



financial report

third quarter 2017

Helgeland Sparebank

Financial report as per 30.09.17 and third quarter 2017

General information

Helgeland Sparebank is an independent savings bank determined to be the leading bank and a driving force for growth in Helgeland. Helgeland Sparebank is the only bank with a head office in the region. The bank's strong market position combined with professional expertise, competitive prices and solid capital makes the bank well prepared to meet the competition ahead. From July 1st 2017, the bank has 6 offices in 6 municipalities in Helgeland and is the 10th largest savings bank in Norway.

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

Main features so far this year (HSB group)

- Gross profit MNOK 276 (367). Adjusted for one-time effect pension, which was recognized as income by MNOK 76 in 2016, profit from ordinary operations for the same period last year was MNOK 291.
- This gives a return of equity of 9.2 (14.0) % (one time effect included for 2016)
- Increased net interest in NOK and maintained in %.
- Income from financial investments is lower than corresponding period last year with gains from sale of Visa in 2016.
- All one-time costs with closing of the 6 smallest offices is now recognized.
- Increased write-downs on lending compared to 2016. The increase came in the 2.nd quarter
- Solid CET1 after emissions in 2016.
- Hanne J. Nordgaard took over as new CEO of Helgeland Sparebank with effect from September 1st.

Result so far this year

Key figures:

(Comparison per 30.09.16)

- Net interest 1.85 (1.84) %
- Costs in percent of BTA 0.92 (0.95) %
- Write-downs on lending 0.16 (0.08) %
- Profit per EC amounts to NOK 7.6 (11.1)
- 9-month lending growth 4.7 (8.1) %
- 9-month deposit growth 3.4 (8.6) %
- CET1 ratio 15.4 (13.8) %
- Capital ratio 18.8 (17.0) %

The net interest

Net interest income was MNOK 418. This is an increase of MNOK 32 compared with the corresponding period last year. Strong competition is still pushing margins on mortgage interest. Declining Nibor and lower funding costs gives however a positive contribution for the net interest. Net interest in % of average total assets remains in a stable level and was 1.85 (1.84). (The security fund fee is accrued throughout the year, both this year and last year).

Net commission earnings

The net commission earnings is on a stable level and were MNOK 63 (64) or 0.28 (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 14.0 (13.5).

Net value change and profit/loss from financial instruments

Net income from financial instruments was MNOK 36 (52). Reduction of MNOK 16 is mainly related to the gain from the sale of Visa of MNOK 14.5 second quarter 2016. Profit share from Helgeland Invest AS is by the end of the quarter on level with corresponding period last year.

Operating costs

Total operating costs were MNOK 208 (199). New finance tax in 2017 is expensed by MNOK 3.8. So far this year, MNOK 2.2 have been expensed in relation to closure of bank offices, among others by buyout of a leasing contract. Closure of the 6 smallest offices does not result in a reduction of in the bank's crew, but will result in a cost reduction in the long term. Cost related to then pension deal for the last CEO is expensed by MNOK 3.5 this quarter. This is an increase in the pension obligation and will therefore appear as a one-time cost and not as an annual cost ahead. Operating costs in % of BTA was 0.92 (0.95) %, while costs measured against income was 40.0 (39.3) %.

The bank has a sick leave of 5.3 (5.2) %.

Expensed write-downs on commitments

Write-downs of loans and guarantees are expensed by MNOK 36 (16). Hereby write-downs of corporate commitments of MNOK 32 (8), personal commitments by MNOK -1 (4) and write-downs on groups by MNOK 5 (8). Of write-downs on corporate commitments, MNOK 18 was expensed in Q2 2017.

The bank's total write-downs for 2017 is expected to still remain on a moderate level.

Result Q3 (last 3 months)

This quarter, profit before taxes was MNOK 101. This is a reduction of MNOK 5 from third quarter last year. The net interest has increased with MNOK 9.

Operating costs has increased by MNOK 6, hereby expensed pension cost for earlier CEO by MNOK 3.5.

Write-downs on lending are increased by MNOK 6 compared to third quarter last year, hereby increased write-downs on groups of MNOK 2.

Key figures third quarter

- Result before taxes MNOK 101 (106)
- Net interest 1.84 (1.85) %
- Financial investments 0.25 (0.28) %
- Operating costs 0.93 (0.90) %
- Write-downs on lending 0.14 (0.07) %
- 3-month lending growth 2.0 (2.0) %
- 3-month deposit growth -1.4 (0.7) %

Lending growth this quarter is on level with the same period last year, while the deposit growth is lower.

The equity certificate – HELG

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

Sparebankstiftelsen Helgeland is the largest owner with 34.8 %.

The price of the EC was per 30.09.17 NOK 88.50. This is an increase of NOK 7.50 from year end with a price of NOK 81.00.

Balance development per 30.09.17

Total assets amounts to 30.9 bn. Over the last 12 months, total assets have increased with MNOK 2.064 or 7.2 (8.7) %.

Commitments

By the end of the quarter, gross lending constituted MNOK 25.902. The 12-month lending growth was MNOK 1.539 (2.244), or 6.3 (10.1) %.

84.3 (84.1) % of the HSB group's lending is to customers in Helgeland.

MNOK 17.434, or 67.3 (67.9) % of gross lending is lending to retail customers, whereof MNOK 6.074 (23.4 %) is transferred to the bank's mortgage company.

The 12-month growth in the retail market was MNOK 895 (1.607), or 5.4 (10.8) %. The activity in the retail market in the bank's market area was especially high in 2016 as a result of DNB's closure of offices.

The 12-month growth for corporate customers was MNOK 644 (637), or 8.2 (8.9) %.

Deposits from customers

By the end of the quarter, deposits from customers constituted MNOK 16.721. The deposits have over the last 12 months increased by MNOK 1.070 (1.558), or 6.8 (11.1) %. The bank's deposit growth is on level with the national growth.

The HSB group has stable and local depositors, whereby 90.7 (91.2) % are deposits from customers in Helgeland.

The 12-month deposit growth in the retail market was MNOK 395 (611), or 4.3 (7.2) %. Of total deposits of MNOK 16.721, MNOK 9 603, or 58.2 (60.3) % are deposits from retail customers.

The 12-month deposit growth in the corporate market was MNOK 675 (947), or 10.3 (16.9) %. The deposit growth was higher last year with access to several new customers in the municipality sector.

The deposit ratio is stable and was 64.6 (64.2) % in the HSB group, and 85.7 (84.1) % in the parent bank.

Funding

Deposits from customers are a significant funding source for the bank. The volume difference between loans to customers and deposits is funded in the Norwegian money- and securities market and covered bonds issued by the Group amounts to MNOK 10.522 (9.970).

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 83.2 (81.2) %. The average remaining term for these debt securities was 2.9 (2.7) years. Duration in the mortgage company was 3.2 years.

The bank is continually preparing for the transferral of approved mortgages to the wholly-owned mortgage company. The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 30 % of gross lending. Per 30.09.17, 23.4 (22.3) % 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 of BNOK 1.1 in 2017 is largely financed by increased lending of BNOK 0.5, rest is financed with increase in funding. The securities portfolio is reduced by MNOK 320 while the liquid portfolio is increased by MNOK 28 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.

Net non-performing and impaired commitment is reduced from last quarter. By the end of the quarter net non-performing (>90 days) and impaired commitment constitute MNOK 165 (110), which equals 0.6 (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 of securities issued by Norwegian banks, mortgage companies, municipalities, government, and non-financial institutions. The credit risk is within the Boards approved frames.

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

Operational risk

The risk management is central in the daily operation and in the board's work. The risk is primarily managed through policy and guidelines,

frameworks, power of attorney, reporting requirements and competence requirements. During 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 4.2 (3.7) bn, or 13.7 (13.0) % of the group's total assets. The combined duration of the interest portfolio is 2.0 (2.0) 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 110 (137) %.

Solidity

Net capital amounts to MNOK 3.217, hereby fund obligations by MNOK 299 and subordinated loan by MNOK 300. Fund obligations of MNOK 150 are repaid in 1st quarter 2017. The HSB group has a CET1 capital ratio of 15.4 (13.8) %, T1 capital ratio was 17.1 (15.2) % and total capital ratio 18.8 (17.0) %. Profit in 2017 is not included in related capital and the capital adequacy above. If half of the profit for 2017 was included, the CET1 capital ratio would be 16.1 %, T1 capital ratio 17.7 % and total capital ratio 19.5 %.

From 1st quarter 2017, the group also reported capital adequacy where cooperating groups was proportionally consolidated. For Helgeland Sparebank this concerns Brage Finans where the bank has an ownership ratio of 10 %. The groups CET1 including proportionally consolidation of cooperating groups was 15.1 %. T1 capital ratio was 16.5 % and total capital ratio was 18.5 %.

From 31.12.17, the statutory minimum requirement for pure core capital adequacy is 12.0 %. The bank has a Pillar 2 addition of 2.2 %. The group's capital requirement including Pillar 2 addition amounts therefor to 14.2 %.

The group has increased capital target for CET1 from minimum 14.5 % to 15.0 % and over 18.0 % for total capital adequacy.

The group's unweighted core capital ratio (Leverage Ratio) was 9.1 (7.6) % at the end of the quarter.

Prospects ahead

Activity in the real estate market has been significantly lower both in sold villas and sold

apartments than in the same period last year. This, coupled with the tightening of the mortgage regulation, means that expected growth for the current year has been adjusted downwards, although we expect a somewhat higher activity in the last quarter of 2017. In the corporate market the activity and willingness to invest is as expected high.

The competition of good retail and corporate customers is still significant and is a challenge when it comes to achieve profitable growth. Reduced lending costs of OMF and bond loans, makes us expect a continued relative stable net interest.

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

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

The cost level is challenging with still strong focus on streamlining of the bank's organization. The first work process is robotized in the fourth quarter with a gradual implementation of robotization of repetitive work processes beyond 2018.

Closure of the six smallest offices will provide reduced costs in the long term and a continuous assessment of resource needs for natural

retirement/termination of employment. Adopted implementation of CRM systems will eventually provide opportunities for increased commission income and efficiency gains.

Non-performing and other impaired commitments this year is expected to continue to be moderate, but more normalized than previous years.

Price developments on villas in the region by the end of the quarter were 2.8 % against a national average of 4.2 %. For apartments we see an opposite picture with a price increase of 6.8 % for Helgeland and -2.0 % nationwide.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate in Helgeland of 1.6 % by the end of the quarter. Nordland County had an unemployment rate of 2.0 % and the national average was 2.5 %. It is expected that the level of unemployment will remain low.

We are prepared to take our share of profitable growth in the region. However, an intensified competition situation in the retail market challenges the opportunities in this segment.

The activity and investment levels in a number of industries and in the public sector are still relatively high, and a weak NOK is positive for the region's export companies. Strong focus on the circular economy of several of the major industrial companies provides basis for optimism.

Mo i Rana, October 31st 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

Hanne J. Nordgaard
CEO

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PROFIT AND LOSS ACCOUNT (amounts in NOK million)

Parent bank					Group					
31.12.16	Q3/16	Q3/17	30.09.16	30.09.17		30.09.17	30.09.16	Q3/17	Q3/16	31.12.16
767	193	193	571	583	Interest receivable and similar income	691	660	231	223	889
288	71	67	216	206	Interest payable and similar costs	264	265	86	87	357
12	3	3	9	9	Hedge fund fees	9	9	3	3	12
467	119	123	346	368	Net interest- and credit commission income	418	386	142	133	520
96	25	24	72	71	Commissions receivable and income from banking service	71	72	24	25	96
11	3	3	8	8	Commissions payable and costs relating to banking service	8	8	3	3	11
85	22	21	64	63	Net commission income	63	64	21	22	85
47	7	1	46	44	Dividend	10	7	0	7	8
51	9	19	30	31	Net profit from associates	31	30	19	9	51
7	0	0	7	-8	Net profit from other financial investments	-5	15	0	4	15
105	16	20	83	67	Gains/losses on financial assets available for sale (note 4)	36	52	19	20	74
6	2	1	5	5	Other operating income	3	4	1	1	6
74	0	0	76		Income by converting to defined contribution		76	0	0	74
253	56	72	184	205	Operating costs (note 4)	208	199	71	65	271
35	5	11	16	36	Losses on loans, guarantees etc. (note 5)	36	16	11	5	36
449	98	82	374	262	Result before tax	276	367	101	106	452
90	22	15	75	47	Tax payable on ordinary result	58	81	20	23	102
359	77	67	299	215	Result from ordinary operations after tax	218	286	81	84	350
13.8			11.6	7.5	Yield per equity capital certificate (note 6)	7.6	11.1			13.5
13.8			11.6	7.5	Diluted result per ECC in Norwegian currency (note 6)	7.6	11.1			13.5
Extended Income Statement										
359	77	67	299	215	Result from ordinary operations after tax	218	286	81	84	350
<u>Items that are subsequently reversed through profit or loss:</u>										
10	6	5	-12	15	Estimate variances, pensions will not be reversed over the period	15	-12	5	6	10
0	-1	1	-1	-2	Tax on extended profit	-2	-1	1	-1	0
10	5	6	-13	13	Net extended profit or loss items	13	-13	6	5	10
369	82	73	286	228	Items that are not subsequently reversed through profit or loss	231	273	87	89	360

BALANCE SHEET (amounts in NOK million)

Parent bank			Group			
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
ASSETS						
93	90	87	Cash and claims on central banks	86	90	93
1 489	1 258	1 198	Loans to and claims on credit institutions	544	565	509
19 057	18 893	19 727	Loans to and claims on customers (note 7,8,9,10)	25 749	24 266	24 632
103	126	116	Financial derivatives (note 16)	116	126	103
3 759	3 623	3 914	Certificates, bonds and shares available for sale	3 867	3 306	3 536
315	294	343	Investments in associated companies (note 12)	342	294	315
444	439	441	Investments in subsidiaries (note 12)			
10	15	12	Deferred tax benefit	16	15	14
45	40	58	Fixed assets (note 13)	135	146	123
56	62	74	Other assets	75	58	58
25 371	24 840	25 970	Total assets	30 930	28 866	29 383
LIABILITIES AND EQUITY CAPITAL						
250	250	250	Liabilities to credit institutions	252	252	252
16 490	15 964	17 029	Deposits from customers and liabilities to customers (note 17,18)	16 721	15 651	16 173
4 982	5 427	5 063	Borrowings through the issuance of securities (note 15)	10 270	9 718	9 258
36	49	28	Financial derivatives (note 16)	28	49	36
150	134	162	Other liabilities	173	141	156
300	300	300	Subordinated loan capital	300	300	300
22 208	22 124	22 832	Total liabilities	27 744	26 111	26 175
Equity capital						
208	187	208	Equity share capital (note 20)	208	187	208
-3	-4	-2	Own portfolio equity share capital	-2	-4	-3
971	845	971	Premium Fund	971	845	971
575	426	575	Cohesion Fund	575	426	575
1 751	1 454	1 752	Total equity share capital	1 752	1 454	1 751
516	458	516	Primary capital	516	458	516
40	17	20	Gift fund	20	17	40
556	475	536	Total primary capital	536	475	556
335	268	347	Unrealized gains reserve	347	268	335
443	220	288	Hybrid Capital (Note 1,17)	288	220	443
78			Other equity capital	43	50	121
	299	215	Result from ordinary operations after tax	218	286	
3 163	2 716	3 138	Total equity capital exclusive minority interest	3 184	2 753	3 206
			Non-controlling interest	2	2	2
3 163	2 716	3 138	Total equity capital	3 186	2 755	3 208
25 371	24 840	25 970	Total liabilities and equity capital	30 930	28 866	29 383

Conditional liabilities off balance sheet (note 11)

CHANGE IN EQUITY CAPITAL

Group

31.12.16

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other :qu.cap.	Min. int.	Total
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							10
Total ext. profit or loss	0	0	0	11	54	50	11	15	150	69	0	360
Gift fund				-11								-11
Transactions with owners												0
Repurchase FO				-76								-76
Transactions with owners	21	126		300			-6	-8				433
Dividend paid										-52		-52
Equity capital 31.12.16	208	971	-4	443	335	516	25	15	575	123	2	3 208
Paid-in/accrued equity capital/retained earnings				1 175							2 033	3 208

30.09.17

	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	-4	443	335	516	25	15	575	123	2	3 208
Equity capital as at 01.01.17				11						207		218
result for the period					12							12
Extended profit or loss items	0	0	0	11	12	0	0	0	0	207	0	230
Paid interest FO				-11								-11
Gift fund							-5	-15				-20
Transactions with owners			1	-144								-143
Impairment of the nominal value												0
Dividend paid										-78		-78
Equity capital 30.09.17	208	971	-3	299	347	516	20	0	575	252	2	3 187
Paid-in/accrued equity capital/retained earnings				1 176							2 011	3 187

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

30.09.17

	ECC capital	Premium fund	Own ECCs	Own ECCs	Result for valuation	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Dividend 0	Total 0
Equity capital as at 01.01.17	208	971	-4	443	335	516	25	15	575	77	3 162
result for the period				11						204	215
Extended profit or loss items					13						13
Total ext. profit or loss	0	0	0	11	13	0	0	0	0	204	228
Paid interest FO				-11							-11
Gift fund							-5	-15			-20
Transactions with owners			1	-144							-143
Dividend paid				0						-78	-78
Equity capital 30.09.17	208	971	-3	299	348	516	20	0	575	203	3 138
Paid-in/accrued equity capital/retained earnings				1 176						1 961	3 138

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>			
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
-888	-691	-698	Change in lending to customers	-1 137	-1 842	-2 199
690	515	524	Interest income lending to customers	650	605	831
1 840	1 320	539	Change deposits from customers	539	1 233	1 740
-162	-117	-127	Interest cost deposit from customers	-127	-122	-162
250	250	0	Change in receivables and liabilities to credit institutions	0	250	250
-101	7	-136	Change certificates and bonds	-321	150	-60
55	40	41	Interest income certificates and bonds	41	40	50
86	73	63	Comission income	63	72	86
-253	-181	-195	Payments relating to operations	-205	-184	-270
-50	-50	-52	Paid tax	-65	-57	-57
-31	-10	-38	Other cutoffs	-26	-64	-79
1 436	1 156	-79	A Net liquidity change from operating activities	-588	81	130
-25	-3	-7	Investment in long-term securities	-11	-10	-30
0	0	0	Income sale of long-term securities	0	0	20
-115	-100	-15	Long-term investments in shares	-15	0	-15
23	14	0	Payment from sales long-term investments in shares	0	14	23
49	49	44	Dividend from long-term investments in shares	10	11	11
-68	-40	22	B Net liquidity change from investments	-16	15	9
2 152	1 389	2 183	New borrowing through issuance of securities	4 365	3 048	3 877
-3 230	-2103	-2 125	Repayments - issued securities	-3 376	-2888	-4 155
150	0		Emission equity	0	0	150
300	0	0	Adoption of new fund bond	0	0	300
-77	0	-145	Buyback fund bond	-145	0	-77
-117	-93	-69	Interest payments borrowing through issuance of securities	-127	-143	-171
-10	-7	-7	Interest payments on subordinated debt	-7	-7	-10
-52	-52	-78	dividend to share owners	-78	-52	-52
-884	-866	-241	C Net liquidity change financing	632	-42	-138
484	250	-298	A+B+C Net liquidity change in the period	28	54	1
1 098	1 098	1 582	Liquid funds at the start of the period	602	601	601
1 582	1 348	1 284	Liquid funds at the end of the period	630	655	602
			Liquid funds specified			
93	90	86	Cash and balances with central banks	86	90	93
1 489	1 258	1 198	Balances with credit institutions without notice periods	544	565	509
1 582	1 348	1 284	Liquid funds	630	655	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.

IFRS 9

Together with three other savings banks, the bank has developed a loss model that is in line with the requirements that IFRS 9 has set for the quantification of losses. The model includes scenarios as the basis for quantifying different outcomes. The work is now in a test phase and preliminary calculations have been completed. So far, we have no reason to believe that a new loss model will have a significant effect on total write-downs with transition to IFRS 9.

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>				
30.09.17					30.09.17				
Retail	Corp.	Not divided	Total	Segment information	Retail	Corp.	Not divided	Total	
162	192	14	368	Net interest and credit commission income	227	194	-3	418	
19	9	35	63	Net commission income	19	9	35	63	
		73	73	Other operating income			39	39	
62	31	113	206	Operating costs	65	32	111	208	
-1	37		36	Losses on loans guaranteed	-1	37		36	
120	133	9	262	Result before tax	182	134	-40	276	
11 475	8 401		19 876	Loans to and claims on customers	17 434	8 468		25 902	
-4	-57		-61	Individual write-downs	-4	-58		-62	
-18	-69		-87	Collective write-downs on loans	-23	-69		-92	
		6 242	6 242	Other assets			5 182	5 182	
11 453	8 275	6 242	25 970	Total assts per segment	17 407	8 341	5 182	30 930	
9 502	7 527		17 029	Deposits from customers and liabilities	9 603	7 118		16 721	
		8 941	8 941	Other liabilities and equity			14 209	14 209	
9 502	7 527	8 941	25 970	Total liabilities and equity per segment	9 603	7 118	14 209	30 930	

<i>Parent bank</i>					<i>Group</i>				
30.09.16					30.09.16				
Retail	Corp.	Not divided	Total	Segment information	Retail	Corp.	Not divided	Total	
165	170	11	346	Net interest and credit commission income	214	178	-6	386	
21	9	34	64	Net commission income	21	9	34	64	
		87	87	Other operating income			56	56	
30	14	63	107	Operating costs	30	14	79	123	
	16		16	Losses on loans guaranteed		16		16	
156	149	69	374	Result before tax	205	157	5	367	
11 211	7 775		18 986	Loans to and claims on customers	16 539	7 824		24 363	
-4	-6		-10	Individual write-downs	-4	-6		-10	
-18	-65		-83	Collective write-downs on loans	-22	-65		-87	
		5 947		Other assets			4 600	4 600	
11 189	7 704	5 947	24 840	Total assts per segment	16 513	7 753	4 600	28 866	
9 107	6 856		15 963	Deposits from customers and liabilities	9 107	6 544		15 651	
		8 877	8 877	Other liabilities and equity			13 215	13 215	
9 107	6 856	8 877	24 840	Total liabilities and equity per segment	9 107	6 544	13 215	28 866	

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

<i>Parent bank</i>					<i>Group</i>				
31.12.16	Q3/16	Q3/17	30.09.16	30.09.17	30.09.17	30.09.16	Q3/17	Q3/16	31.12.16
4	0	0	0	0	0	0	0	0	4
-6	2	0	-3	-2	-2	-3	0	2	-6
8	-6	0	11	-2	1	18	0	-2	15
46	7	1	46	44	10	8	0	7	8
50	9	19	29	31	31	29	19	9	50
1	0	0	1	0	0	1	0	0	1
2	3	0	-1	0	0	-1	0	3	2
0	1	0	0	-4	-4	0	0	1	0
105	16	20	83	67	36	52	19	20	74
Total value change financial instruments									

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

<i>Parent bank</i>					<i>Group</i>				
31.12.16	Q3/16	Q3/17	30.09.16	30.09.17	30.09.17	30.09.16	Q3/17	Q3/16	31.12.16
127	26	38	91	104	104	95	37	30	127
78	18	22	56	60	60	55	22	17	78
12	3	2	9	8	13	15	5	5	20
36	9	10	28	33	31	34	7	13	46
253	56	72	184	205	208	199	71	65	271
-74	0	0	-76	0	0	-76	0	0	-74
179	56	72	108	205	208	123	71	65	197
Net operating costs									

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

<i>Parent bank</i>					<i>Group</i>				
31.12.16	Q3/16	Q3/17	30.09.16	30.09.17	30.09.17	30.09.16	Q3/17	Q3/16	31.12.16
12	0	5	-9	31	31	-9	5	0	12
7	3	5	8	5	5	8	5	3	8
22	5	0	22	2	2	22	0	5	22
0	-2	1	0	2	2	0	1	-2	0
-6	-1	0	-5	-4	-4	-5	0	-1	-6
35	5	11	16	36	36	16	11	5	36
Total losses on loans, guarantees etc.									

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

<i>Parent bank</i>				<i>Group</i>		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
359	299	215	Net profit	218	286	350
-11	-10	-11	Interest fund bond	-11	-10	-11
348	289	204	Profit (excl. Interest fund bond)	207	276	339
75.1 %	75.1 %	76.5 %	ECC percentage	76.5 %	75.1 %	75.1 %
13.8	11.6	7.5	Yield per equity capital certificate	7.6	11.1	13.5
13.8	11.6	7.5	Diluted result per ECC in Norwegian currency	7.6	11.1	13.5

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>				<i>Group</i>				
30.09.16	%	30.09.17	%		30.09.17	%	30.09.16	%
16 221	85.4	17 108	86.1	Helgeland	21 835	84.3	20 486	84.1
2 749	14.5	2 753	13.9	Areas other than Helgeland	4 042	15.6	3 852	15.8
16	0.1	15	0.1	International	25	0.1	25	0.1
18 986	100	19 876	100	Total	25 902	100	24 363	100

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

	30.09.17				30.09.16			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	5	0.0 %	0	0	0	0.0 %	0	0
Insurance and finance		0.0 %	0	0	0	0.0 %	0	0
Agriculture and forestry	1 367	5.3 %	7	6	1 291	5.3 %	1	1
Fisheries and aquaculture	928	3.6 %	0	0	840	3.4 %	0	0
Mining and industry	427	1.6 %	1	1	381	1.6 %	0	2
Building and construction	1 302	5.0 %	1	0	1 056	4.3 %	1	0
Trade, hotel, restaurants.	321	1.2 %	2	0	279	1.1 %	3	1
Transport and services	853	3.3 %	40	25	846	3.5 %	-1	5
Property, property development	3 265	12.6 %	6	0	3 131	12.9 %	2	-1
Total corporate market	8 468	32.7 %	57	32	7 824	32.1 %	6	8
Retail market	17 434	67.3 %	4	-1	16 539	67.9 %	4	0
Total	25 902	100 %	61	31	24 363	100 %	10	8
Change collective write-downs			92	5			87	8
Total			153	36			97	16
Of which gross loans Helgeland Boligkreditt AS	6 074	23.4 %			5 445	22.3 %		

	30.09.17				30.09.16			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	5	0.0 %	0	0	0	0.0 %	0	0
Insurance and finance		0.0 %	0	0	0	0.0 %	0	0
Agriculture and forestry	1 354	6.8 %	7	6	1 278	6.7 %	1	1
Fisheries and aquaculture	928	4.7 %	0	0	837	4.4 %	0	0
Mining and industry	423	2.1 %	1	1	378	2.0 %	0	2
Building and construction	1 284	6.5 %	1	0	1 031	5.4 %	1	0
Trade, hotel, restaurants.	313	1.6 %	2	0	275	1.4 %	3	1
Transport and services	791	4.0 %	40	25	788	4.2 %	-1	5
Property, property development	3 302	16.6 %	6	0	3 188	16.8 %	2	-1
Total corporate market	8 400	42.3 %	57	32	7 775	41.0 %	6	8
Retail market	11 476	57.7 %	4	-1	11 211	59.0 %	4	0
Total	19 876	100 %	61	31	18 986	100 %	10	8
Change collective write-downs			87	5			82	8
Total			148	36			92	16

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

<i>Parent bank</i>				<i>Group</i>		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
96	116	166	Loans, guarantees etc. in default	166	116	96
12	9	30	Loss provisions for loans, guarantees etc. in default	30	9	12
84	107	136	Total net loans, guarantees etc. in default	136	107	84
47	4	55	Other non-performing and impaired commitments and guara., not in default	55	4	47
18	1	26	Loss provisions for other non-performing and impaired commitments and guara., not i	26	1	18
29	3	29	Total non-performing and impaired commitments and guara., not in default	29	3	29
113	110	165	Total non-performing and impaired commitments and guara.	165	110	113
0.6 %	0.6 %	0.8 %	In % of total loans	0.6 %	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	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
19	19	30	Individual write-downs to cover losses on loans and guarantees as at 01.01	30	19	19
-13	-14	-2	Period's conf. losses, against which indi. Write-down was previously made	-2	-14	-13
1	1	0	Period's increased individual write-downs, against which write-down was previously made	0	1	1
25	5	35	New individual write-downs during the period	35	5	25
-2	-1	-2	Reversal of individual write-downs during the period	-2	-1	-2
30	10	61	= Total individual write-downs on loans	61	10	30
30	10	61	*Of which individual write-downs on loans accounted for	61	10	30
0	0	0	* Of which ind. Write-downs on guar. accounted for	0	0	0
Collective write-downs:						
75	75	82	Collective write-downs to cover losses on loans at 01.01	87	79	79
7	8	5	+ /- Period's change in collective write-downs	5	8	8
82	83	87	Total collective write-downs	92	87	87

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

<i>Parent bank</i>				<i>Group</i>		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
1 987	2 052	1 920	Unutilized drawing rights	2 343	2 470	2 411
558	546	510	Guarantee obligations	510	546	558
520	802	845	Unutilized drawing rights Helgeland Boligkreditt AS	0	0	0
3 065	3 400	3 275	Net guarantee and draw rights	2 853	3 016	2 969

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

NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Subsidiaries

	Share capi	Number of shares	Equity stake	<i>Parent bank</i>	
				Market value	
				30.09.17	31.12.16
ANS Bankbygg Mo	49.0		97 %	46	46
Helgeland Boligkreditt AS	390.0	390 000	100 %	390	390
AS Sparebankbygg	0.1	100	100 %	1	1
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100 %	3	5
Storgata 73 AS	0.1	140	53 %	1	1
Total investment in AC				441	444

Associated companies (AC)

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	<i>Parent bank and group</i>	
					30.09.17	Equity
Helgeland Invest AS		20	659	0	0	679
REDE Eiendomsmegling AS		10	33	5	1	37.0
Total		30	692	5	1	716
The bank's share						
Helgeland Invest AS	48.3 %	10	318	2	0	328
REDE AS (inkl. merverdi)	40.0 %	4	13	2	0	15
Total		14	331	4	1	343

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

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

Financial information Associated companies, balance posts

	<i>Parent bank and group</i>	
	30.09.17	31.12.16
Change in the bank's ownership in HI		
Opening balance	300	253
Adjusted value	0	0
Dividend	-4	-3
Result HI	31	50
Closing balance	328	300

	<i>Parent bank and group</i>	
	30.09.17	31.12.16
Change in the bank's ownership in REDE		
Opening balance	15	14
Dividend	0	0
Result REDE	0	1
Additional value/goodwill	0	0
Closing balance	15	15
Total	343	315

Financial information Associated companies, profit/loss posts

						<i>Parent bank and group</i>
						30.09.17
		Revenue	Finance cost	Other income	Operating cost	Result after tax
Result 100% ownership						
Helgeland Invest AS		67	0	0	2	65
REDE Eiendomsmegling AS		22	0	0	22	0
Total		89	0	0	24	65
Result bank's share						
Helgeland Invest AS	48.3 %	32	0	0	1	31
REDE Eiendomsmegling AS	40.0 %	9	0	0	9	0
Total		41	0	0	10	31

						<i>Parent bank and group</i>
						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	0	2	50
REDE Eiendomsmegling AS	40.0 %	9	0	0	8	1
Total		61	0	0	10	51

NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>			
31.12.16	30.09.16	30.09.17	30.09.17	30.09.16	31.12.16	
45	40	58	Operating funds	135	146	123
45	40	58	Total operating funds	135	146	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 30.09.17 constitute totally MNOK 6.074. Covered bonds in the housing mortgage company constitute MNOK 5,304 where MNOK 97 (342) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 30.09.17 drawn with MNOK 655. The bank has additionally an unused credit facility of NOK 1.5 bn (duration 1 year) given by Helgeland Sparebank, which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period. The agreements are entered according to the principle of an arm's lengths distance. The effects of the credit lines are eliminated in the consolidated accounts. HSB has received corporate contributions of MNOK 33 in 2017.

Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 3.3 in 2017.

Helgeland Invest AS (48,3 %)

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

NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS

Measurement of fair value of financial instruments by level

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

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

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

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

Principal fixed rate loans per 31.12.16 were MNOK 1.202 and MNOK 1.011 mill per 30.09.17. 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 0.6 per 30.09.17.

Assets and liabilities measured at fair value

<i>Parent bank</i>			<i>Group</i>			
30.09.17			30.09.17			
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	1 009	- Loans to and claims on customers at fair value	0	0	1 009
Financial assets available for sale						
0	3 652	262	- Certificates, bonds and equities available for sale	0	3 605	262
0	116		- Financial derivatives	0	116	0
0	3 768	1 271	Tota assets	0	3 721	1 271
LIABILITIES						
Financial liabilities at fair value through profit						
0	28	0	- Debt issuance of securities	0	28	0
0	28	28	Total liabilities	0	28	0

Aksjer	Utlån	Sum	Changes in instruments classified in Level 3	Aksjer	utlån	Sum
241	1 202	1 443	Opening balance	241	1202	1 443
0	-241	-241	Payment loan/sale of shares	0	-241	-241
15	67	82	New loans	15	67	82
6	-19	-13	Value change	6	-19	-13
0	0	0	Reclassification	0	0	0
262	1 009	1 271	Financial instruments valued on Level 3	262	1 009	1 271

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	Tota assets	0	3 399	1 443
LIABILITIES						
Financial liabilities at fair value through profit						
0	37	0	- Financial derivatives	0	37	0
0	37	0	Total liabilities	0	37	0

Aksjer	Utlån	Sum	Changes in instruments classified in Level 3	Aksjer	Utlån	Sum
227	1310	1 537	Opening balance	227	1 310	1 537
-23	-329	-352	Payment loan/sale of shares	-23	-329	-352
15	221	236	New loans	15	221	236
22	0	22	Value change	22	0	22
0	0	0	Reclassification	0	0	0
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>			
30.09.17				30.09.17			
Nominal value	Market value			Nominal value	Market value		
	Total	Assets			Commitments	Total	
1 236	0	28	Interest rate swaps- fixed interest rate loans	1 236	0	28	
75	0	0	Interest rate swaps- bank deposits with share Yield	75	0	0	
1 311	0	28	Total financial derivatives	1 311	0	28	
2 600	116	0	Interest rate swaps – fixed interest rate with hedging	2 600	116	0	
2 600	116	0	Total financial derivatives with hedging	2 600	116	0	

<i>Parent bank</i>				<i>Group</i>			
30.09.16				30.09.16			
Nominal value	Market value			Nominal value	Market value		
	Total	Assets			Commitments	Total	
1 371	0	49	Interest rate swaps- fixed interest rate loans	1 371	0	49	
100	0	0	Interest rate swaps- bank deposits with share Yield	100	0	0	
1 471	0	49	Total financial derivatives	1 471	0	49	
2 570	126	0	Interest rate swaps – fixed interest rate with hedging	2 570	126	0	
2 570	126	0	Total financial derivatives with hedging	2 570	126	0	

Net presentation of financial assets and liabilities

<i>Parent bank and group</i>					
30.09.17					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	116	0	116	-28	88
Derivaives carried as liabilities	28	0	28	-28	0

<i>Parent bank and group</i>					
30.09.16					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	126	0	126	-49	77
Derivaives carried as liabilities	49	0	49	-49	0

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

NOTE 17. SECURITIES ISSUED

<i>Parent bank</i>			<i>Group</i>	
31.12.16	30.09.17	(MNOK)	30.09.17	31.12.16
4 888	4 958	Bonds, nominal value	10 161	9 155
40	72	Value adjustments	73	42
54	33	Accrued interest	36	61
4 982	5 063	Total securities	10 270	9 258

Change in securities issued				<i>Group</i>	
	31.12.16 Issued	Matured/redeemed	Other change	30.09.17	
Bonds, nominal value	9 155	4 365	-3 376	17	10 161
Value adjustments	42			31	73
Accrued interest	61			-25	36
Total	9 258	4 365			10 270

Change in subordinated debt				<i>parent bank</i>	
	31.12.16 Issued	Matured/redeemed	Other change	30.09.17	
Bonds, nominal value	4 888	2 183	-2 125	12	4 958
Value adjustments	40			32	72
Accrued interest	54			-21	33
Total	4 982				5 063

Change in securities issued				<i>Group/Parent bank</i>	
	31.12.16 Issued	Matured/redeemed	Other change	30.09.17	
equity and related capital, nominal value	300	0		0	300
Value adjustments	-				-
Accrued interest	-			0	-
Total	300	0	0	0	300

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

Accounted value			<i>Group</i>	
			30.09.17	31.12.16
Bonds, amortized cost			7 560	6 679
Bonds, hedging			2 710	2 579
Total debt securities			10 270	9 258

Accounted value			<i>Parent bank</i>	
			30.09.17	31.12.16
Bonds, amortized cost			2 353	2 403
Bonds, hedging			2 710	2 579
Total debt securities			5 063	4 982

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>				<i>Group</i>				
%	30.09.16	%	30.09.17	30.09.17	%	30.09.16	%	
91.4 %	14 584	90.9 %	15 472	Helgeland	15 164	90.7 %	14 271	91.2 %
7.9 %	1 268	8.5 %	1 445	Areas other than Helgeland	1 445	8.6 %	1 268	8.1 %
0.7 %	112	0.7 %	112	International	112	0.7 %	112	0.7 %
100 %	15 964	100 %	17 029	Total	16 721	100 %	15 651	100 %

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>				<i>Group</i>				
%	30.09.16	%	30.09.17	30.09.17	%	30.09.16	%	
3.0 %	482	2.6 %	441	Financial institutions	161	1.0 %	200	1.3 %
10.7 %	1 703	11.2 %	1 903	Municipalities and municipal ente	1 903	11.4 %	1 703	10.9 %
1.9 %	298	1.8 %	309	Agriculture and forestry	309	1.8 %	298	1.9 %
6.0 %	955	4.7 %	801	Fisheries and aquaculture	801	4.8 %	955	6.1 %
1.1 %	170	0.8 %	142	Mining and industry	142	0.8 %	170	1.1 %
4.9 %	789	6.4 %	1 092	Building and construction	1 092	6.5 %	789	5.0 %
2.7 %	429	2.8 %	472	Trade, hotel, restaurants.	472	2.8 %	429	2.7 %
8.5 %	1 361	9.9 %	1 693	Transport and services	1 693	10.1 %	1 361	8.7 %
4.2 %	670	4.0 %	674	Property, property development	646	3.9 %	639	4.1 %
43.0 %	6 857	44.2 %	7 527	Total corporate market	7 219	43.2 %	6 544	41.8 %
57.0 %	9 107	55.8 %	9 502	Retail market	9 502	56.8 %	9 107	58.2 %
100 %	15 964	100 %	17 029	Total	16 721	100 %	15 651	100 %

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

<i>Per 30.09.17</i>	<i>Parent bank</i>				<i>Parent bank</i>		
	Numbers	% share	Numbers	% share	Numbers	% share	
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 653	1.4 %		
Pareto AS	1 949 392	9.3 %	Catilina invest AS	256 046	1.2 %		
Merrill Lynch Prof.	1 253 462	6.0 %	Landkreditt utbytte	250 000	1.2 %		
VPF Nordea Norge	1 137 837	5.5 %	Apollo asset Limited	181 749	0.9 %		
Pope Asset Management BNY	648 441	3.1 %	Melum Mølle AS	167 423	0.8 %		
UBS AG, London Branc A/C	646 166	3.1 %	Melesio Capital AS	137 188	0.7 %		
VPF Eika egenkapital	546 046	2.6 %	Nervik Steffen	110 506	0.5 %		
MP Pensjon PK	462 203	2.2 %	Nordenfjelske Bykreditt	108 059	0.5 %		
Lamholmen AS	442 353	2.1 %	VPF Nordea kapital	98 707	0.5 %		
Helgeland Kraft AS	377 691	1.8 %	DnB NOR Bank	98 030	0.5 %		
Total 10 biggest owners	14 718 611	70.5 %	Total 20 biggest owners	16 420 972	78.7 %		

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

NOTE 21. CAPITAL ADEQUACY

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

Parent bank				Group		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	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	287	Hybrid capital (CB)	287	220	443
1 619	1 248	1 463	Total paid-in capital	1 463	1 248	1 619
516	457	516	Savings Bank's fund	516	457	516
335	262	347	Reserve for unrealized gains	347	262	335
40	17	20	Donations Fund	20	17	40
575	426	575	Dividend equalisation reserve	575	426	575
78	0	0	Cash dividend	0	0	78
0	0	0	Other equity capital	43	54	45
1 544	1 162	1 458	Total accrued equity capital	1 501	1 216	1 589
3 163	2 410	2 921	Total equity capital	2 964	2 464	3 208
-444	-220	-287	Hybrid capital (CB)	-287	-220	-444
-9	-15	-17	Deferred tax assets	-21	-15	-13
-19	-20	-25	Shares in financial institutions	-20	-17	-19
8	8	5	Transition Rule; share net of non significant assets	4	7	8
-93	0	0	Cash dividend /gifts employee	0	0	-93
2 606	2 163	2 597	Total core tier one	2 640	2 219	2 647
-6	-7	-7	Shares in financial institutions	-6	-6	-6
-4	-4	-3	Transition Rule; share net of non significant assets	-2	-3	-4
443	220	287	Hybrid capital (CB)	287	220	443
3 039	2 372	2 874	Total core capital	2 919	2 430	3 080
300	300	300	Subordinatet dept	300	300	300
-3	-3	-1	Shares in financial institutions	-1	-3	-3
-4	-4	-2	Transition Rule; share net of non significant assets	-1	-3	-4
0	0	0	Additional	0	0	0
293	293	297	Total net supplementary capital	298	294	293
3 332	2 665	3 171	Total net equity and related capital	3 217	2 724	3 373
15 381	14 985	15 774	Weight assets calculation basis *)	17 093	16 044	16 439
16.94 %	14.43 %	16.46 %	Core tier one Capital ratio	15.44 %	13.83 %	16.10 %
19.76 %	15.83 %	18.22 %	Core capital ratio	17.08 %	15.15 %	18.74 %
21.66 %	17.78 %	20.10 %	Total Capital ratio	18.82 %	16.98 %	20.52 %

31.12.16	30.09.16	30.09.17	Calculation basis	30.09.17	30.09.16	31.12.16
0	0	0	States and central banks	0	0	0
133	121	204	Local and regional authorities (including municipalities)	204	121	133
407	434	382	Institutions	166	208	190
715	654	776	Enterprises	776	654	715
1 296	1 208	1 450	Mass market loans	1 213	1 284	1 389
9 698	9 688	9 731	Loans secured by real property	12 365	11 604	11 677
104	147	202	Loans overdue	202	147	104
621	630	680	Covered bonds	140	132	144
0	0	0	Units in securities funds	0	0	0
1 058	1 018	1 099	Equity positions	663	606	636
104	113	113	Other loans and commitments	190	239	170
14 136	14 013	14 636	Capital requirement credit risk	15 919	14 995	15 159
1 102	968	1 102	Capital requirement operational risk	1 137	1 045	1 137
143	4	37	Deducted from capital requirement	37	4	143
15 381	14 985	15 774	Total capital requirement	17 093	16 044	16 439

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

<i>Parent bank</i>						<i>Group</i>				
31.12.16	Q3/16	Q3/17	30.09.16	30.09.17		30.09.17	30.09.16	Q3/17	Q3/16	31.12.16
3.12	3.10	2.94	3.13	3.02	Interest receivable and similar income	3.05	3.15	3.00	3.10	3.14
1.22	1.19	1.07	1.23	1.11	Interest payable and similar costs	1.21	1.31	1.15	1.25	1.30
1.90	1.91	1.87	1.90	1.91	Net interest- and credit commission Income	1.85	1.84	1.84	1.85	1.84
0.39	0.40	0.37	0.40	0.37	Commissions receivable and income from banking services	0.31	0.34	0.31	0.35	0.34
0.04	0.05	0.05	0.04	0.04	Commissions payable and costs relating to banking services	0.04	0.04	0.04	0.04	0.04
0.35	0.35	0.32	0.35	0.33	Net commission income	0.28	0.30	0.27	0.31	0.30
0.43	0.26	0.30	0.46	0.35	Gains/losses on financial assets available for sale	0.16	0.25	0.25	0.28	0.26
0.02	0.03	0.02	0.03	0.03	Other operating income	0.01	0.02	0.01	0.01	0.02
0.30	0.00	0.00	0.42	0.00	Income by conversing to defined contribution	0.00	0.36	0.00	0.00	0.26
1.03	0.90	1.10	1.01	1.06	Operating costs	0.92	0.95	0.92	0.90	0.96
0.14	0.08	0.17	0.09	0.19	Losses on loans, guarantees etc. and fixed assets	0.16	0.08	0.14	0.07	0.13
1.83	1.58	1.25	2.05	1.36	Result before tax	1.22	1.75	1.31	1.48	1.60
0.37	0.35	0.23	0.41	0.24	Tax payable on ordinary result	0.26	0.39	0.26	0.32	0.36
1.46	1.23	1.02	1.64	1.11	Result from ordinary operations after tax	0.96	1.36	1.05	1.16	1.24

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank					Group					
Q3/16	Q4/16	Q1/17	Q2/17	Q3/17		Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
193	196	194	196	193	Interest receivable and similar income	231	231	229	229	223
74	75	73	72	70	Interest payable and similar costs	89	90	94	95	90
119	121	121	124	123	Net interest- and credit commission income	142	141	135	134	133
25	24	23	24	24	Commissions receivable and income from banking serv	24	24	23	24	25
3	3	3	2	3	Commissions payable and costs relating to banking ser	3	2	3	3	3
22	21	20	22	21	Net commission income	21	22	20	21	22
16	22	38	9	20	Gains/losses on financial assets available for sale	19	14	3	22	20
2	1	2	2	1	Other operating income	1	1	1	2	1
0	2	0	0	0	Inntekter ved omdanning til innskuddspensjon	0	0	0	2	0
56	69	67	66	72	Operating costs	71	68	69	72	65
5	19	6	19	11	Losses on loans, guarantees etc.	11	19	6	20	5
98	75	108	72	82	Result before tax	101	91	84	85	106
22	15	17	15	15	Tax payable on ordinary result	20	18	20	21	23
77	60	91	57	67	Result from ordinary operations after tax	81	73	64	64	84

Parent bank					Group					
Q3/16	Q4/16	Q1/17	Q2/17	Q3/17		Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
3.10	3.09	3.09	3.03	2.94	Interest receivable and similar income	3.00	3.05	3.11	3.11	3.10
1.19	1.18	1.16	1.11	1.07	Interest payable and similar costs	1.15	1.19	1.28	1.29	1.25
1.91	1.90	1.93	1.92	1.87	Net interest- and credit commission income	1.84	1.86	1.83	1.82	1.85
0.40	0.38	0.37	0.37	0.37	Commissions receivable and income from banking serv	0.31	0.32	0.31	0.33	0.35
0.05	0.05	0.05	0.03	0.05	Commissions payable and costs relating to banking ser	0.04	0.03	0.04	0.04	0.04
0.35	0.33	0.32	0.34	0.32	Net commission income	0.27	0.29	0.27	0.29	0.31
0.26	0.35	0.61	0.15	0.30	Gains/losses on financial assets available for sale	0.25	0.18	0.04	0.30	0.28
0.03	0.02	0.03	0.03	0.02	Other operating income	0.01	0.01	0.01	0.03	0.01
0.00	0.03	0.00	0.00	-	Inntekter ved omdanning til innskuddspensjon	-	0.00	0.00	0.03	0.00
0.90	1.09	1.07	1.11	1.10	Operating costs	0.92	0.90	0.94	0.98	0.90
0.08	0.30	0.10	0.32	0.17	Losses on loans, guarantees etc.	0.14	0.25	0.08	0.27	0.07
1.57	1.18	1.72	1.01	1.25	Result before tax	1.31	1.20	1.14	1.15	1.47
0.35	0.17	0.27	0.25	0.23	Tax payable on ordinary result	0.26	0.24	0.27	0.22	0.32
1.23	1.01	1.45	0.75	1.02	Result from ordinary operations after tax	1.05	0.96	0.87	0.94	1.16

Parent bank					Group					
Q3/16	Q4/16	Q1/17	Q2/17	Q3/17		Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
ASSETS										
90	93	86	94	87	Cash and claims on central banks	86	94	86	93	90
1 258	1 489	1 289	1 771	1 198	Loans to and claims on credit institutions	544	729	493	509	565
18 893	19 057	19 318	19 415	19 727	Loans to and claims on customers	25 749	25 258	25 089	24 632	24 266
126	103	124	111	116	Financial derivatives	116	111	124	103	126
3 623	3 759	3 858	3 834	3 914	Certificates, bonds and shares available for sale	3 867	3 786	3 787	3 536	3 306
294	315	319	324	343	Investments in associated companies	342	324	319	315	294
439	444	444	441	441	Investments in subsidiaries	0	0	0		
15	10	9	10	12	Deferred tax benefit	16	14	13	14	15
40	45	47	53	58	Fixed assets	135	133	125	123	146
62	56	66	61	74	Other assets	75	65	66	58	58
24 840	25 371	25 560	26 114	25 970	Total assets	30 930	30 514	30 102	29 383	28 866
LIABILITIES AND EQUITY CAPITAL										
250	250	250	250	250	Liabilities to credit institutions	252	252	252	252	252
15 964	16 490	16 578	17 257	17 029	Deposits from customers and liabilities to customers	16 721	16 953	16 270	16 173	15 651
5 427	4 982	5 136	5 084	5 063	Borrowings through the issuance of securities	10 270	9 743	9 961	9 258	9 718
49	36	38	32	28	Financial derivatives	28	32	38	36	49
134	150	225	121	162	Other liabilities	173	130	227	156	141
300	300	300	300	300	Fund bonds	300	300	300	300	300
22 124	22 208	22 527	23 044	22 832	Total liabilities	27 744	27 410	27 048	26 175	26 111
1 028	1 176	1 176	1 177	1 177	Paid-in equity capital	1 177	1 177	1 176	1 176	1 029
220	443	294	299	288	Hybrid capital	288	299	294	443	220
1 169	1 544	1 472	1 446	1 458	Accrued equity capital/retained earnings	1 501	1 489	1 518	1 587	1 218
299		91	148	215	Profit after taxes	218	137	64	0	286
					Minority interest	2	2	2	2	2
2 716	3 163	3 033	3 070	3 138	Total equity capital	3 186	3 104	3 054	3 208	2 755
24 840	25 371	25 560	26 114	25 970	Total liabilities and equity capital	30 930	30 514	30 102	29 383	28 866

OTHER KEY FIGURES

Parent bank

Group

	31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16	
BALANCE SHEET								
Development in the last 9 months								
		4.4	2.4	Total assets		5.3	6.4	
		3.9	3.7	Gross lending		4.7	8.1	
		9	3.3	Deposit		3.4	8.6	
Development in the last 12 months								
	6.6	6.4	4.5	Total assets		7.2	8.7	8.3
	4.8	6.3	4.7	Gross lending ⁴		6.3	10.1	9.8
	12.6	11.5	6.7	Deposit ⁵		6.8	11.1	12.2
	86.0	84.1	85.7	Deposit coverage as a percentage of gross loans		64.6	64.2	65.4
	58.6	59.0	57.7	Lending to retail customers		67.3	67.9	67.6
	24 576	24 341	25 817	Average assets ⁶		30 286	28 009	28 324
	19 169	18 986	19 876	Gross loans		25 902	24 363	24 748
	-30	-10	-61	Individual write-downs		-61	-10	-30
	-82	-83	-87	Period's change in collective write downs		-92	-87	-87
	0	0	0	Individual write-downs on guarantees		0	0	0
SOLIDITY								
	16.9	14.4	16.5	Core tier one Capital ratio		15.4	13.8	16.1
	19.8	15.8	18.2	Core Capital ratio		17.1	15.1	18.7
	21.7	17.8	20.1	Total Capital ratio		18.8	17.0	20.5
	9.8	7.7	8.8	Leverage ratio ⁷		9.1	7.6	10.1
	13.5	15.0	9.2	Rate of return on equity capital ⁸		9.2	14.0	13.0
	1.5	1.5	1.1	Return on assets		1.0	1.3	1.3
KEY FIGURES PCC								
	13.8	11.6	7.5	Yield per primary certificate		7.6	11.1	13.5
	13.8	11.6	7.5	Diluted result per ECC, in Norwegian currency		7.6	11.1	13.5
	76.5	75.1	76.5	ECCs split		76.5	75.1	76.5
	100.0	100.2	104.0	Equity capital per ECC ¹⁰		105.8	101.7	101.0
	81.0	67.8	88.5	PCC price quoted on the stock exchange		88.5	67.8	81.0
	5.9	5.8	8.9	P/E (price as at 30.09 divided by profit per ECC) ¹¹		8.7	6.1	6.0
	0.8	0.7	0.9	P/B (price as ar 30.09. divided by book value of equity capital ¹²)		0.8	0.7	0.8
	38.2	36.9	40.8	Costs as a percentage of income ¹³		40.0	39.3	39.6
	1.0	1.0	1.1	Cost in percent of average total assets		0.9	0.9	1.0
	152	151	149	Number of man-years ¹⁴		149	151	152
LOSSES ON LOANS AND GROSS DEFAULTS								
	31.3	8.5	36.7	Specified loan provision in % of gross default on loan		36.7	8.5	31.3
As a percentage of gross lending:								
	0.5	0.6	0.8	Gross defaults over 90 days		0.6	0.5	0.4
	0.4	0.6	0.7	Net defaults over 90 days ¹⁵		0.5	0.4	0.3
	0.6	0.5	0.7	Total loan loss provision ¹⁶		0.6	0.4	0.5
	0.2	0.1	0.2	Losses on lending ¹⁷		0.2	0.1	0.1

Parent bank						Group
2016	30.09.16	30.09.17	(Figures in MNOK and %)	30.09.17	30.09.16	2016
Operating costs, adjusted for one-time effects						
253	184	205	Operating costs	208	199	271
-74	-76	0	One-time effect converting pension	0	-76	-74
179	108	205	Operating costs, adjusted for one-time effects	208	123	197
0.73 %	0.59 %	1.06 %	Operating costs in % of BTA, adjusted for one-time effects	0.92 %	0.59 %	0.70 %
27.0 %	31.9 %	40.8 %	Operating costs in % of income, adjusted for one-time effects	40.0 %	37.3 %	28.8 %
Profit						
359	299	215	Profit	218	286	350
-11	-10	-11	Paid interests subordinated bonds	-11	-10	-11
348	289	204	Net profit, incl. Interests subordinated bonds	207	276	339
-74	-76	0	one-time effect pension	0	-76	-74
274	213	204	Profit, adjusted for one-time effects	207	200	265
359	374	287	Profit (annualized)	291	357	359
274	285	273	Profit (annualized), eks conversion of pension and incl. Interests s	277	267	265
2 668	2 496	3 127	Average equity	3 181	2 546	2 758
13.5 %	15.0 %	9.2 %	ROE	9.2 %	14.0 %	13.0 %
10.3 %	11.4 %	8.7 %	ROE adjusted for one-time effects and interests FO	8.7 %	10.5 %	9.6 %
Return on assets						
359	299	215	Profit	218	286	350
359	374	287	Profit (annualized)	291	357	359
274	285	273	Profit (annualized), eks conversion pension and gains Visa	277	267	265
24 576	24 341	25 817	Average assets	30 286	28 009	28 324
1.5 %	1.5 %	1.1 %	Return on assets (annualized)	1.0 %	1.3 %	1.3 %
1.1 %	1.2 %	1.1 %	Return on assets (annualized) adjusted for one-time effect	0.9 %	1.0 %	0.9 %
Leverage ratio						
3 039	2 372	2 874	CET1	2 919	2 430	3 080
30 865	30 690	32 518	Unweighted calculation basis	31 965	31 965	30 464
9.8 %	7.7 %	8.8 %	Leverage ratio	9.1 %	7.6 %	10.1 %

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

Definitions key figures:

- 1 Net interest- and commission income, excl. interest subordinated bonds reclassified to equity from 01.01.16
- 2 Ordinary operating costs, before reduction of income by converting pension
- 3 Income by converting pension, effect resolution of pension obligation benefit pension
- 4 Growth gross lending, 12-month growth gross lending from 30.09.16 to 30.09.17
- 5 Growth customer deposits, 12-month growth customer deposits from 30.09.16 to 30.09.17
- 6 Weighted average of total assets through the year
- 7 Unweighted Tier 1 capital, Subordinated capital divided on balance sheet items and unrecognized items calculated without risk weighting
- 8 Return on equity, result in comparison to average equity
- 9 Equity certificate fraction, EC owners share of the equity, excl. subordinated bonds
- 10 Equity per EC, EC owners share of the equity, excl. subordinated bonds, 31.12 in comparison to number of EC's
- 11 P/E, stock market price by period ending divided on result per EC
- 12 P/B, stock market price by period ending divided on book equity per EC
- 13 Costs in % of income, total costs excl. income by converting pension, in % of net interest: net commission income, net profit financial instruments and other income
- 14 Number of man years, permanent employee in the bank
- 15 Net defaults, total defaults > 90 days deducted individual write-downs
- 16 Total write-downs in % of gross lending, write-downs in the balance in % of gross lending
- 17 Loss of commitment in % of gross lending, recognized write-downs on lending in % of gross lending

Information concerning Helgeland Sparebank

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Bjørn Audun Risøy
Inga Marie Lund
Nils Terje Furunes
Marianne Terese Steinmo
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Other sources of informationAnnual 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