond interest rate

A reduction in bond interest rates will increase the obligations in the pension schemes. This will partly be offset by an increase in the return on bond investments.

##### Life expectancy

The payment obligation applies to the remaining lifetime of the scheme's members. An increase in life expectancy will lead to an increase in the obligation relating to the scheme. This is particularly important in the case of the Norwegian scheme, where inflation adjustment results in greater sensitivity to changes in life expectancy.

### Invested pension funds

In the case of schemes organised through pension insurance companies, the company ensures that the pension investments are managed within an "Asset Liability Matching (ALM) framework", which has been developed to ensure that long-term investments are coincident with the obligations in the pension schemes. Within the ALM framework, the company's aim is to match long-term investments with the obligations, as they mature in the respective currencies. The company actively monitors how terms and the anticipated returns match pension payments as they mature. The company has not altered its routines linked to the monitoring of risk from previous periods. The investments are well-diversified, so that losses in an individual investment will not have a significant effect on the schemes' total pension funds.

<i>Parent bank and Group</i>		
Investment of funds, %	31.12.18	31.12.17
Shares	12.7 %	10.9 %
Bonds	32.9 %	27.2 %
Money market, etc.	6.9 %	14.0 %
Property	9.9 %	10.0 %

## NOTES

The value-adjusted return as of 31.12.18 was 1.8 (5.0) %.

The sensitivity in the calculations of pension costs and the pension obligation in the event of a change in a weighted assumption is as follows:

31.12.18			
Pension expenses	Discount interest rate	Pay increase	Adjustment of accrued National Ins. pension
Basic assumptions	2.60 %	2.75 %	2.50 %
<b>Pension expense (gross) with the basic assumptions</b>	0.0 %	0.0 %	0,0 %
Increase by 1 percentage point (e.g. discount rate from 4.1% to	13.5 %	0.0 %	0.0 %
Reduction by 1 percentage point	-23.8 %	0.0 %	0.0 %
(not for pension adjustment; reduced to 0%)			

Only disability pensioners are left in the scheme, and thus the change in salary and G will not affect the change in the obligation.

The sensitivity analysis above is based on a change in one of the assumptions, given that all other assumptions are kept constant. In practice, this will hardly happen, and changes in some of the assumptions may coincide. The sensitivity calculation is performed using the same method as the actuarial calculation for calculating the pension obligation in the balance sheet.

31.12.18			
Gross pension obligation (PBO, NOK million)	Discount interest rate	Pay increase	Adjustment of accrued National Ins. pension
Basic assumptions	2.60 %	2.75 %	2.50 %
<b>PBO with the basic assumptions</b>	0.0 %	0.0 %	0.0 %
Increase by 1 percentage point	13.5 %	0.0 %	0.0 %
Reduction by 1 percentage point	-23.8 %	0.0 %	0.0 %
(not for pension adjustment; reduced to 0%)			

31.12.17			
Pension expenses	Discount interest rate	Pay increase	Adjustment of accrued National Ins. pension
Basic assumptions	2.40 %	2.50 %	2.25 %
Pension expense (gross) with the basic assumptions	0,0 %	0.0 %	0.0 %
Increase by 1 percentage point	14.7 %	0.0 %	0.0 %
Reduction by 1 percentage point	-26.8 %	0.0 %	0.0 %
(not for pension adjustment; reduced to 0%)			

*Parent bank and Group*

31.12.17			
Gross pension obligation (PBO, NOK million)	Discount interest rate	Pay increase	Adjustment of accrued National Ins. pension
Basic assumptions	2.40 %	2.50 %	2.25 %
PBO with the basic assumptions	0.0 %	0.0 %	0.0 %
Increase by 1 percentage point	-19.3 %	0.0 %	0.0 %
Reduction by 1 percentage point	25.4 %	0.0 %	0.0 %
(not for pension adjustment; reduced to 0%)			



## NOTES

### NOTE 12.3 – Economic assumptions

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
2.40 %	2.60 %	Discount rate of interest	2.60 %	2.40 %
2.40 %	2.60 %	Expected return on plan assets	2.60 %	2.40 %
2.50 %	2.75 %	Wage- and salary adjustment	2.75 %	2.50 %
2.25 %	2.50 %	Adjustment of current pension	2.50 %	2.25 %
2.25 %	2.50 %	Increase of base amount	2.50 %	2.25 %
14.10 %	14.10 %	Employer's social security contributions – rate	14.10 %	14.10 %
50.00 %	50.00 %	Staff's propensity to opt for SERP	50.00 %	50.00 %
1.20 %	1.20 %	Yearly per cent retirement for working	1.20 %	1.20 %
25 years	25 år	From age	25 år	25 years
40 years	40 år	To age	40 år	40 years

The following financial assumptions have been used as a basis when calculating the pension liabilities

In accordance with IAS 19R, the discount interest rate for pension obligations will be set to the interest rate on corporate bonds with high creditworthiness, or to the government bond interest rate if there is no deep market for corporate bonds with high creditworthiness. The Norwegian market for covered bonds is considered to be such that it can be used as a basis in the calculation of the discount interest rate.

### NOTE 12.4 – Balance sheet pension liabilities

Parent bank					Group					
31.1220	31.1220	31.1220	31.1220	31.1220		31.122	31.122	31.122	31.122	31.1220
14	15	16	17	18		018	017	016	015	14
Change in defined benefit obligation (DBO)										
203	268	273	39	30	DBO at the beginning of year	30	39	273	268	203
9	9	2	1	0	Service cost	0	1	2	9	9
8	6	2	0	1	Net interest expenses / (income)	1	0	2	6	8
0	0	0	1	0	Takeover/acquisition (AFP)	0	1	0	0	0
57	-8	-231	-6	0	Reassessments	0	-6	-231	-8	57
-9	-6	-7	-1	-1	Benefits paid	-1	-1	-7	-6	-9
268	269	39	34	31	DBO at the end of the year	31	34	39	269	268
Change in plan assets										
153	165	177	17	11	Plan assets at the beginning of the year	11	17	177	165	153
6	4	1	0	0	Interest income on plan assets	0	0	1	4	6
0	1	-161	-6	0	Reassessments	0	-6	-161	1	0
-2	-2	1	1	0	Administration expenses	0	1	1	-2	-2
13	16	6	0	0	Contributions	0	0	6	16	13
-5	-6	-7	-1	0	Benefit paid	0	-1	-7	-6	-5
165	178	17	11	11	Plan assets at the end of the year	11	11	17	178	165
Reconciliation the balance sheet pension liabilities										
268	269	39	34	31	Benefit obligation (DBO)	31	34	39	269	268
165	178	17	11	12	Plan assets	12	11	17	178	165
-103	-91	-22	-23	-19	Net defined benefit obligation (asset)	-19	-23	-22	-91	-103
-4	-13	-2	-3	-3	Employer's contributions of net pension obligation	-3	-3	-2	-13	-4
-107	-104	-24	-26	-22	Net defined benefit obligation (asset)	-22	-26	-24	-104	-107
0	0	0	0	0	Effect of reassessments	0	0	0	0	0
0	0	0	0	0	Reassessments deviation, employer's contributions	0	0	0	0	0
-107	-104	-24	-26	-22	Balance sheet provision at the end of the year	-22	-26	-24	-104	-107

## NOTES

### NOTE 12.5 – Estimate deviations, benefit-based scheme

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
0	0	+ Actuarial loss/(gain) on DBO from demographic assumptions	0	0
0	-1	+ Actuarial loss/(gain) on DBO from economic assumptions	-1	0
1	0	+ Actuarial loss/(gain) on DBO due to change from K2005 to K2013	0	1
0	0	- Gain/(loss) on pension funds during the year	0	0
0	0	- Return on pension funds excluding interest income	0	0
0	0	+ Administrative costs linked to planning of assets	0	0
-1	-1	- Estimate deviation incorporated into OCI	-1	-1
<b>0</b>	<b>0</b>	<b>Estimate deviation at year-end</b>	<b>0</b>	<b>0</b>

### NOTE 13 - Net pension expense, benefit-based scheme, contribution-based scheme and contractual pension

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
17	13	Present value of the year's pension accrual	13	17
0	0	- early pension accrual	0	0
17	13	= pension accrual	13	17
-1	0	Interest expense of accrued pension obligations	0	-1
0	0	Anticipated return on pension funds	0	0
0	0	Administration expenses	0	0
0	1	Employer's contributions	1	0
<b>16</b>	<b>14</b>	<b>Net pension expense</b>	<b>14</b>	<b>16</b>

### NOTE 14 - Other administration costs

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
11	13	Rental	13	11
5	1	Value Transportation	1	5
5	4	Travel expenses	4	5
1	2	Fee external auditor,(note 15)	2	1
13	8	Other operation costs	8	13
<b>35</b>	<b>28</b>	<b>Total other administration costs</b>	<b>28</b>	<b>35</b>

#### IFRS 16 Leases

The standard presupposes that there is no longer a distinction between operational and financial leasing, because both types of agreements transfer the right of use to a specific asset from the lessor to the lessee for a specific period. For the lessor, the regulations from IAS 18 are mainly continued. The standard applies as of January 1<sup>st</sup> 2019. The standard has the effect that leases (mainly office premises) are included in the balance sheet. Use rights and obligations for the parent bank are calculated at MNOK 46 and for the group MNOK 19.

### NOTE 15 - Auditor's fees

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
1.2	0.5	Statutory audit	0.6	1.4
0	1.4	Other services, attestation and assistance totalled, assistance project	1.5	0.1
<b>1.2</b>	<b>1.9</b>	<b>Total audit</b>	<b>2.1</b>	<b>1.5</b>

PricewaterhouseCoopers AS is Helgeland Sparebank's appointed auditor

## NOTES

### NOTE 16 - Losses on loans guarantees etc.

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
	-2	Period's change in write-downs step 1	-2	
	8	Period's change in write-downs step 2	8	
	229	Period's change in write-downs step 3	229	
	16	+ Periodes confirmed loss	16	
31		+/- Period's change in individual write-downs		31
9		+ Period's change in collective write down		10
3		+ Period's conf. Loss ag. which individual write-downs were made in prev. years		3
26		+ Period's conf. loss against which no ind. Write-downs made in previous year		26
-4	-2	- Period's recoveries from previous periods' confirmed losses	-2	-4
<b>65</b>	<b>249</b>	<b>Total losses on loans, guarantees etc.</b>	<b>249</b>	<b>66</b>

### NOTE 17 - Tax cost

<i>Parent bank</i>			<i>Group</i>	
2017	2018		2018	2017
<b>Tax for the year:</b>				
58	15	Tax payable	30	73
1	5	Change in deferred tax adjusted direct against the equity capital	6	1
1	0	Change in deferred tax (Note 29)	0	1
<b>60</b>	<b>20</b>	<b>Tax cost for the year</b>	<b>36</b>	<b>75</b>
<b>Breakdown between accounts-related result before tax and the year's income liable to tax:</b>				
316	164	Accounts-related gross profit	185	348
-84	-117	Permanent differences	-117	-84
0	0	Use of previous losses carried forward	0	0
4	1	Change in temporary differences (Note 29)	1	4
<b>236</b>	<b>48</b>	<b>Income subject to tax</b>	<b>69</b>	<b>268</b>
<b>Reconciliation tax</b>				
316	164	Accounts-related gross profit	185	348
79	41	Tax calculated at the entity's weighted average tax	46	87
Tax effect of:				
-29	-26	Tax-free income	-16	-22
10	6	Not deductible expenses	6	10
<b>60</b>	<b>20</b>	<b>Taxes in the income statement</b>	<b>36</b>	<b>75</b>

### NOTE 18 - Ordinary result per EC'S

<i>Parent Bank</i>			<i>Group</i>	
2017	2018		2018	2017
256	144	Result from ordinary operations after tax	149	273
-14	-12	Interest hybrid capital	-12	-14
242	132	Result( eks. interest hybrid capital)	137	259
76.5	76.3	EC-holders' percentage share of the result 01.01	76.3	76.5
185	101	EC-holders' share of the result	105	198
<b>8.9</b>	<b>4.8</b>	<b>Result per EC's</b>	<b>5.0</b>	<b>9.5</b>
8.9	4.8	<b>Diluted result per EC's</b>	5.0	9.5

## NOTES

### NOTE 19 –Cash and claims on central banks

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
37	32	Cash reserve	32	37
50	50	Deposits at Norges Bank in excess of liquidity reserve requirements	50	50
<b>87</b>	<b>82</b>	<b>Total cash and claims on central banks</b>	<b>82</b>	<b>87</b>

### NOTE 20 - Loans to and claims on credit institutions

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
460	461	Loans to and claims on credit institutions*)	461	464
1 028	709	Settlement Helgeland Boligkreditt AS **)	0	0
<b>1 488</b>	<b>1 170</b>	<b>Total loans to and claims on credit institutions</b>	<b>461</b>	<b>464</b>

\*) Loans to and claims on credit institutions are in their entirety subject to floating rates of interest.

\*\*) Helgeland Boligkreditt AS is a wholly owned subsidiary of Helgeland Sparebank

### NOTE 21 –Loans to and claims on customers

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
<b>Gross loans</b>				
1 157	1 234	Overdraft- and working capital facilities	1 234	1 157
1 352	1 429	Flexible loans	2 270	2 288
321	272	Building loans	272	321
16 210	5 911	Instalment loans	22 973	21 873
934	1 206	Loans to and receivables from customers, fair value:	1 206	934
	10 579	Loans to fair value		
19 974	20 631	Gross loans to customers	27 955	26 573
-91	-81	Step 1 and step 2/ (collective write down)	-80	
-61	-299	Step 3 /(individual write-downs)	-299	-61
-4	-2	Accrued interest and adjustment to fair value	-2	-4
19 818	20 249	Loans to and receivables from customers after write-downs	27 574	26 411
42	40	Accrued interest	40	42
<b>19 860</b>	<b>20 289</b>	<b>Net loans to and receivables from customers</b>	<b>27 614</b>	<b>26 453</b>

#### Information about security and collateral

The Bank uses security to reduce risk depending on the market and the type of transaction. Security can, for example, take the form of physical security or collateral, guarantees, deposits or set-off agreements. Physical security or collateral shall as a main rule be insured and can, for example, be residential properties, buildings or stocks of goods. Determining the value of collateral with regard to commercial property is based on a going concern assumption. Account is taken of factors that can affect the value of the collateral, write-downs or easements. Hedging objects in the private market mainly consist of property.

## NOTES

### NOTE 21.1 - Geographical exposure within the loan portfolio was as follows

<i>Parent bank</i>			<i>Group</i>	
<b>31.12.18</b>	<b>%</b>		<b>%</b>	<b>31.12.18</b>
377	84.1	Helgeland	23 093	82.5
3 270	15.8	Areas other than Helgeland	4 861	17.4
22	0.1	International	41	0.1
<b>20 669</b>	<b>100</b>	<b>Total</b>	<b>27 995</b>	<b>100</b>

### Geographical exposure within the loan portfolio was as follows

<i>Parent bank</i>			<i>Group</i>	
<b>31.12.17</b>	<b>%</b>		<b>%</b>	<b>31.12.17</b>
17 148	85.7 %	Helgeland	22 310	83.8 %
2 846	14.2 %	Areas other than Helgeland	4 273	16.1 %
18	0.1 %	International	28	0.1 %
<b>20 012</b>	<b>100 %</b>	<b>Total</b>	<b>26 611</b>	<b>100 %</b>

### NOTE 21.2 - Breakdown of loans between retail banking- and corporate markets

<i>Parent bank</i>				<i>Group</i>	
<b>31.12.18</b>				<b>31.12.18</b>	
<b>Retail banking</b>	<b>Corporate m.</b>		<b>Retail banking</b>	<b>Corporate m.</b>	
19	1 245	Overdraft- and working capital facilities	19	1 245	
1 399	31	Flexible loans	2 241	31	
83	188	Building loans	83	188	
9 904	7 800	Mortgage loans	16 306	7 882	
<b>11 405</b>	<b>9 264</b>	<b>Gross loans to customers</b>	<b>18 649</b>	<b>9 346</b>	

<i>Parent bank</i>				<i>Group</i>	
<b>31.12.17</b>				<b>31.12.17</b>	
<b>Retail banking</b>	<b>Corporate m.</b>		<b>Retail banking</b>	<b>Corporate m.</b>	
21	1 136	Overdraft- and working capital facilities	21	1 136	
1 327	24	Flexible loans	2 239	49	
127	194	Building loans	127	194	
9 686	7 497	Mortgage loans	15 273	7 572	
<b>11 161</b>	<b>8 851</b>	<b>Gross loans to customers</b>	<b>17 660</b>	<b>8 951</b>	

### NOTE 21.3 - Commitments and losses according to different business- and other sectors

The level of losses in the retail banking market remains low and at a level corresponding to the average for the sector. Routines for debt collection and follow-up have been implemented. Based on empirical figures, sector-related figures and local market conditions, the Bank's forecast for credit losses expected in the retail banking loan portfolio is in the region of 0.07 - 0.1 %.

There is strong focus and regular reviews throughout the organization on quality in credit work and to improve understanding of good governance and control. For managing and monitoring risk in the corporate market portfolio, continuous assessment of customer relationships, ability to pay and collateral on borrowing, default development and reviews in the bank's credit committee. For monitoring of risk development in the personal portfolio, quarterly analyzes of bonitas are made on new loans and on the total portfolio.

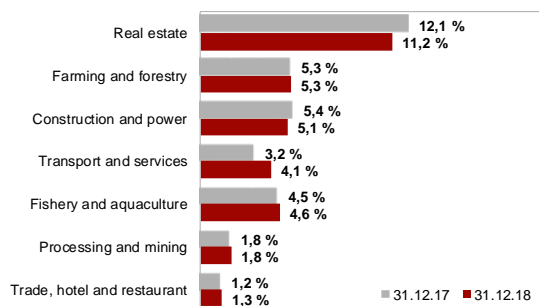
Close monitoring of large corporate market customers, monitoring of development in equity and risk in the portfolio and for larger individual commitments continued as a priority focus area for the bank.

Write-downs on loans were expensed in 2018 at MNOK 249, or 0.77 % of management. Write-downs are related to individual commitments and are no indication of a general deterioration in the bank's loan portfolio. Normalized loan losses are expected in the future.

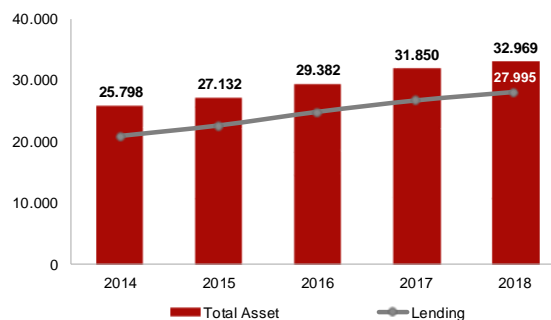
Based on historical evidence, a thorough knowledge of the Group's lending and local market conditions, the Bank's forecast for credit losses expected over a five-year period is 0.20-0.5 per cent of gross lending within the corporate lending portfolio. In the pricing of loans, great emphasis is placed on customers' ability to service their debt. There will therefore normally be a correlation between the risk classification and the pricing of loans.

## NOTES

Lending distributed in sector



BTA whereby lending (MNOK)



### Gross lending as per 31.12.18

Of the gross lending of NOK 28.0 (26.6) bn., NOK 9.3 (9.0) bn. is lending to corporate customers. The graph above shows a sector distribution of these loans. NOK 18.6 (17.7) bn. is loans to retail customers, mainly well secured mortgages. NOK 1.5 (1.4) bn. is loans to agriculture customers (traditionally a low risk segment). Of gross lending 82.5 (83.8) % are loans to customers in the Helgeland Region. Of gross lending 26.4 (23.1) % are transferred to Helgeland Boligkreditt AS. See annotation 21.6.

### NOTE 21.4 - Commitments and losses according to different business- and other sectors

Group

31.12.2018

#### Lending to amortized cost and fair value (OCI)

	Gross lending Amortized cost	Gross lending Fair value (FVOCI)	Loss deductions			Gross lending Fair value over profit	Gross lending Total
			Step 1	Step 2	Step 3		
Municipalities and municipal enterp.	-	0	-	-	-	-	-
Insurance and finance	5	0	-0	-	-	-	5
Agriculture and forestry	1 458	0	-1	-5	-10	17	1 460
Fisheries and aquaculture	1 292	0	-1	-1	-0	-	1 289
Mining and industry	509	0	-0	-2	-0	-	507
Building and construction	1 414	0	-5	-27	-100	9	1 291
Trade, hotel, restaurants.	357	0	-1	-1	-0	-	355
Transport and services	1 130	0	-1	-6	-66	22	1 079
Property, property development	3 115	0	-5	-14	-116	18	2 998
Total corporate market	9 281	0	-15	-56	-292	65	8 983
Retail market	17 507	0	-1	-5	-12	1 141	18 631
<b>Total</b>	<b>26 788</b>	<b>0</b>	<b>-16</b>	<b>-61</b>	<b>-304</b>	<b>1 207</b>	<b>27 614</b>
Expected loss unutilized credit and guarantees RM			-0	-0	-0		
Expected loss unutilized credit and guarantees CM			-2	-3	-0		

Group

31.12.17

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	0	0	0	0	0	0
Financial institutions	5	0	0	0	0	0
Agriculture and forestry	1 408	2	93	7	1	38
Fishing and fish farming	1 207	34	455	0	0	0
Mining and industry	476	29	94	0	0	0
Building and construction	1 445	192	437	3	17	1
Trade hotels and restaurants	329	40	72	3	2	0
Transport and service industry	849	26	161	34	4	64
Financing and real estate	3 232	168	53	7	62	2
<b>Total corporate market</b>	<b>8 951</b>	<b>491</b>	<b>1 365</b>	<b>53</b>	<b>86</b>	<b>105</b>
<b>Retail banking market</b>	<b>17 660</b>	<b>14</b>	<b>1 027</b>	<b>8</b>	<b>46</b>	<b>6</b>
<b>Total</b>	<b>26 611</b>	<b>505</b>	<b>2 392</b>	<b>61</b>	<b>132</b>	<b>111</b>
which gross loans Helgeland Boligkreditt AS	6 634					

## NOTES

Parent bank

31.12.2018

### Lending to amortized cost and fair value (OCI)

	Gross lending Amortized cost	Gross lending Fair value (FVOCI)	Loss deductions			Gross lending Fair value over profit	Net lending Total
			Step 1	Step 2	Step 3		
Municipalities and municipal enterp.	-		-	-	-	-	-
Insurance and finance	5	0	-0	-	-	-	5
Agriculture and forestry	1 287	153	-1	-5	-10	17	1 441
Fisheries and aquaculture	1 272	14	-1	-1	-0	-	1 283
Mining and industry	493	12	-0	-2	-0	-	503
Building and construction	1 348	48	-5	-27	-100	9	1 273
Trade, hotel, restaurants.	340	10	-1	-1	-0	-	348
Transport and services	942	117	-1	-6	-66	22	1 008
Property, property development	3 008	149	-5	-14	-116	18	3 040
Total corporate market	8 694	503	-15	-56	-292	65	8 901
Retail market	187	10 075	-1	-5	-12	1 141	11 386
<b>Total</b>	<b>8 881</b>	<b>10 579</b>	<b>-16</b>	<b>-60</b>	<b>-304</b>	<b>1 206</b>	<b>20 289</b>
Expected loss unutilized credit and guarantees RM			-0	-0	-0		
Expected loss unutilized credit and guarantees CM			-2	-3	-0		

Parent bank

31.12.17

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	0	0	0	0	0	0
Financial institutions	5	0	0	0	0	0
Agriculture and forestry	1 393	2	93	7	1	38
Fishing and fish farming	1 202	34	449	0	0	0
Mining and industry	471	29	94	0	0	0
Building and construction	1 426	192	436	3	17	1
Trade hotels and restaurants	322	40	66	3	2	0
Transport and service industry	782	26	167	34	4	64
Financing and real estate	3 250	168	53	7	62	2
<b>Total corporate market</b>	<b>8 851</b>	<b>491</b>	<b>1 358</b>	<b>53</b>	<b>86</b>	<b>105</b>
<b>Retail banking market</b>	<b>11 161</b>	<b>14</b>	<b>584</b>	<b>8</b>	<b>46</b>	<b>6</b>
<b>Total</b>	<b>20 012</b>	<b>505</b>	<b>1 942</b>	<b>61</b>	<b>132</b>	<b>111</b>

#### NOTE 21.5 –Mortgage added to Helgeland Boligkreditt AS

Helgeland Boligkreditt is bank owned mortgage company.

Loans transferred are fully secured loans within the mortgage value of 75%. Lending moved out of the Parent bank balance and over to the mortgage company for transmission. The group is included, in their entirety. 26.9 (23.1) % of gross loans or 39.6 (37.6) % of loans to retail customers was added to Helgeland Boligkreditt AS.

Parent bank

Group

31.12.18

31.12.18

Book Value	Fair Value		Book Value	Fair Value
0	0	Fleksi Loans	842	842
0	0	Repayment loans 1)	6 543	6 543
<b>0</b>	<b>0</b>	<b>Total mortgage added to Helgeland Boligkreditt AS</b>	<b>7 385</b>	<b>7 385</b>

1) Approximately equal to fair value

## NOTES

Parent bank

Group

31.12.17		31.12.17	
Book Value	Fair Value	Book Value	Fair Value
0	0	936	936
0	0	5 698	5 698
0	0	6 634	6 634

1) Approximately equal to fair value

### Note 21.6 Remaining periods Helgeland Boligkreditt

Group

	31.12.18						
	0-3 months	3 -12 months	1-3 years	3-5 years	Over 5 years	No remaining	Total
Liabilities to credit institutions	0	0	0	726	0	0	726
Borrowings through the issuance of securities	54	508	2 538	3 046	812	0	6 959
debt without remaining maturity	0	0	0	0	0	16	16
<b>Total payments</b>	<b>54</b>	<b>508</b>	<b>2 538</b>	<b>3 772</b>	<b>812</b>	<b>16</b>	<b>7 701</b>
Loans and claims to credit institutions	0	417	0	0	0	0	417
Loans and claims to customers	0	6	911	89	6 579	0	7 585
Certificates and bonds	25	0	0	0	0	0	25
<b>Total payments</b>	<b>25</b>	<b>423</b>	<b>911</b>	<b>89</b>	<b>6 579</b>	<b>0</b>	<b>8 027</b>
Net	29	85	1 627	3 683	-5 767	16	-326

Group

	31.12.17						
	0-3 months	3 -12 months	1-3 years	3-5 years	Over 5 years	No remaining	Total
Liabilities to credit institutions	0	0	0	1.041	0	0	1.041
Borrowings through the issuance of securities	71	0	2.031	2.945	508	0	5.555
debt without remaining maturity	0	0	0	0	0	16	16
<b>Total payments</b>	<b>71</b>	<b>0</b>	<b>2.031</b>	<b>3.986</b>	<b>508</b>	<b>16</b>	<b>6.612</b>
Loans and claims to credit institutions	0	432	0	0	0	0	432
Loans and claims to customers	57	172	1.434	495	4.742	0	6.900
Certificates and bonds	50		0	0	0	0	50
<b>Total payments</b>	<b>107</b>	<b>604</b>	<b>1.434</b>	<b>495</b>	<b>4.742</b>	<b>0</b>	<b>7.382</b>
Net	-36	-604	597	3.491	-4.234	16	-770



## NOTES

### NOTE 22 –Financial instruments IFRS 9

IFRS 9 is implemented 01.01.18. IFRS 9 introduces a business oriented model for classifying and measuring financial assets. The standard replaces current standard IAS 39.

For the Helgeland Sparebank Group, the transition to IFRS 9 will have consequences for the calculation of the Group's write-downs together with the accounting of value change on shares, bonds and certificates earlier classified as available for sale in accordance to IAS 39. Value change on shares, bonds and certificates available for sale is in 2017 accounted for in the extended profit and loss statement, but from 01.01.18, such value changes will be included in the ordinary profit and loss statement.

Cash and receivables from central banks as well as loans and receivables from credit institutions are tested in a new model and IFRS 9 calculation is approximately equal to the book value.

The company's equity will 01.01.18 become charged by MNOK 3 after tax as a consequence of implementation of IFRS 9.

#### Reconciliaton of loss deposition between IAS 39 and IFRS 9

				<i>Group</i>
	Provisions for loan losses and guarantees (IAS39/IAS37)	Reclassification	Change IAS 39 and IFRS 9	Provisions for loan losses and guarantees (IFRS 9)
<b>Financial assets at amortized cost (IFRS9)</b>				
Cash and claims on central banks	0	0	0	0
Loans and receivables from credit institutions	0	0	0	0
Lending to customers	158	0	-7	151
<b>Total</b>	<b>158</b>	<b>0</b>	<b>-7</b>	<b>151</b>
Loan commitments and guarantees	0	0	10	10
<b>Total</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>10</b>

Mortgages in the parent bank transferrable to the mortgage company are considered at fair value.

The parent bank's equity will 01.01.18 become charged by MNOK 6 after tax as a consequence of implementation of IFRS 9.

#### Reconciliaton of loss deposition between IAS 39 and IFRS 9

				<i>Parent bank</i>
	Provisions for loan losses and guarantees (IAS39/IAS37)	Reclassification	Change IAS 39 and IFRS 9	Provisions for loan losses and guarantees (IFRS 9)
<b>Financial assets at amortized cost (IFRS9)</b>				
Cash and claims on central banks	0	0	0	0
Loans and receivables from credit institutions	0	0	0	0
Lending to customers	152	0	-2	150
<b>Total</b>	<b>152</b>	<b>0</b>	<b>-2</b>	<b>150</b>
Loan commitments and guarantees	0	0	10	10
<b>Total</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>10</b>

See change in 2018 note 2.2.1

## NOTES

### NOTE 22.1 –Financial instruments divided on category

					<i>Group</i>
					<b>31.12.18</b>
	Loans and claims	Assets to real value through Profit and loss account	Derivatives used for hedging		Total
Cash and claims on central banks	82	0	0		82
Loans to and claims on credit institutions	461	0	0		461
Loans to and claims on customers	26 408	1 206	0		27 614
Certificates bonds and shares available for sale	0	4 157	0		0
Financial derivatives	0	0	54		0
<b>Total assets</b>	<b>26 951</b>	<b>5 363</b>	<b>54</b>		<b>32 368</b>
	Other financial Commitment	Commitment real value through profit and loss acc to	Derivatives used for hedging		Total
Liabilities to credit institutions with agreed maturity	252	0	0		252
Deposit from customers and liabilities to customers	17 248	0	0		17 248
Financial liabilities	9 186	0	0		9 186
Financial liabilities incurred through the issuance of sec.	2 370	0	0		2 370
Subordinated loan capital	451	0	0		451
Financial derivatives	0	22	0		22
<b>Total liabilities</b>	<b>29 507</b>	<b>22</b>	<b>0</b>		<b>29 529</b>

					<i>Group</i>
					<b>31.12.17</b>
	Loans and claims	Assets to real value through Profit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	87	0	0	0	87
Loans to and claims on credit institutions	464	0	0	0	464
Loans to and claims on customers	25 519	934	0	0	26 453
Certificates bonds and shares available for sale	0	0	4 176	0	4 176
Financial derivatives	0	0	0	125	125
<b>Total assets</b>	<b>26 070</b>	<b>934</b>	<b>4 176</b>	<b>125</b>	<b>31 305</b>
	Other financial Commitment	Commitment real value through profit and loss acc to		Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	252	0		0	252
Deposit from customers and liabilities to customers	16 972	0		0	16 972
Financial liabilities	8 078	0		0	8 078
Financial liabilities incurred through the issuance of sec.	2 773	0		0	2 773
Subordinated loan capital	300	0		0	300
Financial derivatives	0	27		0	27
<b>Total liabilities</b>	<b>28 375</b>	<b>27</b>		<b>0</b>	<b>28 402</b>

## NOTES

					<i>Parent bank</i>
					<b>31.12.18</b>
	Loans and claims	Assets real value through OCI	Assets to real Value through Profit and Loss acc.	Derivatives used for hedging	Total
Cash and claims on central banks	82		0	0	82
Loans to and claims on credit institutions	1 170		0	0	1 170
Loans to and claims on customers	8 504	10 579	1 206	0	20 289
Certificates bonds and shares available for sale	0		4 132	0	4 132
Financial derivatives	0		0	54	54
<b>Total assets</b>	<b>9 756</b>	<b>10 579</b>	<b>5 338</b>	<b>54</b>	<b>25 727</b>

	Other financial Commitment	Commitment to real value through profit and loss acc	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	250	0	0	250
Deposit from customers and liabilities to customers	17 718	0	0	17 718
Financial liabilities	2 688	0	0	2 688
Financial liabilities incurred through the issuance of sec.	2 370	0	0	2 370
Subordinated loan capital	451	0	0	451
Financial derivatives	0	22	0	22
<b>Total liabilities</b>	<b>23 477</b>	<b>22</b>	<b>0</b>	<b>23 499</b>

Changes in FV on loans classified as FVOCI that are carried over OCI are not significant (lower than MNOK 1).

					Parent bank
					31.12.17
	Loans and claims	Assets to real value through Profit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	87	0	0	0	87
Loans to and claims on credit institutions	1 488	0	0	0	1 488
Loans to and claims on customers	18 926	934	0	0	19 860
Certificates bonds and shares available for sale	0	0	4 126	0	4 126
Financial derivatives	0	0	0	125	125
<b>Total assets</b>	<b>20 501</b>	<b>934</b>	<b>4 126</b>	<b>125</b>	<b>25 686</b>
		Other financial Commitment	Commitment to real value through profit and loss acc	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity		250	0	0	250
Deposit from customers and liabilities to customers		17 422	0	0	17 422
Financial liabilities		2 602	0	0	2 602
Financial liabilities incurred through the issuance of sec.		2 773	0	0	2 773
Subordinated loan capital		300	0	0	300
Financial derivatives		0	27	0	27
<b>Total liabilities</b>		<b>23 347</b>	<b>27</b>	<b>0</b>	<b>23 374</b>

## NOTES

### NOTE 22.2 – Covered bonds hedging

Covered bonds issued with fixed interest rates are normally secured by hedging. When the hedging is started the bank documents the relationship between hedging instruments and hedged items. The bank also documents its assessment of whether the derivatives used are effective in counteract changes in value related to hedged risk. Such assessments are documented both at start-up and on an ongoing basis. The bank considers and hedge interest rate risk on an individual level. Risks relating to changes in credit spreads are not secured. Changes in value related to changes in NIBOR are recognized and values of covered bonds in the books are adjusted. Nominal value of hedging is NOK 2.700 (2.168) million. Book value incl. Interest MNOK 2.370 (2.773). Net income from hedging instruments and hedged items risk was -2 million NOK in 2018 and NOK -3.0 million in 2017. See note 35.1

*Group/Parent bank*

Inefficiency value hedging	31.12.18	31.12.17
Inefficiency associated with the security object	60	27
Inefficiency associated with the hedging instrument	-62	-30
<b>Net inefficiency</b>	<b>-2</b>	<b>-3</b>

*Parent bank*

*Group*

31.12.18			31.12.18		
Nominal value	Market value		Nominal value	Market value	
Total	Assets	Commitments	Total	Assets	Commitments
2.325	54		2.325	54	0
<b>2.325</b>	<b>54</b>	<b>0</b>	<b>2.325</b>	<b>54</b>	<b>0</b>

*Parent bank*

*Group*

31.12.17			31.12.17		
Nominal value	Market value		Nominal value	Market value	
Total	Assets	Commitments	Total	Assets	Commitments
2.700	125	0	2.700	125	0
<b>2.700</b>	<b>125</b>	<b>0</b>	<b>2.700</b>	<b>125</b>	<b>0</b>

## NOTES

### NOTE 22.3 –Real value of financial instruments divided per level

Measurement of fair value of financial instruments by level

The table shows financial instruments to fair value according to fair value measurement method (IFRS13). The changes demand presentation of fair value measurements per level with the following divisions into levels. The different levels are defined like this:

- Level 1 - Noted price in an active market for an identical asset or liability
- Level 2 – Valuation based on observable factors either direct (price) or indirect (derived from prices) other than noted priced (used in level 1) for the asset or liability
- Level 3 Valuation based on factors not obtained from observable markets (non-observable assumptions)

The fair value of financial instruments that are traded in an active market is based on the market price at the end of the reporting period. A market is considered active if the markets rates are simply and regularly available from a stock exchange, trader, broker, business group pricing service or regulatory authority, and these prices represent actual and regularly occurring arm's length market transactions. The market price used for financial assets is the current bid price, while for financial liabilities it is the current offer price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation methods. These valuation methods maximize the use of observable data where these are available, and are based as little as possible on the Group's own estimates. If all the significant data required to determine the fair value of an instrument are observable data, the instrument are included in level 2.

Unlisted shares and fixed-rate loans are classified under level 3. Valuation of shares where there is no active market, known sales values are based on the basis of the latest issue price. For securities without turnover, value is set based on available accounting information or the like. Fixed-rate loans are valued at fair value (see also description of valuation Note 1).

Swap fixed-rate loans totaled MNOK 1.005 as of 31.12.18 and MNOK 1.161 as of 31.12.17. Net interest rate risk in the event of a parallel change in interest rates of 1 % points for fixed-rate loans and derivatives fixed-rate loans was MNOK 2.5 as of 31.12.18 and MNOK - 1 as of 31.12.17.

There have been no transfers between levels 1 and 2 in 2018.

Assets and liabilities at fair value

<i>Parent bank</i>				<i>Group</i>		
31.12.18				31.12.18		
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets</b>						
<b>Financial assets at fair value through profit</b>						
0	0	1 206	Loans to and claims on customers at fair value	0	0	1 206
0	3 774	358	Certificates, bonds and shares at fair value	0	3 799	358
<b>Financial assets available for sale</b>						
0	0	10 579	Mortgage (from 01.01.18)	0	0	0
0	54	0	Financial derivatives	0	54	0
<b>0</b>	<b>3 828</b>	<b>12 143</b>	<b>Total assets</b>	<b>0</b>	<b>3 853</b>	<b>1 564</b>
<b>Liabilities</b>						
<b>Financial assets at fair value through profit</b>						
0	22	0	Financial derivatives	0	22	0
<b>0</b>	<b>22</b>	<b>0</b>	<b>Total Liabilities</b>	<b>0</b>	<b>22</b>	<b>0</b>
<b>Shares</b>	<b>Lending</b>	<b>Total</b>	<b>Level 3</b>	<b>Shares</b>	<b>Lending</b>	<b>Total</b>
322	10 318	10 640	Opening balance	322	934	1 256
0	-526	-526	Instalments and loans redeemed	0	-348	-348
42	1 995	2 037	New loans	42	600	664
-6	-2	-8	Value change	-6	20	14
<b>358</b>	<b>11 785</b>	<b>12 143</b>	<b>Financial instruments valued on level 3</b>	<b>358</b>	<b>1 206</b>	<b>1 564</b>

## NOTES

### Assets and liabilities at fair value

<i>Parent bank</i>						<i>Group</i>		
31.12.17						31.12.17		
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
<b>Assets</b>								
<b>Financial assets at fair value through profit</b>								
0	0	934	Loans to and claims on customers at fair value	0	0	934		
<b>Financial assets available for sale</b>								
0	3 804	322	Certificates, bonds and shares available for sale	0	3 854	322		
0	125		Financial derivatives	0	125	0		
<b>0</b>	<b>3 929</b>	<b>1 256</b>	<b>Total assets</b>	<b>0</b>	<b>3 979</b>	<b>1 256</b>		
<b>Liabilities</b>								
<b>Financial assets at fair value through profit</b>								
0	27	0	Financial derivatives	0	27	0		
<b>0</b>	<b>27</b>	<b>0</b>	<b>Total Liabilities</b>	<b>0</b>	<b>27</b>	<b>0</b>		

Shares	Lending	Total	Level 3	Shares	Lending	Total
241	1 202	1 443	Opening balance	241	1 202	1 443
0	-318	-318	Instalments and loans redeemed	0	-318	-318
21	70	91	New loans	21	70	91
60	-20	40	Value change	60	-20	40
0	0	0	Reclassification	0	0	0
<b>322</b>	<b>934</b>	<b>1 256</b>	<b>Financial instruments valued on level 3</b>	<b>322</b>	<b>934</b>	<b>1 256</b>

### NOTE 22.4 –Real value of financial instruments

<i>Parent bank</i>								<i>Group</i>	
31.12.17				31.12.18				31.12.17	
Real value	Balance Sheet value	Real value	Balance Sheet value	Balance sheet value	Real value	Balance sheet value	Real value		
<b>Virkelig verdi på finansielle instrumenter</b>									
<b>Assets</b>									
87	87	82	82	Cash and claims on central banks	82	82	87	87	
1 488	1 488	1 170	1 170	Loans to and claims on credit institutions	461	461	464	464	
934	934	11 785	11 785	Loans to and claims on customers to real value 3)	1 206	1,206	934	934	
18 941	18 941	8 504	8 504	Loans to and claims on cust. to amortised cost 1)	26 408	26,408	25 519	25 519	
125	125	54	54	Financial derivatives	54	54	125	125	
4 126	4 126	4 132	4 132	Certificates, bonds and shares available for sale	4 157	4,157	4 176	4 176	
<b>25 701</b>	<b>25 701</b>	<b>25 727</b>	<b>25 727</b>	<b>Totalt</b>	<b>32 368</b>	<b>32,368</b>	<b>31 305</b>	<b>31 305</b>	
<b>Liabilities</b>									
250	250	250	250	Liabilities to credit institutions to amortised cost	252	252	252	252	
172	172	171	171	Deposits from customers to real value	171	171	172	172	
17 250	17 250	17 547	17 547	Deposits from customers to amortised cost	17 077	17 077	16 800	16 800	
2 715	2 773	2 315	2 370	Borrowing through the issuance of securities 2)	2 370	2 315	2 773	2 715	
2 617	2 601	2 695	2 688	Borr. through the issu. of sec. amort. Cost 2 )	9 186	9 218	8 078	8 136	
301	300	451	451	Subordinated loan capital	451	451	300	301	
27	27	22	22	Financial derivatives	22	22	27	27	
<b>23 343</b>	<b>23 373</b>	<b>23 451</b>	<b>23 499</b>	<b>Total</b>	<b>29 529</b>	<b>29 506</b>	<b>28 402</b>	<b>28 403</b>	

1) Loans and debt securities at amortized cost approximates fair value.

2) Debt securities issued subordinated loans and subordinated bonds fair value is calculated from a theoretical market value based on interest- and spread curves.

3) Mortgage in Parent Bank value to real value.

## NOTES

### NOTE 23 –Financial derivatives

#### General description

Interest rate swaps: agreement to swap interest rate conditions for an agreed amount over an agreed period.

Interest swap agreements and currency swap agreements: agreements to swap currency and interest rate conditions over a pre-agreed period at an agreed amount.

Helgeland Sparebank enters into hedging transactions with reputable Norwegian and foreign banks in order to reduce the Bank's own risk. Derivative transactions are related to ordinary banking operations and are carried out to reduce the risk associated with the Bank's borrowings in the financial markets and to uncover and reduce risk related to operations addressed at customers. Only borrowings relating to the Bank's borrowing activity are defined as "fair value hedging". Other hedging is defined as ordinary hedging for accounting purposes. The Bank does not use cash flow hedging. The Bank's Board of Directors has set limits for maximum risk on the bank's interest rates. Routines have been established that ensure that the specified positions are kept.

The agreements entered into by the Bank are interest rate-related financial derivatives, such as interest rate swaps relating to fixed interest rate loans, loans and bank deposit with share yield. The reason for using interest rate swap agreements is that a positive or negative change in the value of the underlying item will largely be offset by an opposing change in the value of the interest rate swap.

#### Financial derivatives

Parent bank					Group			
31.12.18					31.12.18			
Nominal value		Market value			Nominal value		Market value	
Total		Assets	Commit.		Total	Assets	commitment	
1 005	0	21		Interest rate swaps – fixed interest rate loans	1 005	0		21
75	0	1		Interest rate swaps – bank deposits with share yield	75	0		1
1 080	0	22		Total financial derivatives	1 080	0		22
2 325	54	0		Interest rate swaps – fixed interest rate loans	2 325	54		0
2 325	54	0		Total financial derivatives	2 325	54		0

Parent bank					Group			
31.12.17					31.12.17			
Nominal value		Market value			Nominal value		Market value	
Total		Assets	Commit.		Total		Assets	commitment
1 161	0	24	Interest rate swaps – fixed interest rate loans		1 161	0	24	
75	0	3	Interest rate swaps – bank deposits with share yield		75	0	3	
1 236		27	Total financial derivatives		1 236	0	27	
2 700	125	0	Interest rate swaps – fixed interest rate loans		2 700	125	0	
2 700	125	0	Total financial derivatives		2 700	125	0	

#### NOTE 23.1 Net presentation of financial assets and obligations

Relevant instruments for interest rate risk management will be primarily interest rate swaps (interest rate swaps). Trading in derivatives can be made with various counterparties. To differentiate counterparty structure used a selection of the major banks / brokerage houses that account for the bulk of turnover in interest-related products in the market. The bank has the opportunity to offset balances. Amounts are not offset in the balance sheet because the transactions usually not settled on a net basis

						<i>Group</i>	
						31.12.18	
	Gross financial assets	Financial assets recognised net	Net financial Assets in the balance sheet	Financial instruments	Net		
Derivatives as assets	54	0	54	-22	32		
Derivatives as obligations	22	0	22	22	0		

## NOTES

				<i>Group</i>
				<b>31.12.17</b>
	Gross financial assets	Financial assets recognised net	Net financial Assets in the balance sheet	Financial instruments
				Net
Derivatives as assets	125	0	125	-27
Derivatives as obligations	27	0	27	-27
				98
				0

### NOTE 24 - Financial assets available for sale

				<i>Group</i>
				<b>31.12.17</b>
	<b>31.12.17</b>	<b>31.12.18</b>		<b>31.12.18</b>
	3 796	3 766	Certificates and bonds	3 791
	8	8	Accrued interests financial assets	8
	322	358	Shares unit trust certificates and PCCs	358
	<b>4 126</b>	<b>4 132</b>	<b>Total certificates bonds and shares available for sale 1-2)</b>	<b>4 157</b>
				<b>4 176</b>

1) The figures represent the maximum credit exposure.

2) The Group's policy of prudence in the securities market will be continued, and changes in the value of financial investments are expected to reflect this.

Fixed income portfolio amounts to 12.1 (11.2) % of bank assets

### NOTE 24.1 - Portfolio of certificates and bonds

The Bank's portfolio of certificates and bonds are valued at fair value, all value changes recognized in other comprehensive income.

To the extent that there is an active market for the securities involved, observable market to determine fair value.

				<i>Group</i>
				<b>31.12.18</b>
	<b>31.12.18</b>			<b>31.12.18</b>
	<b>Nominal value</b>	<b>Market value</b>		
	0	0	Bonds issued by public sector borrowings	0
	575	571	Certificates	600
	3 227	3 195	Other bearer bonds	3 227
		8	Accrued interests financial assets	8
	<b>3 802</b>	<b>3 774</b>	<b>Total certificates and bonds</b>	<b>3 827</b>
				<b>3 799</b>

				<i>Group</i>
				<b>31.12.17</b>
	<b>31.12.17</b>			<b>31.12.17</b>
	<b>Nominal value</b>	<b>Market value</b>		
	0	0	Bonds issued by public sector borrowings	0
	795	796	Certificates	845
	3 028	3 001	Other bearer bonds	3 028
		8	Accrued interests financial assets	8
	<b>3 823</b>	<b>3 804</b>	<b>Total certificates and bonds</b>	<b>3 873</b>
				<b>3 854</b>

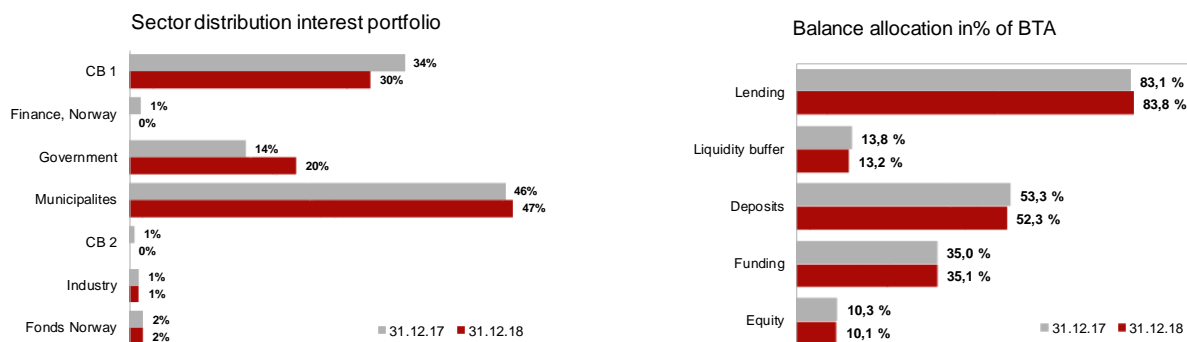
Helgeland Sparebank purchased bonds from Helgeland Boligkreditt AS NOK 0 (0) million, which were used as security for swap agreements with Norges Bank.

The Bank has adopted a cautious strategy with regard to securities, with specified parameters including minimum requirements for ratings for both Norwegian and foreign securities. The framework and authorisations are revised annually and are approved by the Bank's Board of Directors. The Group's portfolio of certificates and bonds is in its entirety classified as current assets. The purpose of the certificate and bond portfolio is to ensure that the Group has liquidity reserves. The Bank's securities portfolio is deemed not to be a trading portfolio.



## NOTES

Below is a portfolio for shared rating class and sector-distributed securities portfolio, both of which are within the group's internal target requirements.



### NOTE 25 - Shares unit trust certificates and EC's

*Parent bank and group*

	31.12.18		31.12.17	
	Nominal value	Market value	Nominal value	Book value
Shares – stock exchange	0	0	0	0
Shares – not stock exchange	192	358	169	322
<b>Total shares</b>	<b>192</b>	<b>358</b>	<b>169</b>	<b>322</b>

Shares available for sale - Unrealised change in value in the portfolio available for sale are recognised against equity. Write-downs below cost price are recognised in the profit and loss account. When such gains or losses are realised they are recognised under "net gains/losses on financial instruments."

### NOTE 25.1 - Additions/disposals of shares unit trust certificates and PCCs

*Parent bank and group*

	31.12.18	31.12.17
Portfolio as at 1.1 Helgeland Sparebank	322	241
Additions	23	21
Disposals	0	1
Adjustment to market value	13	61
<b>Portfolio as at 31.12</b>	<b>358</b>	<b>322</b>

## NOTES

### NOTE 26 – Investment in subsidiaries

						Parent bank
						31.12.18      31.12.17
	Equity capital	Shares	Equity stake	Office address	Book value	Book Value
ANS Bankbygg Mo *)	49	5 591	97%	Mo i Rana	46	46
Helgeland Boligkreditt AS	540	540	100%	Mo i Rana	540	540
AS Sparebankbygg	0.1	100	100%	Sandnessjøen	1	1
Helgland Spb.eiend.selskap AS	0.1	100	100%	Mosjøen	0,4	0,4
Helgeland Utviklingsselskap AS	0.5	500	100%	Mosjøen	6	6
Strendene Utviklingsselskap AS	0.03	300	100%	Sandnessjøen	0	0
Storgt. 73 AS	0.1	140	53%	Brønnøysund	1	2
<b>Book value 31.12.</b>					<b>595</b>	<b>595</b>

\*) Not controlling interest in ANS Bankbygg (2.5 %) and Storgt. 73 (47 %) is shown as a separate line in the accounts.

### NOTE 26.1 – Specification of changes in subsidiaries

			Group
			31.12.18      31.12.17
Book value 1.1			595      441
Additions/disposals			0      153
Reclassifications			0      1
Equity bookings			0      0
Profit share			0      0
Dividend			0      0
<b>Book value 31.12</b>			<b>595      595</b>

### NOTE 26.2 – shares in subsidiaries

							Parent bank
							31.12.18
	Shares	Current assets	Fixed assets	Payables	Long term debts	Equity	Book value
ANS Bankbygg Mo	97.5 %	17	31	0	0	48	46
Helgeland Boligkreditt AS	100 %	7 823	0	570	6 652	601	540
AS Sparebankbygg	100 %	2	10	0	11	1	1
Helgland Spb.eiend.selskap AS	100 %	3	18	0	14	7	0.4
Helgeland Utviklingsselskap AS	100 %	7	3	1	3	6	6
Strendene Utvikling AS	100 %	51	0	21	30	-1	0
Storgata 73 AS	53 %	2	5	1	2	5	0

	Shares	Income	Costs	Profit
ANS Bankbygg Mo	97.5 %	7	7	0
Helgeland Boligkreditt AS	100 %	78	25	53
AS Sparebankbygg	100 %	2	2	0
Helgland Spb.eiend.selskap AS	100 %	3	2	1
Helgeland Utviklingsselskap AS	100 %	1	3	-2
Strendene utvikling AS	100 %	1	-2	-1
Storgata 73 AS	53 %	1	0	1

## NOTES

### NOTE 27 – associated companies

#### Helgeland Invest AS

Helgeland Sparebank's ownership in Helgeland Invest AS (HI) is of strategic character. The target by the investment is and has been that access of capital and competence is supposed to contribute to develop local businesses.

Helgeland Sparebank has an ownership position in Helgeland Invest AS (HI) of 48.3%. The Bank has rated the company as an associated company (significant influence but not control). The bank control assessment is primarily based on an actual ownership <50% and that it is considered as a real opportunity to collect a sufficient majority among the other shareholders to vote against the bank's interests.

The Bank is represented on the board of Helgeland Invest AS. Roger Hansen (business marketing manager at local bank in Sandnessjøen) is member of the board. Furthermore, it is emphasized that the bank has not been involved in decisions concerning the portfolio investments in the company.

Helgeland Invest AS is of the bank considered not to be an investment company. The company's procedures for monitoring investment portfolio, especially documentation for evaluation and measurement of earnings in the portfolio, do not satisfy the requirements under IFRS 10.

Bank restate financial statements to HI so that the accounts of all associates in HI restated in accordance with IFRS and are measured using the equity method. Other investments are measured at fair value. The bank takes in the restated financial statements of HI using the equity method in the parent bank and the group. The Bank has early accounts and must partly be based on preliminary forecasts from HI.

*Parent bank and group*

**31.12.18**

Balance 100 % owners share	Current assets	Fixed assets	Short term debt	Long term debt	equity
Helgeland Invest AS	118	643	0	0	761
REDE Eiendomsmegling AS	40	31	34	1	36
<b>Total</b>	<b>158</b>	<b>674</b>	<b>34</b>	<b>1</b>	<b>797</b>
Helgeland Invest AS 48.3 %	57	311	16	0	368
REDE AS (added value incl.) 40.0 %	16	12	14	0	14
<b>Total</b>	<b>73</b>	<b>323</b>	<b>30</b>	<b>0</b>	<b>382</b>

*Parent bank and group*

**31.12.17**

Balance 100 % owners share	Current assets	Fixed assets	Short term debt	Long term debt	equity
Helgeland Invest AS	20	659	0	0	679
REDE Eiendomsmegling AS	10	31	5	1	35
<b>Total</b>	<b>30</b>	<b>690</b>	<b>5</b>	<b>1</b>	<b>714</b>
Helgeland Invest AS 48.3 %	10	318	2	0	328
REDE AS (added value incl.) 40.0 %	4	12	2	0	14
<b>Total</b>	<b>14</b>	<b>330</b>	<b>4</b>	<b>1</b>	<b>342</b>

### NOTE 27.1 – Specification of changes in associates

*Parent bank and Group*

Changes in the banks ownership HI	31.12.18	31.12.17
Book value 1.1	328	300
Additions/disposals	0	0
Dividend	-10	-4
Profit share	50	31
<b>Book value 31.12</b>	<b>367</b>	<b>328</b>

## NOTES

*Parent bank and group*

Changes in the banks ownership REDE	31.12.18	31.12.17
Book value 1.1	14	15
Dividend	0	0
Profit share	0	-1
Additions/disposals	0	0
<b>Book value 31.12</b>	<b>14</b>	<b>14</b>
<b>Total</b>	<b>382</b>	<b>342</b>

### NOTE 27.2 – Specification of additions/disposals in associates

*Parent bank and Group*

				31.12.18	
		Revenue	Finance cost	Other inc.	Opert.cost
Profit 100 %					Net profit
Helgeland Invest AS		108	0	0	4
REDE Eiendomsmegling AS		23	1	0	22
<b>Total</b>		<b>131</b>	<b>1</b>	<b>0</b>	<b>26</b>
Helgeland Invest AS	48 %	52	0	0	2
REDE Eiendomsmegling AS	40 %	9	0	0	9
<b>Total</b>		<b>62</b>	<b>0</b>	<b>0</b>	<b>11</b>

*Parent bank and Group*

				31.12.17	
		Revenue	Finance cost	Other inc.	Opert.cost
Profit 100 %					Net profit
Helgeland Invest AS		67	0	0	2
Eiendomsmegleren Helgeland (REDE)		35	1	0	36
<b>Total</b>		<b>102</b>	<b>1</b>	<b>0</b>	<b>38</b>
Helgeland Invest AS	48 %	32	0	0	1
Eiendomsmegleren Helgeland (REDE)	40 %	14	0	0	14
<b>Total</b>		<b>46</b>	<b>0</b>	<b>0</b>	<b>15</b>

### NOTE 27.3 – Intra-group balances and transactions between the Bank and its associated companies

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18	Intra-group balances:	31.12.18	31.12.17
<b>Claims:</b>				
7	1	Loans to associated companies	1	7
<b>7</b>	<b>1</b>	<b>Total net claims</b>	<b>1</b>	<b>7</b>
<b>Liabilities:</b>				
177	160	Deposits from associated companies	160	177
<b>177</b>	<b>160</b>	<b>Total liabilities</b>	<b>160</b>	<b>177</b>
<b>Transactions:</b>				
1	1	Interest income from associated companies	1	1
1	2	Interest costs from associated companies	2	1
4	10	Dividends from associated companies	10	4

## NOTES

### NOTE 27.4 - Strategic investments, not treated as associates

The bank has strategic holdings in insurance company Frende Holding AS (7.9%), the securities company Norne Securities AS (7.5%) and leasing company Brage Finans AS (10.0%) and Balder Betaling AS (6,7 %) who has 10.5 % ownership in Vipps. These companies are not consolidated in the accounts or treated as an associate.

### NOTE 28 –Disclosures of related parties

Helgeland Sparebank defines the subsidiaries and the associated companies as related parties in relation to this accounting standard. Transactions between the parent bank, group companies and associated companies are conducted in line with the normal commercial terms and principles. The information is given in line with IAS 24 for "Related Party Disclosures". Transactions toward leading employees and representatives appear in an annotation in the annual report. (Associated companies cf. annotation 27.2).

### NOTE 28.1 - Intercompany elimination/transactions

*Group and Parent bank*

	31.12.18	31.12.17
<b>Income Statement</b>		
Income from interest and credit commissions received from subsidiaries	19	20
Dividends and group contributions	49	33
Interest on deposits to subsidiaries	2	2
Rent expense	10	10
Refund of operating expenses	8	7
<b>Balance Sheet</b>		
Lending to subsidiaries	768	1 065
Covered bonds	0	0
Deposits from subsidiaries	450	454
Accounts receivable, group contribution	53	49

Significant transactions with related parties as of 31.12.18.

#### Helgeland Boligkreditt AS (holding 100 %)

Transferred loans as of 31.12.18 amount to a total of NOK 7 385 (6 634) million. Covered bonds in the mortgage company amount to NOK 6 497 (5 476) million, of which NOK 0 (0) million has been acquired by Helgeland Sparebank. Of the credit line of NOK 1.5 bn, MNOK 709 is per 31.12.18 used. The bank has additionally entered into agreements with Helgeland Boligkreditt AS concerning credit lines of NOK 1.5 bn, which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period, and is entirely unused. The agreements have been established according to the arm's length principle. The effects of the facilities are eliminated in the consolidated accounts. Helgeland Sparebank have received a group contribution of MNOK 48 in 2018.

#### Ans Bankbygg (holding 97.9%)

The bank leases premises from ANS Bankbygg and paid NOK 4.4 million during 2018.

Helgeland Sparebank received dividend of MNOK NOK 0.9.

#### Helgeland Invest AS (holding 48.3%)

Note 27 gives more information about accounting effects of Helgeland Sparebank's position in the company.

### NOTE 28.2 - Loans to elected representatives and employees

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18	(amount in thousands NOK)	31.12.18	31.12.17
198	231	Loans to employees	314	294
21	15	Board of Directors	33	36
18	17	Board of Trustees	26	28
<b>237</b>	<b>263</b>	<b>Total loans to elected representatives and employees</b>	<b>373</b>	<b>358</b>

The interest rate applied to staff loans has been lower than the normal rate of interest for 2018. The benefit amounted to about NOK 4.0 (3.0) million. This calculated from maximum amount of loans.

## NOTES

### NOTE 28.3 – Remuneration and loans for senior management

<i>Parent bank</i>			<i>Group</i>			
31.12.18			31.12.18			
Loans	Payments	Pension cost (amount in thousands NOK)	Pension cost	Payments	Loans	
<b>Ledergruppen:</b>						
1 900	2 192	196 Hanne Nordgaard, CEO	196	2 192	1 900	
276	1 455	183 Bjørn-Tore Brønlund, Director of Corporate	183	1 455	273	
2 783	1 556	182 Dag Hugo Heimstad, Director of Retail Market	182	1 556	3 683	
0	1 178	200 Ranveig Kråkstad, Chief Accounting Officer	200	1 178	0	
795	1 330	189 Sverre Klausen, Chief Financial Officer	189	1 330	2 216	
0	1 070	168 Anne Ekroll, Chief Risk Management	168	1 070	1 135	
4 000	1 078	145 Øyvind Karlsen, Chief Business Development	145	1 078	6 103	

The members of the management team are defined as leading employees.

Some parts of the payment include compensation for change from defined –benefit pension to defined contribution.

<i>Parent bank</i>			<i>Group</i>			
31.12.17			31.12.17			
Loans	Payments	Pension cost (amount in thousands NOK)	Pension cost	Payments	Loans	
<b>Ledergruppen:</b>						
1.500	1.264	104 Hanne Nordgaard, CEO from 01.09.17	104	1.264	1.500	
364	1.252	143 Bjørn-Tore Brønlund, Director of Corporate	143	1.252	364	
2.174	1.073	142 Ann Karin Krogli, Chief Human Resources Officer	142	1.073	3.793	
3.783	1.528	147 Dag Hugo Heimstad, Director of Retail Market	147	1.528	3.783	
0	1.113	158 Ranveig Kråkstad, Chief Accounting Officer	158	1.113	0	
897	1.260	153 Sverre Klausen, Chief Financial Officer	153	1.260	897	
0	1.037	135 Anne Ekroll, Chief Risk Management	135	1.037	1.136	
4.000	1.052	116 Øyvind Karlsen, Chief Business Development	116	1.052	6.197	
1.593	1.823	115 Lisbeth Flågeng, CEO to 31.08.17	115	1.823	2.093	

### NOTE 28.4 –Statement concerning determination of salary and other remuneration

The statement was adopted by the Board of Directors of Helgeland Sparebank on 28<sup>th</sup> of February 2019 and presented to the Board of Trustees on 27<sup>nd</sup> March 2019.

The CEO's salary is determined by the Bank's Board of Directors, while the members of the management team salaries are determined by the CEO. Reference is made to note 28.3 of the annual accounts regarding salary and remuneration to leading employees. Remuneration takes place in the form of fixed salary, benefits in kind and the pension scheme.

#### Guidelines for remuneration during the 2019 financial year

##### Salary

Managerial salaries in Helgeland Sparebank must be competitive, make the Bank attractive as an employer and promote value creation for the Bank.

Managerial salaries are determined in relation to the fulfilment of the Bank's managerial requirements and core values, and on the basis of salary levels in the region and the sector as a whole.

The Bank has defined senior executives as follows:

- CEO
- Management team, other

##### Benefits in kind

The nature and value of benefits in kind must be on a par with what is normal for managers in our sector. The senior executives have an agreement concerning a free car, telephone, newspaper, internet subscription and home PC. The CEO, retail market director and the corporate market all holds company cars.

## NOTES

### Pension schemes

The bank has a defined contribution scheme, which also concerns the management team.

The CEO is at any time following the bank's current pension schemes

### Bonuses, option agreements and severance payments

The Bank currently has per 31.12.18 no pre-established option, bonus or severance payment schemes other than the pension schemes.

### **Report on senior executive pay in the financial year 2018**

The Banks senior executive pay for 2019 is implemented in accordance with the main principles described in the above section on guidelines for remuneration.

#### **NOTE 28.5 – The boards of Directors and Control Committee**

<i>Parent Bank</i>			<i>Group</i>	
<b>31.12.18</b>			<b>31.12.18</b>	
<b>Loans</b>	<b>Payments</b>	<b>(amount in thousands NOK)</b>	<b>Payments</b>	<b>Loans</b>
<b>The board:</b>				
0	304	Chairman of the board Ove Brattbakk	304	0
11 005	56	Deputy chairman of the board Stein Andre Herigstad-Olsen	56	11 005
3 605	169	Bjørn Audun Risøy (deputy chairman from 22.03.18)	169	7 870
0	108	Inga Marie Lund	108	4 403
0	172	Eva Monica Hestvik	172	3 300
0	108	Nils Terje Furunes	108	0
406	108	Marianne Terese Steinmo	108	4 469
0	49	Linda Brennbakk – 1st deputy board member	49	0
0	5	Kurt Jessen Johansson – 2nd deputy board member	5	2 000
2 928	110	Birgitte Lorentzen – employee representative	110	2 928
2 200	108	Geir Pedersen – employee representative	108	3 527
0	5	Bente Johansen – deputy board member for B. Lorentzen	5	800
3 086	10	Sten-Ove Lisø – deputy board member for Geir Pedersen	10	3 086

<i>Parent bank</i>			<i>Group</i>	
<b>31.12.17</b>			<b>31.12.17</b>	
<b>Loans</b>	<b>Payments</b>	<b>(amount in thousands NOK)</b>	<b>Payments</b>	<b>Loans</b>
<b>The board:</b>				
0	264	Chairman of the board Ove Brattbakk	264	0
7 716	174	Deputy chairman of the board Stein Andre Herigstad-Olsen	174	7 716
0	100	Bjørn Audun Risøy	100	3 309
0	100	Inga Marie Lund	100	4 403
0	144	Eva Monica Hestvik	144	2 899
0	100	Nils Terje Furunes	100	0
0	100	Marianne Terese Steinmo	100	0
0	25	Linda Brennbakk – 1st deputy board member	25	0
0	0	Kurt Jessen Johansson – 2nd deputy board member	0	1 274
3 007	100	Birgitte Lorentzen – employee representative	100	3 007
0	15	Bente Johansen – deputy board member for B. Lorentzen	15	800
2 200	75	Geir Pedersen – employee representative from 01.04.2017	75	3 634
2 925	10	Sten-Ove Lisø – deputy board member for Geir Pedersen	10	2 925
2 668	5	Ole Jørgen Eilertsen – deputy board member for M. Søreng	5	2 668
2 200	17	Martin Søreng – employee representative to 28.02.2017	17	3 515

## NOTES

### NOTE 28.6 – Board of trustees

Parent Bank			Group	
31.12.18			31.12.18	
Loans	Payments	(amount in thousands NOK)	Payments	Loans
<b>Leader Board of trustees</b>				
0	40	Per Gunnar Hjørthen	40	0
<b>Depositor Committee</b>				
4 052	8	Marianne Myrnes Steinrud	8	4 052
0	5	Ingvar Møllersen	5	198
1 324	5	Wenche Drevland	5	4 713
0	0	Geir Hogne Bonsaksen to 21.03.18	0	0
3 525	3	Marit Thrana from 22.03.18	3	3 525
0	5	Helge Stanghelle	5	0
671	5	Sten Oddvar Solhaug	5	671
0	8	John Luktvasmo	8	0
4 214	0	Tone Helen Jakobsen	0	4 214
0	5	Torill Beate Risøy	5	0
<b>Equity certificate holders</b>				
0	0	Brynjar Forbergskog	0	0
852	29	Øyvind Trønsdal	29	1 984
1 312	5	Toril Mevold	5	3 241
880	0	Inger Lise Strøm	0	3 303
0	13	Anne Påsche Jakobsen	13	0
0	0	Lars Martin Lunde	0	0
0	0	Per Gunnar Hjørthen	0	0
0	5	Frank Høyen	5	0
0	0	Maria Olaisen	0	0
0	0	Åsmund Skår	0	0
<b>Staff</b>				
2 200	5	Nils Sagrabb	5	3 000
2 500	5	Einar Eliassen	5	2 500
0	5	Karianne Kristensen	5	1 850
1 751	5	Sten Åge Rørmark	5	1 751
1 016	5	Morten Myran	5	1 916
1 257	5	Tore Stamnes	5	1 987



## NOTES

Parent Bank

Group

31.12.17

31.12.17

Loans	Payments	(amount in thousands NOK)	Payments	Loans
<b>Leader Board of trustees</b>				
0	40	Per Gunnar Hjørthen	40	0
<b>Depositor Committee</b>				
0	13	Marianne Myrnes Steinrud	13	0
31	8	Ingvar Møllersen	8	252
1 372	8	Wenche Drevland	8	3 148
0	0	Geir Høgne Bonsaksen	0	0
0	3	Helge Stanghelle	3	0
618	5	Sten Oddvar Solhaug	5	618
0	10	John Luktassmo	10	0
0	5	Tone Helen Jakobsen	5	0
0	8	Torill Beate Risøy	8	0
<b>Equity certificate holders</b>				
0	0	Brynjar Forbergskog	0	0
0	25	Øyvinn Trønsdal	25	0
1 346	8	Toril Mevold	8	3 495
1 797	0	Inger Lise Strøm	0	4 313
0	15	Anne Påsche Jakobsen	15	0
0	5	Lars Martin Lunde	5	0
0	3	Per Gunnar Hjørthen	3	0
0	8	Frank Høyen	8	0
0	0	Maria Olaisen from 29.03.2017	0	0
0	0	Åsmund Skår from 29.03.2017	0	0
0	0	Tom Rømer Svendsen to 29.03.2017	0	0
0	0	Inger Lise Larsen to 29.03.2017	0	0
<b>Staff</b>				
2 876	8	Nils Sagrabb	8	2 876
1 801	5	Sten Åge Rørmark	5	1 801
1 025	5	Morten Myran	5	1 925
1 257	8	Tore Stamnes	8	1 522
0	3	Karianne Kristensen from 29.03.2017	3	1 850
3 772	13	Roger Ditlefsen to 31.12.2017	13	3 772
2 500	8	Einar Eliassen to 29.03.2017	8	2 500

Board of trustees members who have gone out as a representative in 2017:

Loans	Payments	(amount in thousands NOK)	Payments	Loans
<b>Depositor Committee</b>				
2 500	8	Einar Eliassen	8	2 500
3 772	13	Roger Ditlefsen	13	3 772
<b>Publicly appointed</b>				
2 387	11	Tom Rømer Svendsen	11	2 387
0	0	Inger-Lise Larsen	0	0

## NOTES

### NOTE 29 - Deferred tax / Deferred tax benefit

<i>Parent bank</i>				<i>Group</i>	
31.12.17	31.12.18	Deferred tax / deferred tax benefit:		31.12.18	31.12.17
<b>Positive temporary differences:</b>					
74	21	Operating equipment		21	74
<b>74</b>	<b>21</b>	<b>Total positive temporary differences</b>		<b>21</b>	<b>74</b>
19	5	Deferred tax		5	19
<b>Negative temporary differences</b>					
3	-3	Impairment losses on interest bearing securities		-3	3
15	15	Operating equipment		30	32
26	22	Pension liabilities		22	26
72	30	Other temporary differences		30	72
<b>116</b>	<b>64</b>	<b>Total negative temporary differences</b>		<b>79</b>	<b>133</b>
0	0	Loss carried forward		0	0
<b>116</b>	<b>64</b>	<b>Deferred tax benefit</b>		<b>79</b>	<b>133</b>
29	16	Deferred tax / deferred tax benefit:		20	33
11	11	Net deferred tax / deferred tax benefit:		15	15

Dividend from the parent bank to the equity holders have no influence on the group's payable tax or deferred tax.

Deferred tax/tax benefit is calculated on the basis of the temporary differences which exist at the end of the accounting year between accounts-related and tax-related values through the application of the debt method. Deferred tax is shown in the accounts on a net basis when the Group has a legal right to set off the deferred tax benefit against deferred tax in the balance sheet.

### NOTE 30 - Fixed assets

<i>Parent bank</i>						<i>Group</i>	
31.12.18						31.12.18	
Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt. fixtures and cars	Total	
285	225	60	= Acquisition cost as at 01.01.18	202	231	433	
16	16	0	+ additions	0	16	16	
40	38	2	- disposals	2	44	40	
<b>261</b>	<b>203</b>	<b>58</b>	<b>Acquisition cost as at 31.12.18</b>	<b>200</b>	<b>203</b>	<b>403</b>	
219	165	54	Accumulated depreciation/write-down as at 01.01.18	125	167	292	
12	12	0	+ ordinary depreciation 1)	0	18	18	
40	39	1	Write down	1	39	40	
<b>192</b>	<b>138</b>	<b>53</b>	<b>Accumulated depreciation/write-down as at 31.12.18</b>	<b>124</b>	<b>146</b>	<b>270</b>	
<b>69</b>	<b>65</b>	<b>4</b>	<b>Book value as at 31.12.18</b>	<b>76</b>	<b>57</b>	<b>133</b>	
	10-33 %	3-4 %		3-4 %	10-33 %		
	3-10 år	30 år		30 year	3-10 år		

\*) The useful life of each asset is assumed

## NOTES

<i>Parent bank</i>						<i>Group</i>
31.12.17						31.12.17
Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt . fixtures and cars	Total
258	198	60	= Acquisition cost as at 01.01.17	199	204	403
32	32	0	+ additions	6	32	38
5	5	0	- disposals	3	5	8
<b>285</b>	<b>225</b>	<b>60</b>	<b>Acquisition cost as at 31.12.17</b>	<b>202</b>	<b>231</b>	<b>433</b>
213	160	53	Accumulated depreciation/write-down as at 01.01.17	118	162	280
11	10	1	+ ordinary depreciation 1)	10	10	20
5	5	0	Write down	3	5	8
<b>219</b>	<b>165</b>	<b>54</b>	<b>Accumulated depreciation/write-down as at 31.12.17</b>	<b>125</b>	<b>167</b>	<b>292</b>
<b>66</b>	<b>60</b>	<b>6</b>	<b>Book value as at 31.12.17</b>	<b>77</b>	<b>64</b>	<b>141</b>
	10-33 %	3-4 %		3-4 %	10-33 %	
	3-10 år	30 år		30 year	3-10 år	

\*) The useful life of each asset is assumed

### NOTE 31 - Other assets

<i>Parent bank</i>				<i>Group</i>	
31.12.17	31.12.18			31.12.18	31.12.17
3	4	Sundry suspense accounts		4	1
1	40	Various debtors		0	1
4	5	Prepaid costs		6	4
41	21	Reposessed assets		61	41
<b>49</b>	<b>70</b>	<b>Total other assets</b>		<b>71</b>	<b>47</b>

### NOTE 32 - Foreign exchange

*Group and Parent bank*

The Group has no significant holdings of foreign currency available via ATMs. The Group has no transactions in foreign currency of any significance, but has pledged guarantees for foreign currency loans managed by the currency bank on behalf of Helgeland Sparebank. See Note 2.3.1 foreign exchange risk.

### NOTE 33 - Liabilities to credit institutions

<i>Parent bank</i>				<i>Group</i>	
31.12.17	31.12.18			31.12.18	31.12.17
0	0	Liabilities to credit institutions – without agreed maturities		2	2
250	250	Other long term loan		250	250
<b>250</b>	<b>250</b>	<b>Total</b>		<b>252</b>	<b>252</b>

## NOTES

### NOTE 34 - Deposit from customers

#### NOTE 34.1 - Deposit from customers split by sector/industry

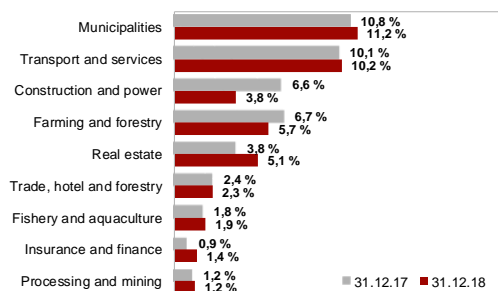
Parent bank

Group

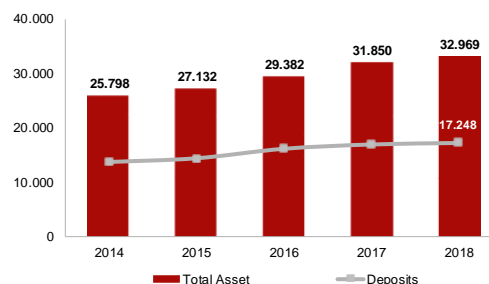
%	31.12.17	%	31.12.18	Deposit from customers split by sector/industry	31.12.18	%	31.12.17	%
3.4 %	600	3.7 %	649	Financial institutions	235	1.4 %	150	0.9 %
10.5 %	1 830	10.9 %	1 925	Municipalities and municipal enterprise	1 925	11.2 %	1 830	10.8 %
1.8 %	305	1.9 %	328	Agriculture and forestry	328	1.9 %	305	1.8 %
6.6 %	1 142	5.6 %	991	Fisheries and aquaculture	991	5.7 %	1 142	6.7 %
1.1 %	196	1.2 %	215	Mining and industry	215	1.2 %	196	1.2 %
6.4 %	1 117	3.7 %	649	Building and construction	649	3.8 %	1 117	6.6 %
2.3 %	409	2.2 %	398	Trade, hotel, restaurants.	398	2.3 %	409	2.4 %
9.9 %	1 717	9.9 %	1 762	Property, property development	1 762	10.2 %	1 717	10.1 %
3.7 %	650	5.3 %	934	Transport and services	878	5.1 %	650	3.8 %
45.7 %	7 966	44.3 %	7 851	Total corporate market	7 381	42.8 %	7 516	44.3 %
54.3 %	9 456	55.7 %	9 867	Retail market	9 867	57.2 %	9 456	55.7 %
100.0 %	17 422	100.0 %	17 718	Total	17 248	100 %	16 972	100.0 %

The Act relating to security arrangements for banks and public administration etc., by financial institutions directs all savings banks to be members of The Norwegian Banks' Guarantee Fund. The Fund is obligated to cover losses suffered by a depositor on deposits in a member institution by up to NOK 2 million of the collective deposit, just below 60% of total deposit volume.

Customer deposits



BTA whereby lending and deposits (MNOK)



#### Deposits from customers as of 31.12.18

Deposits from customers amount to NOK 17.2 (17.0) billion, of which NOK 7.4 (7.5) billion has been lent to corporate customers. The graph above shows the sector subdivision, with growth in municipal and aqua cultural deposits. The share of retail market deposits amounts to 57.2 (55.2) %. Of the deposits, 89.7 (90.2) % consist of deposits from customers in Helgeland.

#### NOTE 34.2 - Geographical exposure deposits from and liabilities to customers

Parent bank

Group

31.12.18	%-share		31.12.18	%-share
15 947	90.0 %	Helgeland	15 447	89.7 %
1 632	9.2 %	Areas other than Helgeland	1 632	9.5 %
139	0.8 %	International	139	0.8 %
17 718	100.0 %	Total	17 248	100.0 %

## NOTES

<i>Parent bank</i>			<i>Group</i>	
31.12.17	%-share		31.12.17	%-share
15 765	90.5 %	Helgeland	15 315	90.2 %
1 544	8.9 %	Areas other than Helgeland	1 544	9.1 %
113	0.6 %	International	113	0.7 %
<b>17 422</b>	<b>100.0 %</b>	<b>Total</b>	<b>16 972</b>	<b>100.0 %</b>

### NOTE 34.3 - Deposits from and liabilities to customers

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
6 385	6 625	Ordinary terms without notice of withdrawal or agreed maturities	6 607	6 385
9 784	9 716	Special terms for customer deposits without agreed maturities	9 264	9 334
1 081	1 206	Special terms for customer deposits with agreed maturities	1 206	1 081
172	171	Deposit from customers with agreed maturities	171	172
<b>17 422</b>	<b>17 718</b>	<b>Total deposits from customers</b>	<b>17 248</b>	<b>16 972</b>

### NOTE 35 - Financial liabilities incurred through the issuance of securities

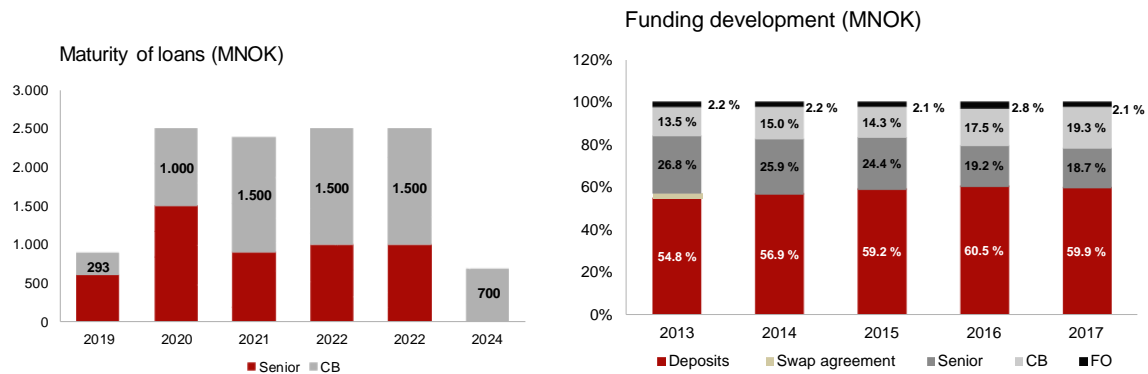
<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
5 825	5 551	Bond loans	12 409	11 401
-450	-493	Own bonds	-853	-550
<b>5 375</b>	<b>5 058</b>	<b>Total deposits from customers</b>	<b>11 556</b>	<b>10 851</b>

### NOTE 35.1 - Details of bond loans

					<i>Group</i>
					<b>31.12.18</b>
	Maturity	Bond loans	Own portfolio	Net Nominal	
Bond Loans, fixed interest rate	2019	500	175	325	
Bond Loans, FRN	2019	1 053	476	577	
Bond Loans, fixed interest rate	2020	500	0	500	
Bond Loans, FRN	2020	2 000	0	2 000	
Bond Loans, fixed interest rate	2021	500	0	500	
Bond Loans, FRN	2021	2 000	100	1 900	
Bond Loans, fixed interest rate	2022	500	0	500	
Bond Loans, FRN	2022	2 000	0	2 000	
Bond Loans, fixed interest rate	2023	500	0	500	
Bond Loans, FRN	2023	2 000	0	2 000	
Bond Loans, FRN	2024	800	100	700	
<b>Total Bond loans</b>		<b>12 353</b>	<b>851</b>	<b>11 502</b>	

## NOTES

<i>Group</i>				
<b>31.12.17</b>				
	<b>Maturity</b>	<b>Bond loans</b>	<b>Own portfolio</b>	<b>Net Nominal</b>
Bond Loans, FRN	2018	1070	400	670
Bond Loans, fixed interest rate	2018	500	49	451
Bond Loans, fixed interest rate	2019	500	0	500
Bond Loans, FRN	2019	1.500	0	1.500
Bond Loans, fixed interest rate	2020	500	0	500
Bond Loans, FRN	2020	2.000	0	2.000
Bond Loans, fixed interest rate	2021	500	0	500
Bond Loans, FRN	2021	1.500	0	1.500
Bond Loans, FRN	2022	2.000	0	2.000
Bond Loans, fixed interest rate	2022	500	100	400
Bond Loans, fixed interest rate	2023	200	0	200
Bond Loans, FRN	2023	500	0	500
<b>Total Bond loans</b>		<b>11 270</b>	<b>549</b>	<b>10 721</b>



### Maturity structure

Liquidity risk is reduced by spreading securities debt in different markets, funding sources, instruments and maturities. The Group's share of long-term funding at 31.12.18 was 92.2 (87.8) %.

Covered bonds are included in the securities debt of the Group with 6.5 (5.5) billion. LTV of the cover assets 56 (52) %. Deposit is important for funding and the group has good deposit coverage.

<i>Parent Bank</i>				
<b>31.12.18</b>				
	<b>Maturity</b>	<b>Bond loans</b>	<b>Own portfolio</b>	<b>Net Nominal</b>
Bond Loans, fixed interest rate	2019	500	175	325
Bond Loans, FRN	2019	500	216	284
Bond Loans, fixed interest rate	2020	500	0	500
Bond Loans, FRN	2020	1.000	0	1.000
Bond Loans, fixed interest rate	2021	500	0	500
Bond Loans, FRN	2021	500	100	400
Bond Loans, fixed interest rate	2022	500	0	500
Bond Loans, FRN	2022	500	0	500
Bond Loans, fixed interest rate	2023	500	0	500
Bond Loans, FRN	2023	500	0	500
<b>Total Bond loans</b>		<b>5 500</b>	<b>491</b>	<b>5 009</b>

## NOTES

*Parent Bank*

**31.12.17**

	<b>Maturity</b>	<b>Bond loans</b>	<b>Own portfolio</b>	<b>Net Nominal</b>
Bond Loans, FRN	2018	1 000	400	600
Bond Loans, fixed interest rate	2018	500	49	451
Bond Loans, fixed interest rate	2019	500	0	500
Bond Loans, FRN	2019	500	0	500
Bond Loans, fixed interest rate	2020	500	0	500
Bond Loans, FRN	2020	1 000	0	1 000
Bond Loans, fixed interest rate	2021	500	0	500
Bond Loans, FRN	2022	500	0	500
Bond Loans, fixed interest rate	2022	500	0	500
Bond Loans, fixed interest rate	2023	200	0	200
<b>Total Bond loans</b>		<b>5 700</b>	<b>449</b>	<b>5 251</b>

*Parent bank*

*Group*

<b>31.12.17</b>	<b>31.12.18</b>	<b>(MNOK)</b>	<b>31.12.18</b>	<b>31.12.17</b>
5.263	5.009	Bonds, nominal value	11.502	10.733
80	25	Value adjustments	21	80
32	24	Accrued interest	33	38
<b>5.375</b>	<b>5.058</b>	<b>Total securities</b>	<b>11.556</b>	<b>10.851</b>

### Change in securities issued

*Group*

	<b>31.12.17 Issued</b>	<b>Matured/redeemed</b>	<b>Other change</b>	<b>31.12.18</b>
Bonds, nominal value	10.733	5.390	-4.673	11.502
Value adjustments	80		-59	21
Accrued interest	38		-5	33
<b>Total</b>	<b>10.851</b>	<b>5.390</b>	<b>-4.673</b>	<b>11.556</b>

## NOTES

<b>Change in securities debt amortized cost</b>					<i>Group</i>
	<b>31.12.17 issued</b>	<b>overdue/redeemed</b>	<b>other change</b>		<b>31.12.18</b>
Bond debt, amortized nominal value	8 070	4 863	-3 820	60	9 173
Accrued interest	8			5	13
	<b>8 078</b>	<b>4 863</b>	<b>-3 820</b>	<b>65</b>	<b>9 186</b>

<b>Change in securities debt hedging</b>					<i>Group/Parent Bank</i>
	<b>31.12.17 issued</b>	<b>overdue/redeemed</b>	<b>other change</b>		<b>31.12.18</b>
Bond debt Hedging, nominal value	2 664	527	-853	-9	2 329
Adjustments	80			-59	21
Accrued interest	30			-10	20
	<b>2 774</b>	<b>527</b>	<b>-853</b>	<b>-78</b>	<b>2 370</b>

<b>Change in securities debt total</b>					<i>Group</i>
	<b>31.12.16 issued</b>	<b>overdue/redeemed</b>	<b>other change</b>		<b>31.12.17</b>
Bond debt total, nominal value	9 155	6 078	-4 537	28	10 724
Adjustments	42			40	82
Accrued interest	61			-16	45
	<b>9 258</b>	<b>6 078</b>	<b>-4 537</b>	<b>52</b>	<b>10 851</b>

<b>Change in securities debt amortized cost</b>					<i>Group</i>
	<b>31.12.16 issued</b>	<b>overdue/redeemed</b>	<b>other change</b>		<b>31.12.17</b>
Bond debt, amortized cost nominal value	6 971	4 598	-3 526	20	8 063
Adjustments					-
Accrued interest	28			-13	15
	<b>6 999</b>	<b>4 598</b>	<b>-3 526</b>	<b>7</b>	<b>8 078</b>

<b>Change in securities debt hedging</b>					<i>Group/Parent Bank</i>
	<b>31.12.16 issued</b>	<b>overdue/redeemed</b>	<b>other change</b>		<b>31.12.17</b>
Bond debt Hedging, nominal value	2 184	1 480	-1 011	8	2 661
Adjustments	42			40	82
Accrued interest	33			-3	30
	<b>2 259</b>	<b>1 480</b>	<b>-1 011</b>	<b>45</b>	<b>2 773</b>

<b>Change in securities debt</b>					<i>Parent Bank</i>
	<b>31.12.17 issued</b>	<b>overdue/redeemed</b>	<b>other change</b>		<b>31.12.18</b>
Bond debt, amortized value	2 599	2 416	-2 356	25	2 684
Adjustments					-
Accrued interest	3			1	4
	<b>2 602</b>	<b>2 416</b>	<b>-2 356</b>	<b>26</b>	<b>2 688</b>

<b>Change in securities debt</b>					<i>Parent Bank</i>
	<b>31.12.16 issued</b>	<b>overdue/redeemed</b>	<b>other change</b>		<b>31.12.17</b>
Bond debt, amortized value	2 704	1 403	-1 511	3	2 599
Adjustments					-
Accrued interest	30			-27	3
	<b>2 734</b>	<b>1 403</b>	<b>-1 511</b>	<b>-24</b>	<b>2 602</b>



## NOTES

Accounted value	31.12.18	Group 31.12.17
Bonds, amortized cost	9 186	8 078
Bonds, hedging	2 370	2 773
<b>Total debt securities</b>	<b>11 556</b>	<b>10 851</b>

Accounted value	31.12.18	Parent bank 31.12.17
Bonds, amortized cost	2 688	2 602
Bonds, hedging	2 370	2 773
<b>Total debt securities</b>	<b>5 058</b>	<b>5 375</b>

Change in securities issued	31.12.17	Issued	Matured/redeemed	Other change	Group/Parent bank 31.12.18
equity and related capital, nominal value	300	150		0	450
Value adjustments	-			-1	-1
Accrued interest	-			2	2
<b>Total</b>	<b>300</b>	<b>150</b>	<b>-</b>	<b>1</b>	<b>451</b>

\*) Hybrid instruments do not meet the definition of financial liability in accordance with IAS 32 and are classified as equity 01/01/16

### NOTE 36 - Other liabilities

Parent bank	31.12.17	31.12.18	31.12.18	Group 31.12.17
38 35 Other short –term liabilities			35	42
61 16 Tax payable			30	69
<b>99 51 Total other liabilities</b>			<b>65</b>	<b>111</b>
16 17 Accrued holiday pay and employers' social security contributions			17	16
8 9 Other incurred costs			9	8
<b>24 26 Total incurred costs and prepaid income</b>			<b>26</b>	<b>24</b>
26 22 Pension liabilities (note 12)			22	26
0 5 Provisions for losses on guarantees			5	0
<b>26 27 Total incurred liabilities</b>			<b>27</b>	<b>26</b>
<b>149 104 Total other liabilities</b>			<b>118</b>	<b>161</b>

### NOTE 36.1 - Unutilised drawing rights facilities

Group and Parent bank	31.12.18	31.12.17
Short-term drawing rights facility 1 year	300	300
<b>Total drawing rights facilities as at 31.12</b>	<b>300</b>	<b>300</b>

The Group's total liquidity reserves are deemed satisfactory.

In addition the Group has	31.12.18	31.12.17
<b>Surplus liquidity at Norges Bank as at 31.12</b>	<b>50</b>	<b>50</b>

Bonds at floating rates of interest; interest rates are fixed in advance for 3 months at the time and the interest cost charged to interest costs. The Bank's bonds are repaid at maturity; if the agreements in question permit and if the Bank should so wish the loans may be repaid earlier. None of the Group's bonds are secured. The Group has not defaulted on borrowed funds during the accounting year. This applies to principal amount the payment of interest and/or redemption amount.

#### Secured debt

An overview of the Group's secured debt is provided in Note 41.

#### Binding agreements to acquire real property, plant and equipment

As of 31 December 2017, the Group had not entered into any significant binding agreements to acquire property, plant or equipment.

#### Ongoing legal disputes

The bank has an ongoing litigation in connection with a property taken over, it is not expected that this will materially affect the result. The group is not otherwise involved in litigation that is considered to have significance for the group's solvency or profitability.

## NOTES

### NOTE 37 - Subordinated loan capital and subordinated bonds

Instrument	Year of	Nominal value	Interest rate	Redemption right	Parent bank/Group	
					31.12.18	31.12.17
Subordinated loan	2018	MNOK 300	3-mth. NIBOR +140 bp	Soft call 11.04.28	300	0
Subordinated loan	2018	MNOK 150	3-mth. NIBOR +152 bp	Soft call 06.09.28	150	0
Subordinated loan	2013	MNOK 300	3-mth. NIBOR +200 bp	Soft call 12.06.18	0	299
Bond	2016	MNOK 300	3-mth. NIBOR +440 bp	Soft call 01.12.21	300	300
					<b>750</b>	<b>599</b>

### NOTE 38 - Capital adequacy

Parent bank				Group	
31.12.17	31.12.18			31.12.18	31.12.17
208	208	EC-capital		208	208
971	971	Premium Fund		971	971
-3	-2	Own ECs		-2	-3
299	299	Hybrid Tier 1 security		299	299
<b>1 475</b>	<b>1 476</b>	<b>Total paid-in capital</b>		<b>1.476</b>	<b>1.475</b>
541	558	Savings Bank's Fund		558	541
424	440	Reserve for valuation variances		440	424
44	33	Donations Fund		33	44
659	710	Dividend equalisation reserve		710	659
84	33	Cash dividend		33	84
0	0	Other equity capital		70	43
<b>1 752</b>	<b>1 774</b>	<b>Total accrued equity capital</b>		<b>1.844</b>	<b>1.795</b>
<b>3 227</b>	<b>3 250</b>	<b>Total equity capital</b>		<b>3.320</b>	<b>3.270</b>
-299	-299	Hybrid capital		-299	-299
-69	-74	Transition Rule; share net of non-significant assets		-68	-65
-55	-39	Cash dividend/gift employee		-39	-55
-69	-63	Fradrag / min.int./forsvarlig verdisetting/Balder Betaling		-63	-69
<b>2 735</b>	<b>2 775</b>	<b>Total core tier one</b>		<b>2.851</b>	<b>2.782</b>
299	299	Fondsobligasjon		299	299
-14	-16	Shares in financial institutions		-14	-13
<b>3 020</b>	<b>3 058</b>	<b>Total core capital</b>		<b>3 136</b>	<b>3 068</b>
300	451	Subordinated dept		451	300
-1	0	Shares in financial institutions		0	-1
<b>299</b>	<b>451</b>	<b>Total net supplementary capital</b>		<b>451</b>	<b>299</b>
<b>3 319</b>	<b>3 509</b>	<b>Total net equity and related capital</b>		<b>3 587</b>	<b>3 367</b>
16 457	16 950	Weighted asset calculation basis		18 310	17 622
16.62 %	16.37 %	Core tier one Capital ratio		15.57 %	15.79 %
18.35 %	18.04 %	Core capital ratio		17.13 %	17.41 %
20.17 %	20.70 %	Capital ratio		19.59 %	19.11 %
Total core tier one including cooperative group				2 923	2 826
Total core capital including cooperative group				3 232	3 131
Total net equity and related capital including cooperative group				3 700	3 441
Weight assets calculation basis including cooperative group				19 174	18 202
Core tier one Capital ratio, after proportionally consolidation in %				15.25 %	15.53 %
Core capital ratio, after proportionally consolidation in %				16.86 %	17.20 %
Total Capital ratio, after proportionally consolidation in %				19.30 %	18.90 %

## NOTES

From 31.12.18 statutory minimum requirements for pure core capital adequacy is 12.0 %. (12.5 % from 31.12.19) The bank has a Pillar 2 addition of 2.2 %. The Groups capital requirement including Pillar 2 addition amounts to 14.2 %.

The bank has elected standard method for calculation of credit risk and basis method for calculation of operational risk.

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
0	0	States and central banks	0	0
263	240	Local and regional authorities (including municipalities)	240	263
398	393	Institutions	172	146
1 066	1 696	Enterprises	1 696	1 065
1 232	1 067	Mass market loans	1 022	1 431
10 006	9 605	Loans secured by real property	12 331	12 307
210	530	Loans overdue	545	210
680	763	Covered bonds	114	132
0	0	Units in securities funds	0	0
1 250	1 213	Equity positions	630	630
121	155	Other loans and commitments	220	227
<b>15 227</b>	<b>15 662</b>	<b>Capital requirement credit risk</b>	<b>16 970</b>	<b>16 411</b>
1 188	1 268	Capital requirement operational risk	1 320	1 168
39	20	Deducted from capital requirement	20	39
<b>16 453</b>	<b>16 950</b>	<b>Total capital requirement</b>	<b>18 310</b>	<b>17 618</b>

### NOTE 38.1 - Capital management

*Group*

The bank's Board of Directors has determined a capital plan for 2019 – 2023, where satisfaction of capital requirements CRD IV is central. The Board of Directors has determined new capital goals, where the aim is a CET1 capital ratio (HSB group) of least 15.0% and a total capital ratio of over 18.5%.

### NOTE 39 – EC-holders

#### NOTE 39.1 – EC-owner according to the number of certificates held

<i>Parent bank</i>				
31.12.18				
Breakdown acc to number of ECs held	Number of EC-owners		Number of ECs	
	Share	Share - %	Share	Share - %
1 – 1 000	1 634	74.5 %	495 412	2.4 %
1 001 – 10 000	465	21.2 %	1 450 780	7.0 %
10 001 – 50 000	61	2.8 %	1 329 948	6.4 %
50 001 – 100 000	14	0.6 %	1 018 035	4.9 %
100 001 – 500 000	20	0.9 %	16 577 252	79.4 %
<b>Total</b>	<b>2 194</b>	<b>100.0 %</b>	<b>20 871 427</b>	<b>100.0 %</b>

## NOTES

Parent bank

31.12.17

Breakdown acc to number of ECs held	Number of EC-owners		Number of ECs	
	Share	Share - %	Share	Share - %
1 – 1 000	1 125	52.6 %	506 152	2.4 %
1 001 – 10 000	911	42.6 %	1 401 608	6.7 %
10 001 – 50 000	63	2.9 %	1 229 967	5.9 %
50 001 – 100 000	19	0.9 %	1 304 189	6.2 %
100 001 – 500 000	20	1.0 %	16 429 511	78.7 %
<b>Total</b>	<b>2 138</b>	<b>100.0 %</b>	<b>20 871 427</b>	<b>100.0 %</b>

### Trading in Helgelands Sparebank's ECs

The price as at 31.12.18 was NOK 69.5 (88. 0) per EC. Graph for Helgeland Sparebank and the price trend for the financial sector on Oslo Stock Exchange. Sparebankstiftelsen Helgeland is the largest owner and now owns 35.0% of the equity certificates in HELG.



### Market-making agreement

Helgeland Sparebank has entered into a market-making agreement relating to trading in the Bank's EC's. The purpose of the agreement is to ensure liquidity in the paper and to even out the levels of offers and bids and to contribute to the marketing of the EC's. Furthermore according to the agreement every effort will be made to keep the difference between buying- and selling prices to maximum 4 percentage points but rounded up or down to the natural amount. The difference may nevertheless be kept smaller if the market interest should warrant it. The price set should at all times reflect the market's assessment of the Bank's EC's.

### Returns and dividend policy

It is a priority area to practise sound management of our Equity Certificates, among other things by practising a policy of Equity Certificate ownership that helps create better liquidity in the Bank's Equity Certificate.

The Bank wishes to maintain an open dialogue with the Equity Certificate holders and other market participants. It is our belief that providing correct and relevant information at the right time creates confidence and predictability and contributes to a correct pricing of Helgeland Sparebank's Equity Certificate. In any event that involves an obligation on the Bank's part to provide information, a report will be sent to Oslo Børs and then be posted on the Bank's website. The Bank has been listed since 2000 and has complied with the requirements for reporting and information that the stock exchange requires of listed companies. The Bank's ticker is HELG.

The Board has decided to propose a level of dividend for 2018 to a payout ratio 41.0 (50.0) %. Ownership ratio 31.12.18: 76.4 % (76,3 % in 2017).

### NOTE 39.2 –EC-owners

Parent bank

In accordance to the bank's dividend policy, up to half of the owner's capital share of the profit can be paid out as dividend, and simultaneously up to half of the primary fund capital can be paid out as gifts or transferred to foundations. The rest of the profit is transferred to the equalization fund and the primary fund. The bank has a strategy of a long-term and predictable dividend policy.

EC capital amounts to 208 (208) million and is spread over 2 194 owners. Note 39.3 shows the list of the 20 largest equity certificate holders.

## NOTES

### NOTE 39.3 - The 20 largest EC-owners

<i>Parent bank</i>					
<b>31.12.18</b>					
	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	7 315 020	35.0 %	Catilina Invest AS	256 046	1.2 %
Pareto AS	1 949 392	9.3 %	Landkreditt utbytte	250 000	1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea	244 270	1.2 %
Merrill Lynch Prof.	1 140 092	5.5 %	VPF Nordea kapital	238 245	1.1 %
VPF Eika egenkapital	593 823	2.8 %	AF Kapital Managment	181 749	0.9 %
Pope Asset Managment BNY	559 313	2.7 %	Melum Mølle AS	177 000	0.8 %
Bergen kommunale Pensjon	475 000	2.3 %	Vigner Olaisen AS	144 653	0.7 %
MP Pensjon PK	462 203	2.2 %	Melesio Capital AS	137 188	0.7 %
Lamholmen Invest AS	447 353	2.1 %	Steffen Nervik	115 000	0.6 %
Helgeland Kraft AS	377 691	1.8 %	Verdipapirfondet NOR	105 227	0.5 %
<b>total 10 lagrest owners</b>	<b>14 727 874</b>	<b>70.3 %</b>	<b>Total 20 lagrest owners</b>	<b>16 577 252</b>	<b>77.4 %</b>

The bank has per 31.12.18 issued a total of 20 871 427 EC's value of NOK 10,-. Weighted average in 2018 was 20 871 427.

<i>Parent bank</i>					
<b>31.12.17</b>					
	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	7 255.020	34.8 %	Vigner Olaisen AS	294 653	1.4 %
Pareto AS	1 949.392	9.3 %	Catilina Invest AS	256 046	1.2 %
VPF Nordea Norge	1 407.987	6.7 %	VPF Nordea	244 270	1.2 %
Merrill Lynch Prof.	1 253.462	6.0 %	VPF Nordea kapital	238 245	1.1 %
Pope Asset Managment BNY	639 441	3.1 %	Apollo Asset Ltd.	181 749	0.9 %
VPF Eika egenkapital	494 578	2.4 %	Melum Mølle AS	170 000	0.8 %
MP Pensjon PK	462 203	2.2 %	Melesio Capital AS	137 188	0.7 %
Lamholmen AS	442 353	2.1 %	Steffen Nervik	110 506	0.5 %
Helgeland Kraft AS	377 691	1.8 %	Forte Trønder	109 500	0.5 %
Landkreditt utbytte	300 000	1.4 %	Verdipapirfondet	105 227	0.5 %
<b>total 10 lagrest owners</b>	<b>14 582 127</b>	<b>69.9 %</b>	<b>Total 20 lagrest owners</b>	<b>16 429 511</b>	<b>78.7 %</b>

The bank has per 31.12.17 issued a total of 20 871 427 EC's value of NOK 10,-. Weighted average in 2017 was 20 871 427.

## NOTES

### NOTE 39.4 - ECs owned by the Bank's elected representatives

			Group and Parent bank
			31.12.18
Name/Firm	POSITION		Own ECs
Høyen, Frank	Bank's depositors	E	1 619
Trønsdal, Øyvin	Bank's depositors	E	1 645
Hjorthen, Per Gunnar	Bank's depositors	E	9 505
Lunde, Lars Martin	Bank's depositors	E	0
Jakobsen, Anne Påsche	Bank's depositors	E	0
Strøm, Inger Lise	Bank's depositors	E	0
Mevold, Toril	Bank's depositors	E	0
Forbergskog, Brynjar	Bank's depositors	E	0
Olaisen, Maria	Bank's depositors	E	0
Skår, Åsmund	Bank's depositors	E	600
Drevland, Wenche	Bank's depositors	I	99
Luktvaslimo, John	Bank's depositors	I	422
Solhaug, Sten Oddvar	Bank's depositors	I	0
Risøy, Toril Beate	Bank's depositors	I	976
Stanghelle, Helge	Bank's depositors	I	214
Steinrud, Marianne Myrnes	Bank's depositors	I	0
Jakobsen, Tone Helen	Bank's depositors	I	0
Møllersen, Ingvar Johan	Bank's depositors	I	362
Thrana, Marit	Bank's depositors	I	0
Eliassen, Einar	Bank's depositors	A	812
Sagrabb, Nils	Bank's depositors	A	453
Kristensen, Karianne	Bank's depositors	A	783
Stamnes, Tore	Bank's depositors	A	2 669
Rørmark, Sten Åge	Bank's depositors	A	769
Myran, Morten	Bank's depositors	A	1 454
Brattbakk, Ove	Chairman of the Board	S	7 552
Risøy, Bjørn Audun	Member of the board	S	0
Lund, Inga Marie	Member of the board	S	200
Hestvik, Eva Monica	Member of the board	S	1 230
Furunes, Nils Terje	Member of the board	S	5 709
Steinmo, Marianne Terese	Member of the board	S	0
Lorentzen, Birgitte	Member of the board	SA	468
Pedersen, Geir	Member of the board	SA	594
Nordgaard, Hanne	CEO	L	2 643
Klausen, Sverre	Director finance management	L	1 023
Brønlund, Bjørn Tore	Director corporate marker	L	1 504
Heimstad, Dag Hugo	Director retail market	L	1 134
Kråkstad, Ranveig	Director economy	L	534
Karlsen, Øyvind	Director business development	L	2 424
Ekroll, Anne	Director risk management	L	1 724

## NOTES

Group and Parent bank

**31.12.17**

<b>Name/Firm</b>	<b>POSITION</b>		<b>Own ECs</b>
Hjorten, Per Gunnar	Bank's depositors	E	9 505
Høyen, Frank	Bank's depositors	E	1 619
Trønsdal, Øyvin	Bank's depositors	E/R	1 645
Skår, Åsmund	Bank's depositors	E/R	600
Forbergskog, Brynjar	Bank's depositors	R	0
Mevold, Toril	Bank's depositors	R	0
Strøm, Inger-Lise	Bank's depositors	R	0
Jacobsen, Anne Påsche	Bank's depositors	R	0
Lunde, Lars Martin	Bank's depositors	R	0
Olaisen, Maria	Bank's depositors	R	0
Drevland, Wenche	Bank's depositors	I	99
Luktvaslimo, John	Bank's depositors	I	422
Risøy, Toril Beate	Bank's depositors	I	676
Stanghelle, Helge	Bank's depositors	I	214
Møllersen, Ingvar Johan	Bank's depositors	I	262
Steinrud, Marianne	Bank's depositors	I	0
Bondsaksen, Geir Hogne	Bank's depositors	I	0
Solhaug, Stein Oddvar	Bank's depositors	I	0
Jakobsen, Tone Helen	Bank's depositors	I	0
Sagrabb, Nils	Bank's depositors	A	453
Ditlefsen, Roger	Bank's depositors	A	310
Kristensen, Karianne	Bank's depositors	A	603
Stamnes, Tore	Bank's depositors	A	2 489
Rørmark, Sten Åge	Bank's depositors	A	589
Myran, Morten	Bank's depositors	A	1 274
Brattbakk, Ove	Chairman of the Board	S	7 552
Lund, Inga Marie	Member of the board	S	200
Hestvik, Eva Monica	Member of the board	S	300
Furunes, Nils Terje	Member of the board	S	5 709
Herigstad-Olsen, Stein Andre	Member of the board	S	0
Risøy, Bjørn Audun	Member of the board	S	0
Lorentzen, Birgitte	Member of the board	SA	288
Pedersen, Geir	Member of the board	SA	414
Nordgaard, Hanne J.	CEO	L	1 963
Klausen, Sverre	Director finance management	L	843
Brønlund, Bjørn Tore	Director corporate marker	L	1 324
Heimstad, Dag Hugo	Director retail market	L	954
Kråkstad, Ranveig	Director economy	L	354
Karlsen, Øyvind	Director business development	L	2 244
Krogli, Ann Karin	Director organization development	L	601
Ekroll, Anne	Director risk management	L	1 544

**E** = EC owner

**R** = Represents EC owners

**L** = Member of the Bank's senior management

**I** = Elected from the Bank's depositors

**S** = Member of the Board of Directors

**A** = Employee

## NOTES

### NOTE 39.5 - Dividend

	<i>Parent bank</i>	
	31.12.18	31.12.17
Equity in the balance sheet	3 251	3 226
Hybrid capital	-299	-299
Deduction (Subordinated loan capital /fund for evaluation differences/dividends on PCC)	-479	-519
Total adjusted equity	<b>2 473</b>	<b>2 408</b>
EC-capital	209	208
Premium Fund	971	971
Dividend equalisation reserve	710	659
Total	<b>1 890</b>	<b>1 838</b>
EC percentage 01.01	76.3 %	76.5 %
Measured average	76.3 %	76.4 %
EC percentage 31.12	76.4 %	76.3 %
Calculation of dividend:		
Profit	144	256
Interest hybrid capital	-12	-14
Transferred reserve for valuation variances	-25	-24
Basis dividend	<b>107</b>	<b>218</b>
Calculated dividend	33.4	83.5
Dividend equalisation reserve	48.1	83.5
Dividend provision per. EC	3.90	8.00
Cash dividend	1.60	4.00
Equalisation reserve	2.30	4.00

### NOTE 39.6 - Key figures EC

	<i>Parent bank</i>		<i>Group</i>	
	31.12.17	31.12.18	31.12.18	31.12.17
88 69.5 EC price quoted on the stock exchange			69.5	88
7.4 14.4 P/E (price as at 31.12 divided by profit per EC)			13.9	6.9
0.8 0.6 P/B (price as at 31.12. divided by book value of equity capital)			0.6	0.8
76.3 76.4 EC percentage 31.12			76.4	76.3
107 108 Equity capital per EC, in NOK			110	109
8.9 4.8 Profit per EC, in NOK			5.0	9.5

### NOTE 40 - The Bank's guarantee liabilities according to different types of guarantee

	<i>Parent bank</i>		<i>Group</i>	
	31.12.17	31.12.18	31.12.18	31.12.17
255 197 Payment guarantees			197	255
135 159 Contract guarantees			159	135
92 90 Loan guarantees			90	92
23 25 Other guarantee liabilities			25	23
<b>505 471 Total guarantee liabilities *)</b>			<b>471</b>	<b>505</b>

\*) Adjustment to fair value is not included in the balance, as the change in value is not of significant value.

	31.12.17	31.12.18	SBGF	31.12.18	31.12.17
0 0 Guarantee issued in favour of SBGF				0	0

The SBGF fee is collected in 2018 with MNOK12.0 and MNOK 11.2 in 2017.



## NOTES

### NOTE 41 - Assets pledged as collateral security

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
<b>Bonds pledged as collateral security for:</b>				
545	545	D-loan from Norges Bank	545	545
<b>545</b>	<b>545</b>	<b>Total assets pledged as collateral security</b>	<b>545</b>	<b>545</b>

### NOTE 42 - Events after the balance sheet date

*Parent bank and group*

After the turn of the year, the bank has taken over the real estate company for a greater involvement. This is a commitment that the bank has previously taken on losses. Further losses on this commitment are considered unlikely. Otherwise, the group and the parent bank are not familiar with events after the balance sheet date that affect the financial statements. It is proposed to distribute cash dividend of MNOK 33.4 (83.5) of the profit for the year to the equity certificate holders in Helgeland Sparebank. Furthermore, it has been proposed to allocate MNOK 10.4 (26.5) to the gift fund/gift foundation. The proposal has not been adopted on the balance sheet date (31.12) and the items are therefore not entered as debt, but are included in equity.

### NOTE 43 - Balance sheet divided into short and long term

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.12.18		31.12.18	31.12.17
<b>Assets</b>				
87	82	Cash and balances at central banks	82	87
1 488	1 170	Loans to and claims on credit institutions	461	464
3 818	2 683	Loans to and claims on customers	3 530	4.983
1 575	1 243	Certificates, bonds and shares available for sale	1 268	1.624
49	70	Other assets	71	47
<b>7 017</b>	<b>5 248</b>	<b>Total short term assets</b>	<b>5 412</b>	<b>7 205</b>
16 042	17 605	Loans to and claims on customers	24 084	21 470
125	54	Financial derivatives	54	125
2 551	2 889	Certificates, bonds and shares available for sale	2 889	2 552
342	382	Investments in associated companies	382	342
595	595	Investments in subsidiaries	0	0
11	11	Deferred tax benefit	15	15
66	70	Fixed assets	133	141
<b>19 732</b>	<b>21 606</b>	<b>Total long term assets</b>	<b>27 557</b>	<b>24 645</b>
<b>26 749</b>	<b>26 854</b>	<b>Grand total assets</b>	<b>32 969</b>	<b>31 850</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>				
0	0	Liabilities to credit institutions	2	2
17 250	17 544	Deposits from customers and liabilities to customers	17 074	16 797
1 051	620	Borrowings through the issuance of securities	914	1 071
149	104	Other liabilities	118	161
<b>18 450</b>	<b>18 268</b>	<b>Total short term liabilities</b>	<b>18 108</b>	<b>18 031</b>
250	250	Liabilities to credit institutions	250	250
172	174	Liabilities fixes interest	174	175
4 624	4 889	Borrowings through the issuance of securities	11 093	10 080
27	22	Financial derivatives	22	27
<b>5 073</b>	<b>5 335</b>	<b>Total long term liabilities</b>	<b>11 539</b>	<b>10 532</b>
<b>23 523</b>	<b>23 603</b>	<b>Grand total liabilities</b>	<b>29 647</b>	<b>28 563</b>
1 836	1 888	Paid-in equity capital	1 888	1 836
584	591	Primary capital	591	584
806	772	Accrued equity capital/retained earnings	841	865
<b>3 226</b>	<b>3 251</b>	<b>Total equity capital</b>	<b>3 320</b>	<b>3 285</b>
		Non-controlling interest	2	2
<b>26 749</b>	<b>26 854</b>	<b>Total liabilities and equity capital</b>	<b>32 969</b>	<b>31 850</b>

## NOTES

### Helgeland Sparebank - Responsibility Statement from the Boards of Directors and the CEO

We confirm, to the best of our knowledge, which the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Mo i Rana, 28<sup>rd</sup> February 2019

Ove Brattbakk  
*Chairman*

Bjørn Audun Risøy  
*Vice-Chairman*

Eva Monica Hestvik

Inga Marie Lund

Nils Terje Furunes

Marianne Terese Steinmo

Marianne Terese Steinmo

Birgitte Lorentzen  
*Employee Representative*

Geir Pedesen  
*Employee Representative*

Hanne Nordgaard  
*Chief Executive Officer*



To the General Meeting of Helgeland Sparebank

## ***Independent Auditor's Report***

### ***Report on the Audit of the Financial Statements***

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#### ***Opinion***

We have audited the financial statements of Helgeland Sparebank, which comprise:

- The financial statements of the parent company Helgeland Sparebank (the Company), which comprise the balance sheet as at 31 December 2018, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Helgeland Sparebank and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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#### ***Basis for Opinion***

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

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#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Bank's business activities for the bank are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters. Impairment of loans to customers carries the same characteristics and risks this year, and has consequently been in our focus for the 2018 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Impairment of loans to customers</i>	
<p>Loans and guarantees constitute a considerable amount of the assets on the bank's balance sheet. When considering impairments, the bank applies a model-based framework with components that require management to exercise judgement. The framework is complex and comprise large amounts of data and discretionary parameters.</p> <p>Our audit focused on the valuation of loans because of the impact the impairment assessment has on the balance sheet, as well as the fact that the use of judgement has a potential impact on net income for the period. In addition, there is an inherent risk of misstatements due to the complexity and amount of data in the model.</p> <p>IFRS 9 has an effective date for annual periods beginning on or after 1 January 2018. Whereas the previous model recognized impairments when incurred credit losses were identified, the new model used in the impairment assessment reflects the bank's expected credit loss.</p> <p>Using models when calculating expected credit loss involve the use of judgement. We have given special attention to:</p> <ul style="list-style-type: none"> <li>• Classification of the loan portfolio by risk and segment</li> <li>• Identification of loans where there has been a significant increase in credit risk</li> <li>• How the loans are categorized in different stages</li> <li>• Parameters, including default rate, down payment factors, and scenarios</li> </ul>	<p>In our audit of expected loss allowance, we evaluated and tested the design and effectiveness of controls for quality assurance relating to the applied assumptions and models used in the calculations. Furthermore, we tested the input used in the model-based calculation of allowances as well as the individually calculated allowances.</p> <p>We have obtained a detailed understanding of the process and tested the relevant controls that are implemented in order to safeguard:</p> <ul style="list-style-type: none"> <li>• Calculations and the applied method;</li> <li>• That the applied model is designed according to the framework, and working as planned;</li> <li>• The reliability and accuracy of the data used in the model.</li> </ul> <p>Our controls testing gave no indication of material misstatements in the model, or deviations from IFRS 9.</p> <p>Concerning loans with objective evidence of impairment, and consequently where impairment is calculated for the specific loan, we tested a selection of loans. Realisable value is calculated by using external appraisals or internal evaluations. In order to assess the realisable value, we reviewed the appraisals and evaluated the relevance and reasonableness of important assumptions used in the appraisals, as well as the method applied in the calculations. As for the internal evaluations, we interviewed management and employees in the credit department, and challenged the relevance and reasonableness of important assumptions, and of the method applied in the calculation of the impairment. In addition, we tested the appropriateness of the classification within the model, and evaluated the reasonableness of the total allowance for credit losses.</p> <p>Misstatements identified in our testing were considered immaterial.</p> <p>Note 2.1, 16, 21.3, 21.4 and 22 in the financial statements are relevant as to the description of the bank's credit loss model, and how the company calculates allowance for</p>

The bank's loan portfolio primarily consists of loans to private customers and the SMB segment, and the models developed should estimate the loss allowance for each of these segments.

In the case of loans where there is objective evidence of impairment, an individual allowance for credit loss is recognized. This assessment also requires management's use of judgement.

credit losses in accordance with IFRS 9. We have read the notes and found that the information provided was sufficient and appropriate.

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*IT-systems supporting processes over financial reporting*

Daily operations in the bank and the systems used in the process of financial reporting are dependent on complex IT systems. We have addressed this area because weaknesses in automated processes and the accompanying IT-dependent manual controls, could lead to increased risk in the day-to-day operation of IT systems, and increase the risk of misstatements.

External service organisations provide some of the important IT systems used by the bank. In order to evaluate the design and effectiveness of established control systems, as well as testing of controls established to secure the integrity of the IT systems relevant for financial reporting, we have used the work of the service organisation's auditor. We have reviewed the reports provided by the auditor, and evaluated possible exceptions and improvements. Furthermore, we have tested IT general controls when deemed necessary for our audit.

Our controls testing indicate that we can rely on the bank's IT systems deemed relevant for our audit.

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*Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

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

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##### *Opinion on Registration and Documentation*

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

Mo i Rana, 23 May 2019

**PricewaterhouseCoopers AS**

Per Erik Pedersen

State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only.*

Profit and loss account items as a percentage of average assets

<i>Parent bank</i>					<i>Group</i>			
2015	2016	2017	2018		2018	2017	2016	2015
3.51	3.12	2.99	2.94	Interest receivable and similar income	2.95	3.00	3.14	3.58
1.77	1.22	1.10	1.11	Interest payable and similar costs	1.21	1.17	1.30	1.82
<b>1.74</b>	<b>1.90</b>	<b>1.90</b>	<b>1.83</b>	<b>Net interest- and credit commission income <sup>2</sup></b>	<b>1.74</b>	<b>1.83</b>	<b>1.84</b>	<b>1.76</b>
0.42	0.39	0.37	0.37	Commissions receivable and income from banking services	0.31	0.31	0.34	0.37
0.04	0.04	0.04	0.04	Commissions payable and costs relating to banking services	0.03	0.04	0.04	0.04
<b>0.38</b>	<b>0.35</b>	<b>0.33</b>	<b>0.34</b>	<b>Net commission income</b>	<b>0,28</b>	<b>0.28</b>	<b>0.30</b>	<b>0.33</b>
0.27	0.43	0.25	0.35	Gains/losses on financial instruments	0,15	0.11	0.26	0.08
0.06	0.02	0.03	0.07	Other operating income	0,05	0.02	0.02	0.04
0.00	0.30	0.00	0.00	Income by conversing to defined contribution	0.00	0.00	0.26	0.00
1.13	1.03	1.04	1.04	Other operating costs	0,88	0.89	0.96	1.03
0.14	0.14	0.25	0.93	Losses on loans gurantees etc	0,77	0.21	0.13	0.12
<b>1.19</b>	<b>1.83</b>	<b>1.22</b>	<b>0.61</b>	<b>Result from ordinary operations before tax</b>	<b>0,57</b>	<b>1.13</b>	<b>1.60</b>	<b>1.07</b>
0.26	0.37	0.23	0.07	Tax payable on ordinary result	0,11	0.24	0.36	0.27
<b>0.92</b>	<b>1.46</b>	<b>0.99</b>	<b>0.54</b>	<b>Result from ordinary operations after tax</b>	<b>0,46</b>	<b>0.89</b>	<b>1.24</b>	<b>0.79</b>



## Financial summary

<i>Parent bank</i>					<i>Group</i>			
2015	2016	2017	2018	(Amounts in NOK million and %)	2018	2017	2016	2015
23 802	25 371	26 749	26 854	Total assets as at 31.12 <sup>8</sup>	32 969	31 850	29 383	27 132
23 181	24 576	25 962	26 830	Average total assets <sup>10</sup>	32 443	30 852	28 324	26 279
18 295	19 169	20 012	20 669	Gross lending <sup>4</sup>	27 995	26 611	24 748	22 541
80.0 %	86.0 %	87.1 %	85.7 %	Deposit coverage as a percentage of gross loans <sup>5</sup>	61.6 %	63.8 %	65.4 %	64.0 %
60.7 %	58.6 %	55.8 %	55.2 %	Loans to retail banking customers	66.6 %	66.4 %	67.6 %	67.7 %
9.8 %	4.8 %	4.4 %	3.3 %	Growth in gross loans <sup>6</sup>	5.2 %	7.5 %	9.8 %	8.2 %
4.8 %	12.6 %	5.7 %	1.7 %	Growth in customer deposits <sup>7</sup>	1.6 %	4.9 %	12.2 %	5.0 %
15.6 %	16.9 %	16.6 %	16.4 %	Core tier one capital ratio <sup>21</sup>	15.3 %	15.8 %	16.1 %	15.2 %
17.0 %	19.8 %	18.4 %	18.0 %	Core capital ratio <sup>21</sup>	16.9 %	17.4 %	18.7 %	16.5 %
19.0 %	21.7 %	20.2 %	20.7 %	Capital ratio <sup>21</sup>	19.3 %	19.1 %	20.5 %	18.4 %
8.2 %	9.8 %	9.1 %	8.9 %	Leverage ratio <sup>22</sup>	9.2 %	9.3 %	10.1 %	8.5 %
9.6 %	12.5 %	12.1 %	12.1 %	Equity capital ratio <sup>8</sup>	10.1 %	10.3 %	10.9 %	9.6 %
9.9 %	13.5 %	8.2 %	4.4 %	Rate of return on equity capital <sup>1</sup>	4.6 %	8.6 %	13.0 %	9.3 %
0.9 %	1.5 %	1.0 %	0.5 %	Return on assets	0.5 %	0.9 %	1.2 %	0.8 %
59.0	81.0	88	69.5	EC's price quoted on the Oslo Stock Exchange	69.5	88	81	59.0
6.9	5.9	7.4	14.4	P/E <sup>19</sup>	13.9	6.9	6.0	7.1
0.6	0.8	0.8	0.6	P/B <sup>20</sup>	0.6	0.8	0.8	0.6
75.1	76.5	76.3	76.4	EC percentage as at 31.12 <sup>18</sup>	76.4	76.3	76.5	75.1
92	100	107	108	Equity capital per EC in NOK <sup>17</sup>	110	109	101	94
8.6	13.8	8.9	4.8	Result per EC's in NOK <sup>16</sup>	5.0	9.5	13.5	8.4
8.6	13.8	8.9	4.8	Diluted result per EC's in NOK	5.0	9.5	13.5	8.4
2.75	3.75	4.00	1.60	Cash dividend				
4.6	7.20	4.21	2.30	Equalisation reserve				
1.1	1.0	1.0	1.0	Costs as a percentage of income	0.9	0.9	1.0	1.0
44.4	38.2	41.4	40.3	Cost in percentage of average total assets <sup>3</sup>	39.7	39.9	39.6	46.4
164	152	148	150	Number of man-years <sup>10</sup>	150	148	152	164
<b>As a percentage of gross loans:</b>								
0.5	0.5	0.7	1.5	Gross commitments in default <sup>13</sup>	1.1	0.5	0.4	0.4
0.4	0.4	0.6	0.9	Net commitments in default	0.7	0.4	0.3	0.3
0.5	0.6	0.8	1.9	Total write-downs <sup>15</sup>	1.4	0.6	0.5	0.4
0.1	0.2	0.3	1.2	Losses on commitments <sup>12</sup>	0.9	0.2	0.1	0.1

Form page 110 shows figures for adjusted principal and on time effects.

## Calculations

Parent bank					Group			
2015	2016	2017	2018	(Figures in MNOK and %)	2018	2017	2016	2015
<b>Profit, adjusted for hybrid cap.</b>								
261	253	269	279	Operating costs	286	275	271	270
0	-74	0	0	One-time effect conversion pension	0	0	-74	0
<b>261</b>	<b>179</b>	<b>269</b>	<b>279</b>	<b>Operating cost, adjusted for one-time effects</b>	<b>286</b>	<b>275</b>	<b>197</b>	<b>270</b>
1.13 %	0.73 %	1.39 %	1.04 %	Operating cost in % of average BTA, adjusted for	0.88 %	1.19 %	0.70 %	1.03 %
46.0 %	27.0 %	41.4 %	40.3 %	Operating cost in % of income, adjusted for o.t.e	39.7 %	39.9 %	28.8 %	46.4 %
214	359	256	144	Profit	149	273	350	208
0	-11	-14	-12	Paid interest hybrid securities	-12	-14	-11	0
214	348	242	132	Profit, including interests hybrid securities	137	259	339	208
0	-74	0	0	One-time effect conversion pension	0	0	-74	0
214	274	242	132	Profit excl. conversion pension, incl. interests h.s	137	259	265	208
2 172	2 662	3 132	3 285	Average equity	3 268	3 171	2 698	2 227
0	-243	-333	-299	Average hybrid securities classified as equity	-299	-333	-243	0
2 173	2 419	2 799	2 986	Average equity excl. hybrid securities	2 969	2 838	2 455	2 227
9.9 %	13.5 %	8.2 %	4.4 %	ROE	4.6 %	8.6 %	13.0 %	9.3 %
9.9 %	11.3 %	8.6 %	4.4 %	ROE, adjusted for one time effects and interests	4.6 %	9.1 %	9.8 %	9.3 %
214	274	242	132	Profit	137	259	265	208
23 181	24 576	25 962	26 860	Average BTA	32 443	30 852	28 324	26 279
0.9 %	1.5 %	1.0 %	0.5 %	Return on assets	0.5 %	0.9 %	1.2 %	0.8 %
0.9 %	1.1 %	0.9 %	0.5 %	Return on assets adjusted for o.t.e and int. h.s	0.4 %	0.8 %	0.9 %	0.8 %
2 370	3 039	3 020	3 067	CET1	3 136	3 068	3 080	2 422
25 001	30 865	33 228	34 500	Unweighted calculation basis	33 997	32 842	30 484	29 643
9.5 %	9.8 %	9.1 %	8.9 %	Leverage Ratio	9.2 %	9.3 %	10.1 %	8.2 %

## APM (alternative performance measures )

In the board's report and in accounting presentations, Helgeland Sparebank uses alternative performance measures (APM) for the purpose of giving a true and fair view of the bank's financial development and position, in order to ensure the correct information. Key figures that are regulated in IFRS or other legislation are not defined as APM. The same applies to non-financial information. APMs that are presented as part of the accounting portion of the reports are basically exempt from the APM policies, but are included in the schedule below to the extent that they are not defined in the financial statements. The reason for presenting adjusted results is to bring out the underlying operations in a better way and is not intended to replace ordinary reporting.

### Definitions key figures:

- 1) **Return on equity.** Reason for use: The key figure indicates the return on the Group's equity. The key figure reflects the Group's ability to turn the capital into profitable business. Definition: Return on equity (total profit after tax) is calculated by dividing the profit/loss for the period for the financial year by the average equity for the past year. For information on return on equity for more than one profit for the period, the profit for the period is annualized.
- 2) **Net interest.** Reason for use: Net interest income is a normal key figure within banking/finance and reflects the bank's net interest income as a percentage of average total assets. Definition: Net interest income is the difference between gross interest income and interest expenses – net interest income in the result summary. Net interest income is annualized in the interim reports.
- 3) **Expense ratio.** Reason for use: Cost percentage is a normal key figure in banking/finance. The key figure reflects how effectively the bank/group operates. Definition: The cost percentage reflects the bank's/group's ability to translate its operating expenses into revenue recovery. The cost percentage is calculated by dividing the total operating costs by total income.
- 4) **Gross lending, the Group (incl. transfer for mortgage companies):** Reason for use: The bank owns Helgeland Boligkreditt 100 % and key figures reflect the bank's total lending volume. Definition: loan volume including transferred from the mortgage company.
- 5) **Deposit coverage.** Reason for use: Deposit coverage is a normal key figure in banking/finance. The key figure shows the share of the bank's lending activities that are financed by deposits from customers. Definition: The deposit coverage reflects the bank's ability to finance lending to customers through deposits from customers. Deposits are calculated by dividing the total deposits from customers by gross loans, excl. transfer to mortgage companies in the parent bank and including transfer to mortgage companies in the group.
- 6) **Lending growth last 12 months.** Reason for use: Lending growth over the last 12 months is a normal key figure in banking/finance. The key figure reflects the activity and growth of the bank's lending activities. The Group includes transfers from the mortgage company, growth in the parent bank excl. volume of

the mortgage company. Definition: Lending growth is calculated from the corresponding period last year to this year. The group includes the volume of the mortgage company, while the parent bank is excl. volume of the mortgage company.

- 7) **Deposits growth last 12 months.** Reason for use: Deposit growth over the last 12 months is a normal key figure in banking/finance. The key figure reflects the activity and growth of the bank's deposit operations. Definition: Deposit growth over the last 12 months reflects the growth in deposits in the balance sheet from the corresponding period last year to this year.
- 8) **Total assets.** Reason for use: The key figure reflects the bank's total assets. Definition: Total assets in the balance sheet.
- 9) **Growth last 12 months in total assets.** Reason for use: The key figure reflects the growth in the bank's total assets including transferred to the mortgage company in the group and excl. volume transferred to the mortgage company in the parent bank. Definition: Growth assets in the balance sheet are calculated from the corresponding period last year to this year.
- 10) **Average total assets.** Reason for use: Several key figures are calculated on average total assets. Definition: Weighted average of total assets throughout the year.
- 11) **Equity excluding hybrid capital.** Reason for use: The key figure reflects part of the bank's capital that belongs to the owners excluding hybrid capital (fund bonds). Definition: The difference between the bank's equity (earned and paid-in equity) and the bank's hybrid capital (funded bonds).
- 12) **Loss ratio loans.** Reason for use: The key figure reflects a loss recognized as a function of gross lending in the balance sheet date. Definition: Loss provisions for the period on loans and guarantees divided by gross lending as a percentage. For information on loss-based loans for shorter periods than full financial years, the loss expense recognized in the income statement is annualized.
- 13) **Non-performing commitments.** Reason for use: The key figure indicates the proportion of the bank's gross non-performing loans. Definition: Non-performing loans (over 90 days) on loans and guarantees.
- 14) **Doubtful commitments.** Reason for use: The key figure indicates the proportion of the bank's gross loans that are subject to losses. Definition: Gross lending for the period that is doubtful (has an individual loss provision or risk class K, but which is not defaulted).
- 15) **Net Non-performing and doubtful commitments.** Reason for use: The key figure indicates how much the bank's net non-performing and doubtful commitments amount to gross loans. Definition: Net non-performing and doubtful commitments, less write-downs on these loans, divided by gross loans.
- 16) **Earnings per equity certificate.** Reason for use: The key figure gives readers information about earnings per equity certificate. Definition: The equity certificate holders' share of the result is calculated as profit before other income statement items in proportion to the average number of equity certificates in the period.
- 17) **Booked equity per equity certificate.** Reason for use: The key figure provides information on the value of the book equity per equity certificate. Definition: Equity certificate holders' share of equity divided by the number of equity certificates.
- 18) **Equity certificate fraction.** Reason for use: Basis for calculating dividends. Definition: The equity certificate holders' share of equity, e.g. Fund bonds.
- 19) **P/E.** Reason for use: The key figure provides information on earnings per equity certificate. Definition: Share price at end of period divided by profit (annualized) per equity certificate.
- 20) **P/B.** Reason for use: The key figure provides information on price per equity certificate. Definition: Share price at end of period divided by book equity per equity certificate.
- 21) **Capital adequacy.** Reason for use: Legal requirements for capital adequacy. Definition: subordinated capital divided by weighted balance sheet and excluding balance sheet items.
- 22) **Unweighted core capital adequacy.** Reason for use: Normal key figure in banking/finance. Provides more comparable capital regardless of the method of calculating capital adequacy. Definition: Tier 1 capital divided by capitalized items and non-capitalized items calculated without risk weighting.

**Members of the Board of Trustees**

**Chairman:** Hjorthen, Per Gunnar

**Deputy Chairman:** Steinrud, Marianne Myrnes

**Elected from the Bank's depositors**

Steinrud, Marianne Myrnes

Møllersen, Ingvar

Drevland, Wenche

Thrana, Marit

Stanghelle, Helge

Solhaug, Sten Oddvar

Luktvasslimo, John

Jakobsen, Tone Helen

Risøy, Torill Beate

**Elected from the Bank's PCC-holders:**

Forbergskog, Brynjar

Trønsdal, Øyvin

Mevold, Toril

Strøm, Inger-Lise

Jakobsen, Anne Påsche

Lunde, Lars Martin

Hjorthen, Per Gunnar

Høyen, Frank

Olaisen, Maria

Skår, Åsmund

**Elected from the Bank's staff:**

Sagrabb, Nils

Kristensen, Karianne

Myran, Morten

Stamnes, Tore

Rørmark, Sten Åge

Eliassen, Einar

**Members of the Board of Directors:**

**Chairman:** Brattbakk, Ove

**Deputy Chairman:** Risøy, Bjørn Audun

**Other members of the Board of Directors:**

Hestvik, Eva Monica

Risøy, Bjørn Audun

Lund, Inga Marie

Furunes, Nils Terje

Steinmo, Marianne Terese

Lorentzen, Birgitte

Pedersen, Geir

**Senior management and key personnel:**

Nordgaard, Hanne J. CEO

Klausen, Sverre, director of finance

Heimstad, Dag Hugo Gangmark, director retail market

Kråkstad, Ranveig, director of economy

Brønlund, Bjørn-Tore, director corporate market

Ekroll, Anne, director risk management

Karlsen Øyvind, director business development