

financial report

first quarter 2017



Helgeland Sparebank

Interim report first quarter 2017

General information

Helgeland Sparebank is an independent savings bank determined to be the leading bank and a driving force for growth in Helgeland. Helgeland Sparebank is the only bank with a head office in the region and has a solid equity. The bank's strong market position combined with professional expertise, competitive prices and solid capital makes the bank well prepared to meet the competition. The bank has 12 offices in 12 municipalities in Helgeland and is the 10th largest savings bank in Norway.

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

Main features so far this year (HSB group)

- Gross profit MNOK 84 (154). Adjusted for one-time effect pension, which was recognized as income by MNOK 75 in 2016, profit from ordinary operations was MNOK 79 in Q1 2016.
- Increased net interest MNOK 135 (125)
- Net interest in % of BTA 1.83 (1.84) %
- Stable commission income MNOK 20 (20)
- Moderate write-downs on lending MNOK 6 (5)
- Write-downs in % of BTA (0.08) (0.07) %
- ROE 8.1 (12.1) %
- Earnings per EC NOK 2.4 (4.7)
- Solid CET1 after emissions in 2016

Result first quarter

Key figures:

(Comparison per 31.03.16)

- Costs in percent of BTA 0.94 (0.96) %
- Write-downs on lending 0.08 (0.07) %
- 3-month lending growth 1.9 (1.9) %
- 3-month deposit growth 0.6 (0.9) %
- CET1 ratio 15.8 (14.9) %
- Capital ratio 19.2 (18.2) %

The net interest

Net interest income was 135 (125) million or 1.83 (1.84) % of average assets. This is an increase of MNOK 10 compared with the corresponding period last year.

Net commission earnings

The net commission earnings were MNOK 20 (20) or 0.27 (0.30) % of the average total assets.

The bank's ownership in product companies provides the bank with a complete product and service range. The bank owns 7.9 % of the insurance company Frende Holding AS. In the leasing company Brage Finans AS, Helgeland Sparebank's owner share is 10 % and in the brokerage Norne 7.4 %. Commission from insurance is MNOK 4.7 (4.5).

Net value change and profit/loss from financial instruments

Net income from financial instruments was MNOK 3 (2). Profit share from Helgeland Invest amounts to MNOK 4 (5.). The parent bank has this quarter recognized dividend from Helgeland Boligkreditt AS of MNOK 33 as income. This is included in the dividend basis.

Operating costs

Total operating costs were MNOK 69 (65). New finance tax in 2017 is expensed by MNOK 1.3. Operating costs in % of BTA was 0.94 (0.96) %, while costs measured against income was 43.4 (43.6) %.

The bank has a sick leave of 4.9 (4.7) %.

Expensed write-downs on commitments

Write-downs on loans to customers and guarantees amounts to MNOK 6 (5) and the underlying entries are an increase write-down at corporate market loans of MNOK 7, while write-downs personal customers is reduced (recognized as income) by MNOK 1.

The equity certificate – HELG

By the end of the quarter the number of EC owners amounts to 2 077. The 20 largest owners are noted with 78.9 % of the EC capital.

Sparebankstiftelsen Helgeland is the largest owner with 34.8 %.

The price of the EC was per 31.03.17 NOK 80.50. This is about same level as year end with a price of NOK 81.00.

Balance development per 31.03.17

Total assets passed 30 bn this quarter. Over the last 12 months, total assets have increased with MNOK 2.637 or 9.6 (7.3) %.

Commitments

By the end of the year, gross lending constituted MNOK 25.212. The 12-month lending growth was MNOK 2.247 (1.925), or 9.8 (9.1) %.

84.0 (83.6) % of the HSB group's lending is to customers in Helgeland.

MNOK 16.956, or 67.3 (67.9) % of gross lending is lending to retail customers, whereof MNOK 5.825 (23.1 %) is transferred to the bank's mortgage company.

The 12-month growth in the retail market was MNOK 1.370 (1.451), or 8.8 (10.3) %.
The 12-month growth for corporate customers was MNOK 877 (474), or 11.9 (6.9) %.
The bank's credit growth reflects a market area with higher activity than the rest of the country.

Deposits from customers

By the end of the year, deposits from customers constituted MNOK 16.271. The deposits have over the last 12 months increased by MNOK 1.724 (594), or 11.9 (4.3) %. The bank has higher growth than the national deposit growth.

The HSB group has stable and local depositors, whereby 91.0 (91.1) % are deposits from customers in Helgeland. The 12-month deposit growth in the retail market was MNOK 414 (566), or 4.8 (6.2) %. Of total deposits MNOK 9 124, or 56.1 (59.9) % are deposits from retail customers.

The 12-month deposit growth in the corporate market was MNOK 1 310 (28), or 22.4 (0.5) %. The deposit growth is good and significant higher than the same period last year. The bank has gained several new customers in municipal sector. It has also been significant deposit growth for existing customers in aquaculture.

The deposit ratio has increased and was 64.5 (63.3) % in the HSB group, and 85.3 (80.7) % in the parent bank.

Funding

Deposits from customers are of priority of funding for the bank. The volume difference between loans to customers and deposits is funded in the Norwegian money- and securities market and covered bonds issued by the Group amounts to MNOK 9.961 (9.742).

The HSB group has a long term funding from the capital market and by the end of the quarter, the share of loans beyond one year was 82.7 (87.6) %. The average remaining term for these debt securities was 2.8 (2.5) years. Duration in the mortgage company was 3.3 years.

The bank is continually preparing for the transferral of approved mortgages to the wholly-owned mortgage company. The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 30 % of gross lending. Per 31.03.17, 23.1 (20.0) % are transferred.

Cash flow

The cash flow statement shows how Helgeland Sparebank has received cash and how these are used. It is based on gross cash flows from operational activities, investment and financing activities. Lending growth in 2017 is largely financed by increased lending. The liquid portfolio has not changed substantially since year end.

Rating

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

Subsidiaries and associated companies

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

Risk and capital management

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

Credit risk

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

By the end of the quarter, net non-performing (>90 days) and impaired commitment constitute MNOK 103 (114), which equals 0.4 (0.5) % of gross lending.

Market risk

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

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

The bank's possession in shares is mainly strategic motivated through investments in shares in daughter companies, associated companies and product companies. The market risk associated to these share investments are considered to be moderate. The bank has a large owners post in Helgeland Invest AS. The owner post will be

exposed for value fluctuations depending on the results in underlying companies.

Operational risk

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

Liquidity and funding

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

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

The HSB groups combined liquidity reserves (cash, deposits, and interest bearing assets) constitute NOK 4.1 (3.8) bn, or 13.7 (13.7) % of the group's total assets. The combined duration of the interest portfolio is 2.0 (2.2) years.

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

Solidity

Net capital amounts to MNOK 3.198, hereby fund obligations by MNOK 294 and subordinated loan by MNOK 300. Fund obligations of MNOK 150 is repaid in the quarter. The HSB group has a CET1 capital ratio of 15.8 (14.9) %, T1 capital ratio was 17.5 (16.3) %, the total capital ratio 19.2 (18.2) %.

The HSB Group has a capital target for CET1 capital ratio at a minimum of 14.5 % and a total capital ratio at a minimum of 18.0 %.

From 31.12.17, the statutory minimum requirement for pure core capital adequacy is 12 %. In the first quarter, the bank received the final assessment of the Group's capital needs where the financial supervisory authority concludes with a Pilar 2 addition of 2.2 %. The group's capital requirement including Pilar 2 addition amounts therefor to 14.2 %.

The group's unweighted core capital ratio (Leverage Ratio) was 9.2 (8.2) % at the end of the quarter.

Prospects ahead

Activity in the real estate market has been slightly lower than expected in first quarter with large differences in the bank's market area. In the

corporate market the activity and willingness to invest is as expected high with initiation and continuation of several development and investment projects. We still see a slightly lower credit growth in 2017 than last year, but still higher than nationally.

The competition of good retail and corporate customers is intensified. Reduced lending costs of OMF and bond loans makes us expect to maintain the net interest on level with first quarter. Uncertainty in the market that has led to fluctuations in the credit spread might affect this.

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

The cost level is challenging with still strong focus on streamlining of the bank's organization. Pre-project for the use of robot technology has been initiated with a view a gradual implementation of robotization of repetitive work processes beyond 2017.

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

House price developments in the region by the end of the quarter flattened with 2.5 %. This is significant lower than the national average of 5.8 %. In the county's largest city Bodø, the price increase was 7.6 %. For apartments we see an opposite picture with a price increase of 6.8 % for Helgeland and 3.2 % nationwide. In Bodø, the price increase was 6 %.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate in Helgeland of 2.3 % by the end of the quarter. Nordland County had an unemployment rate of 2.4 % and the national average was 2.9 %. It is expected that the level of unemployment will remain low.

We are prepared to take our share of profitable growth in the region. Market surveys and measurements based on ongoing housing sales confirm that we maintain and in some parts of the region increase our market share. This, together with a relatively high level of activity in several industries means that we are optimistic in terms of our ability to deliver in accordance to established goals.

Mo i Rana, May 3rd 2017

Ove Brattbakk
Chairman of the Board

Stein Andre Herigstad-Olsen
Deputy Chairman of the Board

Eva Monica Hestvik

Bjørn Audun Risøy

Inga Marie Lund

Nils Terje Furunes

Marianne Terese Steinmo

Birgitte Lorentzen
Employee representative

Geir Pedersen
Employee representative

Lisbeth Flångeng
CEO

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PROFIT AND LOSS ACCOUNT (amounts in NOK million)

<i>Parent bank</i>				<i>Group</i>		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
767	189	194	Interest receivable and similar income	229	218	889
288	74	70	Interest payable and similar costs	91	90	357
12	3	3	Hedge fund fees	3	3	12
467	112	121	Net interest- and credit commission income	135	125	520
96	23	23	Commissions receivable and income from banking services	23	23	96
11	3	3	Commissions payable and costs relating to banking services	3	3	11
85	20	20	Net commission income	20	20	85
47	40	34	Dividend	0	1	8
51	5	4	Net profit from associates	4	5	51
7	-4	0	Net profit from other financial investments	-1	-4	15
105	41	38	Gains/losses on financial assets available for sale (note 3)	3	2	74
6	1	2	Other operating income	1	2	6
74	75	0	Income by conversing to defined contribution	0	75	74
253	63	67	Operating costs (note 4)	69	65	271
35	5	6	Losses on loans, guarantees etc. (note 5)	6	5	36
449	181	108	Result before tax	84	154	452
90	34	17	Tax payable on ordinary result	20	37	102
359	147	91	Result from ordinary operations after tax	64	117	350
13.8	5.9	3.3	Yield per equity capital certificate (note 6)	2.4	4.7	13.5
13.8	5.9	3.3	Diluted result per ECC in Norwegian currency (note 6)	2.4	4.7	13.5
Extended Income Statement						
359	147	91	Result from ordinary operations after tax	64	117	350
<u>Items that are not subsequently reversed through profit or loss:</u>						
10	1	10	Net change in fair value available-for-sale fin. assets	10	1	10
0	0	-2	Tax on extended profit	-2	0	0
10	1	8	Net extended profit or loss items	8	1	10
369	148	99	Total result for the period	72	118	360

BALANCE SHEET (amounts in NOK million)

Parent bank			Group			
31.12.16	31.03.16	31.03.17	31.03.17	31.03.16	31.12.16	
ASSETS						
93	99	86	Cash and claims on central banks	86	99	93
1 489	1 134	1 289	Loans to and claims on credit institutions	493	609	509
19 057	18 346	19 318	Loans to and claims on customers (note 7,8,9,10)	25 089	22 867	24 632
103	109	124	Financial derivatives (note 15,16)	124	109	103
3 759	3 374	3 858	Certificates, bonds and shares available for sale	3 787	3 274	3 536
315	272	319	Investments in associated companies (note 12)	319	272	315
444	445	444	Investments in subsidiaries (note 12)			
10	13	9	Deferred tax benefit	13	17	14
45	34	47	Fixed assets (note13)	125	100	123
56	82	66	Other assets	66	118	58
25 371	23 908	25 560	Total assets	30 102	27 465	29 383
LIABILITIES AND EQUITY CAPITAL						
250	1	250	Liabilities to credit institutions	252	3	252
16 490	14 878	16 578	Deposits from customers and liabilities to customers (note 18,19)	16 270	14 546	16 173
4 982	5 879	5 136	Borrowings through the issuance of securities (note 15)	9 961	9 742	9 258
36	65	38	Financial derivatives (note 15,16)	38	65	36
150	191	225	Other liabilities	227	193	156
300	300	300	Subordinated loan capital (note 17)	300	300	300
22 208	21 314	22 527	Total liabilities	27 048	24 849	26 175
Equity capital						
208	187	208	Equity share capital (note 20)	208	187	208
-3	-4	-3	Own portfolio equity share capital	-3	-4	-3
971	845	971	Premium Fund	971	845	971
575	427	575	Cohesion Fund	575	425	575
1 751	1 455	1 751	Total equity share capital	1 751	1 453	1 751
516	466	516	Primary capital	516	466	516
40	28	38	Gift fund	38	29	40
556	494	554	Total primary capital	554	495	556
335	281	343	Unrealized gains reserve	343	281	335
443	217	294	Hybrid Capital (Note 1,17)	294	217	443
78	0	0	Other equity capital	46	50	121
	147	91	Result from ordinary operations after tax	64	117	
3 163	2 594	3 033	Total equity capital exclusive minority interest	3 052	2 614	3 206
			Non-controlling interest	2	2	2
3 163	2 594	3 033	Total equity capital	3 054	2 616	3 208
25 371	23 908	25 560	Total liabilities and equity capital	30 102	27 465	29 383

CHANGE IN EQUITY CAPITAL

Group
31.12.16

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other :qu.cap.	Min. int.	Total
Equity capital as at 01.01.16	187	845	-4	219	281	466	20	8	425	106	2	2 555
Result for the period				11	44	50	11	15	150	69		350
Extended profit or loss items					10					0		10
Sum total ext. profit or loss	0	0	0	11	54	50	11	15	150	69	0	360
Paid interest subordinated bonds				-11								-11
Gift fund												0
Buyback subordinated bonds				-77								
Transactions with owners	21	126	1	300			-6	-8				434
Dividend paid										-52		-52
Equity capital 31.12.16	208	971	-3	442	335	516	25	15	575	123	2	3 208
Paid-in/accrued equity capital/retained earnings				1 176							2 032	3 208

31.03.17

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other :qu.cap.	Min. int.	Total
Equity capital as at 01.01.17	208	971	-3	442	335	516	25	15	575	123	2	3 208
Profit				5						59		64
Extended profit or loss items					8							8
Profit of the year	0	0	0	5	8	0	0	0	0	59	0	72
Paid interest subordinated bonds				-5								-5
Gift fund							-2					-2
Transactions with owners				-144								-144
Impairment of the nominal value												0
Dividend paid										-75		-75
Equity capital 31.03.17	208	971	-3	298	343	516	23	15	575	107	2	3 054
Paid-in/accrued equity capital/retained earnings				1 176							1 878	3 054

Parent bank

31.12.16

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Other Equ.cap.	Total
Equity capital as at 01.01.16	187	845	-4	219	281	467	20	9	425	51	2 500
Profit				11	44	50	11	15	150	78	359
Extended profit or loss items					10						10
Totalresultat	0	0	0	11	54	50	11	15	150	78	369
Paid interest subordinated bonds				-11							-11
Gift fund							-6	-9			-15
Buyback subordinated bonds				-76							-76
Transactions with owners	21	126		300							447
Dividend paid										-52	-52
Equity capital 31.12.16	208	971	-4	443	335	517	25	15	575	77	3 163
Paid-in/accrued equity capital/retained earnings				1 175						1 988	3 163

31.03.17

	ECC capital	Premium fund	Own ECCs	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
Equity capital as at 01.01.17	208	971	-4	443	335	517	25	15	575	77	3 163
Profit	0			5						86	91
Extended profit or loss items	0				8						8
Profit of the year	0	0	0	5	8	0	0	0	0	0	99
Paid interest subordinated bonds				-5							-5
Gift fund							-2				-2
Transactions with owners				-144							-144
Dividend paid										-78	-78
Equity capital 31.03.17	208	971	-4	304	343	517	23	15	575	-1	3 033
Paid-in/accrued equity capital/retained earnings				1 479						1 472	3 033

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>			
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
-888	-145	-265	Change in lending to customers	-457	-423	-2 199
690	169	174	Interest income lending to customers	214	201	831
1 840	234	88	Change deposits from customers	88	127	1 740
-162	-41	-41	Interest cost deposit from customers	-41	-45	-162
250	-	0	Change in deposit and liabilities to credit institutions	0	0	250
-101	270	-93	Change certificates and bonds	-93	190	-60
55	14	15	Interest income certificates and bonds	15	14	50
86	23	23	Comission income	23	23	86
-253	-63	-65	Payments relating to operations	-68	-65	-270
-50	-26	-26	Paid tax	-26	-26	-57
-31	32	-12	Other cutoffs	-18	19	-79
1 436	467	-202	A Net liquidity change from operating activities	-363	15	130
-25	-1	-1	Investment in long-term securities	-1	-3	-30
0	0	0	Income sale of long-term securities	0	0	20
-115	-100	0	Long-term investments in shares	0	0	-15
23	0	0	Income sale of long-term securities	0	0	23
49	40	34	Dividend from long-term investments in shares	0	1	11
-68	-61	33	B Net liquidity change from investments	-1	-2	9
2 152	634	730	New borrowing through issuance of securities	1 730	934	3 877
-3 230	-871	-596	Repayments - issued securities	-1 196	-790	-4 155
150	0	0	Issue new equity	0	0	150
300	0	0	New Hybrid capital	0	0	300
-77	0	-145	Repurchase hybrid capital	-145	0	-77
-117	-32	-25	Interest payments borrowing through issuance of securities	-46	-48	-171
-10	-2	-2	Interest payments on subordinated debt	-2	-2	-10
-52	0	0	dividend to share owners	0	0	-52
-884	-271	-38	C Net liquidity change financing	341	94	-138
484	135	-207	A+B+C Net liquidity change in the period	-23	107	1
1 098	1 098	1 582	Liquid funds at the start of the period	602	601	601
1 582	1 233	1 375	Liquid funds at the end of the period	579	708	602
			Liquid funds specified			
93	99	86	Cash and balances with central banks	86	99	93
1 489	1 134	1 289	Balances with credit institutions without notice periods	493	609	509
1 582	1 233	1 375	Liquid funds	579	708	602

NOTE 1. ACCOUNTING PRINCIPLES

Both the consolidated financial statements and the Parent Bank's separate financial statements have been prepared in compliance with IFRS, while the accounting policies applied in individual areas are described in the annual financial statements for 2016. The interim report for the second quarter is in compliance with IAS 34 and has not been audited.

NOTE 2. SEGMENT

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

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

<i>Parent bank</i>				<i>Group</i>				
31.03.17				31.03.17				
Retail	Corp.	Not divided	Total	Segment information	Retail	Corp.	Not divided	Total
53	64	4	121	Net interest and credit commission income	72	64	-1	135
6	3	11	20	Net commission income	6	3	11	20
		40	40	Other operating income			4	4
17	23	27	67	Operating costs	18	25	26	69
-1	7	0	6	Losses on loans guaranteed	-1	7		6
43	37	28	108	Result before tax	61	35	-12	84
11 251	8 185		19 436	Loans to and claims on customers	16 956	8 256		25 212
-4	-32		-36	Individual write-downs	-4	-32		-36
-12	-70		-82	Collective write-downs on loans	-17	-70		-87
		6 242	6 242	Other assets			5 013	5 013
11 235	8 083	6 242	25 560	Total assets per segment	16 935	8 154	5 013	30 102
9 124	7 454		16 578	Deposits from customers and liabilities	9 124	7 146		16 270
		8 982	8 982	Other liabilities and equity			13 832	13 832
9 124	7 454	8 982	25 560	Total liabilities and equity per segment	9 124	7 146	13 832	30 102

<i>Parent bank</i>				<i>Group</i>				
31.03.16				31.03.16				
Retail	Corp.	Not divided	Total	Segment information	Retail	Corp.	Not divided	Total
56	52	4	112	Net interest and credit commission income	72	52	1	125
6	3	11	20	Net commission income	6	3	11	20
		42	42	Other operating income			4	4
0	0	-12	-12	Operating costs	0	0	-10	-10
-1	3	3	5	Losses on loans guaranteed	-1	3	3	5
63	52	66	181	Result before tax	79	52	23	154
11 094	7 346		18 440	Loans to and claims on customers	15 607	7 358		22 965
-4	-12		-16	Individual write-downs	-4	-12		-16
-13	-64		-78	Collective write-downs on loans	-17	-64		-82
		5 562	5 562	Other assets			4 598	4 598
11 077	7 270	5 562	23 908	Total assets per segment	15 586	7 282	4 598	27 465
9 190	5 688		14 878	Deposits from customers and liabilities	9 190	5 356		14 546
		9 030	9 030	Other liabilities and equity			12 919	12 919
9 190	5 688	9 030	23 908	Total liabilities and equity per segment	9 190	5 356	12 919	27 465

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

<i>Parent bank</i>			<i>Group</i>		
31.12.16	31.03.16	31.03.17	31.03.17	31.03.16	31.12.16
4	0	0		0	4
-6	-1	-1		-1	-6
8	2	0		1	15
46	39	35		0	8
50	5	4		4	50
1	0	0		0	1
2	-4	0		-4	2
0	0	0		0	0
105	41	38	Total value change financial instruments	3	74

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

<i>Parent bank</i>			<i>Group</i>		
31.12.16	31.03.16	31.03.17	31.03.17	31.03.16	31.12.16
127	32	34		34	127
78	18	18		18	78
12	3	3		4	20
36	10	12		13	46
253	63	67	Total operating costs	69	271
74	75		Income conversing to defined contribution	75	74
179	-12	67	Net operating costs	69	197

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

<i>Parent bank</i>			<i>Group</i>		
31.12.16	31.03.16	31.03.17	31.03.17	31.03.16	31.12.16
12	-3	6		6	12
7	2	0		2	8
22	5	0		5	22
0	3	1		3	0
-6	-2	-1		-2	-6
35	5	6	Total losses on loans, guarantees etc.	6	36

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

<i>Parent bank</i>			<i>Group</i>		
31.12.16	31.03.16	31.03.17	31.03.17	31.03.16	31.12.16
359	147	91		64	350
-11	-3	-5		-5	-11
348	144	86		59	339
75.3 %	75.1 %	76.5 %		76.5 %	75.3 %
13.8	5.9	3.3		2.4	13.5
13.8	5.9	3.3		2.4	13.5

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>					<i>Group</i>			
31.03.16	%	31.03.17	%		31.03.17	%	31.03.16	%
15 565	84.4	16 621	85.5	Helgeland	21 177	84.0	19 201	83.6
2 857	15.5	2 799	14.4	Areas other than Helgeland	4 010	15.9	3 737	16.3
18	0.1	16	0.1	International	25	0.1	27	0.1
18 440	100	19 436	100	Total	25 212	100	22 965	100

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

	31.03.17				31.03.16			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	7	0.0 %	0	0	0	0.0 %	0	0
Insurance and finance	0	0.0 %	0	0	8	0.0 %	0	0
Agriculture and forestry	1 323	5.2 %	3	1	1 276	5.6 %	2	0
Fisheries and aquaculture	891	3.5 %	0	0	794	3.5 %	0	0
Mining and industry	435	1.7 %	1	0	410	1.8 %	0	1
Building and construction	1 223	4.9 %	1	0	924	4.0 %	6	0
Trade, hotel, restaurants.	296	1.2 %	2	0	284	1.2 %	3	1
Transport and services	989	3.9 %	17	6	642	2.8 %	0	2
Property, property development	3 092	12.3 %	8	0	3 041	13.2 %	3	0
Total corporate market	8 256	32.7 %	32	7	7 379	32.1 %	14	4
Retail market	16 956	67.3 %	4	-1	15 586	67.9 %	3	-1
Total	25 212	100 %	36	6	22 965	100 %	17	3
Change collective write-downs			87	0			81	2
Total			123	6			98	5
Of which gross loans Helgeland Boligkreditt AS	5 825	23.1 %			4 604	20.0 %		

	31.03.17				31.03.16			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	7	0.0 %	0	0	0	0.0 %	0	0
Insurance and finance	0	0.0 %	0	0	8	0.0 %	0	0
Agriculture and forestry	1 310	6.7 %	3	1	1 266	6.9 %	2	0
Fisheries and aquaculture	890	4.6 %	0	0	793	4.3 %	0	0
Mining and industry	432	2.2 %	1	0	408	2.2 %	0	1
Building and construction	1 193	6.1 %	1	0	903	4.9 %	6	0
Trade, hotel, restaurants.	290	1.5 %	2	0	280	1.5 %	3	1
Transport and services	925	4.8 %	17	6	602	3.3 %	0	2
Property, property development	3 138	16.1 %	8	0	3 107	16.8 %	3	0
Total corporate market	8 185	42.1 %	32	7	7 367	40.0 %	14	4
Retail market	11 251	57.9 %	4	-1	11 073	60.0 %	3	-1
Total	19 436	100 %	36	6	18 440	100 %	17	3
Change collective write-downs			82	0			77	2
Total			118	6			94	5

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

<i>Parent bank</i>			<i>Group</i>			
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
96	126	89	Loans, guarantees etc. in default	89	126	96
12	16	12	Loss provisions for loans, guarantees etc. in default	12	16	12
84	110	77	Total net loans, guarantees etc. in default	77	110	84
47	6	50	Other bad and doubtful loans and guar., not in default	50	6	47
18	2	24	Loss provisions for other bad and doubtful loans, guarantees etc., not in default	24	2	18
29	4	26	Total net bad and doubtful commitments, not in default	26	4	29
113	114	103	Total bad and doubtful loans	103	114	113
0.6 %	0.6 %	0.5 %	In % of total loans	0.4 %	0.5 %	0.5 %

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

<i>Parent bank</i>			<i>Group</i>			
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
19	19	30	Individual write-downs to cover losses on loans and guarantees as at 01.01	30	19	19
-13	-5	-1	Period's conf. losses, against which indi. Write-down was previously made	-1	-5	-13
1	0	7	Period's increased individual write-downs, against which write-down was previously made	7	0	1
25	3	0	New individual write-downs during the period	0	3	25
-2	0	0	Reversal of individual write-downs during the period	0	0	-2
30	17	36	= Total individual write-downs on loans	36	17	30
30	16	36	*Of which individual write-downs on loans accounted for	36	16	30
	1	0	* Of which ind. Write-downs on guar. accounted for	0	1	0
Collective write-downs:						
75	75	82	Collective write-downs to cover losses on loans at 01.01	87	79	79
7	2	0	+ /- Period's change in collective write-downs	0	2	8
82	77	82	Total collective write-downs	87	81	87

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

<i>Parent bank</i>			<i>Group</i>			
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
1 987	1 520	1 852	Unutilized drawing rights	2 281	1 930	2 411
558	500	494	Guarantee obligations	494	500	558
2 020	2 474	2 203	Unutilized drawing rights Helgeland Boligkreditt AS	0	0	0
4 565	4 494	4 549	Net guarantee and draw rights	2 775	2 430	2 969

NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Subsidiaries

	Share capi	Number of share	Equity stake	Parent bank	
				Market value	
				31.03.17	31.03.16
ANS Bankbygg Mo	49.0		97 %	45	45
Helgeland Boligkreditt AS	390.0	390 000	100 %	390	390
AS Sparebankbygg	0.1	100	100 %	0.1	0.1
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingselskap AS	0.5	500	100 %	8	8
Storgata 73 AS	0.1	140	53 %	1	2
Total investment in AC				444	445

Associated companies (AC)

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group	
					31.03.17	
					Equity	
Helgeland Invest AS	20	609	0	0	0	629
REDE Eiendomsmegling AS	63	37	61	2	2	37
Total	83	646	61	2	2	666
The bank's share						
Helgeland Invest AS	48.3 %	10	294	0	0	304
REDE AS (inkl. merverdi)	40.0 %	25	15	24	1	14.8
Total		35	309	24	1	319

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group	
					31.12.16	
					Equity	
Helgeland Invest AS	20	601	0	0	0	621
REDE Eiendomsmegling AS	63	37	61	2	2	37
Total	83	638	61	2	2	658
The bank's share						
Helgeland Invest AS	48.3 %	10	290	0	0	300
REDE AS (inkl. merverdi)	40.0 %	25	15	24	1	14.8
Total		35	305	24	1	315

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

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

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

Financial information Associated companies, balance posts

	Parent bank and group	
Change in the bank's ownership in HI	31.03.17	31.12.16
Opening balance	300	253
Adjusted value	0	0
Dividend	0	-3
Result HI	4	50
Closing balance	304	300

	Parent bank and group	
Change in the bank's ownership in REDE	31.03.17	31.12.16
Opening balance	14.9	13.6
Dividend	0.0	0.0
Result REDE	0.0	1.3
Additional value/goodwill	0.0	0.0
Closing balance	14.9	14.9
Total	319	315

Financial information Associated companies, profit/loss posts

	Parent bank and group				
	31.03.17				
	Revenue	Finance cost	Other income	Operating cost	Result after tax
Result 100% ownership					
Helgeland Invest AS	8	0	0	0	8
REDE Eiendomsmegling AS	5	0	0	5	0
Total	13	0	0	5	8
Result bank's share					
Helgeland Invest AS	48.3 %	4	0	0	4
REDE Eiendomsmegling AS	40.0 %	2	0	2	0
Total		6	0	2	4

	Parent bank and group				
	31.12.16				
	Revenue	Finance cost	Other income	Operating cost	Result after tax
Result 100% ownership					
Helgeland Invest AS	108	0	0	5	103
REDE Eiendomsmegling AS	23	0.5	0	19	3
Total	131	0.5	0	24	106
Result bank's share					
Helgeland Invest AS	48.3 %	52	0	2.415	49.749
REDE Eiendomsmegling AS	40.0 %	9	0	7.6	1.2
Total		61	0	10	51

NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>			
31.12.16	31.03.16	31.03.17	31.03.17	31.03.16	31.12.16	
45	34	47	Operating funds	125	100	123
45	34	47	Total operating funds	125	100	123

NOTE 14. DISCLOSURES OF RELATED PARTIES

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

Significant transactions with related parties:

Helgeland Boligkreditt AS (share of ownership 100 %)

Transferred loans per 31.03.17 constitute totally MNOK 5,825. Covered bonds in the housing mortgage company constitute MNOK 4,922 where MNOK 97 (100) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 31.03.17 drawn with MNOK 797. The bank has additionally an unused credit facility of NOK 1.5 bn (duration 1 year) given by Helgeland Sparebank, which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period. The agreements are entered according to the principle of an arm's lengths distance. The effects of the credit lines are eliminated in the consolidated accounts. HSB has received corporate contributions of MNOK 33 in 2016.

Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 1.0 in 2017.

Helgeland Invest AS (48,3 %)

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

NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS

Measurement of fair value of financial instruments by level

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

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

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

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

Assets and liabilities measured at fair value

<i>Parent bank</i>				<i>Group</i>		
31.03.17				31.03.17		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit						
0	0	1 116	- Loans to and claims on customers at fair value	0	0	1 116
Financial assets available for sale						
3 611	0	241	- Certificates, bonds and equities available for sale	3 514	0	241
0	124	0	- Financial derivatives	0	124	0
3 611	124	1 357	Total assets	3 514	124	1 357
LIABILITIES						
Financial liabilities at fair value through profit						
0	37	0	- Debt issuance of securities	0	37	0
0	37	37	Total liabilities	0	37	0

Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total
241	1 202	1 443	Opening balance	241	1 202	1 443
0	-107	-107	payments	0	-107	-107
0	36	36	New loans	0	36	36
6	-15	-15	Value change	6	-15	-15
0	0	0	Reclassification	0	0	0
247	1 116	1 357	Financial instruments valued on Level 3	247	1 116	1 357

Principal fixed rate loans per 31.12.16 were MNOK 1.202 and MNOK 1.116 mill per 31.03.17. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK -0.4 per 31.12.16 and MNOK -2.8 per 31.03.17.

Assets and liabilities measured at fair value

<i>Parent bank</i>				<i>Group</i>		
31.12.16				31.12.16		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit						
0	0	1 202	- Loans to and claims on customers at fair value	0	0	1 202
Financial assets available for sale						
0	3 519	241	- Certificates, bonds and equities available for sale	0	3 296	241
0	103	0	- Financial derivatives	0	103	0
0	3 622	1 443	Total assets	0	3 399	1 443
LIABILITIES						
Financial liabilities at fair value through profit						
	37		- Financial derivatives		37	
0	37	0	Total liabilities	0	37	0

Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total
227	1 310	1 537	Opening balance	227	1 310	1 537
-23	-329	-352	payments	-23	-329	-352
15	221	236	New loans	15	221	236
22	0	22	Value change	22	0	22
0	0	0	Reclassification	0	0	0
241	1 202	1 443	Financial instruments valued on Level 3	241	1 202	1 443

NOTE 16. FINANCIAL DERIVATIVES

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

<i>Parent bank</i>				<i>Group</i>		
31.03.16				31.03.16		
Nominal value	Market value			Nominal value	Market value	
	Assets	Commitments			Assets	Commitment:
Total				Total		
1 486	0	62	Interest rate swaps- fixed interest rate loans	1 486	0	62
50	0	3	Interest rate swaps- bank deposits with share Yield	50	0	3
1 536	0	65	Total financial derivatives	1 536	0	65
2 500	109	0	Interest rate swaps – fixed interest rate with hedging	2 500	109	0
2 500	109	0	Total financial derivatives with hedging	2 500	109	0

Net presentation of financial assets and liabilities

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

<i>Parent bank and group</i>					
31.03.16					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	109	0	109	65	44
Derivaives carried as liabilities	65	0	65	-65	0

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

NOTE 17. SECURITIES ISSUED

<i>Parent bank</i>			<i>Group</i>	
31.03.16	31.03.17	(MNOK)	31.03.17	31.03.16
5 767	5 043	Bonds, nominal value	9 864	9 627
51	40	Value adjustments	38	48
61	53	Accrued interest	59	67
5 879	5 136	Total securities	9 961	9 742

Change in securities issued				<i>Group</i>	
	31.12.16	Issued	Matured/redeemed	Other change	31.03.17
Bonds, nominal value	9 155	1 880	-1 197	26	9 864
Value adjustments	42			-4	38
Accrued interest	61			-2	59
Total	9 258				9 961

Change in subordinated debt and hybrid capital				<i>parent bank</i>	
	31.12.16	Issued	Matured/redeemed	Other change	31.03.17
Bonds, nominal value	4 888	730	-596	21	5 043
Value adjustments	40				40
Accrued interest	54			-1	53
Total	4 982				5 136

Change in securities issued				<i>Group/Parent bank</i>	
	31.12.16	Issued	Matured/redeemed	Other change	31.03.17
equity and related capital, nominal value	300				300
Value adjustments	0				0
Accrued interest	0				0
Total	300	0	0	0	300

Accounted value		<i>Group</i>	
		31.03.17	31.12.16
Bonds, amortized cost		7 689	6 679
Bonds, hedging		2 272	2 579
Total debt securities		9 961	9 258

Accounted value		<i>Parent bank</i>	
		31.03.17	31.12.16
Bonds, amortized cost		2 864	2 403
Bonds, hedging		2 272	2 579
Total debt securities		5 136	4 982

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>						<i>Group</i>			
%	31.03.16	%	31.03.17		31.03.17	%	31.03.16	%	
91.0 %	13 543	91.2 %	15 115	Helgeland	14 807	91.0 %	13 211	91.0 %	
8.2 %	1 225	8.1 %	1 349	Areas other than Helgeland	1 349	8.3 %	1 225	8.2 %	
0.7 %	110	0.7 %	114	International	114	0.7 %	110	0.7 %	
100 %	14 878	100 %	16 578	Total	16 270	100 %	14 546	100 %	

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>						<i>Group</i>			
%	31.03.16	%	31.03.17		31.03.17	%	31.03.16	%	
3.1 %	454	2.5 %	408	Financial institutions	100	0.6 %	156	1.1 %	
9.2 %	1 373	10.6 %	1 752	Municipalities and municipal ente	1 752	10.8 %	1 373	9.4 %	
2.1 %	314	1.9 %	318	Agriculture and forestry	318	2.0 %	314	2.2 %	
5.6 %	835	7.9 %	1 304	Fisheries and aquaculture	1 304	8.0 %	835	5.7 %	
1.1 %	162	0.9 %	156	Mining and industry	156	1.0 %	162	1.1 %	
5.4 %	806	6.1 %	1 017	Building and construction	1 017	6.3 %	806	5.5 %	
2.7 %	408	2.6 %	432	Trade, hotel, restaurants.	432	2.7 %	408	2.8 %	
8.7 %	1 298	8.8 %	1 456	Transport and services	1 456	8.9 %	1 298	8.9 %	
3.5 %	518	3.7 %	611	Property, property development	611	3.8 %	484	3.3 %	
41.5 %	6 168	45.0 %	7 454	Total corporate market	7 146	43.9 %	5 836	40.1 %	
58.5 %	8 710	55.0 %	9 124	Retail market	9 124	56.1 %	8 710	59.9 %	
100 %	14 878	100 %	16 578	Total	16 270	100 %	14 546	100 %	

Deposits from clubs and associations at MNOK 480 are in second quarter moved from retail to corporate market. Comparative figures prior period is changed accordingly.

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

Per 31.03.17	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 653	1.4 %
Pareto AS	1 949 392	9.3 %	Verdipapirfondet Pareto	246 000	1.2 %
Merrill Lynch Prof.	1 253 462	6.0 %	Catilina invest AS	221 858	1.1 %
UBS AG, London Branc A/C	1 104 872	5.3 %	DNB Nor Bank ASA	181 749	0.9 %
VPF Nordea Norge	692 837	3.3 %	Melum Mølle AS	166 679	0.8 %
Pope Asset Management BNY	651 841	3.1 %	Landkreditt utbytte	160 000	0.8 %
EIKA Utbytte VPF	540 270	2.6 %	Forte Trønder	133 300	0.6 %
MP Pensjon PK	462 203	2.2 %	Melesio Capital AS	113 000	0.5 %
Lamholmen AS	442 353	2.1 %	Steffen Nervik	110 000	0.5 %
Helgeland Kraft AS	377 691	1.8 %	Nordenfjelske Bykreditt	110 000	0.5 %
Total 10 biggest owners	14 729 941	70.6 %	Total 20 biggest owners	16 467 180	78.9 %

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

NOTE 21. CAPITAL ADEQUACY

Parent bank			Group			
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
208	187	208	ECC-capital	208	187	208
971	845	971	Premium Fund	971	845	971
-3	-4	-3	Own ECCs	-3	-4	-3
443	220	294	Hybrid capital (CB)	294	220	443
1 619	1 248	1 470	Total paid-in capital	1 470	1 248	1 619
516	463	516	Savings Bank's fund	516	463	516
335	281	344	Reserve for unrealized gains	344	281	335
40	29	38	Donations Fund	38	29	40
575	425	575	Dividend equalisation reserve	575	425	575
78	0	0	Cash dividend	0	0	78
0	0	0	Other equity capital	43	54	45
1 544	1 198	1 473	Total accrued equity capital	1 516	1 252	1 589
3 163	2 446	2 943	Total equity capital	2 986	2 500	3 208
-444	-220	-294	Hybrid capital (CB)	-294	-220	-444
-9	-13	-9	Deferred tax assets	-13	-16	-13
-19	-22	-41	Shares in financial institutions	-40	-21	-19
8	9	9	Transition Rule; share net of non significant assets	9	8	8
-93	-9	-15	Cash dividend /gifts employee	-15	-9	-93
2 606	2 191	2 593	Total core tier one	2 633	2 242	2 647
-6	-6	-12	Shares in financial institutions	-11	-6	-6
-4	-5	-5	Transition Rule; share net of non significant assets	-5	-4	-4
443	220	294	Hybrid capital (CB)	294	220	443
3 039	2 400	2 870	Total core capital	2 911	2 452	3 080
300	300	300	Subordinatet dept	300	300	300
-3	-4	-5	Shares in financial institutions	-5	-4	-3
-4	-5	-4	Transition Rule; share net of non significant assets	-4	-4	-4
0	0	0	Additional	0	0	0
293	291	291	Total net supplementary capital	291	292	293
3 332	2 691	3 161	Total net equity and related capital	3 202	2 744	3 373
15 381	14 274	15 545	Weight assets calculation basis *)	16 649	15 086	16 439
16.94 %	15.35 %	16.68 %	Core tier one Capital ratio	15.81 %	14.86 %	16.10 %
19.76 %	16.81 %	18.46 %	Core capital ratio	17.48 %	16.25 %	18.74 %
21.66 %	18.85 %	20.33 %	Capital ratio	19.23 %	18.19 %	20.52 %

31.12.16	31.03.16	31.03.17	Calculation basis	31.03.17	31.03.16	31.12.16
0	0	0	States and central banks	0	0	0
133	36	175	Local and regional authorities (including municipalities)	175	36	133
407	451	408	Institutions	179	218	190
715	610	722	Enterprises	722	610	715
1 296	1 206	1 226	Mass market loans	1 350	1 286	1 389
9 698	9 210	9 906	Loans secured by real property	11 947	10 825	11 677
104	148	134	Loans overdue	134	148	104
621	550	648	Covered bonds	146	153	144
0	0		Units in securities funds	0	0	0
1 058	982	1 070	Equity positions	628	537	636
104	111	119	Other loans and commitments	197	225	170
14 136	13 302	14 409	Capital requirement credit risk	15 477	14 037	15 159
1 102	968	1 102	Capital requirement operational risk	1 137	1 045	1 137
143	4	35	Deducted from capital requirement	35	4	143
15 381	14 274	15 545	Total capital requirement	16 649	15 086	16 439

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

<i>Parent bank</i>				<i>Group</i>		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
3.12	3.20	3.09	Interest receivable and similar income	3.11	3.22	3.14
1.22	1.31	1.16	Interest payable and similar costs	1.28	1.37	1.30
1.90	1.89	1.93	Net interest- and credit commission income¹	1.83	1.84	1.84
0.39	0.37	0.37	Commissions receivable and income from banking services	0.31	0.34	0.34
0.04	0.05	0.05	Commissions payable and costs relating to banking services	0.04	0.04	0.04
0.35	0.32	0.32	Net commission income	0.27	0.30	0.30
0.43	0.70	0.61	Gains/losses on financial assets available for sale	0.04	0.03	0.26
0.02	0.02	0.03	Other operating income	0.01	0.03	0.02
0.30	1.27	0.00	Income by conversing to defined contribution ³	0.00	1.11	0.26
1.03	1.07	1.07	Operating costs ²	0.94	0.96	0.96
0.14	0.08	0.10	Losses on loans, guarantees etc. and fixed assets	0.08	0.07	0.13
1.83	3.05	1.72	Result before tax	1.14	2.27	1.60
0.37	0.58	0.27	Tax payable on ordinary result	0.27	0.55	0.36
1.46	2.47	1.45	Result from ordinary operations after tax	0.87	1.73	1.24

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank					Group					
Q1/16	Q2/16	Q3/16	Q4/16	Q1/17		Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
189	189	193	196	194	Interest receivable and similar income	229	229	223	219	218
77	74	74	75	73	Interest payable and similar costs	94	95	90	91	93
112	115	119	121	121	Net interest- and credit commission income¹	135	134	133	128	125
23	24	25	24	23	Commissions receivable and income from banking serv	23	24	25	24	23
3	2	3	3	3	Commissions payable and costs relating to banking ser	3	3	3	2	3
20	22	22	21	20	Net commission income	20	21	22	22	20
41	26	16	22	38	Gains/losses on financial assets available for sale	3	22	20	30	2
1	2	2	1	2	Other operating income	1	2	1	1	2
75	0	0	2	0	Income by conversing to defined contribution ³	0	2	1	0	75
63	65	56	69	67	Operating costs ²	69	72	65	69	65
5	6	5	19	6	Losses on loans, guarantees etc.	6	20	5	6	5
181	94	98	75	108	Result before tax	84	85	107	106	154
34	19	22	15	17	Tax payable on ordinary result	20	21	23	21	37
147	74	77	60	91	Result from ordinary operations after tax	64	64	85	84	117

Parent bank					Group					
Q1/16	Q2/16	Q3/16	Q4/16	Q1/17		Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
3.20	3.10	3.10	3.09	3.09	Interest receivable and similar income	3.11	3.11	3.10	3.14	3.22
1.30	1.21	1.19	1.18	1.16	Interest payable and similar costs	1.28	1.29	1.25	1.30	1.37
1.90	1.89	1.91	1.90	1.93	Net interest- and credit commission income¹	1.83	1.82	1.85	1.83	1.85
0.39	0.39	0.40	0.38	0.37	Commissions receivable and income from banking serv	0.31	0.33	0.35	0.34	0.34
0.05	0.03	0.05	0.05	0.05	Commissions payable and costs relating to banking ser	0.04	0.04	0.04	0.03	0.04
0.34	0.36	0.35	0.33	0.32	Net commission income	0.27	0.29	0.31	0.32	0.30
0.69	0.44	0.26	0.35	0.61	Gains/losses on financial assets available for sale	0.04	0.30	0.28	0.43	0.03
0.02	0.03	0.03	0.02	0.03	Other operating income	0.01	0.03	0.01	0.01	0.03
1.27	0.02	0.00	0.03	0.00	Inntekter ved omdanning til innskuddspensjon	0.00	0.03	0.00	0.01	1.11
1.07	1.10	0.90	1.09	1.07	Operating costs ²	0.94	0.98	0.90	0.99	0.96
0.08	0.11	0.08	0.30	0.10	Losses on loans, guarantees etc.	0.08	0.27	0.07	0.09	0.07
3.06	1.53	1.57	1.18	1.72	Result before tax	1.14	1.15	1.47	1.53	2.28
0.58	0.33	0.35	0.17	0.27	Tax payable on ordinary result	0.27	0.22	0.32	0.31	0.55
2.49	1.20	1.23	1.01	1.45	Result from ordinary operations after tax	0.87	0.94	1.16	1.22	1.73

Parent bank					Group					
Q1/16	Q2/16	Q3/16	Q4/16	Q1/17		Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
ASSETS										
99	95	90	93	86	Cash and claims on central banks	86	93	90	95	99
1 134	1 334	1 258	1 489	1 289	Loans to and claims on credit institutions	493	509	565	574	609
18 346	18 979	18 893	19 057	19 318	Loans to and claims on customers	25 089	24 632	24 266	23 804	22 867
109	144	126	103	124	Financial derivatives	124	103	126	144	109
3 374	3 508	3 623	3 759	3 858	Certificates, bonds and shares available for sale	3 787	3 536	3 306	3 433	3 274
272	284	294	315	319	Investments in associated companies	319	315	294	284	272
445	445	439	444	444	Investments in subsidiaries	0				
13	15	15	10	9	Deferred tax benefit	13	14	15	15	17
34	39	40	45	47	Fixed assets	125	123	146	146	100
82	41	62	56	66	Other assets	66	58	58	41	118
23 908	24 884	24 840	25 371	25 560	Total assets	30 102	29 383	28 866	28 536	27 485
LIABILITIES AND EQUITY CAPITAL										
1	0	250	250	250	Liabilities to credit institutions	252	252	252	2	3
14 878	15 851	15 964	16 490	16 578	Deposits from customers and liabilities to customers	16 270	16 173	15 651	15 536	14 546
5 879	5 903	5 427	4 982	5 136	Borrowings through the issuance of securities	9 961	9 258	9 718	9 836	9 742
65	54	49	36	38	Financial derivatives	38	36	49	54	65
191	140	134	150	225	Other liabilities	227	156	141	141	193
300	300	300	300	300	Fund bonds	300	300	300	300	300
21 314	22 248	22 124	22 208	22 527	Total liabilities	27 048	26 175	26 111	25 869	24 849
1 029	1 028	1 028	1 176	1 176	Paid-in equity capital	1 176	1 176	1 029	1 029	1 029
220	220	220	443	294	Hybrid capital	294	443	220	220	220
1 198	1 166	1 169	1 544	1 472	Accrued equity capital/retained earnings	1 518	1587	1218	1214	1 248
147	222	299		91	Profit after taxes	64	0	286	202	117
					Minority interest	2	2	2	2	2
2 594	2 636	2 716	3 163	3 033	Total equity capital	3 054	3 208	2 755	2 667	2 616
23 908	24 884	24 840	25 371	25 560	Total liabilities and equity capital	30 102	29 383	28 866	28 536	27 485

OTHER KEY FIGURES

<i>Parent bank</i>			<i>Group</i>			
31.12.16	31.03.16	31.03.17	31.03.17	31.03.16	31.12.16	
BALANCE SHEET						
Development in the last 3 months						
	0.4	0.7	Total assets	2.4	1.2	
	0.8	1.4	Gross lending	1.9	1.9	
	1.6	0.5	Deposit	0.6	0.9	
Development in the last 12 months						
6.6	5.5	6.9	Total assets	9.6	7.3	8.3
4.8	8.2	5.4	Gross lending ⁴	9.8	9.1	9.8
12.6	4.9	11.4	Deposit ⁵	11.9	4.3	12.2
86.0	80.7	85.3	Deposit coverage as a percentage of gross loans	64.5	63.3	65.4
58.6	60.2	57.9	Lending to retail customers	67.3	68.0	67.6
24 576	23 724	25 469	Average assets ⁶	29 849	27 251	28 324
19 169	18 440	19 436	Gross loans	25 212	22 965	24 748
-30	-16	-36	Individual write-downs	-36	-16	-30
-82	-77	-82	Period's change in collective write downs	-87	-81	-87
0	-1	0	Individual write-downs on guarantees	0	-1	0
SOLIDITY						
16.9	15.3	16.7	Capital adequacy ratio as percentage	15.8	14.9	16.1
19.8	16.8	18.5	Core capital ratio as percentage	17.5	16.3	18.7
21.7	18.9	20.3	Core tier one Capital ratio	19.2	18.2	20.5
9.8	7.8	9.1	Leverage ratio	9.2	8.2	10.1
12.5	10.8	11.9	Equity capital ratio ⁷	10.1	9.5	10.9
13.5	12.3	8.3	Rate of return on equity capital ⁸	8.1	12.1	13.0
1.5	2.5	1.4	Return on assets	0.9	1.7	1.2
KEY FIGURES PCC						
13.8	5.9	3.3	Yield per primary certificate	2.4	4.7	13.5
13.8	5.9	3.3	Diluted result per ECC, in Norwegian currency	2.4	4.7	13.5
76.5	75.1	76.5	ECCs split as of 31.12. ⁹	76.5	75.1	76.5
100.0	95.3	100.4	Equity capital per ECC ¹⁰	101.2	96.1	101.0
81.0	60.0	80.5	PCC price quoted on the stock exchange	80.5	60.0	81.0
5.9	2.5	6.0	P/E (price as at 30.09 divided by profit per ECC) ¹¹	8.4	3.2	6.0
0.8	0.6	0.8	P/B (price as ar 30.09. divided by book value of equity capital)	0.8	0.6	0.8
38.2	36.2	37.0	Costs as a percentage of income ¹³	43.4	43.6	39.6
1.0	1.1	1.1	Cost in percent of average total assets	0.9	1.0	1.0
152	162	150	Number of man-years ¹⁴	150	162	152
LOSSES ON LOANS AND GROSS DEFAULTS						
31.3	13.5	40.4	Specified loan provision in % of gross default on loan	40.4	13.5	31.3
As a percentage of gross lending:						
0.5	0.7	0.5	Gross defaults over 90 days	0.4	0.5	0.4
0.4	0.6	0.4	Net defaults over 90 days ¹⁵	0.3	0.5	0.3
0.6	0.5	0.6	Total loan loss provision ¹⁶	0.5	0.4	0.5
0.2	0.1	0.1	Losses on lending ¹⁷	0.1	0.1	0.1

Calculations

Parent bank				<i>Group</i>		
2016	31.03.16	31.03.17	(Figures in MNOK and %)	31.03.17	31.03.16	2016
			Operating costs, adjusted for one-time effects			
253	63	67	Operating costs	69	65	271
-74	-75	0	One-time effect converting pension	0	-75	-74
179	-12	67	Operating costs, adjusted for one-time effects	69	-10	197
0.73 %	-0.21 %	1.07 %	Operating costs in % of BTA, adjusted for one-time effects	0.94 %	-0.15 %	0.70 %
27.0 %	-6.9 %	37.0 %	Operating costs in % of income, adjusted for one-time effects	43.4 %	-6.7 %	28.8 %

Definitions key figures:

- ¹ Net interest- and commission income, excl. interest subordinated bonds reclassified to equity from 01.01.16
- ² Ordinary operating costs, before reduction of income by converting pension
- ³ Income by converting pension, effect resolution of pension obligation benefit pension
- ⁴ Growth gross lending, 12-month growth gross lending from 31.12.15 to 31.12.16
- ⁵ Growth customer deposits, 12-month growth customer deposits from 31.12.15 to 31.12.16
- ⁶ Weighted average of total assets through the year
- ⁷ Equity percent, total equity in the balance divided total balance value
- ⁸ Return on equity, result in comparison to average equity
- ⁹ Equity certificate fraction, EC owners share of the equity, excl. subordinated bonds
- ¹⁰ Equity per EC, EC owners share of the equity, excl. subordinated bonds, 31.12 in comparison to number of EC's
- ¹¹ P/E, stock market price by period ending divided on result per EC
- ¹² P/B, stock market price by period ending divided on book equity per EC
- ¹³ Costs in % of income, total costs excl. income by converting pension, in % of net interest: net commission income, net profit financial instruments and other income
- ¹⁴ Number of man years, permanent employee in the bank
- ¹⁵ Net defaults, total defaults > 90 days deducted individual write-downs
- ¹⁶ Total write-downs in % of gross lending, write-downs in the balance in % of gross lending
- ¹⁷ Loss of commitment in % of gross lending, recognized write-downs on lending in % of gross lending evidence

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Stein Andre Herigstad-Olsen, Deputy Chair man
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Bjørn Audun Risøy
Inga Marie Lund
Nils Terje Furunes
Marianne Terese Steinmo
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Other sources of information

Annual reports

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

Quarterly publications

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