

# 2016 *annual report*



# REPORT FROM THE BOARD OF DIRECTORS

## Helgeland Boligkreditt AS, Annual Report 2016

### General information

Helgeland Boligkreditt AS was established in 2008 and is a fully-owned subsidiary of Helgeland Sparebank. The company is located at the bank's head office in Mo i Rana.

The company is licensed to operate as a mortgage company, issuing covered bonds. The cover pool is primarily made up of residential mortgages granted by Helgeland Sparebank.

Helgeland Sparebank provides services such as following up customers, management of loans, as well as a number of administrative services.

### Accounting standards

The accounts have been prepared in accordance with international financial reporting standards (IFRS). All numerical quantities are given in thousands if not otherwise stated. Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange as a bond issuer.

### Rating

Bonds issued by Helgeland Boligkreditt AS are rated 'Aaa' by Moody's.

### Result

Profit before tax was MNOK 47.1. This is a reduction of MNOK 3.7 compared to the same period last year. The net interest is reduced by MNOK 7.7 and operating cost is MNOK 4.5 lower.

To meet the competition in the retail market the lending interest rate was reduced several times last year. The reduction in 3-month NIBOR has given lower funding costs and thus reduced interest costs.

Operating costs in NOK are lower than last year and were MNOK 8.0 compared to MNOK 12.5 in 2015. This is mainly related to a MNOK 4.0 lower management fee in 2016.

Group write-downs are increased by MNOK 0.5 in fourth quarter and now amounts to MNOK 4.6.

Net profit was MNOK 33.1 (38.1), which gives a return on equity of 8.3% (11.8%).

Equity in the company was increased by MNOK 100 in 2016 and gives reduced return on equity.

The company is well capitalized with Core tier one Capital ratio of 17.2%.

### Key figures per 31.12.2016 (31.12.2015)

- Net profit MNOK 33.1 (38.1)
- Net interest MNOK 55.6 (63.3)
- Operation costs MNOK 8.0 (12.5)
- Return on equity 8.3 (11.8) %
- CET1 ratio 17.1 (15.6) %
- OC level 30 (21) %
- Indexed LTV 53 (53) %

### Allocation of profit

The Board of Directors proposes that the profit for 2016 of MNOK 33.1 is granted as group contribution to Helgeland Sparebank. The size of the group contribution is considered justifiable in light of the company's position.

### Balance development

Total assets in Helgeland Boligkreditt AS was MNOK 5,943 by the end of the year, and 95% of the assets are residential mortgages.

### The cover pool

At the end of the year the company held residential mortgages totalling MNOK 5,624 (4,307). A total of 79.6 % (82,1 %) of these loans are lent to customers in Helgeland. All loans have floating interest rates and 17 (22) % of the loan book is made up of flexible mortgages (credit lines). The company's total gross lending grew by MNOK 1,317 over the past year. Eligible loans in the cover pool amounts to MNOK 5,597 (4,235). Loans in the cover pool meet the requirements of the Financial Institutions Act, and are secured by residential mortgages within 75 % of appraised value. The lending portfolio is considered to be of good quality. When calculating the OC the company's substitute assets of MNOK 292.9 (206.9), which are bank deposits in the parent bank, are included.

### Funding

The lending portfolio is funded by issuing covered bonds totaling MNOK 4,523 (3,673), as well as long term credit lines from Helgeland Sparebank. Covered bonds at the face value of MNOK 247 (181) are in the parent bank's ownership.

The company's debt to finance institutions amounts to MNOK 980 (497) by the end of the year. The debt is linked to the credit lines in the parent bank.

The value of the cover pool is well above the volume of funding and there is good quality in the portfolio. The OC level was 30 (21) %.

### Cash-flow

The cash flow statement shows how Helgeland Boligkreditt AS has received liquid funds and how these have been used. It has been prepared based on gross cash flows from operating, investing and financing activities. Lending in 2016 increased MNOK 1,316. Liabilities to credit institutions increased MNOK 484 and Covered Bonds increased MNOK 850.

## REPORT FROM THE BOARD OF DIRECTORS

### Risk conditions and capital ratio

Laws and regulations for companies licensed to issue covered bonds instruct that the risk levels should be low. The company has established guidelines and frames for governing and control of various forms of risk. There is a corporate agreement between Helgeland Boligkreditt AS and Helgeland Sparebank that ensures and maintains frames, proxies, capital management and risk conditions. The Board of Directors considers the company's combined risk to be low.

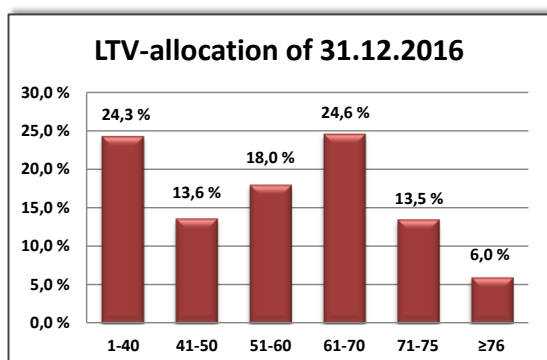
#### Credit risk

The company's credit strategy is approved by the Board of Directors and determines the framework for management objectives and risk profile. The company had no individual write-downs or write-offs. Total write-downs on groups of loans amount to MNOK 4.6, or 0.08% of gross lending, and are based on estimates made by a model that is also used by Helgeland Sparebank.

The Board of Directors assesses the quality of the loan portfolio to be very good.

A potential decrease in housing prices will reduce the net value of the cover pool. Quarterly stress tests are therefore carried out to calculate the effects of any negative development in the housing prices. The Board considers the results of these stress tests satisfactory.

The average LTV (Loan-to-value) ratio was per 31.12.16 53 (53) %. The diagram below shows the distribution of the LTVs for the mortgages in the cover pool.



#### Liquidity risk

Liquidity risk is the risk that the company will be unable to fulfil its payment obligations. The Board of Directors determines the framework for risk management in the company on an annual basis. This includes determining frames for liquidity risk management, organization and responsibilities, stress tests, routines for monitoring the utilization of frameworks and compliance with guidelines, board- and management reporting as well as independent control of systems for governing and control.

By the end of the year the share of funding with maturity exceeding 1 year was 88.5 (87.9) %. This is well above the target figure of 70 %.

Helgeland Boligkreditt AS has established committed credit lines in the parent bank that guarantees repayment of covered bonds maturing the next 12 months on a revolving basis. The company further seeks to reduce the liquidity risk associated with grater maturities by

re-purchasing its own bonds. The company's liquidity risk is considered low. The liquidity assets include treasury bills at MNOK 25.

#### Market risk

The company has little exposure in stocks or securities, and only owns a treasury bill. All funding carry floating interest rates. There are no fixed rate loans in the portfolio, and no loans in foreign currency. Interest rate risk is within the company's governing framework.

#### Operating risk

The transfer- and service agreement between Helgeland Boligkreditt AS and Helgeland Sparebank ensures and maintains the operational risk. The agreement includes administration, customer care, IT-management, finance- and risk management.

#### Capital ratio

The capital ratio per 31.12.2016 was 17.1 (15.6) % and consists solely of MNOK 393.8 CET1 capital. The standard formula is used to calculate the capital requirements, and the basic indicator approach is used to calculate operating risk. The company's goal for CET 1 capital is 12.5 % and total capital ratio of 16 %.

#### Corporate responsibility

Large companies are required to prepare a statement about how they exercise CSR, cf. the Accounting Act §3-3C. The parent bank, Helgeland Sparebank, prepares such a statement for the Group that also covers subsidiaries. Reference is therefore made to our parent bank's annual report for further information.

#### Staff

Helgeland Boligkreditt AS has no employees. An agreement has been made with Helgeland Sparebank regarding the provision of services relating to loan servicing and administration of the company. Helgeland Boligkreditt AS is committed to gender equality. The Board has 4 members; 2 woman and 2 men.

#### Prospects ahead

Declining margins gives lower profits than in 2015. It is expected that interest rates in the period ahead will remain low, and this will still result in lower average margins than what we have seen in previous years. Costs and losses in Helgeland Boligkreditt AS are however at a low level, and the Board believes that the company will remain highly profitable in the future.

The activity in the housing market in the parent banks market area has been particularly high in the first 3 quarters, and then leveled out a bit by the end of 2016. The effect of DNB's office closures diminishes and a slightly lower lending growth in 2017 than in 2016 is expected.

## REPORT FROM THE BOARD OF DIRECTORS

The growth in Helgeland Boligkreditt AS is determined by the parent bank's capital needs. There is ongoing work to facilitate further purchases of mortgages from the parent bank, as well as the issuance of covered bonds. This is necessary in order to maintain the competitiveness in the Helgeland Sparebank group. Housing prices have leveled off somewhat in 4th quarter. Our assessment is that this is due to a combination of seasonal variations and a slightly larger number of houses and apartments for sale in the Bank's market area. The average price increase for detached houses was 9.5 % in the parent bank's market area in 2016 - nationwide this was 5.4% - both compared to the average price index for 2015. The corresponding figures for apartments shows that the prices increased by 7.2% in Helgeland, while the nationwide increase was 10.8%.

Unemployment (fully unemployed) remains low and total unemployment in the region at the end of 4. quarter is 2.1% - this is a slight decrease from the previous quarter when unemployment was 2.2%. Unemployment is also somewhat lower than in Nordland County, that has an unemployment rate of 2.3%. Unemployment in Norway is per 31.12.2016 2.8%

Summarized, Helgeland has a stable and versatile labor market with a combination of a solid export industry and major government enterprises, and the overall unemployment rate is expected to remain at a relatively low level. There is still willingness to invest and optimism among business and industry operators.

The region's unemployment is low and retail customers' purchasing power is good.

Despite a somewhat subdued activity in parts of the region, we have positive expectations to 2017.

Mo i Rana, 21 February 2017

Lisbeth Flågeng  
*Chairman*

Dag-Hugo Heimstad  
*Vice-Chairman*

Helge Stanghelle

Ranveig Kråkstad

Brit Søvting  
*General Manager*

## Corporate Governance

The company's policy for corporate governance shall ensure that governance of the company's activities is in line with general and recognized perceptions and standards, in addition to laws and regulations.

The policy describes values, goals and general principles. The objective is to ensure a good interaction between the company's various interests under which the company is governed and controlled, so as to safeguard the interests of the owners and other groups in the company.

The company's policy is laid down in various governing documents for the activities of Helgeland Boligkreditt AS. These include the company's articles of association, strategy document, policy documents, budget, mandates and frameworks, descriptions of procedures, framework for governance and control, guidelines for systems and processes that focus on risk management and internal control in the company.

These documents are based on the Norwegian Code of Corporate Governance and the Committee of European Banking Supervisors' principles for overall governance and control.

It is Helgeland Boligkreditt AS' ambition to follow the above recommendations as appropriate.

In accordance with point one in the Norwegian Code of Practice for Corporate Governance, follows an account of the company's compliance with the provisions of the Code:

The General Meeting is the company's highest body and is exercised by the CEO of Helgeland Sparebank.

The General Meeting shall consider:

- Approval of the company's annual report and accounts
- Allocation of profit or covering of deficit, and distribution of dividends/corporate contributions
- Determine the remuneration for company representatives and the auditor.
- Electing board members in accordance with article 3 of the articles of association and the Companies Act.
- Other matters which by law belongs to the General Meetings responsibilities.

A new Financial Institutions Act entered into force on 1 January 2016. The General Meeting adapted to the new act by, among other things, dissolving its Supervisory Board and Control Committee in March 2016.

The General Meeting also amended the company's Articles of Association to meet the new requirements of the new act.

## Operations

Helgeland Boligkreditt AS was established to be the bank's company for issuing covered bonds.

The mortgage company acquires residential mortgages which are secured within 75% of appraised property value.

The mortgage loans are purchased from Helgeland Sparebank.

The mortgages are granted through the bank's distribution channels and the bank is responsible for customer relations, customer contact and marketing.

The company's strategic platform is summarized in strategic and financial goals that are updated at least annually.

## Company capital

The company's equity consists of share capital, share premium reserve and retained earnings.

The company's goal for tier one capital adequacy is 12.5 %. Statutory minimum is 11.5 % from 1 July 2016. The new objective requirements were revised according to the CRD IV requirements in connection with the company's strategy process in 2016

The company aims to achieve a return on equity which is competitive in the market compared to the company's risk profile.

## Elections

The general meeting elects the Board of Directors.

## The Board's composition and independence

The Board of Directors consists of 4 permanent members and one alternate. Two of the permanent members are women.

Important criteria for the Board members and composition of the Board are qualifications, gender, capacity and independence.

In its activity plan the Board has assumed an annual evaluation of the independence of its members and the Board's overall competence.

The Board meets at least once every quarter and works according to a set schedule for the year. In addition to the elected members, the general manager also attends the Board meetings. The Board of Directors has overall responsibility for the administration of Helgeland Boligkreditt AS and to oversee the daily management and operations.

The Board's management responsibilities includes responsibility for organizing the company in a proper manner, the responsibility to draw up plans and budgets for the company, for keeping itself informed about the company's financial position and the company's activities, asset management and accounts are subject to adequate controls.

The annual strategy process/rollover of the strategic plans is a priority. Overall goals and strategies are determined, and on the basis of those action plans and budgets are drawn up.

The general manager prepares matters to be considered by the board, together with the chairman.

### **Risk management and internal control**

Good risk and capital management is essential to the long-term value creation of Helgeland Boligkreditt AS.

Risk management is linked to four risk areas:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The choice of method for risk assessment should be based on the company's complexity and the scope of the various business areas.

The Board of Directors of Helgeland Boligkreditt AS assumes that the company shall be well capitalized. Capital assessments (ICAAP) are included in the Helgeland Sparebank Group and are completed at least once a year. The company's capital strategy will be based on real risk in the activities, supplemented by the effect of various stress scenarios.

The responsibility for implementation of the company's risk and capital management is divided between the Board of Directors, the General Manager and the operational units of the parent bank; Helgeland Sparebank. The Board is responsible for ensuring that the company has sufficient capital, based on the desired risk and the company's

activities. The General Manager is responsible for the company's overall risk management, including the development of effective models and framework for management and control.

Helgeland Boligkreditt AS has adopted a policy for risk management and internal control that determines objectives for and the organization and implementation of internal control activities (including through agreements with the parent bank). This also includes requirements for reporting the status of the company's risk profile and the quality of internal control, as well as monitoring risk reducing measures.

### **Remuneration to the Board**

The General Meeting determines remuneration rates for the Board.

### **Management remuneration**

The company has no employees. An agreement has been made with Helgeland Sparebank regarding the provision of services related to management and operation of the company.

The company has no option- or bonus agreements.

### **Information and communication**

Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange (ABM) as an issuer of covered bonds and reports dates of major events such as the publication of financial information in the form of interim reports and annual reports. Corresponding information is published on the parent bank's website.

### **Auditor**

The General Meeting has appointed PricewaterhouseCoopers as external auditor and approves the auditor's fees.

### **Investigator**

On 27 February 2009, PricewaterhouseCoopers was appointed by the Financial Supervisory Authority of Norway as an independent investigator of Helgeland Boligkreditt AS.

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## PROFIT AND LOSS ACCOUNT

### PROFIT AND LOSS ACCOUNT (amounts in NOK 1.000)

|  | Note    | 31.12.16      | 31.12.15      |
|--|---------|---------------|---------------|
| Interest receivable and similar income                     | 4.23    | 143 341       | 149 402       |
| Interest payable and similar costs                         | 4.23    | 87 749        | 86 096        |
| <b>Net interest- and credit commission income</b>          |         | <b>55 592</b> | <b>63 306</b> |
| Commissions receivable and income from banking services    |         | 9             | 8             |
| Commissions payable and costs relating to banking services |         | 0             | 0             |
| <b>Net commission income</b>                               |         | <b>9</b>      | <b>8</b>      |
| Gains/losses on financial assets available for sale        | 5       | 0             | 0             |
| Operating costs  | 6,22,23 | 8 031         | 12 511        |
| Losses on loans, guarantees etc.                           | 2       | 500           | 0             |
| <b>Operating profit</b>                                    |         | <b>47 070</b> | <b>50 803</b> |
| <b>Result before tax</b>                                   |         | <b>47 070</b> | <b>50 803</b> |
| Tax payable on ordinary result                             | 7       | 13 968        | 12 674        |
| <b>Result from ordinary operations after tax</b>           |         | <b>33 102</b> | <b>38 129</b> |
| Yield per equity capital certificate                       | 24      | 85            | 131           |
| Diluted result per ECC in Norwegian currency               | 24      | 85            | 131           |
| <b>Extended Income Statement</b>                           |         | 31.12.16      | 31.12.15      |
| <b>Result from ordinary operations after tax</b>           |         | <b>33 102</b> | <b>38 129</b> |
| Net extended profit or loss items                          | 6       | 0             | 0             |
| <b>Total result for the period</b>                         |         | <b>33 102</b> | <b>38 129</b> |



**BALANCE SHEET (amounts in NOK 1.000)**

|   | <b>Note</b>        | <b>31.12.16</b>  | <b>31.12.15</b>  |
|---|--------------------|------------------|------------------|
| <b>ASSETS</b>                                     |                    |                  |                  |
| Loans to and claims on credit institutions        | 2,3,9,10,11,17,23  | 292 853          | 206 909          |
| Loans to and claims on customers                  | 2,9,10,11,12,13,17 | 5 624 424        | 4 307 118        |
| Certificates, bonds and shares available for sale |                    | 24 913           | 0                |
| Other assets                                      | 8                  | 775              | 90               |
| <b>Total assets</b>                               |                    | <b>5 942 965</b> | <b>4 514 117</b> |
| <b>LIABILITIES AND EQUITY CAPITAL</b>             |                    |                  |                  |
| Liabilities to credit institutions                | 2,9,10,17,23       | 980 112          | 497 013          |
| Borrowings through the issuance of securities     | 2,9,10,15,16,17,23 | 4 523 326        | 3 672 610        |
| Other liabilities                                 | 8,15               | 12 526           | 12 532           |
| <b>Total liabilities</b>                          |                    | <b>5 515 964</b> | <b>4 182 155</b> |
| Paid-in equity capital                            | 19,20,23,24        | 390 010          | 290 010          |
| Accrued equity capital/retained earnings          | 19,20              | 36 991           | 41 952           |
| <b>Total equity capital</b>                       |                    | <b>427 001</b>   | <b>331 962</b>   |
| <b>Total liabilities and equity capital</b>       |                    | <b>5 942 965</b> | <b>4 514 117</b> |

Mo i Rana, 21 February 2017

Lisbeth Flågeng  
*Chairman*

Dag-Hugo Heimstad  
*Vice-Chairman*

Helge Stanghelle

Ranveig Kråkstad

Brit Søvting  
*General Manager*

## CHANGE IN EQUITY CAPITAL DURING THE YEAR

|                                      | ECC capital    | Premium fund | Other ecc     | Sum            |
|--------------------------------------|----------------|--------------|---------------|----------------|
| Equity capital 01.01.15              | 290 000        | 10           | 3 823         | 293 833        |
| Issued new share capital             | 0              | 0            | 0             | 0              |
| Group contribution                   | 0              | 0            | 0             | 0              |
| Result                               | 0              | 0            | 38 129        | 38 129         |
| <b>Equity capital as at 31.12.15</b> | <b>290 000</b> | <b>10</b>    | <b>41 952</b> | <b>331 962</b> |

|                                      | ECC capital    | Premium fund | Other ecc     | Sum            |
|--------------------------------------|----------------|--------------|---------------|----------------|
| Equity capital 01.01.16              | 290 000        | 10           | 42 018        | 332 028        |
| Issued new share capital             | 100 000        | 0            | 0             | 100 000        |
| Group contribution                   | 0              | 0            | -38 129       | -38 129        |
| Result                               | 0              | 0            | 33 102        | 33 102         |
| <b>Equity capital as at 31.12.16</b> | <b>390 000</b> | <b>10</b>    | <b>36 991</b> | <b>427 001</b> |

## CASH FLOW STATEMENT

|  | 31.12.16        | 31.12.15        |
|--|-----------------|-----------------|
| Result of ordinary operations                                      | 47 070          | 50 803          |
| - Tax expense  | 13 968          | 12 674          |
| <b>= Provided from the year's operations</b>                       | <b>33 102</b>   | <b>38 129</b>   |
| Change miscellaneous debt: + increase/-decrease                    | -701            | -5 893          |
| Change miscellaneous claims: - increase/+ decrease                 | -1 601 082      | -256 358        |
| Installment loans customers  | 284 815         | 162 232         |
| Purchase of securities   | -24 913         | 0               |
| Change in liabilities to credit institutions: + increase/-decrease | 483 099         | -186 210        |
| <b>A Net liquidity change from operating activities</b>            | <b>-825 680</b> | <b>-248 100</b> |
| Financing by issuance of securities                                | 1 774 951       | 1 280 275       |
| Financing on redemption of securities                              | -925 218        | -1 000 745      |
| Expansion share capital  | 100 000         | 0               |
| - Dividend paid  | -38 109         | -48 148         |
| <b>B Liquidity change from investing activities</b>                | <b>911 624</b>  | <b>231 382</b>  |
| A+B Sum total change liquid assets                                 | 85 944          | -16 718         |
| + Liquid assets at the start of the period                         | 206 909         | 223 627         |
| = Liquid assets at the close of the period                         | 292 853         | 206 909         |

# NOTES TO THE ACCOUNTS

## NOTE 1. ACCOUNTING PRINCIPLES

### General background

Helgeland Boligkreditt AS obtained its license as a finance institution in February 2009. The company is a fully owned subsidiary of Helgeland Sparebank and was established to be the parent bank's enterprise for issuance of covered bonds. The company is headquartered in Mo i Rana, with address Jernbanegata 8601 Mo i Rana, Norway.

### Presentation currency

All amounts are stated in NOK thousand unless otherwise specified. Presentation currency and functional currency are both NOK.

### Basis of preparation of financial statements

The accounts have been prepared in accordance to international accounting rules (IFRS). The company is a part of the Helgeland Sparebank Group, who implemented IFRS in the consolidated accounts from 1 January 2005. The company uses the same principles of measurement, classification and presentation as the consolidated accounts for Helgeland Sparebank.

The annual accounts have been prepared on a going concern basis.

### Presentation in the balance sheet and profit and loss account

#### Loans

Loans are recognised in the balance sheet depending on the counterparty, either as loans to and deposits with credit institutions or as loans to customers, depending on the measurement principle.

Interest income on loans is included in the line for "net interest income".

Changes in value that can be linked to identify objective evidence of impairment on the balance-sheet date for loans carried at amortised cost and for the portfolios of loans at fixed interest rates that are carried at fair value are included in "write-downs of loans and guarantees".

#### Liabilities to credit institutions and deposits from customers

Liabilities to financial institutions are recognised as liabilities to credit institutions regardless of the measurement principle. Interest expense on the instruments is included in net interest income based on the internal rate of return method.

Other changes in value are included in "net gains on financial instruments at fair value".

### Segment reporting

The company's operations involve only one strategic business area, which is organised and managed on a total basis. The company's business area is the retail market. Lending to the corporate market is mortgages to sole proprietorships and represents a smaller share of total lending. The company does not report this as a separate segment.

### Changes in accounting principles and information

#### *(a) New and amended standards adopted*

There are no significant new IFRS standards or interpretations which have been adopted from 1. January 2016.

#### *(b) New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are mandatory for future financial statements. Among those that the company has chosen not to early apply, are disclosed below.

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

IFRS 9 has a more principle-based approach to how the financial assets are measured, either at amortized cost or fair value, than IAS 39 has. The principles for financial liabilities is mainly the same, with some exceptions including cases related to changes in value of own credit risk, where liability is measured using the fair value option. In addition, financial assets that both are held to receive contractual cash flows and for resale are measured at fair value. Changes are recorded as other comprehensive income (OCI).

Hedge accounting will increasingly take into account the companies' risk management activities because certain requirements related to hedging effectiveness are

## NOTES TO THE ACCOUNTS

removed (hedge effectiveness, retrospective effectiveness test), as well as increased access to secure net positions and groups of transactions. The bank will initially not change the existing practice in that all debt in fixed-rate and foreign currency are classified under the rules on hedge accounting.

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

### Financial instruments

The company defines its financial assets and liabilities within the following classes:

- Securities issued and subordinated loan capital
  - Securities issued at floating rates of interest
- Loan to and claims on costumers
  - Loan at floating rates of interest

Financial instruments are valued in accordance with IAS 39. All purchases and sales of financial instruments are recognised in the accounts at the transaction date.

#### Securities issued

Securities issued are defined as securities which the company does not intend to trade and which were originally issued by the company. Buy-backs of own bonds in connection with debt reduction are netted against bond debt.

Liabilities at floating rates of interest are assessed at fair value when they are first included in the accounts and later at amortised cost through the use of the effective interest method. Any premium/discount is accrued over the term to maturity. The liabilities are shown in the balance sheet at amortised cost (including accrued interest). Changes in value for amortised cost are recognised in the profit and loss account and net interest.

All loans in Helgeland Boligkreditt are p.t FRN.

#### Loans to customers

The company has defined its market area (Helgeland) as one segment.

Loans at floating rates of interest are measured at amortised cost in compliance with IAS 39. The amortised cost is the purchase cost less repayments on capital, plus or minus cumulative amortisation resulting from an effective interest method, less any amount for impairment. Loans at amortised cost, including accrued interest, reflect the value in the balance sheet. Interest income on loans to customers is recognised as income under net interest. When loans are first recognised in the balance sheet, they are valued at fair value.

All loans are p.t FRN.

#### Write-downs on loans

A loan or a group of loans is written down when there is objective evidence of impairment of value as a result of loss events which can be reliably estimated, and which are important for the expected future cash flows from the loan or group of loans.

Loans are written down individually when there is objective evidence of the loan's impairment of value. The amount of the write-down is calculated as the difference between the book and present value of future cash flows calculated according to the expected life of the loan in question. The discounting is done through the use of the effective interest method. Calculated loss is shown on a gross basis in the balance sheet as an individual write-down on loans and is recognised in the profit and loss account as a loss cost. Loans which have been written down individually are not included in the basis for collective write-downs.

Loans are written down collectively when there is objective evidence suggesting impairment of a group of loans. Customers are classified in risk groups on the basis of different parameters such as financial strength, revenue generation, liquidity and funding, business sector, geographical location and behavioural score. These factors provide indications of debtors' ability to service their loans, and are relevant for the calculation of future cash flows from the different risk groups. Each individual risk group is assessed collectively with regard to the need for write-downs.

#### **Interest income and interest cost**

Interest income and interest costs relating to assets and liabilities measured at amortised cost are recognised in the profit and loss account on an ongoing basis through the use of the effective interest method.

Interest income on loans which have been written down is calculated by using the same effective rate of interest as the one applied when discounting the original cash flow. Interest income on fixed-interest loans is recognised at fair value. Changes in the fair value of fixed-interest loans are recognised in the profit and loss account as a change in the value of financial instruments.

## NOTES TO THE ACCOUNTS

### Commission income and expenses

In general, commission income and expenses are accrued as a service is provided. Fees related to interest bearing instruments are not accounted as commission, but is included in the calculation of effective interest and recognized equivalent.

### Cash and cash equivalents

Cash and cash equivalents are consist of cash, bank deposits, other short-term highly liquid investments with maturities of three months or less and bank overdrafts.

### Provisions

Provisions are included in the accounts when the company has a currently valid obligation (legal or assumed) as a result of events, which have occurred, and when it is more likely than not that a financial settlement as a result of the obligation will take place, and when the size of the amount involved can be reliably estimated.

Provisions are reviewed on each balance sheet date in question, the level reflecting the best estimate of the obligation. When the effect of time is insignificant, the provisions will be equal to the amount of the cost required in order to be free of the obligation. When the effect of time is significant, the provisions will be equal to the present value of the future cash payments needed to meet the obligation.

In cases where there are several obligations of the same kind, the likelihood of the obligation resulting in a settlement is determined by assessing the group as a whole. Provisions for the company are included in the accounts even if the likelihood of a settlement relating to the company's individual elements may be low.

### Tax

Deferred tax is calculated on all temporary differences between accounts-related and tax-related balance sheet values according to the currently applicable tax rate at the end of the period (the liabilities method). Tax-increasing temporary differences include a deferred tax liability, and tax-reducing, temporary differences, together with any loss to be carried forward, include a possible deferred tax benefit. Deferred tax benefit is shown in the balance sheet when it is likely that in the future there will be taxable income against which the deferred tax benefit can be used.

The tax cost in the profit and loss account comprises both the period's payable tax and any change in deferred tax. The change in deferred tax reflects future payable taxes which are incurred as a result of the operations during the year.

### Share capital

Provision for dividends and group contributions are classified as equity capital in the period until the dividend is decided by the company's supervisory board.

Provisions are not included in the calculation of capital adequacy. When the dividend or group contribution is decided by the General Assembly, it will be removed from the equity capital and classified as short-term liability until payment is made.

## NOTE 2 CAPITAL MANAGEMENT AND RISK CONDITIONS

### Organization and authorizations

The Board of Helgeland Boligkreditt AS sets long-term goals for the company's risk profile that are matched against the Helgeland Sparebank Group's risk. The risk profile is operationalized through the risk management framework, including authorizations.

### Monitoring and use

Risk reporting in the company should ensure that all managers have the necessary information about current risk levels and future development. To ensure quality and sufficient independence, risk reporting is organized and led by units that are independent for the operative units. Capital evaluation; the company's capital situation and risk is assessed and summarized in a separate risk report to the Board of Helgeland Boligkreditt AS.

### Risk categories in Helgeland Boligkreditt AS

- Credit risk is defined as the risk for losses if a borrower or counterparty is unable to meet their payment obligations.
- Liquidity risk is the risk that the company not complies with its payment obligations.
- Operational risk is the risk for losses as the result of deficiencies or errors in processes and systems, errors made by employees or external events.
- Market risk is the risk of financial loss as the result of changes in external factors such as market conditions or government regulations. The risk also includes reputational risk.

The Helgeland Sparebank Group uses a total risk model to quantify risk through calculation for the individual risk categories and for the Group's overall risk, this includes the Group's individual companies, like Helgeland Boligkreditt AS. The capital requirement shall among others cover unexpected losses that may occur in business. ICAAP calculation is carried out separately for Helgeland Boligkreditt AS.

The Main Agreement and the Transfer- and service agreement between Helgeland Boligkreditt AS and Helgeland Sparebank ensures and maintains the operational risk. The agreements include administration, customer care, IT-management, finance- and risk management.

The company has no currency exposure.

### NOTE 2.1 CREDIT RISK

Overall, the credit risk of the company is characterized as low, WA LTV per 31.12.16 was 53 % (53 %).

#### NOTE 2.1.1 CREDIT EXPOSURE

| <b>Balance items</b>   | <b>31.12.16</b>  | <b>31.12.15</b>  |
|--|------------------|------------------|
| Loans to and claims on credit institutions                   | 292 853          | 206 909          |
| Loans to and claims on customers                             | 5 624 424        | 4 307 118        |
| <b>Lending to and claims on customers, to amortized cost</b> | <b>5 917 277</b> | <b>4 514 027</b> |
| Lending to customers at fair value                           | 0                | 0                |
| <b>Lending to and claims on customers, at fair value</b>     | <b>0</b>         | <b>0</b>         |
| Potential exposure to credit lines                           | 424 091          | 402 425          |
| <b>Total credit exposure, balance items</b>                  | <b>424 091</b>   | <b>402 425</b>   |
| Unallocated credit limit                                     | 2 019 888        | 2 502 987        |
| <b>Total credit exposure, off-balance sheet</b>              | <b>2 443 979</b> | <b>2 905 412</b> |
| <b>Total credit exposure</b>                                 | <b>8 361 256</b> | <b>7 419 439</b> |

1) The credit exposure by IFRS is the amount that best represents the maximum exposure to credit risk. For a financial asset this is the gross carrying value and any impairment losses.

## NOTE 2.1.2 COMMITMENT BY RISK CLASS

### Risk classifications loans

Risk classification is an integral part of the Group's administrative system. The system permits risk development in the Bank's loan portfolio to be monitored. The risk classification model used for both retail and corporate customers has been developed in cooperation with a number of other banks. The classification system has been adopted for the entire customer base from 31.05.09.

Retail customers are awarded a Probability of Default (PD)/score based on payment reminders, overdrawn ratio of loans/deposits etc. The loan portfolio is classified monthly and customers are awarded a score from A to K, where A is the lowest risk and K the highest risk. Retail customers are also subject to an application score in connection with new loan applications.

The actual change in risk allocations from 2015 is marginal.

Risk classification is based on economics only - collateral is not taken into account.

|  |                  |            | 31.12.16           |                  |
|--|------------------|------------|--------------------|------------------|
|  | Gross lending    | Guarantees | Potential exposure | Total exposure   |
| Behavior score                         |                  |            |                    |                  |
| <b>Personal customers retail</b>       |                  |            |                    |                  |
| Low risk                               | 4 860 037        |            | 413 312            | 5 273 349        |
| Medium risk                            | 578 237          |            | 3 211              | 581 448          |
| High risk                              | 56 375           |            | 0                  | 56 375           |
| <b>Total personal customers retail</b> | <b>5 494 649</b> | <b>0</b>   | <b>416 523</b>     | <b>5 911 172</b> |

|                                  |                  |          |                |                  |
|----------------------------------|------------------|----------|----------------|------------------|
| <b>Corporate retail</b>          |                  |          |                |                  |
| Low risk                         | 115 915          |          | 7 423          | 123 338          |
| Medium risk                      | 11 256           |          | 145            | 11 401           |
| High risk                        | 7 204            |          | 0              | 7 204            |
| <b>Total corporate retail 1)</b> | <b>134 375</b>   | <b>0</b> | <b>7 568</b>   | <b>141 943</b>   |
| <b>Total</b>                     | <b>5 629 024</b> | <b>0</b> | <b>424 091</b> | <b>6 053 115</b> |

|  |                  |            | 31.12.15           |                  |
|--|------------------|------------|--------------------|------------------|
|  | Gross lending    | Guarantees | Potential exposure | Total exposure   |
| Behavior score                         |                  |            |                    |                  |
| <b>Personal customers retail</b>       |                  |            |                    |                  |
| Low risk                               | 3 742 658        |            | 385 340            | 4 127 998        |
| Medium risk                            | 445 343          |            | 6 912              | 452 255          |
| High risk                              | 26 722           |            |                    | 26 722           |
| Not classified                         |                  |            |                    |                  |
| <b>Total personal customers retail</b> | <b>4 214 723</b> | <b>0</b>   | <b>392 252</b>     | <b>4 606 975</b> |

|                               |                  |          |                |                  |
|-------------------------------|------------------|----------|----------------|------------------|
| <b>Corporate retail</b>       |                  |          |                |                  |
| Low risk                      | 87 672           |          | 9 721          | 97 393           |
| Medium risk                   | 7 798            |          | 452            | 8 250            |
| High risk                     | 1 025            |          |                | 1 025            |
| <b>Total corporate retail</b> | <b>96 495</b>    | <b>0</b> | <b>10 173</b>  | <b>106 668</b>   |
| <b>Total</b>                  | <b>4 311 218</b> | <b>0</b> | <b>402 425</b> | <b>4 713 643</b> |

|                                  | 31.12.16    | 31.12.15    |
|----------------------------------|-------------|-------------|
| <b>Secured; LTV distribution</b> |             |             |
| 1-40                             | 24.3 %      | 24.3 %      |
| 41-50                            | 13.6 %      | 14.7 %      |
| 51-60                            | 18.0 %      | 18.9 %      |
| 61-70                            | 24.6 %      | 22.5 %      |
| 71-75                            | 13.5 %      | 10.2 %      |
| >76                              | 6.0 %       | 9.3 %       |
| <b>Total LTV</b>                 | <b>53 %</b> | <b>53 %</b> |

### NOTE 2.1.3 DOUBTFUL LOANS AND COMMITMENTS

| <b>Defaulted commitments</b>              | <b>31.12.16</b> | <b>31.12.15</b> |
|---|-----------------|-----------------|
| Gross defaulted commitments over 90 days  | 0               | 0               |
| Individual write-downs of defaulted loans | 0               | 0               |
| <b>Net defaulted commitments</b>          | <b>0</b>        | <b>0</b>        |

The table shows the amounts due on loans by number of days past due which is not due to delays in the payment system. Past due loans are continuously monitored. Commitments where there is identified a probable deterioration in customer solvency, are assessed for impairment.

| <b>Overdrawn - number of days</b>                 | <b>31.12.16</b> | <b>31.12.15</b> |
|---|-----------------|-----------------|
| 1-29 days   | 0               | 0               |
| 30-59 days  | 2 680           | 0               |
| 60-89 days  | 0               | 0               |
| > 90 days   | 0               | 0               |
| <b>Total disordered loans without impairments</b> | <b>2 680</b>    | <b>0</b>        |

### NOTE 2.2 MARKET RISK

Helgeland Boligkreditt AS is through its operations exposed to interest rate risk. The company has no fixed rate loans and no fixed rate funding, hence there are no derivative agreements in the company.

The Board sets limits for interest rate risk and the positions are monitored continuously. The prepared reports showing exposure are reported monthly to the finance committee of the parent bank and to the CEO, and quarterly to the Board of Directors.

The sensitivity analysis (lending and borrowing) shows the expected result reflected by 1 percentage point's parallel shift in the entire interest rate curve.

Interest rate risk at 31.12.16 is MNOK -0.5 (MNOK -1.0) and is well within the company's target of < MNOK 5.

Helgeland Boligkreditt AS is not exposed to market risk related to foreign currency and equity instruments.

#### NOTE 2.2.1 REMAINING TIME TO INTEREST RATE ADJUSTMENT

| <b>Interest rate risk- remaining periods until next interest rate re-fix</b> |               |                  |               |                  |                |                    | <b>31.12.16</b>  |
|--|---------------|------------------|---------------|------------------|----------------|--------------------|------------------|
|  | <b>Up to</b>  | <b>From</b>      | <b>From</b>   | <b>From</b>      | <b>Over</b>    | <b>No int rate</b> | <b>Total</b>     |
|  | <b>1 mth.</b> | <b>1-3 mnt</b>   | <b>3 mnt</b>  | <b>1-5 years</b> | <b>5 years</b> | <b>change</b>      |                  |
| <b>ASSETS</b>  |               |                  |               |                  |                |                    |                  |
| Loans to and claims on credit inst with no a/maturity                        |               | 292 853          |               |                  |                |                    | 292 853          |
| Net loans to and claims on customers   |               | 5 624 424        | 0             |                  |                |                    | 5 624 424        |
| Certificate  |               |                  | 24 913        |                  |                |                    | 24 913           |
| Other non-int-bearing assets   |               | 0                |               |                  |                | 775                | 775              |
| <b>Total assets</b>  | <b>0</b>      | <b>5 917 277</b> | <b>24 913</b> | <b>0</b>         | <b>0</b>       | <b>775</b>         | <b>5 942 965</b> |
| <b>Liabilities and EQ. CAP</b>   |               |                  |               |                  |                |                    |                  |
| Liabilities to credit inst. With no agreed maturity                          |               |                  |               | 980 112          |                |                    | 980 112          |
| Borrowings through the issuance of securities                                |               | 4 523 326        |               |                  |                |                    | 4 523 326        |
| Other non-int-bearing liabilities  |               |                  |               |                  |                | 12 526             | 12 526           |
| <b>Total liabilities</b>   | <b>0</b>      | <b>4 523 326</b> | <b>0</b>      | <b>980 112</b>   | <b>0</b>       | <b>12 526</b>      | <b>5 515 964</b> |
| <b>Net int rate sensitivity gap</b>  | <b>0</b>      | <b>1 393 951</b> | <b>24 913</b> | <b>-980 112</b>  | <b>0</b>       | <b>-11 751</b>     | <b>427 001</b>   |



| <b>Interest rate risk- remaining periods until next interest rate re-fix</b> |               |                  |              |                 |             |                     | <b>31.12.15</b>  |
|--|---------------|------------------|--------------|-----------------|-------------|---------------------|------------------|
|  | <b>Inntil</b> | <b>Fra</b>       | <b>Fra</b>   | <b>Fra</b>      | <b>Over</b> | <b>Uten</b>         | <b>Totalt</b>    |
|  | <b>1 mnd.</b> | <b>1-3 mnd.</b>  | <b>3 mnd</b> | <b>1-5 år</b>   | <b>5 år</b> | <b>renteendring</b> |                  |
| <b>ASSETS</b>  |               |                  |              |                 |             |                     |                  |
| Loans to and claims on credit inst with no a/maturity                        |               | 206 909          |              |                 |             |                     | 206 909          |
| Net loans to and claims on customers   |               | 4 307 118        |              |                 |             |                     | 4 307 118        |
| Other non-int-bearing assets   |               |                  |              |                 |             | 90                  | 90               |
| <b>Total assets</b>  | <b>0</b>      | <b>4 514 027</b> | <b>0</b>     | <b>0</b>        | <b>0</b>    | <b>90</b>           | <b>4 514 117</b> |
| <b>Liabilities and EQ. CAP</b>   |               |                  |              |                 |             |                     |                  |
| Liabilities to credit inst. With no agreed maturity                          |               |                  |              | 497 013         |             |                     | 497 013          |
| Borrowings through the issuance of securities                                |               | 3 672 610        |              |                 |             |                     | 3 672 610        |
| Other non-int-bearing liabilities  |               |                  |              |                 |             | 12 532              | 12 532           |
| <b>Total liabilities</b>   | <b>0</b>      | <b>3 672 610</b> | <b>0</b>     | <b>497 013</b>  | <b>0</b>    | <b>12 532</b>       | <b>4 182 155</b> |
| <b>Net int rate sensitivity gap</b>  | <b>0</b>      | <b>841 417</b>   | <b>0</b>     | <b>-497 013</b> | <b>0</b>    | <b>-12 442</b>      | <b>331 962</b>   |

### **NOTE 2.2.2 FINANCIAL DERIVATIVES**

As of 31.12.16 (31.12.15), both customer loans and funding (CB) have been agreed at floating rates and we have not signed any swap-agreements.

### **NOTE 2.3 LIQUIDITY RISK**

Liquidity risk is the risk that the company will be unable to fulfil its payment obligations.

The Board sets limits on an annual basis for the management of liquidity risk in the company. This involves determining the framework for liquidity risk management, organization and responsibilities, stress tests (both for the Group and for Helgeland Boligkreditt AS), routines for monitoring limit utilization and compliance of policies, board- and management reporting, and independent monitoring of the systems of governance.

According to the Financial Institutions Act § 11-12(1) "the credit institution must ensure that the cash flow from the cover pool at all times makes the mortgage company able to meet its payment obligations to holders of covered bonds and counterparties in derivative agreements." The company has established credit facilities in order to reduce liquidity risk.

Overall, Helgeland Boligkreditt AS's liquidity situation per 31.12.16 is considered good. Long-term funding with maturities over one year is 88.5 % (87.9 %).

### NOTE 2.3.1 LIQUIDITY RISK, MATURITY

| Funding risk. Remaining periods                   |               |                |                  |                  |                  |                 | 31.12.16         |
|---|---------------|----------------|------------------|------------------|------------------|-----------------|------------------|
|   | 0-3<br>months | 3-12<br>months | 1-3<br>years     | 3-5<br>years     | Over<br>5 years  | No<br>Remaining | Total            |
| Liabilities to credit institutions                |               |                |                  | 997 112          | 0                | 0               | 997 112          |
| Borrowings through the issuance of securities     |               | 530 024        | 2 631 008        | 1 599 545        | 0                | 0               | 4 760 577        |
| Financial derivatives gross settlement            |               |                |                  |                  | 12 526           | 0               | 12 509           |
| <b>Total payments</b>                             | <b>0</b>      | <b>530 024</b> | <b>2 631 008</b> | <b>2 596 657</b> | <b>12 526</b>    | <b>0</b>        | <b>5 770 198</b> |
| Loans to and claims on credit institutions        | 47 177        | 295 025        |                  |                  |                  |                 | 295 025          |
| Loans to and claims on customers                  |               | 155 771        | 1 349 841        | 450 318          | 3 940 483        |                 | 5 943 590        |
| Certificates, bonds and shares available for sale |               | 25 151         |                  |                  |                  |                 | 25 151           |
| <b>Total payments</b>                             | <b>47 177</b> | <b>475 947</b> | <b>1 349 841</b> | <b>450 318</b>   | <b>3 940 483</b> | <b>0</b>        | <b>6 263 766</b> |
| Net   | -47 177       | 54 077         | 1 281 167        | 2 146 339        | -3 927 974       | 0               | -493 568         |

| Funding risk. Remaining periods               |               |                |                  |                  |                  |                 | 31.12.15         |
|---|---------------|----------------|------------------|------------------|------------------|-----------------|------------------|
|   | 0-3<br>months | 3-12<br>months | 1-3<br>years     | 3-5<br>years     | Over<br>5 years  | No<br>Remaining | Total            |
| Liabilities to credit institutions            |               |                |                  | 512 479          |                  |                 | 512 479          |
| Borrowings through the issuance of securities |               | 489 138        | 1 819 701        | 1 849 771        |                  |                 | 4 158 610        |
| Financial derivatives gross settlement        |               |                |                  |                  |                  | 12 532          | 12 532           |
| <b>Total payments</b>                         | <b>0</b>      | <b>489 138</b> | <b>1 819 701</b> | <b>2 362 250</b> | <b>0</b>         | <b>12 532</b>   | <b>4 683 621</b> |
| Loans to and claims on credit institutions    |               | 210 912        |                  |                  |                  |                 | 210 912          |
| Loans to and claims on customers              | 37 668        | 111 962        | 1 356 502        | 236 250          | 2 933 568        |                 | 4 675 950        |
| <b>Total payments</b>                         | <b>37 668</b> | <b>322 874</b> | <b>1 356 502</b> | <b>236 250</b>   | <b>2 933 568</b> |                 | <b>4 886 862</b> |
| Net   | -37 668       | 166 264        | 463 199          | 2 126 000        | -2 933 568       | 12 532          | -203 241         |

Gross settlement (including interest payments).

The company has unused credit facilities in the parent bank totaling MNOK 2,000 (2,500).

### NOTE 3. SEGMENT

The company operates at one strategic business area only.

The company's business area is the retail market. Lending to the corporate market is mortgages to sole proprietorships and represents a smaller share of total lending. The geographic segment is Helgeland. The company only reports one segment.

|                        | 31.12.16         | 31.12.15         |
|------------------------|------------------|------------------|
| Personal retail        | 5 494 610        | 4 214 634        |
| Corporate retail       | 134 414          | 96 584           |
| <b>Total</b>           | <b>5 629 024</b> | <b>4 311 218</b> |
| Collective write-downs | -4 600           | -4 100           |
| <b>Total</b>           | <b>5 624 424</b> | <b>4 307 118</b> |

| Geographical exposure within the loan portfolio |  | 31.12.16         | 31.12.15         |
|---|--|------------------|------------------|
| Helgeland                                       |  | 4 477 971        | 3 541 181        |
| Areas other than Helgeland                      |  | 1 140 131        | 760 846          |
| International 1)                                |  | 10 922           | 9 191            |
| <b>Total</b>                                    |  | <b>5 629 024</b> | <b>4 311 218</b> |

1) Customers are living abroad - Helgeland Boligkreditt AS has collateral in Norwegian residential properties.

#### NOTE 4. NET INTEREST INCOME

| <b>Specifications of income:</b>                                | <b>31.12.16</b> | <b>31.12.15</b> |
|---|-----------------|-----------------|
| Interest income of lending to and claims on credit institutions | 2 172           | 3 505           |
| Interest income of lending to and claims on customers           | 141 169         | 145 897         |
| <b>Total interest income</b>                                    | <b>143 341</b>  | <b>149 402</b>  |
| Interest expense on liabilities to credit institutions          | 15 720          | 15 466          |
| Interest expense on issued securities                           | 72 029          | 70 630          |
| Other interest expenses   | 0               | 0               |
| <b>Total interest expenses</b>                                  | <b>87 749</b>   | <b>86 096</b>   |
| <b>Net interest income</b>                                      | <b>55 592</b>   | <b>63 306</b>   |

#### NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

There is no effect of financial instruments in 2016 or 2015.

#### NOTE 6. OPERATING COSTS

| <b>Specification of costs:</b>              | <b>31.12.16</b> | <b>31.12.15</b> |
|---|-----------------|-----------------|
| Management fee and wage general manager     | 5 679           | 9 834           |
| Other administration costs                  | 0               | 0               |
| <b>Total wages and administration costs</b> | <b>5 679</b>    | <b>9 834</b>    |
| Other operating costs                       | 2 352           | 2 677           |
| <b>Total operating costs</b>                | <b>8 031</b>    | <b>12 511</b>   |
| <b>Number of FTEs</b>                       | <b>0.4</b>      | <b>0.4</b>      |

| <b>Specification of costs auditing</b> | <b>31.12.16</b> | <b>31.12.15</b> |
|--|-----------------|-----------------|
| Audit fees                             | 138             | 120             |
| Assistance audit                       | 199             | 181             |
| <b>Total costs audition</b>            | <b>337</b>      | <b>301</b>      |

#### NOTE 7. TAX

|                                      | <b>31.12.16</b> | <b>31.12.15</b> |
|--------------------------------------|-----------------|-----------------|
| <b>Tax for the year:</b>             |                 |                 |
| Tax payable                          | 12 091          | 13 002          |
| Insufficient provision previous year | 2 205           | 0               |
| Change in deferred tax (note 8)      | -327            | -328            |
| <b>Tax cost for the year</b>         | <b>13 969</b>   | <b>12 674</b>   |

#### **Breakdown between accounts-related result before tax and the year's income liable to tax**

|  |               |               |
|--|---------------|---------------|
| Accounts-related result before tax       | 47 070        | 50 803        |
| Permanent differences                    | -13           | 0             |
| Change in temporary differences (note 8) | 1 306         | -1 436        |
| <b>Income subject to tax</b>             | <b>48 363</b> | <b>49 367</b> |

## NOTE 8. DEFERRED TAXES

| Deferred tax / Deferred tax benefit              | 31.12.16     | 31.12.15     |
|--|--------------|--------------|
| <b>Positive temporary differences:</b>           |              |              |
| Positive temporary differences:                  | 0            | 0            |
| <b>Total positive temporary differences</b>      | <b>0</b>     | <b>0</b>     |
| <b>Negative temporary differences</b>            |              |              |
| Market value adjustment certificates             | 66           | 0            |
| Change in value of cover bonds at amortized cost | 1 607        | 2 979        |
| <b>Total negative temporary differences</b>      | <b>1 673</b> | <b>2 979</b> |
| Losses carried forward                           | 0            | 0            |
| <b>Total negative temporary differences</b>      | <b>1 673</b> | <b>2 979</b> |
| Deferred tax asset                               | 0            | 0            |
| Deferred tax                                     | 418          | 745          |

| Reconciliation of tax                               | 31.12.16      | 31.12.15      |
|---|---------------|---------------|
| Accounting profit before tax                        | 47 070        | 50 803        |
| Tax calculated at the entity's weighted average tax | 11 768        | 13 329        |
| Tax effect of:                                      |               | 0             |
| Tax-free income                                     | -3            | 0             |
| Adjustment from previous year                       | 2 205         | -655          |
| <b>Taxes in the income statement</b>                | <b>13 970</b> | <b>12 674</b> |

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

## NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

|  | Loand and claims | Assets to real value through Profit and loss account | Available for sale                                   | 31.12.16<br>Total |
|--|------------------|--|--|-------------------|
| Lending to and claims on credit institutions       | 292 853          |  |  | 292 853           |
| Lending to and claims on customers                 | 5 624 424        |  |  | 5 624 424         |
| Certificate  |                  |  | 24 913   | 24 913            |
| <b>Total assets</b>                                | <b>5 917 277</b> | <b>0</b>   | <b>24 913</b>  | <b>5 942 190</b>  |
|  |                  | Orher financial commitment                           | Commitment to real value through profit and loss acc | Total             |
| <b>31.12.16</b>                                    |                  |  |  |                   |
| Liabilities to creditinst. With agreed maturity *) |                  | 980 112  |  | 980 112           |
| Liabilities from issuance of securities            |                  | 4 523 326  |  | 4 523 326         |
| <b>Total liabilities</b>                           |                  | <b>5 503 438</b>                                     | <b>0</b>   | <b>5 503 438</b>  |

\*) The debt is entirely related to Helgeland Sparebank.

The Company has a credit facility (with maturity > one year) of MNOK 1,500. Per 31.12.16 unused credit was MNOK 520.

In addition the company has a revolving credit facility of MNOK 1,500 (with maturity > one year). This credit facility shall cover payment obligations in the Cover Pool for a rolling 12-months period, and is entirely unused.

No financial instrument measured at fair value.

|  |                     |  |                      | 31.12.15         |
|--|---------------------|--|----------------------|------------------|
|  | Loand and<br>claims | Assets to real<br>value through Profit<br>and loss account | Avalible for<br>sale | Total            |
| Lending to and claims on credit institutions | 206 909             |  |                      | 206 909          |
| Lending to and claims on customers           | 4 307 118           |  |                      | 4 307 118        |
| <b>Total assets</b>                          | <b>4 514 027</b>    | <b>0</b>   | <b>0</b>             | <b>4 514 027</b> |

|   |  | Other financial<br>commitment | Commitment to<br>real value through<br>profit and loss acc | Total            |
|---|--|-------------------------------|--|------------------|
| <b>31.12.15</b>                                 |  |                               |  |                  |
| Liabilities to creditinst. With agreed maturity |  | 497 013                       |  | 497 013          |
| Liabilities from issuance of securities         |  | 3 672 610                     |  | 3 672 610        |
| <b>Total liabilities</b>                        |  | <b>4 169 623</b>              | <b>0</b>   | <b>4 169 623</b> |

\*) The debt is entirely related to Helgeland Sparebank.

#### NOTE 10. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

|  | 31.12.16       | 31.12.15       |
|--|----------------|----------------|
| Liabilities to credit institutions without agreed maturity   | 292 853        | 206 909        |
| <b>Total loans to and liabilities to credit institutions</b> | <b>292 853</b> | <b>206 909</b> |

| Geographic areas       | 31.12.16       | %              |
|------------------------|----------------|----------------|
| <b>Total Helgeland</b> | <b>292 853</b> | <b>100.0 %</b> |

Applies in its entirety bank deposits in Helgeland Sparebank.

#### NOTE 11. LOANS AND AMORTIZATION

| Lending  | 31.12.16         | 31.12.15         |
|--|------------------|------------------|
| <b>Gross lending to customers</b>                            | <b>5 629 024</b> | <b>4 311 218</b> |
| Individual write-downs on lending                            | 0                | 0                |
| <b>Lending to customers after individual write-downs</b>     | <b>5 629 024</b> | <b>4 311 218</b> |
| Collective write-downs                                       | 4 600            | 4 100            |
| <b>Lending to and claims on customers, to amortized cost</b> | <b>5 624 424</b> | <b>4 307 118</b> |

#### NOTE 12. DISTRIBUTION LOANS

|                                       | 31.12.16         | 31.12.15         |
|---------------------------------------|------------------|------------------|
| Loans secured by residential property | 5 623 554        | 4 306 731        |
| Accrued interest                      | 5 470            | 4 487            |
| <b>Total</b>                          | <b>5 629 024</b> | <b>4 311 218</b> |

#### NOTE 13. WARRANTIES AND LIABILITIES

The company has no such obligations.

## NOTE 14. LIABILITIES

|  | 31.12.16         | 31.12.15         |
|--|------------------|------------------|
| Loans and deposits at credit institutions with afreed maturity <sup>*)</sup> | 980 112          | 497 013          |
| <b>Liabilities to credit institutions</b>                                    | <b>980 112</b>   | <b>497 013</b>   |
| Bond debt  | 4 523 326        | 3 672 610        |
| <b>Liabilities securities</b>  | <b>4 523 326</b> | <b>3 672 610</b> |
| Tax liabilities  | 12 091           | 11 931           |
| Other liabilities  | 435              | 601              |
| <b>Total ather liabilities</b>   | <b>12 526</b>    | <b>12 532</b>    |
| <b>Total liabilities</b>   | <b>5 515 964</b> | <b>4 182 155</b> |

<sup>\*)</sup> The debt is entirely related to the parent bank Helgeland Sparebank.

## NOTE 15. FINANCIAL LIABILITIES INCURRED THROUGH ISSUANCE OF SECURITIES (COVER BONDS)

Liabilities through issuance of securities are valued at amortized cost.

### Covered bonds:

| ISIN code                         | Currency | Par value | Own hold. | Interest | Admission        | Maturity | Soft call | 31.12.16 |                  |
|-----------------------------------|----------|-----------|-----------|----------|------------------|----------|-----------|----------|------------------|
| NO0010686710                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+0,50 | 2013     | 2019      | 2020     | 492 395          |
| NO0010709355                      | NOK      | 300 000   |           | Flytende | 3mnd. Nibor+0,40 | 2014     | 2020      | 2021     | 292 779          |
| NO0010623978                      | NOK      | 300 000   | 170 000   | Flytende | 3mnd. Nibor+0,67 | 2011     | 2017      | 2018     | 292 412          |
| NO0010645963                      | NOK      | 500 000   | 111 000   | Flytende | 3mnd. Nibor+1,00 | 2012     | 2017      | 2018     | 492 469          |
| NO0010660640                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+0,85 | 2012     | 2018      | 2019     | 493 018          |
| NO0010724065                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+0,30 | 2014     | 2021      | 2022     | 491 543          |
| NO0010748601                      | NOK      | 500 000   |           | Flytende | 3 mnd.Nibor+0,78 | 2015     | 2019      | 2020     | 491 691          |
| NO0010740673                      | NOK      | 500 000   |           | Flytende | 3 mnd.Nibor+0,49 | 2015     | 2020      | 2021     | 491 107          |
| NO0010764897                      | NOK      | 500 000   |           | Flytende | 3 mnd.Nibor+0,86 | 2016     | 2021      | 2022     | 492 893          |
| NO0010769920                      | NOK      | 500 000   |           | Flytende | 3 mnd.Nibor+0,78 | 2016     | 2022      | 2023     | 493 019          |
| <b>Total listed covered bonds</b> |          |           |           |          |                  |          |           |          | <b>4 523 326</b> |

Issue NO0010645963 MNOK 247, total.

All loans have soft call one year before maturity.

| ISIN code                         | Currency | Par value | Own hold. | Interest | Admission        | Maturity | Soft call | 31.12.15 |                  |
|-----------------------------------|----------|-----------|-----------|----------|------------------|----------|-----------|----------|------------------|
| NO0010686710                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+0,50 | 2013     | 2019      | 2020     | 500 847          |
| NO0010709355                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+0,40 | 2014     | 2020      | 2021     | 500 860          |
| NO0010592553                      | NOK      | 500 000   | 45 000    | Flytende | 3mnd. Nibor+0,58 | 2010     | 2016      | 2017     | 454 138          |
| NO0010623978                      | NOK      | 300 000   | 170 000   | Flytende | 3mnd. Nibor+0,67 | 2011     | 2017      | 2018     | 130 774          |
| NO0010645963                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+1,00 | 2012     | 2017      | 2018     | 500 890          |
| NO0010660640                      | NOK      | 300 000   | 15 000    | Flytende | 3mnd. Nibor+0,85 | 2012     | 2018      | 2019     | 285 430          |
| NO0010740673                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+0,40 | 2015     | 2020      | 2021     | 499 191          |
| NO0010724065                      | NOK      | 500 000   |           | Flytende | 3mnd. Nibor+0,30 | 2014     | 2021      | 2022     | 499 720          |
| NO0010748601                      | NOK      | 300 000   |           | Flytende | 3mnd. Nibor+0,70 | 2015     | 2019      | 2020     | 300 760          |
| <b>Total listed covered bonds</b> |          |           |           |          |                  |          |           |          | <b>3 672 610</b> |

Issue NO0010592553 MNOK 31, NO0010686710 MNOK 50 and NO0010724065 MNOK 100,

All loans have soft call one year before maturity.

|                           | 31.12.16         | 31.12.15         |
|---------------------------|------------------|------------------|
| <b>Total listed bonds</b> | <b>4.523.326</b> | <b>3.672.623</b> |
| Loans secured by property | 5.596.770        | 4.235.172        |
| Bank deposits             | 292.853          | 206.938          |
| <b>Total cover pool</b>   | <b>5.889.623</b> | <b>4.442.110</b> |

|                                   |           |         |
|-----------------------------------|-----------|---------|
| Cover pool capacity utilization   | 1.366.297 | 769.487 |
| Cover pool capacity utilization % | 30 %      | 21 %    |

The composition of the cover pool is defined in the Financial Undertakings Act § 11-8.

<sup>\*)</sup> Loans that are not qualified are not included in eligible cover pool.

#### NOTE 16. COVER POOL CAPACITY UTILIZATION

Assembly of the cover pool is defined in the Financial Undertakings Act § 11-8

LTV (loan to value) per 31.12.16 was 53 (53) %

#### NOTE 17. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

|   | 31.12.16         | 31.12.15         |
|---|------------------|------------------|
| <b>ASSETS</b>                                 |                  |                  |
| Loans to and claims on credit institutions    | 292 853          | 206 909          |
| Loans to and claims on customers              | 187 948          | 149 110          |
| Certificates                                  | 24 914           |                  |
| <b>Total short term assets</b>                | <b>505 715</b>   | <b>356 019</b>   |
| Loans to and claims on customers              | 5 437 250        | 4 158 098        |
| <b>Total long term assets</b>                 | <b>5 437 250</b> | <b>4 158 098</b> |
| <b>Total Assets</b>                           | <b>5 942 965</b> | <b>4 514 117</b> |
| <b>LIABILITIES AND EQUITY CAPITAL</b>         |                  |                  |
| Other liabilities                             | 12 526           | 12 532           |
| Borrowings through the issuance of securities | 519 582          | 454 138          |
| <b>Total short term liabilities</b>           | <b>532 108</b>   | <b>466 670</b>   |
| Liabilities to credit institutions            | 980 112          | 497 013          |
| Borrowings through the issuance of securities | 4 003 744        | 3 218 471        |
| <b>Total long term liabilities</b>            | <b>4 983 856</b> | <b>3 715 484</b> |
| <b>Total liabilities</b>                      | <b>5 515 964</b> | <b>4 182 154</b> |
| Paid-in equity capital                        | 390 010          | 290 010          |
| Accrued equity capital/retained earnings      | 36 991           | 41 953           |
| <b>Total equity capital</b>                   | <b>427 001</b>   | <b>331 963</b>   |
| <b>Total liabilities and equity capital</b>   | <b>5 942 965</b> | <b>4 514 117</b> |

#### NOTE 18. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.16 or 31.12.15.

#### NOTE 19. CAPITAL ADEQUACY

Capital adequacy is prepared following regulatory framework CRD IV/Basel III (standard method credit risk).

|   | 31.12.16       | 31.12.15       |
|---|----------------|----------------|
| <b>Total paid-in capital</b>                          | <b>390.010</b> | <b>290.010</b> |
| <b>Total accrued equity capital/retained earnings</b> | <b>36.927</b>  | <b>41.953</b>  |
| Additional  | 0              | 0              |
| Deduction   | -33.102        | -38.129        |
| <b>Total core capital</b>                             | <b>393.835</b> | <b>293.834</b> |
| <b>Total net supplementary capital</b>                | <b>0</b>       | <b>0</b>       |
| <b>Total net equity and related capital</b>           | <b>293.834</b> | <b>293.834</b> |
| Weighted asset calculation basis                      | 2.298.874      | 1.885.712      |
| Capital adequacy ratio                                | 17,13 %        | 15,58 %        |
| Of which core capital accounted for                   | 17,13 %        | 15,58 %        |

The share capital is increased by MNOK 100 in 2016. Total share capital amounts to MNOK 390. Helgeland Sparebank is the sole shareholder in the company.

## NOTE 20. CAPITAL ADEQUACY REGULATIONS BASEL II

|   | 31.12.16         | 31.12.15         |
|---|------------------|------------------|
| States and central banks                                  | 0                | 0                |
| Local and regional authorities (including municipalities) | 0                | 0                |
| Publicly owned enterprises                                | 0                | 0                |
| International organizations                               | 0                | 0                |
| Institutions  | 58 571           | 41 382           |
| Enterprises   | 0                | 0                |
| Mass market loans   | 136 482          | 70 219           |
| Loans secured by real property                            | 1 978 530        | 1 546 333        |
| Loans overdue   | 0                | 0                |
| High risks  | 0                | 0                |
| Covered bonds   | 0                | 0                |
| Units in securities funds                                 | 0                | 0                |
| Other loans and commitments                               | 775              | 86 035           |
| <b>Capital requirement credit risk</b>                    | <b>2 174 358</b> | <b>1 743 969</b> |
| Capital requirement operational risk                      | 124 516          | 141 743          |
| Deduction from capital requirement                        | 0                | 0                |
| <b>Total capital requirement</b>                          | <b>2 298 874</b> | <b>1 885 712</b> |

## NOTE 21. SHARE CAPITAL

The company has a share capital of MNOK 390, with shares par value NOK 1 000. Helgeland Sparebank owns all the shares.

## NOTE 22. REMUNERATION AND LOANS FOR THE GENERAL MANAGER AND BOARD

|  | Payments  | 2016<br>Loans |
|--|-----------|---------------|
| General manager, Britt Søfting                 |           | 0             |
| <b>Total remuneration for management</b>       | <b>0</b>  | <b>0</b>      |
| Chairman of the board, Lisbeth Flågeng         | 0         | 0             |
| Dag Hugo Heimstad                              | 0         | 0             |
| Helge Stanghelle                               | 22        | 0             |
| Ranveig Kråkstad                               | 0         | 0             |
| <b>Total boards of Directors</b>               | <b>22</b> | <b>0</b>      |
| Chairman Board of trustees, Thore Michalsen    | 5         | 0             |
| Geir Sætran                                    | 0         | 0             |
| Øyvind Karlsen                                 | 0         | 4 105         |
| Ann Karin Krogli                               | 0         | 2 564         |
| Kenneth Lyngseth Nilsson                       | 0         | 1 627         |
| Svein Hansen                                   | 0         | 0             |
| <b>Total Board of trustees</b>                 | <b>5</b>  | <b>8 296</b>  |
| Chairman og the Control Committee, Frank Høyen | 5         | 0             |
| Other members of the Control Committee         | 10        | 0             |
| <b>Total Control Committee</b>                 | <b>15</b> | <b>0</b>      |
| <b>Grant Total</b>                             | <b>42</b> | <b>8 296</b>  |

1) The General Manager is hired from Helgeland Sparebank and is remunerated by the parent bank. The company has paid NOK 226,000 to the parent bank for this. The Supervisory Board and the control committee have been discontinued. Remuneration to the chairman of the Supervisory Boards applies to 2015, - and for the Control committee until 01.04.2016.



|  | Payments  | 2015<br>Loans |
|--|-----------|---------------|
| General manager, Britt Søfting <sup>1)</sup>   | 0         | 0             |
| <b>Total remuneration for management</b>       | <b>0</b>  | <b>0</b>      |
| Chairman of the board, Lisbeth Flågeng         | 0         | 0             |
| Dag Hugo Heimstad                              | 0         | 0             |
| Helge Stanghelle                               | 20        | 0             |
| Ranveig Kråkstad                               | 0         | 0             |
| <b>Total boards of Directors</b>               | <b>20</b> | <b>0</b>      |
| Chairman Board of trustees, Thore Michalsen    | 10        | 0             |
| Geir Sætran                                    | 0         | 0             |
| Øyvind Karlsen                                 | 0         | 2 000         |
| Ann Karin Krogli                               | 0         | 1 638         |
| Kenneth Lyngseth Nilsson                       | 0         | 0             |
| Svein Hansen                                   | 0         | 0             |
| <b>Total Board of trustees</b>                 | <b>10</b> | <b>3 638</b>  |
| Chairman og the Control Committee, Frank Høyen | 5         | 0             |
| Other members of the Control Committee         | 10        | 0             |
| <b>Total Control Committee</b>                 | <b>15</b> | <b>0</b>      |
| <b>Grant Total</b>                             | <b>45</b> | <b>3 638</b>  |

1) The General Manager is hired from Helgeland Sparebank and is remunerated by the parent bank. The company has paid NOK 226,000 to the parent bank for this.

### NOTE 23. TRANSACTIONS WITH RELATED PARTIES

Helgeland Boligkreditt AS is fully owned by Helgeland Sparebank. Transactions are entered between Helgeland Boligkreditt AS and Helgeland Sparebank as ordinary business transactions. This includes loans and financial derivatives as part of the foreign exchange- and rent risk management. Transactions enters in market terms and is regulated by

- Transfer and service agreement for the transfer of loans from Helgeland Sparebank to Helgeland Boligkreditt AS.
- Main Agreement on intra-group services and infrastructure

All loans in the balance sheet of Helgeland Boligkreditt AS are transferred from Helgeland Sparebank. These loans are well secured mortgages within a loan to value of 75% or less. From the transfer date, revenues and repayments are recorded in the mortgage company. The parent bank administers the loans and a separate transfer and service agreement between Helgeland Boligkreditt AS and Helgeland Sparebank is entered into. The transfer and service agreement regulates the transfer of loans qualifying as collateral for the issuance of Covered bonds. Helgeland Boligkreditt AS pays management fees to the bank Per 2016 there were transferred loans totaling MNOK 5 629. The acquisition is based on market conditions.

Under the Main Agreement Helgeland Boligkreditt AS purchases services from the parent bank, including administration, banking, distribution, customer service, IT-services, financial and liquidity management. For these services Helgeland Boligkreditt AS pays an annual management fee based on the lending volume under management, in addition to payment for hired staff.

Helgeland Sparebank has by the end of 2016 invested MNOK 247 (MNOK 181) in Covered Bonds issued by Helgeland Boligkreditt AS.

(Ref.Note 2.3 credit facilities from the parent bank).

#### Group contribution

Allocated group contribution in 2015 of MNOK 38.1 was paid in 2016 to Helgeland Sparebank. In allocation of profits per 31.12.16 MNOK 33.1 is allocated as group contribution to the parent bank.

| <b>Intragroup transactions</b>            | <b>31.12.16</b> | <b>31.12.15</b> |
|---|-----------------|-----------------|
| <b>Profit and loss account</b>            |                 |                 |
| Interest income and similar income        | 2 172           | 3 505           |
| Interest expense and similar expense      | 15 720          | 15 466          |
| Dividend                                  | 38 129          | 48 148          |
| Management fee                            | 5 628           | 9 783           |
| <b>Balance sheet</b>                      |                 |                 |
| Lending and claims on credit institutions | 292 853         | 206 909         |
| Liabilities to credit institutions        | 980 112         | 497 013         |
| Liabilities from issue of securities      | 247 000         | 181 000         |

#### **NOTE 24. RESULT PER SHARE**

|                                 | <b>31.12.16</b> | <b>31.12.15</b> |
|---------------------------------|-----------------|-----------------|
| Result this year                | 33 102          | 38 129          |
| Number of shares                | 390 000         | 290 000         |
| Average number of shares        | 365 000         | 290 000         |
| Result per share in NOK         | 85              | 131             |
| Diluted result per share in NOK | 85              | 131             |

#### **NOTE 25. EVENTS AFTER THE BALANCE SHEET DATE**

The company is not aware of any post balance sheet events that will affect the financial statements.

Ongoing legal disputes: Helgeland Boligkreditt AS has not been involved in administrative matters, court proceedings or arbitration cases over the past 12 months, the company is not aware of any pending or threats which include such matters that may have or recently have had a significant impact on the company's financial position or profitability.

#### **NOTE 26. RESULT IN PERCENT OF AVERAGE TOTAL ASSETS**

|  | <b>31.12.16</b> | <b>31.12.15</b> |
|--|-----------------|-----------------|
| Interest receivable and similar income                     | 2.70 %          | 3.35 %          |
| Interest payable and similar costs                         | 1.66 %          | 1.93 %          |
| <b>Net interest- and credit commission income</b>          | <b>1.05 %</b>   | <b>1.42 %</b>   |
| Commissions receivable and income from banking services    | 0.00 %          | 0.00 %          |
| Commissions payable and costs relating to banking services | 0.00 %          | 0.00 %          |
| <b>Net commission income</b>                               | <b>0.00 %</b>   | <b>0.00 %</b>   |
| Operating costs  | 0.15 %          | 0.28 %          |
| Losses on loans, guarantees etc.                           | 0.00 %          | 0.00 %          |
| <b>Operating profit</b>                                    | <b>0.90 %</b>   | <b>1.14 %</b>   |
| <b>Result before tax</b>                                   | <b>0.89 %</b>   | <b>1.14 %</b>   |
| Tax payable on ordinary result                             | 0.26 %          | 0.28 %          |
| <b>Result from ordinary operations after tax</b>           | <b>0.62 %</b>   | <b>0.86 %</b>   |

## STATEMENT UNDER THE SECURITIES TRADING ACT § 5-6

We confirm to the best of our knowledge that the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with the applicable accounting standards, and that the information in the financial statements give true and fair view of the company's assets, liabilities, financial positions and result. We also declare that the annual report gives a fair review of the development, performance and position of the company, together with a description of the principal risks and uncertainties facing the company.

Mo i Rana, 21. February 2017

Lisbeth Flågeng  
*Chairman*

Dag-Hugo Heimstad  
*Vice-Chairman*

Helge Stanghelle

Ranveig Kråkstad

Brit Søfting  
*General Manager*

## OTHER KEY FIGURES

|  | 31.12.16  | 31.12.15  | 31.12.14  |
|--|-----------|-----------|-----------|
| <b>Profit &amp; Loss Account</b>             |           |           |           |
| Gros profit ( NOK 1.000)                     | 33.102    | 38.129    | 48.148    |
| Net interest as a % of average assets        | 1,05 %    | 1,42 %    | 1,77 %    |
| Operation cost as a % of income              | 14,4 %    | 19,8 %    | 17,7 %    |
| Result after tax as a % of average assets    | 0,62 %    | 0,86 %    | 1,06 %    |
| <b>Balance sheet</b>                         |           |           |           |
| Gross lending (NOK 1.000)                    | 5.629.024 | 4.311.218 | 4.217.944 |
| Collective write-downs as a % of lending     | 0,10 %    | 0,10 %    | 0,10 %    |
| 12 months growth in customer lending         | 30,60 %   | 2,21 %    | -12,10 %  |
| Total assets (NOK 1.000 kr)                  | 5.942.965 | 4.514.117 | 4.437.889 |
| Average total assets                         | 5.299.332 | 4.455.209 | 4.527.668 |
| <b>Solidity</b>                              |           |           |           |
| Rate of return on equity capital             | 8,3 %     | 11,8 %    | 14,5 %    |
| Core tier one Capital (NOK 1.000)            | 393.835   | 293.834   | 293.518   |
| Core tier one Capital ratio                  | 17,1 %    | 15,6 %    | 16,7 %    |
| Leveral Ratio                                | 6,4 %     | 6,10 %    | 6,60 %    |
| <b>Information on lending portfolio</b>      |           |           |           |
| Surplus value of cover pool (NOK 1.000)      | 1.391.210 | 769.471   | 979.161   |
| Surplus value of cover pool (%)              | 31 %      | 21 %      | 29 %      |
| Indexed LTV                                  | 53,3 %    | 53,0 %    | 52,0 %    |
| Propotion of variable-rate loans             | 100 %     | 100 %     | 100 %     |
| Propotion of flexible mortgages*)            | 17,0 %    | 22,0 %    | 21,0 %    |
| Average loan value (NOK 1.000)               | 1.020     | 872       | 853       |
| Number of loans                              | 5.512     | 4.886     | 4.905     |
| Remaining maturity - weighted average (year) | 18,4      | 16,3      | 16,5      |
| Seasoning - weighted average (year)          | 2,8       | 3,8       | 3,5       |

\*) Calculated from the drawn amount

## **Elected representatives and senior management in Helgeland Boligkreditt AS**

### **The General Meeting:**

Helgeland Sparebank through its CEO, Lisbeth Flågeng.

### **General Manager**

Brit Søfting

### **Board of Directors:**

Lisbeth Flågeng, Chairman

Dag Hugo Heimstad, Vice Chairman

Ranveig Kråkstad

Helge Stanghelle

## **Contact information**

### **Helgeland Sparebank**

Address: PO Box 68, N-8601 Mo i Rana

Organization no.: 937 904 029

[www.hsb.no](http://www.hsb.no)

### **Helgeland Boligkreditt AS**

Organization no.: 993 359 696

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### **Investor Relations**

Sverre Klausen, CFO, telephone +47 75 12 82 22

Tore Stamnes, Head of Treasury, telephone +47 75 11 90 91

### **Other sources:**

### **Annual reports:**

Helgeland Boligkreditt AS is part of the Helgeland Sparebank group. Annual reports are available under investor relations information at [www.hsb.no](http://www.hsb.no)

### **Interim reports**

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