ANNUAL REPORT 2011

helgelandsparebank

- EN DRIVKRAFT FOR VEKST PÅ HELGELAND

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FINANCIAL SUMMARY GROUP

%	2010	%	2011	(Amounts in NOK million)	2011	%	2010	%
				PROFIT AND LOSS ACCOUNT				
1.56	293	1.52	299	Net interest- and credit commission income	322	1.50	314	1.62
0.36	67	0.30	60	Net commission income	60	0.28	67	0.34
0,01	1	0.02	3	Other operating income	5	0.02	3	0,01
1.13	211	1.06	209	Total operating costs	218	1.02	218	1.12
0.12	23	0.14	27	Losses on loans, guarantees etc.	27	0.13	23	0.12
0.88	**127**	**0.64**	**127**	**Result from ordinary operations**	**142**	**0.66**	**143**	**0.73**
0.15	28	0.03	5	Gains/losses on financial assets	-9	-0.04	28	0.14
0.03	5	0.00	0	Costs 150 years anniversary	0	0.00	5	0.03
0.19	35	0.00	0	Disposable income effect pension	0	0.00	35	0.19
0.99	**185**	**0.67**	**132**	**Result before gains/losses from A. companies and tax**	**133**	**0.62**	**201**	**1.03**
				FROM THE BALANCE SHEET				
	18 826		20 630	Assets 31.12	22 802		20 160	
	18 750		19 733	Average assets	21 425		19 425	
	13 675		14 487	Gross loans to customers	18 149		16 630	
	10 075		10 655	Deposits from customers	10 429		9 883	
	73.7 %		73.5 %	Deposits as a percentage of gross loans	57.5 %		59.4 %	
	-3.2 %		5.9 %	Development gross loans	9.1 %		7.3 %	
	9.6 %		5.8 %	Development deposits	5.5 %		8.6 %	
				Solvency				
	1 486		1 525	Total net equity and related capital	1 537		1 503	
	11 592		11 846	Weighted assets calculation basis	12 960		12 436	
	12.8 %		12.9 %	Capital adequacy ratio as percentage	11.9 %		12.1 %	
	12.5 %		12.5 %	Core capital ratio as percentage	11.6 %		11.8 %	
	8.7 %		8.1 %	Equity capital ratio	7.4 %		8.2 %	
	8.5 %		5.8 %	Rate of return on equity capital	5.6 %		9.2 %	
				Offices and number of man-years				
	177		177	Number of man-years	177		177	
	16		16	Offices	16		16	
				Losses on loans and gross default				
	1.4		1.2	Gross default in % of gross lending	0.9		1.2	
	1.1		0.9	Net defaults in % of gross lending	0.7		0.9	
	0.8		0.7	Total loan loss provision in % of gross lending	0.5		0.7	
	0.2		0.2	Losses on lending in % of gross lending	0.1		0.1	
				PRIMARY CAPITAL CERTIFICATES (PCCs)				
	46		30.5	EC's price quoted on the stock exchange	30.5		46	
	8.3		8.0	P/E (price/divided by profit per EC's)	8.2		7.6	
	0.8		0.5	P/B (price/divided by book value of equity capial)	0.5		0.8	
	74.9		74.9	EC's percentage	74.9		74.9	
	59.5		61.4	equity capital per EC's	61.4		59.5	
	5.5		3.8	Yield per primary certificate	3.7		6.0	
	2.8		1.9	Cash dividend				
	2.8		1.9	Equalisation reserve				

Directors’Report 2011

Introductory comments

Introductory remarks

During the year, there was optimism and a high level of activity within industry in Helgeland. Helgeland has long-term low unemployment and a need for expertise and labour immigration. A tight labour market presents challenges for future value creation. Helgeland has experienced an increasing population trend in recent years.
The construction of the university college centre in Mo i Rana and the stated wish of the universities and the university colleges to invest in Helgeland provide grounds for optimism in the work to attract sought-after expertise.

Expectations have been linked to the effects of the oil activity off the Helgeland coast in particular.
The region has been less affected by the international economic uncertainty than the rest of the country. House prices have risen and there has been a high rate of turnover of homes, as well as a good level of activity concerning the construction of new homes during the past year. The retail industry is thriving and is expanding in many places around the region. Public sector enterprises are well represented in Helgeland with the Brønnøysund Register Centre, the Norwegian National Collection Agency and the Norwegian Labour and Welfare Administration’s service centre. These enterprises have been assigned an increasing number of new tasks and have taken on more staff.

The Bank’s lending growth during 2011 has reflected the high level of activity in Helgeland. The low interest rate has however contributed to strong competition and the Bank’s main challenge has been to balance its objective of maintaining its market position against satisfactory earnings.

The economic uncertainty in Europe during the year has resulted in an increase in the Bank’s borrowing costs. Although the consequences for the enterprises in the Bank's market area have so far been limited, the Board of Directors is prepared for this situation to change in the future.

About Helgeland Sparebank

<u>History</u>

Helgeland Sparebank was formed by the merger of Vefsn Sparebank, Herøy Sparebank, Brønnøysund Sparebank, Velfjord Sparebank and Vevelstad Sparebank on 1 april 1977. The eldest of these banks was Vefsn Sparebank, which was formed as early as 1860. In 1982, Vega Sparebank and Brønnø Sparebank were also merged into Helgeland Sparebank. On 1 April 2005, Sparebank Rana, which was almost as large, was merged with Helgeland Sparebank.

<u>The Group's area of activity</u>

Helgeland Sparebank is an independent and listed financial group the activities of which are traditional banking and financial activity in Helgeland, with agency sales of savings, placing, and insurance products.
The bank has 16 offices in 14 municipalities in Helgeland and is the 14th largest savings bank in Norway. The group services mainly the private market, business and the public sector in Helgeland.

The Group also carries out leasing of property through ANS Bankbygg Mo, AS Sparebankbygg, Helgeland Sparebank Eiendomsselskap AS and Helgeland Utviklingsselskap AS, all of which are wholly owned subsidiaries of the bank. In addition, the Group offers housing mortgages through Helgeland Boligkreditt AS which is wholly owned by Helgeland Sparebank.

In addition, the bank has strategic ownership in the associated region investment company Helgeland Invest AS (48 per cent), as well as in the real estate agency Eiendomsmegleren Helgeland AS (34 per cent) and the real estate company Storgt. 73 AS (43 per cent). The bank also has strategic ownership items in the insurance company Frende Holding, the securities enterprise Norne Securities AS and the leasing company Brage Finans AS.

Helgeland Sparebank is registered in the Register of Business Enterprises with Enterprise No. 937 904 029. The visiting address of the bank's head office is Jernbanegata 15, 8622 Mo i Rana, while the mailing address is PO Box 68, 8601 Mo i Rana. The telephone number is +47 75 11 90 00.

Annual Accounts 2011

Accounting principles

Helgeland Sparebank draws up the group accounts and the parent bank's accounts in accordance with International Financial Reporting Standards (IFRS). The group accounts are generated by the consolidation of the parent bank's and the bank's subsidiaries. A further description of the accounting principles is given in the Notes to the Accounts.

The annual accounts are based on the going concern concept. The group is not involved in any legal actions which are considered to be of significance for the group's solidity or profitability. The Board is not aware of any circumstances that have taken place after the beginning of 2012 that would be of significance for the annual accounts.

The figures referred to are the group figures unless it is stated that they concern the parent bank.

Profit performance (group)

The pre-tax profit amounted to NOK 133 million (NOK 201 million).
This is NOK 68 million weaker than the same period of 2010, of which a non-recurring effect cost reduction arising from a new early retirement scheme represented NOK 35 million and profit on shares represented NOK 18 million.
A write-down on shares of NOK 16 million was performed in 2011.

<u>Key features of the year to date (Group)</u>

- Continued pressure on loans to private customers
- Low costs and moderate losses
- Strong sales of insurance products
- Reduced revenues on financial instruments
- Good and long-term financing

Growth in lending was higher in 2011 than for 2010.This is linked to healthy activity in Helgeland.

Return on equity as of 31.12.11 was 5.6% (9.2%), and earnings per equity certificate amounted to NOK 3.7 (NOK 6.0).

Key figures as of 31.12.11:
(Comparison as of 31.12.10)

- Pre-tax profit of NOK 133 million (NOK 201 million)
- Net interest 1.50 % (1.62 %)
- Ordinary operating costs 1.02 % (1.12 %)
- Write-downs on lending 0.13% (0.12%)
- Proposed dividend of NOK 1.90 per equity certificate
- 12-month growth in lending 9.1 % (7.3 %)
- 12-month growth in deposits 5.5% (8.6%)
- Tier one capital adequacy 11.6% (11.9
-

Net interest

The main source of income for the group is net interest. Net income from interest and credit commission was NOK 322 million, compared with NOK 314 million in 2010. As a percentage of the average bank total assets, the net interest was 1.50%, compared with 1.62% in 2010. Increased costs in connection with financing in the money market throughout the year and strong price competition in the money market are putting pressure on the net interest.
The bank's interest rate change with effect from 24 November is expected to result in a positive effect. Through Helgeland Boligkreditt AS the group has gained access to somewhat lower borrowing costs through the issuance of preference bonds.

Net income from commission

Net income from commission was NOK 60 (67) million. In percentages of the bank total assets the net commission income was 0.28 % against 0.34 % at the end of 2010. The bank has increased its income from the sale of funds, annuities, OTP and payment processing. Helgeland Sparebank terminated its distribution contract for non-life insurance with Terra Forsikring AS in the autumn of 2010, and at the same time entered into a new distribution contract with Frende Skadeforsikring AS. The contract with Frende Skadeforsikring means that Helgeland Sparebank now has collected all distribution of sales of insurance with the Frende companiesAs a result of the bank's change of non-life insurance provider from Terra Skadeforsikring to Frende Skadeforsikring in the autumn of 2010, commission income from sales of non-life insurance products was slightly weaker in 2011. However, sales of insurance products have been strong and are now at the same level as last year. The sale of insurance products will be an area of effort concentration for the bank in the future.

Net change in value and gains/losses on financial instruments

The net change in the value of financial instruments had a negative effect on the profit of NOK 9 million. Compared with 2010, income from financial investments fell by NOK 37 million. A write-down on shares of NOK 16 million was expensed by the bank in 2011. In 2010, a gain from the sale of equity certificates of NOK 8 million was capitalized, and the merger between the payment transfer company Nordito and Danish PBS Holding generated a gain of NOK 10 million.

Other operating income

Other operating income amounts to NOK 5 million. Gain on sales of other services has increased the income by NOK 2.0 million from 2010.

Operating costs

Total ordinary operating costs amounted to NOK 218 million. This is the same as for 2010 in terms of NOK, and the Group has good control over its costs. The bank's pension costs have been reduced. There has been somewhat higher depreciation in connection with IT investments. As a percentage of the average bank total assets, ordinary operating costs amounted to 1.02%, compared with 1.12% for the corresponding period last year. The relative figures for ordinary costs measured as a percentage of income amounted to 57.7% (54.1). The key figures exclude costs linked to non-recurring effects.

Expensed write-downs on commitments

Moderate losses on lending were expensed and the net loss was NOK 27 million (NOK 23 million). The expensed write-downs can be split into NOK 1 million in the private market and NOK 24 million in the business market. In addition, the write-down of groups of loans was expensed in the amount of NOK 2 million (NOK 3 million). The write-down on groups of loans remains unchanged in the last quarter.
As a percentage of gross lending, expensed write-downs amount to 0.07%, which is the same as for 2010.

Balance Sheet development (Group)

Over the last 12 months the total assets have increased by NOK 2 642 million, equating to 13.1 %. This balance sheet growth is largely linked to increased liquidity buffers and growth in lending

Cash flow

The cash flow statement shows how Helgeland Sparebank has received liquid funds and how they have been used, and has been drawn up based on gross cash flows from operational, investment and financial activities.
Growth in lending in 2011 has mainly been financed by payments of deposits, other financial institutions, as well as net payments connected to the issuance of bond debt.

Commitments

Gross loans to customers amounted to NOK 18 149 million at the turn of the year. The Group's lending volume includes NOK 3 730 million which has been transferred to Helgeland Boligkreditt AS, which is wholly owned by the bank.

The growth of the Group's lending is stable. During the past 12 months, lending increased by NOK 1,519 million or 9.1% (7.3%). The Group has experienced growth in lending to business customers of 8.9%, whilst that for private customers was 9.3%. Higher growth in property prices compared with elsewhere in the country generally, combined with a high level of activity in the property market, has resulted in growth in the private market in 2011 which has been greater than the credit growth of Norwegian households. Healthy activity in Helgeland has resulted in essentially corresponding growth in the business market.

The share of loans to private customers is NOK 11.5 billion, or 63.5% (63.4%).
Of this amount, 83.5% has been lent to customers in Helgeland.

Total net defaults and loss-exposed commitments amounted to NOK 181 million (NOK 152 million), corresponding to 1.0% (0.9%) of gross lending.

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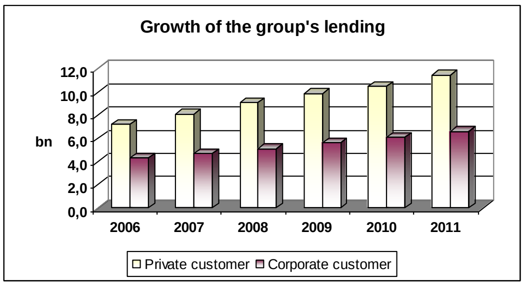
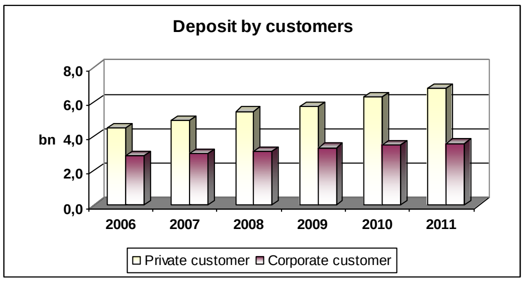


Deposits by customers

During the past 12 months, deposits have increased by NOK 546 million, or 5.5% (8.6%). The growth in deposits is entirely due to private customers. These deposits increased by 8.8%, whilst deposits from business customers remain unchanged from 31.12.10.
Of the total deposits of NOK 10.4 billion,
NOK 6.8 billion or 65.3% originates from private customers.
The Group has a stable local deposit base. 91.9% of this consists of deposits from customers in Helgeland.
The deposit-to-loan ratio as at 31.12.11 was 57.5% (59.4) in the Group and 73.5% (73.7) in the parent bank. The bank has had a stable deposit-to-loan ratio for some time. In order to maintain the deposit-to-loan ratio, the bank has placed a stronger focus on deposits and long-term saving.



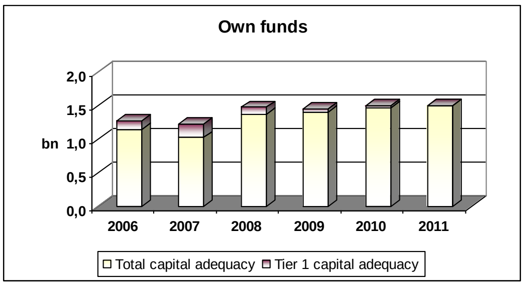
Borrowing from the debt capital market

The euro crisis is continuing to leave a significant mark on the financial markets. This has weakened confidence in the banks, which in turn has contributed towards making the ongoing refinancing of borrowing more difficult. The fear of bankruptcy in Greece and refinancing problems for Italy/Spain has contributed to the credit spread of the banks reaching new highs. There has been an increase in the credit spread both for banks and mortgage enterprises.
The money market interest rate has been increasing due to anxiety and poor liquidity in the market. However, the European Central Bank has provided the banks with longer liquidity and, combined with substantial interest rate cuts in December made by Norges Bank this has contributed to the start of a gradual fall in market rates here in Norway. The interest rate cut was made due to expectations of a lower financial growth path.
The Group has healthy and long-term financing with a good level of diversification between various sources of financing. At the end of the year, the share of borrowing in excess of one year was 80.5% (82.3%). Helgeland Boligkreditt AS is an important source of financing and
the bank has a strong focus on arranging approved mortgages for transfer to the bank's mortgage enterprise.

The majority of the bank's liquidity reserves in the form of interest-bearing securities are invested in the state, local authorities, covered bonds and banks. The bank is implementing a cautious adaptation to new requirements (LCR). The overall duration of the interest portfolio is 1.56 years (including the short-term interest portfolio).
Total liquidity (NOK 3.490 million) amounted to 15.3% of the Group's total assets.
The overall interest rate risk has been maintained at a low level

Capital adequacy

Capital adequacy is calculated according to the rules contained in Basel II, where the credit risk is calculated according to the standard method and operational risk according to the basis method.
Capital adequacy as of 31.12.11 was 11.9%, of which the tier one capital adequacy amounted to 11.6%.
The target figure for tier one capital adequacy has increased from 11% to 12%. This is for tier one capital only and is well within the EBA's (European Banking Authority) new requirements for banks from 30.06.12.
The Group's total equity amounted to NOK 1.678 million, or 7.4% of the balance sheet total.



Primary Capital Certificate – HELG

Equity certificate capital amounts to NOK 935 million and is divided between approximately 2,400 owners.
Note 18 present an overview of the 20 largest owners of equity certificates. The largest owner is Sparebankstiftelsen Helgeland, with a stake of 64.7%. Due to the turbulence in

the financial markets, Sparebankstiftelsen Helgeland has issued a notice to wait before selling down until the market conditions are considered to be more stable. The bank has not received any new signals from Sparebankstiftelsen Helgeland regarding selling down.

A turbulent equity market has generally led to low prices for equity certificates. The price of the bank's equity certificates at the year-end was NOK 30.50.
A cash dividend of NOK 2.75 per equity certificate for 2010 was paid out in 2011.
Earnings per equity certificate in 2011 in the parent bank were NOK 3.8 (NOK 5.50), and the book value per equity certificate was NOK 61.4 (NOK 59.5).

Dividend policy

The Board of Directors of Helgeland Sparebank decided on a new dividend policy for the bank at a Board meeting in June 2011.

The new dividend policy is as follows.
" Helgeland Sparebank's objective is to manage the Group's resources in a manner which provides the owners of equity certificates with a satisfactory total return in the form of dividend and value increase.
The surplus will be divided between the ownership interest capital (equity certificates) and the ownership interest capital (formerly Sparebanken's statutory fund) in accordance with their share of the bank's equity.

Up to half of the ownership interest capital's share of the surplus can be paid out as dividend, and correspondingly up to half of the statutory fund capital's share of the surplus can be paid as gifts or transferred to foundations. The remainder of the surplus is transferred to the equalisation fund and the statutory fund respectively.

The group's equity development and solidity will be attached weight in the setting of the dividend level, as well as expected result development in a normalized market situation, external framework conditions and the necessity for core capital".

Return
The Bank aims to achieve a return on equity that is competitive in the market in relation to the Bank's risk profile. Our requirement for return on equity must correspond to risk-free interest + 5%."

Allocation of the result in the parent bank
The parent bank's accounts form the basis for the distribution of the profit. Dividends from subsidiaries and associated companies are included in the parent bank's result.
Subsidiaries are fully consolidated in the corporate accounts, and the bank's share of earnings in associated companies are consolidated according to the equity method, and dividends are therefore not included in the Group's result.
The annual profit for distribution consists of the parent bank's result, which after tax amounts to NOK 95 million. (Change fund for uncapitalized gains NOK 0 million).

In accordance with the bank's dividend policy, up to half of the equity capital's share of the profit may be paid out as dividend, and correspondingly to up to half of the primary capital's share of the profit may be paid out as gifts or transferred to one or more foundations. The remainder of the profit will be transferred to the cohesion fund and the primary capital fund.
The bank's strategy of a long-term and predictable dividend policy forms the basis for the Board's proposal for the distribution of the profit:
The board recommends the following distribution to the Board of Trustees for the 2011 financial year (distribution level 50%):

- NOK 35 million as a cash dividend, corresponding to NOK 1.90 per equity certificate
- NOK 12 million to the gift fund/gift foundation

The following appropriation is also proposed:

- NOK 35 million to the cohesion fund, corresponding to NOK 1.90 per equity certificate
- NOK 12 million to the primary capital fund

Corporate governance and company leadership

Helgeland Sparebank's principles and policy for corporate governance and company leadership shall ensure that the bank's activity management is in line with generally accepted perceptions and standards, as well as Acts and Regulations. Good activity management in Helgeland Sparebank includes the values, objectives and superior principles according to which the bank is managed and controlled in order to ensure good interaction between the bank's different interested parties such as equity certificate holders, lenders, customers, employees, governing bodies, management and society in general.

Further, the activity management shall ensure defensible fund management and provide increased security for communicated objectives and strategies being implemented and reached. The Group's principles and framework for internal controls and risk management are stated in separate management documents which are reviewed annually by the Board. The management documents are the Group's internal framework for good management and control, and the policy gives guidelines for the Group's superior attitudes regarding risk management.

The Board of Helgeland Sparebank attaches weight to compliance with the principles laid down in the Norwegian Code of Practice for Corporate Governance in the management of the activity.

Helgeland Sparebank has compared its own policy to the Norwegian Code of Practice for Corporate Governance .It is the opinion of the Board that the bank's activity management is satisfactory and in accordance with the Norwegian Code.

12 Board meetings were held during 2011. Follow-up of operations, strategy, structural changes and risk and capital management have been in the Board's area of focus. The Board has drawn up an annual plan for its work, and weight is attached to ensuring sufficient knowledge and competence is present among the members of the Board. . The Board has evaluated its own form of work, competence, priorities and co-operation between the Board and management. Two board seminars were also held during the year

As part of its work, the Board of Directors has appointed an audit committee. The task of the audit committee is to ensure that Helgeland Sparebank has independent and effective internal and external audits, as well as accounting and risk reporting in accordance with applicable laws and regulations. The members of the audit committee are Thore Michalsen (Chairman) and Ove Brattbakk. The committee has held nine meetings for the 2011 financial year.

Risk and capital management

Risk and capital management supports the Group's strategic development and ambitions. The main objective is to ensure realisation of the Group's financial and operational objectives. Regardless of how good risk management is, unforeseen losses can occur which require that the Group has sufficient equity. As a part of the risk management work, the necessity for additional capital for the different risk areas has been evaluated. The evaluations are supported by various internal evaluations and calculation models. This is summarized in the bank's internal capital requirement evaluation process. ICAAP).

Risk categories and definitions:

- Credit risk: the risk of loss as a result of customers or other parties not being able to meet their obligations
- Liquidity risk: the risk that the Group cannot manage to meet its obligations on the due date
- Market risk: the risk of loss as a result of changes in market prices connected to activities and positions in securities (interest and shares) and currency.
- Operational risk: the risk of direct or indirect losses due to failure in internal routines, systems and processes, insufficient competence, damage to property, interruption in operations, system faults, internal or external fraud.

Risk management is central in daily operations and in the continuing work of the Board. Risk is primarily managed through policy and guidelines, limitations, authorizations, reporting requirements and requirements regarding competence.
The Board sets the Group's credit strategy which includes credit risk, and the Group's financial strategy which includes liquidity risk and market risk. The bank has a credit committee and finance committee for management and follow-up of risk in line with authorizations given by the Board.

The bank's risk management unit constitutes two man-years. The General Manager risk management reports directly to the Chief Executive and is responsible for monitoring and coordinating the collective risk management in the bank.

The Group's internal auditor constitutes one man-year and reports directly to the Board. The internal auditor shall evaluate whether satisfactory routines have been established in the most important areas in the bank in order to reduce risk. The Board approves the internal auditor's instructions and work plan on an annual basis. The internal auditor can use external services when necessary.

<u>Credit risk</u>
The Group's strategy in the credit area is derived from the superior strategy and contains guidelines for distribution between the private and business market, concentration risk and geographical limitations. For continuous follow-up of risk by the Board, a set of reports has been defined with varying frequencies of submission.

A series of routines have been established which include administrative handling and follow-up of credit risk. The most important tools in the compliance with the credit rules are:

- Restrictive granting of credit in relation to
  - specially defined industries
  - spin-offs from own corporate customers
  - takeover of corporate customers from other banks
  - intensified requirements for risk sharing through higher equity ratio
  - compliance with the ten rules issued by the Financial Supervisory Authority of Norway regarding quarterly reporting to the Board
- Management of the activity by use of case processing systems and authorization limitations
- Strong focus on rules connected to use of credit authorization, including special documentation requirements surrounding the customer's ability to perform, as well as a description of critical factors in connection with granting of credit.
- High competence and long experience of employees working with the loan activity
- Granting of credit to single customers and industries is evaluated against the employees' collective competence
- Credit is granted primarily to customers within the bank's geographical field with the exception of good private customers where the connection to Helgeland is sufficient

The Group's credit strategy is evaluated annually, smaller changes were adopted and implemented in September 2011.
Credit risk exposure is managed and followed up through regular analyses of the borrowers' and potential borrowers' ability to service interest and installments, as well as an evaluation of the security provided for the loan.

In 2011 the bank continued the validation of the model for calculation of Group write-down based on own score models.

The model is based on the probability regarding default and the loss degree given that there is default on a commitment. The model is used by several other savings banks which co-operate on validation and any adjustment of the parameters. The validation shows that the score models are regarded as satisfactory and that they differentiate well between customers with different risks.

Based on the Financial Supervisory Authority of Norway's loan Regulation and internal guidelines, the commitment is monitored continuously with regard to identification of possible loss-exposed commitments.

There is a strong focus and fixed reviews in the entire organisation on quality in credit work and to improve understanding of good management and control. For management and monitoring of risk in the industrial portfolio, continuous evaluation is done of the customer relationship, ability to service and security when taking out a loan, as well as reviews by the bank's credit committee. Regarding monitoring of the development of risk in the private customer portfolio, quarterly analyses are undertaken of the quality of newly granted loans and of the total portfolio.

Risk distributed loan portfolio distributed between low, medium and high risk are reported based on the score models.

There is uncertainty linked to the effects of the financial unease within the geographic area in which the Group operates. The close follow-up of major industrial customers, monitoring of developments in creditworthiness/solvency and probability of default both within the portfolio and for specifically defined sectors are continued as prioritised focus areas for the Bank

The maximum limit for a single commitment, laid down by the Ministry of Finance, is 25% of the Group's capital. At the end of 2011 the Group had four customer groups where a granted commitment was seen in total to be 10% of capital.

<u>Liquidity risk</u>
The Board of Directors has adopted a liquidity management strategy which sets out the purpose, governance targets and risk tolerance for the management of liquidity risk. The principal aim of the strategy is to ensure that the Group's liquidity management is appropriate and helps to safeguard the Group's ability to fulfil its payment obligations.
The liquidity strategy is reviewed annually by the Board of Directors. Particular emphasis has been placed on liquidity risk and the impending new regulatory requirements for liquidity management within banks.

Liquidity risk is reduced through ensuring a spread of borrowing between markets, borrowing sources, instruments and maturities.
In the management of the Group's liquidity risk, target requirements are used for liquidity indicator 1 (in accordance with guidelines issued by the Norwegian Financial Supervisory Authority), long-term financing ratio, deposit-to-loan ratio and requirements concerning liquidity buffer capital.

For 2011, the Board of Directors has established a minimum requirement for liquidity indicator 1 of 100%. The indicator value is calculated as the sum of deposits, long-term borrowing and equity measured as a percentage of liquid assets (lending and fixed assets). As of 31.12.11, liquidity indicator 1 was 105.4%. The Board of Directors has also established that the proportion of long-term borrowing as a percentage of total borrowing must amount to at least 70%. As of 31.12.11, the proportion of long-term financing was 80.5%, which is well above the target requirement.

The deposit-to-loan ratio is an important parameter for the monitoring of liquidity risk, i.e. what proportion of gross lending to customers is covered through deposits from customers. The Board of Directors has established a minimum requirement for the deposit-to-loan ratio and this requirement was met throughout 2011.

To limit the Group's liquidity risk, the Bank has liquidity reserves in the form of cash, liquid equity instruments, investments in money market funds, interest-bearing securities and unutilised drawing rights. A minimum requirement has been established for the liquidity buffers in the Group's liquidity strategy. In recent years, the Group has gradually increased both the quality and the level of the liquidity buffers and will gradually adapt the buffers further to meet the impending new liquidity buffer requirements in accordance with Basel III. The Group's total liquidity buffer capital is considered to be satisfactory

Helgeland Boligkreditt AS was founded in 2009 and is a wholly owned subsidiary. The company has become an increasingly important source of financing for the Group as well as for other borrowing sources, and among other things provided the Group with access to participate in the government's swap scheme during the financial crisis in 2009. Helgeland Boligkreditt has gradually increased its level of activity and during the past two years has issued ordinary covered bond loans in the market. As of the end of 2011, the Bank has transferred well-secured home mortgages worth approximately NOK 3.7 billion to the mortgage credit company, which represents 20.5% of the gross lending in the parent bank. The security base within the company is considered to be good at 118%, and the average loan-to-value ratio for the loan portfolio is relatively low at 43%.

Helgeland Sparebank has no official rating from international rating companies, but shadow ratings set by Norwegian brokerage houses are nevertheless considered to be of importance for the Bank's access to borrowing sources. The most recent shadow rating for the Bank is based on figures as of 30.06.11 and was A- from DNB and Nordea. Helgeland Boligkreditt had a corresponding shadow rating of AAA from DNB and Nordea.

<u>Market risk</u>
The Board has decided a market risk strategy which sets limitations and superior objectives for the Group's market risk tolerance, as well as limits for interest, credit spread, and share price risk. The strategy is revised annually. The Group

has no active trading portfolios within interest, shares or currency.

Interest rate risk is steered towards the desired level through interest binding on interest-bearing securities and borrowing (certificates and bonds), and through the use of interest rate swap agreements (interest swaps) in order to reduce interest rate risk linked to fixed interest rate loans. Interest rate risk is at a low level.

The Group has adopted a relatively conservative strategy for investments in interest-bearing securities, where the main aim is to ensure a satisfactory liquidity buffer capital for the Group. A requirement has been imposed according to which the issuer's rating must be within "investment grade", which is BBB-. In addition, a maximum framework has been established for the duration of the interest-bearing securities portfolio, and the composition must be diversified between different sectors/types of issuers.

The Group has investments in individual listed shares, unit trusts, equity certificates and other shares. The Bank's investments in other shares are largely strategically motivated through investments in shares in subsidiaries, associates, product companies and local investment companies. The market risk linked to these share investments is considered to be moderate.

The Group's currency risk is considered to be very low, as the Group has no active currency portfolios.

Operational risk
Good internal controls and quality assurance are a premise for satisfactory handling of operational risk. The management documents and control systems are drawn up to promote efficient operation, risk control, regard for defensible caution, correct financial and non-financial information, compliance with Acts and guidelines, and internal guidelines and strategies.

A risk evaluation is performed at all levels. The risk evaluation is documented at senior level, and also provides an overview of process and key controls in the operative functions. The work with the development of systems and processes in operative functions has contributed to increased focus on quality and efficiency, as well as objective-oriented operation in the Group. This is summarized in requirements for setting aside a certain amount of capital as security for future expected losses, which the Group can suffer as a result of operational risk. Evaluated with regard to the organisation's competence, organisation and division of responsibility, as well at the Group's earnings on solidity, the Board is of the opinion that the Group's collective risk exposure is defensible.

Compliance
It is the Group's basic viewpoint that operations shall be arranged in compliance with current laws and regulations. The introduction of a new securities trading Act and MiFID rules, as well as a general increase in regulatory requirements regarding the group's activity, has been given great attention.

Auditing
The Group's external auditor is PricewaterhuseCoopers AS.

The private customer market

Helgeland Sparebank holds a strong and leading market position within the private customer market, with a market share of well over 50 % of all housing mortgage customers in Helgeland. The bank's primary market area is Helgeland, but good private customers with a connection to Helgeland and who satisfy the bank's requirements regarding servicing and provision of security can be granted financing. Remote customers who can be defined within the bank's strategy are a stated area for effort concentration.

The corporate customer market

Helgeland Sparebank holds a strong market position regarding small and medium-sized businesses with a market share of well over 50%. In the agricultural segment the bank leads with a market share of almost 75 % in Helgeland. The bank's market area is Helgeland and only by exception are good corporate customers accompanied out of the region. The bank can participate in syndication contracts where a larger savings bank is the agent bank, and where the customer is classified with low or medium risk combined with satisfactory security. Such syndication shall preferably be limited to industries in which the bank itself holds good competence.

The commitment by Helgeland Sparebank to the community

Helgeland Sparebank is a large contributor to community development in Helgeland. It is important as a local bank to provide good framework conditions to the driving forces who spend time and energy on creating a meaningful and comprehensive childhood for the children and young people who are to carry on the development of the community and create the basis for settlement and growth. Helgelandsfondet and HelgelandStiftelsen are a part of the bank's contribution to promoting the region's development, optimism and growth in rural districts and towns in Helgeland. For 2011, an allocation of NOK 12 million is proposed for the gift fund and gift foundation.

Subsidiaries

Helgeland Boligkreditt AS
Helgeland Boligkreditt AS is a wholly owned subsidiary of Helgeland Sparebank. The company was formed in the autumn of 2008 to be the bank's enterprise for issuance of preference bonds. In accordance with the "Regulation

relating to credit enterprises which issue preference bonds", loans which are secured (by mortgage in real estate) within 75 % of justifiable market value are transferred from the bank to the housing mortgage company.
As at 31.12.11 a lending volume of NOK 3 730 million was transferred by Helgeland Sparebank to the housing mortgage company. Of the company's borrowing, NOK 900 million is with the State exchange scheme, while NOK 2 384 million are preference bonds issued in the securities market. The result after tax for 2011 was NOK 9.3 million and equity as at 31.12.11 is NOK 203 million. The position of general manager is for 0.35 man-years. Remaining services are purchased mainly from the parent bank.

ANS Bankbygg Mo
The activity conists of owning and running rental of business premises in Jernbanegata 15 in Mo i Rana. Helgeland Sparebank is the largest tenant in the building, and the bank owns 96.8 % of the shares in the company. The company has no employees.
The result after tax for 2011 was NOK 2.1 million, and at the turn of the year equity was NOK 47.7 million.

AS Sparebankbygg
The activity consists of owning and operating rental of premises in Storgt. 75 in Brønnøysund, and Helgeland Sparebank is the largest tenant. The company is located in Brønnøy municipality, and Helgeland Sparebank owns 100 % of the shares in the company. The result after tax for 2011 was NOK 0.1 million, and at the turn of the year equity was NOK 0.9 million. The company has no employees.

Helgeland Sparebanks Eiendomsselskap AS
The company operates rental of real estate located in Mosjøen in Vefsn municipality, where Helgeland Sparebank has the use of all areas. The company has no employees. The result after tax for 2011 was NOK 0.6 million and at the turn of the year equity was NOK 3.4 million.
Helgeland Sparebank owns 100% of the shares in the company.

Helgeland Utviklingsselskap AS
Helgeland Utviklingsselskap AS operates rental of real estate, purchase and sales of real estate, as well as undertaking smaller share investments in the real estate market. The company's offices are located in Vefsn municipality and Helgeland Sparebank owns 100 % of the shares in the company. The result after tax for 2011 was NOK -0.04 million and at the turn of the year equity was NOK 9.2 million. The company has no employees.

Associated companies

Helgeland Invest AS
The company is a regional investment company in Helgeland and was formed after the merger between the companies ROI Invest AS and Helgeland Vekst AS in 2011.
Helgeland Sparebank owns 48% of the shares in the company. The share of earnings (preliminary accounts) as of 31.12.11 was NOK -5 million and the equity ratio was NOK 151 million.

Eiendomsmegleren Helgeland AS
The company is a market leading real estate agent in Helgeland and Helgeland Sparebank's co-operation partner. Helgeland Sparebank owns 34 % of the shares in the company. The result share as at 31.12.11 was NOK 2.4 million, and the equity share was NOK 0.7 million.

Storgata 73 AS
The company is a real estate company in Brønnøysund in Brønnøy Municipality. Helgeland Sparebank owns 43 % of the shares in the company. The result share as at 31.12.11 was NOK 0.1 million and the equity share was NOK 2.1 million.

Employees and their working environment.

Employees
At the year-end, Helgeland Sparebank had 196 employees split between our 16 offices. This represents 177 full-time equivalents, including cleaning personnel, caretakers and canteen staff.

Having employees split between many offices with a wide geographic spread makes it particularly exciting when we must work in the same direction. The Bank's core values (Professional, Enterprising, Close and Enthusiastic) are important in ensuring that we understand what is expected of us in our practical work among both external and internal customers.

Working environment
The working environment is very important in an organisation. It could be the difference between someone choosing Helgeland Sparebank as a future workplace ahead of other companies. The Bank has a good inflow of applicants for vacancies and receives good feedback on inclusion and working environment, including from those who have worked for the Bank for a long time.

The Health, Safety and Environment survey in 2011 had a response rate of well over 80%. In response to the question of interpersonal relations, collaboration, closeness, inclusion and appreciation, the satisfaction rate was over 95%.

Helgeland Sparebank has a long history as a member of the Inclusive Working Life scheme and has well-established routines for following up employees and a good culture for safeguarding, activity and care. The Working Life Centre, Norwegian Labour and Welfare Administration and the Occupational Health Service all give the Bank good feedback on the fulfilment of goals and obligations. Absence due to illness during 2011 was 5.1%.

Competence
The big national lift through the authorisation of consultants remains an important area in relation to the topping up of competence. The Bank has 60 consultants who are registered in the authorisation scheme (AFR). In the long-term, these

consultants will have the title 'authorised consultant'. By the year-end, 31 consultants were fully authorised.

Through an internal and informal competition (the Helgeland Championship), the Bank has raised general consultancy and the general sale of bank products to private customer markets. The attention being directed on ensuring that consultants are both authorised consultants and general consultants requires the continual renewal of the collective competence.
For the second year in a row, Helgeland Sparebank has appointed a trainee through Kandidat Helgeland

Equality
The Bank works actively and purposefully to promote equality and prevent discrimination. The Bank has adopted an action plan to ensure equality. An even distribution of the genders in managerial positions is desired, while at employee level, work is under way to ensure that both genders are represented at the various offices. It is both positive and rewarding to have a good mix of men and women in the various units.

The gender distribution in the Bank's governing bodies is as follows: The Bank's Board of Trustees has 25 members, of whom eight are women and 17 are men. The Bank's Board of Directors has six permanent members, of whom three are women and three are men. The Bank's management group consists of seven members, of whom four are women and three are men

Environmental beacon company
The two largest Helgeland Sparebank offices, in Mo i Rana and Mosjøen, are now in their second period as approved environmental beacon companies. The focus is still placed on energy-saving in the companies' own buildings, waste sorting, reducing paper consumption through double-sided copying and printing, etc., coordination of travel between the offices, keep-fit initiatives for employees, and increasing use of video conference equipment for meetings between the offices and with external parties.

Future prospects
Oil activity off the Helgeland coast has given rise to optimism and positive expectations. Major national players are establishing themselves either directly or through acquisitions. There is a certain amount of tension regarding how financial uncertainty and unstable financial markets will affect consumption and investments in Helgeland.
House prices have risen, house sales are strong and many new homes are being built.

The bank's main challenge remains to balance its objective of maintaining its market position against satisfactory earnings. Interest rate regulation and increased risk pricing are expected to provide higher returns on lending.

A stronger focus on deposits through a series of defined activities is expected to produce results over time.

The bank's sales of insurance products have been strong. The focus in this area will be continued.

In November 2011, the bank's Board received authority from the Board of Trustees to issue fund bonds for up to 15% of the tier one capital. The timing of the issue will be assessed based upon the market situation.

Thank you to all the employees in the bank, customers and co-operation partners
2011 is new CEO Jan Erik Furunes' first operating year
The Board is satisfied with the good result which has been achieved in the jubilee year 2010, and would like to say thank you to all employees for the excellent efforts they have shown during the past year. The Board would also like to thank the bank's customers and good business connections for good co-operation during the past year.

Mo i Rana 31. December 2011 / 1. March 2012

Bjørn Johansen
Chair

Thore Michalsen
Deputy chair

Gislaug Øygarden

Monica Skjellstad

Ove Brattbakk

May Heimdal
Staff's repr.

Jan Erik Furunes
CEO

Corporate Governance

Corporate Governance

The bank's policy for corporate governance shall ensure that the bank's activity management is in line with generally recognized understanding and standards, as well as Acts and Regulations.
The policy describes values, objectives and established principles. The objective is to ensure good interaction between the bank's different interested parties according to whom the bank is managed and controlled in order to ensure the interests of owners, depositors, and other groups in the bank.

The bank's policy is laid down in different management documents for Helgeland Sparebank's activity. This includes *inter alia* the bank's Articles of Association, ethical guidelines, strategy document, policy documents, budget, authorizations and limitations, routine descriptions, inside rules and own-account trading, framework for management and control: guidelines for systems and processes that focus on risk evaluation and internal controls in the bank.
The management documents are based on the Norwegian Code of Practice for Corporate Governance 1, as well as the Committee of European Banking Supervisors 2 principles for corporate governance.
The bank's commitment to the community is extensive and is exercised in several ways.

Helgeland Sparebank's roots are deeply anchored in Helgeland soil, and the bank is intensely interested in what is taking place here. Therefore, the bank has a vision of being the driving force for growth in Helgeland. In short, this means that Helgeland Sparebank's most important task is to do what it can so that the local community shall be a good place in which to live and carry on business. In the main, this is done through activities for the public benefit, participation and contribution to different meeting places for community and business life, as well as shares in companies/funds which have the objective of contributing to development, optimism and growth in rural areas and towns in Helgeland.
In addition to the strategic and financial objectives, Helgeland Sparebank has chosen to take its environmental responsibility seriously, and has therefore decided upon its own environmental strategy.
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Helgeland Sparebank's ambition to follow the mentioned recommendations to the extent they are applicable.

In line with point one in the Norwegian recommendation for corporate governance there is a report on the bank's compliance with the points in the recommendation.

The Supervisory Board is the bank's superior body and is composed of four groups with a total of 25 members. Depositors elect 7 members, the county council in Nordland county elects 2 members, the owners of equity certificates 10 members, and the employees in the bank 6 members. In order to change the Articles of Association a proposal for this must be considered by two meetings of the Supervisory Board, and two-thirds of the Supervisory Board members present must vote for the proposal for change.
The Supervisory Board elects the Board of Directors of the bank which shall ensure that the bank is under good management. The Supervisory Board also elects a control committee composed of 3 members.

Activity

Helgeland Sparebank is a financial group consisting of the parent bank as well as five subsidiaries at present. Reference to the bank and/or Helgeland Group in this article concerns the Group Helgeland Sparebank. In accordance with the Articles of Association of Helgeland Sparebank the objective of the activity is to promote savings by accepting deposits from an undefined circle of depositors, provide investment services and other financial services, and to manage in a secure manner the funds it manages in accordance with the legal rules which are in force at all times for savings banks and securities enterprises.

The Board's report contains a description of the bank's objectives and strategies. The strategic basis is evaluated by the Board and management at least annually, and the bank's plans are adjusted and adapted on a continuous basis. The bank's strategic platform summarized under the main points vision, business idea, core values, strategic and financial objectives, as well as ethical guidelines, are updated as a result of the above-mentioned annual minimum.
The bank has a customer-oriented organisation with the focus on the private market, business market and capital market as business areas. This is supplemented by support areas and staff functions. The bank's organisational structure is dynamic and is evaluated based on necessity and framework conditions

Company capital and dividend

The bank's equity is composed of equity certificate capital, share premium account, primary capital, fund for unrealized gains, gift fund and equalization fund.
The bank's objective for tier capital adequacy is raised from 11% to 12 %.
The bank has an objective of achieving a return on equity which is competitive in the market seen in relation to the bank's risk profile. Our requirement for equity return shall equate to risk-free interest + 5 percentage points.

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The Bank's dividend policy adopted at the strategy board meeting in June 2011:
Helgeland Sparebank's goal is to achieve financial results that give the owners of the capital a good and stable long-term return in the form of dividends and value increases in the equity. It is a goal for the Bank to treat the Bank's two owner groups equally.
Up to half of the equity capital's share of the profit may be paid out in dividends, and correspondingly up to half of the primary capital's share of the profit may be paid out as gifts or transferred to one or more foundations. This assumes that the solvency ratio is at a satisfactory level. The Bank's requirement for tier one capital and the Bank's profit trend and market situation will be accorded emphasis in connection with the determination of the dividend level.

Equal treatment for holders of equity certificates

The holders of equity certificates shall have predictable conditions both with regard to equal treatment, return and management influence. Stock Exchange listing of equity certificates ensures that the bank accepts and complies with the market conditions which apply to the equity market and to equity certificates at any given time.

Free transferability

The articles of association do not contain any limitations in transferability of equity certificates.
Sparebankstiftelsen Helgeland owns equity certificates in Helgeland Sparebank. According to the articles of association the Foundation cannot own less than 35% of the equity certificates in Helgeland Sparebank.
Beyond this, the only limitation is the legal requirements that at present lay down that a qualified share of the equity certificate capital (10% or more) requires the consent of the Financial Supervisory Authority of Norway.

Supervisory Board and Control Committee

The bank's supreme body is the Supervisory Board (can be compared to the Committee of Shareholders' Representatives in a limited company), which is composed of the holders of equity certificates, customers, employees and representatives from the public sector. The Supervisory Board shall ensure that the bank acts according to its purpose and in compliance with law, articles of association and decisions made by the Supervisory Board.
The Supervisory Board has 25 members and 25 deputy members. Decisions are made by ordinary majority, however, decisions regarding amendments to the articles of association require 2/3 majority of those present and at least 50 % of the Supervisory Board's members must vote for the proposal. Further, it is a requirement that the proposal regarding amendment to the articles of association has been presented to the Supervisory Board at a previous meeting.
The elections take place in accordance with the savings bank legislation, and the provisions of the Financial Activity Act. Notices of meetings and minutes of the meetings of the Supervisory Board are forwarded to the Oslo Stock Exchange.
Elections take place in election meetings which shall be held by the end of April, and before the statutory general meeting of the Supervisory Board. Invitation to the election meeting with the Agenda, registration form and the Nomination Committee's recommendation shall be forwarded to all holders of equity certificates fourteen days before the election meeting, and be advertised in newspapers and on the bank's home page. The Control Committee, which is also elected by the Supervisory Board, shall carry out inspection and control of the Board's and management's work. In accordance with the articles of association, the Control Committee, which is also elected by the Supervisory Board, shall consist of 3 members and 2 deputy members.

Nomination Committees

The articles of association state that the bank shall have three nomination committees which prepare

- the elections held by the Supervisory Board
- the elections by the holders of equity certificates to the Supervisory Board
- the elections by depositors to the Supervisory Board

The Nomination Committee also proposes fee scales.
The bank's home pages contain information about who are members of the different nomination committees.

Composition of the Board of Directors and independence

The nomination committee of the Supervisory Board proposes candidates for the Board of Directors in keeping with the provisions on the composition contained in Acts and Regulations. No member of the Board of Directors or representative of the management shall be a member of the nomination committee. The Chairperson of the Board and the Deputy Chairperson are elected in a separate election.
The Board of Directors consists of up to 7 members and up to 4 deputy members.
The Board consists at present of 6 permanent members.
At present, 3 of the permanent members are women.

Important criteria regarding the Board's members and composition are qualifications, gender, capacity and independence.
The majority of the Board's members shall be independent of the bank's management and main business connections.
The Board undertakes an annual evaluation of the members' independence and the Board's collective competence.

Board of Directors works

The Board holds meetings on an average of once a month and carries out its work in accordance with a plan drawn up for the year. In addition to the elected members, the employees' deputy representative, the bank's CEO and deputy CEO are present at the Board meetings. The Board has the overall responsibility for the management of Helgeland Sparebank and for supervising the CEO and activities of the bank.

By the Board's management responsibility is meant *inter alia* the responsibility for the organisation of the bank in an appropriate manner, responsibility for drawing up plans and budgets for the bank, responsibility for keeping itself oriented regarding the bank's financial position, and that the bank's activities, administration of assets and accounts are the subject of proper controls.

Weight is attached to the annual strategy process / review of the Strategy Plan. This lays down overriding objectives and strategies, and plans of action and budgets are drawn up based on them.

The CEO prepares cases which are to be considered by the Board in co-operation with the Chairperson of the Board.

The Board has appointed an Auditing Committee which shall ensure that Helgeland Sparebank has an independent and efficient external and internal auditing function as well as an accounting and risk reporting function which is in keeping with Acts and Regulations.

Risk management and internal controls

Good risk and capital management is central to Helgeland Sparebank's long-term added value.

The bank shall identify, analyze, act and live with an acceptable risk level of the bank's most important business risks. Helgeland Sparebank has an objective that the bank's risk profile shall be moderate.

Risk management is connected to four risk areas:

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

The choice of method for risk evaluation shall be based on the bank's complexity and extent in the various business areas.

The Board of Directors of Helgeland Sparebank requires that the bank shall be well capitalized. Capital evaluations (ICAAP3) are undertaken at least once per year and the bank's capital strategy will be based on real risk in the activity supplemented with the effect of different stress scenarios.

The responsibility for performance of the bank's risk and capital management and control is divided between the Board, management and operational units. The Board is responsible for seeing that the bank has sufficient capital based on desired risk and the bank's activity. The CEO is responsible for the total risk management at the bank, including development of good models and framework for management and control. The Deputy CEO leads the bank's credit committee which considers credit matters within the authorizations decided by the Board. The CEO is a permanent member of the credit committee. The Director Staff leads the bank's finance committee which considers borrowing and appurtenant evaluation within the authorizations decided by the Board. The CEO is a permanent member of the finance committee.

The bank's management includes the position of Director responsible for risk management.

The division for risk management handles functions such as compliance responsibility, management, control and reporting. An annual overview is drawn up with an assessment of the bank's different risk areas.

Quantification of capital requirement in connection with risk in the various business areas of the bank is an integrated part of the Board's strategy work and assessment of risk areas (ICAAP process).

The Director for risk management reports to the CEO. All managers in Helgeland Sparebank are responsible for managing risk and ensuring good internal controls within their own sales responsibility and professional area in line with the bank's risk profile. Helgeland Sparebank has adopted policy for risk management and internal controls which sets objectives, organisation and implementation of internal control work. Also included in this is a requirement for reporting of the status of the bank's risk picture and the quality of the internal controls as well as follow-up of risk-reducing measures.

The Bank has also employed an internal auditor, who, on behalf of the Board shall evaluate and control that appropriate routines are established for reducing risk. The internal auditor's controls shall take place on the basis of an annual auditing plan.

The bank's ethical guidelines include an information duty by employees regarding violation of internal guidelines, Acts and Regulations and the method by which such information shall be given.

Remuneration to the Board of Directors

The Supervisory Board sets the fee scale for the bank. The remuneration to the Board of Directors reflects the Board's responsibility, competence, time spent and complexity. The fee to the individual Board member appears in the notes to the accounts.

Remuneration to management employees

The Board of Directors sets the remuneration to the CEO, and the principles for remuneration to management employees. The bank has no option or bonus contracts. In the notes to the annual accounts is included an overview of salaries and benefits to management employees.

The Bank has established routines for ensuring compliance with regulations concerning remuneration schemes in financial institutions, securities enterprises and management companies for collective investment funds (effective from 2011).

Information and communication

Helgeland Sparebank is listed on Oslo Stock Exchange and reports dates for important events such as election meetings, meetings of the Supervisory Board, and publication of financial information in the form of interim reports and annual reports and accounts.
Information to the market is communicated through open investor presentations in the first, third and fourth quarterly accounting reports, as well as Stock Exchange and press releases.
The same information is put out on the bank's web pages.

Take-over

The Act relating to Financial Activity sets limitations on how large a share of the equity certificates can be held by an owner. A question of a merger is decided by the Supervisory Boards of the savings banks in question.

Auditor

The Supervisory Board has chosen PriceWaterhouseCoopers as the external auditor, and approves its remuneration.

PROFIT AND LOSS ACCOUNT

Parent Bank		(Amounts in NOK mill.)		*Group*
2010	**2011**		**2011**	**2010**
748	831	Interest receivable and similar income (Note 5)	913	790
455	532	Interest payable and similar costs (Note 5)	591	476
293	**299**	**Net interest- and credit commission income**	**322**	**314**
79	72	Commissions receivable and income from banking services (Note 6)	72	79
12	12	Commissions payable and costs relating to banking services (Note 7)	12	12
67	**60**	**Net commission income**	**60**	**67**
28	5	Gains/losses on financial instruments available for sale (note 8)	-9	28
1	3	Other operating income (note 9)	5	3
5	0	Costs 150 years anniversary (note 10,11)	0	5
35	0	Disposable income effect pension (note 10,11)	0	35
211	209	Operating costs (Notes 10,11,12,13,14,15,44)	218	218
23	27	Losses on loans guarantees etc (note 16)	27	23
185	**132**	**Result before tax**	**133**	**201**
46	37	Tax payable on ordinary result (note 17)	40	49
139	**95**	**Result from ordinary operations (note 18)**	**93**	**152**
5.5	3.8	Result per PCC in kroner (note 18)	3.7	6.0
5.5	3.8	Diluted result per PCC, Kroner (note 18)	3.7	6.0
		Extended income		
139	**95**	**Result from ordinary operations after tax**	**93**	**152**
-7	2	Net change in fair value available- for-sale fin. assets	-5	-7
1	0	Tax on extended profit	0	1
0	0	Non controlling interests	0	0
-6	2	Net extended profit and loss items	-5	-6
133	**97**	**Total result for the period**	**88**	**146**
5.3	3.9	Result per PCC in kroner	3.5	5.8
5.3	3.9	Diluted result per PCC, Kroner	3.5	5.8

BALANCE SHEET

Parent bank				*Group*
31.12.10	**31.12.11**	(Amounts in NOK million)	**31.12.11**	**31.12.10**
		ASSETS		
273	118	Cash and balances at central banks (note 19,22,27,32)	118	273
635	742	Loans to and claims on credit institutions (note 20,22)	316	91
13 564	14 387	Loans to and claims on customers (note 2.1,21,22)	18 049	16 518
145	179	Financial derivatives (note 22,23)	179	145
3 654	4 655	Certificates, bonds and shares available for sale (note 2.2,22,24,25)	3 756	2 754
156	163	Investments in associated companies (note 25,27)	154	159
204	246	Investments in subsidiaries (note 25,26,28)		
40	49	Deferred tax benefit (note 29)	51	42
86	70	Fixed assets (note 30)	158	110
69	20	Other assets (note 31)	21	68
18 826	**20 630**	**Total assets**	**22 802**	**20 160**
		LIABILITIES AND EQUITY CAPITAL		
1 237	1 237	Liabilities to credit institutions without agreed maturity (note 2.2,22,33)	1 241	1 237
10 075	10 655	Deposits from customers and liabilities to customers (note 2.2,22,34)	10 429	9 883
5 675	6 843	Borrowings through the issuance of securities (note 2.2,22,23,35)	9 227	7 178
18	25	Financial derivatives (note 22,23)	25	18
179	200	Other liabilities (note12,36)	202	185
17 184	**18 961**	**Total liabilities**	**21 124**	**18 501**
1 031	1 031	Paid-in equity capital (note 38,39)	1 031	1 031
611	638	Accrued equity capital/retained earnings (note 38)	645	626
1 642	**1 669**	**Total equity capital**	**1 676**	**1 657**
0	0	Non controlling interests	2	2
1 642	**1 669**	**Total equity capital**	**1 678**	**1 659**
18 826	**20 630**	**Total liabilities and equity capital**	**22 802**	**20 160**
		Contingent liabilities off the Balance Sheet (note 2.3,40,41)		

Helgeland Sparebank's Board of Directors
Mo i Rana 31. December 2011 | 1. March 2012

Bjørn Johansen
Chairman

Thore Michalsen
Deputy Chairman

Gislaug Øygarden

Monica Skjellstad

Ove Brattbakk

May Heimdal
Staff's representative

Jan Erik Furunes
CEO

C H A N G E I N E Q U I T Y C A P I T A L

Change in equity capital during the year *Group*

(Amounts in NOK million)	Total paid in capital			Total accrued equity capital							
	PCC-capital	**Premium Fund**	**Own PCCs**	**Res. for valuation**	**Savings Bank's Fund**	**Donat. Fund**	**Char. Fund.**	**Divid. Equal Res.**	**Other equity.**	**Min.**	**Total**
Equity capital 01.01.11	**935**	**97**	**-1**	**91**	**352**	**23**	**10**	**81**	**68**	**2**	**1 659**
Result from ordinary operations					12	7	5	36	33		93
Net extended profit and loss				-5							-5
Total ext. profit or loss	**935**	**97**	**-1**	**86**	**364**	**30**	**15**	**117**	**101**	**2**	**1 747**
Gift fund						-8	-10				-18
Transactions with owners											0
Dividend paid									-51		-51
Equity capital as at 31.12.11	**935**	**97**	**-1**	**86**	**364**	**22**	**5**	**117**	**50**	**2**	**1 678**
Paid/accrued equity capital			1 031							646	1 678

Change in equity capital during the year *Group*

(Amounts in NOK million)	Total paid in capital			Total accrued equity capital							
	PCC-capital	**Premium Fund**	**Own PCCs**	**Res. for valuation**	**Savings Bank's Fund**	**Donat. Fund**	**Char. Fund.**	**Divid. Equal Res.**	**Other Equity**	**Min.**	**Total**
Equity capital 01.01.10	**220**	**129**	**-1**	**96**	**1 019**	**33**	**22**	**29**	**12**	**2**	**1 561**
To ownerless capital					18						18
Dirst. To gift/char. fundation						8	10				18
Gift fund disbursed						-18	-22				-40
Change in other reserves									13		13
Extended profit or loss items											
Net change in fair value fin.				-6							-6
Tax on extended profit or loss				1							1
Total ext. profit or loss				**-5**							**-5**
Transactions with owners											
Issues	110	-110									0
Cost issues		-1		-1							-2
Issue Sparebankstiftelsen	605	79		-684							0
Provision for equalisation fund								52			52
Provision for dividend									51		51
Dividend paid									-8		-8
Equity capital as at 31.12.10	**935**	**98**	**-1**	**91**	**353**	**23**	**10**	**81**	**68**	**2**	**1 659**
Paid/accrued equity capital			1 031							628	1 659

C H A N G E I N E Q U I T Y C A P I T A L

Change in equity capital during the year *Parent bank*

	Total paid in capital			Total accrued equity capital						
(Amounts in NOK million)	**PCC-capital**	**Premium Fund**	**Own PCCs**	**Res. for valuation variances**	**Savings Bank's Fund**	**Donat. Fund**	**Char. Fond.**	**Divid. Equal Res.**	**Dividend**	**Total**
Equity capital 01.01.11	**935**	**97**	**-1**	**93**	**352**	**23**	**10**	**81**	**51**	**1 641**
Result from ordinary operations					12	7	5	36	35	95
Net extended profit and loss				2						2
Total ext. profit or loss	**935**	**97**	**-1**	**95**	**364**	**30**	**15**	**117**	**86**	**1 738**
Gift fund						-8	-10			-18
Transactions with owners										
Dividend paid									-51	-51
Equity capital as at 31.12.11	**935**	**97**	**-1**	**95**	**364**	**22**	**5**	**117**	**35**	**1 669**
Paid/accrued equity capital			1 031						638	1 669

Change in equity capital during the year *Parent bank*

	Total paid in capital			Total accrued equity capital						
(Amounts in NOK million)	**PCC-capital**	**Premium Fund**	**Own PCCs**	**Res. for valuation variances**	**Savings Bank's Fund**	**Donat. Fund**	**Char. Fond.**	**Divid. Equal Res.**	**Dividend**	**Total**
Equity capital 01.01.10	**220**	**129**	**-1**	**98**	**1 019**	**33**	**22**	**29**	**8**	**1 557**
To ownerless capital					18					18
Dirst. To gift/char. fundation						8	10			18
Gift fund disbursed						-18	-22			-40
Extended profit or loss items										
Net change in fair value fin.				-6						-6
Tax on extended profit or loss				1						-1
Total ext. profit or loss				**-5**						**-5**
Transactions with owners										
Issues	110	-110								0
Cost issues		-1			-1					-2
Issue Sparebankstiftelsen	605	79			-684					0
Provision for equalisation fund								52		52
Provision for dividend									51	51
Dividend paid									-8	-8
Equity capital as at 31.12.10	**935**	**97**	**-1**	**93**	**352**	**23**	**10**	**81**	**51**	**1 642**
Paid/accrued equity capital			1 031						612	1 642

C A S H F L O W S T A T E M E N T

CASH FLOW STATEMENT

Parent bank 31.12.10	31.12.11		31.12.11	*Group* 31.12.10
185	132	Result of ordinary operations	133	201
14	16	+ Ordinary depreciation/amortisation	19	17
0	0	+ Writedowns and gain/loss on fixed assets	0	0
23	27	+ Losses on loans, guarantees, etc	27	23
45	37	- Tax expense	40	49
177	138	=Provided from the year's operations	139	192
-77	16	Change miscellaneous debt: + increase/-decrease	24	-73
-57	15	Change miscellaneous claims: - increase/+ decrease	30	-55
452	-812	Change loans to and balances with customers – increase + decrease	-1 519	-1 124
886	580	Change deposits from and liabilities to customers+ increase/-decrease	547	783
0	0	+ Change liabilities increase to credit institutions	4	17
-410	0	- Change liabilities decrease to credit institutions	0	-410
971	-63	A Net liquidity change from operating activities	-775	-670
-53	-8	- Invested in tangible fixed assets	-98	-53
0	1	+ Sale of tangible fixed assets	0	0
-3 983	-4 860	- Change in long-term securities increase	-4 820	-3 871
2 973	3 800	+ Change in long-term securities decrease	3 800	2 973
-1 063	-1 067	B Liquidity change from investing activities	-1 118	-951
-7	-51	- Dividend paid on PCCs	-51	-7
3 870	4 416	+ Debt securities in issue increase	5 297	5 158
-3 760	-3 283	- Debt securities in issue decrease	-3 283	-3 780
103	1 082	C Liquidity change from financing activities	1 963	1 371
11	-48	A+B+C Sum total change liquid assets	70	-250
897	908	+ Liquid assets at the start of the period	364	614
908	860	= Liquid assets at the close of the period	434	364

*) Cash and cash equivalents consist of bank deposits, deposits in Norges Bank and outstanding accounts with credit institutions.

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NOTE 1 - Accounting principles Group

General background

The Parent Bank

Helgeland Sparebank aims to be a profitable and leading bank in Helgeland. The objective of the Bank is to sell all types of financial products and services, including insurance and pension products, to retail customers, small and medium-sized enterprises, municipalities and institutions in Helgeland.

The Bank's registered office is located at Jernbanegata 15, 8622 Mo i Rana. The Bank's head office function is divided between Mosjøen and Mo i Rana. The Bank also has 14 branches located throughout Helgeland: Brønnøysund, Berg, Vevelstad, Hommelstø, Vega, Hattfjelldal, Trofors, Sandnessjøen, Herøy, Vågaholmen, Lurøy, Hemnesberget, Nesna and Korgen.

Helgeland Sparebank is listed on Oslo Stock Exchange.

Subsidiaries

Subsidiaries are defined as all companies in which Helgeland Sparebank has a controlling interest. A controlling interest is normally achieved when the Group owns, directly or indirectly, more than 50 per cent of the shares in the company and the Group is able to exercise control over the company.

The acquisition method is applied to accounting relating to acquired units. Companies that have been acquired or sold during the year are consolidated in the Group accounts from/up to the date on which the acquisition/sale was implemented. Identifiable assets and liabilities in subsidiaries are carried at fair value at the acquisition date. Any surplus value over and above what can be linked to identifiable assets and liabilities is shown in the accounts as goodwill, and any shortfall in market value is recognised in the profit and loss account directly.

Minority interests are included in the Group's equity. Intra-group transactions, balances, internal profit and unrealised gains/losses are netted out.

Associated companies

Associated companies are defined as companies in which the Group exercises significant influence. This would normally involve investments of between 20 per cent and 50 per cent of the companies' equity. Investments in associated companies are valued using the equity method. When the Group's share of a loss exceeds the investment, the investment is recognised in the accounts at zero value. The loss is included in the accounts to the extent that the Group has obligations to cover the loss.

Intra-group transactions, balances and unrealised gains are netted out against the Group's equity stake in the associated company.

Basis for the preparation of the accounts

Helgeland Sparebank has prepared its consolidated accounts for 2008 in compliance with International Financial Reporting Standards (IFRS), which have been approved by the EU. The company accounts for Helgeland Sparebank are presented in compliance with simplified IFRS:
The Group applies the historical cost principle with the following modifications: available-for-sale financial assets, financial assets and liabilities (including financial derivatives) carried at fair value in the profit and loss account, and investment properties
The consolidated financial statements were adopted by the Board of Directors on 26 February 2009.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted.

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service cost; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12’s full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs an US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS 13’s full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Consolidation principles

The consolidated accounts comprise Helgeland Sparebank and all its subsidiaries. The consolidated financial statements have been prepared under the assumption of uniform accounting principles for equal transactions and other events under equal circumstances.

Presentation currency

All amounts are stated in NOK million unless otherwise specified. The Group’s presentation currency is the Norwegian krone, which is also the functional currency for all the companies in the Group. The Group has no operations of its own abroad. Assets and liabilities in foreign currencies are translated into Norwegian kroner at the exchange rate applicable on the balance sheet date, and income and expenses are translated into Norwegian kroner at the exchange rates applicable at the time of the transaction. Translation differences are recognised in the profit and loss account as they occur.

Presentation in the balance sheet and profit and loss account

<u>Loans</u>
Loans are recognised in the balance sheet depending on the counterparty, either as loans to and deposits with credit institutions or as loans to customers, depending on the measurement principle. Interest income on loans is included in the line for "net interest income".
Changes in value that can be linked to identified objective evidence of impairment on the balance-sheet date for loans carried at amortised cost and for the portfolios of loans at fixed interest rates that are carried at fair value are included in "write-downs of loans and guarantees".
Other changes in the value of portfolios of loans at fixed interest rates carried at fair value are included in the line "net gains on financial instruments at fair value".

<u>Certificates and bonds available for sale</u>
This category includes certificates and bonds that the Group can sell as needed and that do not form part of a trading portfolio. Interest income for certificates and bonds are included in "net interest income". Other changes in value are included in "net gains on financial instruments ". Fall in value below cost price is recognised in the profit and loss account under “Net gains on financial instruments”, while change in value above cost price is entered against equity

<u>Shares available for sale</u>
Unrealised changes in value in the portfolio available for sale are recognised against equity. Fall in value below cost price are recognised in the profit and loss account.
When such gains or losses are realised, they are recognised under "net gains/losses on financial instruments".

<u>Liabilities to credit institutions and deposits from customers.</u>
Liabilities to financial institutions and customers are recognised, depending on the counterparty, either as liabilities to credit institutions or as deposits from customers, regardless of the measurement principle. Interest expense on the instruments is included in net interest cost based on the internal rate of return method. Other changes in value are included in "net gains on financial instruments at fair value". Fixed interest rate deposits are valued at fair value and recognised in the profit and loss account under “Net gains and losses on financial instruments”

<u>Securities issued</u>
Securities issued capital include issued certificates and bonds capital regardless of the measurement principle based on the internal interest rate method
Interest expense on the instruments is included in "net interest cost".

<u>Financial guarantees issued</u>
Contracts that require the Group to compensate the holder for a loss resulting from a specific debtor's omission to pay in accordance with the conditions in the debt instrument are classified as financial guarantees issued.
Changes in the fair value of financial guarantees are included in the line "financial instruments at fair value". The change in value of guarantees is included in loans that are written down individually. Changes in the value of such guarantees are included in "net write-downs on loans and guarantees".

Segment reporting

The Group's operations involve only one strategic business area, which is organised and managed on a total basis. The Group conducts traditional banking operations involving the sale of savings, investment and insurance products on a brokerage basis. The banking operations are divided into segments, categorised as the retail market and the corporate market.
The Group conducts its business mainly within one geographical segment, which is Helgeland, with a minor proportion outside Helgeland.

Financial instruments

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

- Loans to customers
  - Loans at floating rates of interest
  - Loans at fixed-interest rates
- Available-for-sale financial assets
- Liabilities to credit institutions and deposits from customers at amortised cost
- Securities issued and subordinated loan capital
  - Securities issued at floating rates of interest
  - Securities issued, fixed-interest
  - Securities issued, hedges

Financial instruments are valued in accordance with IAS 39. All purchases and sales of financial instruments are recognised in the accounts at the transaction date.
Financial assets and obligations are presented net in the balance sheet and only when there is an unconditional right of offset which can be legally enforced and there is an intention to settle net or realise the asset and settle the obligation at the same time.

Loans to customers

The Bank has defined its market area (Helgeland) as one risk area.

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

Loans at fixed interest rates are recognised at fair value in the profit and loss account. The change in value is included in the line "net gains/losses on financial instruments". Loans at fair value, including accrued interest, reflect the value in the balance sheet. Interest income on fixed interest loans to customers is recognised as income under net interest.

Write-downs on loans

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

Objective evidence that a loss event has occurred may be:

- The borrower has significant financial problems.
- Default on payment of due interest/capital instalment
- Collateral or other security is expected not to cover the loan in the event of realisation.
- It is likely that the borrower will go bankrupt or enter into debt negotiations
- There are indications of a measurable reduction in the future cash flows from a group of loans, although it is not yet possible to identify the impairment of value for each individual loan within the group (for instance negative changes in payment status or in financial assumptions of importance for the group).

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

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

The calculation of the write-down amount for a group of loans is made on the basis of expected future cash flows and historical loss experience for the different risk groups. Historical losses are adjusted for the impact of new conditions which were not reflected during the period to which the historical losses refer, and the effect of events which are no longer relevant is removed. If the previously calculated write-down should later prove to have been too high, it is reversed and recognised in the profit and loss account.

Estimates of future cash flows depend upon changes in relevant, observable data which can indicate a change in the likelihood of loss and the size of loss within the group. The method and assumptions for calculating future cash flows are reviewed on a regular basis.

When a loan can no longer be recovered and the size of the loss has been determined, the loan is written off against the related provisions for losses. Recoveries from previously written down loans are recognised in the profit and loss account as a reduction in write-downs of losses.

Financial assets available for sale

Financial assets available for sale are assets acquired for purposes other than for achieving gains. These are defined as investments that do not form part of a trading portfolio, but that are negotiable and can be sold freely if required. The Group has shares, certificates, bonds, and other interest-bearing securities which are classified within this group.

Financial assets available for sale are recognised in the profit and loss account at fair value.
Interest-bearing securities – Write-downs below cost price are recognised in the profit and loss account. Reversals of write-downs are reversed in the profit and loss account provided they are below cost price.
Value above cost price is recognised against equity
Shares – Write-downs below cost price are recognised in the profit and loss account. Reversals of share write-downs are

entered against equity under “Other comprehensive income”. Value above cost price is recognised against equity.

Realised gains/losses recognised in the profit and loss account, as well as changes in value in the profit and loss account including dividends, are shown in the financial statements under "net gains/losses on financial instruments" during the period in which they arise. For interest-bearing financial assets, the interest is recognised as income in the profit and loss statement against "net interest". The Bank has no items in foreign exchange.

On 16 October 2008, the Norwegian Ministry of Finance laid down regulations based on changes in the accounting standards IAS 39 and IFRS 7 established by the IASB and approved by the EU. The changes allow the reclassification of portfolios previously classified as trading portfolios to held-to-maturity investments. The reclassification means that the portfolio is carried at amortised cost (whereas previously it was valued at fair value).
As indicated in the section above, Helgeland Sparebank has chosen not to reclassify the portfolio.

The fair value of listed investments is based on the current price as of the balance sheet date. In the case of securities that are not listed and where there is no active market, known sale values or the most recent issue prices are used as a basis. For securities without sales, the value is determined on the basis of available accounting information or similar.

Financial assets are presented as current assets if the Bank's management has decided to sell these assets within 12 months of the balance sheet date; if not, they are classified as fixed assets

<u>Liabilities to credit institutions and deposits from customers</u>
Liabilities to credit institutions and deposits from customers at amortised cost

Fair value is defined as the quoted stock exchange price for listed securities. In the case of unlisted securities where there is no active market, the Group uses measurement techniques to determine the fair value. Financial derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative

<u>Securities issued</u>
Securities issued are defined as securities which the Group does not intend to trade and which were originally issued by the Group. Buy-backs of own bonds in connection with debt reduction are netted against bond debt.
Liabilities at floating rates of interest are assessed at fair value when they are first included in the accounts and later at amortised cost through the use of the effective interest method. Any premium/discount is accrued over the term to maturity. The liabilities are shown in the balance sheet at amortised cost (including accrued interest). Changes in value for amortised cost are recognised in the profit and loss account and net interest.

Liabilities at fixed rates of interest are assessed at fair value. The liabilities are shown in the balance sheet at fair value (clean price) including accrued interest, less the Bank's own portfolio. Changes in value are recognised in the profit and loss account as "gains/losses on financial instruments" and interest expense in the profit and loss account against net interest.

The fair value is calculated by discounting the cash flow from the loans using a required rate of return derived from the zero coupon curve. Credit spreads on interest-bearing securities are changed on the basis of an all-round assessment in which observed trades in the market, credit margin reports from various securities houses, and internal assessments are included as a basis for the overall assessment. A change in credit spreads will influence the required rate of return, as the supplement added to the zero coupon curve is changed. In the case of purchase of own securities, liabilities are reduced, and the difference between book value and the payment made (premium or discount) is recognised in the profit and loss account as a gain or loss relating to securities issued.

<u>Hedge accounting</u>
The bank uses hedging for certain borrowing
In the case of value hedge accounting, the hedged item is recognised at amortised cost with the change in value in the profit and loss account and net interest. The change in value of the hedging instrument is recognised against equity. The Group does not have cash flow hedges.
Hedge accounting - the Bank assesses and documents the effectiveness of hedging, both when it is first classified and on an ongoing basis.

<u>Financial derivatives</u>
The agreements entered into by the Group are derivatives related to interest rates and exchange rates. Interest swaps are related to fixed-interest deposits and loans; currency swaps are related to syndicated borrowing in euro.

Derivatives are recognised in the balance sheet at fair value at the time the derivative contract is established, and thereafter on an ongoing basis at fair value. Derivatives in the balance sheet encompass interest rate swap agreements (interest rate swaps) and currency swaps.

The derivatives are recognised in the profit and loss account as an asset when the fair value is positive, and as a liability when the fair value is negative

Interest income and interest costs

Interest income and interest costs relating to assets and liabilities measured at amortised cost are recognised in the profit and loss account on an ongoing basis through the use of the effective interest method.
Interest income on loans which have been written down is calculated by using the same effective rate of interest as the one applied when discounting the original cash flow. Interest income on fixed-interest loans is recognised at fair value. Changes in the fair value of fixed-interest loans are recognised in the profit and loss account as a change in the value of financial instruments.
The derivatives are recognised in the profit and loss account as an asset when the fair value is positive, and as a liability when the fair value is negative.

For interest-bearing instruments measured at fair value, the interest will be classified as interest income or interest expense while the effect of changes in value are classified as income or expense from financial instruments

Commission income and expenses

In general, commission income and expenses are accrued as a service is provided.

Intangible assets

Intangible assets are shown in the balance sheet when probable future financial advantages relating to the asset in question can be identified, and when the asset's cost price can be reliably estimated. Intangible assets are shown in the accounts at cost price.

Intangible assets with unlimited economic life are not depreciated, but write-down is applied if the recoverable amount is lower than the cost price. The recoverable amount is calculated each year, and also when there are indications of impairment of value.

Intangible assets with limited economic life are depreciated and any need for write-down is assessed. Depreciation is made on a straight-line basis over estimated economic life. The depreciation amount and depreciation method are subject to annual review, when financial realities are used as a basis.

Costs relating to the purchase of new electronic data processing programmes are shown in the balance sheet as an intangible asset when such costs do not form part of the acquisition cost relating to hardware.

The abovementioned programmes are depreciated over a period of 5 years. Costs of maintenance of these programmes are charged direct to the profit and loss account provided that the changes to the programmes do not increase the future financial benefits involved.

Fixed assets

Fixed assets, with the exception of investment property and buildings, are evaluated at cost price minus accumulated depreciation and write-downs. When operating equipment is sold or discarded, the cost price and accumulated depreciation and write-downs are reversed any, gains or losses being included in the profit and loss account.

Cost price of an item of operating equipment is defined as purchase price including taxes, levies and direct costs relating to making the operating equipment in question ready for use. Any costs incurred after the company has started to use the operating equipment, such as repairs and maintenance, are normally charged to the profit and loss account In those cases where increased revenue generation as a result of such repairs/maintenance can be proved, the costs involved are shown in the balance sheet as additions to assets. Depreciation is calculated by using the straight-line method over the following periods:

-Buildings and other real estate	30 – 40 years
-Machinery, equipment fixtures and cars	3 – 10 years

The depreciation period and –method are reviewed annually in order to make sure that the method and period being used correspond to the economic realities for the operating equipment involved. The same applies to scrap value.

In connection with the implementation of IFRS, a breakdown into the several components involved is made in the case of operating equipment of larger value and when the various components have different economic lives. A new assessment of economic life is then made for each individual component and depreciation is adjusted accordingly.

Operating equipment held for sale consists of assets acquired by the Group as part of the recovery of an outstanding commitment in default. This involves assets, which the Group does not intend to keep and which are to be sold within 1 year. Such assets held for sale are assessed at market value and are not subject to depreciation.

Rental agreements

<u>The Group as a tenant</u>
Rental agreements where most of the risk involves the counterpart to the agreement are classified as operational rental agreements. Rental payments are classified as operating costs and charged to the profit and loss account over the period of the contract. The Group has no financial rental agreements.

<u>The Group as a landlord/lessor</u>
The Group shows assets, which have been rented out as fixed assets in the balance sheet. Rental income is included in the accounts as income on a straight-line basis over the rental period. Direct costs incurred initially in order to establish a rental relationship are added to the rented-out asset's value in the accounts.
The Group has no financial rental agreements

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents are defined as cash, deposits with Norges Bank and other banks, certificates, bonds and loans and credits provided for other banks. Cash equivalents are short-term liquid funds, which can be converted into cash within 3 months.

Provisions

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

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

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

Pension costs and pension liabilities

The Group's pension liabilities are related to benefit-based group pension schemes secured in insurance companies, and in unsecured schemes. Pension costs and pension liabilities shown in the accounts have been arrived at through computations made by an actuary.

The secured and unsecured guarantee liabilities are calculated as the discounted value of the future pension benefits which are deemed to have accrued on the balance sheet day in question, secured and unsecured, based on the employees having accrued their pension rights evenly over the period during which they were employed.

Pension resources are assessed at market value and shown net against the pension liabilities in the balance sheet. Each individual pension scheme is assessed on its own, but the value of over-funding in one scheme and under-funding in other schemes is included in the balance sheet on a net basis provided that the pension resources can be transferred between the various schemes.
Net pension resources are shown in the balance sheet as prepaid costs and accrued income, whereas net pension liabilities are shown as provisions for liabilities.

The pension cost for the period involved is included under Wages salaries and social costs, consisting of the period's pensionable accruals, interest cost on the calculated pension liability, expected return on the pension resources, the impact of scheme changes and changes in estimates and pension schemes included in the profit and loss account, the effect of discrepancies between actual and expected return included in the profit and loss account, coupled with employers social security contributions subject to accrual accounting. The impact of changes in estimates and discrepancies between actual and expected return is subject to accrual accounting over the reminding accrual time or expected life only if the accumulated effect exceeds 10 per cent of the larger of pension resources and liabilities. Any change in the pension schemes is subject to accrual accounting over the remaining time of accruals.

Tax

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

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

PCC-capital

In the case of the issuance of new PCCs or the acquisition of other operations, the additional costs directly related to the issuance of new certificates or the acquisition invovled are treated in the accounts as a reduction of the PCCs’ nominal value.

Dividends payable on PCCs are classified as equity capital until the Bank's Board of Trustees has approved the dividend. When the Board of Trustees has approved the dividend the amount required for the dividend payment is removed from the equity capital and classified as short-term liabilities up to the time when payment is made.

In the case of the Bank or the other members of the Group buying PCCs issued by the Bank, the total consideration is deducted from the aggregated PPC capital.

Comparability

Comparable figures have been adjusted whenever it has been deemed necessary in order to make sure that they are in accordance with the accounts presentation for this year.

Events after the balance sheet date

Events occurring up until the date the financial statements are regarded as approved for publication, and which concern matters which were already known on the balance sheet date, will be included in the disclosure base for adopting accounting estimates and will thus be fully reflected in the accounts. Events concerning matters, which occur after the balance sheet date, will be disclosed if they are deemed significant

NOTE 2 - Financial risk management | Group and parent bank

Risk and capital management

Risk and capital management supports the Group's strategic development and ambitions. The main objective is to ensure realisation of the Group's financial and operational objectives. Regardless of how good risk management is, unforeseen losses can occur which require that the Group has sufficient equity. As a part of the risk management work, the necessity for additional capital for the different risk areas has been evaluated. The evaluations are supported by various internal evaluations and calculation models. This is summarized in the bank's internal capital requirement evaluation process. ICAAP).

Risk categories and definitions:

- Credit risk: the risk of loss as a result of customers or other parties not being able to meet their obligations
- Liquidity risk: the risk that the Group cannot manage to meet its obligations on the due date
- Market risk: the risk of loss as a result of changes in market prices connected to activities and positions in securities (interest and shares) and currency.
- Operational risk: the risk of direct or indirect losses due to failure in internal routines, systems and processes, insufficient competence, damage to property, interruption in operations, system faults, internal or external fraud.

Risk management is central in daily operations and in the continuing work of the Board. Risk is primarily managed through policy and guidelines, limitations, authorizations, reporting requirements and requirements regarding competence.
The Board sets the Group's credit strategy which includes credit risk, and the Group's financial strategy which includes liquidity risk and market risk. The bank has a credit committee and finance committee for management and follow-up of risk in line with authorizations given by the Board.

The bank's risk management unit constitutes two man-years. The General Manager risk management reports directly to the Chief Executive and is responsible for monitoring and coordinating the collective risk management in the bank.

The Group's internal auditor constitutes one man-year and reports directly to the Board. The internal auditor shall evaluate whether satisfactory routines have been established in the most important areas in the bank in order to reduce risk

Governance and company leadership

Helgeland Sparebank's principles and policy for corporate governance and company leadership shall ensure that the bank's activity management is in line with generally accepted perceptions and standards, as well as Acts and Regulations. Good activity management in Helgeland Sparebank includes the values, objectives and superior principles according to which the bank is managed and controlled in order to ensure good interaction between the bank's different interested parties such as equity certificate holders, lenders, customers, employees, governing bodies, management and society in general.

Further, the activity management shall ensure defensible fund management and provide increased security for communicated objectives and strategies being implemented and reached. The Group's principles and framework for internal controls and risk management are stated in separate management documents which are reviewed annually by the Board. The management documents are the Group's internal framework for good management and control, and the policy gives guidelines for the Group's superior attitudes regarding risk management.

The Board of Helgeland Sparebank attaches weight to compliance with the principles laid down in the Norwegian Code of Practice for Corporate Governance in the management of the activity.

Helgeland Sparebank has compared its own policy to the Norwegian Code of Practice for Corporate Governance .It is the opinion of the Board that the bank's activity management is satisfactory and in accordance with the Norwegian Code.

12 Board meetings were held during 2011. Follow-up of operations, strategy, structural changes and risk and capital management have been in the Board's area of focus.
The Board has drawn up an annual plan for its work, and weight is attached to ensuring sufficient knowledge and competence is present among the members of the Board. .
The Board has evaluated its own form of work, competence, priorities and co-operation between the Board and management.

As a part of its work, the Board has set up an audit committee. The audit committee shall ensure that Helgeland Sparebank has independent and efficient internal and external auditing functions, as well as accounting and risk reporting in accordance with Acts and Regulations.

NOTE 2.1 - Credit risk

Group and parent bank

The Group's strategy in the credit area is derived from the superior strategy and contains guidelines for distribution between the private and business market, concentration risk and geographical limitations. For continuous follow-up of risk by the Board, a set of reports has been defined with varying frequencies of submission.

A series of routines have been established which include administrative handling and follow-up of credit risk. The most important tools in the compliance with the credit rules are:

- Restrictive granting of credit in relation to
  - specially defined industries
  - spin-offs from own corporate customers
  - takeover of corporate customers from other banks
  - intensified requirements for risk sharing through higher equity ratio
  - compliance with the ten rules issued by the Financial Supervisory Authority of Norway regarding quarterly reporting to the Board
- Management of the activity by use of case processing systems and authorization limitations
- Strong focus on rules connected to use of credit authorization, including special documentation requirements surrounding the customer's ability to perform, as well as a description of critical factors in connection with granting of credit.
- High competence and long experience of employees working with the loan activity
- Granting of credit to single customers and industries is evaluated against the employees' collective competence
- Credit is granted primarily to customers within the bank's geographical field with the exception of good private customers where the connection to Helgeland is sufficient

The Group's credit strategy is evaluated annually, smaller changes were adopted and implemented in September 2011. Credit risk exposure is managed and followed up through regular analyses of the borrowers' and potential borrowers' ability to service interest and installments, as well as an evaluation of the security provided for the loan.

In 2011 the bank continued the validation of the model for calculation of Group write-down based on own score models. The model is based on the probability regarding default and the loss degree given that there is default on a commitment. The model is used by several other savings banks which co-operate on validation and any adjustment of the parameters. The validation shows that the score models are regarded as satisfactory and that they differentiate well between customers with different risks.

Based on the Financial Supervisory Authority of Norway's loan Regulation and internal guidelines, the commitment is monitored continuously with regard to identification of possible loss-exposed commitments.

There is a strong focus and fixed reviews in the entire organisation on quality in credit work and to improve understanding of good management and control. For management and monitoring of risk in the industrial portfolio, continuous evaluation is done of the customer relationship, ability to service and security when taking out a loan, as well as reviews by the bank's credit committee. Regarding monitoring of the development of risk in the private customer portfolio, quarterly analyses are undertaken of the quality of newly granted loans and of the total portfolio.

Risk distributed loan portfolio distributed between low, medium and high risk are reported based on the score models.

The effect of the financial crisis in the Group's geographical area of activity has thus far proved to be considerably less than at the beginning of 2011. Close follow-up of larger corporate customers, monitoring and development of solvency and risk in the portfolio and for larger single commitments have been continued as a priority focus area for the bank.

The maximum limit for a single commitment, laid down by the Ministry of Finance, is 25% of the Group's capital. At the end of 2011 the Group had four customer groups where a granted commitment was seen in total to be 10% of capital.

The Bank employs the standard method for calculating capital adequacy requirements for credit risk

NOTE 2.1.1 –Risk classification of loans and credits

Risk classification is an integral part of the Group's administrative system. The system permits risk development in the Bank's loan portfolio to be monitored. The risk classification model used for both retail and corporate customers has been developed in collaboration with a number of other banks. The classification system was used for the entire customer base from 31 May 2009. For corporate customers a Probability of Default (PD)/score is based on a number of parameters such as the sector concerned, comments regarding payment history, and any comments made by the auditors. Retail customers are awarded a Probability of Default (PD)/score based on any reminders issued, overdrawn accounts, previous borrowing/deposits, etc. The loan portfolio is classified monthly and customers are awarded a score from A to K, where A is the lowest risk and K the highest risk. Retail customers are also subject to an application score in connection with new loan applications.

Risk classification of loans and credits

Parent bank								*Group*
								31.12.11
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
				Corporate:				
3 305	337	684	4 326	Low risk	3 406	337	690	4 433
1 967	128	160	2 255	Medium risk	1 973	128	164	2 265
1 032	73	100	1 205	High risk	1 036	73	100	1 209
148	20	15	183	Commitments in default > 0 months	148	20	15	183
148	7	5	160	Not classified	66	7	5	78
6 600	**565**	**964**	**8 129**	**Total – corporate**	**6 629**	**565**	**974**	**8 168**
				Retail banking:				
6 294	19	374	6 687	Low risk	9 499	19	582	10 100
927	2	26	955	Medium risk	1 255	2	28	1 285
186		7	193	High risk	262	0	9	271
77	0	0	77	Commitments in default > 0 months	77	0	0	77
403	5	26	434	Not classified	427	5	26	458
7 887	**26**	**433**	**8 346**	**Total – retail banking**	**11 520**	**26**	**645**	**12 191**
14 487	**591**	**1 397**	**16 475**	**Grand total**	**18 149**	**591**	**1 619**	**20 359**

Parent bank								*Group*
								31.12.10
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
				Corporate:				
2 644	338	709	3 691	Low risk	2 737	338	711	3 786
1 892	112	221	2 225	Medium risk	1 902	112	221	2 235
1 096	68	89	1 253	High risk	1 101	67	91	1 260
245	19	3	267	Commitments in default > 0 months	245	19	3	267
102	14	6	122	Not classified	102	14	6	122
5 979	**551**	**1 028**	**7 557**	**Total – corporate**	**6 088**	**551**	**1 032**	**7 670**
				Retail banking:				
6 256	19	341	6 616	Low risk	8 809	19	493	9 321
877		19	896	Medium risk	1 121		20	1 141
215		2	216	High risk	246		3	249
65		0	65	Commitments in default > 0 months	65		0	65
283		27	310	Not classified	302		26	328
7 696	**19**	**389**	**8 103**	**Total – retail banking**	**10 542**	**19**	**542**	**11 104**
13 675	**570**	**1 417**	**15 661**	**Grand total**	**16 630**	**570**	**1 574**	**18 774**

NOTE 2.1.2 - Bad and doubtful loans and guarantees >3 months

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
198	168	Commitments in default for over 3 months	168	198
51	37	- Write-downs of commitments in default	37	51
147	**131**	**Total net commitments in default**	**131**	**147**
8	62	Other bad and doubtful commitments not in default	62	8
3	12	- Write-downs of other bad and doubtful commitments not in default	12	3
5	**50**	**Net bad and doubtful commitments not in default**	**50**	**5**

Net bad and doubtful commitments not in default was 181 MNOK (152 MNOK), and 1.02 % (1,05%) of gross lending.

NOTE 2.1.3 - Bad and doubtful loans and guarantees >0 months

Parent Bank						*Group and parent bank*
		2011			**2010**	
Interval	Ret .bkg. m	Corporate m.	Total	Ret .bkg. m	Corporate m.	Total
0-3 months	**28**	**29**	**57**	**18**	**116**	**134**
3-6 months	10	76	86	8	61	69
6-12 months	10	24	34	15	62	77
Over 12 months	29	19	48	24	28	52
Gross doubtful loans > 3 months	**49**	**119**	**168**	**47**	**151**	**198**
Total gross doubtful loans	**77**	**148**	**225**	**65**	**267**	**332**

NOTE 2.1.4 - Bad and doubtful loans and guarantees that are not written down >0 months

	Group and parent bank	
Interval	**31.12.11**	**31.12.10**
0-3 months	**53**	**130**
3-6 months	28	0
6-12 months	32	61
Over 12 months	31	31
Total > 3 months	**91**	**92**
Overdue receivables that are not written down	**144**	**222**

NOTE 2.2 - Funding risk — Group and parent bank

The Board is focused on that the Group shall carry a liquidity strategy which allows the Group to have access to diversified sources of financing and long-term funding. The liquidity strategy is reviewed annually by the Board. There has been particular focus on the liquidity ratio and new requirements for liquidity management in banks in the wake of the financial crisis.
The liquidity risk is reduced through spreading borrowing in different markets, borrowing sources, instruments and periods of repayment. In the management of the Group's liquidity risk, objective requirements are used as liquidity indicator 1 (in accordance with the guidelines given by the Financial Supervisory Authority of Norway), long-term financing degree, deposit-to-loan ratio and level of liquidity buffers. The Board has set a minimum requirement for a liquidity indicator at 1 to 100%.The indicator value is calculated as the total of deposits, long-term borrowing and equity measured in % of illiquid assets (loans and fixed assets). As at 31.12.2011 the liquidity indicator was 1 to 105.4 %. The Board has also decided that the share of long-term borrowing in % of the total borrowing shall be at least 70%. As at 31.12.11 the share of long-term financing was 80,5 %, which is well over the objective requirement.

The deposit-to-loan ratio is an important parameter for following up the liquidity risk, i.e. how large a share of the gross loans to customers is covered by deposits by customers. The Board has set a minimum requirement for deposit-to-loan ratio, and this requirement was met throughout the whole of 2011.

In order to limit the Group's liquidity risk, the bank has liquid reserves in the form of unused drawing rights and placings in liquid interest rate securities. A minimum requirement has been set for the level of liquidity buffers in the Group's liquidity strategy. For the past few years the Group has gradually increased both the quality and level of liquidity buffers, and will gradually continue to adapt the buffers to coming new requirements for deposits in the Central Bank of Norway and new liquidity requirements in accordance with Basel III. The Group's total liquidity reserves are evaluated as satisfactory.

Helgeland Sparebank came through the financial crisis in 2008 and 2009 well, and maintained a high level of long-term financing throughout the entire crisis. In order to increase the Group's access to good financing sources, as well as access to favorable borrowing schemes offered by the State, Helgeland Boligkreditt AS was formed in the Autumn of 2008 as a wholly owned subsidiary of the bank. During 2009 the Group participated in an exchange scheme with the State, and during 2010 and 2011, Helgeland Boligkreditt AS has purchased ordinary preference bonds in the market. As at the end of 2010, the bank has transferred well secured housing mortgages for NOK 3.7 billion to the housing mortgage company. Helgeland Sparebank has no official rating by the international rating companies, but shadow rating provided by Norwegian brokerage has nevertheless significance for the bank's access to borrowing sources. The last rating for the bank is based on figures as at 30.06.2011 and was A - from *inter alia* DnB and Nordea.

Funding risk remaining periods until maturity

Group

31.12.11

	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Sum inc. interest	Total
Loans to and claims on credit institutions	321	0	0	0	321	316
Loans to and claims on customers	457	1 342	8 146	11 441	21 386	18 049
Certificates, bonds and shares available for sale	171	1 732	1 954	50	3 907	3 756
Total payments	**949**	**3 075**	**10 100**	**11 491**	**25 614**	**22 121**
Liabilities to credit institutions	407	21	853	0	1 281	1.241
Deposits from and liabilities to costumers	10.391	83	0	0	10.474	10.429
Borrowings through the issuance of securities	504	1.641	7.985	0	10.130	9.227
Financial derivatives gross settlement (out flow) [1)]	6	65	93	0	164	25
Total payments	**11 308**	**1.810**	**8.931**	**0**	**22 049**	**20 922**
1) Financial derivatives gross settlement (in flow)	86	12	83			181

Group

31.12.10

	Up to 1 month	1-3 months	3 months- 1 year	1 - 5 years	Over 5 years	Without rem life	Total
Liabilities to credit institutions				1 237			1 237
Deposits from and liabilities to costumers	9 864		18	1			9 883
Borrowings through the issuance of securities		358	1 348	5 994			7 700
Liabilities without remaining life						185	185
Financial derivatives gross settlement (out flow) [1)]		4	48	105		157	18
Total payments	**9 864**	**362**	**1 414**	**7 337**	**0**	**335**	**19 162**
1) Financial derivatives gross settlement (in flow)		36	56	78			170

Funding risk remaining periods until maturity

Parent Bank
31.12.11

	0-3 months	3 - 12 months	1 - 5 years	Over 5 years	Sum inc. interest	Total
Loans to and claims on credit institutions	321	0	437	0	758	742
Loans to and claims on customers	331	1 020	6 024	9 021	16 396	14 387
Certificates, bonds and shares available for sale	171	1 732	2 854	50	4 807	4 655
Total payments	**823**	**2 752**	**9 315**	**9 071**	**21 961**	**19 784**
Liabilities to credit institutions	407	21	853	0	1 281	1 237
Deposits from and liabilities to costumers	10 572	83	0	0	10 655	10 655
Borrowings through the issuance of securities	488	1 570	5 406	0	7 464	6 843
Financial derivatives gross settlement (out flow) 1)	6	65	93	0	164	25
Total payments	**11 473**	**1 739**	**6 352**	**0**	**19 564**	**18 760**
1) Financial derivatives gross settlement (in flow)	86	12	83			181

Parent Bank
31.12.10

	Up to 1 month	1-3 months	3 months- 1 year	1 - 5 years	Over 5 years	Without rem life	Total
Liabilities to credit institutions				1 237			1 237
Deposits from and liabilities to costumers	10 055		18	1			10 074
Borrowings through the issuance of securities		353	1 307	4 323			5 983
Liabilities without remaining life						178	178
Financial derivatives gross settlement (out flow) 1)		4	48	105		157	18
Total payments	**10 055**	**357**	**1 373**	**5 666**		**335**	**17 490**
1) Financial derivatives gross settlement (in flow)		36	56	78			170

Unutilised drawing rights facilities:

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
		Assets:		
1 417	**1 397**	Unutilised drawing rights	**1 620**	**1 574**
		Liabilities:		
0	0	Total long-term drawing rights facilities maturity 2011	0	0
130	130	Short-term drawing rights facility 1 year	130	130
130	**130**	**Total**	**130**	**130**
273	118	Surplus liquidity at Norges Bank	118	273
403	**248**	Total liabilities included surplus liquidity at Norges Bank	**248**	**403**

Match and mismatch between maturities and interest rates for assets and liabilities are very important for the management of the Group. It is unusual for banks to have perfect match in this connection, as transactions done are often of an uncertain nature and of many different types. A non-matched position can potentially create profit, but it can also increase the risk of loss.

Maturities of assets and liabilities, the ability to replace these at an acceptable cost, and interest-bearing liabilities when they mature, are important factors in order to determine the Group's overall funding and its exposure to interest rate changes. Funding needs in order to be able to meet requirements relating to settlement involving guarantees and letters of credit are substantially lower than the size of the actual liability in question as the Group generally does not expect that a third will remove liquidity under the guarantee in question. The total outstanding contract-related liabilities to increase credits do not necessarily represent future requirements for liquid funds, due to the fact that many of these liabilities will mature or be discontinued without having to be funded.

NOTE 2.3 - Market risk | Group & parent Bank

The Board has decided a market risk strategy which sets limitations and superior objectives for the Group's market risk tolerance, as well as limits for interest, credit spread, and share price risk. The strategy is revised annually. The Group has no active trading portfolios within interest, shares or currency.

The interest risk is steered towards the desired level through interest binding on interest-bearing securities and borrowing (certificates and bonds), as well as the use of interest rate swaps in order to reduce the interest risk connected to fixed interest loans. The Board has set a limit for the Group's collective interest risk, and the interest risk is evaluated as low.

The bank has a relatively conservative strategy for placing in interest-bearing securities, where the main objective is to ensure satisfactory liquidity reserves for the bank. A consequence of this has been that the Group entered a relatively low loss on interest-bearing securities in the accounts during the financial crisis, and correspondingly relatively low gains on placing in interest-bearing securities in the wake of the crisis.

Share risk

The group has placings in some listed shares, unit trust, equity certificates and other shares. The bank's positions in other shares are mainly strategically motivated through investments in shares in subsidiaries, product companies and local investment companies. The market risk connected to these share investments is regarded as moderate.

Sensitivity analysis of market risk

Interest-bearing securities - credit spread risk is the risk connected to securities in the interest rate portfolio, the duration of the portfolio and the issuer's credit worthiness. The Group's credit spread risk is calculated as credit risk at the time of spreading with 100 basis points. Shares – there are limits fixed for the Group's collective share risk calculated based on exposure, risk spreading and market liquidity. In calculating risk exposure the calculation is based on a general fall in share value of 30%. In addition, there is markup for risk spreading and market liquidity.

The bank expresses the market risk as risk adjusted capital. Calculated market risk is within fixed limits and total limits for the market risk and is included as capital requirement in the Group's ICAAP.

Most of the Group’s interest rate risk is linked to the portfolio of interest-bearing securities, fixed interest rate loans and fixed interest rate deposits. The Board of Directors has established a framework of NOK 20 million for the total interest risk on and off the balance sheet, measured through the effect on profit that a 2% change in the interest rate level would have.

On average for the year, utilisation of the permitted framework for interest rate risk was well below the target figure

Foreign exchange risk

The Group only has smaller financial positions and cash flows in foreign currencies in the balance sheet. These items are regarded as not significant. However the Group is exposed to foreign exchange risk relating to foreign currency loans. In view of the fact that Helgeland Sparebank is not a foreign exchange bank in its own right, its foreign exchange loans are managed by a foreign exchange bank.

Helgeland Sparebank has provided the necessary guarantees in favour of the foreign exchange bank.

The table below summarises the Group's foreign exchange risk through guarantee liabilities relating to foreign currency loans managed by the foreign exchange bank in question as at 31 12:

Guarantee liabilities relating to foreign exchange loans

Group and parent bank

Guarantee liabilities relating to foreign exchange loans	31.12.2011		31.12.2010	
	Loan amounts in foreign currencies	Guarantee liabilities in NOK	Loan amounts in foreign currencies	Guarantee liabilities in NOK
Euro	0	0	0	0
Amerikanske dollar	1	8	3	15
Sveitsiske franc	29	189	25	159
Svenske kroner	47	44	47	41
Norske kroner	0	0	0	0
Japanske yen	143	10	192	14
Total guarantee liabilities related to foreign exchange loans		**251**		**229**

Cash flow and market value of interest rate risk

Cash flow interest rate risk is defined as the risk of future cash flows relating to the individual financial asset- and liabilities items involved fluctuating due to changes in market interest rates. Market value of the interest rate risk is defined as the risk of the value of a financial asset- or liabilities item fluctuating due to changes in the market interest rates. Both in the case of cash flow and market value of the interest rate risk the Bank is exposed to the effects of fluctuations in the currently applicable level of market interest rates. Unexpected changes in the level of market interest rates can trigger increases in interest margins, but they can also be reduced or such changes can result in loss. The Board of Directors has fixed a limit for the total interest rate exposure the Bank may take on. The Bank manages and guides the interest rate risk towards the desired level through the interest rate fixing of placements and funding loans, coupled with the use of interest rate swaps. The Bank applies a 'bank risk model' as a tool for managing interest rate risk for the entire balance sheet .

The table below summarises the Group's exposure to interest rate risk. The table shows the Group's assets and liabilities at book values, according to the remaining periods, until the next interest rate adjustment. The book value of financial derivatives, interest rate swaps used for the purpose of reducing the Group's interest rate risk is included under' Other non-interest-bearing assets' and 'Other non-interest-bearing liabilities'. Expected interest rate adjustment- and maturity dates are not significantly different from the contract-related dates involved.

NOTE 2.3.2 - Interest rate risk –remaining periods until next interest rate re-fixing

							Group **31.12.11**
	Up to 1	1-3 months	3 months - 1 year	1-5 years	Over 5	No int rate change	Total
ASSETS							
Cash and claims on central banks	118	0	0	0	0	0	118
Loans to and claims on credit inst with no a/maturity	166	0	0	0	0	0	166
Loans to and claims on credit inst with a/maturity	150	0	0	0	0	0	150
Net loans to and claims on customers	0	18 031	0	16	0	0	18 049
Bonds and certificates	959	1 744	885	0	0	0	3 588
Other non-int -bearing assets (including swaps)	0	0	0	0	0	731	731
Total assets	**1 393**	**19 777**	**885**	**16**	**0**	**731**	**22 802**
LIABILITIES AND EQ. CAP							
Liabilities to credit inst. with no agreed maturity	0	0	0	0	0	0	0
Liabilities to credit inst. with agreed maturity	0	1 241	0	0	0	0	1 241
Deposits from and liabilities to cust no agreed mat.	0	9 892	0	0	0	0	9 892
Deposits from and liabilities to customers with agreed mat.	0	454	83	0	0	0	537
Borrowings through the issuance of securities	500	7 794	933	0	0	0	9 227
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	227	227
Total liabilities	**500**	**19 381**	**1 016**	**0**	**0**	**227**	**21 124**
Net int rate sensitivity gap	**893**	**-135**	**-131**	**547**	**0**	**504**	**1 678**

The Group's total interest-rate risk consists of all positions in interest-bearing financial instruments, as well as interest-rate risk relating to the bank portfolio (which is to be assessed separately). The Group's interest-rate risk at 31 December 2011 was NOK 0.0 million within the specified limits

The limit on the Group's aggregate interest-rate risk on interest-rate instruments shall not exceed NOK 20 million.

The Group's total interest-rate risk will consist of: interest rate exposure (2 per cent parallel shift in the interest rate curve).

Group

31.12.10

	Up to 1	1-3 Months	3 months - 1 year	1-5 years	Over 5	No int rate change	Total
ASSETS							
Cash and claims on central banks	273	0	0	0		0	273
Loans to and claims on credit inst with no a/maturity	91	0	0	0		0	91
Net loans to and claims on customers	0	16 518	0	0		0	16 518
Bonds and certificates	345	1 864	368	0		0	2 577
Other non-int -bearing assets (including swaps)	0	0	0	0		701	701
Total assets	**709**	**18 382**	**368**	**0**	**0**	**701**	**20 160**
LIABILITIES AND EQ. CAP							
Liabilities to credit inst. with no agreed maturity	0	0	0	0	0	0	0
Liabilities to credit inst. with agreed maturity	0	1 237	0	0	0	0	1 237
Deposits from and liabilities to cust no agreed mat.	0	9 459	0	0	0	0	9 459
Deposits from and liabilities to customers with agreed mat.	0	405	18	1	0	0	424
Borrowings through the issuance of securities	700	4 628	1 850	0	0	0	7 178
Other non-int -bearing liabilities (including swaps)						203	203
Total liabilities	**700**	**15 729**	**1 868**	**1**	**0**	**203**	**18 501**
Net int rate sensitivity gap	9	2 277	-1 500	375		498	1 659

Parent bank

31.12.11

	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5	No interest rate change	Total
ASSETS							
Cash and claims on central banks	118	0	0	0	0	0	118
Loans to and claims on credit inst with no maturity	592	0	0	0	0	0	592
Loans to and claims on credit inst with maturity	150	0	0	0	0	0	150
Net loans to and claims on customers	0	14 371	0	16	0	0	14 387
Bonds and certificates	959	2 644	885	0	0	0	4 488
Other non-int -bearing assets (including swaps)	0	0	0	0	0	895	895
Total assets	**1 819**	**17 015**	**885**	**16**	**0**	**895**	**20 630**
LIABILITIES AND EQ . CAP.							
Liabilities to credit inst .with no agreed maturity	0	0	0	0	0	0	0
Liabilities to credit inst. with agreed maturity	0	1 237	0	0	0	0	1 237
Deposits from and liabilities to cust no agreed mat.	0	10 118	0	0	0	0	10 118
Deposits from and liabilities to cust with agreed mat.	0	454	83	0	0	0	537
Borrowings through the issuance of securities	500	5 410	933	0	0	0	6 843
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	226	226
Total liabilities	**500**	**17 219**	**1 016**	**0**	**0**	**226**	**18 961**
Net interest rate sensitivity gap	**1 319**	**-735**	**-131**	**547**	**0**	**670**	**1 670**

Parent bank

	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5	No interest rate change	31.12.10 Total
ASSETS							
Cash and claims on central banks	273	0	0	0	0	0	273
Loans to and claims on credit inst with no maturity	635	0	0	0	0	0	635
Net loans to and claims on customers	0	13 563	0	0	0	0	13 563
Bonds and certificates	345	2.764	368	0	0	0	3 477
Other non-int -bearing assets (including swaps)	0	0	0	0	0	878	878
Total assets	**1 253**	**16 327**	**368**	**0**	**0**	**878**	**18 826**
LIABILITIES AND EQ . CAP.							
Liabilities to credit inst .with no agreed maturity	0	0	0	0	0	0	0
Liabilities to credit inst. with agreed maturity	0	1 237	0	0	0	0	1 237
Deposits from and liabilities to cust no agreed mat.	0	9 652	0	0	0	0	9 652
Deposits from and liabilities to cust with agreed mat.	0	405	18	1	0	0	424
Borrowings through the issuance of securities	700	3 125	1 850	0	0	0	5 675
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	196	196
Total liabilities	**700**	**14 419**	**1 868**	**1**	**0**	**196**	**17 184**
Net interest rate sensitivity gap	553	1 532	-1 500	375	0	682	1 642

NOTE 2.3.3 - Sensitivity analysis for change in market prices

Group and Parent Bank

				31.12.11
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
Interest +/- 2%	0	0	6	0
Total liabilities	**0**	**0**	**6**	**0**

The Group’s total interest rate risk consists of all investments in interest-bearing financial instruments and interest rate risk linked to the bank portfolio. Exposure of the Group’s interest rate risk as of 31.12.11 was NOK 0 million. The target requirement is that the Group’s total interest rate risk concerning interest-bearing instruments must not exceed NOK 20 million. Framework for interest rate risk: interest rate exposure (parallel shift in the interest rate curve of 2%).

NOTE 3 - Important accounting estimates and application of accounting principles Parent bank/Group

The Group prepares estimates and assumptions which have an impact on reported balance sheet figures for the next accounting year. Estimates and assessments are constantly subject to evaluation and are based on historical experience and other factors including expectations in relation to future events which are deemed to be reasonable.

Write-down of loans/provisions for guarantee liabilities
Loan portfolios and guarantee liabilities are monitored on an ongoing basis with regard to the need for write-downs/provisions for meeting possible liabilities. Write-down/provisions are made when there is objective proof of impairment in value involving loans and/or it is regarded as probable that guarantee liabilities will have to be settled. Observable data qualifying as objective proof would be knowledge of any significant financial problems involving the debtor in question, any payment obligations in default, breach of contract, delays in payment, or if it is regarded as probable that the debtor will open debt negotiations or be subject to bankruptcy treatment.

For groups of loans with largely similar risk aspects write-down is based on objective proof of impairment of value within the loan group in question. The proof may include observable data indicating that there has been a negative change in the payment status of the borrowers in the group, changes in framework conditions within the defined business sectors involved or location corresponding to the standard of the loans within the group. Estimates based on historical credit loss experience for loans with defined risk characteristics and objective proof of value impairment corresponding to the portfolio are used when calculating future cash flows. The method of calculating amounts and time horizons for future cash flows is reviewed on a regular basis for the purpose of reducing any discrepancies between loss estimates and actual loss experience.

Market value of financial derivatives
Market value of financial instruments not quoted on a stock exchange is assessed by using market values of non-listed financial instruments with which it is relevant to make comparisons, and by using value assessment models. The assessment is reviewed on a periodical basis by qualified personnel who are independent of the people who have entered into the agreements in question. All models are approved before
They are used and tested in order to ensure that output reflects actual data and comparable market prices. For practical reasons the models use observable data, but in the case of areas such as credit risk, volatility and correlation, management is required to prepare estimates. Any changes in assumptions relating to these factors may affect market values of financial instruments shown in the balance sheet.

Write-down of financial assets available for sale
The Group applies write-down of financial assets available for sale when there is a significant or long-lasting impairment of market value and the market value is lower than the historical cost involved. In order to be able to ascertain whether the impairment of value is substantial or long-lasting, the Group makes an assessment of, amongst other things, normal fluctuations in market price. In addition it may be necessary to apply write-down when there is proof of impairment of the financial situation involving the debtor in question, profitability within the business sector involved, changes in technology or operational- and financial cash flow.

Pensions
Net pension liabilities and the year's pension cost are based on a number of estimates, including the investment return on the pensions resources, future rates of interest, wage development, the development in the basic wage amount, 'G', and the general development of the number of disabled pensioners, and the duration of life. The uncertainty relates to the commitment that appears in the balance sheet.
Changes in estimates as a result of alterations in the abovementioned parameters will to a large extent be subject to accrual accounting over the average remaining time of pensionable service.

NOTE 4 - Segment information

Parent bank / *Group*

31.12.11

Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
144	132	23	299	Net interest and credit commission	167	132	24	323
23	11	26	60	Net commission income	23	11	26	60
		8	8	Other operating income			-5	-5
81	24	104	209	Operating costs	84	25	109	218
1	24	2	27	Losses on loans guaranteed	1	24	2	27
85	**95**	**-49**	**131**	**Result before tax**	**105**	**94**	**-66**	**133**
7 887	6 600		14 487	Loans to and claims on customers	11 520	6 629		18 149
-7	-34		-41	Individual write-downs	-7	-33		-40
		-60	-60	Collective write-downs on loans			-60	-60
		6 244	6 244	Other assets			4 753	4 753
7 880	**6 566**	**6 184**	**20 630**	**Total assets per segment**	**11 513**	**6 596**	**4 693**	**22 802**
6 810	3 845		10 655	Deposits from customers and	6 810	3 619		10 429
		9 975	9 975	Other liabilities and equity			12 373	12 373
6 810	**3 845**	**9 975**	**20 630**	**Total liabilities and equity per**	**6 810**	**3 619**	**12 373**	**22 802**

Parent bank / *Group*

31.12.10

Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
152	112	29	293	Net interest and credit commission	172	112	30	314
23	11	33	67	Net commission income	23	11	33	67
		28	28	Other operating income			31	31
76	20	85	181	Operating costs	83	20	85	188
1	22		23	Losses on loans guaranteed	1	22		23
98	**81**	**5**	**185**	**Result before tax**	**111**	**81**	**9**	**201**
7 695	5 980		13 675	Loans to and claims on customers	10 542	6 088		16 630
9	44		53	Individual write-downs	9	44		53
		58	58	Collective write-downs on loans			58	58
		5 262	5 262	Other assets			3 641	3 641
7 687	**5 935**	**5 204**	**18 826**	**Total assets per segment**	**10 533**	**6 044**	**3 583**	**20 160**
6 258	3 817		10 075	Deposits from customers and	6 258	3 625		9 883
		8 751	8 751	Other liabilities and equity			10 277	10 277
6 258	**3 817**	**8 751**	**18 826**	**Total liabilities and equity per**	**6 258**	**3 625**	**10 277**	**20 160**

The Group has defined its geographical segment as a main area of Norway – Helgeland. The Group's exposure to credit risk is mainly concentrated on this area. The Group only has smaller exposure to credit risk in areas other than its geographically defined main area. Helgeland is the home region of the Parent Bank which is the Group's operating company.

NOTE 5.1 - Net interest- and credit commission income

Parent bank			*Group*	
2010	**2011**		**2011**	**2010**
		Interest receivable and similar income:		
631	677	Interest receivable and credit commissions on loans etc. 1,3)	755	716
28	34	Interest on deposits with and loans to credit institutions	38	12
89	120	Interest from bearer bonds and certificates	120	62
748	**831**	**Total interest receivable and similar income**	**913**	**790**
		Interest payable and similar costs:		
220	266	Interest payable on deposits from customers	267	217
51	38	Interest payable on deposits and loans from credit institutions	61	51
173	228	Interest payable on certificate- and bond loans and on syndicated loans2,3)	263	194
11	0	Interest payable on long-term loans/other funding loan costs	0	14
455	**532**	**Total interest payable and similar costs**	**591**	**476**

1) Includes interest receivable loans at floating rated of interest and loans at fixed rates of interest. Interest income on written-down loans is calculated using the same effective rate of interest that was used to discount the original cash flow.

2) Includes Interest payable deposits at floating rated of interest and deposits at fixed rates of interest

3) Interest from derivatives which have been entered into to steer the interest rate risk in the bank's ordinary portfolio is classified as interest and entered as an adjustment to the bank's other interest income / costs.

NOTE 5.2 – Interest rate on some balance posts (average interest rate in %)

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
		Assets		
1.4 %	3.5 %	Loans to and claims on credit institutions	3.3 %	1.4 %
4.6 %	4.7 %	Loans to and claims on customers	4.5 %	4.5 %
2.9 %	2.7 %	Certificates and bonds	2.7 %	2.9 %
		Liabilities		
3.5 %	3.1 %	Liabilities to credit institutions	3.5 %	3.5 %
2.3 %	2.5 %	Deposits from customers and liabilities to costumers	2.5 %	2.3 %
3.1 %	3.4 %	Borrowings through the issuance of securities	3.2 %	3.0 %

NOTE 5.3 – Volume of certain balance sheet items (average volume)

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
		Assets		
496	871	Loans to and claims on credit institutions	1 021	83
13 791	13 941	Loans to and claims on customers	17 370	15 958
3 068	3 857	Certificates and bonds	2 957	2 167
		Liabilities		
1 457	1 241	Liabilities to credit institutions	1 241	1 457
9 632	10 508	Deposits from customers and liabilities to costumers	10 327	9 492
5 638	6 144	Borrowings through the issuance of securities	8 916	6 488

NOTE 6 - Commissions and income from banking services

Parent bank	*Group*

2010	2011		2011	2010
9	9	Guarantee commission *)	9	9
48	37	Fees relating to payments transmission services	37	48
2	2	Interbank fees received	2	2
20	24	Other fees	24	20
79	**72**	**Total commissions and income from banking services**	**72**	**79**

*)Guarantee commission provided to customers in connection with completion of construction contracts.

NOTE 7 - Commissions payable and costs relating to banking services

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
2	2	Interbank fees paid	2	2
3	3	Fees - customers' use of payment terminals	3	3
7	7	Payments transmission services	7	7
0	0	Other fees	0	0
12	**12**	**Total commissions payable and costs relating to banking services**	**12**	**12**
67	**60**	**Net commission income**	**60**	**67**

NOTE 8 – Gains/losses on financial instruments

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
-2	-5	Unrealised fall in value of interest-bearing securities, available for sale	-5	-2
4	10	Realised gain on interest-bearing securities, available for sale	10	4
-1	0	Realised loss on interest-bearing securities, available for sale	0	-1
2	-16	Unrealised fall in value of shares, available for sale	-16	2
18	0	Realised gain on shares, available for sale	0	18
-3	0	Realised loss on shares, available for sale	0	-3
3	5	Share of earnings in associates	2	7
7	11	Dividends on shares	0	4
-2	-3	Unrealised change in value, fixed interest loans at fair value	-3	-3
0	-1	Unrealised change in value, hedging instruments	-1	0
2	3	Unrealised change in value, borrowing, fixed-interest fair value	4	2
28	**5**	**Total net gain/loss on financial instruments**	**-9**	**28**

NOTE 9 - Other operating income

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
0	1	Operating income from real estate	3	2
0	1	Other operating income	1	0
1	1	Gains on sale of real estate and movable property	1	1
1	**3**	**Total other operating income**	**5**	**3**

NOTE 10 - Total operating costs

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
111	112	Wages salaries and social costs (note 11)	113	113
56	52	General administration costs (note 13)	61	61
14	16	Deprecate/write-downs etc. of fixed- and intangible assets	19	17
30	29	Other operating costs (note 14)	25	27
211	**209**	**Total operating costs**	**218**	**218**
5	0	Costs 150 years anniversary	0	5
35	0	Disposable income effect pension	0	35
181	**209**	**Total**	**218**	**187**

NOTE 11 - Wages salaries and social costs

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
85	87	Wages salaries and fees	88	87
5	5	Employers' social security contributions	5	5
17	16	Pension costs relating to benefit plans (note 12)	16	17
4	4	Other personnel costs	4	4
111	**112**	**Total wages salaries and social costs**	**113**	**113**
5	0	Costs 150 years anniversary	0	5
35	0	Disposable income effect pension	0	35
81	**112**	Total cost	**113**	**83**
177	177	Number of employees measured in man-years as at 31.12	177	177
182	177	Average number of employees of man-years worked as at 31.12	177	182

NOTE 11.1 - Remuneration and loans for senior management Board of Directors and Board of Trustees

Parent bank						Group
31.12.11						**31.12.11**
Loans	**Payments**	**Pension cost**	**2011 (amount in thousands NOK)**	**Pension cost**	**Payments**	**Loans**
19	1 107	408	CEO Jan Erik Furunes	408	1 107	19
1 106	1 356	837	DCEO Lisbeth Flågeng	837	1 356	1 106
0	576	515	CEO Arnt Krane	515	576	1 669
1 125	**3 039**	**1 760**	**Total remuneration for senior management**	**1 760**	**3 039**	**2 794**
0	139		Chairman of the board Bjørn Johansen		139	0
0	104		Thore Michalsen		104	0
239	79		Gislaug Øygarden		79	239
0	63		Ove Brattbakk		63	0
2 246	60		Monica Skjellstad		60	2 246
167	79		May Heimdal		79	921
2 652	**524**		**Total boards of Directors**		**524**	**3 406**
0	49		Chairman of the Control Committee, Asle Bardal		49	0
1 354	69		Other members of the Control Committee		69	1 812
86	29		Chairman of the Board of Trustees, Grete Bang		29	86
7 469	157		Other members of the Board of Trustees		157	10 133
8 909	**304**		**Total – Board of Trustees and Control Committee**		**304**	**12 031**
12 686	**3 867**		**Grand total**		**3 867**	**18 231**

The Bank's audit committee consists of two members of the Board of Directors Thore Michalsen, leader og Ove Brattbakk

Parent bank *Group*

31.12.10						31.12.10
Loans	Payments	Pension cost		Pension cost	Payments	Loans
15	1 475	754	CEO Arnt Krane	754	1 475	1 339
15	1 309	632	DCEO Lisbeth Flågeng	632	1 309	1 115
30	**2 784**	**1 386**	**Total remuneration for senior management**	**1 386**	**2 784**	**2 454**
0	151		Chairman of the board Eivind Lunde		151	0
0	109		Thore Michalsen		109	0
478	75		Gislaug Øygarden		75	478
2 066	75		Marianne Myrnes Steinrud		75	2 066
0	75		Bjørn Johansen		75	0
172	75		May Heimdal		75	947
2 716	**560**		Total boards of Directors		**560**	**3 491**
0	49		Chairman of the Control Committee, Asle Bardal		49	0
0	64		Other members of the Control Committee		64	1 069
0	24		Chairman of the Board of Trustees, Grete Bang		24	0
7 518	360		Other members of the Board of Trustees		360	9 476
7518	**497**		**Total – Board of Trustees and Control Committee**		**497**	**10 545**
10 264	**3 841**		**Grand total**		**3 841**	**16 490**

The Bank's audit committee consists of two members of the Board of Directors Bjørn Johansen, leader og Thore Michalsen

In accordance with Section 7-31b of the Norwegian Accounting Act, the Board of Directors must issue a statement concerning guidelines for the determination of salaries and other remuneration to senior executives. This statement was adopted by the Board of Directors of Helgeland Sparebank on 1 March 2012 and presented to the Board of Trustees on 28 March 2011. The full statement is presented in Note 44.

The CEO's salary is determined by the Bank's Board of Directors, while the Deputy CEO's salary is determined by the CEO. Remuneration takes place in the form of fixed salary, benefits in kind and the pension scheme

Managerial salaries in Helgeland Sparebank must be competitive, make the Bank attractive as an employer and promote value creation for the Bank. Managerial salaries are determined in relation to the fulfilment of the Bank's managerial requirements and core values, and on the basis of salary levels in the region and the sector as a whole.

The Bank has defined 'senior executives' as CEO Jan Erik Furunes and Deputy CEO Lisbeth Flågeng.

The nature and value of benefits in kind must be on a par with what is normal for managers in our sector. The senior executives have an agreement concerning a free car, telephone, newspaper, internet subscription and home PC.

The Bank has a collective pension scheme invested in a life insurance company, which also covers the senior executives

The CEO has agreed a retirement pension upon reaching the age of 67 which will constitute 66% of the pension basis (including salary over 12 base amounts). The pension rights for salary above 12 base amounts are limited to 10 years' payment.

The Deputy CEO is entitled to leave her position upon reaching age 60. Helgeland Sparebank has undertaken to pay an annual early retirement pension from age 60 to 67. The early retirement pension will constitute 66% of the annual salary at the time the early retirement pension commences.

The retirement pension from age 67 will constitute 66% of the pension basis (including salary in excess of 12 base amounts).

Former CEO Arnt Krane retired with a pension at the end of the first quarter of 2011

Life-long retirement pension from age 67 will constitute 66% of the pension basis (including salary in excess of 12 base amounts).

The Bank has no pre-established option, bonus or severance payment schemes other than the pension schemes.

The Bank's managerial salary policy for 2012 was implemented in line with the key principles under item 3 in Note 44.

NOTE 11.2 - Loans to elected representatives and employees

Parent Bank	*Group*

31.12.10	31.12.11	Loans to:	31.12.11	31.12.10
134	155	Loans to employees	232	223
1	3	Board of Directors	3	1
9	8	Board of Trustees	10	9
1	1	Control Committee	2	1
145	**167**	Total loans to elected representatives and employees	**247**	**234**

The interest rate applied to staff loans has been lower than the normal rate of interest for 2011. The benefit in kind amounted to about NOK 3.5 million.

NOTE 12 –Pension costs and pension liabilities

Group and Parent bank

Helgeland Sparebank and its significant subsidiaries has a benefit-based group pension scheme for its employees; the scheme is managed by an insurance company. This scheme also comprises dependents' and disability pensions. The pension scheme gives employees the right to future pension benefits amounting to 66 per cent of leaving salary. In addition to the pension liabilities which are covered through the insurance arrangements the Bank has uncovered pension liabilities. These liabilities comprise supplementary pensions involving salaries in excess of 12 times the National Insurance's basic amount and statutory early retirement pension (SERP)
The Group's pension schemes comprise 202 employees and 79 pensioners of whom 14 opted for early retirement. The pension liability is computed by using straight-line accruals. Unrealised gains and loss as a result of changes in actuarial assumptions are spread over the expected remaining pension accrual period.
The estimated value at the end of the applicable accounting period is used when assessing the pension costs. The estimated value is adjusted each ear in accordance with the statement from the life assurance company regarding the transferable value of the pension assets. The estimated liability at the end of the relevant accounting period is used when assessing the incurred pension liabilities. The estimated liability is adjusted each year in accordance with the statement from the assurance company regarding incurred pension liabilities.

The following financial assumptions have been used as a basis when calculating the pension liabilities:

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
4.00 %	2.60 %	Discount rate of interest	2.60 %	4.00 %
5.40 %	4.10 %	Wage- and salary adjustment	4.10 %	5.40 %
4.00 %	3.50 %	Adjustment of current pension	3.50 %	4.00 %
3.75 %	3.25 %	Adjustment of the National I insurance's basic amount	3.25 %	3.75 %
3.75 %	3.25 %	Expected rate of return on the pension resources	3.25 %	3.75 %
5.10 %	5.10 %	Employer's social security contributions – rate	5.10 %	5.10 %
50.00 %	50.00 %	Staff's propensity to opt for SERP	50.00 %	50.00 %
1.30 %	1.30 %	- Yearly per cent retirement for working	1.30 %	1.30 %
25 år	25 år	- From age	25 år	25 år
40 år	40 år	- to age	40 år	40 år

NOTE 12.1 – Balance sheet pension liabilities

Parent Bank										*Group*
31.12 2007	**31.12 2008**	**31.12 2009**	**31.12 2010**	**31.12 2011**		**31.12 2011**	**31.12 2010**	**31.12 2009**	**31.12 2008**	**31.12 2007**
					Movements in pension liabilities					
232	236	241	250	277	Pension assets at the beginning of the period	277	250	241	236	232
11	12	10	12	9	Pension earnings for the year	9	12	10	12	11
10	11	11	10	7	Interest costs relating to the pension liabilities	7	10	11	11	10
0	0	0	-22	0	Takeover/acquisition (AFP)	0	-22	0	0	0
-10	-11	-5	32	-15	Actuarial loss-/gain+	-15	32	-5	-11	-10
-7	-7	-6	-7	-6	Pension payments	-6	-7	-6	-7	-7
236	**241**	**250**	**277**	**271**	**Pension liabilities at the end of the period**	**271**	**277**	**250**	**241**	**236**
					Movements in pension assets					
126	137	134	134	136	Pension assets at the beginning of the period	136	134	134	137	126
7	8	9	8	6	Anticipated return on the pension assets	6	8	9	8	7
2	-13	-12	-11	1	Actuarial loss+/gain-	1	-11	-12	-13	2
-1	0	-1	-1	-1	Administration costs	-1	-1	-1	0	-1
6	7	7	10	12	Contributions	12	10	7	7	6
-3	-4	-3	-4	-4	Pension payments	-4	-4	-3	-4	-3
137	**134**	**134**	**136**	**151**	**Pension assets at the end of the period**	**151**	**136**	**134**	**134**	**137**
					Reconciliation the balance sheet pension liabilities					
236	**241**	**250**	**277**	**271**	**Pension liabilities**	**271**	**277**	**250**	**241**	**236**
137	**134**	**134**	**136**	**151**	**Pension assets**	**151**	**136**	**134**	**134**	**137**
-99	**-107**	**-116**	**-141**	**-120**	**Net pension liabilities**	**-120**	**-141**	**-116**	**-107**	**-99**
-4	-5	-6	-8	-7	Employer's contributions of net pension obligation	-7	-8	-6	-5	-4
-103	**-112**	**-123**	**148**	**-127**	**Net pension liabilities**	**-127**	**148**	**-123**	**-112**	**-103**
27	31	34	88	67	Effect of estimate changes	67	88	34	31	27
0	0	2	5	4	Estimate deviation, employer's contributions	4	5	2	0	0
-76	**-81**	**-86**	**-55**	**-56**	**Net pension liabilities shown I**	**-56**	**-55**	**-86**	**-81**	**-76**

NOTE 12.2 - The net pension cost is arrived at in the following way

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
12	9	Present value of pensionable accruals during the year	9	12
10	7	+ Interest cost of incurred pension liabilities	7	10
-8	-7	- Expected return on pension resources	-7	-8
-35	5	+ Changes in estimates and discrepancies are included in the profit and loss account	5	-35
1	1	+ Administration costs	1	1
1	1	+ Employers' social security contributions	1	1
-19	**16**	**Net pension cost**	**16**	**-19**

NOTE 13 - Other administration costs

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
10	9	Marketing	9	10
35	35	Electronic data processing costs	35	35
2	2	Technical- and financial literature forms and office supplies	2	2
9	9	Advertisements postage and telephone	9	9
0	-3	Other administration costs	6	5
56	**52**	**Total other administration costs**	**61**	**61**

NOTE 14 - Other operating costs

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
9	12	Operating costs relating to rented premises	8	6
2	2	Operating costs involving real estate	2	2
3	3	Maintenance of premises	3	3
5	6	Maintenance of machinery and equipment	6	5
1	1	Auditor's fees note 14.1	1	1
9	4	Other operating costs	4	9
1	1	Other operating costs, fixed assets retained for sale	1	1
30	**29**	**Total other operating costs**	**25**	**27**

*) The operating costs are linked to own premises. None of these is defined as investment property.

See also accounting principles on page 43.

NOTE 15 - Auditor's fees

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
0.5	0,6	Statutory audit	0,8	0.8
0,2	0,2	Other services, attestation and assistance totalled	0,2	0,1
0.2	0,3	assistance internal auditor	0,3	0.2
1.0	**1,1**	**Total audit**	**1,3**	**1.1**

PricewaterhouseCoopers AS is Helgeland Sparebank's appointed auditor

NOTE 16 - Losses on loans guarantees etc

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
		Write-downs on loans guarantees:		
20	25	Individual write-down on loans guarantees etc relating to customers	25	20
3	2	Collective write-down on loans guarantees etc relating to customers	2	3
23	**27**	**Total write-down on loans guarantees etc**	**27**	**23**
		Details of write-downs on loans guarantees		
53	49	Total write-downs to cover losses on commitments as at 31.12	49	53
53	53	- Total write-downs to cover losses on commitments as at 01.01	53	53
3	2	- Change in collective write-down during the period	2	3
11	22	+ Confirmed losses against which ind. write-downs were made in previous years	22	11
13	9	+ Conf. losses against which on ind. write-downs were made in previous years	9	13
-4	-2	- Recoveries from previous periods' confirmed losses	-2	-4
23	**27**	**Total write-down of losses guarantees etc.**	**27**	**23**

NOTE 17 - Tax cost

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
		Tax for the year:		
40	41	Tax payable	44	43
1	0	Change in deferred tax adjusted direct against the equity capital	0	1
5	-4	Change in deferred tax (Note 29)	-4	5
46	**37**	**Tax cost for the year**	**40**	**49**
		Breakdown between accounts-related result before tax and the year's income liable to tax:		
185	132	Accounts-related result before tax	133	201
-64	24	Permanent differences	21	-64
0	0	Use of previous losses carried forward	0	0
21	-14	Change in temporary differences (Note 29)	-15	21
142	**142**	**Income subject to tax**	**139**	**158**

NOTE 18 - Ordinary result per EC's

Parent Bank				*Group*
2010	**2011**		**2011**	**2010**
139	95	Result from ordinary operations after tax	93	152
74.4 %	74.9 %	EC-holders' percentage share of the result	74.9 %	74.4 %
103	71	EC-holders' share of the result	70	113
5.5	**3.8**	**Result per EC's**	**3.7**	**6.0**
5.5	**3.8**	**Diluted result per EC's**	**3.7**	**6.0**

The result for each equity certificate is calculated by dividing the equity certificate holder's share of the net result of ordinary operations after tax by a weighted average of ordinary equity certificates which have been issued throughout the year.

Diluted result for each equity certificate is calculated by a reduction in result per equity certificate as a consequence of the assumption that convertible instruments are converted, and that options or subscription rights are exercised as a consequence of these conditions being met.

NOTE 19 –Cash and claims on central banks

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
64	70	Cash reserve	70	64
209	48	Deposits at Norges Bank in excess of liquidity reserve requirements	48	209
273	**118**	**Total cash and claims on central banks**	**118**	**273**

NOTE 20 - Loans to and claims on credit institutions

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
90	322	Loans to and claims on credit institutions	316	91
545	420	Settlement Helgeland Boligkreditt AS *)	0	0
635	**742**	**Total loans to and claims on credit institutions**	**316**	**91**

*) Helgeland Boligkreditt AS is a wholly owned subsidiary of Helgeland Sparebank

Loans to and claims on credit institutions are in their entirety subject to floating rates of interest.

NOTE 21.1 –Loans to and claims on customers

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
		Gross loans		
1 611	1 763	Overdraft- and working capital facilities	1 763	1 611
382	401	Building loans	401	382
11 278	11 755	Mortgage loans	15 417	14 233
13 271	**13 919**	**Gross loans to customers**	**17 581**	**16 226**
-53	-49	**Individual write-downs**	-49	-53
13 218	13 870	Loans to customers after Individual write-downs	17 532	16 173
36	41	Accrued interest	41	36
-8	-8	Amortisation (fees, etc)	-8	-8
-58	-60	Collective write-downs	-60	-58
13 188	13 843	Loans to and receivables from customers at amortised cost	17 505	16 143
376	547	Loans to and receivables from customers, nominal capital:	547	376
-1	-3	Accrued interest and adjustment to fair value	-3	-1
375	544	Loans to and receivables from customers, fair value:	544	375
13 564	**14 387**	Net loans to and receivables from customers	**18 049**	**16 518**

Information about security and collateral:

The Bank uses security to reduce risk depending on the market and the type of transaction. Security can, for example, take the form of physical security or collateral, guarantees, deposits or set-off agreements. Physical security or collateral shall as a main rule be insured and can, for example, be residential properties, buildings or stocks of goods. Determining the value of collateral with regard to commercial property is based on a going concern assumption. Account is taken of factors that can affect the value of the collateral, write-downs or easements.

NOTE 21.2 - Geographical exposure within the loan portfolio was as follows

Parent bank			*Group*	
31.12.11	**%-share**		**31.12.11**	**%-share**
12 183	84.1 %	Helgeland	15 160	83.5 %
2 289	15.8 %	Areas other than Helgeland	2 972	16.4 %
15	0.1 %	International	17	0.1 %
14 487	**100 %**	**Total**	**18 149**	**100 %**

Parent bank			*Group*	
31.12.10	**%-share**		**31.12.10**	**%-share**
11 490	84.0	Helgeland	13 880	83.5
2 169	15.9	Areas other than Helgeland	2 734	16.4
16	0.1	International	16	0.1
13 675	**100.0**	**Total**	**16 630**	**100.0**

NOTE 21.3 - Breakdown of loans between retail banking- and corporate markets 31.12.11

Parent Bank			*Group*	
Retail banking	**Corporate m.**		**Retail banking**	**Corporate m.**
915	849	Overdraft- and working capital facilities	1.544	849
134	267	Building loans	134	267
6 838	5 484	Mortgage loans	9 842	5 513
7 887	**6 600**	**Gross loans to customers**	**11 520**	**6 629**

Parent Bank			*Group*	
Retail banking	**Corporate m.**		**Retail banking**	**Corporate m.**
812	799	Overdraft- and working capital facilities	812	799
89	293	Building loans	89	293
6 795	4 887	Mortgage loans	9 641	4 996
7 696	**5 979**	**Gross loans to customers**	**10 542**	**6 088**

NOTE 21.4 –Write-downs on loans and guarantees

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
		Individual write-downs:		
53	53	Individual write-downs to cover losses on loans and guarantees as at 01.01	53	53
-11	-22	- Period's conf losses against which individual write-downs were previously made	-22	-11
0	6	+ Increased individual write-downs during the period where individual write-downs were previously made	6	0
17	14	+ New individual write-downs during the period	14	17
-6	-2	- Reversal of individual write-downs during the period	-2	-6
53	**49**	**Total individual write-downs on loans and guarantees**	**49**	**53**
		Of which:		
52	39	Loans	39	52
1	10	Guarantees	10	1
		Collective write-downs:		
55	58	Collective write-downs to cover losses on loans and guarantees as at 01.01	58	55
3	2	+/- Period's change in collective write-downs	2	3
58	**60**	**Collective write-downs to cover losses on loans and guarantees as at 31.12**	**60**	**58**
111	**109**	**Total write-downs on loans and guarantees**	**109**	**111**

NOTE 21.5 - Commitments and losses according to different business- and other sectors

The level of losses in the retail banking market remains low and at a level corresponding to the average for the sector. Routines for debt collection and follow-up have been implemented. Based on empirical figures, sector-related figures and local market conditions, the Bank's forecast for credit losses expected in the retail banking loan portfolio is in the region of 0.05 - 0.1 %.
The Bank has a strong focus on preventive work in its credit exposure combined with close follow-up of non-performing and doubtful loans. The Group's credit risk is affected by the impact of the crisis in finance and the real economy on large industrial enterprises and the consequences that this may in turn have for subcontractors in the service and engineering industries.
There is great uncertainty related to the economic development of both Norway and the Helgeland region. As a result of this, the Bank expects an increase in losses, but not at a higher level than in the banking sector in general. Based on historical evidence, a thorough knowledge of the Group's lending and local market conditions, the Bank's forecast for credit losses expected over a five-year period is 0.20-0.5 per cent of gross lending within the corporate lending portfolio. In the pricing of loans, great emphasis is placed on customers' ability to service their debt. There will therefore normally be a correlation between the risk classification and the pricing of loans.
The Bank has defined its market area (Helgeland) as one risk area.

NOTE 21.5.1 - Commitments and losses according to different business- and other sectors

Group
31.12.11

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	1	0	0	0	0	0
Financial institutions	18	0	0	0	0	0
Agriculture and forestry	1 192	2	114	2	14	0
Fishing and fish farming	804	12	259	1	7	0
Mining and industry	515	96	139	2	12	54
Building and construction	828	80	170	2	13	0
Trade hotels and restaurants	323	83	80	2	6	0
Transport and service industry	706	106	71	2	10	0
Financing and real estate	2 242	186	141	32	62	0
Retail banking market	11 520	26	646	6	44	8
Total	**18 149**	**591**	**1 620**	**49**	**168**	**62**

Group
31.12.10

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	1	0	0	0	0	0
Financial institutions	11	0	0	0	0	0
Agriculture and forestry	1 119	2	105	1	8	4
Fishing and fish farming	571	4	337	3	7	1
Mining and industry	447	88	138	8	18	1
Building and construction	766	90	166	1	43	0
Trade hotels and restaurants	308	79	91	2	11	0
Transport and service industry	721	112	65	2	9	0
Financing and real estate	2 144	175	128	29	55	0
Retail banking market	10 542	20	544	7	47	2
Total	**16 630**	**570**	**1 574**	**53**	**198**	**8**

Parent Bank
31.12.11

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	1	0	0	0	0	0
Financial institutions	18	0	0	0	0	0
Agriculture and forestry	1 163	2	114	2	14	0
Fishing and fish farming	801	12	249	1	7	0
Mining and industry	515	96	139	2	12	54
Building and construction	809	80	170	2	13	0
Trade hotels and restaurants	312	83	80	2	6	0
Transport and service industry	690	106	71	2	10	0
Financing and real estate	2 291	186	141	32	62	0
Retail banking market	7 887	26	433	6	44	8
Total	**14 487**	**591**	**1 397**	**49**	**168**	**62**

Parent Bank
31.12.10

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	11	0	0	0	0	0
Financial institutions	1	0	0	0	0	0
Agriculture and forestry	1 084	2	105	1	8	4
Fishing and fish farming	568	4	337	3	7	1
Mining and industry	444	88	138	8	18	1
Building and construction	757	90	166	1	43	0
Trade hotels and restaurants	295	79	91	2	11	0
Transport and service industry	673	112	65	2	9	0
Financing and real estate	2 146	175	126	29	55	0
Retail banking market	7 696	20	389	7	47	2
Total	**13 675**	**570**	**1 417**	**53**	**198**	**8**

NOTE 22 –Financial instruments

Group
31.12.11

	Loans and claims	Assets to real value throghProfit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	118	0	0	0	118
Loans to and claims on credit institutions	316	0	0	0	316
Loans to and claims on customers	17 502	547	0	0	18 049
Certificates bonds and shares available for sale			3 756		3 756
Financial derivatives	0	19	0	160	179
Total assets	**17 936**	**566**	**3 756**	**160**	**22 418**

	Other financial Commitment	Commitment to real value through profit and loss acc	Total
Liabilities to credit institutions with agreed maturity	1 241	0	1 241
Deposit from customers and liabilities to customers	10 429	0	10 429
Financial liabilities incurred through the issuance of sec.	7 189	2 038	9 227
Financial derivatives	0	25	25
Total liabilities	**18 859**	**2 063**	**20 922**

Financial instruments

					Group 31.12.10
	Loans and claims	Assets to real value throghProfit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	273				273
Loans to and claims on credit institutions	91				91
Loans to and claims on customers	16 142	376			16 518
Certificates bonds and shares available for sale			2 754		2 754
Financial derivatives		17		128	145
Total assets	**16 506**	**393**	**2 754**	**128**	**19 781**

	Other financial Commitment	Commitment to real value through profit and loss acc	Total
Liabilities to credit institutions with agreed maturity	1 237		1 237
Deposit from customers and liabilities to customers	9 883		9 883
Financial liabilities incurred through the issuance of sec.	5 651	1 527	7 178
Financial derivatives		18	18
Total liabilities	**16 771**	**1 545**	**18 316**

Financial instruments

					Parent Bank 31.12.11
	Loans and claims	Assets to real value through Profit and loss account	Available for sale	Derivatives used for hedging	Total
Cash and claims on central banks	118	0	0	0	118
Loans to and claims on credit institutions	742	0	0	0	742
Loans to and claims on customers	13 840	547	0	0	14 387
Certificates bonds and shares available for sale			4 655		4 655
Financial derivatives	0	19	0	160	179
Total assets	**14 700**	**566**	**4 655**	**160**	**20 081**

	Other financial Commitment	Commitment to real value through profit and loss acc	Total
Liabilities to credit institutions with agreed maturity	1 237	0	1 237
Deposit from customers and liabilities to customers	10 655	0	10 655
Financial liabilities incurred through the issuance of sec.	4 806	2 037	6 843
Financial derivatives	0	25	25
Total liabilities	**16 698**	**2 062**	**18 760**

Financial instruments

	Loans and claims	Assets to real value through Profit and loss account	Available for sale	Derivatives used for hedging	*Parent Bank* **31.12.10** Total
Cash and claims on central banks	273				273
Loans to and claims on credit institutions	635				635
Loans to and claims on customers	13 188	376			13 564
Certificates bonds and shares available for sale			3 654		3 654
Financial derivatives		17			145
Total assets	**14 096**	**393**	**3 654**		**18 271**

	Other financial Commitment	Commitment to real value through profit and loss acc	Total
Liabilities to credit institutions with agreed maturity	1 237		1 237
Deposit from customers and liabilities to customers	10 075		10 075
Financial liabilities incurred through the issuance of sec.	4 148	1.527	5 675
Financial derivatives		18	18
Total liabilities	**15 460**	**1 545**	**17 005**

NOTE 22.1 –Measurement of fair value of financial instruments by level

With effect from 1 January 2009, the Group has implemented the amendments to IFRS 7 relating to financial instruments measured at fair value at the end of the reporting period. The amendments require the presentation of fair value measurements for various levels with the following division into levels for fair value measurement:

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 price (used in Level 1) for the asset or liability

Level 3 - Valuation based on factors not obtained from observable markets (non-observable assumptions)

NOTE 22.1.1 –Group's assets and liabilities measured at fair value

			Group **31.12.11**
	Level 1	**Level 2**	**Level 3**
Assets			
Financial assets at fair value through profit or loss			
- Loans to and claims on customers at fair value		547	
Financial assets available for sale			
- Certificates, bonds and shares available for sale	3 588	31	137
Financial derivatives		179	
Total assets	**3 588**	**757**	**137**
Liabilities			
Financial liabilities at fair value through profit or loss			
- Debt securities in issue		2 038	
- Financial derivatives		25	
Total liabilities	**0**	**2 063**	**0**

Change in the instruments classified in Level 3	
Opening balance	135
Net purchase/sale share to real value through Profit and loss account	5
Reclassification	0
Value change shares available for sale	-3
Financial instruments level 3	**137**

			Group
			31.12.10
	Level 1	**Level 2**	**Level 3**
Assets			
Financial assets at fair value through profit or loss			
- Loans to and claims on customers at fair value		376	
Financial assets available for sale			
- Certificates, bonds and shares available for sale	2 578	41	135
Financial derivatives		145	
Total assets	**2 578**	**562**	**135**
Liabilities			
Financial liabilities at fair value through profit or loss			
- Debt securities in issue		2 038	
- Financial derivatives		25	
Total liabilities	**0**	**2 063**	**0**

Change in the instruments classified in Level 3	
Opening balance	433
Net purchase/sale share to real value through Profit and loss account	47
Reclassification	-347
Value change shares available for sale	2
Financial instruments level 3	**135**

Parent Bank's assets and liabilities measured at fair value			*Parent Bank*
			31.12.11
	Level 1	**Level 2**	**Level 3**
Assets			
Financial assets at fair value through profit or loss			
- Loans to and claims on customers at fair value		547	
Financial assets available for sale			
- Certificates, bonds and shares available for sale	4 487	31	137
Financial derivatives		179	
Total assets	**4 487**	**757**	**137**
Liabilities			
Financial liabilities at fair value through profit or loss			
- Debt securities in issue		2 038	
Total liabilities	**0**	**2 038**	**0**

Change in the instruments classified in Level 3	**Total**
Opening balance	135
Net purchase/sale share to real value through Profit and loss account	5
Reclassification	0
Value change shares available for sale	-3
Financial instruments level 3	**137**

Parent Bank's assets and liabilities measured at fair value			*Parent Bank*
			31.12.10
	Level 1	**Level 2**	**Level 3**
Assets			
Financial assets at fair value through profit or loss			
- Loans to and claims on customers at fair value		376	
Financial assets available for sale			
- Certificates, bonds and shares available for sale	3 478	41	137
Financial derivatives		145	
Total assets	**3 478**	**562**	**137**
Liabilities			
Financial liabilities at fair value through profit or loss			
- Debt securities in issue		1560	
- Finacial derivatives		18	
Total liabilities	**0**	**1 578**	**0**

Change in the instruments classified in Level 3	Total
Opening balance	433
Net purchase/sale share to real value through Profit and loss account	47
Reclassification	-347
Value change shares available for sale	2
Financial instruments level 3	**135**

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 market 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. Instruments included in Level 1 comprise primarily FTSE 100 equity instruments classified as held for sale for trading purposes or available for sale.
The fair value of financial instruments that are not traded in an active market (for example some OTC derivatives) is determined by using valuation methods or techniques. These valuation methods maximise 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 is included in Level 2.
If one or more significant data are not based on observable market data, the instrument is included in Level 3.

See also accounting principles on page 43.

NOTE 22.2 –Real value of financial instruments

Parent Bank								*Group*
31.12.10		**31.12.11**			**31.12.11**		**31.12.10**	
Real Value	Balance Sheet Value	Real Value	Balance Sheet Value	Real value on financial instruments	Balance Sheet Value	Real Value	Balance Sheet Value	Real Value
				ASSETS				
273	273	118	118	Cash and claims on central banks	118	118	273	273
635	635	742	742	Loans to and claims on credit institutions	316	316	91	91
376	376	547	547	Loans to and claims on customers to real value	547	547	376	376
13 299	13 188	13 949	13 840	Loans to and claims on customers to amortised cost	17 502	17 611	16 142	16 253
145	145	179	179	Financial derivatives	179	179	145	145
3 654	3 654	4 655	4 655	Certificates, bonds and shares available for sale	3 756	3 756	2 754	2 754
18 382	**18 271**	**20 190**	**20 081**	**Total**	**22 418**	**22 527**	**19 781**	**19 892**
				LIABILITIES				
1 236	1 237	1 237	1 237	Liabilities to credit institutions to amortised cost	1 241	1 241	1 237	1 237
10 075	10 075	10 655	10 655	Deposits from customers to amortised cost	10 429	10 429	9 883	9 883
1 527	1 527	2 038	2 038	Borrowing through the issuance of securities real value	2 038	2 038	1 527	1 527
4 188	4 148		4 805	Borrowing through the issuance of securities amortised cost	7 189	7 203	5 651	5 669
18	18	25	25	Financial derivatives	25	25	18	18
17 044	**17 005**	**13 955**	**18 760**	**Total**	**20 922**	**20 936**	**18 316**	**18 334**

*) Of securities debt, NOK 1.450 million is valued at value hedging fair value.
Balance sheet value (see accounting principles) is equal to fair value in all the above items except for securities debt at amortised cost. Here, fair value is valued at the price of the individual issued securities as of 31.12.11.

NOTE 23 - Financial derivatives

General description

Currency and interest rate agreements consist of:

Interest rate swaps: agreement to swap interest rate conditions for an agreed amount over an agreed period.
Interest swap agreements and currency swap agreements: agreements to swap currency and interest rate conditions over a pre-agreed period at an agreed amount.

Helgeland Sparebank enters into hedging transactions with reputable Norwegian and foreign banks in order to reduce the Bank's own risk. Derivative transactions are related to ordinary banking operations and are carried out to reduce the risk associated with the Bank's borrowings in the financial markets and to uncover and reduce risk related to operations addressed at customers. Only borrowings relating to the Bank's borrowing activity are defined as '"fair value hedging". Other hedging is defined as ordinary hedging for accounting purposes. The Bank does not use cash flow hedging.
The net loss recognised in profit and loss relating to hedging instruments at fair value hedging totalled NOK 0.8 million in 2011 and NOK 0.4 million in 2010. Total gains on hedging objects relating to the hedged risk were NOK 0 million in 2011 and NOK 0 million in 2010.
The Bank's main boards have set limits for maximum risk on the Bank's interest rate positions. Procedures have been established to ensure that the set positions are maintained.

parent bank						*Group*
31.12.11						**31.12.11**
Nominal value	**Market value**			**Nominal value**	**Market value**	
Total	Assets	Commit.		Total	Assets	commitment
531	0	25	Interest rate swaps – fixed interest rate loans	531	0	25
500	34	0	Interest rate swaps – bank deposits with share yield	500	34	0
1 031	**34**	**25**	**Total financial derivatives**	**1 031**	**34**	**25**

Nominal value	**Market value**		Securing funding	**Nominal value**	**Market value**	
Total	Assets	Commit.		Total	Assets	commitment
1 450	145	0	Interest rate swaps – fixed interest rate loans	1 450	145	0
1 450	**145**	**0**	**Total financial derivatives**	**1 450**	**145**	**0**

parent bank *Group*

31.12.10				31.12.10		
Nominal value	**Market value**			**Nominal value**	**Market value**	
Total	Assets	Commit.		Total	Assets	commitment
391	1	8	Interest rate swaps – fixed interest rate loans	391	1	8
500	27	10	Interest rate swaps – bank deposits with share yield	500	27	10
891	**28**	**18**	**Total financial derivatives**	**891**	**29**	**18**

Nominal value	**Market value**		Securing funding	**Nominal value**	**Market value**	
Total	Assets	Commit.		Total	Assets	commitment
1 350	117	0	Interest rate swaps – fixed interest rate loans	1 350	117	0
1 350	**117**	**0**	**Total financial derivatives**	**1 350**	**117**	**0**

The agreements entered into by the Bank are interest rate-related financial derivatives, such as interest rate swaps relating to fixed interest rate loans, loans and bank deposit with share yield.

The reason for using interest rate swap agreements is that a positive or negative change in the value of the underlying item will largely be offset by an opposing change in the value of the interest rate swap.

NOTE 24 - Financial assets available for sale 1)

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
3 467	4 470	Certificates and bonds	3 571	2 567
11	17	Accrued interests financial assets	17	11
176	168	Shares unit trust certificates and PCCs	168	176
3 654	**4 655**	**Total certificates bonds and shares available for sale 2)**	**3 756**	**2 754**

1) The figures represent the maximum credit exposure.
2) The Group's policy of prudence in the securities market will be continued, and changes in the value of financial investments are expected to reflect this. The interest portfolio (including short-term instruments in banks) amounts to about 15.9 % of the Bank's total assets.

NOTE 24.1 - Portfolio of certificates and bonds

Interest-bearing securities – Write-downs below cost price are recognised in the profit and loss account. Reversals of write-downs are reversed in the profit and loss account provided they are below the cost price. Value above cost price is recognised against equity.

The Bank's portfolio of certificates and bonds is measured at fair value through profit or loss. To the extent that there is an active market for the securities in question, observable market prices are also used to determine fair value.
In accordance with amendments to IAS 39 and IFRS 7, and the regulations issued by the Norwegian Ministry of Finance on 16 October 2008, it became possible to reclassify the securities portfolio at amortised cost. Helgeland Sparebank has not used this opportunity to reclassify securities.

Parent Bank			*Group*	
31.12.11			**31.12.11**	
Nominal value	**Market value**		**Nominal value**	**Market value**
185	183	Bonds issued by public sector borrowings	185	183
866	869	Certificates	866	869
3 417	3 419	Other bearer bonds	2 517	2 518
0	17	Accrued interests financial assets	0	17
4 468	**4 488**	**Total certificates and bonds**	**3 568**	**3 587**

Parent Bank			*Group*	
31.12.10			**31.12.10**	
Nominal value	**Market value**		**Nominal value**	**Market value**
336	332	Bonds issued by public sector borrowings	336	332
400	400	Certificates	400	400
2 731	2 735	Other bearer bonds	1 831	1 834
	11	Accrued interests financial assets		11
3 467	**3 478**	**Total certificates and bonds**	**2 567**	**2 577**

The package of measures made available by the government to the Norwegian banks involved the government and the banks swapping government securities with covered bonds. Helgeland Sparebank purchased bonds from Helgeland Boligkreditt AS, which were used as security for swap agreements entered into with Norges Bank.

The Bank has adopted a cautious strategy with regard to securities, with specified parameters including minimum requirements for ratings for both Norwegian and foreign securities. The framework and authorisations are revised annually and are approved by the Bank's Board of Directors. The Group's portfolio of certificates and bonds is in its entirety classified as current assets. The purpose of the certificate and bond portfolio is to ensure that the Group has liquidity reserves. The Bank's securities portfolio is deemed not to be a trading portfolio. As at 31 December 2011 the securities portfolio had an average remaining term to maturity of just over 2.5 years. The average rate of interest for the certificate and bond portfolio in 2011 amounted to 2.7 per cent. The rate of return is calculated on total interest income for the entire portfolio as a percentage of the average securities portfolio throughout the year.Net price adjustment of bonds was taken to income in the sum of NOK 3.9 million this year. The bond portfolio is shown below by rating class and the securities portfolio by sector, both of which are within the Group's target requirement.

NOTE 25 - Shares unit trust certificates and EC's

			Parent Bank and group	
	31.12.11		**31.12.10**	
	Nominal value	**Market value**	**Nominal value**	**Marked**
Shares – stock exchange	40	31	40	41
Shares – not stock exchange	142	137	130	135
Total shares	**182**	**168**	**170**	**176**

Shares available for sale - Unrealised change in value in the portfolio available for sale is recognised against equity. Write-downs below cost price are recognised in the profit and loss account. When such gains or losses are realised, they are recognised under "Net gains/losses on financial instruments".

NOTE 25.1 - Additions/disposals of shares unit trust certificates and PCCs

	Parent Bank and group	
	31.12.11	**31.12.10**
Portfolio as at 1.1 Helgeland Sparebank	176	104
Additions	5	79
Disposals	0	12
Write-down	0	0
Adjustment to market value	-13	5
Portfolio as at 31.12	**168**	**176**

NOTE 25.2 - Additions/disposals of shares Associated Companies and Group Companies

Parent Bank

Details:	Portfolio as at 01.01.11	Additions	Disposals	Write-down	Adjustment to real value	Portfolio as at 31.12.11
Associated companies:	156				7	163
Group companies	204	42				246

NOTE 26 –Investment in subsidiaries

Parent Bank

Subsidiaries	Office address:	Equity stake
ANS Bankbygg Mo *)	Mo i Rana	97%
Helgeland Boligkreditt AS	Mo i Rana	100 %
AS Sparebankbygg	Sandnessjøen	100 %
Helgeland Sparebanks Eiendomsselskap AS	Mosjøen	100 %
Helgeland Utviklingsselskap AS	Mosjøen	100 %

*) The minority interest in ANS Bankbygg is shown on a separate line in the accounts.

	Equity capital	Shares	Equity stake	Office address	Real value / Book value 31.12.11	31.12.10
ANS Bankbygg Mo	49	5 591	97 %	Mo i Rana	45	45
Helgeland Boligkreditt AS	190	190 000	100 %	Mo i Rana	190	150
AS Sparebankbygg	0.1	100	100 %	Sandnessjøen	0.1	0.1
Helgland Spb.eiend.selskap AS	0.1	100	100 %	Mosjøen	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100 %	Mosjøen	10	8
Book value 31.12.10					**246**	**204**

NOTE 27 - Associated companies

Group

COMPANY	Location	Business sector	Eq. stake	Equity methode 31.12.11	Equity methode 31.12.10
Helgeland Invest AS	Mo i Rana	Investment	48 %	151	156
Eiendomsmegleren Helgeland AS	Mo i Rana	Real estate	34 %	1	1
Storgt. 73 AS	Brønnøysund	Real estate	43 %	2	2
Total				**154**	**159**

*) The balance sheet value of the company is based on preliminary figures from the company as of 31.12.2011.

NOTE 27.1 - Summary of financial information on the various associated companies

Group

31.12.11

Company	Assets	Liabilities	Equity capital	Turnover
Helgeland Invest AS	305	4	301	
Eiendomsmegleren Helgeland AS	8	7	1	11
Storgata 73 AS	5	1	4	1
Total	**318**	**12**	**306**	

*) ROI Invest AS and Helgeland Vekst AS merged in 2011.

				Group 31.12.10
Company	**Assets**	**Liabilities**	**Equity capital**	**Turnover**
ROI Invest AS	193	11	182	
Eiendomsmegleren Helgeland AS	9	6	1	12
Helgeland Vekst AS	131	9	122	27
Storgata 73 AS	6	1	5	1
Total	**339**	**27**	**310**	

NOTE 27.2- Intra-group balances and transactions between the Bank and its associated companies

Parent Bank				*Group*
31.12.10	**31.12.11**	**Intra-group balances:**	**31.12.11**	**31.12.10**
		Claims:		
19	0	Loans to associated companies	0	19
19	**0**	**Total net claims**	**0**	**19**
		Liabilities:		
86	106	Deposits from associated companies	106	86
86	**106**	**Total liabilities**	**106**	**86**
		Transactions:		
0	0	Interest income from associated companies	0	0
2	3	Interest costs from associated companies	3	2
3	1	Dividends from associated companies	1	3

NOTE 28 –Disclosures of related parties

The information have been prepared in accordance to IAS 24 for “disclosures of related parties”
Transaction against bank\s senior management and bank’s elected representatives are showed in note from annual report.

	Group and parent bank	
Intercompany transactions	**31.12.11**	**31.12.10**
Income Statement		
Income from interest and credit commissions received from subsidiaries	39	45
Interest on deposits to subsidiaries	4	4
Rent expense	5	7
Refund of operating expenses	7	6
Balance Sheet		
Lending to subsidiaries	584	554
Covered bonds	900	900
Deposits from subsidiaries	175	193
Accounts receivable, group contribution	9	0

Helgeland Boligkreditt

Helgeland Boligkreditt is a wholly owned subsidiary of Helgeland Sparebank. The share capital of Helgeland Boligkreditt AS increased by NOK 40 million in 2011.

There was growth in 2010 in transferred gross lending to customers amounting to NOK 767 million and transferred loans as of 31 December 2011 totalled NOK 3,912 million, NOK 3,284 million of which was financed through covered bonds and NOK 420 million financed with short-term lines of credit. NOK 900 million of the covered bonds were purchased by Helgeland Sparebank. In 2011, Helgeland Sparebank received interest income on covered bonds totalling NOK 30 million and interest income on lines of credit of NOK

22.8 million. During the same period, the Bank paid interest charges to Helgeland Boligkreditt AS for NOK 4.7 million related to the mortgage company's operating account.
Management fees for transferred loans to customers were charged totalling NOK 9 million.

Frende Holding AS
Helgeland Sparebank owns about 9% of the shares in Frende Holding AS and in 2011 received commission for the distribution of life insurance products for a total of NOK 3,0 million.

Norne Securities AS
Norne Securities AS with an ownership interest of 6.5%

Brage Finans AS
Helgeland Sparebank owns about 10 % of a new leasing company Brage Finans AS.

Sparebankstiftelsen Helgeland
Sparebankstiftelsen owns 64.7% of the Bank's equity certificates. In 2011, NOK 33 million was paid out in dividends to the foundation. The Bank sold services to the foundation with a value of NOK 0.7 million during 2011.

Helgelandsfondet
Helgelandsfondet has paid NOK 0.5 million for services provided by the Bank

NOTE 29 - Deferred tax / Deferred tax benefit

Parent Bank				*Group*
31.12.10	**31.12.11**	Deferred tax / deferred tax benefit:	**31.12.11**	**31.12.10**
		Positive temporary differences:		
76	92	Operating equipment	92	76
76	**92**	**Total positive temporary differences**	**92**	**76**
21	26	Deferred tax	26	21
		Negative temporary differences		
-5	2		2	-5
20	19	Operating equipment	27	27
55	56	Pension liabilities	56	55
74	97	Other temporary differences	97	74
144	**174**	**Total negative temporary differences**	**182**	**151**
0	0	Loss carried forward	0	0
144	**174**	**Deferred tax benefit**	**182**	**151**
40	49	Deferred tax / deferred tax benefit:	51	42

Deferred tax/tax benefit is calculated on the basis of the temporary differences which exist at the end of the accounting year between accounts-related and tax-related values through the application of the debt method. Deferred tax is shown in the accounts on a net basis when the Group has a legal right to set off the deferred tax benefit against deferred tax in the balance sheet.

NOTE 30 - Fixed assets

Parent Bank Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt . fixtures and cars	Group Total
297	230	67	= Acquisition cost as at 01.01.11	126	181	307
9	9	0	+ additions	0	19	19
0	0	0	- disposals	0	0	0
306	**239**	**67**	**Acquisition cost as at 31.12.11**	**126**	**200**	**326**
249	196	53	Accumulated depreciation/write-down as at 01.01.11	90	144	234
17	16	1	+ ordinary depreciation *1)*	2	17	19
0	0	0	Write down	0	0	0
266	**212**	**54**	**Accumulated depreciation/write-down as at**	**92**	**161**	**253**
40	27	13	**Book value as at 31.12.11**	**34**	**39**	**73**
	10-33 %	3-4 %	Rates applied to ordinary depreciation	3-4 %	10-33 %	
	3-10 år	30 år	Economic life *1)*	30 år	3-10 år	

281	212	69	= Acquisition cost as at 01.01.10	128	163	291
18	18	0	+ additions	0	18	18
2	0	2	- disposals	2	0	2
297	**230**	**67**	**Acquisition cost as at 31.12.10**	**126**	**181**	**307**
235	183	52	Accumulated depreciation/write-down as at 01.01.10	87	130	217
14	13	1	+ ordinary depreciation *1)*	3	14	17
0	0	0	Write down	0	0	0
249	**196**	**53**	**Accumulated depreciation/write-down as at 31.12.10**	**90**	**144**	**234**
48	**34**	**14**	**Book value as at 31.12.10**	**36**	**37**	**73**

NOTE 30.1 - Fixed assets held for sale

Parent Bank **31.12.10**	**31.12.11**		**31.12.11**	*Group* **31.12.10**
12	38	Book value as at 01. 01	38	12
35	0	Additions	55	35
-9	-8	Disposals	-8	-9
0	0	Net gains/losses on changes in market value	0	0
38	**30**	**Book value as at 31.12**	**85**	**38**

NOTE 31 - Other assets

Parent Bank **31.12.10**	**31.12.11**		**31.12.11**	*Group* **31.12.10**
4	17	Sundry suspense accounts	18	4
2	3	Various debitors	3	2
63	0	Prepaid costs	0	62
69	**20**	**Total other assets**	**21**	**68**

NOTE 32 - Foreign exchange

The Group has no reserve of foreign currencies but sells foreign notes and travellers cheques on a commission basis Helgeland Sparebank uses DnB NOR as its foreign exchange bank. The Group has no transactions in foreign currencies of any importance but has provided guarantees for foreign currency loans managed by its foreign exchange bank on behalf of Helgeland Sparebank. See Note 2.3 foreign exchange risk.

NOTE 33 - Liabilities to credit institutions

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
0	0	Liabilities to credit institutions – without agreed maturities	0	0
400	400	Loan's Norges Bank	400	410
837	837	Liabilities to Norges Bank in connection with the government package of measures	841	827
0	0	Liabilities to Kredittforening for Sparebanker – with maturities over 6 months	0	0
1 237	**1 237**	**Total**	**1 241**	**1 237**

Details of liabilities to credit institutions – with maturities over 6 months:	**Maturities**	**Cupon**	**Nom amount**
Loan's Norges Bank	12.02.2013	6m Nibor + 20bp	400
Liabilities to N.B connection with the government package of measures	18.12.2013	6m Nibor + 24bp	186
Liabilities to N.B in connection with the government package of measures	19.03.2014	6m Nibor - 20bp	651
Total			**1 237**

NOTE 34 - Deposit from customers

NOTE 34.1 - Deposit from customers split by sector/industry

Parent Bank								*Group*
%	**31.12.10**	**%**	**31.12.11**	Deposit from customers split by sector/industry	**31.12.11**	**%**	**31.12.10**	**%**
2.6	258	3.4	365	Financial institutions	184	1.8	108	1.1
9.2	928	8.5	910	Municipalities and municipal enterprise	910	8.7	928	9.4
2.4	245	2.5	271	Agriculture and forestry	271	2.6	245	2.5
2.6	264	1.2	123	Fisheries and aquaculture	123	1.2	264	2.7
1.6	161	1.5	163	Mining and industry	163	1.6	161	1.6
4.0	398	4.1	440	Building and construction	440	4.2	398	4.0
3.2	320	3.2	345	Trade, hotel, restaurants.	345	3.3	320	3.2
6.7	677	6.7	710	Property, property development	710	6.8	677	6.9
5.6	566	4.9	518	Transport and services	473	4.5	524	5.3
62.1	6 258	63.9	6 810	Retail market	6 810	65.3	6 258	63.3
100.0	**10 075**	**100.0**	**10 655**	**Total**	**10 429**	**100.0**	**9 883**	**100.0**

The Act relating to security arrangements for banks and public administration etc., by financial institutions directs all savings banks to be members of The Norwegian Banks´ Guarantee Fund. The Fund is obligated to cover losses suffered by a depositor on deposits in a member institution by up to NOK 2 million of the collective deposit.

NOTE 34.2 - Geographical exposure deposits from and liabilities to customers

Parent bank			*Group*	
31.12.11	**%-share**		**31.12.11**	**%-share**
9 815	92.1	Helgeland	9 589	91.9
757	7.1	Areas other than Helgeland	757	7.3
83	0.8	International	83	0.8
10 655	**100.0**	**Total**	**10 429**	**100.0 %**

Parent bank			*Group*	
31.12.10	**%-share**		**31.12.10**	**%-share**
9 291	92.2	Helgeland	9 099	92.1
701	7.0	Areas other than Helgeland	701	7.1
83	0.8	International	83	0.8
10 075	**100.0**	**Total**	**9 883**	**100.0**

NOTE 34.3 - Deposits from and liabilities to customers

Parent Bank			*Group*	
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
3 752	4 401	Ordinary terms without notice of withdrawal or agreed maturities	4 401	3 752
5 900	5 717	Special terms for customer deposits without agreed maturities	5 491	5 708
423	537	Special terms for customer deposits with agreed maturities	537	423
0	0	Funding deposits from customers with agreed maturities	0	0
10 075	**10 655**	**Total deposits from customers**	**10 429**	**9 883**

NOTE 35 - Financial liabilities incurred through the issuance of securities

	Group	
	31.12.11	**31.12.10**
Certificate loans	453	1 107
Own Certificate	0	-500
Bond loans	9 386	7 036
Own bonds	-612	-465
Total financial liabilities incurred through the issuance of securities	**9 227**	**7 178**

NOTE 35.1 - Details of bond loans:

	Maturity	Bond loans	Own portfolio	Net. amount	Nominal value
Bond Loans, frn	2012	401	180	221	220
Bond Loans, , fixed interest rate	2012	1 017	68	949	932
Bond Loans, frn	2013	1 706	50	1 656	1 650
Bond Loans, , fixed interest rate	2013	520	0	520	500
Bond Loans, frn	2014	1 994	0	1 994	2 000
Bond Loans, frn	2015	1 787	50	1 737	1 750
Bond Loans, frn	2016	991	95	896	905
Bond Loans, , fixed interest rate	2016	507	0	507	500
Bond Loans, frn	2017	296	170	126	130
Total Bond loans		**9 219**	**613**	**8 606**	**8 587**

NOTE 35.2 - Financial liabilities incurred through the issuance of securities

	Parent Bank	
	31.12.11	**31.12.10**
Certificate loans	454	1 107
Own Certificate	0	-500
Bond loans	6 782	5 433
Own bonds	-393	-365
Syndicated loans	0	0
Total financial liabilities incurred through the issuance of securities	**6 843**	**5 675**

NOTE 35.3- Details of bond loans

	Maturity	Bond loans	Own portfolio	Net. amount	Nominal value
Bond Loans, frn	2012	401	180	221	220
Bond Loans, , fixed interest rate	2012	1 017	68	949	932
Bond Loans, frn	2013	1 206	50	1 156	1 150
Bond Loans, , fixed interest rate	2013	520	0	520	500
Bond Loans, frn	2014	1 494	0	1 494	1 500
Bond Loans, frn	2015	987	0	987	1 000
Bond Loans, frn	2016	498	95	403	405
Bond Loans, , fixed interest rate	2016	507	0	507	500
Total Bond loans		**6 630**	**393**	**6 237**	**6 207**

NOTE 35.4 - Unutilised drawing rights facilities

	31.12.11	**31.12.10**
Long-term drawing rights facility maturity 2011	0	0
Short-term drawing rights facility 1 year	130	130
Total drawing rights facilities as at 31.12	**130**	**130**

The Group’s total liquidity reserves are deemed satisfactory.

In addition the Group has	31.12.11	31.12.10
Surplus liquidity at Norges Bank as at 31.12	48	209

Bonds at floating rates of interest; interest rates are fixed in advance for 3-6 months at the time and the interest cost charged to interest costs. The Bank's bonds are repaid at maturity; if the agreements in question permit and if the Bank should so wish the loans may be repaid earlier. None of the Group's bonds are secured.

The Group has not defaulted on borrowed funds during the accounting year. This applies to principal amount the payment of interest and/or redemption amount.

NOTE 36 - Other liabilities

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
33	46	Other short –term liabilities	45	40
45	42	Tax payable	45	45
78	**88**	**Total other liabilities**	**90**	**85**
9	9	Accrued holiday pay and employers' social security contributions	9	9
1	0	Set aside severance pay	0	1
14	11	Other incurred costs	11	13
24	**20**	**Total incurred costs and prepaid income**	**20**	**23**
55	56	Pension liabilities (note 12)	56	55
1	10	Provisions for losses on guarantees	10	1
56	**66**	**Total incurred liabilities**	**66**	**56**
21	26	Deferred tax	26	21
179	**200**	**Total other liabilities**	**202**	**185**

Secured debt

An overview of the Group's secured debt is provided in Note 41

Binding agreements to acquire real property, plant and equipment

As of 31 December 2011, the Group had not entered into any significant binding agreements to acquire property, plant or equipment.

Ongoing legal disputes

As of 31 December 2011, the Group had made no provision for ongoing legal disputes.

NOTE 37 - Subordinated loan

The group has no Subordinated loans by 31.12.11.

NOTE 38 - Equity capital

NOTE 38.1 - Capital adequacy

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
935	935	EC-capital	935	935
97	97	Premium Fund	97	97
-1	-1	Own ECs	-1	-1
1 031	**1 031**	**Total paid-in capital**	**1 031**	**1 031**
352	364	Savings Bank's Fund	364	352
96	95	Reserve for valuation variances	86	92
23	21	Donations Fund	22	23
10	5	Charitable foundation	5	10
82	117	Dividend equalisation reserve	117	81
51	36	Cash dividend	36	51
0	0	Other equity capital	17	19
614	**638**	**Total accrued equity capital/retained earnings**	**647**	**628**
-197	-184	*Deduction:*	-178	-194
1 448	**1 485**	Not realized profits/ Cash dividend/ Intangible assets	**1 500**	**1 465**
		Total core capital		
39	40	Net nor realized profits	37	38
39	**40**	**Total net supplementary capital**	**37**	**38**
1 487	**1 525**	**Total net equity and related capital**	**1 537**	**1 503**
11 592	11 846	Weighted asset calculation basis	12 960	12 436
12.82 %	12.88 %	**Capital adequacy ratio**	11.86 %	12.07 %
12.48 %	12.53 %	Of which core capital accounted for	11.58 %	11.77 %

Basel II and the capital adequacy regulations.
Helgeland Sparebank has chosen the standardised approach for calculating credit risk and the basic indicator approach for calculating operational risk.

Irrespective of how good the Bank's risk management is, unexpected losses may be incurred, which means that the Group must have sufficient equity. As part of the Basel II project, the need for supplementary capital for the different risk areas has been assessed. The assessments are supported by various internal evaluations and calculation methods. A summary of this has been made in the Bank's ICAAP, which is the Board of Directors' document for the documentation of calculated capital requirements and the plan for capital management. On the basis of these assessments, the Bank has specified targets for capital adequacy.
The weighting of the Bank's asset and off-balance-sheet items has been undertaken in accordance with Basel II regulations, established by Kredittilsynet (the Financial Supervisory Authority of Norway).
Capital adequacy indicates the Group's solvency in relation to the risk-weighted asset base.

Parent Bank 31.12.10	31.12.11		31.12.11	*Group* 31.12.10
0	0	States and central banks	0	0
4	13	Local and regional authorities (including municipalities)	13	4
0	0	Publicly owned enterprises	0	0
70	67	Institutions	60	45
300	272	Enterprises	272	301
217	200	Mass market loans	200	217
232	297	Loans secured by real property	405	318
22	13	Loans overdue	13	22
12	15	Covered bonds	8	4
0	0	Units in securities funds	0	0
21	25	Other loans and commitments	17	34
878	**902**	**Capital requirement credit risk**	**988**	**945**
58	55	Capital requirement operational risk 1)	58	59
-9	-9	Deducted from capital requirement	-9	-9
927	**948**	**Total capital requirement**	**1 037**	**995**

The capital requirement has been calculated on the basis of the standardised approach for calculating credit risk and the basic indicator approach for calculating operational risk

NOTE 38.2 - Capital management

Group

The Group's goals for strategic capital adequacy target in 2011:

The tier 1 capital ratio is increased from 11.0% to 12.0%. The groups' capital adequacy ratio was 11.9 %, while the tier 1 capital ratio was 11.6 %.

The Group Helgeland Sparebank uses the total risk modell for quantification of risk through calculation of capital requirements for the individual risk form and the Group's collective risk. The calculation is a part of the Group's ICAAP.

ICAAP is reviewed annually in connection with strategy management meetings the last review was in June 2011. In addition, calculation capital requirement was updated as at 30.09.11 and reviewed by the Board of Directors of the bank.

NOTE 39 – EC-holders

NOTE 39.1 – EC-owner according to the number of certificates held

Parent Bank
31.12.11

	Number of EC-owners		Number of ECs	
Breakdown acc to number of ECs held	**Share**	**Share - %**	**Share**	**Share - %**
1 – 1 000	1 867	80.5	433 515	2.3
1 001 – 10 000	388	16.7	1 139 610	6.1
10 001 – 50 000	45	1.9	848 276	4.5
50 001 – 100 000	6	0.3	407 386	2.2
100 001 – 500 000	12	0.5	15 871 213	84.9
Total	**2 318**	**100.0**	**18 700 000**	**100.0**

Parent Bank

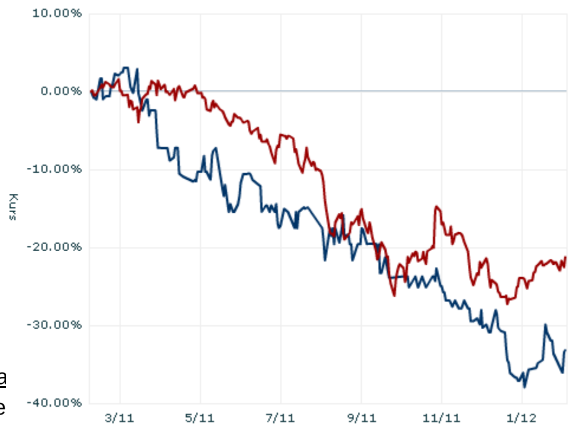
31.12.10

	Number of EC-owners		Number of ECs	
Breakdown acc to number of ECs held *	**Share**	**Share - %**	**Share**	**Share - %**
1 – 1 000	1 975	81.6	455 314	2.4
1 001 – 10 000	377	15.6	1 101 476	5.9
10 001 – 50 000	49	2.0	938 931	5.0
50 001 – 100 000	6	0.2	405 044	2.2
100 001 – 500 000	13	0.5	15 799 235	84.5
Total	**2 420**	**100.0**	**18 700 000**	**100.0**

Trading in Helgelands Sparebank's ECs

The price as at 31.12.11 was NOK 30,5 per EC's See table below for price movements and trading volumes

The pink line shows the price movements for finance sector at Oslo stock exchange.



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He ıent relating to trading in the Bank's EC's. The purpose of the agreement is to ensure liquidity in the paper and to even out the levels of offers and bids and to contribute to the marketing of the EC's. Furthermore according to the agreement every effort will be made to keep the difference between buying- and selling prices to maximum 4 percentage points but rounded up or down to the natural amount. The difference may nevertheless be kept smaller if the market interest should warrant it. The price set should at all times reflect the market's assessment of the Bank's EC's.

Returns and dividend policy

It is a priory area to practise sound management of our Equity Certificates, among other things by practising a policy of Equity Certificate ownership that helps create better liquidity in the Bank's Equity Certificate.

The Bank wishes to maintain an open dialogue with the Equity Certificate holders and other market participants. It is our belief that providing correct and relevant information at the right time creates confidence and predictability and contributes to a correct pricing of Helgeland Sparebank's Equity Certificate. In any event that involves an obligation on the Bank's part to provide information, a report will be sent to Oslo Børs and then be posted on the Bank's website. The Bank has been listed since 2000 and has complied with the requirements for reporting and information that the stock exchange requires of listed companies.

The Bank's ticker is HELG.

NOTE 39.2 –EC-owners

Parent Bank

Equity certificate capital amounts to NOK 935 million and is divided between approximately 2,400 owners.

Note 39.3 presents an overview of the 20 largest owners of equity certificates. The largest owner is Sparebankstiftelsen Helgeland, with a stake of 64.7%.

Due to the turbulence in the financial markets, Sparebankstiftelsen Helgeland has issued a notice to wait before selling down until market conditions are considered to be more stable. The Bank has not received any new signals from Sparebankstiftelsen Helgeland regarding selling down.

NOTE 39.3 - The 20 largest EC-owners

Parent Bank

31.12.11

	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	12 099 598	64.7	Sparebanken Vest	200 000	1.1
Sparebank 1 Midt-Norge	660 000	3.5	Nervik, Steffen	103 000	0.6
MP Pensjon	658 147	3.5	Hartviksen, Harald	94 498	0.5
Skagen Vekst	407 400	2.2	Tromstrygd	75 000	0.4
Sparebanken Øst	386 994	2.1	Coop Norge SA	63 047	0.3
Helgelandskraft AS	340 494	1.8	Institutt for sammenligning	62 300	0.3
Sparebankstiftelsen DnB NOR	329 124	1.8	Arnesen, Dag Fredrik Jebsen	60 000	0.3
Nordea Bank Norge AS	262 453	1.4	Sivesind Invest AS	52 541	0.3
Haslum Industri AS	221 697	1.2	Brage Invest AS	48 433	0.3
Terra utbytte	202 306	1.1	Andersson Lars Aage	33 550	0.2
total 10 lagrest owners	**15 568 213**	**83.3**	**Total 20 lagrest owners**	**16 360 582**	**87.5**

The bank has issued a total of 18 700 000 primary certificates value of NOK 50,-.

Parent Bank

31.12.10

	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	12 099 598	64.7	Terra utbytte	131 328	0.7
Sparebank 1 Midt-Norge	660 000	3.5	Nordisk Finans Invest AS	130 828	0.7
MP Pensjon	658 147	3.5	Nervik, Steffen	102 000	0.5
Skagen Vekst	407 400	2.2	Hartviksen, Harald	94 498	0.5
Sparebanken Øst	386 994	2.1	Tromstrygd	75 000	0.4
Helgelandskraft AS	340 494	1.8	Kirksæter, Per	72 272	0.4
Sparebankstiftelsen DnB NOR	329 124	1.8	Brage Invest AS	58 433	0.3
Haslum Industri AS	221 697	1.2	Sivesind Invest AS	52 541	0.3
Sparebanken Vest	200 000	1.1	Institutt for sammenligning	52 300	0.3
Nordea Bank Norge AS	131 625	0.7	Arnesen Dag Fredrik Jebsen	40 900	0.2
Total 10 lagrest EC- owners	**15 435 079**	**82.6**	**Total 20 lagrest EC-owners**	**16 245 179**	**86.9**

The bank has issued a total of 18 700 000 primary certificates value of NOK 50,-.

NOTE 39.4 - ECs owned by the Bank's elected representatives — Group and parent Bank

Name/Firm	POSITION		Own ECs
Strømnes, Øystein	Bank's depositors	O	840
Drevland, Wenche	Bank's depositors	E	99
Risøy, Torill	Bank's depositors	E	226
Wangerud, Asbjørn (own and WarrenWicklund utb.)	Bank's depositors	E	9 052
Juel, Iver A.	Bank's depositors	E	12 916
Arntseberg, Frank	Bank's depositors	E	1 500
Nybø, Svein G.	Bank's depositors	E	504
Høyen, Frank	Bank's depositors	E	822
Svendsen, Tom	Bank's depositors	E	1 119
Furunes, Nils Terje	Bank's depositors	E	4 709
Johansen, Bente	Bank's depositors	A	258
Ditlefsen, Roger	Bank's depositors	A	135
Eliassen, Einar	Bank's depositors	A	135
Sund, Liv	Bank's depositors	A	471
Myran, Morten	Bank's depositors	A	807
Stamnes, Tore	Bank's depositors	A	1 635
Johansen, Bjørn	Chairman of the Board	S	135
Michalsen, Tore	Deputy Chariman	S	135
Brattbakk, Ove	Member of the board	S	2 052
Heimdal, May	Member of the board	S	249
Furunes, Jan Erik	CEO	L	1 250
Flågeng, Lisbeth	DCEO	L	1 993

E= PCC-holders
I = Elected from the Bank's depositors
L= Member of the Bank's senior management
S= Member of the Board of Directors
M= Member of the Control Committee
O= Elected from the public

NOTE 39.5 - Dividend

		Parent Bank
	31.12.11	**31.12.10**
Equity in the balance sheet + Subordinated loan capital	1 669	1 642
Deduction (Subordinated loan capital /fund for evaluation differences/dividends on PCC)	-135	-154
Total adjusted equity	**1 534**	**1 488**
EC-capital	935	935
Premium Fund	97	97
Dividend equalisation reserve	117	82
Total	**1 149**	**1 113**
EC percentage	74.9 %	74.9 %
Calculation of dividend:		
Profit	95	139
Transferred from equalisation fund	0	0
Basis dividend	95	139
Calculated dividende	35	51
Dividend equalisation reserve	35	51
Dividend provision per. EC	3.80	5.53
Cash dividend	1.90	2.75
Equalisation reserve	1.90	2.78

NOTE 39.6 - Key figures EC

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
46.0	30.5	EC price quoted on the stock exchange	30.5	46.0
8.3	8.0	P/E (price as at 31.12 divided by profit per EC)	8.2	7.6
0.8	0.5	P/B (price as at 31.12. divided by book value of equity capital)	0.5	0.8
74.9	74.9	EC percentage 31.12	74.9	74.9
59.5	61.4	Equity capital per EC, in Norway currency	61.4	59.5
5.5	3.8	Cash dividend	3.7	6.0
5.5	3.8	Equalisation reserve	3.7	6.0

NOTE 40 - The Bank's guarantee liabilities according to different types of guarantee

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
178	186	Payment guarantees	186	178
112	99	Contract guarantees	99	112
259	285	Loan guarantees	285	259
21	21	Other guarantee liabilities	21	21
570	**591**	**Total guarantee liabilities *)**	**591**	**570**
31.12.10	**31.12.11**	**SBGF**	**31.12.11**	**31.12.10**
0	0	Guarantee issued in favour of SBGF	0	0

*) *) Adjustment of the fair value has not been incorporated in the balance sheet, as the change in value is not material

NOTE 41 - Assets pledged as collateral security

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
		Bonds pledged as collateral security for:		
895	490	D-loan from Norges Bank	490	895
895	**490**	**Total assets pledged as collateral security**	**490**	**895**

NOTE 42 - Events after the balance sheet date

Parent Bank and group

The Group and the Parent Bank are not aware of events after the balance sheet date that influence the financial statements

It is proposed to distribute a cash dividend of NOK 35 million of the year's profits to the Equity Certificate holders in Helgeland Sparebank. It is furthermore proposed to make provision of NOK 12 million to a charitable foundation. The proposal had not been adopted as of the end of the reporting period and for this reason the items have not been carried as liabilities, but are included in equity.

NOTE 43 - Balance sheet divided into short and long term

Parent Bank				*Group*
31.12.10	**31.12.11**		**31.12.11**	**31.12.10**
		Assets		
273	118	Cash and balances at central banks	118	273
635	742	Loans to and claims on credit institutions	316	91
2 627	2 891	Loans to and claims on customers	3 419	3 225
1 282	1 954	Certificates, bonds and shares available for sale	1 954	1 282
69	21	Other assets	199	68
38	30	Assets held for sale	85	38
4 924	**5 756**	**Total short term assets**	**6 091**	**4 977**
10 937	11 489	Loans to and claims on customers	14 450	13 293
145	179	Financial derivatives	179	145
2372	2 708	Certificates, bonds and shares available for sale	1 802	1 472
156	163	Investments in associated companies	156	159
204	246	Investments in subsidiaries		
40	49	Deferred tax benefit	51	42
48	40	Fixed assets	158	110
13 902	**14 874**	**Total long term assets**	**16 711**	**15 183**
18 826	**20 630**	**Grand total assets**	**22 802**	**20 160**
		LIABILITIES AND EQUITY CAPITAL		
0	400	Liabilities to credit institutions	400	0
10 074	10 655	Deposits from customers and liabilities to customers	10 429	9 883
1 609	1 153	Borrowings through the issuance of securities	1 153	1 609
0	0	Financial derivatives	0	0
102	108	Other liabilities	110	108
11 785	**12 316**	**Total short term liabilities**	**12 092**	**11 600**
1 239	837	Liabilities to credit institutions	840	1 237
4 065	5 691	Borrowings through the issuance of securities	8 075	5 569
18	25	Financial derivatives	25	18
77	92	Other liabilities	92	77
5 399	**6 645**	**Total long term liabilities**	**9 032**	**6 901**
17 184	**18 961**	**Grand total liabilities**	**21 124**	**18 501**
1 031	1 031	Paid-in equity capital	1 031	1 031
611	638	Accrued equity capital/retained earnings	645	626
1 642	**1 669**	**Total equity capital**	**1 676**	**1 657**
0	0	Non controlling interest	2	2
18 826	**20 630**	**Total liabilities and equity capital**	**22 802**	**20 160**

NOTE 44 –Statement concerning determination of salary and other remuneration

Statement from the Board of Directors concerning the determination of salary and other remuneration to senior executives in Helgeland Sparebank

Subdivision

In accordance with Section 7-31b of the Norwegian Accounting Act, the Board of Directors must issue a statement concerning guidelines for the determination of salaries and other remuneration to senior executives.
The statement was adopted by the Board of Directors of Helgeland Sparebank on 1 March 2012 and presented to the Board of Trustees on … March 2012.

Decision-making authority

The CEO's salary is determined by the Bank's Board of Directors, while the Deputy CEO's salary is determined by the CEO. Remuneration takes place in the form of fixed salary, benefits in kind and the pension scheme.

Guidelines for remuneration during the 2012 financial year

Salary
Managerial salaries in Helgeland Sparebank must be competitive, make the Bank attractive as an employer and promote value creation for the Bank. Managerial salaries are determined in relation to the fulfilment of the Bank's managerial requirements and core values, and on the basis of salary levels in the region and the sector as a whole.

The Bank has defined senior executives as follows:
CEO Jan Erik Furunes (appointed with effect from 01.04.11)
Deputy CEO Lisbeth Flågeng.

Benefits in kind
The nature and value of benefits in kind must be on a par with what is normal for managers in our sector. The senior executives have an agreement concerning a free car, telephone, newspaper, internet subscription and home PC.

Pension schemes
The Bank has a collective pension scheme invested in a life insurance company, which also covers senior executives.

The CEO has agreed a retirement pension upon reaching the age of 67 which will constitute 66% of the pension basis (including salary over 12 base amounts). The pension rights for salary above 12 base amounts are limited to 10 years' payment.

The Deputy CEO is entitled to leave her position upon reaching age 60. Helgeland Sparebank has undertaken to pay an annual early retirement pension from age 60 to 67. The early retirement pension will constitute 66% of the annual salary at the time the early retirement pension commences.
The retirement pension from age 67 will constitute 66% of the pension basis (including salary in excess of 12 base amounts).

Bonuses, option agreements and severance payments
The Bank currently has no pre-established option, bonus or severance payment schemes other than the pension schemes.

Statement of managerial salary policy for the 2011 financial year

The Bank's managerial salary policy for 2011 was implemented in line with the key principles under item 3.

NOTE 45 –Profit and loss account items as a percentage of average assets

Parent Bank								*Group*
2008	**2009**	**2010**	**2011**		**2011**	**2010**	**2009**	**2008**
7.31	4.43	3.99	4.21	Interest receivable and similar income	4.26	4.07	4.48	7.33
5.12	2.75	2.43	2.70	Interest payable and similar costs	2.76	2.45	2.75	5.14
2.19	**1.68**	**1.56**	**1.52**	**Net interest- and credit commission income**	**1.50**	**1.62**	**1.73**	**2.19**
0.53	0.45	0.42	0.36	Commissions receivable and income from banking services	0.34	0.41	0.45	0.53
0.08	0.07	0.06	0.06	Commissions payable and costs relating to banking services	0.06	0.06	0.07	0.09
0.45	**0.38**	**0.36**	**0.30**	**Net commission income**	**0.28**	**0.34**	**0.38**	**0.44**
0.03	0.08	0.15	0.03	Gains/losses on financial instruments	-0.04	0.14	0.07	0.07
0.01	0.00	0.01	0.02	Other operating income	0.02	0.02	0.01	0.02
0.00	0.00	0.03	0.00	Other operating costs	0.00	0.03	0.00	0.00
0.00	0.00	0.19	0.00	Losses on loans gurantees etc	0.00	0.18	0.00	0.00
1.36	1.21	1.13	1.06	**Result from ordinary operations before tax**	1.02	1.12	1.23	1.34
0.21	0.19	0.12	0.14	Gains/losses from associated companies	0.13	0.12	0.19	0.24
1.11	**0.74**	**0.99**	**0.67**	**Result from ordinary operations before tax**	**0.62**	**1.03**	**0.77**	**1.14**
0.34	0.19	0.25	0.19	Tax payable on ordinary result	0.19	0.25	0.20	0.32
0.77	**0.55**	**0.74**	**0.48**	**Result from ordinary operations after tax**	**0.43**	**0.78**	**0.57**	**0.82**

K E Y F I G U R E S

NOTE 46 –Financial summary

Parent Bank								*Group*
2008	**2009**	**2010**	**2011**	(Amounts in NOK million and %)	**2011**	**2010**	**2009**	**2008**
16 600	18 259	18 826	20 630	Total assets as at 31.12	22 802	20 160	18 376	16 594
15 496	17 435	18 750	19 733	Average assets	21 425	19 425	17 373	15 488
14 200	14 127	13 675	14 487	Gross lending	18 149	16 630	15 505	14 190
-70	- 53	-52	-39	Individual write-downs	-39	-52	- 53	-70
-50	- 55	-58	-60	Period's change in collective write downs	-60	-58	- 55	-50
0	- 1	-1	-10	Individual write-downs on gurantees	-10	-1	- 1	0
60.7 %	65.0 %	73.7 %	73.5 %	Deposit coverage as a percentage of gross loans	57.5 %	59.4 %	58.7 %	60.5 %
63.8 %	60.3 %	56.3 %	54.4 %	Loans to retail banking customers	63.5 %	63.4 %	63.9 %	63.9 %
10.5 %	- 0.5 %	-3.2 %	5.9 %	Growth in gross loans	9.1 %	7.3 %	9.3 %	10.7 %
8.2 %	6.7 %	9.6 %	5.8 %	Growth in customer deposits	5.5 %	8.6 %	6.0 %	8.2 %
1 461	1 448	1 486	1 525	Core capital and related capital as at 31.12	1 537	1 502	1 451	1 475
10 446	10 833	11 592	11 847	Weighted asset calculation basis	12 960	12 436	11 171	10 471
62.9 %	59.3 %	61.6 %	57.4 %	Weighted asset calculation basis as a perc. of av. assets	56.8 %	61.7 %	60.8 %	63.1 %
14.0 %	13.4 %	12.8 %	12.9 %	Capital adequacy ratio	11.9 %	12.1 %	13.0 %	14.1 %
13.1 %	13.0 %	12.5 %	12.5 %	Core capital ratio	11.6 %	11.8 %	12.6 %	13.1 %
8.8 %	8.5 %	8.7 %	8.1 %	Equity capital ratio	7.4 %	8.2 %	8.5 %	8.9 %
8.6 %	6.2 %	8.5 %	5.8 %	Rate of return on equity capital	5.6 %	9.2 %	6.5 %	8.8 %
0.8 %	0.6 %	0.7 %	0.5 %	Return on assets	0.4 %	0.8 %	0.6 %	0.8 %
35	40	46	30.5	EC’s price quoted on the Oslo Stock Exchange	30.5	46	40	35
7.0	10.6	8.3	8.0	P/E	8.2	7.6	10.3	6.7
0.6	0.7	0.8	0.5	P/B	0.5	0.8	0.7	0.6
25.7	26.5	74.9	74.9	EC percentage as at 31.12	74.9	74.9	26.5	25.7
54.8	57.3	59.5	61.4	Equity capital per EC in NOK	61.4	59.5	57.3	54.8
4.8	3.7	5.5	3.8	Result per EC’s in NOK	3.7	6.0	3.8	4.9
4.8	3.7	5.5	3.8	Diluted result per EC’s in NOK	3.7	6.0	3.8	4,9
2.7	1.2	2.7	1.9	Cash dividend				
2.0	2.5	2.8	1.9	Equalisation reserve				
1.4	1.2	1.1	1.1	Costs as a percentage of income	1.0	1.1	1.2	1.3
48.8	57.1	49.1	56.8	Cost in percentage of average total assets	57.7	47.5	56.7	48.4
193	187	177	177	Number of man-years	177	177	187	193
				As a percentage of gross loans:				
1.1	0.9	1.4	1.2	Gross commitments in default	0.9	1.2	0.8	1.1
0.9	0.6	1.1	0.9	Net commitments in default	0.7	0.9	0.5	0.9
0.8	0.8	0.8	0.7	Total write-downs	0.5	0.7	0.7	0.8
0.2	0.2	0.2	0.2	Losses on commitments	0.1	0.1	0.2	0.3

Definitions:

Average assets:	Average assets throughout the year
Core capital:	EC’s capital Savings Bank's Fund and other Funds
Weighted calc basis:	Defined acc to FSAN's definitions rules and regulations
Capital adequacy ratio:	Equity/related capital as % of risk-weighted calculation basis
Equity capital percentage:	Equity capital as a percentage of assets
Return on equity capital:	Ordinary net result as a % of average equity capital
Return on total assets:	Ordinary net resultat as a % of average assets
Costs as % of income:	Total op costs as a % of net interest- and other income
Net comms in default:	Total commitments in default minus specific loss provisions

To the Annual Shareholders' Meeting of Helgeland Sparebank

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Helgeland Sparebank, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements for of group comprise the balance sheet as at 31 December 2011, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obrain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relvant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the f financial position for the parent company and the group Helgeland Sparebank as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and Practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Mo i Rana, 2 March 2012
PricewaterhouseCoopers AS

Per Erik Pedersen
State Authorised Public Accountant (Norway)
Note: This translation from Norwegian has been prepared for information purposes only.

Responsibility Statement from the Boards of Directors and the CEO

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2010 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Mo i Rana, 1 March 2012

Bjørn Johansen
Chair

Thore Michalsen
Deputy chair

Gislaug Øygarden

Monica Skjellstad

Ove Brattbakk

May Heimdal
Staff's repr.

Jan Erik Furunes
CEO

REPORT FROM THE CONTROL COMMITTEE RELATING TO HELGELAND SPAREBANK'S ANNUAL FINANCIAL STATEMENT FOR 2011

In accordance with the Savings Banks Act paragraph 13 the Financing Act paragraph 3-11 and the directives for the Control Committee the following statement is hereby provided:

During 2011 the Control Committee has consisted of the following members:

Asle Bardal Financial Manager (chairman)
Heidi Dahl, Lawyer
Kåre Johan Åsli, Master of Sicience in Egineering
Asle Bardal resigned November 2011 due to conflicts of interest

The Control Committee held 4 meetings in 20011. At these meetings the Committee has checked that the Bank'ss operations have been conducted in accordance with the Savings Banks Acts rules and regulations contained in paragraphs 24-25 and 27 and according to the Financing Activities Act paragraph 2-15 and rule and regulations contained in the circular letter from the Financial Supervisory Authority of Norway as well as the Bank's by-laws.

The Control Committee has examined the Minutes of the Bank's Board of Directors and otherwise examined matters as stipulated by the directives contained in the Savings Bank's Act Financing Act and the Control Committees' directives.

The Control Committee has examined the Annual Report from the Board of Directors the Profit and Loss Account and Balance Sheet for 2011, as well as the Auditor's Report and has no comments to make in this connection. The Control Committee would like to recommend that the Profit and Loss Account and Balance Sheet are adopted as the Bank's accounts for 2011.

Mo i Rana 1. March 2012

HELGELAND SPAREBANK'S CONTROL COMMITTEE

Kåre Johan Åsli | Heidi Dahl

Elected representatives and senior management

Members of the Board of Trustees

Elected from the Bank's depositors

Deputy Chairman : Hofstad, Finn Ove
Drevland, Wenche
Solhaug, Sten Oddvar
Robertsen, Inger
Risøy, Torill
Vold, Laila Furu
Høyvik, Stig

Elected from the public sector:
Chairman: Bang, Grete
Henriksen, Kai

Elected from the Bank's PCC-holders:
Arntsberg, Frank
Wangerud, Asbjørn
Forbergskog, Brynjar
Svendsen, Tom
Frank, Høyen
Juel, Iver A.
Furunes, Nils Terje
Huser, Arne
Nybø, Svein G.
Jakobsen, Anne Paasche

Elected from the Bank's staff:
Johansen, Bente
Stamnes, Tore
Myran, Morten
Sund, Liv
Eliassen, Einar
Ditlefsen, Roger

Members of the Board of Directors:
Chairman: Johansen, Bjørn

Deputy Chairman: Michalsen, Thore

Other members of the Board of Directors:
Øygarden, Gislaug
Bratbak, Ove
Skjellstad, Monica
Heimdal, May

Members of the Control Committee:

Chairman Bardal, Asli to 05.11
Dahl, Heidi
Åsli, Kåre

Senior management and key personnel:
Furunes, Jan Erik, CEO
Flågeng, Lisbeth, DCEO
Heimstad, Dag Hugo, General Manager Region South
Strøm, Inger Lise, General Manager Corporate staff
Sætran, Geir, General Manager development
Ekroll, Anne, General Manager risk management
Krogli, Ann Karin, Personnel Manager