



financial report

third quarter 2018



Helgeland Sparebank

Financial report 3rd quarter 2018.

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 2017. 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)

- Gross profit of MNOK 219 (276).
This is a reduction of MNOK 57 compared to the same period last year. Expenses related to loan losses amounting to MNOK 111 (36) have been reported so far this year, of which MNOK 20 in the 3rd quarter.
- There has been accounted an income of MNOK 7 on the sale of buildings and land.
- Income from associated companies has increased by MNOK 8.
- Net profit of MNOK 177 (218) gives a return of equity of 7.2 (9.2) %

Result so far this year

Key figures:

(Comparison per 30.09.18)

- Net interest 1.79 (1.85) %
- Costs in percent of BTA 0.88 (0.92) %
- Write-downs on lending 0.46 (0.16) %
- Profit per EC amounts to NOK 6.2 (7.6)
- 12-month lending growth 6.2 (6.3) %
- 12-month deposit growth 2.1 (6.8) %
- CET1 ratio 15.4 (15.7) %
- Capital ratio 19.5 (19.1) %

The net interest

Net interest income amounts to MNOK 422 by the end of the quarter. This is on par with the corresponding period last year. In % of average total assets, the net interest was 1.75 (1.85). Strong competition regarding price on the mortgage interest is pushing the credit margins, and has reduced the net interest. Even though Nibor has increased, the margin on funding has contributed

positively. Norges Bank raised the key interest rate in the last quarter by 0.25 percentage points. Helgeland sparebank has announced increased lending and deposit rates with effect from 14th November on current portfolio.

Net commission earnings

The net commission earnings were MNOK 66 (63). Of the income, commissions from insurance amount to MNOK 14.4 (14.0). The bank has ownership in different product companies and offers a broad product spectre. 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 %. In % of average total assets, commission income amounts to 0.27 (0.28) %.

Net value change and profit/loss from financial investments

Net income from financial instruments was MNOK 44 (36). Of this, income from associated companies amounts to MNOK 40 (31). 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 5. The value adjustment was made after turnover in Frende Holding AS and emission in Brage Finans AS. After valuation, the shares in the bank are valued at MNOK 190 in Frende Holding AS and MNOK 124 in Brage Finans AS. Dividends from Frende Holding AS are recognized as income of MNOK 5 (10). In the 2nd quarter, MNOK 15 was recognized as income in relation to the merge between Vipps, BankID and BankAxept. In the parent bank, group contribution of MNOK 48.8 (33.1) has been recognized as income (1st quarter).

Other operating income

Other incomes are MNOK 10 (3). Gains from sale of buildings and land have resulted in increased revenues.

Operating costs

Total operating costs were MNOK 212 (208). Wages and social costs are virtually unchanged in NOK while IT investments have given increased operating costs. In % of BTA costs was 0.88 (0.92) %, while costs measured against income was 39.2 (40.0) %.

The bank has a sick leave of 4.2 (5.3) %.

Expensed write-downs on commitments

Write-downs so far this year are expensed with MNOK 111 (36). This is an increase of MNOK 75 compared to 30.09.2017. The increase is mainly related to write-downs that were expensed in 2nd quarter. In connection with a restructuring of a corporate commitment, a loss of MNOK 40 was

recorded. In the current quarter, an additional MNOK 15 has been expensed in increased provision related to the same commitment. In addition, in the 2nd quarter, increased expected losses on non-performing commitments were calculated.

Result this quarter (last 3 months)

This quarter, profit before taxes was MNOK 76 (101) which is a decrease of MNOK 25 compared to third quarter last year.

The net interest in kroner has almost flat development through 2018, but is reduced as a % of average total assets.

Net gains on financial investments were reduced by MNOK 20 compared to third quarter last year.

Earnings from associated companies are recognized in the income statement by MNOK 20 in the quarter.

Reduced value of the bank's shares in Frende

Holding AS and Brage Finans AS has been

expensed in the quarter, totalling MNOK 20.

Write-downs on lending increased by MNOK 9.

Key figures third quarter

- Gross profit MNOK 76 (101)
- Net interest 1.70 (1.84) %
- Financial investments - 0.01 (0.25) %
- Operating costs 0.86 (0.92) %
- Write-downs on lending 0.24 (0.14) %
- 3-month lending growth 1.3 (2.0) %
- 3-month deposit growth 0.4 (-1.4) %

Deposit growth this quarter is higher than the same period last year, while the lending growth is a bit lower.

The equity certificate – HELG

By the end of the quarter the number of EC owners amounts to 2 213. The 20 largest owners are noted with 79.6 % of the EC capital. Of this, Sparebankstiftelsen owns 34.8 %.

Sparebankstiftelsen has purchased 60.000 new ECs with settlement 02.10.18 and now owns 35.05 %.

The number of total EC's is 20 871 427. As of 30.09.18, the bank owned 29.626 of our own EC's. These are acquired through Oslo Børs at market value.

The price of the EC – HELG, as of 30.09.18, was NOK 84.50. This is a decrease of NOK 3.50 from year end.

The banks program for sale of EC's to employees is continued in 2018. Over 75 % of the banks employees have bought certificates within the program frames.

Balance development per 30.09.18

Total assets amounts to 32.8 bn. Over the last 12 months, total assets increased by MNOK 1.872 (2.064) or 6.1 (7.2) %.

Commitments

By the end of the quarter, gross lending constituted MNOK 27.506. The 12-month lending growth was MNOK 1.604 (1.539), or 6.2 (6.3) %.

83.0 (84.5) % of the HSB group's lending is to customers in Helgeland.

MNOK 18.410, or 66.9 (67.3) % of gross lending is lending to retail customers, whereof MNOK 6.998 is transferred to the bank's mortgage company.

The 12-month growth in the retail market was MNOK 976 (895), or 5.6 (5.1) %.

The 12-month growth for corporate customers was MNOK 628 (644), or 7.4 (8.2) %.

Deposits from customers

By the end of the quarter, deposits from customers constituted MNOK 17.077. The deposits have over the last 12 months increased by MNOK 356 (1.070), or 2.1 (6.8) %.

The HSB group has stable and local depositors, whereby 89.3 (90.9) % are deposits from customers in Helgeland.

The 12-month deposit growth in the retail market was MNOK 435 (395), or 4.6 (4.3) %. Of total deposits of MNOK 17.077, MNOK 9.937, or 58.2 (56.8) % are deposits from retail customers.

In the corporate market, deposits have been reduced the last 12 months by MNOK -79 (675) or -1.1 (10.3) %. 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 62.1 (64.6) % in the HSB group, and 85.3 (85.7) % 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 11.267 (10.270). The HSB group has a long term funding. By the end of the quarter, the share of loans beyond one year was 90.2 (83.2) %. 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 6.073 per 30.09.17 to MNOK 6.998 per 30.09.18. The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 30 % of gross lending and 50 % of gross lending RM. As of 30.09.18 transfer level is 25.4 % and 38.0 %.

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 increased by MNOK 32 since year-end.

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, and Storgata 73 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 488 (165). In % of gross lending this equals 1.8 (0.6). The increase in the last quarter is mainly due to a bankruptcy commitment.

The remaining part of the increase over the last 12 months applies to involvement in the tourism industry and a restructuring of a corporate commitment commented in the Q2 accounts.

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 owner post will be exposed for value fluctuations depending on the results in underlying companies. Profit share is shown in note 3.

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. During 2018 there were no uncovered matters that are critical for the bank's business.

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 groups combined liquidity reserves (cash, deposits, and interest bearing assets) constitute NOK 4.6 (4.2) bn, or 14.1 (13.7) % of the group's total assets. The combined duration of the interest portfolio is 2.0 (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 123 (110) %.

Solidity

Net capital amounts to MNOK 3.467, hereby fund obligations by MNOK 299 and subordinated loan by MNOK 451. The HSB group has a CET1 capital ratio of 14.9 (15.0) % and a total capital ratio of 19.0 (18.5) % after an increase in the volume of subordinated loan by MNOK 150 the last quarter. If half of the net profit is added, the CET1 capital ratio would be 15.4 % and the total capital ratio 19.5 %.

Statutory minimum requirement for pure core capital adequacy is 12.0 %. 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 maintained at 15.0 %, the Group has increased target capital for total capital adequacy from 18.0 % to 18.5 %.

Helgeland Sparebank uses the standard method in the CET1 calculation. If the bank had used the IRB method, this would give a significant higher CET1.

The group's Leverage Ratio (unweighted core capital ratio) was 8.9 (9.1) % as of 30.09.18.

Prospects ahead

The 12 month growth in the retail market is by the end of the quarter 5.6 %. This mirrors the general credit growth in Norway as a whole. The turnover in real estate in Helgeland per 3rd quarter of 2018 has been significant higher than in the 3rd quarter of 2017. However, the price development on resale homes has been almost flat and in line with the rest of Norway. We expect moderate market growth and moderate and healthy credit growth to the retail market the rest of 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. Until December we see a falling net interest rate in this segment.

In the corporate market, the activity and willingness to invest is still high. The 12-month growth in this segment is 7.4 % and is higher than the national level.

The level of commission income is all together satisfying. Established measures and an offensive sales organisation provide basis to expect that this will maintain in 2018.

The cost level is challenging. Several large IT-projects is ending in the first quarter of 2018 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 will during the 4th quarter of 2018 implement a profitable project to identify more measures to better the profitability. We will see the accounting effect of this in 2019 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 1.7 % and the national average was 2.3 %. It is expected that the level of unemployment will remain low.

Based on increased levels of defaulted and doubtful commitments, we expect losses to increase in Q4.

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

Mo i Rana, October 30th 2018

Ove Brattbakk
Chairman of the Board

Bjørn Audun Risøy
Deputy Chairman of the Board

Eva Monica Hestvik

Inga Marie Lund

Nils Terje Furunes

Marianne Terese Steinmo

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.....	11
NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS	12
NOTE 5. LOSSES ON LOANS GUARANTEES, ETC.....	12
NOTE 6. PROFIT PER PRIMARY CERTIFICATE.....	12
NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY	13
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	16
NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES	16
NOTE 13. OPERATING FUNDS	17
NOTE 14. DISCLOSURES OF RELATED PARTIES.....	18
NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS.....	18
NOTE 16. FINANCIAL DERIVATIVES	20
NOTE 17. SECURITIES ISSUED.....	21
NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS	21
NOTE 19.DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY	22
NOTE 20. EQUITY CERTIFICATE CAPITAL HELG.....	22
NOTE 21. CAPITAL ADEQUACY.....	23
PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS	24
PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT	25
OTHER KEY FIGURES.....	26
OTHER CALCULATIONS	27

PROFIT AND LOSS ACCOUNT (amounts in NOK million)

Parent bank						Group				
31.12.17	Q3/17	Q3/18	30.09.17	30.09.18		30.09.18	30.09.17	Q3/18	Q3/17	31.12.17
418	105	105	313	317	Interest income from assets measured at amortized cost	648	628	218	211	844
359	88	89	270	265	Interest income from assets measured at fair value	58	63	20	20	83
274	67	70	206	209	Interest payable and similar costs	275	264	95	86	351
11	3	3	9	9	Hedge fund fees	9	9	3	3	11
492	123	121	368	364	Net interest- and credit commission income	422	418	140	142	565
97	24	24	71	73	Commissions receivable and income from banking services	73	71	24	24	97
11	3	2	8	7	Commissions payable and costs relating to banking services	7	8	2	3	11
86	21	22	63	66	Net commission income	66	63	22	21	86
44	1	0	44	56	Dividend	6	10	0	0	10
31	19	20	31	40	Net profit from associates	40	31	20	19	31
-11	0	-21	-8	-2	Net profit from other financial investments	-2	-5	-21	0	-8
64	20	-1	67	94	Gains/losses on financial assets available for sale (note 3)	44	36	-1	19	33
8	1	7	5	13	Other operating income	10	3	6	1	5
269	72	70	205	209	Operating costs (note 4)	212	208	71	71	275
65	11	20	36	111	Losses on loans, guarantees etc. (note 10)	111	36	20	11	66
316	82	59	262	217	Gross profit	219	276	76	101	348
60	15	10	47	30	Tax payable on ordinary result	42	58	14	20	75
256	67	49	215	187	Net profit	177	218	62	81	273
8.9			7.5	6.5	Yield per equity capital certificate (note 5)	6.2	7.6			9.5
8.9			7.5	6.5	Diluted result per ECC in Norwegian currency (note 5)	6.2	7.6			9.5
Extended Income Statement										
256	67	49	215	187	Net profit	177	218	62	81	273
<u>Items that are subsequently reversed through profit or loss:</u>										
66	5	0	15	1	Estimate variances, pensions will not be reversed over the income statement later	1	15	0	5	66
-2	1	0	-2	0	Tax on extended profit	0	-2	0	1	-2
64	6	0	13	1	Net extended profit or loss items	1	13	0	6	64
320	73	49	228	188	Total profit of the period	178	231	62	87	337

BALANCE SHEET (amounts in NOK million)

Parent bank

Group

31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
ASSETS						
87	87	79	Cash and claims on central banks	78	86	87
1 488	1 198	1 149	Loans to and claims on credit institutions	520	544	464
19 860	19 727	20 294	Loans to and claims on customers (note 7,8,9,10)	27 254	25 749	26 453
125	116	87	Financial derivatives (note 16)	87	116	125
4 126	3 914	4 243	Certificates, bonds and shares	4 293	3 867	4 176
342	343	371	Investments in associated companies (note 12)	371	342	342
595	441	595	Investments in subsidiaries (note 12)			
11	12	15	Deferred tax benefit	19	16	15
66	58	66	Fixed assets (note 13)	138	135	141
49	74	42	Other assets	42	75	47
26 749	25 970	26 941	Total assets	32 802	30 930	31 850
LIABILITIES AND EQUITY CAPITAL						
250	250	501	Liabilities to credit institutions	502	252	252
17 422	17 029	17 522	Deposits from customers and liabilities to customers (note 17,18)	17 077	16 721	16 972
5 375	5 063	5 035	Borrowings through the issuance of securities (note 15)	11 267	10 270	10 851
27	28	14	Financial derivatives (note 16)	14	28	27
149	162	118	Other liabilities	134	173	161
300	300	451	Subordinated loan capital	451	300	300
23 523	22 832	23 641	Total liabilities	29 445	27 744	28 563
Equity capital						
209	208	209	Equity share capital (note 5,6,20)	209	208	209
-3	-2	-2	Own portfolio equity share capital	-2	-2	-3
971	971	971	Premium Fund	971	971	971
659	575	654	Cohesion Fund	654	575	659
1 836	1 752	1 832	Total equity share capital	1 832	1 752	1 836
541	516	540	Primary capital	540	516	541
43	20	25	Gift fund	25	20	43
584	536	565	Total primary capital	565	536	584
424	347	425	Unrealized gains reserve	425	347	424
299	288	291	Hybrid Capital (Note 1,17)	291	288	299
83	0	0	Other equity capital	66	43	143
	215	187	Result from ordinary operations after tax	176	218	
3 226	3 138	3 300	Total equity capital exclusive minority interest	3 355	3 184	3 285
			Non-controlling interest	2	2	2
3 226	3 138	3 300	Total equity capital	3 357	3 186	3 287
26 749	25 970	26 941	Total liabilities and equity capital	32 802	30 930	31 850

Conditional liabilities off balance sheet (note 11)

CHANGE IN EQUITY CAPITAL

Group

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 res.	Other :qu.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

30.09.18

	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 :qu.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	3		-3
Equity capital as at 01.01.18				8						169		177
result for the period					1							1
Extended profit or loss items	0	0	0	8	1	0	0	0	0	169	0	178
Paid interest FO				-8								-8
Gift fund							-6	-12				-18
Transactions with owners			1									1
Impairment of the nominal value												0
Dividend paid										-83		-83
Equity capital 30.09.18	208	971	-2	299	425	540	25	0	654	233	2	3 356
Paid-in/accrued equity capital/retained earnings			1 177								2 179	3 356

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
Equity capital as at 01.01.17	209	971	-4	443	335	516	25	15	575	77	3 163
result for the period				14	24	25	13	12	84	84	256
Extended profit or loss items					64						64
Total result at	0	0	0	14	88	25	13	12	84	84	320
Paid interest FO				-14							-14
Gift fund							-7	-15			-22
Transactions with owners			1	-144							-143
Dividend paid			0							-78	-78
Equity capital 31.12.17	209	971	-3	299	424	541	31	12	659	83	3 226
Paid-in/accrued equity capital/retained earnings			1 177							2 048	3 226

30.09.18

	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 01.01.18	209	971	-3	299	424	541	31	12	659	83	3 226
Implementation effect 01.01. IFRS 9						-1			-5		-6
result for the period				8						179	187
Extended profit or loss items					1						1
Total ext. profit or loss	0	0	0	8	1	0	0	0	0	179	188
Paid interest FO				-8							-8
Gift fund							-6	-12			-18
Transactions with owners			1								1
Dividend paid										-83	-83
Equity capital 30.09.18	209	971	-2	299	425	540	25	0	654	179	3 300
Paid-in/accrued equity capital/retained earnings			1 178							2 048	3 300

CASH FLOW STATEMENT

Parent bank				Group		
31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
-850	-698	-541	Change in lending to customers	-937	-1 137	-1 858
701	524	524	Interest income lending to customers	663	650	870
932	539	99	Change deposits from customers	105	539	799
-170	-127	-130	Interest cost deposit from customers	-128	-127	-168
0	0	250	Change in receivables and liabilities to credit institutions	250	0	0
-280	-136	-88	Change certificates and bonds	-89	-321	-527
54	41	41	Interest income certificates and bonds	41	41	52
86	63	66	Comission income	66	63	86
-259	-195	-200	Payments relating to operations	-199	-205	-256
-52	-52	-60	Paid tax	-60	-65	-65
-41	-38	10	Other cutoffs	18	-26	-72
121	-79	-29	A Net liquidity change from operating activities	-270	-588	-1 139
-24	-7	-6	Investment in long-term securities	-7	-11	-31
0	0	5	Income sale of long-term securities	5	0	3
-171	-15	-24	Long-term investments in shares	-24	-15	-21
0	0	8	Payment from sales long-term investments in shares	8	0	0
44	44	57	Dividend from long-term investments in shares	6	10	11
-151	22	40	B Net liquidity change from investments	-12	-16	-38
2 883	2 183	2 543	New borrowing through issuance of securities	3 943	4 365	6 078
-2524	-2125	-2 744	Repayments - issued securities	-3 388	-3376	-4537
-145	-145	0	Buyback fund bond	0	-145	-145
-99	-69	-67	Interest payments borrowing through issuance of securities	-135	-127	-178
-14	-7	-8	Interest payments on subordinated debt	-8	-7	-14
-78	-78	-83	dividend to share owners	-83	-78	-78
23	-241	-359	C Net liquidity change financing	329	632	1 126
-7	-298	-348	A+B+C Net liquidity change in the period	47	28	-51
1 582	1 582	1 575	Liquid funds at the start of the period	551	602	602
1 575	1 284	1 227	Liquid funds at the end of the period	598	630	551
			Liquid funds specified			
87	86	78	Cash and balances with central banks	78	86	87
1 488	1 198	1 149	Balances with credit institutions without notice periods	520	544	464
1 575	1 284	1 227	Liquid funds	598	630	551

NOTE 1. ACCOUNTING PRINCIPLES

Both the consolidated financial statements and the Parent Bank's separate financial statements have been prepared in compliance with IFRS, while the accounting policies applied in individual areas are described in the annual financial statements for 2017. Effects of implementing IFRS 9 is described in note 1 and 22 in the annual report. Note 22 shows classification and measuring of financial instruments per 31.12.17 after IAS 39 and per 01.01.18 after IFRS 9. In addition the note shows reconciliation of loss deduction IAS 39 and IFRS 9 together with effect on equity by implementing.

The interim report is in compliance with IAS 34 and has not been audited.

IFRS 9

IFRS 9 was implemented 01.01.18. IFRS 9 introduces a business oriented model for classifying and measuring financial assets. The standard replaces current standard IAS 39. The bank has chosen not to restate comparison numbers for 2017.

For the Helgeland Sparebank Group, the transition to IFRS 9 have had 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. Mortgages in the parent bank that can be transferred to the mortgage company are valued at fair value, with value change over the extended income statement.

In the ordinary profit and loss statement in 2018 in the post interest income valued at fair value, interests from mortgages, fixed interests on lending and interests on interest bearing securities is included in the parent bank. In the consolidated numbers, interest income from fixed rate on lending and interest bearing securities. Other interest income is included in the post interest income measured at amortized cost.

Impairment losses on loans and guarantees

The bank has together with several other banks developed a calculation model in accordance to the demands in IFRS 9. After earlier rules, write-downs for losses were only being recognized when there was objective proof that a loss incident had occurred after first time balance recognition. After IFRS 9, the impairment depositions are included based on expected credit loss.

The measuring of the deposition of expected loss depends on if the credit risk has increased significantly since first time balance recognition. This is done in 3 "steps". Step 1: It must be done a deposition for 12 month expected loss at first time balance recognition, when the credit risk haven't increased significantly after first time balance recognition or the instrument has low credit risk on the report day. Step 2: It must be done a deposition of expected loss for remaining maturity if the credit risk is significant worsened after first time recognition, but there is no objective proof of loss (step 3). Step 3: It must be done a deposition of expected loss for remaining maturity for non-performing commitments. Total commitments from a customer is concerned non-performed when overdue principal or interests are not paid 90 days after due or frame credits is overdrawn in 90 days or more. All commitments where there is done an individual write-down must be in step 3.

Assumptions

If a commitment is "significant worsened", is determined by a comparison of probability for defaults (PD) on the approval date with PD on calculation date. A commitment that in the calculation date has a PD higher than 0,075 % and simultaneous either have had twice as high PD, or have had a PD that is at least 5 %-points higher, is considered to be significant worsened. Expected loss is calculated as the product of probability for defaults (PD), exposure at defaults (EAD) and loss given defaults (LGD), and is to be expectation right. The PD model has been in use in the bank since 2009, while the LGD model is developed recently.

Three different scenarios that affect projected LGD and PD, is developed based on empirical and macro variables.

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.

<i>Parent bank</i>					<i>Group</i>			
30.09.18					30.09.18			
Retail	Corp.	Unallocated	Total	Segmentinformation	Retail	Corp.	Unallocated	Total
148	202	14	364	Net interest and credit commission income	218	205	-1	422
20	9	37	66	Net commission income	20	9	37	66
0	0	107	107	Other operating income	0	0	54	54
61	31	117	209	Operating costs	65	33	114	212
0	111	0	111	Losses on loans guaranteed	0	111	0	111
107	69	41	217	Gross profit	173	70	-24	219
11 542	9 012	0	20 554	Loans to and claims on customers	18 410	9 096		27 506
-18	-233	0	-251	Provision of loss	-18	-233		-251
0	0	6 638	6 638	Other assets			5 547	5 547
11 524	8 779	6 638	26 941	Total assts per segment	18 392	8 863	5 547	32 802
9 937	7 584		17 521	Deposits from customers and liabilities	9 937	7 140		17 077
	8		8	Provisions of loss, unutilized deductions and guarantees		8		8
		9 412	9 412	Other liabilities and equity			15 717	15 717
9 937	7 592	9 412	26 941	Total liabilities and equity per segment	9 937	7 148	15 717	32 802

<i>Parent bank</i>					<i>Group</i>			
30.06.17					30.09.17			
Retail	Corp.	Unallocated	Total	Segmentinformation	Retail	Corp.	Unallocated	Total
162	192	14	368	Net interest and credit commission income	227	194	-3	418
19	9	35	63	Net commission income	19	9	35	63
		73	73	Other operating income			39	39
62	31	113	206	Operating costs	65	32	111	208
-1	37		36	Losses on loans guaranteed	-1	37		36
120	133	9	262	Gross profit	182	134	-40	276
11 475	8 401		19 876	Loans to and claims on customers	17 434	8 468		25 902
-4	-57		-61	Individual write-downs	-4	-58		-62
-18	-69		-87	Provision of expected loss	-23	-69		-92
		6 242	6 242	Other assets			5 182	5 182
11 453	8 275	6 242	25 970	Total assts per segment	17 407	8 341	5 182	30 930
9 502	7 527		17 029	Deposits from customers and liabilities	9 603	7 118		16 721
		8 941	8 941	Other liabilities and equity			14 209	14 209
9 502	7 527	8 941	25 970	Total liabilities and equity per segment	9 603	7 118	14 209	30 930

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

Parent bank						Group				
31.12.17	Q3/17	Q3/18	30.09.17	30.09.18		30.09.18	30.09.17	Q3/18	Q3/17	31.12.17
0	0	0	0	-1	Value change in interest-bearing securities	-1	0	0	0	0
-3	0	-1	-2	-1	Net gain/loss in interest-bearing securities	-1	-2	-1	0	-3
-3	0	-19	-2	3	Net gain/loss shares	3	1	-19	0	0
44	1	0	44	56	Share dividend	6	10	0	0	10
31	19	20	31	39	Income AC Helgeland Invest AS	39	31	20	19	31
0	0	0	0	1	Income AC REDE	1	0	0	0	0
-2	0	-1	0	-2	Value change in value on lending	-2	0	-1	0	-2
-3	0	0	-4	-1	Value change on funding and derivatives	-1	-4	0	0	-3
64	20	-1	67	94	Total value change financial instruments	44	36	-1	19	33

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

Parent bank						Group				
31.12.17	Q3/17	Q3/18	30.09.17	30.09.18		30.09.18	30.09.17	Q3/18	Q3/17	31.12.17
137	38	34	104	101	Wages, salaries and social costs	102	104	34	37	135
80	22	23	60	67	General administration costs	66	60	24	22	82
11	2	3	8	9	Depreciation etc of fixed- and intangible assets	13	13	4	5	18
41	10	10	33	32	Other operating costs	31	31	9	7	40
269	72	70	205	209	Total operating costs	212	208	71	71	275

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

Parent bank						Group				
31.12.17	Q3/17	Q3/18	30.09.17	30.09.18		30.09.18	30.09.17	Q3/18	Q3/17	31.12.17
		-3		-5	Period's change in write-downs step 1	-5		-3		
		5		-2	Period's change in write-downs step 2	-2		5		
		19		114	Period's change in write-downs step 3	114		19		
		1		6	Period's confirmed loss	6		1		
31	5	0	31		+/- Period's change in individual write-downs		31	0	5	31
9	5	0	5		Endring gruppenedskrivninger		5	0	5	10
3	0	0	2		+ Period's conf. Losses against which ind. write-downs were made in prev. \		2	0	0	3
26	1	0	2		+ Period's confirmed losses against which no ind. write-downs,made in prev		2	0	1	26
-4	0	-2	-4	-2	- Period's recoveries from previous periods' conf.losses	-2	-4	-2	0	-4
65	11	20	36	111	Total losses on loans, guarantees etc.	111	36	20	11	66

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

Parent bank						Group		
31.12.17	30.09.17	30.09.18				30.09.18	30.09.17	31.12.17
256	215	187	Net profit			177	218	273
-14	-11	-8	Interest fund bond			-8	-11	-14
242	204	179	Profit (excl. Interest fund bond)			169	207	259
76.5 %	76.5 %	76.3 %	ECC percentage			76.3 %	76.5 %	76.5 %
8.9	7.5	6.5	Yield per equity capital certificate			6.2	7.6	9.5
8.9	7.5	6.5	Diluted result per ECC in Norwegian currency			6.2	7.6	9.5

				Morbank		
				30.09.18	30.09.17	31.12.17
Net profit				187	215	256
Interest fund bond				-8	-11	-14
Transferred reserve for valuation variances				-18	-12	-24
Basis dividend				161	192	218

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>					<i>Group</i>			
30.09.17	%	30.09.18	%		30.09.18	%	30.09.17	%
17 108	86.1	17 428	84.8	Helgeland	22 842	83.0	21 835	84.5
2 753	13.8	3 098	15.1	Areas other than Helgeland	4 639	16.9	4 042	15.4
15	0.1	19	0.1	International	25	0.1	25	0.1
19 876	100	20 545	100	Total	27 506	100	25 902	100

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

<i>Group</i>						
30.09.2018	Lending to amortized cost and fair value (OCI)					
	Gross lending	Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Total
Municipalities and municipal enterp.	3	-	-	-	-	3
Insurance and finance	0	-	-	-	-	0
Agriculture and forestry	1 424	-1	-6	-4	16	1 429
Fisheries and aquaculture	1 179	-2	-1	-	-	1 176
Mining and industry	548	-	-2	-	-	546
Building and construction	1 285	-4	-18	-53	9	1 219
Trade, hotel, restaurants.	313	-1	-1	-	-	311
Transport and services	1 110	-2	-4	-39	25	1 090
Property, property development	3 166	-4	-17	-74	18	3 089
Total corporate market	9 028	-14	-49	-170	68	8 863
Retail market	17 471	-1	-5	-13	939	18 391
Total	26 499	-15	-54	-183	1 007	27 254
Expected loss unutilized credit and guarantees RM		-0	-0	-0		
Expected loss unutilized credit and guarantees CM		-4	-4	-1		

<i>Parent bank</i>						
30.09.2018	Lending to amortized cost and fair value (OCI)					
	Gross lending	Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Total
Municipalities and municipal enterp.	3	-	-	-	-	3
Insurance and finance	0	-	-	-	-	0
Agriculture and forestry	1 271	-1	-6	-4	150	1 410
Fisheries and aquaculture	1 154	-2	-1	-	20	1 171
Mining and industry	532	-	-2	-	12	542
Building and construction	1 228	-4	-18	-53	49	1 202
Trade, hotel, restaurants.	296	-1	-1	-	11	305
Transport and services	943	-2	-4	-39	130	1 028
Property, property development	3 061	-4	-17	-73	143	3 110
Total corporate market	8 488	-14	-49	-169	515	8 771
Retail market	489	-1	-5	-13	11 053	11 523
Total	8 977	-15	-54	-182	11 568	20 294
Expected loss unutilized credit and guarantees RM		-0	-0	-0		
Expected loss unutilized credit and guarantees CM		-4	-4	-1		

Step 1: Classification by first time balance and healthy loans. Step 2: Significant increase in credit risk since first time balance.

Step 3: Significant increase in credit risk since first time balance and objective proff (default loans)

	30.09.18		30.09.17			
	Gross loans	%-stake	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	3	0.0 %	5	0.0 %	0	0
Insurance and finance	0	0.0 %	0	0.0 %	0	0
Agriculture and forestry	1 440	5.2 %	1 367	5.3 %	7	6
Fisheries and aquaculture	1 179	4.3 %	928	3.6 %	0	0
Mining and industry	548	2.0 %	427	1.6 %	1	1
Building and construction	1 294	4.7 %	1 302	5.0 %	1	0
Trade, hotel, restaurants.	313	1.1 %	321	1.2 %	2	0
Transport and services	1 135	4.1 %	853	3.3 %	40	25
Property	3 184	11.6 %	3 265	12.6 %	6	0
Total corporate market	9 096	33.1 %	8 468	32.7 %	57	32
Retail market	18 410	66.9 %	17 434	67.3 %	4	-1
Total	27 506	100 %	25 902	100 %	61	31
Provision of expected loss/change prov.					92	5
Total					153	36
Of which gross loans Helgeland Boligkreditt AS	6 998	25.4 %	6 069	23.1 %		

Parent bank

	30.09.18		30.09.17			
	Gross loans	%-stake	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	3	0.0 %	5	0.0 %	0	0
Insurance and finance	0	0.0 %		0.0 %	0	0
Agriculture and forestry	1 421	6.9 %	1 354	6.8 %	7	6
Fisheries and aquaculture	1 174	5.7 %	928	4.7 %	0	0
Mining and industry	544	2.6 %	423	2.1 %	1	1
Building and construction	1 277	6.2 %	1 284	6.5 %	1	0
Trade, hotel, restaurants.	307	1.5 %	313	1.6 %	2	0
Transport and services	1 073	5.2 %	791	4.0 %	40	25
Property	3 204	15.6 %	3 302	16.6 %	6	0
Total corporate market	9 003	43.8 %	8 400	42.3 %	57	32
Retail market	11 542	56.2 %	11 476	57.7 %	4	-1
Total	20 545	100 %	19 876	100 %	61	31
Provision of expected loss/change prov.					87	5
Total					148	36

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

Parent bank

Group

31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
132	166	370	Default commitments over 90 days	370	166	132
14	30		Individual write-downs		30	14
		68	Step 3 write-downs	67		
118	136	302	Total net loans, guarantees etc. in default	303	136	118
111	55	291	Other non-performing and impaired commitments and guara., not in default	291	55	111
46	26		Individual write-downs		26	46
		94	Step 3 write-downs	106		
65	29	197	Total non-performing and impaired commitments and guara., not in default	185	29	65
183	165	499	Total non-performing and impaired commitments and guara.	488	165	183
0.9 %	0.8 %	2.4 %	In % of total loans	1.8 %	0.6 %	0.7 %

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.

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

Change in balance posts from 01.01.18 to 30.06.18 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. Note 22 in the annual report shows reconciliation of loss deductions IAS 39 and IFRS 9 by implementing 01.01.18, and also effect by implementing against equity.

	<i>Group</i>			
	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
Loss deduction pr. 01.01.18	20	55	86	161
Transfers to step 1	12	-11	-1	0
Transfers to step 2	-5	6	-1	0
Transfers to step 3	-2	-19	21	0
Net change	-10	16	70	76
New losses	7	15	6	28
Expected loss	-2	-4	-8	-14
Confirmed loss	0	0	6	6
Earlier confirmed loss	0	0	4	4
Change in risk model/parameters	0	0	0	0
Other adjustments	0	0	0	0
Loss deduction pr. 30.09.18	20	58	183	261
Gross lending	23 080	3 765	661	27 506

	<i>Parent bank</i>			
	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
Loss deduction pr. 01.01.18	19	55	86	160
Transfers to step 1	12	-11	-1	0
Transfers to step 2	-5	6	-1	0
Transfers to step 3	-2	-19	21	0
Net change	-10	16	70	76
New losses	7	15	6	28
Expected loss	-2	-4	-8	-14
Confirmed loss	0	0	6	6
Earlier confirmed loss	0	0	4	4
Change in risk model/parameters	0	0	0	0
Other adjustments	0	0	0	0
Loss deduction pr. 30.09.18	19	58	183	260
Gross lending	16 774	3 112	659	20 545

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

Parent bank				Group		
31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
1 942	1 920	2 266	Unutilized drawing rights	2 727	2 343	2 392
505	510	504	Guarantee obligations	504	510	505
476	845	870	Unutilized drawing rights Helgeland Boligkreditt AS		0	0
2 923	3 275	3 640	Net guarantee and draw rights	3 231	2 853	2 897

In addition, the parent bank has a liability to Helgeland Boligkreditt AS which has a revolving credit facility to (with maturitie> 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	
				30.09.18	30.09.17
ANS Bankbygg Mo	49.0		97.5 %	46	46
Helgeland Boligkreditt AS	540.0	540 000	100 %	540	390
AS Sparebankbygg	0.1	100	100 %	1	1
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100 %	6	3
Storgata 73 AS	0.1	140	53 %	1	1
Total investment in AC				595	441

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 2017. Director of the corporate market in HSB is p.t deputy member of the board in Helgeland Invest AS.

Parent bank and group						
30.09.18						
Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Equity	
Helgeland Invest AS		60	677	0	0	737
REDE Eiendomsmegling AS		10	33	5	1	37.0
Total		70	710	5	1	774
The bank's share						
Helgeland Invest AS	48.3 %	29	327	2	0	356
REDE AS (inkl. merverdi)	40.0 %	4	13	2	0	15
Total		33	340	4	1	371

Parent bank and group						
31.12.17						
Balance 100 % ownership		Fixed assets	Current Assets	Current liabilities	Long term debt	Equity
Helgeland Invest AS		20	659	0	0	679
REDE Eiendomsmegling AS		10	31	5	1	35.0
Total		30	690	5	1	714
The bank's share						
Helgeland Invest AS	48.3 %	10	318	2	0	328
REDE AS (inkl. merverdi)	40.0 %	4	12	2	0	14
Total		14	331	4	1	342

Financial information Associated companies, balance values

	<i>Parent bank and group</i>	
	30.09.18	31.12.17
Change in the bank's ownership in HI		
Opening balance	328	300
Adjusted value	0	0
Dividend	-10	-4
Result HI	39	31
Closing balance	356	328

	<i>Parent bank and group</i>	
	31.09.18	31.12.17
Change in the bank's ownership in REDE		
Opening balance	14	15
Dividend	0	0
Result REDE	1	-1
Additional value/goodwill	0	0
Closing balance	15	14
Total	371	342

Financial information Associated companies, profit/loss posts

Parent bank and group					
30.09.18					
	Revenue	Finance cost	Other income	Operating cost	Net profit
Result 100% ownership					
Helgeland Invest AS	82	0	0	2	80
REDE Eiendomsmegling AS	12	1	0	9	2
Total	94	1	0	11	82.4
Result bank's share					
Helgeland Invest AS	48.3 %	40	0	1	39
REDE Eiendomsmegling AS	40.0 %	5	0	4	1
Total	45	0	0	5	40

						<i>Parent bank and group</i>
						31.12.17
		Revenue	Finance cost	Other income	Operating cost	Net profit
Result 100% ownership						
Helgeland Invest AS		67	0	0	2	65
REDE Eiendomsmegling AS		35	1	0	36	-2
Total		102	1	0	38	63
Result bank's share						
Helgeland Invest AS	48.3 %	32	0	0	1	31
REDE Eiendomsmegling AS	40.0 %	14	0	0	14	-1
Total		46	0	0	15	31

NOTE 13. OPERATING FUNDS

<i>Parent bank</i>				<i>Group</i>		
31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
66	58	66	Operating funds	138	135	141
66	58	66	Total operating funds	138	135	141

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 comes forth 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 per 30.09.18 constitute totally MNOK 6 998. Covered bonds in the housing mortgage company constitute MNOK 6 231 where MNOK 0 (97) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 30.09.18 drawn with MNOK 630. The bank has additionally an unused credit facility of MNOK 1 500 (duration 1 year) given by Helgeland Sparebank, which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period. The agreements are entered according to the principle of an arm's lengths distance. The effects of the credit lines are eliminated in the consolidated accounts. HSB has received corporate contributions of MNOK 48.8 in 2018.

Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 3.3 in 2018.

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 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 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 30.09.17 were MNOK 1 009 and MNOK 1 007 mill per 30.09.18. 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 per 30.09.17 and MNOK -5 per 30.09.18.

<i>Parent bank</i>				<i>Group</i>		
30.09.18				30.09.18		
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	1 007	- Loans to and claims on customers at fair value	0	0	1 007
0	3 881	362	- Certificates, bonds and equities at fair value		3 931	362
Financial assets available for sale						
0	0	10 561	- Mortgages (from 01.01.18)			
0	87	0	- Financial derivatives		87	
0	3 968	11 930	Total assets	0	4 018	1 369
LIABILITIES						
Financial liabilities at fair value through profit						
	14		- Debt issuance of securities		14	
0	14	14	Total liabilities	0	14	0
Assets and liabilities measured at fair value						
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	-318	-318	Payment loan/sale of shares	0	-196	-196
24	1 568	1 592	New loans	24	290	314
16	6	22	Value change	16	-21	-5
			Reclassification			
362	11 574	11 936	Financial instruments valued on Level 3	362	1 007	1 369

<i>Parent bank</i>				<i>Group</i>		
31.12.17				31.12.17		
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	934	- Loans to and claims on customers at fair value	0	0	934
Financial assets available for sale						
0	3 804	322	- Certificates, bonds and equities available for sale	0	3 804	322
0	125		- Financial derivatives	0	125	0
0	3 929	1 256	Total assets	0	3 929	1 256
LIABILITIES						
Financial liabilities at fair value through profit						
0	27	0	- Financial derivatives	0	27	0
0	27	0	Total liabilities	0	27	0
Assets and liabilities measured at fair value						
Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total
241	1 202	1 443	Opening balance	241	1202	1 443
0	-318	-318	Payment loan/sale of shares	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
322	934	1 256	Financial instruments valued on Level 3	322	934	1 256

NOTE 16. FINANCIAL DERIVATIVES

Parent bank

Group

30.09.18				30.09.18			
Nominal value		Market value		Nominal value		Market value	
Total	Assets	Commitments		Total	Assets	Commitments	
980	0	14	Interest rate swaps- fixed interest rate loans	980	0	14	
75	0	0	Interest rate swaps- bank deposits with share Yield	75	0	0	
1 055	0	14	Total financial derivatives	1 055	0	14	
2 500	87		Interest rate swaps – fixed interest rate with hedging	2 500	87	0	
2 500	87	0	Total financial derivatives with hedging	2 500	87	0	

Parent bank

Group

30.09.17				30.09.17			
Nominal value		Market value		Nominal value		Market value	
Total	Assets	Commitments		Total	Assets	Commitments	
1 236	0	28	Interest rate swaps- fixed interest rate loans	1 236	0	28	
75	0	0	Interest rate swaps- bank deposits with share Yield	75	0	0	
1 311	0	28	Total financial derivatives	1 311	0	28	
2 600	116	0	Interest rate swaps – fixed interest rate with hedging	2 600	116	0	
2 600	116	0	Total financial derivatives with hedging	2 600	116	0	

Net presentation of financial assets and liabilities

Parent bank and group

30.09.18					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivatives carried as assets	87	0	87	-14	73
Derivatives carried as liabilities	14	0	14	-14	0

Parent bank and group

30.09.17					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivatives carried as assets	116	0	116	-28	88
Derivatives carried as liabilities	28	0	28	-28	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>	
31.12.17	30.09.18	(MNOK)	30.09.18	31.12.17
5 263	4 954	Bonds, nominal value	11 173	10 733
80	48	Value adjustments	45	80
32	34	Accrued interest	49	38
5 375	5 036	Total securities	11 267	10 851

Change in securities issued					Group
	31.12.17	Issued	Matured/redeemed	Other change	30.09.18
Bonds, nominal value	10 733	3 793	-3 388	35	11 173
Value adjustments	80			-35	45
Accrued interest	38			11	49
Total	10 851	3 793	-3 388	11	11 267

Change in subordinated debt					<i>parent bank</i>
	31.12.17	Issued	Matured/redeemed	Other change	30.09.18
Bonds, nominal value	5 263	2 393	-2 744	42	4 954
Value adjustments	80			-32	48
Accrued interest	32			2	34
Total	5 375	2 393	-2 744	12	5 036

Change in securities issued	Group/Parent bank				
	31.12.17	Issued	Matured/redeemed	Other change	30.09.18
equity and related capital, nominal value	300	150		0	450
Value adjustments	-			-1	-1
Accrued interest	-			2	2
Total	300	150	-	1	451

*) Hybrid instruments do not meet the definition of financial liability in accordance with IAS 32 and are classified as equity 01/01/16

Accounted value		<i>Group</i>	
		30.09.18	31.12.17
Bonds, amortized cost		8 685	8 078
Bonds, hedging		2 582	2 773
Total debt securities		11 267	10 851

Accounted value		<i>Parent bank</i>	
		30.09.18	31.12.17
Bonds, amortized cost		2 454	2 602
Bonds, hedging		2 582	2 773
Total debt securities		5 036	5 375

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

Parent bank						Group		
%	30.09.17	%	30.09.18		30.09.18	%	30.09.17	%
91.1 %	15 472	89.6 %	15 701	Helgeland	15 257	89.3 %	15 164	90.9 %
8.3 %	1 445	9.7 %	1 698	Areas other than Helgeland	1 698	9.9 %	1 445	8.4 %
0.7 %	112	0.7 %	122	International	122	0.7 %	112	0.7 %
100 %	17 029	100 %	17 521	Total	17 077	100 %	16 721	100 %

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>					<i>Group</i>				
%	30.09.17	%	30.09.18		30.09.18	%	30.09.17	%	
2.6 %	441	3.7 %	644	Financial institutions	199	1.2 %	161	1.0 %	
11.2 %	1 903	10.0 %	1 755	Municipalities and municipal ente	1 755	10.3 %	1 903	11.4 %	
1.8 %	309	1.9 %	335	Agriculture and forestry	335	2.0 %	309	1.8 %	
4.7 %	801	5.1 %	892	Fisheries and aquaculture	892	5.2 %	801	4.8 %	
0.8 %	142	1.0 %	180	Mining and industry	180	1.1 %	142	0.8 %	
6.4 %	1 092	3.4 %	595	Building and construction	595	3.5 %	1 092	6.5 %	
2.8 %	472	2.5 %	431	Trade, hotel, restaurants.	431	2.5 %	472	2.8 %	
9.9 %	1 693	10.3 %	1 803	Transport and services	1 804	10.6 %	1 693	10.1 %	
4.0 %	674	5.4 %	949	Property, property development	949	5.6 %	646	3.9 %	
44.2 %	7 527	43.3 %	7 584	Total corporate market	7 140	41.8 %	7 219	43.2 %	
55.8 %	9 502	56.7 %	9 937	Retail market	9 937	58.2 %	9 502	56.8 %	
100 %	17 029	100 %	17 521	Total	17 077	100 %	16 721	100 %	

NOTE 20. EQUITY CERTIFICATE CAPITAL HELD

				<i>Parent bank</i>	
Per 30.09.18	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Landkreditt Utbytte	300 000	1.4 %
Pareto AS	1 949 392	9.3 %	Catilina Invest AS	256 046	1.4 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea Avkastning	244 270	1.2 %
Merrill Lynch Prof.	1 155 047	5.5 %	VPF Nordea Kapital	238 245	1.1 %
VPF Eika Egenkapital	594 950	2.9 %	AF Kapital Managemet	181 749	0.9 %
Pope Asset Management BNY	559 373	2.7 %	Melum Mølle AS	177 000	0.8 %
MP Pensjon PK	462 203	2.2 %	Vigner Olaisen AS	144 653	0.7 %
Bergen Kommunale Pensjon.	460 803	2.2 %	Melesio Capital AS	137 188	0.7 %
Lamholmen Invest AS	447 353	2.1 %	Nervik Steffen	115 000	0.6 %
Helgeland Kraft AS	377 691	1.8 %	Verdipapirfondet NOR	105 227	0.5 %
Total 10 biggest owners	14 669 819	70.3 %	Total 20 biggest owners	16 569 197	79.6 %

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

Sparebankstiftelsen has purchased 60.000 new ECs with settlement 02.10.18 and now owns 35.05 %.

NOTE 21. CAPITAL ADEQUACY

The capital adequacy statement has been prepared in accordance with CRD IV / Basel III (standard credit risk method).

Parent bank				Group		
31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
208	208	208	ECC-capital	208	208	208
971	971	971	Premium Fund	971	971	971
-3	-3	-2	Own ECCs	-2	-3	-3
299	287	299	Hybrid capital (CB)	299	287	299
1 475	1 463	1 476	Total paid-in capital	1 476	1 463	1 475
541	516	540	Savings Bank's fund	540	516	541
424	347	425	Reserve for unrealized gains	425	347	424
44	20	25	Donations Fund	25	20	44
659	575	654	Dividend equalisation reserve	654	575	659
84	0	0	Cash dividend	0	0	84
0	0	0	Other equity capital	61	43	61
1 752	1 458	1 644	Total accrued equity capital	1 705	1 501	1 813
3 227	2 921	3 120	Total equity capital	3 181	2 964	3 288
-299	-287	-299	Hybrid capital (CB)	-299	-287	-299
-69	-25	-90	Shares in financial institutions	-85	-21	-65
-124	-12	-62	Cash dividend /gifts employee	-63	-16	-142
2 735	2 597	2 669	Total core tier one	2 734	2 640	2 782
-14	-7	-16	Shares in financial institutions	-16	-6	-13
0	-3	0	Other	0	-2	0
299	287	299	Hybrid capital (CB)	299	287	299
3 020	2 874	2 952	Total core capital	3 017	2 919	3 068
300	300	451	Subordinated dept	451	300	300
-1	-1	-1	Shares in financial institutions	-1	-1	-1
0	-2	0	Other	0	-1	0
299	297	450	Total net supplementary capital	450	298	299
3 319	3 171	3 402	Total net equity and related capital	3 467	3 217	3 367
16 453	15 774	16 886	Weight assets calculation basis *)	18 074	17 093	17 618
16.62 %	16.46 %	15.81 %	Core tier one Capital ratio in%	15.13 %	15.44 %	15.79 %
18.35 %	18.22 %	17.48 %	Core capital ratio in%	16.69 %	17.08 %	17.41 %
20.17 %	20.10 %	20.15 %	Total Capital ratio in%	19.18 %	18.82 %	19.11 %
Including cooperative group						
			Core tier one Capital ratio, after proportionally consolidation in%	14.90 %	15.04 %	15.53 %
			Core capital ratio, after proportionally consolidation in%	16.53 %	16.74 %	17.20 %
			Total Capital ratio, after proportionally consolidation in%	19.02 %	18.47 %	18.90 %

31.12.17	30.09.17	30.09.18	Calculation basis	30.09.18	30.09.17	31.12.17
0	0	0	States and central banks	0	0	0
263	204	276	Local and regional authorities (including municipalities)	276	204	263
398	382	365	Institutions	154	166	146
1 066	1 076	1 707	Enterprises	1 707	1 076	1 065
1 232	1 450	1 071	Mass market loans	1 043	1 213	1 431
10 006	9 431	9 654	Loans secured by real property	12 229	12 065	12 307
210	202	437	Loans overdue	437	202	210
680	680	739	Covered bonds	116	140	132
0	0	0	Units in securities funds	0	0	0
1 250	1 099	1 309	Equity positions	734	663	660
121	113	121	Other loans and commitments	191	190	197
15 227	14 636	15 680	Capital requirement credit risk	16 888	15 919	16 411
1 188	1 102	1 188	Capital requirement operational risk	1 168	1 137	1 168
39	37	18	Deducted from capital requirement	18	37	39
16 453	15 774	16 886	Total capital requirement	18 074	17 093	17 618

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

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

<i>Morbank</i>						<i>Konsem</i>				
31.12.17	Q3/17	Q3/18	30.09.17	30.09.18		30.09.18	30.09.17	Q3/18	Q3/17	31.12.17
2.99	2.94	2.88	3.02	2.91	Interest receivable and similar income	2.93	3.05	2.89	3.00	3.00
1.10	1.07	1.08	1.11	1.09	Interest payable and similar costs	1.18	1.21	1.19	1.15	1.17
1.90	1.87	1.79	1.91	1.82	Net interest- and credit commission income	1.75	1.85	1.70	1.84	1.83
0.37	0.37	0.36	0.37	0.36	Commissions receivable and income from banking services	0.30	0.31	0.29	0.31	0.31
0.04	0.05	0.03	0.04	0.03	Commissions payable and costs relating to banking services	0.03	0.04	0.02	0.04	0.04
0.33	0.32	0.33	0.33	0.33	Net commission income	0.27	0.28	0.27	0.27	0.28
0.25	0.30	-0.01	0.35	0.47	Gains/losses on financial assets available for sale	0.18	0.16	-0.01	0.25	0.11
0.03	0.02	0.10	0.03	0.06	Other operating income	0.04	0.01	0.07	0.01	0.02
1.04	1.10	1.04	1.06	1.04	Operating costs	0.88	0.92	0.86	0.92	0.89
0.25	0.17	0.30	0.19	0.55	Losses on loans, guarantees etc. and fixed assets	0.46	0.16	0.24	0.14	0.21
1.22	1.25	0.87	1.36	1.08	Gross profit	0.91	1.22	0.92	1.31	1.13
0.23	0.23	0.15	0.24	0.15	Tax payable on ordinary profit	0.17	0.26	0.17	0.26	0.24
0.99	1.02	0.73	1.11	0.93	Net profit	0.73	0.96	0.75	1.05	0.88

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank						Group				
Q3/17	Q4/17	Q1/18	Q2/18	Q3/18		Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
193	194	191	197	194	Interest receivable and similar income	238	237	231	236	231
70	70	71	74	73	Interest payable and similar costs	98	96	90	89	89
123	124	120	123	121	Net interest- and credit commission income	140	141	141	147	142
24	26	25	24	24	Commissions receivable and income from banking serv	24	24	25	26	24
3	3	3	2	2	Commissions payable and costs relating to banking ser	2	2	3	3	3
21	23	22	22	22	Net commission income	22	22	22	23	21
20	-3	60	35	-1	Gains/losses on financial assets available for sale	-1	35	10	-3	19
1	3	2	4	7	Other operating income	6	3	1	2	1
72	64	71	68	70	Operating costs	71	69	72	67	71
11	29	8	83	20	Losses on loans, guarantees etc.	20	83	8	30	11
82	54	125	33	59	Gross profit	76	49	94	72	101
15	13	16	4	10	Tax payable on ordinary result	14	7	21	17	20
67	41	109	29	49	Net profit	62	42	73	55	81

Parent bank						Group				
Q3/17	Q4/17	Q1/18	Q2/18	Q3/18		Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
2.94	2.92	2.89	2.93	2.88	Interest receivable and similar income	2.89	2.94	2.93	2.96	3.00
1.07	1.05	1.07	1.10	1.08	Interest payable and similar costs	1.19	1.19	1.14	1.11	1.15
1.87	1.86	1.81	1.83	1.79	Net interest- and credit commission income	1.70	1.75	1.79	1.84	1.84
0.37	0.39	0.38	0.36	0.36	Commissions receivable and income from banking serv	0.29	0.30	0.32	0.33	0.31
0.05	0.05	0.05	0.03	0.03	Commissions payable and costs relating to banking ser	0.02	0.02	0.04	0.04	0.04
0.32	0.35	0.33	0.33	0.33	Net commission income	0.27	0.27	0.28	0.29	0.27
0.30	-0.05	0.91	0.52	(0.01)	Gains/losses on financial assets available for sale	(0.01)	0.43	0.13	-0.04	0.25
0.02	0.05	0.03	0.06	0.10	Other operating income	0.07	0.04	0.01	0.03	0.01
1.10	0.96	1.07	1.01	1.04	Operating costs	0.86	0.86	0.91	0.84	0.92
0.17	0.44	0.12	1.23	0.30	Losses on loans, guarantees etc.	0.24	1.03	0.10	0.38	0.14
1.25	0.81	1.89	0.49	0.87	Gross profit	0.92	0.61	1.19	0.90	1.31
0.23	0.20	0.24	0.06	0.15	Tax payable on ordinary result	0.17	0.09	0.27	0.21	0.26
1.02	0.62	1.65	0.43	0.73	Net profit	0.75	0.52	0.93	0.69	1.05

Parent bank						Group				
Q3/17	Q4/17	Q1/18	Q2/18	Q3/18		Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
ASSETS										
87	87	78	78	79	Cash and claims on central banks	78	78	78	87	86
1 198	1 488	1 818	1 558	1 149	Loans to and claims on credit institutions	520	797	838	464	544
19 727	19 860	19 746	20 009	20 294	Loans to and claims on customers	27 254	26 929	26 503	26 453	25 749
116	125	135	86	87	Financial derivatives	87	86	135	125	116
3 914	4 126	3 978	3 882	4 243	Certificates, bonds and shares available for sale	4 293	3 882	4 028	4 176	3 867
343	342	352	351	371	Investments in associated companies	371	351	352	342	342
441	595	595	595	595	Investments in subsidiaries	0	0	0	0	0
12	11	12	14	15	Deferred tax benefit	19	18	19	15	16
58	66	67	68	66	Fixed assets	138	141	142	141	135
74	49	64	34	42	Other assets	42	33	58	47	75
25 970	26 749	26 845	26 675	26 941	Total assets	32 802	32 315	32 153	31 850	30 930
LIABILITIES AND EQUITY CAPITAL										
250	250	250	250	501	Liabilities to credit institutions	502	252	252	252	252
17 029	17 422	17 273	17 458	17 522	Deposits from customers and liabilities to customers	17 077	17 014	16 832	16 972	16 721
5 063	5 375	5 538	5 274	5 035	Borrowings through the issuance of securities	11 267	11 301	11 245	10 851	10 270
28	27	24	22	14	Financial derivatives	14	22	24	27	28
162	149	217	114	118	Other liabilities	134	126	227	161	173
300	300	300	301	451	Fund bonds	451	301	300	300	300
22 832	23 523	23 602	23 419	23 641	Total liabilities	29 445	29 016	28 880	28 563	27 744
1 177	1 177	1 177	1 177	1 178	Paid-in equity capital	1 178	1 177	1 177	1 177	1 177
288	299	296	299	291	Hybrid capital	291	299	299	299	288
1 458	1 750	1 661	1 642	1 644	Accrued equity capital/retained earnings	1 710	1 706	1 722	1 809	1 501
215	0	109	138	187	Profit after taxes	176	115	73	0	218
					Minority interest	2	2	2	2	2
3 138	3 226	3 243	3 256	3 300	Total equity capital	3 357	3 299	3 273	3 287	3 186
25 970	26 749	26 845	26 675	26 941	Total liabilities and equity capital	32 802	32 315	32 153	31 850	30 930

OTHER KEY FIGURES

Parent bank

Group

31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
BALANCE SHEET						
Development in the last 9 months						
	2.4	0.7	Total assets	3.0	5.3	
	3.7	2.7	Gross lending	3.4	4.7	
	3.3	0.6	Customer deposits	0.6	3.4	
Development in the last 12 months						
7.7	4.5	3.7	Total assets	6.1	7.2	8.4
4.4	4.7	3.4	Gross lending ⁴	6.2	6.3	7.5
5.7	6.7	0.6	Customer deposits ⁵	2.1	6.8	4.9
87.1	85.7	85.3	Deposit coverage as a percentage of gross loans	62.1	64.6	63.8
55.8	57.7	56.2	Lending to retail customers	66.9	67.3	66.4
25 962	25 817	26 759	Average assets ⁶	32 218	30 286	30 852
20 012	19 876	20 545	Gross loans	27 506	25 902	26 611
SOLIDITY						
16.6	16.5	15.8	Core tier one Capital ratio	15.1	15.4	15.8
18.4	18.2	17.5	Core Capital ratio	16.7	17.1	17.4
20.2	20.1	20.1	Total Capital ratio	19.2	18.8	19.1
			Core tier one Capital ratio, after proportionally consolidation in%	14.9	15.0	15.5
			Core capital ratio, after proportionally consolidation in%	16.5	16.7	17.2
			Total Capital ratio, after proportionally consolidation in%	19.0	18.5	18.9
9.1	8.8	8.6	Leverage ratio ⁷	8.9	9.1	9.3
8.2	9.2	7.6	Rate of return on equity capital ⁸	7.2	9.2	8.6
1.0	1.1	0.9	Return on assets	0.7	1.0	0.9
KEY FIGURES PCC						
8.9	7.5	6.5	Yield per primary certificate	6.2	7.6	9.5
8.9	7.5	6.5	Diluted result per ECC, in Norwegian currency	6.2	7.6	9.5
76.5	76.5	76.3	ECCs split (01.01)	76.3	76.5	76.5
107	104	110	Equity capital per ECC ¹⁰	112	106	108
88.0	88.5	84.5	PCC price quoted on the stock exchange	84.5	88.5	88.0
7.4	8.9	9.7	P/E (price as at 30.09 divided by profit per ECC) ¹¹	10.3	8.7	6.9
0.8	0.9	0.8	P/B (price as at 30.09. divided by book value of equity capital ¹²	0.8	0.8	0.8
41.4	40.8	38.9	Costs as a percentage of income ¹³	39.2	40.0	39.9
1.0	1.1	1.0	Cost in percent of average total assets	0.9	0.9	0.9
148	149	152	Number of man-years ¹⁴	152	149	148
LOSSES ON LOANS AND GROSS DEFAULTS						
As a percentage of gross lending:						
0.7	0.8	1.8	Gross defaults over 90 days	1.3	0.6	0.5
0.6	0.7	1.5	Net defaults over 90 days ¹⁵	1.1	0.5	0.4
0.8	0.7	1.1	Total loan loss provision ¹⁶	0.9	0.6	0.6
0.3	0.2	0.7	Losses on lending ¹⁷	0.5	0.2	0.2

1) Percentage of equity excl. Hybrid capital

OTHER CALCULATIONS

Parent bank				Group		
31.12.17	30.09.17	30.09.18	(Figures in MNOK and %)	30.09.18	30.09.17	31.12.17
			Operating costs, adjusted for one-time effects			
269	205	209	Operating costs	212	208	275
0	0	0	One-time effects	0	0	0
269	205	209	Operating costs, adjusted for one-time effects	212	208	275
1.39 %	1.06 %	1.04 %	Operating costs in % of BTA, adjusted for one-time effects	0.88 %	0.92 %	1.19 %
41.4 %	40.8 %	38.9 %	Operating costs in % of income, adjusted for one-time effects	39.1 %	40.0 %	39.9 %
256	215	187	Profit	177	218	273
-14	-11	-8	Paid interests subordinated bonds	-8	-11	-14
242	204	179	Net profit, incl. Interests subordinated bonds	169	207	259
0	0	0	one-time effect pension	0	0	0
242	204	179	Profit, adjusted for one-time effects	169	207	259
256	287	250	Profit (annualized)	237	291	273
242	273	239	Profit (annualized), eks one-time effects and incl. interests subord	226	277	259
3 132	3 127	3 280	Average equity	3 294	3 181	3 171
-333	-344	-299	Average subordinated bonds	-299	-344	-333
2 799	2 783	2 981	Average equity adjusted for subordinated bonds	2 995	2 837	2 838
8.2 %	9.2 %	7.6 %	ROE	7.2 %	9.2 %	8.6 %
8.6 %	9.8 %	8.0 %	ROE adjusted for one-time effects and interests FO	7.5 %	8.7 %	9.1 %
256	215	187	Profit	177	218	273
256	287	250	Profit (annualized)	237	291	273
242	273	239	Profit (annualized), eks one-time effects and subordinated bonds	226	277	259
25 962	25 817	26 759	Average assets	32 218	30 286	30 852
1.0 %	1.1 %	0.9 %	Return on assets (annualized)	0.7 %	1.0 %	0.9 %
0.9 %	1.1 %	0.9 %	Return on assets (annualized) adjusted for one-time effects	0.7 %	0.9 %	0.8 %
3 020	2 874	2 947	CET1	3 013	2 919	3 068
33 228	32 518	34 433	Unweighted calculation basis	33 861	31 965	32 842
9.1 %	8.8 %	8.6 %	Leverage ratio	8.9 %	9.1 %	9.3 %

In the board's report and in presentations there are references to some adjusted results which are not defined in IFRS (alternative performance measures (APM)). The background to present adjusted results is to highlight the underlying operation in a better way and is not meant to replace the ordinary reporting. The table over is made to show the context between official numbers and the adjusted numbers.

Definitions key figures:

- ¹ Net interest- and commission income, excl. interest subordinated bonds reclassified to equity from 01.01.16
- ² Ordinary operating costs, before reduction of income by converting pension
- ³ Income by converting pension, effect resolution of pension obligation benefit pension
- ⁴ Growth gross lending, 12-month growth gross lending from 30.09.17 to 30.09.18
- ⁵ Growth customer deposits, 12-month growth customer deposits from 30.09.17 to 30.09.18
- ⁶ Weighted average of total assets through the year
- ⁷ Unweighted Tier 1 capital, Subordinated capital divided on balance sheet items and unrecognized items calculated without risk weighting
- ⁸ Return on equity, result in comparison to average equity
- ⁹ Equity certificate fraction, EC owners share of the equity, excl. subordinated bonds
- ¹⁰ Equity per EC, EC owners share of the equity, excl. subordinated bonds, 31.12 in comparison to number of EC's
- ¹¹ P/E, stock market price by period ending divided on result per EC
- ¹² P/B, stock market price by period ending divided on book equity per EC
- ¹³ Costs in % of income, total costs excl. income by converting pension, in % of net interest: net commission income, net profit financial instruments and other income
- ¹⁴ Number of man years, permanent employee in the bank
- ¹⁵ Net defaults, total defaults > 90 days deducted individual write-downs
- ¹⁶ Total write-downs in % of gross lending, write-downs in the balance in % of gross lending
- ¹⁷ Loss of commitment in % of gross lending, recognized write-downs on lending in % of gross lending

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