



# *financial report*

*fourth quarter 2017*

## **Helgeland Sparebank**

Financial report as per 31.12.17 and fourth quarter 2017

### **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. From July 1<sup>st</sup> 2017, the bank has 6 offices in 6 municipalities in Helgeland and is the 10th 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. 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)**

- Good result from ordinary operation. Gross profit was MNOK 348 (452). Adjusted for one-time effect pension and gains from the sale of visa gross profit was MNOK 364 per 31.12.16.
- Increased net interest in NOK and maintained in %.
- Lower income from financial investments.
- Increased write-downs on lending.
- Net profit gives a return of equity of 8.6 (13.0) % (one time effect 2016)

### **Result so far this year**

#### **Key figures:**

(Comparison per 31.12.16)

- Net interest 1.83 (1.84) %
- Costs in percent of BTA 0.89 (0.96) %
- Write-downs on lending 0.21 (0.13) %
- Profit per EC amounts to NOK 9.5 (13.5)
- 12-month lending growth 7.5 (9.8) %
- 12-month deposit growth 4.9 (12.2) %
- CET1 ratio 15.8 (16.1) %
- Capital ratio 19.1 (20.5) %

#### **The net interest**

Net interest income was MNOK 565. This is an increase of MNOK 45 compared with the corresponding period last year. Strong competition is still pushing margins on mortgage interest. Declining Nibor and lower funding costs gives however a positive contribution for the net interest. Net interest in % of average total assets remains in a stable level and was 1.83 (1.84). A higher credit

volume has contributed to increased net interest in NOK.

#### **Net commission earnings**

The net commission earnings were MNOK 86 (85). Of the income, commissions from insurance amount to MNOK 18.8 (18.0).

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 (0.30) %.

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

Net income from financial instruments was MNOK 33 (74). This gives a reduction of MNOK 41. Profit share from associated companies are by the end of the quarter MNOK 31 (51).

In 2016 the bank recognized gain from the sale of Visa of MNOK 14.5.

#### **Operating costs**

Total operating costs were MNOK 275 (271). This gives a cost growth of 1.4 %. Wages and social costs was MNOK 135 (127). In the increase of MNOK 7 new finance tax in 2017 is included by MNOK 5.2 (0). In addition one time cost related to then pension deal for the last CEO is expensed by MNOK 3.5 in the 3<sup>rd</sup> quarter.

So far this year, MNOK 2.2 has been expensed in relation to closure of bank offices, among others by buyout of a leasing contract. Closure of the 6 smallest offices does not result in a reduction of in the bank's crew, but will result in a cost reduction in the long term.

Operating costs in % of BTA was 0.89 (0.96) %, while costs measured against income was 39.9 (39.6) %. The bank has a sick leave of 5.7 (5.0) %.

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

Write-downs of loans and guarantees are expensed by MNOK 66 (36). Hereby write-downs of corporate commitments of MNOK 51 (27), personal commitments by MNOK 5 (-1) and write-downs on groups are increased by MNOK 10 (8). Of write-downs on corporate commitments, MNOK 18 was expensed in Q2 2017.

The bank's write-downs for Q4 MNOK 15 is related to one commitment.

#### **Extended income**

In extended profit value increase on the banks shares in Frende Holding, Brage Finans and the securities portfolio is included.

### **Result Q4 (last 3 months)**

This quarter, profit before taxes was MNOK 72. This is a reduction of MNOK 13 from 4<sup>th</sup> quarter 2016. Income from associated companies is reduced by MNOK 21 compared to 4<sup>th</sup> quarter 2016. Sale of a share post in Helgeland Invest AS in the 4<sup>th</sup> quarter has reduced the banks income from associated companies.

Increased net interest by MNOK 13 has given positive effect in the quarter together with operating costs by MNOK 5. Write-downs on lending are increased by MNOK 10.

### **Key figures third quarter**

- Gross profit MNOK 87 (85)
- Net interest 1.84 (1.82) %
- Financial investments -0.04 (0.30) %
- Operating costs 0.84 (0.98) %
- Write-downs on lending 0.38 (0.27) %
- 3-month lending growth 2.7 (1.6) %
- 3-month deposit growth 1.5 (3.3) %

Lending growth this quarter is higher than in the same period last year, while the deposit growth is lower.

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

According to the bank's dividend policy, half of the EC owner's share of the surplus can be paid as dividends, and equally 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 256. Adjusted for the fund change from unrealised gains and interest subordinated bonds the basis for dividends is MNOK 218.

The Board has chosen to suggest an increased dividend level for 2017. This is in line with previously given information to the market.

Suggested management of surplus:

Pay-out ratio 50.0 (41.9)%.

### **Dividends**

- MNOK 83.5 in cash dividends, which equates to NOK 4.00 per EC
- MNOK 25.6 to gift fund/foundation

### **Strengthening the equity**

- MNOK 83.5 to the cohesion fund, which equates to NOK 4.00 per EC
- MNOK 25.6 to the primary capital fund

Dividend is paid to EC owners registered as owners per 22.03.18. The bank's EC's are noted ex dividend 23.03.2018.

### **The equity certificate – HELG**

By the end of the quarter the number of EC owners amounts to 2 138. The 20 largest owners are noted with 78.7 % of the EC capital.

Sparebankstiftelsen Helgeland is the largest owner with 34.8 %. The number of total EC's are 20 871 427. Per 31.12.17, 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 31.12.17 NOK 88.00. This is an increase of NOK 7.00 from year end with a price of NOK 81.00.

### **Balance development per 31.12.17**

Total assets amounts to 31.9 bn. Over the last 12 months, total assets have increased with MNOK 2.467 or 8.4 (8.3) %.

### **Commitments**

By the end of the year, gross lending constituted MNOK 26.611. The 12-month lending growth was MNOK 1.863 (2.207), or 7.5 (9.8) %.

83.8 (84.0) % of the HSB group's lending is to customers in Helgeland.

MNOK 17.660, or 66.4 (67.6) % of gross lending is lending to retail customers, whereof MNOK 6.634 is transferred to the bank's mortgage company.

The 12-month growth in the retail market was MNOK 925 (1.422), or 5.5 (9.3) %. The activity in the retail market in the bank's market area was especially high in 2016 as a result of DNB's closure of offices.

The 12-month growth for corporate customers was MNOK 938 (785), or 11.7 (10.9) %.

### **Deposits from customers**

By the end of the year, deposits from customers constituted MNOK 16 972. The deposits have over the last 12 months increased by MNOK 799 (1 755), or 4.9 (12.2) %. The bank's deposit growth is on level with the national growth.

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 352 (520), or 3.9 (6.1) %. Of total deposits of MNOK 16 972, MNOK 9 452, or 55.7 (56.3) % are deposits from retail customers.

The 12-month deposit growth in the corporate market was MNOK 447 (1 235), or 6.3 (21.2) %.

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

The deposit ratio is stable and was 63.8 (65.4) % in the HSB group, and 87.1 (86.0) % 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 and

covered bonds issued by the Group amounts to MNOK 10.851 (9.258).

The HSB group has a long term funding from the capital market and by the end of the year, the share of loans beyond one year was 87.8 (88.2) %. The average remaining term for these debt securities was 2.9 (2.8) years. Duration in the mortgage company was 3.2 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. Per 31.12.17, 24.9 (22.7) % are transferred. The transmissibility in % of loans to retail customers amounts to 37.6 %.

### **Cash flow**

The cash flow statement shows how Helgeland Sparebank has received cash and how these are used. It is based on gross cash flows from operational activities, investment and financing activities. Lending growth of BNOK 1.9 in 2017 is financed by customer deposits of BNOK 0.8. The rest is financed with increase in funding. The securities portfolio is increased by MNOK 287 while the liquid portfolio is reduced by MNOK 51 since year end.

### **Rating**

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

### **Subsidiaries and associated companies**

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

### **Risk and capital management**

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

#### Credit risk

The HSB group's strategy for the credit area is derived from the overall strategy and contains guidelines for the distribution of loans between the retail and corporate markets, exposure to industries (concentration risk) and geographic limitations. Lending to retail customers consists of a high level of secure mortgages that give a low risk in the portfolio. The development in the bank's credit risk is monitored closely. The corporate customers are given individual close follow-up in addition to monitoring development of risk based on the bank's

score models, as well as significant industries. 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 183 (113), which equals 0.7 (0.5) % 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.

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 2017 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 4.4 (4.1) bn, or 13.8 (13.3) % of the group's total assets. The combined duration of the interest portfolio is 2.0 (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 117 (145) %.

#### **Solidity**

Net capital amounts to MNOK 3.367, hereby fund obligations by MNOK 299 and subordinated loan by MNOK 300 (fund obligations of MNOK 150 are repaid in 1<sup>st</sup> quarter 2017). The HSB group has a CET1 capital ratio of 15.8 (16.1) %,

T1 capital ratio was 17.4 (18.7) % and total capital ratio 19.1 (20.5) %.

From 31.12.17, the 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 9.3 (10.1) % at the end of the quarter.

#### **Effect of transition to IFRS 9**

IFRS 9 was implemented from 01.01.18 and will increase write-downs in the balance by MNOK 4. The Group's equity is affected by MNOK 3 after taxes.

#### **Prospects ahead**

The turnover in real estate has been significantly lower in 2017 than in 2016. This coupled with the tightening of the mortgage regulation and DNB's closure of offices in 2016 means that the growth in the retail market 2017 has been lower than in 2016. The growth in 2017 mirrors the general credit growth in the retail market in Helgeland. We expect higher market growth in the retail market in 2018.

In the corporate market, the activity and willingness to invest is still high. This is expected to continue in 2018.

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.

Advisor and sales resources at the four largest offices (PM departments) have been strengthened as a result of closure of the six smallest offices. This is expected to yield results both in terms of commission income and lending growth in the retail market.

The cost level is challenging. It is a continuing focus on streamlining of the bank's organization and work processes. Continuous assessment of resource needs for natural retirement/termination of employment. And work processes are mapped with the intention to automate whole or parts of processes.

Non-performing and other impaired commitments this year is moderate and is expected to lie on the same level in 2018.

Price developments on villas in the region by the end of the year were 2.8 % against a national average of 1.8 %. For apartments we see a price increase of 6.4 % for Helgeland and -4.3 % nationwide.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate in Helgeland of 1.6 % by the end of the year. Nordland County had an unemployment rate of 1.9 % and the national average was 2.4 %. 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, February 7<sup>th</sup> 2018

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

Marianne Terese Steinmo

Birgitte Lorentzen  
*Employee representative*

Geir Pedersen  
*Employee representative*

Hanne J. Nordgaard  
*CEO*

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

<i>Parent bank</i>				<i>Group</i>					
Q4/16	Q4/17	31.12.16	31.12.17		31.12.17	31.12.16	Q4/17	Q4/16	
196	194	767	777	Interest receivable and similar income	927	889	236	229	
72	68	288	274	Interest payable and similar costs	351	357	87	92	
3	2	12	11	Hedge fund fees	11	12	2	3	
<b>121</b>	<b>124</b>	<b>467</b>	<b>492</b>	<b>Net interest- and credit commission income</b>	<b>565</b>	<b>520</b>	<b>147</b>	<b>134</b>	
24	26	96	97	Commissions receivable and income from banking servic	97	96	26	24	
3	3	11	11	Commissions payable and costs relating to banking servi	11	11	3	3	
<b>21</b>	<b>23</b>	<b>85</b>	<b>86</b>	<b>Net commission income</b>	<b>86</b>	<b>85</b>	<b>23</b>	<b>21</b>	
1	0	47	44	Dividend	10	8	0	1	
21	0	51	31	Net profit from associates	31	51	0	21	
0	-3	7	-11	Net profit from other financial investments	-8	15	-3	0	
22	-3	105	64	Gains/losses on financial assets available for sale (note 6)	33	74	-3	22	
1	3	6	8	Other operating income	5	6	2	2	
-2	0	74		Income by converting to defined contribution		74	0	-2	
69	64	253	269	Operating costs (note 4)	275	271	67	72	
19	29	35	65	Losses on loans, guarantees etc. (note 5)	66	36	30	20	
<b>75</b>	<b>54</b>	<b>449</b>	<b>316</b>	<b>Gross profit</b>	<b>348</b>	<b>452</b>	<b>72</b>	<b>85</b>	
15	13	90	60	Tax payable on ordinary result	75	102	17	21	
<b>60</b>	<b>41</b>	<b>359</b>	<b>256</b>	<b>Net profit</b>	<b>273</b>	<b>350</b>	<b>55</b>	<b>64</b>	
		13.8	8.9	Yield per equity capital certificate (note 6)	9.5	13.5			
		13.8	8.9	Diluted result per ECC in Norwegian currency (note 6)	9.5	13.5			
<b>Extended Income Statement</b>									
<b>60</b>	<b>41</b>	<b>359</b>	<b>256</b>	<b>Net profit</b>	<b>273</b>	<b>350</b>	<b>55</b>	<b>64</b>	
<u>Items that are subsequently reversed through profit or loss:</u>									
22	51	10	66	Estimate variances, pensions will not be reversed over th	66	10	51	22	
1	0	0	-2	Tax on extended profit	-2	0	0	1	
23	51	10	64	Net extended profit or loss items	64	10	51	23	
<b>83</b>	<b>92</b>	<b>369</b>	<b>320</b>	<b>Total profit of the period</b>	<b>337</b>	<b>360</b>	<b>106</b>	<b>87</b>	

## BALANCE SHEET (amounts in NOK million)

<i>Parent bank</i>		<i>Group</i>	
31.12.16	31.12.17	31.12.17	31.12.16
<b>ASSETS</b>			
93	87	87	93
1 489	1 488	464	509
19 057	19 860	26 453	24 632
103	125	125	103
3 759	4 126	4 176	3 536
315	342	342	315
444	595		
10	11	15	14
45	66	141	123
56	49	47	58
<b>25 371</b>	<b>26 749</b>	<b>31 850</b>	<b>29 383</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>			
250	250	252	252
16 490	17 422	16 972	16 173
4 982	5 375	10 851	9 258
36	27	27	36
150	149	161	156
300	300	300	300
<b>22 208</b>	<b>23 523</b>	<b>28 563</b>	<b>26 175</b>
<b>Equity capital</b>			
208	209	209	208
-3	-3	-3	-3
971	971	971	971
575	659	659	575
<b>1 751</b>	<b>1 836</b>	<b>1 836</b>	<b>1 751</b>
516	541	541	516
40	43	43	40
<b>556</b>	<b>584</b>	<b>584</b>	<b>556</b>
335	424	424	335
443	299	299	443
78	83	143	121
<b>3 163</b>	<b>3 226</b>	<b>3 285</b>	<b>3 206</b>
		2	2
<b>3 163</b>	<b>3 226</b>	<b>3 287</b>	<b>3 208</b>
<b>25 371</b>	<b>26 749</b>	<b>31 850</b>	<b>29 383</b>

Conditional liabilities off balance sheet (note 11)



## CHANGE IN EQUITY CAPITAL

Group

31.12.16

	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
<b>Equity capital as at 01.01.16</b>	<b>187</b>	<b>845</b>	<b>-4</b>	<b>219</b>	<b>281</b>	<b>466</b>	<b>20</b>	<b>8</b>	<b>425</b>	<b>106</b>	<b>2</b>	<b>2 555</b>
Result for the period				11	44	50	11	15	150	69		350
Extended profit or loss items					10							10
<b>Total ext. profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>54</b>	<b>50</b>	<b>11</b>	<b>15</b>	<b>150</b>	<b>69</b>	<b>0</b>	<b>360</b>
Gift fund				-11								-11
Transactions with owners												0
Repurchase FO				-76								-76
<b>Transactions with owners</b>	<b>21</b>	<b>126</b>		<b>300</b>			<b>-6</b>	<b>-8</b>				<b>433</b>
Dividend paid										-52		-52
<b>Equity capital 31.12.16</b>	<b>208</b>	<b>971</b>	<b>-4</b>	<b>443</b>	<b>335</b>	<b>516</b>	<b>25</b>	<b>15</b>	<b>575</b>	<b>123</b>	<b>2</b>	<b>3 208</b>
Paid-in/accrued equity capital/retained earnings				1 175							2 033	3 208

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
<b>Equity capital as at 01.01.17</b>	<b>208</b>	<b>971</b>	<b>-4</b>	<b>443</b>	<b>335</b>	<b>516</b>	<b>25</b>	<b>15</b>	<b>575</b>	<b>123</b>	<b>2</b>	<b>3 208</b>
Equity capital as at 01.01.17				14	25	24	13	12	84	101		273
result for the period					64							64
<b>Extended profit or loss items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>89</b>	<b>24</b>	<b>13</b>	<b>12</b>	<b>84</b>	<b>101</b>	<b>0</b>	<b>337</b>
Paid interest FO				-14								-14
Gift fund							-7	-15				-22
<b>Transactions with owners</b>			<b>1</b>	<b>-144</b>								<b>-143</b>
Impairment of the nominal value												0
Dividend paid										-80		-80
<b>Equity capital 31.12.17</b>	<b>208</b>	<b>971</b>	<b>-3</b>	<b>299</b>	<b>424</b>	<b>540</b>	<b>31</b>	<b>12</b>	<b>659</b>	<b>144</b>	<b>2</b>	<b>3 287</b>
Paid-in/accrued equity capital/retained earnings				1 176							2 111	3 287

Parent bank

31.12.16

	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
<b>Equity capital as at 01.01.16</b>	<b>188</b>	<b>845</b>	<b>-4</b>	<b>219</b>	<b>281</b>	<b>466</b>	<b>20</b>	<b>9</b>	<b>425</b>	<b>51</b>	<b>2 500</b>
result for the period				11	44	50	11	15	150	78	359
Extended profit or loss items					10						10
<b>Total resultat</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>54</b>	<b>50</b>	<b>11</b>	<b>15</b>	<b>150</b>	<b>78</b>	<b>369</b>
Paid interest FO				-11							-11
Gift fund							-6	-9			-15
Repurchase FO				-76							-76
<b>Transactions with owners</b>	<b>21</b>	<b>126</b>		<b>300</b>							<b>447</b>
Dividend paid										-52	-52
<b>Equity capital 31.12.16</b>	<b>209</b>	<b>971</b>	<b>-4</b>	<b>443</b>	<b>335</b>	<b>516</b>	<b>25</b>	<b>15</b>	<b>575</b>	<b>77</b>	<b>3 163</b>
Paid-in/accrued equity capital/retained earnings				1 176						1 986	3 163

31.12.17

	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
<b>Equity capital as at 01.01.17</b>	<b>209</b>	<b>971</b>	<b>-4</b>	<b>443</b>	<b>335</b>	<b>516</b>	<b>25</b>	<b>15</b>	<b>575</b>	<b>77</b>	<b>3 163</b>
result for the period				14	25	24	13	12	84	84	256
Extended profit or loss items					64						64
<b>Total ext. profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>89</b>	<b>24</b>	<b>13</b>	<b>12</b>	<b>84</b>	<b>84</b>	<b>320</b>
Paid interest FO				-14							-14
Gift fund							-7	-15			-22
<b>Transactions with owners</b>			<b>1</b>	<b>-144</b>							<b>-143</b>
Dividend paid				0						-78	-78
<b>Equity capital 31.12.17</b>	<b>209</b>	<b>971</b>	<b>-3</b>	<b>299</b>	<b>424</b>	<b>540</b>	<b>31</b>	<b>12</b>	<b>659</b>	<b>83</b>	<b>3 226</b>
Paid-in/accrued equity capital/retained earnings				1 177						2 048	3 226

## CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>	
31.12.16	31.12.17		31.12.17	31.12.16
-888	-850	Change in lending to customers	-1 858	-2 199
690	701	Interest income lending to customers	870	831
1 840	932	Change deposits from customers	799	1 740
-162	-170	Interest cost deposit from customers	-168	-162
250	0	Change in receivables and liabilities to credit institutions	0	250
-101	-280	Change certificates and bonds	-527	-60
55	54	Interest income certificates and bonds	52	50
86	86	Comission income	86	86
-253	-259	Payments relating to operations	-256	-270
-50	-52	Paid tax	-65	-57
-31	-41	Other cutoffs	-72	-79
1 436	121	<b>A Net liquidity change from operating activities</b>	-1 139	130
-25	-24	Investment in long-term securities	-31	-30
0	0	Income sale of long-term securities	3	20
-115	-171	Long-term investments in shares	-21	-15
23	0	Payment from sales long-term investments in shares		23
49	44	Dividend from long-term investments in shares	11	11
-68	-151	<b>B Net liquidity change from investments</b>	-38	9
2 152	2 883	New borrowing through issuance of securities	6 078	3 877
-3 230	-2 524	Repayments - issued securities	-4 537	-4 155
150	0	Emission equity	0	150
300	0	Adoption of new fund bond	0	300
-77	-145	Buyback fund bond	-145	-77
-117	-99	Interest payments borrowing through issuance of securities	-178	-171
-10	-14	Interest payments on subordinated debt	-14	-10
-52	-78	dividend to share owners	-78	-52
-884	23	<b>C Net liquidity change financing</b>	1 126	-138
484	-7	A+B+C Net liquidity change in the period	-51	1
1 098	1 582	Liquid funds at the start of the period	602	601
1 582	1 575	Liquid funds at the end of the period	551	602
		<b>Liquid funds specified</b>		
93	87	Cash and balances with central banks	87	93
1 489	1 488	Balances with credit institutions without notice periods	464	509
<b>1 582</b>	<b>1 575</b>	<b>Liquid funds</b>	<b>551</b>	<b>602</b>

## 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 2016. The interim report for the fourth quarter is in compliance with IAS 34 and has not been audited.

### IFRS 9

IFRS 9 is implemented 01.01.18. IFRS 9 introduces a business oriented model for classifying and measuring financial assets. The standard replaces current standard IAS 39.

For the Helgeland Sparebank Group, the transition to IFRS 9 will have 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.

### Impairment losses on loans and guarantees

After current rules, write-downs for losses are only being recognized when there is objective proof that a loss incident has 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 me 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: It must be done a deposition of expected loss for remaining maturity for non-performing commitments.

### 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.

The Group's equity will 01.01.18 be affected by MNOK 3 after taxes as a consequence of the implementation of IFRS 9.

## Classification and measuring if financial instruments

Group

	IAS 39		IFRS 9	
	Measurement category	Accounted value	Measurement category	Accounted value
Financial assets		31.12.2017		01.01.2018
Cash and claims on central banks	Amortized cost (Loans and claims)	87	Amortized cost	87
Loans to and claims on credit institutions	Amortized cost (Loans and claims)	464	Amortized cost	464
Loans to customers floating interests	Amortized cost (Loans and claims)	25 515	Amortized cost	25 515
Loans to customers fixed interests	Fair value over ordinary profit and loss statement	938	Fair value over ordinary profit and loss statement	938
Sertificates and bonds	Fair value over extended profit	3 854	Fair value over ordinary profit and loss statement (designated)	3 854
Financial derivatives	Fair value over ordinary profit and loss statement	125	Fair value over ordinary profit and loss statement (mandatory)	125
Shares and fund shares	Fair value over extended profit	664	Fair value over ordinary profit and loss statement (mandatory)	664
<b>Financial obligations</b>				
Deposits from credit institutions	Amortized cost	252	Amortized cost	252
Deposits from customers, floating interests	Amortized cost	16 799	Amortized cost	16 799
Deposits from customers, fixed interests	Fair value over ordinary profit and loss statement (designated)	172	Fair value over ordinary profit and loss statement (designated)	172
Borrowings through the issuance of securities floating interests	Amortized cost	8 078	Amortized cost	8 078
Borrowings through the issuance of securities fixed interests	Hedging	2 773	Hedging	2 773
Financial derivatives	Fair value over ordinary profit and loss statement (mandatory)	27	Fair value over ordinary profit and loss statement (mandatory)	27
Subordinated loan capital	Amortized cost		Amortized cost	

Parent bank

	IAS 39		IFRS 9	
	Measurement category	Accounted value	Measurement category	Accounted value
Financial assets		31.12.2017		01.01.2018
Cash and claims on central banks	Amortized cost (Loans and claims)	87	Amortized cost	87
Loans to and claims on credit institutions	Amortized cost (Loans and claims)	1 488	Amortized cost	1 488
Loans to customers floating interests	Amortized cost (Loans and claims)	8 015	Amortized cost	8 007
Mortgage loans	Amortized cost (Loans and claims)	10 907	Virkelig verdi over utvidet resultat	10 909
Loans to customers fixed interests	Fair value over ordinary profit and loss statement	938	Fair value over ordinary profit and loss statement	938
Sertificates and bonds	Fair value over extended profit	3 804	Fair value over ordinary profit and loss statement (designated)	3 804
Financial derivatives	Fair value over ordinary profit and loss statement	125	Fair value over ordinary profit and loss statement (mandatory)	125
Shares and fund shares	Fair value over extended profit	1 259	Fair value over ordinary profit and loss statement (mandatory)	1 259
<b>Financial obligations</b>				
Deposits from credit institutions	Amortized cost	250	Amortized cost	250
Deposits from customers, floating interests	Amortized cost	17 249	Amortized cost	17 249
Deposits from customers, fixed interests	Fair value over ordinary profit and loss statement (designated)	172	Fair value over ordinary profit and loss statement (designated)	172
Borrowings through the issuance of securities floating interests	Amortized cost	2 601	Amortized cost	2 601
Borrowings through the issuance of securities fixed interests	Hedging	2 773	Hedging	2 773
Financial derivatives	Fair value over ordinary profit and loss statement (mandatory)	27	Fair value over ordinary profit and loss statement (mandatory)	27
Subordinated loan capital	Amortized cost		Amortized cost	

## 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>			
<b>31.12.17</b>					<b>31.12.17</b>			
<b>Retail</b>	<b>Corp.</b>	<b>Not divided</b>	<b>Total</b>	<b>Segmentinformation</b>	<b>Retail</b>	<b>Corp.</b>	<b>Not divided</b>	<b>Total</b>
219	259	14	492	Net interest and credit commission income	316	262	-14	564
26	12	48	86	Net commission income	26	12	48	86
		71	71	Other operating income			38	38
81	44	143	268	Operating costs	87	44	143	274
6	59		65	Losses on loans guaranteed	7	59		66
<b>158</b>	<b>168</b>	<b>-10</b>	<b>316</b>	<b>Gross profit</b>	<b>248</b>	<b>171</b>	<b>-71</b>	<b>348</b>
11 161	8 851		20 012	Loans to and claims on customers	17 660	8 951		26 611
-8	-53		-61	Individual write-downs	-8	-53		-61
-13	-78		-91	Collective write-downs on loans	-19	-78		-97
		6 889	6 889	Other assets			5 397	5 397
<b>11 140</b>	<b>8 720</b>	<b>6 889</b>	<b>26 749</b>	<b>Total assts per segment</b>	<b>17 633</b>	<b>8 820</b>	<b>5 397</b>	<b>31 850</b>
9 456	7 966		17 422	Deposits from customers and liabilities	9 456	7 516		16 972
		9 327	9 327	Other liabilities and equity			14 878	14 878
<b>9 456</b>	<b>7 966</b>	<b>9 327</b>	<b>26 749</b>	<b>Total liabilities and equity per segment</b>	<b>9 456</b>	<b>7 516</b>	<b>14 878</b>	<b>31 850</b>

<i>Parent bank</i>					<i>Group</i>			
<b>31.12.16</b>					<b>31.12.16</b>			
<b>Retail</b>	<b>Corp.</b>	<b>Not divided</b>	<b>Total</b>	<b>Segmentinformation</b>	<b>Retail</b>	<b>Corp.</b>	<b>Not divided</b>	<b>Total</b>
220	236	11	467	Net interest and credit commission income	284	235	1	520
27	12	46	85	Net commission income	27	12	46	85
		111	111	Other operating income			80	80
48	23	108	179	Operating costs	48	23	125	196
0	35		35	Losses on loans guaranteed	1	36		36
<b>199</b>	<b>190</b>	<b>60</b>	<b>449</b>	<b>Gross profit</b>	<b>262</b>	<b>188</b>	<b>2</b>	<b>452</b>
11 241	7 928		19 169	Loans to and claims on customers	16 729	8 020		24 749
-3	-27		-30	Individual write-downs	-3	-27		-30
-12	-70		-82	Collective write-downs on loans	-17	-70		-87
		6 314	6 314	Other assets			4 751	4 751
<b>11 226</b>	<b>7 831</b>	<b>6 314</b>	<b>25 371</b>	<b>Total assts per segment</b>	<b>16 709</b>	<b>7 923</b>	<b>4 751</b>	<b>29 383</b>
9 104	7 386		16 490	Deposits from customers and liabilities	9 104	7 386		16 490
		8 881	8 881	Other liabilities and equity			12 893	12 893
<b>9 104</b>	<b>7 386</b>	<b>8 881</b>	<b>25 371</b>	<b>Total liabilities and equity per segment</b>	<b>9 104</b>	<b>7 386</b>	<b>12 893</b>	<b>29 383</b>

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

<i>Parent bank</i>				<i>Group</i>			
Q4/16	Q4/17	31.12.16	31.12.17	31.12.17	31.12.16	Q4/17	Q4/16
4	0	4	0	Value change in interest-bearing securities	0	4	0
-3	-1	-6	-3	Net gain/loss in interest-bearing securities	-3	-6	-1
-3	-1	8	-3	Net gain/loss shares	0	15	-1
0	0	46	44	Share dividend	10	8	0
21	0	50	31	Income AC Helgeland Invest AS	31	50	0
0	0	1	0	Income AC REDE	0	1	0
3	-2	2	-2	Value change in value on lending	-2	2	-2
0	1	0	-3	Value change on funding and derivatives	-3	0	1
<b>22</b>	<b>-3</b>	<b>105</b>	<b>64</b>	<b>Total value change financial instruments</b>	<b>33</b>	<b>74</b>	<b>-3</b>

### NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

<i>Parent bank</i>				<i>Group</i>			
Q4/16	Q4/17	31.12.16	31.12.17	31.12.17	31.12.16	Q4/17	Q4/16
36	33	127	137	Wages, salaries and social costs	135	127	31
22	20	78	80	General administration costs	82	78	22
3	3	12	11	Depreciation etc of fixed- and intangible assets	18	20	5
8	8	36	41	Other operating costs	40	46	9
<b>69</b>	<b>64</b>	<b>253</b>	<b>269</b>	<b>Total operating costs</b>	<b>275</b>	<b>271</b>	<b>67</b>
-2	0	-74	0	Income conversing to defined contribution	0	-74	0
<b>67</b>	<b>64</b>	<b>179</b>	<b>269</b>	<b>Net operating costs</b>	<b>275</b>	<b>197</b>	<b>70</b>

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

<i>Parent bank</i>				<i>Group</i>			
Q4/16	Q4/17	31.12.16	31.12.17	31.12.17	31.12.16	Q4/17	Q4/16
21	0	12	31	+/- Period's change in individual write-downs	31	12	0
-1	4	7	9	+ Period's change in collective write-downs	10	8	5
0	1	22	3	+ Period's conf. Losses against which ind. write-downs were made	3	22	1
0	24	0	26	+ Period's confirmed losses against which no ind. write-downs, r	26	0	24
-1	0	-6	-4	- Period's recoveries from previous periods' conf.losses	-4	-6	0
<b>19</b>	<b>29</b>	<b>35</b>	<b>65</b>	<b>Total losses on loans, guarantees etc.</b>	<b>66</b>	<b>36</b>	<b>30</b>

### NOTE 6. PROFIT PER PRIMARY CERTIFICATE

<i>Parent bank</i>			<i>Group</i>	
31.12.16	31.12.17		31.12.17	31.12.16
359	256	Net profit	273	350
-11	-14	Interest fund bond	-14	-11
348	242	Profit (excl. Interest fund bond)	259	339
75.1 %	76.5 %	ECC percentage	76.5 %	75.1 %
13.8	8.9	Yield per equity capital certificate	9.5	13.5
13.8	8.9	Diluted result per ECC in Norwegian currency	9.5	13.5

## NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>					<i>Group</i>			
31.12.16	%	31.12.17	%		31.12.17	%	31.12.16	%
16 358	85.3	17 148	85.7	Helgeland	22 310	83.8	20 785	84.0
2 796	14.6	2 846	14.2	Areas other than Helgeland	4 273	16.1	3 936	15.9
16	0.1	18	0.1	International	28	0.1	27	0.1
<b>19 170</b>	<b>100</b>	<b>20 012</b>	<b>100</b>	<b>Total</b>	<b>26 611</b>	<b>100</b>	<b>24 748</b>	<b>100</b>

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

	<b>31.12.17</b>				<b>31.12.16</b>			
	<b>Gross loans</b>	<b>%-stake</b>	<b>Loss prov.</b>	<b>Defaults</b>	<b>Gross loans</b>	<b>%-stake</b>	<b>Loss prov.</b>	<b>Defaults</b>
Municipalities and municipal enterp.	0	0.0 %	0	0	1	0.0 %	0	0
Insurance and finance	5	0.0 %	0	0	4	0.0 %	0	0
Agriculture and forestry	1 408	5.3 %	7	5	1 328	5.4 %	2	1
Fisheries and aquaculture	1 207	4.5 %	0	0	875	3.5 %	0	0
Mining and industry	476	1.8 %	0	2	422	1.7 %	0	2
Building and construction	1 445	5.4 %	3	2	1 119	4.5 %	0	0
Trade, hotel, restaurants.	329	1.2 %	2	0	279	1.1 %	3	1
Transport and services	849	3.2 %	34	38	894	3.6 %	14	20
Property, property development	3 232	12.1 %	7	4	3 091	12.5 %	8	5
Total corporate market	8 951	33.6 %	53	51	8 013	32.4 %	27	29
Retail market	17 660	66.4 %	8	5	16 735	67.6 %	3	-1
<b>Total</b>	<b>26 611</b>	<b>100 %</b>	<b>61</b>	<b>56</b>	<b>24 748</b>	<b>100 %</b>	<b>30</b>	<b>28</b>
Change collective write-downs			97	10			87	8
<b>Total</b>			<b>158</b>	<b>66</b>			<b>117</b>	<b>36</b>
Of which gross loans Helgeland Boligkreditt AS	6 634	24.9 %			5 629	22.7 %		

	<b>31.12.17</b>				<b>31.12.16</b>			
	<b>Gross loans</b>	<b>%-stake</b>	<b>Loss prov.</b>	<b>Defaults</b>	<b>Gross loans</b>	<b>%-stake</b>	<b>Loss prov.</b>	<b>Defaults</b>
Municipalities and municipal enterp.	0	0.0 %	0	0	1	0.0 %	0	0
Insurance and finance	5	0.0 %	0	0	4	0.0 %	0	0
Agriculture and forestry	1 393	7.0 %	7	5	1 314	6.9 %	2	1
Fisheries and aquaculture	1 202	6.0 %	0	0	873	4.6 %	0	0
Mining and industry	471	2.4 %	0	2	419	2.2 %	0	2
Building and construction	1 426	7.1 %	3	2	1 088	5.7 %	0	0
Trade, hotel, restaurants.	322	1.6 %	2	0	274	1.4 %	3	1
Transport and services	782	3.9 %	34	38	877	4.6 %	14	20
Property, property development	3 250	16.2 %	7	4	3 079	16.1 %	8	5
Total corporate market	8 851	44.2 %	53	51	7 929	41.4 %	27	29
Retail market	11 161	55.8 %	8	5	11 241	58.6 %	3	-1
<b>Total</b>	<b>20 012</b>	<b>100 %</b>	<b>61</b>	<b>56</b>	<b>19 170</b>	<b>100 %</b>	<b>30</b>	<b>28</b>
Change collective write-downs			91	9			82	7
<b>Total</b>			<b>152</b>	<b>65</b>			<b>112</b>	<b>35</b>

## NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

<i>Parent bank</i>			<i>Group</i>	
31.12.16	31.12.17		31.12.17	31.12.16
96	132	Loans, guarantees etc. in default	132	96
12	14	Loss provisions for loans, guarantees etc. in default	14	12
<b>84</b>	<b>118</b>	<b>Total net loans, guarantees etc. in default</b>	<b>118</b>	<b>84</b>
47	111	Other non-performing and impaired commitments and guara., not in default	111	47
18	46	Loss provisions for other non-performing and impaired commitments and guara., not in default	46	18
<b>29</b>	<b>65</b>	<b>Total non-performing and impaired commitments and guara., not in default</b>	<b>65</b>	<b>29</b>
<b>113</b>	<b>183</b>	<b>Total non-performing and impaired commitments and guara.</b>	<b>183</b>	<b>113</b>
0.6 %	0.9 %	In % of total loans	0.7 %	0.5 %

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

<i>Parent bank</i>			<i>Group</i>	
31.12.16	31.12.17		31.12.17	31.12.16
19	30	Individual write-downs to cover losses on loans and guarantees as at 01.01	30	19
-13	-2	Period's conf. losses, against which indi. Write-down was previously made	-2	-13
1	0	Period's increased individual write-downs, against which write-down was previously made	0	1
25	35	New individual write-downs during the period	35	25
-2	-2	Reversal of individual write-downs during the period	-2	-2
<b>30</b>	<b>61</b>	<b>= Total individual write-downs on loans</b>	<b>61</b>	<b>30</b>
30	61	*Of which individual write-downs on loans accounted for	61	30
0	0	* Of which ind. Write-downs on guars. accounted for	0	0
		<b>Collective write-downs:</b>		
75	82	Collective write-downs to cover losses on loans at 01.01	87	79
7	9	+ /- Period's change in collective write-downs	10	8
<b>82</b>	<b>91</b>	<b>Total collective write-downs</b>	<b>97</b>	<b>87</b>

## NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

<i>Parent bank</i>			<i>Group</i>	
31.12.16	31.12.17		31.12.17	31.12.16
1 987	1 942	Unutilized drawing rights	2 392	2 411
558	505	Guarantee obligations	505	558
520	476	Unutilized drawing rights Helgeland Boligkreditt AS	0	0
<b>3 065</b>	<b>2 923</b>	<b>Net guarantee and draw rights</b>	<b>2 897</b>	<b>2 969</b>

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 capi	Number of shares	Equity stake	Parent bank	
				Market value	
				31.12.17	31.12.16
ANS Bankbygg Mo	49.0		97.5 %	46	46
Helgeland Boligkreditt AS	540.0	540 000	100 %	540	390
AS Sparebankbygg	0.1	100	100 %	1	1
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100 %	6	3
Storgata 73 AS	0.1	140	53 %	2	1
<b>Total investment in AC</b>				<b>595</b>	<b>441</b>

### Associated companies (AC)

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

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group	
					31.12.16	
					Equity	
Helgeland Invest AS		20	607	0	0	627
REDE Eiendomsmegling AS		10	33	5	1	37
<b>Total</b>		<b>30</b>	<b>640</b>	<b>5</b>	<b>1</b>	<b>664</b>
<b>The bank's share</b>						
Helgeland Invest AS	48.3 %	10	293	2	0	300
REDE AS (inkl. merverdi)	40.0 %	4	13	2	0	15
<b>Total</b>		<b>14</b>	<b>306</b>	<b>4</b>	<b>1</b>	<b>315</b>

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

Corporate Marketing Manager local bank Sandnessjøen is currently a member of the board and the bank's CEO is currently a deputy member of the board of Helgeland Invest AS.

See other information in notes 1 and 27 in the annual accounts for 2016.

Financial information Associated companies, balance posts

	<i>Parent bank and group</i>	
	<b>31.12.17</b>	<b>31.12.16</b>
<b>Change in the bank's ownership in HI</b>		
Opening balance	300	253
Adjusted value	0	0
Dividend	-4	-3
Result HI	31	50
<b>Closing balance</b>	<b>328</b>	<b>300</b>

	<i>Parent bank and group</i>	
	<b>31.12.17</b>	<b>31.12.16</b>
<b>Change in the bank's ownership in REDE</b>		
Opening balance	15	14
Dividend	0	0
Result REDE	-1	1
Additional value/goodwill	0	0
<b>Closing balance</b>	<b>14</b>	<b>15</b>
<b>Total</b>	<b>342</b>	<b>315</b>

Financial information Associated companies, profit/loss posts

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

	<i>Parent bank and group</i>				
	<b>31.12.16</b>				
	Revenue	Finance cost	Other income	Operating cost	Net profit
<b>Result 100% ownership</b>					
Helgeland Invest AS	108	0	0	5	103
REDE Eiendomsmegling AS	23	0.5	0	19	3
<b>Total</b>	<b>131</b>	<b>0.5</b>	<b>0</b>	<b>24</b>	<b>106</b>
<b>Result bank's share</b>					
Helgeland Invest AS 48.3 %	52	0	0	2	50
REDE Eiendomsmegling AS 40.0 %	9	0	0	8	1
<b>Total</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>51</b>

## NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>	
31.12.16	31.12.17		31.12.17	31.12.16
45	66	Operating funds	141	123
<b>45</b>	<b>66</b>	<b>Total operating funds</b>	<b>141</b>	<b>123</b>

## 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 31.12.17 constitute totally MNOK 6.634. Covered bonds in the housing mortgage company constitute MNOK 5,476 where MNOK 0 (247) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 31.12.17 drawn with MNOK 1 024. The bank has additionally an unused credit facility of NOK 1.5 bn (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 33 in 2017 and the share capital in Helgeland Boligkreditt AS is increased by MNOK 150.

### Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 4.4 in 2017.

### Helgeland Invest AS (48,3 %)

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

## NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS

### Measurement of fair value of financial instruments by level

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

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

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

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

Principal fixed rate loans per 31.12.16 were MNOK 1 202 and MNOK 938 mill per 31.12.17. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK -0.4 per 31.12.16 and MNOK -3.0 per 31.12.17.

<b>Assets and liabilities measured at fair value</b>						
<i>Parent bank</i>				<i>Group</i>		
<b>31.12.17</b>				<b>31.12.17</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	934	- Loans to and claims on customers at fair value	0	0	934
<b>Financial assets available for sale</b>						
0	3 804	322	- Certificates, bonds and equities available for sale	0	3 804	322
0	125		- Financial derivatives	0	125	0
<b>0</b>	<b>3 929</b>	<b>1 256</b>	<b>Total assets</b>	<b>0</b>	<b>3 929</b>	<b>1 256</b>
<b>LIABILITIES</b>						
<b>Financial liabilities at fair value through profit</b>						
0	28	0	- Debt issuance of securities	0	28	0
<b>0</b>	<b>28</b>	<b>0</b>	<b>Total liabilities</b>	<b>0</b>	<b>28</b>	<b>0</b>
<b>Changes in instruments classified in Level 3</b>						
<b>Shares</b>	<b>Loans</b>	<b>Total</b>		<b>Shares</b>	<b>Loans</b>	<b>Total</b>
241	1 202	1 443	Opening balance	241	1 202	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
<b>322</b>	<b>934</b>	<b>1 256</b>	<b>Financial instruments valued on Level 3</b>	<b>322</b>	<b>934</b>	<b>1 256</b>

<b>Assets and liabilities measured at fair value</b>						
<i>Parent bank</i>				<i>Group</i>		
<b>31.12.16</b>				<b>31.12.16</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	1 202	- Loans to and claims on customers at fair value	0	0	1 202
<b>Financial assets available for sale</b>						
0	3 519	241	- Certificates, bonds and equities available for sale	0	3 296	241
0	103	0	- Financial derivatives	0	103	0
<b>0</b>	<b>3 622</b>	<b>1 443</b>	<b>Total assets</b>	<b>0</b>	<b>3 399</b>	<b>1 443</b>
<b>LIABILITIES</b>						
<b>Financial liabilities at fair value through profit</b>						
0	37	0	- Financial derivatives	0	37	0
<b>0</b>	<b>37</b>	<b>0</b>	<b>Total liabilities</b>	<b>0</b>	<b>37</b>	<b>0</b>
<b>Changes in instruments classified in Level 3</b>						
<b>Shares</b>	<b>Loans</b>	<b>Total</b>		<b>Shares</b>	<b>Loans</b>	<b>Total</b>
227	1 310	1 537	Opening balance	227	1 310	1 537
-23	-329	-352	Payment loan/sale of shares	-23	-329	-352
15	221	236	New loans	15	221	236
22	0	22	Value change	22	0	22
0	0	0	Reclassification	0	0	0
<b>241</b>	<b>1 202</b>	<b>1 443</b>	<b>Financial instruments valued on Level 3</b>	<b>241</b>	<b>1 202</b>	<b>1 443</b>

## NOTE 16. FINANCIAL DERIVATIVES

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

<i>Parent bank</i>				<i>Group</i>			
31.12.16				31.12.16			
Nominal value	Market value			Nominal value	Market value		
	Total	Assets			Commitments	Total	
1 196	0	33	Interest rate swaps- fixed interest rate loans	1 196	0	33	
100	0	3	Interest rate swaps- bank deposits with share Yield	100	0	3	
<b>1 296</b>	<b>0</b>	<b>36</b>	<b>Total financial derivatives</b>	<b>1 296</b>	<b>0</b>	<b>36</b>	
2 168	103	0	Interest rate swaps – fixed interest rate with hedging	2 168	103	0	
<b>2 168</b>	<b>103</b>	<b>0</b>	<b>Total financial derivatives with hedging</b>	<b>2 168</b>	<b>103</b>	<b>0</b>	

Net presentation of financial assets and liabilities

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

<i>Parent bank and group</i>					
31.12.16					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	103	0	103	-36	67
Derivaives carried as liabilities	36	0	36	-36	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>	
31.12.16	31.12.17	(MNOK)	31.12.17	31.12.16
4 888	5 263	Bonds, nominal value	10 733	9 155
40	79	Value adjustments	80	42
54	32	Accrued interest	38	61
<b>4 982</b>	<b>5 374</b>	<b>Total securities</b>	<b>10 851</b>	<b>9 258</b>

<b>Change in securities issued</b>				<i>Group</i>	
	31.12.16 Issued	Matured/redeemed	Other change	31.12.17	
Bonds, nominal value	9 155	6 078	-4 537	28	10 724
Value adjustments	42			40	82
Accrued interest	61			-16	45
<b>Total</b>	<b>9 258</b>	<b>6 078</b>			<b>10 851</b>

<b>Change in subordinated debt</b>				<i>parent bank</i>	
	31.12.16 Issued	Matured/redeemed	Other change	31.12.17	
Bonds, nominal value	4 888	2 883	-2 524	16	5 263
Value adjustments	40			40	80
Accrued interest	54			-22	32
<b>Total</b>	<b>4 982</b>				<b>5 375</b>

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

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

<b>Accounted value</b>			<i>Group</i>	
			31.12.17	31.12.16
Bonds, amortized cost			8 078	6 679
Bonds, hedging			2 773	2 579
<b>Total debt securities</b>			<b>10 851</b>	<b>9 258</b>

<b>Accounted value</b>			<i>Parent bank</i>	
			31.12.17	31.12.16
Bonds, amortized cost			2 601	2 403
Bonds, hedging			2 773	2 579
<b>Total debt securities</b>			<b>5 374</b>	<b>4 982</b>

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

<i>Parent bank</i>				<i>Group</i>				
%	31.12.16	%	31.12.17		31.12.17	%	31.12.16	%
91.1 %	15 029	90.5 %	15 765	Helgeland	15 315	90.2 %	14 712	91.0 %
8.2 %	1 349	8.9 %	1 544	Areas other than Helgeland	1 544	9.1 %	1 349	8.3 %
0.7 %	112	0.6 %	113	International	113	0.7 %	112	0.7 %
<b>100 %</b>	<b>16 490</b>	<b>100 %</b>	<b>17 422</b>	<b>Total</b>	<b>16 972</b>	<b>100 %</b>	<b>16 173</b>	<b>100 %</b>

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

<i>Parent bank</i>				<i>Group</i>				
%	31.12.16	%	31.12.17		31.12.17	%	31.12.16	%
3.0 %	492	3.4 %	600	Financial institutions	150	0.9 %	175	1.1 %
10.7 %	1 758	10.5 %	1 830	Municipalities and municipal ente	1 830	10.8 %	1 758	10.9 %
1.8 %	293	1.8 %	305	Agriculture and forestry	305	1.8 %	293	1.8 %
7.7 %	1 276	6.6 %	1 142	Fisheries and aquaculture	1 142	6.7 %	1 276	7.9 %
1.2 %	195	1.1 %	196	Mining and industry	196	1.2 %	195	1.2 %
5.9 %	970	6.4 %	1 117	Building and construction	1 117	6.6 %	970	6.0 %
2.6 %	422	2.3 %	409	Trade, hotel, restaurants.	409	2.4 %	422	2.6 %
8.4 %	1 389	9.9 %	1 717	Transport and services	1 717	10.1 %	1 389	8.6 %
3.6 %	591	3.7 %	650	Property, property development	650	3.8 %	591	3.7 %
44.8 %	7 386	45.7 %	7 966	Total corporate market	7 516	44.3 %	7 069	43.7 %
55.2 %	9 104	54.3 %	9 456	Retail market	9 456	55.7 %	9 104	56.3 %
<b>100 %</b>	<b>16 490</b>	<b>100 %</b>	<b>17 422</b>	<b>Total</b>	<b>16 972</b>	<b>100 %</b>	<b>16 173</b>	<b>100 %</b>

## NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

<i>Per 31.12.17</i>			<i>Parent bank</i>		
	Numbers	% share	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	244 270	1.2 %
Merrill Lynch Prof.	1 253 462	6.0 %	VPF Nordea kapital	238 245	1.1 %
Pope Asset Management BNY	639 441	3.1 %	Apollo asset Limited	181 749	0.9 %
VPF Eika egenkapital	494 578	2.4 %	Melum Mølle AS	170 000	0.8 %
MP Pensjon PK	462 203	2.2 %	Melesio Capital AS	137 188	0.7 %
Lamholmen AS	442 353	2.1 %	Nervik Steffen	110 506	0.5 %
Helgeland Kraft AS	377 691	1.8 %	Forte Trønder	109 500	0.5 %
Landkreditt utbytte	300 000	1.4 %	Verdipapirfondet	105227	0.5 %
<b>Total 10 biggest owners</b>	<b>14 582 127</b>	<b>69.9 %</b>	<b>Total 20 biggest owners</b>	<b>16 429 511</b>	<b>78.7 %</b>

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		
31.12.16	31.12.17	31.12.17	31.12.16	
208	208	ECC-capital	208	208
971	971	Premium Fund	971	971
-3	-3	Own ECCs	-3	-3
443	299	Hybrid capital (CB)	299	443
<b>1 619</b>	<b>1 475</b>	<b>Total paid-in capital</b>	<b>1 475</b>	<b>1 619</b>
516	541	Savings Bank's fund	541	516
335	424	Reserve for unrealized gains	424	335
40	44	Donations Fund	44	40
575	659	Dividend equalisation reserve	659	575
78	84	Cash dividend	84	78
0	0	Other equity capital	43	45
<b>1 544</b>	<b>1 752</b>	<b>Total accrued equity capital</b>	<b>1 795</b>	<b>1 589</b>
<b>3 163</b>	<b>3 227</b>	<b>Total equity capital</b>	<b>3 270</b>	<b>3 208</b>
-444	-299	Hybrid capital (CB)	-299	-444
-19	-69	Shares in financial institutions	-65	-19
-94	-124	Cash dividend /gifts employee	-124	-98
<b>2 606</b>	<b>2 735</b>	<b>Total core tier one</b>	<b>2 782</b>	<b>2 647</b>
-6	-14	Shares in financial institutions	-13	-6
-4	0	Other	0	-4
443	299	Hybrid capital (CB)	299	443
<b>3 039</b>	<b>3 020</b>	<b>Total core capital</b>	<b>3 068</b>	<b>3 080</b>
300	300	Subordinatet dept	300	300
-3	-1	Shares in financial institutions	-1	-3
-4	0	Other	0	-4
<b>293</b>	<b>299</b>	<b>Total net supplementary capital</b>	<b>299</b>	<b>293</b>
<b>3 332</b>	<b>3 319</b>	<b>Total net equity and related capital</b>	<b>3 367</b>	<b>3 373</b>
15 381	16 453	Weight assets calculation basis *)	17 618	16 439
16.94 %	16.62 %	Core tier one Capital ratio	15.79 %	16.10 %
19.76 %	18.35 %	Core capital ratio	17.41 %	18.74 %
21.66 %	20.17 %	Total Capital ratio	19.11 %	20.52 %
<b>31.12.16</b>	<b>31.12.17</b>	<b>Calculation basis</b>	<b>31.12.17</b>	<b>31.12.16</b>
0	0	States and central banks	0	0
133	263	Local and regional authorities (including municipalities)	263	133
407	398	Institutions	146	190
715	1 066	Enterprises	792	715
1 296	1 232	Mass market loans	1 431	1 389
9 698	10 006	Loans secured by real property	12 580	11 677
104	210	Loans overdue	210	104
621	680	Covered bonds	132	144
0	0	Units in securities funds	0	0
1 058	1 250	Equity positions	660	636
104	121	Other loans and commitments	197	170
<b>14 136</b>	<b>15 227</b>	<b>Capital requirement credit risk</b>	<b>16 412</b>	<b>15 159</b>
1 102	1 188	Capital requirement operational risk	1 168	1 137
143	39	Deducted from capital requirement	39	143
<b>15 381</b>	<b>16 453</b>	<b>Total capital requirement</b>	<b>17 618</b>	<b>16 439</b>



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

<i>Parent bank</i>					<i>Group</i>			
<b>Q4/16</b>	<b>Q4/17</b>	<b>31.12.16</b>	<b>31.12.17</b>		<b>31.12.17</b>	<b>31.12.16</b>	<b>Q4/17</b>	<b>Q4/16</b>
3.09	2.92	3.12	2.99	Interest receivable and similar income	3.00	3.14	2.96	3.11
1.18	1.05	1.22	1.10	Interest payable and similar costs	1.17	1.30	1.11	1.29
<b>1.90</b>	<b>1.86</b>	<b>1.90</b>	<b>1.90</b>	<b>Net interest- and credit commission income</b>	<b>1.83</b>	<b>1.84</b>	<b>1.84</b>	<b>1.82</b>
0.38	0.39	0.39	0.37	Commissions receivable and income from banking services	0.31	0.34	0.33	0.33
0.05	0.05	0.04	0.04	Commissions payable and costs relating to banking services	0.04	0.04	0.04	0.04
<b>0.33</b>	<b>0.35</b>	<b>0.35</b>	<b>0.33</b>	<b>Net commission income</b>	<b>0.28</b>	<b>0.30</b>	<b>0.29</b>	<b>0.29</b>
0.35	-0.05	0.43	0.25	Gains/losses on financial assets available for sale	0.11	0.26	-0.04	0.30
0.02	0.05	0.02	0.03	Other operating income	0.02	0.02	0.03	0.03
-0.03	0.00	0.30	0.00	Income by conversing to defined contribution	0.00	0.26	0.00	-0.03
1.09	0.96	1.03	1.04	Operating costs	0.89	0.96	0.84	0.98
0.30	0.44	0.14	0.25	Losses on loans, guarantees etc. and fixed assets	0.21	0.13	0.38	0.27
<b>1.18</b>	<b>0.81</b>	<b>1.83</b>	<b>1.22</b>	<b>Result before tax</b>	<b>1.13</b>	<b>1.60</b>	<b>0.90</b>	<b>1.15</b>
0.24	0.20	0.37	0.23	Tax payable on ordinary result	0.24	0.36	0.21	0.29
<b>0.94</b>	<b>0.62</b>	<b>1.46</b>	<b>0.99</b>	<b>Result from ordinary operations after tax</b>	<b>0.88</b>	<b>1.24</b>	<b>0.69</b>	<b>0.87</b>

## PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

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

Parent bank					Group					
Q4/16	Q1/17	Q2/17	Q3/17	Q4/17		Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
196	194	196	193	194	Interest receivable and similar income	236	231	231	229	229
75	73	72	70	70	Interest payable and similar costs	89	89	90	94	95
<b>121</b>	<b>121</b>	<b>124</b>	<b>123</b>	<b>124</b>	<b>Net interest- and credit commission income</b>	<b>147</b>	<b>142</b>	<b>141</b>	<b>135</b>	<b>134</b>
24	23	24	24	26	Commissions receivable and income from banking serv	26	24	24	23	24
3	3	2	3	3	Commissions payable and costs relating to banking ser	3	3	2	3	3
<b>21</b>	<b>20</b>	<b>22</b>	<b>21</b>	<b>23</b>	<b>Net commission income</b>	<b>23</b>	<b>21</b>	<b>22</b>	<b>20</b>	<b>21</b>
22	38	9	20	-3	Gains/losses on financial assets available for sale	-3	19	14	3	22
1	2	2	1	3	Other operating income	2	1	1	1	2
2	0	0	0	0	Inntekter ved omdanning til innskuddspensjon	0	0	0	0	2
69	67	66	72	64	Operating costs	67	71	68	69	72
19	6	19	11	29	Losses on loans, guarantees etc.	30	11	19	6	20
<b>75</b>	<b>108</b>	<b>72</b>	<b>82</b>	<b>54</b>	<b>Result before tax</b>	<b>72</b>	<b>101</b>	<b>91</b>	<b>84</b>	<b>85</b>
15	17	15	15	13	Tax payable on ordinary result	17	20	18	20	21
<b>60</b>	<b>91</b>	<b>57</b>	<b>67</b>	<b>41</b>	<b>Result from ordinary operations after tax</b>	<b>55</b>	<b>81</b>	<b>73</b>	<b>64</b>	<b>64</b>

Parent bank					Group					
Q4/16	Q1/17	Q2/17	Q3/17	Q4/17		Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
3.09	3.09	3.03	2.94	2.92	Interest receivable and similar income	2.96	3.00	3.05	3.11	3.11
1.18	1.16	1.11	1.07	1.05	Interest payable and similar costs	1.11	1.15	1.19	1.28	1.29
<b>1.90</b>	<b>1.93</b>	<b>1.92</b>	<b>1.87</b>	<b>1.86</b>	<b>Net interest- and credit commission income</b>	<b>1.84</b>	<b>1.84</b>	<b>1.86</b>	<b>1.83</b>	<b>1.82</b>
0.38	0.37	0.37	0.37	0.39	Commissions receivable and income from banking serv	0.33	0.31	0.32	0.31	0.33
0.05	0.05	0.03	0.05	0.05	Commissions payable and costs relating to banking ser	0.04	0.04	0.03	0.04	0.04
<b>0.33</b>	<b>0.32</b>	<b>0.34</b>	<b>0.32</b>	<b>0.35</b>	<b>Net commission income</b>	<b>0.29</b>	<b>0.27</b>	<b>0.29</b>	<b>0.27</b>	<b>0.29</b>
0.35	0.61	0.15	0.30	(0.05)	Gains/losses on financial assets available for sale	(0.04)	0.25	0.18	0.04	0.30
0.02	0.03	0.03	0.02	0.05	Other operating income	0.03	0.01	0.01	0.01	0.03
0.03	0.00	0.00	0.00	-	Inntekter ved omdanning til innskuddspensjon	-	0.00	0.00	0.00	0.03
1.09	1.07	1.11	1.10	0.96	Operating costs	0.84	0.92	0.90	0.94	0.98
0.30	0.10	0.32	0.17	0.44	Losses on loans, guarantees etc.	0.38	0.14	0.25	0.08	0.27
<b>1.18</b>	<b>1.72</b>	<b>1.01</b>	<b>1.25</b>	<b>0.81</b>	<b>Result before tax</b>	<b>0.90</b>	<b>1.31</b>	<b>1.20</b>	<b>1.14</b>	<b>1.15</b>
0.17	0.27	0.25	0.23	0.20	Tax payable on ordinary result	0.21	0.26	0.24	0.27	0.22
<b>1.01</b>	<b>1.45</b>	<b>0.75</b>	<b>1.02</b>	<b>0.62</b>	<b>Result from ordinary operations after tax</b>	<b>0.69</b>	<b>1.05</b>	<b>0.96</b>	<b>0.87</b>	<b>0.94</b>

Parent bank					Group					
Q4/16	Q1/17	Q2/17	Q3/17	Q4/17		Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
<b>ASSETS</b>										
93	86	94	87	87	Cash and claims on central banks	87	86	94	86	93
1 489	1 289	1 771	1 198	1 488	Loans to and claims on credit institutions	464	544	729	493	509
19 057	19 318	19 415	19 727	19 860	Loans to and claims on customers	26 453	25 749	25 258	25 089	24 632
103	124	111	116	125	Financial derivatives	125	116	111	124	103
3 759	3 858	3 834	3 914	4 126	Certificates, bonds and shares available for sale	4 176	3 867	3 786	3 787	3 536
315	319	324	343	342	Investments in associated companies	342	342	324	319	315
444	444	441	441	595	Investments in subsidiaries	0	0	0	0	
10	9	10	12	11	Deferred tax benefit	15	16	14	13	14
45	47	53	58	66	Fixed assets	141	135	133	125	123
56	66	61	74	49	Other assets	47	75	65	66	58
<b>25 371</b>	<b>25 560</b>	<b>26 114</b>	<b>25 970</b>	<b>26 749</b>	<b>Total assets</b>	<b>31 850</b>	<b>30 930</b>	<b>30 514</b>	<b>30 102</b>	<b>29 383</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>										
250	250	250	250	250	Liabilities to credit institutions	252	252	252	252	252
16 490	16 578	17 257	17 029	17 422	Deposits from customers and liabilities to customers	16 972	16 721	16 953	16 270	16 173
4 982	5 136	5 084	5 063	5 375	Borrowings through the issuance of securities	10 851	10 270	9 743	9 961	9 258
36	38	32	28	27	Financial derivatives	27	28	32	38	36
150	225	121	162	149	Other liabilities	161	173	130	227	156
300	300	300	300	300	Fund bonds	300	300	300	300	300
<b>22 208</b>	<b>22 527</b>	<b>23 044</b>	<b>22 832</b>	<b>23 523</b>	<b>Total liabilities</b>	<b>28 563</b>	<b>27 744</b>	<b>27 410</b>	<b>27 048</b>	<b>26 175</b>
1 176	1 176	1 177	1 177	1 177	Paid-in equity capital	1 177	1 177	1 177	1 176	1 176
443	294	299	288	299	Hybrid capital	299	288	299	294	443
1 544	1 472	1 446	1 458	1 750	Accrued equity capital/retained earnings	1 809	1 501	1 489	1 518	1 587
	91	148	215	0	Profit after taxes	0	218	137	64	0
					Minority interest	2	2	2	2	2
<b>3 163</b>	<b>3 033</b>	<b>3 070</b>	<b>3 138</b>	<b>3 226</b>	<b>Total equity capital</b>	<b>3 287</b>	<b>3 186</b>	<b>3 104</b>	<b>3 054</b>	<b>3 208</b>
<b>25 371</b>	<b>25 560</b>	<b>26 114</b>	<b>25 970</b>	<b>26 749</b>	<b>Total liabilities and equity capital</b>	<b>31 850</b>	<b>30 930</b>	<b>30 514</b>	<b>30 102</b>	<b>29 383</b>

## OTHER KEY FIGURES

<i>Parent bank</i>			<i>Group</i>	
31.12.16	31.12.17		31.12.17	31.12.16
<b>BALANCE SHEET</b>				
<b>Development in the last 12 months</b>				
6.6	7.7	Total assets	8.4	8.3
4.8	4.4	Gross lending <sup>4</sup>	7.5	9.8
12.6	5.7	Deposit <sup>5</sup>	4.9	12.2
86.0	87.1	Deposit coverage as a percentage of gross loans	63.8	65.4
58.6	55.8	Lending to retail customers	66.4	67.6
24 576	25 962	Average assets <sup>6</sup>	30 852	28 324
19 169	20 012	Gross loans	26 611	24 748
-30	-61	Individual write-downs	-61	-30
-82	-91	Period's change in collective write downs	-97	-87
0	0	Individual write-downs on guarantees	0	0
<b>SOLIDITY</b>				
16.9	16.6	Core tier one Capital ratio	15.8	16.1
19.8	18.4	Core Capital ratio	17.4	18.7
21.7	20.2	Total Capital ratio	19.1	20.5
9.8	9.1	Leverage ratio <sup>7</sup>	9.3	10.1
13.5	8.2	Rate of return on equity capital <sup>8</sup>	8.6	13.0
1.5	1.0	Return on assets	0.9	1.3
<b>KEY FIGURES PCC</b>				
13.8	8.9	Yield per primary certificate	9.5	13.5
13.8	8.9	Diluted result per ECC, in Norwegian currency	9.5	13.5
75.1	76.5	ECCs split	76.5	75.1
100.0	107.3	Equity capital per ECC <sup>10</sup>	109.5	101.0
81.0	88.0	PCC price quoted on the stock exchange	88.0	81.0
5.9	7.4	P/E (price as at 30.09 divided by profit per ECC) <sup>11</sup>	6.9	6.0
0.8	0.8	P/B (price as ar 30.09. divided by book value of equity capital) <sup>12</sup>	0.8	0.8
38.2	41.4	Costs as a percentage of income <sup>13</sup>	39.9	39.6
1.0	1.0	Cost in percent of average total assets	0.9	1.0
152	148	Number of man-years <sup>14</sup>	148	152
<b>LOSSES ON LOANS AND GROSS DEFAULTS</b>				
31.3	46.2	Specified loan provision in % of gross default on loan	46.2	31.3
As a percentage of gross lending:				
0.5	0.7	Gross defaults over 90 days	0.5	0.4
0.4	0.6	Net defaults over 90 days <sup>15</sup>	0.4	0.3
0.6	0.8	Total loan loss provision <sup>16</sup>	0.6	0.5
0.2	0.3	Losses on lending <sup>17</sup>	0.2	0.1

1) Percentage of equity excl. Hybrid capital

## OTHER CALCULATIONS

Parent bank			Group	
31.12.16	31.12.17	(Figures in MNOK and %)	31.12.17	31.12.16
		<b>Operating costs, adjusted for one-time effects</b>		
253	269	Operating costs	275	271
-74	0	One-time effect converting pension	0	-74
<b>179</b>	<b>269</b>	<b>Operating costs, adjusted for one-time effects</b>	<b>275</b>	<b>197</b>
0.97 %	1.39 %	Operating costs in % of BTA, adjusted for one-time effects	1.19 %	0.70 %
27.0 %	41.4 %	Operating costs in % of income, adjusted for one-time effects	39.9 %	28.8 %
359	256	Profit	273	350
-11	-14	Paid interests subordinated bonds	-14	-11
348	242	Net profit, incl. Interests subordinated bonds	259	339
-74	0	one-time effect pension	0	-74
274	242	Profit, adjusted for one-time effects	259	265
359	256	Profit (annualized)	273	350
274	242	Profit (annualized), eks conversion of pension and incl. Interests s	259	265
2 662	3 132	Average equity	3 171	2 698
<b>13.5 %</b>	<b>8.2 %</b>	<b>ROE</b>	<b>8.6 %</b>	<b>13.0 %</b>
<b>11.3 %</b>	<b>7.7 %</b>	<b>ROE adjusted for one-time effects and interests FO</b>	<b>8.2 %</b>	<b>10.8 %</b>
359	256	Profit	273	350
359	256	Profit (annualized)	273	350
274	242	Profit (annualized), eks conversion pension and subordinated bond	259	265
24 576	25 962	Average assets	30 852	28 324
<b>1.5 %</b>	<b>1.0 %</b>	<b>Return on assets (annualized)</b>	<b>0.9 %</b>	<b>1.2 %</b>
<b>1.1 %</b>	<b>0.9 %</b>	<b>Return on assets (annualized) adjusted for one-time effect</b>	<b>0.8 %</b>	<b>0.9 %</b>
3 039	3 020	CET1	3 068	3 080
30 865	33 244	Unweighted calculation basis	32 857	30 464
<b>9.8 %</b>	<b>9.1 %</b>	<b>Leverage ratio</b>	<b>9.3 %</b>	<b>10.1 %</b>

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:

- <sup>1</sup> Net interest- and commission income, excl. interest subordinated bonds reclassified to equity from 01.01.16
- <sup>2</sup> Ordinary operating costs, before reduction of income by converting pension
- <sup>3</sup> Income by converting pension, effect resolution of pension obligation benefit pension
- <sup>4</sup> Growth gross lending, 12-month growth gross lending from 31.12.16 to 31.12.17
- <sup>5</sup> Growth customer deposits, 12-month growth customer deposits from 31.12.16 to 31.12.17
- <sup>6</sup> Weighted average of total assets through the year
- <sup>7</sup> Unweighted Tier 1 capital, Subordinated capital divided on balance sheet items and unrecognized items calculated without risk weighting
- <sup>8</sup> Return on equity, result in comparison to average equity
- <sup>9</sup> Equity certificate fraction, EC owners share of the equity, excl. subordinated bonds
- <sup>10</sup> Equity per EC, EC owners share of the equity, excl. subordinated bonds, 31.12 in comparison to number of EC's
- <sup>11</sup> P/E, stock market price by period ending divided on result per EC
- <sup>12</sup> P/B, stock market price by period ending divided on book equity per EC
- <sup>13</sup> 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
- <sup>14</sup> Number of man years, permanent employee in the bank
- <sup>15</sup> Net defaults, total defaults > 90 days deducted individual write-downs
- <sup>16</sup> Total write-downs in % of gross lending, write-downs in the balance in % of gross lending
- <sup>17</sup> Loss of commitment in % of gross lending, recognized write-downs on lending in % of gross lending

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Ove Brattbakk, Chair man  
Stein Andre Herigstad-Olsen, Deputy Chair man  
Eva Monica Hestvik  
Bjørn Audun Risøy  
Inga Marie Lund  
Nils Terje Furunes  
Marianne Terese Steinmo  
Birgitte Lorentzen  
Geir Pedersen

### **Management**

Hanne J. Nordgaard, Chief Executive Officer  
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### **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)