helgeland sparebank

ANNUAL REPORT 2016

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Comments from the CEO

Helgeland Sparebank delivers historically good profits for 2016. Granted, although a portion of the profits are attributable to one-off effects, we have every reason to be proud of the results of the bank's core operations.

Behind the profits are hard work and a proactive attitude from all of the bank's employees. High activity in Helgeland and DNB's closure of several offices gave us loan and deposit growth in both the retail and corporate market that was well above the national average. We have strengthened the bank's position in 2016 and feel that the people of Helgeland appreciate a local bank offering with competent advice combined with a unique local expertise.

We are facing a year of continued strong growth in our market area, and we are very pleased that, after a successful placement, we are capitalized to provide finance and contribute to the profitable growth of Helgeland. We will distribute a significantly higher dividend for 2016 than 2015, and since we equate social capital with equity certificate capital, we will also set aside a substantial amount of donations this year. The gift funds will benefit cultural life, sport, research and education. A sound environment and good living conditions are important for Helgeland to attract young people. Population trends are the region's biggest challenge. Children and adolescents have a high priority in our allocation of donations.

Customers using the bank change and the finance industry is currently undergoing digitisation at a rapid pace. This requires both changes in the competencies of bank employees and further streamlining of the bank's organisation.

It is with great pleasure that in February, we were able to send out a press release that Helgeland Sparebank, together with over 100 banks, have come together to bet on Vipps as a common mobile wallet for all Norwegian people. Through collaboration with Frende, we get a stake in a company that is absolutely at the forefront internationally in mobile payments. This gives us access to knowledge and inspiration, while our clients are assured of good products.

Our strategy as an independent local bank with Helgeland as market will continue with reassurance that this is right and important for the region. Although we will make adjustments in the future, the people of Helgeland will encounter competent advisors who know the community, the customer and the company.

At the end of 2016, Hanne J Nordgaard was appointed as the new CEO of Helgeland Sparebank starting 1 September 2017. She comes from a position as executive vice president for Helgeland at Sparebank1 Nord-Norge, and has extensive financial and management experience from private and inter-municipal activities.

I will enter retirement from September, and I would like to take this opportunity to thank you for 32 wonderful years in a bank that has had an extraordinary development, and that obviously is important for a well-functioning Helgeland.

Lisbeth Flågeng
CEO

The Bank's Board of Directors

The Board of Directors of the Bank consists of (from left): CEO of Helgeland Kraft, Ove A. Brattbakk, CEO of Torghatten Trafikkselskap, Stein Andre Herigstad-Olsen, advisor in Alstahaug Municipality, Inga-Marie Lund, deputy employee representative at Helgeland Sparebank, Martin Søreng, CFO of Mo Industripark AS and general manageer of Economica AS, Eva Monica Hestvik, employee representative at Helgeland Sparebank, Birgitte Lorentzen, general manager at Kunnskapsparken Helgeland AS, Bjørn Audun Risøy, adviser Nils Terje Furunes and professor at Centre for Industrial Business Development at Nord University, Marianne Terese Steinmo

The bank's management group

The bank's management group consists of (from left): Corporate Market Director, Bjørn-Tore Brønlund, Private Market Director, Dag-Hugo Heimstad, CEO Lisbeth Flågeng, Finance Director Sverre Klausen, Economic Director Ranveig Kråkstad, Organisational Development Director, Ann Karin Krogli, Risk Management Director, Anne Ekroll, and Business Development Director, Øyvind Karlsen.

Private market

The Bank has strengthened its strong market position in Helgeland.

With lending growth in the retail market at 9.3%, the Bank's market share of around 50 percent strengthened during 2016. There is considerable competition, especially in the urban areas, with DNB and Sparebank 1 Nord-Norge as the major competitors locally.
Helgeland Sparebank is the region's own bank, with 12 branch offices throughout Helgeland and a call centre which is available until 20:00 every day, Monday to Friday. The bank is also accessible through excellent internet and mobile solutions 24/7.

The use of the bank's automated solutions, and especially mobile banking continues to increase and has now become one of the bank's most widely used customer channels.
The bank, however, realizes that the importance of personal meetings between bank and customer is still as important as ever. This is especially true in connection with loans for large investments such as the purchase of residential/holiday homes, and complex financial solutions related to pensions, bank deposits and other savings.
It is in such conversations that the local bank can show its exceptional technical and market expertise, and emerge as responsible adviser in a future-oriented local bank with the aim of finding the optimal solutions for this customer.
Therefore, we are continuing efforts to authorize all of our customer advisors, allowing customers to experience first-class professionalism, quality, dedication and service.

Development 2016

Lending to the private market in 2016 was larger than expected at the beginning of the year. This is due to several factors such as high labour participation/employment, rising prices in the housing market and changes in the market situation when DNB discontinued its offices in Brønnøysund, Sandnessjøen and Mosjøen.

Growth in house prices in Helgeland in 2016 was 9.5 per cent for detached houses, while the average for Norway was 5.6 per cent. Corresponding figures for apartments show prices increased by 7.2% for Helgeland and 10.8% for the country as a whole. These figures also partly explain some of the increased lending growth in our private market.

Historically, house prices in Helgeland have been stable compared with larger towns and cities, such as Bodø, Trondheim and Tromsø. A low interest rate makes it easier to get into the housing market, and the development of house prices in the region is expected to continue to be stable.
The bank has initiated a number of measures to maintain its position in the private market and take our share of the growth in our market area. The mortgage rate is adapted to the competitive situation and the organisation is strongly focused through its aggressive marketing work.

Deposits/savings from residential customers were about as expected, at 6.1%. Our private clients' willingness to save has been stimulated by competitive conditions.
It will be interesting to follow developments in interest rates in 2017, because this will affect willingness to aim for purpose savings and pension savings in banks. Today's welfare programs being challenged by declining revenues from the oil sector and an aging population, and in the future it will become increasingly important for young people to secure their retirement by starting pension saving at a young age.

The bank has been very successful in its sales of non-life and pension insurance for Frende Forsikring and is now thelargest insurance provider in Helgeland with a market share of 23% in both general insurance and personal insurance.

The corporate market

Image: Øvre Forsland Power Station - Illustration: stein hamre arkitektkontor as / mir

The focus on sales of secured vehicle loans through Brage Finans increased significantly, and the bank is taking anincreasing share of this type of financing in Helgeland.

The Bank's good growth through 2016 reflects the positive developments that businesses in Helgeland have had during the year.

With a large public sector which, among others, includes the Norwegian National Collection, the NRK Licensing Department, the National Library, Helgeland Hospital and the Brønnøysund Register Centre, this represents the stability of public agencies for both private and corporate customers at the bank Even with the prospect of changes in license-collection and eventual disappearance of the Licensing Department, increased funding for development and development projects related to the National Library and the Brønnøysund Register Centre provide hope that Helgeland will continue to have a strong public sector.

There was strong activity in the private sector and unemployment has remained low throughout 2016.

We summarise the status as follows:
- Industry is producing at full capacity
- The aquaculture industry profits greatly from high salmon prices
- The construction industry has a great deal of activity in all areas
- The real estate industry is based on both residential and commercial buildings
- The tourism industry has had good utilization and great deal of activity

Industry

The high-power-consuming industry in Helgeland, with companies such as Alcoa, Celsa, Glencore and Elkem (Fesil), still enjoys the benefits of a favourable exchange rate on the Norwegian krone. There has been satisfying demand for industry products, and more companies have implemented and planed new investments related to green industry, digitization and increased productivity.
Towards the end of the year, Celsa moved its processing factory (reinforcement mesh) from Oslo to Mo i Rana to streamline the company's value chain and increase the degree of processing in the field of reinforcement steel.

The low price of oil also affects the oil industry in Helgeland. However, oil exploration off the coast continues and there are some interesting new discoveries. Aasta Hansteen's development was project carried out as planned with activity to Helgeland, which has contributed to the local offshore industry that has maintained fairly normal production in 2016.

The building and contracting industry

This has been a positive year for the building and construction industry in Helgeland. There has been a particularly great deal of activity with the development of E6 North. The development has a value of approximately NOK 2.1 billion, where contracts for NOK 7–800 million awarded to local entrepreneurs. In addition, the expected start of E6 South during 2017 is estimated to cost approximately NOK 3 billion. Other construction activity is good, related to several smaller road projects and renewal of water and wastewater systems in several municipalities. There are ongoing major real estate developments, particularly in Mo i Rana, and planned new construction projects both in Mo i Rana and Mosjoen in the field of residential and commercial development, and also in Sandnessjøen in the public sector. Several major projects in the renewal and expansion of existing hydropower plants were completed in 2016, and this continues into 2017 with significant activity in renovation and new construction of power plants.

Retail and service industries

Helgeland had wage growth in 2016 in line with the rest of the country, and all forecasts show a normal development in sales of groceries, consumer goods and capital goods.
Also, the region's service industries have had a normal year in 2016.

Fisheries and aquaculture

Like in the rest of Nordland, salmon farming is the driving force of the fisheries and aquaculture sector in Helgeland. The aquaculture industry has achieved prices like never before, and even if some disease also

affected breeders in Helgeland, the profits of the Norwegian aquaculture industry in 2016 are still at the best of all time. It is gratifying that the industry's local companies are making use of the good results for combating disease and for research/development of new production methods, new feed compositions and chemical-free treatment of salmon lice (freshwater treatment, breeding of roes and the like).
We have also noted a significant renewal of infrastructure, with new service launches, barges and a better operating environment in the cages.
The fishermen engaged in catching fish in the wild have had a good year in 2016, with good catches and high prices for raw materials. The same also applies to production companies.

Agricultural industry

The trend towards fewer and larger production units has continued in 2016, with the reduction in the number of milk producers and the number employed in agriculture in Helgeland. Meanwhile, value creation has increased through production growth on the basis of leased land, leased milk permits and more efficient operations.
Farmers in Helgeland are highly skilled, innovative and hardworking. Recruitment to the industry is good, and investments are still being made in new farm buildings and upgrading existing buildings and production equipment.

Tourism industry

The tourism industry have enjoyed good utilization through 2016 in both the leisure and business travel markets. Combined with the development of adventure tourism and natural hiking and mountain climbing, increased activity is expected in 2017. Promotion of Helgeland through the Bike Arctic Race of Norway profiled Helgeland in a very positive way.

Value creation in a wide perspective

Image: Rabothytta , Hemnes Municipality Foto: Jan Inge Larsen/Helgeland Reiseliv

Helgeland Sparebank has a vision to be a driving force for growth in Helgeland.
Helgeland Sparebank has key partners in both the private and public sector and the voluntary sector in Helgeland in efforts to make Helgeland into a thriving community for all.
As a local savings bank, we use a considerable portion of our profit after tax and dividend on non-profit causes, and in 2016 the bank distributed nearly NOK 17 million for the benefit of people throughout Helgeland.
Helgeland Sparebank has been purposefully demonstrating its social responsibility for many years, and since 2007 the bank's gift fund and gift foundation have given financial support of about NOK 150 million to almost 1,500 good causes in Helgeland.
In 2016, the bank allocated NOK 26 million of its profit to non-profit causes.

In its gift policy, the bank prioritises the formative conditions of children and young people in a broad sense in areas such as:
- Sport and culture and the experience economy
- Knowledge and research and innovation measures
- Sport and culture stipends
- Instrument banks (lending schemes)
- The Horizon Community Prize

These initiatives are all important in their various ways for growth and development in Helgeland. Even though charitable gifts do not require any service in return from the recipients, funding from the gift fund and the gift foundation must be regarded as capital that comes with demands. Our aim is to ensure the best possible return from the initiatives that we support, in the form of competence raising, competence sharing and utility value for many local communities and for the region's population young and old.

Image: Recipients of the sport and culture stipend for 2014

The bank's distribution of gifts

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

Therefore, the formative conditions for children and young people have a high priority in the bank's allocation of funding. This is reflected in all priority areas. Work on formative conditions is an investment for the future. The region is totally dependent on creativity and competence for the generations that will come after us. We know that the years of childhood and youth have a great significance on people's ability to cope later in life, and in Helgeland there are many voluntary clubs and organisations that do an amazing amount of work for children and young people. We wish to be an active player on this team.

Sport and culture stipends

The bank wishes to help ensure that young talent in sport and culture gets the attention and support it needs to grow its talent. In 2016, 8 participants in the field of sport and 2 in the field of culture received a stipend of NOK 30,000 each.

Knowledge, research and innovation measures

Business in Helgeland is internationally-oriented, and a large part of it is based on either renewable local hydro power or on what nature has given us. We know that in the future business for may people will consist of competence-based companies using environmentally-friendly and globally-sustainable production technology.

Helgeland is rich in natural resources, which will always be an important premise for future value creation and development.
The future will set demands for new knowledge and innovation and Helgeland Sparebank makes an active contribution to collaborative projects with university colleges and the university in order to promote local competence and competitiveness.
Overall, Helgeland Sparebank has contributed more than NOK 15 million in recent years to knowledge and research in Helgeland.

The Horizon Community Prize

Helgeland Sparebank has instituted the Horizon Community Prize. The award has already been presented to 9 persons and organisations that have distinguished themselves through their commitment to individuals, groups or the local community as a whole.

In 2016, the Horizon Community Prize was awarded to Knut Berntsen from Nesna. It is Knut Berntsen who, through his work in the Arctic Circle Outdoor Recreation Council, got children, youth, families and adults to use nature in simple and imaginative ways such as Arctic Circle outdoors and nature school and the school project «Full milling in Nordland».


ANNUAL REPORT AND FINANCIAL STATEMENTS
2016

FINANCIAL SUMMARY GROUP

Parent bank								Group
%	2015	%	2016	(Amounts in NOK million)	2016	%	2015	%
				Profit and loss account				
1.74 %	404	1.90 %	467	Net interest- and credit commission income	520	1.84 %	463	1.76 %
0.38 %	87	0.35 %	85	Net commission income	85	0.30 %	87	0.33 %
0.06 %	15	0.02 %	6	Other operating income	6	0.02 %	11	0.04 %
1.13 %	261	1.03 %	253	Total operating costs	271	0.96 %	270	1.03 %
1.05 %	**245**	**1.24 %**	**305**	**Result from ordinary operations**	**340**	**1.20 %**	**291**	**1.10 %**
0.27 %	65	0.43 %	105	Gains/losses on financial assets	74	0.26 %	21	0.08 %
		0.30 %	74	Income by conversing to defined contribution	74	0.26 %		
0.14 %	32	0.14 %	35	Losses on loans, guarantees etc.	36	0.13 %	32	0.12 %
1.19 %	**275**	1.83 %	449	**Result before tax**	452	1.60 %	**280**	**1.07 %**
				The balance sheet				
	23 802		25 371	Assets 31.12	29 383		27 132	
	18 295		19 169	Gross loans to customers	24 748		22 541	
	14 644		16 490	Deposits from customers	16 173		14 418	
	80.0 %		86.0 %	Deposits as a percentage of gross loans	65.4 %		64.0 %	
	9.8 %		4.8 %	Development gross loans	9.8 %		8.2 %	
	4.8 %		12.6 %	Development deposits	12.2 %		5.0 %	
				Solvency				
	2 652		3 332	Total net equity and related capital	3 373		2 705	
	13 931		15 381	Weighted assets calculation basis	16 439		14 676	
	19.0 %		21.7 %	Core capital ratio	20.5 %		18.4 %	
	15.6 %		16.9 %	Core tier one capital ratio	16.1 %		15.2 %	
	9.6 %		12.5 %	Equity capital ratio	10.9 %		9.6 %	
	9.9 %		13.5 %	Rate of return on equity capital	13.0 %		9.3 %	
				Offices and number of man-years				
	164		152	Number of man-years	152		164	
	14		12	Offices	12		14	
				Losses on loans and gross default				
	0.4		0.4	Gross default in % of gross lending	0.3		0.3	
	0.5		0.6	Total loan loss provision in % of gross lending	0.5		0.4	
	0.1		0.2	Losses on lending in % of gross lending	0.1		0.1	
				Primary capital certificates (PCCs)				
	59.0		81.0	EC's price quoted on the stock exchange	81		59.0	
	6.9		5.9	P/E (price/divided by profit per EC's)	6.0		7.1	
	0.6		0.8	P/B (price/divided by book value of equity capial)	0.8		0.6	
	75.1		76.5	EC's percentage	76.5		75.1	
	91.6		100	Equity capital per EC's	101		93.7	
	8.6		13.8	Yield per primary certificate	13.5		8.4	
	2.75		3.75	Cash dividend				
	4.60		7.20	Equalisation reserve				

Definition on page 109 and tabular form page 110 who shows figures adjusted for principal changes and one time effects.

Annual Report 2016

Introductory Commentary 2016

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

2016 has been a good year for the HSB group with good profitability in the bank's basis operation.The one-time effect by conversion to defined contribution was recognized as an income in Q1 and gains from the sale of Visa in Q2. Increased earnings from Helgeland Invest AS has also contributed positively.

It was in a Board meeting in February 2016 decided staff reduction by up to 15 employees. The bank has now reached thiss target with planned downsizing and the decided changes of the office net were completed in 2016. The bank will further adapt the staff as a consequence of changes in customer behaviour and technology development.

Bank employees with defined benefit plan (who according to pension legislation could be transferred from defined benefit pension plan) was transferred to a defined contribution pension with effect from 01.03.16. This resulted in a significant one time effect recognized as income in 2016.

The bank maintained Moody's rating A3 "stable outlook" in May 2016.

According to the new capital target decided in September 2016, the HSB group must have a CET1 of minimum 14.5 % and a total capital of minimum 18.0 %. Other financial targets – dividend policy and return targets on equity is unchanged.

To be able to contribute to profitable growth on Helgeland, the bank completed a successful private placement and a following repair placement. In addition, the bank issued a new subordinated bond loan.

2016 has been a year with good growth both in the retail and corporate market. The bank's strong market position combined with the expertise of the banks advisors, competitive price and solid equity makes the bank well prepared to meet the competition.

The CEO in Helgeland Sparebank, Lisbeth Flågeng, use her pension agreement at 60 years of age, and retires 31.08.17.

The board in Helgeland Sparebank has hired Hanne J. Nordgaard as new CEO, with effect from 01.09.17.

About Helgeland Sparebank

History

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

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

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

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

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

In 2014, the bank, together with three other banks (Sparebanken Sør, Sparebanken sogn og Fjordane and Gjensidige bank), entered a comprehensive agreement with EVRY for the delivery of banking services. The agreement also included renewal of the core systems. The agreement continued cooperation on a complete portfolio banking solutions, which will support the four banks in their efforts to develop the market's best digital solutions regardless of the channel. The agreement applied January 1st 2015 and runs till December 31st 2019. The agreement has an option to extend for further two years.

Vision, mission and strategy

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

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

The bank's target is to give the owners a good and stabile long-term return in the shape of dividend and value increase. The two owner groups are to be treated equally and up to half of the profit can be distributed as dividends and gifts.
The bank has a goal to reach a return of equity which is competitive in the market seen in comparison to the bank's risk profile. The return of equity target is minimum 10 % (group). The bank CET1 target is minimum 14.5 % and a total capital of 18.0 %. After placements implemented in 2016 CET1 was 16.1 % and total capital was 20.5 % per 31.12.16.

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

The HSB group's sphere of activity
Helgeland Sparebank mainly concentrated traditional banking and financial services in the Helgeland region, together with sale of savings products, investment and insurance products, leasing and sales collateral.

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

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

The bank has 12 offices in 12 municipalities in the Helgeland region and is the 12th largest savings bank in Norway. The HSB group serves mainly the retail market, business environment and the public sector in the Helgeland region.

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

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

Daughter companies

Helgeland Boligkreditt AS
The company is licenced as a credit company with permission to issue covered bonds. The company's main purpose is to ensure the HSB group a stable and long-term financing at competitive terms. The bank owns 100 % of the shares. The CEO is hired from the bank with 35 % employment.

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

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

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

ANS Bankbygg Mo
The business consists of owning and operating rental of business premises in Jernbanegata 15 in Mo i Rana. The bank is the largest tenant in the building and owns 97 % of the shares in the company. The company has no employees.

Storgata 73 AS
The company is a real estate company in Brønnøysund in Brønnøy municipality. The bank owns 53 % of the stocks in the company. The company has no employees.

Associated companies

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

REDE Eiendomsmegling AS
The company is the market leader in within real estate business in the Helgeland region, and is Helgeland Sparebank's collaboration partner. Helgeland Sparebank owns 40 % of the shares in the company. REDE eiendomsmegling AS was established June 1st 2015 through a merger between Eiendomsmeglerern Helgeland AS, GARANTI Eiendomsmegling AS and MOBO Eiendomsmegling AS. The company has 25 employees, whereby 18 is certified real estate brokers and brokers with long experience from the real estate market in Helgeland. REDE eiendomsmegling AS has offices in the banks premises in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund.

Product companies

Frende Forsikring AS
Frende Forsikring consists of the companies Frende Life insurance and Frende casualty insurance. The company was established in 2007 and has their main office in Bergen. The bank has an owner share of 7.9 % in the parent company Frende Holding AS. The rest of the shares are owned by fourteen other independent banks.

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

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

Market
The bank has its main market in the 18 Helgeland municipalities bounded by Saltfjellet in the north and Trøndelag in the south. The largest cities/villages in the market are Mo i

Rana, Brønnøysund and Sandnessjøen. The population in these city areas amounts to approximately 60 % of the population in Helgeland as a whole, which is approximately 78 600 residents. The bank's largest competitors are Sparebank 1 Nord Norge, DNB Bank ASA and Handelsbanken. In addition, Grong Sparebank has established an office in Mosjøen.

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

Helgeland Sparebank also has a strong market position among the SMEs, with a market share well above 50%.
In the agricultural segment, which traditionally is a low-risk segment, the bank is leading with a market share near 75%. The customer portfolio consists of SMEs in various industries. The bank's advisors have strong competencies within many industries and give businesses the access to professional consultation. The bank's market area is Helgeland, but good corporate customers are in some cases followed out of the region.

Corporate Governance and Management

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

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

In the corporate governance, Helgeland Sparebank's Board of Directors emphasizes to follow the guiding documents outlined in the Norwegian Code of Practice for Corporate Governance, as well as the principles for corporate governance in banks outlined by the Committee of European Banking Supervisors.

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

In 2016, the bank held 13 board meetings. Development of the bank's strategy, structural changes, risk and capital management, and operating costs, have been the boards focus areas.

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

As part of the Board's work, it has chosen an audit committee and a risk committee and a remuneration committee. The committees will ensure that Helgeland Sparebank has an independent and effective internal and external audit, and that the accounting and risk reporting is in line with rules and regulations. The members of the audit committee are Ove Brattbakk (leader) and Stein Andre Heringstad-Olsen and Eva Monica Hestvik. The audit committee has had 7 meetings in 2016, and the risk committee has had 4 meetings and the remuneration committee 1 meeting.
A detailed account of corporate governance can be found in a separate section of the annual report.

Annual Accounts 2016

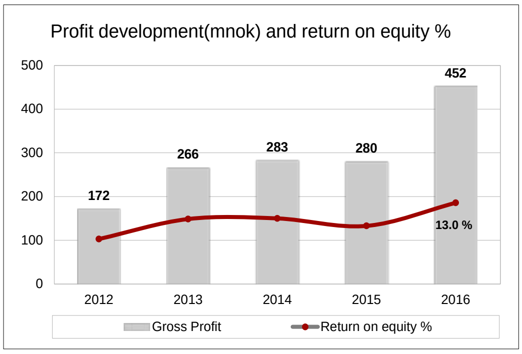
Accounting Standards

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

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

Main features

The HSB group has a gross profit of MNOK 452 (280). The earnings give an annual net ROE of 13.0 (9.3) %. The EPS is NOK 13.4 (8.4). A NOK 41.9 (37.4) % pay-out ratio is suggested, which gives a cash dividend of NOK 3.75 per equity certificate (EC). As earlier communicated, one time effect pension is entirely supplied equity. The bank's EC's is noted exclusive dividend 30.03.17.



Key figures 31.12.16:

(Compared per 31.12.15)

- Net interest 1.84 (1.76) %
- Costs in percent of BTA 0.96 (1.03) %
- Write-downs on lending 0.13 (0.12) %
- 12-month lending growth 9.8 (8.2) %
- 12-month deposit growth 12.2 (5.0) %
- CET1 ratio 16.1 (15.2) %
- Capital ratio 20.5 (18.4) %

The net interest

The HSB group's main source of income is the net interest. The bank has managed to maintain the net interest despite the generally low interest level and the strong competition

Net interest income was 520 (463) million or 1.84 (1.76) % of average assets. This is an increase of MNOK 57 compared with the corresponding period last year. The bank has managed to maintain net interest income over the past year despite the generally low interest rates and strong competition. Interest on covered bonds is from 2016 booked against equity. Previously interest at covered bonds was posted as interest. This has improved the net interest rate in the first half with 4 bp compared with last year.

The bank has conducted several interest rate reductions on lending to customers. Helgeland Sparebank has the aim to be competitive on the mortgage rates. Reduced margins on mortgages are largely compensated by repricing the deposit rates, and have contributed strongly to the maintenance of the net interest. The Norwegian bank's guarantee fund fee is charged with 4 basis points (bp) in 2016.
Through Helgeland Boligkreditt AS, the HSB group has access to low loan costs by issuing covered bonds.

Net commission earnings

Net commission earnings have decreased by MNOK 2, from MNOK 87 in 2015 to MNOK 85 in 2016.The decrease is primarily due to moved depot charge from net commission earnings to net interest and have reduced net commission earnings with MNOK 4. Commission from general insurance is a significant part of the income and makes up MNOK 18 (16,8). In percent of average total assets, the bank the level is to 0.30 (0.33) %.
The bank owns 7.9% of the insurance company Frende Holding AS. The company is owned together with 14 other savings banks. In the leasing company Brage Finans AS, the bank's ownership is 10%. The company is owned together with nine other savings banks. The bank's ownership in the product companies helps complementing the bank's spectrum of products and services. Comprehensive sale with focus on insurance and leasing remain a focus area for the bank.

Net profit from financial instruments

Net income from financial instruments was MNOK 74 (21). Profit share from associated companies was MNOK 51 (27.), where the income from the Helgeland Invest group is included with MNOK 50 and Rede Eiendomsmegling with MNOK 1. In addition, the bank has received dividend from Frende, MNOK 6. Sales of HSB stake in Visa Europe resulted in a gain of MNOK 14 in Q2.

Other operating income

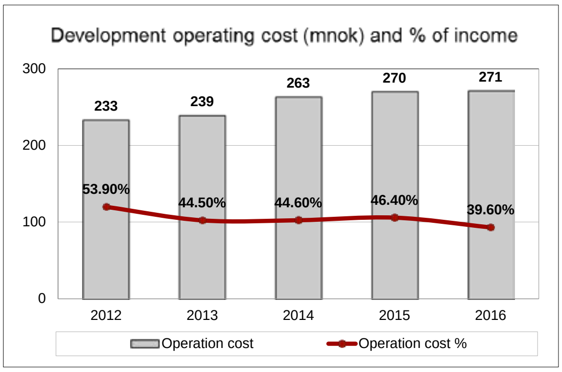
Other operating income constitutes MNOK 6 (11). This is mainly income from the sale of services and rental income from buildings. The decrease is connected to the sale of two properties in 2015.

Operating costs

Total operating costs were MNOK 271 (270).
The banks planned downsizing process at 11 FTEs in 2016 is completed. The Bank will continue to adapt the workforce in line with changes in customer behaviour and technological development.

Is has in December 2016 been given extra contribution to employees and allocation of EC's totalling MNOK 2.4. This has contributed to higher costs in the last quarter. The cost growth in 2016 was MNOK 1.4 or 0.5 %.This is within the groups target figures (max growth in operating costs 1 %).

All bank employees with defined benefit scheme were transferred to a defined contribution pension scheme with effect from 01.03.16. This resulted in a onetime gain by MNOK 74 recognized in 2016. The transition from defined benefit to defined contribution plan will primarily provide more predictable pension costs, but will also provide future savings.
The operating costs in per cent of average total assets was 0.96 (1.03) %, and costs in percent of earnings was 39.6 (46.4) %.



Expensed write-downs on commitments

Write-downs on loans to customers and guarantees amounts to MNOK 36 (32) and the underlying entries are an increase write-down at corporate market loans of MNOK 29 and an increase in group write-downs of MNOK 8. The group write-downs are mainly increased as a result of growth in the bank's loans, and are based on an overall assessment of the

(PD/LGD) modell, the solvency development in the retail market, and the defaults.

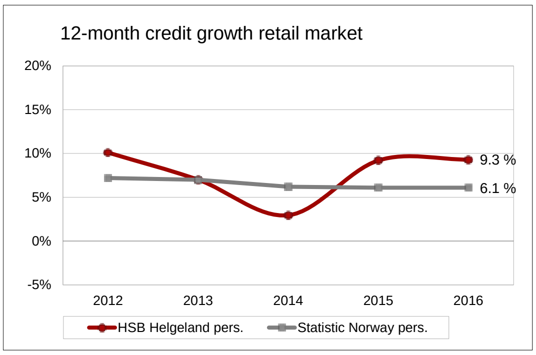
Extended income
The bank has a value increase on unrealized profits in Frende, Brage Invest AS and Helgeland Invest AS.

Balance development (HSB group)
The total assets constitute NOK 29.4bn. Over the last 12 months, there has been a growth in total assets with MNOK 2 251 or 8.3 (5.2) %.

Cash flow
The statement of cash flows shows how Helgeland Sparebank has received assets and how these have been used. It is developed based on the gross cash flows from operating activities, investment and financing activities.
Net cash flow from operating activities is MNOK 130 (-263). Net cash flow from investments activities is in 2016 MNOK 9 (5). Net cash flow from financing activities is MNOK 133 (81). The lending is financed with deposit increase and allocation of new equities and hybrid capital. The liquid fund is almost the same as in 2015.

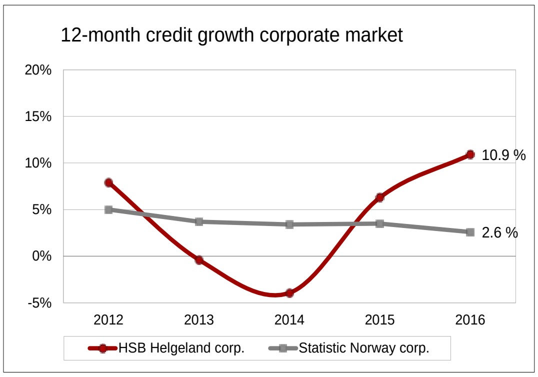
Interest bearing assets
The HSB group's reserves of interest bearing assets was per 31.12.16 MNOK 3 295 (3 235). Duration in the interest bearing assets was 2.0 (2.3) years.96 % of the portfolio is rated A- or better. 88 % is covered bonds or government/community bonds.

Commitments
By the end of the year, gross lending constituted MNOK 24 748. The 12-month lending growth was MNOK 2 207 (1 714), or 9.8 (8.2) %. 84.0 (84.4) % of the HSB group's lending is to customers in Helgeland.
MNOK 16 735, or 67.6 (67.7) % of gross lending is lending to retail customers, who is within target figures. MNOK 5 629 (22.7 %) is transferred to the bank's mortgage company.
The 12-month growth in the retail market was MNOK 1 422 (1 284),or 9.3 (9.2) %.
The 12-month growth for corporate customers was MNOK 785 (429), or 10.9 (6.3) %.

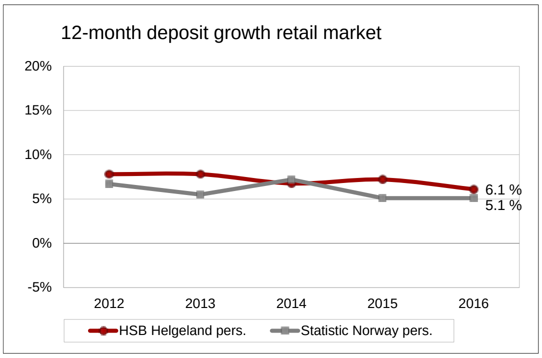


The bank's credit growth reflects a market area with higher activity than the rest of the country. The growth in the retail market is in addition affected by DNB's closure of 3 out of 4 offices in Helgeland.

Both in the retail and in the corporate market, the growth has been higher than in 2015 and also higher than the national growth.

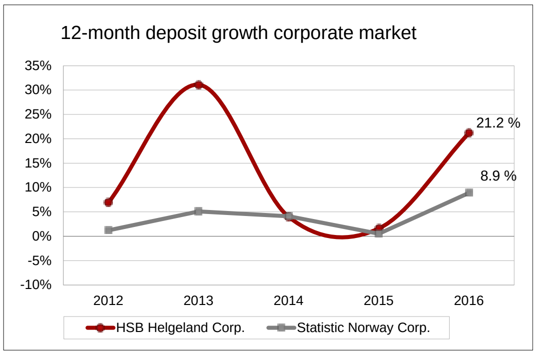


Deposits from customers
By the end of the year, deposits from customers constituted MNOK 16 173. The deposits have over the last 12 months increased by MNOK 1 755 (693), or 12.2 (5.0) %. Deposit growth is good and significantly higher than the same time last year. The bank also has higher growth than the national deposit growth



The HSB group has stable and local depositors, whereby 91.0 (91.1) % are deposits from customers in Helgeland. The 12-month deposit growth in the retail market was MNOK 520 (609), or 6.1 (7.2) %. Of total deposits at MNOK 16 173, MNOK 9 104, or 56.3 (59.5) % are deposits from retail customers.
The 12-month deposit growth in the corporate market was MNOK 1 235 (84), or 21.2 (1.6) %. The bank has gained several new customers in municipal sector. It has also been significant deposit growth for existing customers in aquaculture.

The deposit ratio is good and was 65.4 (64.0) % in the HSB group, and 86.0 (80.0) % in the parent bank. This is well within the target figures.



Funding

Deposits from customers are of priority of funding for the bank. The volume difference between loans to customers and deposits is funded in the Norwegian money- and securities market and covered bonds issued by the Group amounts to MNOK 9 500 (9 549). In addition, the bank has signed a new loan from the Nordic Investment Bank in the third quarter. The HSB group has a long term funding from the capital market and by the end of the quarter, the share of loans beyond one year was 88.2 (81.4) %. The average remaining term for these debt securities was 2.8 (2.5) years. Duration in the mortgage company was 3.1 years.

The bank is preparing for the transferral of more approved mortgages to the wholly-owned mortgage company. The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 30 % of gross lending. Per 31.12.16, 22.7 (19.5) % are transferred.

The equity certificate – HELG

To be able to handle the growth in Helgeland, Helgeland Sparebank completed a private placement followed with a repair placement that overall gave a net provide of MNOK 147 in 4th quarter 2016. The allocation of new EC's was done November 24th and December 16th for the repair placement. After the placement the ownership ratio has increased from 75.1 % to 76.6 %. Weighted average 75.3 %
(Hybrid capital classified as equity is not included in the calculation of ownership ratio.)

The number of EC's has after the placement increased from 18 700 000 to 20 871 427. Weighted average in 2016 was 18 941 995 EC's.
By the end of the year the number of EC owners amounts to 2 037. The 20 largest owners are noted with 79.2 % of the EC capital.
Sparebankstiftelsen Helgeland is the largest owner with 34.8 % of the ECs in HELG.
The price of the EC was per 31.12.16 NOK 81.00, which is an increase of NOK 22.00 per EC from the turn of the year.

The bank wishes to stimulate its employees to own EC's in their own company and allocated in December 65 EC's (a total of 10 142) to all full time eployees as an extra contribution to the income year 2016.

Dividend policy

The Board of Directors approved the current dividend policy in September 2016.

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

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

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

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

Management of earnings in the parent bank

The parent bank's gross profit was MNOK 359. Adjusted for the fund change from unrealised profits, interest subordinated bonds and one time effect pension (which is fully supplied equity, MNOK 41.6 for the cohesion fund and MNOK 13.8 to the primary capital fund) the basis for dividends is MNOK 248. The Board has chosen to suggest a somewhat higher dividend level for 2016. This is in line with previously given information to the market.

Suggested management of surplus:
The pay-out ratio of 41.9 (37.4) %. One time effect pension is not included in the calculation of pay-out ratio.

Dividends

- MNOK 78.3 in cash dividends, which equates to NOK 3.75 per EC
- MNOK 25.7 to gift fund/foundation

Strengthening the equity

- MNOK 150.2 to the cohesion fund, which equates to NOK 7.20 per EC
- MNOK 49.5 to the primary capital fund

The dividends are paid to the EC owners registered per 29.03.16. The bank's EC is quoted ex-dividend 30.03.17.

Risk and capital management

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

Risk categories and definitions:

- Credit risk: the risk of losses due to customers' or counterparties' inabilities to meet their obligations.
- Liquidity risk: the risk that the HSB group is unable to meet its obligations at maturity.
- Market risk: the risk of losses due to changes in market prices connected to activities and positions in securities (shares and bonds) and currencies.

- Operating risk: the risk of direct or indirect losses due to failures in internal routines, systems and processes, insufficient competency, damaged assets, halted operations, system failure, and internal or external fraud.

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

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

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

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

Credit risk

Credit risk is the risk of loss due to debt defaults by customers. Credit risk is the Group's greatest risk

The credit risk exposure is managed through the credit strategy, the credit policy, internal credit procedures and -rules.

The Group's strategy for the credit area is derived from the banks overall strategy and provides guidelines and management frameworks for risk profile and risk concentrations. It's set control parameters for the distribution of lending between retail and corporate markets, size of commitment, exposure within industries (concentration risk) and geographic restrictions. The frameworks for risk are monitored and reported quarterly to the Board.

The credit strategy is determined annually. The current strategy was adopted by the Board and implemented in November 2016.

The development of credit risk is monitored through regular analyzes of defaults development in specific industries, geographies, and potential borrowers' ability to service interest and principal, as well as an assessment of the security underlying the credit commitment. For continuous monitoring of risk is there are defined a set of reports which are reviewed by the Board.

Total capital requirements for credit risk appears in the group's ICAAP. Tolerance Level for credit risk is defined for selected industries and regions. Management levels for the corporate portfolio are established, and compliance are reported periodically. Stress tests are used to assess the potential losses in the credit portfolio due to large drop in real estate prices.

The risk in the retail market portfolio has over time been low. The housing price development shows that the price increase on sold houses in the Helgeland region over time has been stable. Although the increase for 2016 was the same as in the large cities in Northern Norway the price pr. square meter is significantly lower. 98% (98% in 2015) of the retail market portfolio is secured in property.

The risk in the corporate market portfolio is stable, default and doubtful loans are considered moderate / low. Gross loans in the corporate marked had a NOK 785 increase in 2016. Strict practices in relation to new customers have a strong focus and the board determined in the credit strategy in November 2016 quality requirements for new customers.

The bank has a small portfolio of secured foreign exchange loans, and the equivalent value per 31.12.16 was MNOK 119 (143 in 2015). The portfolio is distributed over a range of customers where security is given in fixed property and/or deposits. The credit risk in this portfolio is considered low.

In 2016, the bank has continued the annual evaluation of the model for estimating group write-downs based on its own score models. The model is based on the probability of default and the level of loss given a commitment ending up in default. The score models are used by several other savings banks that collaborate on the validation and potential adjustments of the parameters. The validation shows that the score models are satisfactory and that they differentiate well between customers with different risks.

The posted write-downs on lending in 2016 were MNOK 36 against MNOK 32 in 2015. The group write-downs have increased with MNOK 8 (7). It is still at a moderate level and constitute 0.14 (0.14) % of gross lending.

Sum non-performing and other impaired commitments is reduced and constitute MNOK 113 (75), which is equal to 0.5 (0.3) % of gross lending.

Based on the Norwegian Financial Services Authority's (NFSA) lending precept and internal guidelines, the commitments are continually monitored with the aim to identify potentially impaired commitments.

There is a high focus on regular reviews in the whole organisation, with the view to ensure good quality in the credit work and the right understanding of management and control. Compliance in individual cases is ensured among other things through the managers' key controls and the division of work between the advisors and the finishers. In order to manage and monitor risk in the corporate portfolio, continual evaluations of customer relationships, solvency and collateral, as well as reviews in the bank's credit committee are conducted. To monitor of the risk development in the retail customer portfolio, quarterly solvency analyses of new loans, and semi-annual analyses on the total portfolio are conducted.

The lending portfolio is divided up in low, medium, and high risk, and is reported based on the score models.
Close follow-up of large corporate customers, monitoring of default probabilities in the portfolio, and a specific definition of industries, remain prioritised focus areas for the bank.

The maximum limit for a single commitment, determined by the NFSA, is 25% of the HSB group's subordinated capital. By the end of 2016, the HSB group had three customer groups where combined commitments were more than 10% of subordinated capital.

Liquidity risk

Liquidity risk is the risk that the bank can not meet its payment obligations when due or replace deposits when withdrawn, with the result that the bank defaults on obligations to repay deposits and granting loans.
The Bank shall at all times have sufficient liquidity to meet liabilities when due, as well as having a liquidity strategy that ensures access to long term financing. The bank will make use of the usual funding sources in the market to optimize a diversified funding structure.

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

The bank's liquidity portfolio consists mainly of solid issuers of debt securities that qualify for LCR reporting.
The Bank satisfies LCR / NSFR according to current escalation plan.

Monitoring and measuring of the liquidity condition is based on various stress test scenarios that takes into account both market-specific and bank-specific events.
The bank had LCR (Liqudity Coverage Ratio -short liquidity stress - 31 days) 145 (132) % at year end 2016,but NSFR ended at 131 %.
Collaterals of the bank's assets (bonds) for borrowing in Norges Bank totaling NOK 520 million, which entirety was available at year end.

Liquidity risk is reduced by spreading the borrowing over various markets, lenders, instruments and maturities.
In the management of its liquidity risk is the objective requirements for liquidity indicator 1 (according to guidelines from the Financial Supervisory Authority), long-term funding ratio, deposits coverage and liquidity buffer requirements capital considered.

The Board has in 2016 set a minimum requirement for liquidity indicator 1. This minimum requirement is in accordance with the Financial Supervisory Authority requirement of at least 105%. Per 12.31.16 was the liquidity indicator 1 at 113 (112) %. The Board has also determined that the proportion of long-term borrowings as a % of total borrowings should be at least 70%. Per 12.31.16 were long-term funding at 88.2 (81.4)%.

The bank has liquidity reserves in the form of cash, deposits in the Bank of Norway and other banks, liquid equity instruments, fixed income assets, as well as unused credit facilities. The minimum requirements for the liquidity buffer levels are determined in the bank's liquidity strategy. Over the past years, the HSB group has gradually adapted the buffers to the minimum requirements in line with Basel III. Per 31.12.16, the liquidity buffer capital constituted 13.2(14.1) % of the total assets. The HSB group's combined liquidity buffer capital is considered satisfactory.

The deposit ratio is an important parameter for the follow-up of liquidity risk, and represents how much of the lending that is funded by deposits from customers. The Board has determined the minimum requirement for the deposit ratio. This requirement was met throughout the whole of 2016.

Helgeland Boligkreditt AS was established in 2008, and is a wholly-owned subsidiary. The company has become an increasingly important funding source for the HSB group. Helgeland Boligkreditt AS has gradually increased its activity, and has over the last three years issued ordinary covered bonds in the market. By the end of 2016, the bank has transferred secure mortgages equating to 22.7 (19.5) % of the gross lending. The overcollateralization level in the company is considered good, and was 21 (29) % by the end of the year. The average debt to asset ratio for the loans was 53 (52) %.

Market risk

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

The bank's liquidity reserves consist mainly of interest-bearing securities that qualify within the LCR. The securities consist mostly of liquid 0/10/20% - weighted securities. The securities are primarily based on FRN structure and thus have a low interest rate risk.
Credit duration on the entire portfolio should be within 2.5 years and well diversified.
The bank's loans and deposits from customers are mainly based on floating interest rates. The same goes for the bank's liquidity portfolio. The bank's funding portfolio consists of FRN-based loans, and also loans at fixed rates.

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

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

The HSB group has a relatively conservative strategy for fixed income investments, where the main objective is to secure a satisfactory liquidity buffer capital for the group. There are specific requirements to the issuers' ratings. Additionally, there is a maximum frame for the duration in the fixed income portfolio, and that the composition should be diversified between different industries and issuers.

The bank's positions in shares are mainly strategically motivated through investments in subsidiaries, associated companies, product companies and local investment companies. The market risk connected to such equity investments is considered moderate.

The bank has a large investment in Helgeland Invest AS. The investment will be subject to fluctuations in value depending on the performance of underlying companies. The bank has an owner risk because the investment

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

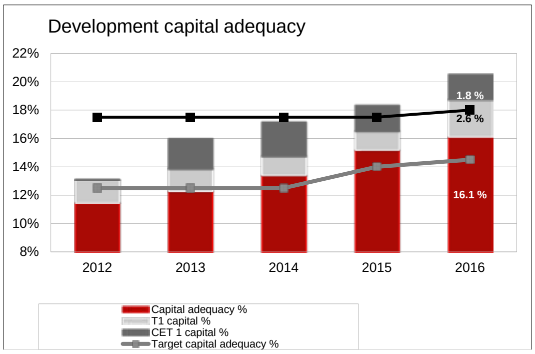
Operating risk
Good internal control and quality check is a precondition for a satisfactory handling of operating risk. The steering documents and the control systems are built up to maintain efficient operations, risk control, prudence, accurate financial and non-financial information, compliance with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

Risk evaluations are conducted on all levels. The risk evaluation is documented, and gives an overview over processes and key controls in the operative functions. A focus on the systems and processes in the operative functions contributes to a constant focus on quality and efficiency, as well as target-oriented operations in the HSB group. This is summarised in the requirement to maintain a certain subordinated capital as security against future expected losses, which the HSB group could be exposed to due to operational risk.
Judged from the organisation's competency, organisation and division of responsibilities, and the group's earnings and solidity, the Board considers the combined risk exposure as responsible.

Compliance
It is the HSB group's foundational attitude that the operations are arranged in line with prevailing laws and regulations. Mi-FID rules, authorisation of advisors, and the generally increased regulatory requirements to the HSB group's activities are given high priority.

Solidity
The HSB group has strengthened its CET1 capital to 16.1 (15.2) %, which is well above the regulatory minimum requirement of 11.5% from 1 July 2016. The core capital ratio per 31.12.16 was 18.7 (16.5) %. The total capital was 20.5 (18.4) %.

Volume hybrid capital after deduction of expenses is increased by NOK 223 million and is at 443 million. Of this 147 million is redeemed in 2017.



The bank's Board of Directors has approved a capital plan for 2015 – 2019, where the satisfaction of the new capital requirements in Norway due to CRV IV is central. The Board of Directors has determined a capital target, where the goal is that the CET1 ratio in the HSB group is minimum 14.5%, and the total capital ratio is up towards 18.0%.

The subsidiaries

Helgeland Boligkreditt AS (100 %)
The net profit was MNOK 33.1 (38.1) for 2016, and the equity per 31.12.16 is MNOK 427 (332).

AS Sparebankbygg (100 %)
For 2016, the net profit was MNOK -0.03 (-0.2), and the equity was MNOK 1.0 (0.1) at the turn of the year.

Helgeland Sparebanks Eiendomsselskap AS (100 %)
The net profit in 2016 was MNOK 0.2 (0.6), and the equity was MNOK 5.8 (5.6) by the end of the year.

Helgeland Utviklingsselskap AS (100 %)
The net profit in 2016 was MNOK -10.6 (-4.5), and the equity was MNOK 2.3 (7.6) by the turn of the year. It is in 2016 sold a combined property portfolio with a loss of NOK 7 million. This is a one-time effect, and depreciation and maintenance cost for properties will be reduced.

ANS Sparebankbygg Mo (97 %)
The net profit in 2016 was MNOK 0.2 (0.9), and the equity was MNOK 48.4 (48.2) by the turn of the year.

Storgata 73 AS (53 %)
The profit for 2016 was MNOK 0.5 (0.4), and the equity was MNOK 4.5 (4.1).

Associated companies

Helgeland Invest AS (48.3 %)
The Bank restates HI accounts to IFRS and consolidates underlying companies
Helgeland Sparebanks share of the profit for 2016 was MNOK 50 (28), and the equity share was MNOK 300 (253) (the figures are based on preliminary accounting).

REDE Eiendomsmegling AS (40 %)
The profit for 2016 was MNOK 1.3 (-0.7), and the equity per 31.12.16 was MNOK 15 (14).

Corporate social responsibility

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

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

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

Children and adolescents are our society's most important resources and we have a strong focus on everything that creates a meaningful and rich community for children and adolescents.
Helgeland Sparebank is at the private, public and voluntary sectors in Helgeland key partners in the effort to make Helgeland a viable society.
As local savings bank we use a substantial portion of the profit after tax and dividends to charitable causes, and in 2016 the bank distributed nearly NOK 17 million to activities in Helgeland.
Helgeland Sparebank has over many years had a focus to show its social responsibility by contributing to charitable causes, and the bank's endowment fund and gift foundation has since 2007 granted financial contributions of about 150 million to almost 1,500 worthy causes in Helgeland.
In 2016 deposed bank NOK 26 million of the Bank's profits for charitable purposes

Sports & Outdoor is part of the cultural heritage and a rich cultural life is an important factor for the community.
Good sports and cultural events attract new residens, something Helgeland need to meet the recruitment challenges we face. Children and adolescents have a high priority in the banks gift allocation

The business community in Helgeland is internationally oriented, and a large part is based on either renewable and locally produced energy from local hydropower stations or from what nature gives us. We know that business in the future for a large part will consist of knowledge based enterprises that have an eco-friendly and globally sustainable production

Helgeland has a lot of natural resources that will be an important foundation for future economic growth and development. But the future will require new knowledge and innovation and Helgeland Sparebank contributes actively in collaborative projects with colleges and universities to promote local expertise and competitiveness.
Overall, Helgeland Sparebank has in recent years contributed more than NOK 15 million to education and research in Helgeland.

Ethics

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

Co-workers and work environment

Helgeland Sparebank had by the turn of the year 161 employees distributed over 12 offices. This makes up 152 annual positions including cleaning personnel, janitors, and canteen workers.

It is important to the Board of Directors that the bank has a good work environment. The bank’s co-workers, together with a decentralized office network, are one of our competitive advantages.

Wellbeing and satisfaction in the work environment is measured annually through various surveys. In 2016, the bank conducted a health, safety and environment survey.
The main reason for this survey was to measure the "temperature" of employee well-being, since the bank during the year have completed a reorganization and downsizing of the branch network. Many responded, and the survey confirmed a continued high level of satisfaction with working in the bank.

Helgeland Sparebank has a long history as an including work life employer, with well-established routines for following up co-workers and a culture for safeguarding, activity, and care. The goal is at least 96.5% presence.

The combined absence due to sickness in 2016 was 5 %, This is higher than previous years and is due unfortunately several employees with serious illnesses
Graded sickness leave, close follow-up and good facilitation is the key to the success in this area.

Authorised certifications such as AFR and GOS are contributing to strengthening the bank’s combined competency
The bank is affiliated the new authorization system for credit counseling which is a requirement from 2017.
The need for digital knowledge in a forward-looking perspective is becoming increasingly urgent. The Bank has in 2016 employed an leader for digital activities, and employed a new leader in the IT area.
Continuous maintenance of staff competence is important. Every year the bank uses large resources on increasing competency. This is done though further education, internal training, and mentoring.

There is a targeted work to promote equality and prevent discrimination. The bank has an action plan in order to maintain gender equality. In management positions, an equal gender distribution is desired, while on the co-worker level there is work to ensure that both genders are represented at the different offices. It is both positive and rewarding with a good mix of women and men in the different units. In the bank’s directory, there are 25 members including the leader, where 7 are women and 18 are men. In the Board of Directors, there are 7 permanent members, where 4 are women and 5 are men. The bank’s management team consists of 8 members, where 4 are women and 4 are men.

Corruption and internal misconduct

In efforts to prevent and resist negative incidents we have prepared goals, procedures and measures in several areas. For the personnel area the effort to prevent robberies and other threats to our staff is important even if employees do not handle cash in their daily work anymore.

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

It is also established a routine for anti money laundering ensuring that the bank's money laundering policy is in line with laws and regulations. From 2016 we also has started training on anti-corruption.

Money laundering and terror financing

Helgeland Sparebank is working systematically with revealing and fighting financial crime.
The established routine against money laundering maintains that the bank's money laundering policy is in line with the prevailing laws and regulations. Public authorities, customers, and competitors should have confidence in the bank's professionality and integrity. Suspicious transactions are handled and reported to Økokrim (financial crime authorities) in case all criteria are fulfilled.

Environment

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

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

The HSB group's remuneration policy

All remuneration agreements in Helgeland Sparebank is developed in line with the Financial Services Act and the Securities Trading Act with the relevant regulations on remuneration schemes in financial institutions, asset management firms and investment funds. The guidelines that deal with the remuneration scheme in Helgeland Sparebank was last updated and approved in November 2016.

Prospects ahead

The reduced activity in the real estate market and the flattening in the real estate prices in the bank's market area that was seen in the end of last year have continued in the first quarter. Our assessment is that this is a combination of season variations and a larger market of houses and apartments in the bank's market area. In the corporate market it is still a relatively high activity. The effect of DNB's closure of offices is declining and there is overall expected a slightly lower credit growth in 2017.

After a successful completed emission that overall strengthened the bank's core capital by MNOK 147, and a subordinated bond that increases the core capital further by MNOK 80, the bank is prepared to handle profitable growth.

The competition of good retail and corporate customers makes us expect a flattening of the net interest. Uncertainty in the market that has led to fluctuations in the credit spread might affect this.

The bank has a strong sales organization. This combined with good insurance and leasing products makes us expect an unchanged level of commission income.

Finance tax affects us in line with the sector.
Digitalization and changed customer behaviour gives increased investment needs. This challenges the cost level and demands further requirements for efficiency in the bank's organization.

Non-performing and other impaired commitments are still moderate/relatively low seen against gross lending. We must in the long term expect a slightly higher level of write-downs.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate in Helgeland of 2.1 % by the end of the year. The Nordland County had an unemployment rate of 2.3 % and the national average was 2.8 %. It is expected that the level of unemployment will remain low also in 2017. The regions challenge is the weak population growth. Without immigration, this would be negative. Combined with an increasing aging population, this provides challenges relating to actual work force.

There is still optimism in most sectors expecting a higher overall growth than nationally. This is due to several factors. Despite the aquaculture disease challenges, the aquaculture companies deliver adventurous results. Although it is expected a certain reduction in prices from the highest levels, is the industry's earnings are very solid and companies continue their investments in environmental initiatives, future-oriented equipment and production methods. The development of the E6 continues with full strength in 2017 and provides local players in several industries strong order books. The export-oriented industry earnings and thus willingness to invest is affected by several external conditions like exchange rate and international macroeconomic conditions, but there is a strong focus in many parts of the industry's opportunities in the much publicized "green shift". The region has a unique industrial expertise and is rich in renewable energy. A visible challenge is to create a basis for utilizing the high power production locally. If we want to succeed, we need a good and proactive industrial policy with international good framework and investment incentives that attracts creation of new and profitable industrial establishments

Despite a somewhat subdued activity in parts of the region, we look into 2017 with positive expectation of profitable growth and moderate losses. The Bank has strengthened its position in 2016 and we will continue to work hard to fulfill our vision of being a driving force for growth in Helgeland. In this lies both the fulfilment of our society role and ability to achieve our return targets.

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

The Board of Directors is content with the results that have been created in 2016, and would like to thank all employees for the great effort they have shown throughout the year. The Board would also like to thank customers and business connections for the good collaboration in the past year.

Board of Helgeland Sparebank
Mo i Rana 22 February 2017

Ove Brattbakk *Chairman*	Stein Ande Heringstad-Olsen *Vice-Chairman*	Eva Monica Hestvik
Bjørn Audun Risøy	Inga Marie Lund	Nils Terje Furunes
Marianne Terese Steinmo	Birgitte Lorentzen *Employee Representative*	Martin Søreng *Employee Representative*
		Lisbeth Flågeng *CEO*

Corporate Governance
The bank's policy for corporate governance shall ensure that the bank's activity management is in line with generally recognized understanding and standards, as well as Acts and Regulations.
The policy describes values, objectives and established principles. The objective is to ensure good interaction between the bank's different interested parties according to whom the bank is managed and controlled in order to ensure the interests of owners, depositors, and other groups in the bank. The bank's policy is laid down in different management documents for Helgeland Sparebank's activity. This includes *inter alia* the bank's Articles of Association, ethical guidelines, strategy document, policy documents, budget, authorizations and limitations, routine descriptions, inside rules and own-account trading, framework for management and control: guidelines for systems and processes that focus on risk evaluation and internal controls in the bank.

Helgeland Sparebank's roots are deeply anchored in Helgeland soil, and the bank is intensely interested in what is taking place here. Therefore, the bank has a vision of being the driving force for growth in Helgeland. In short, this means that Helgeland Sparebank's most important task is to do what it can so that the local community shall be a good place to live and do business.

Because Helgeland Sparebank is a solid and robust local bank with a strong market position, the bank can contribute to the community development. The legislator has given the saving banks the opportunity to give parts of the profit back to the local community in the shape of gifts to public benefit. The saving banks can pay dividend to the local community of the equity that is owned by the customers/community. Settlement and growth is a condition for banking operation. Without vigorous and attractive local communities, it will become difficult to recruit work labour to companies and the public sector, something we need to promote the community development. We therefore have a common destiny – the bank and the people of Helgeland. Helgeland Sparebank giftfund is a part of the banks contribution to development, optimism and growth in both rural areas and towns in Helgeland.
In addition to the strategic and financial objectives, Helgeland Sparebank has chosen to take its environmental responsibility seriously, and has therefore decided upon its own environmental strategy.

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

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

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

The Supervisory Board is the bank's superior body and is composed of four groups with a total of 25 members. Depositors elect 9 members, the owners of equity certificates 10 members, and the employees in the bank 6 members. In order to change the Articles of Association a proposal for this must be considered by two meetings of the Supervisory Board, and two-thirds of the Supervisory Board members present must vote for the proposal for change.

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

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

In accordance with the Articles of Association of Helgeland Sparebank the objective of the activity is to promote savings by accepting deposits from an undefined circle of depositors, provide investment services and other financial services, and to manage in a secure manner the funds it manages in accordance with the legal rules which are in force at all times for savings banks and securities enterprises.

The Board's report contains a description of the bank's objectives and strategies. The strategic basis is evaluated by the Board and management at least annually, and the bank's plans are adjusted and adapted on a continuous basis. The bank's strategic platform summarized under the main points vision, business idea, core values, strategic and financial objectives, as well as ethical guidelines, are updated as a result of the above-mentioned annual minimum.
The bank has a customer-oriented organisation with the focus on the private market, business market and capital market as business areas. This is supplemented by support areas and staff functions. The bank's organizational structure is dynamic and is evaluated based on necessity and framework conditions.

Company capital and dividend
he bank's equity is composed of equity certificate capital, share premium account, primary capital, fund for unrealized gains, gift fund and equalization fund.
The bank's objective for tier capital adequacy is at least 14.5 % and a total capital ratio up to 18.0 %.

The Bank's dividend policy
Helgeland Sparebank's goal is to achieve financial results that give the owners of the capital a good and stable long-term return in the form of dividends and value increases in the equity. It is a goal for the Bank to treat the Bank's two owner groups equally.
The bank aims to achieve a return on equity that is competitive in the market in relation to the bank's risk profile. Goal of equity is 10% (group) under normal market conditions.
Equal treatment for holders of equity certificates

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

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

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

Sparebankstiftelsen Helgeland owns equity certificates in Helgeland Sparebank. According to the articles of association the Foundation cannot own less than 35% of the equity certificates in Helgeland Sparebank.

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

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

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

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

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

Nomination Committees
The bank shall have nomination committee which prepare

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

The Nomination Committee also proposes fee scales.

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

Composition of the Board of Directors and independence
The nomination committee of the Supervisory Board proposes candidates for the Board of Directors in keeping with the provisions on the composition contained in Acts and Regulations. No member of the Board of Directors or representative of the management shall be a member of the nomination committee. The Chairperson of the Board and the Deputy Chairperson are elected in a separate election.

The Board of Directors consists of up to 9 members and up to 4 deputy members.
The Board consists at present of 9 permanent members. At present, 4 of the permanent members are women.

Important criteria regarding the Board's members and composition are qualifications, gender, capacity and independence.
The majority of the Board's members shall be independent of the bank's management and main business connections.
The Board undertakes an annual evaluation of the members' independence and the Board's collective competence.

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

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

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

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

Risk management and internal controls

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

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

Risk management is connected to four risk areas:

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

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

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

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

Helgeland Sparebank has adopted policy for risk management and internal controls which sets objectives, organisation and implementation of internal control work. Also included in this is a requirement for reporting of the status of the bank's risk picture and the quality of the internal controls as well as follow-up of risk-reducing measures.
The Bank has also employed an internal auditor, who, on behalf of the Board shall evaluate and control that appropriate routines are established for reducing risk. The internal auditor's controls shall take place on the basis of an annual auditing plan.
The bank's ethical guidelines include an information duty by employees regarding violation of internal guidelines, Acts and Regulations and the method by which such information shall be given.

Remuneration to the Board of Directors

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

Remuneration to management employees

The Board of Directors sets the remuneration to the CEO, and the principles for remuneration to management employees.
The bank has no option or bonus contracts. In the notes to the annual accounts is included an overview of salaries and benefits to management employees.
The Bank has established routines for ensuring compliance with regulations concerning remuneration schemes in financial institutions, securities enterprises and management companies for collective investment funds.

Information and communication

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

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

Take-over

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

Auditor

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

PROFIT AND LOSS ACCOUNT

Parent bank		(Amounts in NOK mill.)		*Group*
2015	**2016**		**2016**	**2015**
814	767	Interest receivable and similar income (Note 5)	889	940
398	288	Interest payable and similar costs (Note 5)	357	465
12	12	Hedge fund fees	12	12
404	**467**	**Net interest- and credit commission income**	**520**	**463**
97	96	Commissions receivable and income from banking services (Note 6)	96	97
10	11	Commissions payable and costs relating to banking services (Note 7)	11	10
87	**85**	**Net commission income**	**85**	**87**
50	47	Dividend	8	1
27	51	Net profit from associates	51	27
-15	7	Net profit from other financial investments	15	-7
62	**105**	**Gains/losses on financial instruments available for sale (note 8)**	**74**	**21**
15	6	Other operating income (note 9)	6	11
	74	Income by conversing to defined contribution	74	
261	253	Operating costs (Notes 10,11,12,13,14,15,44)	271	270
32	35	Losses on loans guarantees etc (note 16)	36	32
275	**449**	**Result before tax**	**452**	**280**
61	90	Tax payable on ordinary result (note 17)	102	72
214	**359**	**Result from ordinary operations (note 18)**	**350**	**208**
8.6	13.8	Result per PCC in kroner (note 18)	13.5	8.4
8.6	13.8	Diluted result per PCC, Kroner (note 18)	13.5	8.4
		Extended income statement		
214	**359**	**Result from ordinary operations after tax**	**350**	**208**
		Itemes that are not subsequently reversed through profit or loss:		
14	10	Estimate variances, pensions will not be reversed over the income	10	12
0	0	Tax on extended profit	0	0
14	10	Net extended profit or loss items	10	12
228	**369**	**Total result for the period**	**360**	**220**

B A L A N C E S H E E T

Parent			*Group*	
31.12.15	**31.12.16**	(Amounts in NOK million)	**31.12.16**	**31.12.15**
		ASSETS		
91	93	Cash and balances at central banks (note 19,22,27,32)	93	91
1 007	1 489	Loans to and claims on credit institutions (note 20,22)	509	510
18 201	19 057	Loans to and claims on customers (note 2.1,21,22)	24 632	22 444
127	103	Financial derivatives (note 22,23)	103	127
3 643	3 759	Certificates, bonds and shares available for sale (note 2.2,22,24,25)	3 536	3 462
267	315	Investments in associated companies (note 25,27)	315	267
345	444	Investments in subsidiaries (note 25,26,28)		
33	10	Deferred tax benefit (note 29)	14	37
36	45	Fixed assets (note 30)	123	92
52	56	Other assets (note 31)	58	102
23 802	**25 371**	**Total assets**	**29 383**	**27 132**
		LIABILITIES AND EQUITY CAPITAL		
18	250	Liabilities to credit institutions without agreed maturity (note 2.2,22,33)	252	20
14 644	16 490	Deposits from customers and liabilities to customers (note 2.2,22,34)	16 173	14 418
6 058	4 982	Borrowings through the issuance of securities (note 2.2,22,23,35)	9 258	9 549
58	36	Financial derivatives (note 22,23)	36	58
224	150	Other liabilities (note12,36)	156	232
519	300	Fundbonds and subordinated loan capital	300	519
21 521	**22 208**	**Total liabilities**	**26 175**	**24 796**
		Equity capital		
187	208	Equity share capital (note 20)	208	187
-4	-3	Own portfolio equity share capital	-3	-4
845	971	Premium fund	971	845
425	575	Cohesion fund	575	425
1 453	**1 751**	**Total equity share capital**	**1 751**	**1 453**
466	516	Primary capital	516	466
29	40	Gift fund	40	29
495	**556**	**Total primary capital**	**556**	**495**
281	335	Unrealized gains reserve	335	281
219	443	Hybrid capital (Note 1,17)	443	219
52	78	Other equity capital (note 38)	121	105
2 500	**3 163**	**Total equity capital exclusive minority interest**	**3 206**	**2 553**
	0	Non-controlling interests	2	2
2 500	**3 163**	**Total equity capital**	**3 208**	**2 555**
23 802	**25 371**	**Total liabilities and equity capital**	**29 383**	**27 132**

Contingent liabilities off the Balance Sheet (note 11)

Helgeland Sparebank's Board of Directors

Mo i Rana 22. February 2017

Ove Brattbakk *Chairman*	Stein Andre Herigstad-Olsen *Vice-Chairman*	Eva Monica Hestvik
Bjørn Audun Risøy	Inga Marie Lund	Nils Terje Furunes
Marianne Terese Steinmo	Birgitte Lorentzen *Employee Representative*	Martin Søreng *Employee Representative*
		Lisbeth Flågeng

E Q U I T Y C A P I T A L

Chief Executive Officer

Group

31.12.15

	ECC capital	Premium fund	Own ECCs	Hybrid capital	unrealized gains reserv 0	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other qu.cap.	Min. int.	Total
Equity capital as at 01.01.15	**187**	**845**	**-4**	**0**	**241**	**437**	**20**	**8**	**336**	**106**	**2**	**2 178**
Reclassification perpetual bonds				**219**								**0**
Corrected equity 01.01.15	**187**	**845**	**-4**	**219**	**241**	**437**	**20**	**8**	**336**	**106**	**2**	**2 178**
Result for the period					31	29	8	8	89	43		208
Extended profit or loss items					9					3		12
Total profit	**0**	**0**	**0**	**0**	**40**	**29**	**8**	**8**	**89**	**46**	**2**	**220**
Gift fund							-8	-8				-16
Transactions with owners												0
Dividend paid										-47		-47
Equity capital 31.12.15	**187**	**845**	**-4**	**219**	**281**	**466**	**20**	**8**	**425**	**106**	**2**	**2 555**
Paid-in/accrued equity capital/retained earnings				1 247							1 308	2 555

Unrealized gains reserve includes unrealized value stocks with MNOK 276.

31.12.16

	ECC capital	Premium fund	Own ECCs	Hybrid capital	unrealized gains reserv 0	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other qu.cap.	Min. int.	Total
Equity capital as at 01.01.16	**187**	**845**	**-4**	**219**	**281**	**466**	**20**	**8**	**425**	**106**	**2**	**2 555**
Result from ordinary operations after tax				11	44	50	11	15	150	69		350
Extended profit or loss items					10							10
Total profit of the year				11	54	50	11	15	150	**69**	**0**	360
Paid interests perpetual bonds				-11								-11
Tax on interest hybrid capital directly towards equity												0
Gift fund												0
Repurchase hybrid capital				-77								-77
Transactions with owners	21	126	1	300			-6	-8				434
Dividend paid										-52		-52
Equity capital 31.12.16	**208**	**971**	**-3**	**442**	**335**	**516**	**25**	**15**	**575**	**123**	**2**	**3 208**
Paid-in/accrued equity capital/retained earnings			1 176								2 032	3 208

Unrealized gains reserve includes unrealized value stocks with MNOK 329.

E Q U I T Y C A P I T A L

Parent bank

	ECC capital	Premium fund	Own ECCs	Hybrid capital	unrealized gains reserv variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Other Equ.cap.	Total 31.12.15
Equity capital as at 01.01.15	**187**	**845**	**-4**	**0**	**240**	**438**	**20**	**8**	**338**	**45**	**2 117**
Reclassification perpetual bonds				219							
Corrected equity 01.01.15				**219**							
Result					31	29	8	8	89	49	214
Extended profit					10					**4**	14
total profit	**0**	**0**	**0**	**0**	**41**	**29**	**8**	**8**	**89**	**53**	**228**
Gift fund							-8	-7			-16
Transactions with owners	21										0
Dividend paid										-47	**-47**
Equity capital 31.12.15	**187**	**845**	**-4**	**219**	**281**	**467**	**20**	**9**	**425**	**51**	**2 500**
Paid-in/accrued equity capital/retained earnings			1 028							1 472	2 500

Unrealized gains reserve includes unrealized value stocks with MNOK 276.

	ECC capital	Premium fund	Own ECCs	Hybrid capital	Result for valuation variance	Savings bank's	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0 (31.12.16)
Equity capital as at 01.01.16	**187**	**845**	**-4**	**219**	**281**	**467**	**20**	**9**	**425**	**51**	**2 500**
Profit				11	44	50	11	15	150	78	359
Extended profit or loss items					10						10
Extended profit or loss items	**0**	**0**	**0**	**11**	**54**	**50**	**11**	**15**	**150**	**78**	**369**
Paid interests perpetual bonds				**-11**							-11
Gift fund							-6	-9			-15
Repurchase hybrid capital				-76							-76
Transactions with owners	21	126		300							447
Dividend/interests paid										-52	-52
Equity capital 31.12.16	**208**	**971**	**-4**	**443**	**335**	**517**	**25**	**15**	**575**	**77**	**3 162**
Paid-in/accrued equity capital/retained earnings				1 619						1 544	3 162

Unrealized gains reserve includes unrealized value stocks with MNOK 329.

CASH FLOW STATEMENT

Parent bank				*Group*
31.12.15	31.12.16	(Amounts in NOK million)	31.12.16	31.12.15
-1 672	-888	Change in lending to customers	-2.199	-1 747
722	690	Interest income lending to customers	831	849
673	1 840	Change deposits from customers	1.740	692
-229	-162	Interest cost deposit from customers	-162	-229
	250	Tax expense	250	
319	-101	Change certificates and bonds	-60	296
68	55	Interest income certificates and bonds	50	68
97	86	Commission income	86	97
-248	-253	Payments relating to operations	-270	-250
-52	-50	Paid tax	-57	-52
19	-31	Other cut-offs	-79	13
-303	**1 436**	**A Net liquidity change from operating activities**	**144**	**-263**
-14	-25	Investment in long-term securities	-30	-20
5	0	Payments sale of long-term securities	20	7
0	-115	Long-term investments in shares	-15	0
0	23	Payments from long-term investments in shares	23	0
65	49	Dividend from long-term investments in shares	11	18
56	**-68**	**B Net liquidity change from investments**	**9**	**5**
2 033	2 152	New borrowing through issuance of securities	3.877	3 359
-1 950	-3 230	Repayments – issued securities	-4.155	-2 995
0	150	Placement EC's	150	0
0	300	Placement Hybrid capital	300	0
0	-77	Purchase Hybrid capital	-77	0
-143	-117	Interest payments borrowing through issuance of securities	-171	-225
-10	-10	Interest payments on subordinated debt	-10	-10
-48	-52	Dividend to share owners	-52	-48
118	**-884**	**C Net liquidity change financing**	**-138**	**81**
-365	484	A+B+C Net liquidity change in the period	1	-177
1 461	1 098	Liquid funds at the start of the period	601	778
098	1 582	Liquid funds at the end of the period	602	601
		Liquid funds specified		
91	93	Cash and balances with central banks	93	91
1 007	1 489	Balances with credit institutions without notice periode	509	510
1 098	**1 582**	**Liquid funds**	**602**	**601**

N O T E S

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NOTE 1 - Accounting principles Group

General background

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

The Bank's registered office is located at Jernbanegata 15, 8622 Mo i Rana. The Bank's head office is in Mo i Rana. The Bank also has 13 branches located throughout Helgeland: Mosjøen, Brønnøysund, Berg, Vega, Hattfjelldal, Trofors, Sandnessjøen, Herøy, Vågaholmen, Lurøy, Hemnesberget, Nesna and Korgen.

Helgeland Sparebank is listed on Oslo Stock Exchange.

Accounting basis

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

The consolidated financial statements and the company accounts are reported based on the historical cost principle with the following exception: financial derivatives 1), short-term bonds (<1year), bonds and shares available for sale 2), fixed interest lending 3), and fixed interest bond loans 4):

1. Which are measured at fair value with value change in the statement of income
2. Which are measured at fair value with value change in the statement of income or comprehensive income
3. Which are measured at fair value with value change in the statement of income
4. Which are defined as securitisation objects in the value securitisation

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

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

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

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

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

The bank's Board of Directors approved the consolidated accounts on the 22th of February 2017. The annotations are an integral part of the accounts.

Consolidation principles

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

Subsidiaries
Subsidiaries include all companies the bank, directly or through other subsidiaries, has control over (that is, power to manage a company's financial and operative principles with the intention of achieving benefits from the company's activities). Subsidiaries are consolidated from the point in time when the bank has achieved control, and are taken out from the point the bank no longer has control.
Subsidiaries are treated at acquisition cost in the company accounts. Write-downs are conducted when the value on the statement of financial position is higher than the value of the share of ownership.

Associated companies
Associated companies are companies where the group exercises significant influence, but not control. This would normally be investments between 20 to 50% of the company's equity. Accounting of investments in associated companies is treated according to the equity method in both the consolidated accounts and the company accounts. For accounting according to the equity method, the accounts are reworked in accordance with IFRS.
On the time of acquisition, the investment is included at acquisition cost. More information see note 27 who gives more information about the ownership in Helgeland Invest.

Segment reporting

The group's operations comprise only a strategic business area that is organised and managed together. The group runs traditional banking operations with the intermediation sales of savings, allocation, and insurance products. The bank operations are divided into segments, and between the retail market and corporate market.

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

Accounting currency

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

Presentation in the balance sheet and profit and loss account

Lending
Loans are posted in the statement of financial position, either as lending to, or as accounts receivable from, credit institutions or customers. Interests are included in the statement of income as interest income or similar income. Value changes due to impairments are posted in the statement of income under lending losses, guarantees, etc.

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

Short-term bonds (<1year) and bonds available for sale
The group's fixed income securities are included in the statement of financial position. All value changes are included in the statement of comprehensive income. Interest income from fixed income securities is included in interest income and similar income.

Shares available for sale
The group's equity shares are included in the statement of financial position. Unrealized value change, which is significant or lasting, is posted in the statement of comprehensive income and included in the equity. A value decrease which is significant or lasting below acquisition cost is posted as net value change on financial instruments. When shares available for sale are realized, the accumulated unrealized sum is reversed against the equity and statement of comprehensive income, and is posted as net profit / loss on financial instruments.

Financial derivatives (assets and liabilities)
Financial derivatives are included in the statement of financial position. Value changes connected to derivatives are posted in the statement of income under net profit / loss from financial instruments.

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

Debt established by issuing debt securities
Debt from the issuance of debt securities are included in the statement of financial position. The effective interest rate is included in the statement of income under interest costs and similar costs.

Debt securities with fixed interest payments are subject to real value securitization. The value change is posted under net profit / loss from financial instruments.

At premature redemption or repurchase of issued bonds, potential profit / loss areposted on the statement of income under net profit / loss from financial instruments.

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

Changes in accounting principles and information

Presentation of the Norwegian banks' guarantee fund fee
The fee to the Banks' Guarantee Fund is normally charged based on the average guaranteed deposits and the average basis of calculation for previous quarters. In 2016, Helgeland Sparebank has continued the earlier practice of calculating the fee on a monthly basis.

(a) New and changed standards being applied

There are no significant new IFRS standards or interpretations to be applied from 1st January 2016.

(b) New standards and interpretations not yet applied

Several new standards, changes to the standards, and interpretations, are compulsory for future accounts. Among those the group has chosen not to apply beforehand, are the most notable described below:

IFRS 9 - In July 2014 IASB published the final project of IFRS 9 and the standard is now completed. IFRS 9 involves changes relating to classification and measurement, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instruments - Recognition and Measurement. Those parts of IAS 39 who has not been changed as part of this project are transferred and taken into IFRS 9. The standard will be implemented retrospectively, except for hedge accounting, but it is not a requirement to prepare comparative figures. The rules for hedge accounting should mainly be implemented prospectively with some exceptions. The Group has no plans for early implementation of the standard. The standard is expected to have effect from 1 January 2018. It is expected that IFRS 9 will have the following effects:

IFRS 9 has a more principle-based approach to how the financial assets are measured, either at amortized cost or fair value, than IAS 39 has. The principles for financial liabilities is mainly the same, with some exceptions including cases related to changes in value of own credit risk, where liability is measured using the fair value option. In addition, financial assets that both are held to receive contractual cash flows and for resale are measured at fair value. Changes are recorded as other comprehensive income (OCI).
The rules for classification and measurement will primarily affect the bank and the group, because loans granted by the parent bank, with purpose to resale to Helgeland Boligkreditt AS must be recorded at fair value in the balance sheet and changes in value must be recorded as other comprehensive income (OCI). With the current practice where the actual value is considered to be equal to fair value for loans to retail customers with floating rate the changes are considered to have little practical importance for the Group Helgeland Sparebank.

Hedge accounting will increasingly take into account the companies' risk management activities because certain requirements related to hedging effectiveness are removed (hedge effectiveness, retrospective effectiveness test), as well as increased access to secure net positions and groups of transactions. The bank will initially not change the existing practice in that all debt in fixed-rate and foreign currency are classified under the rules on hedge accounting.

IAS 39 is based on the condition that loss provisions should only take place when there is objective evidence that a loss event has occurred. With IFRS 9 the loss provisions are based on expected losses in the future.. The new standard involves claims for loss provisions also on new loans, by allowing it to be written down for anticipated credit losses as a result of expected default in the next twelve months. For loans where credit risk has increased significantly after the establishment, it should be written down for anticipated credit losses over loans duration. This places high demands on models for calculating expected losses. The Bank has together with three other savings banks worked to develop a loss model that is in line with the requirements IFRS 9 sets to quantify losses. Preliminary calculations have been carried out, but the work is still in an early phase. The model needs to be developed among other scenarios as a basis for quantifying the various outcomes. So far we have no reason to believe that new loss model will provide significant effect on calculated loss sizes.

IFRS 15 - Revenue is a new common standard for revenue and replaces all existing standards and interpretations for revenue. The standard applies to all income contracts and contains a model for recognition and measurement of the sale of certain non-financial assets. The standard is not considered to have significant impact on the Group's revenue recognition policy. Expected implementation is not earlier than 1 January 2017.

IFRS 16 - Leases. The IASB issued IFRS 16 in January 2016. The standard requires that the lessee accounts the assets and liabilities for most leases in the same way as financial leases are accounted for under IAS 17 Leases. Tenant recognizes a "right to use" property, and an associated liability. The asset is depreciated over the lease term, and the liability is measured at amortized cost. For those who rent there are small changes to current accounting standard, IAS 17 Leases. Helgeland Sparebank has not yet quantified the impact of implementation. The new standard must be put in effect from 1 January 2019.. There are no other standards or interpretations that are not yet effective as expected to generate a significant impact on the Group's accounting

Financial instruments

Financial instruments are valued in line with IAS 39. All purchases and sales of financial instruments are reported at the time of transactions.

Financial assets and commitments are presented net in the statement of financial position only when there is an unconditional set-off right that can be enforced legally and a net settlement or a simultaneous realisation of the asset and settlement of the commitment is intended.

Financial instruments at amortised cost

Assets and liabilities:

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

Lending to customers

Loans to and accounts receivable from customers are initially estimated at fair value with the addition of direct transaction costs. In times after the first estimation, loans are estimated at amortised cost using the effective interest method. In case there is objective evidence of value depreciation for individual loans or groups of lending, the loans are written down. The sum of write-downs are calculated based on the difference between the value on the statement of financial position and the present value of future cash flows, estimated over the expected lifetime of the loan. At the present value calculation, the last determined effective interest rate on the loan or loans that are written down is used.

Write-downs on lending

A loan or a group of loans is written down when there is objective evidence for a value depreciation caused by a loss event that can be estimated reliably after the reporting on the statement of financial position, and that has significance for the expected future cash flows from the loan or the group of loans.

Objective evidence for a loss event has occurred could be:

- The borrower has significant financial issues
- Insufficient payments of due interests and instalments
- Collateral or other security is estimated not to cover the loan at a potential realisation
- It is likely that the borrower will go bankrupt or enter debt settlement negotiations
- There is an indication of a measurable reduction in future cash flows from a lending group, but where the value depreciation is not yet identifiable for each individual loan within the group (e.g. negative changes in the payment status or in economic conditions of significance to the group).

Individual write-downs

Loans are written down individually when there is objective evidence for avalue depreciation. The written down amount is defined as the difference between the value on the statement of financial position and the present value of future cash flows, estimated over the expected lifetime of the loan. The cash flows are discounted using the effective interest rate method. The estimated gross amount is posted in the statement of financial position as individual write-downs on lending, and expensed as lending losses, guarantees, etc. Loans that are writted down individually are not included in the basis for group-wise write-downs.

Write-downs on groups of lending

Write-downs are posted on group basis when there is objective evidence that losses on a group of loans has occurred. The customers are categorised into risk groups based on different parameters such solidity, income, liquidity, industry, geography, and performance score. These factors indicate whether the debtor's is able to maintain the loans, and are relevant for the estimation of future cash flows from the different risk categories. The need for write-downs is evaluated on each individual risk group on a combined level.

The estimation of the write-down amount for a lending group is conducted based on expected cash flows and historic loss experience for the different risk groups. The historical losses are adjusted for the effect of new conditions not reflected in past loss history, and the effect of incidents that are no longer relevant are reversed. If later periods show that previous write-downs were too high, these are reversed and included in the financial statements.

Non-performing and other impaired commitments

Based on the Norwegian Financial services Authority's lending regulations and internal guidelines, individual commitments are followed continually in order to identify potentially loss exposed commitments.
The combined commitment from a customer is considered impaired when due interests or instalments are not paid within 90 days or more after maturity. Lending and other commitments that are not impaired, but the customer's financial situation is such that the likelihood that the group is exposed to losses – and thus must conduct an individual write-down – is classified as non-performing.

Established losses

When there is a predominant likelihood that the losses are real, the losses are classified as established losses. The established losses that are previously covered in individual writedowns, are posted against the write-downs. Established losses not covered in the individual write-downs, as well as under or over coverage regarding previous write-downs, are posted as expenses.

Debt to credit institutions and deposits from customers

Debt from credit institutions and deposits from customers are posted at amortised cost.

Debt securities with floating interest rate
At the first timeposting, the debt is estimated at fair value with the addition of direct transaction costs. In periods after the first posting, the debt's value is estimated at amortised cost using the effective interest rate method.

Financial instruments at fair value on the statement of income

Assets and liabilities:
- Lending at fixed interest rate
- Derivatives outside hedging

Lending with fixed interest rate
Lending with fixed interest rate is valued at fair value. The bank uses interest rate derivatives to financially hedge the interest rate exposure on these loans. The use of the fair value option (FVO) significantly reduces the profit volatility that would normally occure using different estimation methods for lending and derivatives. The fair value is estimated by discounting the future cash flows (interests and instalments) from the loans with yield requirements derived from the yield curve on the reporting day. The credit spread on lending is estimated as an overall evaluation based on the observed changes in the market.

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

Financial instrument hedging

Assets and liabilities:
- Debt securities with fixed interest rate
- Hedging derivatives

For debt securities with fixed interest rate, value hedging is normally used. When entering the hedging relationship, the group documents the relationship between the hedging instruments and the hedging objects, in addition to the purpose of the risk management and the strategy behind the different hedging transactions. The group also documents its evaluation of whether the utilised derivatives are effective in offsetting the changes in fair value connected to the hedging risk and the hedging objects. Such evaluations are documented both when entering the hedging relationship, and continually in the hedging period.
The fair value of the derivatives used in hedging relations are shown in annotation 23.

Hedging derivatives
Changes in the fair value of derivatives that are earmarked and qualified for hedge accounting are posted in the financial statements together with the changes in fair value connected to the hedged risk on the related hedged commitment. Hedging of fair value is only used to secure debt instruments with fixed interest rates. Changes in credit spread is not part of the secured risk.

Financial instruments available for sale

Assets:
- Short-term bonds (<1year), bonds (interest bearing assets) and shares

Short-term bonds and debt securities
Short-term bonds and debt securities classified as available for sale are reported at fair value. The liquidity reserve is defined as investments not part of a trading book, that are marketable and can be freely sold if needed.

Shares
Shares classified as available for sale are reported at fair value. The fair value of publicly listed investments is based on the current price on the reporting date. For shares not listed publicly and without an active market, the last known trading value or share issue price is used. Non-traded securities are valued based available accounting information or similar.

Interest income and interest costs

Interest income is reported using the effective interest rate method. This involves continuing reporting of nominal interests with added amortisation of arrangement fees deducted from direct arrangement costs. Reporting of interests according to the effective interest rate method is used both for posts on the statement of financial position that are estimated at amortised cost and posts that are estimated at fair value over the statement of income.

Commission and fee income / costs

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

Intangible assets

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

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

Fixed assets

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

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

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

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

Other assets

Properties held for sale consists of properties the group has acquired as part of the recovery of impaired commitments. These are business assets the group does not intend to keep, and that will normally be sold within about 1 year. At the time of acquirement, the assets are valued at the expected realisation value, and are not subject to depreciation. These properties are classified as other assets.

Renting agreements

The group as renter
Renting contracts where the major risk is on the counterpart, are classifies as operational renting agreements. Rent instalments are classified as operation costs, and expensed over the contractual period. The group has no financial renting agreements.

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

Cash and cash equivalents

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

Provisions

A provision is reported when the group has an actual liability (legal or assumed) due to incidents that have occurred, when a financial settlement resulting from the commitment is likely, and the amount can be estimated reliably.

Provisions are reviewed at each financial reporting date, and the level reflects the best estimate of the commitment.

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

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

Defined benefit scheme
Those who remain in the defined benefit plan are members who, under the current rules can not be transferred.
The group's pension liabilities are related to defined benefit pension schemes secured in insurance companies and uninsured schemes.
Pension expenses and liabilities presented in the statement are obtained by calculations by a actuary.
The yield on covered bonds is used as the discount rate.
Note 12.2 shows the sensitivity in calculating pension costs and commitment.

The secured and unsecured liabilities are calculated as the discounted value of future pension benefits at the balance sheet date, insured and uninsured, based on the employees earning pension rights steadily throughout the working period.
Plan assets are valued and are posted net against pension liabilities in balance. Each scheme are considered separately, but the value of the surplus of a scheme and the funding in other arrangements is be offset if the pension funds can be transferred between the schemes.
Net pension funds are presented in the balance sheet as prepaid expenses and accrued income, whereas net pension liabilities are presented under other liabilities.

The net pension cost is included in personnel expenses, and consists of the period, the interest on the calculated obligation and the projected yield of the pension funds. The deviation between the actual yield and the calculated yield is recognized in OCI.
Effect of level change is recognized, estimate changes recorded over extended result.

Taxes

Deferred taxes and deferred tax benefits are posted in the statement of financial position in accordance with IAS 12 on taxes.
The taxation cost in the statement of income includes both the period's payable tax and changes in deferred tax. Deferred tax/tax benefit is estimated with 25 % of the net temporary differences that exists between accounting and tax values at the end of the accounting year. Tax increasing and tax reducing temporary differences that reverse or could reverse in the same period are offset and posted net.

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

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

Wealth taxation is treated as an operating costs.

Equity capital certificate capital

By the issuance of new ECCs, or acquisition of other enterprises, the additional costs directly related to the new ECCs or the acquisition are treated as a reduction of paid-up capital.
Dividends from ECCs are classified as equity in the period before the dividend has been determined by the bank's general committee.
When the dividend has been determined by the general committee, it is taken out of the equity and classified as short term debt until the payment date.

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

Hybrid capital

Hybrid capital is a part of the equity capital and interest is posted to equity.

Comparability

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

Events after the reporting date

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

The accounts are reported according to the going concern principle. This condition was met at the time when the Board approved the accounts. The Board's suggested dividends are presented in the annual accounts.

NOTE1.2 - Important accounting estimates and application of accounting principles

Parent bank/Group

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

Write-down of loans/provisions for guarantee liabilities

Assessment of individual and group write-downs will be partly based on judgment. There is always some uncertainty when using historical data as a basis for decisions. When securities are tied to specific objects or industries that are in crisis, collaterals must be sold in illiquid markets, and assessment of collateral values in such situations may be uncertain.

Loan portfolios and guarantee liabilities are monitored continuing with regard to the need for write-downs/provisions for because of possible liabilities. Write-down/provisions are posted when there is objective proof of impairment in value involving loans and/or it is regarded as probable that guarantee liabilities will have to be settled. Observable data qualifying as objective proof would be knowledge of any significant financial problems involving the debtor in question, any payment obligations in default, breach of contract, delays in payment, or if it is regarded as probable that the debtor will open debt negotiations or be subject to bankruptcy treatment.

For groups of loans with largely similar risk aspects write-down is based on objective proof of impairment of value within the loan group in question. The proof may include observable data indicating that there has been a negative change in the payment status of the borrowers in the group, changes in framework conditions within the defined business sectors involved or location corresponding to the standard of the loans within the group. Estimates based on historical credit loss experience for loans with defined risk characteristics and objective proof of value impairment corresponding to the portfolio are used when calculating future cash flows. The method of calculating amounts and time horizons for future cash flows is reviewed on a regular basis for the purpose of reducing any discrepancies between loss estimates and actual loss experience.

Market value of financial derivatives

Market value of financial instruments not quoted on a stock exchange is assessed by using market values of non-listed financial instruments with which it is relevant to make comparisons, and by using value assessment models. The assessment is reviewed on a periodical basis by qualified professionals who are independent of those who have made the agreements in question. All models are approved before they are used and tested in order to ensure that output reflects actual data and comparable market prices. For practical reasons the models use observable data, but in the case of areas such as credit risk, volatility and correlation, management is required to prepare estimates. Any changes in assumptions relating to these factors may affect considered market values of financial instruments shown in the balance sheet.

Associated company

Helgeland Sparebank own 48,3% of Helgeland Invest (HI). The Bank finalizing its accounts early and accounts are partially based on preliminary forecasts for HI. See detailed comments in note 27.

Pensions

Net present value of the banks pension obligations depends on economic and actuarial assumptions. Key assumptions include the discount rate, future salary increases, pension regulations, expected returns on plan assets, as well as demographic factors such as disability and mortality. Changes in these assumptions will impact the accounted value of pension obligations and pension costs.
Guidelines on assumptions issued by the Norwegian Accounting Standards Board form the basis for the determination of the preconditions, but those are considered against the Group's actual conditions before the final determination.
See note 12 for further details relating to the Group's pension obligations, including sensitivity analyzes on key assumptions.
Most of the employees have been transferred to defined contribution, and commitment in the old performance scheme is significantly reduced

NOTE 2 - Financial risk management *Group and Parent bank*

Risk and capital management

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

Risk categories and definitions:

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

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

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

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

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

Governance and company leadership

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

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

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

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

There have been 13 board meetings. Follow-up of the operations, strategy, structural changes and risk- and capital management have been the board’s main focus areas.
The board has prepared an annual plan for its work, and emphasis in put on securing adequate knowledge and competence among the board’s members. An evaluation of the working structure, competencies, priorities and collaboration between the board and the management has been conducted.
The Board has as part of its work established three subcommittees. The audit committee, the risk committee and the remuneration committee. The committees will ensure that Helgeland Sparebank has independent internal and external audit, that the accounting and risk reporting are in compliance with laws and regulations, and that the bank has compensation schemes which help to promote and provide incentives for good management and control on risk and prevents excessive risk taking.
Members of all three Board Committees are Ove Brattbakk (chairman), Stein Other Herigstad-Olsen and Eva Monica Hestvik. The Audit Committee had seven meetings in 2016, the risk committee has had four meetings and the remuneration committee 1 meeting.

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

NOTE 2.1 - Credit risk

Group and Parent bank

Credit risk is the risk of loss due to debt defaults by customers. Credit risk is the Group's greatest risk

The credit risk exposure is managed through the credit strategy, the credit policy, internal credit procedures and -rules. The Group's strategy for the credit area is derived from the banks overall strategy and provides guidelines and management frameworks for risk profile and risk concentrations. It's set control parameters for the distribution of lending between retail and corporate markets, size of commitment, exposure within industries (concentration risk) and geographic restrictions. The frameworks for risk are monitored and reported quarterly to the Board.

The credit strategy is determined annually. The current strategy was adopted by the Board and implemented in November 2016.

The development of credit risk is monitored through regular analyzes of defaults development in specific industries, geographies, and potential borrowers' ability to service interest and principal, as well as an assessment of the security underlying the credit commitment. For continuous monitoring of risk is there are defined a set of reports which are reviewed by the Board.

The total capital requirements for credit risk appears in the group's ICAAP. Tolerance Level for credit risk is defined for selected industries and regions. Management levels for the corporate portfolio are established, and compliance is reported periodically. Stress tests are used to assess the potential losses in the credit portfolio due to large drop in real estate prices.

The risk in the retail portfolio has over time been low. House price developments show that the price increase of sold houses in Helgeland over time has been stable. Although the price increase in 2016 was on a par with the largest cities in northern Norway the price per square meters are still substantially lower. 98% (98% in 2015) of the retail portfolio is secured in by properties.

The risk in the corporate portfolio is stable, non-performing and doubtful loans is considered moderate / low. Gross loans to corporate customers increased in 2016 by 785 million. Strict practices in relation to acceptance of new customers have a strong focus in all levels of the organization and the Board stipulated quality requirements (PDnivå) for new customers in the credit strategy in November 2016.

The bank has a small portfolio of guaranteed foreign currency, the equivalent value in accounted per 31.12.16 119 (143) million. The portfolio is divided into a number of customers where security has been in real estate and / or deposits. The credit risk in this portfolio is considered low.

The Bank has in 2016 continued the annual validation of the model for calculation of collective impairment based on its own scoring models. The model is based on the probability of default and loss given that loan goes into default. The model is used by several other banks that collaborate about validation and adjustment of parameters. The validation shows that score models are working satisfactory and that it differentiates well between customers with different risk. The bank is preparing for the implementation of IFRS 9 in 2018.

The Norwegian Financial Supervisory Authority lending regulations and internal policies and rules are used in ongoing basis with to identifying any doubtful loans.

There is a strong focus on regular reviews throughout the organization to ensure quality in the credit process and proper understanding of good governance. Compliance in individual cases is ensured through the managements key controls and separation of functions. Management and monitoring of risks in the corporate portfolio are performed by continuous assessment of customer relationships, ability to pay and degree of collaterals, coupled with reviews of the bank's credit committee. Monitoring of the development of risk in the retail portfolio are performed by quarterly analyzes of quality of new loans, and every half year of the total portfolio.

The loan portfolio defined by low, medium and high risk is reported based on the score models. Risk Migration is reported quarterly as a part of the overall risk report to the Board. Close monitoring of large corporate customers, monitoring of default probability for the portfolio, and for specific defined industries, are still areas of focus for the Bank.

The, maximum limit for a single commitment, defined by the Ministry of Finance, is 25% of the Group's capital.

NOTE 2.1.1 –Risk classification of loans and credits

Risk classification is an integral part of the Group's administrative system. The system permits risk development in the Bank's loan portfolio to be monitored. The risk classification model used for both retail and corporate customers has been developed in collaboration with a number of other banks. The classification system has been used for the entire customer base from 31 May 2009. For corporate customers a Probability of Default (PD)/score is based on a number of parameters such as the sector concerned, comments regarding payment history, and any comments made by the auditors. Retail customers are awarded a Probability of Default (PD)/score based on any reminders issued, overdrawn accounts, previous borrowing/deposits, etc. The loan portfolio is classified monthly and customers are awarded a score from A to K, where A is the lowest risk and K the highest risk. Retail customers are also subject to an application score in connection with new loan applications. The actual changes in the risk allocation form 2015 to 2016 is marginal.

Parent bank								*Group*
31.12.16								**31.12.16**
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
				Corporate:				
3 957	240	792	4 989	Low risk	4 048	240	799	5 087
2 713	260	482	3 455	Medium risk	2 707	260	483	3 450
1 139	38	80	1 257	High risk	1 139	38	80	1 257
120	5	2	127	Commitments in default > 0 months	119	5	2	126
7 929	**543**	**1 356**	**9 828**	**Total – corporate**	**8 013**	**543**	**1 364**	**9 920**
				Retail banking:				
9 237	15	586	9 838	Low risk	14 112	15	1 001	15 128
1 612	0	38	1 650	Medium risk	2 182	0	40	2 222
315	0	5	320	High risk	365	0	4	369
76	0	2	78	Commitments in default > 0 months	76	0	2	78
11 240	**15**	**631**	**11 886**	**Total – retail banking**	**16 735**	**15**	**1 047**	**17 797**
19 169	**558**	**1 987**	**21 714**	**Grand total**	**24 748**	**558**	**2 411**	**27 717**

Parent bank								*Group*
31.12.15								**31.12.15**
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
				Corporate:				
3 670	255	656	4 584	Low risk	3 749	255	666	4 673
2 529	145	288	2 960	Medium risk	2 529	145	288	2 961
920	74	115	1 108	High risk	918	74	115	1 106
78	58	3	139	Commitments in default > 0 months	78	58	3	139
7 197	**532**	**1 062**	**8 791**	**Total – corporate**	**7 275**	**532**	**1 072**	**8 879**
				Retail banking:				
9 050	8	461	9 517	Low risk	12 769	8	848	13 624
1 710	12	32	1 755	Medium risk	2 140	12	38	2 191
273	0	0	273	High risk	291			291
66		1	67	Commitments in default > 0 months	66		1	67
11 098	**20**	**494**	**11 612**	**Total – retail banking**	**15 266**	**20**	**887**	**16 173**
18 295	**552**	**1 556**	**20 403**	**Grand total**	**22 541**	**552**	**1 959**	**25 052**

NOTE 2.1.2 - Bad and doubtful loans and guarantees >3 months

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
88	96	Commitments in default for over 3 months	96	88
16	12	- Write-downs of commitments in default	12	16
72	**84**	**Total net commitments in default**	**84**	**72**
5	47	Other bad and doubtful commitments not in default	47	5
2	18	- Write-downs of other bad and doubtful commitments not in default	18	2
3	**29**	**Tota Net bad and doubtful commitments not in default**	**29**	**3**
75	**113**	**Total bad and doubtful loans**	**113**	**75**
0.41 %	0.59 %	In % of total loans	0.46 %	0.33 %

NOTE 2.1.3 - Bad and doubtful loans and guarantees >0 months

Parent bank						*Group and Parent bank*
		2016			2015	
Interval	Personal m	Corporate m.	Total	Personal m	Corporate m.	Total
0-3 months	**28**	**42**	**70**	**31**	**27**	**58**
3-6 months	9	16	25	5	31	34
6-12 months	4	26	30	12	9	21
Over 12 months	23	18	41	20	11	31
Gross doubtful loans > 3 months	**36**	**60**	**96**	**37**	**51**	**88**
Total gross doubtful loans	**64**	**102**	**166**	**68**	**78**	**146**

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

	Group and Parent bank	
Interval	**31.12.16**	**31.12.15**
0-3 months	**69**	**58**
3-6 months	10	20
6-12 months	21	18
Over 12 months	15	19
Total > 3 months	**46**	**57**
Overdue receivables that are not written down	**115**	**114**

NOTE 2.2 - Funding risk

Group and Parent bank

The Board has determined that the Group shall follow a liquidity strategy which allows the Group to have access to diversified sources of financing and long-term funding.
The liquidity strategy is reviewed annually by the Board. There has been particular focus on the liquidity ratio and new requirements for liquidity management in banks in the wake of the financial crisis.
The liquidity risk is reduced through spreading borrowing in different markets, borrowing sources, instruments and periods of repayment. In the management of the Group's liquidity risk, objective requirements are used as liquidity indicator 1 (in accordance with the guidelines given by the Financial Supervisory Authority of Norway), long-term financing degree, deposit-to-loan ratio and level of liquidity buffers.

The board has for 2016 determined a minimum requirement for liquidity indicator 1. The indicator value should be at least on level with the reference banks' values. This minimum requirement has been in line with the Norwegian FSA's requirement. The Norwegian FSA implemented fixed reference values for the liquidity indicator and assume that the indicator value should now be above 105%.
As at 31.12.16 the liquidity indicator was 1 to 109 (107) %. The Board has also decided that the share of long-term borrowing in % of the total borrowing shall be at least 70%. As at 31.12.16 the share of long-term financing was 88.2 (81.4)%, which is well over the objective requirement.

In order to limit the Group's liquidity risk, the bank has liquid reserves in the form of cash, deposits in Norges Bank and other

banks, liquid equity instruments, investments in money market funds, fixed income securities and unused drawing rights.
A minimum requirement has been set for the level of liquidity buffers in the Group's liquidity strategy. The group will make a gradual adaptation to the upcoming new liquidity requirements, and will gradually further customize buffers new liquidity buffer requirements. The Group's total liquidity buffer capital is considered to be satisfactory.
The majority of the Group's liquidity reserves in the form of interest-bearing securities are placed in bonds, state, municipal, financial and industrial bonds. Total duration of the fixed income portfolio is 2.0 years (2.3). The group's cash reserves (cash, bank deposits and interest-bearing securities) amounted to 3.9 (3.8) billion. Kr. or 13.2 (14.1)% of the Group's total assets.

Deposit ratio is an important parameter for monitoring liquidity risk, ie the proportion of loans to customers covered by deposits from customers. The Board has set the minimum deposit coverage, and this requirement was met throughout 2014.

Helgeland Boligkreditt is an important source of funding and provision of mortgages approved for transfer to the bank's residential mortgage has high attention. As at the end of 2016, the Covered Bond was NOK 4.3 (3.5) billion.

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

NOTE 2.2.1 - Funding risk remaining periods until maturity

					Group
					31.12.16
	0-3 months	**3 - 12 Months**	**1 - 5 years**	**Over 5 years**	**Total Incl inter**
Liabilities to credit institutions	0	0	272	0	272
Deposits from and liabilities to costumers	16 129	44	0	0	16 173
Borrowings through the issuance of securities	123	1 263	7 826	815	10 027
Fundbonds and subordinated loan capital	144	0	0	715	859
Financial derivatives gross settlement (out flow) 1)	13	36	92	0	141
Total payments	**16 409**	**1 343**	**8 190**	**1 530**	**27 472**
Loans to and claims on credit institutions	508	0	0	0	508
Loans to and claims on customers	2 736	890	5 965	17 687	27 278
Certificates, bonds and shares available for sale	320	608	2 329	98	3 355
Total payments	**3 564**	**1 498**	**8 294**	**17 785**	**31 141**
1) Financial derivatives gross settlement (in flow)		76	113		189

Bank conducts stress tests for the Group and has limits adopted for risk tolerance.
Loan commitment date 31.12 had no significant value and is therefore not incorporated.

					Group
					31.12.15
	0-3 months	**3 - 12 Months**	**1 - 5 years**	**Over 5 years**	**Total Incl inter**
Liabilities to credit institutions	20	0	0	0	20
Deposits from and liabilities to costumers	14 407	11	0	0	14 418
Borrowings through the issuance of securities	567	1 686	5 852	2 574	10 679
Fundbonds and subordinated loan capital	0	0	0	594	594
Financial derivatives gross settlement (out flow) 1)	16	39	91	0	146
Total payments	**15 010**	**1 736**	**5 943**	**3 168**	**25 857**
Loans to and claims on credit institutions	380	130	0	0	510
Loans to and claims on customers	3 254	802	3 984	16 214	24 254
Certificates, bonds and shares available for sale	314	833	930	1 551	3 628
Total payments	**3 948**	**1 765**	**4 914**	**17 765**	**28 392**
1) Financial derivatives gross settlement (in flow)	25	73	94		195

					Parent bank
					31.12.16
	0-3 months	**3 - 12 Months**	**1 - 5 years**	**Over 5 years**	**Total Incl inter**
Liabilities to credit institutions	0	0	270	0	270
Deposits from and liabilities to costumers	16 446	44	0	0	16 490
Borrowings through the issuance of securities	123	733	4 160	250	5 266
Fundbonds and subordinated loan capital	144	0	0	715	859
Financial derivatives gross settlement (out flow) [1)	13	36	92	0	141
Total payments	**16 726**	**813**	**4 522**	**965**	**23 026**
Loans to and claims on credit institutions	508	0	983	0	1 491
Loans to and claims on customers	2 689	734	4 165	13 747	21 335
Certificates, bonds and shares available for sale	320	855	2 329	98	3 602
Total payments	**3 517**	**1 589**	**7 477**	**13 845**	**26 428**
1) Financial derivatives gross settlement (in flow)		76	113		189

					Parent bank
					31.12.15
	0-3 months	**3 - 12 Months**	**1 - 5 years**	**Over 5 years**	**Total Incl inter**
Liabilities to credit institutions	18	0	0	0	18
Deposits from and liabilities to costumers	14 633	11	0	0	14 644
Borrowings through the issuance of securities	549	1 144	3 186	1 676	6 555
Fundbonds and subordinated loan capital	0	0	0	594	594
Financial derivatives gross settlement (out flow) [1)	16	39	91	0	146
Total payments	**15 216**	**1 194**	**3 277**	**2 270**	**21 957**
Loans to and claims on credit institutions	380	130	502	0	1 012
Loans to and claims on customers	2 241	691	3 435	13 580	19 947
Certificates, bonds and shares available for sale	314	883	1 105	1 551	3 853
Total payments	**2 935**	**1 704**	**5 042**	**15 131**	**24 812**
1) Financial derivatives gross settlement (in flow)	25	73	97		195

Unutilised drawing rights facilities:

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
		Assets:		
1 556	**1 987**	Unutilised drawing rights	**2 411**	**1 959**
		Liabilities:		
300	300	Short-term drawing rights facility 1 year	300	300
300	**300**	Total	**300**	**300**
91	93	Surplus liquidity at Norges Bank	93	91
391	**393**	Total liabilities included surplus liquidity at Norges Bank	**393**	**391**

Match and mismatch between maturities and interest rates for assets and liabilities are very important for the management of the Group. It is unusual for banks to have perfect match in this connection, as transactions done are often of an uncertain nature and of many different types. A non-matched position can potentially create profit, but it can also increase the risk of loss.

Maturities of assets and liabilities, the ability to replace these at an acceptable cost, and interest-bearing liabilities when they mature, are important factors in order to determine the Group's overall funding and its exposure to interest rate changes. Funding needs in order to be able to meet requirements relating to settlement involving guarantees and letters of credit are substantially lower than the size of the actual liability in question as the Group generally does not expect that a third will remove liquidity under the guarantee in question. The total outstanding contract-related liabilities to increase credits do not necessarily represent future requirements for liquid funds, due to the fact that many of these liabilities will mature or be discontinued without having to be funded.

NOTE 2.3 - Market risk Group & Parent bank

The Board has decided a market risk strategy which sets limitations and superior objectives for the Group's market risk tolerance, as well as limits for interest, credit spread, and share price risk. The strategy is revised annually. The Group has no active trading portfolios within interest, shares or currency.

Interest rate risk is steered towards the desired level through interest binding on interest-bearing securities and borrowing (certificates and bonds), and through the use of interest rate swap agreements (interest rate swaps) in order to reduce interest rate risk linked to fixed interest rate loans.

The board of directors has established a framework for the group's total interest rate risk, which is considered to be low.

The bank has a relatively conservative strategy as regards investments in interest-bearing securities, with the primary aim of securing satisfactory liquidity reserves for the bank. One consequence of this is that the group recorded relatively low losses on interest-bearing securities during the financial crisis, as well as correspondingly low gains on investments in interest-bearing securities in the wake of the crisis.

Share risk

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

Sensitivity analysis of market risk

Interest-bearing securities - credit spread risk is the risk connected to securities in the interest rate portfolio, the duration of the portfolio and the issuer's credit worthiness. The Group's credit spread risk is calculated as credit risk at the time of spreading with 100 basis points. Shares – there are limits fixed for the Group's collective share risk calculated based on exposure, risk spreading and market liquidity. In calculating risk exposure the calculation is based on a general fall in share value of 30%. In addition, there is markup for risk spreading and market liquidity.
The bank expresses the market risk as risk adjusted capital. Calculated market risk is within fixed limits and total limits for the market risk and is included as capital requirement in the Group's ICAAP. The bank has a large holding in Helgeland Invest. The stake will be subject to fluctuations in value depending on the performance of underlying companies. Ownership thereby subjects bank to a owner risk.

Most of the Group’s interest rate risk is linked to the portfolio of interest-bearing securities, fixed interest rate loansnd fixed interest rate deposits. The Board of Directors has established a framework of NOK 20 million for the total interest risk on and off the balance sheet, measured through the effect on profit that a 2% change in the interest rate level would have.
The exposure has been well below the target figure in 2016

Foreign exchange risk

The Group only has smaller financial positions and cash flows in foreign currencies in the balance sheet. These items are regarded as not significant. In view of the fact that Helgeland Sparebank is not a foreign exchange bank in its own right, its foreign exchange loans are managed by a foreign exchange bank. Helgeland Sparebank has provided the necessary guarantees in favour of the foreign exchange bank.
The table below summarises the Group's foreign exchange risk through guarantee liabilities relating to foreign currency loans managed by the foreign exchange bank in question as at 31 12.

NOTE 2.3.1 - Guarantee liabilities relating to foreign exchange loans

Parent bank				*Group*
31.12.16				**31.12.16**
Loan amounts in foreign currencies	**Guarantee liabilities in NOK**		**Loan amounts in foreign currencies**	**Guarantee liabilities in NOK**
0	0	Euro	0	0
0	2	Amerikanske dollar	0	2
9	73	Sveitsiske franc	9	73
0	42	Svenske kroner	44	42
29	1	Japanske yen	29	2
	119	**Total guarantee liabilities to foreign exchange loans**		**119**

The bank has a small portfolio of guaranteed FX loans, the equivalent value in NOK constituted per 31.12.16 MNOK 119. The portfolio is distributed over a range of customers where there is collateral in real estate and/or deposits. The credit risk in this portfolio is considered as low.

Guarantee liabilities relating to foreign exchange loans

Parent bank				*Group*
31.12.15				**31.12.15**
Loan amounts in foreign currencies	**Guarantee liabilities in NOK**		**Loan amounts in foreign currencies**	**Guarantee liabilities in NOK**
0	0	Euro	0	0
0	3	Amerikanske dollar	0	3
10	92	Sveitsiske franc	10	92
44	46	Svenske kroner	44	46
30	2	Japanske yen	30	2
	143	**Total guarantee liabilities to foreign exchange loans**		**143**

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

							Group
							31.12.16
	Up to 1	1-3 months	3 months - 1 year	1-5 years	Over 5	No int rate change	Total
ASSETS							
Cash and claims on central banks	93	0	0	0	0	0	93
Loans to and claims on credit inst with no a/maturity	509	0	0	0	0	0	509
Loans to and claims on credit inst with a/maturity	0	0	0	0	0	0	0
Net loans to and claims on customers	0	23 429	0	1 203	0	0	24 632
Bonds and certificates	673	2 294	329	0	0	0	3 296
Other non-int -bearing assets (including swaps)	0	0	0	0	0	835	835
Total assets	**1 275**	**25 723**	**329**	**1 203**	**0**	**835**	**29 365**
LIABILITIES AND EQ. CAP							
Liabilities to credit inst. with no agreed maturity	0	2	0	0	0	0	2
Liabilities to credit inst. with agreed maturity	0	250	0	0	0	0	250
Deposits from and liabilities to cust no agreed mat.	0	15 069	0	0	0	0	15 069
Deposits from and liabilities to customers with agreed mat.	0	856	248	0	0	0	1 104
Borrowings through the issuance of securities	496	6 846	1 916	0	0	0	9 258
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	491	491
Total liabilities	**496**	**23 023**	**2 146**	**0**	**0**	**491**	**26 174**
Net int rate sensitivity gap	**779**	**2 700**	**-1 835**	**1 203**	**0**	**344**	**3 191**

Cash flow and market value of interest rate risk

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

The table below summarises the Group's exposure to interest rate risk. The table shows the Group's assets and liabilities at book values, according to the remaining periods, until the next interest rate adjustment. The book value of financial derivatives, interest rate swaps used for the purpose of reducing the Group's interest rate risk is included under' Other non-interest-bearing assets' and 'Other non-interest-bearing liabilities'. Expected interest rate adjustment- and maturity dates are not significantly different from the contract-related dates involved.

							Group
							31.12.15
	Up to 1	1-3 Months	3 months - 1 year	1-5 years	Over 5	No int rate change	Total
ASSETS							
Cash and claims on central banks	91	0	0	0	0	0	91
Loans to and claims on credit inst with no a/maturity	380	0	0	0	0	0	380
Loans to and claims on credit inst with a/maturity	130	0	0	0	0	0	130
Net loans to and claims on customers	0	21 148	0	1 296	0	0	22 444
Bonds and certificates	615	1 645	976	0	0	0	3 236
Other non-int -bearing assets (including swaps)	0	0	0	0	0	851	851
Total assets	**1 216**	**22 793**	**976**	**1 296**	**0**	**851**	**27 132**
LIABILITIES AND EQ. CAP							
Liabilities to credit inst. with no agreed maturity	0	20	0	0	0	0	20
Liabilities to credit inst. with agreed maturity	0	0	0	0	0	0	0
Deposits from and liabilities to cust no agreed mat.	0	13 475	0	0	0	0	13 475
Deposits from and liabilities to customers with agreed mat.	0	733	210	0	0	0	943
Borrowings through the issuance of securities	526	6 727	2 296	0	0	0	9 549
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	809	809
Total liabilities	**526**	**20 955**	**2 506**	**0**	**0**	**809**	**24 796**
Net int rate sensitivity gap	**690**	**1 838**	**-1 530**	**1 296**	**0**	**42**	**2 336**

							Parent bank
							31.12.16
	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5	No interest rate change	Total
ASSETS							
Cash and claims on central banks	93	0	0	0	0	0	93
Loans to and claims on credit inst with no maturity	1 489	0	0	0	0	0	1 489
Loans to and claims on credit inst with maturity	0	0	0	0	0	0	0
Net loans to and claims on customers	0	17 854	0	1 203	0	0	19 057
Bonds and certificates	672	2 519	329	0	0	0	3 521
Other non-int -bearing assets (including swaps)	0	0	0	0	0	1 193	1 193
Total assets	**2 255**	**20 373**	**329**	**1 203**	**0**	**1 193**	**25 353**
LIABILITIES AND EQ . CAP.							
Liabilities to credit inst .with no agreed maturity	0	0	0	0	0	0	0
Liabilities to credit inst. with agreed maturity	0	250	0	0	0	0	250
Deposits from and liabilities to cust no agreed mat.	0	15 386	0	0	0	0	15 386
Deposits from and liabilities to cust with agreed mat.	0	856	248	0	0	0	1 104
Borrowings through the issuance of securities	496	2 570	1 916	0	0	0	4 982
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	487	487
Total liabilities	**496**	**19 062**	**2 164**	**0**	**0**	**487**	**22 209**
Net interest rate sensitivity gap	**1 759**	**1 311**	**-1 835**	**1 203**	**0**	**706**	**3 144**

							Parent bank
							31.12.15
	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5	No interest rate change	Total
ASSETS							
Cash and claims on central banks	91	0	0	0	0	0	91
Loans to and claims on credit inst with no maturity	877	0	0	0	0	0	877
Loans to and claims on credit inst with maturity	130	0	0	0	0	0	130
Net loans to and claims on customers	0	16 905	0	1 296	0	0	18 201
Bonds and certificates	615	1 825	976	0	0	0	3 416
Other non-int -bearing assets (including swaps)	0	0	0	0	0	1 087	1 087
Total assets	**1 713**	**18 730**	**976**	**1 296**	**0**	**1 087**	**23 802**
LIABILITIES AND EQ . CAP.							
Liabilities to credit inst .with no agreed maturity	0	18	0	0	0	0	18
Liabilities to credit inst. with agreed maturity	0	0	0	0	0	0	0
Deposits from and liabilities to cust no agreed mat.	0	13 701	0	0	0	0	13 701
Deposits from and liabilities to cust with agreed mat.	0	733	210	0	0	0	943
Borrowings through the issuance of securities	526	3 236	2 296	0	0	0	6 058
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	800	800
Total liabilities	**526**	**17 688**	**2 506**	0	0	800	**21 521**
Net interest rate sensitivity gap	**1 187**	**1 042**	**-1 530**	**1 296**	**0**	**287**	**2 282**

NOTE 3 - Sensitivity analysis for change in market prices

		Group and Parent bank
		31.12.16
	Effect on profit	**Effect on equity**
Interest +/- 2%	-15.5	0.10 %
Total liabilities	**-15.5**	**0.10 %**

The Group's total interest-rate risk consists of all positions in interest-bearing financial instruments, as well as interest-rate risk relating to the bank portfolio (which is to be assessed separately). The Group's interest-rate risk at 31 December 2016 was NOK -15.5 (+4.4) million within the specified limits. The limit on the Group's aggregate interest-rate risk on interest-rate instruments shall not exceed NOK 20 million.
The Group's total interest-rate risk will consist of: interest rate exposure (2 per cent parallel shift in the interest rate curve). The effect on equity is profit after tax, while exposure to interest rate risk is before tax.

		Group and Parent bank
		31.12.15
	Effect on profit	**Effect on equity**
Interest +/- 2%	4.4	0.03 %
Total liabilities	**4.4**	**0.03 %**

NOTE 4 - Segment information

Parent bank | *Group*

31.12.16

Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
220	236	11	467	Net interest and credit commission	284	235	1	520
27	12	46	85	Net commission income	27	12	46	85
0	0	111	111	Other operating income	0	0	80	80
48	23	108	179	Operating costs	48	23	126	197
-1	29	7	35	Losses on loans guaranteed	0	29	7	36
200	**196**	**53**	**449**	**Result before tax**	**263**	**195**	**-6**	**452**
11 241	7 928	0	19 169	Loans to and claims on customers	16 729	8 020	0	24 749
-3	-27	0	-30	Individual write-downs	-3	-27	0	-30
-12	-70	0	-82	Collective write-downs on loans	-17	-70	0	-87
0	0	6 314	6 314	Other assets	0	0	4 751	4 751
11 226	**7 831**	**6 314**	**25 371**	**Total assets per segment**	**16 709**	**7 923**	**4 751**	**29 383**
9 104	7 386	0	16 490	Deposits from customers and liabilities	9 104	7 386	0	16 490
0	0	8 881	8 881	Other liabilities and equity	0	0	12 893	12 893
9 104	**7 386**	**8 881**	**25 371**	**Total liabilities and equity per segm.**	**9 104**	**7 386**	**12 893**	**29 383**

Parent bank | *Group*

31.12.15

Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
214	207	-17	404	Net interest and credit commission	304	219	-60	463
30	13	44	87	Net commission income	30	13	44	87
0	0	77	77	Other operating income	0	0	32	32
85	31	145	261	Operating costs	90	33	147	270
-2	27	7	32	Losses on loans guaranteed	-2	27	7	32
161	**162**	**-48**	**275**	**Result before tax**	**246**	**172**	**-138**	**280**
11	7 197	0	18 295	Loans to and claims on customers	15 266	7 275	0	22 541
-5	-14	0	-19	Individual write-downs	-5	-14	0	-19
-13	-62	0	-75	Collective write-downs on loans	-17	-62	0	-79
0	0	5 601	5 601	Other assets	0	0	4 689	4 689
11	**7 121**	**5 601**	**23 802**	**Total assets per segment**	**15 244**	**7 199**	**4 689**	**27 132**
9 064	5 580	0	14 644	Deposits from customers and liabilities	9 064	5 354	0	14 418
0	0	9 158	9 158	Other liabilities and equity	0	0	12 714	12 714
9 064	**5 580**	**9 158**	**23 802**	**Total liabilities and equity per segm.**	**9 064**	**5 354**	**12 714**	**27 132**

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

NOTE 5 - Net interest- and credit commission income

Parent bank				*Group*
2015	2016		2016	2015
		Interest receivable and similar income:		
678	650	Interest receivable and credit commissions on loans etc. 1,2)	772	804
45	40	Interest on deposits with and loans to credit institutions 1,2)	40	45
23	22	Interest payable on deposits and loans from credit institutions	22	23
68	55	Interest from bearer bonds and certificates	55	68
814	**767**	**Total interest receivable and similar income**	**889**	**940**
		Interest payable and similar costs:		
		Interest payable on deposits from customers:		
229	170	Carried at amortized cost	170	241
0	0	Carried at fair value	0	0
0	0	Interest payable on deposits and loans from credit institutions	0	0
145	99	Carried at amortized cost	168	200
36	31	Carried at fair value	31	36
410	**300**	**Total interest payable and similar costs**	**369**	**477**

1) Includes interest receivable loans at floating rated of interest and loans at fixed rates of interest. Interest income on written-down loans is calculated using the same effective rate of interest that was used to discount the original cash flow.

2) Interest from derivatives which have been entered into to steer the interest rate risk in the bank's ordinary portfolio is classified as interest and entered as an adjustment to the bank's other interest income / costs.

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

Parent bank				*Group*
31.12.15	31.12.16		31.12.16	31.12.15
		Assets		
2.0 %	1.7 %	Loans to and claims on credit institutions	1.1 %	1.3 %
4.2 %	3.8 %	Loans to and claims on customers	3.5 %	3.9 %
1.9 %	1.8 %	Certificates and bonds	1.8 %	1.9 %
		Liabilities		
1.8 %	1.8 %	Liabilities to credit institutions	1.8 %	1.8 %
1.6 %	1.0 %	Deposits from customers and liabilities to costumers	1.0 %	1.6 %
2.4 %	2.2 %	Borrowings through the issuance of securities	2.0 %	2.4 %

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

Parent bank				*Group*
31.12.15	31.12.16		31.12.16	31.12.15
		Assets		
1 157	1 269	Loans to and claims on credit institutions	500	608
17 293	18 617	Loans to and claims on customers	23 538	21 588
3 642	3 441	Certificates and bonds	3 265	3 589
		Liabilities		
11	53	Liabilities to credit institutions	53	11
14 369	15 662	Deposits from customers and liabilities to costumers	15 296	14 072
5 883	5 675	Borrowings through the issuance of securities	9 405	9 346

NOTE 6 - Commissions and income from banking services

Parent bank				*Group*
2015	**2016**		**2016**	**2015**
8	8	Guarantee commission *)	8	8
61	60	Fees relating to payments transmission services	60	61
1	1	Fees Insurance (General, Life, saving and pension)	1	1
27	27	Other fees	27	27
97	**96**	**Total commissions and income from banking services**	**96**	**97**

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

NOTE 7 - Commissions payable and costs relating to banking services

Parent bank				*Group*
2015	**2016**		**2016**	**2015**
8	9	Payments transmission services	9	8
1	1	Fees - customers' use of payment terminals	1	1
1	1	Other fees	1	1
10	**11**	**Total commissions payable and costs relating to banking services**	**11**	**10**
87	**87**	**Net commission income**	**85**	**87**

NOTE 8 – Gains/losses on financial instruments

Parent bank				*Group*
2015	**2016**		**2016**	**2015**
-1	1	Unrealised fall in value of interest-bearing securities, available for sale	1	-1
4	3	Realised gain on interest-bearing securities, available for sale	3	4
0	-6	Realised loss on interest-bearing securities, available for sale	-6	0
-9	0	Unrealised fall in value of shares, available for sale	0	-5
0	14	Realised gain on shares, available for sale	14	0
-3	-6	Realised loss on shares, available for sale	0	0
49	46	Dividends on shares	9	1
27	50	Share of earnings in associates from Helgeland Invest	50	27
-1	1	Share of earnings in associates from Rede	1	-1
-6	2	Unrealised change in value, fixed interest loans at fair value and swaps	2	-6
2	0	Unrealised change in value, hedging instruments	0	2
62	**105**	**Total net gain/loss on financial instruments**	**74**	**21**

NOTE 9 - Other operating income

Parent bank				*Group*
2015	**2016**		**2016**	**2015**
7	0	Operating income from real estate	6	6
4	6	Other operating income	0	1
4	0	Gains on sale of real estate and movable property	0	4
15	**6**	**Total other operating income**	**6**	**11**

NOTE 10 - Total operating costs

Parent bank			Group	
2015	**2016**		**2016**	**2015**
138	127	Wages salaries and social costs	127	137
45	48	IT-Cost	48	45
11	12	Marketing expenses	12	11
12	12	Depreciation	20	20
5	5	Operating cost real estate	6	6
18	18	Purchased services	18	18
32	31	Other operating costs (note 14)	40	33
261	**253**	**Total operating costs**	**271**	**270**

NOTE 11 - Wages salaries and social costs

Parent bank			*Group*	
2015	**2016**		**2016**	**2015**
94	94	Wages salaries and fees	94	93
8	0	Change package	0	8
16	16	Employers' social security contributions	16	16
16	14	Pension costs relating to benefit plans (note 12)	14	16
4	3	Other personnel costs	3	4
138	**127**	**Total wages salaries and social costs**	**127**	**137**
164	152	Number of employees measured in man-years as at 31.12	152	164
166	159	Average number of employees of man-years worked as at 31.12	159	166

NOTE 12 –Pension costs and pension liabilities

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

Benefit-based scheme invested in a life insurance company

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

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

The scheme covers 2 (137) employees, as well as 17 (133) people who receive an ongoing pension from the scheme. he pension scheme entitles employees to future pension disbursements of 66% of their salary upon retirement, subject to a maximum of 12 National Insurance basic amounts (G).

Defined contribution-based scheme

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

The pension contribution scheme now includes 155 (37) active.

Contractual pension

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

Senior management scheme

Refer to note 28.4

NOTE 12.1 – Obligation and expenses concerning pension schemes

Parent bank				*Group*
31.12.16				**31.12.16**
Expense	**Obligation**		**Obligation**	**Expense**
8	24	Benefit-based scheme	24	8
4	0	Defined contribution scheme	0	4
2	0	Contractual pension	0	2
14	**24**	**Total**	**24**	**14**
-74		Income by conversing to defined contribution		-74
-60	**24**	**Total lending to elected representatives and employees**	**24**	**-60**

Parent bank				*Group*
31.12.15				**31.12.15**
Expense	**Obligation**		**Obligation**	**Expense**
13.6	104	Benefit-based scheme	104	13.6
0.8	0	Defined contribution scheme	0	0.8
1.1	0	Contractual pension	0	1.1
16	**104**	**Total lending to elected representatives and employees**	**104**	**16**

NOTE 12.2 – Economic assumptions and effects of changes

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

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

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

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

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

	Parent bank and Group	
Investment of funds, %	**31.12.16**	**31.12.15**
Shares	20.6 %	7.2 %
Bonds	30.7 %	32.7 %
Money market, etc.	21.0 %	25.6 %
Property	8.8 %	9.9 %

The value-adjusted return as of 31.12.16 was 4.1 (4.6) %.
Anticipated premium payments in pension schemes as of 31.12.16 amount to NOK 14 (16) million.
The weighted average duration of the pension obligation is 34 (28) yearswith 19 women and 1 man left

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

			31.12.16
Pension expenses	**Discount interest rate**	**Pay increase**	**Adjustment of accrued National Ins. pension**
Basic assumptions	2.60 %	2.50 %	2.25 %
Pension expense (gross) with the basic assumptions	**14**	**14**	**14**
Increase by 1 percentage point (e.g. discount rate from	12	16	12
Reduction by 1 percentage point	17	12	15
(not for pension adjustment; reduced to 0%)			

			31.12.16
Gross pension obligation (PBO, NOK million)	**Discount interest rate**	**Pay increase**	**Adjustment of accrued National Ins. pension**
Basic assumptions	2.60 %	2.50 %	2.25 %
PBO with the basic assumptions	**24**	**24**	**24**
Increase by 1 percentage point	20	27	23
Reduction by 1 percentage point	30	22	24
(not for pension adjustment; reduced to 0%)			

			31.12.15
Pension expenses	**Discount interest rate**	**Pay increase**	**Adjustment of accrued National Ins. pension**
Basic assumptions	2.50 %	2.50 %	2.25 %
Pension expense (gross) with the basic assumptions	**16**	**16**	**16**
Increase by 1 percentage point (e.g. discount rate from	14	16	12
Reduction by 1 percentage point	19	14	17
(not for pension adjustment; reduced to 0%)			

Parent bank and Group

			31.12.15
Gross pension obligation (PBO, NOK million)	**Discount interest rate**	**Pay increase**	**Adjustment of accrued National Ins. pension**
Basic assumptions	2.50 %	2.50 %	2.25 %
PBO with the basic assumptions	**104**	**104**	**104**
Increase by 1 percentage point	86	115	101
Reduction by 1 percentage point	129	95	106
(not for pension adjustment; reduced to 0%)			

NOTE 12.3 – Economic assumptions

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
2.50 %	2.60 %	Discount rate of interest	2.60 %	2.50 %
2.50 %	2.60 %	Expected return on plan assets	2.60 %	2.50 %
2.50 %	2.60 %	Wage- and salary adjustment	2.60 %	2.50 %
2.25 %	2.25 %	Adjustment of current pension	2.25 %	2.25 %
2.25 %	2.25 %	Increase of base amount	2.25 %	2.25 %
5.10 %	14.10 %	Employer's social security contributions – rate	14.10 %	5.10 %
50.00 %	50.0 %	Staff's propensity to opt for SERP	50.0 %	50.00 %
1.20 %	1.20 %	Yearly per cent retirement for working	1.20 %	1.20 %
25 year	25 year	From age	25 year	25 year
40 year	40 year	To age	40 year	40 year

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

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

NOTE 12.4 – Balance sheet pension liabilities

Parent bank 31.12 2012	31.12 2013	31.12 2014	31.12 2015	31.12 2016		Group 31.12 2016	31.12 2015	31.12 2014	31.12 2013	31.12 2012
					Change in defined benefit obligation (DBO)					
271	179	203	268	273	DBO at the beginning of year	273	268	203	179	270
10	6	9	9	2	Service cost	2	9	9	6	10
7	7	8	6	2	Net interest expenses / (income)	2	6	8	7	7
0	0	0	0	0	Takeover/acquisition (AFP)	0	0	0	0	0
-100	16	57	-8	-231	Reassessments	-231	-8	57	16	-100
-8	-6	-9	-6	-7	Benefits paid	-7	-6	-9	-6	-8
179	**203**	**268**	**269**	**39**	**DBO at the end of the year**	**39**	**269**	**268**	**203**	**179**
					Change in plan assets					
151	147	153	165	177	Plan assets at the beginning of the year	177	165	153	147	151
7	6	6	4	1	Interest income on plan assets	1	4	6	6	7
-14	-3	0	1	-161	Reassessments	-161	1	0	-3	-14
-2	-2	-2	-2	1	Administration expenses	1	-2	-2	-2	-2
10	11	13	16	6	Contributions	6	16	13	11	10
-5	-6	-5	-6	-7	Benefit paid	-7	-6	-5	-6	-5
147	**153**	**165**	**178**	**17**	**Plan assets at the end of the year**	**17**	**178**	**165**	**153**	**147**
					Reconciliation the balance sheet pension liabilities					
179	**203**	**268**	**269**	**39**	**Benefit obligation (DBO)**	**39**	**269**	**268**	**203**	**179**
147	**153**	**165**	**178**	**17**	**Plan assets**	**17**	**178**	**165**	**153**	**147**
-32	**-50**	**-103**	**-91**	**-22**	**Net defined benefit obligation (asset)**	**-22**	**-91**	**-103**	**-50**	**-32**
1	-2	-4	-13	**-2**	Employer’s contributions of net pension obligation	**-2**	-13	-4	-2	1
-31	**-52**	**-107**	**-104**	**-24**	**Net defined benefit obligation (asset)**	**-24**	**-104**	**-107**	**-52**	**-31**
0	0	0	0	0	Effect of reassessments	0	0	0	0	0
0	0	0	0	0	Reassessments deviation, employer’s contributions	0	0	0	0	0
-31	**-52**	**-107**	**-104**	**-24**	**Balance sheet provision at the end of the year**	**-24**	**-104**	**-107**	**-52**	**-31**

NOTE 12.5 – Estimate deviations, benefit-based scheme

Parent bank			*Group*	
2015	2016		2016	2015
0	0	+ Actuarial loss/(gain) on DBO from demographic assumptions	0	0
0	0	+ Actuarial loss/(gain) on DBO from economic assumptions	0	0
-7	14	+ Actuarial loss/(gain) on DBO due to change from K2005 to K2013	14	-7
5	-10	- Gain/(loss) on pension funds during the year	-10	5
0	-4	- Return on pension funds excluding interest income	-4	0
2	0	+ Administrative costs linked to planning of assets	0	2
0	0	- Estimate deviation incorporated into OCI	0	2
0	**0**	**Estimate deviation at year-end**	**0**	**0**

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

Parent bank			*Group*	
2015	2016		2016	2015
11	16	Present value of the year's pension accrual	16	11
	-68	- early pension accrual	-68	
	-52	= pension accrual	-52	
2	1	Interest expense of accrued pension obligations	1	2
0	0	Anticipated return on pension funds	0	0
0	0	Administration expenses	0	0
2	-9	Employer's contributions	-9	2
16	**-60**	**Net pension expense**	**-60**	**16**

NOTE 14 - Other administration costs

Parent bank			*Group*	
2015	2016		2016	2015
11	11	Rental	11	11
3	3	Value Transportation	3	3
3	5	Travel expenses	5	3
1	1	Fee external auditor	1	1
9	11	Other operation costs 1)	20	10
32	**31**	**Total other administration costs**	**40**	**33**

1) The group ‘s other administration costs for 2016 has included MNOK 7 loss by sale of property by a subsidiary.

NOTE 15 - Auditor's fees

Parent bank			*Group*	
2015	2016		2016	2015
0.5	0.4	Statutory audit	0.8	0.7
0.2	0.2	Other services, attestation and assistance totalled	0.2	0.2
0.0	0.0	assistance internal auditor	0.0	0.0.
0.7	**0.6**	**Total audit**	**1.0**	**0.9**

PricewaterhouseCoopers AS is Helgeland Sparebank's appointed auditor

NOTE 16 - Losses on loans guarantees etc

Parent bank				*Group*
2015	**2016**		**2016**	**2015**
		Write-downs on loans guarantees:		
25	28	Individual write-down on loans guarantees etc relating to customers	28	25
7	7	Collective write-down on loans guarantees etc relating to customers	8	7
32	**35**	**Total write-down on loans guarantees etc**	**36**	**32**
		Details of write-downs on loans guarantees		
94	112	Total write-downs to cover losses on commitments as at 31.12	117	94
92	94	- Total write-downs to cover losses on commitments as at 01.01	98	92
7	7	- Change in collective write-down during the period	7	7
22	16	+ Confirmed losses against which ind. write-downs were made in previous	16	22
2	0	+ Conf. losses against which on ind. write-downs were made in previous years	0	2
-1	-6	- Recoveries from previous periods' confirmed losses	-6	-1
32	**35**	**Total write-down of losses guarantees etc.**	**36**	**32**

NOTE 17 - Tax cost

Parent bank				*Group*
2015	**2016**		**2016**	**2015**
		Tax for the year:		
58	66	Tax payable	77	69
-4	1	Change in deferred tax adjusted direct against the equity capital	1	-4
7	23	Change in deferred tax (Note 29)	24	7
61	**90**	**Tax cost for the year**	**102**	**72**
		Breakdown between accounts-related result before tax and the year's income liable to tax:		
275		Accounts-related result before tax		280
-107	449	Permanent differences	452	-78
0	-117	Use of previous losses carried forward	-76	0
38	-95	Change in temporary differences (Note 29)	-91	39
206	**237**	**Income subject to tax**	**285**	**241**
		Reconciliation tax		
275	449	Accounts-related result before tax	452	280
74	117	Tax calculated at the entity's weighted average tax	118	76
		Tax effect of:		
-23	-34	Tax-free income	-23	-15
10	7	Not deductible expenses	7	11
61	**90**	**Taxes in the income statement**	**102**	**72**

Weighted average tax rate in 2016 is 26% (2015; 27%)

NOTE 18 - Ordinary result per EC's

Parent Bank				*Group*
2015	**2016**		**2016**	**2015**
214	359	Result from ordinary operations after tax	350	208
	-11	Intrest hybrid capital	-11	
	348	Result(eks.intrest hybrid capital)	339	
75.1 %	75.1 %	EC-holders' percentage share of the result 01.01	75.1 %	75.1%
161	262	EC-holders' share of the result	255	156
8.6	**13.8**	**Result per EC's**	**13.5**	8.4
8.6	13.8	**Diluted result per EC's**	13.5	8.4

Helgeland Sparebank completed a private placement followed with a repair placement that overall gave a net provide of MNOK 147 in 4th quarter 2016.The allocation of new EC's was done November 24th and December 16th for the repair placement. After the placement the ownership ratio has increased from 75.1 % to 76.6 %. Weighted average 75.3 %
(Hybrid capital classified as equity is not included in the calculation of ownership ratio.) The number of EC's has after the placement increased from 18 700 000 to 20 871 427. Weighted average in 2016 was 18 941 995 EC's. The result for each equity certificate is calculated by dividing the equity certificate holder's share of the net result of ordinary operations after tax by a weighted average of ordinary equity certificates which have been issued throughout the year.
Diluted result for each equity certificate is calculated by a reduction in result per equity certificate as a consequence of the assumption that convertible instruments are converted, and that options or subscription rights are exercised as a consequence of these conditions being met.

NOTE 19 –Cash and claims on central banks

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
41	43	Cash reserve	43	41
50	50	Deposits at Norges Bank in excess of liquidity reserve requirements	50	50
91	**93**	**Total cash and claims on central banks**	**93**	**91**

NOTE 20 - Loans to and claims on credit institutions

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
507	506	Loans to and claims on credit institutions*)	509	510
500	983	Settlement Helgeland Boligkreditt AS **)	0	0
1 007	**1 489**	**Total loans to and claims on credit institutions**	**509**	**510**

*) Loans to and claims on credit institutions are in their entirety subject to floating rates of interest.
**)Helgeland Boligkreditt AS is a wholly owned subsidiary of Helgeland Sparebank

NOTE 21 –Loans to and claims on customers

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
		Gross loans		
1 706	2 117	Overdraft- and working capital facilities	3 049	2 683
314	330	Building loans	330	314
14 930	15 483	Instalment loans	20 131	18 200
16 950	17 930	Gross loans to customers	23 510	21 197
-19	-30	**Individual write-downs**	-30	-19
16 931	17 900	Loans to customers after Individual write-downs	23 480	21 178
35	37	Accrued interest	37	35
-75	-82	Collective write-downs	-87	-79
16 891	17 855	Loans to and receivables from customers at amortised cost	23 430	21 134
1 295	1 203	Loans to and receivables from customers, nominal capital:	1 203	1 295
15	-1	Accrued interest and adjustment to fair value	-1	15
1 310	1 202	Loans to and receivables from customers, fair value:	1 202	1310
18 201	**19 057**	**Net loans to and receivables from customers**	**24 632**	**22 444**

Information about security and collateral

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

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

Parent bank			*Group*	
31.12.16	**%-share**		**31.12.16**	**%-share**
16 357	85.,3 %	Helgeland	20 785	84.0 %
2 796	14.6 %	Areas other than Helgeland	3 936	15.9 %
16	0.1 %	International	27	0.1 %
19 169	**100 %**	**Total**	**24 748**	**100 %**

Geographical exposure within the loan portfolio was as follows

Parent bank			*Group*	
31.12.15	**%-share**		**31.12.15**	**%-share**
15 481	84.6 %	Helgeland	18 947	84.1 %
2 796	15.3 %	Areas other than Helgeland	3 566	15.8 %
18	0.1 %	International	28	0.1 %
18 295	**100 %**	**Total**	**22 541**	**100 %**

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

Parent bank			*Group*	
31.12.16				**31.12.16**
Retail banking	**Corporate m.**		**Retail banking**	**Corporate m.**
21	813	Overdraft- and working capital facilities	21	813
162	168	Building loans	162	168
11 058	6 948	Mortgage loans	16 552	7 032
11 241	**7 929**	**Gross loans to customers**	**16 735**	**8 013**

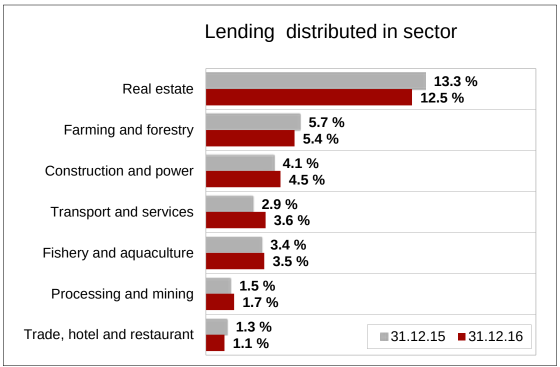
Parent bank			*Group*	
31.12.15				**31.12.15**
Retail banking	**Corporate m.**		**Retail banking**	**Corporate m.**
26	711	Overdraft- and working capital facilities	26	711
157	157	Building loans	157	157
10 962	6 282	Mortgage loans	15 130	6 360
11 145	**7 150**	**Gross loans to customers**	**15 313**	**7 228**

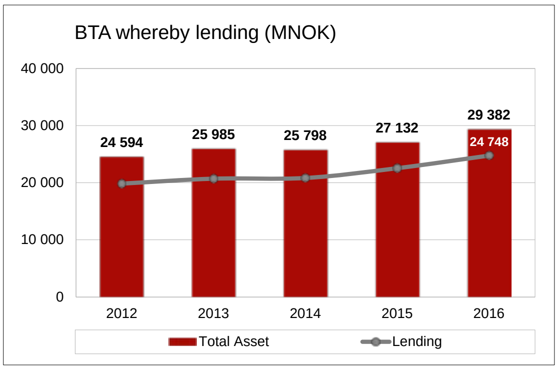
NOTE 21.3 –Write-downs on loans and guarantees

Parent bank				*Group*
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
		Individual write-downs:		
24	19	Individual write-downs to cover losses on loans and guarantees as at 01.01	19	24
-9	-13	- Period's conf losses against which individual write-downs were previously made	-13	-9
0	1	+ Increased individual write-downs during the period where individual write-downs were previously made	1	0
10	25	+ New individual write-downs during the period	25	10
-6	-2	- Reversal of individual write-downs during the period	-2	-6
19	**30**	**Total individual write-downs on loans and guarantees**	**30**	**19**
		Of which:		
18	30	Loans	30	18
1	0	Guarantees	0	1
		Collective write-downs:		
68	75	Collective write-downs to cover losses on loans and guarantees as at 01.01	79	72
7	7	+/- Period's change in collective write-downs	8	7
75	**82**	**Collective write-downs to cover losses on loans and guarantees as at 31.12**	**87**	**79**
95	**112**	**Total write-downs on loans and guarantees**	**117**	**99**

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

The level of losses in the retail banking market remains low and at a level corresponding to the average for the sector. Routines for debt collection and follow-up have been implemented. Based on empirical figures, sector-related figures and local market conditions, the Bank's forecast for credit losses expected in the retail banking loan portfolio is in the region of 0.05 - 0.1 %.
The Bank has a strong focus on preventive work in its credit exposure combined with close follow-up of non-performing and doubtful loans. The Group's credit risk is affected by the impact of the crisis in finance and the real economy on large industrial enterprises and the consequences that this may in turn have for subcontractors in the service and engineering industries.
Based on historical evidence, a thorough knowledge of the Group's lending and local market conditions, the Bank's forecast for credit losses expected over a five-year period is 0.20-0.5 per cent of gross lending within the corporate lending portfolio. In the pricing of loans, great emphasis is placed on customers' ability to service their debt. There will therefore normally be a correlation between the risk classification and the pricing of loans.





<u>Gross lending as per 31.12.16</u>

Of the gross lending of NOK 24.7 (22.5) bn., NOK 8.0 (7.2) bn. is lending to corporate customers. The graph above shows a sector distribution of these loans. NOK 16.7 (15.3) bn. is loans to retail customers, mainly well secured mortgages. NOK 1.3 (1.3) bn. is loans to agriculture customers (traditionally a low risk segment). Of gross lending 84.1 (84.4) % are loans to customers in the Helgeland Region. Of gross lending 22.7 (19.5) % are transferred to Helgeland Boligkreditt AS. See annotation 25.2.

NOTE 21.5. - Commitments and losses according to different business- and other sectors

Group

31.12.16

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	1	0	0	0	0	0
Financial institutions	4	0	0	0	0	0
Agriculture and forestry	1 328	2	121	2	4	8
Fishing and fish farming	875	34	331	0	1	0
Mining and industry	422	30	62	0	3	0
Building and construction	1 119	185	236	0	12	1
Trade hotels and restaurants	279	40	100	3	2	0
Transport and service industry	894	35	104	14	2	35
Financing and real estate	3 091	217	410	8	36	2
Total corporate market	**8 013**	**543**	**1 364**	**27**	**60**	**46**
Retail banking market	**16 735**	**15**	**1 047**	**3**	**36**	**1**
Total	**24 748**	**558**	**2 411**	**30**	**96**	**47**
Of which gross loans Helgeland Boligkreditt	5 629					

Group

31.12.15

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	0	0	0	0	0	0
Financial institutions	5	0	0	0	0	0
Agriculture and forestry	1 289	2	103	0	7	0
Fishing and fish farming	766	33	305	0	0	0
Mining and industry	341	19	71	4	13	0
Building and construction	935	134	205	5	12	1
Trade hotels and restaurants	293	42	105	4	5	0
Transport and service industry	646	32	20	0	3	0
Financing and real estate	3 000	270	263	1	13	2
Total corporate market	**7 275**	**532**	**1 072**	**14**	**53**	**3**
Retail banking market	**15 266**	**20**	**887**	**5**	**35**	**2**
Total	**22 541**	**552**	**1 959**	**19**	**88**	**5**
Of which gross loans Helgeland Boligkreditt	4 313					

						Parent bank 31.12.16
	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	1	0	0	0	0	0
Financial institutions	4	0	0	0	0	0
Agriculture and forestry	1 314	2	121	2	4	8
Fishing and fish farming	873	34	331	0	1	0
Mining and industry	419	30	62	0	3	0
Building and construction	1 088	185	236	0	12	1
Trade hotels and restaurants	274	40	100	3	2	0
Transport and service industry	877	35	96	14	2	35
Financing and real estate	3 079	217	410	8	36	2
Total corporate market	**7 929**	**543**	**1 356**	**27**	**60**	**46**
Retail banking market	**11 241**	**15**	**631**	**3**	**36**	**1**
Total	**19 170**	**558**	**1 987**	**30**	**96**	**47**

						Parent bank 31.12.15
	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	0	0	0	0	0	0
Financial institutions	5	0	0	0	0	0
Agriculture and forestry	1 278	2	103	0	7	0
Fishing and fish farming	763	33	305	0	0	0
Mining and industry	338	19	71	4	13	0
Building and construction	912	134	205	5	12	1
Trade hotels and restaurants	287	42	105	4	5	0
Transport and service industry	608	32	20	0	3	0
Financing and real estate	3 006	270	253	1	13	2
Total corporate market	**7 197**	**532**	**1 062**	**14**	**53**	**3**
Retail banking market	**11 098**	**20**	**494**	**5**	**35**	**2**
Total	**18 295**	**552**	**1 556**	**19**	**88**	**5**

NOTE 21.6 –Mortgage added to Helgeland Boligkreditt AS

Helgeland Boligkreditt is bank owned mortgage company.

Loans transferred are fully secured loans within the mortgage value of 75%. Lending moved out of the Parent bank balance and over to the mortgage company for transmission. The group is included, in their entirety. 22.7 (19.1)% of gross loans was added to Helgeland Boligkreditt. The bank has set a maximum limit for transfer up to 33.6 (28.2) % of gross lending.

Parent bank 31.12.16			*Group* 31.12.16	
Book Value	Fair Value		Book Value	Fair Value
0	0	Fleksi Loans	931	931
0	0	Repayment loans 1)	4 698	4 698
0	**0**	**Total mortgage added to Helgeland Boligkreditt AS**	**5 629**	**5 629**

1) Approximately equal to fair value

Parent bank			*Group*	
31.12.15			31.12.15	
Book Value	Fair Value		Book Value	Fair Value
0	0	Fleksi Loans	976	976
0	0	Repayment loans 1)	3 337	3 337
0	**0**	**Total mortgage added to Helgeland Boligkreditt AS**	**4 313**	**4 313**

1) Approximately equal to fair value

NOTE 21.7 - Remaining periods Helgeland Boligkreditt *Group*

Funding risk. Remaing periods							31.12.16
	0-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	No Remaining	Totalt
Liabilities to credit institutions	0	0	0	997	0	0	997
Borrowings through the issuance of secutities		530	2 631	1 599	0	0	4 761
Financial derivatives gross settlement	0	0	0	0	13	0	13
Total payments	**0**	**530**	**2 631**	**2 597**	**13**	**0**	**5 770**
Loans to and claims on credit institutions	47	295					342
Loans to and claims on customers		156	1 350	450	3 940		5 896
Certificates, bonds and shares available for sale		25					25
Total payments	**47**	**476**	**1 350**	**450**	**3 940**	**0**	**6 263**
Net	-47	54	1 281	2 147	-3 927	0	-493

Funding risk. Remaing periods							31.12.15
	0-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	No Remaining	Totalt
Liabilities to credit institutions				512			512
Borrowings through the issuance of secutities		489	1 820	1 850			4 159
Financial derivatives gross settlement						13	13
Total payments	**0**	**489**	**1 820**	**2 362**	**0**	**13**	**4 684**
Loans to and claims on credit institutions		211					211
Loans to and claims on customers	38	112	1 356	236	2 934		4 677
Total payments	**38**	**323**	**1 356**	**236**	**2 934**		**4 888**
Net	-38	166	464	2 126	-2 934	13	-204

NOTE 22 –Financial instruments

					Group 31.12.16
	Loans and claims	Assets to real value throgh Profit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	93	0	0	0	93
Loans to and claims on credit institutions	509	0	0	0	509
Loans to and claims on customers	23 430	1 202	0	0	24 632
Certificates bonds and shares available for sale	0	0	3 536	0	3 536
Financial derivatives	0	0	0	103	103
Total assets	**24 032**	**1 202**	**3 536**	**103**	**28 873**

	Other financial Commitment	Commitment real value through profit and loss acc to	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	0	0	0	0
Deposit from customers and liabilities to customers	16 173	0	0	16 173
Financial liabilities	6 997	0	0	6 997
Financial liabilities incurred through the issuance of sec.	2 261	0	0	2 261
Subordinated loan capital	300	0	0	300
Financial derivatives	0	36	0	36
Total liabilities	**25 731**	**36**	**0**	**25 767**

Financial instruments

					Group 31.12.15
	Loans and claims	Assets to real value throghProfit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	91	0	0	0	91
Loans to and claims on credit institutions	510	0	0	0	510
Loans to and claims on customers	21 134	1 310	0	0	22 444
Certificates bonds and shares available for sale	0	0	3 462	0	3 462
Financial derivatives	0	0	0	127	127
Total assets	**21 735**	**1 310**	**3 462**	**127**	**26 634**

	Other financial Commitment	Commitment real value through profit and loss acc to	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	0	0	0	0
Deposit from customers and liabilities to customers	14 418	0	0	14 418
Financial liabilities	6 723	0	0	6 723
Financial liabilities incurred through the issuance of sec.	2 826	0	0	2 826
Subordinated loan capital	300	0	0	300
Financial derivatives	0	58	0	58
Total liabilities	**24 267**	**58**	**0**	**24 325**

Parent bank

31.12.16

	Loans and claims	Assets to real value through Profit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	93	0	0	0	93
Loans to and claims on credit institutions	1 489	0	0	0	1 489
Loans to and claims on customers	17 855	1 202	0	0	19 057
Certificates bonds and shares available for sale	0	0	3 759	0	3 759
Financial derivatives	0	0	0	103	103
Total assets	**19 437**	**1 202**	**3 759**	**103**	**24 501**

	Other financial Commitment	Commitment to real value through profit and loss acc	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	0	0	0	0
Deposit from customers and liabilities to customers	16 490	0	0	16 490
Financial liabilities	2 721	0	0	2 721
Financial liabilities incurred through the issuance of sec.	2 261	0	0	2 261
Subordinated loan capital	300	0	0	300
Financial derivatives	0	36	0	36
Total liabilities	**21 772**	**36**	**0**	**21 808**

Parent bank

31.12.15

	Loans and claims	Assets to real value through Profit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	91	0	0	0	91
Loans to and claims on credit institutions	1 007	0	0	0	1 007
Loans to and claims on customers	16 891	1 310	0	0	18 201
Certificates bonds and shares available for sale	0	0	3 643	0	3 643
Financial derivatives	0	0	0	127	127
Total assets	**17 989**	**1 310**	**3 643**	**127**	**23 069**

	Other financial Commitment	Commitment to real value through profit and loss acc	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	0	0	0	0
Deposit from customers and liabilities to customers	14 644	0	0	14 644
Financial liabilities	3 232	0	0	3 232
Financial liabilities incurred through the issuance of sec.	2 826	0	0	2 826
Subordinated loan capital	300	0	0	300
Financial derivatives	0	58	0	58
Total liabilities	**21 002**	**58**	**0**	**21 060**

NOTE 22.1 – Covered bounds issued

Covered bounds issued with fixed interest rates are normally secured by hedging. When the hedging is started the bank documents the relationship between hedging instruments and hedged items. The bank also documents its assessment of whether the derivatives used are effective in counteract changes in value related to hedged risk. Such assessments are documented both at start-up and on an ongoing basis. The bank consider and hedge interest rate risk on an individual level. Risks relating to changes in credit spreads are not secured. Changes in value related to changes in NIBOR are recognized and values of covered bounds in the books are adjusted. Nominal value of hedging NOK 2.168 (2.800) million, book value incl. Interest NOK 2.261 (2.826), principal derivative hedge NOK 2.800 (2.500) million. Net income from hedging instruments and hedged items risk was 0.2 mill NOK in 2016 and NOK 0.5 million. in 2015.

NOTE 22.2 –Real value of financial instruments by level

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

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

The fair value of financial instruments that are traded in an active market is based on the market price at the end of the reporting period. A market is considered active if the markets rates are simply and regularly available from a stock exchange, trader, broker, business group pricing service or regulatory authority, and these prices represent actual and regularly occurring arm's length market transactions. The market price used for financial assets is the current bid price, while for financial liabilities it is the current offer price. These instruments are included in level 1.
The fair value of financial instruments that are not traded in an active market is determined by using valuation methods. These valuation methods maximize the use of observable data where these are available, and are based as little as possible on the Group's own estimates. If all the significant data required to determine the fair value of an instrument are observable data, the instrument are included in level 2.
Unlisted 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 31.12.16 were MNOK 1.202 and MNOK 1.310 mill per 31.12.15. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK -4.8 per 31.12.16 and MNOK 3.0 per 31.12.15.
There have been no transfers between Level 1 and 2 in 2016.

Assets and liabilities at fair value

Parent bank						*Group*
31.12.16						**31.12.16**
Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
			Assets			
			Financial assets at fair value through profit			
0	0	1 202	Loans to and claims on customers at fair value	0	0	1 202
			Financial assets available for sale			
0	3 519	241	Certificates, bonds and shares available for sale	0	3 296	241
0	103	0	Financial derivatives	0	103	0
0	**3 622**	**1 443**	**Total assets**	**0**	**3 399**	**1 443**
			Liabilities			
			Financial assets at fair value through profit			
	37		Financial derivatives		37	
0	**37**	**0**	**Total Liabilities**	**0**	**37**	**0**

Shares	**Lending**	**Total**	**Level 3**	**Shares**	**Lending**	**Total**
227	1 310	1 537	Opening balance	227	1 310	1 537
-19	-329	-348	Instalments and loans redeemed	-19	-329	-348
12	221	233	New loans	12	221	233
21	0	21	Value change	21	0	21
0	0	0	Reclassification	0	0	0
241	**1 203**	**1 443**	**Financial instruments valued on level 3**	**241**	**1 202**	**1 443**

Assets and liabilities at fair value

Parent bank						*Group*
31.12.15						31.12.15
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
			Assets			
			Financial assets at fair value through profit			
0	0	1 310	Loans to and claims on customers at fair value	0	0	1 310
			Financial assets available for sale			
0	3 416	227	Certificates, bonds and equities available for sale	0	3 235	227
0	127		Financial derivatives	0	127	
0	**3 543**	**1 537**	**Total assets**	**0**	**3 362**	**1 537**
			Liabilities			
			Financial assets at fair value through profit			
0	58	0	Financial derivatives	0	60	0
0	**58**	**0**	**Total Liabilities**	**0**	**60**	**0**

Shares	Lending	Total	Level 3	Shares	Lending	Total
189	1 044	1 233	Opening balance	189	1 044	1 233
0	-259	-259	Payments	0	-259	-259
0	538	538	New loans	0	538	538
38	-13	25	Value change	38	-13	25
0	0	0	Reclassification	0	0	0
227	**1 310**	**1 537**	**Financial instruments valued on level 3**	**227**	**1 310**	**1 537**

NOTE 22.3 –Real value of financial instruments

Parent bank								*Group*
31.12.15		31.12.16			31.12.16			31.12.15
Real value	Balance Sheet value	Real value	Balance Sheet value	Virkelig verdi på finansielle instrumenter	Balace sheet value	Real value	Balance sheet value	Real value
				Assets				
91	91	93	93	Cash and claims on central banks	93	93	91	91
1 007	1 007	1 489	1 489	Loans to and claims on credit institutions	509	509	510	510
1 310	1 310	1 202	1 202	Loans to and claims on customers to real value 1)	1 202	1 202	1 310	1 310
16 906	16 906	17 855	17855	Loans to and claims on cust. to amortised cost	23 430	23 430	21 134	21 134
127	127	103	103	Financial derivatives	103	103	127	127
3 643	3 643	3 743	3743	Certificates, bonds and shares available for sale	3 536	3 536	3 462	3 462
23 084	**23 084**	**24 485**	**24 485**	**Totalt**	**28 873**	**28 873**	**26 634**	**26 634**
				Liabilities				
18	18	250	250	Liabilities to credit institutions to amortised cost	252	252	20	20
11	11	45	45	Deposits from customers to real value	45	45	11	11
14 633	14 633	16 445	16 445	Deposits from customers to amortised cost	16 128	16 128	14 407	14 407
2 755	2 826	2 379	2 261	Borrowing through the issuance of securities 2)	2 262	2 194	2 823	2 755
3 209	3 232	2 194	2 721	Borrowing through the issu. of sec. amort. Cost 2)	6 997	7 003	6 726	6 660
301	300	301	300	Subordinated loan capital	300	301	300	301
58	58	36	36	Financial derivatives	36	36	58	58
20 985	**21 078**	**21 998**	**22 058**	**Total**	**26 019**	**25 959**	**24 345**	**24 212**

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

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

NOTE 23 –Financial derivatives

General description

Currency and interest rate agreements consist of:

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

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

Helgeland Sparebank enters into hedging transactions with reputable Norwegian and foreign banks in order to reduce the Bank's own risk. Derivative transactions are related to ordinary banking operations and are carried out to reduce the risk associated with the Bank's borrowings in the financial markets and to uncover and reduce risk related to operations addressed at customers. Only borrowings relating to the Bank's borrowing activity are defined as '"fair value hedging”. Other hedging is defined as ordinary hedging for accounting purposes. The Bank does not use cash flow hedging.

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

Financial derivatives

Parent bank						*Group*
31.12.16						**31.12.16**
Nominal value	**Market value**			**Nominal value**	**Market value**	
Total	Assets	Commit.		Total	Assets	commitment
1 196	0	34	Interest rate swaps – fixed interest rate loans	1 196	0	34
100	0	3	Interest rate swaps – bank deposits with share yield	100	0	3
1 296	**0**	**37**	**Total financial derivatives**	**1 296**	**0**	**37**
2 168	102	0	Interest rate swaps – fixed interest rate loans	2 168	102	0
2 168	**102**	**0**	**Total financial derivatives**	**2 168**	**102**	**0**

Parent bank						*Group*
31.12.15						**31.12.15**
Nominal value	**Market value**			**Nominal value**	**Market value**	
Total	Assets	Commit.		Total	Assets	commitment
1 486	0	55	Interest rate swaps – fixed interest rate loans	1 486	0	55
100	0	3	Interest rate swaps – bank deposits with share yield	100	0	3
1 586	**0**	**58**	**Total financial derivatives**	**1 586**	**0**	**58**
2 800	127	0	Interest rate swaps – fixed interest rate loans	2 800	127	0
2 800	**127**	**0**	**Total financial derivatives**	**2 800**	**127**	**0**

NOTE 23.1 Net presentation of financial assets and obligations

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

					Group
					31.12.16
	Gross financial assets	Financial assets recognised net	Net financial Assets in the balance sheet	Financial instruments	Net
Derivatives as assets	103		103	37	66
Derivatives as obligations	37		37	-37	0

					Group
					31.12.15
	Gross financial assets	Financial assets recognised net	Net financial Assets in the balance sheet	Financial instruments	Net
Derivatives as assets	127	0	127	58	69
Derivatives as obligations	58	0	58	-58	0

Instruments of relevance to the management of interest rate risk will primarily be interest rate swaps (interest rate swap agreements). Transactions involving derivatives can be carried out with different counterparties. In order to differentiate the counterparty structure, a good relationship must be established with some of the major banks/brokerage houses that account for the majority of the turnover in interest-related products in the market. If the bank has the same counterparty derivatives on both the asset side and the debt side, these can be offset against each other.

NOTE 24 - Financial assets available for sale

Parent bank				*Group*
31.12.15	31.12.16		31.12.16	31.12.15
3 409	3 509	Certificates and bonds	3 286	3 228
7	9	Accrued interests financial assets	9	7
227	241	Shares unit trust certificates and PCCs	241	227
3 643	**3 759**	**Total certificates bonds and shares available for sale 1-2)**	**3 536**	**3 462**

1) The figures represent the maximum credit exposure.

2) The Group's policy of prudence in the securities market will be continued, and changes in the value of financial investments are expected to reflect this. Fixed income portfolio amounts to 11.2 (11.9)% of bank assets

NOTE 24.1 - Portfolio of certificates and bonds

The Bank's portfolio of certificates and bonds are valued at fair value, al value changes recognized in other comprehensive income.
To the extent that there is an active market for the securities involved, observable market to determine fair value.
According to the amendments to IAS 39 and IFRS 7,, and the regulations issued by the Norwegian Ministry of Finance on 16 October 2008, it became possible to reclassify the securities portfolio at amortised cost. Helgeland Sparebank has not used this opportunity to reclassify securities.

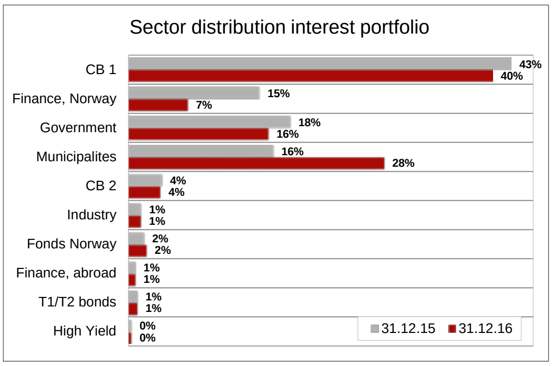
Parent bank				*Group*
31.12.16				31.12.16
Nominal value	Market value		Nominal value	Market value
0	0	Bonds issued by public sector borrowings	0	0
425	424	Certificates	425	424
3 087	3 085	Other bearer bonds	2 865	2 862
0	9	Accrued interests financial assets	0	9
3 512	**3 518**	**Total certificates and bonds**	**3 290**	**3 295**

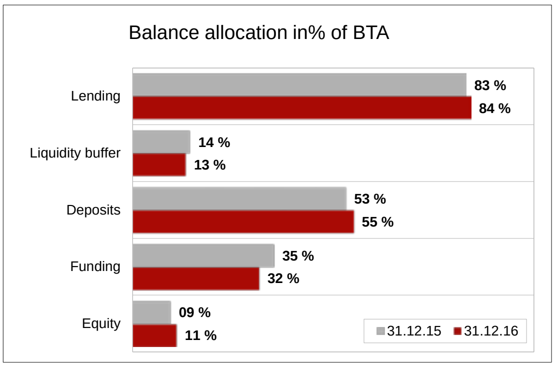
Parent bank			*Group*	
31.12.15				31.12.15
Nominal value	Market value		Nominal value	Market value
0	0	Bonds issued by public sector borrowings	0	0
225	223	Certificates	225	223
3 189	3 186	Other bearer bonds	3 008	3 005
0	7	Accrued interests financial assets	0	7
3 414	**3 416**	**Total certificates and bonds**	**3 233**	**3 235**

Helgeland Sparebank purchased bonds from Helgeland Boligkreditt AS NOK 247 (181) million, which were used as security for swap agreements with Norges Bank.

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

As at 31.12.16, the securities portfolio amounted to NOK 3.3 (3.2) billion. The average remaining term is 2.3 (2.1) years. Return is calculated on total interest income for the entire portfolio expressed as a percentage of the mean securities portfolio during the year. Interest ant net gain from bonds is recognised in the income statement in the amount of resp NOK 55 (67) and -6 (6) million. The portfolio broken down according to rating class and sector-based securities portfolio, which are both within the Group's target requirements, is presented below.





NOTE 25 - Shares unit trust certificates and EC's

				Parent bank and group
		31.12.16		31.12.15
	Nominal value	Market value	Nominal value	Book value
Shares – stock exchange	0	0	0	0
Shares – not stock exchange	148	241	136	227
Total shares	**148**	**241**	**136**	**227**

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

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

		Parent bank and group
	31.12.16	31.12.15
Portfolio as at 1.1 Helgeland Sparebank	227	189
Additions	12	5
Disposals	19	0
Adjustment to market value	21	33
Portfolio as at 31.12	**241**	**227**

NOTE 26 –Investment in subsidiaries

	Equity capital	Shares	Equity stake	Office address	Parent bank 31.12.16 Book value	31.12.15 Book Value
ANS Bankbygg Mo *)	49	5 591	97%	Mo i Rana	45	45
Helgeland Boligkreditt AS	290	290	100%	Mo i Rana	390	290
AS Sparebankbygg	0.1	100	100%	Sandnessjøen	0,1	0.1
Helgland Spb.eiend.selskap AS	0.1	100	100%	Mosjøen	0,4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100%	Mosjøen	8	8
Storgt. 73 AS *)	5.0	74	53%	Brønnøysund	1	2
Book value 31.12.					**444**	**345**

*) Not controlling interest in ANS Bankbygg (3%) and Storgt. 73 (47%) is shown as a separate line in the accounts.

NOTE 26.1 – Specification of changes in subsidiaries

	Group 31.12.16	31.12.15
Book value 1.1	345	348
Additions/disposals	100	0
Reclassifications	-1	-3
Equity bookings	0	0
Profit share	0	0
Dividend	0	0
Book value 31.12	**444**	**345**

NOTE 26.2 – Shares in subsidiaries

	Shares	Current assets	Fixed assets	Payables	Long term debts	Equity	*Parent bank* 31.12.16 Book value
ANS Bankbygg Mo	97 %	12	36	0	0	48	45
Helgeland Boligkreditt AS	100 %	5.943	0	980	4.536	427	390
AS Sparebankbygg	100 %	2	10	0	11	0	0.1
Helgland Spb.eiend.selskap AS	100 %	5	16	1	14	6	0.4
Helgeland Utviklingsselskap AS	100 %	12	13	0	22	3	8
Storgata 73 AS	53 %	1	6	0	2	5	1

	Shares	Income	Costs	Profit
ANS Bankbygg Mo	97 %	7	7	0
Helgeland Boligkreditt AS	100 %	56	9	33
AS Sparebankbygg	100 %	1	1	0
Helgland Spb.eiend.selskap AS	100 %	2	2	0
Helgeland Utviklingsselskap AS	100 %	2	14	-12
Storgata 73 AS	53 %	1	0	1

NOTE 27 – Associated companies

Helgeland Invest AS

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

Helgeland Sparebank has an ownership position in Helgeland Invest AS (HI) of 48.3%. The Bank has rated the company as an associated company (significant influence but not control). The bank control assessment is primarily based on an actual ownership <50% and that it be considered as a real opportunity to collect a sufficient majority among the other shareholders to vote against the bank's interests.
The Bank is represented on the board of Helgeland Invest Roger Hansen (business marketing manager at local bank in Sandnessjøen) is member of the board an CEO Lisbeth Flågeng is deputy to the board.
Furthermore, it is emphasized that the bank has not been involved in decisions concerning the portfolio investments in the company.

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

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

Parent bank and group

31.12.16

Balance 100 % ownership		Fixed assets	Current Assets	Current liabilities	Long term debt	Equity
Helgeland Invest AS		20	601	0	0	621
REDE Eiendomsmegling AS		63	37	61	2	37
Total		**83**	**638**	**61**	**2**	**658**
The bank's share						
Helgeland Invest AS	48.3 %	10	290	0	0	300
REDE AS (inkl. merverdi)	40.0 %	25	15	24	1	14.9
Total		**35**	**305**	**24**	**1**	**315**

Parent bank and group

31.12.15

Balance 100 % ownership		Fixed assets	Current Assets	Current liabilities	Long term debt	Equity
Helgeland Invest AS		514	10	0	0	524
REDE Eiendomsmegling AS		5	34	3	2	34
Total		**519**	**44**	**3**	**2**	**558**
The bank's share						
Helgeland Invest AS	48.3 %	248	5	0	0	253
REDE AS (inkl. merverdi)	40.0 %	2	14	1	1	14
Total		**250**	**18**	**1**	**1**	**267**

NOTE 27.1 – Specification of changes in associates

Parent bank and Group

Changes in the banks ownership HI	31.12.16	31.12.15
Book value 1.1	253	235
Additions/disposals	0	0
Dividend	-3	-9
Profit share	50	28
Book value 31.12	**300**	**253**

Parent bank and group

Changes in the banks ownership REDE	31.12.16	31.12.15
Book value 1.1	13.6	0
Dividend	0.0	-0.7
Profit share	1.3	-0.7
Additions/disposals	0.0	15.0
Book value 31.12	**14.9**	**13.6**
Total	**315**	**267**

NOTE 27.2 – Specification of additions/disposals in associates

Parent bank and group

31.12.16

Result 100% ownership		Revenue	Finance cost	Other income	Operating cost	Result after tax
Helgeland Invest AS		108	0	0	5	103
REDE Eiendomsmegling AS		23	1	0	19	3
Total		**131**	**1**	**0**	**24**	**106**
Result bank's share						
Helgeland Invest AS	48.3 %	52	0	0	2	50
REDE Eiendomsmegling AS	40.0 %	9	0	0	8	1
Total		**61**	**0**	**0**	**10**	**51**

Parent bank and group

31.12.15

Result 100% ownership		Revenue	Finance cost	Other income	Operating cost	Result after tax
Helgeland Invest AS		67	3	0	6	58
REDE Eiendomsmegling AS		21	0	0	22	-2
Total		**88**	**3**	**0**	**28**	**56**
Result bank's share						
Helgeland Invest AS	48.3 %	32	1	0	3	28
REDE Eiendomsmegling AS	40.0 %	8	0	0	9	-1
Total		**41**	**1**	**0**	**12**	**27**

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

Parent bank			*Group*	
31.12.15	**31.12.16**	**Intra-group balances:**	**31.12.16**	**31.12.15**
		Claims:		
2	3	Loans to associated companies	3	2
2	**3**	**Total net claims**	**3**	**2**
		Liabilities:		
68	57	Deposits from associated companies	57	68
68	**57**	**Total liabilities**	**57**	**68**
		Transactions:		
0	0	Interest income from associated companies	0	0
1	1	Interest costs from associated companies	1	1
0	0	Dividends from associated companies	0	0

NOTE 27.4 - Strategic investments, not treated as associates

The bank has strategic holdings in insurance company Frende Holding AS (7.9%), the securities company Norne Securities AS (6.5%) and leasing company Brage Finans AS (10.0%). These companies are not consolidated in the accounts or treated as an associate.

NOTE 28 –Disclosures of related parties

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

NOTE 28.1 - Intercompany elimination/transactions

	Group and Parent bank	
	31.12.16	**31.12.15**
Income Statement		
Income from interest and credit commissions received from subsidiaries	20	19
Dividends and group contributions	39	48
Interest on deposits to subsidiaries	2	4
Rent expense	8	8
Refund of operating expenses	6	10
Balance Sheet		
Lending to subsidiaries	1 030	561
Covered bonds	247	181
Deposits from subsidiaries	317	222
Accounts receivable, group contribution	33	38

Significant transactions with related parties as of 31.12.16.

Helgeland Boligkreditt AS (eierandel 100 %)

Helgeland Sparebank received a group contribution from the mortgage company of NOK 38.1 (48.1) million.
Transferred loans as of 31.12.16 amount to a total of NOK 5 629 (4.311) million. Covered bonds in the mortgage company amount to NOK 4 523 (3 673) million, of which NOK 247 (181) million has been acquired by Helgeland Sparebank. Of the credit line of NOK 1.5 bn, MNOK 980 is per 31.12.16 used. The bank has additionally entered into agreements with Helgeland Boligkreditt AS concerning credit lines of NOK 1.5 bn, which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period,

and is enitirely unused. The agreements have been established according to the arm's length principle. The effects of the facilities are eliminated in the consolidated accounts.

Ans Bankbygg (holding 97%)

The bank leases premises from ANS Bankbygg and paid NOK 4.2 million during 2016.
Helgeland Sparebank received a repayment of investor capital amounting to NOK 0.9 million during 2016.

REDE AS (holding 34%)

The bank received a dividend from REDE AS of NOK 0 (0,7) million in 2016.

Helgeland Invest AS (holding 48.3%)

Note 27 gives more information about accouting effects of helgeland Sparebank position in the company.

NOTE 28.2 - Loans to elected representatives and employees

Parent bank				*Group*
31.12.15	**31.12.16**	**(amount in thousands NOK)**	**31.12.16**	**31.12.15**
231	200	Loans to employees	295	286
20	31	Board of Directors	35	26
22	29	Board of Trustees	35	29
273	**260**	Total loans to elected representatives and employees	**365**	**341**

The interest rate applied to staff loans has been lower than the normal rate of interest for 2016. The benefit amounted to about NOK 2.8 million. This calculated from maximum amount of loans.

NOTE 28.3 – Remuneration and loans for senior management

Parent bank						*Group*
31.12.16						**31.12.16**
Loans	**Payments**	**Pension cost**	**(amount in thousands NOK)**	**Pension cost**	**Payments**	**Loans**
			Ledergruppen:			
2 200	2 164	831	Lisbeth Flågeng, Chief Executive Officer	831	2 164	2 200
1 786	1 100	212	Bjørn-Tore Brønlund, Director of Corporate	212	1 100	2 017
2 980	1 010	256	Ann Karin Krogli, Chief Human Resources Officer	256	1 010	5 522
2 783	1 435	199	Dag Hugo Heimstad, Director of Retail Market	199	1 435	2 783
0	1 000	310	Ranveig Kråkstad, Chief Accounting Officer	310	1 000	0
996	1 142	343	Sverre Klausen, Chief Financial Officer	343	1 142	2 550
1 100	969	208	Anne Ekroll, Chief Risk Management	208	969	1 251
2 200	1 009	111	Øyvind Karlsen, Chief Business Development	111	1 009	6 305

The members of the management team are defined as leading employees.
Some parts of the payment include compensation for change from defined –benefit pension to defined contribution.

Parent bank 31.12.15				Group 31.12.15		
Loans	Payments	Pension cost	(amount in thousands NOK)	Pension cost	Payments	Loans
			Ledergruppen:			
1 750	1 882	630	Lisbeth Flågeng, Chief Executive Officer	630	1 882	1 750
507	988	181	Bjørn-Tore Brønnlund, Director of Corporate	181	988	884
0	876	208	Ann Karin Krogli, Chief Human Resources Officer	208	876	1 638
2 546	1 320	288	Dag Hugo Heimstad, Director of Retail Market	288	1 320	2 546
0	877	189	Ranveig Kråkstad, Chief Accounting Officer	189	877	0
1 184	1 009	175	Sverre Klausen, Chief Financial Officer	175	1 009	1 184
1 100	880	228	Anne Ekroll, Chief Risk Management	228	880	1 336
3 768	937	54	Øyvind Karlsen, Chief Business Development	54	937	5 768

NOTE 28.4 –Statement concerning determination of salary and other remuneration

The statement was adopted by the Board of Directors of Helgeland Sparebank on 22th of february 2017 and presented to the Board of Trustees on 29th March 2017.

The CEO's salary is determined by the Bank's Board of Directors, while the members of the management team salaries is determined by the CEO. Remuneration takes place in the form of fixed salary, benefits in kind and the pension scheme.

Guidelines for remuneration during the 2017 financial year

Salary

Managerial salaries in Helgeland Sparebank must be competitive, make the Bank attractive as an employer and promote value creation for the Bank. Managerial salaries are determined in relation to the fulfilment of the Bank's managerial requirements and core values, and on the basis of salary levels in the region and the sector as a whole.

The Bank has defined senior executives as follows:

- CEO
- Management team, other

Benefits in kind

The nature and value of benefits in kind must be on a par with what is normal for managers in our sector. The senior executives have an agreement concerning a free car, telephone, newspaper, internet subscription and home PC. The CEO and retail director both have company car

Pension schemes

The bank has a defined contribution scheme who also concern the management team.
The CEO is entitled to leave her position upon reaching age 60. Helgeland Sparebank has undertaken to pay an annual early retirement pension from age 60 to 67. The early retirement pension will constitute 66% of the annual salary at the time the early retirement pension commences. The retirement pension from age 67 will constitute 66% of the pension basis (including salary in excess of 12 base amounts).

The new CEO will have the banks agreement for pension.

Bonuses, option agreements and severance payments

The Bank currently has no pre-established option, bonus or severance payment schemes other than the pension schemes.

Report on senior executive pay in the financial year 2016

The Banks senior executive pay for 2016 is implemented in accordance with the main principles described in the above section on guidelines for remuneration

NOTE 28.5 – The boards of Directors and Control Commitee

Parent Bank 31.12.16			*Group* 31.12.16	
Loans	Payments	(amount in thousands NOK)	Payments	Loans
		The board:		
0	279	Chairman of the board Ove Brattbakk	279	0
7 935	178	Deputy Chairman of the board Stein A. Herigstad-Olsen	178	7 935
3 411	100	Bjørn Audun Risøy	100	3 411
1 400	100	Inga Marie Lund	100	1 400
4 085	147	Eva Monica Hestvik	147	4 085
0	100	Nils Terje Furunes	100	0
0	27	Linda Brennbakk - 1.deputy board member from 01.04.16	27	0
3 553	75	Marianne Steinmo - from 01.04.16	75	3 553
0	10	Kurt Johansson 2.deputy board member - from 01.04.16	10	0
3 083	75	Birgitte Lorentzen – employee representative - from 01.04.16	75	3 083
2 200	88	Martin Søreng - employee representative - from 01.04.16	88	3 571
800	10	Bente Johansen – deputy employee representative - from 01.04.16	10	800
2 200	5	Ole Jørgen Eilertsen - deputy employee representative - from 01.04.16	5	2 200
0	25	May Heimdal - til 01.04.16 employee representative to 01.04.16	25	2 500
		Control Commitee:		
0	23	Frank Høyen, leader – to 01.04.16	23	0
3 713	10	Nina lunde – to 01.04.16	10	3 713
0	10	Kåre J. Åsli – to 01.04.16	10	0

Parent bank				*Group*
31.12.15				**31.12.15**
Loans	Payments	(amount in thousands NOK)	Payments	Loans
		The board:		
0	237	Chairman of the board Ove Brattbakk from 01.04.2015	238	0
4 780	171	Deputy Chairman of the board Stein A. Herigstad-Olsen	171	7 336
3 482	85	Bjørn Audun Risøy from 01.04.2014	85	3 482
1 400	75	Inga Marie Lund from 01.04.2015	75	1 400
0	89	Eva Monica Hestvik from 01.04.2015	89	0
0	83	Nils Terje Furunes from 01.04.2015	73	0
2 513	96	May Heimdal	96	2 513
0	0	Jonas Einar Tetlie, 1. vara from 01.04.2015	0	0
0	10	Marianne T. Steinmo, 2. Vara from 01.04.2015	10	0
5 230	38	Martin Søreng, vara from 01.04.2015	38	5 852
		Control Commitee:		
0	63	Frank Høyen, leader	63	0
0	39	Nina lunde	39	0
0	39	Kåre J. Åsli	39	0

Boards of Directors who have gone out of their duties in 2015

Parent Bank				*Group*
31.12.15				**31.12.15**
Loans	Payments	(amount in thousands NOK)	Payments	Loans
0	64	Chairman of the board Thore Michalsen to 01.04.2015	64	0
89	21	Gislaug Øyganden to 01.04.2015	21	89
198	21	Monica Skjellstad to 01.04.2015	21	3 219
0	4	Tone Helen Hauge 2.vara to 01.05.2015	4	0
2 206	11	Svein Hansen, vara to 01.04.2015	11	2 206

NOTE 28.6 – Board of trustees

Parent Bank 31.12.15			Group 31.12.16	
Loans	Payments	(amount in thousands NOK)	Payments	Loans
		Leader Board of trustees		
0	45	Per Gunnar Hjorhen	45	0
		Depositor Commitee		
0	12	Helge Stanghelle	12	0
3 145	10	Marianne Steinrud	10	3 145
71	8	Ingvar Møllersen	8	296
3 085	9	Wenche Drevland	9	3 085
0	0	Geir Hogne Bonsaksen	0	1 951
1 012	5	Sten Oddvar Solhaug	5	1 012
0	3	John Luktvassmo from 01.04.16	3	0
0	3	Torill Risøy from 01.04.16	3	0
		Equity certificate holders		
1 904	8	Inger Lise Strøm	8	4 136
0	11	Anne Paasche Jakobsen	11	0
0	0	Lars Martin Lunde	0	0
2 148	0	Toril Mevold	0	3 348
0	3	Brynjar Forbergskog	3	0
0	8	Tom Svendsen	8	0
1 281	28	Øyvin Trønsdal	28	1 875
0	23	Frank Høyen	23	0
0	0	Inger Lise Larsen	0	0
		Staff		
2 661	3	Nils Sagrabb	3	2 661
3 465	16	Roger Ditlefsen	16	3 465
2 500	8	Einar Eliassen	8	2 500
1 851	8	Sten Åge Rørmark	8	1 851
2 040	3	Morten Myran	3	2 040
1 314	8	Tore Stamnes	8	1 603

Board of trustees members who have gone out as a representative in 2016:

Loans	Payments	(amount in thousands NOK)	Payments	Loans
		Depositor Commitee		
0	0	Kjell Idar Juvik to 01.04.2016	0	0
0	134	Håmund Ivaarud dead 03.06.2016	13	0
		Publicly appointed		
2 387	11	Mildrid Søbstad to 01.04.2015	11	2 387
0	0	Ricard A. Dagsvik to 01.04.2015	0	0

Parent Bank				Group
31.12.15				31.12.15
Loans	Payments	(amount in thousands NOK)	Payments	Loans
		Leader Board of trustees:		
0	38	Per Gunnar Hjorhen from 01.04.15	38	0
		Depositor Commitee:		
0	4	Helge Stanghelle	4	0
0	0	Kjell Idar Juvik	0	0
0	4	Marianne Steinrud	4	0
110	4	Ingvar Møllersen	4	338
3 191	6	Wenche Drevland from 01.04.15	6	3 191
0	2	Geir Hogne Bonsaksen from 01.04.15	2	871
594	4	Sten Oddvar Solhaug	4	594
0	4	Torill Risøy	4	0
0	0	Håmund Ivarrud	0	0
		Publicly appointed		
0	2	Mildrid Søbstad from 01.04.2015	2	0
0	2	Richard A. Dagsvik from 01.04.2015	2	0
0	2	Johanna-Franziska Wika	2	0
		Equity certificate holders		
2.000	2	Inger Lise Strøm from 01.04.2015	2	4.285
0	8	Anne Paasche Jakobsen	8	0
0	0	Lars Martin Lunde from 01.04.2015	0	0
2.193	2	Toril Mevold from 01.04.2015	2	3.175
0	4	Brynjar Forbergskog	4	0
0	0	Tom Svendsen	0	0
0	0	Svein G. Nybø	0	0
0	21	Øyvin Trønsdal	21	661
0	0	Frank Høyen	0	0
208	4	John Arne Warholm	4	208
0	4	Harald Svendsen	4	0
0	2	Alf Gilroy Joannessen	2	0
0	0	Inger Lise Larsen		
		Staff		
2.749	2	Nils Sagrabb from 01.04.2015	2	2.749
3.560	8	Roger Ditlefsen	8	3.560
2.179	4	Einar Eliassen	4	2.179
1.893	2	Sten Åge Rørmark from 01.04.2015	2	1.893
1.918	4	Morten Myran	4	1.918
1.388	4	Tore Stamnes	4	1.703

NOTE 29 - Deferred tax / Deferred tax benefit

Parent bank			*Group*	
31.12.15	**31.12.16**	Deferred tax / deferred tax benefit:	**31.12.16**	**31.12.15**
		Positive temporary differences:		
50	46	Operating equipment	46	50
50	**46**	**Total positive temporary differences**	**46**	**50**
13	12	Deferred tax	12	13
		Negative temporary differences		
8	5	Impariment losses on interenst bearing secutities	5	8
15	15	Operating equipment	32	15
104	24	Pension liabilities	24	104
56	40	Other temporary differences	40	69
183	**84**	**Total negative temporary differences**	**101**	**196**
0	0	Loss carried forward	0	0
183	**84**	**Deferred tax benefit**	**101**	**196**
46	21	Deferred tax / deferred tax benefit:	25	49
33	10	Net deferred tax / deferred tax benefit:	14	37

Dividend from the parent bank to the equity holders have no influence on the groups payable tax or deferred tax.
Deferred tax/tax benefit is calculated on the basis of the temporary differences which exist at the end of the accounting year between accounts-related and tax-related values through the application of the debt method. Deferred tax is shown in the accounts on a net basis when the Group has a legal right to set off the deferred tax benefit against deferred tax in the balance sheet.

NOTE 30 - Fixed assets

Parent bank 31.12.16 Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt . fixtures and cars	*Group* 31.12.16 Total
255	194	61	= Acquisition cost as at 01.01.16	235	198	433
21	21	0	+ additions	8	23	31
18	17	1	- disposals	44	17	61
258	**198**	**60**	**Acquisition cost as at 31.12.16**	**199**	**204**	**403**
219	166	53	Accumulated depreciation/write-down as at 01.01.16	127	168	295
12	11	1	+ ordinary depreciation *1)*	8	11	19
18	17	1	Write down	17	17	34
213	**160**	**53**	**Accumulated depreciation/write-down as at 31.12.16**	**118**	**162**	**280**
45	**38**	**7**	**Book value as at 31.12.16**	**81**	**42**	**123**
	10-33 %	3-4 %		3-4 %	10-33 %	
	3-10 år	30 år		30 year	3-10 år	

*) The useful life of each asset in assumed

Parent bank 31.12.15 Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt . fixtures and cars	*Group* 31.12.15 Total
315	252	63	= Acquisition cost as at 01.01.15	234	245	479
14	14	0	+ additions	3	25	28
74	72	2	- disposals	2	72	74
255	**194**	**61**	**Acquisition cost as at 31.12.15**	**235**	**198**	**433**
283	229	54	**Accumulated depreciation/write-down as at 01.01.15**	126	225	351
12	11	1	+ ordinary depreciation *1)*	3	17	20
76	74	2	Write down	2	74	76
219	**166**	**53**	**Accumulated depreciation/write-down as at 31.12.15**	**127**	**168**	**295**
36	**28**	**8**	**Book value as at 31.12.15**	**108**	**30**	**138**
	10-33 %	3-4 %	Rates applied to ordinary depreciation	3-4 %	3-4 %	10-33 %
	3-10 år	30 år	Economic life *1)*	30 year	30 year	3-10 år

*) The useful life of each asset in assumed

NOTE 31 - Other assets

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
0	5	Sundry suspense accounts	5	0
2	1	Various debitors	1	2
4	4	Prepaid costs	6	4
46	46	Repossessed assets	46	96
52	**56**	**Total other assets**	**58**	**102**

NOTE 32 - Foreign exchange

Group and Parent bank

The Group has no significant holdings of foreign currency available via ATMs. The Group has no transactions in foreign currency of any significance, but has pledged guarantees for foreign currency loans managed by the currency bank on behalf of Helgeland Sparebank. See Note 2.3.1 foreign exchange risk.

NOTE 33 - Liabilities to credit institutions

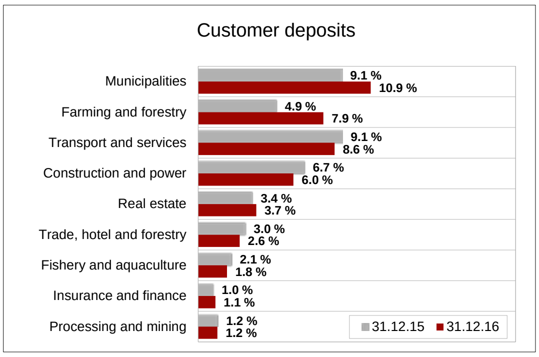
Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
18	0	Liabilities to credit institutions – without agreed maturities	2	20
0	250	Other long term loan	250	0
18	**250**	**Total**	**252**	**20**

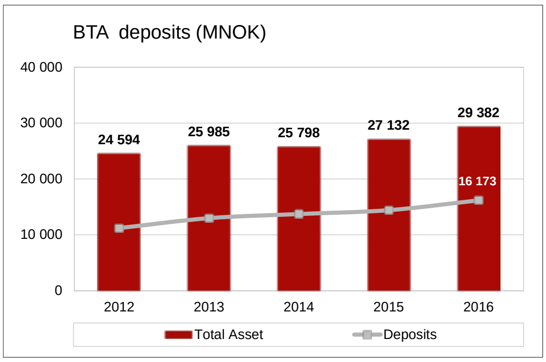
NOTE 34 - Deposit from customers

NOTE 34.1 - Deposit from customers split by sector/industry

Parent bank								*Group*
%	31.12.15	%	31.12.16	Deposit from customers split by sector/industry	31.12.16	%	31.12.15	%
2.4 %	345	3.0 %	492	Financial institutions	175	1..1 %	138	1.0 %
8.9 %	1 306	10.7 %	1 758	Municipalities and municipal enterprise	1 758	10.9 %	1 306	9.1 %
2.1 %	303	1.8 %	293	Agriculture and forestry	293	1.8 %	303	2.1 %
4.9 %	712	7.7 %	1 276	Fisheries and aquaculture	1 276	7.9 %	712	4.9 %
1.2 %	178	1.2 %	195	Mining and industry	195	1.2 %	178	1.2 %
6.6 %	966	5.9 %	970	Building and construction	970	6.0 %	966	6.7 %
2.9 %	429	2.6 %	422	Trade, hotel, restaurants.	422	2.6 %	429	3.0 %
5.7 %	1 310	8.4 %	1 389	Property, property development	1 389	8.6 %	1 310	5.8 %
3.5 %	511	3.6 %	591	Transport and services	591	3.7 %	492	3.4 %
41.4 %	6 060	44.8 %	7 386	Total corporate market	7 069	43.7 %	5 834	40.5 %
58.6 %	8 584	55.2 %	9 104	Retail market	9 104	56.3 %	8 584	59.5 %
100 %	**14 644**	**100.0 %**	**16 490**	**Total**	**16 173**	**100.0 %**	**14 418**	**100 %**

The Act relating to security arrangements for banks and public administration etc., by financial institutions directs all savings banks to be members of The Norwegian Banks´ Guarantee Fund. The Fund is obligated to cover losses suffered by a depositor on deposits in a member institution by up to NOK 2 million of the collective deposit, just below 60% of total deposit volume.





Deposits from customers as of 31.12.16

Deposits from customers amount to NOK 16.2 (14.4) billion, of which NOK 7.1 (5.8) billion has been lent to business customers. The graph above shows the sector subdivision, with growth in municipal deposits. The share of retail market deposits amounts to 56.3 (59.5)%. Of the deposits, 91.0 (91.1)% consist of deposits from customers in Helgeland.

NOTE 34.2 - Geographical exposure deposits from and liabilities to customers

Parent bank				*Group*
31.12.16	%-share		31.12.16	%-share
15 029	91.1 %	Helgeland	14 712	91.0 %
1 349	8.2 %	Areas other than Helgeland	1 349	8.3 %
112	0.7 %	International	112	0.7 %
16 490	**100.0 %**	**Total**	**16 173**	**100.0 %**

Parent bank			Group	
31.12.15	%-share		31.12.15	%-share
13 341	91.1 %	Helgeland	13 135	91.1 %
1 195	8.2 %	Areas other than Helgeland	1 176	8.2 %
108	0.7 %	International	107	0.7 %
14 644	**100 %**	**Total**	**14 418**	**100 %**

NOTE 34.3 - Deposits from and liabilities to customers

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
5 837	6 278	Ordinary terms without notice of withdrawal or agreed maturities	6 278	5 837
7 864	9 108	Special terms for customer deposits without agreed maturities	8 791	7 638
943	1 059	Special terms for customer deposits with agreed maturities	1 059	943
0	45	Deposit from customers with agreed maturities	45	
14 644	**16 490**	**Total deposits from customers**	**16 173**	**14 418**

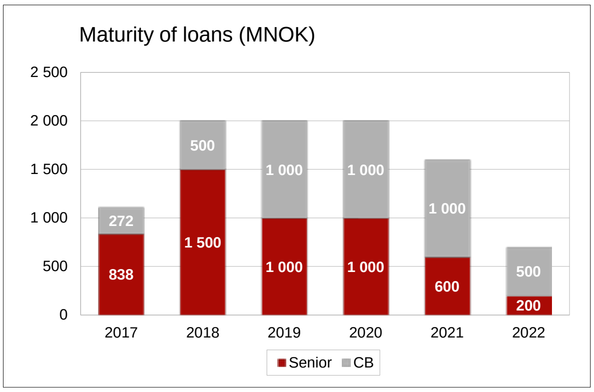
NOTE 35 - Financial liabilities incurred through the issuance of securities

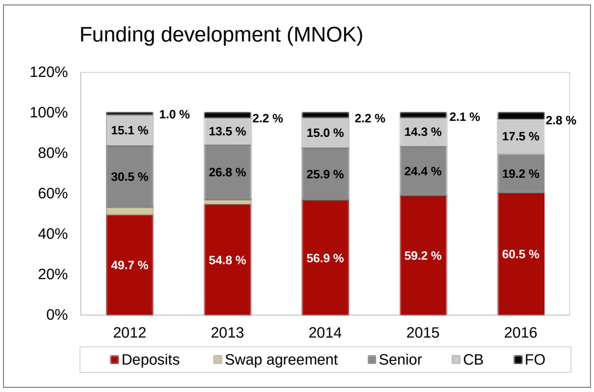
Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
6 328	5 647	Bond loans	10 204	10 049
-270	-665	Own bonds	-946	-500
6 058	**4 982**	**Total deposits from customers**	**9 258**	**9 549**

NOTE 35.1 - Details of bond loans

				Group 31.12.16
	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, FRN	2017	1.553	761	792
Bond Loans fixed interest rate	2017	500	182	318
Bond Loans, FRN	2018	1.500	0	1.500
Bond Loans, fixed interest rate	2018	500	0	500
Bond Loans, fixed interest rate	2019	500	0	500
Bond Loans, FRN	2019	1.500	0	1.500
Bond Loans, fixed interest rate	2020	500	0	500
Bond Loans, FRN	2020	1.500	0	1.500
Bond Loans, FRN	2021	1.000	0	1.000
Bond Loans, fixed interest rate	2021	350	0	350
Bond Loans, FRN	2022	700	0	700
Total Bond loans		**10 103**	943	**9 160**

				Group
				31.12.15
	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, FRN	2016	1 000	116	884
Bond Loans, fixed interest rate	2016	1 000	98	902
Bond Loans, FRN	2017	1 800	270	1530
Bond Loans fixed interest rate	2017	500	0	500
Bond Loans, FRN	2018	1 300	15	1 285
Bond Loans, fixed interest rate	2018	500	0	500
Bond Loans, fixed interest rate	2019	400	0	400
Bond Loans, FRN	2019	1 300	0	1 300
Bond Loans, fixed interest rate	2020	400	0	400
Bond Loans, FRN	2020	1 400	0	1 400
Bond Loans, FRN	2021	400	0	400
Total Bond loans		10 000	499	9 501





Maturity structure

Liquidity risk is reduced by spreading securities debt in different markets, funding sources, instruments and maturities. The Group's share of long-term funding at 31.12.16 was 88.2 (81.4)%.

Covered bonds are included in the securities debt of the Group with 4 276 (3 492) million. LTV of the cover assets 53 (53)%. Deposit is important for funding and the group has a good deposit coverage.

				Parent Bank
				31.12.16
	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, FRN	2017	1 000	480	520
Bond Loans fixed interest rate	2017	500	182	318
Bond Loans, FRN	2018	1 000		1.000
Bond Loans, fixed interest rate	2018	500		500
Bond Loans, fixed interest rate	2019	500		500
Bond Loans, FRN	2019	500		500
Bond Loans, fixed interest rate	2020	500		500
Bond Loans, FRN	2020	500		500
Bond Loans, fixed interest rate	2021	350		350
Bond Loans, FRN	2022	200		200
Total Bond loans		**5 550**	**662**	**4 888**

				Parent Bank
				31.12.15
	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, FRN	2016	500	71	429
Bond Loans fixed interest rate	2016	1 000	97	902
Bond Loans, FRN	2017	1 000	100	900
Bond Loans fixed interest rate	2017	500	0	500
Bond Loans, FRN	2018	1 000	0	1 000
Bond Loans, fixed interest rate	2018	500	0	500
Bond Loans, fixed interest rate	2019	500	0	500
Bond Loans, FRN	2019	400	0	400
Bond Loans, fixed interest rate	2020	400	0	400
Bond Loans, FRN	2020	400	0	400
Total Bond loans		**6 200**	**269**	**5 931**

NOTE 35.2 - Unutilised drawing rights facilities

	Group and Parent bank	
	31.12.16	31.12.15
Short-term drawing rights facility 1 year	300	300
Total drawing rights facilities as at 31.12	**300**	**300**

The Group’s total liquidity reserves are deemed satisfactory.

In addition the Group has	31.12.16	31.12.15
Surplus liquidity at Norges Bank as at 31.12	49	50

Bonds at floating rates of interest; interest rates are fixed in advance for 3 months at the time and the interest cost charged to interest costs. The Bank's bonds are repaid at maturity; if the agreements in question permit and if the Bank should so wish the loans may be repaid earlier. None of the Group's bonds are secured. The Group has not defaulted on borrowed funds during the accounting year. This applies to principal amount the payment of interest and/or redemption amount.

NOTE 36 - Other liabilities

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
31	36	Other short –term liabilities	36	31
56	65	Tax payable	70	63
87	**101**	**Total other liabilities**	**106**	**94**
16	13	Accrued holiday pay and employers' social security contributions	13	16
16	13	Other incurred costs	14	16
32	**26**	**Total incurred costs and prepaid income**	**27**	**32**
104	23	Pension liabilities (note 12)	23	104
1	0	Provisions for losses on guarantees	0	1
105	**23**	**Total incurred liabilities**	**23**	**105**
224	**150**	**Total other liabilities**	**156**	**232**

Secured debt

An overview of the Group's secured debt is provided in Note 41

Binding agreements to acquire real property, plant and equipment

As of 31 December 2016, the Group had not entered into any significant binding agreements to acquire property, plant or equipment.

Ongoing legal disputes

Helgeland Sparebank has not been involved in administrative matters, proceedings or arbitrations over the past 12 months, the bank has also not aware that it is filed or notified of such cases, which may have or have recently had a significant impact on the Bank and / or the financial position or profitability.

NOTE 37.1 - Subordinated loan capital

					Parent bank/Group	
Instrument	**Year of**	**Nominal value**	**Interest rate**	**Redemption right**	**31.12.16**	**31.12.15**
Subordinated loan	2013	NOK 300	3-mth. NIBOR +200 bp	Soft call 12.06.18	300	300
					300	**300**

NOTE 37.2 - Hybrid Tier 1 security

					Parent/Group	
Instrument	**Year of**	**Nominal value**	**Interest rate**	**Redemption right**	**31.12.16**	**31.12.15**
Hybrid Tier 1 security	2013	NOK 220	3-mth NIBOR +520 bp	Soft call 28.03.17	143	219
Hybrid Tier 1 security	2016	NOK 300	3-mth NIBOR +440 bp	Soft call 01.12.21	300	0
					443	**219**

NOTE 38 - Capital adequacy

Parent bank				*Group*
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
187	208	EC-capital	208	187
845	971	Premium Fund	971	845
-4	-3	Own ECs	-3	-4
	443	Hybrid Tier 1 security	443	
1 028	**1 619**	**Total paid-in capital**	**1 619**	**1 028**
466	516	Savings Bank's Fund	516	466
281	335	Reserve for valuation variances	335	281
29	40	Donations Fund	40	29
424	575	Dividend equalisation reserve	575	425
52	78	Cash dividend	78	52
0	0	Other equity capital	45	54
1 253	**1 544**	**Total accrued equity capital**	**1 589**	**1 307**
2 281	**3 163**	**Total equity capital**	**3 208**	**2 335**
0	-444	Reserve for valuation variances	-444	0
-33	-9	Deferred tax assets	-13	-37
-38	-19	Shares in financial institutions	-19	-37
23	8	Transition Rule; share net of non significant assets	8	22
-57	-93	Cash dividend/gift employee	-93	-60
2 176	**2 606**	**Total core tier one**	**2 647**	**2 223**
-12	-6	Shares in financial institutions	-6	-11
-11	-4	Transition Rule; share net of non significant assets	-4	-10
220	443	Hybrid capital	443	220
2 373	**3 039**	**Total core capital**	**3 080**	**2 422**
300	300	Subordinated dept.	300	300
-7	-3	Shares in financial intuitions	-3	-6
-11	-4	Transition Rule; share net of non significant assets	-4	-11
0	0	Additional	0	0
282	**293**	**Total net supplementary capital**	**293**	**283**
2 652	**3 332**	**Total net equity and related capital**	**3 373**	**2 705**
13 931	15 381	Weighted asset calculation basis	16 439	14 676
15.60 %	16.94 %	Core tier one Capital ratio	16.10 %	15.15 %
17.01 %	19.76 %	Core capital ratio	18.74 %	16.50 %
19.04 %	21.66 %	Capital ratio	20.52 %	18.43 %

Capital adequacy for 2016 is according to Basel III.

Basel III and the capital adequacy rules

The bank has elected standard method for calculation of credit risk and basis method for calculation of operational risk.

Irrespective of how good the Bank's risk management is, unexpected losses may be incurred, which means that the Group must have sufficient equity. As part of the Basel III project, the need for supplementary capital for the different risk areas has been assessed. The assessments are supported by various internal evaluations and calculation methods. A summary of this has been made in the Bank's ICAAP, which is the Board of Directors' document for the documentation of calculated capital requirements and the plan for capital management. On the basis of these assessments, the Bank has specified targets for capital adequacy.
The weighting of the Bank's asset and off-balance-sheet items has been undertaken in accordance with Basel II regulations, established by the Financial Supervisory Authority of Norway.
Capital adequacy indicates the Group's solvency in relation to the risk-weighted asset base.

The bank is in dialogue with the FSA regarding Pillar 2 - requirements , but has currently not received the final assessment

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
0	0	States and central banks	0	0
35	133	Local and regional authorities (including municipalities)	133	35
439	407	Institutions	190	211
399	715	Enterprises	715	398
1 828	1 296	Mass market loans	1 389	1 896
8 591	9 698	Loans secured by real property	11 677	10 121
78	104	Loans overdue	104	78
535	621	Covered bonds	144	149
0	0	Units in securities funds	0	0
958	1 058	Equity positions	636	521
96	104	Other loans and commitments	170	218
12 959	**14 136**	**Capital requirement credit risk**	**15 159**	**13 628**
968	1 102	Capital requirement operational risk	1 137	1 045
4	143	Deducted from capital requirement	143	4
13 931	**15 381**	**Total capital requirement**	**16 439**	**14 676**

The capital requirement has been calculated on the basis of the standardised approach for calculating credit risk and the basic indicator approach for calculating operational risk The capital requirements Basel III

NOTE 38.1 - Capital management

Group

The bank's Board of Directors has determined a capital plan for 2017 – 2021, where satisfaction of the new capital requirements in Norway caused by the CRD IV is central. The Board of Directors has determined new capital goals, where the aim is a CET1 capital ratio (HSB group) of least 14.5% and a total capital ratio of at least 18.0%. The Group has strengthened its core tier one capital adequacy to 16.1% (15.2), which is well above the minimum requirements of 11.5% from 1 July 2016. Core capital ratio was 18.7% (16.5). Capital ratio was 20.5% as of 31.12.16, compared with 18.4% as of 31.12.15. Call hybrid capital in 2017 will give a reduced core capital ratio and reduce capital ratio some.

NOTE 39 – EC-holders

NOTE 39.1 – EC-owner according to the number of certificates held

				Parent bank **31.12.16**
	Number of EC-owners		**Number of ECs**	
Breakdown acc to number of ECs held	**Share**	**Share - %**	**Share**	**Share - %**
1 – 1 000	1 506	73.9 %	459 531	2.2 %
1 001 – 10 000	430	21.1 %	1 307 272	6.3 %
10 001 – 50 000	61	3.0 %	1 154 322	5.5 %
50 001 – 100 000	20	1.0 %	1 392 149	6.7 %
100 001 – 500 000	20	1.0 %	16 558 153	79.3 %
Total	**2 037**	**100.0 %**	**20 871 427**	**100.0 %**

				Parent bank
				31.12.15
	Number of EC-owners			Number of ECs
Breakdown acc to number of ECs held	Share	Share - %	Share	Share - %
1 – 1 000	1 622	76.4 %	489 .108	2.6 %
1 001 – 10 000	422	19.9 %	1 246 984	6.7 %
10 001 – 50 000	48	2.3 %	914 416	4.9 %
50 001 – 100 000	13	0.6 %	914 266	4.9 %
100 001 – 500 000	18	0.8 %	15 135 226	80.9 %
Total	**2 123**	**100.0 %**	**18 700 000**	**100.0%**

Trading in Helgelands Sparebank's ECs

The price as at 31.12.16 was NOK 81.0 (59.0) per EC's EC's Price trend graph for Helgeland Sparebank and the price trend for the financial sector on Oslo Stock Exchange. The equity certificate HELG has had a price increase on the stock exchange after the turn of the year. Sparebankstiftelsen Helgeland is the largest owner and now owns 34.8% of the equity certificates in HELG.

Market-making agreement

Helgeland Sparebank has entered into a market-making agreement relating to trading in the Bank's EC's. The purpose of the agreement is to ensure liquidity in the paper and to even out the levels of offers and bids and to contribute to the marketing of the EC's. Furthermore according to the agreement every effort will be made to keep the difference between buying- and selling prices to maximum 4 percentage points but rounded up or down to the natural amount. The difference may nevertheless be kept smaller if the market interest should warrant it. The price set should at all times reflect the market's assessment of the Bank's EC's.

Returns and dividend policy

It is a priory area to practise sound management of our Equity Certificates, among other things by practising a policy of Equity Certificate ownership that helps create better liquidity in the Bank's Equity Certificate.
The Bank wishes to maintain an open dialogue with the Equity Certificate holders and other market participants. It is our belief that providing correct and relevant information at the right time creates confidence and predictability and contributes to a correct pricing of Helgeland Sparebank's Equity Certificate. In any event that involves an obligation on the Bank's part to provide information, a report will be sent to Oslo Børs and then be posted on the Bank's website. The Bank has been listed since 2000 and has complied with the requirements for reporting and information that the stock exchange requires of listed companies. The Bank's ticker is HELG.
The Board has decided to propose a slightly increased level of dividend for 2016. This is in line with previously provided to the market. It is proposed a payout ratio 41.9 (37.4)%. Dividend is adjusted for the one time effect pension. After the placement the ownership ratio has increased from 75.1 % to 76.5 %. Weighted average 75.3 %

NOTE 39.2 –EC-owners

Parent bank

As a result of the amendment of the Act on Financial Institutions and financial institutions, the rules for calculating the yield of the equity share capital and donations for charitable purposes changed with effect from 2009. Following these rules, this year's dividend funds are allocated between equity capital and primary capital by the ratio of equity capital plus share premium reserve and the primary fund plus the compensation fund.
EC capital amounts to 208 (187) million and is spread over 2 037 owners. Note 39.3 shows the list of the 20 largest equity certificate holders.

NOTE 39.3 - The 20 largest EC-owners

Parent bank

31.12.16

	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 653	1.4 %
Pareto AS	1 937 392	9.3 %	Verdipapirfondet Pareto	269 000	1.3 %
Merrill Lynch Prof.	1 253 462	6.0 %	Catilina Invest AS	221 858	1.1 %
UBS AG, London Branc A/C	1 209 872	5.8 %	Apollo Asset Ltd.	181 749	0.9 %
VPF Nordea Norge	692 837	3.3 %	Forte Trønder	175 107	0.8 %
Pope Asset Managment BNY	654 041	3.1 %	Melum Mølle AS	150 985	0.7 %
Eika utbytte	521 175	2.5 %	Nordenfjeldske Bykreditt	128 194	0.6 %
MP Pensjon PK	462 203	2.2 %	Melesio Capital AS	113 000	0.5 %
Lamholmen AS	442 353	2.1 %	Steffen Nervik	110 000	0.5 %
Helgeland Kraft AS	377 691	1.8 %	Sniptind invest AS	107 061	0.5 %
total 10 lagrest owners	**14 806 046**	**70.9 %**	**Total 20 lagrest owners**	**16 557 653**	**79.3 %**

The bank has issued a total of 20 871 427 primary certificates value of NOK 10,-. Weighted average in 2016 total of 18 941 995.

Parent bank

31.12.15

	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	6 599 598	35.5 %	Helgeland Kraft AS	340 494	1.8 %
Pareto AS	1 570 836	8.4 %	Verdipapirfondet Pareto	269 000	1,4 %
UBS AG, London Branc A/C	1 148 900	6.1 %	Sniptind Holding AS	201 801	1.1 %
Merrill Lynch Prof.	1 130 015	6.0 %	Catilina Invest AS	170 000	0.9 %
MP Pensjon PK	662 203	3.5 %	Brødrene Johanssen AS	137 731	0.7 %
BNY Mellon	593 741	3.2 %	Nordfjeldske Bykreditt	134 194	0.7 %
Eika utbytte	578 213	3.1 %	Mellum Mølle AS	124 000	0.7 %
VPF Nordea Norge	565 712	3.0 %	Steffen Nervik	110 000	0.6 %
Bergen kommunale pensj.	400 000	2.1 %	Melesio as	100 000	0.5 %
Lamholmen AS	398 788	2.1 %	Citibank	82 900	0.4 %
total 10 lagrest owners	**13 648 006**	**73.0 %**	**Total 20 lagrest owners**	**15 318 126**	**81.9 %**

The bank has issued a total of 18 700 000 primary certificates value of NOK 10,-.

NOTE 39.4 - ECs owned by the Bank's elected representatives

			Group and Parent bank
			31.12.16
Name/Firm	POSITION		Own ECs
Svendsen, Tom	Bank's depositors	E	2.119
Høyen, Frank	Bank's depositors	E/M	1.619
Trønsdal, Øyvin	Bank's depositors	E	1.645
Hjorten, Per Gunnar	Bank's depositors	E	22.505
Drevland Wenche	Bank's depositors	I	99
Luktvasslimo, John	Bank's depositors	I	422
Risøy, Torill B	Bank's depositors	I	676
Stanghelle, Helge	Bank's depositors	I	214
Møllersen, Ingvar Johan	Bank's depositors	I	262
Ditlefsen, Roger	Bank's depositors	A	310
Eliassen, Einar	Bank's depositors	A	453
Sagrabb, Nils	Bank's depositors	A	274
Stamnes, Tore	Bank’s depositors	A	2.310
Rørmark, Stem Åge	Bank's depositors	A	410
Myran, Morten	Bank's depositors	A	1.095
Brattbakk, Ove	Chairman of the Board	S	7.552
Lund, Inga Marie	Member of the board	S	200
Hestvik, Eva Monica	Member of the board	S	300
Furunes, Nils Terje	Member of the board	S	5.709
Lorentzen, Birgitte	Member of the board	S/A	199
Søreng, Martin	Member of the board	S/A	175
Flågeng, Lisbeth	CEO	L	2.468
Klausen, Sverre	Management Team	L	664
Krogli, Ann Karin	Management Team	L	512
Heimstad, Dag Hugo	Management Team	L	775
Kråkstad, Ranveig	Management Team	L	175
Brønlund, Bjørn Tore	Management Team	L	1.145
Ekroll, Anne	Management Team	L	1.365
Karlsen, Øyvind	Management Team	L	1.065

E = EC owner
L = Member of the Bank's senior management
I = Elected from the Bank's depositors
S = Member of the Board of Directors
A = Employee

			Group and Parent bank
			31.12.15
Name/Firm	POSITION		Own ECs
Svendsen, Tom	Bank's depositors	E	1 119
Høyen, Frank	Bank's depositors	E/M	822
Trønsdal, Øyvin	Bank's depositors	E	1 445
Hjorten, Per Gunnar	Bank's depositors	E	9 505
Drevland Wenche	Bank's depositors	I	99
Stanghelle, Helge	Bank's depositors	I	114
Møllersen, Ingvar Johan	Bank's depositors	I	135
Ditlefsen, Roger	Bank's depositors	A	245
Eliassen, Einar	Bank's depositors	A	245
Sagrabb, Nils	Bank's depositors	A	110
Stamnes, Tore	Bank’s depositors	A	1 745
Rørmark, Stem Åge	Bank's depositors	A	245
Myran, Morten	Bank's depositors	A	917
Brattbakk, Ove	Chairman of the Board	S	3 552
Lund, Inga Marie	Member of the board	S	135
Furunes, Nils Terje	Member of the board	S	4 709
Heimdal, May	Member of the board	S	359
Flågeng, Lisbeth	CEO	L	2 103
Klausen, Sverre	Management Team	L	302
Krogli, Ann Karin	Management Team	L	347
Heimstad, Dag Hugo	Management Team	L	610
Kråkstad, Ranveig	Management Team	L	110
Brønlund, Bjørn Tore	Management Team	L	790
Ekroll, Anne	Management Team	L	1 085
Karlsen, Øyvind	Management Team	L	110

NOTE 39.5 - Dividend

	Parent bank	
	31.12.16	31.12.15
Equity in the balance sheet	3.163	2 281
Hybrid capital	-443	0
Deduction (Subordinated loan capital /fund for evaluation differences/dividends on PCC)	-428	-342
Total adjusted equity	**2 293**	**1 939**
EC-capital	208	187
Premium Fund	971	845
Dividend equalisation reserve	575	425
Total	**1 755**	**1 457**
EC percentage 31.12	75.1 %	75.1 %
Measured average	75.3 %	
EC percentage 01.01	76.5 %	75.1 %
Calculation of dividend:		
Profit	358	214
Income by conversing to defined contribution	-55	
Interest hybrid capital	-11	
Transferred reserve for valuation variances	-44	-31
Basis dividend	248	183
Calculated dividend	78	51
Dividend equalisation reserve	150	86
Dividend provision per. EC	10.95	7.35
Cash dividend	3.75	2.75
Equalisation reserve	7.20	4.60

NOTE 39.6 - Key figures EC

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
59.0	81	EC price quoted on the stock exchange	81	59
6.9	6,0	P/E (price as at 31.12 divided by profit per EC)	6.0	7.1
0.6	0,8	P/B (price as at 31.12. divided by book value of equity capital)	0.8	0.6
75.1	76.5	EC percentage 31.12	76.5	75.1
91.6	100	Equity capital per EC, in Norway currency	101	93.7
8.6	13.5	Cash dividend	13.5	8.4
8.6	13.5	Equalisation reserve	13.5	8.4

NOTE 40 - The Bank's guarantee liabilities according to different types of guarantee

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
253	240	Payment guarantees	240	253
121	153	Contract guarantees	153	121
158	142	Loan guarantees	142	158
20	21	Other guarantee liabilities	21	20
552	**558**	**Total guarantee liabilities *)**	**558**	**552**

*) Adjustment to fair value is not included in the balance, as the change in value is not of significant value.

31.12.15	31.12.16	SBGF	31.12.16	31.12.15
0	0	Guarantee issued in favour of SBGF	0	0

The SBGF fee is collected in 2016 with MNOK11.3 and MNOK 11.5 in 2015.

NOTE 41 - Assets pledged as collateral security

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
		Bonds pledged as collateral security for:		
464	520	D-loan from Norges Bank	520	464
464	**520**	**Total assets pledged as collateral security**	**520**	**464**

NOTE 42 - Events after the balance sheet date

Parent bank and group

The Group and the Parent bank are not aware of events after the balance sheet date that influence the financial statements.It is proposed to distribute a cash dividend of NOK 78.3 (51.4) million of the year's profits to the Equity Certificate holders in Helgeland Sparebank. It is furthermore proposed to make provision of NOK 25.7 (17) million to a charitable foundation. The proposal had not been adopted as of the end of the reporting period and for this reason the items have not been carried as liabilities, but are included in equity.

NOTE 43 - Balance sheet divided into short and long term

Parent bank			*Group*	
31.12.15	**31.12.16**		**31.12.16**	**31.12.15**
		Assets		
91	93	Cash and balances at central banks	93	91
1 007	1 489	Loans to and claims on credit institutions	509	510
2 931	3 423	Loans to and claims on customers	4 542	4 056
1 197	1 220	Certificates, bonds and shares available for sale	1 220	1 197
52	56	Other assets	58	102
5 278	**6 281**	**Total short term assets**	**6 422**	**5 956**
15 270	15 634	Loans to and claims on customers	20 090	18 388
127	103	Financial derivatives	103	127
2 446	2 539	Certificates, bonds and shares available for sale	2 316	2 265
267	315	Investments in associated companies	315	267
345	444	Investments in subsidiaries	0	0
33	10	Deferred tax benefit	14	37
36	45	Fixed assets	123	92
18 524	**19 090**	**Total long term assets**	**22 961**	**21 176**
23 802	**25 371**	**Grand total assets**	**29 383**	**27 132**
		LIABILITIES AND EQUITY CAPITAL		
18	0	Liabilities to credit institutions	2	20
14 633	16 445	Deposits from customers and liabilities to customers	16 128	14 407
1 331	1 001	Borrowings through the issuance of securities	1 258	2 253
224	150	Other liabilities	156	232
16 206	**17 596**	**Total short term liabilities**	**17 544**	**16 912**
0	250	Liabilities to credit institutions	250	0
11	45	Liabilities fixes interest	45	11
5 027	4 281	Borrowings through the issuance of securities	8 300	7 596
58	36	Financial derivatives	36	58
5 096	**4 612**	**Total long term liabilities**	**8 631**	**7 665**
21 302	**22 208**	**Grand total liabilities**	**26 175**	**24 577**
1 453	1 751	Paid-in equity capital	1 751	1 453
495	556	Primary capital	556	495
552	856	Accrued equity capital/retained earnings	899	605
2 500	**3 163**	**Total equity capital**	**3 206**	**2 553**
		Non controlling interest	2	2
23 802	**25 371**	**Total liabilities and equity capital**	**29 383**	**27 132**

Helgeland Sparebank - Responsibility Statement from the Boards of Directors and the CEO

We confirm, to the best of our knowledge, which the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Mo i Rana, 22th February 2017

Ove Brattbakk
Chairman

Stein Andre Herigstad-Olsen
Vice-Chairman

Eva Monica Hestvik

Bjørn Audun Risøy

Inga Marie Lund

Nils Terje Furunes

Marianne Terese Steinmo

Birgitte Lorentzen
Employee Representative

Martin Søreng
Employee Representative

Lisbeth Flågeng
Chief Executive Officer

To the Board of Trustees of Helgeland Sparebank

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Helgeland Sparebank. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to customers	
We focused on the valuation of loans to customers because management exercise significant judgment in the impairment process. In addition, loans and guarantees constitute a considerable amount of the assets on the balance sheet. The use of judgment can affect the financial result. The bank's procedures and control systems related to monitoring process and identification of loans with impairment indicators are central to the valuation of loans. According to accounting standards, the bank shall assess, at the end of each reporting period, whether there is objective evidence that impairment exists for the loans. If there are, the losses should be calculated as the residual of the book value less the present value of future cash flows. Both assessments involve significant judgements. In our audit, we gave special attention to: • Managements' process to identify loans with objective evidence that impairment exists. • Managements' assumptions used in calculating the impairment amount for loans where impairment exists. Refer to note 1.2 in the annual report.	We addressed and tested the key controls related to the impairment process. The objective of these controls are to identify whether loans have objective evidence of impairment, and how the impairment losses should be calculated when objective evidence exists. We concluded that we could rely on these controls in our audit. Throughout 2016, we held meetings bank employees. In these meetings, we challenged the bank's assessments, including possible impairment indicators on loans where there is not yet objective evidence that impairment exists. This included loans that were assessed by the bank and loans selected based on industry, size and risk. For loans where objective evidence exists, we challenged the bank and examined the relevance and the reasonableness of the assumptions and the method used in the calculation of realisable value. Our procedures indicate that the bank's assumptions and methods were reasonable. For a sample of loans selected on various criteria, we tested whether objective evidence for impairment losses existed. We also assessed the realisable value the bank had calculated for the loans. The results of our testing of individual impairment losses were that management had used reasonable assumptions in the calculation of the impairment amounts. For loans considered on a collective basis the calculation of impairment is based on a framework model. We tested the model and considered the relevance and the reasonableness of important assumptions used in the calculation. The level of collective losses were among other compared to other comparable banks. We concluded that the assumptions used in the calculation of the impairment amounts were reasonable.

IT systems supporting processes over financial reporting

Weaknesses in automated processes and controls can potentially lead to a significant risk in the daily operations and risk of misstatements. We have addressed this area because it is important for the bank's financial reporting systems, and their business model is dependent on complex IT systems.

The bank uses external service providers to operate some of the important IT systems. The auditor at the relevant service organisation evaluates the design and efficiency of the established control systems, and tests the controls designed to ensure the integrity of the IT system that are relevant to financial reporting. We satisfied ourselves regarding the auditors objectivity and competence and examined the reports and evaluated possible misstatement and improvements. Furthermore, we have tested IT general controls where necessary for our audit.

Our work gave us sufficient evidence to enable us to rely on the operation of the company's IT systems relevant for our audit.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, Managing Director's comments, market information, key figures and calculations but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Mo i Rana, 6 March 2017
PricewaterhouseCoopers AS

Per Erik Pedersen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Profit and loss account items as a percentage of average assets

Parent bank								*Group*
2013	**2014**	**2015**	**2016**		**2016**	**2015**	**2014**	**2013**
4.07	4.01	3.51	3.12	Interest receivable and similar income	3.14	3.58	4.17	4.25
2.47	2.36	1.77	1.22	Interest payable and similar costs	1.30	1.82	2.41	2.51
1.59	**1.64**	**1.74**	**1.90**	**Net interest- and credit commission income**	**1.84**	**1.76**	**1.75**	**1.74**
0.39	0.40	0.42	0.39	Commissions receivable and income from banking services	0.34	0.37	0.35	0.35
0.04	0.04	0.04	0.04	Commissions payable and costs relating to banking services	0.04	0.04	0.04	0.04
0.34	**0.35**	**0.38**	**0.35**	**Net commission income**	**0.30**	**0.33**	**0.31**	**0.31**
0.17	0.29	0.27	0.43	Gains/losses on financial instruments	0.26	0.08	0.17	0.06
0.02	0.06	0.06	0.02	Other operating income	0.02	0.04	0.03	0.03
			0.30	Income by conversing to defined contribution	0.26			
0.97	1.09	1.13	1.03	Other operating costs	0.96	1.03	1.01	0.95
0.12	0.19	0.14	0.14	Losses on loans gurantees etc	0.13	0.12	0.17	0.13
1.02	**1.07**	**1.19**	**1.83**	**Result from ordinary operations before tax**	**1.60**	**1.07**	**1.08**	**1.05**
0.24	0.22	0.26	0.37	Tax payable on ordinary result	0.36	0.27	0.26	0.29
0.78	**0.84**	**0.92**	**1.46**	**Result from ordinary operations after tax**	**1.24**	**0.79**	**0.83**	**0.77**

Financial summary

Parent bank								*Group*
2013	2014	2015	2016	(Amounts in NOK million and %)	2016	2015	2014	2013
22 977	22 838	23 802	25 371	Total assets as at 31.12	29 383	27 132	25 798	25 985
22 407	23 219	23 181	24 576	Average assets	28 324	26 279	26 146	25 290
15 970	16 669	18 295	19 169	Gross lending	24 748	22 541	20 828	20 708
-40	-24	-19	-30	Individual write-downs	-30	-19	-24	-40
-67	-68	-75	-92	Period's change in collective write downs	-87	-79	-72	-71
0	0	-1	0	Individual write-downs on gurantees	0	-1	0	0
83.0 %	83.8 %	80.0 %	86.0 %	Deposit coverage as a percentage of gross loans	65.4 %	64.0 %	65.9 %	62.7 %
55.8 %	59.2 %	60.7 %	58.6 %	Loans to retail banking customers	67.6 %	67,7 %	67.1 %	65.6 %
7.7 %	4.4 %	9.8 %	4.8 %	Growth in gross loans	9.8 %	8.2 %	0.6 %	4.4 %
15.1 %	5.5 %	4.8 %	12.6 %	Growth in customer deposits	12.2 %	5.0 %	5.7 %	15.9 %
2 125	2 322	2 652	3 332	Core capital and related capital as at 31.12	3 373	2 705	2 392	2 183
12 715	12 790	13 931	15 381	Weighted asset calculation basis	16 439	14 676	13 929	13 640
12.7 %	14.0 %	15.6 %	16.9 %	Core tier one capital ratio	16.1 %	15.2 %	13.4 %	12.3 %
14.4 %	15.5 %	17.0 %	19.8 %	Core capital ratio	18.7 %	16.5 %	14.8 %	13.9 %
16.7 %	18.2 %	19.0 %	21.7 %	Capital ratio	20.5 %	18.4 %	17.2 %	16,0 %
	9.0 %	8.2 %	9.8 %	Leverage ratio	10.1 %	8.5 %	8.2 %	
8.4 %	9.0 %	9.6 %	12.5 %	Equity capital ratio	10.9 %	9.6 %	8.2 %	7.7 %
9.5 %	9.8 %	9.9 %	13.5 %	Rate of return on equity capital	13.0 %	9.3 %	10.5 %	10,4 %
0.8 %	0.8 %	0.9 %	1.5 %	Return on assets	1.2 %	0.8 %	0.8 %	0.8 %
47.2	55.0	59.0	81.0	EC’s price quoted on the Oslo Stock Exchange	81	59.0	55.0	47.2
6.7	7.0	6.9	5.9	P/E	6.0	7.1	6.3	6.1
0.6	0.7	0.6	0.8	P/B	0.8	0.6	0.7	0.6
75.1	75.1	75.1	76.5	EC percentage as at 31.12	76.5	75.1	75.1	75.1
76.3	80.9	91.6	100	Equity capital per EC in NOK	101	93.7	83.2	78.5
7.0	7.9	8.6	13.8	Result per EC’s in NOK	13.5	8.4	8.7	7.8
7.0	7.9	8.6	13.8	Diluted result per EC’s in NOK	13.5	8.4	8.7	7.8
1.8	2.5	2.75	3.75	Cash dividend				
5.2	5.4	4.6	7.20	Equalisation reserve				
1.0	1.1	1.1	1.0	Costs as a percentage of income	1.0	1.0	1.0	0.9
45.8	46.3	44.4	38.2	Cost in percentage of average total assets	39.6	46.4	44.6	44.5
177	168	164	152	Number of man-years	152	164	168	177
				As a percentage of gross loans:				
1.0	0.5	0.5	0.5	Gross commitments in default	0.4	0.4	0.4	0.7
0.8	0.4	0.4	0.4	Net commitments in default	0.3	0.3	0.3	0.6
0.7	0.6	0.5	0.6	Total write-downs	0.5	0.4	0.5	0.5
0.2	0.3	0.1	0.2	Losses on commitments	0.1	0.1	0.2	0.2

Form page 110 shows figures for adjusted principal and on time effects.

Calculations

Parent bank								Group
2013	2014	2015	2016	(figures in MNOK and %)	2016	2015	2014	2013
				Profit, adjusted for hybrid cap.				
175	243	214	348	Result after taxes	339	208	240	193
11	11	11	11	Interest hybrid capital (FO)	11	11	11	11
186	**254**	**225**	**359**	**Result adjusted for internest**	**350**	**219**	**251**	**204**
1.745	1.926	2.062	2.281	IB Equity	2.336	2.122	1.988	1.780
219	219	219	219	IB hybrid Capital	219	219	219	219
1.964	**2.145**	**2.281**	**2.500**	**IB Equity included hybrid capital**	**2.555**	**2.241**	**2.207**	**1.999**
1.926	2.062	2.281	2.944	UB equity	2.765	2.336	2.122	1.988
219	219	219	219	UB Hybrid capital	443	219	219	219
2.145	**2.281**	**2.500**	**3.163**	**UB equity included hybrid capital**	**3.208**	**2.555**	**2.341**	**2.207**
2.055	**2.213**	**2.391**	**2.662**	**Average equity included hybrid capital**	**2.701**	**2.448**	**2.274**	**2.087**
9,5 %	12,2 %	9,9 %	14,2 %	Rate of return on equity capital	13,7 %	9,3 %	11,7 %	10,4 %
9,1 %	11,5 %	9,3 %	13,5 %	Rate of return non equity cap. Incl.hybrid capital	13,0 %	8,9 %	11,0 %	9,8 %
				Net interest ,adjusted for principal changes				
357	381	404	452	Net interest	505	463	458	439
16	15	15	15	Interest hybrid capital	15	15	16	16
373	**396**	**419**	**467**	**Net interest, adjusted for interest hybrid capital**	**520**	**478**	**473**	**455**
22.407	23.210	23.181	24.576	Average assets	28.324	26.279	26.146	25.290
1,66 %	1,71 %	1,81 %	1,90 %	in % of average asstes	1,84 %	1,82 %	1,81 %	1,80 %
				Costs adjusted for one- time-effects				
229	252	261	253	Total operating costs	271	270	263	239
0	0	0	-74	One-time-effects by conversing to def.contribution	-74	0	0	0
229	**252**	**261**	**179**	**Total operating costs, adjusted for one time effect**	**197**	**270**	**263**	**239**
1,0 %	1,1 %	1,1 %	0,7 %	Costs in i % av average asstes adjusted effect.	0,7 %	1,0 %	1,0 %	0,9 %
45,7 %	41,3 %	44,8 %	27,0 %	Costs in % of income., adjusted. Effect.	28,8 %	45,2 %	41,5 %	43,3 %
175	**243**	**214**	**359**	**Resultat etter skatt, før juster. prinsippen./eng.eff.**	**350**	**208**	**240**	**193**
				Resultat, justert for prinsippend./eng.effekt				
373	396	419	467	Nettorente, justert for prinsippendring	520	478	473	455
77	82	87	85	Netto provisjonsinntekter	85	87	82	77
37	119	62	105	Netto resultat finansielle instrumenter	74	21	71	14
15	13	15	6	Andre inntekter	6	11	7	7
229	252	261	179	Driftskostnader justert for engangseffekt(2016)	197	270	263	239
28	48	32	35	Tap på utlån	36	32	48	32
245	**310**	**290**	**449**	**Resultat før skatt, just. for prinsippen./eng.effekt**	**452**	**295**	**322**	**282**
58	56	65	90	Skatt	102	76	71	77
187	**254**	**225**	**359**	**Resultat etter skatt, just. prinsippen./eng.effekt**	**350**	**219**	**251**	**205**

Definitions of Key Figures:

1 Net interest income, excl. interest subordinated bonds that were reclassified to equity with effect from 01.01.16

2 Ordinary operating, before reduction of recognition by conversion board

3 Operating profit, before provisions for loan losses, net result of financial investments and income by converting pension

4 Income by conversion board effect solution of pension commitment performance board

5 Growth gross loans, 12 month growth gross utån from 31/12/15 to 12/31/16

6 Growth of customer deposits, 12-month growth of customer deposits from 31/12/15 to 12/31/16

7 Regulatory capital, total regulatory capital in accordance with the capital adequacy task

8 equity percentage, total equity in balance relative to total balance value

9 Return on equity, profit in relation to average equity

10 Number of employees, permanent employees in the bank

11 Number of offices, the number of bank branches

12 Sum total impairment in% of total loans, impairments in balance in% of total loans

13 Loss on engagement in% of total loans, recorded depreciation losses in% of total loans

14 P / E share price 31.12 divided by the result per ECC

15 P / B, the market price of 31.12 divided by book value per equity certificate

16 EC fraction, EC holders proportion of the equity, ex hybrid bonds

17 Equity per ECC, ECC holders proportion of the equity, ex hybrid bonds, 31.12 relative to the number of equity certificates

Elected representatives and senior management

Members of the Board of Trustees
Chairman: Hjorthen, Per Gunnar
Deputy Chairman: Steinrud, Marianne Myrnes

Elected from the Bank's depositors
Steinrud, Marianne Myrnes
Møllersen, Ingvar
Ivarrud, Håmund – dead june 2016
Drevland Wenche
Bonsaksen, Geir Hogne
Solhaug, Sten Oddvar
Luktvasslimo, John
Risøy Torill Beate
Stanghelle, Helge

Elected from the Bank's PCC-holders:
Forbergskog, Brynjar
Svendsen, Tom
Trønsdal, Øyvin
Høyen, Frank
Larsen, Inger-Lise
Lunde, Lars Martin
Jacobsen, Anne Påsche
Hjorthen, Per Gunnar
Strøm, Inger Lise
Mevold, Toril

Elected from the Bank's staff:
Ditlefsen, Roger
Eliassen, Einar
Sagrabb, Nils
Myran, Morten
Stamnes, Tore
Rørmark, Sten Åge

Members of the Board of Directors:

Chairman: Brattbakk, Ove
Deputy Chairman: Herigstad-Olsen, Stein Andre

Other members of the Board of Directors:
Hestvik, Eva Monica
Risøy, Bjørn Audun
Lund, Inga Marie
Furunes, Nils Terje
Steimno, Marianne Terese
Lorentzen, Birgitte
Søreng, Martin

Senior management and key personnel:
Flågeng, Lisbeth, CEO
Klausen Sverre,
Krogli, Ann Karin,
Heimstad, Dag Hugo
Kråkstad, Ranveig
Brønlund, Bjørn-Tore
Ekroll, Anne
Karlsen, Øyvind