Financial report

4th quarter 2018

helgeland sparebank

Helgeland Sparebank
Preliminary accounts as of 31.12.2018 and 4th 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 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.

<u>Main features so far this year (HSB group)</u>

- Gross profit of MNOK 185 (348).
  This is a reduction of MNOK 163 compared to the same period last year. So far this year, expenses related to loan losses amounting to MNOK 249 (66) have been reported , of which MNOK 138 in the last quarter.
- Income from associated companies has increased by MNOK 19.
- There has been accounted an income of MNOK 10 on the sale of buildings and land.
- 12 months lending growth in the retail market is on a par with last year.
- Net profit of MNOK 149 (273). 2018 was a special year with increased losses and low return on equity of 4.6 (8.6) %.

<u>Result so far this year</u>

<u>Key figures:</u>
(Comparison per 30.12.17)
- Net interest 1.74 (1.83) %
- Costs in percent of BTA 0.88 (0.89) %
- Write-downs on lending 0.77 (0.21) %
- Profit per EC amounts to NOK 5.0 (9.5)
- 12-month lending growth 5.2 (7.5) %
- 12-month deposit growth 1.6 (4.9) %
- CET1 ratio 15.3 (15.5) %
- Capital ratio 19.3 (18.9) %

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

Net commission earnings
The net commission earnings were MNOK 90 (86). Of the income, commissions from insurance amount to MNOK 31.6 (29.1).
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 %.
Net commission income has increased in NOK, and was maintained in % and was 0.28 (0.28) %.

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

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

In the parent bank, group contributions from Helgeland Boligkreditt AS have been recognized as income with MNOK 48.8 (33.1) (in the 1st quarter).

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

Operating costs
Total operating costs were MNOK 286 (275). Wages and social costs have been reduced in NOK, while IT investments, as part of new digital solutions, have resulted in increased administration costs. At the same time, the costs on payment solutions (Vipps) increases. A profitability project was initiated in 2018, based on the potential for both increased earnings and cost reduction. The bank has in this connection leased external assistance, and this cost has been expensed as a

one-off effect in 2018. The effect of measures from the profitability project will gradually come towards 2020.
A major project has also been going on in 2018, where new solutions for own bank premises are seen. This has been a process in which all the bank's employees are involved. As part of the implementation of the pre-project, the bank has hired external expertise.

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

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

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

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

Result this quarter (last 3 months)
This quarter, profit before taxes was MNOK -34 (72), which is a decrease of MNOK 106 compared to the last quarter in 2017. Loan losses of MNOK 138 were expensed during the quarter.

As a percentage of average total assets, the net interest was reduced during the first three quarters, but has increased in the last quarter of 2018. The interest rate change implemented with effect from 14th November 2018 has had a positive effect and the net interest increased from 1.70 % in the third quarter to 1.75 % in Q4 2018.

Net change in value of financial investments increased by MNOK 7 compared with the fourth quarter in 2017. Of tis, profit share from associated companies has been recognized as income by MNOK 10.

Key figures fourth quarter

- Gross profit MNOK -34 (72)
- Net interest 1.75 (1.84) %
- Financial investments 0.05 (- 0.04) %
- Operating costs 0.90 (0.84) %
- Write-downs on lending 1.67 (0.38) %
- 3-month lending growth 1.8 (2.7) %
- 3-month deposit growth 1.0 (1.5) %

Deposit growth and lending growth this quarter is lower than 4th quarter in 2017.

Dividend policy and allocation of the profit
According to the bank's dividend policy, half of the share capital of the profit can be paid out as dividend, and correspondingly half of the primary capital's share of the profit can be paid out as gifts or transferred to the foundation (s). The remainder of the profit is transferred to the equalization fund and the primary capital, respectively. The bank has a strategy for a long-term and predictable dividend policy.

The parent bank's profit after tax was MNOK 149. Adjusted for the change fund for unrealized gains and interest bonds, the dividend basis was MNOK 107.

Suggested surplus allocation:
Dividend ratio 41.0 (50.0) %.

Dividend funds

- MNOK 33.4 in cash dividend corresponding to NOK 1.60 per EC certificate
- MNOK 10.4 for gift fund/gift foundation.

Strengthening of equity

- MNOK 48.1 for equalization funds, which corresponds to NOK 2.30 per EC certificate
- MNOK 14.9 to the primary capital

Dividends are paid to the equity certificate holders who are registered as owners as of 27.03.19. The bank's equity certificates are listed ex dividend on 28.03.19.

The equity certificate – HELG
By the end of the quarter the number of EC owners amounts to 2 194. The 20 largest owners are noted with 79.4 % of the EC capital. Of this, Sparebankstiftelsen owns 35.0 %.
The number of total EC's is 20 871 427. As of 30.12.18, 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 30.12.18, was NOK 69.50. This is a decrease of NOK 18.50 from year end.

Balance development per 30.12.18

Total assets amounts to 33.0 bn. Over the last 12 months, total assets increased by MNOK 1 119 (2 467) or 3.5 (8.4) %.

Commitments

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

MNOK 18.649, or 66.5 (66.4) % of gross lending is lending to retail customers, whereof MNOK 7 385 is transferred to the bank's mortgage company.
The 12-month growth in the retail market was MNOK 989 (925), or 5.6 (5.5) %.
The 12-month growth for corporate customers was MNOK 395 (938), or 4.4 (11.7) %.

Deposits from customers

By the end of the quarter, deposits from customers constituted MNOK 17 248. The deposits have over the last 12 months increased by MNOK 276 (799), or 1.6 (4.9) %.

The HSB group has stable and local depositors, whereby 89.7 (90.2) % are deposits from customers in Helgeland.
The 12-month deposit growth in the retail market was MNOK 411 (352), or 4.3 (3.9) %. Of total deposits of MNOK 17 248, MNOK 9 867, or 57.2 (55.7) % are deposits from retail customers.
In the corporate market, deposits have been reduced the last 12 months by MNOK -135 (+447) or -1.8 (+ 6.3) %. The deposit growth was higher in 2017 with access to several new customers in the municipal sector, while in Q2-18 we had a departure from a customer in the municipal sector.
The deposit ratio is stable and was 61.6 (63.8) % in the HSB group, and 85.7 (87.1) % in the parent bank.

Funding

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

The bank is continually preparing for the transferral of approved mortgages to the wholly-owned mortgage company. The volume has increased from MNOK 6 069 per 30.12.17 to MNOK 7 385 per 30.12.18.The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 30 % of gross lending and 50 % of gross lending RM. As of 30.12.18 transfer level is 26.4 % and 39.6 %.

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 8 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 320 (183). In % of gross lending this equals 1.1 (0.7). By the end of the 3rd quarter net non-performing and impaired commitments MNOK 488, the reduction after recognized losses then amounts to MNOK 168.

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.

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 not revealed any conditions that were 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 4.3 (4.4) bn, or 13.2 (13.8) % 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 128 (117) %.

Solidity
Net capital amounts to MNOK 3 587, 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 15.3 (15.5) % and a total capital ratio of 19.3 (18.9) % after volume of subordinated loans has increased by MNOK 150 in 2018.

Statutory minimum requirement for pure core capital adequacy is 12.0 % (12.5 % from 31.12.19). The bank has a Pilar 2 addition of 2.2 %. The group's capital requirement including Pilar 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. If the bank had used the IRB method, this would have given a significant higher CET1.

The group's Leverage Ratio (unweighted core capital ratio) was 9.2 (9.3) % as of 31.12.18.

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

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

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

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

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

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

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

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

Helgeland Sparebank has capital, and the bank is prepared to take our share of profitable growth in the region. However, an intensified competition situation in the retail market challenges the opportunities in this segment.
The activity and investment levels in a number of industries is still high, and a weak NOK is positive for the region's export companies both in aquaculture, industry and tourism.

Mo i Rana, February 6th 2019

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*

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PROFIT AND LOSS ACCOUNT (amounts in NOK million)

Parent bank								*Group*
Q4/17	**Q4/18**	**31.12.17**	**31.12.18**		**31.12.18**	**31.12.17**	**Q4/18**	**Q4/17**
194	206	777	788	Interest income and similar income (note 2.1)	957	927	252	236
68	77	274	286	Interest payable and similar costs	379	351	104	87
2	3	11	12	Hedge fund fees	12	11	3	2
124	**126**	**492**	**490**	**Net interest- and credit commission income**	**566**	**565**	**145**	**147**
26	27	97	100	Commissions receivable and income from banking services	100	97	27	26
3	3	11	10	Commissions payable and costs relating to banking services	10	11	3	3
23	**24**	**86**	**90**	**Net commission income**	**90**	**86**	**24**	**23**
0	0	44	56	Dividend	6	10	0	0
0	10	31	50	Net profit from associates	50	31	10	0
-3	-10	-11	-12	Net profit from other financial investments	-8	-8	-6	-3
-3	0	64	94	Gains/losses on financial assets available for sale (note 3)	48	33	4	-3
3	5	8	18	Other operating income	16	5	6	2
64	70	269	279	Operating costs (note 4)	286	275	74	67
29	138	65	249	Losses on loans, guarantees etc. (note 10)	249	66	138	30
54	**-53**	**316**	**164**	**Gross profit**	**185**	**348**	**-34**	**72**
13	-10	60	20	Tax payable on ordinary result	36	75	-6	17
41	**-43**	**256**	**144**	**Net profit**	**149**	**273**	**-28**	**55**
		8.9	4.8	Yield per equity capital certificate (note 5)	5.0	9.5		
		8.9	4.8	Diluted result per ECC in Norwegian currency (note 5)	5.0	9.5		
				Extended Income Statement				
41	**-43**	**256**	**144**	**Net profit**	**149**	**273**	**-28**	**55**
				Itemes that are subsequently reversed through profit or loss:				
51	-1	66	0	Estimate variances, pensions will not be reversed over the income statement later	0	66	-1	51
0	0	-2	0	Tax on extended profit	0	-2	0	0
51	-1	64	0	Net extended profit or loss items	0	64	-1	51
92	**-44**	**320**	**144**	**Total profit of the period**	**149**	**337**	**-29**	**106**

BALANCE SHEET (amounts in NOK million)

Parent bank			*Group*	
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
		ASSETS		
87	82	Cash and claims on central banks	82	87
1 488	1 170	Loans to and claims on credit institutions	461	464
19 860	20 289	Loans to and claims on customers (note 7,8,9,10)	27 614	26 453
125	54	Financial derivatives (note 16)	54	125
4 126	4 132	Certificates, bonds and shares	4 157	4 176
342	382	Investments in associated companies (note 12)	382	342
595	595	Investments in subsidiaries (note 12)		
11	11	Deferred tax benefit	15	15
66	69	Fixed assets (note13)	133	141
49	70	Other assets	71	47
26 749	**26 854**	**Total assets**	**32 969**	**31 850**
		LIABILITIES AND EQUITY CAPITAL		
250	250	Liabilities to credit institutions	252	252
17 422	17 718	Deposits from customers and liabilities to customers (note 17,18)	17 248	16 972
5 375	5 058	Borrowings through the issuance of securities (note 15)	11 556	10 851
27	22	Financial derivatives (note 16)	22	27
149	104	Other liabilities	118	161
300	451	Subordinated loan capital	451	300
23 523	**23 603**	**Total liabilities**	**29 647**	**28 563**
		Equity capital		
209	209	Equity share capital (note 5,6,20)	209	209
-3	-2	Own portfolio equity share capital	-2	-3
971	971	Premium Fund	971	971
659	710	Cohesion Fund	710	659
1 836	**1 888**	**Total equity share capital**	**1 888**	**1 836**
541	558	Primary capital	558	541
43	33	Gift fund	33	43
584	**591**	**Total primary capital**	**591**	**584**
424	440	Unrealized gains reserve	440	424
299	299	Hybrid Capital (Note 1,17)	299	299
83	33	Other equity capital	102	143
3 226	**3 251**	**Total equity capital exclusive minority interest**	**3 320**	**3 285**
		Non-controlling interest	2	2
3 226	**3 251**	**Total equity capital**	**3 322**	**3 287**
26 749	**26 854**	**Total liabilities and equity capital**	**32 969**	**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 Equ.cap.	0 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

31.12.18

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Min. int.	Total
Equity capital as at 01.01.18	**208**	**971**	**-3**	**299**	**424**	**541**	**31**	**12**	**659**	**144**	**2**	**3 287**
Implementation effect 01.01. IFRS 9						-1			-5	4		-2
Endring regnskapsprinsipp verdipapirer 01.01					-10	2			7			-1
Equity capital as at 01.01.18				12	26	15	5	5	48	38		149
result for the period												0
Extended profit or loss items	**0**	**0**	**0**	**12**	**26**	**15**	**5**	**5**	**48**	**38**	**0**	149
Paid interest FO				-12								-12
Gift fund							-8	-12				-20
Transactions with owners			1									1
Dividend paid										-83		-83
Equity capital 30.09.18	**208**	**971**	**-2**	**299**	**440**	**557**	**28**	**5**	**709**	**103**	**2**	**3 322**
Paid-in/accrued equity capital/retained earnings			1 177								2 145	3 322

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
Totalresultat	**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

31.12.18

	ECC capital	Premium fund	Own ECCs	Own ECCs	Result for valuation	Savings bank's	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
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
Endring regnskapsprinsipp verdipapirer 01.01					-10	2			8		0
result for the period				12	26	15	5	5	48	33	144
Extended profit or loss items											0
Total ext. profit or loss	**0**	**0**	**0**	**12**	**26**	**15**	**5**	**5**	**48**	**33**	**144**
Paid interest FO				-12							-12
Gift fund							-8	-12			-20
Transactions with owners			1								1
Dividend paid										-83	-83
Equity capital 30.09.18	**209**	**971**	**-2**	**299**	**440**	**557**	**28**	**5**	**711**	**33**	**3 251**
Paid-in/accrued equity capital/retained earnings			1 178							2 073	3 251

CASH FLOW STATEMENT

Parent bank				*Group*
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
-850	-689	Change in lending to customers	-1 398	-1 858
701	710	Interest income lending to custumers	898	870
932	278	Change deposits from customers	246	799
-170	-178	Interest cost deposit from customers	-180	-168
0	0	Change in receivables and liabilities to credit institutions	0	0
-280	15	Change sertificates and bonds	15	-527
54	55	Interest income sertificates and bonds	55	52
86	89	Comission income	90	86
-259	-266	Payments relating to operations	-267	-256
-52	-60	Paid tax	-72	-65
-41	33	Other cutoffs	37	-72
121	-13	**A Net liquidity change from operating activities**	-576	-1 139
-24	-9	Investment in long-term securities	-9	-31
0	8	Income sale of long-term securities	8	3
-171	-23	Long-term investments in shares	-23	-21
0	0	Payment from sales long-term investments in shares	0	0
44	56	Dividend from long-term investments in shares	7	11
-151	32	**B Net liquidity change from investments**	-17	-38
2 883	2 943	New borrowing through issuanse of securities	5 390	6 078
-2524	-3 249	Repayments - issued securities	-4 673	-4537
-145	0	Buyback fund bond	0	-145
0	150	Opptak ansvarlig lånekapital	150	
-99	-92	Interest payments borrowing through issuance of securities	-188	-178
-14	-11	Interest payments on subordinated debt	-11	-14
-78	-83	dividend to share owners	-83	-78
23	-342	**C Net liquidity change financing**	585	1 126
-7	-323	A+B+C Net liquidity change in the period	-8	-51
1 582	1 575	Liquid funds at the start of the period	551	602
1 575	1 252	Liquid funds at the end of the period	543	551
		Liquid funds specified		
87	82	Cash and balances with central banks	82	87
1 488	1 170	Balances with credit institutions without notice periods	461	464
1 575	**1 252**	**Liquid funds**	**543**	**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 came into force 01.01.18. IFRS 9 introduces a business oriented model for classifying and measuring financial assets. The standard replaces the previous standard IAS 39. The bank has chosen not to recalculate comparative figures 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 were previously recognized in comprehensive income, but from 01.01.18 such value changes will be included in the ordinary profit 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 income statement for 2018, the post *interest income valued at fair value* includes interest income from mortgage loans, fixed-rate loans and interest-bearing securities 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

Definitions

The model for impairment of financial assets according to IFRS 9 applies to commitments measured at amortized cost (commitments with floating interest rates are defined under this category). The standard entails requirements for loss provisions also on new commitments, by making a write-down for expected credit losses as a result of expected default in the next twelve months. The model calculates expected losses for all customers at the account level. The calculation includes loans, guarantees, unused credit and loan commitments.

Loss on commitments

For loans where the credit risk has increased substantially after initial recognition, a write-down shall be made for the expected credit loss over the maturity of the loans.

The bank has developed a model in collaboration with several other banks. The model contains macro-scenarios according to IFRS 9 (3 scenarios).

According to previous rules, write-downs for losses were only being recognized when there was objective proof that a loss incident had occurred after first time balance recognition. According to IFRS 9, the impairment depositions are included based on expected credit loss.

The model calculates expected losses for all accounts. All account commitments are entered into one of the three "steps" in the model, based on their risk change since granting (change in credit risk). For the description of the individual "steps", see explanations below. All commitments are placed at the time of recognition in step 1, and are moved at a later time to step 2 in those cases where each has a significant increase in credit risk, or step 3; 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) at initial recognition, and therefore not classified under steps 2 and 3, are included in this step. The estimated expected loss attributable to the accounts corresponds to the expected loss over the next 12 months.

Step 2: Expected loss in the lifetime

Financial assets that have had a significant increase in credit risk since initial recognition are placed in step 2. If an account commitment is significantly aggravated or not, it is defined as a function of probability of default (PD) at the time of calculation and probability of default at the time of grant. Expected loss for assets in step 2 is calculated over the residual maturity of the assets.

The model has the following additional indicators and customer engagement override rules (lending to customers) that would otherwise have been calculated under step 1:

- Commitments where there is a 30 day default/overdraft will be automatically moved to step 2. This applies to overdrafts from the first NOK, but older than 30 days.
- Commitments where there is a greater overlay are automatically moved to step 2 (from step 1). This applies to overdrafts from the first day, where the balance is considerably larger than the grant.
- Commitments with changed payment commitments or refinancing (forbearance) are automatically moved to step 2 (from step 1).

Step 3: Expected loss in the lifetime. Significant increase in credit risk after initial recognition and objective evidence of loss.
In step 3 of the loss model, assets that have had a significant deterioration in credit risk since initial recognition and where there is objective evidence of loss at the reporting date. The bank has defined this as involvement in defaults (>90 days) / bankruptcy/ chord treatment/ established losses etc. or commitments where individual write-downs have been made. In this step, the model calculates an expected loss over the residual maturity of the asset.

Total commitment from a customer is considered to be in default when overdue instalments or interest are not paid 90 days after maturity or framework credits are overdrawn for 90 days or more.

The same model is used for 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.

In the model, expected credit loss is calculated on the individual account.
In cases where individual assessments of the customer is made, and this can result in an individually assessed loss provision. Individually assessed loss provisions are usually made on commitments that are in step 3. In these cases, expected losses are not calculated on this customer in the calculation model. Step 3 includes both such individually assessed provisions, as well as model-calculated expected losses.

Prerequisites in the calculation model
It is decided whether an engagement is "substantially aggravated" by comparing the probability of default (PD) at the time of grant with PD at the time of calculation.

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

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

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

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

The bank does not have a lifetime PD model. The calculation model contains a projection of PD, under the assumption that all customers will tend towards the bank's average.

The data base contains historical data on the observed probability of default (PD) and loss given default (LDG). This will form the basis for validation of model LGD when the data basis is sufficient.
Three different scenarios, affecting projected LGD and PD, have been developed based on historical data and macro variables.

IFRS 16 Leases
The standard presupposes that there is no longer a distinction between operational and financial leasing, because both types of agreements transfer the right of use to a specific asset from the lessor to the lessee for a specific period. For the lessor, the regulations from IAS18 are mainly maintained. The standard applies as of January 1, 2019. The standard has the effect that leases (mainly office premises) are included in the balance sheet. Right of use and obligations for the parent bank are calculated at MNOK 46 and for the group MNOK 19.

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*
31.12.18								**31.12.18**
Retail	**Corp.**	**Unallocated**	**Total**	**Segmentinformation**	**Retail**	**Corp.**	**Unallocated**	**Total**
201	273	16	490	Net interest and credit commission income	291	275	0	566
28	12	50	90	Net commission income	28	12	50	90
		112	112	Other operating income			65	65
66	36	177	279	Operating costs	69	36	182	287
-1	250		249	Losses on loans guaranteed	-1	250	0	249
164	**-1**	**1**	**164**	**Gross profit**	**251**	**1**	**-67**	**185**
11 405	9 264		20 669	Loans to and claims on customers	18 649	9 346		27 995
-18	-362		-380	Provision of loss	-18	-363		-381
		6 565	6 565	Other assets			5 355	5 355
11 387	**8 902**	**6 565**	**26 854**	**Total assts per segment**	**18 631**	**8 983**	**5 355**	**32 969**
9 867	7 851		17 718	Deposits from customers and liabilities	9 867	7 381		17 248
	5		5	Provisions of loss, unutilized deductions and guarantees		5		5
		9 131	9 131	Other liabilities and equity			15 716	15 716
9 867	**7 856**	**9 131**	**26 854**	**Total liabilities and equity per segment**	**9 867**	**7 386**	**15 716**	**32 969**

Parent bank								*Group*
31.12.17								**31.12.17**
Retail	**Corp.**	**Unallocated**	**Total**	**Segmentinformation**	**Retail**	**Corp.**	**Unallocated**	**Total**
219	259	14	492	Net interest and credit commission income	316	262	-14	564
26	12	48	86	Net commission income	26	12	48	86
		71	71	Other operating income			38	38
81	44	143	268	Operating costs	87	44	143	274
6	59		65	Losses on loans guaranteed	7	59		66
158	**168**	**-10**	**316**	**Gross profit**	**248**	**171**	**-71**	**348**
11 161	8 851		20 012	Loans to and claims on customers	17 660	8 951		26 611
-8	-53		-61	Individual write-downs	-8	-53		-61
-13	-78		-91	Provision of expected loss	-19	-78		-97
		6 889	6 889	Other assets			5 397	5 397
11 140	**8 720**	**6 889**	**26 749**	**Total assts per segment**	**17 633**	**8 820**	**5 397**	**31 850**
9 456	7 966		17 422	Deposits from customers and liabilities	9 456	7 516		16 972
		9 327	9 327	Other liabilities and equity			14 878	14 878
9 456	**7 966**	**9 327**	**26 749**	**Total liabilities and equity per segment**	**9 456**	**7 516**	**14 878**	**31 850**

NOTE 2.1 NET INTEREST

Parent bank				**Intrest income**					*Group*
Q4/17	Q4/18	31.12.17	31.12.18	*Interest from financial instuments at amortized cost*		31.12.18	31.12.17	Q4/18	Q4/17
5	5	23	23	Interest from credit institutions		9	9	2	2
100	109	395	404	Interest receivable on loans		868	837	227	216
105	**114**	**418**	**427**	**Total intrest from finanscial instruments at amortized cost**		**877**	**846**	**229**	**218**
					0				
				Interest from financial instuments vauled to fair value over net profit					
7	8	29	25	Interest receivable on loans (fair value loans)		25	25	8	3
13	14	54	55	Interest from bearer bonds and certificates		55	56	14	15
20	**22**	**83**	**80**	**Total intrest from finanscial instruments valued to fair value over net profil**		**80**	**81**	**22**	**18**
					0				
				Interest from financial instuments vauled to fair value OCI					
69	70	276	281	nterest receivable on loans (loans who can transferres to the bank's mortgage company		0	0	0	0
69	**70**	**276**	**281**	**Total intrest from finanscial instruments valued to fair value OCI**		**0**	**0**	**0**	**0**
					0				
194	**206**	**777**	**788**	**Total intrest income**		**957**	**927**	**251**	**236**

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

Parent bank								*Group*
Q4/17	**Q4/18**	**31.12.17**	**31.12.18**		**31.12.18**	**31.12.17**	**Q4/18**	**Q4/17**
0	-4	0	-5	Value change in interest-bearing securities	-5	0	-4	0
-1	-3	-3	-4	Net gain/loss in interest-bearing securities	-4	-3	-3	-1
-1	-9	-3	-6	Net gain/loss shares	-2	0	-5	-4
0	0	44	56	Share dividend	6	10	0	34
0	11	31	50	Income AC Helgeland Invest AS	50	31	11	-31
0	-1	0	0	Income AC REDE	0	0	-1	0
-2	6	-2	5	Value change in value on lending	5	-2	6	-2
1	0	-3	-2	Value change on funding and derivatives	-2	-3	0	1
-3	**0**	**64**	**94**	**Total value change financial instruments**	**48**	**33**	**4**	**-3**

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

Parent bank								*Group*
Q4/17	**Q4/18**	**31.12.17**	**31.12.18**		**31.12.18**	**31.12.17**	**Q4/18**	**Q4/17**
33	33	137	134	Wages, salaries and social costs	135	137	33	31
20	21	80	88	General administration costs	88	80	22	22
3	3	11	12	Depreciation etc of fixed- and intangible assets	18	18	5	5
8	13	41	45	Other operating costs	45	40	14	9
64	**70**	**269**	**279**	**Total operating costs**	**286**	**275**	**74**	**67**

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

Parent bank								*Group*
Q4/17	**Q4/18**	**31.12.17**	**31.12.18**		**31.12.18**	**31.12.17**	**Q4/18**	**Q4/17**
	3		-2	Period's change in write-downs step 1	-2		3	
	10		8	Period's change in write-downs step 1	8		10	
	115		229	Period's change in write-downs step 1	229		115	
	10		16	+ Period's confirmed loss	16		10	
0	0	31		+/- Period's change in individual write-downs		31	0	0
4	0	9		+ Period's change in collective write down		10	0	5
1	0	3		+ Period's conf. Los. ag. which ind. w.d were made in prev. years		3	0	1
24	0	26		+ Period's conf. los against which no ind. w.d,made in prev. Years		26	0	24
0	0	-4	-2	- Period's recoveries from previous periods' conf.losses	-2	-4	0	0
29	**138**	**65**	**249**	**Total losses on loans, guarantees etc.**	**249**	**66**	**138**	**30**

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 quarterly accounts. Figures for the corresponding period last year and 31.12.2017 have been prepared according to IAS 39 and are not directly comparable with 2018.

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

Parent bank				*Group*
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
256	144	Net profit	149	273
-14	-12	Interest fund bond	-12	-14
242	132	Profit (excl. Interest fund bond)	137	259
76.5 %	76.3 %	ECC percentage	76.3 %	76.5 %
8.9	4.8	Yield per equity capital certificate	5.0	9.5
8.9	4.8	Diluted result per ECC in Norwegian currency	5.0	9.5

		Morbank
	31.12.18	**31.12.17**
Net profit	144	256
Interest fund bond	-12	-14
Transferred reserve for valuation variances	-25	-24
Basis dividend	**107**	**218**

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

Parent bank								*Group*
31.12.17	**%**	**31.12.18**	**%**		**31.12.18**	**%**	**31.12.17**	**%**
17 148	85.7	17 377	84.1	Helgeland	23 093	82.5	22 310	83.8
2 846	14.2	3 270	15.8	Areas other than Helgeland	4 861	17.4	4 273	16.1
18	0.1	22	0.1	International	41	0.1	28	0.1
20 012	**100**	**20 669**	**100**	**Total**	**27 995**	**100**	**26 611**	**100**

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

Group

31.12.2018	**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.	-	-	-	-	-	-
Insurance and finance	5	-0	-	-	-	5
Agriculture and forestry	1 458	-1	-5	-10	17	1 460
Fisheries and aquaculture	1 292	-1	-1	-0	-	1 289
Mining and industry	509	-0	-2	-0	-	507
Building and construction	1 414	-5	-27	-100	9	1 291
Trade, hotel, restaurants.	357	-1	-1	-0	-	355
Transport and services	1 130	-1	-6	-66	22	1 079
Property, property development	3 115	-5	-14	-116	18	2 998
Total corporate market	9 281	-15	-56	-292	65	8 983
Retail market	17 484	-1	-5	-12	1 165	18 631
Total	26 765	-16	-61	-304	1 230	27 614
Expected loss unutilized credit and guarantees RM		-0	-0	-0		
Expected loss unutilized credit and guarantees CM		-2	-3	-0		

Parent bank

31.12.2018	**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.	-	-	-	-	-	-
Insurance and finance	5	-0	-	-	-	5
Agriculture and forestry	1 304	-1	-5	-10	153	1 442
Fisheries and aquaculture	1 272	-1	-1	-0	14	1 283
Mining and industry	493	-0	-2	-0	12	503
Building and construction	1 357	-5	-27	-100	48	1 273
Trade, hotel, restaurants.	340	-1	-1	-0	10	348
Transport and services	964	-1	-6	-66	117	1 008
Property, property development	3 026	-5	-14	-116	149	3 040
Total corporate market	8 760	-15	-56	-292	504	8 901
Retail market	495	-1	-5	-12	10 909	11 387
Total	9 255	-16	-60	-304	11 413	20 289
Expected loss unutilized credit and guarantees RM		-0	-0	-0		
Expected loss unutilized credit and guarantees CM		-2	-3	-0		

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)
See also note 1 in the quarterly accounts, IFRS 9 loans and expected loan losses.

Group

	31.12.18		31.12.17			
	Gross loans	**%-stake**	**Gross loans**	**%-stake**	**Loss prov.**	**Defaults**
Municipalities and municipal enterp.	0	0.0 %	0	0.0 %	0	0
Insurance and finance	5	0.0 %	5	0.0 %	0	0
Agriculture and forestry	1 475	5.3 %	1 408	5.3 %	7	5
Fisheries and aquaculture	1 292	4.6 %	1 207	4.5 %	0	0
Mining and industry	509	1.8 %	476	1.8 %	0	2
Building and construction	1 423	5.1 %	1 445	5.4 %	3	2
Trade, hotel, restaurants.	357	1.3 %	329	1.2 %	2	0
Transport and services	1 152	4.1 %	849	3.2 %	34	38
Property	3 133	11.2 %	3 232	12.1 %	7	4
Total corporate market	9 346	33.4 %	8 951	33.6 %	53	51
Retail market	18 649	66.6 %	17 660	66.4 %	8	5
Total	**27 995**	**100 %**	**26 611**	**100 %**	**61**	**56**
Provision of expected loss/change prov.					97	10
Total					**158**	**66**
Of which gross loans Helgeland Boligkreditt AS	7 385	26.4 %	6 069	23.1 %		

Parent bank

	31.12.18		31.12.17			
	Gross loans	**%-stake**	**Gross loans**	**%-stake**	**Loss prov.**	**Defaults**
Municipalities and municipal enterp.	0	0.0 %	0	0.0 %	0	0
Insurance and finance	5	0.0 %	5	0.0 %	0	0
Agriculture and forestry	1 457	7.0 %	1 393	7.0 %	7	5
Fisheries and aquaculture	1 286	6.2 %	1 202	6.0 %	0	0
Mining and industry	505	2.4 %	471	2.4 %	0	2
Building and construction	1 405	6.8 %	1 426	7.1 %	3	2
Trade, hotel, restaurants.	350	1.7 %	322	1.6 %	2	0
Transport and services	1 081	5.2 %	782	3.9 %	34	38
Property	3 175	15.4 %	3 250	16.2 %	7	4
Total corporate market	9 264	44.8 %	8 851	44.2 %	53	51
Retail market	11 405	55.2 %	11 161	55.8 %	8	5
Total	**20 669**	**100 %**	**20 012**	**100 %**	**61**	**56**
Provision of expected loss/change prov.					91	9
Total					**152**	**65**

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

Parent bank			*Group*	
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
132	**305**	Default commitments over 90 days	**305**	**132**
	-115	Trinn 3 nedskrivninger	-115	
-14		Individuelle nedskrivninger		-14
118	**190**	**Total net loans, guarantees etc. in default**	**190**	**118**
111	**320**	Other non-performing and impaired commitments and guara., not in default[14]	**320**	**111**
	-190	Trinn 3 nedskrivninger	-190	
-46		Individuelle nedskrivninger		-46
65	**130**	**Total non-performing and impaired commitments and guara., not in defaul**	**130**	**65**
183	**320**	**Total non-performing and impaired commitments and guara[15]**	**320**	**183**
0.9 %	1.5 %	In % of total loans	1.1 %	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. 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. 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. See also note 1 in the quarterly accounts.

Group

	Step 1	Step 2	Step 3	
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	**22 959**	**3 336**	**316**	**26 611**
New loans / credits / guarantees	7 540	1 186	103	8 829
Transfers from step 1 to step 2	-1 791	1 530	0	-261
Transfers from step 1 to step 3	-199		201	2
Transfers from step 2 to step 3		-246	203	-43
			0	
Transfers from step 3 to step 2		40	-46	-7
Transfers from step 3 to step 3	32		-36	-4
Transfers from step 2 to step 1	989	-1 008	0	-19
Reduced portfolio	-5 249	-801	-85	-6 135
			0	
Other adjustments	-884	-59	-34	-977
Gross lending pr. 31.12.18	**23 397**	**3 977**	**621**	**27 995**
UB unused drafts, guarantees etc.	2 867	470	13	3 350

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

0

Parent bank

	Step 1	Step 2	Step 3	
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.18	**16 920**	**2 777**	**315**	**20 012**
New loans / credits / guarantees	5 682	927	108	6 717
Transfers from step 1 to step 2	-1 477	1 226	0	-251
Transfers from step 1 to step 3	-197		199	2
Transfers from step 2 to step 3		-243	200	-43
			0	
Transfers from step 3 to step 2		40	-46	-7
Transfers from step 3 to step 3	32		-36	-4
Transfers from step 2 to step 1	809	-818	0	-9
Reduced portfolio	-4 288	-658	-85	-5 031
			0	0
Other adjustments	-630	-53	-34	-717
Gross lending pr. 31.12.18	**16 851**	**3 197**	**621**	**20 669**
UB unused drafts, guarantees etc.	2 398	461	13	2 872

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

Parent bank

Gross lending	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 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	5.682	927	108	6.717
Transfers from step 1 to step 2	-1.477	1.226	0	-251
Transfers from step 1 to step 3	-197		199	2
Transfers from step 2 to step 3		-243	200	-43
			0	
Transfers from step 3 to step 2		40	-46	-7
Transfers from step 3 to step 3	32		-36	-4
Transfers from step 2 to step 1	809	-818	0	-9
Reduced portfolio	-4.560	-658	-85	-5.304
			0	0
Other adjustments	-630	-53	-33	-716
Gross lending pr. 31.12.18	**15.645**	**3.197**	**622**	**19.463**
IB unused drafts, guarantees etc.	2.240	258	6	2.504
UB unused drafts, guarantees etc.	2.228	290	15	2.533

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

Group

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

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

Parent bank

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

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*
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
2 113	2 401	Unutilized drawing rights	2 879	2 563
505	471	Guarantee obligations	471	505
476	791	Unutilized drawing rights Helgeland Boligkreditt AS		0
3 094	**3 663**	**Net guarantee and draw rights**	**3 350**	**3 068**

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

Parent bank

	Share capital	Number of shares	Equity stake	Market value 31.12.18	Market value 31.12.17
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 Utviklingsselskap AS	0.5	500	100 %	6	6
Strendene Utviklingsseelskap AS	0.03	300	100 %	0	
Storgata 73 AS	0.1	140	53 %	1	2
Total investment in AC				**595**	**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 2017. Director of the corporate market in HSB is p.t deputy member of the board in Helgeland Invest AS.

Parent bank and group

31.12.18

Balance 100 % ownership		Fixed assets	Current Assets	Current liabilities	Long term debt	Equity
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	368
REDE AS (inkl. merverdi)	40.0 %	16	12	14	0	14
Total		**73**	**323**	**30**	**1**	**382**

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

	Parent bank and group	
Change in the bank's ownership in HI	**31.12.18**	**31.12.17**
Opening balance	328	300
Adjusted value	0	0
Dividend	-10	-4
Result HI	50	31
Closing balance	**367**	**328**

	Parent bank and group	
Change in the bank's ownership in REDE	**31.12.18**	**31.12.17**
Opening balance	14	15
Dividend	0	0
Result REDE	0	-1
Additional value/goodwill	0	0
Closing balance	**14**	**14**
Total	**382**	**342**

Financial information Associated companies, profit/loss posts

						Parent bank and group **31.12.18**
Result 100% ownership		**Revenue**	**Finance cost**	**Other income**	**Operating cost**	**Net profit**
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		**62**	**0**	**0**	**11**	**50**

						Parent bank and group **31.12.17**
Result 100% ownership		**Revenue**	**Finance cost**	**Other income**	**Operating cost**	**Net profit**
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

Parent bank			*Group*	
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
66	69	Operating funds	133	141
66	**69**	**Total operating funds**	**133**	**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 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 30.12.18 constitute totally MNOK 7 385. Covered bonds in the housing mortgage company constitute MNOK 6 498 where MNOK 0 (0) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 30.12.18 drawn with MNOK 709. 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 48.8 in 2018.

ANS Bankbygg (share of ownership 97 %)
The bank rents premises from ANS Bankbygg and has paid MNOK 4.4 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 31.12.17 were MNOK 1 161 and MNOK 1 005 mill per 31.12.18. 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 31.12.17 and MNOK 2.5 per 31.12.18.

Assets and liabilities measured at fair value

Parent bank						*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	1 208
0	3 774	358	- Certificates, bonds and equitives at fair value	0	3 799	358
			Financial assets available for sale			
0	0	10 579	- Mortgages (from 01.01.18)			
0	54	0	- Financial derivatives		54	
0	**3 828**	**12 143**	**Total assets**	**0**	**3 853**	**1 566**
			LIABILITIES			
			Financial liabilities at fair value through profit			
	22		- Debt issuance of securities		22	
0	**22**	**22**	**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	-346	-346
42	1 995	2 037	New loans	42	600	642
-6	-2	-8	Value change	-6	20	14
			Reclassification			
358	**11 785**	**12 143**	**Financial instruments valued on Level 3**	**358**	**1 208**	**1 566**

Assets and liabilities measured at fair value

Parent bank						*Group*
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 equitives 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**

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*		
31.12.18						**31.12.18**
Nominal value	**Market value**			**Nominal value**	**Market value**	
Total	**Assets**	**Commitments**		**Total**	**Assets**	**Commitments**
1 005	0	21	Inerest rate swaps- fixed interest rate loans	1 005	21	14
75	0	1	Interest rate swaps- bank deposits with share Yield	75	1	0
1 080	**0**	**22**	**Total financial derivatives**	**1 080**	**22**	**14**
2 325	54		Interest rate swaps – fixed interest rate with hedging	2 325	54	0
2 325	**54**	**0**	**Total financial derivates with hedging**	**2 325**	**54**	**0**

Net presentation of financial assets and liabilities

Parent bank				*Group*		
31.12.17						**31.12.17**
Nominal value	**Market value**			**Nominal value**	**Market value**	
Total	**Assets**	**Commitments**		**Total**	**Assets**	**Commitments**
1 161	0	24	Inerest rate swaps- fixed interest rate loans	1 161	0	24
75	0	3	Interest rate swaps- bank deposits with share Yield	75	0	3
1 236	**0**	**27**	**Total financial derivatives**	**1 236**	**0**	**27**
2 700	125	0	Interest rate swaps – fixed interest rate with hedging	2 700	125	0
2 700	**125**	**0**	**Total financial derivates with hedging**	**2 700**	**125**	**0**

					Parent bank and group
					31.12.18
	Gross financial assets	**Financial assets that are recognized net**	**Net financial assets in the balance sheet**	**Financial instruments**	**Net**
Derivaives carried as assets	54	0	54	-22	32
Derivaives carried as liabilities	22	0	22	-22	0

					Parent bank and group
					31.12.17
	Gross financial assets	**Financial assets that are recognized net**	**Net financial assets in the balance sheet**	**Financial instruments**	**Net**
Derivaives carried as assets	125	0	125	-27	98
Derivaives carried as liabilities	27	0	27	-27	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

Parent bank			*Group*	
31.12.17	**31.12.18**	**(MNOK)**	**31.12.18**	**31.12.17**
5 263	5 009	Bonds, nominal value	11 447	10 733
80	25	Value adjustments	76	80
32	24	Accrued interest	33	38
5 375	**5 058**	**Total securities**	**11 556**	**10 851**

Change in securities issued					*Group*
	31.12.17	**Issued**	**Matured/redeemed**	**Other change**	**31.12.18**
Bonds, nominal value	10 733	5 390	-4 673	-3	11 447
Value adjustments	80			-4	76
Accrued interest	38			-5	33
Total	**10 851**	**5 390**	**-4 673**	**-12**	**11 556**

Change in subordinated debt					*parent bank*
	31.12.17	**Issued**	**Matured/redeemed**	**Other change**	**31.12.18**
Bonds, nominal value	5 263	2 943	-3 249	52	5 009
Value adjustments	80			-55	25
Accrued interest	32			-8	24
Total	**5 375**	**2 943**	**-3 249**	**-11**	**5 058**

Change in securities issued					*Group/Parent bank*
	31.12.17	**Issued**	**Matured/redeemed**	**Other change**	**31.12.18**
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		*Group*
	31.12.18	**31.12.17**
Bonds, amortized cost	9 186	8 078
Bonds, hedging	2 370	2 773
Total debt securities	**11 556**	**10 851**

Accounted value		*Parent bank*
	31.12.18	**31.12.17**
Bonds, amortized cost	2 688	2 602
Bonds, hedging	2 370	2 773
Total debt securities	**5 058**	**5 375**

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

Parent bank								*Group*
%	**31.12.17**	**%**	**31.12.18**		**31.12.18**	**%**	**31.12.17**	**%**
90.5 %	15 765	90.0 %	15 947	Helgeland	15 477	89.7 %	15 315	90.2 %
8.9 %	1 544	9.2 %	1 632	Areas other than Helgeland	1 632	9.5 %	1 544	9.1 %
0.6 %	113	0.8 %	139	International	139	0.8 %	113	0.7 %
100 %	**17 422**	**100 %**	**17 718**	**Total**	**17 248**	**100 %**	**16 972**	**100 %**

NOTE 19.DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

Parent bank								*Group*
%	**31.12.17**	**%**	**31.12.18**		**31.12.18**	**%**	**31.12.17**	**%**
3.4 %	600	3.7 %	649	Financial institutions	235	1.4 %	150	0.9 %
10.5 %	1 830	10.9 %	1 925	Municipalities and municipal ente	1 925	11.2 %	1 830	10.8 %
1.8 %	305	1.9 %	328	Agriculture and forestry	328	1.9 %	305	1.8 %
6.6 %	1 142	5.6 %	991	Fisheries and aquaculture	991	5.7 %	1 142	6.7 %
1.1 %	196	1.2 %	215	Mining and industry	215	1.2 %	196	1.2 %
6.4 %	1 117	3.7 %	649	Building and construction	649	3.8 %	1 117	6.6 %
2.3 %	409	2.2 %	398	Trade, hotel, restaurants.	398	2.3 %	409	2.4 %
9.9 %	1 717	9.9 %	1 762	Transport and services	1 762	10.2 %	1 717	10.1 %
3.7 %	650	5.3 %	934	Property, property development	878	5.1 %	650	3.8 %
45.7 %	7 966	44.3 %	7 851	Total corporate market	7 381	42.8 %	7 516	44.3 %
54.3 %	9 456	55.7 %	9 867	Retail market	9 867	57.2 %	9 456	55.7 %
100 %	**17 422**	**100 %**	**17 718**	**Total**	**17 248**	**100 %**	**16 972**	**100 %**

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

Parent bank

Per 31.12.18	**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 %	Landkreditt Utbytte	250 000	1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea Avkastning	244 270	1.2 %
Merrill Lynch Prof.	1 140 092	5.5 %	VPF Nordea Kapital	238 245	1.1 %
VPF Eika Egenkapital	593 823	2.8 %	AF Kapital Managemet	181 749	0.9 %
Pope Asset Management BNY	559 313	2.7 %	Melum Mølle AS	177 000	0.8 %
Bergen Kommunale Pensjon.	475 000	2.3 %	Vigner Olaisen AS	144 653	0.7 %
MP Pensjon PK	462 203	2.2 %	Melesio Capital AS	137 188	0.7 %
Lamholmen Invest AS	447 353	2.1 %	Nervik Steffen	115 000	0.6 %
Helgeland Kraft AS	377 691	1.8 %	Verdipapirfondet NOR	105 227	0.5 %
Total 10 biggest owners	**14 727 874**	**70.6 %**	**Total 20 biggest owners**	**16 577 252**	**79.4 %**

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

NOTE 21. CAPITAL ADEQUACY

Parent bank				Group
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
208	208	ECC-capital	208	208
971	971	Premium Fund	971	971
-3	-2	Own ECCs	-2	-3
299	299	Hybrid capital (CB)	299	299
1 475	**1 476**	**Total paid-in capital**	**1 476**	**1 475**
541	558	Savings Bank's fund	558	541
424	440	Reserve for unrealized gains	440	424
44	33	Donations Fund	33	44
659	710	Dividend equalisation reserve	710	659
84	33	Cash dividend	33	84
0	0	Other equity capital	70	61
1 752	**1 774**	**Total accrued equity capital**	**1 844**	**1 813**
3 227	**3 250**	**Total equity capital**	**3 320**	**3 288**
-299	-299	Hybrid capital (CB)	-299	-299
-69	-74	Shares in financial institutions	-68	-65
-124	-102	Cash dividend /gifts employee	-102	-142
2 735	**2 775**	**Total core tier one**	**2 851**	**2 782**
-14	-16	Shares in financial institutions	-14	-13
0	0	Other	0	0
299	299	Hybrid capital (CB)	299	299
3 020	**3 058**	**Total core capital**	**3 136**	**3 068**
300	451	Subordinatet dept	451	300
-1	0	Shares in financial institutions	0	-1
0	0	Other	0	0
299	**451**	**Total net supplementary capital**	**451**	**299**
3 319	**3 509**	**Total net equity and related capital**	**3 587**	**3 367**
16 453	16 950	Weight assets calculation basis *)	18 310	17 618
16.62 %	16.37 %	Core tier one Capital ratio in%	15.57 %	15.79 %
18.35 %	18.04 %	Core capital ratio in%	17.13 %	17.41 %
20.17 %	20.70 %	Total Capital ratio in%	19.59 %	19.11 %
		Total core tier one including cooperative group	2 923	2 826
		Total core capital including cooperative group	3 232	3 131
		Total net equity and related capital including cooperativ	3 700	3 441
		Weight assets calculation basis including cooperative group	19 174	18 202
		Including cooperative group		
		Core tier one Capital ratio, after proportionally consolidation in%	15.25 %	15.53 %
		Core capital ratio, after proportionally consolidation in%	16.86 %	17.20 %
		Total Capital ratio, after proportionally consolidation in%	19.30 %	18.90 %

31.12.17	31.12.18	Calculation basis	31.12.18	31.12.17
0	0	States and central banks	0	0
263	240	Local and regional authorities (including municipalities)	240	263
398	393	Institutions	172	146
1 066	1 696	Enterprises	1 696	1 065
1 232	1 067	Mass market loans	1 022	1 431
10 006	9 605	Loans secured by real property	12 331	12 307
210	530	Loans overdue	545	210
680	763	Covered bonds	114	132
0	0	Units in securities funds	0	0
1 250	1 213	Equity positions	630	630
121	155	Other loans and commitments	220	227
15 227	**15 662**	**Capital requirement credit risk**	**16 970**	**16 411**
1 188	1 268	Capital requirement operational risk	1 320	1 168
39	20	Deducted from capital requirement	20	39
16 453	**16 950**	**Total capital requirement**	**18 310**	**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

Morbank								*Konsern*
Q4/17	**Q4/18**	**31.12.17**	**31.12.18**		**31.12.18**	**31.12.17**	**Q4/18**	**Q4/17**
2.92	3.02	2.99	2.94	Interest receivable and similar income	2.95	3.00	3.05	2.96
1.05	1.17	1.10	1.11	Interest payable and similar costs	1.21	1.17	1.30	1.11
1.86	**1.85**	**1.89**	**1.83**	**Net interest- and credit commission income[2]**	**1.74**	**1.83**	**1.75**	**1.84**
0.39	0.40	0.37	0.37	Commissions receivable and income from banking services	0.31	0.31	0.33	0.33
0.05	0.04	0.04	0.04	Commissions payable and costs relating to banking services	0.03	0.04	0.04	0.04
0.35	**0.35**	**0.33**	**0.34**	**Net commission income**	**0.28**	**0.28**	**0.29**	**0.29**
-0.05	0.00	0.25	0.35	Gains/losses on financial assets available for sale	0.15	0.11	0.05	-0.04
0.05	0.07	0.03	0.07	Other operating income	0.05	0.02	0.07	0.03
0.96	1.03	1.04	1.04	Operating costs	0.88	0.89	0.90	0.84
0.44	2.02	0.25	0.93	Losses on loans, guarantees etc. and fixed assets	0.77	0.21	1.67	0.38
0.81	**-0.78**	**1.22**	**0.61**	**Gross profit**	**0.57**	**1.13**	**-0.41**	**0.90**
0.20	-0.15	0.23	0.07	Tax payable on ordinary profit	0.11	0.26	-0.07	0.21
0.62	**-0.63**	**0.99**	**0.54**	**Net profit**	**0.46**	**0.88**	**-0.33**	**0.69**

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank										*Group*
Q4/17	**Q1/18**	**Q2/18**	**Q3/18**	**Q4/18**		**Q4/18**	**Q3/18**	**Q2/18**	**Q1/18**	**Q4/17**
194	191	197	194	206	Interest receivable and similar income	252	238	237	231	236
70	71	74	73	80	Interest payable and similar costs	107	98	96	90	89
124	**120**	**123**	**121**	**126**	**Net interest- and credit commission income**	**145**	**140**	**141**	**141**	**147**
26	25	24	24	27	Commissions receivable and income from banking serv	27	24	24	25	26
3	3	2	2	3	Commissions payable and costs relating to banking ser	3	2	2	3	3
23	**22**	**22**	**22**	**24**	**Net commission income**	**24**	**22**	**22**	**22**	**23**
-3	60	35	-1	0	Gains/losses on financial assets available for sale	4	-1	35	10	-3
3	2	4	7	5	Other operating income	6	6	3	1	2
64	71	68	70	70	Operating costs	74	71	69	72	67
29	8	83	20	138	Losses on loans, guarantees etc.	138	20	83	8	30
54	**125**	**33**	**59**	**-53**	**Gross profit**	**-34**	**76**	**49**	**94**	**72**
13	16	4	10	-10	Tax payable on ordinary result	-6	14	7	21	17
41	**109**	**29**	**49**	**-43**	**Net profit**	**-28**	**62**	**42**	**73**	**55**

Parent bank										*Group*
Q4/17	**Q1/18**	**Q2/18**	**Q3/18**	**Q4/18**		**Q4/18**	**Q3/18**	**Q2/18**	**Q1/18**	**Q4/17**
2.92	2.89	2.93	2.88	3.02	Interest receivable and similar income	3.05	2.89	2.94	2.93	2.96
1.05	1.07	1.10	1.08	1.17	Interest payable and similar costs	1.30	1.19	1.19	1.14	1.11
1.86	**1.81**	**1.83**	**1.79**	**1.85**	**Net interest- and credit commission income**	**1.75**	**1.70**	**1.75**	**1.79**	**1.84**
0.39	0.38	0.36	0.36	0.40	Commissions receivable and income from banking serv	0.33	0.29	0.30	0.32	0.33
0.05	0.05	0.03	0.03	0.04	Commissions payable and costs relating to banking ser	0.04	0.02	0.02	0.04	0.04
0.35	**0.33**	**0.33**	**0.33**	**0.35**	**Net commission income**	**0.29**	**0.27**	**0.27**	**0.28**	**0.29**
-0.05	0.91	0.52	-0.01	-	Gains/losses on financial assets available for sale	0.05	-0.01	0.43	0.13	-0.04
0.05	0.03	0.06	0.10	0.07	Other operating income	0.07	0.07	0.04	0.01	0.03
0.96	1.07	1.01	1.04	1.03	Operating costs	0.90	0.86	0.86	0.91	0.84
0.44	0.12	1.23	0.30	2.02	Losses on loans, guarantees etc.	1.67	0.24	1.03	0.10	0.38
0.81	**1.89**	**0.49**	**0.87**	**(0.78)**	**Gross profit**	**(0.41)**	**0.92**	**0.61**	**1.19**	**0.90**
0.20	0.24	0.06	0.15	(0.15)	Tax payable on ordinary result	(0.07)	0.17	0.09	0.27	0.21
0.62	**1.65**	**0.43**	**0.73**	**(0.63)**	**Net profit**	**(0.33)**	**0.75**	**0.52**	**0.93**	**0.69**

Parent bank										*Group*
Q4/17	**Q1/18**	**Q2/18**	**Q3/18**	**Q4/18**		**Q4/18**	**Q3/18**	**Q2/18**	**Q1/18**	**Q4/17**
					ASSETS					
87	78	78	79	82	Cash and claims on central banks	82	78	78	78	87
1 488	1 818	1 558	1 149	1 170	Loans to and claims on credit institutions	461	520	797	838	464
19 860	19 746	20 009	20 294	20 289	Loans to and claims on customers	27 614	27 254	26 929	26 503	26 453
125	135	86	87	54	Financial derivatives	54	87	86	135	125
4 126	3 978	3 882	4 243	4 132	Certificates, bonds and shares available for sale	4 157	4 293	3 882	4 028	4 176
342	352	351	371	382	Investments in associated companies	382	371	351	352	342
595	595	595	595	595	Investments in subsidiaries	0	0	0	0	0
11	12	14	15	11	Deferred tax benefit	15	19	18	19	15
66	67	68	66	69	Fixed assets	133	138	141	142	141
49	64	34	42	70	Other assets	71	42	33	58	47
26 749	**26 845**	**26 675**	**26 941**	**26 854**	**Total assets[8]**	**32 969**	**32 802**	**32 315**	**32 153**	**31 850**
					LIABILITIES AND EQUITY CAPITAL					
250	250	250	501	250	Liabilities to credit institutions	252	502	252	252	252
17 422	17 273	17 458	17 522	17 718	Deposits from customers and liabilities to customers	17 248	17 077	17 014	16 832	16 972
5 375	5 538	5 274	5 035	5 058	Borrowings through the issuance of securities	11 556	11 267	11 301	11 245	10 851
27	24	22	14	22	Financial derivatives	22	14	22	24	27
149	217	114	118	104	Other liabilities	118	134	126	227	161
300	300	301	451	451	Fund bonds	451	451	301	300	300
23 523	**23 602**	**23 419**	**23 641**	**23 603**	**Total liabilities**	**29 647**	**29 445**	**29 016**	**28 880**	**28 563**
1 177	1 177	1 177	1 178	1 178	Paid-in equity capital	1 178	1 178	1 177	1 177	1 177
299	296	299	291	299	Hybrid capital	299	291	299	299	299
1 750	1 661	1 642	1 644	1 774	Accrued equity capital/retained earnings	1 843	1 710	1 706	1 722	1 809
0	109	138	187	0	Profit after taxes	0	176	115	73	0
					Minority interest	2	2	2	2	2
3 226	**3 243**	**3 256**	**3 300**	**3 251**	**Total equity capital**	**3 322**	**3 357**	**3 299**	**3 273**	**3 287**
26 749	**26 845**	**26 675**	**26 941**	**26 854**	**Total liabilities and equity capital**	**32 969**	**32 802**	**32 315**	**32 153**	**31 850**

OTHER KEY FIGURES

Parent bank			*Group*	
31.12.17	**31.12.18**		**31.12.18**	**31.12.17**
		BALANCE SHEET		
		Development in the last 12 months		
7.7	0.4	Total assets[9]	3.5	8.4
4.4	3.3	Gross lending[6]	5.2	7.5
5.7	1.7	Customer deposits[7]	1.6	4.9
87.1	85.7	Deposit coverage as a percentage of gross loans[5]	61.6	63.8
55.8	55.2	Lending to retail customers	66.6	66.4
25 962	26 830	Average assets[10]	32 443	30 852
20 012	20 669	Gross loans[4]	27 995	26 611
		SOLIDITY		
16.6	16.4	Core tier one Capital ratio	15.6	15.8
18.4	18.0	Core Capital ratio	17.1	17.4
20.2	20.7	Total Capital ratio[21]	19.6	19.1
		Core tier one Capital ratio, after proportionally consolidation in%	15.2	15.5
		Core capital ratio, after proportionally consolidation in%	16.9	17.2
		Total Capital ratio, after proportionally consolidation in%	19.3	18.9
9.1	8.9	Leverage ratio[22]	9.2	9.3
8.2	4.4	Rate of return on equity capital[1]	4.6	8.6
1.0	0.5	Return on assets	0.5	0.9
		KEY FIGURES PCC		
8.9	4.8	Yield per primary certificate[16]	5.0	9.5
8.9	4.8	Diluted result per ECC, in Norwegian currency	5.0	9.5
76.5	76.3	ECCs split (01.01)[18]	76.3	76.5
107	108	Equity capital per ECC[17]	110	108
88.0	69.5	PCC price quoted on the stock exchange	69.5	88.0
7.4	14.4	P/E (price divided by profit per ECC)[19]	13.9	6.9
0.8	0.6	P/B (price divided by book value of equity capital)[20]	0.6	0.8
41.4	40.3	Costs as a percentage of income[3]	39.7	39.9
1.0	1.0	Cost in percent of average total assets	0.9	0.9
148	150	Number of man-years	150	148
		LOSSES ON LOANS AND GROSS DEFAULTS		
		As a percentage of gross lending:		
0.7	1.5	Gross defaults over 90 days[13]	1.1	0.5
0.6	0.9	Net defaults over 90 days	0.7	0.4
0.3	1.2	Losses on lending[12]	0.9	0.2

1) Percentage of equity excl. Hybrid capital

OTHER CALCULATIONS

Parent bank						*Group*
31.12.16	**31.12.17**	**31.12.18**	**(Figures in MNOK and %)**	**31.12.18**	**31.12.17**	**31.12.16**
			Operating costs, adjusted for one-time effects			
269	269	279	Operating costs	286	275	275
0	0	0	One-time effects	0	0	0
269	**269**	**279**	**Operating costs, adjusted for one-time effects**	**286**	**275**	**275**
1.39 %	1.39 %	1.04 %	Operating costs in % of BTA, adjusted for one-time effects	0.88 %	1.19 %	1.19 %
41.4 %	41.4 %	40.3 %	Operating costs in % of income, adjusted for one-time effects	39.7 %	39.9 %	39.9 %
256	256	144	Profit	149	273	273
-14	-14	-12	Paid interests subordinated bonds	-12	-14	-14
242	242	132	Net profit, incl. Interests subordinated bonds	137	259	259
0	0	0	one-time effect pension	0	0	0
242	242	132	Profit, adjusted for one-time effects	137	259	259
256	256	144	Profit (annualized)	149	273	273
242	242	132	Profit (annualized), eks one-time effects and incl. interests subord	137	259	259
3 132	3 132	3 285	Average equity	3 268	3 171	3 171
-333	-333	-299	Average subordinated bonds	-299	-333	-333
2 799	2 799	2 986	Average equity adjusted for subordinated bonds	2 969	2 838	2 838
8.2 %	**8.2 %**	**4.4 %**	**ROE**	**4.6 %**	**8.6 %**	**8.6 %**
8.6 %	**8.6 %**	**4.4 %**	**ROE adjusted for one-time effects and interests FO11**	**4.6 %**	**9.1 %**	**9.1 %**
256	256	144	Profit	149	273	273
256	256	144	Profit (annualized)	149	273	273
242	242	132	Profit (annualized), eks one-time effects and subordinated bonds	137	259	259
25 962	25 962	26 830	Average assets	32 443	30 852	30 852
1.0 %	**1.0 %**	**0.5 %**	**Return on assets (annualized)**	**0.5 %**	**0.9 %**	**0.9 %**
0.9 %	**0.9 %**	**0.5 %**	**Return on assets (annualized) adjusted for one-time effe**	**0.4 %**	**0.8 %**	**0.8 %**
3 020	3 020	3 058	CET1	3 136	3 068	3 068
33 228	33 228	34 500	Unweighted calculation basis	33 997	32 842	32 842
9.1 %	**9.1 %**	**8.9 %**	**Leverage ratio**	**9.2 %**	**9.3 %**	**9.3 %**

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.

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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