

**Q4**  
**2015**

# ***financial report***

***interim report fourth quarter 2015***



### **General information**

Helgeland Sparebank is a traditional banking and finance institution with 14 offices in 13 municipalities in the Norwegian region of Helgeland. It is the 12<sup>th</sup> 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, as well as in annotation 1 in the interim report. The numbers used are consolidated figures unless it is otherwise stated. Figures in brackets are the previous year's comparative figures.

The interim accounts have not been audited.

### **Main features this year (HSB group)**

The HSB group has a gross profit of MNOK 280 (283).

- Still good profitability in the bank's basic operations
- Increased net interest in NOK, and maintained in %.
- The costs in NOK are equal to last year's, before the non-recurring effect of the change package of MNOK 7.5.
- Moderate lending losses
- Good lending growth in the retail market
- The deposit growth is higher than the national average – still good deposit ratio
- CET1 capital well above the regulatory requirements

The earnings give an annual net ROE of 9.3 (10.5) %. The EPS is NOK 8.4 (8.7).

A NOK 37.4 (31.8) % pay-out ratio is suggested, which gives a cash dividend of NOK 2.75 per equity certificate (EC).

### **Changed interpretation of accounting principles:**

Helgeland Sparebank has an ownership in Helgeland Invest AS (HI) of 48.3%. The bank now considers the company as an associated company (significant influence, but not control).

The bank has considered the company as an investment company, and the portfolio in HI has been evaluated based on the last information on its revenue, first buy options, liquidity in the asset, dividend capacity, and book equity.

The bank has conducted a new evaluation and has concluded that HI does not satisfy the requirement as an investment company according to IFRS10. Since HI is no longer considered an investment company, the bank changed the accounts of HI so that all associated companies in HI are changed according to IFRS, and is calculated according to

the equity method. The bank takes in the accounts of HI using the equity method.

This has given a higher value to the bank's ownership and increased the fund for unrealized gains. See detailed information under accounting principles annotation 1 and annotation 12 associated companies.

The bank's accounting principle for interest bearing assets is "available for sale".

Previously, the value change under original cost was carried against the ordinary income, while the value change over original cost was carried against the comprehensive income. Earlier this year, the value change on interest bearing assets is expensed in the ordinary result under net value change financial investments, with MNOK 15. The bank changes this starting in Q4 2015 and carries all value change beyond the return on interest and write-downs on interest bearing assets against the comprehensive income.

None of these changes have affected the basis for dividends.

### **Profits so far this year**

#### **Key figures:**

(Comparison per 31.12.14)

- Net interest 1.76 (1.76) %
- Costs in % of total assets 1.03 (1.01) %
- Write-downs on lending 0.12 (1.17) %
- 12-month lending growth 8.2 (0.6) %
- 12-month deposit growth 5.0 (5.7) %
- CET1 capital ratio 15.2 (13.4) %
- Total capital ratio 18.4 (17.2) %

### **The net interest**

Helgeland Sparebank's ambition is to be competitive on mortgage interest rates and regulated existing loans from 1 December. The deposit rate is market adjusted and has contributed strongly to the maintenance of the net interest.

The credit spreads are still at a relatively high level both in the senior bond and covered bond segments. This has given a marginal increase of the HSB groups funding costs.

The bank has managed to maintain the net interest despite the generally low interest level and strong competition. Net interest and credit commission earnings was MNOK 463 (458), or 1.76 (1.76) % of average total assets.

### **Net commission earnings**

The net commission earnings were MNOK 87 (82). In percent of average total assets, the net commission earnings were 0.33 (0.31) %.

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

The bank owns 7.9% of the insurance company Frende Holding AS, and 10% in the leasing company Brage Finans AS.

Commission from general insurance constitute a significant part of the income and per 31.12.15 constitute MNOK 17 (15).

### **Net value change and profit/loss from financial instruments**

Net income from financial instruments was MNOK 21 (44). In 2014, the bank had significant profits from the sale of NETS, while a negative value change from shares and fixed interest lending is expensed in 2015.

### **Operating costs**

Combined operating costs were MNOK 270 (263).

As part of the bank's strategy process, a new maximum target for cost growth of 1% has been approved. The measures expected to give the largest effect are the reduction of annual positions due to changing customer behaviour and technological change. With effect from the turn of the year (01.01.16), the bank has changed its organisation by adding resources to its four main offices (Mo i Rana, Mosjøen, Sandnessjøen, and Brønnøysund), and reduced the opening hours at all smaller offices. A change package of MNOK 7.5 is set aside for this. Sum cost growth in 2015 was 2.7%. Excluding the change package, the costs in NOK are almost the same as the previous year, and give a cost reduction of -0.16%.

The operating costs in per cent of average total assets was 1.03 (1.01) %, and costs in percent of earnings was 46.4 (44.6) %.

The staff in the HSB group is reduced with 4 annual positions in the last 12 months. The bank's absence due to sickness is still at a low level with 4.1 (4.1) %.

### **Expensed write-downs on commitments**

The statement of income in 2015 includes an expense of MNOK 32 from write-downs on lending, while in 2014 it included MNOK 44. Of the combined write-downs, write-downs on groups of lending constitute MNOK 7 (1). The group write-downs have increased from a combined evaluation of the model (PD/LGD), the solvency development in the retail market, and the defaults. The bank has no direct exposure to the petroleum sector.

### **Extended income**

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

Helgeland Sparebank is a member bank of Visa Norge FLI. Visa Norge FLI is a shareholder in Visa Europe Ltd. In November 2015, an agreement was reached on the sale of shares in Visa Europe Ltd to Visa Inc, and the member banks in Visa Norge FLI are expected to receive a recompense for this due to their memberships. Helgeland Sparebank has evaluated its ownership interest in this and estimated the value to be MNOK 19. The transaction is yet to be approved by the European competition authorities. There is also uncertainty regarding the size and value of the different recompense elements. In terms of the accounts, the value is included in the statement of extended income for 2015.

The change in value on interest bearing assets due to widened credit spreads in 2015 is included in the statement of extended income.

### **Dividend policy and management of surplus**

According to the bank's dividend policy, 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 bank's strategy is to have a long-term and predictable dividend policy.

The parent bank's gross profit was MNOK 214. Adjusted for the fund change from unrealised profits, the basis for dividends is MNOK 183. The Board has chosen to suggest a somewhat higher dividend level for 2015. This is in line with previously given information to the market.

Suggested management of surplus:

Pay-out ratio of 37.4 (31.8) %. The distribution between the EC owner's capital and the primary capital fund is unchanged at 75.1%.

#### Dividends

- MNOK 51.4 in cash dividends, which equates to NOK 2.75 per EC
- MNOK 17.0 to gift fund/foundation

#### Strengthening the equity

- MNOK 86.1 to the adjustment fund, which equates to NOK 4.60 per EC
- MNOK 28.5 to the primary capital fund

### **The equity certificate – HELG**

The EC capital constitutes MNOK 935, and is distributed over 2,123 owners. Annotation 20 shows an overview over the 20 largest EC owners. Sparebankstiftelsen Helgeland is the largest owner with 35.3% of the ECs in HELG. The price of the EC was per 31.12.15 NOK 59.00, which is an increase of NOK 4.00 per EC from the turn of the year.

#### **Profits for the quarter (Q4 2015)**

The gross profit for the quarter was MNOK 92 (48). The increase is related to income from associated companies as well as a reversal of the value change on interest bearing assets from investments in financial instruments to comprehensive income. Ordinary operating costs were MNOK 74 (77). In percent of average total assets, the costs constitute 1.08% including the non-recurring effect of MNOK 7.5. Write-downs on lending and guarantees is expensed with MNOK 12 (9) in the quarter.

Both the lending growth and the deposit growth has increased in the quarter compared to the same period last year.

#### **Key figures in the fourth quarter:**

- Gross profit MNOK 92 (48)
- Net interest 1.77 (1.74) %
- Ordinary operating costs 1.08 (1.17) %
- 3-month lending growth 1.9 (-0.7) %
- 3-month deposit growth 2.3 (-1.4) %

#### **Balance development per 31.12.15**

The total assets constitute NOK 27.1bn. Over the last 12 months, there has been a growth in lending, while liquids and securities reserves have been reduced.

#### **Commitments**

By the end of the year, gross lending constituted MNOK 22,541. The 12-month lending growth was MNOK 1,714 (120), or 8.2 (0.6) %. 84.1 (83.8) % of the HSB group's lending is to customers in the Helgeland region.

MNOK 15,266, or 67.7 (67.1) % of gross lending is lending to retail customers, whereof MNOK 4,313 (19.1%) is transferred to the bank's mortgage company.

Despite the macroeconomic uncertainties in Norway, the growth in the retail market has been good and significantly higher than the same time last year. The 12-month growth in the retail market was MNOK 1,284 (400), or 9.2 (3.0) %, which is higher than the national lending growth.

The 12-month growth for corporate customers was MNOK 429, or 6.3 (-3.9) %.

#### **Deposits from customers**

By the end of the year, deposits from customers constituted MNOK 14,418. The deposits over the last 12 months have increased by MNOK 693

(736), or 5.0 (5.7) %. The HSB group has stable and local depositors, whereby 91.1 (91.6) are deposits from customers in the Helgeland region.

The deposit ratio is good and was 64.0 (65.9) % in the HSB group, and 80.0 (80.8) % in the parent bank.

The 12-month deposit growth in the retail market was MNOK 609 (535), or 7.2 (6.8) %. Of total deposits at NOK 14.4bn, NOK 9.1bn, or 62.9 (61.6) % are deposits from retail customers.

The 12-month deposit growth in the corporate market was MNOK 84 (201), or 1.6 (4.0) %. The municipal deposits that are part of the corporate market are reduced and the growth comes from other sectors.

#### **Funding**

Deposits from customers are an important source of funding for the bank, and the deposit ratio is well above the target. Additional funding is long term with a good diversification between various funding sources. By the end of the quarter, the share of loans beyond one year was 81.4 (83.8) %.

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. Per 31.12.15, 19.1% are transferred.

Prepared mortgages will increase the rate to 25%.

#### **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 a Aaa rating by Moody's.

#### **Subsidiaries and associated companies**

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

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

#### **Risk and capital management**

The HSB group's combined risk is governed through proxies, targets, and frames determined by the Board of Directors.

The combined capital requirement is summarised in the bank's ICAAP.

#### **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 3.8 (4.3) bn, or 14.2 (16.7) % of the group's total assets

The combined duration of the interest portfolio is 2.3 (2.1) years.

#### 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 close follow-up, and risk is monitored based on the bank's score models, as well as significant industries. The portfolio is monitored according to the approved targets.

Net non-performing and impaired commitments is reduced, and constitute MNOK 75 (109), which equated to 0.33 (0.53) % of gross lending.

#### 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.

#### **Solidity**

The HSB group has a CET1 capital ratio of 15.2 (13.4) %, which is well above the regulatory minimum requirements of 11.5% from 1 July 2016. The T1 capital ratio was 16.5 (14.8) %, the total capital ratio 18.4 (17.2) %.

The Board's suggested management of the year's profits imply that 62.6% are held back, and thus strengthen the capital ratio.

The bank's board has approved a capital plan for 2015 – 2019, where the satisfaction of new capital requirements in Norway due to CRD IV is central. The Board has determined capital targets, where the objective is a CET1 capital ratio for the group of at least 14.0% and a total capital ratio up towards 17.5%.

#### **Prospects ahead**

Low interest rates and continued normal activity in the property market gives an expected growth in the retail market, but still somewhat lower than 2015. The growth in the corporate market is affected by several factors and a somewhat flatter development is expected in this segment. The bank's capital situation is good and satisfactory in relation to the desired profit growth.

The low interest level and persistently increased interest for alternative forms of saving is expected to express itself in a lower combined deposit growth.

There is still a potential to reduce the deposit rates in case the mortgage prices need to be reduced in order to maintain the bank's competitive power. Increased credit spreads in the capital market still makes it challenging to maintain the net interest at the same level as 2015.

The level of commission earnings is expected to continue.

There is an active work to reduce the banks cost levels. The bank is adapting for the future and has approved changes in the organisation. Simultaneously with the staff adapting to changed customer behaviour and technological change, this provides an opportunity to improve the utilisation of resources in the larger offices and establish a larger competence environment. The cost of the approved change program is largely expensed in Q4.

Non-performing and other impaired commitments are still relatively low seen against gross lending. Due to the insecurity in the Norwegian economy, a somewhat higher level of write-downs is expected in 2016.

There is significant insecurity in several industries nationally and the competition is expected to increase in the construction industry since companies in other parts of the country are looking North due to low activity in their local markets. The upgrade of the E6 in the whole Helgeland region, and approved public construction projects still contributes to a high activity in the construction industry. This will continue also in 2016.

Low exchange rates and low energy prices are positive for the regional manufacturing businesses, and significant investments are taking place both in Mo i Rana and Mosjøen. The manufacturing industry is largely affected by international conjunctions, which results in more uncertainty over the long run. Helgeland, just like Nordland county, produces significantly more hydropower than the region today uses. The potential to use this energy for local industrial purposes is therefore large. This requires that the right guidelines and

conditions for more industrial build up must be in place.

The salmon prices have been maintained at a relatively high level and result in good profits for the actors in this industry, despite a somewhat higher cost level and lower production volume. The prices are expected to remain high throughout 2016 and the good profitability is positive for the equipment and technology suppliers.

A low exchange rate is expected to give a positive effect for an increasing tourism industry. 2015 was a record year for the hotels in the region. The level of rented hotel rooms is at minimum expected to remain on the same level in 2016.

The petroleum related supply industry experiences large variations in the activity. This affects individual companies and the level of employees in the sector. Although the Helgeland region is somewhat less dependent on the petroleum industry than what is seen in the South and South-West, parts of the region is affected as a result of Statoil's activity reduction. In the Alstadhaug area, increased unemployment and lower property prices are expected.

The population growth in the Helgeland region was also in 2015 lower than the country as a whole. An increased educational offering and research environment at Campus Helgeland contributes strongly to create an academic environment, and the number of students are growing. Good collaboration with Helgeland's manufacturing businesses creates interesting job opportunities for both parties in a relationship, which is essential to

turn the development. This, combined with the integration of a persistently increasing number of immigrants, will be crucial if the region is to succeed with a positive development in the right age segment.

The unemployment is still low in the region, with a combined unemployment of 2.4% per 31.12.15. Nordland County had an unemployment rate of 2.6% and the national average was 3.0%.

Despite the expectation of a somewhat increased unemployment, it is worth noting that the share of publicly employed in the region constitute 37.1% measured against 30.5% nationally.

The housing price development is persistently stable and showed an average increase of 2.3% for detached houses in 2015. The national average saw 4.4% price increase. The corresponding numbers for flats show a price increase of 3.9% for the Helgeland region, while the nation as a whole saw an increase of 8.6%.

The activity in the housing market was somewhat weaker than normal in the fourth quarter, but this has improved in the first quarter of 2016. We expect to see larger geographical differences in housing price developments within the region than earlier.

The prospects in Norway are more uncertain and unpredictable than they have been for a long time. Although the Helgeland region so far seems to have developed better than many other regions in the country, there is reason to point out that there is uncertainty regarding the future conditions.

Mo i Rana, February 10<sup>th</sup> 2016

Ove Brattbakk  
*Chairman of the Board*

Stein Andre Herigstad-Olsen  
*Deputy Chairman of the Board*

Eva Monica Hestvik

Bjørn Audun Risøy

Inga Marie Lund

Nils Terje Furunes

May Heimdal  
*Employee Representative*

Lisbeth Flågeng  
*CEO*

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## PROFIT AND LOSS ACCOUNT (amounts in NOK million)

Parent bank

Group

Corrected					Corrected					
Q4/14	Q4/15	31.12.14	31.12.14	31.12.15		31.12.15	31.12.14	31.12.14	Q4/15	Q4/14
229	196	930	930	814	Interest receivable and similar income	940	1 089	1 089	226	267
131	90	549	549	410	Interest payable and similar costs	477	631	631	105	152
98	106	381	381	404	Net interest- and credit commission income	463	458	458	121	115
22	25	92	92	97	Commissions receivable and income from banking se	97	92	92	25	22
3	3	10	10	10	Commissions payable and costs relating to banking s	10	10	10	3	3
19	22	82	82	87	Net commission income	87	82	82	22	19
0	0	57	57	50	Dividend	1	1	1	0	0
1	21	4	51	27	Net profit from associates	27	51	28	21	-5
2	10	7	11	-15	Net profit from other financial investments	-7	19	15	12	3
3	31	68	119	62	Gains/losses on financial assets available for	21	71	44	33	-2
4	1	13	13	15	Other operating income	11	7	7	2	3
72	71	252	252	261	Operating costs (note 4)	270	263	263	74	77
9	12	44	48	32	Losses on loans, guarantees etc. (note 5)	32	48	44	12	9
43	77	248	295	275	Result before tax	280	307	283	92	48
12	25	52	52	61	Tax payable on ordinary result	72	67	67	22	13
31	52	196	243	214	Result from ordinary operations after tax	208	240	216	70	35
		7,9	9,8	8,6	Yield per equity capital certificate (note 6)	8,4	9,6	8,7		
		7,9	9,8	8,6	Diluted result per ECC in Norwegian currency (note 6)	8,4	9,6	8,7		
					Extended Income Statement					
31	52	196	243	214	Result from ordinary operations after tax	208	240	216	70	35
					Items that are not subsequently reversed through profit or loss:					
-57	0	-57	-57	0	Estimate variances, pensions will not be reversed over	0	-57	-57	0	-57
15	0	15	15	0	Tax on extended profit	0	15	15	0	15
-42	0	-42	-42	0	Net extended profit or loss items	0	-42	-42	0	-42
					Items that are not subsequently reversed through profit or loss:					
-1	43	28	2	14	Net change in fair value available-for-sale fin. assets	12	3	7	41	-1
4	-5	2	0	0	Tax on extended profit	0	0	0	-5	4
3	38	30	2	14	Net extended profit or loss items	12	3	7	36	3
-8	90	184	203	228	Total result for the period	220	201	181	106	-4

Corrected profit and loss account note 1 accounting principles



## BALANCE SHEET (amounts in NOK million)

Parent bank			Group		
Corrected			Corrected		
31.12.14	31.12.14	31.12.15	31.12.15	31.12.14	31.12.14

Corrected balance note 1 accounting principles

## CHANGE IN EQUITY CAPITAL: NOT CORRECTED BALANCE

Group

31.12.15

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Min. int.	Total
Equity capital as at 01.01.15	187	845	-4	157	437	20	8	338	132	2	2 122
Result for the period				31	29	8	8	89	43		208
Extended profit or loss items				93					-24		69
<b>Sum total ext. profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>124</b>	<b>29</b>	<b>8</b>	<b>8</b>	<b>89</b>	<b>19</b>	<b>0</b>	<b>277</b>
Gift fund						-8	-8				-16
<b>Transactions with owners</b>											<b>0</b>
Dividend paid									-47		-47
<b>Equity capital 31.12.15</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>281</b>	<b>466</b>	<b>20</b>	<b>8</b>	<b>427</b>	<b>104</b>	<b>2</b>	<b>2 336</b>
Paid-in/accrued equity capital/retained earnings			1 028							1 308	2 336

Group

31.12.14

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Min. int.	Total
Equity capital as at 01.01.14	187	845	-1	152	415	18	5	269	97	2	1 989
Adjusted equity											0
Equity capital as at 01.01.14	187	845	-1	152	415	18	5	269	97	2	1 989
Result					33	8	8	100	65	0	214
Extended result				5	-11			-31	4		-33
<b>Total result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>22</b>	<b>8</b>	<b>8</b>	<b>69</b>	<b>69</b>	<b>0</b>	<b>181</b>
Gift fund						-6	-5				-11
<b>Transactions with owners</b>											<b>0</b>
Dividend paid			-3						-34		-37
<b>Equity capital 31.12.14</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>157</b>	<b>437</b>	<b>20</b>	<b>8</b>	<b>338</b>	<b>132</b>	<b>2</b>	<b>2 122</b>
Paid-in/accrued equity capital/retained earnings			1 028							1 094	2 122

Parent bank

31.12.15

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Total
Equity capital as at 01.01.15	187	845	-4	184	437	20	8	338	47	2 062
Result				31	29	8	8	89	49	214
Result for the period				66					2	68
Total result	0	0	0	97	29	8	8	89	51	282
Gift fund							-8	-8		-16
<b>Transactions with owners</b>										<b>0</b>
Impairment to par										0
Dividend paid									-47	-47
<b>Equity capital 31.12.15</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>281</b>	<b>466</b>	<b>20</b>	<b>8</b>	<b>427</b>	<b>51</b>	<b>2 281</b>
Paid-in/accrued equity capital/retained earnings			1 028						1 253	2 281

Parent bank

31.12.14

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
Equity capital 01.01.14	187	845	-1	162	415	18	5	269	34	1 934
Adjusted equity				-8						-8
Equity capital 01.01.14	187	845	-1	154	415	18	5	269	34	1 926
Result					33	8	8	100	47	196
result for the period				30	-11			-31		-12
<b>Total result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>22</b>	<b>8</b>	<b>8</b>	<b>69</b>	<b>47</b>	<b>184</b>
Gift fund							-6	-5		-11
<b>Transactions with owners</b>										<b>0</b>
Dividend paid			-3						0	-34
<b>Equity capital 31.12.14</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>184</b>	<b>437</b>	<b>20</b>	<b>8</b>	<b>338</b>	<b>47</b>	<b>2 062</b>
Paid-in/accrued equity capital/retained earnings			1 028						1 034	2 062

## CHANGE IN EQUITY CAPITAL: CORRECTED BALANCE

Group

31.12.15

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Min. Int.	Total
Equity capital as at 01.01.15	187	845	-4	240	437	20	8	338	106	2	2 179
Result for the period				31	29	8	8	89	43		208
Extended profit or loss items				10					2		12
<b>Sum total ext. profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>29</b>	<b>8</b>	<b>8</b>	<b>89</b>	<b>45</b>	<b>0</b>	<b>220</b>
Gift fund						-8	-8				-16
<b>Transactions with owners</b>											<b>0</b>
Dividend paid									-47		-47
<b>Equity capital 31.12.15</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>281</b>	<b>466</b>	<b>20</b>	<b>8</b>	<b>427</b>	<b>104</b>	<b>2</b>	<b>2 336</b>
Paid-in/accrued equity capital/retained earnings			1 028							1 308	2 336

Group

31.12.14

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Min. Int.	Total
Equity capital as at 01.01.14	187	845	-1	152	415	18	5	269	97	2	1 989
Adjusted equity				37							37
Equity capital as at 01.01.14	187	845	-1	189	415	18	5	269	97	2	2 026
Result					33	8	8	100	89	2	240
result for the period				51	-11			-31	-48		-39
<b>Total result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>22</b>	<b>8</b>	<b>8</b>	<b>69</b>	<b>41</b>	<b>2</b>	<b>201</b>
Gift fund						-6	-5				-11
<b>Transactions with owners</b>											<b>0</b>
Dividend paid			-3						-34		-37
<b>Equity capital 31.12.14</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>240</b>	<b>437</b>	<b>20</b>	<b>8</b>	<b>338</b>	<b>104</b>	<b>4</b>	<b>2 179</b>
Paid-in/accrued equity capital/retained earnings			1 028							1 151	2 179

Parent bank

31.12.15

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Total
Equity capital as at 01.01.15	187	845	-4	241	437	20	8	338	45	2 117
Result for the period				31	29	8	8	89	49	214
Extended profit or loss items				10					4	14
<b>Total result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>29</b>	<b>8</b>	<b>8</b>	<b>89</b>	<b>53</b>	<b>228</b>
Gift fund							-8	-8		-16
<b>Transactions with owners</b>										<b>0</b>
Impairment to par										0
Dividend paid									-47	-47
<b>Equity capital 31.12.15</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>282</b>	<b>466</b>	<b>20</b>	<b>8</b>	<b>427</b>	<b>51</b>	<b>2 282</b>
Paid-in/accrued equity capital/retained earnings			1 028						1 254	2 282

Parent bank

31.12.14

	ECC capital	Premium fund	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
Equity capital as at 01.01.14	187	845	-1	162	415	18	5	269	34	1 934
Adjusted equity				49						49
<b>Egenkapital 01.01.14</b>	<b>187</b>	<b>845</b>	<b>-1</b>	<b>211</b>	<b>415</b>	<b>18</b>	<b>5</b>	<b>269</b>	<b>34</b>	<b>1 983</b>
result for the period					33	8	8	100	94	243
Extended profit or loss items				30	-11			-31	-49	-61
<b>Total result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>22</b>	<b>8</b>	<b>8</b>	<b>69</b>	<b>45</b>	<b>182</b>
Gift fund							-6	-5		-11
<b>Transactions with owners</b>										<b>0</b>
Dividend paid			-3						0	-34
<b>Equity capital 31.12.14</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>241</b>	<b>437</b>	<b>20</b>	<b>8</b>	<b>338</b>	<b>45</b>	<b>2 117</b>
Paid-in/accrued equity capital/retained earnings			1 028						1 089	2 117

Corrected change in equity 2014, see note 1 accounting principles

## CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>	
31.12.14	31.12.15		31.12.15	31.12.14
247	275	Result of ordinary operations	280	283
10	12	+ Ordinary depreciation/amortisation	20	17
44	32	+ Writedowns and gain/loss on fixed assets	32	44
-52	-52	- Tax expense	-60	-67
249	267	= Provided from the years operations	272	277
-1	10	Change miscellaneous debt: + increase/-decrease	3	2
45	-4	Change miscellaneous claims: - increase/+ decrease	-14	45
-700	-1 672	Change loans to and balances with customers:- incr./+ decr.	-1 747	-134
723	673	Change deposits from and liabilities to customers:+ incr/-decr.	692	736
0	18	Change liabilities to credit institutions : + increase	18	0
-647	0	Change liabilities to credit institutions : + Decrease	0	-647
-331	-708	A Net liquidity change from operating activities	-776	279
-12	-14	- Invested in tangible fixed assets	-20	-15
0	5	+ Sale of tangible fixed assets	7	5
-2 383	-2 215	- Investment in long-term securities	-1 823	-2 622
3 154	2 534	+ Sale in long-term securities	2 119	2 648
759	310	B Liquidity change from investing activities	283	16
-41	-48	- Dividend paid on ECCs	-48	-41
1 965	2 033	+ Issue debt securities	3 359	2 764
-2 262	-1 950	- Redemption debt securities	-2 995	-2 946
0	0	Change subordinated loan capital/primary capital + incr.- decr	0	0
-338	35	C Liquidity change from financing activities	316	-223
90	-363	A+B+C Sum total change liquid assets	-177	72
1 371	1 461	+ Liquid assets at the start of the period	778	706
1 461	1 098	= Liquid assets at the close of the period	601	778

## 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 2014. The interim report for the second quarter is in compliance with IAS 34 and has not been audited. Wealth tax and hedge fund fees are accrued monthly as in previous years.

Clarification of accounting policies disclosed in the financial statement for 2014 for valuation principle fixed rate borrowings, fixed rate loans and fixed rate deposits.

### Fixed rate borrowings

For securities issued with fixed interest rates, value hedging is normally used. The bank hedges interest rate risk on an individual level. Change in credit spread is not a part of hedged risk. Changes in value related to changes in NIBOR are recognized and adjusts the carrying value of the hedged fixed rate borrowings continuously.

Fixed rate borrowings that is not documented as hedging objects is considered fair value (FVO). The bank has per today no borrowings that are included in this category.

### Fixed rate lending

Loans with fixed rate are valued to fair value (FVO). Fair value is calculated by down discounting future cash flows (interests and principal) on loans with return requirements derived from the yield curve at the balance date. Credit spread on lending is changed on an overall assessment based on observed changes in the market together with internal valuations. A change in credit spread will affect the return requirements as the supplement that is added on the interest rate changes.

#### Fixed rate customer deposits

Customer deposits with fixed rates are valued to fair value (FVO). The extent of such deposits is not significant for the financial statements. Measuring of fixed rate receivables and commitments to fair value gives a significant reduced volatility in the income statement as the bank uses derivatives to control the interest rate risk that fixed rate arrangements and commitments means to the bank.

#### Re-evaluation of accounting principles / correction of errors

After the FSA's control of the HSB group's annual statements for 2014, there has been made corrections and profit and loss statement, balance sheet and relevant notes have been restated.

The changes are related to two things

- 1) Valuation of shares issued as consideration for converted loan amount to any of the bank's corporate involvement. The value of the consideration shares was lower than the face value of converted loan amount and should consequently been recognized as realized loss in the period and not as impairment/ losses on financial instruments. Overall, this gives a zero output over the period in relation to the bank's profit before tax. See detailed table below with corrections over the relevant period from 2010 - 2014. Also see note 3, 5 and 8
- 2) Evaluation of Helgeland Invest AS as an investment company. This change resulted in a higher value of the bank's owners share. See table below showing effect of restated figures.

#### Supplementary information point 1)

The bank has since 2005 been the main bank for a halibut farming company in Helgeland. The company has in the period 2005 to 2015 faced operational challenges necessitating additional refinancing rounds consisting of a capital injection from active owners and conversions of debt from Helgeland Sparebank. In the period 2009 – 2015, the banks ownership varied between 15.7 and 19.7 % stake.

It is revealed errors in the method of calculating the value of the consideration shares. The value of the consideration shares received upon conversion of debt was lower than the face value of the converted loan amount and it should consequently been recognized a larger realized loss in the period and a correspondingly smaller write-down of shares (Net gain/loss on financial instruments).

This provides the following corrections to the bank's consolidated profit for the period 2010 – 2014 (Overall no result impact before tax over the period, increased write-downs on lending and lower write-downs on financial investments):

<i>Group</i>												
<u>Profit &amp; loss statement</u>	Original 31.12.10	Corr. 2010	Corrected 31.12.10	Original 31.12.11	Corr. 2011	Corrected 31.12.11	Original 31.12.12	Corr. 2012	Corrected 31.12.12	Original 31.12.13	Corr. 2013	Corrected 31.12.13
Net profit on financial instruments	28.0	3.3	31.3	-9.0	0.0	-9.0	-3.0	0.0	-3.0	14.0	12.8	26.8
Write-downs on lending and guarantees etc.	-23.0	-3.3	-26.3	-27.0	0.0	-27.0	-27.0	0.0	-27.0	-32.0	-12.8	-44.8
The columns shows original amount before correction, correction and new corrected amount.												

The bank's stake was in the first quarter of 2015 written down to NOK 0. Realized losses on commitments amounts total for 2015 MNOK 20.0. Write-down commitments amounted to MNOK 34.1 and were settled entirely through an agreement with other shareholders and the acquisition of the rest involvement.

Effect of adjustments on the bank's consolidated statements and balance sheet for 2014 is presented in table below:

<i>Group</i>				
<u>Profit &amp; loss statement</u>	NOTE	Original 31.12.14	Correction 2014	Corrected 31.12.14
Net profit financial instruments	3	44	4	48
				0
Write-downs on lending and guarantees etc.	5, 8	-44	-4	-48

Supplementary information point 2)

Helgeland Sparebank (HSB) has significant influence, but not actual control over Helgeland Invest AS (HI). The bank's control assessment is primarily based on an actual ownership < 50 %. Although the bank from historic attendance at shareholders meetings has represented more than 50 % of the votes, the bank would because of laws not pointed out the majority of the board members in HI. The bank's CEO, Lisbeth Flågeng, is currently deputy member to the board and corporate market director in the local bank Sandnessjøen, Roger Hansen is currently a board member.

The investment in HI is in the bank's consolidated statements accounted using the equity method. Statements of HI are restated to IFRS. The bank has previously rated HI as an investment company that considers its investments at fair value in accordance to IAS 28 and IAS 39. The portfolio companies in HI were by the bank until Q4 2015 considered at fair value where knowledge of past sales, pre-emption, liquidity papers, yield capacity, equity etc. are emphasized.

The bank has in 2015 gone through its accounting principles and interpretations of IFRS standards. Our conclusion is that HI still is treated as an associated company, where the bank has significant influence, but not control.

The company itself defines itself as an investment company, but the bank's new interpretation is that HI is not eligible for an investment company in accordance with IFRS 10. In the accounts for 2015 accounting assessment of the banks share in HI is therefore based on that HI is not an investment company.

When HI no longer is considered to be an investment company, the bank restates the financial statements of HI so that the accounts of all associates in HI is restated in accordance to IFRS and are measured using the equity method. Other investments are measured as fair value. The bank takes in the restated financial statements of HI using the equity method both in the parent bank and the HSB group.

When IFRS rules relating to what is an investment company has not changed in 2015, implementation of the change in the assessment of whether HI is an investment company, as a correction of errors with restatement of comparative figures for 2014.

Effect of adjustments on the bank's consolidated statements and balance sheet for 2014 is presented in table below:

*Group*

<b><u>Profit &amp; loss statement</u></b>	<b>NOTE</b>	<b>Original 01.01.14</b>	<b>Corrected OB 01.01.14</b>	<b>Original 31.12.14</b>	<b>Corrected CB 31.12.14</b>	<b>Total corrected numbers 2014</b>
Net profit from associated companies *)	3			28	51	<b>23</b>
<b><u>Balance</u></b>						
<b><u>Assets</u></b>						
Investments in associated companies	12	155	189	178	235	<b>57</b>
<b><u>Equity</u></b>						
Retained earnings (Fond for unrealized gains)						<b>57</b>

*Parent bank*

<b><u>Profit &amp; loss statement</u></b>	<b>NOTE</b>	<b>Original 01.01.14</b>	<b>Corrected OB 01.01.14</b>	<b>Original 31.12.14</b>	<b>Corrected CB 31.12.14</b>	<b>Total corrected numbers 2014</b>
Net profit from associated companies *)	3			4	51	<b>47</b>
<b><u>Balance</u></b>						
<b><u>Assets</u></b>						
Investments in associated companies	12	156	189	181	235	<b>54</b>
<b><u>Equity</u></b>						
Retained earnings (Fond for unrealized gains)						<b>54</b>

\*Originally recognized in the line: Net profit financial investments

## NOTE 2. SEGMENT

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

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

Parent bank				Group				
31.12.15				31.12.15				
Retail	Corp.	Not divided	Total	Segmentinformation	Retail	Corp.	Not divided	Total
214	207	-17	404	Net interest and credit commission i	304	219	-60	463
30	13	44	87	Net commission income	30	13	44	87
		77	77	Other operating income			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
11 098	7 197		18 295	Loans to and claims on customers	15 266	7 275		22 541
-5	-14		-19	Individual write-downs	-5	-14		-19
-13	-62		-75	Collective write-downs on loans	-17	-62		-79
		5 601	5 601	Other assets			4 689	4 689
11 080	7 121	5 601	23 802	Total assts per segment	15 244	7 199	4 689	27 132
9 064	5 580		14 644	Deposits from customers and liabiliti	9 064	5 354		14 418
		9 158	9 158	Other liabilities and equity			12 714	12 714
9 064	5 580	9 158	23 802	Total liabilities and equity per €	9 064	5 354	12 714	27 132

Parent bank					Group				
31.12.14					31.12.14				
Retail	Corp.	Not divided	Total	Segmentinformation	Retail	Corp.	Not divided	Total	
196	200	-15	381	Net interest and credit commission i	297	203	-42	458	
29	13	40	82	Net commission income	29	13	40	82	
		81	81	Other operating income			52	52	
87	30	135	252	Operating costs	89	31	144	264	
2	40	2	44	Losses on loans guaranteed	2	40	2	44	
136	143	-31	248	Result before tax	235	145	-96	284	
9 860	6 809		16 669	Loans to and claims on customers	13 982	6 846		20 828	
-5	-19		-24	Individual write-downs	-5	-19		-24	
-13	-55		-68	Collective write-downs on loans	-13	-58		-71	
		6 261	6 261	Other assets			5 065	5 065	
9 842	6 735	6 261	22 838	Total assts per segment	13 964	6 769	5 065	25 798	
8 455	5 516		13 971	Deposits from customers and liabiliti	8 455	5 270		13 725	
		8 867	8 867	Other liabilities and equity			12 073	12 073	
8 455	5 516	8 867	22 838	Total liabilities and equity per €	8 455	5 270	12 073	25 798	



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

Parent bank		Corrected				Corrected			Group	
Q4/14	Q4/15	31.12.14	31.12.14	31.12.15		31.12.15	31.12.14	31.12.14	Q4/15	Q4/14
1	12	1	1	-1	Value change in interest-bearing securities	-1	1	1	12	1
2	2	5	5	4	Net gain/loss in interest-bearing securities	4	5	5	2	2
0	-3	11	16	-12	Net gain/loss shares	-5	18	13	-1	0
0	0	52	52	49	Share dividend	1	3	3	0	0
0	22	5	51	28	Income Helgeland Invest AS	28	51	28	22	-5
1	-1	0	0	-1	Income REDE	-1	0	0	-1	0
-3	-2	-6	-6	-6	Value change in value on lending	-6	-6	-6	-2	0
2	1	0	0	1	Value change on funding and derivatives	1	0	0	1	0
<b>3</b>	<b>31</b>	<b>68</b>	<b>119</b>	<b>62</b>	<b>Total value change financial instruments</b>	<b>21</b>	<b>72</b>	<b>44</b>	<b>33</b>	<b>-2</b>

### NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

Parent bank									Group	
Q4/14	Q4/15	31.12.14	31.12.14	31.12.15		31.12.15	31.12.14	Q4/15	Q4/14	
40	33	130	130	130	Wages, salaries and social costs	129	130	30	38	
0	8	0	8	8	Change package	8	0	8	0	
21	18	75	74	74	General administration costs	74	75	20	23	
3	3	10	12	12	Depreciation etc of fixed- and intangible assets	20	17	6	4	
8	8	37	37	37	Other operating costs	39	41	10	12	
<b>72</b>	<b>70</b>	<b>252</b>	<b>261</b>	<b>261</b>	<b>Total operating costs</b>	<b>270</b>	<b>263</b>	<b>74</b>	<b>77</b>	

### NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

Parent bank		Corrected				Corrected			Group	
Q4/14	Q4/15	31.12.14	31.12.14	31.12.15		31.12.15	31.12.14	31.12.14	Q4/15	Q4/14
-9	-4	-21	-21	4	+/- Period's change in individual write-downs	4	-21	-21	-4	-9
0	4	1	1	7	+ Period's change in collective write-downs	7	1	1	4	0
19	16	46	46	20	+ Period's conf. Losses against which ind. write-downs were made	20	46	46	16	19
-1	-6	19	23	2	+ Period's confirmed losses against which no ind. write-downs, r	2	23	19	-6	-1
0	2	-1	-1	-1	- Period's recoveries from previous periods' conf. losses	-1	-1	-1	2	0
<b>9</b>	<b>12</b>	<b>44</b>	<b>48</b>	<b>32</b>	<b>Total losses on loans, guarantees etc.</b>	<b>32</b>	<b>48</b>	<b>44</b>	<b>12</b>	<b>9</b>

### NOTE 6. PROFIT PER PRIMARY CERTIFICATE

Parent bank					Group		
Corrected				Corrected			
31.12.14	31.12.15			31.12.15	31.12.14		
196	243	214	Profit	208	240	216	
75.1 %	75.1 %	75.1 %	ECC percentage	75.1 %	75.1 %	75.1 %	
7.9	9.8	8.6	Yield per equity capital certificate	8.4	9.6	8.7	
7.9	9.8	8.6	Diluted result per ECC in Norwegian currency	8.4	9.6	8.7	

### NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

Parent bank									Group	
31.12.14	%	31.12.15	%	31.12.15		31.12.15	%	31.12.14	%	
14 077	84.5	15 481	84.6	15 481	Helgeland	18 947	84.1	17 458	83.8	
2 576	15.5	2 796	15.3	2 796	Areas other than Helgeland	3 566	15.8	3 343	16.1	
16	0.1	18	0.1	18	International	28	0.1	27	0.1	
<b>16 669</b>	<b>100</b>	<b>18 295</b>	<b>100</b>	<b>18 295</b>	<b>Total</b>	<b>22 541</b>	<b>100</b>	<b>20 828</b>	<b>100</b>	

## NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

Group

	31.12.15				31.12.14			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	0	0.0 %	0	0	1	0.0 %	0	0
Insurance and finance	5	0.0 %	0	0	7	0.0 %	0	0
Agriculture and forestry	1 289	5.7 %	0	-1	1 321	6.3 %	1	3
Fisheries and aquaculture	766	3.4 %	0	20	649	3.1 %	5	1
Mining and industry	341	1.5 %	4	0	356	1.7 %	6	21
Building and construction	935	4.1 %	5	5	819	3.9 %	1	1
Trade, hotel, restaurants.	293	1.3 %	4	2	323	1.6 %	5	11
Transport and services	646	2.9 %	0	0	652	3.1 %	1	0
Property, property development	3 000	13.3 %	1	1	2 722	13.1 %	4	4
Total corporate market	7 275	32.3 %	14	27	6 850	32.9 %	23	41
Retail market	15 266	67.7 %	5	-2	13 982	67.1 %	5	2
<b>Total</b>	<b>22 541</b>	<b>100 %</b>	<b>19</b>	<b>25</b>	<b>20 832</b>	<b>100 %</b>	<b>28</b>	<b>43</b>
Change collective write-downs			79	7			72	1
<b>Total</b>			<b>98</b>	<b>32</b>			<b>100</b>	<b>44</b>
Of which gross loans Helgeland Boligkreditt AS	4 313	19.1 %			4 232	20.3 %		

Parent bank

	31.12.15				31.12.14			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	0	0.0 %	0	0	1	0.0 %	0	0
Insurance and finance	5	0.0 %	0	0	7	0.0 %	0	0
Agriculture and forestry	1 278	7.0 %	0	-1	1 313	7.9 %	1	3
Fisheries and aquaculture	763	4.2 %	0	20	646	3.9 %	5	1
Mining and industry	338	1.8 %	4	0	353	2.1 %	6	21
Building and construction	912	5.0 %	5	5	792	4.8 %	1	1
Trade, hotel, restaurants.	287	1.6 %	4	2	314	1.9 %	5	11
Transport and services	608	3.3 %	0	0	618	3.7 %	1	0
Property, property development	3 006	16.4 %	1	1	2 769	16.6 %	4	4
Total corporate market	7 197	39.3 %	14	27	6 813	40.9 %	23	41
Retail market	11 098	60.7 %	5	-2	9 860	59.1 %	5	2
<b>Total</b>	<b>18 295</b>	<b>100 %</b>	<b>19</b>	<b>25</b>	<b>16 673</b>	<b>100 %</b>	<b>28</b>	<b>43</b>
Change collective write-downs			75	7			68	1
<b>Total</b>			<b>94</b>	<b>32</b>			<b>96</b>	<b>44</b>

## NOTE 9. BAD AND DOUBTFUL LOANS

Parent bank

Group

	31.12.14	31.12.15		31.12.15	31.12.14
85	88	Loans, guarantees etc. in default		88	85
14	16	Loss provisions for loans, guarantees etc. in default		16	14
<b>71</b>	<b>72</b>	<b>Total net loans, guarantees etc. in default</b>		<b>72</b>	<b>71</b>
43	5	Other bad and doubtful loans and guar., not in default		5	43
5	2	Loss provisions for other bad and doubtful loans, guarantees etc., not in default		2	5
<b>38</b>	<b>3</b>	<b>Total net bad and doubtful commitments, not in default</b>		<b>3</b>	<b>38</b>
<b>109</b>	<b>75</b>	<b>Total bad and doubtful loans</b>		<b>75</b>	<b>109</b>
0.68 %	0.41 %	In % of total loans		0.33 %	0.53 %

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

<i>Parent bank</i>			<i>Group</i>	
31.12.14	31.12.15		31.12.15	31.12.14
40	24	Individual write-downs to cover losses on loans and guarantees as at 01.01	24	40
-23	-9	Period's conf. losses, against which indi. Write-down was previously made	-9	-23
5	0	Period's increased individual write-downs, against which write-down was previously made	0	5
3	11	New individual write-downs during the period	11	3
-1	-6	Reversal of individual write-downs during the period	-6	-1
<b>24</b>	<b>20</b>	<b>= Total individual write-downs on loans</b>	<b>20</b>	<b>24</b>
24	19	*Of which individual write-downs on loans accounted for	19	24
0	1	* Of which ind. Write-downs on guar. accounted for	1	0
		<b>Collective write-downs:</b>		
67	68	Collective write-downs to cover losses on loans at 01.01	72	71
1	7	+ /- Period's change in collective write-downs	7	1
<b>68</b>	<b>75</b>	<b>Total collective write-downs</b>	<b>79</b>	<b>72</b>

## NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

<i>Parent bank</i>			<i>Group</i>	
31.12.14	31.12.15		31.12.15	31.12.14
1 583	1 557	Unutilized drawing rights	1 959	1 912
467	552	Guarantee obligations	552	467
2 317	2 503	Unutilized credit Helgeland Boligkreditt		
<b>4 367</b>	<b>4 612</b>	<b>Net guarantee and draw rights</b>	<b>2 511</b>	<b>2 379</b>

## 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 AC

	Share capital	Number of shares	Equity stake	<i>Parent bank</i>	
				Accounted value	
				31.12.15	31.12.14
ANS Bankbygg Mo	49.0	5 591	97 %	45	45
Helgeland Boligkreditt AS	190.0	190 000	100 %	290	290
AS Sparebankbygg	0.1	100	100 %	0.1	0.1
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100 %	8	10
Storgata 73 AS	5.0	74	53 %	1	2
<b>Total investment in AC</b>				<b>345</b>	<b>348</b>

## 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.

The company has of the bank previously been valued as an investment company according to IFRS. The portfolio in HI has been considered from knowledge to last turnover, pre-emption, liquidity on the paper, dividend capacity and equity.

The bank has made a new assessment and has concluded that HI does not satisfy the requirements for investment companies in accordance to IFRS. Before the change in the assessment of HI's status, the bank restated a financial statement for HI where all HI's investments was measured at fair value and the bank recorded investment in HI using the equity method based on this statement.

When HI no longer is considered to be an investment company, the bank restates the financial statements of HI so that the accounts of all associates in HI is restated in accordance to IFRS and are measured using the equity method. Other investments are measured as fair value. The bank takes in the restated financial statements of HI using the equity method.

In the annual report for 2014 this post was valued to MNOK 178. Using the equity method gives a value of MNOK 235 per 31.12.14.

To obtain comparable figures to 2015 statements, profit and loss statement and balance sheet for 2014 is corrected, see note 1 accounting principles.

Financial information associated companies:

*Group and parent bank*

31.12.15

<b>100% ownership</b>	<b>Fixed assets</b>	<b>Current Assets</b>	<b>Current liabilities</b>	<b>Long term debt</b>	<b>Equity</b>
Helgeland Invest AS	514	10	0	0	524
REDE eiendomsmegling AS	0	65	62	2	1
<b>Total</b>	<b>514</b>	<b>75</b>	<b>62</b>	<b>2</b>	<b>525</b>

Accounts in HI with its subsidiaries and associates are restated according to IFRS

*Group and parent bank*

31.12.15

<b>The banks ownership</b>	<b>Ownership</b>	<b>Fixed assets</b>	<b>Current Assets</b>	<b>Current liabilities</b>	<b>Long term debt</b>	<b>Equity</b>
Helgeland Invest AS	48.3 %	248	5	0	0	253
REDE Eiendomsmegling AS (inkl merverdi)	40.0 %	14	26	25	1	14
<b>Total</b>		<b>262</b>	<b>31</b>	<b>25</b>	<b>1</b>	<b>267</b>

*Group and parent bank*

31.12.14

<b>100% ownership</b>	<b>Fixed assets</b>	<b>Current Assets</b>	<b>Current liabilities</b>	<b>Equity</b>	<b>Equity</b>
Helgeland Invest AS	468	37	19	0	486
Eiendomsmegleren Helgeland AS	0	6	5	0	1
<b>Total</b>	<b>468</b>	<b>43</b>	<b>24</b>	<b>0</b>	<b>487</b>

Accounts in HI with its subsidiaries and associates are restated according to IFRS

*Group and parent bank*

31.12.14

<b>The banks ownership</b>	<b>Ownership</b>	<b>Fixed assets</b>	<b>Current Assets</b>	<b>Current liabilities</b>	<b>Equity</b>	<b>Equity</b>
Helgeland Invest AS	48.3 %	226	18	9	0	235
Eiendomsmegleren Helgeland AS	34.0 %	0	2	2	0	0
<b>Total</b>		<b>226</b>	<b>20</b>	<b>11</b>		<b>235</b>

<i>Group and parent bank</i>		
<b>Changes in the banks ownership in HI</b>	<b>2015</b>	<b>2014</b>
Opening balance	235	189
Dividend	-9	-5
Result HI	28	51
<b>Closing balance</b>	<b>253</b>	<b>235</b>

<i>Group and parent bank</i>		
<b>Changes in the banks ownership in REDE</b>	<b>2015</b>	<b>2014</b>
Opening balance	0.0	1
Dividend	-0.7	0
Result REDE	-0.7	0
Merverdi	15.0	0
<b>Closing balance</b>	<b>13.6</b>	<b>0</b>

<i>Parent bank and group</i>					
31.12.15					
<b>Result 100 % ownership</b>	<b>Revenue</b>	<b>Finance cost</b>	<b>Other income</b>	<b>Operating cost</b>	<b>Result</b>
Helgeland Invest AS	67	3	0	6	58
REDE eiendomsmegling AS	21	0	0	22	-2
<b>Total</b>	<b>88</b>	<b>3</b>	<b>0</b>	<b>28</b>	<b>56</b>

Parent bank and group						
31.12.15						
Result bank's share	Ownership	Revenue	Finance cost	Other income	Operating cost	Result
Helgeland Invest AS	48.3 %	32	1	0	3	28
REDE Eiendomsmegling AS	40.0 %	8	0	0	9	-1
<b>Total</b>		<b>41</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>27</b>

<i>Parent bank and group</i>					
31.12.14					
<b>Result 100 % ownership</b>	<b>Revenue</b>	<b>Finance cost</b>	<b>Other income</b>	<b>Operating cost</b>	<b>Result</b>
Helgeland Invest AS	118	3	0	6	106
Eiendomsmegleren Helgeland AS	16	0	0	15	1
<b>Total</b>	<b>134</b>	<b>3</b>	<b>0</b>	<b>21</b>	<b>107</b>

<i>Parent bank and group</i>						
31.12.14						
Result bank's share	Ownership	Revenue	Finance cost	Other income	Operating cost	Result
Helgeland Invest AS	48.3 %	57	1	0	3	51
Eiendomsmegleren Helgeland AS	34.0 %	5	0	0	5	0
<b>Total</b>		<b>62</b>	<b>1</b>	<b>0</b>		<b>51</b>

REDE: Earlier «Eiendomsmegleren Helgeland» has teamed up with Mo og Omegn Boligbyggelags, and Mosjøen Boligbyggelags brokerage into one company. The bank's owner share is 40 %, and the two boligbyggelagene own respectively 40 and 20 %.

Corporate market manager local bank Sandnessjøen, Roger Hansen is current board member. The bank's CEO Lisbeth Flågeng is current deputy member to the board.

## NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>	
31.12.14	31.12.15		31.12.15	31.12.14
31	36	Operating funds*)	142	132
<b>31</b>	<b>36</b>	<b>Total operating funds</b>	<b>142</b>	<b>132</b>

\* Repossessed properties are included in other assets in the parent bank.

## 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 31.12.15 constitute totally MNOK 4,313. Covered bonds in the housing mortgage company constitute MNOK 3 673 where MNOK 181 (297) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 31.12.15 drawn with MNOK 497. The bank has additionally entered into agreements with Helgeland Boligkreditt AS concerning credit lines of NOK 1.5 bn (duration 1 year), which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period, and is entirely unused. The agreements are entered according to the principle of an arm's length distance. The effects of the credit lines are eliminated in the consolidated accounts. HSB has received corporate contributions of MNOK 48 in 2015.

Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 4.1 in 2015.

Helgeland Invest AS, see note 12

## 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 (see also description of the valuation note 1).

**Assets and liabilities measured at fair value**

<i>Parent bank</i>				<i>Group</i>			
<b>31.12.15</b>				<b>31.12.15</b>			
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Assets and liabilities measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
			<b>Financial assets at fair value through profit</b>				
0	0	1 310	- Loans to and claims on customers at fair value	0	0	1 310	
			<b>Financial assets available for sale</b>				
3 416		227	- Certificates, bonds and equities available for sale	3 236		227	
	127		- Financial derivatives		127		
<b>3 416</b>	<b>127</b>	<b>1 537</b>	<b>Total assets</b>	<b>3 236</b>	<b>127</b>	<b>1 537</b>	
			<b>LIABILITIES</b>				
			<b>Financial liabilities at fair value through profit</b>				
0	2 826		- Debt issuance of securities		2 826		
	58		- Financial derivatives		58		
<b>0</b>	<b>2 884</b>	<b>0</b>	<b>Total liabilities</b>	<b>0</b>	<b>2 884</b>	<b>0</b>	
<b>Shares</b>	<b>Lending</b>	<b>Sum</b>	<b>Level 3</b>	<b>Shares</b>	<b>Lending</b>	<b>Sum</b>	
189	1044	1 233	Opening balance	189	1 044	1 233	
	-259	-259	Installments and loans redeemed		-259	-259	
	538	538	New loans		538	538	
38	-13	25	Value change	38	-13	25	
0			Reclassification				
<b>227</b>	<b>1 310</b>	<b>1 537</b>	<b>Financial instruments valued on Level 3</b>	<b>227</b>	<b>1 310</b>	<b>1 537</b>	

**Assets and liabilities measured at fair value**

<i>Parent bank</i>				<i>Group</i>			
<b>31.12.14</b>				<b>31.12.14</b>			
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Assets and liabilities measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
			<b>Financial assets at fair value through profit</b>				
0	0	1 044	- Loans to and claims on customers at fair value	0	0	1 044	
			<b>Financial assets available for sale</b>				
3 814	0	189	- Certificates, bonds and equities available for sale	3 546	0	189	
0	161	0	- Financial derivatives	0	161	0	
<b>3 814</b>	<b>161</b>	<b>1 233</b>	<b>Total assets</b>	<b>3 546</b>	<b>161</b>	<b>1 233</b>	
			<b>LIABILITIES</b>				
			<b>Financial liabilities at fair value through profit</b>				
0	2 631	0	- Debt issuance of securities	0	2 631	0	
0	60	0	- Financial derivatives	0	60		
<b>0</b>	<b>2 691</b>	<b>0</b>	<b>Total liabilities</b>	<b>0</b>	<b>2 691</b>	<b>0</b>	
<b>Shares</b>	<b>Lending</b>	<b>31.12.14</b>	<b>Level 3</b>	<b>Shares</b>	<b>Lending</b>	<b>31.12.14</b>	
209	1 149	1 358	Opening balance	209	1 149	1 358	
-28	-257	-285	Payments	-28	-257	-285	
	172	172	New loans		172	172	
8	-20	-12	Value change	8	-20	-12	
			Reclassification				
<b>189</b>	<b>1 044</b>	<b>1 233</b>	<b>Financial instruments valued on Level 3</b>	<b>189</b>	<b>1 044</b>	<b>1 233</b>	

Principal fixed rate loans per 31.12.15 were MNOK 1.295 and MNOK 1.016 mill per 31.12.14. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK 3.0 per 31.12.15 and MNOK 0.8 per 31.12.14.



## NOTE 16. FINANCIAL DERIVATIVES

Parent bank

Group

31.12.15

31.12.15

Nominal value			Market value			Nominal value			Market value		
Total	Assets	Commitments				Total	Assets	Commitments			
1 486		55	Interest rate swaps- fixed interest rate loans			1 486		55			
100		3	Interest rate swaps- bank deposits with share Yield			100		3			
<b>1 586</b>	<b>0</b>	<b>58</b>	<b>Total financial derivatives</b>			<b>1 586</b>	<b>0</b>	<b>58</b>			
2 800	127		Interest rate swaps – fixed interest rate with hedging			2 800	127				
<b>2 800</b>	<b>127</b>	<b>0</b>	<b>Total financial derivatives with hedging</b>			<b>2 800</b>	<b>127</b>	<b>0</b>			

Parent bank

Group

31.12.14

31.12.14

Nominal value			Market value			Nominal value			Market value		
Total	Assets	Commitments				Total	Assets	Commitments			
1 031		58	Interest rate swaps- fixed interest rate loans			1 031		58			
50		2	Interest rate swaps- bank deposits with share Yield			50		2			
<b>1 081</b>	<b>0</b>	<b>60</b>	<b>Total financial derivatives</b>			<b>1 081</b>	<b>0</b>	<b>60</b>			
2 500	161		Interest rate swaps – fixed interest rate with hedging			2 500	161				
<b>2 500</b>	<b>161</b>	<b>0</b>	<b>Total financial derivatives with hedging</b>			<b>2 500</b>	<b>161</b>	<b>0</b>			

Parent bank and group

31.12.15

	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivatives carried as assets	127	0	127	58	69
Derivatives carried as liabilities	58	0	58	-58	0

Parent bank and group

31.12.14

	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivatives carried as assets	161	0	161	60	101
Derivatives carried as liabilities	60	0	60	-60	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

Parent bank

Group

31.12.14	31.12.15	(MNOK)	31.12.15	31.12.14
5 857	5 945	Bonds, nominal value	9 433	8 980
93	56	Value adjustments	53	91
65	57	Accrued interest	63	72
<b>6 015</b>	<b>6 058</b>	<b>Total securities</b>	<b>9 549</b>	<b>9 143</b>

Change in securities issued					Group
	31.12.15	Issued	Matured/redeemed	Other change	31.12.14
Bonds, nominal value	9 433	3 359	-2 995	103	8 966
Value adjustments	53			-53	106
Accrued interest	63			-8	71
<b>Total</b>	<b>9 549</b>	<b>3 359</b>	<b>-2 995</b>	<b>-61</b>	<b>9 143</b>

Change in subordinated debt and hybrid capital					Group/parent bank
	31.12.15	Issued	Matured/redeemed	Other change	31.12.14
Subordinated bonds, nominal value	220	0	0	0	220
equity and related capital, nominal value	300	0	0	0	300
Value adjustments	-1			1	-2
Accrued interest	1			0	1
<b>Total</b>	<b>520</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>519</b>

Change in securities issued					Parent bank
	31.12.15	Issued	Matured/redeemed	Other change	31.12.14
Bonds, nominal value	5 945	2 033	-1 950	18	5 844
Value adjustments	56			-50	106
Accrued interest	57			-8	65
<b>Total</b>	<b>6 058</b>	<b>2 033</b>	<b>-1 950</b>	<b>-40</b>	<b>6 015</b>

Accounted value		Group	
		31.12.15	31.12.14
Bonds, amortized cost		6 723	6 581
Bonds, hedging		2 826	2 562
<b>Total debt securities</b>		<b>9 549</b>	<b>9 143</b>

Accounted value		Parent bank	
		31.12.15	31.12.14
Bonds, amortized cost		3 232	3 453
Bonds, hedging		2 826	2 562
<b>Total debt securities</b>		<b>6 058</b>	<b>6 015</b>

## NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

Parent bank					Group				
%	31.12.14	%	31.12.15		31.12.15	%	31.12.14	%	
91.6 %	12 792	91.1 %	13 341	Helgeland	13 135	91.1 %	12 567	91.6 %	
7.7 %	1 071	8.2 %	1 195	Areas other than Helgeland	1 176	8.2 %	1 052	7.7 %	
0.8 %	108	0.7 %	108	International	107	0.7 %	106	0.8 %	
<b>100 %</b>	<b>13 971</b>	<b>100 %</b>	<b>14 644</b>	<b>Total</b>	<b>14 418</b>	<b>100 %</b>	<b>13 725</b>	<b>100 %</b>	

## NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>						<i>Group</i>			
%	31.12.14	%	31.12.15		31.12.15	%	31.12.14	%	
3.4 %	474	2.4 %	345	Financial institutions	138	1.0 %	250	1.8 %	
10.8 %	1 505	8.9 %	1 306	Municipalities and municipal ente	1 306	9.1 %	1 505	11.0 %	
2.2 %	308	2.1 %	303	Agriculture and forestry	303	2.1 %	308	2.2 %	
3.5 %	489	4.9 %	712	Fisheries and aquaculture	712	4.9 %	489	3.6 %	
1.4 %	202	1.2 %	178	Mining and industry	178	1.2 %	202	1.5 %	
5.8 %	810	6.6 %	966	Building and construction	966	6.7 %	810	5.9 %	
3.1 %	437	2.9 %	429	Trade, hotel, restaurants.	429	3.0 %	437	3.2 %	
6.0 %	841	5.7 %	830	Transport and services	830	5.8 %	841	6.1 %	
3.2 %	450	3.5 %	511	Property, property development	492	3.4 %	428	3.1 %	
39.5 %	5 516	38.1 %	5 580	Total corporate market	5 354	37.1 %	5 270	38.4 %	
60.5 %	8 455	61.9 %	9 064	Retail market	9 064	62.9 %	8 455	61.6 %	
<b>100.0 %</b>	<b>13 971</b>	<b>100.0 %</b>	<b>14 644</b>	<b>Total</b>	<b>14 418</b>	<b>100.0 %</b>	<b>13 725</b>	<b>100.0 %</b>	

## NOTE 20. EQUITY CERTIFICATE CAPITAL HELD

				<i>Parent bank</i>	
Per 31.12.15	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	6 599 598	35.3 %	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 %	Nordenfjeldske Bykreditt	134 194	0.7 %
Eika Utbytte	578 213	3.1 %	Melum 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 %
<b>Total 10 biggest owners</b>	<b>13 648 006</b>	<b>73.0 %</b>	<b>Total 20 biggest owners</b>	<b>15 318 126</b>	<b>81.9 %</b>

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

## NOTE 21. CAPITAL ADEQUACY

The capital ratio is worked out according to CRD IV/Basel III regulations (standard method credit risk) for the current period, and 30.12.14. Comparative figures have not been restated and 30.09.14 is according to Basel II. (Transition rules for no significant shares in finance institutions, involve full implementation from 01.01.19).

Parent bank			Group	
Basel II	Basel III		Basel III	Basel II
31.12.14	31.12.15	Capital	31.12.15	31.12.14
187	187	ECC-capital	187	187
845	845	Premium Fund	845	845
-4	-4	Own ECCs	-4	-4
<b>1 028</b>	<b>1 028</b>	<b>Total paid-in capital</b>	<b>1 028</b>	<b>1 028</b>
438	466	Savings Bank's fund	466	438
183	281	Reserve for unrealized gains	281	158
28	29	Donations Fund	29	28
338	425	Dividend equalisation reserve	425	338
47	52	Cash dividend	52	47
0	0	Other equity capital	54	85
<b>1 034</b>	<b>1 253</b>	<b>Total accrued equity capital</b>	<b>1 307</b>	<b>1 094</b>
<b>2 062</b>	<b>2 281</b>	<b>Total equity capital</b>	<b>2 335</b>	<b>2 122</b>
-183		Reserve for unrealized gains		-158
-25	-33	Deferred tax assets	-37	-31
-40	-38	Shares in financial institutions	-37	-38
32	23	Transition Rule; share net of non significant assets	22	30
-55	-60	Cash dividend /gifts employee	-60	-59
<b>1 791</b>	<b>2 173</b>	<b>Total core tier one</b>	<b>2 223</b>	<b>1 866</b>
-14	-12	Shares in financial institutions	-11	-13
-16	-11	Transition Rule; share net of non significant assets	-10	-15
219	220	Hybrid capital	220	219
<b>1 980</b>	<b>2 370</b>	<b>Total core capital</b>	<b>2 422</b>	<b>2 057</b>
300	300	Subordinated debt	300	300
66		Weight assets calculation basis *)		57
-8	-7	Shares in financial institutions	-6	-7
-16	-11	Transition Rule; share net of non significant assets	-11	-15
0	0	Additional	0	0
<b>342</b>	<b>282</b>	<b>Total net supplementary capital</b>	<b>283</b>	<b>335</b>
<b>2 322</b>	<b>2 652</b>	<b>Total net equity and related capital</b>	<b>2 705</b>	<b>2 392</b>
12 790	13 931	Weight assets calculation basis	14 676	13 929
14.00 %	15.60 %	Core tier one Capital ratio	15.15 %	13.40 %
15.48 %	17.01 %	Core capital ratio	16.50 %	14.77 %
18.15 %	19.04 %	Capital ratio	18.43 %	17.17 %

31.12.14	31.12.15	Capital requirement	31.12.15	31.12.14
0	0	States and central banks	0	0
92	46	Local and regional authorities (including municipalities)	46	92
846	861	Institutions	396	383
3 077	3 289	Enterprises	3 289	3 077
1 728	1 625	Mass market loans	1 645	1 773
5 415	5 996	Loans secured by real property	7 541	6 954
149	78	Loans overdue	78	149
160	535	Covered bonds	150	134
0	0	Units in securities funds	0	0
414	530	Other loans and commitments	484	428
<b>11 881</b>	<b>12 959</b>	<b>Capital requirement credit risk</b>	<b>13 628</b>	<b>12 990</b>
909	968	Capital requirement operational risk	1 045	938
0	4	Deducted from capital requirement	4	0
<b>12 790</b>	<b>13 931</b>	<b>Total capital requirement</b>	<b>14 676</b>	<b>13 929</b>

## PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

Parent bank					Group			
Q4/14	Q4/15	31.12.14	31.12.15		31.12.15	31.12.14	Q4/15	Q4/14
3.90	3.27	4.01	3.51	Interest receivable and similar income	3.58	4.17	3.31	4.05
2.23	1.50	2.36	1.77	Interest payable and similar costs	1.82	2.41	1.54	2.30
<b>1.67</b>	<b>1.77</b>	<b>1.64</b>	<b>1.74</b>	<b>Net interest- and credit commission income</b>	<b>1.76</b>	<b>1.76</b>	<b>1.77</b>	<b>1.74</b>
0.37	0.42	0.40	0.42	Commissions receivable and income from banking services	0.37	0.35	0.37	0.33
0.05	0.05	0.05	0.04	Commissions payable and costs relating to banking services	0.04	0.04	0.04	0.05
<b>0.32</b>	<b>0.37</b>	<b>0.35</b>	<b>0.38</b>	<b>Net commission income</b>	<b>0.33</b>	<b>0.31</b>	<b>0.32</b>	<b>0.29</b>
0.05	0.52	0.29	0.27	Gains/losses on financial assets available for sale	0.08	0.17	0.48	-0.03
0.07	0.02	0.06	0.06	Other operating income	0.04	0.03	0.03	0.05
1.23	1.19	1.09	1.13	Operating costs	1.03	1.01	1.08	1.17
0.15	0.20	0.19	0.14	Losses on loans, guarantees etc. and fixed assets	0.12	0.17	0.18	0.14
<b>0.73</b>	<b>1.29</b>	<b>1.07</b>	<b>1.19</b>	<b>Result before tax</b>	<b>1.07</b>	<b>1.09</b>	<b>1.35</b>	<b>0.73</b>
0.20	0.42	0.22	0.26	Tax payable on ordinary result	0.27	0.26	0.32	0.20
<b>0.53</b>	<b>0.87</b>	<b>0.84</b>	<b>0.92</b>	<b>Result from ordinary operations after tax</b>	<b>0.79</b>	<b>0.83</b>	<b>1.03</b>	<b>0.53</b>

## PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

### Profit and loss account (Amounts in NOK million)

Parent bank						Group					
Q4/14	Q1/15	Q2/15	Q3/15	Q4/15		Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	
229	211	203	204	196	Interest receivable and similar income	226	235	235	244	267	
131	115	104	101	90	Interest payable and similar costs	105	118	122	132	152	
98	96	99	103	106	Net interest- and credit commission income	121	117	113	112	115	
22	24	23	25	25	Commissions receivable and income from banking serv	25	25	23	24	22	
3	2	3	2	3	Commissions payable and costs relating to banking ser	3	2	3	2	3	
19	22	20	23	22	Net commission income	22	23	20	22	19	
3	2	41	-12	31	Gains/losses on financial assets available for sale	33	-11	-4	3	-2	
4	3	4	7	1	Other operating income	2	6	1	2	3	
72	64	62	64	71	Operating costs	74	66	63	67	77	
9	0	11	9	12	Losses on loans, guarantees etc.	12	9	11	0	9	
43	59	91	48	77	Result before tax	92	59	56	72	49	
12	15	10	11	25	Tax payable on ordinary result	22	14	18	18	13	
31	44	81	36	52	Result from ordinary operations after tax	70	45	38	54	36	

Q4/14	Q1/15	Q2/15	Q3/15	Q4/15		Q4/15	Q3/15	Q2/15	Q1/15	Q4/14
3.90	3.76	3.57	3.48	3.27	Interest receivable and similar income	3.31	3.55	3.67	3.85	4.05
2.23	2.05	1.83	1.72	1.50	Interest payable and similar costs	1.54	1.78	1.90	2.09	2.30
<b>1.67</b>	<b>1.71</b>	<b>1.74</b>	<b>1.76</b>	<b>1.77</b>	<b>Net interest- and credit commission income</b>	<b>1.77</b>	<b>1.77</b>	<b>1.77</b>	<b>1.76</b>	<b>1.74</b>
0.37	0.42	0.40	0.43	0.42	Commissions receivable and income from banking serv	0.37	0.38	0.36	0.37	0.33
0.05	0.04	0.05	0.03	0.05	Commissions payable and costs relating to banking ser	0.04	0.03	0.05	0.04	0.05
<b>0.32</b>	<b>0.38</b>	<b>0.35</b>	<b>0.39</b>	<b>0.37</b>	<b>Net commission income</b>	<b>0.32</b>	<b>0.35</b>	<b>0.31</b>	<b>0.33</b>	<b>0.28</b>
0.05	0.04	0.73	-0.21	0.52	Gains/losses on financial assets available for sale	0.48	-0.16	-0.06	0.05	-0.03
0.07	0.05	0.07	0.12	0.02	Other operating income	0.03	0.09	0.02	0.03	0.05
1.23	1.14	1.09	1.09	1.19	Operating costs	1.08	1.00	0.98	1.05	1.17
0.15	0.00	0.19	0.15	0.20	Losses on loans, guarantees etc.	0.18	0.14	0.17	0.00	0.14
<b>0.73</b>	<b>1.04</b>	<b>1.60</b>	<b>0.82</b>	<b>1.29</b>	<b>Result before tax</b>	<b>1.35</b>	<b>0.90</b>	<b>0.89</b>	<b>1.12</b>	<b>0.73</b>
0.20	0.27	0.17	0.19	0.42	Tax payable on ordinary result	0.32	0.21	0.27	0.28	0.20
<b>0.53</b>	<b>0.77</b>	<b>1.43</b>	<b>0.62</b>	<b>0.87</b>	<b>Result from ordinary operations after tax</b>	<b>1.03</b>	<b>0.69</b>	<b>0.62</b>	<b>0.84</b>	<b>0.53</b>

Q4/14	Q1/15	Q2/15	Q3/15	Q4/15		Q4/15	Q3/15	Q2/15	Q1/15	Q4/14
<b>ASSETS</b>										
103	102	102	81	91	Cash and claims on central banks	91	81	102	102	103
1 358	915	1 521	888	1 007	Loans to and claims on credit institutions	510	380	638	510	675
16 577	16 958	17 128	17 765	18 201	Loans to and claims on customers	22 444	22 012	21 490	20 948	20 731
101	114	78	119	127	Financial derivatives	127	119	78	114	101
4 003	3 869	3 781	3 822	3 643	Certificates, bonds and shares available for sale	3 462	3 527	3 436	3 465	3 735
182	175	185	186	267	Investments in associated companies	267	186	185	172	178
347	346	345	345	345	Investments in subsidiaries					
25	25	28	25	33	Deferred tax benefit	37	25	30	30	30
76	80	81	81	36	Fixed assets	142	188	183	181	177
6	17	11	40	52	Other assets	52	40	11	16	8
<b>22 778</b>	<b>22 601</b>	<b>23 260</b>	<b>23 352</b>	<b>23 802</b>	<b>Total assets</b>	<b>27 132</b>	<b>26 558</b>	<b>26 153</b>	<b>25 538</b>	<b>25 738</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>										
0	0	0	0	18	Liabilities to credit institutions	20	3	2	2	2
13 971	14 189	14 572	14 318	14 644	Deposits from customers and liabilities to customers	14 418	14 093	14 350	13 952	13 725
6 015	5 602	5 832	6 111	6 058	Borrowings through the issuance of securities	9 549	9 489	8 907	8 692	9 143
211	244	219	265	290	Other liabilities	290	279	229	255	227
519	519	519	519	519	Fund bonds	519	519	520	519	519
<b>20 716</b>	<b>20 554</b>	<b>21 142</b>	<b>21 213</b>	<b>21 521</b>	<b>Total liabilities</b>	<b>24 796</b>	<b>24 383</b>	<b>24 008</b>	<b>23 420</b>	<b>23 616</b>
1 028	1 028	1 028	1 028	1 028	Paid-in equity capital	1 029	1 028	1 028	1 028	1 029
1 034	976	964	949	1 253	Accrued equity capital/retained earnings	1 303	1005	1019	1033	1089
0	43	126	162	0	Profit after taxes	0	138	94	53	0
					Minority interest	4	4	4	4	4
<b>2 062</b>	<b>2 047</b>	<b>2 118</b>	<b>2 139</b>	<b>2 281</b>	<b>Total equity capital</b>	<b>2 336</b>	<b>2 175</b>	<b>2 145</b>	<b>2 118</b>	<b>2 122</b>
<b>22 778</b>	<b>22 601</b>	<b>23 260</b>	<b>23 352</b>	<b>23 802</b>	<b>Total liabilities and equity capital</b>	<b>27 132</b>	<b>26 558</b>	<b>26 153</b>	<b>25 538</b>	<b>25 738</b>

## OTHER KEY FIGURES

Parent bank

Group

31.12.13	31.12.14	31.12.15		31.12.15	31.12.14	31.12.13
<b>BALANCE SHEET</b>						
<b>Development in the last 12 months</b>						
6.8	-0.5	4.2	Total assets	5.2	-0.6	5.7
7.7	4.4	9.8	Gross lending	8.2	0.6	4.4
15.1	5.5	4.8	Deposit	5.0	5.7	15.9
83.0	83.8	80.0	Deposit coverage as a percentage of gross loans	64.0	65.9	62.7
55.8	59.2	60.7	Lending to retail customers	67.7	67.1	65.6
22 407	23 219	23 181	Average assets	26 279	26 146	25 400
15 970	16 669	18 295	Gross loans	22 541	20 828	20 708
-40	-24	-19	Individual write-downs	-19	-27	-40
-67	-68	-75	Period's change in collective write downs	-79	-72	-71
0	0	-1	Individual write-downs on guarantees	-1	0	0
<b>SOLIDITY</b>						
12.7	14.0	15.6	Core tier one Capital ratio	15.1	13.4	12.3
14.4	15.5	17.0	Core capital ratio as percentage	16.5	14.8	13.9
16.7	18.2	19.0	Capital adequacy ratio as percentage	18.4	17.2	16.0
8.4	9.0	9.6	Equity capital ratio	9.6	8.2	7.7
9.5	9.8	9.9	Rate of return on equity capital	9.3	10.5	10.4
	12.0		Rate of return on equity capital, corrected profit and balance		11.5	
0.8	0.8	0.9	Return on assets	0.8	0.8	0.8
<b>KEY FIGURES PCC</b>						
7.0	7.9	8.6	Yield per primary certificate	8.4	8.7	7.8
7.0	7.9	8.6	Diluted result per ECC, in Norwegian currency	8.4	8.7	7.8
75.1	75.1	75.1	ECCs split as of 31.12	75.1	75.1	75.1
76.3	80.9	91.6	Equity capital per ECC	93.7	83.2	78.5
47.2	55.0	59.0	PCC price quoted on the stock exchange	59.0	55.0	47.2
6.7	7.0	6.9	P/E (price as at 30.09 divided by profit per ECC)	7.1	6.3	6.1
0.6	0.7	0.6	P/B (price as at 30.09. divided by book value of equity capital)	0.6	0.7	0.6
45.8	46.3	44.4	Costs as a percentage of income	46.4	44.6	44.5
1.0	1.1	1.1	Cost in percent of average total assets	1.0	1.0	0.9
177	168	164	Number of man-years	164	168	177
<b>LOSSES ON LOANS AND GROSS DEFAULTS</b>						
26.3	28.2	22.7	Specified loan provision in % of gross default on loan	22.7	28.2	26.3
As a percentage of gross lending:						
1.0	0.5	0.5	Gross defaults over 90 days	0.4	0.4	0.7
0.8	0.4	0.4	Net defaults over 90 days	0.3	0.3	0.6
0.7	0.6	0.5	Total loan loss provision	0.4	0.5	0.5
0.2	0.3	0.1	Losses on lending	0.1	0.2	0.2



## **Information concerning Helgeland Sparebank**

### **Head Office**

Postal address	Postboks 68, 8601 Mo i Rana
Office address	Jernbanegata 15, 8622 Mo i Rana
Telephone	+ 47 75 11 90 00
Website	<a href="http://www.hsb.no">www.hsb.no</a>
Organisation number	937904029

### **Board of Directors of Helgeland Sparebank**

Ove Brattbakk, Chair  
Stein Andre Herigstad-Olsen, Deputy Chair  
Eva Monica Hestvik  
Bjørn Audun Risøy  
Inga Marie Lund  
Nils Terje Furunes  
May Heimdal

### **Management**

Lisbeth Flågeng, Chief Executive Officer  
Ranveig Kråkstad, Chief Accounting Officer

### **Investor Relations**

Sverre Klausen, Chief Financial Officer tel: + 47 75 11 82 22  
Tore Stamnes, Head of Treasury tel: + 47 75 11 90 91

### **Other sources of information**

#### Annual reports

The annual report for Helgeland Sparebank is available at [www.hsb.no](http://www.hsb.no)

#### Quarterly publications

Quarterly reports and presentations are available at [www.hsb.no](http://www.hsb.no)