



financial report

1. quarter 2018



Helgeland Sparebank

Financial report 1st quarter 2018.

General information

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

The accounts are produced in line with IFRS, hereunder IAS 34 on interim reporting. Further information on the accounting principles is given in the annotations to the annual accounts for 2017. The numbers used are consolidated figures unless it is otherwise stated. Figures in brackets are the previous year's comparative figures. The financial report has not been audited.

Main features so far this year (HSB group)

- Stable bank operations first quarter with a gross profit of MNOK 94 (84).
- Increased net interest in NOK
- Increased income from financial investments.
- Net profit gives a return of equity of 9.0 (8.1) %

Result so far this year

Key figures:

(Comparison per 31.03.17)

- Net interest 1.79 (1.83) %
- Costs in percent of BTA 0.91 (0.94) %
- Write-downs on lending 0.10 (0.08) %
- Profit per EC amounts to NOK 2.6 (2.4)
- 12-month lending growth 5.8 (9.8) %
- 12-month deposit growth 3.5 (11.9) %
- CET1 ratio 15.7 (15.8) %
- Capital ratio 19.1 (19.2) %

The net interest

Net interest income amounts to MNOK 141 by the end of first quarter. This is an increase of MNOK 6 compared with the corresponding period last year. In % of average total assets, the net interest was 1.79 (1.83). The decrease is because 3 month Nibor has increased and has given higher funding costs in the quarter. Strong competition is still pushing margins, especially on the mortgage interest.

Net commission earnings

The net commission earnings were MNOK 22 (20). Of the income, commissions from insurance amount to MNOK 4.8 (4.7).

The bank's ownership in product companies provides the bank with a complete product and service range.

The bank owns 7.9 % of the insurance company Frende Holding AS. In the leasing company Brage Finans AS, Helgeland Sparebank's owner share is 10 % and in the brokerage Norne 7.4 %.

In % of average total assets, commission income amounts to 0.28 (0.27) %.

Net value change and profit/loss from financial investments

Net income from financial instruments was MNOK 10 (3). This gives an increase of MNOK 7. Profit share from associated companies amounts to MNOK 10 (4).

Operating costs

Total operating costs were MNOK 72 (69). Wages and social costs are unchanged in NOK while IT investments have given increased operating costs. In % of BTA costs was 0.91 (0.94) %, while costs measured against income was 41.4 (43.4) %.

The bank has a sick leave of 5.9 (4.9) %.

Expensed write-downs on commitments

This is the first quarter after transition from IAS 39 to IFRS 9. Implementing effects against equity is described in note 22 in the annual report. Write-downs in this quarter are expensed by MNOK 8 (6). This includes net change of expected loss and individual write-downs. Profit and loss accounted write-downs in the quarter is mainly related to CM commitments.

The equity certificate – HELG

By the end of the quarter the number of EC owners amounts to 2 137. The 20 largest owners are noted with 79.1 % of the EC capital.

Sparebankstiftelsen Helgeland is the largest owner with 34.8 %. The number of total EC's are 20 871 427. Per 31.03.18, the bank owned 48 436 of our own EC's. These are acquired through Oslo Børs for market value.

The price of the EC was per 31.03.18 NOK 87.00. This is a decrease of NOK 1.00 from year end.

Balance development per 31.03.18

Total assets amounts to 32.2 bn. Over the last 12 months, total assets have increased with MNOK 2.050 or 6.8 (9.6) %.

Commitments

By the end of the quarter, gross lending constituted MNOK 26.666. The 12-month lending growth was MNOK 1.454 (2.247), or 5.8 (9.8) %. 83.5 (84.0) % of the HSB group's lending is to customers in Helgeland.

MNOK 17.853, or 67.0 (67.3) % of gross lending is lending to retail customers, whereof MNOK 6.790 is transferred to the bank's mortgage company. The 12-month growth in the retail market was MNOK 897 (1.451), or 5.3 (8.8) %. The 12-month growth for corporate customers was MNOK 557 (877), or 6.7 (11.9) %.

Deposits from customers

By the end of the quarter, deposits from customers constituted MNOK 16 832. The deposits have over the last 12 months increased by MNOK 562 (1 724), or 3.5 (11.9) %.

The HSB group has stable and local depositors, whereby 90.2 (91.0) % are deposits from customers in Helgeland.

The 12-month deposit growth in the retail market was MNOK 387 (414), or 4.2 (4.8) %. Of total deposits of MNOK 16 832, MNOK 9 511, or 56.5 (56.1) % are deposits from retail customers.

The 12-month deposit growth in the corporate market was MNOK 175 (1 310), or 2.4 (22.4) %.

The deposit growth was higher last year with access to several new customers in the municipality sector.

The deposit ratio is stable and was 63.1 (64.5) % in the HSB group, and 86.8 (85.3) % in the parent bank.

Funding

Deposits from customers are a significant funding source for the bank. The volume difference between loans to customers and deposits is funded in the Norwegian money- and securities market. Total capital market funding amounted to MNOK 11.245 (9.961). The HSB group has a long term funding. By the end of the quarter, the share of loans beyond one year was 88.9 (82.7) %. The average remaining term for these debt securities was 2.9 (2.8) years. Duration in the mortgage company was 3.1 years.

The bank is continually preparing for the transferral of approved mortgages to the wholly-owned mortgage company. The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 30 % of gross lending and 50 % of gross lending RM. Per 31.03.18 transfer level is 25.5 % and 38.0 %.

Cash flow

The cash flow statement shows how Helgeland Sparebank has received cash and how these are used. It is based on gross cash flows from operational activities, investment and financing activities. The largest change is admission of securities debt of MNOK 395 which has funded increased securities holding and liquidity holding.

Rating

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

Subsidiaries and associated companies

The HSB group consists of Helgeland Sparebank and the consolidated subsidiaries Helgeland Boligkreditt AS, ANS Bankbygg Mo, AS Sparebankbygg, Helgeland Sparebank's Eiendomsselskap AS, Helgeland Utviklingsselskap AS, and Storgata 73 AS. The HSB group's associated companies are Helgeland Invest AS with an ownership of 48 %, and REDE Eiendomsmebling AS with an ownership of 40 %.

Risk and capital management

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

Credit risk

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

The development in the bank's credit risk is monitored closely. The corporate customers are given individual close follow-up in addition to monitoring development of risk based on the bank's score models. It is established monitoring according to the approved targets for the portfolio.

By the end of the year net non-performing (>90 days) and impaired commitment constitute MNOK 229 which is an increase of MNOK 46 since year end. In % of gross lending this equals 0.9 against 0.7 at year end. The increase of default commitments apply commitments in the tourist industry where there is over capacity in outer Helgeland.

Market risk

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

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

The banks possession in shares is mainly strategic motivated through investments in shares in daughter companies, associated companies and product companies. The market risk associated to these share investments are considered to be moderate. The bank has a large owners post in Helgeland Invest AS. The owner post will be exposed for value fluctuations depending on the results in underlying companies.

Operational risk

The risk management is central in the daily operation and in the board's work. The risk is primarily managed through policy and guidelines, frameworks, power of attorney, reporting requirements and competence requirements. During 2018 there were no uncovered matters that are critical for the bank's business.

Liquidity and funding

The Board has approved a strategy for liquidity management that determined the purpose, steering goals, and risk tolerance for the management of liquidity risk.

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

The HSB groups combined liquidity reserves (cash, deposits, and interest bearing assets) constitute NOK 4.6 (4.1) bn, or 14.3 (13.7) % of the group's total assets. The combined duration of the interest portfolio is 2.5 (2.1) years.

The banks liquidity reserve portfolio mainly consists of solid issuers of interest-bearing securities that qualify for LCR reporting. By the end of the quarter the HSB Group has a LCR of 149 (140) %.

Solidity

Net capital amounts to MNOK 3.348, hereby fund obligations by MNOK 299 and subordinated loan by MNOK 300 The HSB group has a CET1 capital ratio of 15.7 (15.8) %, T1 capital ratio was 17.4 (17.5) % and total capital ratio 19.1 (19.2) %.

Statutory minimum requirement for pure core capital adequacy is 12.0 %. The bank has a Pillar 2 addition of 2.2 %. The group's capital requirement including Pillar 2 addition amounts therefor to 14.2 %.

The group has a capital target for CET1 of minimum 15.0 % and over 18.0 % for total capital adequacy.

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

The group's unweighted core capital ratio (Leverage Ratio) was 9.2 (9.4) % per 31.03.18

Prospects ahead

The 12 month growth in the retail market is by the end of the quarter 5.3%. This mirrors the general credit growth in the retail market in Helgeland. The turnover in real estate in the 1st quarter of 2018 has been higher than in 1st quarter 2017, and the price development have been marginal under the national level. We expect moderate market growth and moderate and healthy credit growth to the retail market in 2018. The margins in this segment is under pressure; both as a consequence of strong competition and increased funding costs. We therefore expect a some reduced net interest in the next quarters.

In the corporate market, the activity and willingness to invest is still high. This is expected to continue in 2018. The growth will still be affected by that we in the 1st half of 2018 has a few large construction loans that converts into private debt.

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

The cost level is challenging. Several large IT projects is ending in Q2 2018 and will give increased depreciation costs. The bank also receives increased IT costs to be compliant in accordance to regulatory demands within GDPR and PSD II. It is a continuing focus on streamlining of the bank's organization and work processes. The bank will in Q3 implement a profitable project to identify more measures to better the profitability. The level of write-downs is in 2018 expected to lie on the same level as in 2017.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate in Helgeland of 1.7 % by the end of the year. Nordland County had an unemployment rate of 2.0 % and the national average was 2.5 %. It is expected that the level of unemployment will remain low.

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

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

Mo i Rana, May 2nd 2018

Ove Brattbakk
Chairman of the Board

Bjørn Audun Risøy
Deputy Chairman of the Board

Eva Monica Hestvik

Inga Marie Lund

Nils Terje Furunes

Marianne Terese steinmo

Birgitte Lorentzen
Employee representative

Geir Pedersen
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CEO

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PROFIT AND LOSS ACCOUNT (amounts in NOK million)

<i>Parent bank</i>				<i>Group</i>		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
777	194	107	Interest income from assets measured at amortized cost	213	229	927
		84	Interest income from assets measured at fair value	18		
274	70	68	Interest payable and similar costs	87	91	351
11	3	3	Hedge fund fees	3	3	11
492	121	120	Net interest- and credit commission income	141	135	565
97	23	25	Commissions receivable and income from banking servic	25	23	97
11	3	3	Commissions payable and costs relating to banking servi	3	3	11
86	20	22	Net commission income	22	20	86
44	34	50	Dividend	0	0	10
31	4	10	Net profit from associates	10	4	31
-11	0	0	Net profit from other financial investments	0	-1	-8
64	38	60	Gains/losses on financial assets available for sale (note 4)	10	3	33
8	2	2	Other operating income	1	1	5
269	67	71	Operating costs (note 4)	72	69	275
65	6	8	Losses on loans, guarantees etc. (note 10)	8	6	66
316	108	125	Gross profit	94	84	348
60	17	16	Tax payable on ordinary result	21	20	75
256	91	109	Net profit	73	64	273
8,9	3,3	3,9	Yield per equity capital certificate (note 5)	2,6	2,4	9,5
8,9	3,3	3,9	Diluted result per ECC in Norwegian currency (note 5)	2,6	2,4	9,5
			Extended Income Statement			
256	91	109	Net profit	73	64	273
			<u>Items that are subsequently reversed through profit or loss:</u>			
66	10	1	Estimate variances, pensions will not be reversed over th	1	10	66
-2	-2	0	Tax on extended profit	0	-2	-2
64	8	1	Net extended profit or loss items	1	8	64
320	99	110	Total profit of the period	74	72	337

BALANCE SHEET (amounts in NOK million)

Parent bank			Group			
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
ASSETS						
87	86	78	Cash and claims on central banks	78	86	87
1 488	1 289	1 818	Loans to and claims on credit institutions	838	493	464
19 860	19 318	19 746	Loans to and claims on customers (note 7,8,9,10)	26 503	25 089	26 453
125	124	135	Financial derivatives (note 16)	135	124	125
4 126	3 858	3 978	Certificates, bonds and shares	4 028	3 787	4 176
342	319	352	Investments in associated companies (note 12)	352	319	342
595	444	595	Investments in subsidiaries (note 12)			
11	9	12	Deferred tax benefit	19	13	15
66	47	67	Fixed assets (note 13)	142	125	141
49	66	64	Other assets	58	66	47
26 749	25 560	26 845	Total assets	32 153	30 102	31 850
LIABILITIES AND EQUITY CAPITAL						
250	250	250	Liabilities to credit institutions	252	252	252
17 422	16 578	17 273	Deposits from customers and liabilities to customers (note 17,18)	16 832	16 270	16 972
5 375	5 136	5 538	Borrowings through the issuance of securities (note 15)	11 245	9 961	10 851
27	38	24	Financial derivatives (note 16)	24	38	27
149	225	217	Other liabilities	227	227	161
300	300	300	Subordinated loan capital	300	300	300
23 523	22 527	23 602	Total liabilities	28 880	27 048	28 563
Equity capital						
209	208	209	Equity share capital (note 5,6,20)	209	208	209
-3	-3	-3	Own portfolio equity share capital	-3	-3	-3
971	971	971	Premium Fund	971	971	971
659	575	654	Cohesion Fund	654	575	659
1 836	1 751	1 831	Total equity share capital	1 831	1 751	1 836
541	516	540	Primary capital	540	516	541
43	38	42	Gift fund	42	38	43
584	554	582	Total primary capital	582	554	584
424	343	425	Unrealized gains reserve	425	343	424
299	294	296	Hybrid Capital (Note 1,17)	299	294	299
83	0	0	Other equity capital	61	46	143
	91	109	Result from ordinary operations after tax	73	64	
3 226	3 033	3 243	Total equity capital exclusive minority interest	3 271	3 052	3 285
			Non-controlling interest	2	2	2
3 226	3 033	3 243	Total equity capital	3 273	3 054	3 287
26 749	25 560	26 845	Total liabilities and equity capital	32 153	30 102	31 850

Conditional liabilities off balance sheet (note 11)

CHANGE IN EQUITY CAPITAL

Group

31.12.17

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other :qu.cap.	Min. int.	Total
												0
Equity capital as at 01.01.16	208	971	-4	443	335	516	25	15	575	123	2	3 208
Result for the period				14	25	24	13	12	84	101		273
Extended profit or loss items					64							64
Total ext. profit or loss	0	0	0	14	89	24	13	12	84	101	0	337
Gift fund				-14								-14
Transactions with owners							-7	-15				-22
Repurchase FO			1	-144								-143
Transactions with owners												0
Dividend paid										-80		-80
Equity capital 31.12.16	208	971	-3	299	424	541	31	12	659	144	2	3 287
Paid-in/accrued equity capital/retained earnings			1 176								2 111	3 287

31.03.18

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other :qu.cap.	Min. int.	Total
Equity capital as at 01.01.18	208	971	-3	299	424	541	31	12	659	144	2	3 287
0						-1			-5	3		-3
Equity capital as at 01.01.18				3						70		73
result for the period					1							1
Extended profit or loss items	0	0	0	3	1	0	0	0	0	70	0	74
Paid interest FO				-3								-3
Gift fund							-1					-1
Transactions with owners												0
Impairment of the nominal value												0
Dividend paid										-82		-82
Equity capital 31.03.18	208	971	-3	299	425	540	30	12	654	135	2	3 273
Paid-in/accrued equity capital/retained earnings			1 176								2 097	3 273

Parent bank

31.12.17

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Other Equ.cap.	Total
Equity capital as at 01.01.16	209	971	-4	443	335	516	25	15	575	77	3 163
result for the period				14	24	25	13	12	84	84	256
Extended profit or loss items					64						64
Total resultat	0	0	0	14	88	25	13	12	84	84	320
Paid interest FO				-14							-14
Gift fund							-7	-15			-22
Transactions with owners			1	-144							-143
Dividend paid			0							-78	-78
Equity capital 31.12.16	209	971	-3	299	424	541	31	12	659	83	3 226
Paid-in/accrued equity capital/retained earnings			1 177							2 048	3 226

31.03.18

	ECC capital	Premium fund	Own ECCs	Own ECCs	Result for valuation	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
Equity capital as at 01.01.17	209	971	-3	299	424	541	31	12	659	83	3 226
Implementation effect 01.01. IFRS 9						-1			-5		-6
result for the period				3						106	109
Extended profit or loss items					1						1
Total ext. profit or loss	0	0	0	3	1	0	0	0	0	106	110
Paid interest FO				-3							-3
Gift fund							-1				-1
Transactions with owners											0
Dividend paid										-83	-83
Equity capital 31.12.17	209	971	-3	299	425	540	30	12	654	106	3 243
Paid-in/accrued equity capital/retained earnings			1 177							2 048	3 243

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>			
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
-850	-265	104	Change in lending to customers	-97	-457	-1 858
701	174	173	Interest income lending to customers	218	214	870
932	88	-149	Change deposits from customers	-140	88	799
-170	-41	-44	Interest cost deposit from customers	-43	-41	-168
0	0	0	Change in receivables and liabilities to credit institutions	0	0	0
-280	-93	160	Change certificates and bonds	140	-93	-527
54	15	12	Interest income certificates and bonds	12	15	52
86	23	25	Comission income	25	23	86
-259	-65	-68	Payments relating to operations	-67	-68	-256
-52	-26	-30	Paid tax	-30	-26	-65
-41	-12	-15	Other cutoffs	24	-18	-72
121	-202	168	A Net liquidity change from operating activities	42	-363	-1 139
-24	-1	-2	Investment in long-term securities	-2	-1	-31
0	0	0	Income sale of long-term securities	0	0	3
-171	0	-24	Long-term investments in shares	-24	0	-21
0	0	0	Payment from sales long-term investments in shares	0	0	
44	34	50	Dividend from long-term investments in shares	0	0	11
-151	33	24	B Net liquidity change from investments	-26	-1	-38
2 883	730	855	New borrowing through issuance of securities	1 165	1 730	6 078
-2524	-596	-700	Repayments - issued securities	-770	-1196	-4537
0	0	0	Emission equity	0	0	0
0	0	0	Adoption of new fund bond	0	0	0
-145	-145	0	Buyback fund bond	0	-145	-145
-99	-25	-23	Interest payments borrowing through issuance of securities	-43	-46	-178
-14	-2	-3	Interest payments on subordinated debt	-3	-2	-14
-78	0	0	dividend to share owners	0	0	-78
23	-38	129	C Net liquidity change financing	349	341	1 126
-7	-207	321	A+B+C Net liquidity change in the period	365	-23	-51
1 582	1 582	1 575	Liquid funds at the start of the period	551	602	602
1 575	1 375	1 896	Liquid funds at the end of the period	916	579	551
			Liquid funds specified			
87	86	78	Cash and balances with central banks	78	86	87
1 488	1 289	1 818	Balances with credit institutions without notice periods	838	493	464
1 575	1 375	1 896	Liquid funds	916	579	551

NOTE 1. ACCOUNTING PRINCIPLES

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

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

IFRS 9

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

For the Helgeland Sparebank Group, the transition to IFRS 9 have had consequences for the calculation of the Group's write-downs together with the accounting of value change on shares, bonds and certificates earlier classified as available for sale in accordance to IAS 39. Value change on shares, bonds and certificates available for sale is in 2017 accounted for in the extended profit and loss statement, but from 01.01.18, such value changes will be included in the ordinary profit and loss statement. Mortgages in the parent bank that can be transferred to the mortgage company are valued at fair value, with value change over the extended income statement.

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

Impairment losses on loans and guarantees

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

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

Assumptions

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

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

NOTE 2. SEGMENT

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

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

<i>Parent bank</i>				<i>Group</i>				
31.03.18				31.03.18				
Retail	Corp.	Not divided	Total	Segmentinformation	Retail	Corp.	Not divided	Total
48	66	6	120	Net interest and credit commission income	72	66	3	141
6	3	13	22	Net commission income	6	3	13	22
		62	62	Other operating income			11	11
18	12	41	71	Operating costs	18	12	42	72
	8		8	Losses on loans guaranteed		8		8
36	49	40	125	Gross profit	60	49	-15	94
11 197	8 711		19 908	Loans to and claims on customers	17 853	8 813		26 666
-19	-143		-162	Provision of loss	-20	-143		-163
		7 099	7 099	Other assets			5 650	5 650
11 178	8 568	7 099	26 845	Total assts per segment	17 833	8 670	5 650	32 153
9 511	7 762		17 273	Deposits from customers and liabilities	9 511	7 321		16 832
	8		8	Provisions of loss, unutilized deductions and guarantees		8		8
		9 564	9 564	Other liabilities and equity			15 313	15 313
9 511	7 770	9 564	26 845	Total liabilities and equity per segment	9 511	7 329	15 313	32 153

<i>Parent bank</i>				<i>Group</i>				
31.03.17				31.03.17				
Retail	Corp.	Not divided	Total	Segmentinformation	Retail	Corp.	Not divided	Total
53	64	4	121	Net interest and credit commission income	72	64	-1	135
6	3	11	20	Net commission income	6	3	11	20
		40	40	Other operating income			4	4
17	11	39	67	Operating costs	18	11	40	69
-1	7		6	Losses on loans guaranteed	-1	7		6
43	49	16	108	Gross profit	61	49	-26	84
11 251	8 185		19 436	Loans to and claims on customers	16 956	8 256		25 212
-4	-32		-36	Individual write-downs	-4	-32		-36
-12	-70		-82	Provision of expected loss	-17	-70		-87
		6 242	6 242	Other assets			5 013	5 013
11 235	8 083	6 242	25 560	Total assts per segment	16 935	8 154	5 013	30 102
9 124	7 454		16 578	Deposits from customers and liabilities	9 124	7 145		16 269
		8 982	8 982	Other liabilities and equity			13 833	13 833
9 124	7 454	8 982	25 560	Total liabilities and equity per segment	9 124	7 145	13 833	30 102

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

<i>Parent bank</i>			<i>Group</i>			
31.12.17	31.03.17	31.03.18	31.03.18	31.03.17	31.12.17	
0	0	0	Value change in interest-bearing securities	0	0	0
-3	-1	-1	Net gain/loss in interest-bearing securities	-1	-1	-3
-3	0	0	Net gain/loss shares	0	0	0
44	35	50	Share dividend	0	0	10
31	4	10	Income AC Helgeland Invest AS	10	4	31
0	0	0	Income AC REDE	0	0	0
-2	0	1	Value change in value on lending	1	0	-2
-3	0	0	Value change on funding and derivatives	0	0	-3
64	38	60	Total value change financial instruments	10	3	33

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

<i>Parent bank</i>			<i>Group</i>			
31.12.17	31.03.17	31.03.18	31.03.18	31.03.17	31.12.17	
137	34	34	Wages, salaries and social costs	34	34	135
80	18	22	General administration costs	22	18	82
11	3	3	Depreciation etc of fixed- and intangible assets	5	4	18
41	12	12	Other operating costs	11	13	40
269	67	71	Total operating costs	72	69	275

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

<i>Parent bank</i>			<i>Group</i>			
31.12.17	31.03.17	31.03.18	31.03.18	31.03.17	31.12.17	
		-1	The periods change in write-downs step 1	-1		
		-11	The periods change in write-downs step 2	-11		
		21	The periods change in write-downs step 3	21		
		0	The periods confirmed loss	0		
31	6		Period's change in individual write-downs		6	31
9	0		change ingroup write-downs		0	10
3	0		Period's conf. Losses against which ind. write-downs were made in prev. Ye		0	3
26	1		Period's confirmed losses against which no ind. write-downs, made in previc		1	26
-4	-1	-1	Period's recoveries from previous periods' conf.losses	-1	-1	-4
65	6	8	Total losses on loans, guarantees etc.	8	6	66

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

<i>Parent bank</i>			<i>Group</i>			
31.12.17	31.03.17	31.03.18	31.03.18	31.03.17	31.12.17	
256	91	109	Net profit	73	64	273
-14	-5	-3	Interest fund bond	-3	-5	-14
242	86	106	Profit (excl. Interest fund bond)	70	59	259
76.5 %	76.5 %	76.3 %	ECC percentage	76.3 %	76.5 %	76.5 %
8.9	3.3	3.9	Yield per equity capital certificate	2.6	2.4	9.5
8.9	3.3	3.9	Diluted result per ECC in Norwegian currency	2.6	2.4	9.5

	<i>Parent bank</i>		
	31.03.18	31.03.17	31.12.17
Net profit	109	91	256
Interest fund bond	-3	-5	-14
Transferred reserve for valuation variances	-10	-4	-24
Basis dividend	96	82	218

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>				<i>Group</i>				
31.03.17	%	31.03.18	%		31.03.18	%	31.03.17	%
16 621	85.5	16 979	85.3	Helgeland	22 259	83.5	21 177	84.0
2 799	14.4	2 912	14.6	Areas other than Helgeland	4 377	16.4	4 010	15.9
16	0.1	17	0.1	International	30	0.1	25	0.1
19 436	100	19 908	100	Total	26 666	100	25 212	100

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

	<i>Group</i>					
	Lending to amortized cost and fair value (OCI)					
	Gross lending	Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Total
Municipalities and municipal enterp.	7	-	-	-	-	6.6
Insurance and finance	0	-0	-0	-	-	0.0
Agriculture and forestry	1 326	-1	-2	-7	23	1 339
Fisheries and aquaculture	1 140	-1	-1	-0	-	1 138
Mining and industry	617	-1	-0	-1	-	615
Building and construction	1 259	-5	-12	-4	9	1 249
Trade, hotel, restaurants.	318	-1	-1	-2	4	319
Transport and services	828	-1	-4	-48	37	812
Property, property development	3 221	-6	-14	-34	23	3 190
Total corporate market	8 716	-15	-34	-95	96	8 668
Retail market	17 043	-1	-5	-13	810	17 835
Total	25 760	-16	-39	-108	906	26 503
Expected loss unutilized credit and guarantees RM		-0	-0	-0		
Expected loss unutilized credit and guarantees CM		-3	-5	-0		

	<i>Parent bank</i>					
	Lending to amortized cost and fair value (OCI)					
	Gross lending	Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Total
Municipalities and municipal enterp.	7	-	-	-	-	6.6
Insurance and finance	0	-0	-0	-	-	0.0
Agriculture and forestry	1 185	-1	-2	-7	147	1 322
Fisheries and aquaculture	1 118	-1	-1	-0	16	1 132
Mining and industry	606	-1	-0	-1	7	611
Building and construction	1 210	-5	-12	-4	40	1 230
Trade, hotel, restaurants.	297	-1	-1	-2	18	312
Transport and services	668	-1	-4	-48	127	742
Property, property development	3 119	-6	-14	-34	145	3 209
Total corporate market	8 210	-15	-34	-95	500	8 566
Retail market	291	-1	-5	-13	10 907	11 180
Total	8 501	-16	-39	-108	11 407	19 746
Expected loss unutilized credit and guarantees RM		-0	-0	-0		
Expected loss unutilized credit and guarantees CM		-3	-5	-0		

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

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

Group

	31.03.18		31.03.17		Loss prov.	Defaults
	Gross loans	%-stake	Gross loans	%-stake		
Municipalities and municipal enterp.	7	0.0 %	7	0.0 %	0	0
Insurance and finance	0	0.0 %	0	0.0 %	0	0
Agriculture and forestry	1 349	5.1 %	1 323	5.2 %	3	1
Fisheries and aquaculture	1 140	4.3 %	891	3.5 %	0	0
Mining and industry	617	2.3 %	435	1.7 %	1	0
Building and construction	1 268	4.8 %	1 223	4.9 %	1	0
Trade, hotel, restaurants.	323	1.2 %	296	1.2 %	2	0
Transport and services	865	3.2 %	989	3.9 %	17	6
Property, property development	3 244	12.2 %	3 092	12.3 %	8	0
Total corporate market	8 813	33.0 %	8 256	32.7 %	32	7
Retail market	17 853	67.0 %	16 956	67.3 %	4	-1
Total	26 666	100 %	25 212	100 %	36	6
Provision of expected loss/change prov.					87	0
Total					123	6
Of which gross loans Helgeland Boligkreditt AS	6 790	25.5 %	5 825	23.1 %		

	31.03.18		31.03.17		Loss prov.	Defaults
	Gross loans	%-stake	Gross loans	%-stake		
Municipalities and municipal enterp.	7	0.0 %	7	0.0 %	0	0
Insurance and finance	0	0.0 %	0	0.0 %	0	0
Agriculture and forestry	1 332	6.7 %	1 310	6.7 %	3	1
Fisheries and aquaculture	1 135	5.7 %	890	4.6 %	0	0
Mining and industry	613	3.1 %	432	2.2 %	1	0
Building and construction	1 250	6.3 %	1 193	6.1 %	1	0
Trade, hotel, restaurants.	316	1.6 %	290	1.5 %	2	0
Transport and services	795	4.0 %	925	4.8 %	17	6
Property, property development	3 263	16.4 %	3 138	16.1 %	8	0
Total corporate market	8 711	43.8 %	8 185	42.1 %	32	7
Retail market	11 197	56.2 %	11 251	57.9 %	4	-1
Total	19 908	100 %	19 436	100 %	36	6
Provision of expected loss/change prov.					82	0
Total					118	6

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

Parent bank

Group

31.12.17			31.03.17			31.03.18		
132	89	215				215	89	132
14	12						12	14
		44				44		
118	77	171	Total net loans, guarantees etc. in default			171	77	118
111	50	104	Other non-performing and impaired commitments and gara., not in default			104	50	111
46	24						24	46
		46				46		
65	26	58	Total non-performing and impaired commitments and gara., not in default			58	26	65
183	103	229	Total non-performing and impaired commitments and gara.			229	103	183
0.9 %	0.5 %	1.2 %	In % of total loans			0.9 %	0.4 %	0.7 %

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

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

	<i>Group</i>			
	Step 1	Step 2	Step 3	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.18	20	56	86	161
Transfers to step 1	3	-3	0	0
Transfers to step 2	-1	2	0	0
Transfers to step 3	0	-1	1	0
Net change	-3	-8	20	9
New losses	1	1	1	3
Expected loss	-1	-1	0	-2
Confirmed loss	0	0	0	0
Earlier confirmed loss	0	0	0	0
Change in risk model/parameters	0	0	0	0
Other adjustments	0	0	0	0
Loss deduction pr. 31.03.18	19	45	108	171

Change in the balance posts from 01.01.18 to 31.03.18 in accordance to IFRS 9. Individual write-downs are included in step 3. Write-downs on outside balance posts (unutilized credit and guarantees) that are steered to the debt side in the balance are also included in the table. Note 22 in the annual report shows reconciliation of loss deductions IAS 39 and IFRS 9 by implementing 01.01.18 together with effect by implementing against equity.

	<i>Parent bank</i>			
	Step 1	Step 2	Step 3	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.18	19	55	86	160
Transfers to step 1	3	-3	0	0
Transfers to step 2	-1	1	0	0
Transfers to step 3	0	-1	1	0
Net change	-3	-8	21	9
New losses	1	1	1	3
Expected loss	-1	-1	0	-2
Confirmed loss	0	0	0	0
Earlier confirmed loss	0	0	0	0
Change in risk model/parameters	0	0	0	0
Other adjustments	0	0	0	0
Loss deduction pr. 31.03.18	18	44	108	170

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

<i>Parent bank</i>				<i>Group</i>		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
1 942	1 520	2 017	Unutilized drawing rights	2 468	2 281	2 392
505	500	521	Guarantee obligations	521	494	505
476	802	519	Unutilized drawing rights Helgeland Boligkreditt AS	0	0	0
2 923	2 822	3 057	Net guarantee and draw rights	2 989	2 775	2 897

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

NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Subsidiaries

	Share capita	Number of shares	Equity stake	<i>Parent bank</i>	
				Market value	
				30.03.18	31.03.17
ANS Bankbygg Mo	49.0		97.5 %	46	46
Helgeland Boligkreditt AS	540.0	540 000	100 %	540	390
AS Sparebankbygg	0.1	100	100 %	1	0
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100 %	6	6
Storgata 73 AS	0.1	140	53 %	2	1
Total investment in AC				595	444

Associated companies (AC)

<i>Parent bank and group</i>						
31.03.18						
Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Equity	
Helgeland Invest AS		20	679	0	0	699
REDE Eiendomsmegling AS		10	31	5	1	35.0
Total		30	710	5	1	734
The bank's share						
Helgeland Invest AS	48.3 %	10	328	2	0	338
REDE AS (inkl. merverdi)	40.0 %	4	12	2	0	14
Total		14	340	4	1	352

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

The bank has evaluated that HSB have significant influence, but not actual control in Helgeland Invest AS.

See other information in notes 1 and 27 in the annual accounts for 2017. Director of the corporate market in HSB is p.t deputy member of the board in Helgeland Invest AS.

Financial information Associated companies, balance posts

	<i>Parent bank and group</i>	
	31.03.18	31.12.17
Change in the bank's ownership in HI		
Opening balance	328	300
Adjusted value	0	0
Dividend	0	-4
Result HI	10	31
Closing balance	338	328

	<i>Parent bank and group</i>	
	31.03.18	31.12.17
Change in the bank's ownership in REDE		
Opening balance	14	15
Dividend	0	0
Result REDE	0	-1
Additional value/goodwill	0	0
Closing balance	14	14
Total	352	342

Financial information Associated companies, profit/loss posts

							<i>Parent bank and group</i>		
							31.03.18		
			Revenue	Finance cost	Other income	Operating cost	Net profit		
Result 100% ownership									
Helgeland Invest AS			23	0	0	2	21		
REDE Eiendomsmegling AS			10	1	0	9	0		
Total			33	1	0	11	21		
Result bank's share									
Helgeland Invest AS	48.3 %		11	0	0	1	10		
REDE Eiendomsmegling AS	40.0 %		4	0	0	4	0		
Total			15	0	0	5	10		

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

NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>			
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
66	47	67	Operating funds	142	125	141
66	47	67	Total operating funds	142	125	141

NOTE 14. DISCLOSURES OF RELATED PARTIES

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

Significant transactions with related parties:

Helgeland Boligkreditt AS (share of ownership 100 %)

Transferred loans per 31.03.18 constitute totally MNOK 6 791. Covered bonds in the housing mortgage company constitute MNOK 5 707 where MNOK 0 (97) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 31.03.18 drawn with MNOK 981. The bank has additionally an unused credit facility of MNOK 1 500 (duration 1 year) given by Helgeland Sparebank, which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period. The agreements are entered according to the principle of an arm's lengths distance. The effects of the credit lines are eliminated in the consolidated accounts. HSB has received corporate contributions of MNOK 48.8 in 2018.

Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 1.1 in 2018.

Helgeland Invest AS (48,3 %)

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

NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS

Measurement of fair value of financial instruments by level

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

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

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation methods. These valuation methods maximize the use of observable data where these are available, and are based as little as possible on the Group's own estimates. If all the significant data required to determine the fair value of an instrument are observable data, the instrument are included in level 2. Unlisted equities and fixed-rate loans are classified under level 3. The fair value of shares where it's no active market, known market value or the last issue price is used. For papers without turnover, the value is set based on available financial information, etc. fixed rate loans are measured at fair value.

Principal fixed rate loans per 31.03.17 were MNOK 1 115 and MNOK 895 mill per 31.03.18. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK 0.1 per 31.03.17 and MNOK 1.0 per 31.03.18.

Assets and liabilities measured at fair value

<i>Parent bank</i>				<i>Group</i>		
31.03.18				31.03.18		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit						
0	0	906	- Loans to and claims on customers at fair value	0	0	906
0	3.633	345	- Certificates, bonds and equities at fair value	0	3.683	345
Financial assets available for sale						
		10.501	0			
0	135		- Financial derivatives	0	135	0
0	3.768	11.752	Total assets	0	3.818	1.251
LIABILITIES						
Financial liabilities at fair value through profit						
0	24	0	- Debt issuance of securities	0	24	0
0	24	24	Total liabilities	0	24	0

Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total
322	10.318	10.640	Opening balance	322	934	1.256
0	-274	-274	Payment loan/sale of shares	0	-138	-138
24	1.363	1.387	New loans	24	95	119
-1	0	-1	Value change	-1	15	14
0	0	0	Reclassification	0		0
345	11.407	11.752	Financial instruments valued on Level 3	345	906	1.251

Assets and liabilities measured at fair value

<i>Parent bank</i>				<i>Group</i>		
31.12.17				31.12.17		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit						
0	0	934	- Loans to and claims on customers at fair value	0	0	934
Financial assets available for sale						
0	3.804	322	- Certificates, bonds and equities available for sale	0	3.804	322
0	125		- Financial derivatives	0	125	0
0	3.929	1.256	Total assets	0	3.929	1.256
LIABILITIES						
Financial liabilities at fair value through profit						
0	37	0	- Financial derivatives	0	37	0
0	37	0	Total liabilities	0	37	0

Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total
241	1.202	1.443	Opening balance	241	1202	1.443
0	-318	-318	Payment loan/sale of shares	0	-318	-318
21	70	91	New loans	21	70	91
60	-20	40	Value change	60	-20	40
0	0	0	Reclassification	0	0	0
322	934	1.256	Financial instruments valued on Level 3	322	934	1.256

NOTE 16. FINANCIAL DERIVATIVES

<i>Parent bank</i>				<i>Group</i>			
31.03.18				31.03.18			
Nominal value	Market value			Nominal value	Market value		
	Total	Assets			Commitments	Total	
1 030	0	22	Interest rate swaps- fixed interest rate loans	1 030	0	22	
75	0	2	Interest rate swaps- bank deposits with share Yield	75	0	2	
1 105	0	24	Total financial derivatives	1 105	0	24	
2 800	135	0	Interest rate swaps – fixed interest rate with hedging	2 800	135	0	
2 800	135	0	Total financial derivatives with hedging	2 800	135	0	

<i>Parent bank</i>				<i>Group</i>			
31.03.17				31.03.17			
Nominal value	Market value			Nominal value	Market value		
	Total	Assets			Commitments	Total	
1 211	0	35	Interest rate swaps- fixed interest rate loans	1 211	0	35	
100	0	3	Interest rate swaps- bank deposits with share Yield	100	0	3	
1 311	0	38	Total financial derivatives	1 311	0	38	
2 218	124		Interest rate swaps – fixed interest rate with hedging	2 218	124	0	
2 218	124	0	Total financial derivatives with hedging	2 218	124	0	

Net presentation of financial assets and liabilities

<i>Parent bank and group</i>					
31.03.18					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	135	0	135	-24	111
Derivaives carried as liabilities	24	0	24	-24	0

<i>Parent bank and group</i>					
31.03.17					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	124	0	124	38	86
Derivaives carried as liabilities	38	0	38	-38	0

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

NOTE 17. SECURITIES ISSUED

<i>Parent bank</i>			<i>Group</i>	
31.12.17	31.03.18	(MNOK)	31.03.18	31.12.17
5 263	5 416	Bonds, nominal value	11 117	10 733
79	74	Value adjustments	73	80
32	48	Accrued interest	55	38
5 374	5 538	Total securities	11 245	10 851

Change in securities issued					<i>Group</i>
	31.12.17 Issued	Matured/redeemed	Other change		31.03.18
Bonds, nominal value	10 724	1 155	-770	8	11 117
Value adjustments	82			-9	73
Accrued interest	45			10	55
Total	10 851	1 155			11 245

Change in subordinated debt					<i>parent bank</i>
	31.12.17 Issued	Matured/redeemed	Other change		31.03.18
Bonds, nominal value	5 263	855	-700	-2	5 416
Value adjustments	80			-6	74
Accrued interest	32			16	48
Total	5 375				5 538

Change in securities issued					<i>Group/Parent bank</i>
	31.12.17 Issued	Matured/redeemed	Other change		31.03.18
equity and related capital, nominal value	300	0		0	300
Value adjustments	-			-	-
Accrued interest	-			0	-
Total	300	0	0	0	300

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

Accounted value			<i>Group</i>	
			31.03.18	31.12.17
Bonds, amortized cost			8 505	8 078
Bonds, hedging			2 740	2 773
Total debt securities			11 245	10 851

Accounted value			<i>Parent bank</i>	
			31.03.18	31.12.17
Bonds, amortized cost			2 759	2 601
Bonds, hedging			2 780	2 773
Total debt securities			5 539	5 374

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>				<i>Group</i>				
%	31.03.17	%	31.03.18		31.03.18	%	31.03.17	%
91.2 %	15 115	90.5 %	15 631	Helgeland	15 190	90.2 %	14 807	91.0 %
8.1 %	1 349	8.9 %	1 532	Areas other than Helgeland	1 532	9.1 %	1 349	8.3 %
0.7 %	114	0.6 %	110	International	110	0.7 %	114	0.7 %
100 %	16 578	100 %	17 273	Total	16 832	100 %	16 270	100 %

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>				<i>Group</i>				
%	31.03.17	%	31.03.18		31.03.18	%	31.03.17	%
2.5 %	408	3.5 %	596	Financial institutions	172	1.0 %	100	0.6 %
10.6 %	1 752	9.2 %	1 585	Municipalities and municipal ente	1 585	9.4 %	1 752	10.8 %
1.9 %	318	2.3 %	391	Agriculture and forestry	391	2.3 %	318	2.0 %
7.9 %	1 304	6.5 %	1 115	Fisheries and aquaculture	1 115	6.6 %	1 304	8.0 %
0.9 %	156	1.0 %	172	Mining and industry	172	1.0 %	156	1.0 %
6.1 %	1 017	6.1 %	1 048	Building and construction	1 048	6.2 %	1 017	6.3 %
2.6 %	432	2.5 %	427	Trade, hotel, restaurants.	427	2.5 %	432	2.7 %
8.8 %	1 456	9.7 %	1 668	Transport and services	1 668	9.9 %	1 456	8.9 %
3.7 %	611	4.4 %	760	Property, property development	743	4.4 %	611	3.8 %
45.0 %	7 454	44.9 %	7 762	Total corporate market	7 321	43.5 %	7 146	43.9 %
55.0 %	9 124	55.1 %	9 511	Retail market	9 511	56.5 %	9 124	56.1 %
100 %	16 578	100 %	17 273	Total	16 832	100 %	16 270	100 %

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

Per 31.03.18	Numbers	% share	<i>Parent bank</i>		
			Numbers	% share	
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 653	1.4 %
Pareto AS	1 949 392	9.3 %	Catilina Invest AS	256 046	1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea Avkastning	244 270	1.2 %
Merrill Lynch Prof.	1 253 462	6.0 %	VPF Nordea Kapital	238 245	1.1 %
Pope Asset Management BNY	572 653	2.7 %	Bergen Kommunale Pensjon.	201 833	1.0 %
VPF Eika Egenkapital	530 578	2.5 %	Apollo Capital Manage.	181 749	0.9 %
MP Pensjon PK	462 203	2.2 %	Melum Mølle AS	171 382	0.8 %
Lamholmen Invest AS	447 353	2.1 %	Melesio Capital AS	137 188	0.7 %
Helgeland Kraft AS	377 691	1.8 %	Cacies Bank	116 100	0.6 %
Landkreditt Utbytte	300 000	1.4 %	Nervik Steffen	110 506	0.5 %
Total 10 biggest owners	14 556 339	69.7 %	Total 20 biggest owners	16 508 311	79.1 %

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

NOTE 21. CAPITAL ADEQUACY

The capital adequacy statement has been prepared in accordance with CRD IV / Basel III (standard credit risk method).
(Transitional rules for non-significant ownership interests in financial institutions imply full implementation from 01.01.19)

Parent bank			Group			
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
208	208	208	ECC-capital	208	208	208
971	971	971	Premium Fund	971	971	971
-3	-3	-3	Own ECCs	-3	-3	-3
299	294	299	Hybrid capital (CB)	299	294	299
1 475	1 470	1 475	Total paid-in capital	1 475	1 470	1 475
541	516	540	Savings Bank's fund	540	516	541
424	344	425	Reserve for unrealized gains	425	344	424
44	38	42	Donations Fund	42	38	44
659	575	654	Dividend equalisation reserve	654	575	659
84	0	0	Cash dividend	0	0	84
0	0	0	Other equity capital	61	43	61
1 752	1 473	1 661	Total accrued equity capital	1 722	1 516	1 813
3 227	2 943	3 136	Total equity capital	3 197	2 986	3 288
-299	-294	-299	Hybrid capital (CB)	-299	-294	-299
-69	-41	-84	Shares in financial institutions	-84	-40	-65
-124	-15	-49	Cash dividend /gifts employee	-49	-19	-142
2 735	2 593	2 704	Total core tier one	2 765	2 633	2 782
-14	-12	-15	Shares in financial institutions	-15	-11	-13
0	-5	0	Other	0	-5	0
299	294	299	Hybrid capital (CB)	299	294	299
3 020	2 870	2 988	Total core capital	3 049	2 911	3 068
300	300	300	Subordinatet dept	300	300	300
-1	-5	-1	Shares in financial institutions	-1	-5	-1
0	-4	0	Other	0	-4	0
299	291	299	Total net supplementary capital	299	291	299
3 319	3 161	3 287	Total net equity and related capital	3 348	3 202	3 367
16 453	15 545	16 436	Weight assets calculation basis *)	17 568	16 649	17 618
16.62 %	16.68 %	16.45 %	Core tier one Capital ratio	15.74 %	15.81 %	15.79 %
18.35 %	18.46 %	18.18 %	Core capital ratio	17.36 %	17.48 %	17.41 %
20.17 %	20.33 %	20.00 %	Total Capital ratio	19.06 %	19.23 %	19.11 %

31.12.17	31.03.17	31.03.18	Calculation basis	31.03.18	31.03.17	31.12.17
0	0	0	States and central banks	0	0	0
263	175	204	Local and regional authorities (including municipalities)	204	175	263
398	408	471	Institutions	223	179	146
1 066	722	1 159	Enterprises	1 258	722	1 065
1 232	1 226	1 012	Mass market loans	987	1 350	1 431
10 006	9 906	9 815	Loans secured by real property	12 235	11 947	12 307
210	134	391	Loans overdue	391	134	210
680	648	693	Covered bonds	123	146	132
0		0	Units in securities funds	0	0	0
1 250	1 070	1 342	Equity positions	747	628	660
121	119	138	Other loans and commitments	209	197	197
15 227	14 409	15 225	Capital requirement credit risk	16 377	15 477	16 411
1 188	1 102	1 188	Capital requirement operational risk	1 168	1 137	1 168
39	35	23	Deducted from capital requirement	23	35	39
16 453	15 545	16 436	Total capital requirement	17 568	16 649	17 618

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

<i>Parent bank</i>				<i>Group</i>		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
2.99	3.09	2.89	Interest receivable and similar income	2.93	3.11	3.00
1.10	1.16	1.07	Interest payable and similar costs	1.14	1.28	1.17
1.90	1.93	1.81	Net interest- and credit commission income	1.79	1.83	1.83
0.37	0.37	0.38	Commissions receivable and income from banking services	0.32	0.31	0.31
0.04	0.05	0.05	Commissions payable and costs relating to banking services	0.04	0.04	0.04
0.33	0.32	0.33	Net commission income	0.28	0.27	0.28
0.25	0.61	0.91	Gains/losses on financial assets available for sale	0.13	0.04	0.11
0.03	0.03	0.03	Other operating income	0.01	0.01	0.02
1.04	1.07	1.07	Operating costs	0.91	0.94	0.89
0.25	0.10	0.12	Losses on loans, guarantees etc. and fixed assets	0.10	0.08	0.21
1.22	1.72	1.89	Result before tax	1.19	1.14	1.13
0.23	0.27	0.24	Tax payable on ordinary result	0.27	0.27	0.24
0.99	1.45	1.65	Result from ordinary operations after tax	0.93	0.87	0.88

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank					Group					
Q1/17	Q2/17	Q3/17	Q4/17	Q1/18		Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
194	196	193	194	191	Interest receivable and similar income	231	236	231	231	229
73	72	70	70	71	Interest payable and similar costs	90	89	89	90	94
121	124	123	124	120	Net interest- and credit commission income	141	147	142	141	135
23	24	24	26	25	Commissions receivable and income from banking serv	25	26	24	24	23
3	2	3	3	3	Commissions payable and costs relating to banking ser	3	3	3	2	3
20	22	21	23	22	Net commission income	22	23	21	22	20
38	9	20	-3	60	Gains/losses on financial assets available for sale	10	-3	19	14	3
2	2	1	3	2	Other operating income	1	2	1	1	1
67	66	72	64	71	Operating costs	72	67	71	68	69
6	19	11	29	8	Losses on loans, guarantees etc.	8	30	11	19	6
108	72	82	54	125	Result before tax	94	72	101	91	84
17	15	15	13	16	Tax payable on ordinary result	21	17	20	18	20
91	57	67	41	109	Result from ordinary operations after tax	73	55	81	73	64

Parent bank					Group					
Q1/17	Q2/17	Q3/17	Q4/17	Q1/18		Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
3.09	3.03	2.94	2.92	2.89	Interest receivable and similar income	2.93	2.96	3.00	3.05	3.11
1.16	1.11	1.07	1.05	1.07	Interest payable and similar costs	1.14	1.11	1.15	1.19	1.28
1.93	1.92	1.87	1.86	1.81	Net interest- and credit commission income	1.79	1.84	1.84	1.86	1.83
0.37	0.37	0.37	0.39	0.38	Commissions receivable and income from banking serv	0.32	0.33	0.31	0.32	0.31
0.05	0.03	0.05	0.05	0.05	Commissions payable and costs relating to banking ser	0.04	0.04	0.04	0.03	0.04
0.32	0.34	0.32	0.35	0.33	Net commission income	0.28	0.29	0.27	0.29	0.27
0.61	0.15	0.30	-0.05	0.91	Gains/losses on financial assets available for sale	0.13	-0.04	0.25	0.18	0.04
0.03	0.03	0.02	0.05	0.03	Other operating income	0.01	0.03	0.01	0.01	0.01
1.07	1.11	1.10	0.96	1.07	Operating costs	0.91	0.84	0.92	0.90	0.94
0.10	0.32	0.17	0.44	0.12	Losses on loans, guarantees etc.	0.10	0.38	0.14	0.25	0.08
1.72	1.01	1.25	0.81	1.89	Result before tax	1.19	0.90	1.31	1.20	1.14
0.27	0.25	0.23	0.20	0.24	Tax payable on ordinary result	0.27	0.21	0.26	0.24	0.27
1.45	0.75	1.02	0.62	1.65	Result from ordinary operations after tax	0.93	0.69	1.05	0.96	0.87

Parent bank					Group					
Q1/17	Q2/17	Q3/17	Q4/17	Q1/18		Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
ASSETS										
86	94	87	87	78	Cash and claims on central banks	78	87	86	94	86
1 289	1 771	1 198	1 488	1 818	Loans to and claims on credit institutions	838	464	544	729	493
19 318	19 415	19 727	19 860	19 746	Loans to and claims on customers	26 503	26 453	25 749	25 258	25 089
124	111	116	125	135	Financial derivatives	135	125	116	111	124
3 858	3 834	3 914	4 126	3 978	Certificates, bonds and shares available for sale	4 028	4 176	3 867	3 786	3 787
319	324	343	342	352	Investments in associated companies	352	342	342	324	319
444	441	441	595	595	Investments in subsidiaries	0	0	0	0	0
9	10	12	11	12	Deferred tax benefit	19	15	16	14	13
47	53	58	66	67	Fixed assets	142	141	135	133	125
66	61	74	49	64	Other assets	58	47	75	65	66
25 560	26 114	25 970	26 749	26 845	Total assets	32 153	31 850	30 930	30 514	30 102
LIABILITIES AND EQUITY CAPITAL										
250	250	250	250	250	Liabilities to credit institutions	252	252	252	252	252
16 578	17 257	17 029	17 422	17 273	Deposits from customers and liabilities to customers	16 832	16 972	16 721	16 953	16 270
5 136	5 084	5 063	5 375	5 538	Borrowings through the issuance of securities	11 245	10 851	10 270	9 743	9 961
38	32	28	27	24	Financial derivatives	24	27	28	32	38
225	121	162	149	217	Other liabilities	227	161	173	130	227
300	300	300	300	300	Fund bonds	300	300	300	300	300
22 527	23 044	22 832	23 523	23 602	Total liabilities	28 880	28 563	27 744	27 410	27 048
1 176	1 177	1 177	1 177	1 177	Paid-in equity capital	1 177	1 177	1 177	1 177	1 176
294	299	288	299	296	Hybrid capital	299	299	288	299	294
1 472	1 446	1 458	1 750	1 661	Accrued equity capital/retained earnings	1 722	1 809	1 501	1 489	1 518
91	148	215	0	109	Profit after taxes	73	0	218	137	64
					Minority interest	2	2	2	2	2
3 033	3 070	3 138	3 226	3 243	Total equity capital	3 273	3 287	3 186	3 104	3 054
25 560	26 114	25 970	26 749	26 845	Total liabilities and equity capital	32 153	31 850	30 930	30 514	30 102

OTHER KEY FIGURES

Parent bank

Group

	31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
BALANCE SHEET							
Utvikling siste 3 mnd							
	0,7	0,4	Forvalting		1,0	2,4	
	1,4	-0,5	Brutto lån		0,2	1,9	
	0,5	-0,9	Kundeinnskudd		-0,8	0,6	
Development in the last 12 months							
	7,7	6,9	5,0	Total assets	6,8	9,6	8,4
	4,4	5,4	-0,5	Gross lending ⁴	5,8	9,8	7,5
	5,7	11,4	-0,9	Deposit ⁵	3,5	11,9	4,9
	87,1	85,3	86,8	Deposit coverage as a percentage of gross loans	63,1	64,5	63,8
	55,8	57,9	56,2	Lending to retail customers	67,0	67,3	66,4
	25.962	25.469	26.822	Average assets ⁶	31.981	29.849	30.852
	20.012	19.436	19.908	Gross loans	26.666	25.212	26.611
SOLIDITY							
	16,6	16,7	16,5	Core tier one Capital ratio	15,7	15,8	15,8
	18,4	18,5	18,2	Core Capital ratio	17,4	17,5	17,4
	20,2	20,3	20,0	Total Capital ratio	19,1	19,2	19,1
	9,1	9,1	8,9	Leverage ratio ⁷	9,2	9,4	9,3
	8,2	8,3	13,6	Rate of return on equity capital ⁸	9,0	8,1	8,6
	1,0	1,4	1,6	Return on assets	0,9	0,9	0,9
KEY FIGURES PCC							
	8,9	3,3	3,9	Yield per primary certificate	2,6	2,4	9,5
	8,9	3,3	3,9	Diluted result per ECC, in Norwegian currency	2,6	2,4	9,5
	76,5	76,5	76,3	ECCs split (01.01)	76,3	76,5	75,5
	107	100	107	Equity capital per ECC ¹⁰	108	101	108
	88,0	80,5	87,0	PCC price quoted on the stock exchange	87,0	80,5	88,0
	7,4	6,0	5,5	P/E (price as at 30.09 divided by profit per ECC) ¹¹	8,4	8,4	6,9
	0,8	0,8	0,8	P/B (price as ar 30.09. divided by book value of equity capital) ¹²	0,8	0,8	0,8
	41,4	37,0	34,8	Costs as a percentage of income ¹³	41,4	43,4	39,9
	1,0	1,1	1,1	Cost in percent of average total assets	0,9	0,9	0,9
	148	150	148	Number of man-years ¹⁴	148	150	148
LOSSES ON LOANS AND GROSS DEFAULTS							
As a percentage of gross lending:							
	0,7	0,5	1,1	Gross defaults over 90 days	0,8	0,4	0,5
	0,6	0,4	0,9	Net defaults over 90 days ¹⁵	0,6	0,3	0,4
	0,8	0,6	0,9	Total loan loss provision ¹⁶	0,6	0,5	0,6
	0,3	0,1	0,2	Losses on lending ¹⁷	0,1	0,1	0,2

1) Percentage of equity excl. Hybrid capital

OTHER CALCULATIONS

Parent bank				Group		
31.12.17	31.03.17	31.03.18	(Figures in MNOK and %)	31.03.18	31.03.17	31.12.17
			Operating costs, adjusted for one-time effects			
269	67	71	Operating costs	72	69	275
0	0	0	One-time effect converting pension	0	0	0
269	67	71	Operating costs, adjusted for one-time effects	72	69	275
1.39 %	1.09 %	1.06 %	Operating costs in % of BTA, adjusted for one-time effects	0.90 %	0.98 %	1.19 %
41.4 %	37.0 %	34.8 %	Operating costs in % of income, adjusted for one-time effects	41.4 %	43.4 %	39.9 %
256	91	109	Profit	73	64	273
-14	-5	-4	Paid interests subordinated bonds	-4	-5	-14
242	86	105	Net profit, incl. Interests subordinated bonds	69	59	259
0	0	0	one-time effect pension	0	0	0
242	86	105	Profit, adjusted for one-time effects	69	59	259
256	369	442	Profit (annualized)	296	260	273
242	349	426	Profit (annualized), eks conversion of pension and incl. Interests s	280	239	259
3 132	3 187	3 244	Average equity	3 300	3 219	3 171
-333	-395	-299	Average subordinated bonds	-299	-395	-333
2 799	2 792	2 945	Average equity adjusted for subordinated bonds	3 001	2 824	2 838
8.2 %	11.6 %	13.6 %	ROE	9.0 %	8.1 %	8.6 %
8.6 %	12.5 %	14.5 %	ROE adjusted for one-time effects and interests FO	9.3 %	8.5 %	9.1 %
256	91	109	Profit	73	64	273
256	369	442	Profit (annualized)	296	260	273
242	349	426	Profit (annualized), eks conversion pension and subordinated bond	280	239	259
25 962	25 469	26 822	Average assets	31 981	29 849	30 852
1.0 %	1.4 %	1.6 %	Return on assets (annualized)	0.9 %	0.9 %	0.9 %
0.9 %	1.4 %	1.6 %	Return on assets (annualized) adjusted for one-time effe	0.9 %	0.8 %	0.8 %
3 020	2 870	2 988	CET1	3 049	2 911	3 068
33 228	31 618	33 695	Unweighted calculation basis	33 258	31 109	32 842
9.1 %	9.1 %	8.9 %	Leverage ratio	9.2 %	9.4 %	9.3 %

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

Definitions key figures:

- ¹ Net interest- and commission income, excl. interest subordinated bonds reclassified to equity from 01.01.16
- ² Ordinary operating costs, before reduction of income by converting pension
- ³ Income by converting pension, effect resolution of pension obligation benefit pension
- ⁴ Growth gross lending, 12-month growth gross lending from 31.03.17 to 31.03.18
- ⁵ Growth customer deposits, 12-month growth customer deposits from 31.03.17 to 31.03.18
- ⁶ Weighted average of total assets through the year
- ⁷ Unweighted Tier 1 capital, Subordinated capital divided on balance sheet items and unrecognized items calculated without risk weighting
- ⁸ Return on equity, result in comparison to average equity
- ⁹ Equity certificate fraction, EC owners share of the equity, excl. subordinated bonds
- ¹⁰ Equity per EC, EC owners share of the equity, excl. subordinated bonds, 31.12 in comparison to number of EC's
- ¹¹ P/E, stock market price by period ending divided on result per EC
- ¹² P/B, stock market price by period ending divided on book equity per EC
- ¹³ Costs in % of income, total costs excl. income by converting pension, in % of net interest: net commission income, net profit financial instruments and other income
- ¹⁴ Number of man years, permanent employee in the bank
- ¹⁵ Net defaults, total defaults > 90 days deducted individual write-downs
- ¹⁶ Total write-downs in % of gross lending, write-downs in the balance in % of gross lending
- ¹⁷ Loss of commitment in % of gross lending, recognized write-downs on lending in % of gross lending

Information concerning Helgeland Sparebank

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

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Other sources of information

Annual reports

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

Quarterly publications

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