

Q2
2016

financial report
first half year and second quarter 2016

helgeland



Helgeland Sparebank

Financial report first half year and Q2 2016

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 13 offices in 12 municipalities in Helgeland and is the 12th 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 first half year (HSB group)

- Good profitability in the bank's basic operations with increased net interest in NOK and percent
- The profit is positively influenced by increased profit share from Helgeland Invest and settlement from Visa
- Significant income from converting to defined contribution in Q1
- Good lending growth to both retail and corporate customers
- CET1 capital well above the regulatory requirements

The HSB group has a gross profit of MNOK 261 (129). The earnings give an annual net ROE of 13.3 (8.9) %. The EPS is NOK 8.0 (3.7).

Result 1st half year

Key figures:

(Comparison per 30.06.15)

- Net interest 1.84 (1.77) %
- Costs in percent of BTA 0.97 (1.02) %
- Write-downs on lending 0.08 (0.09) %
- 6-month lending growth 6.0 (3.7)
- 6-month deposit growth 7.8 (4.6)
- CET1 ratio 14.0 (14.2) %
- Capital ratio 17.2 (17.6) %

The net interest

Net interest income was 253 (226) million or 1.84 (1.77) % of average assets. This is an increase of MNOK 27 compared with the corresponding period last year. The bank has managed to maintain

net interest income over the past year despite the generally low interest rates and strong competition. Decline in Nibor has given a positive contribution. Interest on covered bonds is from 2016 booked against equity. Previously interest at covered bonds was posted as interest. This has improved the net interest rate in the first half with 4 bp compared with last year. Guarantee Fund fee is accrued as in previous years. Credit spreads in both bond and covered bond segment are still at a relatively high level. This has so far given a marginal increase of the Group's funding costs.

Net commission earnings

The net commission earnings were MNOK42 (42). In percent of average total assets, the net commission earnings were 0.30 (0.33) %. 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 9.1 (8.5).

Net value change and profit/loss from financial instruments

Net income from financial instruments was MNOK 32 (-1). Profit share from associated companies was MNOK 21 (6.), where the income from the Helgeland Invest group is included with MNOK 20 (6) and Rede Eiendomsmegling with MNOK 1. HSB had an indirect ownership interest in Visa Europe through its membership in Visa Norway. Sales of HSB stake in Visa Europe was completed in June and resulted in a gain of 14.5 million.

Operating costs

Total operating costs were MNOK 134 (130). The banks planned downsizing process at 15 FTEs is completed. This will eventually give lower costs in the future. 10 of FTEs has come as a reduction in the first half of 2016 while the remaining will take effect from the end of the third quarter. Costs resulting from the restructuring program was posted in 2015 with MNOK 7,5. This appropriation covers the costs of agreed severance packages. The Bank will continue to adapt the workforce in line with changes in customer behavior and technological development.

The operating costs in per cent of average total assets was 0.97 (1.02) %, and costs in percent of earnings was 40.7 (48.1) %.

The bank's absence due to sickness has increased but remains at a moderate level with 4.7 (3.6) %.

All bank employees with defined benefit scheme was transferred to a defined contribution pension scheme with effect from 01.03.16. This resulted in a onetime gain by MNOK 76 recognized in Q1

2016. The transition from defined benefit to defined contribution plan will primarily provide more predictable pension costs, but will also provide future savings.

Expensed write-downs on commitments

Write-downs on loans to customers and guarantees amounts to MNOK 11 (11) and the underlying entries are an increase write down at corporate market loans of MNOK 6 and an increase in group write-downs of MNOK 5. The group write-downs are mainly increased as a result of growth in the bank's loans, and is based on an overall assessment of the (PD/LGD) modell, the solvency development in the retail market, and the defaults.

Taxes

Taxes are estimated to MNOK 58, or 22.2% of earnings before tax.

Earnings in Q2

In Q2, profit before tax was 107 (57) million. Net interest income increased by MNOK 14. Income from financial investments increased by MNOK 34. Operating expenses increased by MNOK 4, while expenses as a percentage of average total assets are almost unchanged with 0.99 (0.98)%. Write downs on loans were reduced by NOK 5 million

Key figures Q2

- Profit before tax MNOK 107 (57)
- Net interest 1.84 (1.77) %
- Costs in percent of BTA 0.99 (0.98) %
- Write-downs on lending 0.09 (0.14) %
- 3-month lending growth 4.1 (2.7)
- 3-month deposit growth 6.8 (3.1)

Both loan growth and deposit growth in the quarter is higher than the corresponding period in 2015.

The equity certificate – HELG

The number of EC owners are stable and amounts to 2 092 by the end of the quarter. The 20 largest owners are noted with 81.8 % of the EC capital. Sparebankstiftelsen Helgeland is the largest owner with 35.3% of the ECs in HELG.

The price of the EC was per 31.06.16 NOK 62.00, which is an increase of NOK 3.00 per EC from the turn of the year.

Balance development per 30.06.16

The total assets constitute MNOK 28.500. Over the last 12 months, total assets have increased with MNOK 2.226 or 8,9 (0.0) %.

Commitments

By the end of the quarter, gross lending constituted MNOK 23.897. The 12-month lending growth was MNOK 2.307 (766), or 10,7 (3,7) %. 84.0 (84.2) % of the HSB group's lending is to customers in the Helgeland region. MNOK 16.114, or 67.4 (67.6) % of gross lending is lending to retail customers, whereof MNOK 4.898 (20.5%) is transferred to the

bank's mortgage company. The 12-month growth in the retail market was MNOK 1.511 (901), or 10.3 (6.6) %, The 12-month growth for corporate customers was MNOK 796 (141), or 11.4 (2.0) %,

Despite lower activity and prospects of weaker earnings in oil-related activities in Norway, the bank's loan growth has been good. Both in the retail and in the corporate markets the growth has been significantly higher than the corresponding period last year and the national development.

Deposits from customers

By the end of Q2 deposits from customers constituted MNOK 15.536. The deposits have over the last 12 months increased by MNOK 1.189 (629), or 8,3 (4,6) %. Deposit growth is significantly higher than the same time last year and the national development. The HSB group has stable and local depositors, whereby 90,6 (91.7) are deposits from customers in the Helgeland region.

The 12-month deposit growth in the retail market was MNOK 635 (455), or 7,4 (5,3) %. Of total deposits at MNOK 15.536, MNOK 9 249, or 59,5 (60.0) % are deposits from retail customers.

The 12-month deposit growth in the corporate market was MNOK 551 (174), or 9.6 (3.4) %.

The deposit ratio is good and was 65.0 (66.5) % in the HSB group, and 83.1 (84.6) % 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 9.836 (8.907). 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 79.3 (82.0) %. The average remaining term for these debt securities was 2.6 (2.5) 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 30.06.16, 20.5 % are transferred. Prepared mortgages will increase the rate to 25%.

Rating

Helgeland Sparebank is rated by Moody's. At May 24 th. 2016 Moody's upheld their rating of the bank at A3 with a "stable outlook". Bonds issued by Helgeland Boligkreditt AS are given a Aaa rating by Moody's.

Subsidiaries and associated companies

The HSB group consists of Helgeland Sparebank and the consolidated subsidiaries Helgeland

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

Risk and capital management

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

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 (>90 days) and impaired commitment constitute MNOK 98 (131), which equals 0.4 (0.6) % 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.

Liquidity and funding

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

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

The HSB groups combined liquidity reserves (cash, deposits, and interest bearing assets) constitute NOK 3.9 (4.0) bn, or 13.6 (15.2) % of the group's total assets. The combined duration of the interest portfolio is 2.1 (2.1) years. At Q2 the, short-term liquidity, Liquidity Coverage Ratio (LCR), was 130 (98)%.

Solidity

The HSB group has a CET1 capital ratio of 14.0 (14.2) %, which is well above the regulatory

minimum requirements of 11.5% from 1 July 2016. The T1 capital ratio was 15.4 (15.6) %, the total capital ratio 17.2 (17.6) %. The interim financial statements are unaudited, and profits so far this year are not included in CET1 assessment at Q2. The bank changed in Q2 definition of the mass market segment (FT Circular 15/2015). This has increased the calculation base and gives a decrease of approximately 0.25% -points on CET1 capital ratio.

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

Prospects ahead

Activity in the housing market in Helgeland are still high, but we see an increasing sluggishness in sales of holiday properties. The response to DNB's closure of offices has contributed growth in both the retail- and the corporate market. Overall lending growth is expected to be higher than the rest of the country in the 2nd half of the year.

The bank's capital situation is good and satisfying in accordance to profitable growth.

The deposit ratio is well above our target. We expect to maintenance the level of the bank's funding through deposits. This is justified by extension of a larger municipality agreement, new long-term municipal contracts and several new corporate customers with greater deposit volume.

We see a flattening in net interest. This is due to several factors

- increasing competition for good personal and corporate customers
- expectations of a further reduction in the key rate with a subsequent reduction in mortgage rate
- uncertainty in the market with fluctuations in credit spreads

The level of commission income is expected to be maintained.

The cost reduction after the staff reductions will come gradually trough out the year with full effect from the end of 3rd quarter. Changes in the pension plan are completed from Mars 1st and the pension liability is recognized as income and reduced with transition costs. In the long term, this will provide a reduction in the bank's pension costs.

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

The tourist season so far seems to have been very positive for the region's tourist industry. There are reports of high occupancy percentages and high demand. Norwegian seafood industry is experiencing tremendous growth in export value first half year. Although this is mainly explained by record high prices for Norwegian salmon combined with a favorable currency situation, almost the whole seafood industry have had a very good first half year. The outlook for the third quarter is unchanged. The aquaculture industry continues its investments in new technology and future-oriented equipment.

The region's industrial companies are enjoying continued good of the currency situation. There is a strong focus on growth industries that supply "green" solutions and the region starting with a significant power surplus is good. There is great excitement and anticipation to the waited industry report believed to be around at year-end.

The development of E6 throughout Helgeland offer greater local spin-offs than previously foreseen. Generally, it is still investment willingness and optimism among industry players.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate of Helgeland of 2.3% per 30/06/16. The Nordland county had an unemployment rate of 2.5% and the national average was 2.9%.

House price developments in the region confirms the high level of activity. In the first half, the average increase for detached homes was 12.5% which is 5.2% higher than the average growth nationwide which was 7.3%. Corresponding figures for apartments shows growth of 8.9% for Helgeland, and 8.5% to nationwide.

If the low oil price and the reduced level of investment has given ripple effects Helgeland this related to individual companies within the oilbase business, and property prices in a limited part of the Bank's market area. But it is to be expected that the region eventually will increasingly be affected by the country's economic development

STATEMENT UNDER THE SECURITIES TRADING ACT § 5-6

We declare that to the best of our knowledge the financial statements for the period January 1st to June 30th 2016 is prepared in accordance with the current accounting standards IAS 34 – interim reporting, and that the information in the financial statements give true and fair view of the company's assets, liabilities, financial positions and result.

The interim report shows after our best conviction a true:

- Overview over important events during the accounting period and their influence on the interim report.
- Specifications of the most central risk- and uncertain factors the company faces during the next accounting period.
- Specification of intimate's considerable transactions.

Mo i Rana, August 11th 2016

Ove Brattbakk
Chairman of the Board

Stein Andre Herigstad-Olsen
Deputy Chairman of the Board

Eva Monica Hestvik

Bjørn Audun Risøy

Inga Marie Lund

Nils Terje Furunes

Marianne Terese steinmo

Birgitte Lorentzen
Employee representative

Martin Sjøreng
Employee representative

Lisbeth Flågeng
CEO

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PROFIT AND LOSS ACCOUNT (amounts in NOK million)

<i>Parent bank</i>					<i>Group</i>					
31.12.15	Q2/15	Q2/16	30.06.15	30.06.16		30.06.16	30.06.15	Q2/16	Q2/15	31.12.15
814	203	189	414	378	Interest receivable and similar income	437	479	219	235	940
398	101	71	213	145	Interest payable and similar costs	178	247	88	118	465
12	3	3	6	6	Hedge fund fees	6	6	3	3	12
404	99	115	195	227	Net interest- and credit commission income	253	226	128	114	463
97	23	24	47	47	Commissions receivable and income from banking servic	47	47	24	23	97
10	3	2	5	5	Commissions payable and costs relating to banking servi	5	5	2	3	10
87	20	22	42	42	Net commission income	42	42	22	20	87
50	49	-1	50	39	Dividend	1	1	0	1	1
27	2	16	6	21	Net profit from associates	21	6	16	2	27
-15	-10	11	-13	7	Net profit from other financial investments	10	-8	14	-7	-7
62	41	26	43	67	Gains/losses on financial assets available for sale (note 6)	32	-1	30	-4	21
15	4	2	7	3	Other operating income	3	3	1	1	11
0	0	1	0	76	Income by converting to defined contribution	76		1		
261	62	65	126	128	Operating costs (note 4)	134	130	69	63	270
32	11	6	11	11	Losses on loans, guarantees etc. (note 5)	11	11	6	11	32
275	91	95	150	276	Result before tax	261	129	107	57	280
61	10	19	25	53	Tax payable on ordinary result	58	36	21	18	72
214	82	75	126	222	Result from ordinary operations after tax	202	93	85	39	208
8,6			5,0	8,8	Yield per equity capital certificate (note 6)	8,0	3,7			8,4
8,6			5,0	8,8	Diluted result per ECC in Norwegian currency (note 6)	8,0	3,7			8,4
Extended Income Statement										
214	82	75	126	222	Result from ordinary operations after tax	202	93	85	39	208
<u>Items that are not subsequently reversed through profit or loss:</u>										
0	0	0	0	0	Estimate variances, pensions will not be reversed over th	0	0	0	0	0
0	0	0	0	0	Tax on extended profit	0	0	0	0	0
0	0	0	0	0	Net extended profit or loss items	0	0	0	0	0
<u>Items that are not subsequently reversed through profit or loss:</u>										
14	-2	-19	-12	-18	Net change in fair value available-for-sale fin. assets	-18	-12	-19	-2	12
0	0	0	2	0	Tax on extended profit	0	2	0	0	0
14	-2	-19	-10	-18	Net extended profit or loss items	-18	-10	-19	-2	12
228	80	56	116	204	Total result for the period	184	83	66	37	220

BALANCE SHEET (amounts in NOK million)

<i>Parent bank</i>			<i>Group</i>			
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
ASSETS						
91	102	95	Cash and claims on central banks	95	102	91
1 007	1 521	1 334	Loans to and claims on credit institutions	574	638	510
18 201	17 128	18 979	Loans to and claims on customers (note 7,8,9,10)	23 804	21 490	22 444
127	126	144	Financial derivatives (note 16)	144	126	127
3 643	3 781	3 508	Certificates, bonds and shares available for sale	3 433	3 435	3 462
267	185	284	Investments in associated companies (note 12)	284	185	267
345	345	445	Investments in subsidiaries (note 12)			
33	28	15	Deferred tax benefit	15	30	37
36	35	39	Fixed assets (note 13)	146	137	138
52	58	41	Other assets	41	57	56
23 802	23 309	24 884	Total assets	28 536	26 200	27 132
LIABILITIES AND EQUITY CAPITAL						
18	0	0	Liabilities to credit institutions	2	2	20
14 644	14 572	15 851	Deposits from customers and liabilities to customers (note 17,18)	15 536	14 350	14 418
6 058	5 832	5 903	Borrowings through the issuance of securities (note 15)	9 836	8 907	9 549
58	49	54	Financial derivatives (note 16)	54	49	58
224	218	140	Other liabilities	141	228	232
519	520	300	Fundbonds and subordinated loan capital	300	519	519
21 521	21 191	22 248	Total liabilities	25 869	24 055	24 796
1 028	1 028	1 028	Paid-in equity capital (note 19,20)	1 029	1 028	1 029
		220	Hybrid capital (Note 1,17)	220		
1 253	964	1 166	Accrued equity capital/retained earnings (note 20)	1 214	1 021	1 305
	126	222	Result from ordinary operations after tax	202	94	
2 281	2 118	2 636	Total equity capital exclusive minority interest	2 665	2 143	2 334
			Non-controlling interest	2	2	2
2 281	2 118	2 636	Total equity capital	2 667	2 145	2 336
23 802	23 309	24 884	Total liabilities and equity capital	28 536	26 200	27 132

Conditional liabilities off balance sheet (note 11)

CHANGE IN EQUITY CAPITAL

Group

31.12.15

	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 01.01.15	187	845	-4	0	241	437	20	8	338	106	2	2 180
Result for the period					31	29	8	8	89	43		208
Extended profit or loss items					9					2		11
Sum total ext. profit or loss	0	0	0	0	40	29	8	8	89	45	0	219
Gift fund							-8	-8				-16
Transactions with owners												0
Impairment to par												0
Dividend paid										-47		-47
Equity capital 31.12.15	187	845	-4	0	281	466	20	8	427	104	2	2 336
Paid-in/accrued equity capital/retained earnings				1 028							1 308	2 336

30.06.16

	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	0	281	466	20	8	427	104	2	2 336
Reklassifisering Fo 01.01 IAS19R*)				220								220
result for the period				5						197		202
Extended profit or loss items	0	0	0	5	-18	0	0	0	0	197	0	184
0				-5								-5
Sum total ext. profit or loss							-3	-9				-12
Gift fund												0
Transactions with owners												0
Dividend paid										-56		-56
Equity capital 30.06.16	187	845	-4	220	263	466	17	-1	427	245	2	2 667
Paid-in/accrued equity capital/retained earnings				1 248							1 419	2 667

Parent bank

31.12.15

	ECC capital	Premium fund	Own ECCs	Own ECCs	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Other Equ.cap.	Total
Equity capital as at 01.01.15	187	845	0	-4	240	437	20	8	338	45	2 116
Extended profit or loss items					31	29	8	8	89	49	214
Sum total ext. profit or loss					10					4	14
Totalresultat	0	0	0	0	41	29	8	8	89	53	228
Gift fund							-8	-8			-16
Transactions with owners											0
Impairment to par											0
Dividend paid										-47	-47
Equity capital 31.12.15	187	845	0	-4	281	466	20	8	427	51	2 281
Paid-in/accrued equity capital/retained earnings				1 028						1 253	2 281

30.06.16

	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 01.01.16	187	845	0	-4	281	466	20	8	427	51	2 281
IAS19R*)	0			220							220
result for the period				5						217	222
Extended profit or loss items	0	0	0	5	0	-18	0	0	0	217	204
0				-5							-5
Sum total ext. profit or loss							-3	-9			-12
Gift fund											0
Dividend paid				0						-52	-52
Equity capital 30.06.16	187	845	220	-4	263	466	17	-1	427	216	2 636
Paid-in/accrued equity capital/retained earnings				1 248						1 388	2 636

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>			
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
-1 672	-555	-773	Change in lending to customers	-1 326	-779	-1 747
722	365	342	Interest income lending to customers	409	412	849
673	601	1 207	Change deposits from customers	1 118	625	692
-229	-128	-79	Interest cost deposit from customers	-81	-133	-229
319	210	117	Change certificates and bonds	72	298	296
68	36	26	Interest income certificates and bonds	26	47	68
97	47	47	Comission income	47	47	97
-248	-120	-118	Payments relating to operations	-124	-120	-250
-52	-52	-50	Paid tax	-56	-52	-52
19	19	-3	Other cutoffs	-14	14	13
-303	423	716	A Net liquidity change from operating activities	71	359	-263
-14	-7	-3	Investment in long-term securities	-8	-7	-20
5	2	0	Income sale of long-term securities	0	2	7
0	0	-100	Long-term investments in shares	0	0	0
		14		0	14	
65	65	43	Dividend from long-term investments in shares	5	15	18
56	60	-46	B Net liquidity change from investments	11	10	5
2 033	794	971	New borrowing through issuance of securities	2 018	944	3 359
-1 950	-990	-1 191	Repayments - issued securities	-1 878	-1 190	-2 995
-143	-72	-62	Interest payments borrowing through issuance of securities	-97	-108	-225
-10	-5	-5	Interest payments on subordinated debt	-5	-5	-10
-48	-48	-52	dividend to share owners	-52	-48	-48
-118	-321	-339	C Net liquidity change financing	-14	-407	81
-365	162	331	A+B+C Net liquidity change in the period	68	-38	-177
1 461	1 461	1 098	Liquid funds at the start of the period	601	778	778
1 098	1 623	1 429	Liquid funds at the end of the period	669	740	601
			Liquid funds specified			
91	102	95	Cash and balances with central banks	95	102	91
1 007	1 521	1 334	Balances with credit institutions without notice periods	574	638	510
1 098	1 623	1 429	Liquid funds	669	740	601

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 2015. The interim report for the second quarter is in compliance with IAS 34 and has not been audited.

Hedge fund fee

The fee to the banks hedge fund us normally calculated based on the average of guaranteed deposits and the average calculation for previous quarters. It is not regulated whether a withdrawal from the arrangement will result in repayment of too much fees paid. Practice has been a pro-rata impact on enrolment. Practice of and consideration of equal treatment implies pro-rata also upon withdrawal. This determines when the fee should be recognized in the accounts. HSB has provisionally continued previous practice in that the fee is accrued monthly.

Financial instrument with characteristics as equity

Issued hybrid capital instruments in HSB have a unilateral right not to repay interest or principal to investors. As a result of these conditions, the instruments don't satisfy conditions and requirements and are recognized in equity on the line Hybrid Capital. Transaction costs and accrued interests are presented as a reduction in retained earnings, while the benefit of tax deductions for interest rates provides an increase in retained earnings.

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>			
30.06.16					30.06.16			
Retail	Corp.	Not divided	Total	Segmentinformation	Retail	Corp.	Not divided	Total
112	109	6	227	Net interest and credit commission income	140	110	4	254
13	6	23	42	Net commission income	13	6	23	42
		70	71	Other operating income			35	35
16	7	29	52	Operating costs	18	8	33	59
	6	5	11	Losses on loans guaranteed		6	5	11
109	102	65	276	Result before tax	135	102	24	261
11 318	7 750		19 068	Loans to and claims on customers	16 114	7 783		23 897
-4	-5		-9	Individual write-downs	-4	-5		-9
-13	-64		-77	Collective write-downs on loans	-13	-64		-77
		5 902		Other assets			4 725	4 725
11 301	7 681	5 902	24 884	Total assts per segment	16 097	7 714	4 725	28 536
9 249	6 602		15 851	Deposits from customers and liabilities	9 249	6 287		15 536
		9 033	9 033	Other liabilities and equity			13 000	13 000
9 249	6 602	9 033	24 884	Total liabilities and equity per segment	9 249	6 287	13 000	28 536

<i>Parent bank</i>					<i>Group</i>			
30.06.15					30.06.15			
Retail	Corp.	Not divided	Total	Segmentinformation	Retail	Corp.	Not divided	Total
100	94	1	195	Net interest and credit commission income	137	96	-7	226
14	7	21	42	Net commission income	14	7	21	42
		50	50	Other operating income			2	2
41	14	71	126	Operating costs	44	14	72	130
-2	10	3	11	Losses on loans guaranteed	-2	10	3	11
75	77	-2	150	Result before tax	109	79	-59	129
10 277	6 947		17 224	Loans to and claims on customers	14 603	6 987		21 590
-5	-20		-25	Individual write-downs	-5	-20		-25
		-71	-71	Collective write-downs on loans			-71	-71
		6 181	6 181	Other assets			4 706	4 706
10 272	6 927	6 110	23 309	Total assts per segment	14 598	6 967	4 635	26 200
9 094	5 478		14 572	Deposits from customers and liabilities	9 094	5 256		14 350
		8 737	8 472	Other liabilities and equity			11 850	11 850
9 094	5 478	8 737	23 309	Total liabilities and equity per segment	9 094	5 256	11 850	26 200

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

<i>Parent bank</i>					<i>Group</i>					
31.12.15	Q2/15	Q2/16	30.06.15	30.06.16		30.06.16	30.06.15	Q2/16	Q2/15	31.12.15
-1	2	-5	1	-5	Value change in interest-bearing securities	-5	1	-5	2	-1
4	-1	2	-1	1	Net gain/loss in interest-bearing securities	1	-1	2	-1	4
-12	-8	11	-10	13	Net gain/loss shares	16	-5	15	-4	-5
49	49	0	50	39	Share dividend	1	1	0	0	1
28	2	15	6	20	Income AC Helgeland Invest AS	20	6	15	2	28
-1	0	1	0	1	Income AC REDE	1	0	1	0	-1
-6	-2	1	-2	-3	Value change in value on lending	-3	-2	1	-2	-6
1	-1	1	-1	1	Value change on funding and derivatives	1	-1	1	-1	1
62	41	26	43	67	Total value change financial instruments	32	-1	30	-4	21

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

<i>Parent bank</i>					<i>Group</i>					
31.12.15	Q2/15	Q2/16	30.06.15	30.06.16		30.06.16	30.06.15	Q2/16	Q2/15	31.12.15
130	32	33	64	65	Wages, salaries and social costs	65	65	33	32	129
8	0	0	0	0	Change package	0	0	0	0	8
74	18	20	37	38	General administration costs	38	37	20	19	74
12	3	3	6	6	Depreciation etc of fixed- and intangible assets	10	9	5	4	20
37	9	9	19	19	Other operating costs	21	19	11	8	39
261	62	65	126	128	Total operating costs	134	130	69	63	270
			1	76	Income conversing to defined contribution	76		1		
261	62	64	126	52	Net operating costs	58	130	68	63	270

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

<i>Parent bank</i>					<i>Group</i>					
31.12.15	Q2/15	Q2/16	30.06.15	30.06.16		30.06.16	30.06.15	Q2/16	Q2/15	31.12.15
4	2	-6	-1	-9	+/- Period's change in individual write-downs	-9	-1	-6	2	4
7	3	3	3	5	+ Period's change in collective write-downs	5	3	3	3	7
20	2	12	3	17	+ Period's conf. Losses against which ind. write-downs were made	17	3	12	2	20
2	5	-1	9	2	+ Period's confirmed losses against which no ind. write-downs, r	2	9	-1	5	2
-1	-1	-2	-3	-4	- Period's recoveries from previous periods' conf. losses	-4	-3	-2	-1	-1
32	11	6	11	11	Total losses on loans, guarantees etc.	11	11	6	11	32

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

<i>Parent bank</i>				<i>Group</i>		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
214	126	218	Profit	198	93	208
75 1 %	75 1 %	75 1 %	ECC percentage	75 1 %	75 1 %	75 1 %
8 6	5 0	8 8	Yield per equity capital certificate	8 0	3 7	8 4
8 6	5 0	8 8	Diluted result per ECC in Norwegian currency	8 0	3 7	8 4

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>					<i>Group</i>			
30.06.15	%	30.06.16	%		30.06.16	%	30.06.15	%
14 633	85.0	16 188	84.9	Helgeland	20 077	84.0	18 189	84.2
2 571	14.9	2 865	15.0	Areas other than Helgeland	3 794	15.9	3 370	15.6
20	0.1	16	0.1	International	26	0.1	31	0.1
17 224	100	19 069	100	Total	23 897	100	21 590	100

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

	30.06.16				30.06.15			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	0	0.0 %	0	0	1	0.0 %	0	0
Insurance and finance	5	0.0 %	0	0	7	0.0 %	0	0
Agriculture and forestry	1 262	5.3 %	0	0	1 246	5.8 %	0	-1
Fisheries and aquaculture	796	3.3 %	0	0	687	3.2 %	9	8
Mining and industry	425	1.8 %	1	1	351	1.6 %	3	-2
Building and construction	977	4.1 %	1	1	874	4.0 %	2	1
Trade, hotel, restaurants.	282	1.2 %	4	1	307	1.4 %	5	3
Transport and services	844	3.5 %	-1	5	671	3.1 %	0	-1
Property, property development	3 192	13.4 %	1	-2	2 843	13.2 %	1	2
Total corporate market	7 783	32.6 %	6	6	6 987	32.4 %	20	10
Retail market	16 114	67.4 %	4	0	14 603	67.6 %	5	-2
Total	23 897	100 %	10	6	21 590	100 %	25	8
Change collective write-downs			84	5			75	3
Total			94	11			100	11
Of which gross loans Helgeland Boligkreditt AS	4 898	20.5 %			4 422	19.3 %		

	30.06.16				30.06.15			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.		0.0 %	0	0	1	0.0 %	0	0
Insurance and finance	5	0.0 %	0	0	7	0.0 %	0	0
Agriculture and forestry	1 250	6.6 %	0	0	1 238	7.2 %	0	-1
Fisheries and aquaculture	794	4.2 %	0	0	687	4.0 %	9	8
Mining and industry	422	2.2 %	1	1	348	2.0 %	3	-2
Building and construction	951	5.0 %	1	1	849	4.9 %	2	1
Trade, hotel, restaurants.	279	1.5 %	4	1	301	1.7 %	5	3
Transport and services	801	4.2 %	-1	5	654	3.8 %	0	-1
Property, property development	3 249	17.0 %	1	-2	2 862	16.6 %	1	2
Total corporate market	7 751	40.6 %	6	6	6 947	40.3 %	20	10
Retail market	11 318	59.4 %	4	0	10 277	59.7 %	5	-2
Total	19 069	100 %	10	6	17 224	100 %	25	8
Change collective write-downs			80	5			71	3
Total			90	11			96	11

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

<i>Parent bank</i>				<i>Group</i>		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
88	93	69	Loans, guarantees etc. in default	69	93	88
16	14	8	Loss provisions for loans, guarantees etc. in default	8	14	16
72	79	61	Total net loans, guarantees etc. in default	61	79	72
5	63	39	Other non-performing and impaired commitments and guara., not in default	39	63	5
2	11	2	Loss provisions for other non-performing and impaired commitments and guara., not in default	2	11	2
3	52	37	Total non-performing and impaired commitments and guara., not in default	37	52	3
75	131	98	Total non-performing and impaired commitments and guara.	98	131	75
0.4 %	0.8 %	0.5 %	In % of total loans	0.4 %	0.6 %	0.3 %

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

<i>Parent bank</i>				<i>Group</i>		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
24	24	19	Individual write-downs to cover losses on loans and guarantees as at 01.01	19	24	24
-9	-7	-11	Period's conf. losses, against which indi. Write-down was previously made	-11	-7	-9
0	0	1	Period's increased individual write-downs, against which write-down was previously made	1	0	0
10	12	2	New individual write-downs during the period	2	12	10
-6	-4	-1	Reversal of individual write-downs during the period	-1	-4	-6
19	25	10	= Total individual write-downs on loans	10	25	19
18	25	10	*Of which individual write-downs on loans accounted for	10	25	18
1	0	0	* Of which ind. Write-downs on guars. accounted for	0	0	1
			Collective write-downs:			
68	68	75	Collective write-downs to cover losses on loans at 01.01	79	72	72
7	3	5	+ /- Period's change in collective write-downs	5	3	7
75	71	80	Total collective write-downs	84	75	79

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

<i>Parent bank</i>				<i>Group</i>		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
1 557	1 670	2 081	Unutilized drawing rights	2 488	2 016	1 959
552	546	522	Guarantee obligations	522	546	552
2 503	2 115	2 238	Unutilized drawing rights Helgeland Boligkreditt AS	0	0	0
4 612	4 331	4 841	Net guarantee and draw rights	3 010	2 562	2 511

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	
				30.06.16	30.06.15
ANS Bankbygg Mo	49 0		97 %	45	45
Helgeland Boligkreditt AS	390 0	390 000	100 %	390	290
AS Sparebankbygg	0 1	100	100 %	0 1	0 1
Helgeland Spb.eiend.selskap AS	0 1	100	100 %	0 4	0 4
Helgeland Utviklingsselskap AS	0 5	500	100 %	8	8
Storgata 73 AS	0 1	140	53 %	2	2
Total investment in AC				445	345

The share capital of Helgeland Sparebank is expanded with MNOK 100 in Q1 2016.

Balance 100 % ownership		Fixed assets	Current Assets	Current liabilities	Long term debt	<i>Parent bank and group</i>
						30.06.16
Equity						
Helgeland Invest AS		549	10	0	0	559
REDE Eiendomsmegling AS		8	34	3	2	37
Total		557	44	3	2	596
The bank's share						
Helgeland Invest AS	48.3 %	265	5	0	0	270
REDE AS (inkl. merverdi)	40.0 %	3	14	1	1	14.6
Total		268	18	1	1	284.6

Balance 100 % ownership		Fixed assets	Current Assets	Current liabilities	Long term debt	<i>Parent bank and group</i>
						31.12.15
Equity						
Helgeland Invest AS		514	10	0	0	524
REDE Eiendomsmegling AS		5	34	3	2	34
Total		519	44	3	2	558
The bank's share						
Helgeland Invest AS	48.3 %	248	5	0	0	253
REDE AS (inkl. merverdi)	40.0 %	2	14	1	1	13.6
Total		250	18	1	1	266.7

	<i>Parent bank and group</i>	
	30.06.16	31.12.15
Change in the bank's ownership in HI		
Opening balance	253	234
Adjusted value	0	0
Dividend	-3	-9
Result HI	20	28
Closing balance	270	253

	<i>Parent bank and group</i>	
	30.06.16	31.12.15
Change in the bank's ownership in REDE		
Opening balance	13.6	0.0
Dividend	0.0	-0.7
Result REDE	1.0	-0.7
Additional value/goodwill	0.0	15.0
Closing balance	14.6	13.6

Financial information Associated companies

	<i>Parent bank and group</i>				
	30.06.16				
	Revenue	Finance cost	Other income	Operating cost	Result after tax
Result 100% ownership					
Helgeland Invest AS	44	0	0	2	42
REDE Eiendomsmegling AS	14.6	0	0	12	2.5
Total	58.6	0	0	14	44.5
Result bank's share					
Helgeland Invest AS	48.3 %	21	0	1	20
REDE Eiendomsmegling AS	40.0 %	6	0	5	1
Total		27	0	6	21

	<i>Parent bank and group</i>				
	31.12.15				
	Revenue	Finance cost	Other income	Operating cost	Result after tax
Result 100% ownership					
Helgeland Invest AS	67	3	0	6	58
REDE Eiendomsmegling AS	21	0	0	22	-2
Total	88	3	0	28	56
Result bank's share					
Helgeland Invest AS	48.3 %	32	1	3	28
REDE Eiendomsmegling AS	40.0 %	8	0	9	-1
Total		41	1	12	27

NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>			
31.12.15	31.03.15	30.06.16	30.06.16	31.03.15	31.12.15	
36	35	39	Operating funds*)	146	137	138
36	35	39	Total operating funds	146	137	138

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 30.06.16 constitute totally MNOK 4,898. Covered bonds in the housing mortgage company constitute MNOK 4,033 where MNOK 100 (345) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 30.06.16 drawn with MNOK 762. The bank has additionally entered into agreements with Helgeland Boligkreditt AS concerning credit lines of NOK 1.5 bn (duration 1 year), which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period, and is entirely unused. The agreements are entered according to the principle of an arm's length distance. The effects of the credit lines are eliminated in the consolidated accounts. HSB has received corporate contributions of MNOK 38 in 2016.

Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 2.1 in 2016.

Helgeland Invest AS

Corporate market manager in the local bank Sandnessjøen, Roger Hermansen is a member of the board and the bank's CEO, Lisbeth Flågeng, is a deputy member of the board in Helgeland invest. (see note 12 regarding Helgeland Invest).

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>			
30.06.16			30.06.16			
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	1 246	- Loans to and claims on customers at fair value	0	0	1 246
Financial assets available for sale						
0	3 300	208	- Certificates, bonds and equities available for sale	0	3 224	208
0	144	0	- Financial derivatives	0	144	0
0	3 444	1 454	Tota assets	0	3 368	1 454
LIABILITIES						
Financial liabilities at fair value through profit						
0	54	0	- Debt issuance of securities	0	54	0
0	54	54	Total liabilities	0	54	0

Aksjer	Utlån	Sum	Changes in instruments classified in Level 3	Aksjer	Utlån	Sum
227	1 310	1 537	Opening balance	227	1 310	1 537
-19	-111	-130	Payment loan/sale of shares	-19	-111	-130
	47	47	New loans		47	47
		0	Value change			0
		0	Reclassification			0
208	1 246	1 454	Financial instruments valued on Level 3	208	1 246	1 454

Principal fixed rate loans per 30.06.16 were MNOK 1.237 and MNOK 1.295 mill per 31.12.15. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK 0.6 per 30.06.16 and MNOK -2.8 per 31.12.15.

Assets and liabilities measured at fair value

<i>Parent bank</i>			<i>Group</i>			
31.12.15			31.12.15			
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	1 310	- Loans to and claims on customers at fair value	0	0	1 310
Financial assets available for sale						
0	3 416	227	- Certificates, bonds and equities available for sale	0	3 236	227
0	127	0	- Financial derivatives	0	127	0
0	3 543	1 537	Tota assets	0	3 363	1 537
LIABILITIES						
Financial liabilities at fair value through profit						
0	58	0	- Financial derivatives	0	58	0
0	58	0	Total liabilities	0	58	0

Aksjer	Utlån	Sum	Changes in instruments classified in Level 3	Aksjer	Utlån	Sum
189	1044	1 233	Opening balance	189	1 044	1 233
0	-259	-259	Payment loan/sale of shares	0	-259	-259
0	538	538	New loans	0	538	538
38	-13	25	Value change	38	-13	25
0		0	Reclassification	0		0
227	1 310	1 537	Financial instruments valued on Level 3	227	1 310	1 537

NOTE 16. FINANCIAL DERIVATIVES

<i>Parent bank</i>				<i>Group</i>		
30.06.16				30.06.16		
Nominal value	Market value			Nominal value	Market value	
	Total	Assets			Commitments	Total
1 411	0	54	Interest rate swaps- fixed interest rate loans	1 411	0	54
100	0	0	Interest rate swaps- bank deposits with share Yield	100	0	0
1 511	0	54	Total financial derivatives	1 511	0	54
2 850	144	0	Interest rate swaps – fixed interest rate with hedging	2 850	144	0
2 850	144	0	Total financial derivatives with hedging	2 850	144	0

<i>Parent bank</i>				<i>Group</i>		
30.06.15				30.06.15		
Nominal value	Market value			Nominal value	Market value	
	Total	Assets			Commitments	Total
1 386	0	49	Interest rate swaps- fixed interest rate loans	1 386	0	49
0	0	0	Interest rate swaps- bank deposits with share Yield	0	0	0
1 386	0	49	Total financial derivatives	1 386	0	49
2 600	126	0	Interest rate swaps – fixed interest rate with hedging	2 600	126	0
2 600	126	0	Total financial derivatives with hedging	2 600	126	0

Net presentation of financial assets and liabilities

<i>Parent bank and group</i>					
30.06.16					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	144	0	144	54	198
Derivaives carried as liabilities	54	0	54	-54	0

<i>Parent bank and group</i>					
30.06.15					
	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

<i>Parent bank</i>			<i>Group</i>	
31.12.15	30.06.16	(MNOK)	30.06.16	31.12.15
5 945	5 761	Bonds, nominal value	9 691	9 433
52	93	Value adjustments	91	49
61	49	Accrued interest	54	67
6 058	5 903	Total securities	9 836	9 549

Change in securities issued					<i>Group</i>
	31.12.15 Issued	Matured/redeemed	Other change	30.06.16	30.06.16
Bonds, nominal value	9 433	1 750	-1 484	-8	9 691
Value adjustments	49			42	91
Accrued interest	67			-13	54
Total	9 549	1 750	-505	-2	9 836

Change in subordinated debt and hybrid capital					<i>parent bank</i>
	31.12.15 Issued	Matured/redeemed	Other change	30.06.16	30.06.16
Bonds, nominal value	5 945	650	-858		5 738
Value adjustments	52			40	92
Accrued interest	61			12	73
Total	6 058	300	-479	-1	5 903

Change in securities issued					<i>Group/Parent bank</i>
	31.12.15 Issued	Matured/redeemed	Other change	30.06.16	30.06.16
Subordinated bonds, nominal value *)	220			-220	-
equity and related capital, nominal value	300	0	0	0	300
Value adjustments	-1				-1
Accrued interest	1			0	1
Total	520	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>
	30.06.16	31.12.15	31.12.15
Bonds, amortized cost	6 925		6 726
Bonds, hedging	2 911		2 823
Total debt securities	9 836		9 549

Accounted value			<i>Parent bank</i>
	30.06.16	31.12.15	31.12.15
Bonds, amortized cost	2 992		3 235
Bonds, hedging	2 911		2 823
Total debt securities	5 903		6 058

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>						<i>Group</i>			
%	30.06.15	%	30.06.16		30.06.16	%	30.06.15	%	
91.9 %	13 388	90.8 %	14 393	Helgeland	14 078	90.6 %	13 166	91.7 %	
7.4 %	1 072	8.5 %	1 348	Areas other than Helgeland	1 348	8.7 %	1 072	7.5 %	
0.8 %	112	0.7 %	110	International	110	0.7 %	112	0.8 %	
100 %	14 572	100 %	15 851	Total	15 536	100 %	14 350	100 %	

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>						<i>Group</i>			
%	30.06.15	%	30.06.16		30.06.16	%	30.06.15	%	
2.9 %	425	3.1 %	485	Financial institutions	196	1.3 %	203	1.4 %	
11.9 %	1 731	9.8 %	1 555	Municipalities and municipal ente	1 555	10.0 %	1 731	12.1 %	
2.4 %	349	2.0 %	319	Agriculture and forestry	319	2.1 %	349	2.4 %	
3.7 %	534	4.7 %	750	Fisheries and aquaculture	750	4.8 %	534	3.7 %	
1.0 %	142	1.1 %	172	Mining and industry	172	1.1 %	142	1.0 %	
3.6 %	526	6.0 %	951	Building and construction	951	6.1 %	526	3.7 %	
2.8 %	412	2.6 %	419	Trade, hotel, restaurants.	419	2.7 %	412	2.9 %	
9.2 %	1 347	8.7 %	1 386	Transport and services	1 386	8.9 %	1 347	9.4 %	
3.4 %	492	3.6 %	565	Property, property development	539	3.5 %	492	3.4 %	
40.9 %	5 958	41.7 %	6 602	Total corporate market	6 287	40.5 %	5 736	40.0 %	
59.1 %	8 614	58.3 %	9 249	Retail market	9 249	59.5 %	8 614	60.0 %	
100 %	14 572	100 %	15 851	Total	15 536	100 %	14 350	100 %	

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

Per 30.06.16			<i>Parent bank</i>		
	Numbers	% share	Numbers	% share	
Sparebankstiftelsen Helgeland	6 599 598	35.3 %	Helgeland Kraft AS	340 494	1.8 %
Pareto AS	1 570 836	8.4 %	Verdipapirfondet Pareto	269 000	1.4 %
UBS AG, London Branc A/C	1 198 900	6.4 %	Sniptind Holding AS	179 061	1.0 %
Merrill Lynch Prof.	1 130 015	6.0 %	Catilina invest AS	170 000	0.9 %
Pope Asset Management BNY	671 041	3.6 %	Brødrene Johanssen AS	137 730	0.7 %
VPF Nordea Norge	565 712	3.0 %	Nordenfjelske Bykreditt	134 194	0.7 %
MP Pensjon PK	562 203	3.0 %	Melum Mølle AS	130 000	0.7 %
EIKA Utbytte VPF	548 920	2.9 %	Steffen Nervik	110 000	0.6 %
Lamholmen AS	398 788	2.1 %	Melesio Capital AS	100 000	0.5 %
Bergen Kommunale pensj.	390 000	2.1 %	Forte Trønder	85 600	0.5 %
Total 10 biggest owners	13 636 013	72.9 %	Total 20 biggest owners	15 292 092	81.8 %

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

NOTE 21. CAPITAL ADEQUACY

The capital ratio is worked out according to CRD IV/Basel III regulations (standard method credit risk)

(Transition rules for no significant shares in finance institutions, involve full implementation from 01.01.19).

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
187	187	187	ECC-capital	187	187	187
845	845	845	Premium Fund	845	845	845
-4	-4	-4	Own ECCs	-4	-4	-4
		220	Hybrid capital (CB)	220		
1 028	1 028	1 248	Total paid-in capital	1 248	1 028	1 028
466	438	461	Savings Bank's fund	461	438	466
281	173	262	Reserve for unrealized gains	262	149	281
29	15	18	Donations Fund	18	15	29
425	338	424	Dividend equalisation reserve	424	338	425
52	0	0	Cash dividend	0	0	52
0	0	0	Other equity capital	55	81	54
1 253	964	1 165	Total accrued equity capital	1 220	1 021	1 307
2 281	1 992	2 413	Total equity capital	2 468	2 049	2 335
		-220	Hybrid capital (CB)	-220		
-33	-27	-15	Deferred tax assets	-15	-30	-37
-38	-31	-23	Shares in financial institutions	-20	-29	-37
23	18	9	Transition Rule; share net of non significant assets	8	18	22
-60	0	0	Cash dividend /gifts employee	0	0	-60
2 173	1 952	2 164	Total core tier one	2 221	2 008	2 223
-12	-9	-7	Shares in financial institutions	-6	-9	-11
-11	-9	-5	Transition Rule; share net of non significant assets	-4	-9	-10
220	219	220	Hybrid capital (CB)	220	219	220
2 370	2 153	2 372	Total core capital	2 431	2 209	2 422
300	300	300	Subordinatet dept	300	300	300
-7	-6	-4	Shares in financial institutions	-3	-6	-6
-11	-9	-4	Transition Rule; share net of non significant assets	-4	-8	-11
0	0	0	Additional	0	0	0
282	285	292	Total net supplementary capital	293	286	283
2 652	2 438	2 664	Total net equity and related capital	2 724	2 495	2 705
13 931	13 260	14 890	Weight assets calculation basis *)	15 824	14 151	14 676
15.60 %	14.72 %	14.53 %	Core tier one Capital ratio	14.04 %	14.19 %	15.15 %
17.01 %	16.24 %	15.93 %	Core capital ratio	15.36 %	15.61 %	16.50 %
19.04 %	18.39 %	17.89 %	Total Capital ratio	17.21 %	17.63 %	18.43 %

The note shows the Capital requirement Basel III (standard method credit risk)

31.12.15	30.06.15	30.06.16	0	30.06.16	30.06.15	31.12.15
0	0	0	States and central banks	0	0	0
35	33	116	Local and regional authorities (including municipalities)	116	34	35
439	415	458	Institutions	232	205	211
399	378	675	Enterprises	675	386	398
1 828	1 728	1 248	Mass market loans	1 376	1 839	1 896
8 691	8 216	9 706	Loans secured by real property	11 430	9 910	10 221
78	74	75	Loans overdue	75	76	78
535	506	545	Covered bonds	131	144	149
0	0	0	Units in securities funds	0	0	0
858	811	985	Equity positions	629	408	421
96	91	110	Other loans and commitments	111	211	218
12 959	12 252	13 918	Capital requirement credit risk	14 776	13 213	13 628
968	909	968	Capital requirement operational risk	1 045	938	1 045
4	0	4	Deducted from capital requirement	4	0	4
13 931	13 260	14 890	Total capital requirement	15 824	14 151	14 676

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

<i>Parent bank</i>						<i>Group</i>				
31.12.15	Q2/15	Q2/16	30.06.15	30.06.16		30.06.16	30.06.15	Q2/16	Q2/15	31.12.15
3.51	3.57	3.10	3.67	3.15	Interest receivable and similar income	3.17	3.76	3.14	3.67	3.58
1.77	1.83	1.21	1.94	1.26	Interest payable and similar costs	1.33	1.99	1.30	1.90	1.82
1.74	1.74	1.89	1.73	1.89	Net interest- and credit commission income	1.84	1.77	1.83	1.77	1.76
0.42	0.40	0.39	0.42	0.39	Commissions receivable and income from banking services	0.34	0.37	0.34	0.36	0.37
0.04	0.05	0.03	0.04	0.04	Commissions payable and costs relating to banking services	0.04	0.04	0.03	0.05	0.04
0.38	0.35	0.36	0.37	0.35	Net commission income	0.30	0.33	0.32	0.31	0.33
0.27	0.72	0.44	0.38	0.56	Gains/losses on financial assets available for sale	0.23	-0.01	0.43	-0.06	0.08
0.06	0.07	0.03	0.06	0.03	Other operating income	0.02	0.02	0.01	0.02	0.04
		0.02	0.00	0.63	Income by conversing to defined contribution	0.55	0.00	0.01		
1.13	1.09	1.10	1.12	1.07	Operating costs	0.97	1.02	0.99	0.98	1.03
0.14	0.19	0.11	0.10	0.09	Losses on loans, guarantees etc. and fixed assets	0.08	0.09	0.09	0.17	0.12
1.18	1.60	1.53	1.33	2.30	Result before tax	1.89	1.01	1.53	0.89	1.06
0.26	0.16	0.33	0.21	0.45	Tax payable on ordinary result	0.42	0.28	0.31	0.27	0.27
0.92	1.44	1.20	1.12	1.85	Result from ordinary operations after tax	1.47	0.74	1.22	0.62	0.79

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank						Group				
Q2/15	Q3/15	Q4/15	Q1/16	Q2/16		Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
203	204	196	189	189	Interest receivable and similar income	219	218	226	235	235
104	101	90	77	74	Interest payable and similar costs	91	93	105	118	122
99	103	106	112	115	Net interest- and credit commission income	128	125	121	117	113
23	25	25	23	24	Commissions receivable and income from banking serv	24	23	25	25	23
3	2	3	3	2	Commissions payable and costs relating to banking ser	2	3	3	2	3
20	23	22	20	22	Net commission income	22	20	22	23	20
41	-12	31	41	26	Gains/losses on financial assets available for sale	30	2	33	-11	-4
4	7	1	1	2	Other operating income	1	2	2	6	1
				75	Inntekter ved omdanning til innskuddspensjon	1	75			
62	64	71	63	65	Operating costs	69	65	74	66	63
11	9	12	5	6	Losses on loans, guarantees etc.	6	5	12	9	11
91	48	77	181	95	Result before tax	107	154	92	59	56
10	11	25	34	19	Tax payable on ordinary result	21	37	22	14	18
81	37	52	147	75	Result from ordinary operations after tax	85	117	70	45	38

38.3 % 43.6 % 41.6 % 48.9 % 48.5 %

Parent bank						Group				
Q2/15	Q3/15	Q4/15	Q1/16	Q2/16		Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
3.57	3.48	3.27	3.20	3.10	Interest receivable and similar income	3.14	3.22	3.31	3.55	3.64
1.83	1.72	1.50	1.30	1.21	Interest payable and similar costs	1.30	1.37	1.54	1.78	1.90
1.74	1.76	1.77	1.90	1.89	Net interest- and credit commission income	1.83	1.84	1.77	1.77	1.77
0.40	0.43	0.42	0.39	0.39	Commissions receivable and income from banking serv	0.34	0.34	0.37	0.38	0.36
0.05	0.03	0.05	0.05	0.03	Commissions payable and costs relating to banking ser	0.03	0.04	0.04	0.03	0.05
0.35	0.39	0.37	0.34	0.36	Net commission income	0.32	0.30	0.32	0.35	0.31
0.73	-0.21	0.52	0.69	0.44	Gains/losses on financial assets available for sale	0.43	0.03	0.48	-0.16	-0.06
0.07	0.12	0.02	0.02	0.03	Other operating income	0.01	0.03	0.03	0.09	0.02
			1.27	0.02	Inntekter ved omdanning til innskuddspensjon	0.01	1.11			
1.09	1.09	1.19	1.07	1.10	Operating costs	0.99	0.96	1.08	1.00	0.98
0.19	0.15	0.20	0.08	0.11	Losses on loans, guarantees etc.	0.09	0.07	0.18	0.14	0.17
1.60	0.82	1.29	3.06	1.53	Result before tax	1.53	2.28	1.35	0.91	0.89
0.17	0.19	0.42	0.58	0.33	Tax payable on ordinary result	0.31	0.55	0.32	0.21	0.27
1.43	0.63	0.87	2.49	1.20	Result from ordinary operations after tax	1.22	1.73	1.03	0.70	0.62

Parent bank						Group				
Q2/15	Q3/15	Q4/15	Q1/16	Q2/16		Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
ASSETS										
102	81	91	99	95	Cash and claims on central banks	95	99	91	81	102
1 521	888	1 007	1 134	1 334	Loans to and claims on credit institutions	574	609	510	380	638
17 128	17 765	18 201	18 346	18 979	Loans to and claims on customers	23 804	22 867	22 444	22 012	21 490
127	119	127	109	144	Financial derivatives	144	109	127	119	127
3 781	3 822	3 643	3 374	3 508	Certificates, bonds and shares available for sale	3 433	3 274	3 462	3 527	3 436
185	186	267	272	284	Investments in associated companies	284	272	267	186	185
345	345	345	445	445	Investments in subsidiaries	0				
28	25	33	13	15	Deferred tax benefit	15	17	37	25	30
81	81	36	34	39	Fixed assets	146	100	92	188	183
11	40	52	82	41	Other assets	41	118	102	40	9
23 309	23 352	23 802	23 908	24 884	Total assets	28 536	27 465	27 132	26 558	26 200
LIABILITIES AND EQUITY CAPITAL										
0	0	18	1	0	Liabilities to credit institutions	2	3	20	3	2
14 572	14 318	14 644	14 878	15 851	Deposits from customers and liabilities to customers	15 536	14 546	14 418	14 093	14 350
5 832	6 111	6 058	5 879	5 903	Borrowings through the issuance of securities	9 836	9 742	9 549	9 489	8 907
49	62	58	65	54	Financial derivatives	54	65	58	62	49
219	203	224	191	140	Other liabilities	141	193	232	217	227
519	519	519	300	300	Fund bonds	300	300	519	519	520
21 191	21 213	21 521	21 314	22 248	Total liabilities	25 869	24 849	24 796	24 383	24 055
1 028	1 028	1 028	1 029	1 028	Paid-in equity capital	1 029	1 029	1 029	1 028	1 028
			220	220	Hybrid capital	220	220			
964	949	1 253	1 198	1 166	Accrued equity capital/retained earnings	1 214	1248	1305	1005	1019
126	162		147	222	Profit after taxes	202	117		138	94
					Minority interest	2	2	2	4	4
2 118	2 139	2 281	2 594	2 636	Total equity capital	2 667	2 616	2 336	2 175	2 145
23 309	23 352	23 802	23 908	24 884	Total liabilities and equity capital	28 536	27 465	27 132	26 558	26 200

OTHER KEY FIGURES

<i>Parent bank</i>			<i>Group</i>			
31.12.15	30.06.15	30.06.16	30.06.16	30.06.15	31.12.15	
BALANCE SHEET						
Utvikling siste 6 mnd						
	2.1	4.5	Total assets	5.2	1.6	
	3.3	4.2	Gross lending	6.0	3.7	
	4.3	8.2	Deposit	7.8	4.6	
Development in the last 12 months						
4.2	2.1	6.8	Total assets	8.9	0.0	5.2
9.8	3.6	10.7	Gross lending	10.7	3.7	8.2
4.8	4.4	8.8	Deposit	8.3	4.6	5.0
80.0	84.6	83.1	Deposit coverage as a percentage of gross loans	65.0	66.5	64.0
60.7	59.7	59.4	Lending to retail customers	67.4	67.6	67.7
23 181	23 219	24 124	Average assets	27 725	25 687	26 279
18 295	17 224	19 069	Gross loans	23 897	21 590	22 541
-19	-25	-10	Individual write-downs	-10	-25	-19
-75	-71	-80	Period's change in collective write downs	-84	-75	-79
-1	0	0	Individual write-downs on guarantees	0	0	-1
SOLIDITY						
15.6	14.7	14.5	Core tier one Capital ratio	14.0	14.2	15.2
17.0	16.2	15.9	Core Capital ratio	15.4	15.6	16.5
19.0	18.4	17.9	Total Capital ratio	17.2	17.6	18.4
9.6	9.1	10.6	Equity capital ratio	9.3	8.2	9.6
9.9	12.1	13.7	Rate of return on equity capital	13.3	8.9	9.3
0.9	1.1	1.5	Return on assets	1.3	0.7	0.8
KEY FIGURES PCC						
8.6	5.0	8.8	Yield per primary certificate	8.0	3.7	8.4
8.6	5.0	8.8	Diluted result per ECC, in Norwegian currency	8.0	3.7	8.4
75.1	75.1	75.1	ECCs split as of 31.12	75.1	75.1	75.1
91.6	85.1	97.0	Equity capital per ECC	98.2	86.0	93.7
59.0	59.0	62.0	PCC price quoted on the stock exchange	62.0	59.0	59.0
6.9	5.8	7.1	P/E (price as at 30.09 divided by profit per ECC)	7.8	7.8	7.1
0.6	0.7	0.6	P/B (price as ar 30.09. divided by book value of equity capital)	0.6	0.7	0.6
44.4	37.8	37.8	Costs as a percentage of income	40.7	48.1	46.4
1.1	1.1	1.1	Cost in percent of average total assets	1.0	1.0	1.0
164	167	154	Number of man-years	154	167	164
LOSSES ON LOANS AND GROSS DEFAULTS						
22.7	26.9	14.5	Specified loan provision in % of gross default on loan	14.5	26.9	22.7
As a percentage of gross lending:						
0.5	0.5	0.4	Gross defaults over 90 days	0.3	0.4	0.4
0.4	0.5	0.3	Net defaults over 90 days	0.3	0.4	0.3
0.5	0.6	0.5	Total loan loss provision	0.4	0.5	0.4
0.1	0.1	0.1	Losses on lending	0.1	0.0	0.1

1) Percentage of equity excl. Hybrid capital

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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