



Financial report

first half year and second quarter 2019

Helgeland Sparebank

Accounts 1st half year and 2nd quarter 2019.

General information

Helgeland Sparebank is an independent savings bank determined to be the leading bank and a driving force for growth in Helgeland. Helgeland Sparebank is the only bank with a head office in the region. The bank's strong market position combined with professional expertise, competitive prices and solid capital makes the bank well prepared to meet the competition ahead. The bank has 6 offices in 6 municipalities in Helgeland, and is the 11th largest savings bank in Norway.

The accounts are produced in line with IFRS, including IAS 34 on interim reporting. Further information on the accounting principles is given in the annotations to the annual accounts for 2018 and annotations 1 in the quarterly report. The numbers used are consolidated figures unless it is otherwise stated. Figures in brackets are the previous year's comparative figures. The financial report has not been audited.

Main features so far this year (HSB group)

- Good profit of ordinary operation. Gross profit amounted MNOK 178 first half year against MNOK 143 in the same period in 2018.
- Loan losses are reduced by MNOK 71.
- Lower income from financial instruments by MNOK 36.
- 12-month lending growth: 4.7 (6.9) %
- 12-month deposit growth: 7.7 (0.4) %
- Net return on equity for the group constituted 8.1% against 7.0% same period last year.

Profit first quarter

Key figures

(Comparison per 30.06.18)

- Net interest 1.74 (1.79) %
- Costs in percent of BTA 0.88 (0.89) %
- Write-downs on lending 0.12 (0.58) %
- Profit per EC amounts to NOK 4.8 (4.0) %
- CET1 ratio 14.9 (15.1) %
- Capital ratio 18.8 (18.4) %

The net interest

Net interest and credit commission income amounted to MNOK 287. This is an increase of MNOK 5 compared to first half year last year. In percentage of average total assets, the net interest was 1.74 down from 1.79 at the same time in 2018. Increased Nibor has given higher lending costs first half year. The net interest is reduced in the last quarter as a consequence of reversed interests of stated loss. Norges Bank increased its key interest rate in March and June 2019. The banks interest

rate change by the end of May and noticed interest rate change from august 20th will have positive effect in the net interest ahead.

Net commission earnings

Stable level on net provision income.

The net commission earnings were MNOK 45 (44), or 0.27 (0.28) in percentage of average total assets.

Net value change and profit/loss from financial investments

Net income from financial investments was MNOK 9, a reduction of MNOK 36 compared to the same period last year. The high income first half year last year is related to:

- MMOK 15 was recognized as profit in relation to the merge between Vipps, BankID and BankAxept.
- The bank received dividend from Frende Holding of MNOK 5.
- Higher profit share from associated companies.

In the parent bank, group contributions from Helgeland Boligkreditt AS have been recognized as income with MNOK 52.8 in the first quarter.

Operating costs

Total operating costs amounted to MNOK 145 (141). As a percentage of average total assets, costs were 0.88 (0.89), while costs in relation to revenue were 42.2 % (37.6 %).

The bank's sick leave is on the same level as last year and was 4.5 (4.6) %.

Write-downs on loans

MNOK 20 (91) has been expensed in write-downs on loans, which as a percentage of average total assets were 0.12 (0.58). This level is within what is characterized as normalized losses. The write-downs are partly a product of calculated loss expectations and partly a product of statements on earlier depreciated commitments.

Profit this quarter (3 last months)

This quarter gross profit amounted MNOK 85 (49), which is MNOK 36 higher than second quarter last year. The net interest is MNOK 4 higher than the same period last year, in percent of BTA the net interest is reduced by 3 bp.

Income from financial investments is reduced by MNOK 30. Gains from Vipps merge is a significant part of this.

Write-downs on lending is reduced by MNOK 68 compared to the same period last year.

Key figures second quarter

- Gross profit MNOK 85 (49)
- Net interest 1.72 (1.75) %
- Financial investments 0.06 (0.43) %
- Operating costs 0.85 (0.86) %
- Write-downs on lending 0.18 (1.03) %

- 3-month lending growth 0.9 (1.9) %
- 3-month deposit growth 6.1 (1.1) %

Lending growth this quarter is lower than the same period last year, while the deposit growth is significantly higher.

The equity certificate – HELG

By the end of the quarter, the number of EC owners amounts to 2 236. The 20 largest owners are noted with 77.4 % of the EC capital. Of this, Sparebankstiftelsen owns 35.0 %. The number of total EC's is 20 871 427. As of 30.06.19, the bank owned 29.626 of our own EC's. The bank has received authorization from the trustees and permission from the FSA to increase the holdings to continue the employee program. These are acquired through Oslo Børs at market value. At the end of the quarter, the price of the EC – HELG was NOK 80.00, which represents an increase of NOK 10.50 from the beginning of the year.

Balance development per 30.06.19

Total assets amount to 34.1 bn. Over the last 12 months, total assets increased by MNOK 1 822 (1 801) or 5.6 (5.9) %.

Commitments

By the end of the quarter, gross lending constituted MNOK 28 451. The 12-month lending growth was MNOK 1 286 (1 764), or 4.7 (6.9) %. Of the group's lending 82.4 (83.6) % is lent to customers in Helgeland.

Of gross lending, MNOK 18 812, or 66.3 (66.7) % is lending to retail customers, of which MNOK 7 637 has been transferred to the bank's mortgage company.

The 12-month growth in the retail market was MNOK 702 (982), or 3.9 (5.7) %.

In the corporate market, the 12-month growth was MNOK 584 (782), or 6.4 (9.5) %.

Deposits from customers

By the end of the quarter, deposits from customers constituted MNOK 18 324. The deposits have over the last 12 months increased by MNOK 1 310 (61), or 7.7 (0.4) %. The deposit growth is especially good in the corporate market.

The HSB group has stable and local depositors; 90.2 (89.6) % are deposits from customers in Helgeland.

The 12-month deposit growth in the retail market was MNOK 366 (387), or 3.6 (4.2) %. Of total deposits of MNOK 18 324, MNOK 10.481, or 57.2 (59.5) % are deposits from retail customers.

In the corporate market, deposits have been increased (reduced) the last 12 months by MNOK 944 (-414) or 13.7 (- 5.7) %.

Higher deposit growth than lending growth has resulted in higher deposit coverage, which was

64.4 (62.6) % in the group and 89.9 (86.3) % in the parent bank.

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 11 542 (11.301). The HSB group has a long term funding. By the end of the quarter, the share of loans beyond one year was 94.1 (92.5) %. The average remaining term for these debt securities was 2.8 (3.0) years. Duration in the mortgage company is slightly higher with 3.1 years.

The target for the Group is duration > 2.5 years.

The bank is continually preparing for the transferral of approved mortgages to the wholly-owned mortgage company. The volume has increased from MNOK 6 960 per 30.06.18 to MNOK 7 637 per 30.06.19. The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 35 % of gross lending and 50 % of gross lending RM. As of 30.06.19 transfer level is 26.8 (25.6) % and 40.6 (38.4) %.

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 and securities holdings is financed with increased financial debt. The liquidity holding has increased by MNOK 142 since the beginning of the year.

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.

Subsidiaries and associated companies

The HSB group consists of Helgeland Sparebank and the consolidated subsidiaries Helgeland Boligkreditt AS, ANS Bankbygg Mo, AS Sparebankbygg, Helgeland Sparebank's Eiendomsselskap AS, Helgeland Utviklingsselskap AS, Storgata 73 AS and Strendene Utviklingsselskap AS.

The HSB group's associated companies are Helgeland Invest AS with an ownership of 48 %, and REDE Eiendomsmegling AS with an ownership of 40 %.

Risk and capital management

The HSB group's combined risk is governed through proxies, targets, and frames determined by the Board of Directors. The combined capital requirement is summarised in the bank's ICAAP.

Credit risk

The HSB group's strategy for the credit area is derived from the overall strategy and contains guidelines for the distribution of loans between the retail and corporate markets, exposure to industries (concentration risk) and geographic limitations. Lending to retail customers consists of a high level of secure mortgages that give a low risk in the portfolio.

The development in the bank's credit risk is monitored closely. The corporate customers are given individual close follow-up in addition to monitoring development of risk based on the bank's score models. Monitoring of development has been established in relation to approved management objectives for the portfolio.

By the end of the quarter net non-performing (>90 days) and impaired commitment constitute MNOK 253 (412) which is a reduction of MNOK 159 from 30.06.18. Most of the reduction is related to the sale of Hotell Syv Søstre. In percentage of gross lending this amounts to 0.9 (1.5) %.

Market risk

The HSB group's interest rate risk is managed within frames approved by the Board, and is considered low.

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

The banks positions in shares are primarily strategically motivated through investments in shares in daughter companies, associated companies and product companies. The market risk associated to these share investments are considered to be moderate. The bank has a large owners post in Helgeland Invest AS. The ownership will be subject to fluctuations in value depending on the results of the underlying companies. Profit share is shown in note 3 and 12.

Operational risk

The risk management is central in the daily operation and in the board's work. The risk is primarily managed through policy and guidelines, frameworks, power of attorney, reporting requirements and competence requirements. In 2019 it has not been revealed any conditions that are critical to the bank's activities.

Liquidity and funding

The Board has approved a strategy for liquidity management that determine the purpose, management objectives, and risk tolerance for the management of liquidity risk.

The bank's liquidity situation is considered satisfactory, and the share of long-term funding is well above the target.

The HSB group's combined liquidity reserves (cash, deposits, and interest-bearing assets) constitute NOK 5.0 (4.4) bn, or 14.6 (13.6) % of the group's total assets. The combined duration of the interest portfolio is 1.6 (2.0) years.

The banks liquidity reserve portfolio mainly consists of solid issuers of interest-bearing securities that qualify for LCR reporting. By the end of the quarter the HSB Group has a LCR of 144 (149) %.

Solidity

Net capital amounts to MNOK 3 570, hereby fund obligations by MNOK 299 and subordinated loan by MNOK 451. Including proportionate consolidation of collaborating groups, the HSB group has a CET1 capital ratio of 14.9 (15.1) % and a total capital ratio of 18.8 (18.6) %. The result for the year is then not added to the capital. If 50 % of the result is taken into account, this will provide a core capital ratio of 15.2 %.

Statutory minimum requirement 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 group's capital requirement including Pillar 2 addition amounts to 14.2 %.

The target of CET1 is 15.0 %, and 18.5 % for total capital adequacy.

Helgeland Sparebank uses the standard method in the CET1 calculation.

The group's Leverage Ratio (unweighted core capital ratio) was 8.9 (9.0) %.

Prospects ahead

At the end of the quarter, the monthly growth in the private market was 3.9 %. We expect moderate market growth and consequently moderate and healthy lending growth to the private market in 2019. The lending margins in this segment are under pressure, also as a result of increased borrowing costs; but as a result of the interest rate change in May and July, the net interest rate will increase.

The turnover of housing in Helgeland has throughout 2018 been higher than in 2017, and this trend continues in Q2 2019. With regard to the price of sold detached houses, the price increase in the 2nd quarter 2.7 %. The price increase for apartments is at 6.6 %. The average for Norway has been a price increase over 12 months of 1.3 %.

In the corporate market in Helgeland, activity and investment willingness remain high both in the private and public sectors. Unemployment is still low in Helgeland by 1.5 %, while the figure for Norway is 2.1 %. It is expected that the low level of unemployment will persist. The 12-month growth in the corporate segment is 6.4 %. This is somewhat lower than in the second quarter of 2018. There has

been some restructuring of the portfolio through 2018. The restructuring will continue in 2019, and the growth in the corporate segment is therefore expected to be lower in the coming quarters.

Overall, the level of commission income is satisfactory. Established measures and an aggressive sales organization provide the basis for expecting this to be maintained in 2019 as well.

Several large IT projects will be completed during 2019 and will result in increased depreciations costs. The bank also incurs increased IT costs to be compliant with regulatory requirements within the GDPR and PSD II. There is a continuous focus on streamlining the bank's organization and work

processes, and the goal is cost growth lower than 1 %. The bank has implemented a profitability so that the bank reaches the target of 10 %. We will look at the accounting effect of this in 2019 and 2020.

Based on the losses taken in 2018, normalized losses are expected in 2019. Helgeland Sparebank has sufficient capital, and the bank is prepared to take its share of profitable growth in the region. However, the competitive situation in the retail market challenges the opportunities in this segment. The level of activity and investment in Helgeland remains high in both aquaculture, industry and tourism.

Mo i Rana, August 13th 2019

Stein Andre Herigstad-Olsen
Chairman of the Board

Bjørn Audun Risøy
Deputy Chairman of the Board

Marianne Terese Steinmo

Siw Moxness

Nils Terje Furunes

Tone Helen Hauge

Birgitte Lorentzen
Employee representative

Geir Pedersen
Employee representative

Hanne Nordgaard
CEO

CONTENTS

PROFIT AND LOSS ACCOUNT (amounts in NOK million)	6
BALANCE SHEET (amounts in NOK million)	7
CHANGE IN EQUITY CAPITAL	8
CASH FLOW STATEMENT	9
NOTE 1. ACCOUNTING PRINCIPLES	10
NOTE 3. SPECIFICATION OF NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS	10
NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS	11
NOTE 5. LOSSES ON LOANS GUARANTEES, ETC	11
NOTE 6. PROFIT PER PRIMARY CERTIFICATE	11
NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY	12
NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT	14
NOTE 10. INDIVIDUAL AND COLLECTIVE WRITE DOWNS OF LOANS AND GUARANTEES	15
NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS	17
NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES	19
NOTE 13. OPERATING FUNDS	21
NOTE 14. DISCLOSURES OF RELATED PARTIES	21
NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS	21
NOTE 16. FINANCIAL DERIVATIVES	23
NOTE 17. SECURITIES ISSUED	24
NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS	24
NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY	25
NOTE 20. EQUITY CERTIFICATE CAPITAL HELG	25
NOTE 21. CAPITAL ADEQUACY	26
PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS	27
PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT	28
OTHER KEY FIGURES	29
OTHER CALCULATIONS	30

PROFIT AND LOSS ACCOUNT (amounts in NOK million)

Parent bank						Group				
31.12.18	Q2/18	Q2/19	30.06.18	30.06.19		30.06.19	30.06.18	Q2/19	Q2/18	31.12.18
788	197	215	388	421	Interest income and similar income (note 2.1)	522	468	265	237	957
286	71	87	139	166	Interest payable and similar costs	229	180	117	93	379
12	3	3	6	6	Hedge fund fees	6	6	3	3	12
490	123	125	243	249	Net interest- and credit commission income	287	282	145	141	566
100	24	26	49	52	Commissions receivable and income from banking services	52	49	26	24	100
10	2	4	5	7	Commissions payable and costs relating to banking services	7	5	4	2	10
90	22	22	44	45	Net commission income	45	44	22	22	90
56	6	1	56	54	Dividend	0	6	0	6	6
50	10	5	20	8	Net profit from associates	8	20	5	10	50
-12	19	0	19	1	Net profit from other financial investments	1	19	0	19	-8
94	35	6	95	63	Gains/losses on financial assets available for sale (note 3)	9	45	5	35	48
18	4	3	6	5	Other operating income	2	4	0	3	16
279	68	72	139	142	Operating costs (note 4)	145	141	72	69	286
249	83	15	91	20	Losses on loans, guarantees etc. (note 10)	20	91	15	83	249
164	33	69	158	200	Gross profit	178	143	85	49	185
20	4	15	20	34	Tax payable on ordinary result	42	28	20	7	36
144	29	54	138	166	Net profit	137	115	66	42	149
2.0			4.9	5.9	Yield per equity capital certificate (note 5)	4.8	4.0			8.0
2.0			4.9	5.9	Diluted result per ECC in Norwegian currency (note 5)	4.8	4.0			8.0
Extended Income Statement										
144	29	54	138	166	Net profit	137	115	66	42	149
<u>Items that are subsequently reversed through profit or loss:</u>										
0	0	0	1	0	Estimate variances, pensions will not be reversed over the income statement later	0	1	0	0	0
0	0	0	0	0	Tax on extended profit	0	0	0	0	0
0	0	0	1	0	Net extended profit or loss items	0	1	0	0	0
144	29	-22	139	166	Total profit of the period	137	116	-41	42	149

BALANCE SHEET (amounts in NOK million)

Parent bank				Group		
31.12.18	30.06.18	30.06.19		30.06.19	30.06.18	31.12.18
ASSETS						
82	78	91	Cash and claims on central banks	91	78	82
1 170	1 558	1 229	Loans to and claims on credit institutions	594	797	461
20 289	20 009	20 548	Loans to and claims on customers (note 7,8,9,10)	28 125	26 929	27 614
54	86	53	Financial derivatives (note 16)	53	86	54
4 132	3 882	4 649	Certificates, bonds and shares	4 674	3 882	4 157
382	351	365	Investments in associated companies (note 12)	365	351	382
595	595	610	Investments in subsidiaries (note 12)			
11	14	13	Deferred tax benefit	17	18	15
69	68	70	Fixed assets (note 13)	131	141	133
70	34	74	Other assets (note 13.1)	87	33	71
26 854	26 675	27 702	Total assets	34 137	32 315	32 969
LIABILITIES AND EQUITY CAPITAL						
250	250	250	Liabilities to credit institutions	252	252	252
17 718	17 458	18 757	Deposits from customers and liabilities to customers (note 17,18)	18 324	17 014	17 248
5 058	5 274	4 700	Borrowings through the issuance of securities (note 15)	11 542	11 301	11 556
22	22	27	Financial derivatives (note 16)	27	22	22
104	114	148	Other liabilities (note 13.1)	130	126	118
451	301	451	Subordinated loan capital	451	301	451
23 603	23 419	24 333	Total liabilities	30 726	29 016	29 647
Equity capital						
207	206	207	Equity share capital (note 5,6,20)	207	206	207
971	971	971	Premium Fund	971	971	971
710	654	710	Cohesion Fund	710	654	710
1 888	1 831	1 888	Total equity share capital	1 888	1 831	1 888
558	536	552	Primary capital	552	536	558
33	27	24	Gift fund	24	27	33
591	563	576	Total primary capital	576	563	591
440	425	440	Unrealized gains reserve	440	425	440
299	299	299	Hybrid Capital (Note 1,17)	299	299	299
33	0	0	Other equity capital	69	64	102
0	138	166	Result from ordinary operations after tax	137	115	0
3 251	3 256	3 369	Total equity capital exclusive minority interest	3 409	3 297	3 320
			Non-controlling interest	2	2	2
3 251	3 256	3 369	Total equity capital	3 411	3 299	3 322
26 854	26 675	27 702	Total liabilities and equity capital	34 137	32 315	32 969

Conditional liabilities off balance sheet (note 11)

CHANGE IN EQUITY CAPITAL

Group

31.12.18

												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 01.01.18	208	971	-3	299	424	541	31	12	659	144	2	3 287
Implementation effect 01.01. IFRS 9						-1			-5	4		-2
Change account prinsipp in interest -bearing securities					-10	2			7			-1
Result for the period				12	26	15	4	6	48	38		149
Extended profit or loss items												0
Total ext. profit or loss	0	0	0	12	16	16	4	6	50	42	0	149
Gift fund				-12								-12
Transactions with owners							-8	-12				-20
Transactions with owners			1									1
Dividend paid										-83		-83
Equity capital 31.12.18	208	971	-2	299	440	557	27	6	709	104	2	3 322
Paid-in/accrued equity capital/retained earnings			1 177								2 145	3 322

30.06.19

	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 01.01.19	208	971	-2	299	440	557	27	6	709	104	2	3 322
Equity capital as at 01.01.19				6						131		137
result for the period												0
Extended profit or loss items	0	0	0	6	0	0	0	0	0	131	0	137
Paid interest FO				-6								-6
Gift fund							-3	-6				-9
Transactions with owners												0
Dividend paid										-33		-33
Equity capital 30.06.19	208	971	-2	299	440	557	24	0	709	201	2	3 411
Paid-in/accrued equity capital/retained earnings			1 177								2 233	3 410

Parent bank

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	Other Equ.cap.	Total
Equity capital as at 01.01.18	209	971	-3	299	424	541	31	12	659	83	3 226
Implementation effect 01.01. IFRS 9						-1			-4		-5
Change account prinsipp in interest	0				-10	2			8		0
result for the period				12	26	15	4	6	48	33	144
Extended profit or loss items											0
Total result at	0	0	0	12	26	15	4	6	48	33	144
Paid interest FO				-12							-12
Gift fund							-8	-12			-20
Transactions with owners			1								1
Dividend paid										-83	-83
Equity capital 31.12.18	209	971	-2	299	440	557	27	6	711	33	3 251
Paid-in/accrued equity capital/retained earnings			1 178							2 073	3 251

30.06.19

	ECC capital	Premium fund	Own ECCs	Own ECCs	Result for valuation	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
Equity capital as at 01.01.19	209	971	-2	299	440	557	27	6	711	33	3 251
result for the period				6						160	166
Extended profit or loss items											0
Total ext. profit or loss	0	0	0	6	0	0	0	0	0	160	166
Paid interest FO				-6							-6
Gift fund							-3	-6			-9
Transactions with owners											0
Dividend paid										-33	-33
Equity capital 30.06.19	209	971	-2	299	440	557	24	0	711	160	3 369
Paid-in/accrued equity capital/retained earnings			1 178							2 191	3 369

CASH FLOW STATEMENT

Parent bank				Group		
31.12.18	30.06.18	30.06.19		30.06.19	30.06.18	31.12.18
-689	-230	-197	Change in lending to customers	-482	-595	-1 398
710	348	376	Interest income lending to customers	484	439	898
278	36	1 039	Change deposits from customers	1 058	42	246
-178	-85	-107	Interest cost deposit from customers	-108	-85	-180
0	0	0	Change in receivables and liabilities to credit institutions	-2	0	0
15	274	-513	Change certificates and bonds	-491	274	15
55	27	34	Interest income certificates and bonds	34	27	55
89	44	45	Comission income	46	44	90
-266	-132	-135	Payments relating to operations	-137	-132	-267
-60	-60	-61	Paid tax	-76	-72	-72
33	10	-10	Other cutoffs	-3	-4	37
-13	232	471	A Net liquidity change from operating activities	323	-62	-576
-9	-4	-5	Investment in long-term securities	-5	-4	-9
8	2	0	Income sale of long-term securities	0	2	8
-23	-24	0	Long-term investments in shares	0	-24	-23
0	0	0	Payment from sales long-term investments in shares	0	0	0
56	57	53	Dividend from long-term investments in shares	3	6	7
32	31	48	B Net liquidity change from investments	-2	-20	-17
2 943	1 945	870	New borrowing through issuance of securities	1 971	3 045	5 390
-3249	-2008	-1 230	Repayments - issued securities	-1 989	-2457	-4673
150	0	0	Opptak ansvarlig lånekapital	0	0	150
-92	-50	-50	Interest payments borrowing through issuance of securities	-120	-93	-188
-11	-6	-8	Interest payments on subordinated debt	-8	-6	-11
-83	-83	-33	dividend to share owners	-33	-83	-83
-342	-202	-451	C Net liquidity change financing	-179	406	585
-323	61	68	A+B+C Net liquidity change in the period	142	324	-8
1 575	1 575	1 252	Liquid funds at the start of the period	543	551	551
1 252	1 636	1 320	Liquid funds at the end of the period	685	875	543
			Liquid funds specified			
82	78	91	Cash and balances with central banks	91	78	82
1 170	1 558	1 229	Balances with credit institutions without notice periods	594	797	461
1 252	1 636	1 320	Liquid funds	685	875	543

NOTE 1. ACCOUNTING PRINCIPLES

Both the consolidated financial statements and the parent bank's financial statements have been prepared in accordance with the IFRS standards, the accounting principles within the individual areas are described in the annual accounts for 2018. Interim reports are in accordance with IAS 34 and have not been audited.

IFRS 16 implemented with effect from 01.01.19. Helgeland Sparebank uses the simplified method when implementing IFRS 16, which means that the value of the rights of use and associated lease obligations is calculated based on the remaining lease period and marginal borrowing rates as of 1st January 2019. See note 13.1 in the quarterly accounts.

NOTE 2. SEGMENT

The Group has defined its geographical segment as a main area of Norway – Helgeland and the Group only has minor exposure to credit risk in areas other than its geographically defined main area.

The group has split the bank into two segments, corporate and retail banking.

Parent bank					Group			
30.06.19					30.06.19			
Retail	Corp.	Unallocated	Total	Segment information	Retail	Corp.	Unallocated	Total
101	137	11	249	Net interest and credit commission income	142	138	6	286
11	6	29	46	Net commission income	11	6	29	46
		67	67	Other operating income			11	11
36	21	85	142	Operating costs	40	22	83	145
0	20		20	Losses on loans guaranteed	0	20	0	20
76	102	22	200	Gross profit	113	102	-37	178
11 335	9 537		20 872	Loans to and claims on customers	18 812	9 639		28 451
-18	-306		-324	Provision of loss	-18	-306		-324
		7 154	7 154	Other assets			6 010	6 010
11 317	9 231	7 154	27 702	Total assts per segment	18 794	9 333	6 010	34 137
10 481	8 277		18 758	Deposits from customers and liabilities	10 481	7 843		18 324
	5		5	Provisions of loss, unutilized deductions and guarantees		5		5
		8 939	8 939	Other liabilities and equity			15 808	15 808
10 481	8 282	8 939	27 702	Total liabilities and equity per segment	10 481	7 848	15 808	34 137

Parent bank					Group			
30.06.18					30.06.18			
Retail	Corp.	Unallocated	Total	Segment information	Retail	Corp.	Unallocated	Total
102	132	9	243	Net interest and credit commission income	148	132	2	282
12	6	26	44	Net commission income	12	6	26	44
		101	101	Other operating income			49	49
42	18	79	139	Operating costs	44	18	79	141
1	90		91	Losses on loans guaranteed	1	90		91
71	30	57	158	Gross profit	115	30	-2	143
11 275	8 966		20 241	Loans to and claims on customers	18 110	9 055		27 165
-19	-215		-234	Provision of loss	-20	-215		-235
		6 668	6 668	Other assets			5 385	5 385
11 256	8 751	6 668	26 675	Total assts per segment	18 090	8 840	5 385	32 315
10 115	7 342		17 457	Deposits from customers and liabilities	10 115	6 899		17 014
	8		8	Provisions of loss, unutilized deductions and guarantees		8		8
		9 210	9 210	Other liabilities and equity			15 293	15 293
10 115	7 350	9 210	26 675	Total liabilities and equity per segment	10 115	6 907	15 293	32 315

NOTE 2.1 NET INTEREST

Parent bank										Group	
31.12.18	Q2/18	Q2/19	30.06.18	30.06.19	Interest income						
					Interest from financial instuments at amortized cost	30.06.19	30.06.18	Q2/19	Q2/18	31.12.18	
23	6	6	12	11	Interest from credit institutions	10	5	6	0	9	
404	103	107	197	213	Interest receivable on loans	462	424	233	216	868	
427	109	113	209	224	Total intrest from financial instruments at amortized cost	472	429	239	216	877	
					Interest from financial instuments vauled to fair value over net profit						
25	6	8	12	16	Interest receivable on loans (fair value loans)	16	12	8	6	25	
55	15	18	27	34	Interest from bearer bonds and certificates	34	27	18	15	55	
80	21	26	39	50	Total intrest from financial instruments valued to fair value over net profil	50	39	26	21	80	
					Interest from financial instuments vauled to fair value OCI						
281	68	76	140	147	nterest receivable on loans (loans who can transferres to the bank's mortgage company	0	0	0	0	0	
281	68	76	140	147	Total intrest from financial instruments valued to fair value OCI	0	0	0	0	0	
788	198	215	388	421	Total intrest income	522	468	265	237	957	

NOTE 3. SPECIFICATION OF NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

Parent bank						Group				
31.12.18	Q2/18	Q2/19	30.06.18	30.06.19		30.06.19	30.06.18	Q2/19	Q2/18	31.12.18
-5	-1	1	-1	-1	Value change in interest-bearing securities	-1	-1	1	-1	-5
-4	1	0	0	1	Net gain/loss in interest-bearing securities	1	0	0	1	-4
-6	22	0	22	0	Net gain/loss shares	0	22	0	22	-2
56	6	1	56	54	Share dividend	0	6	0	6	6
50	9	5	19	8	Income AC Helgeland Invest AS	8	19	5	9	50
0	1	0	1	0	Income AC REDE	0	1	0	1	0
5	-2	0	-1	1	Value change in value on lending	1	-1	0	-2	5
-2	-1	-1	-1	0	Value change on funding and derivatives	0	-1	-1	-1	-2
94	35	6	95	63	Total value change financial instruments	9	45	5	35	48

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

31.12.18	Q2/18	Q2/19	30.06.18	30.06.19		30.06.19	30.06.18	Q2/19	Q2/18	31.12.18
134	33	36	67	71	Wages, salaries and social costs	72	68	37	34	135
88	22	24	44	45	General administration costs	45	42	24	20	88
12	3	3	6	6	Depreciation etc of fixed- and intangible assets	8	9	4	4	18
45	10	9	22	20	Other operating costs	20	22	7	11	45
279	68	72	139	142	Total operating costs	145	141	72	69	286

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

Parent bank						Group					
31.12.18	Q2/18	Q2/19	30.06.18	30.06.19		30.06.19	30.06.18	Q2/19	Q2/18	31.12.18	
-2	-3	-3	-2	-4	Period's change in write-downs step 1	-4	-2	-3	-3	-2	
8	4	6	-7	-3	Period's change in write-downs step 1	-3	-7	6	4	8	
229	76	-62	95	-47	Period's change in write-downs step 1	-47	95	-62	76	229	
16	5	76	5	76	+ Period's confirmed loss	76	5	76	5	16	
-2	1	-2	0	-2	- Period's recoveries from previous periods' conf.losses	-2	0	-2	1	-2	
249	83	15	91	20	Total losses on loans, guarantees etc.	20	91	15	83	249	

Provisions for losses and loss costs are calculated in accordance with IFRS 9, the method is described in the annual accounts note 22 and note 1 in the annual report.

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

Parent bank					Group		
31.12.18	30.06.18	30.06.19			30.06.19	30.06.18	31.12.18
144	138	166	Net profit		137	115	149
-12	-5	-6	Interest fund bond		-6	-5	-12
132	133	160	Profit (excl. Interest fund bond)		131	110	137
76.3 %	76.3 %	76.4 %	ECC percentage		76.4 %	76.3 %	76.3 %
4.8	4.9	5.9	Yield per equity capital certificate		4.8	4.0	5.0
4.8	4.9	5.9	Diluted result per ECC in Norwegian currency		4.8	4.0	5.0

	<i>Morbank</i>		
	30.06.19	30.06.18	31.12.18
Net profit	166	138	144
Interest fund bond	-6	-5	-12
Transferred reserve for valuation variances	16	-16	-25
Basis dividend	176	117	107

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>					<i>Group</i>			
30.06.18	%	30.06.19	%		30.06.19	%	30.06.18	%
17 322	85.6	17 576	84.2	Helgeland	23 448	82.4	22 719	83.6
2 901	14.3	3 274	15.7	Areas other than Helgeland	4 963	17.4	4 414	16.2
18	0.1	22	0.1	International	40	0.1	32	0.1
20 241	100	20 872	100	Total	28 451	100	27 165	100

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

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.

30.06.19

Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	15		0	0	0	0	15
Insurance and finance	1		0	0	0	0	1
Agriculture and forestry	1 425		-1	-6	-12	17	1 424
Fisheries and aquaculture	1 362		-2	-1	0	0	1 359
Mining and industry	507		0	-1	-1	0	504
Building and construction	1 515		-3	-14	-100	9	1 405
Trade, hotel, restaurants.	422		0	-1	-4	0	417
Transport and services	1 310		-2	-5	-66	22	1 259
Property, property development	3 014		-4	-23	-60	20	2 948
Total corporate market	9 571	0	-12	-51	-244	68	9 333
Retail market	17 516		-1	-6	-13	1 296	18 792
Total	27 087	0	-13	-57	-257	1 364	28 125
Expected loss unutilized credit and guarantees RM			-0	-0	-0		
Expected loss unutilized credit and guarantees CM			-1	-3	-1		

30.06.18

Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	3		0	0	0	0	3
Insurance and finance	0		0	0	0	0	0
Agriculture and forestry	1 369		-1	-5	-4	21	1 380
Fisheries and aquaculture	1 179		-1	-1	0	0	1 177
Mining and industry	601		-1	-1	0	0	599
Building and construction	1 283		-4	-6	-26	9	1 256
Trade, hotel, restaurants.	317		-1	-1	-18	4	301
Transport and services	1 068		-2	-7	-40	35	1 054
Property, property development	3 148		-5	-20	-73	18	3 069
Total corporate market	8 968	0	-15	-41	-161	87	8 838
Retail market	17 251		-1	-5	-13	858	18 091
Total	26 219	0	-16	-46	-174	945	26 929
Expected loss unutilized credit and guarantees RM			0	0	0		
Expected loss unutilized credit and guarantees CM			-3	-4	0		

30.06.19

Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	15	0	0	0	0	0	15
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1 255	148	-1	-6	-12	17	1 401
Fisheries and aquaculture	1 344	13	-2	-1	0	0	1 355
Mining and industry	488	13	0	-1	-1	0	498
Building and construction	1 446	44	-3	-15	-100	9	1 380
Trade, hotel, restaurants.	397	17	0	-1	-4	0	409
Transport and services	1 103	128	-2	-5	-64	22	1 182
Property, property development	2 904	153	-4	-23	-61	20	2 990
Total corporate market	8 953	515	-12	-51	-243	68	9 231
Retail market	-826	10 865	-1	-4	-13	1 296	11 317
Total	8 127	11 381	-13	-55	-256	1 364	20 548
Expected loss unutilized credit and guarantees RM			0	0	0		
Expected loss unutilized credit and guarantees CM			-1	-3	-1		

30.06.18

Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	3	0	0	0	0	0	3
Insurance and finance	0	0	0	0	0	0	-0
Agriculture and forestry	1 220	124	-1	-5	-4	21	1 355
Fisheries and aquaculture	1 157	16	-1	-1	0	0	1 171
Mining and industry	583	7	-1	-1	0	0	588
Building and construction	1 231	31	-3	-7	-26	9	1 235
Trade, hotel, restaurants.	298	14	-1	-1	-18	4	296
Transport and services	910	90	-2	-7	-40	35	987
Property, property development	3 073	122	-5	-20	-72	18	3 117
Total corporate market	8 475	404	-14	-41	-160	87	8 751
Retail market	321	10 097	-1	-5	-13	858	11 258
Total	8 796	10 501	-15	-46	-173	945	20 009
Expected loss unutilized credit and guarantees RM			0	0	0		
Expected loss unutilized credit and guarantees CM			-3	-4	0		

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

31.12.18	30.06.18	30.06.19		30.06.19	30.06.18	31.12.18
305	310	285	Default commitments over 90 days	285	310	305
-115	-82	-122	Step 3 write-downs	-122	-82	-115
190	228	163	Total net loans, guarantees etc. in default	163	228	190
333	283	200	Other non-performing and impaired commitments and guara., not in default ¹⁴	200	283	333
-190	-99	-110	Step 3 write-downs	-110	-99	-190
143	184	90	Total non-performing and impaired commitments and guara., not in default	90	184	143
333	412	253	Total non-performing and impaired commitments and guara¹⁵	253	412	333
1.6 %	2.0 %	1.2 %	In % of total loans	0.9 %	1.5 %	1.2 %

A default commitment is the total of the customer total commitment if a part of the commitment has been overdue in more than 90 days. Non-performing and impaired commitments are commitments that are not in default but has a loss deduction. Note 22 in the annual report describe commitments placed in step 3 by calculating expected loss. In step 3 write-downs on default loans expected loss and individual write-downs are included. See also note 1 in the quarterly accounts.

NOTE 10. INDIVIDUAL AND COLLECTIVE WRITE DOWNS OF LOANS AND GUARANTEES

Change in balance posts from 01.01.18 to 31.12.18 in accordance to IFRS 9. Individual write-downs are included in step 3. In the tables under, write-downs on off balance sheet items (unused credit and guarantees) directed to the balance debt side are included.

	Step 1	Step 2	Step 3	Group Step 1
Gross lending	With expected loss over 12 months	With expected loss over the instruments life	With expected loss over the instruments life time	Total
Gross lending pr. 01.01.19	22 813	3 338	638	26 789
New loans / credits / guarantees	3 238	700	4	3 942
Transfers from step 1 to step 2	-1 343	1 404		61
Transfers from step 1 to step 3	-29		29	0
Transfers from step 2 to step 3		-76	75	0
Transfers from step 3 to step 2		8	-12	-3
Transfers from step 3 to step 3	6		-6	0
Transfers from step 2 to step 1	1 030	-1 016		14
Reduced portfolio	-2 607	-561	-227	-3 395
Other adjustments	-277	-28	-16	-320
Gross lending pr. 31.03.19	22 832	3 770	485	27 087
IB unused drafts, guarantees etc.	2 693	299	15	3 007
UB unused drafts, guarantees etc.	2 641	262	79	2 981

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 value change over profit, is not included.

	Step 1	Step 2	Step 3	Group Step 1
Gross lending	With expected loss over 12 months	With expected loss over the instruments life	With expected loss over the instruments life time	Total
Gross lending pr. 01.01.18	22 025	3 336	316	25 677
New loans / credits / guarantees	4 225	586	17	4 828
Transfers from step 1 to step 2	-1 489	1 176		-313
Transfers from step 1 to step 3	-196		199	3
Transfers from step 2 to step 3		-208	209	1
Transfers from step 3 to step 2		15	-13	1
Transfers from step 3 to step 3	11		-11	-1
Transfers from step 2 to step 1	932	-934		-2
Reduced portfolio	-2 980	-424	-50	-3 454
Other adjustments	-429	-83	-8	-520
Gross lending pr. 30.06.18	22 099	3 463	658	26 220
IB unused drafts, guarantees etc.	2 759	189	6	2 954
UB unused drafts, guarantees etc.	2 913	315	6	3 234

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 value change over profit, is not included.

	<i>Parent bank</i>			
	Step 1	Step 2	Step 3	Step 1
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.19	15 771	3 054	638	19 463
New loans / credits / guarantees	2 710	668	9	3 388
Transfers from step 1 to step 2	-1 039	1 103		64
Transfers from step 1 to step 3	-23		23	0
Transfers from step 2 to step 3		-76	75	0
Transfers from step 3 to step 2		8	-12	-3
Transfers from step 3 to step 3	5		-5	0
Transfers from step 2 to step 1	755	-736		19
Reduced portfolio	-2 491	-530	-228	-3 249
				0
Other adjustments	-141	-17	-16	-173
Gross lending pr. 31.12.19	15 548	3 475	485	19 508
IB unused drafts, guarantees etc.	2 228	290	15	2 533
UB unused drafts, guarantees etc.	2 139	261	79	2 479

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 value change over profit, is not included.

	<i>Parent bank</i>			
	Step 1	Step 2	Step 3	Step 1
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.18	15 986	2 777	315	19 078
New loans / credits / guarantees	3 571	543	19	4 133
Transfers from step 1 to step 2	-1 226	917		-309
Transfers from step 1 to step 3	-194		197	3
Transfers from step 2 to step 3		-208	208	1
Transfers from step 3 to step 2		15	-13	1
Transfers from step 3 to step 3	11		-11	-1
Transfers from step 2 to step 1	737	-734		3
Reduced portfolio	-2 824	-375	-50	-3 249
				0
Other adjustments	-278	-79	-8	-365
Gross lending pr. 31.12.19	15 783	2 856	657	19 296
IB unused drafts, guarantees etc.	2 314	184	6	2 504
UB unused drafts, guarantees etc.	2 452	312	7	2 771

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 value change over profit, is not included.

	Step 1	Step 2	Step 3	Group Step 1
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.19	17	63	305	385
New or increased loans / credits / guarantees	2	16	0	18
Transfers from step 1 to step 2	-1	13		12
Transfers from step 1 to step 3	0		2	2
Transfers from step 2 to step 3		-1	12	10
				0
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	1	-11		-10
Reduced portfolio	-3	-13	-65	-81
				0
Other adjustments	-3	-6	5	-4
Loss deduction pr. 31.03.19	13	60	258	331

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

	Step 1	Step 2	Step 3	Group Step 1
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.18	20	56	85	161
New or increased loans / credits / guarantees	12	-8	-4	0
Transfers from step 1 to step 2	-1	3	-1	1
Transfers from step 1 to step 3	-2	-21	22	-1
Transfers from step 2 to step 3	-1	10	87	96
	-10	9	5	4
Transfers from step 3 to step 2	2	-4	-14	-16
Transfers from step 3 to step 3	-3	0	0	-3
Transfers from step 2 to step 1	0	0	0	0
Reduced portfolio	0	0	0	0
	0	0	0	0
Other adjustments	0	-1	0	-1
Loss deduction pr. 31.03.18	18	44	181	243

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

	<i>Parent bank</i>			Step 1
	Step 1	Step 2	Step 3	
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.19	17	64	304	385
New or increased loans / credits / guarantees	2	16	0	18
Transfers from step 1 to step 2	-1	12		11
Transfers from step 1 to step 3	0		2	2
Transfers from step 2 to step 3		-1	12	10
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	1	-10		-9
Reduced portfolio	-4	-14	-65	-83
				0
Other adjustments	-3	-6	5	-4
Loss deduction pr. 31.03.19	12	61	257	329

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

	<i>Parent bank</i>			Step 1
	Step 1	Step 2	Step 3	
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.18	19	55	86	160
New or increased loans / credits / guarantees	12	-8	-4	0
Transfers from step 1 to step 2	-2	3	-1	0
Transfers from step 1 to step 3	-1	-21	22	0
Transfers from step 2 to step 3	-10	10	87	87
Transfers from step 3 to step 2	2	9	5	16
Transfers from step 3 to step 3	-3	-4	-14	-21
Transfers from step 2 to step 1	0	0	0	0
Reduced portfolio	0	0	0	0
Other adjustments	0	-1	0	-1
Loss deduction pr. 31.03.18	18	43	181	242

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

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

Parent bank					Group	
31.12.18	30.06.18	30.06.19		30.06.19	30.06.18	31.12.18
2 062	2 299	2 013	Unutilized drawing rights	2 515	2 762	2 536
471	472	466	Guarantee obligations	466	472	471
791	737	864	Unutilized drawing rights Helgeland Boligkreditt AS			
3 324	3 508	3 343	Net guarantee and draw rights	2 981	3 234	3 007

In addition, the parent bank has a liability to Helgeland Boligkreditt AS which has a revolving credit facility to (with maturity > one year) which is intended to cover payment obligations in the cover for a rolling 12-month period.

NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiaries are consolidated and substantial interests are included under the equity method. Preliminary quarterly data from subsidiaries and associates have applied in the consolidated financial statements.

Subsidiaries

	Share capital	Number of shares	Equity stake	Parent bank	
				Market value	
				30.06.19	30.06.18
ANS Bankbygg Mo	49.0		97.5 %	46	46
Helgeland Boligkreditt AS	540.0	540 000	100 %	540	540
AS Sparebankbygg	0.1	100	100 %	1	1
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingsseelskap AS	0.5	500	100 %	6	6
Strendene Utviklingsseelskap AS	15.03	300	100 %	15	0
Storgata 73 AS	0.1	140	53 %	1	2
Total investment in AC				610	595

Associated companies (AC)

The bank has evaluated that HSB have significant influence, but not actual control in Helgeland Invest AS. See other information in note 1 and note 27 in the annual accounts for 2018. Director of the corporate market in HSB is p.t deputy member of the board in Helgeland Invest AS.

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group	
					Equity	
						30.06.19
Helgeland Invest AS		118	608	0	0	726
REDE Eiendomsmegling AS		40	31	34	1	36
Total		158	639	34	1	762
The bank's share						
Helgeland Invest AS	48.3 %	57	294	16	0	351
REDE AS (inkl. merverdi)	40.0 %	16	12	14	0	14
Total		73	306	30	1	365

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group	
					Equity	
						31.12.18
Helgeland Invest AS		118	643	0	0	761
REDE Eiendomsmegling AS		40	31	34	1	36.0
Total		158	674	34	1	797
The bank's share						
Helgeland Invest AS	48.3 %	57	311	16	0	367
REDE AS (inkl. merverdi)	40.0 %	16	12	14	0	14
Total		73	323	30	1	381

	Parent bank and group	
Change in the bank's ownership in HI	30.06.19	31.12.18
Opening balance	367	328
Adjusted value	0	0
Dividend	-24	-10
Result HI	8	50
Closing balance	351	367
	Parent bank and group	
Change in the bank's ownership in REDE	30.06.19	31.12.18
Opening balance	14	14
Dividend	0	0
Result REDE	0	0
Additional value/goodwill	0	0
Closing balance	14	14
Total	365	381

Parent bank and group						
30.06.19						
		Revenue	Finance cost	Other income	Operating cost	Net profit
Result 100% ownership						
Helgeland Invest AS		17	0	0	1	16
REDE Eiendomsmegling AS		6	0	0	6	0
Total		23	0	0	7	16
Result bank's share						
Helgeland Invest AS	48.3 %	8	0	0	0	8
REDE Eiendomsmegling AS	40.0 %	2	0	0	2	0
Total		11	0	0	3	8
Parent bank and group						
31.12.18						
		Revenue	Finance cost	Other income	Operating cost	Net profit
Result 100% ownership						
Helgeland Invest AS		108	0	0	4	104
REDE Eiendomsmegling AS		23	1	0	22	0
Total		131	1	0	26	104
Result bank's share						
Helgeland Invest AS	48.3 %	52	0	0	2	50
REDE Eiendomsmegling AS	40.0 %	9	0	0	9	0
Total		61	0	0	11	50

Parent bank				Group		
31.12.18	30.06.18	30.06.19		30.06.19	30.06.18	31.12.18
69	68	70	Operating funds	131	141	133
69	68	70	Total operating funds	131	141	133

NOTE 13.1 LEASES

IFRS 16 Leases

The new standard for accounting for leases requires the lessee to capitalize assets and liabilities for most leases. For the bank this applies to leases (mainly office premises). Usage rights and obligations are shown in the note below.

<i>Parent bank</i>	<i>Group</i>
30.06.19	30.06.19
Assets	
45.6 Rights of use 01.01.19	18.8
-5.8 Impairment	-2.5
39.8 Rights of use OB	16.3
Liabilities	
45.6 Lease obligations 01.01.19	18.8
-6 Reduction of rent	-2.6
0.4 Interest	0.2
40.0 Leas obligations OB	16.4

The profit effects for 2019 for the Group represent an impairment of NOK 2.5 million and interest expenses of NOK 0.2 million. At the same time, rent costs were reduced by NOK 2.4 million as a result of these being booked against the lease obligation.

NOTE 14. DISCLOSURES OF RELATED PARTIES

The information is given in line with IAS 24 for "Information regarding close parties" (Transactions toward leading employees and representatives appear in a note in the annual accounts). Helgeland Sparebank defines its subsidiaries and associated companies as close parties in relation to this accounting standard. The transactions between the parent bank, affiliated companies and associated companies are conducted in line with regular commercial terms and principles. Significant transactions with related parties:

Helgeland Boligkreditt AS (share of ownership 100 %)

Transferred loans as of 30.06.19 constitute totally MNOK 7 637. Covered bonds in the housing mortgage company constitute MNOK 6 842 where MNOK 0 (0) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 31.01.19 drawn with MNOK 636. In addition, the bank has a revolving credit facility (with maturity > one year) provided by Helgeland Sparebank, which will cover payment obligations in the security pool for a rolling 12-month period. The agreements are based on the principle of arm's length. In the consolidated accounts, the effects of the facilities are eliminated. HSB has received corporate contributions of MNOK 52.7 in 2019.

ANS Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 2.2 in 2019.

Helgeland Invest AS (48,3 %)

Note 12 provide detailed information on the accounting effects of the bank's ownership position in Helgeland Invest AS.

NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS

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 price (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 market 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 equities and fixed-rate loans are classified under level 3. The fair value of shares where it's no active market, known market value or the last issue price is used. For papers without turnover, the value is set based on available financial information, etc. fixed rate loans are measured at fair value.

Principal fixed rate loans per 30.06.18 were MNOK 1 364 (1 007) MNOK. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK 1 (-1) MNOK per 30.06.19.

Parent bank			Assets and liabilities measured at fair value			Group		
30.06.19						30.06.19		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3		
Financial assets at fair value through profit								
0	0	1 364	- Loans to and claims on customers at fair value	0	0	1 364		
0	4 291	358	- Certificates, bonds and equities at fair value	0	4 316	358		
Financial assets available for sale								
0	0	11 381	- Mortgages					
0	53	0	- Financial derivatives		53			
0	4 344	13 103	Total assets	0	4 369	1 722		
LIABILITIES								
Financial liabilities at fair value through profit								
	27		- Debt issuance of securities		27			
0	27	27	Total liabilities	0	27	0		
Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total		
358	11 785	12 143	Opening balance	358	1206	1 564		
0	-626	-626	Payment loan/sale of shares	0	-76	-76		
0	1 562	1 562	New loans	0	210	210		
0	24	24	Value change	0	24	24		
358	12 745	13 103	Financial instruments valued on Level 3	358	1 364	1 722		

Parent bank			Assets and liabilities measured at fair value			Group		
31.12.18						31.12.18		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3		
Financial assets at fair value through profit								
0	0	1 206	- Loans to and claims on customers at fair value	0	0	1 206		
0	3 774	358	- Certificates, bonds and equities at fair value	0	3 799	358		
Financial assets available for sale								
0	0	10 579	- Mortgages					
0	54	0	- Financial derivatives		54			
0	3 828	12 143	Total assets	0	3 853	1 564		
LIABILITIES								
Financial liabilities at fair value through profit								
	22		- Financial derivatives		22			
0	22	0	Total liabilities	0	22	0		
Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total		
322	10 318	10 640	Opening balance	322	934	1 256		
0	-526	-526	Payment loan/sale of shares	0	-348	-348		
42	1 995	2 037	New loans	42	600	642		
-6	-2	-8	Value change	-6	20	14		
358	11 785	12 143	Financial instruments valued on Level 3	358	1 206	1 564		

NOTE 16. FINANCIAL DERIVATIVES

<i>Parent bank</i>				<i>Group</i>		
30.06.19				30.06.19		
Nominal value		Market value		Nominal value		Market value
Total	Assets	Commitments		Total	Assets	Commitments
1 030	0	26	Interest rate swaps- fixed interest rate loans	1 030	0	26
75	0	1	Interest rate swaps- bank deposits with share Yield	75	0	1
1 105	0	27	Total financial derivatives	1 105	0	27
2 400	53		Interest rate swaps – fixed interest rate with hedging	2 400	53	0
2 400	53	0	Total financial derivatives with hedging	2 400	53	0

Net presentation of financial assets and liabilities

<i>Parent bank</i>				<i>Group</i>		
30.06.18				30.06.18		
Nominal value		Market value		Nominal value		Market value
Total	Assets	Commitments		Total	Assets	Commitments
930	0	20	Interest rate swaps- fixed interest rate loans	930	0	20
75	0	2	Interest rate swaps- bank deposits with share Yield	75	0	2
1 005	0	22	Total financial derivatives	1 005	0	22
2 500	86	0	Interest rate swaps – fixed interest rate with hedging	2 500	86	0
2 500	86	0	Total financial derivatives with hedging	2 500	86	0

<i>Parent bank and group</i>					
30.06.19					
	Gross financial assets	Financial assets that are recognized net	Net financial assets in the balance sheet	Financial instruments	Net
Derivatives carried as assets	53	0	53	-26	27
Derivatives carried as liabilities	27	0	27	-27	0

<i>Parent bank and group</i>					
30.06.18					
	Gross financial assets	Financial assets that are recognized net	Net financial assets in the balance sheet	Financial instruments	Net
Derivatives carried as assets	86	0	86	-22	64
Derivatives carried as liabilities	22	0	22	-22	0

Relevant instruments for interest rate risk management will be primarily interest rate swaps. Trading in derivatives can be made with various counterparties. To differentiate counterparty structure used a selection of the major banks / brokerages that account for the bulk of turnover in interest-related products in the market. If the bank has the same counterparty derivatives on both the asset side and the liability side, these are offset.

NOTE 17. SECURITIES ISSUED

<i>Parent bank</i>			<i>Group</i>	
31.12.18	30.06.19	(MNOK)	30.06.19	31.12.18
5 009	4 646	Bonds, nominal value	11 481	11 502
25	20	Value adjustments	17	21
24	33	Accrued interest	43	33
5 058	4 700	Total securities	11 541	11 556

Change in securities issued					Group
	31.12.18	Issued	Matured/redeemed	Other change	30.06.19
Bonds, nominal value	11 502	1 971	-1 989	-2	11 482
Value adjustments	21			-4	17
Accrued interest	33			10	43
Total	11 556	1 971	-1 989	4	11 542

Change in subordinated debt					parent bank
	31.12.18	Issued	Matured/redeemed	Other change	30.06.19
Bonds, nominal value	5 009	870	-1 230	-2	4 647
Value adjustments	25			-5	20
Accrued interest	24			9	33
Total	5 058	870	-1 230	2	4 700

Change in securities issued	Group/Parent bank				
	31.12.18	Issued	Matured/redeemed	Other change	30.06.19
equity and related capital, nominal value	450				450
Value adjustments	-1				-1
Accrued interest	2				2
Total	451	-	-	-	451

Accounted value			<i>Group</i>	
	30.06.19		30.06.19	31.12.18
Bonds, amortized cost	9 093			9 186
Bonds, hedging	2 448			2 370
Total debt securities	11 541			11 556

Accounted value			<i>Parent bank</i>	
	30.06.19		30.06.19	31.12.18
Bonds, amortized cost	2 252			2 688
Bonds, hedging	2 448			2 370
Total debt securities	4 700			5 058

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>						<i>Group</i>		
%	30.06.18	%	30.06.19		30.06.19	%	30.06.18	%
89.9 %	15 690	90.4 %	16 957	Helgeland	16 523	90.2 %	15 247	89.6 %
9.5 %	1 651	8.9 %	1 665	Areas other than Helgeland	1 665	9.1 %	1 651	9.7 %
0.7 %	116	0.7 %	136	International	136	0.7 %	116	0.7 %
100 %	17 457	100 %	18 758	Total	18 324	100 %	17 014	100 %

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>					<i>Group</i>				
%	30.06.18	%	30.06.19		30.06.19	%	30.06.18	%	
3.7 %	642	3.5 %	656	Financial institutions	257	1.4 %	199	1.2 %	
9.0 %	1 570	10.7 %	2 005	Municipalities and municipal ente	2 005	10.9 %	1 570	9.2 %	
2.0 %	356	2.1 %	385	Agriculture and forestry	385	2.1 %	356	2.1 %	
4.8 %	844	2.8 %	533	Fisheries and aquaculture	533	2.9 %	844	5.0 %	
0.9 %	157	0.9 %	178	Mining and industry	178	1.0 %	157	0.9 %	
3.4 %	585	3.1 %	575	Building and construction	575	3.1 %	585	3.4 %	
2.1 %	371	2.4 %	453	Trade, hotel, restaurants.	453	2.5 %	371	2.2 %	
10.2 %	1 784	9.8 %	1 847	Transport and services	1 847	10.1 %	1 784	10.5 %	
5.9 %	1 033	8.8 %	1 645	Property, property development	1 610	8.8 %	1 033	6.1 %	
42.1 %	7 342	44.1 %	8 277	Total corporate market	7 843	42.8 %	6 899	40.5 %	
57.9 %	10 115	55.9 %	10 481	Retail market	10 481	57.2 %	10 115	59.5 %	
100 %	17 457	100 %	18 758	Total	18 324	100 %	17 014	100 %	

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

				<i>Parent bank</i>	
Per 30.06.19	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 315 020	35.0 %	Catilina Invest AS	256 046	1.2 %
Pareto AS	1 949 392	9.3 %	VPF Nordea Avkastning	244 270	1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea Kapital	238 245	1.1 %
Merrill Lynch Prof.	751 759	3.6 %	AF Kapital Managemet	181 749	0.9 %
VPF Eika Egenkapital	726 003	3.5 %	Melum Mølle AS	177 000	0.8 %
U.S Bank National Association	530 373	2.5 %	Vigner Olaisen AS	144 653	0.7 %
Bergen Kommunale Pensjon.	475 000	2.3 %	Melesio Capital AS	137 188	0.7 %
MP Pensjon PK	462 203	2.2 %	VPF Nordea Norge Pluss	123 527	0.6 %
Lamholmen Invest AS	447 353	2.1 %	Nervik Steffen	115 000	0.6 %
Helgeland Kraft AS	377 691	1.8 %	VPF DNB	100 000	0.5 %
Total 10 biggest owners	14 442 781	69.2 %	Total 20 biggest owners	16 160 459	77.4 %

The bank has issued a total of 20 871 427 primary certificates value of NOK 10,-.

NOTE 21. CAPITAL ADEQUACY

Parent bank				Group		
31.12.18	30.06.18	30.06.19		30.06.19	30.06.18	31.12.18
208	208	208	ECC-capital	208	208	208
971	971	971	Premium Fund	971	971	971
-2	-3	-2	Own ECCs	-2	-3	-2
299	299	299	Hybrid capital (CB)	299	299	299
1 476	1 475	1 476	Total paid-in capital	1 476	1 475	1 476
558	540	551	Savings Bank's fund	551	540	558
440	425	440	Reserve for unrealized gains	440	425	440
33	27	24	Donations Fund	24	27	33
710	654	710	Dividend equalisation reserve	710	654	710
33	0	0	Cash dividend	0	0	33
0	0	0	Other equity capital	70	61	70
1 774	1 646	1 725	Total accrued equity capital	1 795	1 707	1 844
3 250	3 121	3 201	Total equity capital	3 271	3 182	3 320
-299	-299	-299	Hybrid capital (CB)	-299	-299	-299
-74	-90	-99	Shares in financial institutions	-94	-85	-68
-102	-54	-44	Cash dividend /gifts employee	-44	-54	-102
2 775	2 678	2 759	Total core tier one	2 834	2 744	2 851
-16	-17	-16	Shares in financial institutions	-14	-16	-14
0	0	0	Other	0	0	0
299	299	299	Hybrid capital (CB)	299	299	299
3 058	2 960	3 042	Total core capital	3 119	3 027	3 136
451	301	451	Subordinatet dept	451	301	451
0	-1	0	Shares in financial institutions	0	-1	0
0	0	0	Other	0	0	0
451	300	451	Total net supplementary capital	451	300	451
3 509	3 260	3 493	Total net equity and related capital	3 570	3 327	3 587
16 950	16 659	17 350	Weight assets calculation basis *)	18 797	17 925	18 310
16.37 %	16.08 %	15.90 %	Core tier one Capital ratio in%	15.08 %	15.31 %	15.57 %
18.04 %	17.77 %	17.53 %	Core capital ratio in%	16.59 %	16.89 %	17.13 %
20.70 %	19.57 %	20.13 %	Total Capital ratio in%	18.99 %	18.56 %	19.59 %
			Total core tier one including cooperative group	2 932	2 821	2 923
			Total core capital including cooperative group	3 241	3 129	3 232
			Total net equity and related capital including cooperative group	3 709	3 437	3 700
			Weight assets calculation basis including cooperative group	19 748	18 694	19 174
			Including cooperative group			
			Core tier one Capital ratio, after proportionally consolidation in%	14.85 %	15.09 %	15.25 %
			Core capital ratio, after proportionally consolidation in%	16.41 %	16.74 %	16.86 %
			Total Capital ratio, after proportionally consolidation in%	18.78 %	18.38 %	19.30 %

31.12.18	30.06.18	30.06.19	Calculation basis	30.06.19	30.06.18	31.12.18
0	0	0	States and central banks	0	0	0
240	204	350	Local and regional authorities (including municipalities)	350	204	240
393	471	392	Institutions	179	223	172
1 696	1 159	1 883	Enterprises	1 883	1 258	1 696
1 067	1 012	1 029	Mass market loans	986	987	1 022
9 605	9 815	9 620	Loans secured by real property	12 432	12 235	12 331
530	391	670	Loans overdue	726	391	545
763	693	785	Covered bonds	101	123	114
0	0	0	Units in securities funds	0	0	0
1 213	1 342	1 215	Equity positions	611	747	630
155	138	113	Other loans and commitments	186	209	220
15 662	15 224	16 058	Capital requirement credit risk	17 453	16 377	16 970
1 268	1 188	1 268	Capital requirement operational risk	1 320	1 168	1 320
20	25	24	Deducted from capital requirement	24	23	20
16 950	16 436	17 350	Total capital requirement	18 797	17 568	18 310

Transition from construction finance to private housing financing has reduced the calculation basis.

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

Parent bank						Group				
31.12.18	Q2/18	Q2/19	30.06.18	30.06.19		30.06.19	30.06.18	Q2/19	Q2/18	31.12.18
2.94	2.93	3.13	2.92	3.12	Interest receivable and similar income	3.16	2.96	3.14	2.94	2.95
1.11	1.10	1.31	1.09	1.28	Interest payable and similar costs	1.42	1.18	1.42	1.19	1.21
1.83	1.83	1.82	1.83	1.85	Net interest- and credit commission income²	1.74	1.79	1.72	1.75	1.74
0.37	0.36	0.38	0.37	0.39	Commissions receivable and income from banking services	0.31	0.31	0.31	0.30	0.31
0.04	0.03	0.06	0.04	0.05	Commissions payable and costs relating to banking services	0.04	0.03	0.05	0.02	0.03
0.34	0.33	0.32	0.33	0.33	Net commission income	0.27	0.28	0.26	0.27	0.28
0.35	0.52	0.09	0.72	0.47	Gains/losses on financial assets available for sale	0.05	0.29	0.06	0.43	0.15
0.07	0.06	0.04	0.05	0.04	Other operating income	0.01	0.03	0.00	0.04	0.05
1.04	1.01	1.05	1.05	1.05	Operating costs	0.88	0.89	0.85	0.86	0.88
0.93	1.23	0.22	0.69	0.15	Losses on loans, guarantees etc. and fixed assets	0.12	0.58	0.18	1.03	0.77
0.61	0.49	1.01	1.19	1.48	Gross profit	1.08	0.91	1.01	0.61	0.57
0.07	0.06	0.22	0.15	0.25	Tax payable on ordinary profit	0.25	0.18	0.23	0.09	0.11
0.54	0.43	0.79	1.04	1.23	Net profit	0.83	0.73	0.78	0.52	0.46

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank						Group				
Q2/18	Q3/18	Q4/18	Q1/19	Q2/19		Q2/19	Q1/19	Q4/18	Q3/18	Q2/18
197	194	206	206	215	Interest receivable and similar income	265	257	252	238	237
74	73	80	82	90	Interest payable and similar costs	120	115	107	98	96
123	121	126	124	125	Net interest- and credit commission income	145	142	145	140	141
24	24	27	26	26	Commissions receivable and income from banking servi	26	29	27	24	24
2	2	3	3	4	Commissions payable and costs relating to banking ser	4	3	3	2	2
22	22	24	23	22	Net commission income	22	24	24	22	22
35	-1	0	57	6	Gains/losses on financial assets available for sale	5	4	4	-1	35
4	7	5	2	3	Other operating income	0	2	6	6	3
68	70	70	70	72	Operating costs	72	73	74	71	69
83	20	138	5	15	Losses on loans, guarantees etc.	15	5	138	20	83
33	59	-53	131	69	Gross profit	85	93	-34	76	49
4	10	-10	19	15	Tax payable on ordinary result	20	22	-6	14	7
29	49	-43	112	54	Net profit	66	71	-28	62	42

Parent bank						Group				
Q2/18	Q3/18	Q4/18	Q1/19	Q2/19		Q2/19	Q1/19	Q4/18	Q3/18	Q2/18
2.93	2.88	3.02	3.11	3.13	Interest receivable and similar income	3.14	3.15	3.05	2.89	2.94
1.10	1.08	1.17	1.24	1.31	Interest payable and similar costs	1.42	1.41	1.30	1.19	1.19
1.83	1.79	1.85	1.87	1.82	Net interest- and credit commission income	1.72	1.74	1.75	1.70	1.75
0.36	0.36	0.40	0.40	0.38	Commissions receivable and income from banking servi	0.31	0.32	0.33	0.29	0.30
0.03	0.03	0.04	0.05	0.06	Commissions payable and costs relating to banking ser	0.05	0.04	0.04	0.02	0.02
0.33	0.33	0.35	0.35	0.32	Net commission income	0.26	0.28	0.29	0.27	0.27
0.52	-0.01	0.00	0.86	0.09	Gains/losses on financial assets available for sale	0.06	0.05	0.05	-0.01	0.43
0.06	0.10	0.07	0.03	0.04	Other operating income	-	0.02	0.07	0.07	0.04
1.01	1.04	1.03	1.06	1.05	Operating costs	0.85	0.89	0.90	0.86	0.86
1.23	0.30	2.02	0.08	0.22	Losses on loans, guarantees etc.	0.18	0.06	1.67	0.24	1.03
0.49	0.87	-0.78	1.98	1.01	Gross profit	1.01	1.14	-0.41	0.92	0.61
0.06	0.15	-0.15	0.29	0.22	Tax payable on ordinary result	0.23	0.27	-0.07	0.17	0.09
0.43	0.73	-0.63	1.69	0.79	Net profit	0.78	0.87	-0.33	0.75	0.52

Parent bank						Group				
Q2/18	Q3/18	Q4/18	Q1/19	Q2/19		Q2/19	Q1/19	Q4/18	Q3/18	Q2/18
ASSETS										
78	79	82	73	91	Cash and claims on central banks	91	73	82	78	78
1 558	1 149	1 170	1 166	1 229	Loans to and claims on credit institutions	594	651	461	520	797
20 009	20 294	20 289	20 367	20 548	Loans to and claims on customers	28 125	27 802	27 614	27 254	26 929
86	87	54	71	53	Financial derivatives	53	71	54	87	86
3 882	4 243	4 132	4 064	4 649	Certificates, bonds and shares available for sale	4 674	4 089	4 157	4 293	3 882
351	371	382	384	365	Investments in associated companies	365	385	382	371	351
595	595	595	595	610	Investments in subsidiaries	0	0	0	0	0
14	15	11	11	13	Deferred tax benefit	17	15	15	19	18
68	66	69	68	70	Fixed assets	131	132	133	138	141
34	42	70	162	74	Other assets	87	138	71	42	33
26 675	26 941	26 854	26 961	27 702	Total assets*	34 137	33 356	32 969	32 802	32 315
LIABILITIES AND EQUITY CAPITAL										
250	501	250	250	250	Liabilities to credit institutions	252	252	252	502	252
17 458	17 522	17 718	17 730	18 757	Deposits from customers and liabilities to customers	18 324	17 271	17 248	17 077	17 014
5 274	5 035	5 058	5 002	4 700	Borrowings through the issuance of securities	11 542	11 837	11 556	11 267	11 301
22	14	22	27	27	Financial derivatives	27	27	22	14	22
114	118	104	172	148	Other liabilities	130	162	118	134	126
301	451	451	451	451	Fund bonds	451	451	451	451	301
23 419	23 641	23 603	23 632	24 333	Total liabilities	30 726	30 000	29 647	29 445	29 016
1 177	1 178	1 178	1 178	1 178	Paid-in equity capital	1 178	1 178	1 178	1 178	1 177
299	291	299	299	299	Hybrid capital	299	299	299	291	299
1 642	1 644	1 774	1 740	1 726	Accrued equity capital/retained earnings	1 795	1 806	1 843	1 710	1 706
138	187	0	112	166	Profit after taxes	137	71	0	176	115
					Minority interest	2	2	2	2	2
3 256	3 300	3 251	3 329	3 369	Total equity capital	3 411	3 356	3 322	3 357	3 299
26 675	26 941	26 854	26 961	27 702	Total liabilities and equity capital	34 137	33 356	32 969	32 802	32 315

OTHER KEY FIGURES

Parent bank			Group			
31.12.18	30.06.18	30.06.19		30.06.19	30.06.18	31.12.18
BALANCE SHEET						
Development in the last 6 months						
	-0.3	3.2	Total assets	3.5	1.5	
	1.1	1.0	Gross lending	1.6	2.1	
	0.2	5.9	Customer deposits	6.2	0.2	
Development in the last 12 months						
0.4	2.1	3.9	Total assets ⁹	5.6	5.9	3.5
3.3	1.1	3.1	Gross lending ⁶	4.7	6.9	5.2
1.7	0.2	7.4	Customer deposits ⁷	7.7	0.4	1.6
85.7	86.3	89.9	Deposit coverage as a percentage of gross loans ⁵	64.4	62.6	61.6
55.2	55.7	54.7	Lending to retail customers	66.3	66.7	66.6
26 830	26 759	27 195	Average assets ¹⁰	33 291	31 840	32 443
20 669	20 241	20 872	Gross loans ⁴	28 451	27 165	27 995
SOLIDITY						
16.4	16.1	15.9	Core tier one Capital ratio	15.1	15.3	15.6
18.0	17.8	17.5	Core Capital ratio	16.6	16.9	17.1
20.7	19.6	20.1	Total Capital ratio ²¹	19.0	18.6	19.6
			Core tier one Capital ratio, after proportionally consolidation in%	14.9	15.1	15.2
			Core capital ratio, after proportionally consolidation in%	16.4	16.7	16.9
			Total Capital ratio, after proportionally consolidation in%	18.8	18.4	19.3
8.9	8.7	8.5	Leverage ratio ²²	8.9	9.0	9.2
4.4	8.5	10.0	Rate of return on equity capital ¹	8.1	7.0	4.6
4.4	10.0	10.6	Rate of return on equity capital (excl. hybrid capital)	8.5	7.3	4.6
0.5	1.0	1.2	Return on assets	0.8	0.7	0.5
KEY FIGURES PCC						
4.8	4.9	5.9	Yield per primary certificate ¹⁶	4.8	4.0	5.0
4.8	4.9	5.9	Diluted result per ECC, in Norwegian currency	4.8	4.0	5.0
76.3	76.3	76.4	ECCs split (01.01) ¹⁸	76.4	76.3	76.3
108	108	113	Equity capital per ECC ¹⁷	114	110	110
69.5	82.0	80.0	PCC price quoted on the stock exchange	80.0	82.0	69.5
14.4	4.2	6.8	P/E (price divided by profit per ECC) ¹⁹	8.3	5.0	13.9
0.6	0.8	0.7	P/B (price divided by book value of equity capital) ²⁰	0.7	0.7	0.6
40.3	34.8	39.2	Costs as a percentage of income ³	42.2	37.6	39.7
1.0	1.0	1.1	Cost in percent of average total assets	0.9	0.9	0.9
150	148	148	Number of man-years	148	148	150
LOSSES ON LOANS AND GROSS DEFAULTS						
As a percentage of gross lending:						
1.5	1.5	1.4	Gross defaults over 90 days ¹³	1.0	1.1	1.1
0.8		1.1	Total loan loss provision	0.8		0.6
1.2	0.9	0.2	Losses on lending ¹²	0.1	0.7	0.9

17) Percentage of equity excl. Hybrid capital

OTHER CALCULATIONS

Parent bank				Group		
31.12.18	30.06.18	30.06.19	(Figures in MNOK and %)	30.06.19	30.06.18	31.12.18
			Operating costs, adjusted for one-time effects			
279	139	142	Operating costs	145	141	286
0	0	0	One-time effects	0	0	0
279	139	142	Operating costs, adjusted for one-time effects	145	141	286
1.04 %	2.06 %	1.74 %	Operating costs in % of BTA, adjusted for one-time effects	1.77 %	1.78 %	0.88 %
40.3 %	35.8 %	39.2 %	Operating costs in % of income, adjusted for one-time effects	42.2 %	37.6 %	39.7 %
144	138	166	Profit	137	115	149
-12	-5	-6	Paid interests subordinated bonds	-6	-5	-12
132	133	160	Net profit, incl. Interests subordinated bonds	131	110	137
0	0	0	one-time effect pension	0	0	0
132	133	160	Profit, adjusted for one-time effects	131	110	137
144	278	335	Profit (annualized)	276	232	149
132	268	323	Profit (annualized), eks one-time effects and incl. interests subordi	264	222	137
3 285	3 272	3 345	Average equity	3 393	3 320	3 268
-299	-299	-299	Average subordinated bonds	-299	-299	-299
2 986	2 973	3 046	Average equity adjusted for subordinated bonds	3 094	3 021	2 969
4.4 %	8.5 %	10.0 %	ROE	8.1 %	7.0 %	4.6 %
4.4 %	9.0 %	10.6 %	ROE adjusted for one-time effects and interests FO11	8.5 %	7.3 %	4.6 %
144	138	166	Profit	137	115	149
144	278	335	Profit (annualized)	276	232	149
132	268	323	Profit (annualized), eks one-time effects and subordinated bonds	264	222	137
26 830	26 759	27 195	Average assets	33 291	31 840	32 443
0.5 %	1.0 %	1.2 %	Return on assets (annualized)	0.8 %	0.7 %	0.5 %
0.5 %	1.0 %	1.2 %	Return on assets (annualized) adjusted for one-time effects	0.8 %	0.7 %	0.4 %
3 058	2 960	3 042	CET1	3 119	3 027	3 136
34 500	34 059	35 680	Unweighted calculation basis	35 094	33 554	33 997
8.9 %	8.7 %	8.5 %	Leverage ratio	8.9 %	9.0 %	9.2 %

APM (Alternative performance measures)

In the board' s report and in accounting presentations, Helgeland Sparebank uses alternative performance measures or APM (alternative performance measures) with 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 presented as part of the accounting portion of the reports are basically exempt from the APM guidelines, but are included in the schedule below to the extent that they are not defines 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.

STATEMENT UNDER THE SECURITIES TRADING ACT § 5-6

We declare that to the best of our knowledge the financial statements for the period January 1st to June 30th 2019 is prepared in accordance with the current accounting standards IAS 34 – interim reporting, and that the information in the financial statements give true and fair view of the company' s assets, liabilities, financial positions and result.

The interim report shows after our best conviction a true:

- Overview over important events during the accounting period and their influence on the interim report.
- Specifications of the most central risk- and uncertain factors the company faces during the next accounting period.
- Specification of intimate' s considerable transactions.

Mo i Rana, August 13th 2019

Stein Andre Herigstad-Olsen
Chairman of the Board

Bjørn Audun Risøy
Deputy Chairman of the Board

Marianne Terese Steinmo

Siw Moxness

Nils Terje Furunes

Tone Helen Hauge

Birgitte Lorentzen
Employee representative

Geir Pedersen
Employee representative

Hanne Nordgaard
CEO

Information concerning Helgeland Sparebank

Head Office

Postal address	Postboks 68, 8601 Mo i Rana
Office address	Jernbanegata 15, 8622 Mo i Rana
Telephone	+ 47 75 11 90 00
Website	www.hsb.no
Organisation number	937904029

Board of Directors of Helgeland Sparebank

Ove Brattbakk, Chair man
Bjørn Audun Risøy, Deputy Chair man
Eva Monica Hestvik
Nils Terje Furunes
Inga Marie Lund
Marianne Terese Steinmo
Birgitte Lorentzen
Geir Pedersen

Management

Hanne Nordgaard, Chief Executive Officer
Ranveig Kråkstad, Chief Accounting Officer

Investor Relations

Sverre Klausen, Chief Financial Officer tel: + 47 916 88 286
Tore Stamnes, Head of Treasury tel: + 47 415 08 660

Other sources of information

Annual reports

The annual report for Helgeland Sparebank is available at www.hsb.no

Quarterly publications

Quarterly reports and presentations are available at www.hsb.no