



financial report

first half year and second quarter 2017

Helgeland Sparebank

Financial report first half year and second 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 have not been audited.

Main features first half year (HSB group)

- Gross profit MNOK 175 (261). Adjusted for one-time effect pension, which was recognized as income by MNOK 75 in 2016, profit from ordinary operations was MNOK 185 first half of last year.
- This gives a return of equity of 8.7 (13.3) % (one time effect included for 2016)
- Profit per EC amounts to NOK 4.70 (8.00)
- Increased net interest both in NOK and % of average BTA.
- Income from financial investments is lower than corresponding period last year.
- Increased write-downs on lending.
- Discontinuing of the 6 smallest offices with effect from July 1st this year. After this, the bank has offices in the 4 cities as well as 2 smaller places in Helgeland.
- Solid CET1 after emissions in 2016

Result first half year

Key figures:

(Comparison per 30.06.16)

- Costs in percent of BTA 0.92 (0.97) %
- Write-downs on lending 0.17 (0.08) %
- 6-month lending growth 2.6 (6.0) %
- 6-month deposit growth 4.8 (7.8) %
- CET1 ratio 15.7 (14.0) %
- Capital ratio 19.1 (17.2) %

The net interest

Net interest income was MNOK 276. This is an increase of MNOK 23 compared with the corresponding period last year. Declining Nibor has

provided lower funding costs and 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 maintained and were MNOK 42 (42) 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 9.5 (9.1).

Net value change and profit/loss from financial instruments

Net income from financial instruments was MNOK 17 (32). This is a reduction of MNOK 15 compared to first half of last year. In 2017, dividend of MNOK 10 (1) is recognized as income. Dividends in the current year apply mainly to Frende Holding AS. Profit share from Helgeland Invest AS is lower in 2017 and amounts to MNOK 12 (21). Last year, profit from the sale of Visa was recognized as income with MNOK 14.5.

Operating costs

Total operating costs were MNOK 137 (134). New finance tax in 2017 is expensed by MNOK 2.1. Operating costs in % of BTA was 0.92 (0.97) %, while costs measured against income is unchanged and was 40.7 (40.7) %.

So far this year, MNOK 1.3 have been expensed in relation to closure of 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.

The bank has a sick leave of 5.2 (4.7) %.

Expensed write-downs on commitments

Write-downs of loans to customers and guarantees amounts to MNOK 25 (11). Write-downs on commitments are this quarter affected by a larger restructuring with one of our customers. The bank's total write-downs for 2017 is expected to still remain on a moderate level.

Result this quarter (last 3 months)

This quarter, profit before taxes was MNOK 91. This is a reduction of MNOK 15 from second quarter last year. The net interest has increased with MNOK 13.

Income from financial investments is reduced by MNOK 16. The profit share from Helgeland Invest AS is lower than corresponding period last year. In addition, profit from Visa was recognized as income in Q2 2016. Dividend from Frende Holding AS provides increased income this year. Write-downs on lending is increased by MNOK 13 compared to second quarter last year.

Key figures second quarter

- Result before taxes MNOK 91 (106)
- Net interest 1.86 (1.83) %
- Financial investments 0.18 (0.43) %
- Operating costs 0.90 (0.99) %
- Write-downs on lending 0.25 (0.09) %
- 3-month lending growth 0.7 (4.1) %
- 3-month deposit growth 4.2 (6.8) %

Lending growth this quarter is lower than the same period last year.

The equity certificate – HELG

By the end of the quarter the number of EC owners amounts to 2 080. The 20 largest owners are noted with 79.5 % of the EC capital.

Sparebankstiftelsen Helgeland is the largest owner with 34.8 %. Spring 2017, the bank started a program for sales of EC's to employees. Over 70 % of the bank's employees bought EC's within the program framework.

The price of the EC was per 30.06.17 NOK 84.00. This is an increase of NOK 3.00 from year end with a price of NOK 81.00.

Balance development per 30.06.17

Total assets passed 30.5 bn. Over the last 12 months, total assets have increased with MNOK 1.978 or 6.9 (8.9) %.

Commitments

By the end of the quarter, gross lending constituted MNOK 25.404. The 12-month lending growth was MNOK 1.504 (2.307), or 6.3 (10.7) %.

84.5 (84.0) % of the HSB group's lending is to customers in Helgeland.

MNOK 17.128, or 67.4 (67.4) % of gross lending is lending to retail customers, whereof MNOK 5.897 (23.2 %) is transferred to the bank's mortgage company.

The 12-month growth in the retail market was MNOK 1.014 (1.511), or 6.3 (10.3) %.

The 12-month growth for corporate customers was MNOK 490 (796), or 6.3 (11.4) %.

Deposits from customers

By the end of the quarter, deposits from customers constituted MNOK 16.953. The deposits have over the last 12 months increased by MNOK 1.417

(1186), or 9.1 (8.3) %. The bank has higher growth than the national deposit growth.

The HSB group has stable and local depositors, whereby 90.9 (90.6) % are deposits from customers in Helgeland.

The 12-month deposit growth in the retail market was MNOK 391 (635), or 4.2 (7.4) %. Of total deposits MNOK 9 640, or 56.9 (59.5) % are deposits from retail customers.

The 12-month deposit growth in the corporate market was MNOK 1 026 (551), or 16.3 (9.6) %. The deposit growth is good and significant higher than the same period last year.

The deposit ratio has increased and was 66.7 (65.0) % in the HSB group, and 88.3 (83.1) % 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 9.743 (9.836).

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 84.4 (79.3) %. The average remaining term for these debt securities was 2.9 (2.6) 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 30.06.17, 23.2 (20.5) % are transferred.

Cash flow

The cash flow statement shows how Helgeland Sparebank has received cash and how these are used. It is based on gross cash flows from operational activities, investment and financing activities. Lending growth in 2017 is largely financed by increased lending. The securities portfolio is reduced by MNOK 250 while the liquid portfolio is increased by MNOK 221 since year end.

Rating

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

Subsidiaries and associated companies

The HSB group consists of Helgeland Sparebank and the consolidated subsidiaries Helgeland Boligkreditt AS, ANS Bankbygg Mo, AS Sparebankbygg, Helgeland Sparebank's Eiendomsselskap AS, Helgeland Utviklingsselskap AS, and Storgata 73 AS. The HSB group's

associated companies are Helgeland Invest AS with an ownership of 48 %, and REDE Eiendomsmegling AS with an ownership of 40 %.

Risk and capital management

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

Credit risk

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

By the end of the quarter, net non-performing (>90 days) and impaired commitment constitute MNOK 228 (98), which equals 0.9 (0.4) % of gross lending. The increase in non-performing commitments is associated to two individual commitments whereby one of them is under liquidation. The other one is updated after the half year end through supply of capital from owners. The increase in impaired commitments applies to restructured commitments.

Market risk

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

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

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

Operational risk

The risk management is central in the daily operation and in the board's work. The risk is primarily managed through policy and guidelines, frameworks, power of attorney, reporting requirements and competence requirements. During

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 4.3 (3.9) bn, or 14.3 (13.6) % of the group's total assets. The combined duration of the interest portfolio is 2.1 (2.1) years.

The banks liquidity reserve portfolio mainly consists of solid issuers of interest-bearing securities that qualify for LCR reporting. By the end of the quarter the HSB Group has a LCR of 145 (130) %.

Solidity

Net capital amounts to MNOK 3.219, hereby fund obligations by MNOK 291 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 15.7 (14.0) %, T1 capital ratio was 17.3 (15.4) %, total capital ratio 19.1 (17.2) %. The half year profit in 2017 is not included in related capital and the capital adequacy above.

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

From 31.12.17, the statutory minimum requirement for pure core capital adequacy is 12.0 %. 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 bank considers new capital targets in September 2017.

The group's unweighted core capital ratio (Leverage Ratio) was 9.2 (7.7) % 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, which is particularly noticeable in parts of the remote market (Oslo), means that expected growth for the current year has been adjusted downwards, although in parts of the market we expect a somewhat higher activity than in the first half year. 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 sales 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 third quarter with a gradual implementation of robotization of repetitive work processes beyond 2017/2018. 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 through greater automation of work processes.

Non-performing and other impaired commitments are despite of a temporary increase on half year end still moderate seen against gross lending. The level of write-downs in 2017 is expected to be moderate, but more normalized than previous years.

House price developments in the region by the end of first half year were 4.2 % against a national average of 6.0 %. In the county's largest city Bodø, the price increase was 6.9 %. For apartments we see an opposite picture with a price increase of 6.4 % for Helgeland and -0.2 % nationwide. In Bodø, the price increase for apartments was 6,7 %.

Unemployment (total unemployed) is still low in the region with an overall vacancy rate in Helgeland of 1.8 % by the end of the quarter. Nordland County had an unemployment rate of 2.0 % and the national average was 2.6 %. 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, especially in the retail market, challenges the opportunities in this segment. This year's tourist season has also been very positive for Helgeland. 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.

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 2017 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 15th 2017

Ove Brattbakk
Chairman of the Board

Stein Andre Herigstad-Olsen
Deputy Chairman of the Board

Eva Monica Hestvik

Bjørn Audun Risøy

Inga Marie Lund

Nils Terje Furunes

Marianne Terese steinmo

Birgitte Lorentzen
Employee representative

Geir Pedersen
Employee representative

Lisbeth Flångeng
CEO

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PROFIT AND LOSS ACCOUNT (amounts in NOK million)

<i>Parent bank</i>					<i>Group</i>					
31.12.16	Q2/16	Q2/17	30.06.16	30.06.17		30.06.17	30.06.16	Q2/17	Q2/16	31.12.16
767	189	196	378	390	Interest receivable and similar income	460	437	231	219	889
288	71	69	145	139	Interest payable and similar costs	178	178	87	88	357
12	3	3	6	6	Hedge fund fees	6	6	3	3	12
467	115	124	227	245	Net interest- and credit commission income	276	253	141	128	520
96	24	24	47	47	Commissions receivable and income from banking service	47	47	24	24	96
11	2	2	5	5	Commissions payable and costs relating to banking service	5	5	2	2	11
85	22	22	42	42	Net commission income	42	42	22	22	85
47	-1	9	39	43	Dividend	10	1	10	0	8
51	16	8	21	12	Net profit from associates	12	21	8	16	51
7	11	-8	7	-8	Net profit from other financial investments	-5	10	-4	14	15
105	26	9	67	47	Gains/losses on financial assets available for sale (note 4)	17	32	14	30	74
6	2	2	3	4	Other operating income	2	3	1	1	6
74	1	0	76	0	Income by converting to defined contribution	0	76	0	1	74
253	65	66	128	133	Operating costs (note 4)	137	134	68	69	271
35	6	19	11	25	Losses on loans, guarantees etc. (note 5)	25	11	19	6	36
449	94	72	276	180	Result before tax	175	261	91	106	452
90	19	15	53	32	Tax payable on ordinary result	38	58	18	21	102
359	75	57	222	148	Result from ordinary operations after tax	137	202	73	85	350
13.8			8.8	5.1	Yield per equity capital certificate (note 6)	4.7	8.0			13.5
13.8			8.8	5.1	Diluted result per ECC in Norwegian currency (note 6)	4.7	8.0			13.5
Extended Income Statement										
359	75	57	222	148	Result from ordinary operations after tax	137	202	73	85	350
<u>Items that are subsequently reversed through profit or loss:</u>										
10	-19	0	-18	10	Estimate variances, pensions will not be reversed over the period	10	-18	0	-19	10
0	0	-1	0	-3	Tax on extended profit	-3	0	-1	0	0
10	-19	-1	-18	7	Net extended profit or loss items	7	-18	-1	-19	10
369	56	56	204	155	Items that are not subsequently reversed through profit or loss	144	184	72	66	360

BALANCE SHEET (amounts in NOK million)

Parent bank			Group			
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
ASSETS						
93	95	94	Cash and claims on central banks	94	95	93
1 489	1 334	1 771	Loans to and claims on credit institutions	729	574	509
19 057	18 979	19 415	Loans to and claims on customers (note 7,8,9,10)	25 258	23 804	24 632
103	144	111	Financial derivatives (note 16)	111	144	103
3 759	3 508	3 834	Certificates, bonds and shares available for sale	3 786	3 433	3 536
315	284	324	Investments in associated companies (note 12)	324	284	315
444	445	441	Investments in subsidiaries (note 12)			
10	15	10	Deferred tax benefit	14	15	14
45	39	53	Fixed assets (note 13)	133	146	123
56	41	61	Other assets	65	41	58
25 371	24 884	26 114	Total assets	30 514	28 536	29 383
LIABILITIES AND EQUITY CAPITAL						
250	0	250	Liabilities to credit institutions	252	2	252
16 490	15 851	17 257	Deposits from customers and liabilities to customers (note 17,18)	16 953	15 536	16 173
4 982	5 903	5 084	Borrowings through the issuance of securities (note 15)	9 743	9 836	9 258
36	54	32	Financial derivatives (note 16)	32	54	36
150	140	121	Other liabilities	130	141	156
300	300	300	Subordinated loan capital	300	300	300
22 208	22 248	23 044	Total liabilities	27 410	25 869	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	425	569	Cohesion Fund	569	425	575
1 751	1 453	1 746	Total equity share capital	1 746	1 453	1 751
516	466	514	Primary capital	514	466	516
40	16	21	Gift fund	21	16	40
556	482	535	Total primary capital	535	482	556
335	260	342	Unrealized gains reserve	342	260	335
443	219	299	Hybrid Capital (Note 1,17)	299	219	443
78	0	0	Other equity capital	43	49	121
	222	148	Result from ordinary operations after tax	137	202	
3 163	2 636	3 070	Total equity capital exclusive minority interest	3 102	2 665	3 206
			Non-controlling interest	2	2	2
3 163	2 636	3 070	Total equity capital	3 104	2 667	3 208
25 371	24 884	26 114	Total liabilities and equity capital	30 514	28 536	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
												0
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				-77								-77
Transactions with owners	21	126	1	300			-6	-8				434
Dividend paid										-52		-52
Equity capital 31.12.16	208	971	-3	442	335	516	25	15	575	123	2	3 206
Paid-in/accrued equity capital/retained earnings			1 176								2 032	3 208

30.06.17

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other :qu.cap.	Min. int.	Total
Equity capital as at 01.01.17	208	971	-3	442	335	516	25	15	575	123	2	3 208
Equity capital as at 01.01.17				8						129		137
result for the period					7							7
Extended profit or loss items	0	0	0	8	7	0	0	0	0	129	0	144
Paid interest FO					-8							-8
Gift fund							-4	-15				-19
Transactions with owners			1	-144								-143
Impairment of the nominal value												0
Dividend paid										-77		-77
Equity capital 30.06.17	208	971	-3	306	334	516	21	0	575	175	2	3 104
Paid-in/accrued equity capital/retained earnings			1 176								1 929	3 104

Parent bank

31.12.16

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	Other Equ.cap.	Total
Equity capital as at 01.01.16	187	845	-4	219	281	467	20	9	425	51	2 500
result for the period				11	44	50	11	15	150	78	359
Extended profit or loss items					10						10
Totalresultat	0	0	0	11	54	50	11	15	150	78	369
Paid interest 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	208	971	-4	443	335	517	25	15	575	77	3 163
Paid-in/accrued equity capital/retained earnings			1 175							1 987	3 163

30.06.17

	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	517	25	15	575	77	3 163
result for the period				8						140	148
Extended profit or loss items					7						7
Total ext. profit or loss	0	0	0	8	7	0	0	0	0	140	155
Paid interest FO				-8							-8
Gift fund							-4	-15			-19
Transactions with owners			1	-144							-143
Dividend paid				0						-78	-78
Equity capital 30.06.17	208	971	-3	299	342	517	21	0	575	139	3 070
Paid-in/accrued equity capital/retained earnings			1 176							1 893	3 070

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>			
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
-888	-773	-423	Change in lending to customers	-651	-1 326	-2 199
690	342	350	Interest income lending to customers	431	409	831
1 840	1 207	767	Change deposits from customers	780	1 118	1 740
-162	-79	-85	Interest cost deposit from customers	-85	-81	-162
250	-	0	Change in receivables and liabilities to credit institutions	0	-	250
-101	117	-62	Change certificates and bonds	-250	72	-60
55	26	28	Interest income certificates and bonds	28	26	50
86	47	47	Comission income	47	47	86
-253	-118	-127	Payments relating to operations	-137	-124	-270
-50	-50	-52	Paid tax	-65	-56	-57
-31	-3	-12	Other cutoffs	-34	-14	-79
1 436	716	431	A Net liquidity change from operating activities	64	71	130
-25	-3	-2	Investment in long-term securities	-8	-8	-30
0	0	0	Income sale of long-term securities	0	0	20
-115	-100	-8	Long-term investments in shares	-8	0	-15
23	14	0	Payment from sales long-term investments in shares	0	14	23
49	43	43	Dividend from long-term investments in shares	10	5	11
-68	-46	33	B Net liquidity change from investments	-6	11	9
2 152	971	1 660	New borrowing through issuance of securities	2 995	2 018	3 877
-3 230	-1191	-1 555	Repayments - issued securities	-2 506	-1878	-4 155
150		0	Emission equity	0	0	150
300		0	Adoption of new fund bond	0	0	300
-77		-145	Buyback fund bond	-145		-77
-117	-62	-53	Interest payments borrowing through issuance of securities	-93	-97	-171
-10	-5	-10	Interest payments on subordinated debt	-10	-5	-10
-52	-52	-78	dividend to share owners	-78	-52	-52
-884	-339	-181	C Net liquidity change financing	163	-14	-138
484	331	283	A+B+C Net liquidity change in the period	221	68	1
1 098	1 098	1 582	Liquid funds at the start of the period	602	601	601
1 582	1 429	1 865	Liquid funds at the end of the period	823	669	602
			Liquid funds specified			
93	95	94	Cash and balances with central banks	94	95	93
1 489	1 334	1 771	Balances with credit institutions without notice periods	729	574	509
1 582	1 429	1 865	Liquid funds	823	669	602

NOTE 1. ACCOUNTING PRINCIPLES

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

NOTE 2. SEGMENT

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

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

<i>Parent bank</i>				<i>Group</i>				
30.06.17				30.06.17				
Retail	Corp.	Not divided	Total	Segmentinformation	Retail	Corp.	Not divided	Total
109	129	6	244	Net interest and credit commission income	141	129	6	276
12	6	23	41	Net commission income	12	6	23	41
		52	52	Other operating income			19	19
36	19	78	133	Operating costs	40	19	78	137
	24		24	Losses on loans guaranteed		24		24
85	92	3	180	Result before tax	113	92	-30	175
11 356	8 197		19 553	Loans to and claims on customers	17 128	8 273		25 401
-5	-50		-55	Individual write-downs	-5	-50		-55
-12	-70		-82	Collective write-downs on loans	-17	-70		-87
		6 698		Other assets			5 255	5 255
11 339	8 077	6 698	26 114	Total assts per segment	17 106	8 153	5 255	30 514
9 640	7 617		17 257	Deposits from customers and liabilities	9 640	7 313		16 953
		8 857	8 857	Other liabilities and equity			13 561	13 561
9 640	7 617	8 857	26 114	Total liabilities and equity per segment	9 640	7 313	13 561	30 514

<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
-12	-68		-80	Collective write-downs on loans	-16	-68		-84
		5 905		Other assets			4 732	4 732
11 302	7 677	5 905	24 884	Total assts per segment	16 094	7 710	4 732	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

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

<i>Parent bank</i>					<i>Group</i>				
31.12.16	Q2/16	Q2/17	30.06.16	30.06.17	30.06.17	30.06.16	Q2/17	Q2/16	31.12.16
4	-5	0	-5	0	0	-5	0	-5	4
-6	2	-1	1	-2	-2	1	-1	2	-6
8	11	-2	13	-2	1	16	1	15	15
46	0	8	39	43	10	1	10	0	8
50	15	8	20	12	12	20	8	15	50
1	1	0	1	0	0	1	0	1	1
2	1	0	-3	0	0	-3	0	1	2
0	1	-4	1	-4	-4	1	-4	1	0
105	26	9	67	47	17	32	14	30	74

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

<i>Parent bank</i>					<i>Group</i>				
31.12.16	Q2/16	Q2/17	30.06.16	30.06.17	30.06.17	30.06.16	Q2/17	Q2/16	31.12.16
127	33	32	65	66	67	65	33	33	127
78	20	20	38	38	38	38	20	20	78
12	3	3	6	6	8	10	4	5	20
36	9	11	19	23	24	21	11	11	46
253	65	66	128	133	137	134	68	69	271
74	1	0	76	0	0	76	0	1	74
179	64	66	52	133	137	58	68	68	197

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

<i>Parent bank</i>					<i>Group</i>				
31.12.16	Q2/16	Q2/17	30.06.16	30.06.17	30.06.17	30.06.16	Q2/17	Q2/16	31.12.16
12	-6	20	-9	26	26	-9	20	-6	12
7	3	0	5	0	0	5	0	3	8
22	12	2	17	2	2	17	2	12	22
0	-1	0	2	1	1	2	0	-1	0
-6	-2	-3	-4	-4	-4	-4	-3	-2	-6
35	6	19	11	25	25	11	19	6	36

NOTE 6. PROFIT PER PRIMARY CERTIFICATE

<i>Parent bank</i>			<i>Group</i>		
31.12.16	30.06.16	30.06.17	30.06.17	30.06.16	31.12.16
359	223	148	137	203	350
-11	-5	-8	-8	-5	-11
348	218	140	129	198	339
75.1 %	75.1 %	76.5 %	76.5 %	75.1 %	75.1 %
13.8	5.0	5.1	4.7	8.0	13.5
13.8	5.0	5.1	4.7	8.0	13.5

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

<i>Parent bank</i>					<i>Group</i>			
30.06.16	%	30.06.17	%		30.06.17	%	30.06.16	%
16 188	84.9	16 841	86.1	Helgeland	21 460	84.5	20 077	84.0
2 865	15.0	2 696	13.8	Areas other than Helgeland	3 917	15.4	3 794	15.9
16	0.1	16	0.1	International	24	0.1	26	0.1
19 069	100	19 553	100	Total	25 401	100	23 897	100

NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

	30.06.17				30.06.16			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	0	0.0 %	0	0	0	0.0 %	0	0
Insurance and finance	0	0.0 %	0	0	5	0.0 %	0	0
Agriculture and forestry	1 332	5.2 %	3	1	1 262	5.3 %	0	0
Fisheries and aquaculture	864	3.4 %	0	0	796	3.3 %	0	0
Mining and industry	448	1.8 %	1	1	425	1.8 %	1	1
Building and construction	1 254	4.9 %	1	0	977	4.1 %	1	1
Trade, hotel, restaurants.	301	1.2 %	2	0	282	1.2 %	4	1
Transport and services	865	3.4 %	37	23	844	3.5 %	-1	5
Property, property development	3 209	12.6 %	6	0	3 192	13.4 %	1	-2
Total corporate market	8 273	32.6 %	50	25	7 783	32.6 %	6	6
Retail market	17 128	67.4 %	5	0	16 114	67.4 %	4	0
Total	25 401	100 %	55	25	23 897	100 %	10	6
Change collective write-downs			87	0			84	5
Total			142	25			94	11
Of which gross loans Helgeland Boligkreditt AS	5 897	23.2 %			4 898	20.5 %		

	30.06.17				30.06.16			
	Gross loans	%-stake	Loss prov.	Defaults	Gross loans	%-stake	Loss prov.	Defaults
Municipalities and municipal enterp.	0	0.0 %	0	0	0	0.0 %	0	0
Insurance and finance	0	0.0 %	0	0	5	0.0 %	0	0
Agriculture and forestry	1 321	6.8 %	3	1	1 250	6.6 %	0	0
Fisheries and aquaculture	864	4.4 %	0	0	794	4.2 %	0	0
Mining and industry	444	2.3 %	1	1	422	2.2 %	1	1
Building and construction	1 227	6.3 %	1	0	951	5.0 %	1	1
Trade, hotel, restaurants.	293	1.5 %	2	0	279	1.5 %	4	1
Transport and services	798	4.1 %	37	23	801	4.2 %	-1	5
Property, property development	3 250	16.6 %	6	0	3 249	17.0 %	1	-2
Total corporate market	8 197	41.9 %	50	25	7 751	40.6 %	6	6
Retail market	11 356	58.1 %	5	0	11 318	59.4 %	4	0
Total	19 553	100 %	55	25	19 069	100 %	10	6
Change collective write-downs			82	0			80	5
Total			137	25			90	11

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

<i>Parent bank</i>				<i>Group</i>		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
96	69	178	Loans, guarantees etc. in default	178	69	96
12	8	11	Loss provisions for loans, guarantees etc. in default	11	8	12
84	61	167	Total net loans, guarantees etc. in default	167	61	84
47	39	105	Other non-performing and impaired commitments and guara., not in default	105	39	47
18	2	44	Loss provisions for other non-performing and impaired commitments and guara., not i	44	2	18
29	37	61	Total non-performing and impaired commitments and guara., not in default	61	37	29
113	98	228	Total non-performing and impaired commitments and guara.	228	98	113
0.6 %	0.5 %	1.2 %	In % of total loans	0.9 %	0.4 %	0.5 %

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

<i>Parent bank</i>				<i>Group</i>		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
19	19	30	Individual write-downs to cover losses on loans and guarantees as at 01.01	30	19	19
-13	-11	-2	Period's conf. losses, against which indi. Write-down was previously made	-2	-11	-13
1	1	0	Period's increased individual write-downs, against which write-down was previously made	0	1	1
25	2	28	New individual write-downs during the period	28	2	25
-2	-1	-1	Reversal of individual write-downs during the period	-1	-1	-2
30	10	55	= Total individual write-downs on loans	55	10	30
30	10	55	*Of which individual write-downs on loans accounted for	55	10	30
0	0	0	* Of which ind. Write-downs on guars. 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	5	0	+ /- Period's change in collective write-downs	0	5	8
82	80	82	Total collective write-downs	87	84	87

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

<i>Parent bank</i>				<i>Group</i>		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
1 987	2 081	1 896	Unutilized drawing rights	2 322	2 488	2 411
558	522	484	Guarantee obligations	484	522	558
520	738	458	Unutilized drawing rights Helgeland Boligkreditt AS	0	0	0
3 065	3 341	2 838	Net guarantee and draw rights	2 806	3 010	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	Parent bank
						Market value
						30.06.16
ANS Bankbygg Mo	49.0			97 %		46
Helgeland Boligkreditt AS	390.0	390 000		100 %		390
AS Sparebankbygg	0.1	100		100 %		1
Helgeland Spb.eiend.selskap AS	0.1	100		100 %		0.4
Helgeland Utviklingsselskap AS	0.5	500		100 %		3
Storgata 73 AS	0.1	140		53 %		1
Total investment in AC						441

Associated companies (AC)

Balance	100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group
						Equity
						30.06.17
Helgeland Invest AS		20	620	0	0	640
REDE Eiendomsmegling AS		63	37	61	2	37.0
Total		83	657	61	2	677
The bank's share						
Helgeland Invest AS	48.3 %	10	299	0	0	309
REDE AS (inkl. merverdi)	40.0 %	25	15	24	1	15
Total		35	314	24	1	324

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

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

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

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

Financial information Associated companies, balance posts

	<i>Parent bank and group</i>	
	30.06.17	31.12.16
Change in the bank's ownership in HI		
Opening balance	300	253
Adjusted value	0	0
Dividend	-4	-3
Result HI	12	50
Closing balance	309	300

	<i>Parent bank and group</i>	
	30.06.17	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	324	315

Financial information Associated companies, profit/loss posts

	<i>Parent bank and group</i>					30.06.17
	Revenue	Finance cost	Other income	Operating cost	Result	
Result 100% ownership						after tax
Helgeland Invest AS	26	0	0	2	24	
REDE Eiendomsmegling AS	15	0	0	14.6	0	
Total	41	0	0	16.6	24	
Result bank's share						
Helgeland Invest AS	48.3 %	13	0	1	12	
REDE Eiendomsmegling AS	40.0 %	6	0	6	0	
Total		18	0	7	12	

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

NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>			
31.12.16	30.06.16	30.06.17	30.06.17	30.06.16	31.12.16	
45	39	53	Operating funds	133	146	123
45	39	53	Total operating funds	133	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 30.06.17 constitute totally MNOK 5,897. Covered bonds in the housing mortgage company constitute MNOK 4,756 where MNOK 97 (100) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is per 30.06.17 drawn with MNOK 1.042. The bank has additionally an unused credit facility of NOK 1.5 bn (duration 1 year) given by Helgeland Sparebank, which mainly should be used in the settlement of purchased loans and repayment of covered bonds in a 12 month rolling period. The agreements are entered according to the principle of an arm's lengths distance. The effects of the credit lines are eliminated in the consolidated accounts. HSB has received corporate contributions of MNOK 33 in 2016.

Ans Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 2.1 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 1.076 mill per 30.06.17. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK -0.4 per 31.12.16 and MNOK -2 per 30.06.17.

Assets and liabilities measured at fair value						
<i>Parent bank</i>				<i>Group</i>		
30.06.17				30.06.17		
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	1 076	- Loans to and claims on customers at fair value	0	0	1 076
Financial assets available for sale						
0	3 579	255	- Certificates, bonds and equities available for sale	0	3 531	255
0	111		- Financial derivatives	0	111	0
0	3 690	1 331	Total assets	0	3 642	1 331
LIABILITIES						
Financial liabilities at fair value through profit						
- Debt issuance of securities						
0	0	0	Total liabilities	0	0	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	-173	-173	Payment loan/sale of shares	0	-173	-173
8	62	70	New loans	8	62	70
6	-15	-9	Value change	6	-15	-9
0	0	0	Reclassification	0	0	0
255	1 076	1 331	Financial instruments valued on Level 3	255	1 076	1 331

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

Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total
227	1310	1 537	Opening balance	227	1 310	1 537
-23	-329	-352	payments	-23	-329	-352
15	221	236	New loans	15	221	236
22	0	22	Value change	22	0	22
0	0	0	Reclassification	0	0	0
241	1 202	1 443	Financial instruments valued on Level 3	241	1 202	1 443

NOTE 16. FINANCIAL DERIVATIVES

<i>Parent bank</i>				<i>Group</i>		
30.06.17				30.06.17		
Nominal value	Market value			Nominal value	Market value	
	Total	Assets			Commitments	Total
1 135	0	31	Interest rate swaps- fixed interest rate loans	1 135	0	31
75	0	1	Interest rate swaps- bank deposits with share Yield	75	0	1
1 210	0	32	Total financial derivatives	1 210	0	32
2 470	111	0	Interest rate swaps – fixed interest rate with hedging	2 470	111	0
2 470	111	0	Total financial derivatives with hedging	2 470	111	0

<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

Net presentation of financial assets and liabilities

<i>Parent bank and group</i>					
30.06.17					
	Gross financial assets	Financial assets that are recognized net in the balance sheet	Net financial assets	Financial instruments	Net
Derivaives carried as assets	111	0	111	-32	79
Derivaives carried as liabilities	32	0	32	-32	0

<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	90
Derivaives carried as liabilities	54	0	54	-54	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	30.06.17	(MNOK)	30.06.17	31.12.16
4 888	5 007	Bonds, nominal value	9 662	9 155
40	57	Value adjustments	56	42
54	20	Accrued interest	25	61
4 982	5 084	Total securities	9 743	9 258

Change in securities issued					<i>Group</i>
	31.12.16 Issued	Matured/redeemed	Other change	30.06.17	30.06.17
Bonds, nominal value	9 155	2 995	-2 506	18	9 662
Value adjustments	42			14	56
Accrued interest	61			-36	25
Total	9 258	2 995			9 743

Change in subordinated debt					<i>parent bank</i>
	31.12.16 Issued	Matured/redeemed	Other change	30.06.17	30.06.17
Bonds, nominal value	4 888	1 660	-1 555	14	5 007
Value adjustments	40			17	57
Accrued interest	54			-34	20
Total	4 982				5 084

Change in securities issued					<i>Group/Parent bank</i>
	31.12.16 Issued	Matured/redeemed	Other change	30.06.17	30.06.17
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>
	30.06.17	31.12.16	31.12.16
Bonds, amortized cost	7 185		6 679
Bonds, hedging	2 558		2 579
Total debt securities	9 743		9 258

Accounted value			<i>Parent bank</i>
	30.06.17	31.12.16	31.12.16
Bonds, amortized cost	2 526		2 403
Bonds, hedging	2 558		2 579
Total debt securities	5 084		4 982

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>				<i>Group</i>				
%	30.06.16	%	30.06.17	30.06.17	%	30.06.16	%	
90.8 %	14 393	91.1 %	15 714	Helgeland	15 410	90.9 %	14 078	90.6 %
8.5 %	1 348	8.3 %	1 428	Areas other than Helgeland	1 428	8.4 %	1 348	8.7 %
0.7 %	110	0.7 %	115	International	115	0.7 %	110	0.7 %
100 %	15 851	100 %	17 257	Total	16 953	100 %	15 536	100 %

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>				<i>Group</i>				
%	30.06.16	%	30.06.17	30.06.17	%	30.06.16	%	
3.1 %	485	2.6 %	441	Financial institutions	137	0.8 %	196	1.3 %
9.8 %	1 555	12.0 %	2 064	Municipalities and municipal ente	2 064	12.2 %	1 555	10.0 %
2.0 %	319	1.9 %	332	Agriculture and forestry	332	2.0 %	319	2.1 %
4.7 %	750	6.0 %	1 043	Fisheries and aquaculture	1 043	6.2 %	750	4.8 %
1.1 %	172	0.8 %	136	Mining and industry	136	0.8 %	172	1.1 %
6.0 %	951	5.5 %	956	Building and construction	956	5.6 %	951	6.1 %
2.6 %	419	2.5 %	436	Trade, hotel, restaurants.	436	2.6 %	419	2.7 %
8.7 %	1 386	9.2 %	1 583	Transport and services	1 583	9.3 %	1 386	8.9 %
3.6 %	565	3.6 %	626	Property, property development	626	3.7 %	539	3.5 %
41.7 %	6 602	44.1 %	7 617	Total corporate market	7 313	43.1 %	6 287	40.5 %
58.3 %	9 249	55.9 %	9 640	Retail market	9 640	56.9 %	9 249	59.5 %
100 %	15 851	100 %	17 257	Total	16 953	100 %	15 536	100 %

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

Per 30.06.17	<i>Parent bank</i>			<i>Parent bank</i>	
	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 650	1.4 %
Pareto AS	1 949 392	9.3 %	Catilina invest AS	231 860	1.1 %
Merrill Lynch Prof.	1 253 462	6.0 %	Landkreditt utbytte	225 000	1.1 %
UBS AG, London Branc A/C	997 010	4.8 %	Apollo asset Limited	181 750	0.9 %
VPF Nordea Norge	972 840	4.7 %	Melum Mølle AS	166 680	0.8 %
Pope Asset Management BNY	651 840	3.1 %	Forte Trønder	135 210	0.6 %
VPF Eika egenkapital	536 050	2.6 %	Verdipapirfondet Pareto	126 000	0.6 %
MP Pensjon PK	462 200	2.2 %	Melesio Capital AS	113 000	0.5 %
Lamholmen AS	442 350	2.1 %	Nervik Steffen	110 510	0.5 %
Helgeland Kraft AS	377 690	1.8 %	Nordenfjelske Bykreditt	110 000	0.5 %
Total 10 biggest owners	14 897 854	71.4 %	Total 20 biggest owners	16 592 514	79.5 %

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

NOTE 21. CAPITAL ADEQUACY

Parent bank			Group			
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
208	187	208	ECC-capital	208	187	208
971	845	971	Premium Fund	971	845	971
-3	-4	-2	Own ECCs	-2	-4	-3
443	220	291	Hybrid capital (CB)	291	220	443
1 619	1 248	1 468	Total paid-in capital	1 468	1 248	1 619
516	461	516	Savings Bank's fund	516	461	516
335	262	342	Reserve for unrealized gains	342	262	335
40	18	21	Donations Fund	21	18	40
575	424	575	Dividend equalisation reserve	575	424	575
78	0	0	Cash dividend	0	0	78
0	0	0	Other equity capital	43	55	45
1 544	1 165	1 454	Total accrued equity capital	1 497	1 220	1 589
3 163	2 413	2 922	Total equity capital	2 965	2 468	3 208
-444	-220	-291	Hybrid capital (CB)	-291	-220	-444
-9	-15	-9	Deferred tax assets	-13	-15	-13
-19	-23	-27	Shares in financial institutions	-25	-20	-19
8	9	5	Transition Rule; share net of non significant assets	5	8	8
-93	0	0	Cash dividend /gifts employee	0	0	-93
2 606	2 164	2 600	Total core tier one	2 641	2 221	2 647
-6	-7	-8	Shares in financial institutions	-7	-6	-6
-4	-5	-3	Transition Rule; share net of non significant assets	-3	-4	-4
443	220	291	Hybrid capital (CB)	291	220	443
3 039	2 372	2 880	Total core capital	2 922	2 431	3 080
300	300	300	Subordinatet dept	300	300	300
-3	-4	-1	Shares in financial institutions	-1	-3	-3
-4	-4	-2	Transition Rule; share net of non significant assets	-2	-4	-4
0	0	0	Additional	0	0	0
293	292	297	Total net supplementary capital	297	293	293
3 332	2 664	3 177	Total net equity and related capital	3 219	2 724	3 373
15 381	14 890	15 727	Weight assets calculation basis *)	16 866	15 824	16 439
16.94 %	15.53 %	16.53 %	Core tier one Capital ratio	15.66 %	14.04 %	16.10 %
19.76 %	15.93 %	18.31 %	Core capital ratio	17.32 %	15.36 %	18.74 %
21.66 %	17.89 %	20.20 %	Total Capital ratio	19.09 %	17.21 %	20.52 %

31.12.16	30.06.16	30.06.17	Calculation basis	30.06.17	30.06.16	31.12.16
0	0	0	States and central banks	0	0	0
133	116	205	Local and regional authorities (including municipalities)	205	116	133
407	458	465	Institutions	211	232	190
715	675	687	Enterprises	687	675	715
1 296	1 248	1 160	Mass market loans	1 309	1 376	1 389
9 698	9 706	10 019	Loans secured by real property	12 069	11 430	11 677
104	75	248	Loans overdue	248	75	104
621	545	625	Covered bonds	139	131	144
0	0	0	Units in securities funds	0	0	0
1 058	985	1 060	Equity positions	617	629	636
104	110	118	Other loans and commitments	205	111	170
14 136	13 918	14 586	Capital requirement credit risk	15 689	14 776	15 159
1 102	968	1 102	Capital requirement operational risk	1 137	1 045	1 137
143	4	40	Deducted from capital requirement	40	4	143
15 381	14 890	15 727	Total capital requirement	16 866	15 824	16 439

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

<i>Parent bank</i>						<i>Group</i>				
31.12.16	Q2/16	Q2/17	30.06.16	30.06.17		30.06.17	30.06.16	Q2/17	Q2/16	31.12.16
3.12	3.10	3.03	3.15	3.06	Interest receivable and similar income	3.08	3.17	3.05	3.14	3.14
1.22	1.21	1.11	1.26	1.14	Interest payable and similar costs	1.23	1.33	1.19	1.30	1.30
1.90	1.89	1.92	1.89	1.92	Net interest- and credit commission income	1.85	1.84	1.86	1.83	1.84
0.39	0.39	0.37	0.39	0.37	Commissions receivable and income from banking services	0.31	0.34	0.32	0.34	0.34
0.04	0.03	0.03	0.04	0.04	Commissions payable and costs relating to banking services	0.03	0.04	0.03	0.03	0.04
0.35	0.36	0.34	0.35	0.33	Net commission income	0.28	0.30	0.29	0.32	0.30
0.43	0.44	0.15	0.56	0.37	Gains/losses on financial assets available for sale	0.11	0.21	0.18	0.43	0.26
0.02	0.03	0.03	0.03	0.03	Other operating income	0.01	0.02	0.01	0.01	0.02
0.30	0.02	0.00	0.63	0.00	Income by conversing to defined contribution	0.00	0.51	0.00	0.01	0.26
1.03	1.10	1.11	1.07	1.04	Operating costs	0.92	0.97	0.90	0.99	0.96
0.14	0.11	0.32	0.09	0.20	Losses on loans, guarantees etc. and fixed assets	0.17	0.08	0.25	0.09	0.13
1.83	1.53	1.01	2.30	1.41	Result before tax	1.17	1.89	1.20	1.53	1.60
0.37	0.33	0.25	0.45	0.25	Tax payable on ordinary result	0.25	0.42	0.24	0.31	0.36
1.46	1.20	0.75	1.85	1.16	Result from ordinary operations after tax	0.92	1.47	0.96	1.22	1.24

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank					Group					
Q2/16	Q3/16	Q4/16	Q1/17	Q2/17		Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
189	193	196	194	196	Interest receivable and similar income	231	229	229	223	219
74	74	75	73	72	Interest payable and similar costs	90	94	95	90	91
115	119	121	121	124	Net interest- and credit commission income	141	135	134	133	128
24	25	24	23	24	Commissions receivable and income from banking serv	24	23	24	25	24
2	3	3	3	2	Commissions payable and costs relating to banking ser	2	3	3	3	2
22	22	21	20	22	Net commission income	22	20	21	22	22
26	16	22	38	9	Gains/losses on financial assets available for sale	14	3	22	20	30
2	2	1	2	2	Other operating income	1	1	2	1	1
0	0	2	0	0	Inntekter ved omdanning til innskuddspensjon	0	0	2	1	0
65	56	69	67	66	Operating costs	68	69	72	65	69
6	5	19	6	19	Losses on loans, guarantees etc.	19	6	20	5	6
94	98	75	108	72	Result before tax	91	84	85	107	106
19	22	15	17	15	Tax payable on ordinary result	18	20	21	23	21
74	77	60	91	57	Result from ordinary operations after tax	73	64	64	85	84

Parent bank					Group					
Q2/16	Q3/16	Q4/16	Q1/17	Q2/17		Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
3.10	3.10	3.09	3.09	3.03	Interest receivable and similar income	3.05	3.11	3.11	3.10	3.14
1.21	1.19	1.18	1.16	1.11	Interest payable and similar costs	1.19	1.28	1.29	1.25	1.30
1.89	1.91	1.90	1.93	1.92	Net interest- and credit commission income	1.86	1.83	1.82	1.85	1.83
0.39	0.40	0.38	0.37	0.37	Commissions receivable and income from banking serv	0.32	0.31	0.33	0.35	0.34
0.03	0.05	0.05	0.05	0.03	Commissions payable and costs relating to banking ser	0.03	0.04	0.04	0.04	0.03
0.36	0.35	0.33	0.32	0.34	Net commission income	0.29	0.27	0.29	0.31	0.32
0.44	0.26	0.35	0.61	0.15	Gains/losses on financial assets available for sale	0.18	0.04	0.30	0.28	0.43
0.03	0.03	0.02	0.03	0.03	Other operating income	0.01	0.01	0.03	0.01	0.01
0.02	0.00	0.03	0.00	-	Inntekter ved omdanning til innskuddspensjon	-	0.00	0.03	0.00	0.01
1.10	0.90	1.09	1.07	1.11	Operating costs	0.90	0.94	0.98	0.90	0.99
0.11	0.08	0.30	0.10	0.32	Losses on loans, guarantees etc.	0.25	0.08	0.27	0.07	0.09
1.53	1.57	1.18	1.72	1.01	Result before tax	1.20	1.14	1.15	1.47	1.53
0.33	0.35	0.17	0.27	0.25	Tax payable on ordinary result	0.24	0.27	0.22	0.32	0.31
1.20	1.23	1.01	1.45	0.75	Result from ordinary operations after tax	0.96	0.87	0.94	1.16	1.22

Parent bank					Group					
Q2/16	Q3/16	Q4/16	Q1/17	Q2/17		Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
ASSETS										
95	90	93	86	94	Cash and claims on central banks	94	86	93	90	95
1 334	1 258	1 489	1 289	1 771	Loans to and claims on credit institutions	729	493	509	565	574
18 979	18 893	19 057	19 318	19 415	Loans to and claims on customers	25 258	25 089	24 632	24 266	23 804
144	126	103	124	111	Financial derivatives	111	124	103	126	144
3 508	3 623	3 759	3 858	3 834	Certificates, bonds and shares available for sale	3 786	3 787	3 536	3 306	3 433
284	294	315	319	324	Investments in associated companies	324	319	315	294	284
445	439	444	444	441	Investments in subsidiaries	0	0			
15	15	10	9	10	Deferred tax benefit	14	13	14	15	15
39	40	45	47	53	Fixed assets	133	125	123	146	146
41	62	56	66	61	Other assets	65	66	58	58	41
24 884	24 840	25 371	25 560	26 114	Total assets	30 514	30 102	29 383	28 866	28 536
LIABILITIES AND EQUITY CAPITAL										
0	250	250	250	250	Liabilities to credit institutions	252	252	252	252	2
15 851	15 964	16 490	16 578	17 257	Deposits from customers and liabilities to customers	16 953	16 270	16 173	15 651	15 536
5 903	5 427	4 982	5 136	5 084	Borrowings through the issuance of securities	9 743	9 961	9 258	9 718	9 836
54	49	36	38	32	Financial derivatives	32	38	36	49	54
140	134	150	225	121	Other liabilities	130	227	156	141	141
300	300	300	300	300	Fund bonds	300	300	300	300	300
22 248	22 124	22 208	22 527	23 044	Total liabilities	27 410	27 048	26 175	26 111	25 869
1 028	1 028	1 176	1 176	1 177	Paid-in equity capital	1 177	1 176	1 176	1 029	1 029
220	220	443	294	299	Hybrid capital	299	294	443	220	220
1 166	1 169	1 544	1 472	1 446	Accrued equity capital/retained earnings	1 491	1 518	1 587	1 218	1 214
222	299		91	148	Profit after taxes	137	64	0	286	202
					Minority interest		2	2	2	2
2 636	2 716	3 163	3 033	3 070	Total equity capital	3 104	3 054	3 208	2 755	2 667
24 884	24 840	25 371	25 560	26 114	Total liabilities and equity capital	30 514	30 102	29 383	28 866	28 536

OTHER KEY FIGURES

<i>Parent bank</i>			<i>Group</i>			
31.12.16	30.06.16	30.06.17	30.06.17	30.06.16	31.12.16	
BALANCE SHEET						
Development in the last 6 months						
	4.5	2.9	Total assets	3.8	5.2	
	4.2	2.0	Gross lending	2.6	6.0	
	8.2	4.7	Deposit	4.8	7.8	
Development in the last 12 months						
6.6	6.8	4.9	Total assets	6.9	8.9	8.3
4.8	10.7	2.5	Gross lending ⁴	6.3	10.7	9.8
12.6	8.8	8.9	Deposit ⁵	9.1	8.3	12.2
86.0	83.1	88.3	Deposit coverage as a percentage of gross loans	66.7	65.0	65.4
58.6	59.4	58.1	Lending to retail customers	67.4	67.4	67.6
24 576	24 124	25 700	Average assets ⁶	30 136	27 725	28 324
19 169	19 069	19 553	Gross loans	25 401	23 897	24 748
-30	-10	-55	Individual write-downs	-55	-10	-30
-82	-80	-82	Period's change in collective write downs	-87	-84	-87
0	0	0	Individual write-downs on guarantees	0	0	0
SOLIDITY						
16.9	14.5	16.5	Core tier one Capital ratio	15.7	14.0	16.1
19.8	15.9	18.3	Core Capital ratio	17.3	15.4	18.7
21.7	17.9	20.2	Total Capital ratio	19.1	17.2	20.5
9.8	7.4	9.0	Leverage ratio	9.2	7.7	10.1
12.5	10.6	11.8	Equity capital ratio ⁷	10.2	9.3	10.9
13.5	13.7	9.5	Rate of return on equity capital ⁸	8.7	13.3	13.0
1.5	1.5	1.1	Return on assets	0.9	1.3	1.2
KEY FIGURES PCC						
13.8	8.8	5.1	Yield per primary certificate	4.7	8.0	13.5
13.8	8.8	5.1	Diluted result per ECC, in Norwegian currency	4.7	8.0	13.5
76.5	75.1	76.5	ECCs split as of 31.12. ⁹	76.5	75.1	76.5
100.0	97.0	104.5	Equity capital per ECC ¹⁰	105.7	98.2	101.0
81.0	62.0	84.0	PCC price quoted on the stock exchange	84.0	62.0	81.0
5.9	7.1	16.4	P/E (price as at 30.09 divided by profit per ECC) ¹¹	17.8	7.8	6.0
0.8	0.6	0.8	P/B (price as ar 30.09. divided by book value of equity capital) ¹²	0.8	0.6	0.8
38.2	37.8	39.3	Costs as a percentage of income ¹³	40.7	40.7	39.6
1.0	1.1	1.0	Cost in percent of average total assets	0.9	1.0	1.0
152	154	151	Number of man-years ¹⁴	151	154	152
LOSSES ON LOANS AND GROSS DEFAULTS						
31.3	14.5	30.9	Specified loan provision in % of gross default on loan	30.9	14.5	31.3
As a percentage of gross lending:						
0.5	0.4	0.9	Gross defaults over 90 days	0.7	0.3	0.4
0.4	0.3	0.9	Net defaults over 90 days ¹⁵	0.7	0.3	0.3
0.6	0.5	0.7	Total loan loss provision ¹⁶	0.6	0.4	0.5
0.2	0.1	0.3	Losses on lending ¹⁷	0.2	0.1	0.1

1) Percentage of equity excl. Hybrid capital

Calculations

Parent bank				<i>Group</i>		
2016	30.06.16	30.06.17	(Figures in MNOK and %)	30.06.17	30.06.16	2016
			Operating costs, adjusted for one-time effects			
253	128	133	Operating costs	137	134	271
-74	-76	0	One-time effect converting pension	0	-76	-74
179	52	133	Operating costs, adjusted for one-time effects	137	58	197
0.73 %	0.87 %	2.10 %	Operating costs in % of BTA, adjusted for one-time effects	1.84 %	0.85 %	0.70 %
27.0 %	15.3 %	39.3 %	Operating costs in % of income, adjusted for one-time effects	40.7 %	17.6 %	28.8 %

Definitions key figures:

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

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

Annual reports

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

Quarterly publications

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